

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND
WATER AND WASTEWATER DEPARTMENTS
FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020**



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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama, as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama and do not purport to, and do not, present fairly the financial position of the City of Florence, Alabama, as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits schedules on pages 3 through 14 and pages 50 through 55 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



Florence, Alabama
December 3, 2021

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2021**

FINANCIAL HIGHLIGHTS

- 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%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF FLORENCE UTILITIES

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

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	\$ 120,442,151	\$ 122,177,564	\$ (1,735,413)	-1.42%
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	3,896,809	3,937,755	(40,946)	-1.04%
Total Operating Expenses	\$ 117,170,138	\$ 119,124,427	\$ (1,954,289)	-1.64%
Operating Income	\$ 3,272,013	\$ 3,053,137	\$ 218,876	-7.17%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 199,297	\$ 258,558	\$ (59,261)	-22.92%
Nonoperating Expenses	(177,755)	(221,295)	43,540	-19.68%
Total Nonoperating Revenues (Exp)	\$ 21,542	\$ 37,263	\$ (15,721)	42.19%
Change in Net Position	\$ 3,293,555	\$ 3,090,400	\$ 203,155	-6.57%
Total Net Position - Beginning	82,785,788	79,695,388	3,090,400	3.88%
Total Net Position - Ending	\$ 86,079,343	\$ 82,785,788	\$ 3,293,555	3.98%

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	<u>\$ 2,112,131</u>	<u>\$ 1,518,020</u>	<u>\$ 594,111</u>	<u>39.14%</u>
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	<u>\$ 2,040,051</u>	<u>\$ 1,176,291</u>	<u>\$ 863,760</u>	<u>73.43%</u>
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	\$ 14,924,989	\$ 13,410,292	\$ 1,514,697	11.30%
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%

BUDGETARY HIGHLIGHTS

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 Budget	Actual	Variance	
			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	\$ 85,904,688	\$ 86,079,343	\$ 174,655	0.20%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$174,655 or approximately 5.6%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances 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 Budget	Actual	Variance	
			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	\$ 44,416,458	\$ 44,799,550	\$ 383,092	0.86%

The Gas Department exceeded the budgeted Change in Net Position by \$383,092, or approximately 72.4%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The 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%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances were operating revenues and capital contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2021, capital assets comprised the majority of each fund's assets. The following are summaries highlighting each fund's changes in capital assets. Information that is more detailed is presented for each department in the supplementary schedules section.

Electricity Department

Electricity Department
Capital Assets, Net
FY 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	\$ 90,896,809	\$ 89,612,068	\$ 1,284,741	1.43%

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	<u>(30,189,292)</u>	<u>(29,044,796)</u>	<u>(1,144,496)</u>	<u>3.94%</u>
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	<u>(78,152,998)</u>	<u>(74,013,748)</u>	<u>(4,139,250)</u>	<u>5.59%</u>
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.

Long-term Debt

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 has no plans to issue 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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 an important factor in determining utility sales. Although it is impossible to predict the weather in the upcoming year, sales in kilowatt-hours for FY 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.

CONTACTING FLORENCE UTILITIES FINANCIAL MANAGER

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



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**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2021 and 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 18,820,723	\$ 14,391,867
Accounts receivable (net)	11,165,189	12,190,220
Accrued interest receivable	255	652
Inventories	1,956,973	1,893,198
Prepaid expenses	<u>7,034,874</u>	<u>7,215,977</u>
Total current assets	<u>\$ 38,978,014</u>	<u>\$ 35,691,914</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 620,858	\$ 963,080
Capital assets:		
Utility plant in service (at cost)	189,461,124	185,197,910
Construction in progress	1,021,666	1,612,068
Less: accumulated depreciation	99,585,981	97,197,910
Receivables from customers for conservation loans	<u>681,406</u>	<u>1,182,602</u>
Total noncurrent assets	<u>\$ 92,199,073</u>	<u>\$ 91,757,750</u>
Total assets	<u>\$ 131,177,087</u>	<u>\$ 127,449,664</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 5,041,642	\$ 4,297,389
OPEB obligations	<u>867,133</u>	<u>409,680</u>
Total deferred outflows of resources	<u>\$ 5,908,775</u>	<u>\$ 4,707,069</u>

LIABILITIES	2021	2020
Current liabilities:		
Accounts payable	\$ 15,592,252	\$ 15,386,637
Retainage payable		30,947
Customer deposits	10,215,966	9,462,137
Compensated absences	653,789	651,777
Accrued taxes and expenses	508,676	500,256
	<hr/>	<hr/>
Total current liabilities	\$ 26,970,683	\$ 26,031,754
Liabilities payable from restricted assets:		
Revenue warrants–payable within one year	\$ 400,000	\$ 390,000
Unamortized debt premium (discount)	301	301
Accrued interest	14,217	14,867
	<hr/>	<hr/>
Total liabilities payable from restricted assets	\$ 414,518	\$ 405,168
Noncurrent liabilities:		
Revenue warrants–payable after one year	\$ 5,175,000	\$ 5,575,000
Unamortized debt premium (discount)	3,211	3,511
Advances from TVA for conservation loans	731,916	1,242,088
Compensated absences	980,684	977,666
Net pension liability	10,481,947	9,842,990
Total OPEB liability	4,832,345	4,144,298
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 22,205,103	\$ 21,785,553
Total liabilities	<hr/>	<hr/>
	\$ 49,590,304	\$ 48,222,475
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 914,002	\$ 564,567
OPEB obligations	502,213	583,903
	<hr/>	<hr/>
Total deferred inflows of resources	\$ 1,416,215	\$ 1,148,470
NET POSITION		
Net investment in capital assets	\$ 85,318,297	\$ 83,643,256
Restricted for debt service	606,641	948,213
Unrestricted	154,405	(1,805,681)
	<hr/>	<hr/>
Total net position	<hr/>	<hr/>
	\$ 86,079,343	\$ 82,785,788

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Electric sales:		
<i>Residential</i>	\$ 65,434,015	\$ 65,805,706
<i>Small commercial</i>	13,664,153	13,812,379
<i>Large commercial</i>	36,150,159	37,727,366
<i>Public street and highway lighting</i>	2,247,202	2,129,282
Forfeited discounts	920,706	855,058
Rents from electric property	1,553,129	1,358,098
Other operating revenues	472,787	489,675
	<u> </u>	<u> </u>
Total operating revenues	\$ 120,442,151	\$ 122,177,564
	<u> </u>	<u> </u>
Operating expenses:		
Costs of sales	\$ 88,374,245	\$ 91,591,557
Operations	10,408,651	10,413,582
Maintenance	8,438,239	7,395,911
Depreciation	6,052,194	5,785,622
Taxes and tax equivalents	3,896,809	3,937,755
	<u> </u>	<u> </u>
Total operating expenses	\$ 117,170,138	\$ 119,124,427
	<u> </u>	<u> </u>
Operating income	\$ 3,272,013	\$ 3,053,137
	<u> </u>	<u> </u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 22,355	\$ 175,538
Merchandising revenues (net of costs)	139,934	60,505
Miscellaneous nonoperating income	13,171	22,214
Gain (loss) on disposition of assets	23,536	(36,714)
Interest expense	(177,755)	(184,581)
Amortization of debt related costs	301	301
	<u> </u>	<u> </u>
Total nonoperating revenues (expenses)	\$ 21,542	\$ 37,263
	<u> </u>	<u> </u>
Change in net position	\$ 3,293,555	\$ 3,090,400
	<u> </u>	<u> </u>
Total net position—beginning	82,785,788	79,695,388
	<u> </u>	<u> </u>
Total net position—ending	<u>\$ 86,079,343</u>	<u>\$ 82,785,788</u>

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 121,620,287	\$ 122,160,375
Receipts from interfund services provided	2,871,247	2,581,111
Payments to suppliers	(95,994,687)	(98,286,467)
Payments to employees for services and benefits—exclusive of capitalized costs	(12,122,170)	(12,100,686)
Payments for interfund services used	<u>(3,909,792)</u>	<u>(3,917,783)</u>
Net cash provided by operating activities	<u>\$ 12,464,885</u>	<u>\$ 10,436,550</u>
Cash flows from noncapital financing activities:		
Change in receivables from customers for conservation loans	\$ 501,196	\$ 644,786
Change in advances from TVA for conservation loans	<u>(510,172)</u>	<u>(657,501)</u>
Net cash used for noncapital financing activities	<u>\$ (8,976)</u>	<u>\$ (12,715)</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (6,902,014)	\$ (7,283,634)
Proceeds from disposition of assets	108,318	19,546
Removal costs of retirements of capital assets	(1,002,404)	(885,173)
Salvage value of retirements of capital assets	(27,522)	29,957
Principal paid on capital debt	(390,000)	(385,000)
Interest paid on capital debt	<u>(178,405)</u>	<u>(185,144)</u>
Net cash used for capital and related financing activities	<u>\$ (8,392,027)</u>	<u>\$ (8,689,448)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 22,752</u>	<u>\$ 180,530</u>
Net cash provided by investing activities	<u>\$ 22,752</u>	<u>\$ 180,530</u>
Net increase in cash and cash equivalents	\$ 4,086,634	\$ 1,914,917
Balances—beginning of the year	<u>15,354,947</u>	<u>13,440,030</u>
Balances—end of the year	<u>\$ 19,441,581</u>	<u>\$ 15,354,947</u>
<i>Classified as:</i>		
Current assets	\$ 18,820,723	\$ 14,391,867
Restricted assets	<u>620,858</u>	<u>963,080</u>
Totals	<u>\$ 19,441,581</u>	<u>\$ 15,354,947</u>

