







THE CITY OF
FLORENCE
ALABAMA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020

Our Mission

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

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

CITY OF FLORENCE, ALABAMA

CITY OFFICIALS

As of September 30, 2020

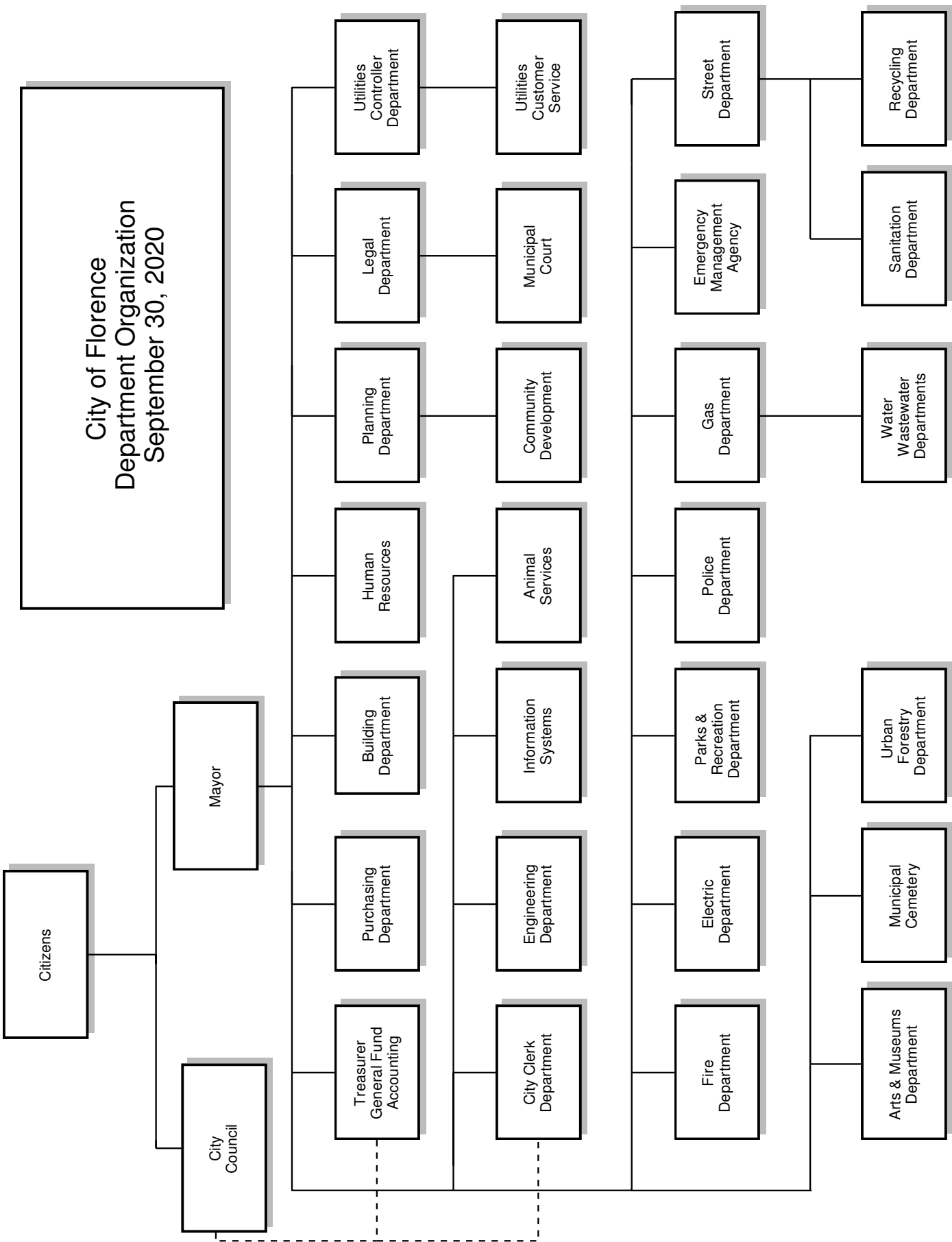
Elected Officials

Mayor	Steve Holt
Council Member—District 1	Kaytrina P. Simmons
Council Member—District 2	William D. Jordan, President
Council Member—District 3	David P. Bradley, Jr.
Council Member—District 4	Michelle Rupe Eubanks
Council Member—District 5	Blake Edwards
Council Member—District 6	Andrew Betterton

Department Heads

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

City of Florence Department Organization September 30, 2020



FINANCIAL SECTION



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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information on pages 4 through 27 and 83 through 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, on our consideration of the City of Florence, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Florence, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, Alabama's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "The Watkins Johnsey Professional Group, P.C." The signature is written in black ink and is positioned above the printed name of the firm.

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2021



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City of Florence, Alabama
Management's Discussion and Analysis
September 30, 2020

As management of the City of Florence, Alabama ("City"), we offer readers of the City of Florence, Alabama's financial statements this narrative overview and analysis of the financial activities of the City of Florence, Alabama, for the fiscal year ended September 30, 2020. This management discussion and analysis ("MD&A") is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

Notes to the Financial Statements

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

Supplementary Information

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$321,127,930 (net position). Of this amount, \$27,895,528 is unrestricted net position. The City's net position includes \$111,837,564 from Governmental Activities and \$209,290,366 from Business-Type Activities, as reported on the Statement of Net Position.

By far the largest portion of the City's net position (88.14%) reflect its investment in capital assets (e. g. land, buildings, machinery and equipment, vehicles, City infrastructure, etc.), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3.17%) represents resources that are subject to internal and external restrictions on how they may be used as well as non-spendable assets and funds committed for a specific use. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

In June 2020, the City experienced a cyber-attack through which the City's computer systems became infected with malicious software that encrypted data files and caused significant business disruption. The attacker then demanded a ransom be paid in exchange for decryption. The City contracted with an independent advisory services firm to respond to the incident, assist with the restoration process, and provide ongoing post-incident prevention services. The City expended approximately \$398,000, exclusive of additional internal personnel costs, to respond and recover from the cyber-attack. To limit exposure to losses related to a security/data breach and other claims, the City has subsequently purchased network security liability insurance with a \$1 million limit per claim and an annual aggregate limit of \$1 million, above a \$50,000 deductible per claim.

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

Governmental Activities

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

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

Revenues – Governmental Funds

	Fiscal Year 2020		Fiscal Year 2019		Change
Taxes					
Sales, Use, and Lodging Taxes	\$ 45,504,557	60.19%	\$ 40,824,385	61.02%	11.46%
Property Taxes and Equivalents	13,483,884	17.84%	12,581,115	18.81%	7.18%
Motor Fuel	1,235,975	1.63%	1,173,380	1.75%	5.33%
Alcoholic Beverages	1,145,691	1.52%	1,125,849	1.68%	1.76%
Other	971,943	1.29%	652,155	0.97%	49.04%
Licenses and Permits	3,701,774	4.90%	3,699,075	5.53%	0.07%
Court Fines and Forfeitures	1,058,565	1.40%	1,367,222	2.04%	-22.58%
Charges for Services	1,521,956	2.01%	1,628,383	2.43%	-6.54%
Intergovernmental	6,221,219	8.23%	2,963,695	4.43%	109.91%
Interest Revenues	239,405	0.32%	284,327	0.42%	-15.80%
Other	514,742	0.68%	602,161	0.90%	-14.52%
Total	<u>\$ 75,599,711</u>	<u>100.00%</u>	<u>\$ 66,901,747</u>	<u>100.00%</u>	<u>13.00%</u>

Sales and Use taxes are the largest revenue source for the City comprising 60.19% of total governmental revenues. Sales, Use, and Lodging Tax revenues increased from fiscal year September 30, 2019 to September 30, 2020 by \$4,680,172 or 11.46%. Property taxes are the second largest revenue source for the City comprising 17.84% of governmental revenues. For the year ended September 30, 2020, taxes of real property inside the City limits produced revenues of \$6,240,099 while personal property taxes for the period were \$644,871. Payments in lieu of property taxes paid by the Florence Utilities, the Florence Housing Authority, and the Tennessee Valley Authority produced \$6,598,914.

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

Expenditures – Governmental Funds

	Fiscal Year 2020		Fiscal Year 2019		Change
Current Operating					
General Administration	\$ 6,765,020	9.64%	\$ 6,262,381	9.44%	8.03%
Public Safety	22,243,618	31.70%	20,796,603	31.36%	6.96%
Public Works	6,038,157	8.61%	5,594,192	8.44%	7.94%
Culture and Recreation	7,448,750	10.62%	7,705,180	11.62%	-3.33%
Other	2,077,324	2.96%	1,961,980	2.96%	5.88%
Education	13,505,294	19.25%	12,795,334	19.29%	5.55%
Capital Outlay and Improvements	6,241,465	8.90%	6,546,933	9.87%	-4.67%
Debt Service					
Principal Payments	4,818,301	6.87%	3,391,970	5.11%	42.05%
Interest and Fiscal Charges	1,025,489	1.46%	1,263,268	1.90%	-18.82%
Total	<u>\$ 70,163,418</u>	<u>100.00%</u>	<u>\$ 66,317,841</u>	<u>100.00%</u>	<u>5.80%</u>

Analysis of the Governmental Funds

As of the end of the 2020 fiscal year, the City's governmental funds reported a combined ending fund balance of \$27,243,140. In the City's General Fund, the ending fund balance is \$20,268,600.

The General Fund's fund balance is 29.02% of the fiscal year's final revenue budget. This balance is set aside for unforeseen future emergencies such as natural disasters, decrease in economic conditions, emergency capital outlay requirements and other similar conditions. In fiscal year 2003, the City Council adopted legislation establishing a minimum fund balance for the General Fund at 15.00% of the total General Fund's budgeted revenue. The current fund balance exceeds this required minimum by \$9,791,225 or 93.45%.

For fiscal year 2020, the General Fund's Net Position increased by \$5,550,099 for the current fiscal year. Other Governmental Fund's Net Position increased by \$619,448 for a combined increase of \$6,169,547.

Changes in Fund Balance – Governmental Funds

	Governmental Funds		
	General	Other Governmental Funds	Total
Net Position-Beginning	\$ 14,718,501	\$ 6,355,092	\$ 21,073,593
Net Position-Ending	20,268,600	6,974,540	27,243,140
Net Change in Net Position	<u>\$ 5,550,099</u>	<u>\$ 619,448</u>	<u>\$ 6,169,547</u>

Net Position – Governmental Activities

	Governmental Activities Net Position			
	FY 2020	FY 2019	Variance	
			Dollars	Percent
Current Assets	\$ 46,064,637	\$ 37,437,037	\$ 8,627,600	23.05%
Restricted Assets	100,100	150,100	(50,000)	-33.31%
Capital Assets, Net	117,680,669	118,027,815	(347,146)	-0.29%
Total Assets	<u>\$ 163,845,406</u>	<u>\$ 155,614,952</u>	<u>\$ 8,230,454</u>	<u>5.29%</u>
Deferred Outflows of Resources	<u>\$ 9,375,493</u>	<u>\$ 4,733,668</u>	<u>\$ 4,641,825</u>	<u>98.06%</u>
Current Liabilities	\$ 13,832,998	\$ 12,581,936	\$ 1,251,062	9.94%
Long-term Liabilities	45,477,967	43,092,641	2,385,326	5.54%
Total Liabilities	<u>\$ 59,310,965</u>	<u>\$ 55,674,577</u>	<u>\$ 3,636,388</u>	<u>6.53%</u>
Deferred Inflows of Resources	<u>\$ 2,072,370</u>	<u>\$ 1,839,867</u>	<u>\$ 232,503</u>	<u>12.64%</u>
Net Investment in				
Capital Assets	\$ 94,231,669	\$ 90,972,896	\$ 3,258,773	3.58%
Restricted	3,737,374	2,780,016	957,358	34.44%
Unrestricted	13,868,521	9,081,264	4,787,257	52.72%
Total Net Position	<u>\$ 111,837,564</u>	<u>\$ 102,834,176</u>	<u>\$ 9,003,388</u>	<u>8.76%</u>

Changes in Net Position – Governmental Activities

Governmental Activities Changes in Net Position

	FY 2020	FY 2019	Variance	
			Dollars	Percent
General Revenues				
Taxes				
Sales, Use, and Lodging	\$ 45,504,557	\$ 40,824,385	\$ 4,680,172	11.46%
Property	13,483,884	12,581,115	902,769	7.18%
Motor Fuel	1,235,975	1,173,380	62,595	5.33%
Alcoholic Beverages	1,145,691	1,125,849	19,842	1.76%
Other	971,943	652,155	319,788	49.04%
Interest Revenues	271,451	347,631	(76,180)	-21.91%
Gain on Disposal of Assets	44,258	80,973	(36,715)	-45.34%
Total General Revenues	<u>\$ 62,657,759</u>	<u>\$ 56,785,488</u>	<u>\$ 5,872,271</u>	<u>10.34%</u>
Program Revenues				
Charges for Services	\$ 7,969,873	\$ 8,573,920	\$ (604,047)	-7.05%
Operating Grants and Contributions	3,104,879	775,532	2,329,347	300.35%
Capital Grants and Contributions	588,776	774,128	(185,352)	-23.94%
Total Program Revenues	<u>\$ 11,663,528</u>	<u>\$ 10,123,580</u>	<u>\$ 1,539,948</u>	<u>15.21%</u>
Total Revenues	<u>\$ 74,321,287</u>	<u>\$ 66,909,068</u>	<u>\$ 7,412,219</u>	<u>11.08%</u>
Governmental Expenses				
General Administration	\$ 7,339,084	\$ 6,743,369	\$ 595,715	8.83%
Public Safety	23,434,192	21,263,417	2,170,775	10.21%
Public Works	6,368,261	5,944,498	423,763	7.13%
Public Ways and Facilities	1,756,157	1,702,827	53,330	3.13%
Culture and Recreation	9,467,863	9,522,324	(54,461)	-0.57%
Other	2,520,607	1,961,980	558,627	28.47%
Education—Funding for School District	13,505,294	12,795,334	709,960	5.55%
Interest and Fiscal Charges	926,441	1,148,715	(222,274)	-19.35%
Total Expenses	<u>\$ 65,317,899</u>	<u>\$ 61,082,464</u>	<u>\$ 4,235,435</u>	<u>6.93%</u>
Change in Net Position	\$ 9,003,388	\$ 5,826,604	\$ 3,176,784	54.52%
Total Net Position - Beginning	<u>102,834,176</u>	<u>97,007,572</u>	<u>5,826,604</u>	<u>6.01%</u>
Total Net Position - Ending	<u>\$ 111,837,564</u>	<u>\$ 102,834,176</u>	<u>\$ 9,003,388</u>	<u>8.76%</u>

Business-Type Activities

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

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

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$3.1 million or 3.9%; Gas increased \$0.5 million or 1.2%; Water and Wastewater increased \$2.8 million or 3.2%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$1.8 million or 2.1%; Gas decreased \$0.5 million or 1.6%; Water and Wastewater decreased \$1.8 million or 1.6%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity decreased \$4.9 million or 3.9%; Gas decreased \$2.3 million or 14.5%; Water and Wastewater increased \$79,000 or 0.4%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$4.2 million or 3.4%; Gas decreased \$1.4 million or 9.8%; Water and Wastewater increased \$0.5 million or 3.3%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity decreased about \$105,900 or 29.1%; Gas decreased about \$92,700 or 37.6%; Water and Wastewater decreased about \$71,500 or 26.9%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity decreased \$23,900 or 9.7%; Gas remained at zero; Water and Wastewater decreased \$127,900 or 9.0%.

Electricity Department

The Electricity Department's net position increased from last year by \$3,090,400 or about 3.9%. 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 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 35,691,914	\$ 35,249,860	\$ 442,054	1.25%
Capital Assets, Net	89,612,068	87,769,917	1,842,151	2.10%
Other Noncurrent Assets	2,145,682	2,795,882	(650,200)	-23.26%
Total Assets	\$ 127,449,664	\$ 125,815,659	\$ 1,634,005	1.30%
Deferred Outflows of Resources	\$ 4,707,069	\$ 2,378,870	\$ 2,328,199	97.87%
Current Liabilities	\$ 26,436,922	\$ 27,162,785	\$ (725,863)	-2.67%
Noncurrent Liabilities	21,785,553	20,239,470	1,546,083	7.64%
Total Liabilities	\$ 48,222,475	\$ 47,402,255	\$ 820,220	1.73%
Deferred Inflows of Resources	\$ 1,148,470	\$ 1,096,886	\$ 51,584	4.70%
Net Investment in Capital Assets	\$ 83,643,256	\$ 81,415,804	\$ 2,227,452	2.74%
Restricted for Debt Service	948,213	953,065	(4,852)	-0.51%
Unrestricted	(1,805,681)	(2,673,481)	867,800	-32.46%
Total Net Position	\$ 82,785,788	\$ 79,695,388	\$ 3,090,400	3.88%

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

As the table below indicates, operating revenues decreased approximately \$4.9 million or about 3.9% from FY 2019. Cost of sales decreased by approximately \$6.9 million or about 7%. During FY 2020, 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 4.1% decrease in kilowatt-hours sold in FY 2020 compared to FY 2019. Operations expenses increased \$839,054 or 8.8% due to overhead line expenses and pension costs. Maintenance Costs increased approximately \$1.4 million or 22.4% due mainly to tree trimming expenses. The Electricity Department experienced a decrease in nonoperating revenues of \$105,893 or 29.1% and a decrease in nonoperating expenses by \$23,878 or about 9.7%.

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

	FY 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 122,177,564</u>	<u>\$ 127,077,219</u>	<u>\$ (4,899,655)</u>	<u>-3.86%</u>
Operating Expenses				
Cost of Sales	\$ 91,591,557	\$ 98,457,381	\$ (6,865,824)	-6.97%
Operations	10,413,582	9,574,528	839,054	8.76%
Maintenance	7,395,911	6,042,774	1,353,137	22.39%
Depreciation	5,785,622	5,407,027	378,595	7.00%
Taxes and Tax Equivalents	3,937,755	3,876,921	60,834	1.57%
Total Operating Expenses	<u>\$ 119,124,427</u>	<u>\$ 123,358,631</u>	<u>\$ (4,234,204)</u>	<u>-3.43%</u>
Operating Income	<u>\$ 3,053,137</u>	<u>\$ 3,718,588</u>	<u>\$ (665,451)</u>	<u>17.90%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 258,558	\$ 364,451	\$ (105,893)	-29.06%
Nonoperating Expenses	(221,295)	(245,173)	23,878	-9.74%
Total Nonoperating Revenues (Exp)	<u>\$ 37,263</u>	<u>\$ 119,278</u>	<u>\$ (82,015)</u>	<u>68.76%</u>
Change in Net Position	\$ 3,090,400	\$ 3,837,866	\$ (747,466)	19.48%
Total Net Position - Beginning	<u>79,695,388</u>	<u>75,857,522</u>	<u>3,837,866</u>	<u>5.06%</u>
Total Net Position - Ending	<u><u>\$ 82,785,788</u></u>	<u><u>\$ 79,695,388</u></u>	<u><u>\$ 3,090,400</u></u>	<u><u>3.88%</u></u>

Gas Department

The Gas Department's net position increased from last year by \$461,962 or about 1.2%. 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 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 20,981,219	\$ 19,838,999	\$ 1,142,220	5.76%
Capital Assets, Net	30,551,762	31,045,614	(493,852)	-1.59%
Total Assets	<u>\$ 51,532,981</u>	<u>\$ 50,884,613</u>	<u>\$ 648,368</u>	<u>1.27%</u>
Deferred Outflows of Resources	\$ 1,960,655	\$ 1,394,083	\$ 566,572	40.64%
Current Liabilities	\$ 914,734	\$ 903,202	\$ 11,532	1.28%
Noncurrent Liabilities	11,663,741	11,402,451	261,290	2.29%
Total Liabilities	<u>\$ 12,578,475</u>	<u>\$ 12,305,653</u>	<u>\$ 272,822</u>	<u>2.22%</u>
Deferred Inflows of Resources	\$ 1,202,554	\$ 722,398	\$ 480,156	66.47%
Net Investment in Capital Assets	\$ 30,551,762	\$ 31,045,614	\$ (493,852)	-1.59%
Unrestricted	9,160,845	8,205,031	955,814	11.65%
Total Net Position	<u>\$ 39,712,607</u>	<u>\$ 39,250,645</u>	<u>\$ 461,962</u>	<u>1.18%</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 decreased approximately \$2.3 million or about 14.5% from FY 2019. The Department had two rate changes in FY 2020. The Gas Department experienced an approximate 8.1% decrease in overall sales volume in FY 2020 compared to FY 2019. Cost of sales decreased by \$1.7 million or about 27.4% due to decreased sales caused by a milder winter. The Gas Department experienced a decrease in nonoperating revenues of \$92,679 or about 37.6% due to fewer sales of obsolete assets.

