

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND
WATER AND WASTEWATER DEPARTMENTS
FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021**



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

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	1 – 3
Management Discussion and Analysis	4 – 15
Financial Statements:	
<u>Electricity Department</u>	
Statements of Net Position	16
Statements of Revenues, Expenses, and Changes in Fund Net Position	17
Statements of Cash Flows	18 – 19
<u>Gas Department</u>	
Statements of Net Position	20
Statements of Revenues, Expenses, and Changes in Fund Net Position	21
Statements of Cash Flows	22 – 23
<u>Water and Wastewater Department</u>	
Statements of Net Position	24
Statements of Revenues, Expenses, and Changes in Fund Net Position	25
Statements of Cash Flows	26 – 27
Notes to Financial Statements	28 – 48
Required Supplementary Information:	
<u>Electricity Department</u>	
Schedule of Revenues, Expenses, and Changes in Fund Net Position— Budget and Actual (GAAP Budgetary Basis)	49
<u>Gas Department</u>	
Schedule of Revenues, Expenses, and Changes in Fund Net Position— Budget and Actual (GAAP Budgetary Basis)	50
<u>Water and Wastewater Department</u>	
Schedule of Revenues, Expenses, and Changes in Fund Net Position— Budget and Actual (GAAP Budgetary Basis)	51
Schedule of Changes in Net Pension Liability and Related Ratios	52
Schedule of Employer Contributions	53
Schedule of Changes in Total OPEB Liability and Related Ratios	54
Supplementary Schedules Section:	
<u>Graphical Representations</u>	
Source of Funds	55
Use of Funds	56
<u>Electricity Department</u>	
Schedule of Utility Plant in Service and Accumulated Depreciation	57
<u>Gas Department</u>	
Schedule of Utility Plant in Service and Accumulated Depreciation	58
<u>Water and Wastewater Department</u>	
Schedule of Utility Plant in Service and Accumulated Depreciation	59
Schedule of Revenues and Expenses—Killen System	60



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

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, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2022 and 2021, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Florence, Alabama Water and Wastewater Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama's ability to continue as a going concern for a reasonable period of time.

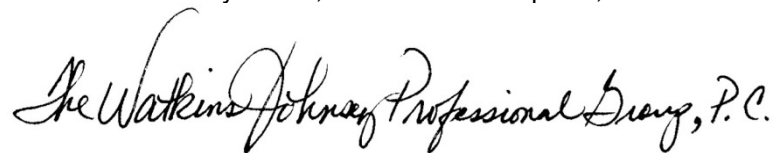
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama's financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
November 22, 2022



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**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2022**

FINANCIAL HIGHLIGHTS

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$5.3 million or 6.2%; Gas increased \$0.2 million or 0.3%; Water and Wastewater increased \$4 million or 4.5%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$2.3 million or 2.5%; Gas increased \$1.8 million or 5.8%; Water and Wastewater increased \$2.7 million or 2.6%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$9.4 million or 7.8%; Gas increased \$2.2 million or 15%; Water and Wastewater decreased \$10,400 or 0.1%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$7.2 million or 6.2%; Gas increased \$3 million or 21.1%; Water and Wastewater increased \$24,600 or 0.2%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity decreased about \$49,600 or 24.9%; Gas decreased about \$17,200 or 22.6%; Water and Wastewater decreased about \$17,400 or 52%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity increased \$76,600 or 43.1%; Gas remained at zero; Water and Wastewater increased \$210,000 or 15.9%.

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 \$5,313,585 or about 6.2%. 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 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 46,133,702	\$ 38,978,014	\$ 7,155,688	18.36%
Capital Assets, Net	93,170,712	90,896,809	2,273,903	2.50%
Other Noncurrent Assets	960,193	1,302,264	(342,071)	-26.27%
Total Assets	<u>\$ 140,264,607</u>	<u>\$ 131,177,087</u>	<u>\$ 9,087,520</u>	<u>6.93%</u>
Deferred Outflows of Resources	\$ 4,726,962	\$ 5,908,775	\$ (1,181,813)	-20.00%
Current Liabilities	\$ 32,380,027	\$ 27,385,201	\$ 4,994,826	18.24%
Noncurrent Liabilities	17,892,417	22,205,103	(4,312,686)	-19.42%
Total Liabilities	<u>\$ 50,272,444</u>	<u>\$ 49,590,304</u>	<u>\$ 682,140</u>	<u>1.38%</u>
Deferred Inflows of Resources	\$ 3,326,197	\$ 1,416,215	\$ 1,909,982	134.87%
Net Investment in Capital Assets	\$ 87,992,501	\$ 85,318,297	\$ 2,674,204	3.13%
Restricted for Debt Service	607,602	606,641	961	0.16%
Unrestricted	2,792,825	154,405	2,638,420	1708.77%
Total Net Position	<u>\$ 91,392,928</u>	<u>\$ 86,079,343</u>	<u>\$ 5,313,585</u>	<u>6.17%</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 increased approximately \$9.4 million or about 7.8% from FY 2021. Cost of sales increased by approximately \$7.5 million or about 8.4%. During FY 2022, 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 1.8% increase in kilowatt-hours sold in FY 2022 compared to FY 2021. Operating expenses for FY 2022 increased \$7.2 million or 6.2% due to cost of sales and the before mentioned Fuel Cost Adjustments, which were higher than normal. Maintenance Costs decreased approximately \$1.2 million or 13.8% due mainly to tree trimming expenses. The Electricity Department experienced a decrease in nonoperating revenues of \$49,629 or 24.9% and an increase in nonoperating expenses by \$76,610 or about 43.1%.

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

	FY 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 129,829,185	\$ 120,442,151	\$ 9,387,034	7.79%
Operating Expenses				
Cost of Sales	\$ 95,831,409	\$ 88,374,245	\$ 7,457,164	8.44%
Operations	11,002,498	10,408,651	593,847	5.71%
Maintenance	7,277,700	8,438,239	(1,160,539)	-13.75%
Depreciation	6,163,975	6,052,194	111,781	1.85%
Taxes and Tax Equivalents	4,135,321	3,896,809	238,512	6.12%
Total Operating Expenses	\$ 124,410,903	\$ 117,170,138	\$ 7,240,765	6.18%
Operating Income	\$ 5,418,282	\$ 3,272,013	\$ 2,146,269	-65.59%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 149,668	\$ 199,297	\$ (49,629)	-24.90%
Nonoperating Expenses	(254,365)	(177,755)	(76,610)	43.10%
Total Nonoperating Revenues (Exp)	\$ (104,697)	\$ 21,542	\$ (126,239)	586.01%
Change in Net Position	\$ 5,313,585	\$ 3,293,555	\$ 2,020,030	-61.33%
Total Net Position - Beginning	86,079,343	82,785,788	3,293,555	3.98%
Total Net Position - Ending	\$ 91,392,928	\$ 86,079,343	\$ 5,313,585	6.17%

Gas Department

The Gas Department's net position increased from last year by \$154,130 or about 0.3%. 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 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 21,101,066	\$ 22,238,943	\$ (1,137,877)	-5.12%
Capital Assets, Net	32,473,250	30,708,415	1,764,835	5.75%
Total Assets	<u>\$ 53,574,316</u>	<u>\$ 52,947,358</u>	<u>\$ 626,958</u>	<u>1.18%</u>
Deferred Outflows of Resources	\$ 1,914,753	\$ 2,112,131	\$ (197,378)	-9.34%
Current Liabilities	\$ 1,863,539	\$ 1,337,273	\$ 526,266	39.35%
Noncurrent Liabilities	6,414,711	6,882,615	(467,904)	-6.80%
Total Liabilities	<u>\$ 8,278,250</u>	<u>\$ 8,219,888</u>	<u>\$ 58,362</u>	<u>0.71%</u>
Deferred Inflows of Resources	\$ 2,257,139	\$ 2,040,051	\$ 217,088	10.64%
Net Investment in Capital Assets	\$ 32,473,250	\$ 30,708,415	\$ 1,764,835	5.75%
Unrestricted	12,480,430	14,091,135	(1,610,705)	-11.43%
Total Net Position	<u><u>\$ 44,953,680</u></u>	<u><u>\$ 44,799,550</u></u>	<u><u>\$ 154,130</u></u>	<u><u>0.34%</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 \$2.2 million or about 15.0% from FY 2021. The Department had six rate changes in FY 2022. The Gas Department experienced an approximate 0.2% decrease in overall sales volume in FY 2022 compared to FY 2021. Cost of sales increased by \$2.8 million or about 51.3% due to higher natural gas prices. The Gas Department experienced a decrease in nonoperating revenues of \$17,217 or about 22.6% due to the decline of interest rates paid by banks.

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

	FY 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 17,158,131</u>	<u>\$ 14,924,989</u>	<u>\$ 2,233,142</u>	<u>14.96%</u>
Operating Expenses				
Cost of Sales	\$ 8,298,307	\$ 5,484,731	\$ 2,813,576	51.30%
Operations	3,194,494	3,267,970	(73,476)	-2.25%
Maintenance	2,375,371	2,231,666	143,705	6.44%
Depreciation and Amortization	1,688,378	1,610,463	77,915	4.84%
Taxes and Tax Equivalents	1,506,288	1,493,821	12,467	0.83%
Total Operating Expenses	<u>\$ 17,062,838</u>	<u>\$ 14,088,651</u>	<u>\$ 2,974,187</u>	<u>21.11%</u>
Operating Income	<u>\$ 95,293</u>	<u>\$ 836,338</u>	<u>\$ (741,045)</u>	<u>-88.61%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 58,837	\$ 76,054	\$ (17,217)	-22.64%
Nonoperating Expenses	-	-	-	-
Total Nonoperating Revenues (Exp)	<u>\$ 58,837</u>	<u>\$ 76,054</u>	<u>\$ (17,217)</u>	<u>-22.64%</u>
Change in Net Position	\$ 154,130	\$ 912,392	\$ (758,262)	-83.11%
Total Net Position - Beginning	<u>44,799,550</u>	<u>43,887,158</u>	<u>912,392</u>	<u>2.08%</u>
Total Net Position - Ending	<u>\$ 44,953,680</u>	<u>\$ 44,799,550</u>	<u>\$ 154,130</u>	<u>0.34%</u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$4,045,975 or about 4.5%. 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 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 25,866,309	\$ 20,046,686	\$ 5,819,623	29.03%
Capital Assets, Net	109,190,081	106,446,829	2,743,252	2.58%
Other Noncurrent Assets	2,930,474	2,375,453	555,021	23.36%
Total Assets	<u>\$ 137,986,864</u>	<u>\$ 128,868,968</u>	<u>\$ 9,117,896</u>	<u>7.08%</u>
Deferred Outflows of Resources	\$ 3,649,162	\$ 3,860,468	\$ (211,306)	-5.47%
Current Liabilities	\$ 6,398,206	\$ 4,382,387	\$ 2,015,819	46.00%
Noncurrent Liabilities	39,261,372	37,374,484	1,886,888	5.05%
Total Liabilities	<u>\$ 45,659,578</u>	<u>\$ 41,756,871</u>	<u>\$ 3,902,707</u>	<u>9.35%</u>
Deferred Inflows of Resources	\$ 1,658,943	\$ 701,035	\$ 957,908	136.64%
Net Investment in Capital Assets	\$ 73,301,521	\$ 73,886,837	\$ (585,316)	-0.79%
Restricted for Debt Service	2,339,940	1,751,128	588,812	33.62%
Unrestricted	18,676,044	14,633,565	4,042,479	27.62%
Total Net Position	<u>\$ 94,317,505</u>	<u>\$ 90,271,530</u>	<u>\$ 4,045,975</u>	<u>4.48%</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 decreased \$10,423 or about 0.1% from FY 2021 revenues. Operating expenses increased \$24,643 or about 0.2%. The Water and Wastewater Department experienced a decrease in nonoperating revenues of \$17,396 or 52.0% due to the decline of interest rates paid by banks. The Water and Wastewater Department experienced an increase in nonoperating expenses of \$209,212 or about 16.0% due to additional interest expense on SRF loans. Capital contributions increased \$1,879,856 or 785.6% due to funding for the sewer extension fund by Florence General Fund.