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020
(Continued)**

	<u>2021</u>	<u>2020</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 3,272,013	\$ 3,053,137
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 6,562,418	\$ 6,240,440
Income from merchandising revenues (net of costs)	139,934	60,505
Miscellaneous nonoperating income	13,171	22,214
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	1,025,031	(99,908)
Inventories	(63,775)	(349,052)
Prepaid expenses	181,103	1,922,245
Deferred outflows of resources	(1,201,706)	(2,328,199)
Accounts and other payables	188,118	(1,387,258)
Customer deposits	753,829	674,536
Net pension liability	638,957	2,788,184
Total OPEB liability	688,047	(211,878)
Deferred inflows of resources	267,745	51,584
	<u>9,192,872</u>	<u>7,383,413</u>
Total adjustments	\$	\$
Net cash provided by operating activities	<u>\$ 12,464,885</u>	<u>\$ 10,436,550</u>

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

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2021 and 2020**

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 19,438,298	\$ 18,390,507
Accounts receivable (net)	697,502	635,222
Accrued interest receivable	3,447	22,066
Inventories	1,003,555	760,522
Prepaid expenses	<u>1,096,141</u>	<u>1,172,902</u>
Total current assets	<u>\$ 22,238,943</u>	<u>\$ 20,981,219</u>
Noncurrent assets:		
Capital assets:		
Utility plant in service (at cost)	\$ 60,688,062	\$ 59,350,992
Acquisition adjustment (net of amortization)	104,835	115,496
Construction in progress	104,810	130,070
Less: accumulated depreciation	<u>30,189,292</u>	<u>29,044,796</u>
Total noncurrent assets	<u>\$ 30,708,415</u>	<u>\$ 30,551,762</u>
Total assets	<u>\$ 52,947,358</u>	<u>\$ 51,532,981</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 1,851,599	\$ 1,280,160
OPEB obligations	<u>260,532</u>	<u>237,860</u>
Total deferred outflows of resources	<u>\$ 2,112,131</u>	<u>\$ 1,518,020</u>

LIABILITIES	2021	2020
Current liabilities:		
Accounts payable	\$ 1,001,221	\$ 592,669
Compensated absences	230,564	238,186
Accrued taxes and expenses	105,488	83,879
	<hr/>	<hr/>
Total current liabilities	\$ 1,337,273	\$ 914,734
	<hr/>	<hr/>
Noncurrent liabilities:		
Compensated absences	\$ 345,845	\$ 357,278
Net pension liability	5,066,511	4,411,315
Total OPEB liability	1,470,259	2,304,225
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 6,882,615	\$ 7,072,818
	<hr/>	<hr/>
Total liabilities	\$ 8,219,888	\$ 7,987,552
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 250,817	\$ 172,815
OPEB obligations	1,789,234	1,003,476
	<hr/>	<hr/>
Total deferred inflows of resources	\$ 2,040,051	\$ 1,176,291
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	\$ 30,708,415	\$ 30,551,762
Unrestricted	14,091,135	13,335,396
	<hr/>	<hr/>
Total net position	\$ 44,799,550	\$ 43,887,158
	<hr/>	<hr/>

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

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Gas sales:		
<i>Residential</i>	\$ 6,669,179	\$ 6,066,245
<i>Commercial</i>	4,577,636	4,241,291
<i>Industrial</i>	2,402,036	2,040,346
<i>Resale and transportation</i>	1,115,972	931,949
Service fees	85,010	71,137
Forfeited discounts	64,280	48,874
Other operating revenues	<u>10,876</u>	<u>10,450</u>
Total operating revenues	<u>\$ 14,924,989</u>	<u>\$ 13,410,292</u>
Operating expenses:		
Costs of sales	\$ 5,484,731	\$ 4,515,388
Operations	3,267,970	3,435,852
Maintenance	2,231,666	2,218,962
Depreciation	1,599,802	1,651,956
Amortization of acquisition adjustment	10,661	10,661
Taxes and tax equivalents	<u>1,493,821</u>	<u>1,520,367</u>
Total operating expenses	<u>\$ 14,088,651</u>	<u>\$ 13,353,186</u>
Operating income	<u>\$ 836,338</u>	<u>\$ 57,106</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 44,542	\$ 126,207
Gain (loss) on disposition of assets	20,379	15,975
Miscellaneous nonoperating income	<u>11,133</u>	<u>11,791</u>
Total nonoperating revenues (expenses)	<u>\$ 76,054</u>	<u>\$ 153,973</u>
Change in net position	\$ 912,392	\$ 211,079
Total net position—beginning, as restated	<u>43,887,158</u>	<u>43,676,079</u>
Total net position—ending	<u><u>\$ 44,799,550</u></u>	<u><u>\$ 43,887,158</u></u>

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

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Receipts from customers and users	\$ 14,873,842	\$ 13,399,588
Receipts from interfund services provided	183,298	174,419
Payments to suppliers	(6,284,881)	(5,528,218)
Payments to employees for services and benefits—exclusive of capitalized costs	(3,657,485)	(3,235,034)
Payments for interfund services used	(2,383,407)	(2,424,554)
Net cash provided by operating activities	\$ 2,731,367	\$ 2,386,201
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (1,707,368)	\$ (1,154,201)
Proceeds from disposition of assets	21,749	66,412
Removal costs of retirements of capital assets	(61,118)	(65,001)
Net cash used for capital and related financing activities	\$ (1,746,737)	\$ (1,152,790)
Cash flows from investing activities:		
Interest on investments	\$ 63,161	\$ 163,054
Net cash provided by investing activities	\$ 63,161	\$ 163,054
Net increase in cash and cash equivalents	\$ 1,047,791	\$ 1,396,465
Balances—beginning of the year	18,390,507	16,994,042
Balances—end of the year	\$ 19,438,298	\$ 18,390,507
<i>Classified as:</i>		
Current assets	\$ 19,438,298	\$ 18,390,507

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

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020
(Continued)**

	<u>2021</u>	<u>2020</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 836,338	\$ 57,106
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 1,599,802	\$ 1,651,956
Amortization of acquisition adjustment	10,661	10,661
Miscellaneous nonoperating income	11,133	11,791
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	(62,280)	(22,495)
Inventories	(243,033)	186,638
Prepaid expenses	76,761	53,255
Deferred outflows of resources	(594,111)	(303,102)
Accounts and other payables	411,106	26,149
Net pension liability	655,196	551,138
Total OPEB liability	(833,966)	(551,583)
Deferred inflows of resources	863,760	714,687
	<u>1,895,029</u>	<u>2,329,095</u>
Total adjustments	\$	\$
Net cash provided by operating activities	<u>2,731,367</u>	<u>2,386,201</u>

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

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 15,168,454	\$ 12,950,849
Accounts receivable (net)	2,893,519	1,818,510
Accrued interest receivable	2,772	18,105
Inventories	829,810	780,747
Prepaid expenses	<u>1,152,131</u>	<u>522,130</u>
Total current assets	<u>\$ 20,046,686</u>	<u>\$ 16,090,341</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 2,305,597	\$ 5,907,709
Capital assets:		
Utility plant in service (at cost)	184,358,021	181,107,106
Construction in progress	241,806	1,819,357
Less: accumulated depreciation	78,152,998	74,013,748
Prepaid debt related costs (net)	<u>69,856</u>	<u>116,881</u>
Total noncurrent assets	<u>\$ 108,822,282</u>	<u>\$ 114,937,305</u>
Total assets	<u>\$ 128,868,968</u>	<u>\$ 131,027,646</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	\$ 1,711,181	\$ 1,828,938
Pensions	1,586,797	1,516,887
OPEB obligations	<u>562,490</u>	<u>122,668</u>
Total deferred outflows of resources	<u>\$ 3,860,468</u>	<u>\$ 3,468,493</u>

LIABILITIES	2021	2020
Current liabilities:		
Accounts payable	\$ 557,099	\$ 990,629
Retainage payable	5,696	41,501
Customer deposits	2,951	1,500
Compensated absences	362,595	362,033
Accrued taxes and expenses	316,097	275,406
	<hr/>	<hr/>
Total current liabilities	\$ 1,244,438	\$ 1,671,069
Liabilities payable from restricted assets:		
Revenue warrants—payable within one year	\$ 2,545,000	\$ 5,360,000
Unamortized debt premium (discount)	38,480	38,480
Accrued interest	554,469	418,409
	<hr/>	<hr/>
Total liabilities payable from restricted assets	\$ 3,137,949	\$ 5,816,889
Noncurrent liabilities:		
Revenue warrants—payable after one year	\$ 31,145,763	\$ 32,730,000
Unamortized debt premium (discount)	541,930	580,410
Compensated absences	543,893	543,051
Net pension liability	3,439,958	3,558,074
Total OPEB liability	1,702,940	1,185,556
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 37,374,484	\$ 38,597,091
Total liabilities	<hr/>	<hr/>
	\$ 41,756,871	\$ 46,085,049
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 396,363	\$ 218,896
OPEB obligations	304,672	348,457
	<hr/>	<hr/>
Total deferred inflows of resources	\$ 701,035	\$ 567,353
NET POSITION		
Net investment in capital assets	\$ 73,886,837	\$ 72,032,763
Restricted for debt service	1,751,128	5,489,300
Unrestricted	14,633,565	10,321,674
	<hr/>	<hr/>
Total net position	<hr/>	<hr/>
	\$ 90,271,530	\$ 87,843,737