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

	FY 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 13,410,292	\$ 15,678,598	\$ (2,268,306)	-14.47%
Operating Expenses				
Cost of Sales	\$ 4,515,388	\$ 6,218,686	\$ (1,703,298)	-27.39%
Operations	3,184,969	3,261,325	(76,356)	-2.34%
Maintenance	2,218,962	1,968,695	250,267	12.71%
Depreciation and Amortization	1,662,617	1,571,022	91,595	5.83%
Taxes and Tax Equivalents	1,520,367	1,505,265	15,102	1.00%
Total Operating Expenses	\$ 13,102,303	\$ 14,524,993	\$ (1,422,690)	-9.79%
Operating Income	\$ 307,989	\$ 1,153,605	\$ (845,616)	-73.30%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 153,973	\$ 246,652	\$ (92,679)	-37.57%
Nonoperating Expenses	-	-	-	N/A
Total Nonoperating Revenues (Exp)	\$ 153,973	\$ 246,652	\$ (92,679)	-37.57%
Change in Net Position	\$ 461,962	\$ 1,400,257	\$ (938,295)	-67.01%
Total Net Position - Beginning	39,250,645	37,850,388	1,400,257	3.70%
Total Net Position - Ending	\$ 39,712,607	\$ 39,250,645	\$ 461,962	1.18%

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$2,752,137 or about 3.2%. 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 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 16,090,341	\$ 15,797,955	\$ 292,386	1.85%
Capital Assets, Net	108,912,715	110,691,945	(1,779,230)	-1.61%
Other Noncurrent Assets	6,024,590	5,940,947	83,643	1.41%
Total Assets	<u>\$ 131,027,646</u>	<u>\$ 132,430,847</u>	<u>\$ (1,403,201)</u>	<u>-1.06%</u>
Deferred Outflows of Resources	\$ 3,468,493	\$ 3,203,633	\$ 264,860	8.27%
Current Liabilities	\$ 7,487,958	\$ 6,585,150	\$ 902,808	13.71%
Noncurrent Liabilities	38,597,091	43,600,259	(5,003,168)	-11.48%
Total Liabilities	<u>\$ 46,085,049</u>	<u>\$ 50,185,409</u>	<u>\$ (4,100,360)</u>	<u>-8.17%</u>
Deferred Inflows of Resources	\$ 567,353	\$ 357,471	\$ 209,882	58.71%
Net Investment in Capital Assets	\$ 72,032,763	\$ 68,740,057	\$ 3,292,706	4.79%
Restricted for Debt Service	5,489,300	5,310,468	178,832	3.37%
Unrestricted	10,321,674	11,041,075	(719,401)	-6.52%
Total Net Position	<u>\$ 87,843,737</u>	<u>\$ 85,091,600</u>	<u>\$ 2,752,137</u>	<u>3.23%</u>

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

As the following table indicates, operating revenues increased \$78,860 or about 0.4% from FY 2019 revenues. Operating expenses increased \$532,686 or about 3.3%. The Water and Wastewater Department experienced a decrease in nonoperating revenues of \$71,479 or 26.9% due to lower interest rates. The Water and Wastewater Department experienced a decrease in nonoperating expenses of \$127,901 or about 9% due to a decrease in bond related costs.

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

	FY 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 20,328,927</u>	<u>\$ 20,250,067</u>	<u>\$ 78,860</u>	<u>0.39%</u>
Operating Expenses				
Water Treatment and Pumping	\$ 3,257,614	\$ 3,245,027	\$ 12,587	0.39%
Sewage Disposal	2,217,276	2,086,737	130,539	6.26%
Transmission and Distribution	1,529,080	1,486,521	42,559	2.86%
Accounting and Collections	1,156,643	1,096,873	59,770	5.45%
Administrative and General	2,538,127	2,310,861	227,266	9.83%
Depreciation	4,066,164	4,020,570	45,594	1.13%
Taxes and Tax Equivalents	1,714,089	1,699,718	14,371	0.85%
Total Operating Expenses	<u>\$ 16,478,993</u>	<u>\$ 15,946,307</u>	<u>\$ 532,686</u>	<u>3.34%</u>
Operating Income	<u>\$ 3,849,934</u>	<u>\$ 4,303,760</u>	<u>\$ (453,826)</u>	<u>-10.54%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 194,106	\$ 265,585	\$ (71,479)	-26.91%
Nonoperating Expenses	(1,291,903)	(1,419,804)	127,901	-9.01%
Total Nonoperating Revenues (Exp)	<u>\$ (1,097,797)</u>	<u>\$ (1,154,219)</u>	<u>\$ 56,422</u>	<u>-4.89%</u>
Income Before Contributions	\$ 2,752,137	\$ 3,149,541	\$ (397,404)	-12.62%
Capital Contributions	<u>-</u>	<u>508,500</u>	<u>(508,500)</u>	<u>-100.00%</u>
Change in Net Position	\$ 2,752,137	\$ 3,658,041	\$ (905,904)	-24.76%
Total Net Position-Beginning	<u>85,091,600</u>	<u>81,433,559</u>	<u>3,658,041</u>	<u>4.49%</u>
Total Net Position - Ending	<u>\$ 87,843,737</u>	<u>\$ 85,091,600</u>	<u>\$ 2,752,137</u>	<u>3.23%</u>

Financial Highlights – Solid Waste Fund – Sanitation and Recycling Departments

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

- The Solid Waste Fund had operating loss of \$810,094 and nonoperating income of \$172,201 for the fiscal year ended September 30, 2020.
- For fiscal year 2020, the Solid Waste Fund's Net Position decreased by \$637,893 from the Net Position for the current fiscal year.
- Of the Fund's \$5,444,493 in total liabilities, \$4,674,307 is noncurrent, which is reported as accrued landfill closure and postclosure care costs of \$2,094,316, accrued compensated absences of \$183,013, accrued net pension liability of \$1,391,541, and accrued total OPEB liability of \$1,005,437.
- The Solid Waste Fund's operating revenues increased \$166,739 or 3.02% from the prior year and operating expenses increased \$496,087 or 8.27%.
- Nonoperating revenues and capital contributions decreased by \$7,043 or 3.93%. Nonoperating revenue accounted for the change by decreasing \$13,947 or 20.55% from the prior year.
- Total assets and deferred outflows of resources of the Fund exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,054,337.
- The current fee schedule for waste collection and disposal was enacted by the City Council on March 5, 2013. Fully implemented in May 2013, the increase was applicable to both residential and commercial fees. There were no adjustments to this fee schedule during the current fiscal year.

The Solid Waste Fund's net position decreased from last year by \$637,893 or 23.69%. The table below focuses on the changes in net position for the fiscal year:

		Solid Waste Fund Net Position		Variance	
				Dollars	Percent
	FY 2020	FY 2019			
Current Assets	\$ 4,232,972	\$ 4,166,319	\$ 66,653		1.60%
Capital Assets, Net	2,598,065	2,707,870	(109,805)		-4.06%
Total Assets	\$ 6,831,037	\$ 6,874,189	\$ (43,152)		-0.63%
Deferred Outflows of Resources	\$ 949,325	\$ 174,071	\$ 775,254		445.37%
Current Liabilities	\$ 770,186	\$ 386,068	\$ 384,118		99.49%
Noncurrent Liabilities	4,674,307	3,723,180	951,127		25.55%
Total Liabilities	\$ 5,444,493	\$ 4,109,248	\$ 1,335,245		32.49%
Deferred Inflows of Resources	\$ 281,532	\$ 246,782	\$ 34,750		14.08%
Net Position					
Net Investment in Capital Assets	\$ 2,598,065	\$ 2,707,870	\$ (109,805)		-4.06%
Unrestricted	(543,728)	(15,640)	(528,088)		-3376.52%
Total Net Position	\$ 2,054,337	\$ 2,692,230	\$ (637,893)		-23.69%

As the following table indicates, the Solid Waste Fund's operating revenues decreased \$166,739 or 3.02% from the prior year and operating expenses increased \$496,087 or 8.27%:

		Solid Waste Fund Statement of Revenues, Expenses, and Changes in Fund Net Position		Variance	
				Dollars	Percent
	FY 2020	FY 2019			
Operating Revenues					
Garbage Service Fees	\$ 4,662,839	\$ 4,670,272	\$ (7,433)		-0.16%
Landfill Fees	414,905	236,790	178,115		75.22%
Recycling Revenue and Fees	604,288	607,208	(2,920)		-0.48%
Other Operating Revenues	2,884	3,907	(1,023)		-26.18%
Total Operating Revenues	\$ 5,684,916	\$ 5,518,177	\$ 166,739		3.02%
Operating Expenses					
Sanitation	\$ 5,160,161	\$ 4,768,018	\$ 392,143		8.22%
Recycling	1,334,849	1,230,905	103,944		8.44%
Total Operating Expenses	\$ 6,495,010	\$ 5,998,923	\$ 496,087		8.27%
Operating Income (Loss)	\$ (810,094)	\$ (480,746)	\$ (329,348)		-68.51%
Nonoperating Revenues	53,923	67,870	(13,947)		-20.55%
Capital Contributions	118,278	111,374	6,904		6.20%
Change in Net Position	\$ (637,893)	\$ (301,502)	\$ (336,391)		-111.57%
Total Net Position-Beginning	2,692,230	2,993,732	(301,502)		-10.07%
Total Net Position-Ending	\$ 2,054,337	\$ 2,692,230	\$ (637,893)		-23.69%

BUDGETARY HIGHLIGHTS

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

Governmental Funds

Budgetary Comparison Schedule - The City adopts an annual appropriated budget for its general fund. The City Council adopted the General Fund's fiscal year 2019 – 2020 budget on October 1, 2019. This original budget was revised four times during the fiscal year due to a sales tax increase. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

In summary, General Fund total revenues exclusive of budgetary fund balance were \$72,717,461 compared to the final budget of \$69,849,164. Total expenditures and appropriations for the period were \$67,167,362 compared to the final budget of \$69,329,986.

	General Fund Budgetary Comparison Schedule			Variance With Final Budget	
	Original Budget	Final Budget	Actual	Dollars	Percent
Budgetary Net Position-Beginning Resources (Inflows)	\$ 14,718,501	\$ 14,718,501	\$ 14,718,501	\$ -	-
Taxes	60,445,514	58,865,903	61,547,153	2,681,250	4.55%
Licenses and Permits	3,733,321	3,676,321	3,701,774	25,453	0.69%
Fines and Forfeitures	1,390,500	997,500	1,058,565	61,065	6.12%
Charges for Services	1,797,400	1,263,740	1,521,956	258,216	20.43%
Intergovernmental	1,817,397	4,885,700	4,698,506	(187,194)	-3.83%
Other	230,000	160,000	189,507	29,507	18.44%
Amounts Available for Appropriation	<u>\$ 84,132,633</u>	<u>\$ 84,567,665</u>	<u>\$ 87,435,962</u>	<u>\$ 2,868,297</u>	<u>3.39%</u>
Charges to Appropriations (Outflows)					
General Administration	\$ 6,403,186	\$ 6,403,186	\$ 5,904,041	\$ 499,145	7.80%
Public Safety	22,024,530	22,448,516	21,945,302	503,214	2.24%
Public Works	5,846,292	5,858,892	5,580,852	278,040	4.75%
Culture and Recreation	8,136,755	8,136,755	7,428,971	707,784	8.70%
Non-Departmental	26,912,516	26,482,637	26,308,196	174,441	0.66%
Total Charges to Appropriations	<u>\$ 69,323,279</u>	<u>\$ 69,329,986</u>	<u>\$ 67,167,362</u>	<u>\$ 2,162,624</u>	<u>3.12%</u>
Budgetary Fund Balance-Ending	<u>\$ 14,809,354</u>	<u>\$ 15,237,679</u>	<u>\$ 20,268,600</u>	<u>\$ 5,030,921</u>	<u>33.02%</u>

Business-Type Activities

As required, the City Council adopts a budget for each enterprise fund comprising the Florence Utilities. The FY 2020 original budgets for the Gas and Water and Wastewater Departments were adopted on June 18, 2019. The original budget for the Electricity Department was adopted on August 6, 2019. The FY 2020 amended budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were adopted on October 1, 2019. 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, 2020

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 128,195,000	\$ 122,177,564	\$ (6,017,436)	-4.69%
Operating Expenses	127,104,450	119,124,427	7,980,023	6.28%
Operating Income	\$ 1,090,550	\$ 3,053,137	\$ 1,962,587	179.96%
Nonoperating Revenues (Expenses)	159,500	37,263	(122,237)	-76.64%
Change in Net Position	\$ 1,250,050	\$ 3,090,400	\$ 1,840,350	147.22%
Total Net Position - Beginning	79,695,388	79,695,388		
Total Net Position - Ending	\$ 80,945,438	\$ 82,785,788	\$ 1,840,350	2.27%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$1,840,350 or approximately 147.2%. 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, pension expenses 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, 2020

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 17,020,000	\$ 13,410,292	\$ (3,609,708)	-21.21%
Operating Expenses	16,711,100	13,102,303	3,608,797	21.60%
Operating Income	\$ 308,900	\$ 307,989	\$ (911)	-0.29%
Nonoperating Revenues (Expenses)	122,000	153,973	31,973	26.21%
Change in Net Position	\$ 430,900	\$ 461,962	\$ 31,062	7.21%
Total Net Position - Beginning	39,250,645	39,250,645		
Total Net Position - Ending	\$ 39,681,545	\$ 39,712,607	\$ 31,062	0.08%

The Gas Department exceeded the budgeted Change in Net Position by \$31,062, or approximately 7.2%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The most significant variances were decreases in sales revenues and cost of sales and an increase in employee benefits.

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, 2020

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 20,837,100	\$ 20,328,927	\$ (508,173)	-2.44%
Operating Expenses	16,590,200	16,478,993	111,207	0.67%
Operating Income	\$ 4,246,900	\$ 3,849,934	\$ (396,966)	-9.35%
Nonoperating Revenues (Expenses)	(1,161,800)	(1,097,797)	64,003	5.51%
Change in Net Position	\$ 3,085,100	\$ 2,752,137	\$ (332,963)	-10.79%
Total Net Position - Beginning	85,091,600	85,091,600		
Total Net Position - Ending	\$ 88,176,700	\$ 87,843,737	\$ (332,963)	-0.38%

The Water and Wastewater Department did not meet the budgeted Change in Net Position by \$332,963, or approximately 10.8%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances were operating revenues and administrative and general expenses.

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the fiscal budget for the Solid Waste Fund on October 01, 2019. The budget was not amended and served as the final budget for the entire fiscal year. On a monthly basis the Mayor, City Council, and the Department Heads are provided management reports including a budget comparison statement. As needed, the Department Heads meet with the Mayor and City Treasurer to review their year-to-date financial performance and their needs for the remainder of the fiscal year. A budget comparison schedule is included in the Required Supplementary Information of this report.

Solid Waste Fund Schedule of Revenues, Expenses, and Changes in Fund Net Position- Budget and Actual (GAAP Budgetary Basis) For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance	
				Dollars	Percent
Operating Revenues					
Garbage Service Fees	\$ 4,715,485	\$ 4,715,485	\$ 4,662,839	\$ (52,646)	-1.12%
Landfill Fees	250,000	250,000	414,905	164,905	65.96%
Recycling Revenue and Fees	796,000	796,000	604,288	(191,712)	-24.08%
Other Operating Revenues	5,000	5,000	2,884	(2,116)	-42.32%
Total Operating Revenues	\$ 5,766,485	\$ 5,766,485	\$ 5,684,916	\$ (81,569)	-1.41%
Operating Expenses					
Sanitation	\$ 5,113,783	\$ 5,113,783	\$ 5,160,161	\$ (46,378)	-0.91%
Recycling	1,121,989	1,121,989	1,334,849	(212,860)	-18.97%
Total Operating Expenses	\$ 6,235,772	\$ 6,235,772	\$ 6,495,010	\$ (259,238)	-4.16%
Operating Income (Loss)	\$ (469,287)	\$ (469,287)	\$ (810,094)	\$ (340,807)	-72.62%
Nonoperating Revenues	50,000	50,000	53,923	3,923	-7.85%
Capital Contributions			118,278	118,278	100.00%
Change in Net Position	\$ (419,287)	\$ (419,287)	\$ (637,893)	\$ (218,606)	-52.14%

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of Fiscal Year 2020, capital assets comprised the majority of each fund's assets. The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of September 30, 2020 amounted to \$349,355,279.

Governmental Activities

	Governmental Activities Capital Assets, Net			
	2020	2019	Variance	
			Dollars	Percent
Land	\$ 8,227,318	\$ 8,227,318	\$ -	0.00%
Construction in Progress	4,436,316	9,012,455	(4,576,139)	-50.78%
Land Improvements	26,489,417	26,489,417	-	0.00%
Accumulated Depreciation	(16,470,662)	(15,445,406)	(1,025,256)	-6.64%
Buildings	42,897,963	41,278,745	1,619,218	3.92%
Accumulated Depreciation	(21,152,486)	(20,569,304)	(583,182)	-2.84%
Equipment and Vehicles	27,443,870	26,460,877	982,993	3.71%
Accumulated Depreciation	(22,748,186)	(21,647,078)	(1,101,108)	-5.09%
Infrastructure	178,375,444	171,638,004	6,737,440	3.93%
Accumulated Depreciation	(109,818,325)	(107,417,213)	(2,401,112)	-2.24%
Net Capital Assets	<u>\$ 117,680,669</u>	<u>\$ 118,027,815</u>	<u>\$ (347,146)</u>	<u>-0.29%</u>

Major capital additions for the fiscal year include expenditures for purchase of vehicles and capital equipment of \$1,468,501 and infrastructure of \$6,737,440. In addition to those capital assets added during the fiscal year, at September 30, 2020, \$4,436,316 of capital projects are incomplete and recorded as construction in progress.

Business-Type Activities

Electricity Department

Electricity Department Capital Assets, Net FY 2020

	FY 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 185,197,910	\$ 181,104,143	\$ 4,093,767	2.26%
Construction in Progress	1,612,068	624,903	987,165	157.97%
Less: Accumulated Depreciation	(97,197,910)	(93,959,129)	(3,238,781)	3.45%
Net Utility Plant	<u>\$ 89,612,068</u>	<u>\$ 87,769,917</u>	<u>\$ 1,842,151</u>	<u>2.10%</u>

As the above table shows, the Electricity Department experienced a 2.1% increase in net utility plant. The Department plans to finance capital expenditures in FY 2021 through cash generated from current operations and cash reserves.

Gas Department

Gas Department Capital Assets, Net FY 2020

	FY 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 59,350,992	\$ 58,871,060	\$ 479,932	0.82%
Acquisition Adjustment (net of amortization)	115,496	126,158	(10,662)	-8.45%
Construction in Progress	130,070	27,192	102,878	378.34%
Less: Accumulated Depreciation	(29,044,796)	(27,978,796)	(1,066,000)	3.81%
Net Utility Plant	<u>\$ 30,551,762</u>	<u>\$ 31,045,614</u>	<u>\$ (493,852)</u>	<u>-1.59%</u>

As the above table shows, the Gas Department decreased net utility plant by 1.6%. The Department plans to finance capital expenditures in FY 2021 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department Capital Assets, Net FY 2020

	FY 2020	FY 2019	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 181,107,106	\$ 180,485,879	\$ 621,227	0.34%
Construction in Progress	1,819,357	299,872	1,519,485	506.71%
Less: Accumulated Depreciation	(74,013,748)	(70,093,806)	(3,919,942)	5.59%
Net Utility Plant	<u>\$ 108,912,715</u>	<u>\$ 110,691,945</u>	<u>\$ (1,779,230)</u>	<u>-1.61%</u>

As the above table shows, the Water and Wastewater Department decreased net utility plant by 1.6%. The Department plans to finance capital expenditures in FY 2021 with cash reserves, cash generated from current operations, and SRF loan proceeds.

Solid Waste Fund – Sanitation and Recycling Departments

At the end of fiscal year 2020, net capital assets comprised 38.03% of the Fund's total assets. Capital assets are maintained in six distinct asset categories: land, landfill improvements, buildings, equipment, vehicles, and construction in progress. Capital assets are recorded at cost and depreciated over their useful life using the straight-line method of depreciation.

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

	Solid Waste Fund		Capital Assets, Net	
	FY 2020	FY 2019	Variance	
			Dollars	Percent
Land	\$ 204,353	\$ 204,353	\$ -	0.00%
Land Improvements	3,701,171	3,701,171	-	0.00%
Accumulated Depreciation	(3,588,787)	(3,583,357)	(5,430)	0.15%
Construction in Progress	60,295	-	60,295	100.00%
Buildings	1,115,802	1,115,802	-	0.00%
Accumulated Depreciation	(629,501)	(608,519)	(20,982)	3.45%
Equipment	6,532,664	6,258,500	274,164	4.38%
Accumulated Depreciation	(5,361,096)	(5,271,769)	(89,327)	1.69%
Vehicles	4,616,900	4,616,900	-	0.00%
Accumulated Depreciation	(4,053,736)	(3,725,211)	(328,525)	8.82%
Net Capital Assets	<u>\$ 2,598,065</u>	<u>\$ 2,707,870</u>	<u>\$ (109,805)</u>	<u>-4.06%</u>

LONG-TERM DEBT

Governmental Activities

At the end of the 2020 fiscal year, the Governmental Activities of the City had total long-term debt of \$28,245,372. This debt is serviced by revenues from governmental activities.

The City issued new General Obligation Taxable Warrants to partially refund the City's 2013-B issue. Moody's Investors Service assigned an Aa3 rating to the City. Standard & Poor's has assigned the City an AA- credit rating.

In addition to the City's outstanding general obligation debt, \$3,604,612 has been accrued for employee compensated absences (unused annual leave/sick leave) and \$3,178,774 has been accrued as an actuarially determined claims reserve in the Internal Service Funds.

Business-Type Activities

During FY 2020, 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 2020.