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

	FY 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 20,390,775	\$ 20,401,198	\$ (10,423)	-0.05%
Operating Expenses				
Water Treatment and Pumping	\$ 3,376,185	\$ 3,468,373	\$ (92,188)	-2.66%
Sewage Disposal	2,395,919	2,243,683	152,236	6.79%
Transmission and Distribution	1,868,276	1,616,913	251,363	15.55%
Accounting and Collections	1,148,037	1,134,775	13,262	1.17%
Administrative and General	2,370,924	2,667,344	(296,420)	-11.11%
Depreciation	4,065,548	4,063,733	1,815	0.04%
Taxes and Tax Equivalents	1,732,737	1,738,162	(5,425)	-0.31%
Total Operating Expenses	\$ 16,957,626	\$ 16,932,983	\$ 24,643	0.15%
Operating Income	\$ 3,433,149	\$ 3,468,215	\$ (35,066)	-1.01%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 16,081	\$ 33,477	\$ (17,396)	-51.96%
Nonoperating Expenses	(1,522,391)	(1,313,179)	(209,212)	15.93%
Total Nonoperating Revenues (Exp)	\$ (1,506,310)	\$ (1,279,702)	\$ (226,608)	17.71%
Income Before Contributions	\$ 1,926,839	\$ 2,188,513	\$ (261,674)	-11.96%
Capital Contributions	2,119,136	239,280	1,879,856	785.63%
Change in Net Position	\$ 4,045,975	\$ 2,427,793	\$ 1,618,182	66.65%
Total Net Position - Beginning	90,271,530	87,843,737	2,427,793	2.76%
Total Net Position - Ending	\$ 94,317,505	\$ 90,271,530	\$ 4,045,975	4.48%

BUDGETARY HIGHLIGHTS

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2022 original budgets for the Electricity, Gas, and Water and Wastewater Departments were adopted on June 15, 2021. The FY 2022 budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on October 17, 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, 2022

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 122,535,000	\$ 129,829,185	\$ 7,294,185	5.95%
Operating Expenses	120,427,100	124,410,903	(3,983,803)	-3.31%
Operating Income	\$ 2,107,900	\$ 5,418,282	\$ 3,310,382	157.05%
Nonoperating Revenues (Expenses)	34,800	(104,697)	(139,497)	-400.85%
Change in Net Position	\$ 2,142,700	\$ 5,313,585	\$ 3,170,885	147.99%
Total Net Position - Beginning	86,079,343	86,079,343		
Total Net Position - Ending	\$ 88,222,043	\$ 91,392,928	\$ 3,170,885	3.59%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$3,170,885 or approximately 148%. 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, 2022

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 16,005,700	\$ 17,158,131	\$ 1,152,431	7.20%
Operating Expenses	15,724,100	17,062,838	(1,338,738)	-8.51%
Operating Income	\$ 281,600	\$ 95,293	\$ (186,307)	-66.16%
Nonoperating Revenues (Expenses)	50,000	58,837	8,837	17.67%
Change in Net Position	\$ 331,600	\$ 154,130	\$ (177,470)	-53.52%
Total Net Position - Beginning	44,799,550	44,799,550		
Total Net Position - Ending	\$ 45,131,150	\$ 44,953,680	\$ (177,470)	-0.39%

The Gas Department did not meet the budgeted Change in Net Position by \$177,470, or approximately 53.5%. 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 increases 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, 2022

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 20,814,100	\$ 20,390,775	\$ (423,325)	-2.03%
Operating Expenses	17,494,100	16,957,626	536,474	3.07%
Operating Income	\$ 3,320,000	\$ 3,433,149	\$ 113,149	3.41%
Nonoperating Revenues (Expenses)	(1,499,700)	(1,506,310)	(6,610)	-0.44%
Capital Contributions	-	2,119,136	2,119,136	N/A
Change in Net Position	\$ 1,820,300	\$ 4,045,975	\$ 2,225,675	122.27%
Total Net Position - Beginning	90,271,530	90,271,530		
Total Net Position - Ending	\$ 92,091,830	\$ 94,317,505	\$ 2,225,675	2.42%

The Water and Wastewater Department exceeded the budgeted Change in Net Position by \$2,225,675 or approximately 122.3%. 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 and capital contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2022, 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 2022

	FY 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 195,936,773	\$ 189,461,124	\$ 6,475,649	3.42%
Construction in Progress	1,420,041	1,021,666	398,375	38.99%
Less: Accumulated Depreciation	(104,186,102)	(99,585,981)	(4,600,121)	4.62%
Net Utility Plant	\$ 93,170,712	\$ 90,896,809	\$ 2,273,903	2.50%

As the above table shows, the Electricity Department experienced a 2.5% increase in net utility plant. The Department plans to finance capital expenditures in FY 2023 through cash generated from current operations and cash reserves.

Gas Department

Gas Department
Capital Assets, Net
FY 2022

	FY 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 63,636,575	\$ 60,688,062	\$ 2,948,513	4.86%
Acquisition Adjustment (net of amortization)	94,174	104,835	(10,661)	-10.17%
Construction in Progress	135,320	104,810	30,510	29.11%
Less: Accumulated Depreciation	(31,392,819)	(30,189,292)	(1,203,527)	3.99%
Net Utility Plant	<u>\$ 32,473,250</u>	<u>\$ 30,708,415</u>	<u>\$ 1,764,835</u>	<u>5.75%</u>

As the above table shows, the Gas Department increased net utility plant by 5.8%. The Department plans to finance capital expenditures in FY 2023 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department
Capital Assets, Net
FY 2022

	FY 2022	FY 2021	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 185,458,152	\$ 184,358,021	\$ 1,100,131	0.60%
Construction in Progress	5,990,522	241,806	5,748,716	2377.41%
Less: Accumulated Depreciation	(82,258,593)	(78,152,998)	(4,105,595)	5.25%
Net Utility Plant	<u>\$ 109,190,081</u>	<u>\$ 106,446,829</u>	<u>\$ 2,743,252</u>	<u>2.58%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 2.6%. The Department plans to finance capital expenditures in FY 2023 with cash reserves, cash generated from current operations, and SRF loan proceeds.

Long-term Debt

During FY 2022, 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 2022.

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 2022, the Electricity Department exceeded that requirement at about 26.26 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 2022. The Department has no plans to issue new debt in FY 2023.

Water and Wastewater Department

The Water and Wastewater Department had four warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, SRF Series 2013, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter (2) Water and Sewer Revenue Warrants, Series 2017, interest rates ranging from 2.00% to 4.00% (3) Water and Sewer Revenue Warrants, SRF Series 2021-DW, interest rate 2.20%, and (4) 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 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 2017 issue requires 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 2022, the Water and Wastewater Department exceeded that requirement at about 2.74 times. The Department does anticipate borrowing additional SRF funds in FY 2023.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Florence MSA's unemployment rate was 3.1% for August 2022 and 3.5% for August 2021. The State of Alabama's unemployment rate was 2.6% for August 2022 and 3.3% for August 2021. 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 2023 through October 2022 for electricity have increased from the same period last year by 1.4%. Sales in dekatherms to natural gas customers for the period from July 2022 through October 2022 as compared to sales for the same period in the previous fiscal year have decreased approximately 5.4%. FY 2023 sales revenues from water and wastewater operations through October 2022 have increased about 6.6% from the same period in FY 2022.

The City Council adopted the FY 2023 budgets for the Gas and Water and Wastewater Departments on June 7, 2022 and the Electricity Department on August 2, 2022. These budgets were amended on October 4, 2022.

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 November 2022. 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, 2022 and 2021**

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 22,098,861	\$ 18,820,723
Accounts receivable (net)	13,538,493	11,165,189
Accrued interest receivable	915	255
Inventories	2,335,875	1,956,973
Prepaid expenses	<u>8,159,558</u>	<u>7,034,874</u>
Total current assets	<u>\$ 46,133,702</u>	<u>\$ 38,978,014</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 621,119	\$ 620,858
Capital assets:		
Utility plant in service (at cost)	195,936,773	189,461,124
Construction in progress	1,420,041	1,021,666
Less: accumulated depreciation	104,186,102	99,585,981
Receivables from customers for conservation loans	<u>339,074</u>	<u>681,406</u>
Total noncurrent assets	<u>\$ 94,130,905</u>	<u>\$ 92,199,073</u>
Total assets	<u>\$ 140,264,607</u>	<u>\$ 131,177,087</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 3,904,004	\$ 5,041,642
OPEB obligations	<u>822,958</u>	<u>867,133</u>
Total deferred outflows of resources	<u>\$ 4,726,962</u>	<u>\$ 5,908,775</u>

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

	2022	2021
Operating revenues:		
Electric sales:		
<i>Residential</i>	\$ 69,792,734	\$ 65,434,015
<i>Small commercial</i>	15,071,935	13,664,153
<i>Large commercial</i>	39,653,112	36,150,159
<i>Public street and highway lighting</i>	2,393,168	2,247,202
Forfeited discounts	948,099	920,706
Rents from electric property	1,514,219	1,553,129
Other operating revenues	455,918	472,787
Total operating revenues	\$ 129,829,185	\$ 120,442,151
Operating expenses:		
Costs of sales	\$ 95,831,409	\$ 88,374,245
Operations	11,002,498	10,408,651
Maintenance	7,277,700	8,438,239
Depreciation	6,163,975	6,052,194
Taxes and tax equivalents	4,135,321	3,896,809
Total operating expenses	\$ 124,410,903	\$ 117,170,138
Operating income	\$ 5,418,282	\$ 3,272,013
Nonoperating revenues (expenses):		
Interest revenues	\$ 18,898	\$ 22,355
Merchandising revenues (net of costs)	101,838	139,934
Miscellaneous nonoperating income (deductions)	(84,460)	13,171
Gain (loss) on disposition of assets	28,631	23,536
Interest expense	(169,905)	(177,755)
Amortization of debt related costs	301	301
Total nonoperating revenues (expenses)	\$ (104,697)	\$ 21,542
Change in net position	\$ 5,313,585	\$ 3,293,555
Total net position—beginning	86,079,343	82,785,788
Total net position—ending	\$ 91,392,928	\$ 86,079,343

