

PRELIMINARY OFFICIAL STATEMENT

New Issue--Book Entry Only

**Ratings: Moody's: Aa3
Standard & Poor's: AA-**

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the City, and assuming continuing compliance by the City with certain conditions imposed by the Internal Revenue Code of 1986, as amended, referred to herein under "TAX MATTERS," interest on the Warrants is presently excludable from gross income for federal income taxation under Section 103 of the Code, regulations and rulings of the Commissioner of Internal Revenue issued or pertinent thereunder, and court decisions heretofore rendered. Bond Counsel is also of the opinion that interest on the Warrants is exempt from Alabama income taxation. See "TAX MATTERS" herein.

\$32,000,000*
CITY OF FLORENCE, ALABAMA
GENERAL OBLIGATION WARRANTS
SERIES 2023

Dated the date of delivery

Due October 1, as shown below

The Warrants will constitute general obligations of the City of Florence to which the City will pledge its full faith and credit. Interest is payable on April 1 and October 1 of each year, first interest payable on October 1, 2023. The Warrants will be issued in fully registered form, without coupons, payable to the respective registered owners thereof or registered assigns, in the denomination of \$5,000 each or any integral multiple thereof for each maturity. The Warrants will be subject to optional and mandatory redemption as more fully described herein.

<u>Year of Maturity</u>	<u>Principal Maturing</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>Year of Maturity</u>	<u>Principal Maturing</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>
2023	\$405,000			2036	\$1,270,000		
2024	700,000			2037	1,335,000		
2025	735,000			2038	1,405,000		
2026	770,000			2039	1,480,000		
2027	810,000			2040	1,555,000		
2028	855,000			2041	1,635,000		
2029	895,000			2042	1,715,000		
2030	945,000			2043	1,805,000		
2031	990,000			2044	1,900,000		
2032	1,040,000			2045	1,995,000		
2033	1,095,000			2046	2,100,000		
2034	1,150,000			2047	2,205,000		
2035	1,210,000						

The Warrants are initially issuable as fully registered warrants without coupons in denominations of \$5,000 and any integral multiple thereof pursuant to a book-entry system to be administered by The Depository Trust Company, New York, New York (the "Securities Depository") and, when issued, will be registered in the name of and held by Cede & Co., as nominee for the Securities Depository. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry and all payments of principal of and interest on the Warrants will be made by Regions Bank National Association (the "Paying Agent"), to the Securities Depository for disbursement by the Securities Depository to the Direct Participants of the Securities Depository and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants, as more particularly provided in the Authorizing Ordinance and described herein. The Warrants are subject to the approval of the legality by Bradley Arant Boult Cummings LLP, Bond Counsel. It is expected that the Warrants in definitive form will be available for delivery on or about _____, 2023.

FRAZER LANIER

*Preliminary; subject to change

_____, 2023

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION AND AMENDMENT. The securities herein described may not be sold nor any offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

CITY OF FLORENCE, ALABAMA

Mayor and Council

Andrew Betterton, Mayor
William Jordan, Council President
Kaytrina P. Simmons
Bill Griffin
Michelle Rupe Eubanks
Blake Edwards
Jimmy Oliver

City Clerk

Robert Leyde

City Treasurer

Shana Balch

City Attorney

William T. Musgrove, III

UNDERWRITER

The Frazer Lanier Company Incorporated
Montgomery, Alabama

BOND COUNSEL

Bradley Arant Boult Cummings LLP
Birmingham, Alabama

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM SOURCES WHICH ARE CONSIDERED DEPENDABLE AND WHICH ARE CUSTOMARILY RELIED UPON IN THE PREPARATION OF SIMILAR OFFICIAL STATEMENTS, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE CITY OR THE UNDERWRITER. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE RELIABLE BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED. NO PERSON, INCLUDING ANY BROKER, DEALER OR SALESMAN, HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE WARRANTS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. ANY INFORMATION OR EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE AS TO THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITY TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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INTRODUCTION

This Official Statement of the City of Florence, Alabama (the "City"), including the cover page and appendices, is furnished in connection with the offering of the City's \$32,000,000* principal amount of General Obligation Warrants, Series 2023, dated the date of delivery (the "Warrants").

The Warrants are issued by the City under the authority of the Constitution and laws of the State of Alabama and pursuant to an ordinance duly adopted by the governing body of the City (the "Authorizing Ordinance"). The Warrants are issued for the purposes of acquiring, constructing, and equipping certain capital improvements within the City (the "Series 2023 Improvements"), and (2) pay issuance expenses

The Warrants constitute general obligations of the City for the payment of which the full faith and credit of the City are irrevocably pledged. An investment in the Warrants is subject to certain risks. See WARRANTHOLDER RISKS herein.

*Preliminary, subject to change

DEFINITIONS

For purposes of this Official Statement the following terms have the following meanings:

Authorized Denominations means the amount of \$5,000 and any integral multiple thereof for each maturity.

Authorizing Ordinance means the ordinance adopted by the City authorizing the issuance of the Warrants.

Beneficial Owners means the registered owners of beneficial interests in the Warrants.

Book-Entry System means a book-entry system of evidence of purchase and transfer of beneficial ownership interests in the Warrants.

Business Day means a day, other than a Saturday or a Sunday, on which commercial banking institutions are open for business in the state where the designated corporate office of the Paying Agent is located and a day on which the payment system of the Federal Reserve System is operational.

City refers to the City of Florence, an Alabama municipal corporation.

Code means the Internal Revenue Code of 1986, as amended, and all references to specific sections of the Code shall be deemed to include any and all respective successor provisions to such sections.

Direct Participant or Direct Participants means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions which have access to the Book-Entry System.

Government Obligations means direct general obligations of, or obligations the payment of which is unconditionally guaranteed by, the United States of America.

Fiscal Year means the period beginning on October 1 of one calendar year and ending on September 30 of the next succeeding calendar year or such other fiscal year as may hereafter be adopted by the City.

Indirect Participant or Indirect Participants means a broker, dealer, bank or other financial institution for which the Securities Depository holds the Warrants as securities depository through a Direct Participant.

Letter of Representation means and includes (i) the Letter of Representation with respect to the Warrants from the City to the Securities Depository; and (ii) any other or subsequent agreement by whatever name or identification with respect to the Warrants between said parties from time to time in effect.

Paying Agent means Regions Bank National Association or its successor, as paying agent, depository and registrar for the Warrants.

Qualified Investments means:

- (1) Government Obligations;
- (2) Money market funds customarily utilized by the Paying Agent for the investment of public funds, invested solely in Government Obligations and rated "AAm" or "AAm-G" or better by Standard & Poor's Rating Group; or
- (3) A certificate of deposit or time deposit issued by (i) the Paying Agent or (ii) any other bank organized under the laws of the United States of America or any state thereof with capital, surplus and undivided profits of not less than \$50,000,000, provided in each case such deposit is insured by the Federal Deposit Insurance Corporation or such deposit is collaterally secured by the issuing bank by pledging Government Obligations having a market value (exclusive of accrued interest) not less than the face amount of such certificate.

Record Date means, with respect to the Warrants, that date which is 15 calendar days before any date on which interest is due and payable on such Warrants.

Securities Depository means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Warrants.

Securities Depository Nominee means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Warrant Register the Warrants to be delivered to such Securities Depository during the period in which the Warrants are held pursuant to the Book-Entry System.

Warrants means the General Obligation Warrants, Series 2023, dated the date of delivery, offered hereby.

Warrant Fund means the fund by that name established for the Warrants pursuant to the Authorizing Ordinance.

Underwriter means The Frazer Lanier Company Incorporated, and its successors and assigns.

Warrant Register or Warrant Registrar means the register for the registration and transfer of the Warrants maintained by the Paying Agent for the City under the Authorizing Ordinance.

SPECIAL QUALIFICATIONS

Neither this Official Statement nor any statement herein should be construed as a contract with the registered owners of the Warrants. All estimates, whether or not so stated, are not to be construed as representations that they will be realized.

Whenever in this Official Statement a contract, indenture, ordinance, resolution or other document or official act is referred to or summarized, such reference or summary is qualified by the exact terms of the document or official act so referred to or summarized, each such document or official act being an item of public record.

The City has furnished all information in this Official Statement relating to the City and has obtained all other information from sources which are considered reliable and which are customarily relied upon in the preparation of similar official statements.

DESCRIPTION OF THE WARRANTS

General

The Warrants will be issued in fully registered form, without coupons, payable to the respective registered owners thereof, or registered assigns, in denominations of \$5,000 each or any integral multiple thereof for each maturity, and shall be numbered for identification as determined by the Securities Depository hereinafter defined. The Warrants are dated the date of delivery, and will mature, subject to prior optional redemption in the principal amounts and on the dates all as set forth on the cover page of this Official Statement. Interest, at the per annum rates set forth on the cover page hereof, will be payable on April 1 and October 1 in each year, first interest payable on October 1, 2023. The principal of (premium, if any) and interest on the Warrants shall be payable in lawful money of the United States of America, without deduction for exchange, fees, or expenses, by Regions Bank National Association (the "Paying Agent"). The principal of and premium (if any) on the Warrants is payable only upon presentation and surrender of the Warrants at the designated office of the Paying Agent.

The Warrants are initially issued in denominations of \$5,000 or any integral multiple thereof pursuant to a book-entry system to be administered by The Depository Trust Company, New York, New York (the "Securities Depository") and registered in the name of and held by Cede & Co., as nominee of the Securities Depository. During the period in which Cede & Co. is the registered owner of the Warrants, purchases and transfers of ownership of beneficial interests in the Warrants will be evidenced by book-entry only and all payments of principal of and interest on the Warrants will be made by the Paying Agent to Cede & Co. (as registered owner) for the Securities Depository for disbursement by the Securities Depository to the Direct Participants of the Securities Depository and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Participants) to the owners of beneficial interests in the Warrants (the "Beneficial Owners"), as more particularly provided in the Authorizing Ordinance and described herein under "Book-Entry System." In the event the book-entry only system for the Warrants is discontinued, Warrants in certificated form in authorized denominations will be physically distributed to the owners of the beneficial interests in the Warrants, the Warrants will

be registered in the names of the owners thereof on the registration books of the Paying Agent pertaining thereto, the Paying Agent shall make payments of principal of and interest on the Warrants to the registered owners thereof as provided in the Warrants and the Authorizing Ordinance, and as described herein under "Discontinuation of Book-Entry System," and the provisions of the Warrants and of the Authorizing Ordinance with respect to registration, transfer and exchange of Warrants by the registered owners thereof shall apply.

Authority for Issuance

The Warrants are issued by the City under authority of the Constitution and laws of the State of Alabama, including particularly Section 11-47-2 of the CODE OF ALABAMA 1975, as amended, and pursuant to the Authorizing Ordinance.

Optional Redemption

The Warrants having stated maturities on October 1, 20____ and thereafter shall be subject to prior redemption in whole or in part, at the option of the City, and in such order and amount of maturities as the City shall determine, on _____, 2022, or on any date thereafter, at a redemption price for each Warrant (or principal portion thereof) redeemed equal to the principal amount thereof to be redeemed, plus accrued interest to the date fixed for redemption, without premium or penalty.

Notice; Selection

If the Book-Entry System is in effect, then redemption shall be made as herein described under the Book-Entry Only System and in accordance with the provisions of the Letter of Representation, the procedures of the Book-Entry System and the Authorizing Ordinance. If less than all of the Warrants at the time outstanding are optionally redeemed at the time the Book-Entry System is not in effect, then any redemption shall be in such amount and order of maturities as the City shall determine in its sole discretion. In the event that less than all of the principal of a maturity is to be redeemed, the Paying Agent shall assign a number to each \$5,000 principal portion of all of the Warrants of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Warrants of such maturity to be redeemed. Notice of any intended redemption shall be given by United States registered or certified mail not less than 30 days prior to the proposed redemption date to the registered owner of each Warrant, all or a portion of the principal of which is to be redeemed, at the address thereof as it last appears on the registration books of the Paying Agent pertaining to the Warrants. Notice having been so given and payment of the redemption price duly made or provided, Warrants (or portions thereof) so called for redemption shall cease to bear interest from and after the redemption date unless default is made in the payment of the redemption price.

SOURCE OF PAYMENT; SECURITY

The Warrants are general obligations of the City for the payment of which the full faith and credit of the City are irrevocably pledged. An investment in the Warrants is subject to certain risks. See WARRANTHOLDER RISKS herein.

SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the Warrants are as follows:

SOURCES

Principal Amount
Net Original Issue Premium

TOTAL SOURCES

USES

Series 2023 Improvements
Issuance Expenses (including underwriter's discount)

TOTAL USES

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, Inc. have assigned underlying ratings of "Aa3" and "AA-" to the Warrants, based upon the independent assessments of the City's ability to pay the Warrants without municipal bond insurance or other forms of supplemental credit enhancement. Any explanation as to the significance of the above ratings may be obtained only from the provider of such rating. The above ratings are not a recommendation to buy, sell or hold the Warrants and such rating may be subject to revision or withdrawal at any time. Any downward revision or withdrawal of any or all of such rating may have an adverse effect on the market price of the affected Warrants.

Each rating on the Warrants reflects that rating agency's current assessment of the creditworthiness of the City and its ability to repay the Warrants. Any further explanation as to the significance of a rating set forth on the cover may be obtained only from that rating agency.

The ratings are not a recommendation to buy, sell or hold the Warrants, and either or both such ratings may be subject to revision or withdrawal at any time by either rating agency. Any downward revision or withdrawal of either or both ratings may have an adverse effect on the market price of the affected Warrants.

SUMMARY OF AUTHORIZING ORDINANCE

The following, together with information contained elsewhere in this Official Statement, is a brief description of the Authorizing Ordinance. Such description does not purport to be comprehensive or definitive; all references herein to the Authorizing Ordinance are qualified in their entirety by reference to such document, copies of which are available at the office of the City Clerk of the City; and all references to the Warrants are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto included in the Authorizing Ordinance.

Warrant Fund

For the purpose of providing for the payment of the Warrants, the City has created a special fund designated the "Warrant Fund" (the "Warrant Fund"), which shall be held in trust by the Paying Agent and shall be continued until the Warrants shall have been paid in full or provision for such payment duly made as set forth hereinafter.

On or before _____, and on or before the 25th day of each February and August thereafter, to and including _____, the City shall deposit into the Warrant Fund an amount equal to the interest coming due on the Warrants on the next ensuing interest payment date (April 1 and October 1), the first such interest payment date being October 1, 2023.

On or before _____ and on or before the 25th day of each July thereafter, to and including _____, the City shall deposit into the Warrant Fund an amount equal to the principal on the Warrants maturing on the next ensuing principal payment date (October 1), the first such principal payment date being _____.

The moneys so paid into the Warrant Fund shall be used solely for payment of the principal of, premium, if any, and interest on the Warrants as the same mature and come due. All amounts deposited in the Warrant Fund shall be applied to the payment of principal of and interest on the Warrants within thirteen (13) months from the date of such deposit, and all amounts received from the investment of moneys in said Fund shall be applied to the payment of principal of and interest on the Warrants within twelve (12) months from the date of receipt of such investment income.

Investment of and Security for Warrant Fund

The City may cause any money on deposit in the Warrant Fund, not then needed for the payment of principal of, premium, if any, or interest on the Warrants to be invested or reinvested by the Paying Agent, to the extent then permitted by law as a proper investment of funds of the City, in Qualified Investments. All such investments must mature or be subject to redemption at the option of the holder on or prior to the respective date or dates when cash funds will be required. All income and all profits realized on the investment of moneys in the Warrant Fund shall be and remain a part of such Fund, and any losses resulting from liquidation of such investments shall be charged to the Warrant Fund.

The Paying Agent shall at all times keep the moneys on deposit with it in said Fund continuously secured for the benefit of the City and the registered owners of the Warrants either (a) by holding on deposit as collateral security Government Obligations having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in said Fund or (b) if the furnishing of security in the manner provided in the foregoing clause (a) is not permitted by the then applicable laws and regulations, then in such manner as may be required or permitted by the applicable State and Federal laws and regulations respecting the security for or granting a preference in the case of the deposit of public trust funds; provided, however, that it shall not be necessary for the Paying Agent so to secure any portion of the moneys on deposit in such Fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions or any portion of the moneys on deposit that may be invested as provided above.

Provision for Payment of Warrants

The Warrants shall be deemed fully paid if the City shall have filed with the Paying Agent a fully executed copy of an irrevocable trust agreement between the City and a banking institution with a

designated office in the State of Alabama making provision for the retirement of the Warrants then outstanding, which trust agreement shall create a trust fund which shall consist of: (a) Government Obligations which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient so to provide for payment and retirement of all outstanding Warrants; (b) both cash and Government Obligations , which together will produce funds sufficient for such purpose; or (c) cash sufficient for such purpose.

Authorizing Ordinance a Contract

The terms, conditions and provisions set forth in the Authorizing Ordinance shall constitute a contract between the registered owners from time to time of the Warrants and the City, and shall remain in effect until the principal of, premium, if any, and interest on the Warrants shall have been paid in full, or until payment shall have been provided as set forth in the paragraph entitled "Provision for Payment of Warrants."

THE CITY

The City of Florence incorporated on January 27, 1826 and is the Lauderdale county seat. Lauderdale County was founded on February 6, 1818. Florence currently has a census population of 40,184 and is located on the north bank of the Tennessee River in the northwest corner of the State of Alabama. Florence has easy access to some of the largest business and cultural centers in the region as it is located approximately 120 miles southwest of Nashville, Tennessee, 147 miles east of Memphis, Tennessee, 67 miles west of Huntsville, Alabama and 125 miles north of Birmingham, Alabama.

The Tennessee River constitutes the southern boundary of Lauderdale County and the northern boundary of Colbert County and Lawrence County, both of which are contiguous to Lauderdale County. Colbert County has an area of approximately 589 square miles. Its three principal cities are Sheffield, Tuscumbia and Muscle Shoals which are contiguous to each other and are directly south of Florence across the Tennessee River. Such cities had a combined 2010 population of 30,608 and a 2020 population of 34,732. Florence, Sheffield, Tuscumbia and Muscle Shoals are sometimes referred to as the "Quadcities."

Florence's close proximity to excellent water transportation facilities and several electric power-providing dams has supported its growth. For example, Wilson Lock and Dam, turned over to the Tennessee Valley Authority in 1933 as its first hydroelectric installation, is adjacent to the City. Nearly a mile long, it has the highest single-lift navigational lock in the world and has been designated a national historical landmark by the United States Department of the Interior. Lake Wilson, also adjacent to the City, provides a range of water sports including fishing, sailing, and water-skiing. The Tennessee River, which is navigable to the Ohio and Mississippi Rivers, as well as northeastward to Knoxville, Tennessee, has a riverside park that also provides a full range of recreational facilities. The Tennessee River also plays an important commercial role in Florence. The Tennessee-Tombigbee Waterway has substantially reduced the inland waterway system distance from Florence to Mobile, Alabama. In addition, a thirty-six hole Robert Trent Jones Golf Trail facility is located across the Tennessee River in Colbert County. In short summary, Florence and its nearby areas have ready access to approximately 1,200 miles of river and lake shoreline that is used for many commercial, industrial and recreational pursuits.

Debt Information

The general obligation long term indebtedness of City outstanding after the issuance of the Warrants is as follows:

The Warrants (last maturity October 1, 2048)	\$32,000,000
General Obligation Warrants, Series 2021 dated (September 29, 2021) (last maturity Sept. 1, 2048)	13,860,000
General Obligation Taxable Warrants, Series 2020 dated March 19, 2020 (last maturity August 1, 2033)	11,730,000
General Obligation Warrants, Series 2013-B, dated August 1, 2013 (last maturity August 1, 2024)	\$2,610,000
General Obligation Warrants, Series 2012, dated July 1, 2012 (last maturity October 1, 2023)	<u>\$5,895,000</u>
TOTAL	\$66,095,000

The City is also obligated under a Lease Agreement with The Public Building Authority of the City of Florence, Alabama (the "PBA") to pay the debt service on the PBA's Series 2021 Bonds, which were issued on October 14, 2021 in the original principal amount of \$41,385,000 (last maturity October 1, 2046).

Debt Service Requirements

Debt Service requirements on the City's general obligation indebtedness and its lease payment obligation to the PBA's Series 2023 Bonds described above, are as follows:

GENERAL OBLIGATION AND PBA LEASE INDEBTEDNESS													
Year													
Ending	Series 2023	Warrants	PBA Series 2021		Series 2021	Warrants	Series 2020 Warrants		Series 2013-B Warrants		Series 2012 Warrants		
Sept. 30	Principal [1]	Interest [2]	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2023			\$1,005,000	\$1,397,400		\$448,200	\$195,000	\$257,739	\$870,000	\$64,075	\$3,020,000	\$99,475	\$7,356,889
2024	\$405,000	\$1,856,542	1,050,000	1,357,200	\$345,000	448,200	200,000	254,228	895,000	35,800			6,846,970
2025	700,000	1,562,250	1,090,000	1,315,200	360,000	434,400	1,135,000	250,510					6,847,360
2026	735,000	1,526,375	1,135,000	1,271,600	375,000	420,000	1,160,000	229,069					6,852,044
2027	770,000	1,488,750	1,190,000	1,214,850	390,000	405,000	1,185,000	206,206					6,849,806
2028	810,000	1,449,250	1,250,000	1,155,350	405,000	389,400	1,205,000	181,427					6,845,427
2029	855,000	1,407,625	1,310,000	1,092,850	420,000	373,200	1,235,000	155,351					6,849,026
2030	895,000	1,363,875	1,375,000	1,027,350	440,000	356,400	1,260,000	127,391					6,845,016
2031	945,000	1,317,875	1,445,000	958,600	455,000	338,800	1,290,000	97,604					6,847,879
2032	990,000	1,269,500	1,520,000	886,350	475,000	320,600	1,320,000	66,464					6,847,914
2033	1,040,000	1,218,750	1,595,000	810,350	495,000	301,600	1,350,000	33,939					6,844,639
2034	1,095,000	1,165,375	1,675,000	730,600	510,000	281,800							5,457,775
2035	1,150,000	1,109,250	1,760,000	646,850	535,000	261,400							5,462,500
2036	1,210,000	1,050,250	1,830,000	576,450	555,000	240,000							5,461,700
2037	1,270,000	988,250	1,900,000	503,250	575,000	217,800							5,454,300
2038	1,335,000	923,125	1,945,000	460,500	595,000	200,550							5,459,175
2039	1,405,000	854,625	1,990,000	416,738	610,000	182,700							5,459,063
2040	1,480,000	782,500	2,035,000	371,963	630,000	164,400							5,463,863
2041	1,555,000	706,625	2,080,000	326,175	650,000	145,500							5,463,300
2042	1,635,000	626,875	2,125,000	279,375	670,000	126,000							5,462,250
2043	1,715,000	543,125	2,180,000	226,250	685,000	109,250							5,458,625
2044	1,805,000	455,125	2,235,000	171,750	700,000	92,125							5,459,000
2045	1,900,000	362,500	2,290,000	115,875	720,000	74,625							5,463,000
2046	1,995,000	265,125	2,345,000	58,625	735,000	56,625							5,455,375
2047	2,100,000	162,750			755,000	38,250							3,056,000
2048	2,205,000	55,125			775,000	19,375							3,054,500
TOTAL	\$32,000,000	\$24,511,417	\$40,355,000	\$17,371,501	\$13,860,000	\$6,446,200	\$11,535,000	\$1,859,928	\$1,765,000	\$99,875	\$3,020,000	\$99,475	\$152,923,396

[1] Preliminary, subject to change

[2] Preliminary, based on assumed rates

Economic Development

The City is considering the approval of a Project Development Agreement under Amendment No. 772 to the Alabama Constitution for the development of an approximately 13 acre commercial/residential mixed use project in the City. Pursuant to the Project Development Agreement, the City will rebate approximately 50% of the vertical tax growth at the project to the developer each year for a period of 30 years.

Annexation of Lauderdale County Agricultural Authority Property

The City is considering the annexation of certain property upon which the Lauderdale County Agricultural Authority is supposed to develop an arena and event center. The City will develop and provide infrastructure and City services to such property. However, pursuant to the enabling legislation for such authority, the Authority is exempt from all municipal planning and zoning ordinances, and is further exempt from all state, county, and City municipal sales and use and ad valorem taxes.

Pension and Deferred Compensation Plans and Postretirement Benefits Plan

The City's pension and deferred compensation plans are described in Note 14 on Page 67 of the financial statement attached hereto as Appendix B. Unlike a lot of municipalities in Alabama which participate in the Employees' Retirement System of Alabama (ERSA), the City utilizes a single-employer defined benefit pension plan. As of October 1, 2019, the plan was 70.20% funded and the annual pension

cost to the City was \$6,194,223. The net pension liability was \$36,382,760. A Schedule of Changes in the Net Pension Liability is available on page 86 of the attached financial statement.

The City's postretirement benefits plan is described in Note 15 on page 76 of the financial statement attached hereto as Appendix B. The City's current OPEB liability is \$15,534,664.

Compensated Absences

The City has recorded a liability for accrued employee compensated absences which will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Electricity, Gas, Water and Wastewater, and Solid Waste enterprise funds; and the Library. The estimated current balance of such liability is approximately \$3,375,681. See Note 1, Page 49 of the attached financial statement.

Landfill Closure and Post-closure Care Costs

State and federal laws and regulations require the City to perform certain ongoing maintenance for approximately thirty years once a site stops accepting waste. The City has as of September 30, 2018 recorded landfill closure and post-closure care costs of \$1,733,220 among the liabilities. See Note 16 on Page 79 of the financial statement attached hereto as Appendix B.

Constitutional Debt Limitation

The Constitution of Alabama provides that cities having a population of six thousand or more may not become indebted in an amount in excess of twenty percent (20%) of the assessed value of the property situated therein. The total assessed value of the property in the City (including motor vehicles) as assessed for City taxation as of October 1, 2022, is not less than \$654,119,157. Consequently, the constitutional debt limitation applicable to the City is not less than \$130,823,831.

The Constitution of Alabama excepts from the debt limit several categories of indebtedness, including: (i) temporary loans, to be paid in one year, made in anticipation of the collection of taxes and not exceeding one-fourth of the general revenues; (ii) bonds or other obligations already issued, or which may hereafter be issued, for the purpose of acquiring, providing or constructing school houses, waterworks and sewers; and (iii) obligations incurred and bonds issued for street or sidewalk improvements, where the costs of the same, in whole or in part, is to be assessed against the property abutting said improvements. Future borrowing by the City for the purpose of acquiring, providing or constructing school houses, waterworks and sewers will not reduce the current unused constitutional debt capacity. The constitutional debt capacity of the City will increase or decrease with any increase or decrease in the assessed value of taxable property in the City.

Current Borrowing Capacity

Net Assessed Value (Oct. 1, 2022)	\$654,119,157
Debt Limit (20% of Net Assessed Value)	\$130,823,831
Outstanding Chargeable Debt [1]	66,095,000
Current Borrowing Capacity	64,728,831
Debt Per Capita (2018 est pop.: 40,428)	

[1] Does not include the PBA's Series 2021 Warrants and liabilities of the City for compensated absences, net pension liability, and OPEB liability.

Governmental Funds

The City's draft statement of revenues, expenditures, and changes in fund balance for fiscal year 2022 is attached hereto as Exhibit C. The City's budget for fiscal year 2023 is attached hereto as Exhibit D. The Statement of Revenues, Expenditures and Changes in total Governmental Fund Balances for the City, extracted from its audited financial statements, for the fiscal years indicated, has been as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Revenues</i>					
Taxes	\$69,422,297	\$63,342,050	\$56,356,884	\$50,201,516	\$48,562,912
License/Permits	3,779,854	3,701,774	3,699,075	3,857,130	4,361,466
Fines/Forfeitures	858,483	1,058,565	1,367,222	1,276,061	1,290,455
Charges for Services	2,046,128	1,521,956	1,628,383	1,369,268	1,946,892
Intergovernmental	3,257,580	6,221,219	2,963,596	3,661,084	2,941,324
Interest Revenues	83,334	239,405	284,327	262,772	156,112
Other	1,607,263	514,742	602,161	817,868	688,733
<i>Total Revenues</i>	81,054,939	75,599,711	66,901,747	61,445,699	59,947,894
<i>Expenditures</i>					
General Administration	6,737,275	6,765,020	6,262,381	6,121,605	6,054,843
Public Safety	22,250,393	22,243,618	20,796,603	19,187,645	19,281,110
Public Works	5,880,236	6,038,157	5,594,192	5,359,997	5,350,495
Culture and Recreation	8,560,113	7,448,750	7,705,180	7,539,828	7,588,990
Other	2,769,077	2,077,324	1,961,980	2,351,373	2,064,859
Education	14,968,662	13,505,294	12,795,334	12,343,715	11,904,236
Capital Outlay and Improvements	12,900,742	6,241,465	6,546,933	5,529,735	3,834,821
Principal Payments	3,818,240	4,818,301	3,391,970	3,802,195	4,007,713
Interest and Fiscal Charges	1,586,322	1,025,489	1,263,268	1,441,692	1,577,831
<i>Total Expenditures</i>	79,471,060	70,163,418	63,677,785	61,664,898	61,979,041
<i>Excess (deficiency) of Revenues Over Expenditures</i>	1,583,879	5,436,293	583,906	(2,232,086)	(1,717,004)
<i>Other Financing Sources (Uses)</i>					
Transfers In	19,713,623	15,608,353	13,987,651	16,727,681	15,138,461
Proceeds from Issuance of Debt	55,604,533	--	--	--	--
Premium on Issuance of Debt	5,414,316	--	--	--	--
Transfers Out	(19,713,623)	(15,608,353)	(13,987,651)	(16,727,681)	(15,138,461)
<i>Total Other Financing Sources (Uses)</i>	61,018,849	--	--	--	--
<i>Net Change in Fund Balances</i>	62,602,728	6,169,547	583,906	(2,232,086)	(1,717,004)
<i>Fund Balances - Beginning</i>	27,243,140	21,073,593	20,489,687	22,721,773	24,438,777
<i>Fund Balance – Ending</i>	\$89,845,868	\$27,243,140	\$21,073,593	\$20,489,687	\$22,721,773

Primary Sources of Revenues

The City levies and collects the following taxes:

Sales and Use Tax

The City recently increased its sales and use taxes rate by 1.00% from 3.50% to 4.50%, effective November 1, 2019. 63% of the collections are deposited in the City's General Fund, 15% of the collections are deposited in the City's Capital Project Fund, and the remaining 22% of such collections are donated to the City Board of Education of the City of Florence for public school purposes.

The historical amount of sales and use taxes collections by the City at the 3.50% rate and deposited in the City's General Fund (exclusive of the Capital Project Fund and City Board of Education deductions), have been as follows for the years indicated:

<u>Fiscal Year</u>	<u>Actual Collections</u>
2022 (unaudited)	\$53,204,431
2021	49,425,049
2020	42,856,106
2019	38,353,534
2018	32,838,977

The rate increase effective November 1, 2019 will increase actual collections on an annual basis by approximately 28%. For fiscal year 2019, the increase in actual collections will be approximately 16% over fiscal year 2018, as the increase will have only been in effect for 7 months of fiscal year 2019. If the new rate had been in effect for all of each of the past 5 fiscal years, collections deposited in the General Fund are projected to have been as follows:

<u>Fiscal Year</u>	<u>Projected Collections</u>
2022 (unaudited)	\$56,154,208
2021	49,425,049
2020	42,856,106
2019	42,383,352
2018	42,033,891

Source: The City

Tobacco Taxes

Effective April 1, 1989 the City increased its tobacco tax from 2 cents to 6 cents per package of cigarettes, and from 1 cent to 4 cents per cigar and added a new tax of 6 cents per individual package or container of chewing tobacco, snuff, loose smoke tobacco or any other non-specific tobacco product. The amount of tobacco tax proceeds has been as follows for the fiscal years indicated:

<u>Fiscal Year</u>	<u>Amount Collected</u>
2022 (unaudited)	\$189,195
2021	220,081
2020	207,396
2019	216,790
2018	220,453

Source: The City

Gasoline Taxes

The City levies a 2 cents per gallon local gasoline tax. The amount of local gasoline proceeds has been as follows for the fiscal years indicated:

<u>Fiscal Year</u>	<u>Amount Collected</u>
2022 (unaudited)	\$468,517
2021	434,154
2020	441,078
2019	485,788
2018	437,751

Source: The City

[1] The City also receives a portion of certain gasoline taxes levied by the State of Alabama. Such gasoline tax proceeds must be segregated from General Fund moneys and may only be used for road improvements.

Business License Fee

The City levies, under general authority granted by the Legislature of the State of Alabama, a business license fee on the privilege of engaging in certain businesses and professions within the corporate limits of the City. Businesses and professions are charged a fee based on a flat rate schedule. There are certain limitations with respect to the rate at which certain businesses located within the corporate limits of the City, including banks and insurance companies, are charged and references to the Code of Alabama highlight those licensing rates. The business license fee is collected by the City's Revenue Department. Collections of the City's Business License Fee have been as follows for the fiscal years indicated:

<u>Fiscal Year</u>	<u>Amount Collected</u>
2022 (unaudited)	\$3,665,152
2021	3,406,118
2020	3,373,283
2019	3,355,168
2018	3,360,102

Source: The City

Real Property Tax

Real property taxes are generally collected and received by municipalities by April 1 of each fiscal year. Collections of real property tax in the City have been as follows for the fiscal years indicated:

<u>Fiscal Year</u>	<u>Amount Collected</u>
2022 (unaudited)	\$ 7,188,511
2021	6,165,469
2020	6,240,099
2019	5,415,050
2018	5,239,608

Source: The City

[1] Does not include property taxes on motor vehicles.

The above noted tax collections include certain City ad valorem taxes earmarked for use by the City Board of Education.