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 2020, the Electricity Department exceeded that requirement at about 21.67 times. The Department does not anticipate issuing new debt in FY 2021.

Gas Department

The Gas Department did not have any outstanding debt issues in FY 2020. The Department does not have any plans to issue any new debt in FY 2021.

Water and Wastewater Department

The Water and Wastewater Department had seven 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 2010-A, interest rate 2.61%, (2) Water and Sewer Revenue Warrants, SRF Series 2010-B, interest rate 2.57%, (3) Water and Sewer Revenue Warrants, SRF Series 2010-C, interest rate 2.57%, (4) Water and Sewer Revenue Warrants, SRF Series 2010-D, interest rate 2.57%, (5) Water and Sewer Revenue Warrants, Series 2011, interest rates ranging from 3.25% to 5%, (6) Water and Sewer Revenue Warrants, SRF Series 2013, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter, and (7) Water and Sewer Revenue Warrants, Series 2017, interest rates ranging from 2.00% to 4.00%. The SRF warrants were issued through a federally funded (EPA) loan program to states for wastewater improvements. In Alabama, this program is administered by ADEM. The 2011 Series is insured by Assured Guaranty Municipal Corp. The Department received an Aa3 (Negative Outlook) with an A1 (underlying rating) from Moody's at its issue. The Department received an AA+ (Stable Outlook) with an AA- (underlying rating) from Standard & Poor's at its issue. The Series 2017 is insured by Build America Mutual Assurance Company. The Series 2017 was issued to refinance the SRF Series 2006, SRF Series 2007 and \$20,110,000 of the Series 2011 warrants taking advantage of more favorable interest rates. The Water and Sewer Revenue Warrants, Series 2017 were issued with a rating of A1 by Moody's and AA- Stable, AA (Insured) by S&P. The 2011 and 2017 issues require that the Water and Wastewater Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2020, the Water and Wastewater Department exceeded that requirement at about 1.47 times. The Department does anticipate borrowing SRF funds in FY 2021.

Solid Waste Fund – Sanitation and Recycling Departments

At the close of fiscal year 2020, the Solid Waste Fund had no debt other than routine operating liabilities (\$623,026), customer deposits (\$25,151), accrued liability for employee annual and sick leave (\$305,022), non-current liabilities including net pension liability (\$1,391,541), total OPEB liability (\$1,005,437), and an accrual for landfill closure and post-closure care costs (\$2,094,316).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Governmental Activities

The City of Florence General Fund budget appropriates money used to provide a broad range of governmental activities involving protective and convenience-related services. As stated earlier in this MD&A, these activities include general government, public safety, public works, and cultural and recreational services. The City Council adopted the General Fund's fiscal year 2020–2021 budget on October 13, 2020.

The fiscal year 2020–2021 budgeted revenue and expenditures are conservatively based on the prior year's actual performance. Revenue is budgeted at \$70,349,400. This is an increase of \$935,268 or 1.33% compared to the previous fiscal year's final budget. Expenditures including appropriations are budgeted at \$70,293,384. This is an increase of \$970,102 or 1.38% compared to the prior year's final budget.

Business-Type Activities

Electricity, Gas, Water and Wastewater Departments

The Florence MSA's unemployment rate was 5.3% for August 2020 and 3.2% for August 2019. The State of Alabama's unemployment rate was 5.6% for August 2020 and 3.1% for August 2019. 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 2021 through October 2020 for electricity have decreased from the same period last year by 8.6%. Sales in dekatherms to natural gas customers for the period from July 2020 through October 2020 as compared to sales for the same period in the previous fiscal year, have decreased approximately 5.2%. FY 2021 sales revenues from water and wastewater operations through October 2020 have decreased about 3.7% from the same period in FY 2020.

The City Council adopted the Gas Department's and the Water and Wastewater Department's FY 2021 budgets on May 19, 2020. The City Council adopted the Electricity Department's FY 2021 budget on August 18, 2020. These budgets have not been amended to date.

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 January 2020. The volatility of natural gas makes this ability for quick rate action important for the Department's financial health.

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

Solid Waste Fund – Sanitation and Recycling Departments

The City Council adopted the Solid Waste Fund's fiscal year 2021 budget on October 13, 2020. The fiscal year 2021 budget has expected combined revenues of \$6,988,478 and expenses of \$6,448,742. As adopted, the budget would yield an increase in net position of \$539,736. On October 13, 2020, the City Council also voted an increase in Solid Waste Fees. Residential garbage rates had a one-time increase and Commercial rates will increase over a two-year period. The City has ceased municipal solid waste operations at the landfill. The City's remaining landfill space is used for the disposal of construction waste and debris. The life of the landfill for construction waste and debris has been estimated to not reach capacity until 2051.

REQUESTS FOR INFORMATION

Governmental and Business-Type Activities

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

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

Component Units

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

CITY OF FLORENCE, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 35,128,327	\$ 49,448,474	\$ 84,576,801	\$ 2,363,563
Investments			—	3,872,801
Amounts held by the Foundation			—	4,226,192
Receivables (net)	7,452,013	15,126,062	22,578,075	
Accrued interest receivable	4,410	40,823	45,233	
Loan receivables (net)	245,400		245,400	
Internal balances	3,106,103	(3,106,103)	—	
Inventories	128,384	3,470,078	3,598,462	
Prepaid expenses		8,911,009	8,911,009	
Restricted assets:				
Cash and investments	100,100	6,870,789	6,970,889	
Conservation loans receivables		1,182,602	1,182,602	
Capital assets (net)	117,680,669	231,674,610	349,355,279	484,458
Prepaid debt related costs (net)		116,881	116,881	
Total assets	\$ 163,845,406	\$ 313,735,225	\$ 477,580,631	\$ 10,947,014
DEFERRED OUTFLOWS OF RESOURCES				
Deferred expense on refunding debt	\$ 1,191,760	\$ 1,828,938	\$ 3,020,698	\$
Pensions	7,945,873	7,944,617	15,890,490	177,301
OPEB obligations	237,860	1,311,987	1,549,847	
Total deferred outflows of resources	\$ 9,375,493	\$ 11,085,542	\$ 20,461,035	\$ 177,301
LIABILITIES				
Accounts payable and accrued expenses	\$ 8,403,754	\$ 18,524,950	\$ 26,928,704	\$ 38,820
Amounts held on behalf of the Library			—	4,218,140
Customer deposits		9,488,788	9,488,788	
Liabilities payable from restricted assets:				
Accrued interest		433,276	433,276	
Advances for conservation loans		1,242,088	1,242,088	
Long-term liabilities:				
Portion due or payable within one year:				
Warrants and notes payable	3,987,399	5,788,781	9,776,180	
Compensated absences	1,441,845	1,374,005	2,815,850	9,037
Portion due or payable after one year:				
Warrants and notes payable	20,653,361	38,888,921	59,542,282	
Compensated absences	2,162,767	2,061,008	4,223,775	
Net pension liability	17,178,840	19,203,920	36,382,760	292,834
Total OPEB liability	2,304,225	13,230,439	15,534,664	
Claims reserve	3,178,774		3,178,774	
Accrued landfill closure and postclosure care costs		2,094,316	2,094,316	
Total liabilities	\$ 59,310,965	\$ 112,330,492	\$ 171,641,457	\$ 4,558,831
DEFERRED INFLOWS OF RESOURCES				
Pensions	\$ 1,068,894	\$ 1,059,329	\$ 2,128,223	\$ 101,882
OPEB obligations	1,003,476	2,140,580	3,144,056	
Total deferred inflows of resources	\$ 2,072,370	\$ 3,199,909	\$ 5,272,279	\$ 101,882
NET POSITION				
Net investment in capital assets	\$ 94,231,669	\$ 188,825,846	\$ 283,057,515	\$ 484,458
Restricted for:				
Debt service		6,437,513	6,437,513	
Street resurfacing and improvements	1,180,369		1,180,369	
Public safety	579,255		579,255	
Capital projects	1,854,063		1,854,063	
Other purposes—expendable	123,687		123,687	1,159
Other purposes—nonexpendable			—	2,000,000
Unrestricted	13,868,521	14,027,007	27,895,528	3,977,985
Total net position	\$ 111,837,564	\$ 209,290,366	\$ 321,127,930	\$ 6,463,602

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



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**CITY OF FLORENCE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General administration	\$ 7,339,084	\$ 5,251,232	\$	\$	\$ (2,087,852)		\$ (2,087,852)	
Public safety	23,434,192	1,250,514	2,227,677	47,762	(19,908,239)		(19,908,239)	
Public works	6,368,261	82,611	555,763		(5,729,887)		(5,729,887)	
Public ways and facilities	1,756,157			535,257	(1,220,900)		(1,220,900)	
Culture and recreation	9,467,863	1,385,516	44,091	5,757	(8,032,499)		(8,032,499)	
Other	2,520,607		277,348		(2,243,259)		(2,243,259)	
Education—funding for school district	13,505,294				(13,505,294)		(13,505,294)	
Interest and fiscal charges	926,441				(926,441)		(926,441)	
Total governmental activities	<u>\$ 65,317,899</u>	<u>\$ 7,969,873</u>	<u>\$ 3,104,879</u>	<u>\$ 588,776</u>	<u>\$ (53,654,371)</u>		<u>\$ (53,654,371)</u>	
Business-type activities:								
Electricity	\$ 119,272,820	\$ 122,260,283	\$	\$	\$	\$ 2,987,463	\$ 2,987,463	
Gas	13,072,155	13,422,083				349,928	349,928	
Water and wastewater	17,763,620	20,328,927				2,565,307	2,565,307	
Solid waste	6,479,084	5,684,916		118,278		(675,890)	(675,890)	
Total business-type activities	<u>\$ 156,587,679</u>	<u>\$ 161,696,209</u>	<u>\$ —</u>	<u>\$ 118,278</u>	<u>\$ —</u>	<u>\$ 5,226,808</u>	<u>\$ 5,226,808</u>	
Total primary government	<u>\$ 221,905,578</u>	<u>\$ 169,666,082</u>	<u>\$ 3,104,879</u>	<u>\$ 707,054</u>	<u>\$ (53,654,371)</u>	<u>\$ 5,226,808</u>	<u>\$ (48,427,563)</u>	
Component units:								
All	<u>\$ 1,287,983</u>	<u>\$ 22,296</u>	<u>\$ 1,109,554</u>	<u>\$ —</u>				<u>\$ (156,133)</u>
General revenues:								
Taxes:								
Sales, use, and lodging					\$ 45,504,557	\$	\$ 45,504,557	\$
Property					13,483,884		13,483,884	
Motor fuel					1,235,975		1,235,975	
Alcoholic beverages					1,145,691		1,145,691	
Other					971,943		971,943	
Interest revenues					271,451	485,983	757,434	296,965
Gain on disposal of capital assets					44,258	43,052	87,310	
Total general revenues					<u>\$ 62,657,759</u>	<u>\$ 529,035</u>	<u>\$ 63,186,794</u>	<u>\$ 296,965</u>
Change in net position					\$ 9,003,388	\$ 5,755,843	\$ 14,759,231	\$ 140,832
Net position—beginning					102,834,176	203,534,523	306,368,699	6,322,770
Net position—ending					<u>\$ 111,837,564</u>	<u>\$ 209,290,366</u>	<u>\$ 321,127,930</u>	<u>\$ 6,463,602</u>

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

**CITY OF FLORENCE, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 21,933,802	\$ 7,454,145	\$ 29,387,947
Receivables (net)	6,330,505	344,828	6,675,333
Accrued interest receivable	3,126	438	3,564
Loan receivables (net)	58,782	186,618	245,400
Interfund receivables	935,595	624,859	1,560,454
Inventories	128,384		128,384
Total assets	<u>\$ 29,390,194</u>	<u>\$ 8,610,888</u>	<u>\$ 38,001,082</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 7,061,139	\$ 1,177,515	\$ 8,238,654
Compensated absences	1,441,845		1,441,845
Interfund payables	618,610	458,833	1,077,443
Total liabilities	<u>\$ 9,121,594</u>	<u>\$ 1,636,348</u>	<u>\$ 10,757,942</u>
Fund balances			
Nonspendable:			
Inventories	\$ 128,384	\$	\$ 128,384
Loan receivables	58,782	186,618	245,400
Restricted for:			
Street resurfacing and improvements		1,180,369	1,180,369
Culture and recreation		23,587	23,587
Public safety		579,255	579,255
Capital projects		1,854,063	1,854,063
Assigned to:			
Capital projects	4,500,000	3,126,336	7,626,336
Unassigned	15,581,434	25,068	15,606,502
Total fund balances	<u>\$ 20,268,600</u>	<u>\$ 6,974,540</u>	<u>\$ 27,243,140</u>
Total liabilities and fund balances	<u>\$ 29,390,194</u>	<u>\$ 8,610,888</u>	<u>\$ 38,001,082</u>

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

CITY OF FLORENCE, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total fund balances—governmental funds	\$	27,243,140
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.		
Governmental capital assets	\$ 287,870,328	
Accumulated depreciation	<u>(170,189,659)</u>	117,680,669
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Governmental warrants payable	\$ (23,970,000)	
Unamortized debt discount and premium	(670,760)	
Compensated absences	(2,162,767)	
Pensions	(17,178,840)	
OPEB obligations	<u>(2,304,225)</u>	(46,286,592)
Deferred outflows of resources related to pensions, OPEB obligations, and bond refunding are not reported in governmental funds.		
Pensions	\$ 7,945,873	
OPEB obligations	237,860	
Refunding debt	<u>1,191,760</u>	9,375,493
Deferred inflows of resources related to pensions and OPEB obligations are not reported in governmental funds.		
Pensions	\$ (1,068,894)	
OPEB obligations	<u>(1,003,476)</u>	(2,072,370)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		
		<u>5,897,224</u>
Net position of governmental activities	\$	<u><u>111,837,564</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 61,547,153	\$ 794,897	\$ 62,342,050
Licenses and permits	3,701,774		3,701,774
Fines and forfeitures	1,058,565		1,058,565
Charges for services	1,521,956		1,521,956
Intergovernmental	4,698,506	1,522,713	6,221,219
Interest revenues	142,757	96,648	239,405
Other	46,750	467,992	514,742
Total revenues	<u>\$ 72,717,461</u>	<u>\$ 2,882,250</u>	<u>\$ 75,599,711</u>
EXPENDITURES			
Current operating:			
General administration	\$ 5,904,041	\$ 860,979	\$ 6,765,020
Public safety	21,945,302	298,316	22,243,618
Public works	5,580,852	457,305	6,038,157
Culture and recreation	7,428,971	19,779	7,448,750
Other	1,428,407	648,917	2,077,324
Education—funding for school district	9,990,484	3,514,810	13,505,294
Capital outlay and improvements	3,749,274	2,492,191	6,241,465
Debt service:			
Principal payments		4,818,301	4,818,301
Interest and fiscal charges		1,025,489	1,025,489
Total expenditures	<u>\$ 56,027,331</u>	<u>\$ 14,136,087</u>	<u>\$ 70,163,418</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 16,690,130</u>	<u>\$ (11,253,837)</u>	<u>\$ 5,436,293</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ —	\$ 15,608,353	\$ 15,608,353
Proceeds from refunding warrants		12,050,000	12,050,000
Discount on debt issuance		(117,488)	(117,488)
Payment to refunded debt escrow agent		(11,199,258)	(11,199,258)
Transfers out	(11,140,031)	(4,468,322)	(15,608,353)
Total other financing sources (uses)	<u>\$ (11,140,031)</u>	<u>\$ 11,873,285</u>	<u>\$ 733,254</u>
Net change in fund balances	<u>\$ 5,550,099</u>	<u>\$ 619,448</u>	<u>\$ 6,169,547</u>
Fund balances—beginning	<u>14,718,501</u>	<u>6,355,092</u>	<u>21,073,593</u>
Fund balances—ending	<u>\$ 20,268,600</u>	<u>\$ 6,974,540</u>	<u>\$ 27,243,140</u>

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

**CITY OF FLORENCE, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Total net change in fund balances—governmental funds	\$	6,169,547
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlays	\$ 7,312,256	
Current year depreciation expense	<u>(5,905,651)</u>	1,406,605
<p>In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the disposal increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.</p>		
		(1,753,752)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred on the statement of net position and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below:</p>		
Repayments of debt principal	\$ 4,818,301	
Proceeds from issuance of capital-related debt	(12,050,000)	
Payment to refunded debt escrow agent	11,199,258	
Discount on debt issuance	117,488	
Amortization of debt discount, premium, and deferred expense on refunding debt	<u>99,047</u>	4,184,094
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in long-term compensated absences	\$ (137,358)	
Pensions	(840,208)	
OPEB obligations	<u>(142,865)</u>	(1,120,431)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.</p>		
		<u>117,325</u>
Change in net position of governmental activities	\$	<u><u>9,003,388</u></u>

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

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

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2020	June 30, 2020	June 30, 2020	September 30, 2020		September 30, 2020
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 14,391,867	\$ 18,390,507	\$ 12,950,849	\$ 3,715,251	\$ 49,448,474	\$ 5,740,380
Receivables (net)	12,190,220	635,222	1,818,510	482,110	15,126,062	776,680
Accrued interest receivable	652	22,066	18,105		40,823	846
Inventories	1,893,198	760,522	780,747	35,611	3,470,078	
Prepaid expenses	7,215,977	1,172,902	522,130		8,911,009	
Total current assets	\$ 35,691,914	\$ 20,981,219	\$ 16,090,341	\$ 4,232,972	\$ 76,996,446	\$ 6,517,906
Noncurrent assets:						
Restricted assets:						
Cash and investments	\$ 963,080	\$	\$ 5,907,709	\$	\$ 6,870,789	\$ 100,100
Receivables from customers for conservation loans	1,182,602				1,182,602	
Capital assets:						
Utility plant in service (at cost)	185,197,910	59,350,992	181,107,106	16,170,890	441,826,898	
Acquisition adjustment (net of amortization)		115,496			115,496	
Construction in progress	1,612,068	130,070	1,819,357	60,295	3,621,790	
Less: accumulated depreciation	97,197,910	29,044,796	74,013,748	13,633,120	213,889,574	
Prepaid debt related costs (net)			116,881		116,881	
Total noncurrent assets	\$ 91,757,750	\$ 30,551,762	\$ 114,937,305	\$ 2,598,065	\$ 239,844,882	\$ 100,100
Total assets	\$ 127,449,664	\$ 51,532,981	\$ 131,027,646	\$ 6,831,037	\$ 316,841,328	\$ 6,618,006
DEFERRED OUTFLOWS OF RESOURCES						
Deferred expense on refunding debt	\$	\$	\$ 1,828,938	\$	\$ 1,828,938	\$
Pensions	4,297,389	1,280,160	1,516,887	850,181	7,944,617	
OPEB obligations	409,680	680,495	122,668	99,144	1,311,987	
Total deferred outflows of resources	\$ 4,707,069	\$ 1,960,655	\$ 3,468,493	\$ 949,325	\$ 11,085,542	\$ —

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2020	June 30, 2020	June 30, 2020	September 30, 2020		September 30, 2020
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 15,917,840	\$ 676,548	\$ 1,307,536	\$ 623,026	\$ 18,524,950	\$ 165,100
Interfund payables					—	483,011
Compensated absences—payable within one year	651,777	238,186	362,033	122,009	1,374,005	
Customer deposits	9,462,137		1,500	25,151	9,488,788	
Total current liabilities	\$ 26,031,754	\$ 914,734	\$ 1,671,069	\$ 770,186	\$ 29,387,743	\$ 648,111
Liabilities payable from restricted assets:						
Revenue warrants—payable within one year	\$ 390,000		\$ 5,360,000		\$ 5,750,000	\$
Unamortized debt premium (discount), net	301		38,480		38,781	
Accrued interest	14,867		418,409		433,276	
Total liabilities payable from restricted assets	\$ 405,168	\$ —	\$ 5,816,889	\$ —	\$ 6,222,057	\$ —
Noncurrent liabilities:						
Revenue warrants—payable after one year	\$ 5,575,000		\$ 32,730,000		\$ 38,305,000	\$
Unamortized debt premium (discount), net	3,511		580,410		583,921	
Advances from TVA for conservation loans	1,242,088				1,242,088	
Compensated absences—payable after one year	977,666	357,278	543,051	183,013	2,061,008	
Net pension liability	9,842,990	4,411,315	3,558,074	1,391,541	19,203,920	
Total OPEB liability	4,144,298	6,895,148	1,185,556	1,005,437	13,230,439	
Accrued landfill closure and postclosure care costs				2,094,316	2,094,316	
Claims reserve					—	3,178,774
Total noncurrent liabilities	\$ 21,785,553	\$ 11,663,741	\$ 38,597,091	\$ 4,674,307	\$ 76,720,692	\$ 3,178,774
Total liabilities	\$ 48,222,475	\$ 12,578,475	\$ 46,085,049	\$ 5,444,493	\$ 112,330,492	\$ 3,826,885
DEFERRED INFLOWS OF RESOURCES						
Pensions	\$ 564,567	\$ 172,815	\$ 218,896	\$ 103,051	\$ 1,059,329	\$
OPEB obligations	583,903	1,029,739	348,457	178,481	2,140,580	
Total deferred inflows of resources	\$ 1,148,470	\$ 1,202,554	\$ 567,353	\$ 281,532	\$ 3,199,909	\$ —
NET POSITION						
Net investment in capital assets	\$ 83,643,256	\$ 30,551,762	\$ 72,032,763	\$ 2,598,065	\$ 188,825,846	\$
Restricted for debt service	948,213		5,489,300		6,437,513	
Restricted for other purposes—expendable					—	100,100
Unrestricted	(1,805,681)	9,160,845	10,321,674	(543,728)	17,133,110	2,691,021
Total net position	\$ 82,785,788	\$ 39,712,607	\$ 87,843,737	\$ 2,054,337	\$ 212,396,469	\$ 2,791,121
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(3,106,103)	
Net position of business-type activities					\$ 209,290,366	