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, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Receipts from customers and users	\$ 127,562,442	\$ 121,620,287
Receipts from interfund services provided	2,819,563	2,871,247
Payments to suppliers	(99,531,366)	(95,994,687)
Payments to employees for services and benefits—exclusive of capitalized costs	(14,049,833)	(12,122,170)
Payments for interfund services used	(3,997,658)	(3,909,792)
Net cash provided by operating activities	\$ 12,803,148	\$ 12,464,885
Cash flows from noncapital financing activities:		
Change in receivables from customers for conservation loans	\$ 342,332	\$ 501,196
Change in advances from TVA for conservation loans	(366,199)	(510,172)
Net cash used for noncapital financing activities	\$ (23,867)	\$ (8,976)
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (7,975,697)	\$ (6,902,014)
Proceeds from disposition of assets	52,788	108,318
Removal costs of retirements of capital assets	(1,103,925)	(1,002,404)
Salvage value of retirements of capital assets	78,319	(27,522)
Principal paid on capital debt	(400,000)	(390,000)
Interest paid on capital debt	(170,605)	(178,405)
Net cash used for capital and related financing activities	\$ (9,519,120)	\$ (8,392,027)
Cash flows from investing activities:		
Interest on investments	\$ 18,238	\$ 22,752
Net cash provided by investing activities	\$ 18,238	\$ 22,752
Net increase in cash and cash equivalents	\$ 3,278,399	\$ 4,086,634
Balances—beginning of the year	19,441,581	15,354,947
Balances—end of the year	\$ 22,719,980	\$ 19,441,581
<i>Classified as:</i>		
Current assets	\$ 22,098,861	\$ 18,820,723
Restricted assets	621,119	620,858
Totals	\$ 22,719,980	\$ 19,441,581

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, 2022 and 2021
(Continued)**

	<u>2022</u>	<u>2021</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 5,418,282	\$ 3,272,013
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 6,703,244	\$ 6,562,418
Income from merchandising revenues (net of costs)	101,838	139,934
Miscellaneous nonoperating income (deductions)	(84,460)	13,171
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	(2,373,304)	1,025,031
Inventories	(378,902)	(63,775)
Prepaid expenses	(1,124,684)	181,103
Deferred outflows of resources	1,181,813	(1,201,706)
Accounts and other payables	4,415,218	188,118
Customer deposits	552,828	753,829
Net pension liability	(3,505,284)	638,957
Total OPEB liability	(13,423)	688,047
Deferred inflows of resources	1,909,982	267,745
Total adjustments	<u>\$ 7,384,866</u>	<u>\$ 9,192,872</u>
Net cash provided by operating activities	<u>\$ 12,803,148</u>	<u>\$ 12,464,885</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, 2022 and 2021**

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 17,835,018	\$ 19,438,298
Accounts receivable (net)	1,119,499	697,502
Accrued interest receivable	9,064	3,447
Inventories	1,176,415	1,003,555
Prepaid expenses	<u>961,070</u>	<u>1,096,141</u>
Total current assets	<u>\$ 21,101,066</u>	<u>\$ 22,238,943</u>
Noncurrent assets:		
Capital assets:		
Utility plant in service (at cost)	\$ 63,636,575	\$ 60,688,062
Acquisition adjustment (net of amortization)	94,174	104,835
Construction in progress	135,320	104,810
Less: accumulated depreciation	<u>31,392,819</u>	<u>30,189,292</u>
Total noncurrent assets	<u>\$ 32,473,250</u>	<u>\$ 30,708,415</u>
Total assets	<u>\$ 53,574,316</u>	<u>\$ 52,947,358</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 1,710,275	\$ 1,851,599
OPEB obligations	<u>204,478</u>	<u>260,532</u>
Total deferred outflows of resources	<u>\$ 1,914,753</u>	<u>\$ 2,112,131</u>

LIABILITIES	2022	2021
Current liabilities:		
Accounts payable	\$ 1,507,842	\$ 1,001,221
Compensated absences	238,167	230,564
Accrued taxes and expenses	117,530	105,488
Total current liabilities	<u>\$ 1,863,539</u>	<u>\$ 1,337,273</u>
Noncurrent liabilities:		
Compensated absences	\$ 357,251	\$ 345,845
Net pension liability	4,611,935	5,066,511
Total OPEB liability	1,445,525	1,470,259
Total noncurrent liabilities	<u>\$ 6,414,711</u>	<u>\$ 6,882,615</u>
Total liabilities	<u>\$ 8,278,250</u>	<u>\$ 8,219,888</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 717,919	\$ 250,817
OPEB obligations	1,539,220	1,789,234
Total deferred inflows of resources	<u>\$ 2,257,139</u>	<u>\$ 2,040,051</u>
NET POSITION		
Net investment in capital assets	\$ 32,473,250	\$ 30,708,415
Unrestricted	12,480,430	14,091,135
Total net position	<u>\$ 44,953,680</u>	<u>\$ 44,799,550</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 REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

	2022	2021
Operating revenues:		
Gas sales:		
<i>Residential</i>	\$ 6,616,955	\$ 6,669,179
<i>Commercial</i>	4,751,999	4,577,636
<i>Industrial</i>	3,637,498	2,402,036
<i>Resale and transportation</i>	1,976,882	1,115,972
Service fees	102,047	85,010
Forfeited discounts	61,758	64,280
Other operating revenues	10,992	10,876
Total operating revenues	\$ 17,158,131	\$ 14,924,989
Operating expenses:		
Costs of sales	\$ 8,298,307	\$ 5,484,731
Operations	3,194,494	3,267,970
Maintenance	2,375,371	2,231,666
Depreciation	1,677,717	1,599,802
Amortization of acquisition adjustment	10,661	10,661
Taxes and tax equivalents	1,506,288	1,493,821
Total operating expenses	\$ 17,062,838	\$ 14,088,651
Operating income	\$ 95,293	\$ 836,338
Nonoperating revenues (expenses):		
Interest revenues	\$ 12,721	\$ 44,542
Gain (loss) on disposition of assets	33,504	20,379
Miscellaneous nonoperating income	12,612	11,133
Total nonoperating revenues (expenses)	\$ 58,837	\$ 76,054
Change in net position	\$ 154,130	\$ 912,392
Total net position—beginning	44,799,550	43,887,158
Total net position—ending	\$ 44,953,680	\$ 44,799,550

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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 16,748,746	\$ 14,873,842
Receipts from interfund services provided	197,655	183,298
Payments to suppliers	(8,782,785)	(6,284,881)
Payments to employees for services and benefits—exclusive of capitalized costs	(3,959,662)	(3,657,485)
Payments for interfund services used	<u>(2,394,629)</u>	<u>(2,383,407)</u>
Net cash provided by operating activities	<u>\$ 1,809,325</u>	<u>\$ 2,731,367</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (3,429,797)	\$ (1,707,368)
Proceeds from disposition of assets	39,826	21,749
Removal costs of retirements of capital assets	<u>(29,738)</u>	<u>(61,118)</u>
Net cash used for capital and related financing activities	<u>\$ (3,419,709)</u>	<u>\$ (1,746,737)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 7,104</u>	<u>\$ 63,161</u>
Net cash provided by investing activities	<u>\$ 7,104</u>	<u>\$ 63,161</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,603,280)	\$ 1,047,791
Balances—beginning of the year	<u>19,438,298</u>	<u>18,390,507</u>
Balances—end of the year	<u>\$ 17,835,018</u>	<u>\$ 19,438,298</u>
<i>Classified as:</i>		
Current assets	<u>\$ 17,835,018</u>	<u>\$ 19,438,298</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, 2022 and 2021
(Continued)**

	<u>2022</u>	<u>2021</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 95,293	\$ 836,338
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 1,677,717	\$ 1,599,802
Amortization of acquisition adjustment	10,661	10,661
Miscellaneous nonoperating income	12,612	11,133
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	(421,997)	(62,280)
Inventories	(172,860)	(243,033)
Prepaid expenses	135,071	76,761
Deferred outflows of resources	197,378	(594,111)
Accounts and other payables	537,672	411,106
Net pension liability	(454,576)	655,196
Total OPEB liability	(24,734)	(833,966)
Deferred inflows of resources	217,088	863,760
	<u>1,714,032</u>	<u>1,895,029</u>
Total adjustments	\$ 1,714,032	\$ 1,895,029
Net cash provided by operating activities	<u>\$ 1,809,325</u>	<u>\$ 2,731,367</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, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 18,155,010	\$ 15,168,454
Accounts receivable (net)	4,879,415	2,893,519
Accrued interest receivable	1,234	2,772
Inventories	1,044,315	829,810
Prepaid expenses	<u>1,786,335</u>	<u>1,152,131</u>
Total current assets	<u>\$ 25,866,309</u>	<u>\$ 20,046,686</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 2,871,920	\$ 2,305,597
Capital assets:		
Utility plant in service (at cost)	185,458,152	184,358,021
Construction in progress	5,990,522	241,806
Less: accumulated depreciation	82,258,593	78,152,998
Prepaid debt related costs (net)	<u>58,554</u>	<u>69,856</u>
Total noncurrent assets	<u>\$ 112,120,555</u>	<u>\$ 108,822,282</u>
Total assets	<u>\$ 137,986,864</u>	<u>\$ 128,868,968</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	\$ 1,597,733	\$ 1,711,181
Pensions	1,560,790	1,586,797
OPEB obligations	<u>490,639</u>	<u>562,490</u>
Total deferred outflows of resources	<u>\$ 3,649,162</u>	<u>\$ 3,860,468</u>

LIABILITIES	2022	2021
Current liabilities:		
Accounts payable	\$ 2,320,193	\$ 557,099
Retainage payable	189,440	5,696
Customer deposits	4,250	2,951
Compensated absences	373,215	362,595
Accrued taxes and expenses	330,648	316,097
	<hr/>	<hr/>
Total current liabilities	\$ 3,217,746	\$ 1,244,438
Liabilities payable from restricted assets:		
Revenue warrants—payable within one year	\$ 2,610,000	\$ 2,545,000
Unamortized debt premium (discount)	38,480	38,480
Accrued interest	531,980	554,469
	<hr/>	<hr/>
Total liabilities payable from restricted assets	\$ 3,180,460	\$ 3,137,949
Noncurrent liabilities:		
Revenue warrants—payable after one year	\$ 34,334,363	\$ 31,145,763
Unamortized debt premium (discount)	503,450	541,930
Compensated absences	559,823	543,893
Net pension liability	2,163,583	3,439,958
Total OPEB liability	1,700,153	1,702,940
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 39,261,372	\$ 37,374,484
Total liabilities	<hr/> <hr/>	<hr/> <hr/>
	\$ 45,659,578	\$ 41,756,871
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 1,392,983	\$ 396,363
OPEB obligations	265,960	304,672
	<hr/>	<hr/>
Total deferred inflows of resources	\$ 1,658,943	\$ 701,035
NET POSITION		
Net investment in capital assets	\$ 73,301,521	\$ 73,886,837
Restricted for debt service	2,339,940	1,751,128
Unrestricted	18,676,044	14,633,565
	<hr/>	<hr/>
Total net position	<hr/> <hr/>	<hr/> <hr/>
	\$ 94,317,505	\$ 90,271,530