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

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 and 2020

	2021	2020
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 7,111,788	\$ 7,180,747
<i>Commercial</i>	3,443,384	3,450,534
<i>Resale</i>	1,701,401	1,646,835
Sewer service sales:		
<i>Residential</i>	4,450,197	4,454,398
<i>Commercial</i>	3,379,738	3,327,411
Forfeited discounts	144,305	126,497
Other operating revenues	170,385	142,505
Total operating revenues	\$ 20,401,198	\$ 20,328,927
Operating expenses:		
Water treatment and pumping	\$ 3,468,373	\$ 3,257,614
Sewage disposal	2,243,683	2,217,276
Transmission and distribution	1,616,913	1,529,080
Accounting and collections	1,134,775	1,156,643
Administrative and general	2,667,344	2,538,127
Depreciation	4,063,733	4,066,164
Taxes and tax equivalents	1,738,162	1,714,089
Total operating expenses	\$ 16,932,983	\$ 16,478,993
Operating income	\$ 3,468,215	\$ 3,849,934
Nonoperating revenues (expenses):		
Interest revenues	\$ 33,477	\$ 171,904
Gain (loss) on disposition of assets	(1,476)	22,202
Interest expense	(1,185,402)	(1,131,813)
Amortization of debt related costs	(126,301)	(160,090)
Total nonoperating revenues (expenses)	\$ (1,279,702)	\$ (1,097,797)
Income before contributions	\$ 2,188,513	\$ 2,752,137
Capital contributions	239,280	
Change in net position	\$ 2,427,793	\$ 2,752,137
Total net position—beginning	87,843,737	85,091,600
Total net position—ending	\$ 90,271,530	\$ 87,843,737

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

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 18,956,095	\$ 19,979,080
Receipts from interfund services provided	229,731	225,589
Payments to suppliers	(4,952,675)	(3,161,406)
Payments to employees for services and benefits—exclusive of capitalized costs	(5,587,977)	(5,120,376)
Payments for interfund services used	<u>(3,162,445)</u>	<u>(3,092,646)</u>
Net cash provided by operating activities	<u>\$ 5,482,729</u>	<u>\$ 8,830,241</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (1,706,747)	\$ (2,397,304)
Proceeds from disposition of assets		25,100
Proceeds from capital contributions	239,280	
Net proceeds from capital debt	960,763	
Principal paid on capital debt	(5,360,000)	(5,185,000)
Interest paid on capital debt	<u>(1,049,342)</u>	<u>(1,179,978)</u>
Net cash used for capital and related financing activities	<u>\$ (6,916,046)</u>	<u>\$ (8,737,182)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 48,810</u>	<u>\$ 198,702</u>
Net cash provided by investing activities	<u>\$ 48,810</u>	<u>\$ 198,702</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,384,507)	\$ 291,761
Balances—beginning of the year	<u>18,858,558</u>	<u>18,566,797</u>
Balances—end of the year	<u>\$ 17,474,051</u>	<u>\$ 18,858,558</u>
<u>Classified as:</u>		
Current assets	\$ 15,168,454	\$ 12,950,849
Restricted assets	<u>2,305,597</u>	<u>5,907,709</u>
Totals	<u>\$ 17,474,051</u>	<u>\$ 18,858,558</u>

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

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 and 2020
(Continued)**

	<u>2021</u>	<u>2020</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 3,468,215	\$ 3,849,934
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 4,171,158	\$ 4,173,635
Change in assets and liabilities:		
Receivables (net)	(1,075,009)	(19,411)
Inventories	(49,063)	(15,514)
Prepaid expenses	(630,001)	(123,165)
Deferred outflows of resources	(509,732)	(416,405)
Accounts and other payables	(427,240)	846,319
Customer deposits	1,451	(1,566)
Net pension liability	(118,116)	622,608
Total OPEB liability	517,384	(296,076)
Deferred inflows of resources	133,682	209,882
	<u>2,014,514</u>	<u>4,980,307</u>
Total adjustments	\$	\$
Net cash provided by operating activities	<u>5,482,729</u>	<u>8,830,241</u>

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting and Financial Statement Presentation:

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

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

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

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounts Receivable—Trade:

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

Inventories:

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

Debt Premiums, Discounts, and Issuance Costs:

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

Deferred Inflows/Outflows from Current Refunding or Advance Refunding of Debt:

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.

Prepaid Expenses:

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

Cash and Cash Equivalents:

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

Revenues and Expenses:

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

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Florence, Alabama Employees' Retirement Plan ("CFAERP") and additions to/deductions from CFAERP's fiduciary net position have been determined on the same basis as they are reported by CFAERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position:

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

Compensated Absences:

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

Reclassifications:

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

Estimates:

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

NOTE 2—UTILITY PLANT

Electricity Department

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 50 years. Depreciation for the fiscal year 2021 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 based on vehicle usage, totaled \$510,224 for the year ended June 30, 2021. Depreciation for the fiscal year 2020 totaled \$6,240,440 of which \$5,785,622 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$454,818 for the year ended June 30, 2020.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 2—UTILITY PLANT (Continued)

As of June 30, 2021 and 2020, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$1,341,281 and \$1,261,933, respectively.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission plant	\$ 42,791,435	\$ 914,058	\$ 112,733	\$ 43,592,760
Distribution plant	119,169,045	4,685,327	1,278,262	122,576,110
General plant	23,237,430	1,893,031	1,838,207	23,292,254
Totals	<u>\$ 185,197,910</u>	<u>\$ 7,492,416</u>	<u>\$ 3,229,202</u>	<u>\$ 189,461,124</u>

During the 2011 fiscal year, the Department recorded a capital contribution of \$1,388,735 as a reduction in capitalized utility plant in accordance with regulatory standards. For financial reporting, the capital contribution was reported as an increase in net position in accordance with GASB standards. The Department is depreciating the capital contribution using the straight-line method over the estimated useful lives of the assets, which is from 25 to 44 years. Current and prior year depreciation amounted to \$39,655. As of June 30, 2021 and 2020, accumulated depreciation amounted to \$396,553 and \$356,898, respectively.

Gas Department

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 50 years. Depreciation expense amounted to \$1,599,802 for fiscal year 2021 and \$1,651,956 for fiscal year 2020.

As of June 30, 2021 and 2020, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$493,756, and \$493,723, respectively.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission plant	\$ 10,207,295	\$ 111,884	\$ 701	\$ 10,318,478
Distribution plant	40,755,270	954,441	253,402	41,456,309
General plant	8,388,427	666,303	141,455	8,913,275
Totals	<u>\$ 59,350,992</u>	<u>\$ 1,732,628</u>	<u>\$ 395,558</u>	<u>\$ 60,688,062</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 2—UTILITY PLANT (Continued)

During the 2000 fiscal year, the Department performed improvements to the Gate Station purchased in fiscal year 1998 and in doing so retired approximately one-half of the equipment. The Department was able to obtain information on the costs of the original equipment and based on that information, the Department was able to determine the cost of the retirements and reclassify the difference between the purchase price of the Gate Station and the cost of the equipment. The Department then reclassified from Measuring and Regulating Equipment to the Gas Plant Acquisition Adjustment account, in the amount of \$355,373 and reclassified from Accumulated Depreciation to Accumulated Amortization of Gas Plant Acquisition Adjustment in the amount of \$15,992. The Department is amortizing the Acquisition Adjustment over a 33-year period. Current and prior year amortization amounted to \$10,661. As of June 30, 2021 and 2020, accumulated amortization amounted to \$250,538 and \$239,877, respectively.

Water and Wastewater Department

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 75 years. Depreciation for the fiscal year 2021 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 based on vehicle usage, totaled \$107,425 for the year ended June 30, 2021. Depreciation for the fiscal year 2020 totaled \$4,173,635 of which \$4,066,164 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$107,471 for the year ended June 30, 2020.

As of June 30, 2021 and 2020, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$1,150,765 and \$1,140,765, respectively.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission and distribution plant	\$ 176,581,433	\$ 3,206,685	\$ 2,580	\$ 179,785,538
General plant	4,525,673	77,614	30,804	4,572,483
Totals	<u>\$ 181,107,106</u>	<u>\$ 3,284,299</u>	<u>\$ 33,384</u>	<u>\$ 184,358,021</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 3—RECEIVABLES AND PAYABLES

Receivables as of June 30, 2021 and 2020 were as follows for each department:

Electricity Department

	<u>2021</u>	<u>2020</u>
Customer accounts	\$ 9,057,860	\$ 10,265,619
Other governments	241,262	439,781
Miscellaneous	470,081	171,306
Secured customer deposits	1,151,856	1,137,631
Accrued rents	464,756	425,307
Less: allowance for doubtful accounts	<u>(220,626)</u>	<u>(249,424)</u>
Net receivables	<u>\$ 11,165,189</u>	<u>\$ 12,190,220</u>

Gas Department

	<u>2021</u>	<u>2020</u>
Customer accounts	\$ 677,190	\$ 587,017
Other governments	27,746	27,497
Miscellaneous	2,951	32,799
Less: allowance for doubtful accounts	<u>(10,385)</u>	<u>(12,091)</u>
Net receivables	<u>\$ 697,502</u>	<u>\$ 635,222</u>