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



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

	Business-type Activities—Enterprise Funds				Governmental	Internal Service
	Electricity	Gas	Water and Wastewater	Solid Waste	Funds	
	June 30, 2020	June 30, 2020	June 30, 2020	September 30, 2020	Total	September 30, 2020
Operating revenues						
User charges	\$ 121,687,889	\$ 13,399,842	\$ 20,186,422	\$ 5,682,032	\$ 160,956,185	\$ 1,874,284
Other	489,675	10,450	142,505	2,884	645,514	
Total operating revenues	<u>\$ 122,177,564</u>	<u>\$ 13,410,292</u>	<u>\$ 20,328,927</u>	<u>\$ 5,684,916</u>	<u>\$ 161,601,699</u>	<u>\$ 1,874,284</u>
Operating expenses						
Cost of sales	\$ 91,591,557	\$ 4,515,388	\$	\$	\$ 96,106,945	\$
Operations, maintenance, and administration	17,809,493	5,403,931	10,698,740	5,577,839	39,490,003	658,197
Depreciation	5,785,622	1,651,956	4,066,164	752,467	12,256,209	
Amortization		10,661			10,661	
Taxes and tax equivalents	3,937,755	1,520,367	1,714,089	164,704	7,336,915	
Insurance premiums and claims (net of refunds)					—	1,041,571
Total operating expenses	<u>\$ 119,124,427</u>	<u>\$ 13,102,303</u>	<u>\$ 16,478,993</u>	<u>\$ 6,495,010</u>	<u>\$ 155,200,733</u>	<u>\$ 1,699,768</u>
Operating income (loss)	<u>\$ 3,053,137</u>	<u>\$ 307,989</u>	<u>\$ 3,849,934</u>	<u>\$ (810,094)</u>	<u>\$ 6,400,966</u>	<u>\$ 174,516</u>
Nonoperating revenues (expenses)						
Interest revenues	\$ 175,538	\$ 126,207	\$ 171,904	\$ 12,334	\$ 485,983	\$ 32,046
Gain (loss) on disposition of capital assets	(36,714)	15,975	22,202	41,589	43,052	
Miscellaneous nonoperating income	82,719	11,791			94,510	
Interest expense	(184,581)		(1,131,813)		(1,316,394)	
Amortization of debt related costs	301		(160,090)		(159,789)	
Total nonoperating revenues (expenses)	<u>\$ 37,263</u>	<u>\$ 153,973</u>	<u>\$ (1,097,797)</u>	<u>\$ 53,923</u>	<u>\$ (852,638)</u>	<u>\$ 32,046</u>
Income before contributions	<u>\$ 3,090,400</u>	<u>\$ 461,962</u>	<u>\$ 2,752,137</u>	<u>\$ (756,171)</u>	<u>\$ 5,548,328</u>	<u>\$ 206,562</u>
Capital contributions					118,278	
Change in net position	<u>\$ 3,090,400</u>	<u>\$ 461,962</u>	<u>\$ 2,752,137</u>	<u>\$ (637,893)</u>	<u>\$ 5,666,606</u>	<u>\$ 206,562</u>
Net position—beginning	79,695,388	39,250,645	85,091,600	2,692,230		2,584,559
Net position—ending	<u>\$ 82,785,788</u>	<u>\$ 39,712,607</u>	<u>\$ 87,843,737</u>	<u>\$ 2,054,337</u>		<u>\$ 2,791,121</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					89,237	
Change in net position of business-type activities					<u>\$ 5,755,843</u>	

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

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

	Business-type Activities—Enterprise Funds					Governmental Activities
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2020	June 30, 2020	June 30, 2020	September 30, 2020		September 30, 2020
Cash flows from operating activities:						
Receipts from customers and users	\$ 122,160,375	\$ 13,399,588	\$ 19,979,080	\$ 5,804,269	\$ 161,343,312	\$ 1,661,554
Receipts from interfund services provided	2,581,111	174,419	225,589		2,981,119	
Payments to suppliers	(98,286,467)	(5,277,335)	(3,161,406)	(1,500,906)	(108,226,114)	(1,743,846)
Payments to employees for services and benefits—exclusive of capitalized costs	(12,100,686)	(3,485,917)	(5,120,376)	(3,291,723)	(23,998,702)	
Payments for interfund services used	(3,917,783)	(2,424,554)	(3,092,646)	(355,133)	(9,790,116)	
Net cash from operating activities	\$ 10,436,550	\$ 2,386,201	\$ 8,830,241	\$ 656,507	\$ 22,309,499	\$ (82,292)
Cash flows from noncapital financing activities:						
Change in receivables from customers for conservation loans	\$ 644,786				\$ 644,786	
Change in advances from TVA for conservation loans	(657,501)				(657,501)	
Net cash from noncapital financing activities	\$ (12,715)	\$ —	\$ —	\$ —	\$ (12,715)	\$ —
Cash flows from capital and related financing activities:						
Purchase and construction of capital assets (net)	\$ (7,283,634)	\$ (1,154,201)	\$ (2,397,304)	\$ (642,662)	\$ (11,477,801)	
Removal costs of retirements of capital assets	(885,173)	(65,001)			(950,174)	
Salvage value of retirements of capital assets	29,957				29,957	
Proceeds from disposition of capital assets	19,546	66,412	25,100	41,589	152,647	
Proceeds from capital contributions				118,278	118,278	
Principal paid on capital debt	(385,000)		(5,185,000)		(5,570,000)	
Interest paid on capital debt	(185,144)		(1,179,978)		(1,365,122)	
Net cash from capital and related financing activities	\$ (8,689,448)	\$ (1,152,790)	\$ (8,737,182)	\$ (482,795)	\$ (19,062,215)	\$ —
Cash flows from investing activities:						
Interest on investments	\$ 180,530	\$ 163,054	\$ 198,702	\$ 14,271	\$ 556,557	\$ 34,147
Interfund receivables (payables)					—	205,033
Net cash from investing activities	\$ 180,530	\$ 163,054	\$ 198,702	\$ 14,271	\$ 556,557	\$ 239,180
Net increase (decrease) in cash and cash equivalents	\$ 1,914,917	\$ 1,396,465	\$ 291,761	\$ 187,983	\$ 3,791,126	\$ 156,888
Cash and cash equivalents—beginning of the year	13,440,030	16,994,042	18,566,797	3,527,268	52,528,137	5,683,592
Cash and cash equivalents—end of the year	\$ 15,354,947	\$ 18,390,507	\$ 18,858,558	\$ 3,715,251	\$ 56,319,263	\$ 5,840,480

	Business-type Activities—Enterprise Funds					Governmental
	Electricity	Gas	Water and Wastewater	Solid Waste	Total	Internal Service Funds
	June 30, 2020	June 30, 2020	June 30, 2020	September 30, 2020		September 30, 2019
<i>Classified as:</i>						
Current assets	\$ 14,391,867	\$ 18,390,507	\$ 12,950,849	\$ 3,715,251	\$ 49,448,474	\$ 5,740,380
Restricted assets	963,080		5,907,709		6,870,789	100,100
Totals	\$ 15,354,947	\$ 18,390,507	\$ 18,858,558	\$ 3,715,251	\$ 56,319,263	\$ 5,840,480
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>						
Operating income (loss)	\$ 3,053,137	\$ 307,989	\$ 3,849,934	\$ (810,094)	\$ 6,400,966	\$ 174,516
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>						
Depreciation	\$ 6,240,440	\$ 1,651,956	\$ 4,173,635	\$ 752,467	\$ 12,818,498	\$
Amortization		10,661			10,661	
Landfill closure and postclosure care costs				125,827	125,827	
Miscellaneous nonoperating income	82,719	11,791			94,510	
<i>Changes in assets and liabilities:</i>						
Receivables (net)	(99,908)	(22,495)	(19,411)	119,353	(22,461)	(411,977)
Inventories	(349,052)	186,638	(15,514)	41	(177,887)	
Prepaid expenses	1,922,245	53,255	(123,165)		1,852,335	
Deferred outflows of resources	(2,328,199)	(566,572)	(416,405)	(775,254)	(4,086,430)	
Accounts and other payables	(1,387,258)	26,149	846,319	411,069	(103,721)	80,273
Customer deposits	674,536		(1,566)	2,747	675,717	
Claims reserve					—	74,896
Net pension liability	2,788,184	551,138	622,608	836,327	4,798,257	
Total OPEB liability	(211,878)	(304,465)	(296,076)	(40,726)	(853,145)	
Deferred inflows of resources	51,584	480,156	209,882	34,750	776,372	
Total adjustments	\$ 7,383,413	\$ 2,078,212	\$ 4,980,307	\$ 1,466,601	\$ 15,908,533	\$ (256,808)
Net cash from operating activities	\$ 10,436,550	\$ 2,386,201	\$ 8,830,241	\$ 656,507	\$ 22,309,499	\$ (82,292)

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

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020**

	<u>Employees' Retirement Plan</u>
ASSETS	
Cash	\$ 4,678
Amounts due from broker	20,018
Accrued investment income	214,305
Investments, at fair value	<u>88,413,764</u>
Total assets	<u>\$ 88,652,765</u>
 LIABILITIES	
Amounts due to broker	<u>\$ 4,818</u>
Total liabilities	<u>\$ 4,818</u>
 NET POSITION RESTRICTED FOR PENSIONS	 <u><u>\$ 88,647,947</u></u>

CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Employees'</u> <u>Retirement Plan</u>
ADDITIONS	
Contributions	
Employer	\$ 4,528,897
Employee	1,646,872
Total contributions	<u>\$ 6,175,769</u>
Investment income	
Net appreciation (depreciation) in fair value of investments	\$ 5,563,965
Interest and dividends	1,964,344
Net investment income	<u>\$ 7,528,309</u>
Total additions	<u>\$ 13,704,078</u>
DEDUCTIONS	
Benefit payments, including refunds of member contributions	\$ 12,044,549
Administrative expenses	431,407
Total deductions	<u>\$ 12,475,956</u>
NET INCREASE IN NET POSITION	\$ 1,228,122
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	<u>87,419,825</u>
End of year	<u><u>\$ 88,647,947</u></u>

**CITY OF FLORENCE, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020**

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

CITY OF FLORENCE, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

	<u>Florence- Lauderdale Public Library September 30, 2020</u>	<u>Florence Library Foundation, Inc. June 30, 2020</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 115,158	\$ 2,248,405	\$ 2,363,563
Investments		3,872,801	3,872,801
Amounts held by the Foundation	4,226,192		4,226,192
Capital assets (net)	484,458		484,458
Total assets	<u>\$ 4,825,808</u>	<u>\$ 6,121,206</u>	<u>\$ 10,947,014</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	<u>\$ 177,301</u>	<u>\$</u>	<u>\$ 177,301</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 38,820	\$	\$ 38,820
Amounts held on behalf of the Library		4,218,140	4,218,140
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	9,037		9,037
Portion due or payable after one year:			
Net pension liability	292,834		292,834
Total liabilities	<u>\$ 340,691</u>	<u>\$ 4,218,140</u>	<u>\$ 4,558,831</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	<u>\$ 101,882</u>	<u>\$</u>	<u>\$ 101,882</u>
NET POSITION			
Net investment in capital assets	\$ 484,458	\$	\$ 484,458
Restricted for:			
Other purposes-expendable		1,159	1,159
Other purposes-nonexpendable		2,000,000	2,000,000
Unrestricted	4,076,078	(98,093)	3,977,985
Total net position	<u>\$ 4,560,536</u>	<u>\$ 1,903,066</u>	<u>\$ 6,463,602</u>

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Florence- Lauderdale Public Library</u>	<u>Florence Library Foundation, Inc.</u>	<u>Total</u>
Component units:							
<u>September 30, 2020</u>							
Florence-Lauderdale Public Library	\$ 1,279,054	\$ 22,296	\$ 1,109,554	\$ —	\$ (147,204)	\$ —	\$ (147,204)
<u>June 30, 2020</u>							
Florence Library Foundation, Inc.	8,929					(8,929)	(8,929)
Total component units	<u>\$ 1,287,983</u>	<u>\$ 22,296</u>	<u>\$ 1,109,554</u>	<u>\$ —</u>	<u>\$ (147,204)</u>	<u>\$ (8,929)</u>	<u>\$ (156,133)</u>
General revenues:							
Investment return					287,953	9,012	296,965
Change in net position					\$ 140,749	\$ 83	\$ 140,832
Net position—beginning					4,419,787	1,902,983	6,322,770
Net position—ending					<u>\$ 4,560,536</u>	<u>\$ 1,903,066</u>	<u>\$ 6,463,602</u>

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



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**CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

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

For financial reporting purposes, the City's basic financial statements include all funds and departments for which the City is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board, exists if (1) the City appoints a voting majority of an organization's governing board, (2) is able to impose its will on that organization, or (3) there is a potential for the organization to provide specific financial benefits to or impose specific burdens on the City. Additionally, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if (1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government, (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and (3) the economic resources received or held by the organization are significant to the primary government.

Based upon the foregoing criteria and information, the City considers the Florence-Lauderdale Public Library (Library) and the Florence Library Foundation, Inc. (Foundation) to be discretely presented component units for financial reporting purposes. The Library board is appointed by the City Council and the City makes annual appropriations of revenues to the Library, as well as provides the Library's physical facility. The City essentially appoints a voting majority of the members of the Foundation board and the economic resources held by the Foundation are significant to the City. The financial information of the Foundation is presented on its fiscal year that ends on June 30. Complete financial statements for each of the individual component units may be obtained from their administrative offices.

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

Estimates

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit—Foundation

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

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

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

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

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

Deposits and Investments

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

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

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

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

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

Receivables and Payables

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

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

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

Contributions and Restrictions—Discretely Presented Component Unit—Foundation

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Inventories

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

Prepaid Expenses

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

Restricted Assets

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

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

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

Capital Assets

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

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

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

Long-term Obligations and Debt-Related Items

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

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

Debt Discounts, Premiums, and Issuance Costs

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Net Position

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

- ◆ *Net investment in capital assets*—Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. (Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.)
- ◆ *Restricted*—Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ *Unrestricted*—Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the governing body.

Fund Balance

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

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

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

Committed—The committed fund balance classification represents amounts that can only be used for specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it previously employed to commit those amounts. In contrast to fund balance that is restricted by enabling legislation, amounts in the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned—The assigned fund balance classification represents amounts that are constrained by the City Council's intent to be used for specific purposes but are neither restricted nor committed. The City Council authorizes the Mayor or the Treasurer/Chief Accountant to make a determination of the assigned amounts of fund balance. Except for the General Fund, the assigned fund balance classification represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed.

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

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

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

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

Pensions

The financial statements of the City of Florence, Alabama Employees' Retirement Plan (CFAERP) are prepared using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value.

Pensions—Discretely Presented Component Unit—Library

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

Net Assets—Discretely Presented Component Unit—Foundation

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes—Discretely Presented Component Unit—Foundation

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a private foundation under IRC Section 509(a). The Foundation is subject to federal excise taxes. The Foundation is subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The excise tax expense reported in the current fiscal year is \$3,000. The Foundation's federal income tax returns for 2017, 2018, and 2019 are subject to examination by taxing jurisdictions; however, there are currently no examinations for any open tax years in progress.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY PROCESS

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

B. DEFICIT NET POSITION

Governmental Activities

As of September 30, 2020, the following funds had deficits in net position, which are expected to be funded by future revenues or transfers from the General Fund.

Other governmental:

Florence-Lauderdale Government Building Fund	\$ 756
Economic Development Fund	21,160
Series 2013-B G.O. Warrants Fund	28

Internal service:

Workers' Compensation Insurance Fund	2,044,017
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C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Governmental Activities

For the year ended September 30, 2020, the Miscellaneous Grants and the Florence-Lauderdale Government Building funds incurred expenditures in excess of appropriations in the amount of \$79,632 and \$166,980, respectively.

NOTE 3—CASH, INVESTMENTS, AND SECURITIES

Governmental Activities and Business-type Activities

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

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

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

Distribution by Asset Type					
	Equities	Other	Cash and Equivalents	Total	Percentage
Domestic equities:					
Large capitalization	\$ 28,023,815	\$ —	\$ —	\$ 28,023,815	32%
Mid capitalization	5,888,999			5,888,999	7%
Small capitalization	5,725,212			5,725,212	6%
International and emerging markets equities	13,412,252			13,412,252	15%
Fixed income	20,393,844			20,393,844	23%
Money market funds			3,234,117	3,234,117	4%
Other:					
Real estate		11,735,525		11,735,525	13%
Total investments	\$ 73,444,122	\$ 11,735,525	\$ 3,234,117	\$ 88,413,764	100%

Fair Value Measurements—The CFAERP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following table sets forth by level, within the fair value hierarchy, the CFAERP’s assets at fair value as of September 30, 2020:

Fair Value of Assets by Measurement Type				
Investment Type	Total Fair Value	Level 1	Level 2	Level 3
Corporate Stock-Common	\$ 35,105,243	\$ 35,105,243	\$ —	\$ —
Corporate Stock-Preferred	123,375	123,375		
Mutual Funds-Fixed Income	3,820,571		3,820,571	
Exchange Traded Funds	28,232,249	28,232,249		
Bank Deposit Funds	1,519,847	1,519,847		
Money Market Funds	1,714,270		1,714,270	
U.S. Government Securities	5,770,962		5,770,962	
Municipal Obligations	145,568		145,568	
Corporate Debt Instruments	7,596,510		7,596,510	
Private Real Estate Funds	4,385,169			4,385,169
Total investments	\$ 88,413,764	\$ 64,980,714	\$ 19,047,881	\$ 4,385,169

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

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

The City has the following recurring fair value measurements as of September 30, 2020:

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

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

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

Discretely Presented Component Unit—Library

The Library has not adopted a formal investment policy and, as of September 30, 2020, does not have any investments that require disclosure.

Financial instruments that potentially subject the Library to concentrations of credit risk consist primarily of cash and cash equivalents. The Library's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. At year-end, there were no uninsured balances.

Discretely Presented Component Unit—Foundation

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposits held by financial institutions. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the FDIC. The amount in excess of FDIC coverage at year-end was \$1,498,405.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 4—RECEIVABLES AND PAYABLES

A. RECEIVABLES

Receivables at year-end were as follows:

	Accounts	Taxes	Due from Other Governments	Other	Total Receivables
Governmental Activities					
General Fund	\$ 205,544	\$ 5,570,922	\$ 543,377	\$ 10,662	\$ 6,330,505
Other governmental funds	4,064	84,306	256,458		344,828
Internal service funds			776,680		776,680
Total—governmental activities	\$ 209,608	\$ 5,655,228	\$ 1,576,515	\$ 10,662	\$ 7,452,013
Business-type Activities					
Electricity	\$ 10,265,619	\$ —	\$ 439,781	\$ 1,734,244	\$ 12,439,644
Gas	587,017		27,497	32,799	647,313
Water and wastewater	1,835,808		18,525		1,854,333
Solid waste	494,927			799	495,726
Less: allowance for bad debts	310,954				310,954
Total—business-type activities	\$ 12,872,417	\$ —	\$ 485,803	\$ 1,767,842	\$ 15,126,062

Loan receivables in governmental funds consist of amounts due from the Florence City Board of Education, the University of North Alabama, and various commercial rehabilitation loans that are generally not expected or scheduled to be collected in the subsequent year. Loans receivable amounted to \$1,457,910 at year-end, net of an allowance for bad debts of \$1,212,510.