Tax Equivalent Payments

The City's General Fund receives certain tax equivalent payments from the City's Housing Authority, Electric Department, Gas Department, Water and Sewer Department of the City of Florence and from the Tennessee Valley Authority. The City's Enterprise Funds are described in the Financial Statement attached hereto as Appendix B. The amounts received by the City's General Fund have been as follows for the fiscal years indicated:

<u>Fiscal Year</u>	<u>Amount Collected</u>
2022 (unaudited)	\$6,451,574
2021	6,438,285
2020	6,598,915
2019	6,551,876
2018	6,550,233

Source: The City

Liquor, Beer and Wine Tax

The amount of liquor, beer and wine tax proceeds have been as follows for the following fiscal years:

<u>Fiscal Year</u>	<u>Amount Collected</u>
2022 (unaudited)	\$1,237,474
2021	1,213,698
2020	1,094,995
2019	1,076,986
2018	1,040,402

Source: The City

Utilities Water, Gas, Electric and Sewer Systems

Florence Utilities, a component of the City, provide water, gas, electric, and sewer services to City residents and other residents in Lauderdale County. The approximate total number of customers in Lauderdale County, including the City, for each of the fiscal years indicated has been as follows:

<u>Year</u>	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
2022	15,589	51,257	26,690	17,518
2021	15,490	50,892	26,465	17,397
2020	15,348	50,288	26,101	17,130
2019	15,319	49,953	25,920	17,070
2018	15,280	49,562	25,714	16,962

Source: The City

Population

The population of the State of Alabama, City of Florence, the Quad Cities, Lauderdale County and Lauderdale-Colbert has been as follows:

Census Year	State of Alabama	City of Florence	Quad Cities	Lauderdale County	Lauderdale- Colbert
2020	5,024,279	40,184	74,916	93,564	150,791
2010	4,779,736	39,319	69,927	92,709	147,137
2000	4,447,100	36,264	65,696	87,966	142,950
1990	4,040,587	36,426	64,830	79,661	131,327

Source: U.S. Census Bureau, Population Division and Center for Business and Economic Research, The University of Alabama

Income Levels

There are two basic methods of measuring annual income (a) per capita income, which is the total income of all families and individuals in a given area divided by the total population of the area and (b) median family income above and below which there are an equal number of family incomes.

Per Capita. Per capita income levels have been as follows in the United States, State of Alabama, Lauderdale County and Florence-Muscle Shoals Metropolitan Area:

Year	United States	State of Alabama	Lauderdale County	Florence-Muscle Shoals MA
2016	49,870	39,224	35,202	35,604
2017	51,885	40,467	35,573	36,129
2018	54,446	42,238	37,151	37,608
2019	56,490	44,145	38,758	39,102
2020	59,510	46,479	40,729	41,181

*The Florence-Muscle Shoals Metropolitan Statistical Area, commonly known as The Shoals, is comprised of Lauderdale and Colbert Counties, the City of Florence, the City of Muscle Shoals, the City of Sheffield and the City of Tuscumbia.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Median Family Income. Median family income has been as follows in the United States, State of Alabama, Lauderdale County and Florence-Muscle Shoals Metropolitan area:

Year	United States	State of Alabama	Lauderdale County	Florence-Muscle Shoals MA
2018	\$71,900	\$60,200	\$57,500	\$57,500
2019	75,500	63,500	66,200	66,200
2020	78,500	65,300	64,200	64,200
2021	79,900	66,700	64,500	64,500
2022	90,000	73,600	68,200	68,200

¹The United States Census Bureau estimates that the 2020 median household income in Florence was \$39,735, in Lauderdale County was \$50,218 and in the State of Alabama as a whole was \$53,913.

Source: United States Census Bureau, 2020-2021 American Community Survey, 1-Year Estimates Subject Tables

Poverty

The following table sets forth the number of poor and the poverty rate for the United States, the State of Alabama, Lauderdale County, City of Florence and Florence-Muscle Shoals MA:

	United States	State of Alabama	City of Florence	Lauderdale County	Florence-Muscle Shoals MA
Number of Poor	41,393,176	794,326	7,624	15,696	26,039
Poverty Rate	12.8%	16.1%	19.6%	17.0%	17.4%

U.S. Census Bureau, 2021 American Community Survey, 1-Year Estimates Subject Tables

Employment in the Florence-Muscle Shoals MSA. According to the Shoals Economic Development Authority, the following are the major employers in the area. These figures have not been independently verified for accuracy and are subject to change at any time.

Major Employers in Florence-Muscle Shoals, AL MSA

Colbert County

North American Lighting	Automotive Lighting Fixtures	1,250
Constellium	Aluminum Can Sheet, Other Common Alloy Products	1,200
Helen Keller Hospital	Health Care	1,150
Essity	“Away-From-Home Paper Products”	505
Tennessee Valley Authority	Power Company	500
Northwest Shoals Community College	Education	452
Walmart Corporation	Department Store	431
Shoals Hospital	Health Care	400
Colbert County School System	Education	315
DURA Automotive	EV Battery Trays	313
Muscle Shoals City School System	Education	258
Tuscumbia City School System	Education	164

Lauderdale County and City of Florence

North Alabama Regional Medical Center	Health Care	1,100
Wal-Mart Corporation	Department Store	940
Lauderdale County Schools	Education	902
University of North Alabama	Education	900
City of Florence	Government	800
Florence City School System	Education	434
Southwire Company	Insulated Copper Wiring	409
American Wholesale Books Co.	Book Distributor	365
Gemstone	Protein Processor	255
Tarkett Alabama	Floor Tile	250
Thacker Casket Manufacturing, Inc.	Burial Caskets	247
Marriot Shoals Hotel & Spa	Hotel	240

Major Manufacturing Employers in Florence-Muscle Shoals, AL MSA

Colbert County

North American Lighting	Automotive Lighting Fixtures	1,250
Constellium	Aluminum Can Sheet and Other Common Alloy Products	1,200
Essity	Away-from-Home Paper Products	505
DURA Automotive	EV Battery Trays	313
Flexco	Vinyl Flooring	212
Whitesell Corporation	Fasteners	204
E.S. Robbins	Plastics and Vinyl	161
Firestone Building Products	Roofing Membranes	152
Great Southern Wood	Treated Lumber	150
Project XYZ	Automotive Lighting Fixtures	115
Bigbee Steel Buildings	Pre-engineered Steel Buildings	94
McVantage Packaging LLC	Wood Containers/Pallets	93
Mid-South/Central Extrusion Die	Extrusion Dies and Tooling	79
Cherokee Nitrogen	Nitrate Fertilizer, Ammonia Nitrate	75

Lauderdale County

Southwire Company	Insulated Copper Electrical Wire	409
Gemstone	Protein Processor	255
Tarkett Alabama, Inc.	Vinyl Flooring	250
Thacker Casket Manufacturing, Inc.	Burial Caskets	247
Monarch Ceramic Tile, Inc.	Porcelain Wall Tile	217
TNT Fireworks	Fireworks Distributor	160
Kith Kitchens	Custom Kitchen Cabinet Manufacturer	150
TASUS	Automotive Parts	142
Shoals Tubular, Inc.	Air Conditioning Manifolds/Headers	137
Southeastern Extrusion & Tool, Inc.	Precision Tool and Die	123

Source: Shoals Economic Development Authority, October 2022.

Unemployment Rate

The unemployment rates in the United States, the State of Alabama, Lauderdale County and Florence-Muscle Shoals Metropolitan Area have historically been as follows for the periods shown:

	United	State of	City of	Lauderdale	Florence-
Year	States	Alabama	Florence	County	Muscle Shoals MA
2017	4.4%	4.5%	4.7%	4.7%	5.0%
2018	3.9	3.9	4.2	4.2	4.3
2019	3.7	3.2	3.4	3.5	3.6
2020	8.1	6.5	6.8	6.2	6.6
2021	5.3	3.4	3.2	3.2	3.5
2022*	3.8	2.9	3.0	2.9	3.1

*Preliminary estimates. As of August 2022.

Source: Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on a 2021 benchmark.

Labor Force Estimates. The following table sets forth information respecting the civilian labor force for the City of Florence, Lauderdale County and the Florence-Muscle Shoals Metropolitan Area:

City of Florence

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2017	18,279	17,421	858	4.7%
2018	18,721	17,941	780	4.2
2019	18,929	18,282	647	3.4
2020	18,894	17,618	1,276	6.8
2021	18,535	17,935	600	3.2
2022*	18,943	18,380	563	3.0

Lauderdale County

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2017	42,539	40,520	2,019	4.7%
2018	42,848	41,068	1,780	4.2
2019	43,111	41,623	1,488	3.5
2020	42,649	40,026	2,623	6.2
2021	42,080	40,745	1,335	3.2
2022*	43,023	41,757	1,266	2.9

Florence-Muscle Shoals Metropolitan Area

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2017	66,064	62,793	3,271	5.0%
2018	66,645	63,780	2,865	4.3
2019	67,190	64,754	2,436	3.6
2020	66,545	62,179	4,366	6.6
2021	66,540	63,269	2,271	3.5
2022*	66,910	64,838	2,072	3.1

*Preliminary estimates. As of August 2022.

Source: Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on a 2020 benchmark.

General Housing Characteristics

The following table presents general housing characteristics for housing units in the State of Alabama, the City of Florence, Lauderdale County and the Florence-Muscle Shoals MSA for the period shown:

Median Value. The following table sets forth the median value of owner-occupied housing units for the State of Alabama, City of Florence, Lauderdale County and the Florence-Muscle Shoals MA:

	State of Alabama	City of Florence	Lauderdale County	Florence- Muscle Shoals MA
Average Value	\$172,800	\$142,000	\$175,300	\$156,200

Composition of Housing Units. The following tables set forth certain information concerning housing in the State of Alabama, City of Florence, Lauderdale County and the Florence-Muscle Shoals MA:

	State of Alabama	City of Florence	Lauderdale County	Florence- Muscle Shoals MA
Occupied Housing Units				
Renter	589,627	8,654	12,650	17,287
Owner	<u>1,377,932</u>	<u>8,839</u>	<u>25,600</u>	<u>44,205</u>
Total	1,967,559	17,493	38,250	61,492
Unoccupied Housing Units	<u>346,057</u>	<u>2,878</u>	<u>6,471</u>	<u>11,113</u>
Total Housing Units	2,313,616	18,371	44,721	72,605
	State of Alabama	City of Florence	Lauderdale County	Florence- Muscle Shoals MA
Family Households	1,271,383	9,357	25,551	39,368
Non-Family Households	<u>696,176</u>	<u>8,136</u>	<u>12,699</u>	<u>22,124</u>
Total Households	1,967,559	17,493	38,250	61,492
Mobile Home or Trailer	285,402	385	3,672	5,839

U.S. Census Bureau, 2021 American Community Survey, 1-Year Estimates Data Profiles

Educational Attainments

The percentage of the population of the age of 25 or older who have completed high school is as follows for the years shown:

Year	State of Alabama	Lauderdale County	City of Florence
2021	87.9%	87.9%	87.7%
2010	81.4	82.9	84.2
2000	75.3	76.4	78.3
1990	66.9	67.9	70.2

The U.S. Census Bureau reports that for year 2020, 27.8% of Florence residents had completed college or higher, compared to 27.4% of Alabama residents and 20.8% of Lauderdale County residents.

Source: U.S. Census Bureau, American Community Survey, 1- Year Estimates Subject Tables

Utilities

The City provides electric, water, sewer and gas services to City residents.

University of North Alabama

The University of North Alabama, formerly known as Florence State Teachers College, occupies a beautiful campus of approximately 97 acres in the heart of the City. The enrollment has increased from 500 in 1945, to 3,500 in 1971, to 7,100 in 2013, and to 7,457 in 2017. This university was established as a State Normal in 1872, the first of its kind in the South. A state-supported university, University of North Alabama today offers a variety of relevant academic programs through its five schools: Arts and Sciences, Business, Education, Nursing and Allied Health Sciences, and Graduate Studies. Day and evening classes are offered for the convenience of all segments of the community.

Medical Facilities

Florence is the medical center for northwest Alabama. The City has historically been served by the Eliza Coffee Memorial Hospital, however such facility has been replaced by the new \$250 million North Alabama Medical Center which opened in 2018. The new hospital has approximately 400 beds.

AD VALOREM TAXATION

General

The Constitution of Alabama of 1901 provides for the levy and collection of ad valorem taxes in Alabama by establishing the ratios at which property may be assessed, the millage rates that may be levied on property, and the amount of ad valorem taxes that may be collected in any year. During the 1970's two amendments to the Constitution of Alabama of 1901 substantially changed ad valorem taxation in Alabama. Because of future changes that could be made by the Alabama Legislature or pursuant to constitutional amendment, future collections of ad valorem taxes in Lauderdale County cannot be predicted with certainty. Amendment No. 373 to the Constitution of Alabama of 1901, the second of the two amendments referred to above, sets forth the assessment ratios, millage rates and the maximum amount of taxes collectable in any year currently in effect.

The 1978 Tax Amendment

Amendment No. 373 to the Constitution of Alabama of 1901 (approved at a statewide election on November 7, 1978; the "1978 Tax Amendment") provides that all taxable property in Alabama be classified and assessed in the following classifications and at the following ratios of assessed value and fair and reasonable market value (or, with respect to certain Class III property, at current use value) for purposes of State of Alabama and local taxation:

Class I	Property of utilities used in their business	30%
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Class II	Property not otherwise classified (generally, business or commercial property)	20%
Class III	Agricultural; forest; single-family, owner-occupied residential property; and historic buildings and sites	10%
Class IV	Private passenger automobiles and small trucks (pickups) for personal use and not for hire, rent or compensation	15%

As a result of federal regulations, railroads are now assessed at 15% of the fair and reasonable market value of their property and as a result of litigation certain other utilities are now assessed at 22.5% of the fair and reasonable value of their property.

The 1978 Amendment provides that Class III property shall, upon application by the owner of such property, be assessed "at the ratio of assessed value to the current use value" of such property and not the fair and reasonable market value of such property. Act No. 82-302 adopted at the 1982 Regular Session of the Alabama Legislature, implementing the 1978 Tax Amendment, defined "current use value" as the value of such property based on the use being made of it on October 1 of the preceding year, without considering "the prospective value such property might have if it were put to some other possible use". Act No. 82-302 established a standard valuation formula for uniform use statewide by which the current use value of Class III properties could be ascertained and thereby provided for a different method of determining current use values than that used by tax assessors pursuant to directives issued by the State Department of Revenue prior to the passage of Act No. 82-302. The impact of Act No. 82-302 was and will continue to be negative and adverse.

The 1978 Tax Amendment further provides that in the event the use of property qualifying for current use valuation changes additional taxes for the three prior fiscal years will be collected equal to the difference between taxes paid on the current use valuation basis and taxes due on the fair and reasonable market value basis.

Variation of Assessment Ratios

The 1978 Tax Amendment provides that the governing body of any local taxing authority (but not the State of Alabama) may adjust (by increasing or decreasing) the ratio of assessed value of any Class I taxable property to its fair and reasonable market value or current use value provided that (1) said adjustment shall have been proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by majority vote of the qualified electors residing in the taxing authority; provided, however, that the adjusted assessment ratio applicable to each class of taxable property must be uniform within each local taxing authority, that no decrease in any assessment ratio may jeopardize the payment of any bonded indebtedness secured by any tax levied by the taxing authority decreasing said assessment ratio, and that no class of taxable property shall have an assessment ratio of less than 5% nor more than 35%. The State Legislature has no authority with respect to the adjustment of assessment ratios pertaining to local taxes except to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of Lauderdale County has not sought to make any adjustment in the assessment ratio applicable to any class of taxable property in Lauderdale County.

The Legislature has provided that no local taxing authority may adjust the assessment ratios of any class of taxable property except as follows:

(1) If the total assessed valuation of all property in one class exceeds 50% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential from the standard ratio of such class set forth above;

(2) if the total assessed valuation of all property in one class is less than 20% of the assessed valuation of all taxable property within the taxing authority, the assessment ratio with respect to that class of taxable property may be increased up to a maximum of 5% differential from the standard ratio for such class set forth above; or

(3) if the total assessed valuation of all property in one class constitutes more than 75% of the assessed valuation of all taxable property in the taxing authority, the assessment ratio with respect to that class of taxable property may be decreased up to a maximum of 5% differential, and the ratio of properties in other classes of taxable property may be increased up to a maximum of 5% differential.

Millage Rate Adjustments

The 1978 Tax Amendment provides that each local taxing authority may decrease any ad valorem tax rate at any time, provided such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax.

The 1978 Tax Amendment provides that each local taxing authority may increase the rate at which any ad valorem tax is levied by any such authority above the limit otherwise provided in the Constitution provided that the proposed increase shall have been (1) proposed by the governing body of the taxing authority after a public hearing on such proposal, (2) thereafter approved by an act of the Legislature, and (3) subsequently approved by a majority vote of the qualified electors residing in the taxing authority.

Limitation on Ad Valorem Taxation

The 1978 Tax Amendment limits the total amount of ad valorem taxes payable to the State and to all counties and municipalities and other taxing authorities, with respect to any item of taxable property, and in any one ad valorem tax year, to the following respective percentages of the fair and reasonable market value of such property:

Class I -	2.00%
Class II -	1.50%
Class III -	1.00%
Class IV -	1.25%

In the event the total ad valorem tax otherwise payable by any taxpayer with respect to any item of taxable property exceeds the maximum tax limit set forth above, the county tax collector is required by the 1978 Tax Amendment to reduce the rate of each separate tax in proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all taxing authorities.

Exemptions

The 1978 Tax Amendment exempts from all ad valorem taxation the real and personal property of the State, all counties and municipalities, and property devoted exclusively to religious, educational or charitable purposes, household and kitchen furniture, all farm tractors, all farming implements when used exclusively in connection with agricultural property and all stocks of goods, wares and merchandise.

Homestead Exemption

Act No. 82-789 enacted at the 1982 Second Special Session of the State Legislature increased the State ad valorem tax homestead exemption to \$4,000 and provided that local taxing authorities, including Lauderdale County, were permitted to increase the then current \$2,000 homestead exemption against county taxes to not more than \$4,000 of assessed value for any year and to extend the homestead exemption to school district ad valorem taxes. The Lauderdale County Commission has provided for varying homestead exemptions in the County based on the classifications provided in Act No. 82-789.

Ad Valorem Tax Assessment and Collection

Ad valorem taxes on taxable property except motor vehicles and public utility properties are assessed and collected by the Tax Collector of Lauderdale County. Ad valorem taxes on motor vehicles in the County are assessed and collected by the Department of Revenue of Lauderdale County and ad valorem taxes on public utility and railroad properties are assessed by the State Department of Revenue and collected by the State and the Tax Collector. Ad valorem taxes become due and payable on October 1 of each year following the October 1 as of which they are assessed and become delinquent after the next succeeding December 31.

Ad Valorem Taxes Levied in the City of Florence

The following ad valorem taxes are currently being levied on all taxable property in the City of Florence by the following taxing authorities at the following rates (in mills):

State of Alabama	6.5
Lauderdale County (General)	7.0
Road and Bridge	3.5
Lauderdale County Jail	0.8
Countywide School Tax	7.0
District 2 (City School System) Tax	11.0
City of Florence (General)	7.0
City of Florence (School Tax)	<u>7.0</u>
 TOTAL TAX RATE	 49.8

Source: Tax Assessor of Lauderdale County.

Assessed Valuations

The following table sets forth, for the years indicated, the net assessed value of the taxable properties in the City during the tax years 2018 through 2022, based on net assessed value:

Years Ended September 30	Motor Vehicles	All Property Other Than Motor Vehicles	Total
2017	\$52,133,700	\$388,478,420	\$440,612,120
2018	48,104,060	398,688,920	446,792,980
2019	47,999,840	436,315,520	484,315,360
2020	50,169,974	468,877,680	519,047,654
2021	54,169,694	523,350,640	577,520,334
2022	59,346,137	594,773,020	654,119,157

Source: Lauderdale County Office of Revenue Commissioner; Lauderdale County License Commissioner

Assessed Value by Property Classification

The following chart reflects, for the tax year that ended September 30, 2022 (that is, the year for which the taxes became due and payable on October 1, 2022, and delinquent on January 1, 2023), the appropriate division of net assessed valuation of property in the City by classification:

	Property Classification	Assessed Valuation
Class I	Utilities	\$ 1,446,320
Class II	All Property Not Otherwise Classified	516,158,800
Class III	All Agricultural, Forest and Single Family Owner Occupied Residential Property and Historic Building and Sites	184,542,520
Class IV	Private Passenger Automobiles and Trucks for Personal Use	<u>59,346,137</u>
	Less Exemptions	107,690,740
	Plus Penalties	316,120
	TOTAL	<u>\$654,119,157</u>

Principal Ad Valorem Taxpayers

The following table indicates the ten (10) largest ad valorem taxpayers in the City for the tax year for which taxes became due and payable on October 1, 2022:

Taxpayer	Total Assessed Value	State, County and Municipal Ad Valorem Taxes Paid
RCHP – Florence LLC	\$40,968,300	\$286,778
Wal-Mart Rea Estate Business Trust	6,593,020	46,151
H/S Florence, LLC	5,338,240	37,367
Guardian Tax AI, LLC	4,315,900	30,211
Brink Apartments, LLC	4,289,260	30,024
Florence Enterprises, LLC	3,796,960	26,578
Domco, Inc., Floor Products (Alabama)	3,680,160	25,761
Monarch Ceramic Tiles, Inc., 4MS	3,546,180	24,823
Hensley-Thompson Properties, LLC	3,449,220	24,144
Monarch Ceramic Tiles, Inc., Mohawk Industries	3,371,120	23,597
Hensley-Graves Properties LLC	3,152,600	22,068

Source: Lauderdale County Office of Revenue Commissioner

BOOK-ENTRY SYSTEM

Portions of the following information concerning The Depository Trust Company ("DTC") and DTC's book-entry system have been obtained from DTC. The City and the Underwriter make no representation as to the accuracy of such information. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

Initially, DTC will act as securities depository for the Warrants. The Warrants initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, one fully-registered bond certificate for each maturity will be issued for the Warrants, in the aggregate principal amount of the Warrants of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Trusteeing Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, trustees, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, trustees, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. So long as the Warrants are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Warrants.

Purchases of the Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Warrants on DTC's records. The ownership interest of each actual purchaser of each Warrant ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Warrants are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Warrants, except in the event that use of the book-entry system for the Warrants is discontinued.

To facilitate subsequent transfers, all the Warrants deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Warrants with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Warrants; DTC's records reflect only the identity of the Direct Participants to whose accounts such Warrants are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

As long as the book-entry system is used for the Warrants, redemption notices will be sent to DTC. If less than all of the Warrants within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

As long as the book-entry system is used for the Warrants, principal, premium, if any, and interest payments on the Warrants will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City subject to any statutory or

regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent or the City and disbursement of such payments to the Participants or the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Warrants unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Warrants are credited on the record date (identified in a listing attached to the Omnibus Proxy).

DTC may discontinue providing its services as securities depository with respect to the Warrants at any time by giving reasonable notice to the Paying Agent or the City. In addition, the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City and the Paying Agent will have no responsibility or obligation to any securities depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the securities depository or any Participant; (ii) the payment by the securities depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption or purchase price of, or interest on, any of the Warrants; (iii) the delivery of any notice by the securities depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Warrants; or (v) any other action taken by the securities depository or any Participant.

LITIGATION

There is not now pending or threatened any litigation restraining, enjoining or in any manner questioning or affecting: the creation, organization or existence of the City; the title of the present members of the City Council or other officers of the City to their respective offices; the validity of the Warrants; or the proceedings and authority under which the Warrants are issued.

While there are several lawsuits pending against the City, the City does not believe that any such lawsuits, even if decided against the City, would materially impair its financial condition.

FEDERAL BANKRUPTCY CODE

The rights and remedies of the registered owners of the Warrants are subject to the provisions of Chapter 9 of Title 11 of the United States Code (Bankruptcy) which permits under certain specific circumstances a political subdivision of a state, such as the City, to file a petition for relief in the U. S. District Court for the district in which the political subdivision is located if it is insolvent or unable to meet its debts as they mature and desires to effect a plan to adjust its debts. Under the Bankruptcy Code, the filing of such a petition operates as an "automatic" stay of the commencement or the continuation of any judicial or other proceeding against the petitioner, its property or any officer or inhabitant of the petitioner which seeks to enforce (a) any claim against the petitioner or (b) a lien arising out of any taxes

or assessments due to the petitioner or (c) any setoff or counterclaim relating to a contract debt or obligation of the petitioner. Chapter 9 also permits a political subdivision that files such a petition to issue, with the approval of the Court, certificates of indebtedness having priority over pre-existing obligations.

The Bankruptcy Code also contains a provision relating to the post-petition effect of a security interest in tax revenues of the debtor. This provision is incorporated by reference into Chapter 9. The effect of this provision on tax revenues to be received by a political subdivision such as the City is unclear; however, this provision arguably would release or terminate a valid pledge of such tax revenues once a petition is filed.

Purchasers of the Warrants should assume that existing Alabama statutes authorize the City to file a petition for relief under Chapter 9 of Title 11, United States Code.

TORT LIABILITY

Municipalities in Alabama may be liable for damages for injuries to persons and property resulting from their negligence in the performance of governmental functions.

The Legislature of Alabama during its 1977 Regular Session enacted Act No. 673 (Sections 11-93-1 et seq. of the CODE OF ALABAMA 1975) which prescribed and established monetary limits payable on claims and judgments based on tort liability, filed or obtained against governmental entities, including municipalities. This act limits recovery of damages from a governmental entity to \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence. The Act also limits recovery of damages to \$100,000 per property owner for damage or loss of property arising out of any single occurrence. Bond Counsel expresses no opinion as to the constitutionality or legality of said Act.

LEGAL MATTERS

The legality and validity of the Warrants are being approved by Bradley Arant Boult Cummings LLP, Bond Counsel, whose approving opinion will be delivered with the Warrants. A copy of the proposed opinion of Bond Counsel is attached to this Official Statement as Appendix A. The legal opinion to be delivered concurrently with the delivery of the Warrants expresses the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

WARRANTHOLDER RISKS

General. In making a decision whether to purchase the Warrants, potential investors should consider certain risks and investment considerations which could affect the ability of the City to pay debt service on the Warrants in a timely manner and which could affect the marketability of or the market price for the Warrants. These risks and investment considerations are discussed throughout this Official

Statement. The discussion herein is not intended to be a comprehensive or exhaustive compilation of all possible risks and investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. Each prospective investor of Warrants should read this Official Statement in its entirety, including the appendices hereto, carefully, and should consult such prospective investor's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when evaluating an investment such as the Warrants. Each prospective investor should carefully examine his, her, or its own financial condition in order to make a judgment as to his, her, or its ability to bear the risk of an investment in the Warrants.

Factors that could affect the City's ability to pay its general obligation indebtedness are impossible to fully predict, but include among other things, changes or negative trends in the local, national, and/or international economies, employment, population, inflation, wages, demographics, property values, retail sales, catastrophes, casualties, natural disasters, and domestic and international conflicts.

Cyberattack Vulnerability. The City, like many entities and public bodies, is vulnerable and increasingly subject to cyberattack crimes. While many people are aware of this risk, entities with multiple network users are by definition impossible to fully protect. It is possible that the City will be attacked and have little or no ability to recover its information, if at all, without substantial financial cost.

The City experienced a cyberattack in June, 2020. The City expended approximately \$400,000, exclusive of personnel costs, to respond to and recover from the attack. The City has subsequently purchased a network security liability insurance policy with a \$1 million per claim limit and an annual aggregate limit of \$1 million, with a \$50,000 deductible per claim. See page 80 of the attached financial statement.

Covid-19 Considerations. As has been widely reported, the worldwide coronavirus pandemic ("Covid-19") is presently ongoing in the United States and in many other areas of the world. Indirect effects of the pandemic – such as the nationwide economic slowdown, the volatility in the financial market, various business closures and quarantining or "shelter in place" initiatives enacted in an effort to combat the spread of the virus – could have a material adverse impact on the City and surrounding areas. Because of timing issues, certain economic and demographic information pertaining to the City and the surrounding area may not reflect or fully reflect the effects of Covid-19 on income and employment levels. The City cannot at this time predict all of the current and eventually the ultimate impact of Covid-19 on the City.

TAX MATTERS

General

In the opinion of Bradley Arant Boult Cummings LLP, Bond Counsel to the City, assuming continuing compliance by the City with certain conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Warrants will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Warrants will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the minimum tax imposed by Section 55 of the Code. In rendering its opinion, Bond Counsel to the City has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Warrants, and Bond Counsel to the City has assumed compliance with certain ongoing covenants

to comply with applicable requirements of the Code to assure the exclusion of interest on the Warrants from gross income under Section 103(a) of the Code.

Interest on the Warrants will not be an item of tax preference for purposes of the federal alternative minimum tax. However, as a result of amendments to the Internal Revenue Code enacted pursuant to the Inflation Reduction Act of 2022, interest on the Warrants may be taken into account for purposes of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code on “applicable corporations,” as defined in Section 59(k) of the Internal Revenue Code.

Bond Counsel to the City expresses no opinion regarding any other federal or state tax consequences with respect to the Warrants. Bond Counsel to the City renders its opinions under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel to the City expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Warrants.

Bond Counsel to the City is also of the opinion that interest on the Warrants is exempt from present state income taxation under the laws of the State of Alabama as enacted and construed on the date of issuance of the Warrants.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Warrants. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Warrant. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Warrants.

Prospective owners of the Warrants should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes. Interest on the Warrants may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Post-Issuance Compliance

The tax-exempt status of the Warrants could be affected by post-issuance events. Various requirements of the Code must be observed or satisfied after the issuance of the Warrants in order for such interest to remain excludable from gross income of the holders thereof. These requirements include restrictions on use of the proceeds of the Warrants, use of the facilities financed by the Warrants, investment of proceeds of the Warrants, and the rebate of so-called excess arbitrage earnings. The City is primarily responsible for such compliance, and a failure to comply could result in the inclusion of interest on the Warrants in gross income retroactive to the date of issuance of the Warrants.

Likewise, the Internal Revenue Service (the “IRS”) conducts an audit program to examine compliance with the requirements applicable to tax-exempt obligations. If the Warrants become the

subject of an audit, under current IRS procedures, the City would be treated as the taxpayer in the initial stages of an audit, and the owners of the Warrants would have limited rights to participate in the audit process. The initiation of an audit with respect to the Warrants could adversely affect the market value and liquidity of the Warrants, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Warrants do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Warrants.

Future Legislation

Current and future legislative proposals, if enacted into law, may cause interest on the Warrants to be subject, directly or indirectly, to federal income taxation or otherwise prevent beneficial owners of the Warrants from realizing the full benefit of the current tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Warrants. Neither the Warrants nor the ordinance authorizing the issuance of the Warrants contains any provision for an increase in the rate of interest applicable to the Warrants or for the mandatory redemption of the Warrants, in the event the interest thereon should become includable in gross income for federal income taxation after their date of issuance. Prospective purchasers of the Warrants should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel to the City expresses no opinion.

No Mandatory Redemption due to Event of Taxability of the Warrants

The Authorizing Ordinance does not provide for mandatory redemption of the Warrants or payment of any additional interest or penalty if a determination is made that the Warrants do not comply with the existing requirements of the Code or if a subsequent change in law adversely affects the tax-exempt status of the Warrants or the economic benefit of investing in the Warrants.

Original Issue Premium

The initial public offering prices of certain of the Warrants (the "Original Issue Premium Warrants") is greater than the principal amounts thereof. Under existing law, any owner who has purchased an Original Issue Premium Warrant in the initial public offering of the Warrants is required to reduce his basis in such Original Issue Premium Warrants by the amount of premium allocable to periods during which he holds such Original Issue Premium Warrants, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Warrants should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Premium Warrants and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Warrants.

Not Bank Qualified

The City has not designated the Warrants as "qualified tax-exempt obligations." The Warrants are not "bank-qualified."

UNDERWRITER

The Frazer Lanier Company Incorporated has purchased the Warrants from the City for a purchase price of \$_____ (representing the par amount of the Warrants less an underwriting discount of \$_____ and plus a net original issue premium of \$_____).

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the City has agreed in the Authorizing Ordinance to provide, or cause to be provided to the Municipal Securities Rulemaking City ("MSRB") in an electronic format prescribed by the MSRB,

(i) audited financial statements for the fiscal year ending on the proceeding September 30, will be available to the MSRB on or before March 31 in each calendar year;

(ii) within ten Business Days after the occurrence of a reportable event, notice of the occurrence of any of the following events with respect to the Warrants: (a) principal and interest payments delinquencies, (b) non-payment related defaults, (c) unscheduled draws on debt service reserves reflecting financial difficulties, (d) unscheduled draws on credit enhancements reflecting financial difficulties, (e) substitution of credit or liquidity providers or their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Warrants, (g) modifications to rights of holders of the Warrants, (h) calls for redemption, (i) defeasances, (j) release, substitution or sale of property securing repayment of the Warrants, (k) rating changes, if any are then in effect, (l) bankruptcy, insolvency, receivership or similar events, (m) merger, consolidation, acquisition or sale of assets involving an obligated party, (n) appointment of a successor or additional paying agent or the change of name of a paying agent, (o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material, and (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation, any of which reflect financial difficulties.

(iii) in a timely manner, notice of any failure by the City to provide any of the information in (i) and (ii) above on or before the date specified in its written continuing disclosure undertaking.

The City will reserve the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, provided that any such modification may be done only in a manner consistent with the Rule. The City will reserve the right to terminate its obligations to provide the annual operating information and financial information and Notices of material events, as set forth above, if and when the City no longer remains an "obligated person" with respect to the Warrants, within the meaning of the Rule. The City will, in the Authorizing Ordinance, acknowledge that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the registered owners of the Warrants and shall be enforceable by the holders of the Warrants; provided that such holders' rights to enforce the provisions of such undertaking shall be limited to a right to obtain specific enforcement of the City's obligations under the Authorizing Ordinance and any failure by the City to comply with the provisions of

such undertaking shall not be an event of default with respect to the Warrants and shall not subject the City to money damages in any amount, whether compensatory, penal or otherwise. The name, address and telephone number of the initial contact person at the City are as follows:

Shana Balch, or successor as City Treasurer
City of Florence, Alabama
PO Box 98
Florence AL 35631
Telephone: (256) 760-6640
Facsimile: (256) 740-4147
Email: sbalch@florenceal.org

Compliance With Prior Undertakings

The City may not always have been in compliance with its continuing disclosure obligations, having failed, among other things, to timely file certain of its financial statements and other information on the EMMA website and to file notice of that information and other information, even though the City filed its 2019 audit on March 31, 2020, its 2018 audit on March 29, 2019, its 2017 audit on March 14, 2018, its 2016 audit on March 31, 2017, its 2015 audit on March 31, 2016, and its 2014 audit on March 31, 2015.