Water and Wastewater Department

	<u>2021</u>	<u>2020</u>
Customer accounts	\$ 1,748,308	\$ 1,835,808
Other governments	1,178,098	18,525
Less: allowance for doubtful accounts	<u>(32,887)</u>	<u>(35,823)</u>
Net receivables	<u>\$ 2,893,519</u>	<u>\$ 1,818,510</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 3—RECEIVABLES AND PAYABLES (Continued)

Payables as of June 30, 2021 and 2020 were as follows for each department:

Electricity Department

	<u>2021</u>	<u>2020</u>
Vendors	\$ 15,594,073	\$ 15,390,135
Salaries and benefits	447,358	427,745
Other governments	59,497	99,960
Totals	<u>\$ 16,100,928</u>	<u>\$ 15,917,840</u>

Gas Department

	<u>2021</u>	<u>2020</u>
Vendors	\$ 786,908	\$ 409,480
Salaries and benefits	105,488	83,879
Other governments	214,313	183,189
Totals	<u>\$ 1,106,709</u>	<u>\$ 676,548</u>

Water and Wastewater Department

	<u>2021</u>	<u>2020</u>
Vendors	\$ 392,857	\$ 719,274
Salaries and benefits	192,009	147,996
Other governments	294,026	440,266
Totals	<u>\$ 878,892</u>	<u>\$ 1,307,536</u>

NOTE 4—STORAGE GAS

Gas Department

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. As of June 30, 2021 and 2020, the Department had \$555,727 and \$391,194, respectively, in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 5—RESTRICTED ASSETS

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

Electricity Department

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

	<u>2021</u>	<u>2020</u>
Series 2013 Debt Service Reserve Fund	\$ 573,253	\$ 573,253
Series 2013 Warrant Funds	47,605	389,827
Total restricted cash and cash equivalents	<u>\$ 620,858</u>	<u>\$ 963,080</u>

Water and Wastewater Department

Special funds created for capital construction and debt service by the Series 2011, Series 2017, and all State Revolving Fund (the “SRF”) Warrant Indentures are invested in short-term U.S. Government obligations, as follows:

	<u>2021</u>	<u>2020</u>
Warrant Funds-All SRF Series	\$ 630,712	\$ 4,560,730
Series 2011 Warrant Funds	478,062	45,163
Series 2017 Warrant Funds	1,196,823	1,301,816
Total restricted cash and cash equivalents	<u>\$ 2,305,597</u>	<u>\$ 5,907,709</u>

NOTE 6—TVA POWER AND CONSERVATION PROGRAMS

Electricity Department

Conservation Program

The Department has entered into a contract with TVA to establish a joint home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. 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 and 2020, a total of \$681,406 and \$1,182,602, respectively, of energy conservation loans due from customers participating in the program. These loans are to be repaid in monthly installments by the customer over a 10-year period at an interest rate established by TVA. Under the terms of the contract, as amended, the Department has received advances on these conservation loans in the amount of \$731,916 and \$1,242,088 as of June 30, 2021 and 2020, respectively.

Power Program

The Department participates in the TVA Power Invoice Prepayment Program. This program allows the Department to transfer funds electronically, which are nonrefundable, on a weekly basis to be applied to the monthly TVA power invoice. An advance payment credit is computed on a daily basis at a rate established monthly by TVA and is added to the prepayment account. This rate has been slightly higher than the interest rate currently earned on temporary cash investments with local banks. The prepayment balances of \$6,771,064 and \$6,992,493 as of June 30, 2021 and 2020, respectively, are reported as a component of prepaid expenses in the financial statements.

CITY OF FLORENCE, ALABAMA
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NOTE 7—LONG-TERM OBLIGATIONS

Electricity Department

Long-term obligations activity for the year ended June 30, 2021 was as follows:

	<i>Electric Revenue Warrants, Series 2013</i>
Balance—beginning of year	\$ 5,965,000
Less: principal paid on debt	390,000
Balance—end of year	\$ 5,575,000

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

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

<i>Fiscal Year Ending June 30</i>	<i>Principal Maturities and Scheduled Mandatory Redemption Payments</i>	<i>Interest Payable</i>	<i>Total Debt Service</i>
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	\$ 5,575,000	\$ 1,284,870	\$ 6,859,870
Less: portion due within one year	400,000		
Long-term debt—end of year	\$ 5,175,000		

All interest costs were expensed for the fiscal years presented.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 7—LONG-TERM OBLIGATIONS (Continued)

Water and Wastewater Department

Long-term obligations activity for the year ended June 30, 2021 was as follows:

	<i>Water and Sewer Revenue Warrants, SRF Series 2010-A</i>	<i>Water and Sewer Revenue Warrants, SRF Series 2010-B</i>	<i>Water and Sewer Revenue Warrants, SRF Series 2010-C</i>
Balance—beginning of year	\$ 905,000	\$ 1,520,000	\$ 1,450,000
Add: proceeds from debt			
Less: principal paid on debt	905,000	1,520,000	1,450,000
Balance—end of year	\$ -	\$ -	\$ -

	<i>Water and Sewer Revenue Warrants, SRF Series 2010-D</i>	<i>Water and Sewer Revenue Warrants, Series 2011</i>	<i>Water and Sewer Revenue Warrants, Series 2013-DWSRF-DL</i>
Balance—beginning of year	\$ 365,000	\$ 490,000	\$ 5,120,000
Add: proceeds from debt			
Less: principal paid on debt	365,000		245,000
Balance—end of year	\$ -	\$ 490,000	\$ 4,875,000

	<i>Water and Sewer Revenue Warrants, Series 2017</i>	<i>Water and Sewer Revenue Warrants, Series 2021-DWSRF-DL</i>	<i>Water and Sewer Revenue Warrants, Series 2021-CWSRF-DL</i>	<i>Totals</i>
Balance—beginning of year	\$ 28,240,000	\$ -	\$ -	\$ 38,090,000
Add: proceeds from debt		541,427	419,336	960,763
Less: principal paid on debt	875,000			5,360,000
Balance—end of year	\$ 27,365,000	\$ 541,427	\$ 419,336	\$ 33,690,763

The Department issued Water and Sewer Revenue Warrants, Series 2010-A-CWSRF-BL, dated July 13, 2010, in the amount of \$8,260,000 bearing an interest rate of 2.61% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 2000. The warrants were issued under the SRF and are administered jointly by the Alabama Water Pollution Control Authority (AWPCA) and the Alabama Department of Environmental Management (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. These warrants were fully satisfied on August 15, 2020.

The Department issued Water and Sewer Revenue Warrants, Series 2010-B-CWSRF-BL, dated August 13, 2010, in the amount of \$12,920,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1998. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. These warrants were fully satisfied on August 15, 2020.

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JUNE 30, 2021 and 2020
(Continued)

NOTE 7—LONG-TERM OBLIGATIONS (Continued)

The Department issued Water and Sewer Revenue Warrants, Series 2010-C-CWSRF-BL, dated August 13, 2010, in the amount of \$12,460,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. These warrants were fully satisfied on August 15, 2020.

The Department issued Water and Sewer Revenue Warrants, Series 2010-D-CWSRF-BL, dated August 13, 2010, in the amount of \$3,125,000 bearing an interest rate of 2.57% for the current refunding of the Water and Sewer Revenue Warrants, SRF Series 1999B. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM. The net revenues of the system are pledged for payment of the principal and interest of these warrants. Principal is payable annually on August 15. Interest is payable semi-annually on each February 15 and August 15. These warrants were fully satisfied on August 15, 2020.

The Department issued Water and Sewer Revenue Warrants, Series 2011, dated June 1, 2011, in the amount of \$20,600,000 bearing 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, \$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 Department issued Water and Sewer Revenue Warrants, Series 2013-DWSRF-DL, dated October 15, 2013, in the amount of \$5,825,000 bearing 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. 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 2017, dated October 12, 2017, in the amount of \$29,940,000 bearing 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. As a result of the advance refunding, \$20,110,000 of the 2011 Series Warrants are considered to be defeased and the liability for those warrants has been removed from the Department's Statement of Net Position.

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(Continued)

NOTE 7—LONG-TERM OBLIGATIONS (Continued)

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.

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

<i>Fiscal Year Ending June 30</i>	<i>Principal Maturities and Scheduled Mandatory Redemption Payments</i>		<i>Interest Payable</i>	<i>Total Debt Service</i>
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	\$ 55,260,000	\$ 14,422,050	\$ 69,682,050	
Less: portion due within one year	2,545,000			
Less: amount of DWSRF and CWSRF funds available for disbursement	<u>21,569,237</u>			
Long-term debt—end of year	<u>\$ 31,145,763</u>			

All interest costs were expensed for the fiscal years presented.

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
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(Continued)**

NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS

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).

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ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
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(Continued)

NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—As of 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.

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 with generational mortality improvement projected with 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:

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NOTES TO FINANCIAL STATEMENTS
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(Continued)

NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
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 *	<u>\$ 125,015,650</u>	<u>\$ 88,647,951</u>	<u>\$ 36,367,699</u>

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

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ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8—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:

	<i>1% Decrease</i>	<i>Current</i>	<i>1% Increase</i>
	<i>(6.50%)</i>	<i>Discount Rate</i>	<i>(8.50%)</i>
	<u> </u>	<u> </u>	<u> </u>
Total pension liability	\$ 135,180,563	\$ 125,015,650	\$ 115,852,107
Fiduciary net position	<u>88,647,951</u>	<u>88,647,951</u>	<u>88,647,951</u>
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, 2020, the City recognized pension expense of \$5,282,544. As of September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred</i>	<i>Deferred</i>
	<i>Outflows of</i>	<i>Inflows of</i>
	<u><i>Resources</i></u>	<u><i>Resources</i></u>
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:

<i>Year Ending</i>	
<u><i>September 30</i></u>	<u><i>Amount</i></u>
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 fiscal year ending September 30, 2022.