B. PAYABLES

Payables at year-end were as follows:

	Vendors	Salaries and Benefits	Due to Other Governments	Accrued Interest	Total Payables
Governmental Activities					
General Fund	\$ 4,207,488	\$ 963,597	\$ 1,890,054	\$ —	\$ 7,061,139
Other governmental funds	428,863		651,287	97,365	1,177,515
Internal service funds	165,100				165,100
Total—governmental activities	\$ 4,801,451	\$ 963,597	\$ 2,541,341	\$ 97,365	\$ 8,403,754
Business-type Activities					
Electricity	\$ 15,390,135	\$ 427,745	\$ 99,960	\$ —	\$ 15,917,840
Gas	409,480	83,879	183,189		676,548
Water and wastewater	719,274	147,996	440,266		1,307,536
Solid waste	414,538	98,611	109,877		623,026
Total—business-type activities	\$ 16,933,427	\$ 758,231	\$ 833,292	\$ —	\$ 18,524,950
Component Unit					
Public Library	\$ 22,953	\$ 15,867	\$ —	\$ —	\$ 38,820

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 5—INTERFUND BALANCES

Governmental Activities

Interfund balances at September 30, 2020 consisted of the following:

		Payables			
		General Fund	Other Governmental	Internal Service	Total
Receivables	General Fund	\$ —	\$ 452,584	\$ 483,011	\$ 935,595
	Other governmental	618,610	6,249		624,859
	Total	\$ 618,610	\$ 458,833	\$ 483,011	\$ 1,560,454

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

NOTE 6—INTERFUND TRANSFERS

Governmental Activities

Interfund transfers for the year ended September 30, 2020 consisted of the following:

		Transfer from		
		General Fund	Other Governmental	Total
Transfer to	Other governmental	\$ 11,140,031	\$ 4,468,322	\$ 15,608,353
	Total	\$ 11,140,031	\$ 4,468,322	\$ 15,608,353

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 7—RESTRICTED ASSETS

Governmental Activities

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

Business-type Activities

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

Electricity Department

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

Series 2013 Debt Service Reserve Fund	\$	573,253
Series 2013 Warrant Funds		389,827
Total restricted cash and cash equivalents	\$	963,080

Water and Wastewater Department

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

Warrant Funds—All SRF Series	\$	4,560,730
Series 2011 Warrant Funds		45,163
Series 2017 Warrant Funds		1,301,816
Total restricted cash and cash equivalents	\$	5,907,709

NOTE 8—STORAGE GAS

Business-type Activities

Gas Department

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 9—CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

	Primary Government			
	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Governmental Activities				
Nondepreciable assets:				
Land	\$ 8,227,318	\$ —	\$ —	\$ 8,227,318
Construction in progress	9,012,455	3,918,273	8,494,412	4,436,316
Depreciable assets:				
Land improvements	26,489,417			26,489,417
Buildings	41,278,745	3,682,454	2,063,236	42,897,963
Equipment and vehicles	26,460,877	1,468,501	485,508	27,443,870
Infrastructure	171,638,004	6,737,440		178,375,444
Total capital assets	\$283,106,816	\$ 15,806,668	\$ 11,043,156	\$287,870,328
Less accumulated depreciation:				
Land improvements	\$ 15,445,406	\$ 1,025,256	\$ —	\$ 16,470,662
Buildings	20,569,304	892,667	309,485	21,152,486
Equipment and vehicles	21,647,078	1,586,616	485,508	22,748,186
Infrastructure	107,417,213	2,401,112		109,818,325
Total accumulated depreciation	\$165,079,001	\$ 5,905,651	\$ 794,993	\$170,189,659
Net capital assets—governmental activities	\$118,027,815	\$ 9,901,017	\$ 10,248,163	\$117,680,669
Business-type Activities				
<u>Utilities</u>				
Nondepreciable assets:				
Construction in progress:				
Electricity	\$ 624,903	\$ 987,165	\$ —	\$ 1,612,068
Gas	27,192	102,878		130,070
Water and wastewater	299,872	1,519,485		1,819,357
Solid waste		60,295		60,295
Depreciable assets:				
Utility plant in service:				
Electricity	181,104,143	6,296,469	2,202,702	185,197,910
Gas	58,871,060	1,051,323	571,391	59,350,992
Water and wastewater	180,485,879	877,819	256,592	181,107,106
Solid waste	15,896,726	582,367	308,203	16,170,890
Acquisition adjustment (net):				
Gas	126,158		10,662	115,496
Total capital assets	\$437,435,933	\$ 11,477,801	\$ 3,349,550	\$445,564,184
Less accumulated depreciation:				
Electricity	\$ 93,959,129	\$ 6,240,440	\$ 3,001,659	\$ 97,197,910
Gas	27,978,796	1,651,956	585,956	29,044,796
Water and wastewater	70,093,806	4,173,635	253,693	74,013,748
Solid waste	13,188,856	752,467	308,203	13,633,120
Total accumulated depreciation	\$205,220,587	\$ 12,818,498	\$ 4,149,511	\$213,889,574
Net capital assets—business-type activities	\$232,215,346	\$ (1,340,697)	\$ (799,961)	\$231,674,610

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 9—CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government functions as follows:

General administration	\$ 426,466
Public safety	1,059,747
Public works	488,223
Public ways and facilities	1,756,157
Culture and recreation	2,175,058
Total	\$ 5,905,651

Discretely Presented Component Unit—Library

	Beginning			Ending
Governmental Activities	Balance	Additions	Retirements	Balance
Depreciable assets:				
Furniture and fixtures	\$ 161,140	\$ —	\$ —	\$ 161,140
Equipment	604,052	24,500		628,552
Building improvements	56,525	2,147		58,672
Library collection	1,590,526	50,080	80,305	1,560,301
Total capital assets	\$ 2,412,243	\$ 76,727	\$ 80,305	\$ 2,408,665
Less accumulated depreciation:				
Furniture and fixtures	\$ 143,125	\$ 4,589	\$ —	\$ 147,714
Equipment	542,590	15,917		558,507
Building improvements	6,173	1,422		7,595
Library collection	1,211,412	79,284	80,305	1,210,391
Total accumulated depreciation	\$ 1,903,300	\$ 101,212	\$ 80,305	\$ 1,924,207
Net capital assets—governmental activities	\$ 508,943	\$ (24,485)	\$ —	\$ 484,458

Depreciation expense was charged to the government function as follows:

Library services	<u>\$ 101,212</u>
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Business-type Activities

Electricity Department

As of June 30, 2020, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way in the amount of \$1,261,933.

Depreciation for the fiscal year totaled \$6,240,440 of which \$5,785,622 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$454,818 for the fiscal year.

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

Gas Department

As of June 30, 2020, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way in the amount of \$493,723.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 9—CAPITAL ASSETS (Continued)

Depreciation expense charged against income amounted to \$1,651,956 for the fiscal year.

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

Water and Wastewater Department

As of June 30, 2020, nondepreciable capital assets included in utility plant in service consisted of land, land rights, and rights-of-way in the amount of \$1,140,765.

Depreciation for the fiscal year totaled \$4,173,635 of which \$4,066,164 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts on the basis of vehicle usage, totaled \$107,471 for the fiscal year.

Solid Waste Fund

As of September 30, 2020, nondepreciable capital assets included in utility plant in service consisted of land, land rights, rights-of-way, and construction in progress in the amount of \$264,648.

Depreciation expense charged against income amounted to \$752,467 for the fiscal year.

NOTE 10—TVA POWER AND CONSERVATION PROGRAMS

Business-type Activities

Electricity Department

Conservation Program

The Department has entered into a contract with TVA to jointly establish a home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. During the 2016 fiscal year, TVA discontinued this Energy Right program. Subsequently, TVA established the eScore program, which gave the Department the option to continue on-bill financing or choose off-bill financing. The Department elected the off-bill financing option; thus the Department will act as a fiscal intermediary only for existing conservation loans until all are paid in full. The Department had at June 30, 2020 a total of \$1,182,602 of energy conservation loans due from customers participating in the program. These loans are to be repaid in monthly installments by the customer over a 10-year period at an interest rate established by TVA. Under the terms of the contract, as amended, the Department has received advances on these loans in the amount of \$1,242,088 as of June 30, 2020.

Power Programs

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS

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

	Primary Government				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Warrants,					
Series 2012	\$ 11,255,000	\$ —	\$ 2,615,000	\$ 8,640,000	\$ 2,745,000
Debt premium	929,172		237,235	691,937	237,236
Series 2013	1,308,302		1,308,302	—	—
Series 2013-B	14,270,000		10,860,000	3,410,000	800,000
Debt premium	368,416		276,511	91,905	23,975
Series 2020		12,050,000	130,000	11,920,000	190,000
Debt discount		(117,488)	(4,406)	(113,082)	(8,812)
Compensated absences	3,375,681	1,579,203	1,350,272	3,604,612	1,441,845
Total—governmental activities	\$ 31,506,571	\$ 13,511,715	\$ 16,772,914	\$ 28,245,372	\$ 5,429,244
Business-type Activities					
<u>Electricity</u>					
Electric Revenue Warrants,					
Series 2013	\$ 6,350,000	\$ —	\$ 385,000	\$ 5,965,000	\$ 390,000
Debt premium	4,113		301	3,812	301
Compensated absences	1,600,145	669,356	640,058	1,629,443	651,777
<u>Gas</u>					
Compensated absences	571,102	252,803	228,441	595,464	238,186
<u>Water and wastewater</u>					
Water and Sewer Revenue Warrants,					
SRF Series 2010-A	1,775,000		870,000	905,000	905,000
SRF Series 2010-B	2,985,000		1,465,000	1,520,000	1,520,000
SRF Series 2010-C	2,850,000		1,400,000	1,450,000	1,450,000
SRF Series 2010-D	720,000		355,000	365,000	365,000
Series 2011	490,000			490,000	—
SRF Series 2013	5,360,000		240,000	5,120,000	245,000
SRF Series 2017	29,095,000		855,000	28,240,000	875,000
Debt premium	657,371		38,481	618,890	38,480
Compensated absences	790,450	430,814	316,180	905,084	362,033
<u>Solid waste</u>					
Compensated absences	255,523	151,708	102,209	305,022	122,009
Total—business-type activities	\$ 53,503,704	\$ 1,504,681	\$ 6,895,670	\$ 48,112,715	\$ 7,162,786

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

	Discretely Presented Component Unit—Library				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 12,604	\$ 9,037	\$ 12,604	\$ 9,037	\$ 9,037
Total—governmental activities	\$ 12,604	\$ 9,037	\$ 12,604	\$ 9,037	\$ 9,037

Governmental Activities

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

On February 25, 2013, the City issued General Obligation Warrants, Series 2013 in the amount of \$2,000,000 to construct the Visitor's Center for use by the Florence/Lauderdale Tourism Board. These warrants bear interest at a rate of 3.75% and are payable in semi-annual installments based on a twenty-year amortization with a balloon payment due at maturity on February 25, 2028. The Board repaid the remaining principal balance of these warrants in October 2019.

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

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

All interest costs were expensed for the fiscal year.

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

Totals—Governmental Activities			
Year Ending September 30	Principal	Interest	Total Debt Service
2021	\$ 3,735,000	\$ 774,424	\$ 4,509,424
2022	3,915,000	593,874	4,508,874
2023	4,085,000	421,289	4,506,289
2024	1,095,000	290,028	1,385,028
2025	1,135,000	250,510	1,385,510
2026—2030	6,045,000	899,445	6,944,445
2031—2033	3,960,000	198,007	4,158,007
Totals	\$ 23,970,000	\$ 3,427,577	\$ 27,397,577

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

Business-type Activities

Electricity Department

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

All interest costs were expensed for the fiscal year.

Water and Wastewater Department

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

All interest costs were expensed for the fiscal year.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 11—LONG-TERM OBLIGATIONS (Continued)

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

Business-type Activities			
Electricity Department			
Year Ending June 30	Principal	Interest	Total Debt Service
2021	\$ 390,000	\$ 178,405	\$ 568,405
2022	400,000	170,605	570,605
2023	410,000	162,205	572,205
2024	420,000	152,980	572,980
2025	430,000	142,480	572,480
2026—2030	2,330,000	528,000	2,858,000
2031—2033	1,585,000	128,600	1,713,600
Totals	\$ 5,965,000	\$ 1,463,275	\$ 7,428,275
Water and Wastewater Department			
Year Ending June 30	Principal	Interest	Total Debt Service
2021	\$ 5,360,000	\$ 1,049,342	\$ 6,409,342
2022	1,635,000	962,951	2,597,951
2023	1,680,000	925,591	2,605,591
2024	1,710,000	890,509	2,600,509
2025	1,745,000	851,068	2,596,068
2026—2030	9,655,000	3,336,231	12,991,231
2031—2035	11,265,000	1,733,479	12,998,479
2036—2037	5,040,000	159,301	5,199,301
Totals	\$ 38,090,000	\$ 9,908,472	\$ 47,998,472
Totals—Business-type Activities			
Year Ending June 30	Principal	Interest	Total Debt Service
2021	\$ 5,750,000	\$ 1,227,747	\$ 6,977,747
2022	2,035,000	1,133,556	3,168,556
2023	2,090,000	1,087,796	3,177,796
2024	2,130,000	1,043,489	3,173,489
2025	2,175,000	993,548	3,168,548
2026—2030	11,985,000	3,864,231	15,849,231
2031—2035	12,850,000	1,862,079	14,712,079
2036—2037	5,040,000	159,301	5,199,301
Totals	\$ 44,055,000	\$ 11,371,747	\$ 55,426,747

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 12—PROPERTY TAXES

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

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

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

NOTE 13—LEASE COMMITMENTS

Business-type Activities

Electricity Department

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

Fiscal Year Ending	Amount
2021	\$ 201,372
2022	201,372
2023	201,372
2024	201,372
2025	201,372
Total	<u>\$ 1,006,860</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS

Governmental Activities and Business-type Activities

Pension Plan

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

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

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

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—At September 30, 2019, the following employees were covered by the benefit terms:

Active participants who have not reached age 65	626
Active participants attaining normal retirement age 65	18
Inactive participants (55 in pay status)	118
Total participants	762

Contributions—The authority to establish and amend the contribution requirements of the CFAERP belongs to the City Council. The Council establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

Investment Policy—The investment policy is structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and is structured to establish and maintain an appropriate diversification of the plan’s assets. The investment objective is to produce a result over the long term consistent with the primary objective of preserving and enhancing the purchasing power of assets. Based on an analysis of the plan’s assets and expected investment returns and risks associated with alternative asset mix strategies, the City Council has established target asset allocations for all assets of the CFAERP. There are no individual investments in the CFAERP that exceed 5% of plan assets at September 30, 2020.

Rate of Return—For the year ended September 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.87%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability—The City’s net pension liability was measured as of September 30, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.20%
Salary increases	3.00%
Investment rate of return	7.50%, net of investment expenses

Mortality rates were based on the Pub-2010 mortality table, amount-weighted, with generational mortality improvement based on the MP-2019 projection scale.

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Cash Equivalents	1.50%	1.10%
US Core Fixed Income	17.00%	1.70%
High Yield Fixed Income	7.50%	2.00%
US Large Cap Growth Equity	7.00%	4.80%
US Large Cap Value Equity	7.00%	7.40%
US Large Cap Core Equity	17.00%	5.60%
US Mid Cap Growth Equity	2.00%	3.70%
US Mid Cap Value Equity	2.00%	9.10%
US Mid Cap Core Equity	2.00%	6.30%
US Small Cap Growth Equity	2.00%	6.50%
US Small Cap Value Equity	2.00%	11.50%
US Small Cap Core Equity	2.00%	8.80%
International Equity	14.00%	8.00%
Emerging Markets Equity	3.00%	9.70%
Real Estate Investment Trusts	4.00%	8.80%
Core Private Real Estate Funds	10.00%	8.90%

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

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

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance as of September 30, 2019 *	\$ 114,816,998	\$ 88,482,509	\$ 26,334,489
Changes for the year:			
Service cost	2,898,609		2,898,609
Interest on total pension liability	8,498,888		8,498,888
Effect of economic/demographic gain/losses	4,434,107		4,434,107
Effect of assumption changes/inputs	410,054		410,054
Benefit payments	(8,956,126)	(8,956,126)	—
Employer contributions		4,334,831	(4,334,831)
Member contributions		1,576,302	(1,576,302)
Net investment income		755,848	(755,848)
Administrative expenses		(473,594)	473,594
Balance as of September 30, 2020 *	<u>\$ 122,102,530</u>	<u>\$ 85,719,770</u>	<u>\$ 36,382,760</u>

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

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

	<i>1% Decrease</i>	<i>Current</i>	<i>1% Increase</i>
	<i>(6.50%)</i>	<i>Discount Rate</i>	<i>(8.50%)</i>
	<u> </u>	<u> </u>	<u> </u>
Total pension liability	\$ 131,684,900	\$ 122,102,530	\$ 113,429,795
Fiduciary net position	<u>85,719,770</u>	<u>85,719,770</u>	<u>85,719,770</u>
Net pension liability	<u>\$ 45,965,130</u>	<u>\$ 36,382,760</u>	<u>\$ 27,710,025</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2020, the City recognized pension expense of \$6,194,223. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred</i>	<i>Deferred</i>
	<i>Outflows of</i>	<i>Inflows of</i>
	<u><i>Resources</i></u>	<u><i>Resources</i></u>
Contributions made subsequent to the measurement date	\$ 4,143,783	\$ —
Differences between expected and actual experience	6,059,918	
Changes in assumptions	1,062,953	219,758
Net difference between projected and actual earnings	4,623,837	1,908,465

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

<i>Year Ending</i>	
<u><i>September 30</i></u>	<u><i>Amount</i></u>
2021	\$ 990,748
2022	1,384,571
2023	2,141,892
2024	2,134,153
2025	983,998
Thereafter *	1,983,123

* 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 \$4,143,783 will be recognized as a reduction of the net pension liability in the year ending September 30, 2021.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Deferred Compensation Plan

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

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

Discretely Presented Component Unit—Library

Plan Description—The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act Number 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control, which consists of 13 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and are determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the plan for the preceding year ended September 30 are paid to the beneficiary.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The ERS serves approximately 907 local participating employers. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to, but not yet receiving, benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active members	55,222
Post-DROP participants who are still in active service	<u>98</u>
Total	<u><u>93,986</u></u>

Contributions— Effective October 1, 2012, Tier 1 members of the ERS are required by statute to contribute 7.50% of earnable compensation. Tier 2 members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the plan. For the year ended September 30, 2020, the Library's average active employee contribution rate was 6.83% of covered employee payroll, and the Library's average contribution rate to fund the normal and accrued liability costs was 4.03% of pensionable payroll.

The Library's contractually required contribution rate for the year ended September 30, 2020 was 4.84% of pensionable pay for Tier 1 employees and 3.84% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percentage of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Library were \$23,522 for the year ended September 30, 2020.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Net Pension Liability—The Library’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 that was rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

(a) Total pension liability as of September 30, 2018	\$ 1,644,483
(b) Discount rate	7.70%
(c) Entry age normal cost for the period October 1, 2018—September 30, 2019	47,645
(d) Transfers among employers	—
(e) Actual benefit payments and refunds for the period October 1, 2018—September 30, 2019	<u>(74,436)</u>
Total pension liability as of September 30, 2019 [(a) x (1+(b))] + (c) + (d) - [(e) x (1+0.5*(b))]	<u>\$ 1,736,334</u>

Actuarial Assumptions—The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return	7.70%, net of pension plan investment expense

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2017 were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

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

* Includes assumed rate of inflation of 2.50%

Discount Rate—The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2018	\$ 1,644,483	\$ 1,417,440	\$ 227,043
Changes for the year:			
Service cost	47,645		47,645
Interest	123,759		123,759
Difference between expected and actual experience	(5,117)		(5,117)
Contributions - employer		20,344	(20,344)
Contributions - employee		43,885	(43,885)
Net investment income		36,267	(36,267)
Benefit payments, including refunds of employee contributions	(74,436)	(74,436)	—
Balance as of September 30, 2019	<u>\$ 1,736,334</u>	<u>\$ 1,443,500</u>	<u>\$ 292,834</u>

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 14—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

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

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Library's net pension liability	\$ 500,963	\$ 292,834	\$ 118,386

Pension Plan Fiduciary Net Position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report dated August 27, 2020 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the year ended September 30, 2020, the Library recognized pension expense of \$41,150. At September 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 18,440	\$ —
Changes of assumptions	138,757	
Differences between expected and actual experience	807	101,882
Employer contributions subsequent to the measurement date	19,297	

The Library reported \$19,297 as deferred outflows of resources related to pensions resulting from Library contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending September 30, 2021.

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

Year Ending September 30	Amount
2021	\$ 5,621
2022	10,119
2023	24,253
2024	33,922
2025	(5,934)
Thereafter	(11,859)

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 15—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Governmental Activities and Business-type Activities

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

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

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

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

Annual Retiree Cost Sharing:

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

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

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

Life Insurance Coverage:

Healthy retirees are covered by a temporary life insurance benefit. Coverage ceases at the earlier of three (3) years after retirement or age 65. Disabled retirees are covered by a temporary life insurance benefit. Coverage ceases at the earlier of commencement of City pension benefits or age 65. Life insurance benefits are not contingent upon the participant continuing medical coverage through the City. The full cost of 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—At September 30, 2019, the following employees were covered by the benefit terms:

Retirees and covered spouses	
currently receiving benefits	90
Active employees	741
Total	831

Total OPEB Liability—The City’s total OPEB liability was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2019 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	2.66%
Healthcare cost trend rates:	
Medical costs prior to age 65	6.30% initially, adjusting to an ultimate rate of 3.90% for 2087 and later years
Dental costs	3.93% initially, adjusting to an ultimate rate of 3.68% for 2076 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 SOA RP-2014 mortality table adjusted to 2006 and projected with generational improvements using Scale MP-2019. The plan has not had a formal actuarial experience study performed.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

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

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

	<i>Total OPEB Liability</i>
Balance as of September 30, 2019	\$ 16,939,392
Changes for the year:	
Service cost	802,578
Interest on total OPEB liability	727,162
Effect of economic/demographic gains or losses	(2,629,361)
Effect of assumption changes or inputs	393,577
Benefit payments	(698,684)
Balance as of September 30, 2020 *	\$ 15,534,664

* 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 4.18% to 2.66%.

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 2.66%, 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 (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
	<i>(1.66%)</i>	<i>(2.66%)</i>	<i>(3.66%)</i>
Total OPEB Liability	\$ 16,549,860	\$ 15,534,664	\$ 14,558,989

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

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Trend Rate</i>	<i>1% Increase</i>
Total OPEB Liability	\$ 14,172,058	\$ 15,534,664	\$ 17,118,358

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the year ended September 30, 2020, the City recognized OPEB expense of \$1,139,217. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contributions made subsequent to the measurement date	\$ 1,200,000	\$ —
Differences between expected and actual experience		2,337,210
Changes of assumptions or inputs	349,846	806,846

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

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

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

<i>Year Ending</i>	
<u>September 30</u>	<u>Amount</u>
2021	\$ (390,523)
2022	(390,523)
2023	(390,523)
2024	(390,523)
2025	(390,523)
Thereafter *	(841,595)

* 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 \$1,200,00 will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2021.