APPENDICES

The Appendices of this Official Statement contain information concerning the City and the Warrants. Each such Appendix is an integral part of this Official Statement and should be read in its entirety. The Appendices include:

APPENDIX A - Proposed Form of Opinion of Bond Counsel
APPENDIX B - Audited Financial Statement

MISCELLANEOUS

Neither this Official Statement nor any statement herein should be construed as a contract with the registered owners of the Warrants. All estimates, whether or not so stated, are not to be construed as representations that they will be realized.

CITY OF FLORENCE, ALABAMA

By /s/ Andrew Betterton
Mayor

Appendix A

Proposed Form of Opinion of Bond Counsel

BRADLEY ARANT BOULT CUMMINGS LLP
1819 FIFTH AVENUE NORTH
BIRMINGHAM, ALABAMA 35203

[date]

Mayor and City Council
City of Florence, Alabama
Florence, Alabama

Ladies and Gentlemen:

We have examined certified copies of proceedings of the governing body of the City of Florence (the "City"), in the State of Alabama, and other documents submitted to us pertaining to the issuance of

\$32,000,000
CITY OF FLORENCE, ALABAMA
General Obligation Warrants
Series 2023
Dated the date of delivery

(the "Warrants"). The opinions hereinafter expressed are based upon our examination of the said proceedings and documents.

We are of the following opinion: that the Warrants are in due and legal form, have been validly authorized and issued pursuant to the applicable provisions of the constitution and laws of Alabama, and constitute valid orders on the treasurer of the City for the payment thereof as therein provided; that the indebtedness ordered paid by the Warrants is a valid general obligation of the City for the payment of the principal of and interest on which the City has validly and irrevocably pledged its full faith and credit; and that, under existing statutes, the interest on the Warrants is exempt from Alabama income taxation.

We are further of the opinion that under the Internal Revenue Code of 1986, as amended (the "Code"), as presently construed and administered, and assuming compliance by the County with the covenants set forth in the resolution and order of the County pursuant to which the Warrants are being issued with respect to certain requirements of federal tax law, the interest on the Warrants will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Code, and the interest on the Warrants will not be an item of tax preference included in alternative minimum taxable income for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code. We express no opinion with respect to the federal tax consequences of ownership of the Warrants under any other provision of the Code not referred to above.

We express no opinion regarding the accuracy, adequacy or completeness of the Official Statement of the City relating to the Warrants. Further, we express no opinion regarding tax consequences arising with respect to the Warrants other than as expressly set forth herein.

The rights of the holders of the Warrants and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Yours very truly,

Appendix B

Fiscal Year 2021 Audited Financial Statement







THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021

Our Mission

The mission of the city government of the City of Florence, Alabama, is to enhance the quality of life of the citizens of the city by:

-  **continuing to improve the governmental services presently provided to the citizens,**
-  **anticipating the requirements of the citizens in the area of municipal government,**
-  **meeting those requirements in a timely manner and at the lowest possible cost commensurate with the appropriate quality,**
-  **making Florence, in every way, as attractive as possible to present and to future citizens.**

CITY OF FLORENCE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

CITY OF FLORENCE, ALABAMA

CITY OFFICIALS

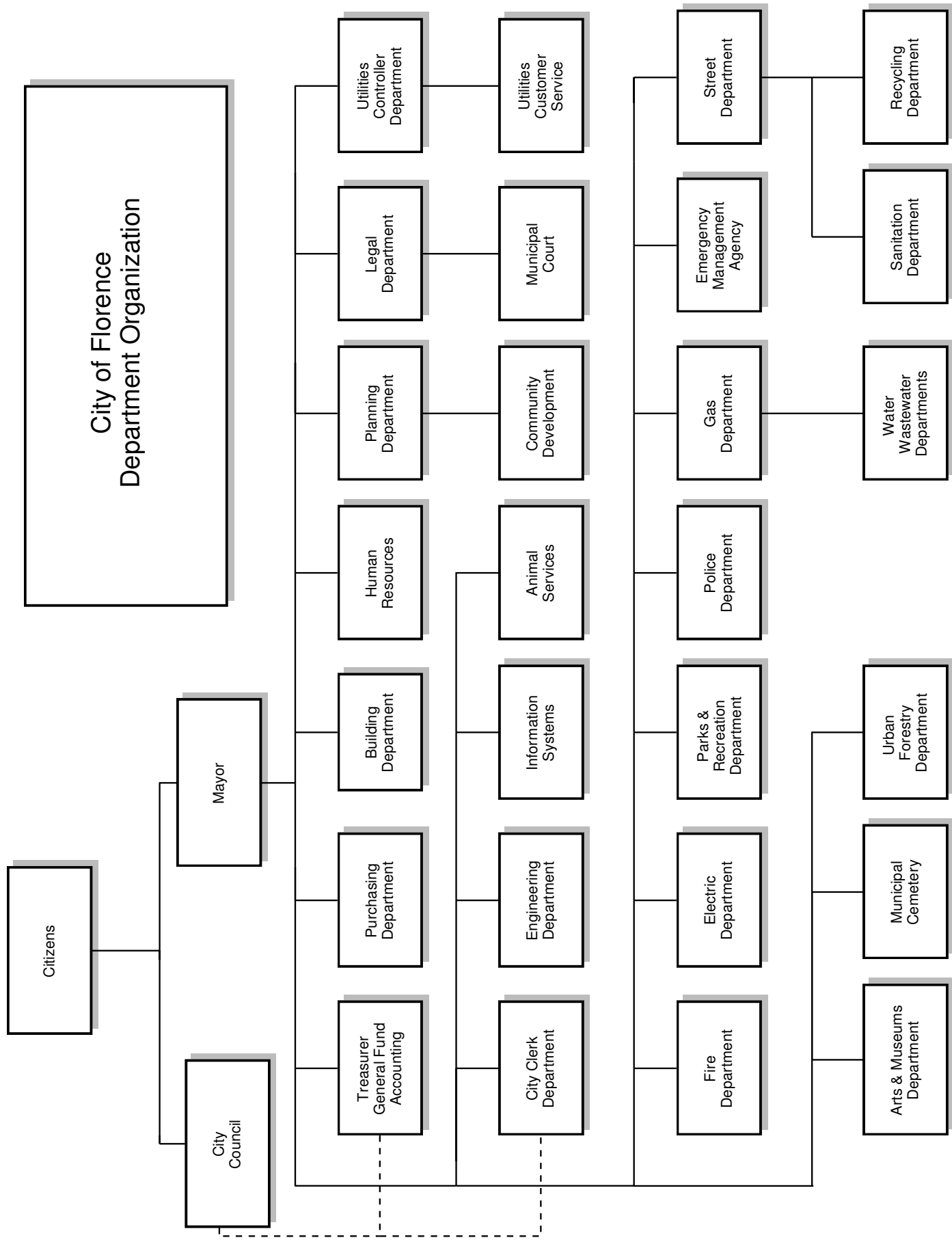
As of September 30, 2021

Elected Officials

Mayor	Andrew Betterton
Council Member—District 1	Kaytrina P. Simmons
Council Member—District 2	William D. Jordan, President
Council Member—District 3	Bill Griffin
Council Member—District 4	Michelle Rupe Eubanks
Council Member—District 5	Blake Edwards
Council Member—District 6	Jimmy Oliver

Department Heads

Treasurer/CFO	Shannon Olive
City Clerk	Robert M. Leyde
Attorney	William T. Musgrove, III
Building	Gary W. Williamson
Engineering	William B. Batson, III
Fire	Jeff Perkins
Information Systems	Steve Price
Parks and Recreation	Tina Kitchens
Human Resources Director	Keith Owsley
Planning	Melissa Bailey
Police	Ron Tyler
Purchasing	Ben Maharrey
Street, Solid Waste, and Recycling	David Koonce
Controller of Utilities	Mark Lovejoy
Electricity	Mary McDuffa
Gas and Water/Wastewater	Michael G. Doyle
Animal Services	Cheryl Jones



FINANCIAL SECTION



Charles L. Watkins, CPA
M. Buddy Johnsey, III, CPA

Member of
American Institute of CPA's
AICPA Private Companies
Practice Section
Alabama Society of CPA's

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Florence, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the City of Florence, Alabama Electricity, Gas, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 other required supplementary information on pages 4 through 27 and 85 through 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, on our consideration of the City of Florence, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Florence, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, Alabama's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Watkins Johnsey Professional Group, P.C." in a cursive script.

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2022



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City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2021

As management of the City of Florence, Alabama ("City"), we offer readers of the City of Florence, Alabama's financial statements this narrative overview and analysis of the financial activities of the City of Florence, Alabama, for the fiscal year ended September 30, 2021. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplementary Information ("RSI") that is provided in addition to this MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements,
2. Fund financial statements,
3. Notes to the financial statements, and
4. Other supplementary information, which is in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or weakening.

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

The government-wide financial statements further assist the reader in their evaluation by distinguishing functions of the City into the following activities:

Governmental Activities that are principally supported by taxes and intergovernmental revenues, and *Business-Type Activities* that are intended to recover all or a significant portion of their costs through user fees and charges.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for most of the City's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides.

The year-end information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major funds is provided in the form of combining statements in the Supplementary Information section of this report.

Proprietary funds - Proprietary funds are used to report the business-type activities in the government-wide financial statements. The City uses Proprietary funds to account for its Electricity, Gas, Water and Wastewater, and Solid Waste departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The basis of accounting used for fiduciary funds is much like that used for proprietary funds.

Internal Service funds - Internal Service funds are used by the City for the administration of its self-insured Employee Group Health Insurance, General Liability Insurance, Workers' Compensation Insurance, and Employee Health and Wellness Center.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

Combining statements of the Non-major Governmental Funds and Internal Service Funds have been provided within the context of this report. Required Supplementary Information and Other Supplementary Schedules are also provided.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$338,715,320 (net position). Of this amount, \$32,420,580 is unrestricted net position. The City's net position includes \$118,491,785 from Governmental Activities and \$220,223,535 from Business-Type Activities, as reported on the Statement of Net Position.

By far the largest portion of the City's net position (83.29%) reflects its investment in capital assets (e. g., land, buildings, machinery and equipment, vehicles, infrastructure, etc.), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (7.13%) represents resources that are subject to internal and external restrictions on how they may be used as well as non-spendable assets and funds committed for a specific use. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities

The Governmental Activities of the City include General Government, Public Safety, Public Works, and Culture and Recreation. Sales taxes, property and franchise taxes, as well as business licenses and Municipal Court fines, fund most of these governmental activities.

Governmental revenues are those available for the City to use to pay for the governmental activities. The following table shows the City's governmental revenues, at the fund financial statement level:

Revenues – Governmental Funds

	Fiscal Year 2021		Fiscal Year 2020		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 52,511,137	64.78%	\$ 45,504,557	60.19%	15.40%
Property Taxes and Equivalents	13,300,088	16.41%	13,483,884	17.84%	-1.36%
Motor Fuel	1,294,185	1.60%	1,235,975	1.63%	4.71%
Alcoholic Beverages	1,266,888	1.56%	1,145,691	1.52%	10.58%
Other	1,049,999	1.30%	971,943	1.29%	8.03%
Licenses and Permits	3,779,854	4.66%	3,701,774	4.90%	2.11%
Court Fines and Forfeitures	858,483	1.06%	1,058,565	1.40%	-18.90%
Charges for Services	2,046,128	2.52%	1,521,956	2.01%	34.44%
Intergovernmental	3,257,580	4.02%	6,221,219	8.23%	-47.64%
Interest Revenues	83,334	0.10%	239,405	0.32%	-65.19%
Other	1,607,263	1.98%	514,742	0.68%	212.25%
Total	<u>\$ 81,054,939</u>	<u>100.00%</u>	<u>\$ 75,599,711</u>	<u>100.00%</u>	<u>7.22%</u>

Sales and Use taxes are the largest revenue source for the City comprising 64.78% of total governmental revenues. Sales, Use, and Lodging Tax revenues increased from fiscal year September 30, 2020 to September 30, 2021 by \$7,006,580 or 15.40%. Property taxes are the second largest revenue source for the City comprising 16.41% of governmental revenues. For the year ended September 30, 2021, taxes of real property inside the City limits produced revenues of \$6,165,469 while personal property taxes for the period were \$696,334. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,438,285.

The following shows the City's expenditures, at the fund financial statement level, related to those functions typically associated with governments. In the following table, General Government includes the following departments: City Council, Mayor, Urban Forestry, Purchasing, Legal, Planning, Building, Engineering, and other General Administration departments. Public Safety encompasses the Police, Fire, Municipal Court, Jail, and Animal Control departments. Public Works is made up of the Street and Cemetery departments, Municipal Lighting, and the City's parking deck facility. Culture and Recreation contains the City's parks, community recreation centers, and museums.

Expenditures – Governmental Funds

	Fiscal Year 2021		Fiscal Year 2020		Change
Current Operating					
General Administration	\$ 6,737,275	8.48%	\$ 6,765,020	9.64%	-0.41%
Public Safety	22,250,393	28.00%	22,243,618	31.70%	0.03%
Public Works	5,880,236	7.40%	6,038,157	8.61%	-2.62%
Culture and Recreation	8,560,113	10.77%	7,448,750	10.62%	14.92%
Other	2,769,077	3.48%	2,077,324	2.96%	33.30%
Education	14,968,662	18.84%	13,505,294	19.25%	10.84%
Capital Outlay and Improvements	12,900,742	16.23%	6,241,465	8.90%	106.69%
Debt Service					
Principal Payments	3,818,240	4.80%	4,818,301	6.87%	-20.76%
Interest and Fiscal Charges	1,586,322	2.00%	1,025,489	1.46%	54.69%
Total	<u>\$ 79,471,060</u>	<u>100.00%</u>	<u>\$ 70,163,418</u>	<u>100.00%</u>	<u>13.27%</u>

Analysis of the Governmental Funds

As of the end of the 2021 fiscal year, the City's governmental funds reported a combined ending fund balance of \$89,845,868. In the City's General Fund, the ending fund balance is \$20,887,781.

In September 2021, the City, in conjunction with the Public Building Authority, issued Public Building Authority Lease Revenue Bonds, Series 2021, in the amount of \$45,000,000. The funds from this arrangement will be used to construct a new Municipal Building with an attached parking deck. The current Municipal building was built in the 1950's and the cost to maintain has exceeded the usefulness of the current building.

The General Fund's fund balance is 29.69% of the fiscal year's final revenue budget. This balance is set aside for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions. In fiscal year 2003, the City Council adopted legislation establishing a minimum fund balance for the General Fund at 15.00% of the total General Fund's budgeted revenue. The current fund balance exceeds this required minimum by \$10,333,931 or 97.92%.

For fiscal year 2021, the General Fund's Net Position increased by \$619,181 for the current fiscal year. Other Governmental Fund's Net Position increased by \$16,983,547 for a combined increase of \$17,602,728, not including the PBA Lease Bond Fund. The increase in Other Governmental Funds is due primarily to the 2021 General Obligation Warrants issued to build a second parking deck.

Changes in Fund Balance – Governmental Funds

	Governmental Funds			
	General	Series 2021 PBA Lease Bond Fund	Other Governmental Funds	Total
Net Position-Beginning	\$ 20,268,600	\$ -	\$ 6,974,540	\$ 27,243,140
Net Position-Ending	20,887,781	45,000,000	23,958,087	\$ 89,845,868
Net Change in Net Position	<u>\$ 619,181</u>	<u>\$ 45,000,000</u>	<u>\$ 16,983,547</u>	<u>\$ 62,602,728</u>

Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2021	FY 2020	Variance	
			Dollars	Percent
Current Assets	\$ 74,987,442	\$ 46,064,637	\$ 28,922,805	62.79%
Restricted Assets	45,100,100	100,100	45,000,000	44955.04%
Capital Assets, Net	124,548,575	117,680,669	6,867,906	5.84%
Total Assets	<u>\$ 244,636,117</u>	<u>\$ 163,845,406</u>	<u>\$ 80,790,711</u>	<u>49.31%</u>
Deferred Outflows of Resources	\$ 11,350,814	\$ 9,375,493	\$ 1,975,321	21.07%
Current Liabilities	\$ 27,148,740	\$ 13,832,998	\$ 13,315,742	96.26%
Long-term Liabilities	107,750,739	45,477,967	62,272,772	136.93%
Total Liabilities	<u>\$ 134,899,479</u>	<u>\$ 59,310,965</u>	<u>\$ 75,588,514</u>	<u>127.44%</u>
Deferred Inflows of Resources	\$ 2,595,667	\$ 2,072,370	\$ 523,297	25.25%
Net Investment in				
Capital Assets	\$ 88,957,490	\$ 94,231,669	\$ (5,274,179)	-5.60%
Restricted	21,806,781	3,737,374	18,069,407	483.48%
Unrestricted	7,727,514	13,868,521	(6,141,007)	-44.28%
Total Net Position	<u>\$ 118,491,785</u>	<u>\$ 111,837,564</u>	<u>\$ 6,654,221</u>	<u>5.95%</u>

Changes in Net Position – Governmental Activities

Governmental Activities Changes in Net Position				
	FY 2021	FY 2020	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 52,511,137	\$ 45,504,557	\$ 7,006,580	15.40%
Property	13,300,087	13,483,884	(183,797)	-1.36%
Motor Fuel	1,294,185	1,235,975	58,210	4.71%
Alcoholic Beverages	1,266,888	1,145,691	121,197	10.58%
Other	1,049,999	971,943	78,056	8.03%
Interest Revenues	87,073	271,451	(184,378)	-67.92%
Gain on Disposal of Assets		44,258	(44,258)	-100.00%
Total General Revenues	<u>\$ 69,509,369</u>	<u>\$ 62,657,759</u>	<u>\$ 6,851,610</u>	<u>10.93%</u>
Program Revenues				
Charges for Services	\$ 8,179,334	\$ 7,969,873	\$ 209,461	2.63%
Operating Grants and Contributions	1,115,964	3,104,879	(1,988,915)	-64.06%
Capital Grants and Contributions	1,197,479	588,776	608,703	103.38%
Total Program Revenues	<u>\$ 10,492,777</u>	<u>\$ 11,663,528</u>	<u>\$ (1,170,751)</u>	<u>-10.04%</u>
Total Revenues	<u>\$ 80,002,146</u>	<u>\$ 74,321,287</u>	<u>\$ 5,680,859</u>	<u>7.64%</u>
Governmental Expenses				
General Administration	\$ 7,231,696	\$ 7,339,084	\$ (107,388)	-1.46%
Public Safety	23,820,669	23,434,192	386,477	1.65%
Public Works	6,242,258	6,368,261	(126,003)	-1.98%
Public Ways and Facilities	2,024,993	1,756,157	268,836	15.31%
Culture and Recreation	10,588,220	9,467,863	1,120,357	11.83%
Other	2,769,077	2,520,607	248,470	9.86%
Education—Funding for School District	14,968,662	13,505,294	1,463,368	10.84%
Interest and Fiscal Charges	1,527,799	926,441	601,358	64.91%
Total Expenses	<u>\$ 69,173,374</u>	<u>\$ 65,317,899</u>	<u>\$ 3,855,475</u>	<u>5.90%</u>
Change in Net Position	\$ 10,828,772	\$ 9,003,388	\$ 1,825,384	20.27%
Total Net Position-Beginning, as restated	<u>107,663,013</u>	<u>102,834,564</u>	<u>4,828,449</u>	<u>4.70%</u>
Total Net Position-Ending	<u>\$ 118,491,785</u>	<u>\$ 111,837,952</u>	<u>\$ 6,653,833</u>	<u>5.95%</u>

Business-Type Activities

The Business-Type Activities of the City are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Electricity, Gas, Water and Wastewater, and Solid Waste departments are reported here.

Financial Highlights – Electricity, Gas, and Water Departments (Florence Utilities)

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$3.3 million or 4%; Gas increased \$0.9 million or 2.1%; Water and Wastewater increased \$2.4 million or 2.8%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$1.3 million or 1.4%; Gas increased \$0.2 million or 0.5%; Water and Wastewater decreased \$2.5 million or 2.3%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity decreased \$1.7 million or 1.4%; Gas increased \$1.5 million or 11.3%; Water and Wastewater increased \$72,300 or 0.4%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$2 million or 1.6%; Gas increased \$0.7 million or 5.5%; Water and Wastewater increased \$0.5 million or 2.8%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity decreased about \$59,300 or 22.9%; Gas decreased about \$77,900 or 50.6%; Water and Wastewater decreased about \$160,600 or 82.8%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$43,500 or 19.7%; Gas remained at zero; Water and Wastewater increased \$21,300 or 1.6%.

Electricity Department

The Electricity Department's net position increased from last year by \$3,293,555 or about 4.0%. The summaries below focus on the Electricity Department's net position and changes in net position during the years presented.

Electricity Department Statements of Net Position

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 38,978,014	\$ 35,691,914	\$ 3,286,100	9.21%
Capital Assets, Net	90,896,809	89,612,068	1,284,741	1.43%
Other Noncurrent Assets	1,302,264	2,145,682	(843,418)	-39.31%
Total Assets	<u>\$ 131,177,087</u>	<u>\$ 127,449,664</u>	<u>\$ 3,727,423</u>	<u>2.92%</u>
Deferred Outflows of Resources	\$ 5,908,775	\$ 4,707,069	\$ 1,201,706	25.53%
Current Liabilities	\$ 27,385,201	\$ 26,436,922	\$ 948,279	3.59%
Noncurrent Liabilities	22,205,103	21,785,553	419,550	1.93%
Total Liabilities	<u>\$ 49,590,304</u>	<u>\$ 48,222,475</u>	<u>\$ 1,367,829</u>	<u>2.84%</u>
Deferred Inflows of Resources	\$ 1,416,215	\$ 1,148,470	\$ 267,745	23.31%
Net Investment in Capital Assets	\$ 85,318,297	\$ 83,643,256	\$ 1,675,041	2.00%
Restricted for Debt Service	606,641	948,213	(341,572)	-36.02%
Unrestricted	154,405	(1,805,681)	1,960,086	-108.55%
Total Net Position	<u>\$ 86,079,343</u>	<u>\$ 82,785,788</u>	<u>\$ 3,293,555</u>	<u>3.98%</u>

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

As the table below indicates, operating revenues decreased approximately \$1.7 million or about 1.4% from FY 2020. Cost of sales decreased by approximately \$3.2 million or about 3.5%. During FY 2021, TVA had twelve rate changes to its distributors under its Total Monthly Fuel Cost Adjustment provisions. Florence Utilities passed these rate changes along to our customers. Our corresponding rate changes were revenue neutral for us. The Electricity Department experienced an approximate 0.7% decrease in kilowatt-hours sold in FY 2021 compared to FY 2020. Operations expenses for FY 2021 were extremely close to FY 2020. Maintenance Costs increased approximately \$1 million or 14.1% due mainly to tree trimming expenses. The Electricity Department experienced a decrease in nonoperating revenues of \$59,261 or 22.9% and a decrease in nonoperating expenses by \$43,540 or about 19.7%.

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

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 120,442,151</u>	<u>\$ 122,177,564</u>	<u>\$ (1,735,413)</u>	<u>-1.42%</u>
Operating Expenses				
Cost of Sales	\$ 88,374,245	\$ 91,591,557	\$ (3,217,312)	-3.51%
Operations	10,408,651	10,413,582	(4,931)	-0.05%
Maintenance	8,438,239	7,395,911	1,042,328	14.09%
Depreciation	6,052,194	5,785,622	266,572	4.61%
Taxes and Tax Equivalents	<u>3,896,809</u>	<u>3,937,755</u>	<u>(40,946)</u>	<u>-1.04%</u>
Total Operating Expenses	<u>\$ 117,170,138</u>	<u>\$ 119,124,427</u>	<u>\$ (1,954,289)</u>	<u>-1.64%</u>
Operating Income	<u>\$ 3,272,013</u>	<u>\$ 3,053,137</u>	<u>\$ 218,876</u>	<u>-7.17%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 199,297	\$ 258,558	\$ (59,261)	-22.92%
Nonoperating Expenses	<u>(177,755)</u>	<u>(221,295)</u>	<u>43,540</u>	<u>-19.68%</u>
Total Nonoperating Revenues (Exp)	<u>\$ 21,542</u>	<u>\$ 37,263</u>	<u>\$ (15,721)</u>	<u>42.19%</u>
Change in Net Position	<u>\$ 3,293,555</u>	<u>\$ 3,090,400</u>	<u>\$ 203,155</u>	<u>-6.57%</u>
Total Net Position - Beginning	<u>82,785,788</u>	<u>79,695,388</u>	<u>3,090,400</u>	<u>3.88%</u>
Total Net Position - Ending	<u>\$ 86,079,343</u>	<u>\$ 82,785,788</u>	<u>\$ 3,293,555</u>	<u>3.98%</u>

Gas Department

The Gas Department's net position increased from last year by \$912,392 or about 2.1%. The summaries below focus on the Gas Department's net position and changes in net position during the years presented.

Gas Department Statements of Net Position

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 22,238,943	\$ 20,981,219	\$ 1,257,724	5.99%
Capital Assets, Net	30,708,415	30,551,762	156,653	0.51%
Total Assets	<u>\$ 52,947,358</u>	<u>\$ 51,532,981</u>	<u>\$ 1,414,377</u>	<u>2.74%</u>
Deferred Outflows of Resources	\$ 2,112,131	\$ 1,518,020	\$ 594,111	39.14%
Current Liabilities	\$ 1,337,273	\$ 914,734	\$ 422,539	46.19%
Noncurrent Liabilities	6,882,615	7,072,818	(190,203)	-2.69%
Total Liabilities	<u>\$ 8,219,888</u>	<u>\$ 7,987,552</u>	<u>\$ 232,336</u>	<u>2.91%</u>
Deferred Inflows of Resources	\$ 2,040,051	\$ 1,176,291	\$ 863,760	73.43%
Net Investment in Capital Assets	\$ 30,708,415	\$ 30,551,762	\$ 156,653	0.51%
Unrestricted	14,091,135	13,335,396	755,739	5.67%
Total Net Position	<u><u>\$ 44,799,550</u></u>	<u><u>\$ 43,887,158</u></u>	<u><u>\$ 912,392</u></u>	<u><u>2.08%</u></u>

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

As the following table indicates, operating revenues increased approximately \$1.5 million or about 11.3% from FY 2020. The Department had one rate change in FY 2021. The Gas Department experienced an approximate 6.8% increase in overall sales volume in FY 2021 compared to FY 2020. Cost of sales increased by \$1 million or about 21.5% due to increased sales caused by a cooler winter. The Gas Department experienced a decrease in nonoperating revenues of \$77,919 or about 50.6% due to the decline of interest rates paid by banks. The Gas Department's restated beginning net position reflects the correction of an error made by the actuarial services firm in the calculation of the total Other Postemployment Benefits liability.

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

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 14,924,989</u>	<u>\$ 13,410,292</u>	<u>\$ 1,514,697</u>	<u>11.30%</u>
Operating Expenses				
Cost of Sales	\$ 5,484,731	\$ 4,515,388	\$ 969,343	21.47%
Operations	3,267,970	3,435,852	(167,882)	-4.89%
Maintenance	2,231,666	2,218,962	12,704	0.57%
Depreciation and Amortization	1,610,463	1,662,617	(52,154)	-3.14%
Taxes and Tax Equivalents	1,493,821	1,520,367	(26,546)	-1.75%
Total Operating Expenses	<u>\$ 14,088,651</u>	<u>\$ 13,353,186</u>	<u>\$ 735,465</u>	<u>5.51%</u>
Operating Income	<u>\$ 836,338</u>	<u>\$ 57,106</u>	<u>\$ 779,232</u>	<u>1364.54%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 76,054	\$ 153,973	\$ (77,919)	-50.61%
Nonoperating Expenses	-	-	-	-
Total Nonoperating Revenues (Exp)	<u>\$ 76,054</u>	<u>\$ 153,973</u>	<u>\$ (77,919)</u>	<u>-50.61%</u>
Change in Net Position	\$ 912,392	\$ 211,079	\$ 701,313	332.25%
Total Net Position - Beginning, as Restated	<u>43,887,158</u>	<u>43,676,079</u>	<u>211,079</u>	<u>0.48%</u>
Total Net Position - Ending	<u><u>\$ 44,799,550</u></u>	<u><u>\$ 43,887,158</u></u>	<u><u>\$ 912,392</u></u>	<u><u>2.08%</u></u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$2,427,793 or about 2.8%. The summaries below focus on the Water and Wastewater Department's net position and changes in net position during the years presented.

Water and Wastewater Department Statements of Net Position

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 20,046,686	\$ 16,090,341	\$ 3,956,345	24.59%
Capital Assets, Net	106,446,829	108,912,715	(2,465,886)	-2.26%
Other Noncurrent Assets	2,375,453	6,024,590	(3,649,137)	-60.57%
Total Assets	<u>\$ 128,868,968</u>	<u>\$ 131,027,646</u>	<u>\$ (2,158,678)</u>	<u>-1.65%</u>
Deferred Outflows of Resources	\$ 3,860,468	\$ 3,468,493	\$ 391,975	11.30%
Current Liabilities	\$ 4,382,387	\$ 7,487,958	\$ (3,105,571)	-41.47%
Noncurrent Liabilities	37,374,484	38,597,091	(1,222,607)	-3.17%
Total Liabilities	<u>\$ 41,756,871</u>	<u>\$ 46,085,049</u>	<u>\$ (4,328,178)</u>	<u>-9.39%</u>
Deferred Inflows of Resources	\$ 701,035	\$ 567,353	\$ 133,682	23.56%
Net Investment in Capital Assets	\$ 73,886,837	\$ 72,032,763	\$ 1,854,074	2.57%
Restricted for Debt Service	1,751,128	5,489,300	(3,738,172)	-68.10%
Unrestricted	14,633,565	10,321,674	4,311,891	41.78%
Total Net Position	<u>\$ 90,271,530</u>	<u>\$ 87,843,737</u>	<u>\$ 2,427,793</u>	<u>2.76%</u>

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

As the following table indicates, operating revenues increased \$72,271 or about 0.4% from FY 2020 revenues. Operating expenses increased \$453,990 or about 2.8%. The Water and Wastewater Department experienced a decrease in nonoperating revenues of \$160,629 or 82.8% due to the decline of interest rates paid by banks. The Water and Wastewater Department experienced an increase in nonoperating expenses of \$21,276 or about 1.7%.

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

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 20,401,198	\$ 20,328,927	\$ 72,271	0.36%
Operating Expenses				
Water Treatment and Pumping	\$ 3,468,373	\$ 3,257,614	\$ 210,759	6.47%
Sewage Disposal	2,243,683	2,217,276	26,407	1.19%
Transmission and Distribution	1,616,913	1,529,080	87,833	5.74%
Accounting and Collections	1,134,775	1,156,643	(21,868)	-1.89%
Administrative and General	2,667,344	2,538,127	129,217	5.09%
Depreciation	4,063,733	4,066,164	(2,431)	-0.06%
Taxes and Tax Equivalents	1,738,162	1,714,089	24,073	1.40%
Total Operating Expenses	\$ 16,932,983	\$ 16,478,993	\$ 453,990	2.75%
Operating Income	\$ 3,468,215	\$ 3,849,934	\$ (381,719)	-9.91%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 33,477	\$ 194,106	\$ (160,629)	-82.75%
Nonoperating Expenses	(1,313,179)	(1,291,903)	(21,276)	1.65%
Total Nonoperating Revenues (Exp)	\$ (1,279,702)	\$ (1,097,797)	\$ (181,905)	16.57%
Income Before Contributions	\$ 2,188,513	\$ 2,752,137	\$ (563,624)	-20.48%
Capital Contributions	239,280	-	239,280	N/A
Change in Net Position	\$ 2,427,793	\$ 2,752,137	\$ (324,344)	-11.79%
Total Net Position - Beginning	87,843,737	85,091,600	2,752,137	3.23%
Total Net Position - Ending	\$ 90,271,530	\$ 87,843,737	\$ 2,427,793	2.76%

Financial Highlights – Solid Waste Fund – Sanitation and Recycling Departments

Established in 2001, the Solid Waste Fund is comprised of the City's recycling operations and its sanitation operations. This Fund provides the services of waste collection, disposal, recycling, and operation of a municipal landfill. Revenues for the Solid Waste Fund are derived from fees for service from residential and commercial customers. In addition, recycling operations generate revenues from the sale of recyclables.

- The Solid Waste Fund had operating income of \$518,951 and nonoperating income, including capital contributions, of \$91,541 for the fiscal year ended September 30, 2021.
- For fiscal year 2021, the Solid Waste Fund's net position increased by \$610,492 for the current fiscal year.
- Of the Fund's \$4,420,730 in total liabilities, \$3,828,938 is noncurrent, which is reported as accrued landfill closure and postclosure care costs of \$2,242,258, accrued compensated absences of \$163,041, accrued net pension liability of \$296,659, and accrued total OPEB liability of \$1,126,980.
- The Solid Waste Fund's operating revenues increased by \$1,088,315 or 19.14% and operating expenses decreased by \$240,730 or 3.71%.
- Nonoperating revenues and capital contributions decreased by \$80,660. Capital contributions accounted for the majority of the change by decreasing \$53,167 or 44.95% from the prior year.
- Total assets and deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,664,829.
- The current fee schedule for waste collection and disposal was enacted by the City Council on October 13, 2020. Fully implemented in October 2021, the increase was applicable to both residential and commercial fees.