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 7,026,521	\$ 7,111,788
<i>Commercial</i>	3,462,457	3,443,384
<i>Resale</i>	1,746,624	1,701,401
Sewer service sales:		
<i>Residential</i>	4,458,571	4,450,197
<i>Commercial</i>	3,411,225	3,379,738
Forfeited discounts	137,526	144,305
Other operating revenues	147,851	170,385
	<u>20,390,775</u>	<u>20,401,198</u>
Total operating revenues	\$	\$
Operating expenses:		
Water treatment and pumping	\$ 3,376,185	\$ 3,468,373
Sewage disposal	2,395,919	2,243,683
Transmission and distribution	1,868,276	1,616,913
Accounting and collections	1,148,037	1,134,775
Administrative and general	2,370,924	2,667,344
Depreciation	4,065,548	4,063,733
Taxes and tax equivalents	1,732,737	1,738,162
	<u>16,957,626</u>	<u>16,932,983</u>
Total operating expenses	\$	\$
Operating income	<u>3,433,149</u>	<u>3,468,215</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 12,930	\$ 33,477
Gain (loss) on disposition of assets	3,151	(1,476)
Interest expense	(1,436,121)	(1,185,402)
Amortization of debt related costs	(86,270)	(126,301)
	<u>(1,506,310)</u>	<u>(1,279,702)</u>
Total nonoperating revenues (expenses)	\$	\$
Income before contributions	\$ 1,926,839	\$ 2,188,513
Capital contributions	<u>2,119,136</u>	<u>239,280</u>
Change in net position	\$ 4,045,975	\$ 2,427,793
Total net position—beginning	<u>90,271,530</u>	<u>87,843,737</u>
Total net position—ending	<u>\$ 94,317,505</u>	<u>\$ 90,271,530</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 18,035,742	\$ 18,956,095
Receipts from interfund services provided	232,167	229,731
Payments to suppliers	(2,575,208)	(4,952,675)
Payments to employees for services and benefits—exclusive of capitalized costs	(6,015,893)	(5,587,977)
Payments for interfund services used	<u>(3,155,932)</u>	<u>(3,162,445)</u>
Net cash provided by operating activities	<u>\$ 6,520,876</u>	<u>\$ 5,482,729</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (6,899,741)	\$ (1,706,747)
Proceeds from disposition of assets	3,151	
Proceeds from capital contributions	2,119,136	239,280
Net proceeds from capital debt	5,798,599	960,763
Principal paid on capital debt	(2,545,000)	(5,360,000)
Interest paid on capital debt	<u>(1,458,610)</u>	<u>(1,049,342)</u>
Net cash used for capital and related financing activities	<u>\$ (2,982,465)</u>	<u>\$ (6,916,046)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 14,468</u>	<u>\$ 48,810</u>
Net cash provided by investing activities	<u>\$ 14,468</u>	<u>\$ 48,810</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,552,879	\$ (1,384,507)
Balances—beginning of the year	<u>17,474,051</u>	<u>18,858,558</u>
Balances—end of the year	<u><u>\$ 21,026,930</u></u>	<u><u>\$ 17,474,051</u></u>
<u>Classified as:</u>		
Current assets	\$ 18,155,010	\$ 15,168,454
Restricted assets	<u>2,871,920</u>	<u>2,305,597</u>
Totals	<u><u>\$ 21,026,930</u></u>	<u><u>\$ 17,474,051</u></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, 2022 and 2021
(Continued)

	<u>2022</u>	<u>2021</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 3,433,149	\$ 3,468,215
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 4,156,489	\$ 4,171,158
Change in assets and liabilities:		
Receivables (net)	(1,985,896)	(1,075,009)
Inventories	(214,505)	(49,063)
Prepaid expenses	(634,204)	(630,001)
Deferred outflows of resources	97,858	(509,732)
Accounts and other payables	1,987,940	(427,240)
Customer deposits	1,299	1,451
Net pension liability	(1,276,375)	(118,116)
Total OPEB liability	(2,787)	517,384
Deferred inflows of resources	957,908	133,682
	<u>3,087,727</u>	<u>2,014,514</u>
Total adjustments	\$	\$
	<u>3,087,727</u>	<u>2,014,514</u>
Net cash provided by operating activities	<u>\$ 6,520,876</u>	<u>\$ 5,482,729</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, 2022 and 2021

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, 2022 and 2021
(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, 2022 and 2021
(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 2022 totaled \$6,703,244 of which \$6,163,975 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$539,269 for the year ended June 30, 2022. 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.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)

NOTE 2—UTILITY PLANT (Continued)

As of June 30, 2022 and 2021, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$1,626,716 and \$1,341,281, 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	\$ 43,592,760	\$ 350,284	\$ 39,512	\$ 43,903,532
Distribution plant	122,576,110	4,500,732	770,002	126,306,840
General plant	23,292,254	2,884,447	450,300	25,726,401
Totals	<u>\$ 189,461,124</u>	<u>\$ 7,735,463</u>	<u>\$ 1,259,814</u>	<u>\$ 195,936,773</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, 2022 and 2021, accumulated depreciation amounted to \$436,208 and \$396,553, 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 \$1,677,717 for fiscal year 2022 and \$1,599,802 for fiscal year 2021.

As of June 30, 2022 and 2021, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$882,852, and \$493,756, 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	\$ 10,318,478	\$ 89,146	\$ -	\$ 10,407,624
Distribution plant	41,456,309	2,123,359	177,460	43,402,208
General plant	8,913,275	1,186,782	273,314	9,826,743
Totals	<u>\$ 60,688,062</u>	<u>\$ 3,399,287</u>	<u>\$ 450,774</u>	<u>\$ 63,636,575</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(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, 2022 and 2021, accumulated amortization amounted to \$261,199 and \$250,538, 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 2022 totaled \$4,156,489 of which \$4,065,548 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$90,941 for the year ended June 30, 2022. 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.

As of June 30, 2022 and 2021, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$1,365,057 and \$1,150,765, 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	\$ 179,785,538	\$ 1,030,284	\$ -	\$ 180,815,822
General plant	4,572,483	120,741	50,894	4,642,330
Totals	<u>\$ 184,358,021</u>	<u>\$ 1,151,025</u>	<u>\$ 50,894</u>	<u>\$ 185,458,152</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)

NOTE 3—RECEIVABLES AND PAYABLES

Receivables as of June 30, 2022 and 2021 were as follows for each department:

Electricity Department

	<u>2022</u>	<u>2021</u>
Customer accounts	\$ 11,396,567	\$ 9,057,860
Other governments	438,017	241,262
Miscellaneous	152,125	470,081
Secured customer deposits	1,310,281	1,151,856
Accrued rents	468,087	464,756
Less: allowance for doubtful accounts	<u>(226,584)</u>	<u>(220,626)</u>
Net receivables	<u>\$ 13,538,493</u>	<u>\$ 11,165,189</u>

Gas Department

	<u>2022</u>	<u>2021</u>
Customer accounts	\$ 1,027,818	\$ 677,190
Other governments	52,237	27,746
Miscellaneous	50,934	2,951
Less: allowance for doubtful accounts	<u>(11,490)</u>	<u>(10,385)</u>
Net receivables	<u>\$ 1,119,499</u>	<u>\$ 697,502</u>

Water and Wastewater Department

	<u>2022</u>	<u>2021</u>
Customer accounts	\$ 2,120,877	\$ 1,748,308
Other governments	2,795,215	1,178,098
Less: allowance for doubtful accounts	<u>(36,677)</u>	<u>(32,887)</u>
Net receivables	<u>\$ 4,879,415</u>	<u>\$ 2,893,519</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)

NOTE 3—RECEIVABLES AND PAYABLES (Continued)

Payables as of June 30, 2022 and 2021 were as follows for each department:

Electricity Department

	<u>2022</u>	<u>2021</u>
Vendors	\$ 19,975,038	\$ 15,594,073
Salaries and benefits	505,697	447,358
Other governments	64,544	59,497
Totals	<u>\$ 20,545,279</u>	<u>\$ 16,100,928</u>

Gas Department

	<u>2022</u>	<u>2021</u>
Vendors	\$ 1,288,160	\$ 786,908
Salaries and benefits	117,530	105,488
Other governments	219,682	214,313
Totals	<u>\$ 1,625,372</u>	<u>\$ 1,106,709</u>

Water and Wastewater Department

	<u>2022</u>	<u>2021</u>
Vendors	\$ 1,999,304	\$ 392,857
Salaries and benefits	201,333	192,009
Other governments	639,644	294,026
Totals	<u>\$ 2,840,281</u>	<u>\$ 878,892</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, 2022 and 2021, the Department had \$699,525 and \$555,727, 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, 2022 and 2021
(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>2022</u>	<u>2021</u>
Series 2013 Debt Service Reserve Fund	\$ 573,331	\$ 573,253
Series 2013 Warrant Funds	47,788	47,605
Total restricted cash and cash equivalents	<u>\$ 621,119</u>	<u>\$ 620,858</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>2022</u>	<u>2021</u>
Warrant Funds-All SRF Series	\$ 1,223,345	\$ 630,712
Series 2011 Warrant Funds		478,062
Series 2017 Warrant Funds	1,648,575	1,196,823
Total restricted cash and cash equivalents	<u>\$ 2,871,920</u>	<u>\$ 2,305,597</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, 2022 and 2021, a total of \$339,074 and \$681,406, 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 \$365,717 and \$731,916 as of June 30, 2022 and 2021, 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 \$7,868,393 and \$6,771,064 as of June 30, 2022 and 2021, respectively, are reported as a component of prepaid expenses in the financial statements.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)

NOTE 7—LONG-TERM OBLIGATIONS

Electricity Department

Long-term obligations activity for the year ended June 30, 2022 was as follows:

	<i>Electric Revenue Warrants, Series 2013</i>
Balance—beginning of year	\$ 5,575,000
Less: principal paid on debt	400,000
Balance—end of year	\$ 5,175,000

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 on June 1. 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>
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	450,000	119,200	569,200
2028–2032	2,475,000	384,100	2,859,100
2033	550,000	22,000	572,000
Totals	\$ 5,175,000	\$ 1,114,265	\$ 6,289,265
Less: portion due within one year	410,000		
Long-term debt—end of year	\$ 4,765,000		

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
JUNE 30, 2022 and 2021
(Continued)

NOTE 7—LONG-TERM OBLIGATIONS (Continued)

Water and Wastewater Department

Long-term obligations activity for the year ended June 30, 2022 was as follows:

	<i>Water and Sewer Revenue Warrants, Series 2011</i>	<i>Water and Sewer Revenue Warrants, Series 2013-DWSRF-DL</i>	<i>Water and Sewer Revenue Warrants, Series 2017</i>
Balance—beginning of year	\$ 490,000	\$ 4,875,000	\$ 27,365,000
Add: proceeds from debt			
Less: principal paid on debt	490,000	250,000	895,000
Balance—end of year	<u>\$ -</u>	<u>\$ 4,625,000</u>	<u>\$ 26,470,000</u>

	<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	\$ 541,427	\$ 419,336	\$ 33,690,763
Add: proceeds from debt	3,303,251	2,495,349	5,798,600
Less: principal paid on debt	605,000	305,000	2,545,000
Balance—end of year	<u>\$ 3,239,678</u>	<u>\$ 2,609,685</u>	<u>\$ 36,944,363</u>

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 on August 15. 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. These warrants were fully satisfied on August 15, 2021.