NOTE 16—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Business-type Activities

Solid Waste Fund

State and federal laws and regulations require the City to place a final cover on its solid waste landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill closes, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used. During the 2011-2012 fiscal year, the City ceased its municipal solid waste landfill operations and contracted with a regional landfill for disposal of municipal solid waste. The City will continue to use the remaining landfill capacity for construction and demolition materials. During the 2016-2017 fiscal year, the City reevaluated the estimated total cost for closure and postclosure care costs and was granted permission to expand the disposal area over closed and inactive cells resulting in a significant increase of the total estimated capacity of the landfill for the disposal of construction and demolition materials. The amount reported as landfill closure and postclosure care liability at September 30, 2020 of \$2,094,316 represents the cumulative amount reported to date based on the estimated capacity of the landfill used to date. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,733,220 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in the current fiscal year. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City has used 55 percent of the estimated capacity of the landfill as of September 30, 2020. With this limited use, the City estimates that the landfill will close in 2051.

NOTE 17—JOINT OPERATION

Governmental Activities

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

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 18—RISK MANAGEMENT

Governmental Activities and Business-type Activities

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

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

The City has recorded an estimated liability for general liability insurance claims and has recorded an estimated liability for workers’ compensation insurance claims. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. At September 30, 2020, the carrying amounts of unpaid claims liability of the workers’ compensation insurance fund was \$2,301,686, which has been computed on a present-value basis using a discount rate of 0.6%. The carrying amount of unpaid claims liability for the general liability insurance fund was \$877,088, which has not been discounted due to the lack of reinsurance.

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

	General Liability Insurance	Workers’ Compensation Insurance
Claims liability, October 1, 2019	\$ 738,803	\$ 2,365,075
Provision for (adjustment to) claims	850,866	853,660
Payment of claims	(712,581)	(917,049)
Claims liability, September 30, 2020	\$ 877,088	\$ 2,301,686

At September 30, 2020, assets available to pay claims for the employee group health insurance fund, general liability insurance fund, and workers’ compensation insurance fund were \$880,629, \$4,980,062, and \$410,371, respectively.

In June 2020, the City experienced a cyber-attack through which the City’s computer systems became infected with malicious software that encrypted data files and caused significant business disruption. The attacker then demanded a ransom be paid in exchange for decryption. The City contracted with an independent advisory services firm to respond to the incident, assist with the restoration process, and provide ongoing post-incident prevention services. The City expended approximately \$398,000, exclusive of additional internal personnel costs, to respond and recover from the cyber-attack. To limit exposure to losses related to a security/data breach and other claims, the City has subsequently purchased network security liability insurance with a \$1 million limit per claim and an annual aggregate limit of \$1 million, above a \$50,000 deductible per claim.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 19—CONTINGENCIES AND COMMITMENTS

Governmental Activities

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

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

The City enters into agreements with contractors for the construction of various capital projects. As of September 30, 2020, open contracts for construction totaled \$11,190,732 of which \$2,527,443 had been recorded as construction in progress.

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

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

Business-type Activities

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

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

Electricity Department

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2020, open contracts for construction totaled \$50,000 of which \$0 had been recorded as cumulative construction in progress. As of June 30, 2020, open contracts for system maintenance totaled \$3,230,881 of which \$189,400 had been recorded as current maintenance expense.

Gas Department

The Department entered into an agreement with two (2) energy suppliers to purchase natural gas in the futures market. This agreement allows the Department to purchase gas at current rates for delivery at a future time. If the quantities of gas purchased are not needed for resale during the month for which it was purchased, the Department could transport the gas to its storage facilities, or the Agreement allows the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitment would materially affect the Department's operations or financial position. As of June 30, 2020, the Department had made purchase commitments amounting to \$2,512,650 for the subsequent fiscal year's gas needs.

CITY OF FLORENCE, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Continued)

NOTE 19—CONTINGENCIES AND COMMITMENTS (Continued)

Water and Wastewater Department

The Department enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2020, open contracts for construction totaled \$1,963,383 of which \$865,567 had been recorded as cumulative construction in progress. As of June 30, 2020, open contracts for system maintenance totaled \$222,779 of which \$56,045 had been recorded as current maintenance expense.

During the 2018 fiscal year, the Department advance refunded \$20,110,000 of the Water and Sewer Revenue Warrants, Series 2011 by issuing Water and Sewer Revenue Warrants, Series 2017. Subsequently, the Department defeased these warrants by depositing funds into an irrevocable trust with an escrow agent to provide for the future debt service payments on the old warrants when they mature on February 15, 2021. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the Department's financial statements. The outstanding balance of this defeased debt at June 30, 2020 was \$20,110,000.

Discretely Presented Component Unit—Library

The Library entered into an agreement with a contractor for various building improvements. As of September 30, 2020, the open contract for construction totaled \$1,555,260 of which \$0 had been recorded as construction in progress.

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

NOTE 20—SUBSEQUENT EVENTS

Governmental Activities and Business-type Activities

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

Business-type Activities

Water and Wastewater Department

Subsequent to year-end, the Department was approved for loan funding in the maximum amount of \$45,030,000 from the Drinking Water State Revolving Loan Program and \$22,540,000 from the Clean Water State Revolving Loan Program, both of which are administered by the Alabama Department of Environmental Management. The Department plans to borrow these funds over a four-year period for capital improvements to its water and wastewater systems.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 14,718,501	\$ 14,718,501	\$ 14,718,501	\$ —
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 45,661,237	\$ 44,185,304	\$ 45,504,557	\$ 1,319,253
Property	12,591,872	12,595,637	13,483,884	888,247
Motor fuel	456,443	400,000	441,078	41,078
Tobacco	221,000	200,000	207,396	7,396
Alcoholic beverages	1,114,962	1,084,962	1,145,691	60,729
Other	400,000	400,000	764,547	364,547
Total taxes	<u>\$ 60,445,514</u>	<u>\$ 58,865,903</u>	<u>\$ 61,547,153</u>	<u>\$ 2,681,250</u>
Licenses and permits:				
Business	\$ 3,623,000	\$ 3,566,000	\$ 3,589,704	\$ 23,704
Non-business	110,321	110,321	112,070	1,749
Total licenses and permits	<u>\$ 3,733,321</u>	<u>\$ 3,676,321</u>	<u>\$ 3,701,774</u>	<u>\$ 25,453</u>
Fines and forfeitures	<u>\$ 1,390,500</u>	<u>\$ 997,500</u>	<u>\$ 1,058,565</u>	<u>\$ 61,065</u>
Charges for services:				
Cultural and recreational	\$ 1,651,900	\$ 1,134,340	\$ 1,396,215	\$ 261,875
Highways and streets	87,000	82,500	82,611	111
Other	58,500	46,900	43,130	(3,770)
Total charges for services	<u>\$ 1,797,400</u>	<u>\$ 1,263,740</u>	<u>\$ 1,521,956</u>	<u>\$ 258,216</u>
Intergovernmental	<u>\$ 1,817,397</u>	<u>\$ 4,885,700</u>	<u>\$ 4,698,506</u>	<u>\$ (187,194)</u>
Other:				
Interest	\$ 175,000	\$ 120,000	\$ 142,757	\$ 22,757
Other	55,000	40,000	46,750	6,750
Total other	<u>\$ 230,000</u>	<u>\$ 160,000</u>	<u>\$ 189,507</u>	<u>\$ 29,507</u>
Amounts available for appropriation	<u>\$ 84,132,633</u>	<u>\$ 84,567,665</u>	<u>\$ 87,435,962</u>	<u>\$ 2,868,297</u>
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor's office	\$ 464,884	\$ 464,884	\$ 425,053	\$ 39,831
City council	371,835	371,835	331,827	40,008
Urban forestry	320,431	320,431	264,389	56,042
Purchasing and grants administration	294,366	294,366	290,046	4,320
Legal	320,786	320,786	315,482	5,304
Accounting	653,364	653,364	626,288	27,076
City clerk	727,600	727,600	645,624	81,976
Planning	428,697	428,697	388,721	39,976
Human resources	412,645	412,645	419,006	(6,361)
Administrative buildings	501,200	501,200	553,022	(51,822)
Building	938,937	938,937	824,135	114,802
Engineering	968,441	968,441	820,448	147,993
Total general administration	<u>\$ 6,403,186</u>	<u>\$ 6,403,186</u>	<u>\$ 5,904,041</u>	<u>\$ 499,145</u>

CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(Continued)

	<u>Budgeted Amounts</u>		<u>Amounts</u>	<u>Final Budget—</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u>
			<u>(See Note A)</u>	<u>(Negative)</u>
Public safety:				
Police	\$ 11,450,607	\$ 11,610,607	\$ 11,427,360	\$ 183,247
Jail	651,000	651,000	384,257	266,743
Municipal court	677,901	677,901	667,963	9,938
Animal control	844,377	844,377	1,223,025	(378,648)
Fire	8,400,645	8,664,631	8,242,697	421,934
Total public safety	<u>\$ 22,024,530</u>	<u>\$ 22,448,516</u>	<u>\$ 21,945,302</u>	<u>\$ 503,214</u>
Public works:				
Streets	\$ 4,245,045	\$ 4,257,645	\$ 4,239,583	\$ 18,062
Municipal lighting and utilities	1,175,270	1,175,270	932,881	242,389
Cemetery	331,745	331,745	327,953	3,792
Parking facilities	94,232	94,232	80,435	13,797
Total public works	<u>\$ 5,846,292</u>	<u>\$ 5,858,892</u>	<u>\$ 5,580,852</u>	<u>\$ 278,040</u>
Culture and recreation:				
Parks and recreation administration	\$ 2,451,237	\$ 2,451,237	\$ 2,047,216	\$ 404,021
Parks	3,738,962	3,738,962	3,475,499	263,463
Golf course	1,438,956	1,438,956	1,384,467	54,489
Arts and museums	507,600	507,600	521,789	(14,189)
Total culture and recreation	<u>\$ 8,136,755</u>	<u>\$ 8,136,755</u>	<u>\$ 7,428,971</u>	<u>\$ 707,784</u>
Nondepartmental:				
Other	\$ 1,497,825	\$ 1,497,825	\$ 1,428,407	\$ 69,418
Education—funding for school district	9,572,163	9,399,914	9,990,484	(590,570)
Capital projects	6,000,000	4,687,978	3,749,274	938,704
Transfers to other funds	9,842,528	10,896,920	11,140,031	(243,111)
Total nondepartmental	<u>\$ 26,912,516</u>	<u>\$ 26,482,637</u>	<u>\$ 26,308,196</u>	<u>\$ 174,441</u>
Total charges to appropriations	<u>\$ 69,323,279</u>	<u>\$ 69,329,986</u>	<u>\$ 67,167,362</u>	<u>\$ 2,162,624</u>
Budgetary fund balance—ending	<u>\$ 14,809,354</u>	<u>\$ 15,237,679</u>	<u>\$ 20,268,600</u>	<u>\$ 5,030,921</u>

**CITY OF FLORENCE, ALABAMA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 87,435,962
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(14,718,501)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 72,717,461</u></u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 67,167,362
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(11,140,031)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u><u>\$ 56,027,331</u></u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
TOTAL PENSION LIABILITY										
Service cost	\$ 2,898,609	\$ 2,942,609	\$ 2,830,614	\$ 2,888,380	\$ 2,825,270	\$ 2,854,759	\$ -	\$ -	\$ -	\$ -
Interest	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	4,434,107	69,847	63,177	1,690,662	558,626	1,537,047				
Effect of assumption changes or inputs	410,054	(74,689)	(73,548)	(188,107)	1,286,192					
Benefit payments	<u>(8,956,126)</u>	<u>(11,600,854)</u>	<u>(6,709,051)</u>	<u>(8,968,541)</u>	<u>(11,629,512)</u>	<u>(9,216,405)</u>				
Net change in total pension liability	\$ 7,285,532	\$ (240,263)	\$ 5,159,074	\$ 3,303,393	\$ 761,728	\$ 2,779,182	\$ -	\$ -	\$ -	\$ -
Total pension liability, beginning	<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>103,053,884</u>				
Total pension liability, ending (a)	<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>	\$ -	\$ -	\$ -	\$ -
FIDUCIARY NET POSITION										
Contributions—employer	\$ 4,334,831	\$ 4,111,326	\$ 4,056,029	\$ 4,309,829	\$ 4,052,968	\$ 3,710,391	\$ -	\$ -	\$ -	\$ -
Contributions—employee	1,576,302	1,495,028	1,474,920	1,567,210	1,473,806	1,349,233				
Investment income, net of investment expenses	755,848	6,366,786	9,759,245	7,565,914	(1,028,142)	7,950,048				
Benefit payments	(8,956,126)	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)				
Administrative expenses	<u>(473,594)</u>	<u>(469,888)</u>	<u>(421,537)</u>	<u>(384,687)</u>	<u>(353,852)</u>	<u>(378,171)</u>				
Net change in plan fiduciary net position	\$ (2,762,739)	\$ (97,602)	\$ 8,159,606	\$ 4,089,725	\$ (7,484,732)	\$ 3,415,096	\$ -	\$ -	\$ -	\$ -
Fiduciary net position, beginning	<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>80,400,416</u>				
Fiduciary net position, ending (b)	<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>	\$ -	\$ -	\$ -	\$ -
Net pension liability, ending (a-b)	<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>	\$ -	\$ -	\$ -	\$ -
Fiduciary net position as a percentage of total pension liability	70.20%	77.06%	76.99%	73.18%	71.61%	79.20%				
Covered payroll	\$ 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	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>
2011	\$ 2,920,660	\$ 3,888,126	\$ (967,466)	\$ 28,074,105	13.85%
2012	3,377,314	3,765,076	(387,762)	28,743,659	13.10%
2013	3,764,645	3,878,051	(113,406)	27,759,757	13.97%
2014	4,139,524	3,710,391	429,133	29,562,601	12.55%
2015	4,023,027	4,052,968	(29,941)	29,557,478	13.71%
2016	4,276,605	4,309,829	(33,224)	29,475,065	14.62%
2017	4,453,606	4,056,029	397,577	30,035,187	13.50%
2018	4,720,081	4,111,326	608,755	30,855,953	13.32%
2019	4,770,478	4,334,831	435,647	30,779,896	14.08%
2020	5,208,728	4,143,783	1,064,945	32,147,389	12.89%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar of payroll, closed

Remaining amortization period: 21 years

Asset valuation method: 3-year smoothed market

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

Inflation: 2.50%

Salary increases: 3.00%, based on plan sponsor expectations

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

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

Cost of living adjustments: None

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

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

Mortality: Pub-2010 mortality table, amount-weighted, with generational mortality improvement based on the MP-2019 projection scale

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

Employees' Retirement Plan										
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	0.87%	7.57%	12.20%	10.43%	-1.12%	9.61%	-	-	-	-

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
TOTAL OPEB LIABILITY										
Service cost	\$ 802,578	\$ 783,223	\$ 840,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	727,162	630,625	539,050							
Effect of plan changes										
Effect of economic/demographic gains or losses	(2,629,361)									
Effect of assumption changes or inputs	393,577	(522,925)	(646,697)							
Benefit payments	(698,684)	(977,623)	(980,229)							
Net change in total OPEB liability	\$ (1,404,728)	\$ (86,700)	\$ (247,106)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability, beginning	16,939,392	17,026,092	17,273,198							
Total OPEB liability, ending	<u>\$ 15,534,664</u>	<u>\$ 16,939,392</u>	<u>\$ 17,026,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 38,368,054	\$ 38,846,611	\$ 30,855,953	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered-employee payroll	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:

2019	2.660%
2018	4.180%
2017	3.640%
2016	3.058%
2015	-
2014	-
2013	-
2012	-
2011	-
2010	-

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Changes in the Net Pension Liability and Related Ratios

Last 10 Fiscal Years Ending September 30

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total pension liability										
Service cost	\$ 47,645	\$ 43,957	\$ 44,398	\$ 38,227	\$ 36,478	\$ 34,031	\$ -	\$ -	\$ -	\$ -
Interest	123,759	122,042	117,438	92,847	90,039	83,120				
Changes of benefit terms	-	-	-	-	-	-				
Differences between expected and actual experience	(5,117)	(74,734)	(29,274)	1,575	(63,408)	-				
Changes of assumptions	-	8,589	-	258,382	-	-				
Benefit payments, including refunds of employee contributions	(74,436)	(60,222)	(42,058)	(30,504)	(25,520)	(35,800)				
Transfers among employers	-	-	(22,014)	-	-	-				
Net change in total pension liability	\$ 91,851	\$ 39,632	\$ 68,490	\$ 360,527	\$ 37,589	\$ 81,351	\$ -	\$ -	\$ -	\$ -
Total pension liability—beginning	1,644,483	1,604,851	1,536,361	1,175,834	1,138,245	1,056,894				
Total pension liability—ending (a)	<u>\$ 1,736,334</u>	<u>\$ 1,644,483</u>	<u>\$ 1,604,851</u>	<u>\$ 1,536,361</u>	<u>\$ 1,175,834</u>	<u>\$ 1,138,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position										
Contributions - employer	\$ 20,344	\$ 23,587	\$ 26,101	\$ 36,520	\$ 39,051	\$ 42,451	\$ -	\$ -	\$ -	\$ -
Contributions - employee	43,885	34,670	33,696	35,474	34,100	30,467				
Net investment income	36,267	120,152	147,717	104,912	11,453	98,897				
Benefit payments, including refunds of employee contributions	(74,436)	(60,222)	(42,058)	(30,504)	(25,520)	(35,800)				
Transfers among employers	-	-	(22,014)	-	17,639	(18,727)				
Net change in plan fiduciary net position	\$ 26,060	\$ 118,187	\$ 143,442	\$ 146,402	\$ 76,723	\$ 117,288	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position—beginning	1,417,440	1,299,253	1,155,811	1,009,409	932,686	815,398				
Plan fiduciary net position—ending (b)	<u>\$ 1,443,500</u>	<u>\$ 1,417,440</u>	<u>\$ 1,299,253</u>	<u>\$ 1,155,811</u>	<u>\$ 1,009,409</u>	<u>\$ 932,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net pension liability—ending (a - b)	<u>\$ 292,834</u>	<u>\$ 227,043</u>	<u>\$ 305,598</u>	<u>\$ 380,550</u>	<u>\$ 166,425</u>	<u>\$ 205,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan fiduciary net position as a percentage of the total pension liability	83.13%	86.19%	80.96%	75.23%	85.85%	81.94%				
Covered payroll	\$ 517,683	\$ 491,035	\$ 455,834	\$ 481,183	\$ 454,667	\$ 426,337				
Net pension liability as a percentage of covered payroll	56.57%	46.24%	67.04%	79.09%	36.60%	48.22%				

FLORENCE-LAUDERDALE PUBLIC LIBRARY

Schedule of Employer Contributions

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 19,297	\$ 19,725	\$ 24,003	\$ 25,730	\$ 35,978	\$ 37,673	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	19,297	19,725	24,003	25,730	35,978	37,673				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 479,404	\$ 517,683	\$ 491,035	\$ 455,834	\$ 481,183	\$ 454,667	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	4.03%	3.81%	4.89%	5.64%	7.48%	8.29%				

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry Age Normal
 Amortization method: Level percentage of payroll, closed
 Remaining amortization period: 4.9 years
 Asset valuation method: 5-year smoothed market
 Inflation: 2.75%
 Salary increases: 3.25% – 5.00%, including inflation
 Investment rate of return: 7.75%, net of pension plan investment expense, including inflation



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SUPPLEMENTARY INFORMATION



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**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Special Revenue Funds										
	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	State Gas Tax-Rebuild Alabama	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund
ASSETS											
Cash and cash equivalents	\$ 260,480	\$ 181,317	\$ 513,516	\$ 203,395	\$ 46,015	\$	\$ 13,999	\$ 3,119,391	\$ 23,733	\$ 810,429	\$
Receivables (net)	13,511	14,467	33,377	14,951	18,857			10,000		125	
Accrued interest receivable	38	26		29			25		3		
Loan receivables (net)							180,983	5,635			
Interfund receivables						21,885		534,145			68,829
Total assets	\$ 274,029	\$ 195,810	\$ 546,893	\$ 218,375	\$ 64,872	\$ 21,885	\$ 195,007	\$ 3,669,171	\$ 23,736	\$ 810,554	\$ 68,829
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable and accrued expenses	\$	\$	\$	\$	\$ 17,319	\$	\$	\$ 531,367	\$ 23,442	\$ 233,582	\$ 64,196
Interfund payables		4,738		50,000	15,321			5,833		942	
Total liabilities	\$ —	\$ 4,738	\$ —	\$ 50,000	\$ 32,640	\$ —	\$ —	\$ 537,200	\$ 23,442	\$ 234,524	\$ 64,196
Fund balances											
Nonspendable:											
Loan receivables	\$	\$	\$	\$	\$	\$	\$ 180,983	\$ 5,635	\$	\$	\$
Restricted for:											
Street resurfacing and improvements	274,029	191,072	546,893	168,375							
Culture and recreation						21,885					1,702
Public safety									294	576,030	2,931
Capital projects											
Assigned to:											
Capital projects								3,126,336			
Unassigned											
Total fund balances	\$ 274,029	\$ 191,072	\$ 546,893	\$ 168,375	\$ 32,232	\$ 21,885	\$ 195,007	\$ 3,131,971	\$ 294	\$ 576,030	\$ 4,633
Total liabilities and fund balance	\$ 274,029	\$ 195,810	\$ 546,893	\$ 218,375	\$ 64,872	\$ 21,885	\$ 195,007	\$ 3,669,171	\$ 23,736	\$ 810,554	\$ 68,829