The Solid Waste Fund's net position increased from last year by \$610,492 or 29.72%. The table below focuses on the changes in net position for the fiscal year:

Solid Waste Fund Net Position				
	FY 2021	FY 2020	Variance	
			Dollars	Percent
Current Assets	\$ 3,870,894	\$ 4,232,972	\$ (362,078)	-8.55%
Capital Assets, Net	3,259,151	2,598,065	661,086	25.45%
Total Assets	<u>\$ 7,130,045</u>	<u>\$ 6,831,037</u>	<u>\$ 299,008</u>	<u>4.38%</u>
Deferred Outflows of Resources	\$ 287,382	\$ 949,325	\$ (661,943)	-69.73%
Current Liabilities	\$ 591,792	\$ 770,186	\$ (178,394)	-23.16%
Noncurrent Liabilities	3,828,938	4,674,307	(845,369)	-18.09%
Total Liabilities	<u>\$ 4,420,730</u>	<u>\$ 5,444,493</u>	<u>\$ (1,023,763)</u>	<u>-18.80%</u>
Deferred Inflows of Resources	\$ 331,868	\$ 281,532	\$ 50,336	17.88%
Net Position				
Net Investment in Capital Assets	\$ 3,259,151	\$ 2,598,065	\$ 661,086	25.45%
Unrestricted	(594,322)	(543,728)	(50,594)	-9.31%
Total Net Position	<u>\$ 2,664,829</u>	<u>\$ 2,054,337</u>	<u>\$ 610,492</u>	<u>29.72%</u>

As the following table indicates, the Solid Waste Fund's operating revenues increased by \$1,088,315 or 19.14% from the prior year and operating expenses decreased by \$240,730 or 3.71%:

Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position				
	FY 2021	FY 2020	Variance	
			Dollars	Percent
Operating Revenues				
Garbage Service Fees	\$ 5,612,182	\$ 4,662,839	\$ 949,343	20.36%
Landfill Fees	328,664	414,905	(86,241)	-20.79%
Recycling Revenue and Fees	826,871	604,288	222,583	36.83%
Other Operating Revenues	5,514	2,884	2,630	91.19%
Total Operating Revenues	<u>\$ 6,773,231</u>	<u>\$ 5,684,916</u>	<u>\$ 1,088,315</u>	<u>19.14%</u>
Operating Expenses				
Sanitation	\$ 5,247,988	\$ 5,160,161	\$ 87,827	1.70%
Recycling	1,006,292	1,334,849	(328,557)	-24.61%
Total Operating Expenses	<u>\$ 6,254,280</u>	<u>\$ 6,495,010</u>	<u>\$ (240,730)</u>	<u>-3.71%</u>
Operating Income (Loss)	\$ 518,951	\$ (810,094)	\$ 1,329,045	164.06%
Nonoperating Revenues	26,430	53,923	(27,493)	-50.99%
Capital Contributions	65,111	118,278	(53,167)	-44.95%
Change in Net Position	\$ 610,492	\$ (637,893)	\$ 1,248,385	195.70%
Total Net Position-Beginning	2,054,337	2,692,230	(637,893)	-23.69%
Total Net Position-Ending	<u>\$ 2,664,829</u>	<u>\$ 2,054,337</u>	<u>\$ 610,492</u>	<u>29.72%</u>

BUDGETARY HIGHLIGHTS

It is also beneficial to compare actual performance to that expected or budgeted for the fiscal period.

Governmental Funds

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. The City Council adopted the General Fund's fiscal year 2020 – 2021 budget on October 13, 2020. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$78,315,414 compared to the final budget of \$70,359,000. Total expenditures and appropriations for the period were \$77,696,233 compared to the final budget of \$71,198,788.

General Fund Budgetary Comparison Schedule					
	Original Budget	Final Budget	Actual	Variance With Final Budget	
				Dollars	Percent
Budgetary Net Position-Beginning Resources (Inflows)	\$ 20,268,600	\$ 20,268,600	\$ 20,268,600	\$ -	-
Taxes	62,003,000	62,003,000	68,562,266	6,559,266	10.58%
Licenses and Permits	3,656,000	3,656,000	3,779,854	123,854	3.39%
Fines and Forfeitures	1,380,500	1,380,500	858,483	(522,017)	-37.81%
Charges for Services	1,644,400	1,654,000	2,046,128	392,128	23.71%
Intergovernmental	1,500,500	1,500,500	1,414,634	(85,866)	-5.72%
Other	165,000	165,000	1,294,516	1,129,516	684.56%
Proceeds from Debt Issuance			359,533	359,533	100.00%
Amounts Available for Appropriation	<u>\$ 90,618,000</u>	<u>\$ 90,627,600</u>	<u>\$ 98,584,014</u>	<u>\$ 7,956,414</u>	<u>8.78%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 6,560,618	\$ 6,641,130	\$ 6,203,144	\$ 437,986	6.60%
Public Safety	22,840,616	22,853,216	21,955,529	897,687	3.93%
Public Works	5,714,955	5,804,955	5,633,831	171,124	2.95%
Culture and Recreation	8,357,537	8,357,537	8,528,030	(170,493)	-2.04%
Non-Departmental	26,803,658	27,541,950	35,375,699	(7,833,749)	-28.44%
Total Charges to Appropriations	<u>\$ 70,277,384</u>	<u>\$ 71,198,788</u>	<u>\$ 77,696,233</u>	<u>\$ (6,497,445)</u>	<u>-9.13%</u>
Budgetary Fund Balance-Ending	<u>\$ 20,340,616</u>	<u>\$ 19,428,812</u>	<u>\$ 20,887,781</u>	<u>\$ 1,458,969</u>	<u>7.51%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2021 original budgets for the Gas and Water and Wastewater Departments were adopted on May 19, 2020. The original budget for the Electricity Department was adopted on August 18, 2020. The FY 2021 budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were not amended during FY 2021. A budget comparison statement is prepared monthly for each department for internal use and is distributed to elected officials and the appropriate management personnel. A budget comparison report is included for the Electricity Department, Gas Department, and the Water and Wastewater Department in the Required Supplementary Information Section of this annual report. Following is a summarized report and brief explanation of highlights.

Electricity Department

Electricity Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2021

	Final	Actual	Variance	
	Budget		Dollars	Percent
Operating Revenues	\$ 124,910,000	\$ 120,442,151	\$ (4,467,849)	-3.58%
Operating Expenses	121,838,000	117,170,138	4,667,862	3.83%
Operating Income	\$ 3,072,000	\$ 3,272,013	\$ 200,013	6.51%
Nonoperating Revenues (Expenses)	46,900	21,542	(25,358)	-54.07%
Change in Net Position	\$ 3,118,900	\$ 3,293,555	\$ 174,655	5.60%
Total Net Position - Beginning	82,785,788	82,785,788		
Total Net Position - Ending	<u>\$ 85,904,688</u>	<u>\$ 86,079,343</u>	<u>\$ 174,655</u>	<u>0.20%</u>

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$174,655 or approximately 5.6%. The more significant variances were sales revenues, cost of sales, and overhead line maintenance expenses.

Gas Department

Gas Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2021

	Final	Actual	Variance	
	Budget		Dollars	Percent
Operating Revenues	\$ 16,260,600	\$ 14,924,989	\$ (1,335,611)	-8.21%
Operating Expenses	15,815,300	14,088,651	1,726,649	10.92%
Operating Income	\$ 445,300	\$ 836,338	\$ 391,038	87.81%
Nonoperating Revenues (Expenses)	84,000	76,054	(7,946)	-9.46%
Change in Net Position	\$ 529,300	\$ 912,392	\$ 383,092	72.38%
Total Net Position - Beginning, as Restated	43,887,158	43,887,158		
Total Net Position - Ending	<u>\$ 44,416,458</u>	<u>\$ 44,799,550</u>	<u>\$ 383,092</u>	<u>0.86%</u>

The Gas Department exceeded the budgeted Change in Net Position by \$383,092, or approximately 72.4%. The most significant variances were decreases in sales revenues and cost of sales.

Water and Wastewater Department

Water and Wastewater Department
Schedule of Revenues, Expenses, and Changes in Fund Net Position
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 20,841,900	\$ 20,401,198	\$ (440,702)	-2.11%
Operating Expenses	17,029,100	16,932,983	96,117	0.56%
Operating Income	\$ 3,812,800	\$ 3,468,215	\$ (344,585)	-9.04%
Nonoperating Revenues (Expenses)	(1,010,700)	(1,279,702)	(269,002)	-26.62%
Capital Contributions	-	239,280	239,280	N/A
Change in Net Position	\$ 2,802,100	\$ 2,427,793	\$ (374,307)	-13.36%
Total Net Position - Beginning	87,843,737	87,843,737		
Total Net Position - Ending	\$ 90,645,837	\$ 90,271,530	\$ (374,307)	-0.41%

The Water and Wastewater Department did not meet the budgeted Change in Net Position by \$374,307, or approximately 13.4%. The more significant variances were operating revenues and capital contributions.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on October 13, 2020. The budget was not amended and served as the final budget for the entire fiscal year. On a monthly basis the Mayor, City Council, and the Department Heads are provided management reports including a budget comparison statement. As needed, the Department Heads meet with the Mayor and City Treasurer to review their year-to-date financial performance and their needs for the remainder of the fiscal year. Below is a summarized budget comparison:

Solid Waste Fund
Schedule of Revenues, Expenses, and Changes in Fund Net Position-
Budget and Actual (GAAP Budgetary Basis)
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance	
				Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 5,744,068	\$ 5,744,068	\$ 5,612,182	\$ (131,886)	-2.30%
Landfill Fees	300,000	300,000	328,664	28,664	9.55%
Recycling Revenue and Fees	884,995	884,995	826,871	(58,124)	-6.57%
Other Operating Revenues	5,000	5,000	5,514	514	10.28%
Total Operating Revenues	\$ 6,934,063	\$ 6,934,063	\$ 6,773,231	\$ (160,832)	-2.32%
Operating Expenses					
Sanitation	\$ 5,350,939	\$ 5,350,939	\$ 5,247,988	\$ 102,951	1.92%
Recycling	1,097,802	1,097,802	1,006,292	91,510	8.34%
Total Operating Expenses	\$ 6,448,741	\$ 6,448,741	\$ 6,254,280	\$ 194,461	3.02%
Operating Income (Loss)	\$ 485,322	\$ 485,322	\$ 518,951	\$ 33,629	-6.93%
Nonoperating Revenues	54,415	54,415	26,430	(27,985)	51.43%
Capital Contributions			65,111	65,111	100.00%
Change in Net Position	\$ 539,737	\$ 539,737	\$ 610,492	\$ 70,755	-13.11%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2021, capital assets comprised the majority of each fund's assets. The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of September 30, 2021 amounted to \$355,859,779.

Governmental Activities

Governmental Activities Capital Assets, Net				
	2021	2020	Variance	
			Dollars	Percent
Land	\$ 8,500,054	\$ 8,227,318	\$ 272,736	3.32%
Construction in Progress	15,268,885	4,436,316	10,832,569	244.18%
Land Improvements	26,489,417	26,489,417	-	0.00%
Accumulated Depreciation	(17,495,917)	(16,470,662)	(1,025,255)	-6.22%
Buildings	42,076,661	42,897,963	(821,302)	-1.91%
Accumulated Depreciation	(21,582,899)	(21,152,486)	(430,413)	-2.03%
Equipment and Vehicles	28,595,447	27,443,870	1,151,577	4.20%
Accumulated Depreciation	(23,625,114)	(22,748,186)	(876,928)	-3.85%
Infrastructure	178,810,312	178,375,444	434,868	0.24%
Accumulated Depreciation	(112,488,271)	(109,818,325)	(2,669,946)	-2.43%
Net Capital Assets	<u>\$ 124,548,575</u>	<u>\$ 117,680,669</u>	<u>\$ 6,867,906</u>	<u>5.84%</u>

Major capital additions for the fiscal year include expenditures for purchase of vehicles and capital equipment of \$1,959,589, land and buildings of \$1,072,882, and infrastructure of \$434,868. In addition to those capital assets added during the fiscal year, at September 30, 2021, \$15,268,885 of capital projects are uncompleted and recorded as construction in progress.

Business-Type Activities

Electricity Department

Electricity Department Capital Assets, Net FY 2021				
	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 189,461,124	\$ 185,197,910	\$ 4,263,214	2.30%
Construction in Progress	1,021,666	1,612,068	(590,402)	-36.62%
Less: Accumulated Depreciation	(99,585,981)	(97,197,910)	(2,388,071)	2.46%
Net Utility Plant	<u>\$ 90,896,809</u>	<u>\$ 89,612,068</u>	<u>\$ 1,284,741</u>	<u>1.43%</u>

As the above table shows, the Electricity Department experienced a 1.4% increase in net utility plant. The Department plans to finance capital expenditures in FY 2022 through cash generated from current operations and cash reserves.

Gas Department

Gas Department Capital Assets, Net FY 2021

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 60,688,062	\$ 59,350,992	\$ 1,337,070	2.25%
Acquisition Adjustment (net of amortization)	104,835	115,496	(10,661)	-9.23%
Construction in Progress	104,810	130,070	(25,260)	-19.42%
Less: Accumulated Depreciation	(30,189,292)	(29,044,796)	(1,144,496)	3.94%
Net Utility Plant	<u>\$ 30,708,415</u>	<u>\$ 30,551,762</u>	<u>\$ 156,653</u>	<u>0.51%</u>

As the above table shows, the Gas Department increased net utility plant by 0.5%. The Department plans to finance capital expenditures in FY 2022 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2021

	FY 2021	FY 2020	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 184,358,021	\$ 181,107,106	\$ 3,250,915	1.80%
Construction in Progress	241,806	1,819,357	(1,577,551)	-86.71%
Less: Accumulated Depreciation	(78,152,998)	(74,013,748)	(4,139,250)	5.59%
Net Utility Plant	<u>\$ 106,446,829</u>	<u>\$ 108,912,715</u>	<u>\$ (2,465,886)</u>	<u>-2.26%</u>

As the above table shows, the Water and Wastewater Department decreased net utility plant by 2.3%. The Department plans to finance capital expenditures in FY 2022 with cash reserves, cash generated from current operations, and SRF loan proceeds.

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2021, net capital assets comprised 45.71% of the Fund's total assets. Capital assets are maintained in six distinct asset categories: land, landfill improvements, buildings, equipment, vehicles, and construction in progress. Capital assets are recorded at cost and depreciated over their useful life using the straight-line method of depreciation.

The following table will provide further detail of the Fund's capital assets:

Solid Waste Fund				
Capital Assets, Net				
	FY 2021	FY 2020	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 204,353	\$ -	0.00%
Land Improvements	4,194,697	3,701,171	493,526	13.33%
Accumulated Depreciation	(3,594,218)	(3,588,787)	(5,431)	0.15%
Construction in Progress	-	60,295	(60,295)	100.00%
Buildings	1,186,007	1,115,802	70,205	6.29%
Accumulated Depreciation	(650,484)	(629,501)	(20,983)	3.33%
Equipment	6,577,924	6,532,664	45,260	0.69%
Accumulated Depreciation	(5,692,901)	(5,361,096)	(331,805)	6.19%
Vehicles	5,166,864	4,616,900	549,964	11.91%
Accumulated Depreciation	(4,133,091)	(4,053,736)	(79,355)	1.96%
Net Capital Assets	<u>\$ 3,259,151</u>	<u>\$ 2,598,065</u>	<u>\$ 661,086</u>	<u>25.45%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2021 fiscal year, the Governmental Activities of the City had total long-term debt of \$85,159,615. This debt is serviced by revenues from governmental activities.

The City issued one new General Obligation Warrant to fund a new parking deck, new EMA building, address drainage issues, and complete the River Heritage project. The City also issued PBA Lease Revenue bonds to fund the construction of a new Municipal Building and attached parking deck. Moody's Investors Service assigned an Aa3 rating to the City. Standard & Poor's assigned the City an AA- credit rating.

In addition to the City's outstanding general obligation debt, \$3,570,307 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,178,774 has been accrued as an actuarially determined claims reserve in the Internal Service Funds.

Business-Type Activities

During FY 2021, the Electricity and Water and Wastewater Departments had outstanding warrants. The amount and discussion of these issues are discussed more fully in the notes to financial statements. The Gas Department did not have any outstanding warrants during FY 2021.

Electricity Department

The Electricity Department has one warrant issue as described in the notes to financial statements, outstanding at year-end. The Electric Revenue Warrants, Series 2013, were issued in March 2013. Their interest rates range from 1.75% to 4.00%. It was issued with an underlying rating of Aa2 and AA-/ Stable by Moody's and Standard & Poor's, respectively. This issue requires that the Electricity Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2021, the Electricity Department exceeded that requirement at about 22.46 times. The Department does not anticipate issuing new debt in FY 2022.

Gas Department

The Gas Department did not have any outstanding debt issues in FY 2021. The Department does not have any plans to issue any new debt in FY 2022.

Water and Wastewater Department

The Water and Wastewater Department had five warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%, (2) Water and Sewer Revenue Warrants, SRF Series 2013, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter (3) Water and Sewer Revenue Warrants, Series 2017, interest rates ranging from 2.00% to 4.00% (4) Water and Sewer Revenue Warrants, SRF Series 2021-DW, interest rate 2.20%, and (5) Water and Sewer Revenue Warrants, SRF Series 2021-CW, interest rate 2.20%. The SRF warrants were issued through a federally funded (EPA) loan program to states for water and wastewater improvements. In Alabama, this program is administered jointly by ADWFA and ADEM. The 2011 Series is insured by Assured Guaranty Municipal Corp. The Department received an Aa3 (Negative Outlook) with an A1 (underlying rating) from Moody's at its issue. The Department received an AA+ (Stable Outlook) with an AA- (underlying rating) from Standard & Poor's at its issue. The Series 2017 is insured by Build America Mutual Assurance Company. The Series 2017 was issued to refinance the SRF Series 2006, SRF Series 2007 and \$20,110,000 of the Series 2011 warrants taking advantage of more favorable interest rates. The Water and Sewer Revenue Warrants, Series 2017 were issued with a rating of A1 by Moody's and AA- Stable, AA (Insured) by Standard & Poor's. The 2011 and 2017 issues require that the Water and Wastewater Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2021, the Water and Wastewater Department exceeded that requirement at about 2.27 times. The Department does anticipate borrowing additional SRF funds in FY 2022.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2021, the Solid Waste Fund had no debt other than routine operating liabilities (\$454,009), customer deposits (\$29,089), accrued liability for employee annual and sick leave (\$271,735), non-current liabilities including net pension liability (\$296,659), total OPEB liability (\$1,126,980), and an accrual for landfill closure and post-closure care costs (\$2,242,258).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Governmental Activities

The City of Florence General Fund budget appropriates money used to provide a broad range of governmental activities involving protective and convenience-related services. As stated earlier in this MD&A, these activities include general government, public safety, public works, and cultural and recreational services. The City Council adopted the General Fund's fiscal year 2021–2022 budget on October 5, 2021.

The fiscal year 2021–2022 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$76,868,000. This is an increase of \$6,509,000 or 9.25% compared to the previous fiscal year's final budget. Expenditures including appropriations are budgeted at \$76,819,138, leaving a budget surplus of \$48,862.

Business-Type Activities

Electricity, Gas, Water and Wastewater Departments

The Florence MSA's unemployment rate was 3.5% for August 2021 and 5.3% for August 2020. The State of Alabama's unemployment rate was 3.1% for August 2021 and 5.6% for August 2020. In addition to the economic environment, the weather is a key factor in determining utility sales. Although it is impossible to predict the weather in the upcoming year, sales in kilowatt-hours for FY 2022 through October 2021 for electricity have increased from the same period last year by 2.9%. Sales in dekatherms to natural gas customers for the period from July 2021 through October 2021 as compared to sales for the same period in the previous fiscal year, have increased approximately 9.3%. FY 2022 sales revenues from water and wastewater operations through October 2021 have decreased about 1.4% from the same period in FY 2021.

The City Council adopted the FY 2022 budgets for the Electricity, Gas, and Water and Wastewater Departments on June 15, 2021. These budgets were amended on October 5, 2021.

The City's power contract with TVA provides for a Total Monthly Fuel Cost Adjustment (TMFCA) on sales to its distributors. The Electricity Department passes any rate increases or decreases caused by TVA action on to its customers. The Department last implemented a general rate increase in October 2018.

The Gas Department's rate ordinance allows for gas rate changes without further City Council action. The Department last implemented a rate change in October 2021. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

The current rate ordinance includes a provision to increase the water and sewer rates annually based upon increase in Consumer Price Index, subject to certain restrictions. The Water and Wastewater Department last implemented a rate increase in July 2017. The ordinance is available for review on the City's website at www.florenceal.org along with some prior rate ordinances.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the Solid Waste Fund's fiscal year 2022 budget on October 5, 2021. The fiscal year 2022 budget has expected combined revenues of \$7,255,667 and expenses of \$6,914,384. As adopted, the budget would yield an increase in net position of \$341,283. On October 13, 2020, the City Council voted an increase in Solid Waste Fees. Residential garbage rates had a one-time increase and Commercial rates will increase over a two-year period. The City has ceased municipal solid waste operations at the landfill. The City's remaining landfill space is used for the disposal of construction waste and debris. The life of the landfill for construction waste and debris has been calculated to not reach capacity until 2051.

REQUESTS FOR INFORMATION

Governmental and Business-Type Activities

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City Treasurer, P. O. Box 98, Florence, Alabama 35631-0098, or Mr. Mark Lovejoy, Controller of Utilities, P. O. Box 877, Florence, Alabama 35631-0877.

The City's Comprehensive Annual Financial Reports are also available online at www.florenceal.org. Also, a limited number of prior years' Utility audited financial statements are available online at the Florence Utilities website at www.florenceutilities.com. These reports are also on file with the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board.

Component Units

The Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are included in this report as Discretely Presented Component Units of the City. The City appropriated \$746,100 to the Library in this fiscal year. The financial statements of the Florence-Lauderdale Public Library and the Florence Library Foundation, Inc. are incorporated into this report. Questions concerning any of the information presented or requests for additional information should be addressed to Florence-Lauderdale Public Library, 350 North Wood Avenue, Florence, Alabama 35630.

CITY OF FLORENCE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 64,261,634	\$ 56,683,299	\$ 120,944,933	\$ 2,363,942
Investments			—	3,463,177
Amounts held by the Foundation			—	2,793,427
Receivables (net)	6,831,442	15,312,073	22,143,515	
Accrued interest receivable	285	6,474	6,759	4,860
Loan receivables (net)	162,624		162,624	
Internal balances	3,591,717	(3,591,717)	—	
Inventories	139,740	3,849,545	3,989,285	
Prepaid expenses		9,283,146	9,283,146	
Restricted assets:				
Cash and investments	45,100,100	2,926,455	48,026,555	
Conservation loans receivables		681,406	681,406	
Capital assets (net)	124,548,575	231,311,204	355,859,779	2,045,921
Prepaid debt related costs (net)		69,856	69,856	
Total assets	\$ 244,636,117	\$ 316,531,741	\$ 561,167,858	\$ 10,671,327
DEFERRED OUTFLOWS OF RESOURCES				
Deferred expense on refunding debt	\$ 998,223	\$ 1,711,181	\$ 2,709,404	\$
Pensions	7,870,329	8,589,353	16,459,682	179,531
OPEB obligations	2,482,262	1,868,222	4,350,484	
Total deferred outflows of resources	\$ 11,350,814	\$ 12,168,756	\$ 23,519,570	\$ 179,531
LIABILITIES				
Accounts payable and accrued expenses	\$ 15,940,101	\$ 18,540,538	\$ 34,480,639	\$ 50,025
Amounts held on behalf of the Library			—	3,564,302
Customer deposits		10,248,006	10,248,006	
Unearned revenues	4,280,941		4,280,941	
Liabilities payable from restricted assets:				
Accrued interest		568,686	568,686	
Advances for conservation loans		731,916	731,916	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	5,499,575	2,983,781	8,483,356	
Compensated absences	1,428,123	1,355,642	2,783,765	44,194
Portion due or payable after one year:				
Warrants and notes payable	76,089,733	36,865,904	112,955,637	
Compensated absences	2,142,184	2,033,463	4,175,647	
Net pension liability	17,082,624	19,285,075	36,367,699	261,795
Total OPEB liability	9,257,424	9,132,524	18,389,948	
Claims reserve	3,178,774		3,178,774	
Accrued landfill closure and postclosure care costs		2,242,258	2,242,258	
Total liabilities	\$ 134,899,479	\$ 103,987,793	\$ 238,887,272	\$ 3,920,316
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ 1,714,414	\$ 1,740,846	\$ 3,455,260	\$ 152,780
OPEB obligations	881,253	2,748,323	3,629,576	
Total deferred inflows of resources	\$ 2,595,667	\$ 4,489,169	\$ 7,084,836	\$ 152,780
NET POSITION				
Net investment in capital assets	\$ 88,957,490	\$ 193,172,700	\$ 282,130,190	\$ 2,045,921
Restricted for:				
Debt service		2,357,769	2,357,769	
Street resurfacing and improvements	781,159		781,159	
Capital projects	20,310,072		20,310,072	
Other purposes—expendable	715,550		715,550	1,449
Other purposes—nonexpendable			—	2,000,000
Unrestricted	7,727,514	24,693,066	32,420,580	2,730,392
Total net position	\$ 118,491,785	\$ 220,223,535	\$ 338,715,320	\$ 6,777,762

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



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CITY OF FLORENCE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General administration	\$ 7,231,696	\$ 5,127,563	\$ 6,000	\$	\$ (2,098,133)		\$ (2,098,133)	
Public safety	23,820,669	1,036,903	260,367	82,333	(22,441,066)		(22,441,066)	
Public works	6,242,258	77,095	414,843		(5,750,320)		(5,750,320)	
Public ways and facilities	2,024,993		103,839	990,146	(931,008)		(931,008)	
Culture and recreation	10,588,220	1,937,773	36,728	125,000	(8,488,719)		(8,488,719)	
Other	2,769,077		294,187		(2,474,890)		(2,474,890)	
Education—funding for school district	14,968,662				(14,968,662)		(14,968,662)	
Interest and fiscal charges	1,527,799				(1,527,799)		(1,527,799)	
Total governmental activities	<u>\$ 69,173,374</u>	<u>\$ 8,179,334</u>	<u>\$ 1,115,964</u>	<u>\$ 1,197,479</u>	<u>\$ (58,680,597)</u>		<u>\$ (58,680,597)</u>	
Business-type activities:								
Electricity	\$ 117,553,163	\$ 120,595,256	\$	\$	\$	\$ 3,042,093	\$ 3,042,093	
Gas	14,239,539	14,936,122				696,583	696,583	
Water and wastewater	18,285,361	20,401,198		239,280		2,355,117	2,355,117	
Solid waste	6,342,760	6,773,231		65,111		495,582	495,582	
Total business-type activities	<u>\$ 156,420,823</u>	<u>\$ 162,705,807</u>	<u>\$ —</u>	<u>\$ 304,391</u>	<u>\$ —</u>	<u>\$ 6,589,375</u>	<u>\$ 6,589,375</u>	
Total primary government	<u>\$ 225,594,197</u>	<u>\$ 170,885,141</u>	<u>\$ 1,115,964</u>	<u>\$ 1,501,870</u>	<u>\$ (58,680,597)</u>	<u>\$ 6,589,375</u>	<u>\$ (52,091,222)</u>	
Component units:								
All	<u>\$ 1,269,923</u>	<u>\$ 19,128</u>	<u>\$ 1,318,116</u>	<u>\$ —</u>				<u>\$ 67,321</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 52,511,137	\$	\$ 52,511,137	\$
Property					13,300,087		13,300,087	
Motor fuel					1,294,185		1,294,185	
Alcoholic beverages					1,266,888		1,266,888	
Other					1,049,999		1,049,999	
Interest revenues					87,073	103,396	190,469	246,839
Gain on disposal of capital assets						65,847	65,847	
Total general revenues					<u>\$ 69,509,369</u>	<u>\$ 169,243</u>	<u>\$ 69,678,612</u>	<u>\$ 246,839</u>
Change in net position					\$ 10,828,772	\$ 6,758,618	\$ 17,587,390	\$ 314,160
Net position—beginning, as restated					107,663,013	213,464,917	321,127,930	6,463,602
Net position—ending					<u>\$ 118,491,785</u>	<u>\$ 220,223,535</u>	<u>\$ 338,715,320</u>	<u>\$ 6,777,762</u>

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

CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Series 2021 PBA Lease Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 32,630,085	\$	\$ 26,470,156	\$ 59,100,241
Cash with fiscal agent		45,000,000		45,000,000
Receivables (net)	5,984,121		164,234	6,148,355
Accrued interest receivable	223		24	247
Loan receivables (net)			162,624	162,624
Interfund receivables	543,646		4,756,378	5,300,024
Inventories	139,740			139,740
Total assets	<u>\$ 39,297,815</u>	<u>\$ 45,000,000</u>	<u>\$ 31,553,416</u>	<u>\$ 115,851,231</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenses	\$ 12,217,509	\$	\$ 3,190,082	\$ 15,407,591
Compensated absences	1,428,123			1,428,123
Interfund payables	4,764,402		124,306	4,888,708
Unearned revenues			4,280,941	4,280,941
Total liabilities	<u>\$ 18,410,034</u>	<u>\$ —</u>	<u>\$ 7,595,329</u>	<u>\$ 26,005,363</u>
Fund balances				
Nonspendable:				
Inventories	\$ 139,740	\$	\$	\$ 139,740
Loan receivables			162,624	162,624
Restricted for:				
Street resurfacing and improvements			781,159	781,159
Culture and recreation			11,576	11,576
Public safety			603,874	603,874
Capital projects		45,000,000	20,310,072	65,310,072
Assigned to:				
Capital projects			2,034,926	2,034,926
Unassigned	20,748,041		53,856	20,801,897
Total fund balances	<u>\$ 20,887,781</u>	<u>\$ 45,000,000</u>	<u>\$ 23,958,087</u>	<u>\$ 89,845,868</u>
Total liabilities and fund balances	<u>\$ 39,297,815</u>	<u>\$ 45,000,000</u>	<u>\$ 31,553,416</u>	<u>\$ 115,851,231</u>

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

CITY OF FLORENCE, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total fund balances—governmental funds		\$ 89,845,868
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 the funds.		
Governmental capital assets	\$ 299,740,775	
Accumulated depreciation	<u>(175,192,200)</u>	124,548,575
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Governmental warrants payable	\$ (75,480,000)	
Capital lease obligations	(276,292)	
Unamortized debt discount and premium	(5,833,016)	
Compensated absences	(2,142,184)	
Pensions	(17,082,624)	
OPEB obligations	<u>(9,257,424)</u>	(110,071,540)
Deferred outflows of resources related to pensions, OPEB obligations, and bond refunding are not reported in governmental funds.		
Pensions	\$ 7,870,329	
OPEB obligations	2,482,262	
Refunding debt	<u>998,223</u>	11,350,814
Deferred inflows of resources related to pensions and OPEB obligations are not reported in governmental funds.		
Pensions	\$ (1,714,414)	
OPEB obligations	<u>(881,253)</u>	(2,595,667)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		<u>5,413,735</u>
Net position of governmental activities		<u><u>\$ 118,491,785</u></u>

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

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Series 2021 PBA Lease Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 68,562,266	\$	\$ 860,031	\$ 69,422,297
Licenses and permits	3,779,854			3,779,854
Fines and forfeitures	858,483			858,483
Charges for services	2,046,128			2,046,128
Intergovernmental	1,414,634		1,842,946	3,257,580
Interest revenues	15,720		67,614	83,334
Other	1,278,796		328,467	1,607,263
Total revenues	<u>\$ 77,955,881</u>	<u>\$ —</u>	<u>\$ 3,099,058</u>	<u>\$ 81,054,939</u>
EXPENDITURES				
Current operating:				
General administration	\$ 6,203,144	\$	\$ 534,131	\$ 6,737,275
Public safety	21,955,529		294,864	22,250,393
Public works	5,633,831		246,405	5,880,236
Culture and recreation	8,528,030		32,083	8,560,113
Other	2,041,561		727,516	2,769,077
Education—funding for school district	10,915,096		4,053,566	14,968,662
Capital outlay and improvements	7,348,344		5,552,398	12,900,742
Debt service:				
Principal payments			3,818,240	3,818,240
Interest and fiscal charges		457,401	1,128,921	1,586,322
Total expenditures	<u>\$ 62,625,535</u>	<u>\$ 457,401</u>	<u>\$ 16,388,124</u>	<u>\$ 79,471,060</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 15,330,346</u>	<u>\$ (457,401)</u>	<u>\$ (13,289,066)</u>	<u>\$ 1,583,879</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$	\$	\$ 19,713,623	\$ 19,713,623
Proceeds from issuance of debt	359,533	41,385,000	13,860,000	55,604,533
Premium on issuance of debt		4,072,401	1,341,915	5,414,316
Transfers out	(15,070,698)		(4,642,925)	(19,713,623)
Total other financing sources (uses)	<u>\$ (14,711,165)</u>	<u>\$ 45,457,401</u>	<u>\$ 30,272,613</u>	<u>\$ 61,018,849</u>
Net change in fund balances	<u>\$ 619,181</u>	<u>\$ 45,000,000</u>	<u>\$ 16,983,547</u>	<u>\$ 62,602,728</u>
Fund balances—beginning	20,268,600		6,974,540	27,243,140
Fund balances—ending	<u>\$ 20,887,781</u>	<u>\$ 45,000,000</u>	<u>\$ 23,958,087</u>	<u>\$ 89,845,868</u>

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

CITY OF FLORENCE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Total net change in fund balances—governmental funds		\$ 62,602,728
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	\$ 14,299,908	
Current year depreciation expense	<u>(6,301,716)</u>	7,998,192
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the disposal increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.		
		(1,130,286)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below:		
Repayments of debt principal	\$ 3,818,240	
Proceeds from issuance of capital-related debt	(55,604,533)	
Premium on debt issuance	(5,414,316)	
Amortization of debt discount, premium, and deferred expense on refunding debt	<u>58,524</u>	(57,142,085)
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.		
Change in long-term compensated absences	\$ 20,583	
Pensions	(624,848)	
OPEB obligations	<u>(412,023)</u>	(1,016,288)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>(483,489)</u>
Change in net position of governmental activities		<u><u>\$ 10,828,772</u></u>