The Utilities have recorded their proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense based on the actuarial valuation of the CFAERP.

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
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NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Deferred Compensation Plan

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

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

NOTE 9—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
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NOTE 9—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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.

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 premium 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—As of September 30, 2020, the following employees were covered by the benefit terms:

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
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NOTE 9—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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.

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	<u>(800,422)</u>
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>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 9—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended September 30, 2020, the City recognized OPEB expense of \$1,297,209. As of September 30, 2020, 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

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 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.

The Utilities have recorded their proportionate share of the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense based on the actuarial valuation of the CFPBP.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 10—LEASE COMMITMENTS

Electricity Department

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

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

NOTE 11—DEPOSITS AND INVESTMENTS

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

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 12—RISK MANAGEMENT

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

NOTE 13—CONTINGENCIES AND COMMITMENTS

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

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

Electricity Department

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 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. As of June 30, 2020, open contracts for construction totaled \$50,000 of which \$0 had been recorded as cumulative construction in progress. As of June 30, 2020, open contracts for system maintenance totaled \$3,230,881 of which \$189,400 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 and 2020, the Department had made purchase commitments amounting to \$4,976,550 and \$2,512,650, respectively, 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. As of June 30, 2020, open contracts for construction totaled \$1,963,383 of which \$865,567 had been recorded as cumulative construction in progress. As of June 30, 2020, open contracts for system maintenance totaled \$222,779 of which \$56,045 had been recorded as current maintenance expense.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 and 2020
(Continued)

NOTE 13—CONTINGENCIES AND COMMITMENTS (Continued)

During the 2018 fiscal year, the Department advance refunded \$20,110,000 of the Water and Sewer Revenue Warrants, Series 2011 by issuing Water and Sewer Revenue Warrants, Series 2017. Subsequently, the Department 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 when they mature on February 15, 2021. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the Department’s financial statements. The outstanding balance of this defeased debt as of June 30, 2021 and 2020 was \$0 and \$20,110,000, respectively.

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.

NOTE 14—CORRECTION OF AN ERROR

Gas Department

The Gas Department 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 Department and the City’s governmental activities had been inadvertently mislabeled thus causing a correction to the earliest year presented in these financial statements, as follows:

Net position as of June 30, 2019, as previously stated	\$ 39,250,645
Correction of an error related to the total OPEB liability and associated deferred outflows and inflows of resources	<u>4,425,434</u>
Net position as of June 30, 2019, as restated	<u><u>\$ 43,676,079</u></u>

NOTE 15—SUBSEQUENT EVENTS

The Utilities 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 Utilities will depend on certain developments including the duration and spread of the outbreak and the impact on its customers, workforce, and suppliers all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Utilities’ financial condition or results of operations remains uncertain.



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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues:				
Electric sales:				
<i>Residential</i>	\$ 66,150,000	\$ 66,150,000	\$ 65,434,015	\$ (715,985)
<i>Small commercial</i>	13,740,000	13,740,000	13,664,153	(75,847)
<i>Large commercial</i>	39,840,000	39,840,000	36,150,159	(3,689,841)
<i>Public street and highway lighting</i>	2,170,000	2,170,000	2,247,202	77,202
Forfeited discounts	1,120,000	1,120,000	920,706	(199,294)
Rents	1,350,000	1,350,000	1,553,129	203,129
Other operating revenues	540,000	540,000	472,787	(67,213)
Total operating revenues	<u>\$ 124,910,000</u>	<u>\$ 124,910,000</u>	<u>\$ 120,442,151</u>	<u>\$ (4,467,849)</u>
Operating expenses:				
Costs of sales	\$ 94,990,000	\$ 94,990,000	\$ 88,374,245	\$ 6,615,755
Operations:				
<i>Transmission</i>	344,500	344,500	307,622	36,878
<i>Distribution</i>	3,059,900	3,059,900	3,166,277	(106,377)
<i>Customer accounts</i>	2,250,500	2,250,500	1,972,197	278,303
<i>Customer service and information assistance and instruction</i>	77,200	77,200	81,135	(3,935)
<i>Sales</i>	12,500	12,500	15,018	(2,518)
<i>Administrative and general</i>	4,528,800	4,528,800	4,866,402	(337,602)
Maintenance:				
<i>Transmission</i>	310,500	310,500	338,335	(27,835)
<i>Distribution</i>	6,087,600	6,087,600	7,567,442	(1,479,842)
<i>Administrative and general</i>	495,500	495,500	532,462	(36,962)
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	<u>\$ 121,838,000</u>	<u>\$ 121,838,000</u>	<u>\$ 117,170,138</u>	<u>\$ 4,667,862</u>
Operating income	<u>\$ 3,072,000</u>	<u>\$ 3,072,000</u>	<u>\$ 3,272,013</u>	<u>\$ 200,013</u>
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)	<u>\$ 46,900</u>	<u>\$ 46,900</u>	<u>\$ 21,542</u>	<u>\$ (25,358)</u>
Change in net position	<u>\$ 3,118,900</u>	<u>\$ 3,118,900</u>	<u>\$ 3,293,555</u>	<u>\$ 174,655</u>
Total net position—beginning	<u>82,785,788</u>	<u>82,785,788</u>	<u>82,785,788</u>	
Total net position—ending	<u>\$ 85,904,688</u>	<u>\$ 85,904,688</u>	<u>\$ 86,079,343</u>	<u>\$ 174,655</u>

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Gas sales:				
<i>Residential</i>	\$ 6,639,500	\$ 6,639,500	\$ 6,669,179	\$ 29,679
<i>Commercial</i>	4,784,000	4,784,000	4,577,636	(206,364)
<i>Industrial</i>	3,328,400	3,328,400	2,402,036	(926,364)
<i>Resale and transportation</i>	1,353,400	1,353,400	1,115,972	(237,428)
Service fees	70,800	70,800	85,010	14,210
Forfeited discounts	73,400	73,400	64,280	(9,120)
Other operating revenues	11,100	11,100	10,876	(224)
Total operating revenues	<u>\$ 16,260,600</u>	<u>\$ 16,260,600</u>	<u>\$ 14,924,989</u>	<u>\$ (1,335,611)</u>
Operating expenses:				
Costs of sales	\$ 7,188,200	\$ 7,188,200	\$ 5,484,731	\$ 1,703,469
Operations:				
<i>Transmission</i>	144,700	144,700	159,780	(15,080)
<i>Distribution</i>	364,100	364,100	270,244	93,856
<i>Customer accounts</i>	450,600	450,600	459,878	(9,278)
<i>Sales</i>	56,100	56,100	40,380	15,720
<i>Administrative and general</i>	2,245,200	2,245,200	2,337,688	(92,488)
Maintenance:				
<i>Transmission</i>	2,000	2,000		2,000
<i>Distribution</i>	1,991,400	1,991,400	2,140,850	(149,450)
<i>Administrative and general</i>	179,500	179,500	90,816	88,684
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	<u>\$ 15,815,300</u>	<u>\$ 15,815,300</u>	<u>\$ 14,088,651</u>	<u>\$ 1,726,649</u>
Operating income	<u>\$ 445,300</u>	<u>\$ 445,300</u>	<u>\$ 836,338</u>	<u>\$ 391,038</u>
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)	<u>\$ 84,000</u>	<u>\$ 84,000</u>	<u>\$ 76,054</u>	<u>\$ (7,946)</u>
Change in net position	\$ 529,300	\$ 529,300	\$ 912,392	\$ 383,092
Total net position—beginning, as restated	<u>43,887,158</u>	<u>43,887,158</u>	<u>43,887,158</u>	
Total net position—ending	<u>\$ 44,416,458</u>	<u>\$ 44,416,458</u>	<u>\$ 44,799,550</u>	<u>\$ 383,092</u>

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Water sales:				
<i>Residential</i>	\$ 7,365,200	\$ 7,365,200	\$ 7,111,788	\$ (253,412)
<i>Commercial</i>	3,603,200	3,603,200	3,443,384	(159,816)
<i>Resale</i>	1,669,200	1,669,200	1,701,401	32,201
Sewer service sales:				
<i>Residential</i>	4,489,500	4,489,500	4,450,197	(39,303)
<i>Commercial</i>	3,410,400	3,410,400	3,379,738	(30,662)
Forfeited discounts	169,500	169,500	144,305	(25,195)
Other operating revenues	134,900	134,900	170,385	35,485
Total operating revenues	<u>\$ 20,841,900</u>	<u>\$ 20,841,900</u>	<u>\$ 20,401,198</u>	<u>\$ (440,702)</u>
Operating expenses:				
Water treatment and pumping	\$ 3,449,900	\$ 3,449,900	\$ 3,468,373	\$ (18,473)
Sewage disposal	2,256,900	2,256,900	2,243,683	13,217
Transmission and distribution	1,532,300	1,532,300	1,616,913	(84,613)
Accounting and collections	1,151,700	1,151,700	1,134,775	16,925
Administrative and general	2,674,700	2,674,700	2,667,344	7,356
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	<u>\$ 17,029,100</u>	<u>\$ 17,029,100</u>	<u>\$ 16,932,983</u>	<u>\$ 96,117</u>
Operating income	<u>\$ 3,812,800</u>	<u>\$ 3,812,800</u>	<u>\$ 3,468,215</u>	<u>\$ (344,585)</u>
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)	<u>\$ (1,010,700)</u>	<u>\$ (1,010,700)</u>	<u>\$ (1,279,702)</u>	<u>\$ (269,002)</u>
Income before contributions	<u>\$ 2,802,100</u>	<u>\$ 2,802,100</u>	<u>\$ 2,188,513</u>	<u>\$ (613,587)</u>
Capital contributions			239,280	239,280
Change in net position	\$ 2,802,100	\$ 2,802,100	\$ 2,427,793	\$ (374,307)
Total net position—beginning	<u>87,843,737</u>	<u>87,843,737</u>	<u>87,843,737</u>	
Total net position—ending	<u>\$ 90,645,837</u>	<u>\$ 90,645,837</u>	<u>\$ 90,271,530</u>	<u>\$ (374,307)</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEES' RETIREMENT PLAN
SCHEDULE OF CHANGES IN 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	4,528,897	679,831	32,147,389	14.09%	
2021	5,695,923	4,154,645	1,541,278	34,692,146	11.98%	

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 with generational mortality improvement based on the MP-2020 projection scale

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
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)		(646,697)						
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.