**CITY OF FLORENCE, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Total	
ASSETS									
Cash and cash equivalents	\$ 203,832	\$ 72,599	\$ 5,448,706	\$	\$ 1,940,100	\$ 12,522	\$ 52,817	\$ 2,005,439	\$ 7,454,145
Receivables (net)	1,095	230,029	336,412			8,000	416	8,416	344,828
Accrued interest receivable	30		151		287			287	438
Loan receivables (net)			186,618					—	186,618
Interfund receivables			624,859					—	624,859
Total assets	\$ 204,957	\$ 302,628	\$ 6,596,746	\$ —	\$ 1,940,387	\$ 20,522	\$ 53,233	\$ 2,014,142	\$ 8,610,888
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable and accrued expenses	\$ 109,602	\$ 17,156	\$ 996,664	\$	\$ 86,324	\$ 41,682	\$ 52,845	\$ 180,851	\$ 1,177,515
Interfund payables	95,355	286,228	458,417				416	416	458,833
Total liabilities	\$ 204,957	\$ 303,384	\$ 1,455,081	\$ —	\$ 86,324	\$ 41,682	\$ 53,261	\$ 181,267	\$ 1,636,348
Fund balances									
Nonspendable:									
Loan receivables	\$	\$	\$ 186,618	\$	\$	\$	\$	\$ —	\$ 186,618
Restricted for:									
Street resurfacing and improvements			1,180,369					—	1,180,369
Culture and recreation			23,587					—	23,587
Public safety			579,255					—	579,255
Capital projects			—		1,854,063			1,854,063	1,854,063
Assigned to:									
Capital projects			3,126,336					—	3,126,336
Unassigned			46,256			(21,160)	(28)	(21,188)	25,068
Total fund balances	\$ —	\$ (756)	\$ 5,141,665	\$ —	\$ 1,854,063	\$ (21,160)	\$ (28)	\$ 1,832,875	\$ 6,974,540
Total liabilities and fund balance	\$ 204,957	\$ 302,628	\$ 6,596,746	\$ —	\$ 1,940,387	\$ 20,522	\$ 53,233	\$ 2,014,142	\$ 8,610,888

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds										
	State Gas Tax (\$.07)	State Gas Tax (\$.04)	County Gas Tax	State Gas Tax-Rebuild Alabama	Miscellaneous Grants	State Arts Council Grant	Community Development	1995 Capital Sales Tax	Drug Enforcement	Drug Task Force Grant	Donation Fund
REVENUES											
Taxes	\$ 149,716	\$ 160,742	\$ 316,136	\$ 168,303	\$	\$	\$	\$	\$	\$	\$
Intergovernmental					181,795		805,661	154,712			
Interest revenues	907	565	1,625	209	119		110	78,081	111	3,828	
Program revenues							4,525			125,620	
Miscellaneous											92,234
Total revenues	<u>\$ 150,623</u>	<u>\$ 161,307</u>	<u>\$ 317,761</u>	<u>\$ 168,512</u>	<u>\$ 181,914</u>	<u>\$ —</u>	<u>\$ 810,296</u>	<u>\$ 232,793</u>	<u>\$ 111</u>	<u>\$ 129,448</u>	<u>\$ 92,234</u>
EXPENDITURES											
Current operating:											
General administration	\$	\$	\$	\$	\$	\$	101,381	270,347	\$	\$	\$
Public safety					73,176			80,554		62,658	80,465
Public works		37,987		137	30,642		218,448	157,986			7,605
Culture and recreation					4,940			10,795			3,257
Other							508,244	140,673			
Education—funding for school district								3,514,810			
Capital outlay and improvements			37,355		47,762			906,811			907
Debt service:											
Principal payments											
Interest and fiscal charges											
Total expenditures	<u>\$ —</u>	<u>\$ 37,987</u>	<u>\$ 37,355</u>	<u>\$ 137</u>	<u>\$ 156,520</u>	<u>\$ —</u>	<u>\$ 828,073</u>	<u>\$ 5,081,976</u>	<u>\$ —</u>	<u>\$ 62,658</u>	<u>\$ 92,234</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 150,623</u>	<u>\$ 123,320</u>	<u>\$ 280,406</u>	<u>\$ 168,375</u>	<u>\$ 25,394</u>	<u>\$ —</u>	<u>\$ (17,777)</u>	<u>\$ (4,849,183)</u>	<u>\$ 111</u>	<u>\$ 66,790</u>	<u>\$ —</u>
OTHER FINANCING SOURCES (USES)											
Transfers in	\$	\$	\$	\$	\$	\$	\$	9,499,485	\$	\$	\$
Proceeds from refunding warrants											
Discount on debt issuance											
Payment to refunded debt escrow agent											
Transfers out								(4,468,322)			
Total other financing sources (uses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,031,163</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net change in fund balances	<u>\$ 150,623</u>	<u>\$ 123,320</u>	<u>\$ 280,406</u>	<u>\$ 168,375</u>	<u>\$ 25,394</u>	<u>\$ —</u>	<u>\$ (17,777)</u>	<u>\$ 181,980</u>	<u>\$ 111</u>	<u>\$ 66,790</u>	<u>\$ —</u>
Fund balances—beginning	123,406	67,752	266,487	—	6,838	21,885	212,784	2,949,991	183	509,240	4,633
Fund balances—ending	<u>\$ 274,029</u>	<u>\$ 191,072</u>	<u>\$ 546,893</u>	<u>\$ 168,375</u>	<u>\$ 32,232</u>	<u>\$ 21,885</u>	<u>\$ 195,007</u>	<u>\$ 3,131,971</u>	<u>\$ 294</u>	<u>\$ 576,030</u>	<u>\$ 4,633</u>

CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(Continued)

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds				Total Other Governmental Funds
	Municipal Court	Flo-Laud Government Building	Total		Municipal Capital Improvement	Economic Development	Series 2013-B G.O. Warrants Fund	Total	
REVENUES									
Taxes	\$	\$	\$ 794,897	\$	\$	\$	\$	\$ —	\$ 794,897
Intergovernmental			1,142,168		380,545			380,545	1,522,713
Interest revenues		328	85,883		8,795	947	1,023	10,765	96,648
Program revenues		245,518	375,663					—	375,663
Miscellaneous			92,234				95	95	92,329
Total revenues	\$ —	\$ 245,846	\$ 2,490,845	\$ —	\$ 389,340	\$ 947	\$ 1,118	\$ 391,405	\$ 2,882,250
EXPENDITURES									
Current operating:									
General administration	\$	\$ 379,756	\$ 751,484	\$	\$ 109,495	\$	\$	\$ 109,495	\$ 860,979
Public safety			296,853				1,463	1,463	298,316
Public works			452,805		4,500			4,500	457,305
Culture and recreation			18,992		787			787	19,779
Other			648,917					—	648,917
Education—funding for school district			3,514,810					—	3,514,810
Capital outlay and improvements		196,420	1,189,255		56,825		1,246,111	1,302,936	2,492,191
Debt service:									
Principal payments			—	4,818,301				—	4,818,301
Interest and fiscal charges			—	960,489			65,000	65,000	1,025,489
Total expenditures	\$ —	\$ 576,176	\$ 6,873,116	\$ 5,778,790	\$ 171,607	\$ —	\$ 1,312,574	\$ 1,484,181	\$ 14,136,087
Excess (deficiency) of revenues over expenditures	\$ —	\$ (330,330)	\$ (4,382,271)	\$ (5,778,790)	\$ 217,733	\$ 947	\$ (1,311,456)	\$ (1,092,776)	\$ (11,253,837)
OTHER FINANCING SOURCES (USES)									
Transfers in	\$	\$ 330,078	\$ 9,829,563	\$ 5,778,790	\$	\$	\$	\$ —	\$ 15,608,353
Proceeds from refunding warrants			—				12,050,000	12,050,000	12,050,000
Discount on debt issuance			—				(117,488)	(117,488)	(117,488)
Payment to refunded debt escrow agent			—				(11,199,258)	(11,199,258)	(11,199,258)
Transfers out			(4,468,322)					—	(4,468,322)
Total other financing sources (uses)	\$ —	\$ 330,078	\$ 5,361,241	\$ 5,778,790	\$ —	\$ —	\$ 733,254	\$ 733,254	\$ 11,873,285
Net change in fund balances	\$ —	\$ (252)	\$ 978,970	\$ —	\$ 217,733	\$ 947	\$ (578,202)	\$ (359,522)	\$ 619,448
Fund balances—beginning		(504)	4,162,695		1,636,330	(22,107)	578,174	2,192,397	6,355,092
Fund balances—ending	\$ —	\$ (756)	\$ 5,141,665	\$ —	\$ 1,854,063	\$ (21,160)	\$ (28)	\$ 1,832,875	\$ 6,974,540

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2020**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 591,627	\$ 4,979,326	\$ 138,756	\$ 30,671	\$ 5,740,380
Receivables (net)	288,921		271,586	216,173	776,680
Accrued interest receivable	81	736	29		846
Total current assets	\$ 880,629	\$ 4,980,062	\$ 410,371	\$ 246,844	\$ 6,517,906
Noncurrent assets					
Restricted cash and cash equivalents	\$ —	\$ —	\$ 100,100	\$ —	\$ 100,100
Total noncurrent assets	\$ —	\$ —	\$ 100,100	\$ —	\$ 100,100
Total assets	\$ 880,629	\$ 4,980,062	\$ 510,471	\$ 246,844	\$ 6,618,006
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ —	\$ 115,138	\$ 19,861	\$ 30,101	\$ 165,100
Interfund payables		33,327	232,941	216,743	483,011
Noncurrent liabilities					
Claims reserve		877,088	2,301,686		3,178,774
Total liabilities	\$ —	\$ 1,025,553	\$ 2,554,488	\$ 246,844	\$ 3,826,885
NET POSITION					
Restricted for:					
Other purposes	\$ —	\$ —	\$ 100,100	\$ —	\$ 100,100
Unrestricted	880,629	3,954,509	(2,144,117)		2,691,021
Total net position	\$ 880,629	\$ 3,954,509	\$ (2,044,017)	\$ —	\$ 2,791,121

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
Operating revenues					
User charges	\$	\$ 325,178	\$ 1,005,016	\$ 544,090	\$ 1,874,284
Total operating revenues	<u>\$ —</u>	<u>\$ 325,178</u>	<u>\$ 1,005,016</u>	<u>\$ 544,090</u>	<u>\$ 1,874,284</u>
Operating expenses					
Insurance premiums and claims (net of refunds)	\$ (662,955)	\$ 850,866	\$ 853,660	\$	\$ 1,041,571
Operations and administration	7,475	85,380	21,252	544,090	658,197
Total operating expenses	<u>\$ (655,480)</u>	<u>\$ 936,246</u>	<u>\$ 874,912</u>	<u>\$ 544,090</u>	<u>\$ 1,699,768</u>
Operating income (loss)	<u>\$ 655,480</u>	<u>\$ (611,068)</u>	<u>\$ 130,104</u>	<u>\$ —</u>	<u>\$ 174,516</u>
Non-operating revenues (expenses)					
Interest revenues	1,081	30,042	923		32,046
Change in net position	<u>\$ 656,561</u>	<u>\$ (581,026)</u>	<u>\$ 131,027</u>	<u>\$ —</u>	<u>\$ 206,562</u>
Net position—beginning	224,068	4,535,535	(2,175,044)		2,584,559
Net position—ending	<u><u>\$ 880,629</u></u>	<u><u>\$ 3,954,509</u></u>	<u><u>\$ (2,044,017)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 2,791,121</u></u>

**CITY OF FLORENCE, ALABAMA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Governmental Activities—Internal Service Funds				Total
	Employee Group Health Insurance	General Liability Insurance	Workers' Compensation Insurance	Employee Health and Wellness Center	
Cash flows from operating activities					
Receipts from customers and users	\$ —	\$ 328,300	\$ 828,255	\$ 504,999	\$ 1,661,554
Payments to suppliers	407,463	(704,327)	(930,862)	(516,120)	(1,743,846)
Net cash from operating activities	\$ 407,463	\$ (376,027)	\$ (102,607)	\$ (11,121)	\$ (82,292)
Cash flows from investing activities					
Interest on investments	\$ 1,214	\$ 31,844	\$ 1,089	\$ —	\$ 34,147
Interfund receivables (payables)	(170)	13,042	170,078	22,083	205,033
Net cash from investing activities	\$ 1,044	\$ 44,886	\$ 171,167	\$ 22,083	\$ 239,180
Net increase (decrease) in cash and cash equivalents	\$ 408,507	\$ (331,141)	\$ 68,560	\$ 10,962	\$ 156,888
Cash and cash equivalents—beginning	183,120	5,310,467	170,296	19,709	5,683,592
Cash and cash equivalents—ending	\$ 591,627	\$ 4,979,326	\$ 238,856	\$ 30,671	\$ 5,840,480
<i>Classified as:</i>					
Current assets	\$ 591,627	\$ 4,979,326	\$ 138,756	\$ 30,671	\$ 5,740,380
Restricted assets			100,100		100,100
Totals	\$ 591,627	\$ 4,979,326	\$ 238,856	\$ 30,671	\$ 5,840,480
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>					
Operating income (loss)	\$ 655,480	\$ (611,068)	\$ 130,104	\$ —	\$ 174,516
Changes in assets and liabilities					
Receivables (net)	\$ (199,247)	\$ 3,122	\$ (176,761)	\$ (39,091)	\$ (411,977)
Accounts and other payables	(48,770)	93,634	7,439	27,970	80,273
Claims reserve		138,285	(63,389)		74,896
Total adjustments	\$ (248,017)	\$ 235,041	\$ (232,711)	\$ (11,121)	\$ (256,808)
Net cash provided (used) by operating activities	\$ 407,463	\$ (376,027)	\$ (102,607)	\$ (11,121)	\$ (82,292)

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.07) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 123,406	\$ 123,406	\$ 123,406	\$ —
Resources (inflows):				
Taxes	160,665	160,665	149,716	(10,949)
Interest revenues	3,213	3,213	907	(2,306)
Amounts available for appropriation	<u>\$ 287,284</u>	<u>\$ 287,284</u>	<u>\$ 274,029</u>	<u>\$ (13,255)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 163,878	\$ 163,878	\$ —	\$ 163,878
Total charges to appropriations	<u>\$ 163,878</u>	<u>\$ 163,878</u>	<u>\$ —</u>	<u>\$ 163,878</u>
Budgetary fund balance—ending	<u>\$ 123,406</u>	<u>\$ 123,406</u>	<u>\$ 274,029</u>	<u>\$ 150,623</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 274,029
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(123,406)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 150,623</u>

Uses/outflows of resources

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

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX (\$.04) FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 67,752	\$ 67,752	\$ 67,752	\$ —
Resources (inflows):				
Taxes	172,308	172,308	160,742	(11,566)
Interest revenues	3,446	3,446	565	(2,881)
Amounts available for appropriation	<u>\$ 243,506</u>	<u>\$ 243,506</u>	<u>\$ 229,059</u>	<u>\$ (14,447)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ 45,000	\$ 45,000	\$ 37,987	\$ 7,013
Capital outlay and improvements	130,754	130,754	130,754	130,754
Total charges to appropriations	<u>\$ 175,754</u>	<u>\$ 175,754</u>	<u>\$ 37,987</u>	<u>\$ 137,767</u>
Budgetary fund balance—ending	<u>\$ 67,752</u>	<u>\$ 67,752</u>	<u>\$ 191,072</u>	<u>\$ 123,320</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 229,059
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(67,752)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 161,307</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 37,987
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 37,987</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COUNTY GAS TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 266,487	\$ 266,487	\$ 266,487	\$ —
Resources (inflows):				
Taxes	323,268	323,268	316,136	(7,132)
Interest revenues	6,465	6,465	1,625	(4,840)
Amounts available for appropriation	<u>\$ 596,220</u>	<u>\$ 596,220</u>	<u>\$ 584,248</u>	<u>\$ (11,972)</u>
Charges to appropriations (outflows):				
Capital outlay and improvements	\$ 329,733	\$ 329,733	\$ 37,355	\$ 292,378
Total charges to appropriations	<u>\$ 329,733</u>	<u>\$ 329,733</u>	<u>\$ 37,355</u>	<u>\$ 292,378</u>
Budgetary fund balance—ending	<u>\$ 266,487</u>	<u>\$ 266,487</u>	<u>\$ 546,893</u>	<u>\$ 280,406</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 584,248
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(266,487)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 317,761</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 37,355
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 37,355</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 6,838	\$ 6,838	\$ 6,838	\$ —
Resources (inflows):				
Intergovernmental	60,000	60,000	181,795	121,795
Interest revenues	50	50	119	69
Program revenues	10,000	10,000		(10,000)
Amounts available for appropriation	<u>\$ 76,888</u>	<u>\$ 76,888</u>	<u>\$ 188,752</u>	<u>\$ 111,864</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 35,050	\$ 35,050	\$	\$ 35,050
Public safety	35,000	35,000	73,176	(38,176)
Public works			30,642	(30,642)
Culture and recreation			4,940	(4,940)
Capital outlay and improvements			47,762	(47,762)
Total charges to appropriations	<u>\$ 70,050</u>	<u>\$ 70,050</u>	<u>\$ 156,520</u>	<u>\$ (86,470)</u>
Budgetary fund balance—ending	<u>\$ 6,838</u>	<u>\$ 6,838</u>	<u>\$ 32,232</u>	<u>\$ 25,394</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 188,752
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(6,838)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 181,914</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 156,520
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 156,520</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$79,632 for the year ended September 30, 2020. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE ARTS COUNCIL GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 21,885	\$ 21,885	\$ 21,885	\$ —
Charges to appropriations (outflows):				
Current operating:				
Culture and recreation	\$ 22,000	\$ 22,000	\$ —	\$ 22,000
Total charges to appropriations	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ —</u>	<u>\$ 22,000</u>
Budgetary fund balance—ending	<u>\$ (115)</u>	<u>\$ (115)</u>	<u>\$ 21,885</u>	<u>\$ 22,000</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 21,885
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(21,885)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