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste		Internal Service Funds
	June 30, 2021	June 30, 2021	June 30, 2021	September 30, 2021	Total	September 30, 2021
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 18,820,723	\$ 19,438,298	\$ 15,168,454	\$ 3,255,824	\$ 56,683,299	\$ 5,161,393
Receivables (net)	11,165,189	697,502	2,893,519	555,863	15,312,073	683,087
Accrued interest receivable	255	3,447	2,772		6,474	38
Interfund receivables					—	13,890
Inventories	1,956,973	1,003,555	829,810	59,207	3,849,545	
Prepaid expenses	7,034,874	1,096,141	1,152,131		9,283,146	
Total current assets	\$ 38,978,014	\$ 22,238,943	\$ 20,046,686	\$ 3,870,894	\$ 85,134,537	\$ 5,858,408
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 620,858	\$	\$ 2,305,597	\$	\$ 2,926,455	\$ 100,100
Receivables from customers for conservation loans	681,406				681,406	
Capital assets:						
Utility plant in service (at cost)	189,461,124	60,688,062	184,358,021	17,329,845	451,837,052	
Acquisition adjustment (net of amortization)		104,835			104,835	
Construction in progress	1,021,666	104,810	241,806		1,368,282	
Less: accumulated depreciation	99,585,981	30,189,292	78,152,998	14,070,694	221,998,965	
Prepaid debt related costs (net)			69,856		69,856	
Total noncurrent assets	\$ 92,199,073	\$ 30,708,415	\$ 108,822,282	\$ 3,259,151	\$ 234,988,921	\$ 100,100
Total assets	\$ 131,177,087	\$ 52,947,358	\$ 128,868,968	\$ 7,130,045	\$ 320,123,458	\$ 5,958,508
DEFERRED OUTFLOWS OF RESOURCES						
Deferred expense on refunding debt	\$	\$	\$ 1,711,181	\$	\$ 1,711,181	\$
Pensions	5,041,642	1,851,599	1,586,797	109,315	8,589,353	
OPEB obligations	867,133	260,532	562,490	178,067	1,868,222	
Total deferred outflows of resources	\$ 5,908,775	\$ 2,112,131	\$ 3,860,468	\$ 287,382	\$ 12,168,756	\$ —

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2021	June 30, 2021	June 30, 2021	September 30, 2021		September 30, 2021
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 16,100,928	\$ 1,106,709	\$ 878,892	\$ 454,009	\$ 18,540,538	\$ 532,510
Interfund payables					—	425,206
Compensated absences—payable within one year	653,789	230,564	362,595	108,694	1,355,642	
Customer deposits	10,215,966		2,951	29,089	10,248,006	
Total current liabilities	\$ 26,970,683	\$ 1,337,273	\$ 1,244,438	\$ 591,792	\$ 30,144,186	\$ 957,716
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 400,000	\$	\$ 2,545,000	\$	\$ 2,945,000	\$
Unamortized debt premium (discount), net	301		38,480		38,781	
Accrued interest	14,217		554,469		568,686	
Total liabilities payable from restricted assets	\$ 414,518	\$ —	\$ 3,137,949	\$ —	\$ 3,552,467	\$ —
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 5,175,000	\$	\$ 31,145,763	\$	\$ 36,320,763	\$
Unamortized debt premium (discount), net	3,211		541,930		545,141	
Advances from TVA for conservation loans	731,916				731,916	
Compensated absences—payable after one year	980,684	345,845	543,893	163,041	2,033,463	
Net pension liability	10,481,947	5,066,511	3,439,958	296,659	19,285,075	
Total OPEB liability	4,832,345	1,470,259	1,702,940	1,126,980	9,132,524	
Accrued landfill closure and postclosure care costs				2,242,258	2,242,258	
Claims reserve					—	3,178,774
Total noncurrent liabilities	\$ 22,205,103	\$ 6,882,615	\$ 37,374,484	\$ 3,828,938	\$ 70,291,140	\$ 3,178,774
Total liabilities	\$ 49,590,304	\$ 8,219,888	\$ 41,756,871	\$ 4,420,730	\$ 103,987,793	\$ 4,136,490
DEFERRED INFLOWS OF RESOURCES						
Pensions	\$ 914,002	\$ 250,817	\$ 396,363	\$ 179,664	\$ 1,740,846	\$
OPEB obligations	502,213	1,789,234	304,672	152,204	2,748,323	
Total deferred inflows of resources	\$ 1,416,215	\$ 2,040,051	\$ 701,035	\$ 331,868	\$ 4,489,169	\$ —
NET POSITION						
Net investment in capital assets	\$ 85,318,297	\$ 30,708,415	\$ 73,886,837	\$ 3,259,151	\$ 193,172,700	\$
Restricted for debt service	606,641		1,751,128		2,357,769	
Restricted for other purposes—expendable					—	100,100
Unrestricted	154,405	14,091,135	14,633,565	(594,322)	28,284,783	1,721,918
Total net position	\$ 86,079,343	\$ 44,799,550	\$ 90,271,530	\$ 2,664,829	\$ 223,815,252	\$ 1,822,018
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(3,591,717)	
Net position of business-type activities					\$ 220,223,535	

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



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CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2021	June 30, 2021	June 30, 2021	September 30, 2021		September 30, 2021
Operating revenues						
User charges	\$ 119,969,364	\$ 14,914,113	\$ 20,230,813	\$ 6,767,717	\$ 161,882,007	\$ 1,780,938
Other	472,787	10,876	170,385	5,514	659,562	
Total operating revenues	\$ 120,442,151	\$ 14,924,989	\$ 20,401,198	\$ 6,773,231	\$ 162,541,569	\$ 1,780,938
Operating expenses						
Cost of sales	\$ 88,374,245	\$ 5,484,731	\$	\$	\$ 93,858,976	\$
Operations, maintenance, and administration	18,846,890	5,499,636	11,131,088	5,448,217	40,925,831	625,543
Depreciation	6,052,194	1,599,802	4,063,733	639,120	12,354,849	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,896,809	1,493,821	1,738,162	166,943	7,295,735	
Insurance premiums and claims (net of refunds)					—	2,128,237
Total operating expenses	\$ 117,170,138	\$ 14,088,651	\$ 16,932,983	\$ 6,254,280	\$ 154,446,052	\$ 2,753,780
Operating income (loss)	\$ 3,272,013	\$ 836,338	\$ 3,468,215	\$ 518,951	\$ 8,095,517	\$ (972,842)
Nonoperating revenues (expenses)						
Interest revenues	\$ 22,355	\$ 44,542	\$ 33,477	\$ 3,022	\$ 103,396	\$ 3,739
Gain (loss) on disposition of capital assets	23,536	20,379	(1,476)	23,408	65,847	
Miscellaneous nonoperating income	153,105	11,133			164,238	
Interest expense	(177,755)		(1,185,402)		(1,363,157)	
Amortization of debt related costs	301		(126,301)		(126,000)	
Total nonoperating revenues (expenses)	\$ 21,542	\$ 76,054	\$ (1,279,702)	\$ 26,430	\$ (1,155,676)	\$ 3,739
Income (loss) before contributions	\$ 3,293,555	\$ 912,392	\$ 2,188,513	\$ 545,381	\$ 6,939,841	\$ (969,103)
Capital contributions			239,280	65,111	304,391	
Change in net position	\$ 3,293,555	\$ 912,392	\$ 2,427,793	\$ 610,492	\$ 7,244,232	\$ (969,103)
Net position—beginning, as restated	82,785,788	43,887,158	87,843,737	2,054,337		2,791,121
Net position—ending	\$ 86,079,343	\$ 44,799,550	\$ 90,271,530	\$ 2,664,829		\$ 1,822,018
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(485,614)	
Change in net position of business-type activities					\$ 6,758,618	

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED**

	Business-type Activities—Enterprise Funds					Governmental Activities Internal Service Funds
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	
	June 30, 2021	June 30, 2021	June 30, 2021	September 30, 2021		September 30, 2021
Cash flows from operating activities:						
Receipts from customers and users	\$ 121,620,287	\$ 14,873,842	\$ 18,956,095	\$ 6,699,478	\$ 162,149,702	\$ 1,834,215
Receipts from interfund services provided	2,871,247	183,298	229,731		3,284,276	
Payments to suppliers	(95,994,687)	(6,284,881)	(4,952,675)	(2,211,675)	(109,443,918)	(2,346,054)
Payments to employees for services and benefits—exclusive of capitalized costs	(12,122,170)	(3,657,485)	(5,587,977)	(3,380,520)	(24,748,152)	
Payments for interfund services used	(3,909,792)	(2,383,407)	(3,162,445)	(358,045)	(9,813,689)	
Net cash from operating activities	\$ 12,464,885	\$ 2,731,367	\$ 5,482,729	\$ 749,238	\$ 21,428,219	\$ (511,839)
Cash flows from noncapital financing activities:						
Change in receivables from customers for conservation loans	\$ 501,196	\$	\$	\$	\$ 501,196	\$
Change in advances from TVA for conservation loans	(510,172)				(510,172)	
Net cash from noncapital financing activities	\$ (8,976)	\$ —	\$ —	\$ —	\$ (8,976)	\$ —
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets (net)	\$ (6,902,014)	\$ (1,707,368)	\$ (1,706,747)	\$ (1,300,206)	\$ (11,616,335)	\$
Removal costs of retirements of capital assets	(1,002,404)	(61,118)			(1,063,522)	
Salvage value of retirements of capital assets	(27,522)				(27,522)	
Proceeds from disposition of capital assets	108,318	21,749		23,408	153,475	
Proceeds from capital contributions			239,280	65,111	304,391	
Net proceeds from capital debt			960,763		960,763	
Principal paid on capital debt	(390,000)		(5,360,000)		(5,750,000)	
Interest paid on capital debt	(178,405)		(1,049,342)		(1,227,747)	
Net cash from capital and related financing activities	\$ (8,392,027)	\$ (1,746,737)	\$ (6,916,046)	\$ (1,211,687)	\$ (18,266,497)	\$ —
Cash flows from investing activities:						
Interest on investments	\$ 22,752	\$ 63,161	\$ 48,810	\$ 3,022	\$ 137,745	\$ 4,547
Interfund receivables (payables)					—	(71,695)
Net cash from investing activities	\$ 22,752	\$ 63,161	\$ 48,810	\$ 3,022	\$ 137,745	\$ (67,148)
Net increase (decrease) in cash and cash equivalents	\$ 4,086,634	\$ 1,047,791	\$ (1,384,507)	\$ (459,427)	\$ 3,290,491	\$ (578,987)
Cash and cash equivalents—beginning of the year	15,354,947	18,390,507	18,858,558	3,715,251	56,319,263	5,840,480
Cash and cash equivalents—end of the year	\$ 19,441,581	\$ 19,438,298	\$ 17,474,051	\$ 3,255,824	\$ 59,609,754	\$ 5,261,493

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2021	June 30, 2021	June 30, 2021	September 30, 2021		September 30, 2021
<i>Classified as:</i>						
Current assets	\$ 18,820,723	\$ 19,438,298	\$ 15,168,454	\$ 3,255,824	\$ 56,683,299	\$ 5,161,393
Restricted assets	620,858		2,305,597		2,926,455	100,100
Totals	\$ 19,441,581	\$ 19,438,298	\$ 17,474,051	\$ 3,255,824	\$ 59,609,754	\$ 5,261,493
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>						
Operating income (loss)	\$ 3,272,013	\$ 836,338	\$ 3,468,215	\$ 518,951	\$ 8,095,517	\$ (972,842)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>						
Depreciation	\$ 6,562,418	\$ 1,599,802	\$ 4,171,158	\$ 639,120	\$ 12,972,498	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				147,942	147,942	
Miscellaneous nonoperating income	153,105	11,133			164,238	
<i>Changes in assets and liabilities:</i>						
Receivables (net)	1,025,031	(62,280)	(1,075,009)	(73,753)	(186,011)	93,593
Inventories	(63,775)	(243,033)	(49,063)	(23,596)	(379,467)	
Prepaid expenses	181,103	76,761	(630,001)		(372,137)	
Deferred outflows of resources	(1,201,706)	(594,111)	(509,732)	661,943	(1,643,606)	
Accounts and other payables	188,118	411,106	(427,240)	(202,304)	(30,320)	367,410
Customer deposits	753,829		1,451	3,938	759,218	
Net pension liability	638,957	655,196	(118,116)	(1,094,882)	81,155	
Total OPEB liability	688,047	(833,966)	517,384	121,543	493,008	
Deferred inflows of resources	267,745	863,760	133,682	50,336	1,315,523	
Total adjustments	\$ 9,192,872	\$ 1,895,029	\$ 2,014,514	\$ 230,287	\$ 13,332,702	\$ 461,003
Net cash from operating activities	\$ 12,464,885	\$ 2,731,367	\$ 5,482,729	\$ 749,238	\$ 21,428,219	\$ (511,839)

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

CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021

	<u>Employees'</u> <u>Retirement Plan</u>
ASSETS	
Cash	\$ 31,844
Amounts due from broker	78,438
Accrued investment income	229,993
Investments, at fair value	<u>102,883,808</u>
Total assets	<u>\$ 103,224,083</u>
LIABILITIES	
Amounts due to broker	<u>\$ 185,971</u>
Total liabilities	<u>\$ 185,971</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 103,038,112</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Employees'</u> <u>Retirement Plan</u>
ADDITIONS	
Contributions	
Employer	\$ 4,490,309
Employee	<u>1,632,839</u>
Total contributions	<u>\$ 6,123,148</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	\$ 15,734,379
Interest and dividends	<u>1,735,360</u>
Net investment income	<u>\$ 17,469,739</u>
Total additions	<u>\$ 23,592,887</u>
DEDUCTIONS	
Benefit payments, including refunds of member contributions	\$ 8,768,293
Administrative expenses	<u>434,429</u>
Total deductions	<u>\$ 9,202,722</u>
NET INCREASE IN NET POSITION	\$ 14,390,165
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>88,647,947</u>
End of year	<u><u>\$ 103,038,112</u></u>

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021**

	<u>Postretirement Benefits Plan</u>
ASSETS	
Receivables	
Employer	\$ 1,154,621
Total assets	<u>\$ 1,154,621</u>
NET POSITION HELD FOR OTHER POSTEMPLOYMENT BENEFITS	<u><u>\$ 1,154,621</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Postretirement Benefits Plan</u>
NET POSITION HELD FOR OTHER POSTEMPLOYMENT BENEFITS	
Beginning of year	\$ 1,154,621
End of year	<u>\$ 1,154,621</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS

	Florence- Lauderdale Public Library September 30, 2021	Florence Library Foundation, Inc. June 30, 2021	Total
ASSETS			
Cash and cash equivalents	\$ 366,975	\$ 1,996,967	\$ 2,363,942
Investments		3,463,177	3,463,177
Amounts held by the Foundation	2,793,427		2,793,427
Accrued interest receivable		4,860	4,860
Capital assets (net)	2,045,921		2,045,921
Total assets	<u>\$ 5,206,323</u>	<u>\$ 5,465,004</u>	<u>\$ 10,671,327</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	\$ 179,531	\$	\$ 179,531
LIABILITIES			
Accounts payable and accrued expenses	\$ 44,328	\$ 5,697	\$ 50,025
Amounts held on behalf of the Library		3,564,302	3,564,302
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	44,194		44,194
Portion due or payable after one year:			
Net pension liability	261,795		261,795
Total liabilities	<u>\$ 350,317</u>	<u>\$ 3,569,999</u>	<u>\$ 3,920,316</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	\$ 152,780	\$	\$ 152,780
NET POSITION			
Net investment in capital assets	\$ 2,045,921	\$	\$ 2,045,921
Restricted for:			
Other purposes-expendable		1,449	1,449
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	2,836,836	(106,444)	2,730,392
Total net position	<u>\$ 4,882,757</u>	<u>\$ 1,895,005</u>	<u>\$ 6,777,762</u>

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

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Florence-Lauderdale Public Library	Florence Library Foundation, Inc.	Total
Component units:							
<u>September 30, 2021</u>							
Florence-Lauderdale Public Library	\$ 1,260,501	\$ 19,128	\$ 1,318,116	\$	\$ 76,743	\$ —	\$ 76,743
<u>June 30, 2021</u>							
Florence Library Foundation, Inc.	9,422					(9,422)	(9,422)
Total component units	<u>\$ 1,269,923</u>	<u>\$ 19,128</u>	<u>\$ 1,318,116</u>	<u>\$ —</u>	<u>\$ 76,743</u>	<u>\$ (9,422)</u>	<u>\$ 67,321</u>
General revenues:							
Investment return					245,478	1,361	246,839
Change in net position					\$ 322,221	\$ (8,061)	\$ 314,160
Net position—beginning					4,560,536	1,903,066	6,463,602
Net position—ending					<u>\$ 4,882,757</u>	<u>\$ 1,895,005</u>	<u>\$ 6,777,762</u>

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



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CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Florence, Alabama (City) is a municipal corporation incorporated as a City under the laws of the State of Alabama. The City operates under a Mayor-Council form of government. The Mayor, elected for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes. The Mayor oversees the enforcement of all laws and ordinances and executes all contracts, conveyances, and evidences of indebtedness of the City. Legislative authority is vested in a six-member council elected by district for a four-year term with the president of the Council selected by the Council members. The City Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

The reporting entity is composed of the primary government and its component units, which are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds and departments that are not legally separate from the City. The primary government includes the City departments that provide the following services: police protection, fire protection and prevention, street maintenance and repairs, building inspection, planning and community development, parks and recreation, electricity, natural gas, water and wastewater, waste collection, recycling and disposal, and landfill operations, as well as administrative staff to provide support services. The operation and control of these activities are provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

For financial reporting purposes, the City's basic financial statements include all funds and departments for which the City is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board, exists if (1) the City 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 City. 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 upon the foregoing criteria and information, the City considers the Florence-Lauderdale Public Library (Library) and the Florence Library Foundation, Inc. (Foundation) to be discretely presented component units for financial reporting purposes. The Library board is appointed by the City Council and the City makes annual appropriations of revenues to the Library, as well as provides the Library's physical facility. The City essentially appoints a voting majority of the members of the Foundation board and the economic resources held by the Foundation are significant to the City. The financial information of the Foundation is presented on its fiscal year that ends on June 30. Complete financial statements for each of the individual component units may be obtained from their administrative offices.

Florence-Lauderdale Public Library
350 North Wood Avenue
Florence, Alabama 35630

Florence Library Foundation, Inc.
P. O. Box 1609
Florence, Alabama 35631

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

Other related organizations are excluded from the reporting entity because the City's accountability does not extend beyond the appointment of members to the governing board. These are:

Beautification Board, Civil Service Board, Historical Board, Housing and Construction Codes Appeals Board, Housing Authority, Florence-Lauderdale Public Library Board, Park and Recreation Board, Planning Commission, Tree Commission, and Zoning Adjustments.

The following are separate legal entities that are jointly governed by the City and other municipalities in which no government appoints a voting majority of the Board. The organizations were created for the benefit of Shoals area residents and generally receive financial assistance from various governments. These are:

Agri-Business Center and Farmers Market Board, Animal Control Board, Health Care Authority, Industrial Development Board, Lauderdale County Regional Library System Board, Florence-Lauderdale County Port Authority, ALA-TENN Railroad Authority, Riverbend Center for Mental Health, Scope 310 Board, Shoals Economic Development Authority, and Florence/Lauderdale Tourism Board.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Financial information of the City, the primary government, and its discretely presented component units are presented as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide financial statements consist of a statement of net position and a statement of activities. These financial statements report all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining. When appropriate, surplus or deficits of the internal service funds are allocated back to City departments at the government-wide statement of activities to avoid duplication of revenues and expenses. This creates a reconciling item between the business-type activities column and the proprietary fund statements at the fund level as reflected on the bottom of each fund-level statement.

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

Fund financial statements consist of a series of statements focusing on information about the City's major governmental and enterprise funds. The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property and sales taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the City considers revenues available if the revenues are collected within thirty days of the end of the current fiscal year. Expenditures are generally recognized when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this rule are payments in-lieu-of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Property taxes (if levied), other city-levied taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenues are considered measurable and available only when cash is received by the government.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds—Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The City reports the following major governmental funds:

General Fund—The General Fund is the primary operating fund of the City. It is used to account for and report all financial resources of the government, except those required to be accounted for in another fund.

Series 2021 PBA Lease Bond Fund—The City, in conjunction with The Public Building Authority, issued Lease Revenue Bonds in the amount of \$41,385,000 to provide funding for buildings and facilities for lease to and use by the City. This fund was created to receive and expend the proceeds from these bonds.

The other governmental funds of the City are used to account for and report (a) the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes; (b) financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets; and, (c) financial resources that are restricted, committed, or assigned to expenditure for principal, interest, and other debt service expenditures.

Proprietary Funds—Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Enterprise Funds—Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City reports the following major enterprise funds:

Electricity—This fund accounts for the operations of electric distribution to residential and commercial users within its service area.

Gas—This fund accounts for the operations of natural gas distribution to residential and commercial users within its service area.

Water and wastewater—This fund accounts for the operations of water treatment and distribution and wastewater treatment services to residential and commercial users within its service area.

Solid waste—This fund accounts for the operations of solid waste collection and disposal, recycling services, and sanitary landfill operations within its service area.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from providing services in connection with the primary activity of the fund's ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for services and benefit fees. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Funds—Internal service funds account for the financing of services provided to other departments of the City on a cost-reimbursement basis. The City's internal service funds account for the risk management (self-insurance) programs for employee group health insurance, general liability insurance, and workers' compensation insurance and operates an employee health and wellness center.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds—Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is divided into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. These funds are used to account for assets held by the City under a trust agreement for a specified purpose and are therefore not available to support the City's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The City's fiduciary funds account for the activities of the City's defined benefit pension plan, which accumulates resources for pension benefit payments for qualified employees. The City's fiduciary funds also account for the activities of the City's postretirement benefits plan, which accumulates resources for postemployment benefit payments for qualified employees.

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, the 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.

Discretely Presented Component Unit—Foundation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with GAAP.

The Foundation's financial statements are reported according to the existence or absence of donor-imposed restrictions. Accordingly, balances and transactions are reported in the following classes of net assets:

- Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.
- Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation, and/or the passage of time, or are maintained in perpetuity by the Foundation. When the donor-imposed stipulation ends or the Foundation satisfies an action, the Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions.

The Foundation reports contributions received as support, depending on the existence and/or nature of any donor restrictions.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION OR EQUITY

Deposits and Investments

The City considers cash and cash equivalents to include cash on hand, demand deposits, cash with a fiscal agent, and short-term investments with an original maturity of three (3) months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U. S. Treasury and the State of Alabama including general obligations of its counties and municipalities.

Investments are stated at fair value. Any differences between the market value and cost of investments are reflected in investment income.

For purposes of the statement of cash flows and for presentation on the statement of net position/balance sheet, investments with an original maturity of three (3) months or less are considered to be cash equivalents. Special funds created under trust indentures are reported as restricted assets and are considered cash equivalents in the statement of cash flows.

Fair Value of Financial Instruments—Discretely Presented Component Unit—Foundation

The financial instruments, which consist primarily of cash and investments, approximate their fair values.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund receivables/payables.” Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as “Internal balances.”

All trade, loans, and other receivables are shown net of any allowance for uncollectible accounts.

All payables and accrued expenses are reported on the government-wide financial statements for both governmental and business-type activities.

Contributions and Restrictions—Discretely Presented Component Unit—Foundation

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received, if any, that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions, which increases that net asset class. When net assets with donor restrictions expire, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions.

Donated Services, Materials, and Facilities—Discretely Presented Component Unit—Foundation

The Foundation receives minimal amounts of donated services, materials, and facilities. No amounts have been recognized in the statement of activities because the criteria for recognition under professional standards have not been satisfied.

Inventories

Inventories are valued at the lower of average cost or market using the first-in, first-out method and are expensed when used. Inventories consist of materials and supplies held for consumption or construction projects.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets may also represent certain resources that are segregated from other resources to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Resources set aside in separate escrow accounts whose use is limited to the payment of claims and damages from self-insurance funds are reported as restricted.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

All capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of donation. The City's capitalization levels are \$5,000 on tangible personal property; \$10,000 for buildings and improvements and land improvements; and, \$100,000 on infrastructure. The City's infrastructure consists of streets, bridges, curbs, sidewalks, traffic signals, and storm sewers. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land, inexhaustible land improvements, and construction in progress. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Governmental Activities	
Buildings and improvements	40
Land improvements	25
Infrastructure	25
Equipment, vehicles, furniture, and fixtures	5
Business-type Activities	
Utility plant	5 - 75

The Library's capital assets are recorded at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at the fair market value on the date donated. The Library maintains a capitalization threshold of \$1,000. Repairs and maintenance that do not add to the value of the asset or materially extend an asset's life are not capitalized. All capital assets are depreciated. Depreciation is computed using the straight-line method over the assets' estimated useful lives ranging from five to forty (5-40) years.

Compensated Absences

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

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the estimated current portion of the liability is reported as a fund liability. For the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Full-time employees of the Library are entitled to paid annual and sick leave depending on length of service and other factors. The entire compensated absences liability is reported on the government-wide financial statements and on the governmental fund financial statements since the Library expects the liability to be liquidated with expendable available financial resources.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations and Debt-Related Items

In the government-wide financial statements and in the fund financial statements of proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Debt premiums and discounts are deferred and amortized over the life of the related debt using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received upon issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Debt Discounts, Premiums, and Issuance Costs

In the fund financial statements, debt discounts and debt premiums are treated as period costs in the year of issue. Debt premiums and discounts are shown as an “Other Financing Source/Use.”

In the government-wide financial statements, debt discounts and debt premiums are amortized over the term of the debt using the straight-line method. Debt discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the long-term obligation.

Issuance costs, except any portion related to prepaid insurance costs, are recognized as an expenditure in the period incurred.

Deferred Inflow/Outflow from Current Refunding or Advance Refunding of Debt

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. (Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.)
- ◆ *Restricted*—Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law 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 governing body.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(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 City 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 City Council. Those committed amounts cannot be used for any other purpose unless the City Council 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 City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be 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 City Council's intent to be used for specific purposes but are neither restricted nor committed. The City Council authorizes the Mayor or the Treasurer/Chief Accountant 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.

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 City 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 City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

The accounting policies of the Library are substantially the same as those stated for the City.

The City Council approved an ordinance establishing that the fund balance of the City's General Fund be maintained at a minimum level equivalent to fifteen percent (15%) of each year's total budgeted revenue as stated in the approved General Fund budget.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The financial statements of the City of Florence, Alabama Employees' Retirement Plan (CFAERP) are prepared using the economic resources measurement focus and the accrual basis of accounting. 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.

Pensions—Discretely Presented Component Unit—Library

The Employees' Retirement System of Alabama (ERS) financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the plan. 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. Under these requirements, ERS is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Net Assets—Discretely Presented Component Unit—Foundation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

Income Taxes—Discretely Presented Component Unit—Foundation

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a private foundation under IRC Section 509(a). The Foundation is subject to federal excise taxes. The Foundation is subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The excise tax expense reported in the current fiscal year is \$3,000. The Foundation's federal income tax returns for 2018, 2019, and 2020 are subject to examination by taxing jurisdictions; however, there are currently no examinations for any open tax years in progress.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY PROCESS

Annual budgetary appropriations are adopted and used during the fiscal 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 fiscal year, the unspent balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The original and final/amended budget amounts are reflected in these financial statements.

B. DEFICIT NET POSITION

Governmental Activities

As of September 30, 2021, the following funds had deficits in net position, which are expected to be funded by future revenues or transfers from the General Fund.

Other governmental:

Municipal Court Fund	\$ 59
Economic Development Fund	21,151

Internal service:

Workers' Compensation Insurance Fund	2,129,762
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C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Governmental Activities

For the year ended September 30, 2021, the Debt Service fund incurred expenditures in excess of appropriations in the amount of \$231,322.

NOTE 3—CASH, INVESTMENTS, AND SECURITIES

Governmental Activities and Business-type Activities

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 3—CASH, INVESTMENTS, AND SECURITIES (Continued)

Pension Plan Investments—Investments in the City’s defined benefit pension plan, City of Florence, Alabama Employees’ Retirement Plan (CFAERP), are governed by locally adopted investment policies. These policies establish investment objectives and guidelines for the portfolio as a whole, for each individual manager, as well as by instrument and issuer. The following schedule is presented for only CFAERP investments at year-end:

Distribution by Asset Type					
	Equities	Other	Cash and Equivalents	Total	Percentage
Domestic equities:					
Large capitalization	\$ 34,225,323	\$ —	\$ —	\$ 34,225,323	33%
Mid capitalization	7,567,316			7,567,316	7%
Small capitalization	7,861,374			7,861,374	8%
International and emerging markets equities	15,925,707			15,925,707	15%
Fixed income	20,649,088			20,649,088	20%
Money market funds			3,009,101	3,009,101	3%
Other:					
Real estate		13,645,899		13,645,899	13%
Total investments	<u>\$ 86,228,808</u>	<u>\$ 13,645,899</u>	<u>\$ 3,009,101</u>	<u>\$102,883,808</u>	<u>100%</u>

Fair Value Measurements—The CFAERP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following table sets forth by level, within the fair value hierarchy, the CFAERP’s assets at fair value as of September 30, 2021:

Fair Value of Assets by Measurement Type				
Investment Type	Total Fair Value	Level 1	Level 2	Level 3
Corporate Stock-Common	\$ 43,153,935	\$ 43,153,935	\$ —	\$ —
Corporate Stock-Preferred	162,713	162,713		
Mutual Funds-Fixed Income	3,866,056		3,866,056	
Exchange Traded Funds	34,363,091	34,363,091		
Bank Deposit Funds	691	691		
Money Market Funds	3,008,411		3,008,411	
U.S. Government Securities	6,476,331		6,476,331	
Municipal Obligations	114,976		114,976	
Corporate Debt Instruments	7,161,361		7,161,361	
Private Real Estate Funds	4,576,243			4,576,243
Total investments	<u>\$ 102,883,808</u>	<u>\$ 77,680,430</u>	<u>\$ 20,627,135</u>	<u>\$ 4,576,243</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 3—CASH, INVESTMENTS, AND SECURITIES (Continued)

The City has the following recurring fair value measurements as of September 30, 2021:

- For Corporate Stock-Common, Corporate Stock-Preferred, Mutual Funds-Equity, Exchange Traded Funds, and Bank Deposit Funds, fair value is determined using prices quoted in active markets.
- For Mutual Funds-Fixed Income, Money Market Funds, U.S. Government Securities, Municipal Obligations, and Corporate Debt Instruments, fair value is determined using methods that could include quoted prices for similar assets in active markets, prices for identical or similar assets in inactive markets, or models that have observable inputs, such as interest rates, default rates, and yield curves.
- For Private Real Estate Funds, fair value is determined by independent appraisals or estimates of fair value as provided by third party fund managers.

Custodial Credit Risk—The custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the City 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 City'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. Certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they may be classified as "Investments" on the financial statements.

The custodial relationships for the pension plan investments are governed by written agreements that are executed by all parties and specifies that, all securities owned, and cash held by the City's pension plan shall be held in the City's, or its nominee's, name in an account separate from all other accounts maintained by the custodian and shall at all times, while in the custody of the custodian, be designated as an asset of the City's pension trust.

Discretely Presented Component Unit—Library

The Library has not adopted a formal investment policy and, as of September 30, 2021, does not have any investments that require disclosure.

Financial instruments that potentially subject the Library to concentrations of credit risk consist primarily of cash and cash equivalents. The Library's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. At year-end, the amount in excess of FDIC coverage was \$120,303.

Discretely Presented Component Unit—Foundation

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposits held by financial institutions. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. The amount in excess of FDIC coverage at year-end was \$1,343,501.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 4—RECEIVABLES AND PAYABLES

A. RECEIVABLES

Receivables at year-end were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total Receivables
Governmental Activities					
General Fund	\$ 225,626	\$ 5,430,470	\$ 322,896	\$ 5,129	\$ 5,984,121
Other governmental funds	11,253	65,862	87,062	57	164,234
Internal service funds			683,087		683,087
Total—governmental activities	\$ 236,879	\$ 5,496,332	\$ 1,093,045	\$ 5,186	\$ 6,831,442
Business-type Activities					
Electricity	\$ 9,057,860	\$ —	\$ 241,262	\$ 2,086,693	\$ 11,385,815
Gas	677,190		27,746	2,951	707,887
Water and wastewater	1,748,308		1,178,098		2,926,406
Solid waste	568,271		2,456	29	570,756
Less: allowance for bad debts	278,791				278,791
Total—business-type activities	\$ 11,772,838	\$ —	\$ 1,449,562	\$ 2,089,673	\$ 15,312,073

Loan receivables in governmental funds consist of amounts due from various commercial rehabilitation loans that are generally not expected or scheduled to be collected in the subsequent year. Loans receivable amounted to \$1,436,994 at year-end, net of an allowance for bad debts of \$1,274,370.

B. PAYABLES

Payables at year-end were as follows:

	Vendors	Salaries and Benefits	Due to Other Governments	Accrued Interest	Total Payables
Governmental Activities					
General Fund	\$ 11,047,551	\$ 1,057,601	\$ 112,357	\$ —	\$ 12,217,509
Other governmental funds	2,109,322		837,852	242,908	3,190,082
Internal service funds	532,510				532,510
Total—governmental activities	\$ 13,689,383	\$ 1,057,601	\$ 950,209	\$ 242,908	\$ 15,940,101
Business-type Activities					
Electricity	\$ 15,594,073	\$ 447,358	\$ 59,497	\$ —	\$ 16,100,928
Gas	786,908	105,488	214,313		1,106,709
Water and wastewater	392,857	192,009	294,026		878,892
Solid waste	283,476	102,355	68,178		454,009
Total—business-type activities	\$ 17,057,314	\$ 847,210	\$ 636,014	\$ —	\$ 18,540,538
Component Unit					
Public Library and Foundation	\$ 27,161	\$ 22,864	\$ —	\$ —	\$ 50,025

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 5—INTERFUND BALANCES

Governmental Activities

Interfund balances at September 30, 2021 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 118,440	\$ 425,206	\$ 543,646
	Other governmental	4,750,512	5,866		4,756,378
	Internal service	13,890			13,890
	Total	\$ 4,764,402	\$ 124,306	\$ 425,206	\$ 5,313,914

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 6—INTERFUND TRANSFERS

Governmental Activities

Interfund transfers for the year ended September 30, 2021 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
Transfer to	Other governmental	\$ 15,070,698	\$ 4,642,925	\$ 19,713,623
	Total	\$ 15,070,698	\$ 4,642,925	\$ 19,713,623

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 7—RESTRICTED ASSETS

Governmental Activities

Resources set aside in a separate escrow account whose use is limited to the payment of claims and damages from self-insurance funds are reported as restricted assets. At year-end, the amounts held for the workers' compensation insurance fund was \$100,100 and is considered expendable.