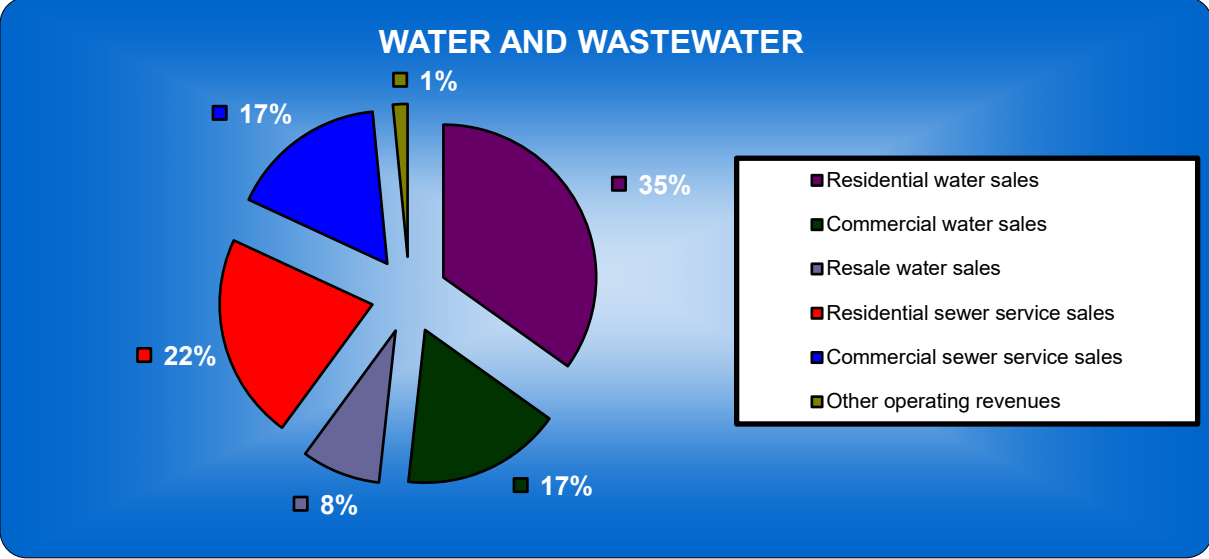
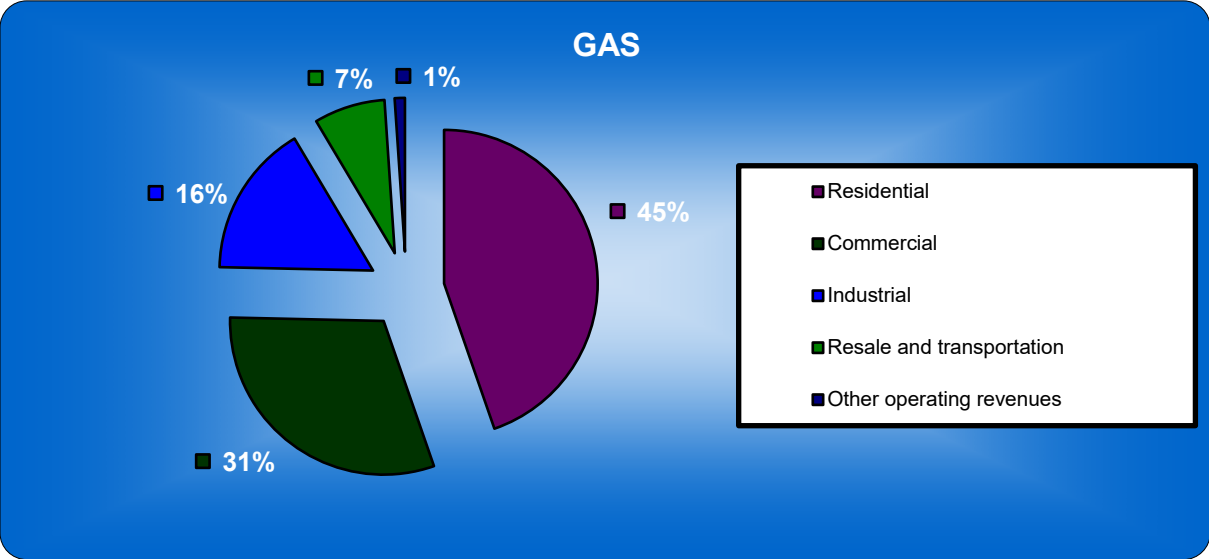
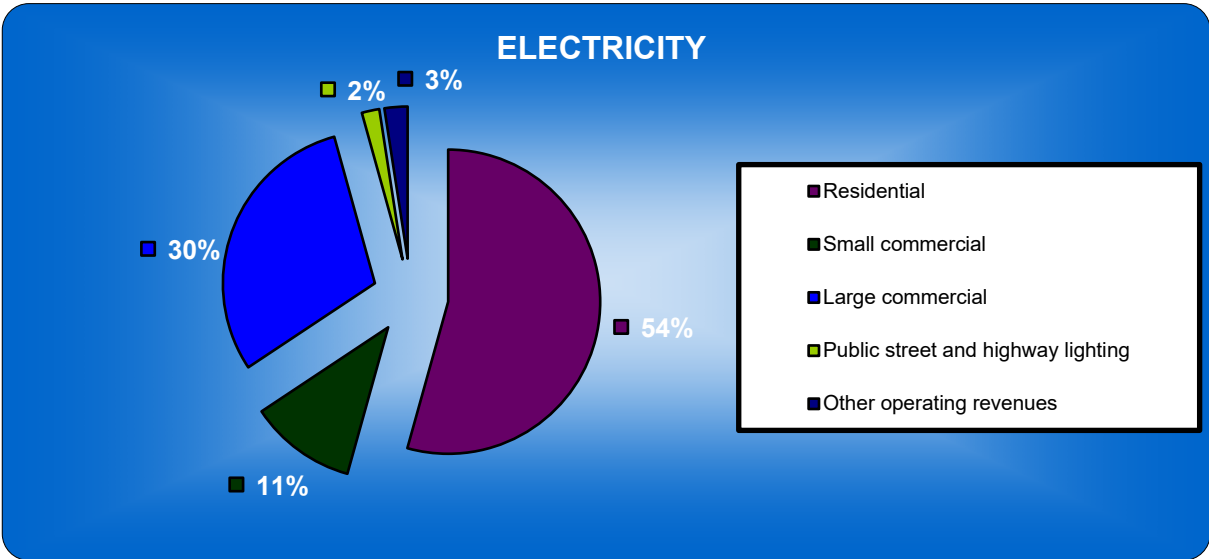
Changes of assumptions—