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.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(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, 2022, the remaining balance of the warrants to be requested from ADEM was \$11,170,322.

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, 2022, the remaining balance of the warrants to be requested from ADEM was \$4,600,315.

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>
2023	\$ 2,610,000	\$ 1,401,231	\$ 4,011,231	\$ 4,011,231
2024	2,660,000	1,345,689	4,005,689	4,005,689
2025	2,715,000	1,285,348	4,000,348	4,000,348
2026	2,795,000	1,208,333	4,003,333	4,003,333
2027	2,885,000	1,117,332	4,002,332	4,002,332
2028–2032	15,675,000	4,332,962	20,007,962	20,007,962
2033–2037	18,045,000	1,976,314	20,021,314	20,021,314
2038–2041	5,330,000	296,230	5,626,230	5,626,230
Totals	\$ 52,715,000	\$ 12,963,439	\$ 65,678,439	\$ 65,678,439
Less: portion due within one year	2,610,000			
Less: amount of DWSRF and CWSRF funds available for disbursement	15,770,637			
Long-term debt—end of year	<u>\$ 34,334,363</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
JUNE 30, 2022 and 2021
(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).

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)

NOTE 8—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—As of September 30, 2021, the following employees were covered by the benefit terms:

Active participants who have not reached age 65	611
Active participants attaining normal retirement age 65	20
Inactive participants (67 in pay status)	156
Total participants	787

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, 2021, 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, 2021 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-2021 projection scale to reflect the most recent mortality expectations published by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(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, 2021 *	\$ 125,015,650	\$ 88,647,951	\$ 36,367,699
Changes for the year:			
Service cost	3,124,337		3,124,337
Interest on total pension liability	9,287,632		9,287,632
Effect of economic/demographic gain/losses	(463,387)		(463,387)
Effect of assumption changes/inputs	32,938		32,938
Benefit payments	(8,768,293)	(8,768,293)	-
Employer contributions		4,490,308	(4,490,308)
Member contributions		1,632,839	(1,632,839)
Net investment income		17,743,425	(17,743,425)
Administrative expenses		(496,722)	496,722
Balance as of September 30, 2022 *	<u>\$ 128,228,877</u>	<u>\$ 103,249,508</u>	<u>\$ 24,979,369</u>

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)

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>
	<i>(6.50%)</i>	<i>(7.50%)</i>	<i>(8.50%)</i>
Total pension liability	\$ 138,587,944	\$ 128,228,877	\$ 118,889,865
Fiduciary net position	103,249,508	103,249,508	103,249,508
Net pension liability	<u>\$ 35,338,436</u>	<u>\$ 24,979,369</u>	<u>\$ 15,640,357</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the fiscal year, the City recognized pension expense of \$3,553,359. As of year-end, 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>
	<i>Resources</i>	<i>Resources</i>
Contributions made subsequent to the measurement date	\$ 4,274,699	\$ -
Differences between expected and actual experience	6,331,520	
Changes in assumptions	767,839	191,714
Net difference between projected and actual earnings	2,308,049	10,817,298

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>	<i>Amount</i>
<i>September 30</i>	
2023	\$ (432,266)
2024	(440,005)
2025	(1,590,161)
2026	(1,147,856)
2027	807,437
Thereafter *	1,201,247

* 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 \$4,274,699 will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2023.

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)**

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
JUNE 30, 2022 and 2021
(Continued)

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, 2021, the following employees were covered by the benefit terms:

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

Total OPEB Liability—The City's total OPEB liability was measured as of September 30, 2021 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
JUNE 30, 2022 and 2021
(Continued)

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

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2021 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	2.26%
Healthcare cost trend rates:	
Medical costs prior to age 65	5.40% 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-2021 projection scale 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, 2021 *	<u>\$ 18,389,948</u>
Changes for the year:	
Service cost	1,263,588
Interest on total OPEB liability	418,358
Effect of assumption changes or inputs	(62,306)
Benefit payments	<u>(1,454,549)</u>
Balance as of September 30, 2022 *	<u>\$ 18,555,039</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 2.21% to 2.26%.

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 2.26%, 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 (1.26%) or 1-percentage-point higher (3.26%) than the current rate:

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
	<i>(1.26%)</i>	<i>(2.26%)</i>	<i>(3.26%)</i>
Total OPEB liability	<u>\$ 19,859,320</u>	<u>\$ 18,555,039</u>	<u>\$ 17,309,316</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(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	\$ 16,481,049	\$ 18,555,039	\$ 21,007,285

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the fiscal year, the City recognized OPEB expense of \$1,540,359. As of year-end, 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	\$ 1,163,030	\$ -
Differences between expected and actual experience	2,053,630	2,552,764
Changes of assumptions or inputs	720,003	577,301

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>
2023	\$ (141,587)
2024	(141,587)
2025	(141,587)
2026	(81,154)
2027	(14,145)
Thereafter *	163,628

* 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 \$1,163,030 will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2023.

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, 2022 and 2021
(Continued)

NOTE 10—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.

NOTE 11—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 12—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, 2022, open contracts for construction totaled \$50,000 of which \$0 had been expended. As of June 30, 2022, open contracts for system maintenance totaled \$2,629,107 of which \$0 had been expended. As of June 30, 2021, open contracts for construction totaled \$50,000 of which \$0 had been expended. As of June 30, 2021, open contracts for system maintenance totaled \$2,234,748 of which \$492,356 had been expended.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021
(Continued)

NOTE 12—CONTINGENCIES AND COMMITMENTS (Continued)

Gas Department

The Department enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2022, open contracts for construction totaled \$1,025,554 of which \$499,597 had been expended.

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, 2022 and 2021, the Department had made purchase commitments amounting to \$6,036,750 and \$4,976,550, 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, 2022, open contracts for construction totaled \$28,669,907 of which \$4,639,864 had been expended. As of June 30, 2022, open contracts for system maintenance totaled \$3,059,640 of which \$256,812 had been expended. As of June 30, 2021, open contracts for construction totaled \$336,635 of which \$223,239 had been expended. As of June 30, 2021, open contracts for system maintenance totaled \$218,765 of which \$29,749 had been expended.

NOTE 13—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, 2022**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues:				
Electric sales:				
<i>Residential</i>	\$ 65,350,000	\$ 65,350,000	\$ 69,792,734	\$ 4,442,734
<i>Small commercial</i>	13,400,000	13,400,000	15,071,935	1,671,935
<i>Large commercial</i>	38,500,000	38,500,000	39,653,112	1,153,112
<i>Public street and highway lighting</i>	2,170,000	2,170,000	2,393,168	223,168
Forfeited discounts	1,085,000	1,085,000	948,099	(136,901)
Rents	1,505,000	1,505,000	1,514,219	9,219
Other operating revenues	525,000	525,000	455,918	(69,082)
Total operating revenues	<u>\$ 122,535,000</u>	<u>\$ 122,535,000</u>	<u>\$ 129,829,185</u>	<u>\$ 7,294,185</u>
Operating expenses:				
Costs of sales	\$ 90,850,000	\$ 90,850,000	\$ 95,831,409	\$ (4,981,409)
Operations:				
<i>Transmission</i>	322,400	322,400	307,665	14,735
<i>Distribution</i>	3,266,200	3,363,700	3,851,662	(487,962)
<i>Customer accounts</i>	2,403,300	2,456,700	2,073,651	383,049
<i>Customer service and information assistance and instruction</i>	48,000	48,000	67,769	(19,769)
<i>Sales</i>	41,600	41,600	40,317	1,283
<i>Administrative and general</i>	4,573,100	4,588,500	4,661,434	(72,934)
Maintenance:				
<i>Transmission</i>	283,000	283,000	494,609	(211,609)
<i>Distribution</i>	7,573,600	7,659,200	6,214,033	1,445,167
<i>Administrative and general</i>	546,000	546,000	569,058	(23,058)
Depreciation	6,175,000	6,175,000	6,163,975	11,025
Taxes and tax equivalents	4,046,000	4,093,000	4,135,321	(42,321)
Total operating expenses	<u>\$ 120,128,200</u>	<u>\$ 120,427,100</u>	<u>\$ 124,410,903</u>	<u>\$ (3,983,803)</u>
Operating income	<u>\$ 2,406,800</u>	<u>\$ 2,107,900</u>	<u>\$ 5,418,282</u>	<u>\$ 3,310,382</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 30,000	\$ 30,000	\$ 18,898	\$ (11,102)
Merchandising revenues (net of costs)	150,000	150,000	101,838	(48,162)
Miscellaneous nonoperating income (deductions)	30,000	30,000	(84,460)	(114,460)
Gain (loss) on disposition of assets			28,631	28,631
Interest expense	(169,900)	(169,900)	(169,905)	(5)
Amortization of debt related costs	(5,300)	(5,300)	301	5,601
Total nonoperating revenues (expenses)	<u>\$ 34,800</u>	<u>\$ 34,800</u>	<u>\$ (104,697)</u>	<u>\$ (139,497)</u>
Change in net position	<u>\$ 2,441,600</u>	<u>\$ 2,142,700</u>	<u>\$ 5,313,585</u>	<u>\$ 3,170,885</u>
Total net position—beginning	<u>86,079,343</u>	<u>86,079,343</u>	<u>86,079,343</u>	
Total net position—ending	<u>\$ 88,520,943</u>	<u>\$ 88,222,043</u>	<u>\$ 91,392,928</u>	<u>\$ 3,170,885</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, 2022**

	<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>	\$ 6,731,500	\$ 6,731,500	\$ 6,616,955	\$ (114,545)
<i>Commercial</i>	4,713,800	4,713,800	4,751,999	38,199
<i>Industrial</i>	3,044,300	3,044,300	3,637,498	593,198
<i>Resale and transportation</i>	1,354,900	1,354,900	1,976,882	621,982
Service fees	79,000	79,000	102,047	23,047
Forfeited discounts	71,500	71,500	61,758	(9,742)
Other operating revenues	10,700	10,700	10,992	292
Total operating revenues	<u>\$ 16,005,700</u>	<u>\$ 16,005,700</u>	<u>\$ 17,158,131</u>	<u>\$ 1,152,431</u>
Operating expenses:				
Costs of sales	\$ 6,992,400	\$ 6,992,400	\$ 8,298,307	\$ (1,305,907)
Operations:				
<i>Transmission</i>	150,000	151,900	129,447	22,453
<i>Distribution</i>	270,300	272,100	360,590	(88,490)
<i>Customer accounts</i>	476,500	476,500	464,320	12,180
<i>Sales</i>	41,500	41,500	30,613	10,887
<i>Administrative and general</i>	2,168,600	2,180,500	2,209,524	(29,024)
Maintenance:				
<i>Transmission</i>	400	400		400
<i>Distribution</i>	2,229,800	2,277,700	2,271,981	5,719
<i>Administrative and general</i>	160,000	160,000	103,390	56,610
Depreciation	1,637,500	1,637,500	1,677,717	(40,217)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,518,000	1,522,900	1,506,288	16,612
Total operating expenses	<u>\$ 15,655,700</u>	<u>\$ 15,724,100</u>	<u>\$ 17,062,838</u>	<u>\$ (1,338,738)</u>
Operating income	<u>\$ 350,000</u>	<u>\$ 281,600</u>	<u>\$ 95,293</u>	<u>\$ (186,307)</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 42,000	\$ 42,000	\$ 12,721	\$ (29,279)
Gain (loss) on disposition of assets	2,000	2,000	33,504	31,504
Miscellaneous nonoperating income	6,000	6,000	12,612	6,612
Total nonoperating revenues (expenses)	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 58,837</u>	<u>\$ 8,837</u>
Change in net position	\$ 400,000	\$ 331,600	\$ 154,130	\$ (177,470)
Total net position—beginning	<u>44,799,550</u>	<u>44,799,550</u>	<u>44,799,550</u>	
Total net position—ending	<u>\$ 45,199,550</u>	<u>\$ 45,131,150</u>	<u>\$ 44,953,680</u>	<u>\$ (177,470)</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, 2022