With the issuance of the Public Building Authority Lease Revenue Bonds, Series 2021, the proceeds were placed with a fiscal agent to be utilized for construction. As of September 30, 2021, the amount reported as restricted assets amounted to \$45,000,000.

Business-type Activities

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

Electricity Department

Special funds created for capital construction and debt service by the bond financing agreements are as follows:

Series 2013 Debt Service Reserve Fund	\$ 573,253
Series 2013 Warrant Funds	<u>47,605</u>
Total restricted cash and cash equivalents	<u><u>\$ 620,858</u></u>

Water and Wastewater Department

Special funds created for capital construction and debt service by the bond financing agreements are as follows:

Warrant Funds—All SRF Series	\$ 630,712
Series 2011 Warrant Funds	478,062
Series 2017 Warrant Funds	<u>1,196,823</u>
Total restricted cash and cash equivalents	<u><u>\$ 2,305,597</u></u>

NOTE 8—STORAGE GAS

Business-type Activities

Gas Department

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. At June 30, 2021, the Department had \$555,727 in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 9—CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

	Primary Government			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Governmental Activities				
Nondepreciable assets:				
Land	\$ 8,227,318	\$ 437,436	\$ 164,700	\$ 8,500,054
Construction in progress	4,436,316	11,754,367	921,798	15,268,885
Depreciable assets:				
Land improvements	26,489,417			26,489,417
Buildings	42,897,963	635,446	1,456,748	42,076,661
Equipment and vehicles	27,443,870	1,959,589	808,012	28,595,447
Infrastructure	178,375,444	434,868		178,810,312
Total capital assets	\$287,870,328	\$ 15,221,706	\$ 3,351,258	\$299,740,776
Less accumulated depreciation:				
Land improvements	\$ 16,470,662	\$ 1,025,255	\$ —	\$ 17,495,917
Buildings	21,152,486	926,647	496,234	21,582,899
Equipment and vehicles	22,748,186	1,679,868	802,940	23,625,114
Infrastructure	109,818,325	2,669,946		112,488,271
Total accumulated depreciation	\$170,189,659	\$ 6,301,716	\$ 1,299,174	\$175,192,201
Net capital assets—governmental activities	\$117,680,669	\$ 8,919,990	\$ 2,052,084	\$124,548,575
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 1,612,068	\$ —	\$ 590,402	\$ 1,021,666
Gas	130,070		25,260	104,810
Water and wastewater	1,819,357		1,577,551	241,806
Solid waste	60,295	9,910	70,205	—
Depreciable assets:				
Utility plant in service:				
Electricity	185,197,910	7,492,416	3,229,202	189,461,124
Gas	59,350,992	1,732,628	395,558	60,688,062
Water and wastewater	181,107,106	3,284,299	33,384	184,358,021
Solid waste	16,170,889	1,360,502	201,546	17,329,845
Acquisition adjustment (net):				
Gas	115,496		10,661	104,835
Total capital assets	\$445,564,183	\$ 13,879,755	\$ 6,133,769	\$453,310,169
Less accumulated depreciation:				
Electricity	\$ 97,197,910	\$ 6,562,418	\$ 4,174,347	\$ 99,585,981
Gas	29,044,796	1,599,802	455,306	30,189,292
Water and wastewater	74,013,748	4,171,158	31,908	78,152,998
Solid waste	13,633,120	639,120	201,546	14,070,694
Total accumulated depreciation	\$213,889,574	\$ 12,972,498	\$ 4,863,107	\$221,998,965
Net capital assets—business-type activities	\$231,674,609	\$ 907,257	\$ 1,270,662	\$231,311,204

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 9—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 388,323
Public safety	1,181,806
Public works	483,276
Public ways and facilities	2,024,993
Culture and recreation	2,223,318
Total	\$ 6,301,716

	Discretely Presented Component Unit—Library			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Depreciable assets:				
Furniture and fixtures	\$ 161,140	\$ —	\$ —	\$ 161,140
Equipment	628,552	34,602		663,154
Building improvements	58,672	1,555,260		1,613,932
Library collection	1,560,301	81,873	5,055	1,637,119
Total capital assets	\$ 2,408,665	\$ 1,671,735	\$ 5,055	\$ 4,075,345
Less accumulated depreciation:				
Furniture and fixtures	\$ 147,714	4,320	\$ —	\$ 152,034
Equipment	558,507	17,281		575,788
Building improvements	7,595	7,947		15,542
Library collection	1,210,391	80,724	5,055	1,286,060
Total accumulated depreciation	\$ 1,924,207	\$ 110,272	\$ 5,055	\$ 2,029,424
Net capital assets—governmental activities	\$ 484,458	\$ 1,561,463	\$ —	\$ 2,045,921

Depreciation expense was charged to the government function as follows:

Library services	<u>\$ 110,272</u>
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Business-type Activities

Electricity Department

As of June 30, 2021, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way in the amount of \$1,341,281.

Depreciation for the fiscal year totaled \$6,562,418 of which \$6,052,194 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$510,224 for the fiscal year.

During the 2011 fiscal year, the Department recorded a capital contribution of \$1,388,735 as a reduction in capitalized utility plant in accordance with regulatory standards. For financial reporting, the capital contribution was reported as an increase in net position in accordance with GASB standards. The Department is depreciating the capital contribution using the straight-line method over the estimated useful lives of the assets, which is from 25 to 44 years. Current year depreciation amounted to \$39,655. As of June 30, 2021, accumulated depreciation amounted to \$396,553.

Gas Department

As of June 30, 2021, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way in the amount of \$493,756.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 9—CAPITAL ASSETS (Continued)

Depreciation expense charged against income amounted to \$1,599,802 for the fiscal year.

During the 2000 fiscal year, the Department performed improvements to the Gate Station purchased in fiscal year 1998 and in doing so retired approximately one-half of the equipment. The Department was able to obtain information on the costs of the original equipment and based on that information, the Department was able to determine the cost of the retirements and reclassify the difference between the purchase price of the Gate Station and the cost of the equipment. The Department then reclassified from Measuring and Regulating Equipment to the Gas Plant Acquisition Adjustment account, in the amount of \$355,373 and reclassified from Accumulated Depreciation to Accumulated Amortization of Gas Plant Acquisition Adjustment in the amount of \$15,992. The Department is amortizing the Acquisition Adjustment over a 33-year period. Current year amortization amounted to \$10,661. As of June 30, 2021, accumulated amortization amounted to \$250,538.

Water and Wastewater Department

As of June 30, 2021, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way in the amount of \$1,150,765.

Depreciation for the fiscal year totaled \$4,171,158 of which \$4,063,733 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$107,425 for the fiscal year.

Solid Waste Fund

As of September 30, 2021, nondepreciable capital assets included in utility plant in service consisted of land, land rights, rights-of-way, and construction in progress in the amount of \$204,353.

Depreciation expense charged against income amounted to \$639,120 for the fiscal year.

NOTE 10—TVA POWER AND CONSERVATION PROGRAMS

Business-type Activities

Electricity Department

Conservation Program

The Department has entered into a contract with TVA to jointly establish a home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. During the 2016 fiscal year, TVA discontinued this Energy Right program. Subsequently, TVA established the eScore program, which gave the Department the option to continue on-bill financing or choose off-bill financing. The Department elected the off-bill financing option; thus, the Department will function as a fiscal intermediary only for existing conservation loans until all are paid in full. The Department had at June 30, 2021 a total of \$681,406 of energy conservation loans due from customers participating in the program. These loans are to be repaid in monthly installments by the customer over a 10-year period at an interest rate established by TVA. Under the terms of the contract, as amended, the Department has received advances on these loans in the amount of \$731,916 as of June 30, 2021.

Power Programs

The Department participates in the TVA Power Invoice Prepayment Program. This program allows the Department to electronically transfer funds, which are nonrefundable, on a weekly basis to be applied to the monthly TVA power invoice. An early payment credit is computed on a daily basis at a rate established monthly by TVA and is added to the prepayment account. This rate has been slightly higher than the interest rate currently earned on temporary cash investments with local banks. The prepayment balance of \$6,771,064 as of June 30, 2021 is reflected as prepaid expenses.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS

Long-term obligations activity for the fiscal year is as follows:

Governmental Activities	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Warrants,					
Series 2012	\$ 8,640,000	\$ —	\$ 2,745,000	\$ 5,895,000	\$ 2,875,000
Debt premium	691,937		237,236	454,701	237,235
Series 2013-B	3,410,000		800,000	2,610,000	845,000
Debt premium	91,905		23,975	67,930	23,975
Series 2020	11,920,000		190,000	11,730,000	195,000
Debt discount	(113,082)		(9,151)	(103,931)	(9,037)
Series 2021	—	13,860,000		13,860,000	—
Debt premium	—	1,341,915		1,341,915	49,854
Public Building Authority Lease					
Revenue Bonds, Series 2021	—	41,385,000		41,385,000	1,030,000
Debt premium	—	4,072,401		4,072,401	163,441
Capital lease obligations	—	359,532	83,240	276,292	89,107
Compensated absences	3,604,612	1,407,540	1,441,845	3,570,307	1,428,123
Total—governmental activities	\$ 28,245,372	\$ 62,426,388	\$ 5,512,145	\$ 85,159,615	\$ 6,927,698
Business-type Activities					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2013	\$ 5,965,000	\$ —	\$ 390,000	\$ 5,575,000	\$ 400,000
Debt premium	3,812		300	3,512	301
Compensated absences	1,629,443	656,807	651,777	1,634,473	653,789
<u>Gas</u>					
Compensated absences	595,464	219,131	238,186	576,409	230,564
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
SRF Series 2010-A	905,000		905,000	—	—
SRF Series 2010-B	1,520,000		1,520,000	—	—
SRF Series 2010-C	1,450,000		1,450,000	—	—
SRF Series 2010-D	365,000		365,000	—	—
Series 2011	490,000			490,000	490,000
SRF Series 2013	5,120,000		245,000	4,875,000	250,000
SRF Series 2017	28,240,000		875,000	27,365,000	895,000
Debt premium	618,890		38,480	580,410	38,480
SRF Series 2021-DWSRF-DL	—	541,427		541,427	605,000
SRF Series 2021-CWSRF-DL	—	419,336		419,336	305,000
Compensated absences	905,084	363,437	362,033	906,488	362,595
<u>Solid waste</u>					
Compensated absences	305,022	88,722	122,009	271,735	108,694
Total—business-type activities	\$ 48,112,715	\$ 2,288,860	\$ 7,162,785	\$ 43,238,790	\$ 4,339,423

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

	Discretely Presented Component Unit—Library				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 9,037	\$ 44,194	\$ 9,037	\$ 44,194	\$ 44,194
Total—governmental activities	\$ 9,037	\$ 44,194	\$ 9,037	\$ 44,194	\$ 44,194

Governmental Activities

On July 3, 2012, the City issued General Obligation Warrants, Series 2012 in the amount of \$22,765,000 to advance refund and redeem the City's Series 2003-B warrants on September 1, 2013 and for the current refunding of the General Obligation Warrants, Series 2007. These warrants bear interest rates from 1.00% to 5.00% and will be fully paid in 2023.

On August 20, 2013, the City issued General Obligation Warrants, Series 2013-B in the amount of \$18,805,000 for capital improvements. These warrants bear interest rates from 3.00% to 5.00%. With the advance refunding and redemption of the principal portion in the amount of \$10,095,000 with the issuance of the General Obligation Taxable Warrants, Series 2020, the remaining warrants will be fully paid in 2024.

On March 19, 2020, the City issued General Obligation Taxable Warrants, Series 2020 in the principal amount of \$12,050,000 to (i) advance refund and redeem principal portion in the amount of \$10,095,000 of the General Obligation Warrants, Series 2013-B, (ii) pay issuance costs, and (iii) provide additional cash proceeds to the City in the amount of \$668,255. These warrants bear interest rates from 1.737% to 2.514% and will be fully paid in 2033.

On September 7, 2021, the City approved of the issuance of Lease Revenue Bonds, Series 2021 by the Public Building Authority (the "Authority") of the City of Florence, Alabama in the principal amount of \$41,385,000. Contemporaneously with and as a condition to the issuance of these bonds, the Authority and the City will enter into a Lease Agreement whereby the Authority will agree to lease the new municipal city hall facility to the City until the bonds are fully repaid. Pursuant to the Lease Agreement, the City will pay to the Authority from its available general revenues basic rentals sufficient to pay the principal and interest on the bonds due during the term of the lease. These warrants bear interest rates from 2.25% to 5.00% and will be fully paid in 2046.

On September 21, 2021, the City issued General Obligation Warrants, Series 2021 in the principal amount of 13,860,000 for the construction of a new municipal parking deck, park improvements, other capital improvements, and pay issuance costs. These warrants bear interest rates from 2.50% to 4.00% and will be fully paid in 2048.

All interest costs were expensed for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

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

Totals—Governmental Activities			
Year Ending September 30	Principal	Interest	Total Debt Service
2022	\$ 4,945,000	\$ 2,383,937	\$ 7,328,937
2023	5,090,000	2,266,889	7,356,889
2024	2,490,000	2,095,428	4,585,428
2025	2,585,000	2,000,110	4,585,110
2026	2,670,000	1,920,669	4,590,669
2027—2031	14,855,000	8,079,780	22,934,780
2032—2036	13,620,000	5,156,403	18,776,403
2037—2041	13,010,000	2,989,575	15,999,575
2042—2046	14,685,000	1,310,501	15,995,501
2047—2048	1,530,000	57,625	1,587,625
Totals	\$ 75,480,000	\$ 28,260,917	\$ 103,740,917

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund; the Electricity, Gas, Water and Wastewater, and Solid Waste enterprise funds; and the Library.

Business-type Activities

Electricity Department

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

All interest costs were expensed for the fiscal year.

Water and Wastewater Department

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

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

The City issued Water and Sewer Revenue Warrants, Series 2011, dated June 1, 2011, in the amount of \$20,600,000 with interest rates ranging from 3.25% to 5.00%. The warrants were issued for capital improvements to upgrade the water treatment plants and the replacement of the Cypress Creek electrical system. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually beginning on August 15, 2021. Interest is payable semi-annually on each February 15 and August 15. On October 12, 2017, a \$20,110,000 principal portion of these warrants were advanced refunded and redeemed with the issuance of the Water and Sewer Revenue Warrants, Series 2017.

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

The Department issued Water and Sewer Revenue Warrants, Series 2017, dated October 12, 2017, in the amount of \$29,940,000 with interest rates ranging from 2.00% to 4.00%. The warrants were issued for the purposes of providing funds for (1) the advance refunding and redemption of a \$20,110,000 principal portion of the outstanding Water and Sewer Revenue Warrants, Series 2011, on February 15, 2021, (2) the current refunding and redemption of the Series 2006 SRF Warrants, (3) the current refunding and redemption of the Series 2007 SRF Warrants, (4) the purchase of municipal bond and debt service reserve insurance policies, and (5) the payment of issuance expenses. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15.

The Department issued Water and Sewer Revenue Warrants, Series 2021-DWSRF-DL, dated February 15, 2021, in the amount of \$15,015,000 bearing an interest rate of 2.20%. The warrants were issued for capital improvements to the Department's drinking water plant and distribution system. The warrants were issued under the SRF and are administered jointly by the Alabama Drinking Water Finance Authority (ADWFA) and ADEM. Principal is payable annually on February 15. Interest is payable semi-annually on each February 15 and August 15. As of June 30, 2021, the remaining balance of the warrants to be requested from ADEM was \$14,473,573.

The Department issued Water and Sewer Revenue Warrants, Series 2021-CWSRF-DL, dated February 15, 2021, in the amount of \$7,515,000 bearing an interest rate of 2.20%. The warrants were issued for capital improvements to the Department's sanitary sewer system. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. Principal is payable annually on February 15. Interest is payable semi-annually on each February 15 and August 15. As of June 30, 2021, the remaining balance of the warrants to be requested from ADEM was \$7,095,664.

All interest costs were expensed for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

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

Business-type Activities			
Year Ending June 30	Electricity Department		
	Principal	Interest	Total Debt Service
2022	\$ 400,000	\$ 170,605	\$ 570,605
2023	410,000	162,205	572,205
2024	420,000	152,980	572,980
2025	430,000	142,480	572,480
2026	440,000	131,300	571,300
2027—2031	2,395,000	460,100	2,855,100
2032—2033	1,080,000	65,200	1,145,200
Totals	<u>\$ 5,575,000</u>	<u>\$ 1,284,870</u>	<u>\$ 6,859,870</u>

Year Ending June 30	Water and Wastewater Department		
	Principal	Interest	Total Debt Service
2022	\$ 2,545,000	\$ 1,458,611	\$ 4,003,611
2023	2,610,000	1,401,231	4,011,231
2024	2,660,000	1,345,689	4,005,689
2025	2,715,000	1,285,348	4,000,348
2026	2,795,000	1,208,333	4,003,333
2027—2031	15,255,000	4,754,742	20,009,742
2032—2036	17,530,000	2,486,746	20,016,746
2037—2041	9,150,000	481,350	9,631,350
Totals	<u>\$ 55,260,000</u>	<u>\$ 14,422,050</u>	<u>\$ 69,682,050</u>

Less: amount of DWSRF and CWSRF funds available for disbursement	<u>21,569,237</u>
Total long-term debt	<u>\$ 33,690,763</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 12—LEASE COMMITMENTS

A. CAPITAL LEASES

Governmental Activities

In October 2020, the City entered into a lease agreement as lessee to finance the acquisition of seventy-four (74) golf carts. The economic substance of this lease is that the City is financing the acquisition of the assets through the lease. Accordingly, the assets and liabilities under the capital lease have been recorded at the present value of minimum lease payments discounted at an interest rate of 11.99%.

In November 2020, the City entered into a lease agreement as lessee to finance the acquisition of lawn maintenance equipment. The economic substance of this lease is that the City is financing the acquisition of the assets through the lease. Accordingly, the assets and liabilities under the capital lease have been recorded at the present value of minimum lease payments discounted at an interest rate of 4.80%.

In November 2020, the City entered into a lease agreement as lessee to finance the acquisition of lawn maintenance equipment. The economic substance of this lease is that the City is financing the acquisition of the assets through the lease. Accordingly, the assets and liabilities under the capital lease have been recorded at the present value of minimum lease payments discounted at an interest rate of 4.80%.

The following is a summary of assets held under the capital leases as of September 30, 2021:

Governmental Activities	Golf Carts	Lawn Equipment	Lawn Equipment
Capital assets	\$ 148,513	\$ 53,850	\$ 157,169
Less: accumulated depreciation		897	2,619
Net book value	<u>\$ 148,513</u>	<u>\$ 52,953</u>	<u>\$ 154,550</u>

Obligations under the capital leases at September 30, 2021 are as follows:

Fiscal Year Ending September 30	Golf Carts	Lawn Equipment	Lawn Equipment
2022	\$ 59,184	\$ 11,968	\$ 36,101
2023	59,184	11,968	36,102
2024	4,932	11,968	36,101
2025		11,967	36,102
Total minimum lease payments	\$ 123,300	\$ 47,871	\$ 144,406
Less: Amount representing interest	18,150	5,340	15,795
Present value of net minimum lease payments	<u>\$ 105,150</u>	<u>\$ 42,531</u>	<u>\$ 128,611</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 12—LEASE COMMITMENTS (Continued)

B. OPERATING LEASE

Business-type Activities

Electricity Department

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

Fiscal Year Ending	Amount
2022	\$ 201,372
2023	201,372
2024	201,372
2025	201,372
2026	201,372
Total	<u>\$ 1,006,860</u>

NOTE 13—PROPERTY TAXES

Property taxes include amounts levied against all real and tangible personal property located within the City. Taxes are levied and collected by the Lauderdale County Revenue Commissioner who remits to the City its portion of the taxes collected, net of collection fees ranging from one to five percent (1-5%), depending on the type of tax collected. State law categorizes all property into four (4) classes:

Class	Description	Assessment Percentage
I	All property of public utilities	30%
II	All other property not otherwise classified	20%
III	Agricultural, forest, single family, owner-occupied residential property, and historic buildings and sites	10%
IV	All private passenger motor vehicles operated for personal and private use and not for hire, rent or compensation	15%

Assessed value is computed using an assessment percentage of its appraised market value. The full tax rate for the City for the fiscal year was 49 mills (\$0.049) of assessed value. Taxes are levied and due on October 1 and become delinquent after December 31 in each year (except motor vehicle taxes, which have varying levy and due dates). After December 31, penalties and interest are assessed. If real property taxes are not paid by May 15 following the due date, State law requires a tax sale.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS

Governmental Activities and Business-type Activities

Pension Plan

Plan Description—The City's defined benefit pension plan, City of Florence, Alabama Employees' Retirement Plan (CFAERP), provides pensions, disability, death, and termination benefits for all permanent full-time employees of the City. CFAERP is a single-employer defined benefit pension plan.

Benefits Provided—Retirement benefits for general employees are calculated as follows:

Normal Retirement	<p>The monthly amount accrued or purchased under the employer's retirement annuity plan in effect prior to October 1, 1966, plus for each month of credited service, an amount calculated as follows:</p> <ul style="list-style-type: none"> • Before July 1, 1957, 1/24th of 1% of first \$350 of monthly earnings on October 1, 1966, plus 3/24ths of 1% of the excess; • From July 1, 1957 to October 1, 1966, 1/12th of .58% of first \$350 of monthly earnings on October 1, 1966, plus 1/12th of 1.66% of the excess; • From October 1, 1966 to October 1, 1979, 1/12th of 1.58% of first \$350 of monthly earnings, plus 1/12th of 3.16% of the excess; • From October 1, 1979 to October 1, 1988, 1/12th of 2.10% of first \$350 of monthly earnings, plus 1/12th of 3.26% of the excess; • After October 1, 1988, 1/12th of 2.31% of first \$350 of monthly earnings, plus 1/12th of 3.586% of the excess. <p>Effective October 1, 1992, participant accrued benefits were increased by 10%.</p>
Early Retirement	<p>Monthly benefit determined in same manner as normal retirement benefit, based on participant's accrued benefit as of early retirement date, and reduced by 1/180th for each of the first 24 months and 1/360th for each additional month that the early retirement date precedes age 62. However, a participant who has attained age 62 with 5 years of credited service, or age 57 with 30 years of total service, or age 52 with 25 years of total service may retire early and receive normal retirement benefit with no reduction for early commencement.</p>
Disability Benefit	<p>Monthly benefit equal to the accrued benefit as of the disability retirement date.</p>
Death Benefit	<p>A lump sum cash payment equal to the excess (if any) of the participant's contributions plus credited interest over the pension payments (if any) received by the participant.</p>
Termination Benefit	<p>An amount equal to the participant's accrued benefit. Instead of a deferred benefit, a participant may withdraw contributions with interest.</p>

Benefits are payable as an annuity over the lifetime of the participant, with a minimum payout of the participant's contribution plus interest. Other benefit options include:

- 120 months certain and life annuity.
- Contingent annuitant option with either 100%, 66.67%, or 50% of the annuity being payable to the contingent annuitant for life after the participant's death.
- Lump-sum cash payment (only available if attained age 55 with 5 years of credited service early retirement or attained age 65 normal retirement).

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—At September 30, 2020, the following employees were covered by the benefit terms:

Active participants who have not reached age 65	625
Active participants attaining normal retirement age 65	16
Inactive participants (61 in pay status)	<u>138</u>
Total participants	<u><u>779</u></u>

Contributions—The authority to establish and amend the contribution requirements of the CFAERP belongs to the City Council. The Council establishes rates based on 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 an additional amount to finance any unfunded accrued liability.

For the current fiscal year, the active employee contribution rate was 2.56% on the first \$350 of monthly compensation and 5.12% of monthly compensation in excess of \$350. The City contributes 2.75 times the employee contribution.

Investment Policy—The investment policy is structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and is structured to establish and maintain an appropriate diversification of the plan's assets. The investment objective is to produce a result over the long term consistent with the primary objective of preserving and enhancing the purchasing power of assets. Based on an analysis of the plan's assets and expected investment returns and risks associated with alternative asset mix strategies, the City Council has established target asset allocations for all assets of the CFAERP. There are no individual investments in the CFAERP that exceed 5% of plan assets at September 30, 2021.

Rate of Return—For the year ended September 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability—The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions—The total pension liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.00%
Investment rate of return	7.50%, net of investment expenses

Mortality rates were based on the Pub-2010 mortality table, amount-weighted, with generational mortality improvement based on the MP-2020 projection scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Cash Equivalents	1.50%	1.00%
US Core Fixed Income	17.00%	1.20%
High Yield Fixed Income	7.50%	1.50%
US Large Cap Growth Equity	7.00%	4.60%
US Large Cap Value Equity	7.00%	6.00%
US Large Cap Core Equity	17.00%	4.80%
US Mid Cap Growth Equity	2.00%	3.40%
US Mid Cap Value Equity	2.00%	6.50%
US Mid Cap Core Equity	2.00%	4.90%
US Small Cap Growth Equity	2.00%	6.90%
US Small Cap Value Equity	2.00%	9.20%
US Small Cap Core Equity	2.00%	8.00%
International Equity	14.00%	5.70%
Emerging Markets Equity	3.00%	9.10%
Real Estate Investment Trusts	4.00%	6.90%
Core Private Real Estate Funds	10.00%	7.10%

Discount Rate—The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at 2.75 times the employee contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Changes in the Net Pension Liability—The following table shows the components of the changes in the net pension liability:

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance as of September 30, 2020 *	\$ 122,102,530	\$ 85,719,770	\$ 36,382,760
Changes for the year:			
Service cost	2,998,469		2,998,469
Interest on total pension liability	8,939,067		8,939,067
Effect of economic/demographic gain/losses	3,074,258		3,074,258
Effect of assumption changes/inputs	(54,052)		(54,052)
Benefit payments	(12,044,622)	(12,044,622)	-
Employer contributions		4,528,897	(4,528,897)
Member contributions		1,646,872	(1,646,872)
Net investment income		9,276,689	(9,276,689)
Administrative expenses		(479,655)	479,655
Balance as of September 30, 2021 *	\$ 125,015,650	\$ 88,647,951	\$ 36,367,699

* The measurement date is one year earlier than the reporting date.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total pension liability	\$ 135,180,563	\$ 125,015,650	\$ 115,852,107
Fiduciary net position	88,647,951	88,647,951	88,647,951
Net pension liability	<u>\$ 46,532,612</u>	<u>\$ 36,367,699</u>	<u>\$ 27,204,156</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2021, the City recognized pension expense of \$5,282,544. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	\$ 4,154,645	\$ -
Differences between expected and actual experience	7,938,302	
Changes in assumptions	900,792	232,762
Net difference between projected and actual earnings	3,465,943	3,222,498

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2022	\$ 1,101,266
2023	1,858,587
2024	1,850,848
2025	700,692
2026	1,142,996
Thereafter *	2,195,388

* Additional future deferred outflows and inflows of resources may impact these amounts.

Deferred outflows of resources resulting from employer contributions made subsequent to the measurement date in the amount of \$4,154,645 will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Deferred Compensation Plan

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

The City has no fiduciary relationship with the trust. In accordance with professional standards, the plan assets are not reported in the City's financial statements.

Discretely Presented Component Unit—Library

Plan Description—The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act Number 515 of the Legislature of 1945). The purpose of the ERS is to provide 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. Effective October 1, 2021, Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* 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 equal to the annual earnable compensation of the member as reported to the plan for the preceding year ended September 30 are paid to the beneficiary.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The ERS serves approximately 853 local participating employers. As of September 30, 2020, membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	28,672
Terminated employees entitled to,	
but not yet receiving, benefits	1,974
Terminated employees not	
entitled to a benefit	14,133
Active members	56,369
Post-DROP participants who	
are still in active service	<u>97</u>
Total	<u><u>101,245</u></u>

Contributions—Effective October 1, 2012, Tier 1 members of the ERS are 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 preretirement death benefit, and administrative expenses of the plan. For the year ended September 30, 2021, the Library's average active employee contribution rate was 6.84% of covered employee payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was 6.33% of pensionable payroll.

The Library's contractually required contribution rate for the year ended September 30, 2021 was 7.55% of pensionable pay for Tier 1 employees and 5.62% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, 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 Library were \$28,479 for the year ended September 30, 2021.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Net Pension Liability—The Library's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 that was rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

(a) Total pension liability as of September 30, 2019	\$ 1,736,334
(b) Discount rate	7.70%
(c) Entry age normal cost for the period October 1, 2019—September 30, 2020	51,038
(d) Transfers among employers	(111,621)
(e) Actual benefit payments and refunds for the period October 1, 2019—September 30, 2020	<u>(91,064)</u>
Total pension liability as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) - [(e) x (1+0.5*(b))]	<u>\$ 1,632,845</u>

Actuarial Assumptions—The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return	7.70%, 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 ages 78 and older. 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 actuarial valuation as of September 30, 2018 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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:

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
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 the long-term rate of return, 7.70%. 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.

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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2019	\$ 1,736,334	\$ 1,443,500	\$ 292,834
Changes for the year:			
Service cost	51,038		51,038
Interest	130,192		130,192
Difference between expected and actual experience	(82,034)		(82,034)
Contributions - employer		19,297	(19,297)
Contributions - employee		32,756	(32,756)
Net investment income		78,182	(78,182)
Benefit payments, including refunds of employee contributions	(91,064)	(91,064)	—
Transfers among employers	(111,621)	(111,621)	—
Balance as of September 30, 2020	\$ 1,632,845	\$ 1,371,050	\$ 261,795

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate—The following table presents the Library's net pension liability calculated using the discount rate of 7.70%, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Library's net pension liability	\$ 465,478	\$ 261,795	\$ 90,840

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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 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.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2021, the Library recognized pension expense of \$46,109. At September 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 45,745	\$ —
Changes of assumptions	106,160	
Differences between expected and actual experience	615	152,780
Employer contributions subsequent to the measurement date	27,011	

The Library reported \$27,011 as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amount
2022	\$ 6,014
2023	20,148
2024	29,817
2025	(10,041)
2026	(20,306)
Thereafter	(25,892)

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Governmental Activities and Business-type Activities

Plan Description—The City's defined benefit other postemployment benefit (OPEB) plan, City of Florence Postretirement Benefits Plan (CFPBP), provides medical, dental, and life insurance benefits to eligible retired City employees and their covered dependents. CFPBP is a single-employer defined benefit OPEB plan. Benefit provisions are established and may be amended by the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided—Participation begins on the date that an eligible employee becomes employed by the City. Retirees and their covered dependents who voluntarily allow medical coverage to lapse are not eligible to elect coverage at a later date. Active employees are eligible to enroll in the CFPBP when they retire or become disabled. A requirement of coverage is that the employee meets the eligibility requirements for a service or disability retirement benefit under the City's pension plan, as follows:

<i>Type of Retirement</i>	<i>Eligibility Requirements</i>
Normal Retirement	Age 65
Early Retirement	Age 55 with 5 or more years of creditable service or Age 52 with 25 or more years of creditable service
Disability Retirement	Permanent and total disability after the completion of 5 years of credited service

The CFPBP provides for continued participation in the City's group rated and self-insured medical coverage, group rated dental coverage, and group rated life insurance coverage. In addition to the benefits listed above, non-disabled retirees may continue to receive benefits dispensed at a CareHere clinic contracted with the City. Eligibility for Medicare is determined separately for retirees and their beneficiaries. Benefits provided under the OPEB plan are provided until the earlier of age 65, or the date a retired participant allows coverage to lapse.

Annual Retiree Cost Sharing:

<i>Annual premium for the first 36 months of coverage after retirement</i>			
	<i>Retiree</i>	<i>City</i>	<i>Total</i>
Healthy retiree with single coverage	\$ -	\$ 6,324	\$ 6,324
Disabled retiree with single coverage		6,324	6,324
Healthy retiree with family coverage	9,348	6,324	15,672
Disabled retiree with family coverage	9,348	6,324	15,672
 <i>Annual premium after the first 36 months of coverage after retirement</i>			
	<i>Retiree</i>	<i>City</i>	<i>Total</i>
Healthy retiree with single coverage	\$ 6,324	\$ -	\$ 6,324
Disabled retiree with single coverage		6,324	6,324
Healthy retiree with family coverage	15,672		15,672
Disabled retiree with family coverage	9,348	6,324	15,672

Past plan administration practice has permitted a married and retired couple to enroll in two (2) single coverage policies rather than requiring them to enroll at the family coverage tier. Coverage for access to the CareHere clinic contracted by the City is charged at \$12 per participant per month. The City pays all contract costs associated with the CareHere clinic.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Life Insurance Coverage:

Healthy retirees are covered by a temporary life insurance benefit. Coverage ceases at the earlier of three (3) years after retirement or age 65. Disabled retirees are covered by a temporary life insurance benefit. Coverage ceases at the earlier of commencement of City pension benefits or age 65. Life insurance benefits are not contingent upon the participant continuing medical coverage through the City. The full cost of premiums for life insurance coverage is paid by the City. The amount of coverage is 100% of final salary, rounded up to the nearest \$5,000; however, coverage will be no less than \$20,000 and no more than \$125,000.