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	-

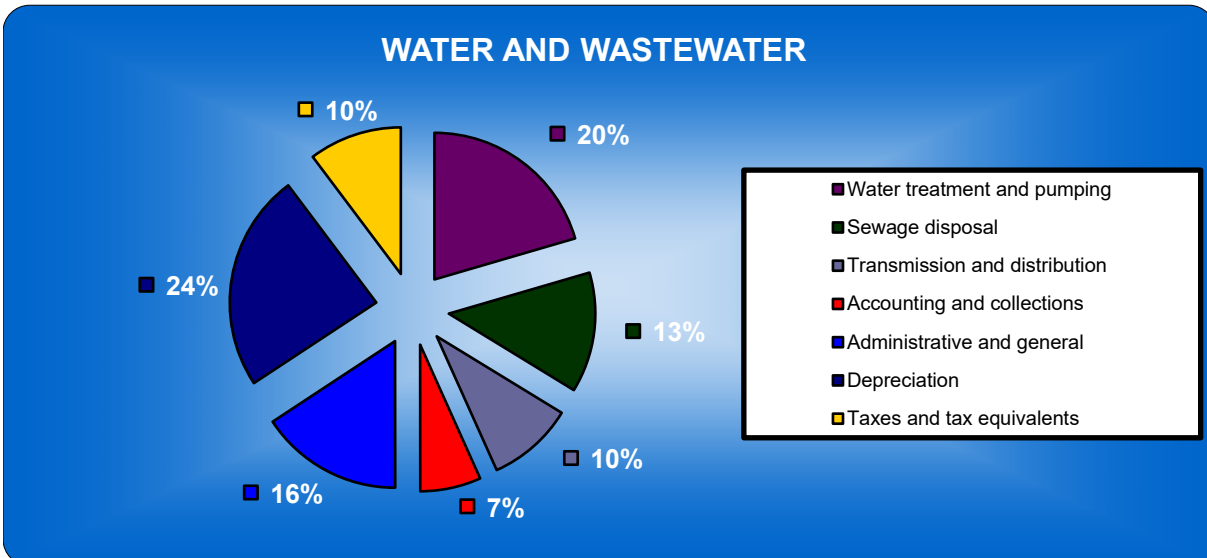
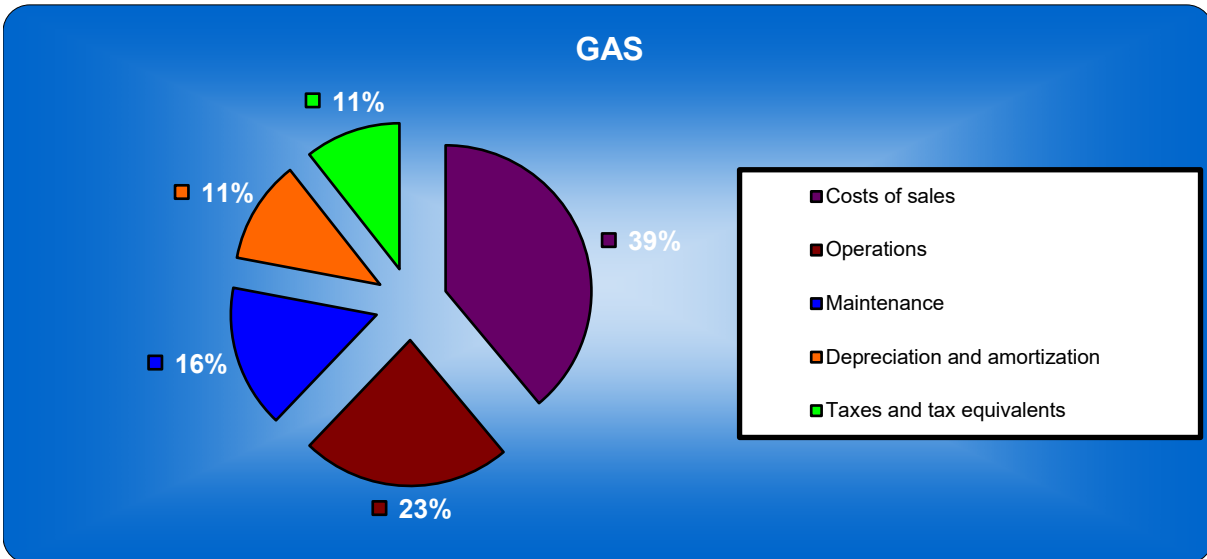
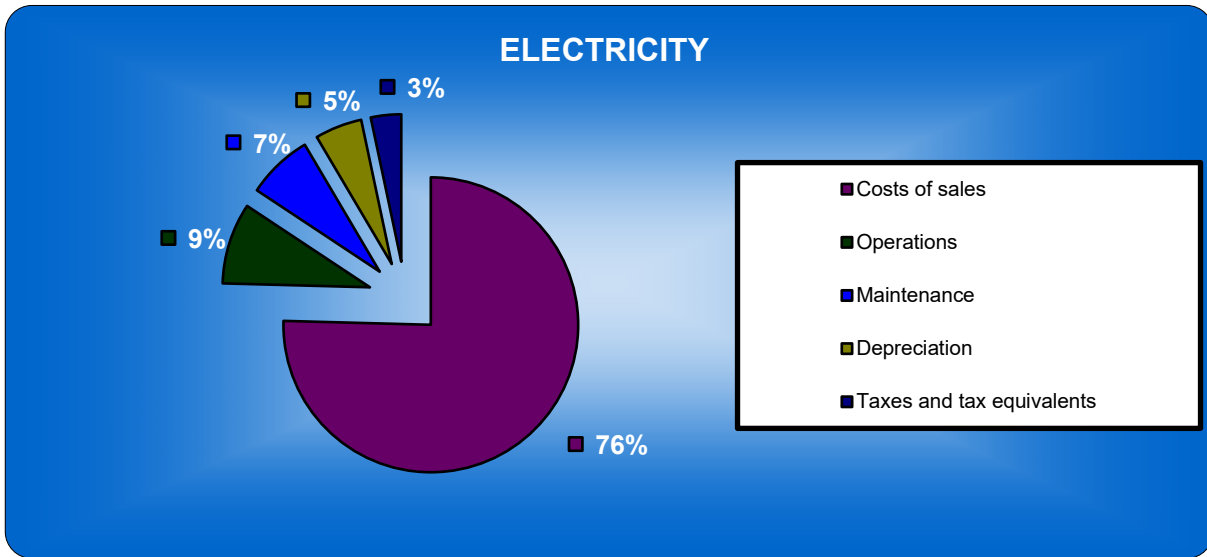
SUPPLEMENTARY SCHEDULES SECTION

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT
SOURCE OF FUNDS
JUNE 30, 2021**



Percentages in graphs may not add up to 100 percent due to rounding.
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**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT
USE OF FUNDS
JUNE 30, 2021**



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

ELECTRICITY DEPARTMENT

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2021**

<u>Description</u>	<u>UTILITY PLANT</u>			
	<u>Balance Beginning of Year</u>	<u>Additions and Reclassifications</u>	<u>Retirements and Reclassifications</u>	<u>Balance End of Year</u>
Transmission plant:				
Land and land rights	\$ 605,708	\$ 13,155	\$ -	\$ 618,863
Clearing land and right of ways	90,378			90,378
Structures and improvements	70,402			70,402
Station equipment	27,956,939	584,137	93,494	28,447,582
Towers and fixtures	32,266			32,266
Poles and fixtures	6,906,069	257,379	12,899	7,150,549
Overhead conductors and devices	7,129,673	59,387	6,340	7,182,720
Total transmission plant	<u>\$ 42,791,435</u>	<u>\$ 914,058</u>	<u>\$ 112,733</u>	<u>\$ 43,592,760</u>
Distribution plant:				
Land and land rights	\$ 72,040	\$ -	\$ -	\$ 72,040
Station equipment	2,094,811		12,587	2,082,224
Poles, towers, and fixtures	26,290,092	1,534,222	131,285	27,693,029
Overhead conductors and devices	22,726,216	283,204	131,909	22,877,511
Underground conduit	3,282,823	72,042	109	3,354,756
Underground conductors and devices	12,576,690	651,827	22,851	13,205,666
Line transformers	26,648,999	889,663	594,133	26,944,529
Services	9,698,581	274,363	94,321	9,878,623
Meters	4,260,072	307,075	171,033	4,396,114
Installation on customer premises	2,863,277	222,866	86,812	2,999,331
Street lighting and signal systems	8,655,444	450,065	33,222	9,072,287
Total distribution plant	<u>\$ 119,169,045</u>	<u>\$ 4,685,327</u>	<u>\$ 1,278,262</u>	<u>\$ 122,576,110</u>
General plant:				
Land and land rights	\$ 493,807	\$ 66,193	\$ -	\$ 560,000
Structures and improvements	5,756,620	304,255		6,060,875
Office furniture and equipment	3,651,256	255,959	992,780	2,914,435
Transportation equipment	9,089,614	381,033	692,185	8,778,462
Stores equipment	54,282			54,282
Tools, shop, and garage equipment	2,759,707	638,768	141,992	3,256,483
Laboratory equipment	92,682	8,901		101,583
Power operated equipment	394,183	186,245		580,428
Communication equipment	632,456		11,250	621,206
Miscellaneous equipment	312,823	51,677		364,500
Total general plant	<u>\$ 23,237,430</u>	<u>\$ 1,893,031</u>	<u>\$ 1,838,207</u>	<u>\$ 23,292,254</u>
Total utility plant in service	<u><u>\$ 185,197,910</u></u>	<u><u>\$ 7,492,416</u></u>	<u><u>\$ 3,229,202</u></u>	<u><u>\$ 189,461,124</u></u>