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

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 212,784	\$ 212,784	\$ 212,784	\$ —
Resources (inflows):				
Intergovernmental	820,935	820,935	805,661	(15,274)
Interest revenues			110	110
Program revenues	19,610	19,610	4,525	(15,085)
Amounts available for appropriation	<u>\$ 1,053,329</u>	<u>\$ 1,053,329</u>	<u>\$ 1,023,080</u>	<u>\$ (30,249)</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 86,676	\$ 86,676	\$ 101,381	\$ (14,705)
Public works	190,000	190,000	218,448	(28,448)
Other	563,869	563,869	508,244	55,625
Total charges to appropriations	<u>\$ 840,545</u>	<u>\$ 840,545</u>	<u>\$ 828,073</u>	<u>\$ 12,472</u>
Budgetary fund balance—ending	<u>\$ 212,784</u>	<u>\$ 212,784</u>	<u>\$ 195,007</u>	<u>\$ (17,777)</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,023,080
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(212,784)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 810,296</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 828,073
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 828,073</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
1995 CAPITAL SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 2,949,991	\$ 2,949,991	\$ 2,949,991	\$ —
Resources (inflows):				
Intergovernmental			154,712	154,712
Interest revenues		4,000	78,081	74,081
Transfers from other funds	6,035,071	9,646,057	9,499,485	(146,572)
Amounts available for appropriation	<u>\$ 8,985,062</u>	<u>\$ 12,600,048</u>	<u>\$ 12,682,269</u>	<u>\$ 82,221</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 162,110	\$ 224,260	\$ 270,347	\$ (46,087)
Public safety			80,554	(80,554)
Public works		150,000	157,986	(7,986)
Culture and recreation	20,000	147,000	10,795	136,205
Other	23,000	148,000	140,673	7,327
Education—funding for school district		3,449,658	3,514,810	(65,152)
Capital outlay and improvements	1,187,426	826,163	906,811	(80,648)
Transfers to other funds	4,642,535	4,382,320	4,468,322	(86,002)
Total charges to appropriations	<u>\$ 6,035,071</u>	<u>\$ 9,327,401</u>	<u>\$ 9,550,298</u>	<u>\$ (222,897)</u>
Budgetary fund balance—ending	<u>\$ 2,949,991</u>	<u>\$ 3,272,647</u>	<u>\$ 3,131,971</u>	<u>\$ (140,676)</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 12,682,269
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(2,949,991)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(9,499,485)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 232,793</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,550,298
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(4,468,322)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,081,976</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DRUG TASK FORCE GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ 509,240	\$ 509,240	\$ 509,240	\$ —
Resources (inflows):				
Interest revenues			3,828	3,828
Program revenues	67,000	67,000	125,620	58,620
Amounts available for appropriation	<u>\$ 576,240</u>	<u>\$ 576,240</u>	<u>\$ 638,688</u>	<u>\$ 62,448</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 67,000	\$ 67,000	\$ 62,658	\$ 4,342
Total charges to appropriations	<u>\$ 67,000</u>	<u>\$ 67,000</u>	<u>\$ 62,658</u>	<u>\$ 4,342</u>
Budgetary fund balance—ending	<u>\$ 509,240</u>	<u>\$ 509,240</u>	<u>\$ 576,030</u>	<u>\$ 66,790</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 638,688
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(509,240)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 129,448</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 62,658
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 62,658</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DONATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 4,633	\$ 4,633	\$ 4,633	\$ —
Resources (inflows):				
Miscellaneous	42,500	42,500	92,234	49,734
Amounts available for appropriation	<u>\$ 47,133</u>	<u>\$ 47,133</u>	<u>\$ 96,867</u>	<u>\$ 49,734</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$ 37,500	\$ 37,500	\$ 80,465	\$ (42,965)
Public works			7,605	(7,605)
Culture and recreation	5,000	5,000	3,257	1,743
Capital outlay and improvements			907	(907)
Total charges to appropriations	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>\$ 92,234</u>	<u>\$ (49,734)</u>
Budgetary fund balance—ending	<u>\$ 4,633</u>	<u>\$ 4,633</u>	<u>\$ 4,633</u>	<u>\$ —</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 96,867
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(4,633)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 92,234</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 92,234
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 92,234</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$45,101 for the year ended September 30, 2020. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
STATE GAS TAX-REBUILD ALABAMA FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Taxes	168,162	168,162	168,303	141
Interest revenues	3,363	3,363	209	(3,154)
Amounts available for appropriation	<u>\$ 171,525</u>	<u>\$ 171,525</u>	<u>\$ 168,512</u>	<u>\$ (3,013)</u>
Charges to appropriations (outflows):				
Current operating:				
Public works	\$ —	\$ —	\$ 137	\$ (137)
Capital outlay and improvements	171,525	171,525	—	171,525
Total charges to appropriations	<u>\$ 171,525</u>	<u>\$ 171,525</u>	<u>\$ 137</u>	<u>\$ 171,388</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 168,375</u>	<u>\$ 168,375</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 168,512
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 168,512</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 137
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 137</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
FLO-LAUD GOVERNMENT BUILDING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance—beginning	\$ (504)	\$ (504)	\$ (504)	\$ —
Resources (inflows):				
Interest revenues	500	500	328	(172)
Program revenues	289,200	289,200	245,518	(43,682)
Transfers from other funds	120,000	120,000	330,078	210,078
Amounts available for appropriation	<u>\$ 409,196</u>	<u>\$ 409,196</u>	<u>\$ 575,420</u>	<u>\$ 166,224</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 409,700	\$ 409,700	\$ 379,756	\$ 29,944
Capital outlay and improvements			196,420	(196,420)
Total charges to appropriations	<u>\$ 409,700</u>	<u>\$ 409,700</u>	<u>\$ 576,176</u>	<u>\$ (166,476)</u>
Budgetary fund balance—ending	<u>\$ (504)</u>	<u>\$ (504)</u>	<u>\$ (756)</u>	<u>\$ (252)</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 575,420
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	504
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(330,078)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 245,846</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 576,176
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 576,176</u>

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$166,980 for the year ended September 30, 2020. The excess expenditures were provided for by current year's resources.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ —	\$ —	\$ —	\$ —
Resources (inflows):				
Transfers from other funds	4,642,535	6,213,218	5,778,790	(434,428)
Amounts available for appropriation	<u>\$ 4,642,535</u>	<u>\$ 6,213,218</u>	<u>\$ 5,778,790</u>	<u>\$ (434,428)</u>
Charges to appropriations (outflows):				
Debt service:				
Principal payments	\$ 3,467,433	\$ 4,818,301	\$ 4,818,301	\$ —
Interest and fiscal charges	1,175,102	874,487	960,489	(86,002)
Total charges to appropriations	<u>\$ 4,642,535</u>	<u>\$ 5,692,788</u>	<u>\$ 5,778,790</u>	<u>\$ (86,002)</u>
Budgetary fund balance—ending	<u>\$ —</u>	<u>\$ 520,430</u>	<u>\$ —</u>	<u>\$ (520,430)</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,778,790
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(5,778,790)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ —</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,778,790
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 5,778,790</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ (22,107)	\$ (22,107)	\$ (22,107)	\$ —
Resources (inflows):				
Interest revenues			947	947
Amounts available for appropriation	<u>\$ (22,107)</u>	<u>\$ (22,107)</u>	<u>\$ (21,160)</u>	<u>\$ 947</u>
Charges to appropriations (outflows):				
Current operating:				
Other	\$ —	\$ —	\$ —	\$ —
Total charges to appropriations	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Budgetary fund balance—ending	<u>\$ (22,107)</u>	<u>\$ (22,107)</u>	<u>\$ (21,160)</u>	<u>\$ 947</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ (21,160)
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	22,107
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 947</u>

Uses/outflows of resources

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

Note B—Excess of Expenditures Over Appropriations

The fund incurred expenditures in excess of appropriations of \$22,107 for the year ended September 30, 2020. The excess expenditures will be provided by future revenues or transfers from the General Fund.

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SERIES 2013-B G.O. WARRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 578,174	\$ 578,174	\$ 578,174	\$ —
Resources (inflows):				
Interest revenues	16,843	16,843	1,023	(15,820)
Miscellaneous			95	95
Proceeds from refunding warrants		12,050,000	12,050,000	—
Amounts available for appropriation	<u>\$ 595,017</u>	<u>\$ 12,645,017</u>	<u>\$ 12,629,292</u>	<u>\$ (15,725)</u>
Charges to appropriations (outflows):				
Current operating:				
Public safety	\$	\$	\$ 1,463	\$ (1,463)
Capital outlay and improvements	858,990	1,527,245	1,246,111	281,134
Debt service:				
Interest and fiscal charges		65,000	65,000	—
Payment to refunded debt escrow agent		11,199,258	11,199,258	—
Discount on debt issuance		117,488	117,488	—
Total charges to appropriations	<u>\$ 858,990</u>	<u>\$ 12,908,991</u>	<u>\$ 12,629,320</u>	<u>\$ 279,671</u>
Budgetary fund balance—ending	<u>\$ (263,973)</u>	<u>\$ (263,974)</u>	<u>\$ (28)</u>	<u>\$ 263,946</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 12,629,292
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(578,174)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Proceeds from refunding warrants are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(12,050,000)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 1,118</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 12,629,320
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Payment to refunded debt escrow agent is an outflow of budgetary resources but is not an expenditure for financial reporting purposes	(11,199,258)
Discount on debt issuance is an outflow of budgetary resources but is not an expenditure for financial reporting purposes	<u>(117,488)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 1,312,574</u>

**CITY OF FLORENCE, ALABAMA
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Budgetary fund balance—beginning	\$ 1,636,330	\$ 1,636,330	\$ 1,636,330	\$ —
Resources (inflows):				
Intergovernmental	368,000	368,000	380,545	12,545
Interest revenues	5,750	5,750	8,795	3,045
Amounts available for appropriation	<u>\$ 2,010,080</u>	<u>\$ 2,010,080</u>	<u>\$ 2,025,670</u>	<u>\$ 15,590</u>
Charges to appropriations (outflows):				
Current operating:				
General administration	\$ 12,300	\$ 12,300	\$ 109,495	\$ (97,195)
Public works			4,500	(4,500)
Culture and recreation	36,150	36,150	787	35,363
Capital outlay and improvements	75,300	75,300	56,825	18,475
Total charges to appropriations	<u>\$ 123,750</u>	<u>\$ 123,750</u>	<u>\$ 171,607</u>	<u>\$ (47,857)</u>
Budgetary fund balance—ending	<u>\$ 1,886,330</u>	<u>\$ 1,886,330</u>	<u>\$ 1,854,063</u>	<u>\$ (32,267)</u>

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

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,025,670
Differences—budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(1,636,330)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 389,340</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 171,607
Differences—budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	<u>\$ 171,607</u>

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 127,590,000	\$ 127,590,000	\$ 121,687,889	\$ (5,902,111)
Other	605,000	605,000	489,675	(115,325)
Total operating revenues	\$ 128,195,000	\$ 128,195,000	\$ 122,177,564	\$ (6,017,436)
Operating expenses				
Costs of sales	\$ 100,405,000	\$ 100,305,000	\$ 91,591,557	\$ 8,713,443
Operations, maintenance, and administration	16,886,700	17,235,950	17,809,493	(573,543)
Depreciation	5,585,500	5,585,500	5,785,622	(200,122)
Taxes and tax equivalents	3,936,000	3,978,000	3,937,755	40,245
Total operating expenses	\$ 126,813,200	\$ 127,104,450	\$ 119,124,427	\$ 7,980,023
Operating income (loss)	\$ 1,381,800	\$ 1,090,550	\$ 3,053,137	\$ 1,962,587
Nonoperating revenues (expenses)				
Interest revenues	\$ 180,000	\$ 180,000	\$ 175,538	\$ (4,462)
Merchandising revenues (net of costs)	150,000	150,000	60,505	(89,495)
Miscellaneous nonoperating income	20,000	20,000	22,214	2,214
Gain (loss) on disposition of assets			(36,714)	(36,714)
Interest expense	(185,200)	(185,200)	(184,581)	619
Amortization of debt related costs	(5,300)	(5,300)	301	5,601
Total nonoperating revenues (expenses)	\$ 159,500	\$ 159,500	\$ 37,263	\$ (122,237)
Change in net position	\$ 1,541,300	\$ 1,250,050	\$ 3,090,400	\$ 1,840,350

**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, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 17,008,900	\$ 17,008,900	\$ 13,399,842	\$ (3,609,058)
Other	11,100	11,100	10,450	(650)
Total operating revenues	\$ 17,020,000	\$ 17,020,000	\$ 13,410,292	\$ (3,609,708)
Operating expenses				
Costs of sales	\$ 8,402,000	\$ 8,302,000	\$ 4,515,388	\$ 3,786,612
Operations, maintenance, and administration	5,075,800	5,220,300	5,403,931	(183,631)
Depreciation	1,611,000	1,611,000	1,651,956	(40,956)
Amortization of acquisition adjustment	11,000	11,000	10,661	339
Taxes and tax equivalents	1,555,700	1,566,800	1,520,367	46,433
Total operating expenses	\$ 16,655,500	\$ 16,711,100	\$ 13,102,303	\$ 3,608,797
Operating income (loss)	\$ 364,500	\$ 308,900	\$ 307,989	\$ (911)
Nonoperating revenues (expenses)				
Interest revenues	\$ 87,000	\$ 87,000	\$ 126,207	\$ 39,207
Gain (loss) on disposition of assets	22,000	22,000	15,975	(6,025)
Miscellaneous nonoperating income	13,000	13,000	11,791	(1,209)
Total nonoperating revenues (expenses)	\$ 122,000	\$ 122,000	\$ 153,973	\$ 31,973
Change in net position	\$ 486,500	\$ 430,900	\$ 461,962	\$ 31,062

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, 2020

	<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				
User charges	\$ 20,673,400	\$ 20,673,400	\$ 20,186,422	\$ (486,978)
Other	163,700	163,700	142,505	(21,195)
Total operating revenues	<u>\$ 20,837,100</u>	<u>\$ 20,837,100</u>	<u>\$ 20,328,927</u>	<u>\$ (508,173)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 10,668,700	\$ 10,747,500	\$ 10,698,740	\$ 48,760
Depreciation	4,067,800	4,067,800	4,066,164	1,636
Taxes and tax equivalents	1,760,000	1,774,900	1,714,089	60,811
Total operating expenses	<u>\$ 16,496,500</u>	<u>\$ 16,590,200</u>	<u>\$ 16,478,993</u>	<u>\$ 111,207</u>
Operating income (loss)	<u>\$ 4,340,600</u>	<u>\$ 4,246,900</u>	<u>\$ 3,849,934</u>	<u>\$ (396,966)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 178,300	\$ 178,300	\$ 171,904	\$ (6,396)
Gain (loss) on disposition of assets			22,202	22,202
Interest expense	(1,180,000)	(1,180,000)	(1,131,813)	48,187
Amortization of debt related costs	(160,100)	(160,100)	(160,090)	10
Total nonoperating revenues (expenses)	<u>\$ (1,161,800)</u>	<u>\$ (1,161,800)</u>	<u>\$ (1,097,797)</u>	<u>\$ 64,003</u>
Change in net position	<u>\$ 3,178,800</u>	<u>\$ 3,085,100</u>	<u>\$ 2,752,137</u>	<u>\$ (332,963)</u>

**CITY OF FLORENCE, ALABAMA
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 5,761,485	\$ 5,761,485	\$ 5,682,032	\$ (79,453)
Other	5,000	5,000	2,884	(2,116)
Total operating revenues	<u>\$ 5,766,485</u>	<u>\$ 5,766,485</u>	<u>\$ 5,684,916</u>	<u>\$ (81,569)</u>
Operating expenses				
Operations, maintenance, and administration	\$ 5,264,563	\$ 5,264,563	\$ 5,577,839	\$ (313,276)
Depreciation	803,225	803,225	752,467	50,758
Taxes and tax equivalents	167,984	167,984	164,704	3,280
Total operating expenses	<u>\$ 6,235,772</u>	<u>\$ 6,235,772</u>	<u>\$ 6,495,010</u>	<u>\$ (259,238)</u>
Operating income (loss)	<u>\$ (469,287)</u>	<u>\$ (469,287)</u>	<u>\$ (810,094)</u>	<u>\$ (340,807)</u>
Nonoperating revenues (expenses)				
Interest revenues	\$ 30,000	\$ 30,000	\$ 12,334	\$ (17,666)
Gain (loss) on disposition of assets	20,000	20,000	41,589	21,589
Total nonoperating revenues (expenses)	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 53,923</u>	<u>\$ 3,923</u>
Income before contributions	<u>\$ (419,287)</u>	<u>\$ (419,287)</u>	<u>\$ (756,171)</u>	<u>\$ (336,884)</u>
Capital contributions			118,278	118,278
Change in net position	<u>\$ (419,287)</u>	<u>\$ (419,287)</u>	<u>\$ (637,893)</u>	<u>\$ (218,606)</u>

**CITY OF FLORENCE, ALABAMA
EMPLOYEE GROUP HEALTH INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget— Positive (Negative)
	Original	Final		
Operating revenues				
User charges	\$ 305,000	\$ 305,000	\$	\$ (305,000)
Total operating revenues	<u>\$ 305,000</u>	<u>\$ 305,000</u>	<u>\$ —</u>	<u>\$ (305,000)</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 296,000	\$ 296,000	\$ (662,955)	\$ 958,955
Operations and administration	12,000	12,000	7,475	4,525
Total operating expenses	<u>\$ 308,000</u>	<u>\$ 308,000</u>	<u>\$ (655,480)</u>	<u>\$ 963,480</u>
Operating income (loss)	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ 655,480</u>	<u>\$ 658,480</u>
Nonoperating revenues				
Interest revenues	3,000	3,000	1,081	(1,919)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 656,561</u>	<u>\$ 656,561</u>

**CITY OF FLORENCE, ALABAMA
GENERAL LIABILITY INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<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				
User charges	\$ 302,000	\$ 302,000	\$ 325,178	\$ 23,178
Total operating revenues	<u>\$ 302,000</u>	<u>\$ 302,000</u>	<u>\$ 325,178</u>	<u>\$ 23,178</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 345,000	\$ 632,356	\$ 850,866	\$ (218,510)
Operations and administration	7,000	92,317	85,380	6,937
Total operating expenses	<u>\$ 352,000</u>	<u>\$ 724,673</u>	<u>\$ 936,246</u>	<u>\$ (211,573)</u>
Operating income (loss)	<u>\$ (50,000)</u>	<u>\$ (422,673)</u>	<u>\$ (611,068)</u>	<u>\$ (188,395)</u>
Nonoperating revenues				
Interest revenues	50,000	50,000	30,042	(19,958)
Change in net position	<u>\$ —</u>	<u>\$ (372,673)</u>	<u>\$ (581,026)</u>	<u>\$ (208,353)</u>

**CITY OF FLORENCE, ALABAMA
WORKERS' COMPENSATION INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<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				
User charges	\$ 830,100	\$ 830,100	\$ 1,005,016	\$ 174,916
Total operating revenues	<u>\$ 830,100</u>	<u>\$ 830,100</u>	<u>\$ 1,005,016</u>	<u>\$ 174,916</u>
Operating expenses				
Insurance premiums and claims (net of refunds)	\$ 811,150	\$ 811,150	\$ 853,660	\$ (42,510)
Operations and administration	28,450	28,450	21,252	7,198
Total operating expenses	<u>\$ 839,600</u>	<u>\$ 839,600</u>	<u>\$ 874,912</u>	<u>\$ (35,312)</u>
Operating income (loss)	<u>\$ (9,500)</u>	<u>\$ (9,500)</u>	<u>\$ 130,104</u>	<u>\$ 139,604</u>
Nonoperating revenues				
Interest revenues	9,500	9,500	923	(8,577)
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 131,027</u>	<u>\$ 131,027</u>

CITY OF FLORENCE, ALABAMA
EMPLOYEE HEALTH AND WELLNESS CENTER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<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				
User charges	\$ 599,400	\$ 599,400	\$ 544,090	\$ (55,310)
Total operating revenues	<u>\$ 599,400</u>	<u>\$ 599,400</u>	<u>\$ 544,090</u>	<u>\$ (55,310)</u>
Operating expenses				
Operations and administration	\$ 599,400	\$ 599,400	\$ 544,090	\$ 55,310
Total operating expenses	<u>\$ 599,400</u>	<u>\$ 599,400</u>	<u>\$ 544,090</u>	<u>\$ 55,310</u>
Operating income (loss)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Change in net position	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

SINGLE AUDIT SECTION

CITY OF FLORENCE, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	CFDA Number	Federal Expenditures
<u>U.S. Department of the Treasury</u>		
<i>Pass-through program from—</i>		
<i>State of Alabama:</i>		
COVID-19—Coronavirus Relief Fund	21.019	\$ 1,950,872
Total U.S. Department of the Treasury		\$ 1,950,872
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct program:</i>		
Community Development Block Grants/Entitlement Grants	14.218	\$ 357,934
COVID-19—Community Development Block Grants/Entitlement Grants	14.218	192,790
Total direct programs		\$ 550,724
<i>Pass-through program from—</i>		
<i>Alabama Department of Economic and Community Affairs:</i>		
Emergency Solutions Grant Program (Note 4)	14.231	277,348
Total U.S. Department of Housing and Urban Development		\$ 828,072
<u>U.S. Department of Justice</u>		
<i>Direct program:</i>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 25,632
COVID-19—Coronavirus Emergency Supplemental Funding Program	16.034	44,852
Total U.S. Department of Justice		\$ 70,484
<u>U.S. Department of Transportation</u>		
<i>Pass-through program from—</i>		
<i>North Central Regional Highway Safety Office:</i>		
State and Community Highway Safety	20.600	\$ 11,943
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	571
National Priority Safety Programs	20.616	11,300
Total U.S. Department of Transportation		\$ 23,814
<u>Environmental Protection Agency</u>		
<i>Direct program:</i>		
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	\$ 15,321
Total Environmental Protection Agency		\$ 15,321
<u>General Services Administration</u>		
<i>Pass-through program from—</i>		
<i>Alabama Department of Economic and Community Affairs:</i>		
Donation of Federal Surplus Personal Property	39.003	\$ 405,882
Total General Services Administration		\$ 405,882
Total Expenditures of Federal Awards		\$ 3,294,445

**CITY OF FLORENCE, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Florence, Alabama (City) under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the net position or the changes in net position of the City.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3—INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Emergency Solutions Grant Program	14.231	\$ 260,672



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Alabama, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Florence, Alabama's basic financial statements, and have issued our report thereon dated March 31, 2021. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the City of Florence, Alabama Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the City of Florence, Alabama Electricity, Gas, Water and Wastewater, and Solid Waste Departments, the Florence-Lauderdale Public Library, and the Florence Library Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Florence, Alabama's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Alabama's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Florence, Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2021



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

Member of
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Practice Section
Alabama Society of CPA's

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Florence, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Florence, Alabama's major federal programs for the year ended September 30, 2020. The City of Florence, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Florence, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Florence, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Florence, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Florence, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.



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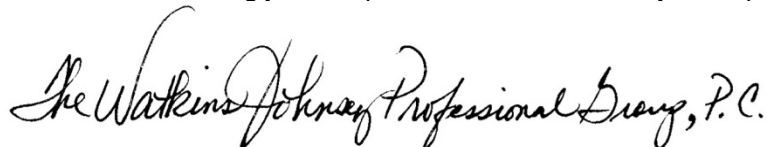
Report on Internal Control Over Compliance

Management of the City of Florence, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Florence, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Florence, Alabama's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
March 31, 2021

**CITY OF FLORENCE, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified?	___ Yes <u>X</u> No
• Significant deficiency(ies) identified?	___ Yes <u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	___ Yes <u>X</u> No
• Significant deficiency(ies) identified?	___ Yes <u>X</u> None reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516a?	___ Yes <u>X</u> No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
21. 019	COVID-19—Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	___ Yes <u>X</u> No

Section II—Financial Statement Findings

None to be reported.

Section III—Federal Award Findings and Questioned Costs

None to be reported.