	<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>	\$ 7,308,800	\$ 7,308,800	\$ 7,026,521	\$ (282,279)
<i>Commercial</i>	3,517,400	3,517,400	3,462,457	(54,943)
<i>Resale</i>	1,776,700	1,776,700	1,746,624	(30,076)
Sewer service sales:				
<i>Residential</i>	4,491,700	4,491,700	4,458,571	(33,129)
<i>Commercial</i>	3,401,900	3,401,900	3,411,225	9,325
Forfeited discounts	150,500	150,500	137,526	(12,974)
Other operating revenues	167,100	167,100	147,851	(19,249)
Total operating revenues	<u>\$ 20,814,100</u>	<u>\$ 20,814,100</u>	<u>\$ 20,390,775</u>	<u>\$ (423,325)</u>
Operating expenses:				
Water treatment and pumping	\$ 3,608,200	\$ 3,635,000	\$ 3,376,185	\$ 258,815
Sewage disposal	2,263,600	2,286,500	2,395,919	(109,419)
Transmission and distribution	1,583,800	1,611,300	1,868,276	(256,976)
Accounting and collections	1,163,300	1,163,300	1,148,037	15,263
Administrative and general	2,909,400	2,919,600	2,370,924	548,676
Depreciation	4,149,000	4,149,000	4,065,548	83,452
Taxes and tax equivalents	1,722,700	1,729,400	1,732,737	(3,337)
Total operating expenses	<u>\$ 17,400,000</u>	<u>\$ 17,494,100</u>	<u>\$ 16,957,626</u>	<u>\$ 536,474</u>
Operating income	<u>\$ 3,414,100</u>	<u>\$ 3,320,000</u>	<u>\$ 3,433,149</u>	<u>\$ 113,149</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 45,200	\$ 45,200	\$ 12,930	\$ (32,270)
Gain (loss) on disposition of assets			3,151	3,151
Interest expense	(1,458,600)	(1,458,600)	(1,436,121)	22,479
Amortization of debt related costs	(86,300)	(86,300)	(86,270)	30
Total nonoperating revenues (expenses)	<u>\$ (1,499,700)</u>	<u>\$ (1,499,700)</u>	<u>\$ (1,506,310)</u>	<u>\$ (6,610)</u>
Income before contributions	<u>\$ 1,914,400</u>	<u>\$ 1,820,300</u>	<u>\$ 1,926,839</u>	<u>\$ 106,539</u>
Capital contributions			2,119,136	2,119,136
Change in net position	\$ 1,914,400	\$ 1,820,300	\$ 4,045,975	\$ 2,225,675
Total net position—beginning	<u>90,271,530</u>	<u>90,271,530</u>	<u>90,271,530</u>	
Total net position—ending	<u>\$ 92,185,930</u>	<u>\$ 92,091,830</u>	<u>\$ 94,317,505</u>	<u>\$ 2,225,675</u>

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
TOTAL PENSION LIABILITY										
Service cost	\$ 3,124,337	\$ 2,998,469	\$ 2,898,609	\$ 2,942,609	\$ 2,830,614	\$ 2,888,380	\$ 2,825,270	\$ 2,854,759	\$ -	\$ -
Interest	9,287,632	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	(463,387)	3,074,258	4,434,107	69,847	63,177	1,690,662	558,626	1,537,047		
Effect of assumption changes or inputs	32,938	(54,052)	410,054	(74,689)	(73,548)	(188,107)	1,286,192			
Benefit payments	(8,768,293)	(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	\$ 3,213,227	\$ 2,913,120	\$ 7,285,532	\$ (240,263)	\$ 5,159,074	\$ 3,303,393	\$ 761,728	\$ 2,779,182	\$ -	\$ -
Total pension liability, beginning	125,015,650	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>\$ 128,228,877</u>	<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>
FIDUCIARY NET POSITION										
Contributions—employer	\$ 4,490,308	\$ 4,528,897	\$ 4,334,831	\$ 4,111,326	\$ 4,056,029	\$ 4,309,829	\$ 4,052,968	\$ 3,710,391	\$ -	\$ -
Contributions—employee	1,632,839	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	17,743,425	9,276,689	755,848	6,366,786	9,759,245	7,565,914	(1,028,142)	7,950,048		
Benefit payments	(8,768,293)	(12,044,622)	(8,956,126)	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)		
Administrative expenses	(496,722)	(479,655)	(473,594)	(469,888)	(421,537)	(384,687)	(353,852)	(378,171)		
Net change in plan fiduciary net position	\$ 14,601,557	\$ 2,928,181	\$ (2,762,739)	\$ (97,602)	\$ 8,159,606	\$ 4,089,725	\$ (7,484,732)	\$ 3,415,096	\$ -	\$ -
Fiduciary net position, beginning	88,647,951	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>\$ 103,249,508</u>	<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>
Net pension liability, ending (a-b)	<u>\$ 24,979,369</u>	<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>
Fiduciary net position as a percentage of total pension liability	80.52%	70.91%	70.20%	77.06%	76.99%	73.18%	71.61%	79.20%		
Covered payroll	\$ 34,178,253	\$ 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	73.09%	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>	
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	4,490,308	1,205,615	34,692,146	12.94%	
2022	5,525,626	4,274,699	1,250,927	34,178,253	12.51%	

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: 19 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-2021 projection scale

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
TOTAL OPEB LIABILITY										
Service cost	\$ 1,263,588	\$ 1,001,856	\$ 802,578	\$ 783,223	\$ 840,770	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	418,358	429,295	727,162	630,625	539,050					
Effect of plan changes										
Effect of economic/demographic gains or losses		1,629,718	(2,629,361)							
Effect of assumption changes or inputs	(62,306)	594,837	393,577	(522,925)	(646,697)					
Benefit payments	(1,454,549)	(800,422)	(698,684)	(977,623)	(980,229)					
Net change in total OPEB liability	\$ 165,091	\$ 2,855,284	\$ (1,404,728)	\$ (86,700)	\$ (247,106)	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability, beginning	18,389,948	15,534,664	16,939,392	17,026,092	17,273,198					
Total OPEB liability, ending	<u>\$ 18,555,039</u>	<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>
Covered-employee payroll	\$ 41,257,814	\$ 41,257,814	\$ 38,368,054	\$ 38,846,611	\$ 30,855,953	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered-employee payroll	44.97%	44.57%	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.

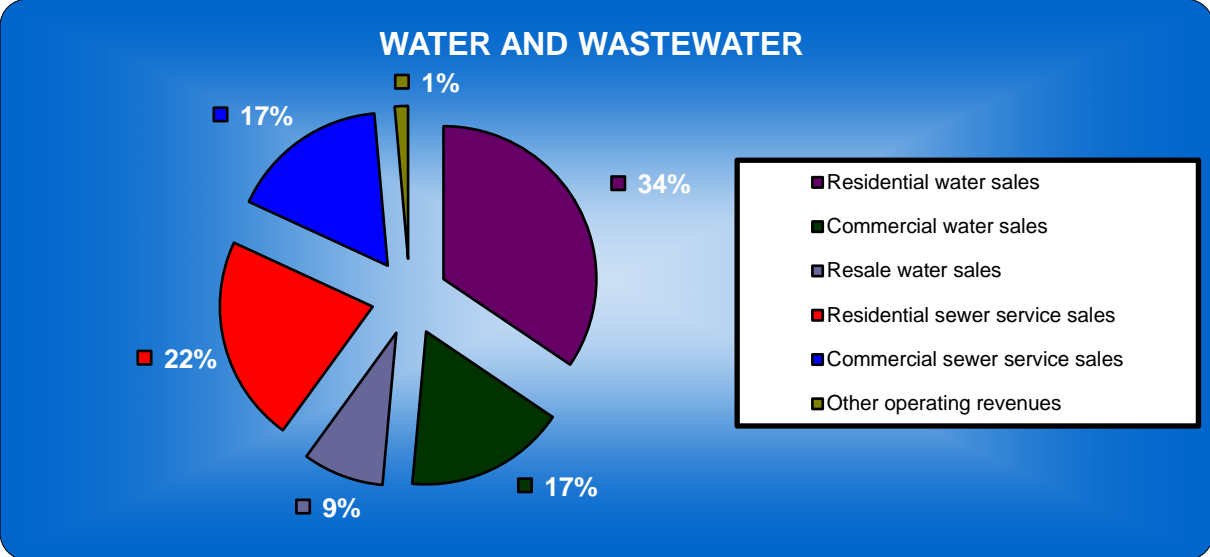
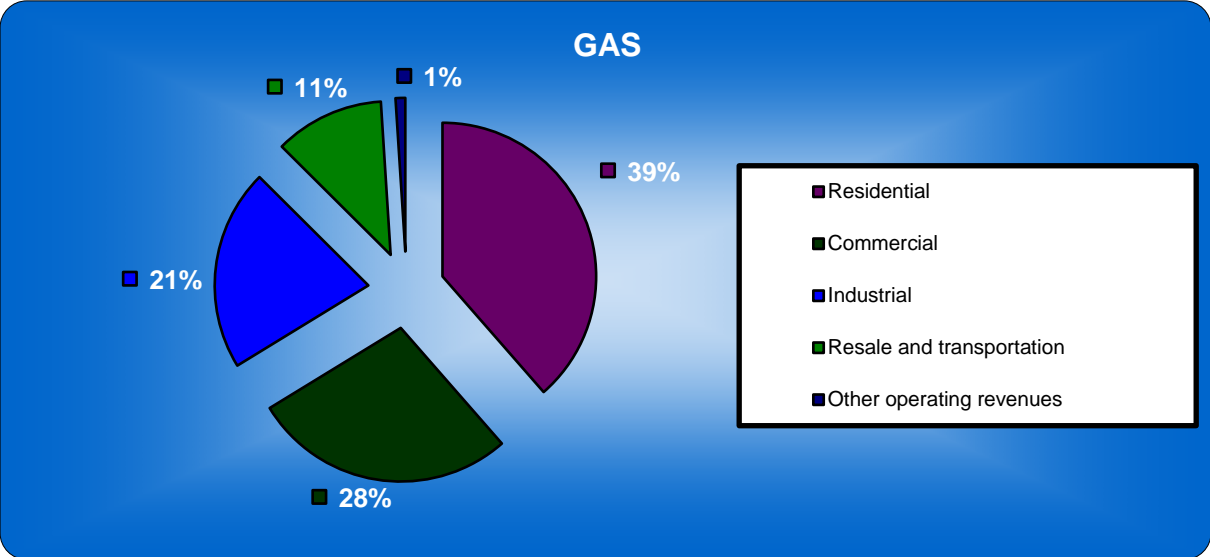
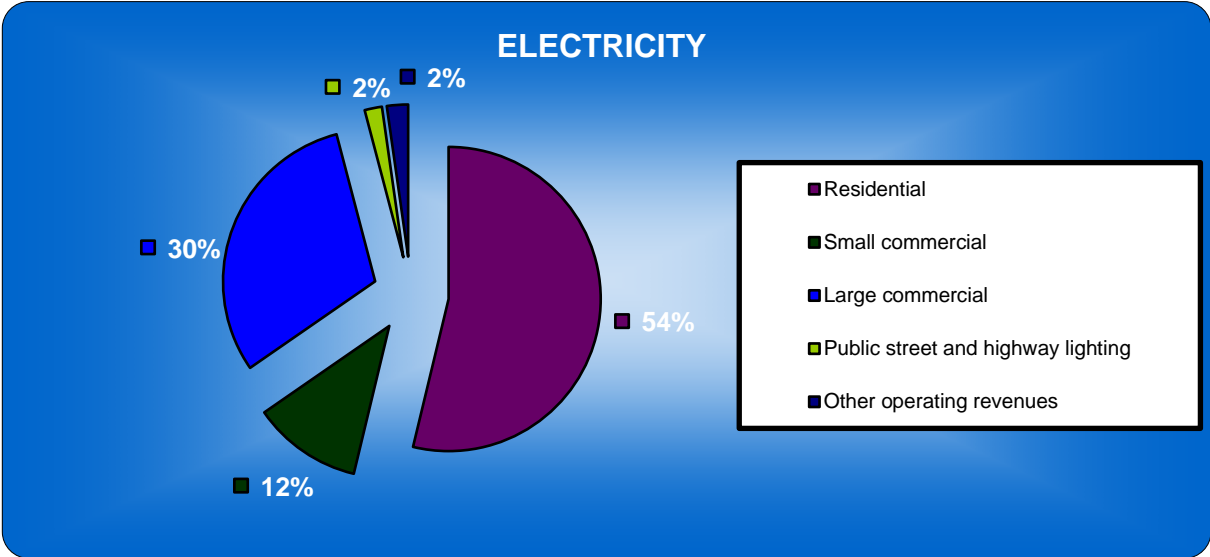
Changes of assumptions—