ACCUMULATED DEPRECIATION

<u>Balance Beginning of Year</u>	<u>Accrual</u>	<u>Retirements- Original Cost</u>	<u>Removal Costs</u>	<u>Salvage/ Adjustments</u>	<u>Balance End of Year</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-					-
56,368	1,408				57,776
16,572,808	978,995	93,494	9,623	(1,934)	17,446,752
32,266					32,266
4,544,863	280,245	12,899	50,667	(1,192)	4,760,350
4,820,526	214,410	6,340	22,403	(540)	5,005,653
<u>\$ 26,026,831</u>	<u>\$ 1,475,058</u>	<u>\$ 112,733</u>	<u>\$ 82,693</u>	<u>\$ (3,666)</u>	<u>\$ 27,302,797</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,690,950	83,583	12,587	529	(246)	1,761,171
9,108,991	804,180	131,285	438,774	(7,082)	9,336,030
17,176,339	626,738	131,909	105,363	(4,438)	17,561,367
2,544,529	132,499	109	144	(5)	2,676,770
6,989,300	514,065	22,851	43,270	(1,240)	7,436,004
7,217,622	607,181	594,133	94,433	540	7,136,777
4,079,625	294,069	94,321	125,041	(3,822)	4,150,510
(366,979)	326,168	171,033	9,385	(3,384)	(224,613)
2,039,142	146,040	86,812	67,817	(2,900)	2,027,653
7,497,822	438,510	33,222	34,955	(1,279)	7,866,876
<u>\$ 57,977,341</u>	<u>\$ 3,973,033</u>	<u>\$ 1,278,262</u>	<u>\$ 919,711</u>	<u>\$ (23,856)</u>	<u>\$ 59,728,545</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,708,642	158,555				1,867,197
2,849,989	242,671	989,767			2,102,893
5,507,584	521,926	610,619			5,418,891
46,688	826				47,514
2,274,158	91,532	141,790			2,223,900
45,887	4,575				50,462
254,675	40,539				295,214
324,762	33,759	11,250			347,271
181,353	19,944				201,297
<u>\$ 13,193,738</u>	<u>\$ 1,114,327</u>	<u>\$ 1,753,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,554,639</u>
<u>\$ 97,197,910</u>	<u>\$ 6,562,418</u>	<u>\$ 3,144,421</u>	<u>\$ 1,002,404</u>	<u>\$ (27,522)</u>	<u>\$ 99,585,981</u>

GAS DEPARTMENT

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2021**

<u>Description</u>	UTILITY PLANT			
	<u>Balance Beginning of Year</u>	<u>Additions and Reclassifications</u>	<u>Retirements and Reclassifications</u>	<u>Balance End of Year</u>
Transmission plant:				
Land and land rights	\$ 120,691	\$ -	\$ -	\$ 120,691
Structures and improvements	142,993			142,993
Mains	7,266,842	81,704	701	7,347,845
Measuring and regulating equipment	2,676,769	30,180		2,706,949
Total transmission plant	<u>\$ 10,207,295</u>	<u>\$ 111,884</u>	<u>\$ 701</u>	<u>\$ 10,318,478</u>
Distribution plant:				
Land and land rights	\$ 42,911	\$ 33	\$ -	\$ 42,944
Structures and improvements	154,621			154,621
Mains	20,204,007	443,436	91,072	20,556,371
Corrosion	705,915	1,309		707,224
Measuring and regulating equipment	5,930,582	199,229	100,279	6,029,532
Services	13,701,613	310,434	62,051	13,949,996
Other distribution equipment	15,621			15,621
Total distribution plant	<u>\$ 40,755,270</u>	<u>\$ 954,441</u>	<u>\$ 253,402</u>	<u>\$ 41,456,309</u>
General plant:				
Land and land rights	\$ 330,121	\$ -	\$ -	\$ 330,121
Structures and improvements	2,935,817	23,207	1,900	2,957,124
Office furniture and equipment	495,017	11,178	68,503	437,692
Transportation equipment	1,671,340	225,933	95,133	1,802,140
Stores equipment	15,735			15,735
Tools, shop and garage equipment	23,838	3,949	1,164	26,623
Laboratory equipment	39,665			39,665
Power operated equipment	2,248,930	341,405	(31,462)	2,621,797
Communication equipment	39,204	7,414	2,005	44,613
Miscellaneous equipment	588,760	53,217	4,212	637,765
Total general plant	<u>\$ 8,388,427</u>	<u>\$ 666,303</u>	<u>\$ 141,455</u>	<u>\$ 8,913,275</u>
Total utility plant in service	<u>\$ 59,350,992</u>	<u>\$ 1,732,628</u>	<u>\$ 395,558</u>	<u>\$ 60,688,062</u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Accrual	Retirements- Original Cost	Removal Costs	Balance End of Year
\$ -	\$ -	\$ -	\$ -	\$ -
142,993				142,993
3,244,462	146,173	701		3,389,934
2,257,957	80,756			2,338,713
<u>\$ 5,645,412</u>	<u>\$ 226,929</u>	<u>\$ 701</u>	<u>\$ -</u>	<u>\$ 5,871,640</u>
\$ -	\$ -	\$ -	\$ -	\$ -
154,621				154,621
7,141,661	406,974	59,610		7,489,025
705,896	1,328			707,224
1,794,341	179,402	100,279		1,873,464
6,964,521	414,774	62,051	61,118	7,256,126
15,621				15,621
<u>\$ 16,776,661</u>	<u>\$ 1,002,478</u>	<u>\$ 221,940</u>	<u>\$ 61,118</u>	<u>\$ 17,496,081</u>
\$ -	\$ -	\$ -	\$ -	\$ -
2,935,817	13,511	1,900		2,947,428
431,290	20,672	68,487		383,475
1,337,921	139,440	95,133		1,382,228
15,606	130			15,736
20,791	851	1,164		20,478
34,947	1,481			36,428
1,388,664	161,506			1,550,170
39,203	1,191	2,005		38,389
418,484	31,613	2,858		447,239
<u>\$ 6,622,723</u>	<u>\$ 370,395</u>	<u>\$ 171,547</u>	<u>\$ -</u>	<u>\$ 6,821,571</u>
<u>\$ 29,044,796</u>	<u>\$ 1,599,802</u>	<u>\$ 394,188</u>	<u>\$ 61,118</u>	<u>\$ 30,189,292</u>

WATER AND WASTEWATER DEPARTMENT

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2021**

Description	UTILITY PLANT			
	Balance Beginning of Year	Additions and Reclassifications	Retirements and Reclassifications	Balance End of Year
Transmission and distribution plant:				
Land and land rights	\$ 1,140,765	\$ 10,000	\$ -	\$ 1,150,765
Supply source	3,327,037			3,327,037
Pumping structures	6,473,922	13,779		6,487,701
Sewer plant and system	95,176,349	2,349,204	2,580	97,522,973
Reservoirs and standpipes	1,794,295	2,374		1,796,669
Purification building and equipment	35,992,323	596,151		36,588,474
Transmission mains and appurtenances	6,210,473			6,210,473
Distribution mains and appurtenances	16,477,412	32,215		16,509,627
Customer services	8,695,758	178,097		8,873,855
Fire hydrants	570,961			570,961
Miscellaneous structures and improvements	722,138	24,865		747,003
Total transmission and distribution plant	<u>\$ 176,581,433</u>	<u>\$ 3,206,685</u>	<u>\$ 2,580</u>	<u>\$ 179,785,538</u>
General plant:				
Office furniture and equipment	\$ 599,429	\$ 2,102	\$ 11,659	\$ 589,872
Transportation equipment	2,053,738	50,830		2,104,568
Tools and equipment	1,696,835	20,415	19,145	1,698,105
Communication equipment	82,136			82,136
Laboratory equipment	93,535	4,267		97,802
Total general plant	<u>\$ 4,525,673</u>	<u>\$ 77,614</u>	<u>\$ 30,804</u>	<u>\$ 4,572,483</u>
Total utility plant in service	<u><u>\$ 181,107,106</u></u>	<u><u>\$ 3,284,299</u></u>	<u><u>\$ 33,384</u></u>	<u><u>\$ 184,358,021</u></u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Additions and Reclassifications	Retirements and Reclassifications	Balance End of Year
\$ -	\$ -	\$ -	\$ -
1,197,290	66,910		1,264,200
2,190,671	197,069		2,387,740
36,530,247	1,823,335	1,546	38,352,036
1,310,725	40,110		1,350,835
14,346,967	982,898		15,329,865
3,040,314	105,271		3,145,585
7,667,027	344,183		8,011,210
3,303,077	367,487		3,670,564
363,910	12,206		376,116
384,957	22,680		407,637
<u>\$ 70,335,185</u>	<u>\$ 3,962,149</u>	<u>\$ 1,546</u>	<u>\$ 74,295,788</u>
\$ 528,641	\$ 20,860	\$ 11,622	\$ 537,879
1,629,373	107,426		1,736,799
1,370,708	71,433	18,740	1,423,401
76,853	2,458		79,311
72,988	6,832		79,820
<u>\$ 3,678,563</u>	<u>\$ 209,009</u>	<u>\$ 30,362</u>	<u>\$ 3,857,210</u>
<u>\$ 74,013,748</u>	<u>\$ 4,171,158</u>	<u>\$ 31,908</u>	<u>\$ 78,152,998</u>

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES—KILLEN SYSTEM
FOR THE YEARS ENDED JUNE 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 1,504,905	\$ 1,521,500
<i>Commercial</i>	484,302	503,441
Forfeited discounts	16,644	16,091
Other operating revenues	<u>18,698</u>	<u>15,372</u>
Total operating revenues	<u>\$ 2,024,549</u>	<u>\$ 2,056,404</u>
Operating expenses:		
Water treatment and pumping	\$ 537,509	\$ 499,772
Transmission and distribution	245,325	229,136
Accounting and collections	99,766	100,670
Administrative and general	217,205	209,429
Depreciation	78,228	74,349
Taxes and tax equivalentents	<u>24,743</u>	<u>22,765</u>
Total operating expenses	<u>\$ 1,202,776</u>	<u>\$ 1,136,121</u>
Operating income	<u>\$ 821,773</u>	<u>\$ 920,283</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 2,678	\$ 13,753
Interest expense	(115,544)	(101,898)
Amortization of debt related costs	<u>(13,185)</u>	<u>(13,185)</u>
Total nonoperating revenues (expenses)	<u>\$ (126,051)</u>	<u>\$ (101,330)</u>
Change in net position	<u><u>\$ 695,722</u></u>	<u><u>\$ 818,953</u></u>