Employees Covered by Benefit Terms—At September 30, 2020, the following employees were covered by the benefit terms:

Retirees and covered spouses	
currently receiving benefits	88
Active employees	741
Total	<u>829</u>

Total OPEB Liability—The City's total OPEB liability was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.20%
Salary increases	3.00%, including inflation
Discount rate	2.21%
Healthcare cost trend rates:	
Medical costs prior to age 65	6.30% initially, adjusting to an ultimate rate of 3.70% for 2073 and later years
Dental costs	3.93% initially, adjusting to an ultimate rate of 0.33% for 2103 and later years
CareHere costs	3.00%

The discount rate was based on the General Obligation 20-year Municipal Bond Index published by The Bond Buyer. Mortality rates were based on the Pub-2010 mortality tables, amount-weighted with separate rates for annuitants and non-annuitants, with generational mortality improvement projected using the MP-2020 to reflect the most recent mortality expectations published by the Society of Actuaries. The plan has not had a formal actuarial experience study performed.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Total OPEB Liability—The following table shows the components of the changes in the total OPEB liability:

	<i>Total OPEB Liability</i>
Balance as of September 30, 2020 *	\$ 15,534,664
Changes for the year:	
Service cost	1,001,856
Interest on total OPEB liability	429,295
Effect of economic/demographic gains or losses	1,629,718
Effect of assumption changes or inputs	594,837
Benefit payments	(800,422)
Balance as of September 30, 2021 *	<u>\$ 18,389,948</u>

* The measurement date is one year earlier than the reporting date.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.66% to 2.21%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate—The following presents the total OPEB liability of the City, calculated using the current discount rate of 2.21%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
	<i>(1.21%)</i>	<i>(2.21%)</i>	<i>(3.21%)</i>
Total OPEB liability	<u>\$ 19,644,156</u>	<u>\$ 18,389,948</u>	<u>\$ 17,186,489</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate—The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Trend Rate</i>	<i>1% Increase</i>
Total OPEB liability	<u>\$ 16,519,527</u>	<u>\$ 18,389,948</u>	<u>\$ 20,589,842</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended September 30, 2021, the City recognized OPEB expense of \$1,297,209. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contributions made subsequent to the measurement date	\$ 1,156,621	\$ -
Differences between expected and actual experience	2,361,520	2,964,833
Changes of assumptions or inputs	832,343	664,743

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year Ending</i> <i>September 30</i>	<i>Amount</i>
2022	\$ (133,942)
2023	(133,942)
2024	(133,942)
2025	(133,942)
2026	(73,509)
Thereafter *	173,564

* Additional future deferred outflows and inflows of resources may impact these amounts.

Deferred outflows of resources resulting from contributions made subsequent to the measurement date in the amount of \$1,156,621 will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2022.

NOTE 16—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Business-type Activities

Solid Waste Fund

State and federal laws and regulations require the City to place a final cover on its solid waste landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill closes, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. During the 2011-2012 fiscal year, the City ceased its municipal solid waste landfill operations and contracted with a regional landfill for disposal of municipal solid waste. The City will continue to use the remaining landfill capacity for construction and demolition materials. During the 2016-2017 fiscal year, the City reevaluated the estimated total cost for closure and postclosure care costs and was granted permission to expand the disposal area over closed and inactive cells resulting in a significant increase of the total estimated capacity of the landfill for the disposal of construction and demolition materials. The amount reported as landfill closure and postclosure care liability at September 30, 2021 of \$2,242,258 represents the cumulative amount reported to date based on the estimated capacity of the landfill used to date. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,703,932 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the current fiscal year. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City has used approximately 57 percent of the estimated capacity of the landfill as of September 30, 2021. With this limited use, the City estimates that the landfill will close in 2051.

NOTE 17—JOINT OPERATION

Governmental Activities

In December 2006, the City and Lauderdale County entered into an informal arrangement to jointly acquire a commercial office building whereby each entity would own a 50% undivided interest in the building. Under the arrangement, the City manages the daily operations of the building. The City created a special revenue fund to account for the rents collected and related expenditures of the building. At such time that expenditures exceed revenues, the City will invoice the County for 50% of the shortfall. The City and County are utilizing portions of the building for administration and government services. In October 2020, the City sold its 50% interest in the building to the County.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 18—RISK MANAGEMENT

Governmental Activities and Business-type Activities

The City's risk management activities are recorded into three self-insurance funds. The purpose of these funds is to administer employee group health, property and liability, and workers' compensation insurance programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

The City retains risk of loss on the employee group health, property and liability, and a portion of workers' compensation insurance. For the insured portion of workers' compensation insurance, there have been no reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City has recorded an estimated liability for general liability insurance claims and has recorded an estimated liability for workers' compensation insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. At September 30, 2021, the carrying amounts of unpaid claims liability of the workers' compensation insurance fund was \$2,301,686, which has been computed on a present-value basis using a discount rate of 0.6%. The carrying amount of unpaid claims liability for the general liability insurance fund was \$877,088, which has not been discounted due to the lack of reinsurance.

With the implementation of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the workers' compensation insurance fund and the general liability insurance fund established a liability for both reported and unreported events, which includes estimates of both future payments of loss and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the City for the current fiscal year:

	General Liability Insurance	Workers' Compensation Insurance
Claims liability, October 1, 2020	\$ 877,088	\$ 2,301,686
Provision for (adjustment to) claims	665,268	1,007,717
Payment of claims	(665,268)	(1,007,717)
Claims liability, September 30, 2021	<u>\$ 877,088</u>	<u>\$ 2,301,686</u>

At September 30, 2021, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers' compensation insurance fund were \$634,032, \$4,444,347, and \$520,996, respectively.

The City has purchased network security liability insurance with a \$1 million limit per claim and an annual aggregate limit of \$1 million, above a \$50,000 deductible per claim, to limit the City's exposure to losses related to security/data breaches and other similar claims.

NOTE 19—CONTINGENCIES AND COMMITMENTS

Governmental Activities

The City is a defendant in various claims and/or lawsuits. The outcome of these matters is uncertain as of the date of this report. The City management and legal counsel are of the opinion that any settlement resulting from such litigation would not materially affect the financial statements.

Bond arbitration may be applicable to General Obligation Warrants when the proceeds were not expended within the legislated period. At the present time, no determination of the amount to be refunded under rules of arbitration can be ascertained.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 19—CONTINGENCIES AND COMMITMENTS (Continued)

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2021, open contracts for construction totaled \$6,593,316 of which \$3,255,094 had been recorded as construction in progress.

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to request for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. The City's management believes that such disallowance, if any, will be immaterial.

During the 2020 fiscal year, the City advance refunded \$10,095,000 of the General Obligation Warrants, Series 2013-B by issuing General Obligation Taxable Warrants, Series 2020. Subsequently, the City defeased these warrants by depositing funds into an irrevocable trust with an escrow agent to provide for the future debt service payments on the old warrants as they mature through 2033. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the City's financial statements. The outstanding balance of this defeased debt at September 30, 2021 was \$10,095,000.

Business-type Activities

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

The Utility departments have received federal and state grants for specific purposes that are subject to audit and adjustment by grantor agencies. Such audits could lead to request for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. City management believes that such disallowance, if any, will be immaterial.

Electricity Department

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2021, open contracts for construction totaled \$50,000 of which \$0 had been recorded as cumulative construction in progress. As of June 30, 2021, open contracts for system maintenance totaled \$2,234,748 of which \$492,356 had been recorded as current maintenance expense.

Gas Department

The Department entered into an agreement with two (2) energy suppliers to purchase natural gas in the futures market. This agreement allows the Department to purchase gas at current rates for delivery at a future time. If the quantities of gas purchased are not needed for resale during the month for which it was purchased, the Department could transport the gas to its storage facilities, or the Agreement allows the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitment would materially affect the Department's operations or financial position. As of June 30, 2021, the Department had made purchase commitments amounting to \$4,976,550 for the subsequent fiscal year's gas needs.

Water and Wastewater Department

The Department enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2021, open contracts for construction totaled \$336,635 of which \$223,239 had been recorded as cumulative construction in progress. As of June 30, 2021, open contracts for system maintenance totaled \$218,765 of which \$29,749 had been recorded as current maintenance expense.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(Continued)

NOTE 19—CONTINGENCIES AND COMMITMENTS (Continued)

The Department has been approved for loan funding in the maximum amount of \$45,030,000 from the Drinking Water State Revolving Loan Program and \$22,540,000 from the Clean Water State Revolving Loan Program, both of which are administered by the Alabama Department of Environmental Management. The Department plans to borrow these funds over a four-year period for capital improvements to the water and wastewater systems. During the fiscal year ended June 30, 2021, the Department issued debt in the amount of \$15,015,000 from the Drinking Water State Revolving Loan Program and \$7,515,000 from the Clean Water State Revolving Loan Program.

Discretely Presented Component Unit—Library

The Library has received state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to request for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. The Library's management believes that such disallowance, if any, will be immaterial.

NOTE 20—CORRECTION OF AN ERROR

The City was informed by its actuarial services firm that they had discovered an error in the calculation of the total OPEB liability and the associated deferred outflows of resources and deferred inflows of resources related to OPEB where the allocations for the City's governmental activities and the Gas Department had been inadvertently mislabeled thus causing a correction to the beginning net position presented in these financial statements, as follows:

Governmental Activities

Net position as of September 30, 2020, as previously stated	\$ 111,837,564
Cumulative effect of the change in accounting principle related to:	
Total OPEB liability	<u>(4,174,551)</u>
Net position as of September 30, 2020, as restated	<u><u>\$ 107,663,013</u></u>

Business-type Activities

Gas Department

Net position as of June 30, 2020, as previously stated	\$ 39,712,607
Cumulative effect of the change in accounting principle related to:	
Total OPEB liability	<u>4,174,551</u>
Net position as of June 30, 2020, as restated	<u><u>\$ 43,887,158</u></u>

NOTE 21—SUBSEQUENT EVENTS

Governmental Activities and Business-type Activities

The City evaluated its financial statements for subsequent events through the date the financial statements were available to be issued. In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The extent of the impact of COVID-19 on the operational and financial performance of the City will depend on certain developments including the duration and spread of the outbreak and the impact on its citizens, workforce, and suppliers all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City's financial condition, the results of its activities, or its liquidity remains uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 20,268,600	\$ 20,268,600	\$ 20,268,600	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 46,948,000	\$ 46,948,000	\$ 52,511,137	\$ 5,563,137
Property	13,080,000	13,080,000	13,300,088	220,088
Motor fuel	400,000	400,000	434,154	34,154
Tobacco	200,000	200,000	220,081	20,081
Alcoholic beverages	1,025,000	1,025,000	1,266,888	241,888
Other	350,000	350,000	829,918	479,918
Total taxes	\$ 62,003,000	\$ 62,003,000	\$ 68,562,266	\$ 6,559,266
Licenses and permits:				
Business	\$ 3,551,000	\$ 3,551,000	\$ 3,664,150	\$ 113,150
Non-business	105,000	105,000	115,704	10,704
Total licenses and permits	\$ 3,656,000	\$ 3,656,000	\$ 3,779,854	\$ 123,854
Fines and forfeitures	\$ 1,380,500	\$ 1,380,500	\$ 858,483	\$ (522,017)
Charges for services:				
Cultural and recreational	\$ 1,506,200	\$ 1,515,800	\$ 1,947,774	\$ 431,974
Highways and streets	84,500	84,500	77,095	(7,405)
Other	53,700	53,700	21,259	(32,441)
Total charges for services	\$ 1,644,400	\$ 1,654,000	\$ 2,046,128	\$ 392,128
Intergovernmental	\$ 1,500,500	\$ 1,500,500	\$ 1,414,634	\$ (85,866)
Other:				
Interest	\$ 110,000	\$ 110,000	\$ 15,720	\$ (94,280)
Other	55,000	55,000	1,278,796	1,223,796
Total other	\$ 165,000	\$ 165,000	\$ 1,294,516	\$ 1,129,516
Proceeds from capital lease obligations	\$	\$	\$ 359,533	\$ 359,533
Amounts available for appropriation	\$ 90,618,000	\$ 90,627,600	\$ 98,584,014	\$ 7,956,414
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 449,252	\$ 450,827	\$ 470,933	\$ (20,106)
City council	388,574	388,574	337,549	51,025
Urban forestry	377,382	377,382	444,405	(67,023)
Purchasing and grants administration	299,158	299,158	288,485	10,673
Legal	323,177	328,177	323,028	5,149
Accounting	647,077	663,214	645,799	17,415
City clerk	720,133	720,133	715,195	4,938
Planning	520,822	520,822	345,292	175,530
Human resources	462,093	463,393	455,263	8,130
Administrative buildings	513,550	570,050	557,169	12,881
Building	876,601	876,601	801,383	75,218
Engineering	982,799	982,799	818,643	164,156
Total general administration	\$ 6,560,618	\$ 6,641,130	\$ 6,203,144	\$ 437,986

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Public safety:				
Police	\$ 11,838,317	\$ 11,838,317	\$ 11,783,955	\$ 54,362
Jail	678,000	678,000	190,939	487,061
Municipal court	694,290	694,290	695,008	(718)
Animal services	1,030,310	1,030,310	1,184,768	(154,458)
Fire	8,599,699	8,612,299	8,100,859	511,440
Total public safety	<u>\$ 22,840,616</u>	<u>\$ 22,853,216</u>	<u>\$ 21,955,529</u>	<u>\$ 897,687</u>
Public works:				
Streets	\$ 4,246,166	\$ 4,336,166	\$ 4,226,484	\$ 109,682
Municipal lighting and utilities	1,065,270	1,065,270	989,921	75,349
Cemetery	309,416	309,416	338,044	(28,628)
Parking facilities	94,103	94,103	79,382	14,721
Total public works	<u>\$ 5,714,955</u>	<u>\$ 5,804,955</u>	<u>\$ 5,633,831</u>	<u>\$ 171,124</u>
Culture and recreation:				
Parks and recreation administration	\$ 2,427,527	\$ 2,427,527	\$ 2,417,746	\$ 9,781
Parks	3,879,851	3,879,851	3,815,148	64,703
Golf course	1,456,717	1,456,717	1,718,869	(262,152)
Arts and museums	593,442	593,442	576,267	17,175
Total culture and recreation	<u>\$ 8,357,537</u>	<u>\$ 8,357,537</u>	<u>\$ 8,528,030</u>	<u>\$ (170,493)</u>
Nondepartmental:				
Other	\$ 1,542,825	\$ 1,592,825	\$ 2,041,561	\$ (448,736)
Education—funding for school district	9,871,944	9,871,944	10,915,096	(1,043,152)
Capital projects	5,500,000	6,188,292	7,348,344	(1,160,052)
Transfers to other funds	9,888,889	9,888,889	15,070,698	(5,181,809)
Total nondepartmental	<u>\$ 26,803,658</u>	<u>\$ 27,541,950</u>	<u>\$ 35,375,699</u>	<u>\$ (7,833,749)</u>
Total charges to appropriations	<u>\$ 70,277,384</u>	<u>\$ 71,198,788</u>	<u>\$ 77,696,233</u>	<u>\$ (6,497,445)</u>
Budgetary fund balance—ending	<u>\$ 20,340,616</u>	<u>\$ 19,428,812</u>	<u>\$ 20,887,781</u>	<u>\$ 1,458,969</u>

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 98,584,014
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	(20,268,600)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Proceeds from issuance of capital lease obligations are inflows of budgetary resources but are not revenues for financial reporting purposes	(359,533)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 77,955,881</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 77,696,233
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(15,070,698)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 62,625,535</u>

CITY OF FLORENCE, ALABAMA
EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
TOTAL PENSION LIABILITY										
Service cost	\$ 2,998,469	\$ 2,898,609	\$ 2,942,609	\$ 2,830,614	\$ 2,888,380	\$ 2,825,270	\$ 2,854,759	\$ -	\$ -	\$ -
Interest	8,939,067	8,498,888	8,422,824	8,207,619	7,880,999	7,721,152	7,603,781			
Effect of plan changes				840,263						
Effect of economic/demographic gains or losses	3,074,258	4,434,107	69,847	63,177	1,690,662	558,626	1,537,047			
Effect of assumption changes or inputs	(54,052)	410,054	(74,689)	(73,548)	(188,107)	1,286,192				
Benefit payments	(12,044,622)	(8,956,126)	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)			
Net change in total pension liability	\$ 2,913,120	\$ 7,285,532	\$ (240,263)	\$ 5,159,074	\$ 3,303,393	\$ 761,728	\$ 2,779,182	\$ -	\$ -	\$ -
Total pension liability, beginning	122,102,530	114,816,998	115,057,261	109,898,187	106,594,794	105,833,066	103,053,884			
Total pension liability, ending (a)	<u>\$ 125,015,650</u>	<u>\$ 122,102,530</u>	<u>\$ 114,816,998</u>	<u>\$ 115,057,261</u>	<u>\$ 109,898,187</u>	<u>\$ 106,594,794</u>	<u>\$ 105,833,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FIDUCIARY NET POSITION										
Contributions—employer	\$ 4,528,897	\$ 4,334,831	\$ 4,111,326	\$ 4,056,029	\$ 4,309,829	\$ 4,052,968	\$ 3,710,391	\$ -	\$ -	\$ -
Contributions—employee	1,646,872	1,576,302	1,495,028	1,474,920	1,567,210	1,473,806	1,349,233			
Investment income, net of investment expenses	9,276,689	755,848	6,366,786	9,759,245	7,565,914	(1,028,142)	7,950,048			
Benefit payments	(12,044,622)	(8,956,126)	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)			
Administrative expenses	(479,655)	(473,594)	(469,888)	(421,537)	(384,687)	(353,852)	(378,171)			
Net change in plan fiduciary net position	\$ 2,928,181	\$ (2,762,739)	\$ (97,602)	\$ 8,159,606	\$ 4,089,725	\$ (7,484,732)	\$ 3,415,096	\$ -	\$ -	\$ -
Fiduciary net position, beginning	85,719,770	88,482,509	88,580,111	80,420,505	76,330,780	83,815,512	80,400,416			
Fiduciary net position, ending (b)	<u>\$ 88,647,951</u>	<u>\$ 85,719,770</u>	<u>\$ 88,482,509</u>	<u>\$ 88,580,111</u>	<u>\$ 80,420,505</u>	<u>\$ 76,330,780</u>	<u>\$ 83,815,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability, ending (a-b)	<u>\$ 36,367,699</u>	<u>\$ 36,382,760</u>	<u>\$ 26,334,489</u>	<u>\$ 26,477,150</u>	<u>\$ 29,477,682</u>	<u>\$ 30,264,014</u>	<u>\$ 22,017,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary net position as a percentage of total pension liability	70.91%	70.20%	77.06%	76.99%	73.18%	71.61%	79.20%			
Covered payroll	\$ 34,692,146	\$ 32,147,389	\$ 30,779,896	\$ 30,855,953	\$ 30,035,187	\$ 29,475,065	29,557,478	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	104.83%	113.17%	85.56%	85.81%	98.14%	102.68%	74.49%			

CITY OF FLORENCE, ALABAMA
Schedule of Employer Contributions

Employees' Retirement Plan						
<i>Fiscal Year Ended September 30</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contribution as a Percentage of Covered Payroll</i>	
2012	\$ 3,377,314	\$ 3,765,076	\$ (387,762)	\$ 28,743,659	13.10%	
2013	3,764,645	3,878,051	(113,406)	27,759,757	13.97%	
2014	4,139,524	3,710,391	429,133	29,562,601	12.55%	
2015	4,023,027	4,052,968	(29,941)	29,557,478	13.71%	
2016	4,276,605	4,309,829	(33,224)	29,475,065	14.62%	
2017	4,453,606	4,056,029	397,577	30,035,187	13.50%	
2018	4,720,081	4,111,326	608,755	30,855,953	13.32%	
2019	4,770,478	4,334,831	435,647	30,779,896	14.08%	
2020	5,208,728	4,143,783	1,064,945	32,147,389	12.89%	
2021	5,695,923	4,154,645	1,541,278	34,692,146	11.98%	

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar of payroll, closed

Remaining amortization period: 20 years

Asset valuation method: 3-year smoothed market

Corridor: 90.00% to 110.00% of market value of assets

Inflation: 2.30%

Salary increases: 3.00%, based on plan sponsor expectations

Lump sum interest rate: 3.50%, based on plan provisions

Investment rate of return: 7.50%, net of investment expenses

Cost of living adjustments: None

Retirement age: Normal--attained age 65; Early--attained age 55 with 5 years credited service, or attained age 52 with 25 years of total service

Turnover: Annual rates ranging from 12.00% at age 25 to 0.00% at age 55

Mortality: Pub-2010 mortality table, amount-weighted, with generational mortality improvement based on the MP-2020 projection scale

CITY OF FLORENCE, ALABAMA
Schedule of Investment Returns
Last 10 Fiscal Years

	Employees' Retirement Plan									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual money-weighted rate of return, net of investment expense	11.13%	0.87%	7.57%	12.20%	10.43%	-1.12%	9.61%	-	-	-

CITY OF FLORENCE, ALABAMA
POSTRETIREMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
TOTAL OPEB LIABILITY										
Service cost	\$ 1,001,856	\$ 802,578	\$ 783,223	\$ 840,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	429,295	727,162	630,625	539,050						
Effect of plan changes										
Effect of economic/demographic gains or losses	1,629,718	(2,629,361)								
Effect of assumption changes or inputs	594,837	393,577	(522,925)	(646,697)						
Benefit payments	(800,422)	(698,684)	(977,623)	(980,229)						
Net change in total OPEB liability	\$ 2,855,284	\$ (1,404,728)	\$ (86,700)	\$ (247,106)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability, beginning	15,534,664	16,939,392	17,026,092	17,273,198						
Total OPEB liability, ending	<u>\$ 18,389,948</u>	<u>\$ 15,534,664</u>	<u>\$ 16,939,392</u>	<u>\$ 17,026,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 41,411,614	\$ 38,368,054	\$ 38,846,611	\$ 30,855,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered-employee payroll	44.41%	40.49%	43.61%	55.18%						

Notes to Schedule

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4 to pay related benefits.

Changes of assumptions—

Changes of assumptions or inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2020	2.210%
2019	2.660%
2018	4.180%
2017	3.640%
2016	3.058%
2015	-
2014	-
2013	-
2012	-
2011	-

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years Ending September 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total pension liability										
Service cost	\$ 51,038	\$ 47,645	\$ 43,957	\$ 44,398	\$ 38,227	\$ 36,478	\$ 34,031	\$ -	\$ -	\$ -
Interest	130,192	123,759	122,042	117,438	92,847	90,039	83,120			
Changes of benefit terms		-	-	-	-	-	-			
Differences between expected and actual experience	(82,034)	(5,117)	(74,734)	(29,274)	1,575	(63,408)	-			
Changes of assumptions		-	8,589	-	258,382	-	-			
Benefit payments, including refunds of employee contributions	(91,064)	(74,436)	(60,222)	(42,058)	(30,504)	(25,520)	(35,800)			
Transfers among employers	(111,621)	-	-	(22,014)	-	-	-			
Net change in total pension liability	\$ (103,489)	\$ 91,851	\$ 39,632	\$ 68,490	\$ 360,527	\$ 37,589	\$ 81,351	\$ -	\$ -	\$ -
Total pension liability—beginning	1,736,334	1,644,483	1,604,851	1,536,361	1,175,834	1,138,245	1,056,894			
Total pension liability—ending (a)	\$ 1,632,845	\$ 1,736,334	\$ 1,644,483	\$ 1,604,851	\$ 1,536,361	\$ 1,175,834	\$ 1,138,245	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 19,297	\$ 20,344	\$ 23,587	\$ 26,101	\$ 36,520	\$ 39,051	\$ 42,451	\$ -	\$ -	\$ -
Contributions - employee	32,756	43,885	34,670	33,696	35,474	34,100	30,467			
Net investment income	78,182	36,267	120,152	147,717	104,912	11,453	98,897			
Benefit payments, including refunds of employee contributions	(91,064)	(74,436)	(60,222)	(42,058)	(30,504)	(25,520)	(35,800)			
Transfers among employers	(111,621)	-	-	(22,014)	-	17,639	(18,727)			
Net change in plan fiduciary net position	\$ (72,450)	\$ 26,060	\$ 118,187	\$ 143,442	\$ 146,402	\$ 76,723	\$ 117,288	\$ -	\$ -	\$ -
Plan fiduciary net position—beginning	1,443,500	1,417,440	1,299,253	1,155,811	1,009,409	932,686	815,398			
Plan fiduciary net position—ending (b)	\$ 1,371,050	\$ 1,443,500	\$ 1,417,440	\$ 1,299,253	\$ 1,155,811	\$ 1,009,409	\$ 932,686	\$ -	\$ -	\$ -
Net pension liability—ending (a - b)	\$ 261,795	\$ 292,834	\$ 227,043	\$ 305,598	\$ 380,550	\$ 166,425	\$ 205,559	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	83.97%	83.13%	86.19%	80.96%	75.23%	85.85%	81.94%			
Covered payroll	\$ 479,404	\$ 517,683	\$ 491,035	\$ 455,834	\$ 481,183	\$ 454,667	\$ 426,337			
Net pension liability as a percentage of covered payroll	54.61%	56.57%	46.24%	67.04%	79.09%	36.60%	48.22%			

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Employer Contributions

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 27,011	\$ 19,297	\$ 19,725	\$ 24,003	\$ 25,730	\$ 35,978	\$ 37,673	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	27,011	19,297	19,725	24,003	25,730	35,978	37,673			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 426,929	\$ 479,404	\$ 517,683	\$ 491,035	\$ 455,834	\$ 481,183	\$ 454,667	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	6.33%	4.03%	3.81%	4.89%	5.64%	7.48%	8.29%			

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 2021 were based on the September 30, 2018 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: 9.1 years
Asset valuation method: 5-year smoothed market
Inflation: 2.75%
Salary increases: 3.25% – 5.00%, including inflation
Investment rate of return: 7.70%, net of pension plan investment expense, including inflation



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SUPPLEMENTARY INFORMATION



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**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	Special Revenue Funds										
	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	State Gas Tax-Rebuild Alabama	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund
ASSETS											
Cash and cash equivalents	\$ 415,473	\$ 321,508	\$ 844,281	\$ 380,597	\$ 64,890	\$	\$ 62,355	\$ 6,391,785	\$ 21,549	\$ 854,290	\$
Receivables (net)	14,259	15,260	28,349		751			86,106		4,160	
Accrued interest receivable	3	2		3							
Loan receivables (net)							156,989	5,635			
Interfund receivables						11,576		591,039		7,331	146,432
Total assets	\$ 429,735	\$ 336,770	\$ 872,630	\$ 380,600	\$ 65,641	\$ 11,576	\$ 219,344	\$ 7,074,565	\$ 21,549	\$ 865,781	\$ 146,432
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable and accrued expenses	\$ 350,000	\$ 88,222	\$ 700,000	\$ 100,000	\$	\$	\$	\$ 754,879	\$ 21,242	\$ 261,788	\$ 141,613
Interfund payables		354			100		50,000	5,833		426	
Unearned revenues							7,649	4,273,292			
Total liabilities	\$ 350,000	\$ 88,576	\$ 700,000	\$ 100,000	\$ 100	\$ —	\$ 57,649	\$ 5,034,004	\$ 21,242	\$ 262,214	\$ 141,613
Fund balances											
Nonspendable:											
Loan receivables	\$	\$	\$	\$	\$	\$	\$ 156,989	\$ 5,635	\$	\$	\$
Restricted for:											
Street resurfacing and improvements	79,735	248,194	172,630	280,600							
Culture and recreation						11,576					
Public safety									307	603,567	
Capital projects											
Assigned to:											
Capital projects								2,034,926			
Unassigned					65,541		4,706				4,819
Total fund balances	\$ 79,735	\$ 248,194	\$ 172,630	\$ 280,600	\$ 65,541	\$ 11,576	\$ 161,695	\$ 2,040,561	\$ 307	\$ 603,567	\$ 4,819
Total liabilities and fund balance	\$ 429,735	\$ 336,770	\$ 872,630	\$ 380,600	\$ 65,641	\$ 11,576	\$ 219,344	\$ 7,074,565	\$ 21,549	\$ 865,781	\$ 146,432

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

(Continued)

	Special Revenue Funds				Capital Projects Funds					Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total	Debt Service Fund	Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Series 2021 G.O. Warrants Fund	Total	
ASSETS										
Cash and cash equivalents	\$ 182,510	\$	\$ 9,539,238	\$	\$ 1,918,287	\$ 12,531	\$	\$ 15,000,100	\$ 16,930,918	\$ 26,470,156
Receivables (net)	7,349		156,234			8,000			8,000	164,234
Accrued interest receivable	2		10		14				14	24
Loan receivables (net)			162,624						—	162,624
Interfund receivables			756,378		4,000,000				4,000,000	4,756,378
Total assets	<u>\$ 189,861</u>	<u>\$ —</u>	<u>\$ 10,614,484</u>	<u>\$ —</u>	<u>\$ 5,918,301</u>	<u>\$ 20,531</u>	<u>\$ —</u>	<u>\$ 15,000,100</u>	<u>\$ 20,938,932</u>	<u>\$ 31,553,416</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable and accrued expenses	\$ 122,427	\$	\$ 2,540,171	\$	\$ 608,229	\$ 41,682	\$	\$	\$ 649,911	\$ 3,190,082
Interfund payables	67,493		124,206					100	100	124,306
Unearned revenues			4,280,941							4,280,941
Total liabilities	<u>\$ 189,920</u>	<u>\$ —</u>	<u>\$ 6,945,318</u>	<u>\$ —</u>	<u>\$ 608,229</u>	<u>\$ 41,682</u>	<u>\$ —</u>	<u>\$ 100</u>	<u>\$ 650,011</u>	<u>\$ 7,595,329</u>
Fund balances										
Nonspendable:										
Loan receivables	\$	\$	\$ 162,624	\$	\$	\$	\$	\$	\$ —	\$ 162,624
Restricted for:										
Street resurfacing and improvements			781,159						—	781,159
Culture and recreation			11,576						—	11,576
Public safety			603,874						—	603,874
Capital projects			—		5,310,072			15,000,000	20,310,072	20,310,072
Assigned to:										
Capital projects			2,034,926						—	2,034,926
Unassigned	(59)		75,007			(21,151)			(21,151)	53,856
Total fund balances	<u>\$ (59)</u>	<u>\$ —</u>	<u>\$ 3,669,166</u>	<u>\$ —</u>	<u>\$ 5,310,072</u>	<u>\$ (21,151)</u>	<u>\$ —</u>	<u>\$ 15,000,000</u>	<u>\$ 20,288,921</u>	<u>\$ 23,958,087</u>
Total liabilities and fund balance	<u>\$ 189,861</u>	<u>\$ —</u>	<u>\$ 10,614,484</u>	<u>\$ —</u>	<u>\$ 5,918,301</u>	<u>\$ 20,531</u>	<u>\$ —</u>	<u>\$ 15,000,100</u>	<u>\$ 20,938,932</u>	<u>\$ 31,553,416</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds										
	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	State Gas Tax-Rebuild Alabama	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund
REVENUES											
Taxes	\$ 155,513	\$ 167,180	\$ 325,264	\$ 212,074	\$	\$	\$	\$	\$	\$	\$
Intergovernmental					151,624		701,176	589,573			
Interest revenues	193	140	473	151	39		29	64,602	13	644	
Program revenues							3,499			135,255	
Miscellaneous											149,632
Total revenues	\$ 155,706	\$ 167,320	\$ 325,737	\$ 212,225	\$ 151,663	\$ —	\$ 704,704	\$ 654,175	\$ 13	\$ 135,899	\$ 149,632
EXPENDITURES											
Current operating:											
General administration	\$	\$	\$	\$	\$	\$	128,803	342,632	\$	\$	\$
Public safety					5,701			51,193		103,362	134,549
Public works		21,976			98,508		77,625	16,023			4,169
Culture and recreation						7,355		17,000			7,728
Other							531,588	195,928			
Education—funding for school district								4,053,566			
Capital outlay and improvements	350,000	88,222	700,000	100,000	14,145	2,954		3,381,901		5,000	3,000
Debt service:											
Principal payments											
Interest and fiscal charges											
Total expenditures	\$ 350,000	\$ 110,198	\$ 700,000	\$ 100,000	\$ 118,354	\$ 10,309	\$ 738,016	\$ 8,058,243	\$ —	\$ 108,362	\$ 149,446
Excess (deficiency) of revenues over expenditures	\$ (194,294)	\$ 57,122	\$ (374,263)	\$ 112,225	\$ 33,309	\$ (10,309)	\$ (33,312)	\$ (7,404,068)	\$ 13	\$ 27,537	\$ 186
OTHER FINANCING SOURCES (USES)											
Transfers in	\$	\$	\$	\$	\$	\$	\$	10,955,583	\$	\$	\$
Proceeds from refunding warrants											
Discount on debt issuance											
Transfers out								(4,642,925)			
Total other financing sources (uses)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	6,312,658	\$ —	\$ —	\$ —
Net change in fund balances	\$ (194,294)	\$ 57,122	\$ (374,263)	\$ 112,225	\$ 33,309	\$ (10,309)	\$ (33,312)	\$ (1,091,410)	\$ 13	\$ 27,537	\$ 186
Fund balances—beginning	274,029	191,072	546,893	168,375	32,232	21,885	195,007	3,131,971	294	576,030	4,633
Fund balances—ending	\$ 79,735	\$ 248,194	\$ 172,630	\$ 280,600	\$ 65,541	\$ 11,576	\$ 161,695	\$ 2,040,561	\$ 307	\$ 603,567	\$ 4,819

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(Continued)