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:

2021	2.260%
2020	2.210%
2019	2.660%
2018	4.180%
2017	3.640%
2016	3.058%
2015	-
2014	-
2013	-
2012	-

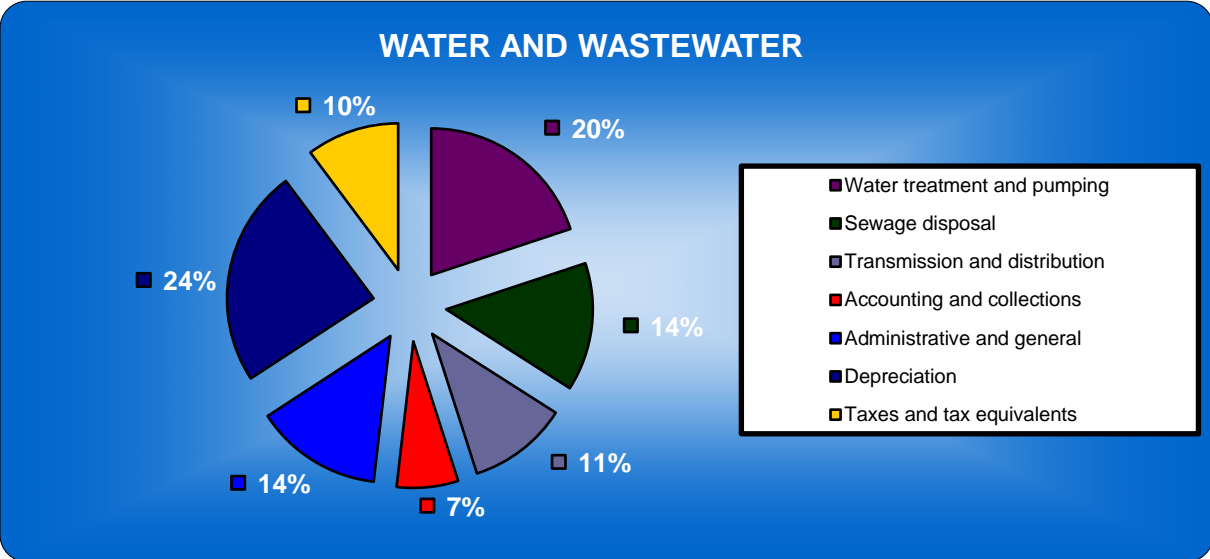
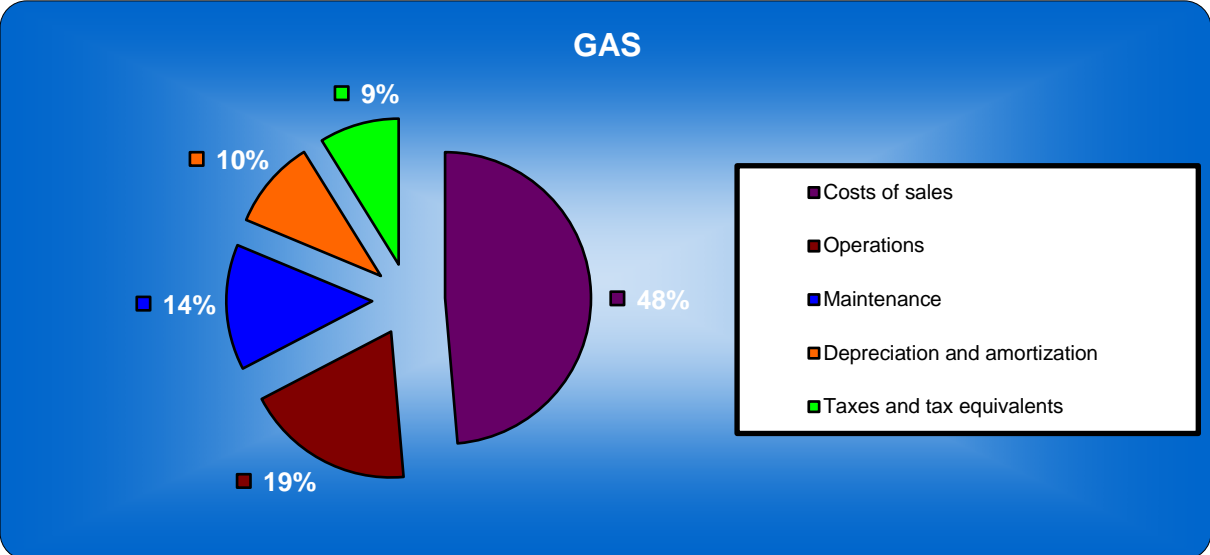
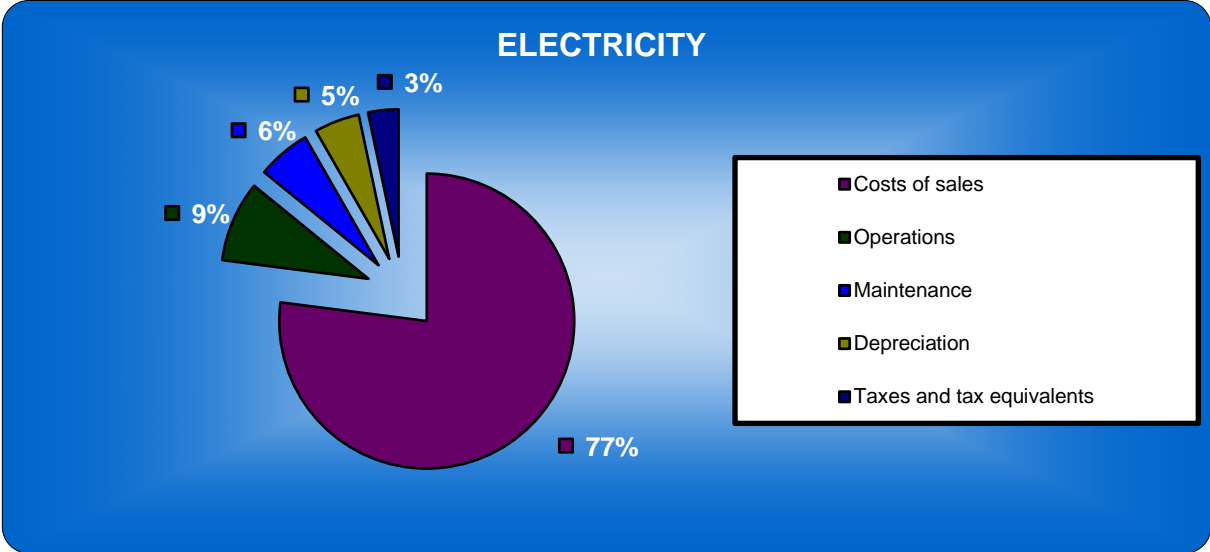
SUPPLEMENTARY SCHEDULES SECTION

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT
SOURCE OF FUNDS
JUNE 30, 2022**



Percentages in graphs may not add up to 100 percent due to rounding.
Page 55

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT
USE OF FUNDS
JUNE 30, 2022**