	Special Revenue Funds				Capital Projects Funds				Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total	Debt Service Fund	Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Series 2021 G.O. Warrants Fund	Total
REVENUES									
Taxes	\$	\$	860,031	\$	\$	\$	\$	\$	860,031
Intergovernmental			1,442,373		400,573				1,842,946
Interest revenues		105	66,389		1,216	9			67,614
Program revenues		40,081	178,835						178,835
Miscellaneous			149,632						149,632
Total revenues	\$ —	\$ 40,186	\$ 2,697,260	\$ —	\$ 401,789	\$ 9	\$ —	\$ —	\$ 3,099,058
EXPENDITURES									
Current operating:									
General administration	\$	\$ 52,196	\$ 523,631	\$	\$ 10,500	\$	\$	\$ 10,500	\$ 534,131
Public safety	59		294,864						294,864
Public works			218,301		28,104				246,405
Culture and recreation			32,083						32,083
Other			727,516						727,516
Education—funding for school district			4,053,566						4,053,566
Capital outlay and improvements			4,645,222		907,176				5,552,398
Debt service:									
Principal payments			—	3,818,240					3,818,240
Interest and fiscal charges			—	927,006			201,915	201,915	1,128,921
Total expenditures	\$ 59	\$ 52,196	\$ 10,495,183	\$ 4,745,246	\$ 945,780	\$ —	\$ —	\$ 201,915	\$ 16,388,124
Excess (deficiency) of revenues over expenditures	\$ (59)	\$ (12,010)	\$ (7,797,923)	\$ (4,745,246)	\$ (543,991)	\$ 9	\$ —	\$ (201,915)	\$ (13,289,066)
OTHER FINANCING SOURCES (USES)									
Transfers in	\$	\$ 12,766	\$ 10,968,349	\$ 4,745,246	\$ 4,000,000	\$	\$ 28	\$	\$ 19,713,623
Proceeds from issuance of debt			—					13,860,000	13,860,000
Premium on issuance of debt			—					1,341,915	1,341,915
Transfers out			(4,642,925)					—	(4,642,925)
Total other financing sources (uses)	\$ —	\$ 12,766	\$ 6,325,424	\$ 4,745,246	\$ 4,000,000	\$ —	\$ 28	\$ 15,201,915	\$ 30,272,613
Net change in fund balances	\$ (59)	\$ 756	\$ (1,472,499)	\$ —	\$ 3,456,009	\$ 9	\$ 28	\$ 15,000,000	\$ 16,983,547
Fund balances—beginning		(756)	5,141,665		1,854,063	(21,160)	(28)	—	6,974,540
Fund balances—ending	\$ (59)	\$ —	\$ 3,669,166	\$ —	\$ 5,310,072	\$ (21,151)	\$ —	\$ 15,000,000	\$ 23,958,087

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2021

	Governmental Activities—Internal Service Funds				
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 385,424	\$ 4,436,873	\$ 285,747	\$ 53,349	\$ 5,161,393
Interfund receivables		2,940	10,950		13,890
Receivables (net)	248,605	4,501	224,297	205,684	683,087
Accrued interest receivable	3	33	2		38
Total current assets	<u>\$ 634,032</u>	<u>\$ 4,444,347</u>	<u>\$ 520,996</u>	<u>\$ 259,033</u>	<u>\$ 5,858,408</u>
Noncurrent assets					
Restricted cash and cash equivalents	\$	\$	\$ 100,100	\$	\$ 100,100
Total noncurrent assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 100,100</u>	<u>\$ —</u>	<u>\$ 100,100</u>
Total assets	<u>\$ 634,032</u>	<u>\$ 4,444,347</u>	<u>\$ 621,096</u>	<u>\$ 259,033</u>	<u>\$ 5,958,508</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 208,662	\$ 40,849	\$ 203,702	\$ 79,297	\$ 532,510
Interfund payables			245,470	179,736	425,206
Noncurrent liabilities					
Claims reserve		877,088	2,301,686		3,178,774
Total liabilities	<u>\$ 208,662</u>	<u>\$ 917,937</u>	<u>\$ 2,750,858</u>	<u>\$ 259,033</u>	<u>\$ 4,136,490</u>
NET POSITION					
Restricted for:					
Other purposes	\$	\$	\$ 100,100	\$	\$ 100,100
Unrestricted	425,370	3,526,410	(2,229,862)		1,721,918
Total net position	<u>\$ 425,370</u>	<u>\$ 3,526,410</u>	<u>\$ (2,129,762)</u>	<u>\$ —</u>	<u>\$ 1,822,018</u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Governmental Activities—Internal Service Funds				
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	Total
Operating revenues					
User charges	\$	\$ 325,178	\$ 938,069	\$ 517,691	\$ 1,780,938
Total operating revenues	\$ —	\$ 325,178	\$ 938,069	\$ 517,691	\$ 1,780,938
Operating expenses					
Insurance premiums and claims (net of refunds)	\$ 455,252	\$ 665,268	\$ 1,007,717	\$	\$ 2,128,237
Operations and administration	445	91,095	16,312	517,691	625,543
Total operating expenses	\$ 455,697	\$ 756,363	\$ 1,024,029	\$ 517,691	\$ 2,753,780
Operating income (loss)	\$ (455,697)	\$ (431,185)	\$ (85,960)	\$ —	\$ (972,842)
Non-operating revenues (expenses)					
Interest revenues	438	3,086	215		3,739
Change in net position	\$ (455,259)	\$ (428,099)	\$ (85,745)	\$ —	\$ (969,103)
Net position—beginning	880,629	3,954,509	(2,044,017)		2,791,121
Net position—ending	\$ 425,370	\$ 3,526,410	\$ (2,129,762)	\$ —	\$ 1,822,018

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Governmental Activities—Internal Service Funds				
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	Total
Cash flows from operating activities					
Receipts from customers and users	\$	\$ 320,677	\$ 985,358	\$ 528,180	\$ 1,834,215
Payments to suppliers	(206,719)	(830,652)	(840,188)	(468,495)	(2,346,054)
Net cash from operating activities	\$ (206,719)	\$ (509,975)	\$ 145,170	\$ 59,685	\$ (511,839)
Cash flows from investing activities					
Interest on investments	\$ 516	\$ 3,789	\$ 242	\$	\$ 4,547
Interfund receivables (payables)		(36,267)	1,579	(37,007)	(71,695)
Net cash from investing activities	\$ 516	\$ (32,478)	\$ 1,821	\$ (37,007)	\$ (67,148)
Net increase (decrease) in cash and cash equivalents	\$ (206,203)	\$ (542,453)	\$ 146,991	\$ 22,678	\$ (578,987)
Cash and cash equivalents—beginning	591,627	4,979,326	238,856	30,671	5,840,480
Cash and cash equivalents—ending	\$ 385,424	\$ 4,436,873	\$ 385,847	\$ 53,349	\$ 5,261,493
<i>Classified as:</i>					
Current assets	\$ 385,424	\$ 4,436,873	\$ 285,747	\$ 53,349	\$ 5,161,393
Restricted assets			100,100		100,100
Totals	\$ 385,424	\$ 4,436,873	\$ 385,847	\$ 53,349	\$ 5,261,493
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>					
Operating income (loss)	\$ (455,697)	\$ (431,185)	\$ (85,960)	\$ —	\$ (972,842)
Changes in assets and liabilities					
Receivables (net)	\$ 40,316	\$ (4,501)	\$ 47,289	\$ 10,489	\$ 93,593
Accounts and other payables	208,662	(74,289)	183,841	49,196	367,410
Total adjustments	\$ 248,978	\$ (78,790)	\$ 231,130	\$ 59,685	\$ 461,003
Net cash provided (used) by operating activities	\$ (206,719)	\$ (509,975)	\$ 145,170	\$ 59,685	\$ (511,839)

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 274,029	\$ 274,029	\$ 274,029	\$ —
Resources (inflows):				
Taxes	160,665	160,665	155,513	(5,152)
Interest revenues	3,213	3,213	193	(3,020)
Amounts available for appropriation	\$ 437,907	\$ 437,907	\$ 429,735	\$ (8,172)
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 163,878	\$ 163,878	\$ 350,000	\$ (186,122)
Total charges to appropriations	\$ 163,878	\$ 163,878	\$ 350,000	\$ (186,122)
Budgetary fund balance—ending	\$ 274,029	\$ 274,029	\$ 79,735	\$ (194,294)

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 429,735
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	(274,029)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 155,706</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 350,000
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 350,000</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 191,072	\$ 191,072	\$ 191,072	\$ —
Resources (inflows):				
Taxes	172,308	172,308	167,180	(5,128)
Interest revenues	3,446	3,446	140	(3,306)
Amounts available for appropriation	\$ 366,826	\$ 366,826	\$ 358,392	\$ (8,434)
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 45,000	\$ 45,000	\$ 21,976	\$ 23,024
Capital outlay and improvements	130,754	130,754	88,222	42,532
Total charges to appropriations	\$ 175,754	\$ 175,754	\$ 110,198	\$ 65,556
Budgetary fund balance—ending	\$ 191,072	\$ 191,072	\$ 248,194	\$ 57,122

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 358,392
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	(191,072)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 167,320</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 110,198
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 110,198</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 546,893	\$ 546,893	\$ 546,893	\$ —
Resources (inflows):				
Taxes	323,268	323,268	325,264	1,996
Interest revenues	6,465	6,465	473	(5,992)
Amounts available for appropriation	\$ 876,626	\$ 876,626	\$ 872,630	\$ (3,996)
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 329,733	\$ 329,733	\$ 700,000	\$ (370,267)
Total charges to appropriations	\$ 329,733	\$ 329,733	\$ 700,000	\$ (370,267)
Budgetary fund balance—ending	\$ 546,893	\$ 546,893	\$ 172,630	\$ (374,263)

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 872,630
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	(546,893)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 325,737</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 700,000
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 700,000</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX-REBUILD ALABAMA FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 168,375	\$ 168,375	\$ 168,375	\$ —
Resources (inflows):				
Taxes	224,217	224,217	212,074	(12,143)
Interest revenues	4,484	4,484	151	(4,333)
Amounts available for appropriation	\$ 397,076	\$ 397,076	\$ 380,600	\$ (16,476)
Charges to appropriations (outflows):				
Current operating:				
Capital outlay and improvements	\$ 228,701	\$ 228,701	\$ 100,000	\$ 128,701
Total charges to appropriations	\$ 228,701	\$ 228,701	\$ 100,000	\$ 128,701
Budgetary fund balance—ending	\$ 168,375	\$ 168,375	\$ 280,600	\$ 112,225

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 380,600
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	(168,375)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 212,225</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 100,000
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 100,000</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 32,232	\$ 32,232	\$ 32,232	\$ —
Resources (inflows):				
Intergovernmental	60,000	60,000	151,624	91,624
Interest revenues	50	50	39	(11)
Program revenues	10,000	10,000		(10,000)
Amounts available for appropriation	\$ 102,282	\$ 102,282	\$ 183,895	\$ 81,613
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 35,050	\$ 35,050	\$	\$ 35,050
Public safety	35,000	35,000	5,701	29,299
Public works			98,508	(98,508)
Capital outlay and improvements			14,145	(14,145)
Total charges to appropriations	\$ 70,050	\$ 70,050	\$ 118,354	\$ (48,304)
Budgetary fund balance—ending	\$ 32,232	\$ 32,232	\$ 65,541	\$ 33,309

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 183,895
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	(32,232)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 151,663</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 118,354
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 118,354</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 21,885	\$ 21,885	\$ 21,885	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 21,885	\$ 21,885	\$ 7,355	\$ 14,530
Capital outlay and improvements			2,954	(2,954)
Total charges to appropriations	\$ 21,885	\$ 21,885	\$ 10,309	\$ 11,576
Budgetary fund balance—ending	\$ —	\$ —	\$ 11,576	\$ 11,576

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 21,885
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	(21,885)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,309
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 10,309</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 195,007	\$ 195,007	\$ 195,007	\$ —
Resources (inflows):				
Intergovernmental	858,555	858,555	701,176	(157,379)
Interest revenues			29	29
Program revenues	23,651	23,651	3,499	(20,152)
Amounts available for appropriation	\$ 1,077,213	\$ 1,077,213	\$ 899,711	\$ (177,502)
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 105,830	\$ 105,830	\$ 128,803	\$ (22,973)
Public works	103,000	103,000	77,625	25,375
Other	676,376	676,376	531,588	144,788
Total charges to appropriations	\$ 885,206	\$ 885,206	\$ 738,016	\$ 147,190
Budgetary fund balance—ending	\$ 192,007	\$ 192,007	\$ 161,695	\$ (30,312)

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 899,711
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	(195,007)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 704,704</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 738,016
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 738,016</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 3,131,971	\$ 3,131,971	\$ 3,131,971	\$ —
Resources (inflows):				
Intergovernmental			589,573	589,573
Interest revenues	31,150	31,150	64,602	33,452
Transfers from other funds	9,888,889	9,888,889	10,955,583	1,066,694
Amounts available for appropriation	\$ 13,052,010	\$ 13,052,010	\$ 14,741,729	\$ 1,689,719
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 204,145	\$ 204,145	\$ 342,632	\$ (138,487)
Public safety			51,193	(51,193)
Public works			16,023	(16,023)
Culture and recreation	20,000	20,000	17,000	3,000
Other	150,000	150,000	195,928	(45,928)
Education—funding for school district	3,658,889	3,658,889	4,053,566	(394,677)
Capital outlay and improvements	1,373,081	1,373,081	3,381,901	(2,008,820)
Transfers to other funds	4,513,924	4,513,924	4,642,925	(129,001)
Total charges to appropriations	\$ 9,920,039	\$ 9,920,039	\$ 12,701,168	\$ (2,781,129)
Budgetary fund balance—ending	\$ 3,131,971	\$ 3,131,971	\$ 2,040,561	\$ (1,091,410)

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 14,741,729
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	(3,131,971)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(10,955,583)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 654,175</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,701,168
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(4,642,925)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 8,058,243</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 576,030	\$ 576,030	\$ 576,030	\$ —
Resources (inflows):				
Interest revenues			644	644
Program revenues	67,000	67,000	135,255	68,255
Amounts available for appropriation	\$ 643,030	\$ 643,030	\$ 711,929	\$ 68,899
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 67,000	\$ 67,000	\$ 103,362	\$ (36,362)
Capital outlay and improvements			5,000	(5,000)
Total charges to appropriations	\$ 67,000	\$ 67,000	\$ 108,362	\$ (41,362)
Budgetary fund balance—ending	\$ 576,030	\$ 576,030	\$ 603,567	\$ 27,537

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 711,929
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	(576,030)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 135,899</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 108,362
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 108,362</u>

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DONATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 4,633	\$ 4,633	\$ 4,633	\$ —
Resources (inflows):				
Miscellaneous	42,500	42,500	149,632	107,132
Amounts available for appropriation	<u>\$ 47,133</u>	<u>\$ 47,133</u>	<u>\$ 154,265</u>	<u>\$ 107,132</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 37,500	\$ 37,500	\$ 134,549	\$ (97,049)
Public works			4,169	(4,169)
Culture and recreation	5,000	5,000	7,728	(2,728)
Capital outlay and improvements			3,000	(3,000)
Total charges to appropriations	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 149,446</u>	<u>\$ (106,946)</u>
Budgetary fund balance—ending	<u>\$ 4,633</u>	<u>\$ 4,633</u>	<u>\$ 4,819</u>	<u>\$ 186</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 154,265
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	(4,633)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 149,632</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 149,446
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 149,446</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$102,313 for the year ended September 30, 2021. The excess expenditures were provided for by current year's resources.

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	4,513,924	4,513,924	4,745,246	231,322
Amounts available for appropriation	<u>\$ 4,513,924</u>	<u>\$ 4,513,924</u>	<u>\$ 4,745,246</u>	<u>\$ 231,322</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 3,735,000	\$ 3,735,000	\$ 3,818,240	\$ (83,240)
Interest and fiscal charges	778,924	778,924	927,006	(148,082)
Total charges to appropriations	<u>\$ 4,513,924</u>	<u>\$ 4,513,924</u>	<u>\$ 4,745,246</u>	<u>\$ (231,322)</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,745,246
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	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(4,745,246)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,745,246
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 4,745,246</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$231,322 for the year ended September 30, 2021. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 1,854,063	\$ 1,854,063	\$ 1,854,063	\$ —
Resources (inflows):				
Intergovernmental	385,875	385,875	400,573	14,698
Interest revenues	1,925	1,925	1,216	(709)
Transfers from other funds			4,000,000	4,000,000
Amounts available for appropriation	\$ 2,241,863	\$ 2,241,863	\$ 6,255,852	\$ 4,013,989
Charges to appropriations (outflows):				
Current operating:				
General administration	\$	\$	\$ 10,500	\$ (10,500)
Public safety			28,104	(28,104)
Capital outlay and improvements	387,800	387,800	907,176	(519,376)
Total charges to appropriations	\$ 387,800	\$ 387,800	\$ 945,780	\$ (557,980)
Budgetary fund balance—ending	\$ 1,854,063	\$ 1,854,063	\$ 5,310,072	\$ 3,456,009

Note A—Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 6,255,852
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	(1,854,063)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(4,000,000)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 401,789</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 945,780
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 945,780</u>

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 124,370,000	\$ 124,370,000	\$ 119,969,364	\$ (4,400,636)
Other	540,000	540,000	472,787	(67,213)
Total operating revenues	\$ 124,910,000	\$ 124,910,000	\$ 120,442,151	\$ (4,467,849)
Operating expenses				
Costs of sales	\$ 94,990,000	\$ 94,990,000	\$ 88,374,245	\$ 6,615,755
Operations, maintenance, and administration	17,167,000	17,167,000	18,846,890	(1,679,890)
Depreciation	5,675,000	5,675,000	6,052,194	(377,194)
Taxes and tax equivalents	4,006,000	4,006,000	3,896,809	109,191
Total operating expenses	\$ 121,838,000	\$ 121,838,000	\$ 117,170,138	\$ 4,667,862
Operating income (loss)	\$ 3,072,000	\$ 3,072,000	\$ 3,272,013	\$ 200,013
Nonoperating revenues (expenses)				
Interest revenues	\$ 110,000	\$ 110,000	\$ 22,355	\$ (87,645)
Merchandising revenues (net of costs)	100,000	100,000	139,934	39,934
Miscellaneous nonoperating income	20,000	20,000	13,171	(6,829)
Gain (loss) on disposition of assets			23,536	23,536
Interest expense	(177,800)	(177,800)	(177,755)	45
Amortization of debt related costs	(5,300)	(5,300)	301	5,601
Total nonoperating revenues (expenses)	\$ 46,900	\$ 46,900	\$ 21,542	\$ (25,358)
Change in net position	\$ 3,118,900	\$ 3,118,900	\$ 3,293,555	\$ 174,655

CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 16,249,500	\$ 16,249,500	\$ 14,914,113	\$ (1,335,387)
Other	11,100	11,100	10,876	(224)
Total operating revenues	\$ 16,260,600	\$ 16,260,600	\$ 14,924,989	\$ (1,335,611)
Operating expenses				
Costs of sales	\$ 7,188,200	\$ 7,188,200	\$ 5,484,731	\$ 1,703,469
Operations, maintenance, and administration	5,433,600	5,433,600	5,499,636	(66,036)
Depreciation	1,650,000	1,650,000	1,599,802	50,198
Amortization of acquisition adjustment	11,000	11,000	10,661	339
Taxes and tax equivalents	1,532,500	1,532,500	1,493,821	38,679
Total operating expenses	\$ 15,815,300	\$ 15,815,300	\$ 14,088,651	\$ 1,726,649
Operating income (loss)	\$ 445,300	\$ 445,300	\$ 836,338	\$ 391,038
Nonoperating revenues (expenses)				
Interest revenues	\$ 70,000	\$ 70,000	\$ 44,542	\$ (25,458)
Gain (loss) on disposition of assets	2,000	2,000	20,379	18,379
Miscellaneous nonoperating income	12,000	12,000	11,133	(867)
Total nonoperating revenues (expenses)	\$ 84,000	\$ 84,000	\$ 76,054	\$ (7,946)
Change in net position	\$ 529,300	\$ 529,300	\$ 912,392	\$ 383,092

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 20,707,000	\$ 20,707,000	\$ 20,230,813	\$ (476,187)
Other	134,900	134,900	170,385	35,485
Total operating revenues	\$ 20,841,900	\$ 20,841,900	\$ 20,401,198	\$ (440,702)
Operating expenses				
Operations, maintenance, and administration	\$ 11,065,500	\$ 11,065,500	\$ 11,131,088	\$ (65,588)
Depreciation	4,197,900	4,197,900	4,063,733	134,167
Taxes and tax equivalents	1,765,700	1,765,700	1,738,162	27,538
Total operating expenses	\$ 17,029,100	\$ 17,029,100	\$ 16,932,983	\$ 96,117
Operating income (loss)	\$ 3,812,800	\$ 3,812,800	\$ 3,468,215	\$ (344,585)
Nonoperating revenues (expenses)				
Interest revenues	\$ 165,000	\$ 165,000	\$ 33,477	\$ (131,523)
Gain (loss) on disposition of assets			(1,476)	(1,476)
Interest expense	(1,049,400)	(1,049,400)	(1,185,402)	(136,002)
Amortization of debt related costs	(126,300)	(126,300)	(126,301)	(1)
Total nonoperating revenues (expenses)	\$ (1,010,700)	\$ (1,010,700)	\$ (1,279,702)	\$ (269,002)
Income before contributions	\$ 2,802,100	\$ 2,802,100	\$ 2,188,513	\$ (613,587)
Capital contributions			239,280	239,280
Change in net position	\$ 2,802,100	\$ 2,802,100	\$ 2,427,793	\$ (374,307)

CITY OF FLORENCE, ALABAMA
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 6,929,063	\$ 6,929,063	\$ 6,767,717	\$ (161,346)
Other	5,000	5,000	5,514	514
Total operating revenues	\$ 6,934,063	\$ 6,934,063	\$ 6,773,231	\$ (160,832)
Operating expenses				
Operations, maintenance, and administration	\$ 5,516,878	\$ 5,516,878	\$ 5,448,217	\$ 68,661
Depreciation	755,924	755,924	639,120	116,804
Taxes and tax equivalents	175,939	175,939	166,943	8,996
Total operating expenses	\$ 6,448,741	\$ 6,448,741	\$ 6,254,280	\$ 194,461
Operating income (loss)	\$ 485,322	\$ 485,322	\$ 518,951	\$ 33,629
Nonoperating revenues (expenses)				
Interest revenues	\$ 34,415	\$ 34,415	\$ 3,022	\$ (31,393)
Gain (loss) on disposition of assets	20,000	20,000	23,408	3,408
Total nonoperating revenues (expenses)	\$ 54,415	\$ 54,415	\$ 26,430	\$ (27,985)
Income before contributions	\$ 539,737	\$ 539,737	\$ 545,381	\$ 5,644
Capital contributions			65,111	65,111
Change in net position	\$ 539,737	\$ 539,737	\$ 610,492	\$ 70,755

CITY OF FLORENCE, ALABAMA
EMPLOYEE GROUP HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 305,000	\$ 305,000	\$	\$ (305,000)
Total operating revenues	<u>\$ 305,000</u>	<u>\$ 305,000</u>	<u>\$ —</u>	<u>\$ (305,000)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 296,000	\$ 296,000	\$ 455,252	\$ (159,252)
Operations and administration	12,000	12,000	445	11,555
Total operating expenses	<u>\$ 308,000</u>	<u>\$ 308,000</u>	<u>\$ 455,697</u>	<u>\$ (147,697)</u>
Operating income (loss)	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (455,697)</u>	<u>\$ (452,697)</u>
Nonoperating revenues				
Interest revenues	3,000	3,000	438	(2,562)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (455,259)</u>	<u>\$ (455,259)</u>

CITY OF FLORENCE, ALABAMA
GENERAL LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 302,000	\$ 302,000	\$ 325,178	\$ 23,178
Total operating revenues	<u>\$ 302,000</u>	<u>\$ 302,000</u>	<u>\$ 325,178</u>	<u>\$ 23,178</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 320,000	\$ 320,000	\$ 665,268	\$ (345,268)
Operations and administration	32,000	32,000	91,095	(59,095)
Total operating expenses	<u>\$ 352,000</u>	<u>\$ 352,000</u>	<u>\$ 756,363</u>	<u>\$ (404,363)</u>
Operating income (loss)	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (431,185)</u>	<u>\$ (381,185)</u>
Nonoperating revenues				
Interest revenues	50,000	50,000	3,086	(46,914)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (428,099)</u>	<u>\$ (428,099)</u>

CITY OF FLORENCE, ALABAMA
WORKERS' COMPENSATION INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 830,100	\$ 830,100	\$ 938,069	\$ 107,969
Total operating revenues	<u>\$ 830,100</u>	<u>\$ 830,100</u>	<u>\$ 938,069</u>	<u>\$ 107,969</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 811,150	\$ 811,150	\$ 1,007,717	\$ (196,567)
Operations and administration	28,450	28,450	16,312	12,138
Total operating expenses	<u>\$ 839,600</u>	<u>\$ 839,600</u>	<u>\$ 1,024,029</u>	<u>\$ (184,429)</u>
Operating income (loss)	<u>\$ (9,500)</u>	<u>\$ (9,500)</u>	<u>\$ (85,960)</u>	<u>\$ (76,460)</u>
Nonoperating revenues				
Interest revenues	9,500	9,500	215	(9,285)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (85,745)</u>	<u>\$ (85,745)</u>

CITY OF FLORENCE, ALABAMA
EMPLOYEE HEALTH AND WELLNESS CENTER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 599,400	\$ 599,400	\$ 517,691	\$ (81,709)
Total operating revenues	\$ 599,400	\$ 599,400	\$ 517,691	\$ (81,709)
Operating expenses				
Operations and administration	\$ 599,400	\$ 599,400	\$ 517,691	\$ 81,709
Total operating expenses	\$ 599,400	\$ 599,400	\$ 517,691	\$ 81,709
Operating income (loss)	\$ —	\$ —	\$ —	\$ —
Change in net position	\$ —	\$ —	\$ —	\$ —

SINGLE AUDIT SECTION

CITY OF FLORENCE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct program:</i>		
Community Development Block Grants/Entitlement Grants	14.218	\$ 207,148
COVID-19—Community Development Block Grants/Entitlement Grants	14.218	236,682
Total direct programs		\$ 443,830
<i>Pass-through program from—</i>		
<i>Alabama Department of Economic and Community Affairs:</i>		
Emergency Solutions Grant Program (Note 4)	14.231	294,186
Total U.S. Department of Housing and Urban Development		\$ 738,016
<u>U.S. Department of Justice</u>		
<i>Direct program:</i>		
COVID-19—Coronavirus Emergency Supplemental Funding Program	16.034	\$ 964
Total U.S. Department of Justice		\$ 964
<u>U.S. Department of Transportation</u>		
<i>Pass-through program from—</i>		
<i>North Central Regional Highway Safety Office:</i>		
State and Community Highway Safety	20.600	\$ 5,754
National Priority Safety Programs	20.616	2,271
Total U.S. Department of Transportation		\$ 8,025
<u>Environmental Protection Agency</u>		
<i>Direct program:</i>		
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	\$ 113,829
Total Environmental Protection Agency		\$ 113,829
<u>U.S. Department of the Interior</u>		
<i>Pass-through program from—</i>		
<i>Muscle Shoals National Heritage Area:</i>		
Heritage Partnership	15.939	\$ 6,000
Total U.S. Department of the Interior		\$ 6,000
Total Expenditures of Federal Awards		\$ 866,834

CITY OF FLORENCE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Florence, Alabama (City) under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position or the changes in net position of the City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3—INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Solutions Grant Program	14.231	\$ 258,356



Charles L. Watkins, CPA
M. Buddy Johnsey, III, CPA

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

Honorable Mayor and Members of the City Council
City of Florence, Alabama

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements, and have issued our report thereon dated March 31, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama Electricity, Gas, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Florence, Alabama Electricity, Gas, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.



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Compliance and Other Matters

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

City of Florence, Alabama's Response to Finding

City of Florence, Alabama's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Florence, Alabama's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "The Watkins Johnsey Professional Group, P.C.".

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2022



Charles L. Watkins, CPA
M. Buddy Johnsey, III, CPA

Member of
American Institute of CPA's
AICPA Private Companies
Practice Section
Alabama Society of CPA's

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and Members of the City Council
City of Florence, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Florence, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Florence, Alabama's major federal programs for the year ended September 30, 2021. The City of Florence, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Florence, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Florence, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Florence, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.



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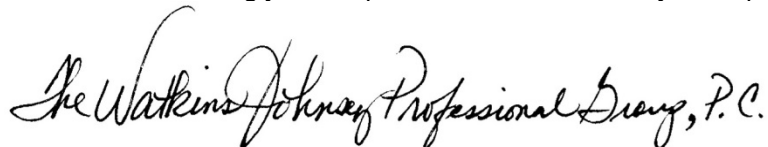
Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Watkins Johnsey Professional Group, P.C." in a cursive, flowing script.

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2022

CITY OF FLORENCE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14. 218	Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II—Financial Statement Findings

Finding Number: 2021-001

Type: Internal Control

Criteria: Accurate financial information is vital for the effective management of the City.

Condition: The City's internal control system did not reliably and consistently produce adjustments to bring the accounting records into alignment with U.S. generally accepted accounting principles. As a result, adjustments were required to be made to the accounting records subsequent to the start of the audit process.

Recommendation: We recommend the City review its policies and procedures as it relates to the financial closing process to provide for greater accuracy of financial statements amounts.

Auditee Response: The City agrees with the finding.

Corrective Action Planned: Management will ensure that all accounting policies and procedures are followed to ensure accuracy in the financial statement presentation.

Section III—Federal Award Findings and Questioned Costs

None to be reported.



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APPENDIX C

Fiscal Year 2022 Draft Statement of Revenues, Expenditures and Changes in Fund Balance

CITY OF FLORENCE, ALABAMA					
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES					
GOVERNMENTAL FUNDS					
FOR THE YEAR ENDED SEPTEMBER 30, 2022					
	General Fund	Series 2021 PBA Lease Bond Fund	Other Governmental Funds	Total Governmental Funds	
REVENUES					
Taxes	73,830,067	-	997,892	74,827,959	
Licenses and permits	4,091,915	-	-	4,091,915	
Fines and forfeitures	823,391	-	-	823,391	
Charges for services	2,726,992	-	-	2,726,992	
Intergovernmental	1,296,625	-	2,746,272	4,042,897	
Interest Revenues	75,531	172,217	139,890	387,638	
Other	5,148,277	-	594,259	5,742,536	
Total Revenues	87,992,798	172,217	4,478,313	92,643,328	
EXPENDITURES					
Current operating:					
General Administration	6,457,445	-	371,477	6,828,922	
Public Safety	23,958,418	-	1,645,427	25,603,845	
Public works	7,133,149	-	375,212	7,508,361	
Culture and recreation	9,177,545	-	94,479	9,272,024	
Other	9,173,389	-	5,277,421	14,450,810	
Education - funding for school district	11,421,611	-	4,364,852	15,786,463	
Capital Outlay and Improvements	3,172,905	950	3,674,285	6,848,140	
Debt Service:		-	-	-	
Principal Payments	-	-	5,549,704	5,549,704	
Interest and fiscal charges	-	37,000	2,544,763	2,581,763	
Total Expenditures	70,494,462	37,950	23,897,620	94,430,032	
Excess (deficiency) of revenues over expenditures	17,498,336	134,267	(19,419,307)	(1,786,704)	
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	22,198,830	22,198,830	
Proceeds from issuance of debt	-	-	-	-	
Premium on issuance of debt	-	-	-	-	
Transfers Out	(10,255,108)	-	(8,471,602)	(18,726,710)	
Total other financing sources (uses)	(10,255,108)	-	13,727,228	3,472,120	
Net change in fund balances	7,243,228	134,267	(5,692,079)	1,685,416	
Fund Balances - beginning	20,887,781	45,000,000	28,239,026	94,126,807	
Fund Balances - ending	28,131,009	45,134,267	22,546,947	95,812,223	

APPENDIX D

Fiscal Year 2023 Budget

**GENERAL FUND
BUDGET SUMMARY
Fiscal Year 2022 - 2023**

GENERAL FUND REVENUE

SALES & USE TAXES	55,825,000
AD VAL OREM & TAX EQUIVALENTS	14,240,000
ALCOHOL BEVERAGE TAXES & FEES	1,215,500
BUSINESS LICENSES	3,875,000
OTHER TAXES & LICENSES	2,005,000
OTHER REVENUE	4,707,500
GENERAL FUND REVENUE	81,868,000

GENERAL FUND BUDGET SUMMARY BY DEPARTMENT

41111	MAYOR'S OFFICE	551,035
41112	CITY COUNCIL	431,548
41340	PURCHASING & GRANTS ADMINISTRATION	322,092
41520	LEGAL DEPARTMENT	361,146
41580	GENERAL FUND ACCOUNTING	696,448
41590	CITY CLERK	781,009
41710	PLANNING	694,643
41750	PERSONNEL DEPARTMENT	446,874
41810	ADMINISTRATIVE BUILDINGS	635,300
42100	POLICE DEPARTMENT	13,069,402
42102	CITY/COUNTY JAIL	355,000
42105	MUNICIPAL COURT	768,620
42110	ANIMAL CONTROL	1,366,133
42200	FIRE DEPARTMENT	9,487,017
42400	BUILDING DEPARTMENT	906,878
43110	ENGINEERING DEPARTMENT	1,060,773
43120	STREET DEPARTMENT	5,422,018
43300	MUNICIPAL LIGHTING & UTILITIES	1,097,000
43400	CEMETERY	487,678
43500	URBAN FORESTRY	904,466
43600	ART & MUSEUMS	739,110
44410	P&R - RECREATION	3,180,671
44725	P&R - PARKS	4,744,629
44730	P & R - GOLF COURSE	1,702,800
44800	PARKING DECK & FACILITY	119,634
	TOTAL GF OPERATING DEPARTMENTS	50,331,923

GENERAL FUND
BUDGET SUMMARY
Fiscal Year 2022 - 2023
Page 2

OPERATING TRANSFERS	10,274,900
APPROPRIATIONS TO OTHER GOVT. INST.	18,412,892
APPROPRIATIONS TO NON-GOVT. INST.	328,700
CAPITAL/INFRASTRUCTURE/EQUIPMENT IMPROVEMENTS	2,475,000
GRAND TOTAL EXPENDITURES	81,823,414

BUDGETED REVENUE IN EXCESS OF EXPENDITURES	44,586
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