Percentages in graphs may not add up to 100 percent due to rounding.
Page 56

ELECTRICITY DEPARTMENT

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2022**

<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	\$ 618,863	\$ -	\$ -	\$ 618,863
Clearing land and right of ways	90,378			90,378
Structures and improvements	70,402			70,402
Station equipment	28,447,582	179,126	20,666	28,606,042
Towers and fixtures	32,266			32,266
Poles and fixtures	7,150,549	120,685	5,669	7,265,565
Overhead conductors and devices	<u>7,182,720</u>	<u>50,473</u>	<u>13,177</u>	<u>7,220,016</u>
Total transmission plant	<u>\$ 43,592,760</u>	<u>\$ 350,284</u>	<u>\$ 39,512</u>	<u>\$ 43,903,532</u>
Distribution plant:				
Land and land rights	\$ 72,040	\$ -	\$ -	\$ 72,040
Station equipment	2,082,224			2,082,224
Poles, towers, and fixtures	27,693,029	1,958,164	211,857	29,439,336
Overhead conductors and devices	22,877,511	178,112	29,874	23,025,749
Underground conduit	3,354,756	16,930	6,973	3,364,713
Underground conductors and devices	13,205,666	785,098	78,268	13,912,496
Line transformers	26,944,529	903,328	207,417	27,640,440
Services	9,878,623	255,269	51,672	10,082,220
Meters	4,396,114	63,555	79,743	4,379,926
Installation on customer premises	2,999,331	168,115	79,706	3,087,740
Street lighting and signal systems	<u>9,072,287</u>	<u>172,161</u>	<u>24,492</u>	<u>9,219,956</u>
Total distribution plant	<u>\$ 122,576,110</u>	<u>\$ 4,500,732</u>	<u>\$ 770,002</u>	<u>\$ 126,306,840</u>
General plant:				
Land and land rights	\$ 560,000	\$ 285,435	\$ -	\$ 845,435
Structures and improvements	6,060,875	665,102		6,725,977
Office furniture and equipment	2,914,435	150,366	149,241	2,915,560
Transportation equipment	8,778,462	1,669,917	93,944	10,354,435
Stores equipment	54,282		11,041	43,241
Tools, shop, and garage equipment	3,256,483	96,022	196,074	3,156,431
Laboratory equipment	101,583			101,583
Power operated equipment	580,428			580,428
Communication equipment	621,206			621,206
Miscellaneous equipment	<u>364,500</u>	<u>17,605</u>		<u>382,105</u>
Total general plant	<u>\$ 23,292,254</u>	<u>\$ 2,884,447</u>	<u>\$ 450,300</u>	<u>\$ 25,726,401</u>
Total utility plant in service	<u><u>\$ 189,461,124</u></u>	<u><u>\$ 7,735,463</u></u>	<u><u>\$ 1,259,814</u></u>	<u><u>\$ 195,936,773</u></u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Accrual	Retirements- Original Cost	Removal Costs	Salvage/ Adjustments	Balance End of Year
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-					-
57,776	1,408				59,184
17,446,752	999,298	20,666	2,297		18,423,087
32,266					32,266
4,760,350	288,610	5,669	26,555		5,016,736
5,005,653	216,243	13,177	19,239		5,189,480
<u>\$ 27,302,797</u>	<u>\$ 1,505,559</u>	<u>\$ 39,512</u>	<u>\$ 48,091</u>	<u>\$ -</u>	<u>\$ 28,720,753</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,761,171	83,289				1,844,460
9,336,030	851,614	111,918	572,172	34,022	9,537,576
17,561,367	631,398	28,394	100,932	8,640	18,072,079
2,676,770	134,481	568	953	250	2,809,980
7,436,004	540,614	34,749	42,390	14,542	7,914,021
7,136,777	611,310	205,332	128,613	17,922	7,432,064
4,150,510	298,677	50,586	123,720	706	4,275,587
(224,613)	329,827	76,116	12,024	2,237	19,311
2,027,653	151,714	79,705	58,674		2,040,988
7,866,876	457,285	24,492	16,356		8,283,313
<u>\$ 59,728,545</u>	<u>\$ 4,090,209</u>	<u>\$ 611,860</u>	<u>\$ 1,055,834</u>	<u>\$ 78,319</u>	<u>\$ 62,229,379</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,867,197	172,830				2,040,027
2,102,893	170,548	147,203			2,126,238
5,418,891	547,655	84,570			5,881,976
47,514	1,739	6,012			43,241
2,223,900	108,657	188,360			2,144,197
50,462	4,633				55,095
295,214	44,877				340,091
347,271	31,169				378,440
201,297	25,368				226,665
<u>\$ 12,554,639</u>	<u>\$ 1,107,476</u>	<u>\$ 426,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,235,970</u>
<u>\$ 99,585,981</u>	<u>\$ 6,703,244</u>	<u>\$ 1,077,517</u>	<u>\$ 1,103,925</u>	<u>\$ 78,319</u>	<u>\$ 104,186,102</u>

GAS DEPARTMENT

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2022**

<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	7,347,845	84,658		7,432,503
Measuring and regulating equipment	2,706,949	4,488		2,711,437
Total transmission plant	<u>\$ 10,318,478</u>	<u>\$ 89,146</u>	<u>\$ -</u>	<u>\$ 10,407,624</u>
Distribution plant:				
Land and land rights	\$ 42,944	\$ -	\$ -	\$ 42,944
Structures and improvements	154,621			154,621
Mains	20,556,371	1,466,403	45,967	21,976,807
Corrosion	707,224	120		707,344
Measuring and regulating equipment	6,029,532	170,389	77,189	6,122,732
Services	13,949,996	486,447	54,304	14,382,139
Other distribution equipment	15,621			15,621
Total distribution plant	<u>\$ 41,456,309</u>	<u>\$ 2,123,359</u>	<u>\$ 177,460</u>	<u>\$ 43,402,208</u>
General plant:				
Land and land rights	\$ 330,121	\$ 389,096	\$ -	\$ 719,217
Structures and improvements	2,957,124	178,427		3,135,551
Office furniture and equipment	437,692	20,068	25,461	432,299
Transportation equipment	1,802,140	191,059	55,545	1,937,654
Stores equipment	15,735			15,735
Tools, shop and garage equipment	26,623	5,823		32,446
Laboratory equipment	39,665			39,665
Power operated equipment	2,621,797	389,689	184,738	2,826,748
Communication equipment	44,613			44,613
Miscellaneous equipment	637,765	12,620	7,570	642,815
Total general plant	<u>\$ 8,913,275</u>	<u>\$ 1,186,782</u>	<u>\$ 273,314</u>	<u>\$ 9,826,743</u>
Total utility plant in service	<u>\$ 60,688,062</u>	<u>\$ 3,399,287</u>	<u>\$ 450,774</u>	<u>\$ 63,636,575</u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Accrual	Retirements- Original Cost	Removal Costs	Balance End of Year
\$ -	\$ -	\$ -	\$ -	\$ -
142,993				142,993
3,389,934	81,276			3,471,210
2,338,713	147,829			2,486,542
<u>\$ 5,871,640</u>	<u>\$ 229,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,100,745</u>
\$ -	\$ -	\$ -	\$ -	\$ -
154,621				154,621
7,489,025	425,332	45,967	3,847	7,864,543
707,224	120			707,344
1,873,464	182,284	77,189		1,978,559
7,256,126	424,982	54,304	25,891	7,600,913
15,621				15,621
<u>\$ 17,496,081</u>	<u>\$ 1,032,718</u>	<u>\$ 177,460</u>	<u>\$ 29,738</u>	<u>\$ 18,321,601</u>
\$ -	\$ -	\$ -	\$ -	\$ -
2,947,428	2,502			2,949,930
383,475	19,272	25,461		377,286
1,382,228	153,893	55,545		1,480,576
15,736				15,736
20,478	1,653			22,131
36,428	1,481			37,909
1,550,170	198,710	178,416		1,570,464
38,389	1,483			39,872
447,239	36,900	7,570		476,569
<u>\$ 6,821,571</u>	<u>\$ 415,894</u>	<u>\$ 266,992</u>	<u>\$ -</u>	<u>\$ 6,970,473</u>
<u>\$ 30,189,292</u>	<u>\$ 1,677,717</u>	<u>\$ 444,452</u>	<u>\$ 29,738</u>	<u>\$ 31,392,819</u>

WATER AND WASTEWATER DEPARTMENT

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2022**

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	\$ 1,150,765	\$ 214,292	\$ -	\$ 1,365,057
Supply source	3,327,037			3,327,037
Pumping structures	6,487,701			6,487,701
Sewer plant and system	97,522,973	547,519		98,070,492
Reservoirs and standpipes	1,796,669	4,371		1,801,040
Purification building and equipment	36,588,474	44,114		36,632,588
Transmission mains and appurtenances	6,210,473			6,210,473
Distribution mains and appurtenances	16,509,627	(23,307)		16,486,320
Customer services	8,873,855	243,295		9,117,150
Fire hydrants	570,961			570,961
Miscellaneous structures and improvements	747,003			747,003
Total transmission and distribution plant	<u>\$ 179,785,538</u>	<u>\$ 1,030,284</u>	<u>\$ -</u>	<u>\$ 180,815,822</u>
General plant:				
Office furniture and equipment	\$ 589,872	\$ 10,847	\$ 1,321	\$ 599,398
Transportation equipment	2,104,568	73,025	23,985	2,153,608
Tools and equipment	1,698,105	29,995	19,664	1,708,436
Communication equipment	82,136			82,136
Laboratory equipment	97,802	6,874	5,924	98,752
Total general plant	<u>\$ 4,572,483</u>	<u>\$ 120,741</u>	<u>\$ 50,894</u>	<u>\$ 4,642,330</u>
Total utility plant in service	<u><u>\$ 184,358,021</u></u>	<u><u>\$ 1,151,025</u></u>	<u><u>\$ 50,894</u></u>	<u><u>\$ 185,458,152</u></u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Additions and Reclassifications	Retirements and Reclassifications	Balance End of Year
\$ -	\$ -	\$ -	\$ -
1,264,200	66,910		1,331,110
2,387,740	195,476		2,583,216
38,352,036	1,871,668		40,223,704
1,350,835	40,273		1,391,108
15,329,865	1,005,959		16,335,824
3,145,585	105,271		3,250,856
8,011,210	288,582		8,299,792
3,670,564	374,220		4,044,784
376,116	12,207		388,323
407,637	23,094		430,731
<u>\$ 74,295,788</u>	<u>\$ 3,983,660</u>	<u>\$ -</u>	<u>\$ 78,279,448</u>
\$ 537,879	\$ 19,677	\$ 1,321	\$ 556,235
1,736,799	90,941	23,985	1,803,755
1,423,401	52,774	19,664	1,456,511
79,311	1,570		80,881
79,820	7,867	5,924	81,763
<u>\$ 3,857,210</u>	<u>\$ 172,829</u>	<u>\$ 50,894</u>	<u>\$ 3,979,145</u>
<u>\$ 78,152,998</u>	<u>\$ 4,156,489</u>	<u>\$ 50,894</u>	<u>\$ 82,258,593</u>

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES—KILLEN SYSTEM
FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 1,507,175	\$ 1,504,905
<i>Commercial</i>	481,214	484,302
Forfeited discounts	15,936	16,644
Other operating revenues	<u>14,791</u>	<u>18,698</u>
Total operating revenues	<u>\$ 2,019,116</u>	<u>\$ 2,024,549</u>
Operating expenses:		
Water treatment and pumping	\$ 516,652	\$ 537,509
Transmission and distribution	252,481	245,325
Accounting and collections	101,502	99,766
Administrative and general	194,234	217,205
Depreciation	81,713	78,228
Taxes and tax equivalent	<u>24,911</u>	<u>24,743</u>
Total operating expenses	<u>\$ 1,171,493</u>	<u>\$ 1,202,776</u>
Operating income	<u>\$ 847,623</u>	<u>\$ 821,773</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 1,035	\$ 2,678
Interest expense	(137,412)	(115,544)
Amortization of debt related costs	<u>(8,541)</u>	<u>(13,185)</u>
Total nonoperating revenues (expenses)	<u>\$ (144,918)</u>	<u>\$ (126,051)</u>
Change in net position	<u><u>\$ 702,705</u></u>	<u><u>\$ 695,722</u></u>