

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND
WATER AND WASTEWATER DEPARTMENTS
FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**



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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama, as of June 30, 2023 and 2022, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama and do not purport to, and do not, present fairly the financial position of the City of Florence, Alabama, as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama's ability to continue as a going concern for a reasonable period of time.

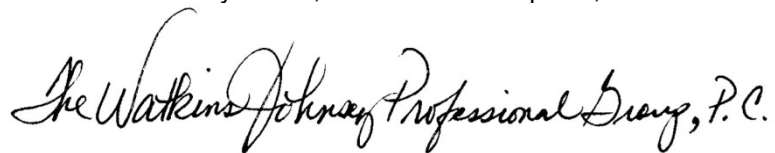
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Electricity, Gas, and Water and Wastewater Departments of the City of Florence, Alabama's financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
December 29, 2023



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**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEAR 2023**

FINANCIAL HIGHLIGHTS

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$3.4 million or 3.8%; Gas decreased \$72,500 or 0.2%; Water and Wastewater increased \$3.6 million or 3.8%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$3.1 million or 3.3%; Gas increased \$1.8 million or 5.6%; Water and Wastewater increased \$16.1 million or 14.7%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity increased \$9.4 million or 7.3%; Gas increased \$501,300 or 2.9%; Water and Wastewater increased \$552,100 or 2.7%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity increased \$11.5 million or 9.2%; Gas increased \$899,800 or 5.3%; Water and Wastewater increased \$2.7 million or 15.7%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity increased about \$185,200 or 123.7%; Gas increased about \$171,900 or 292.2%; Water and Wastewater increased about \$501,100 or 3,116.2%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity increased \$36,700 or 14.4%; Gas remained at zero; Water and Wastewater increased \$96,400 or 6.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REQUIRED FINANCIAL STATEMENTS

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

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

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

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

FINANCIAL ANALYSIS OF FLORENCE UTILITIES

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

Electricity Department

The Electricity Department's net position increased from last year by \$3,443,899 or about 3.8%. 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 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 44,958,427	\$ 46,133,702	\$ (1,175,275)	-2.55%
Capital Assets, Net	96,286,675	93,170,712	3,115,963	3.34%
Other Noncurrent Assets	782,349	960,193	(177,844)	-18.52%
Total Assets	<u>\$ 142,027,451</u>	<u>\$ 140,264,607</u>	<u>\$ 1,762,844</u>	<u>1.26%</u>
Deferred Outflows of Resources	\$ 9,549,081	\$ 4,726,962	\$ 4,822,119	102.01%
Current Liabilities	\$ 30,679,095	\$ 32,380,027	\$ (1,700,932)	-5.25%
Noncurrent Liabilities	23,010,628	17,892,417	5,118,211	28.61%
Total Liabilities	<u>\$ 53,689,723</u>	<u>\$ 50,272,444</u>	<u>\$ 3,417,279</u>	<u>6.80%</u>
Deferred Inflows of Resources	\$ 3,049,982	\$ 3,326,197	\$ (276,215)	-8.30%
Net Investment in Capital Assets	\$ 91,518,765	\$ 87,992,501	\$ 3,526,264	4.01%
Restricted for Debt Service	633,405	607,602	25,803	4.25%
Unrestricted	2,684,657	2,792,825	(108,168)	-3.87%
Total Net Position	<u>\$ 94,836,827</u>	<u>\$ 91,392,928</u>	<u>\$ 3,443,899</u>	<u>3.77%</u>

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

As the table below indicates, operating revenues increased approximately \$9.4 million or about 7.3% from FY 2022. Cost of sales increased by approximately \$9.5 million or about 10%. During FY 2023, 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 2.4% decrease in kilowatt-hours sold in FY 2023 compared to FY 2022. Operating expenses for FY 2023 increased \$11.5 million or 9.2% due to cost of sales and the aforementioned Fuel Cost Adjustments, which were higher than normal. Maintenance Costs increased approximately \$1 million or 13.4% due mainly to tree trimming expenses. The Electricity Department experienced an increase in nonoperating revenues of \$185,155 or 123.7% due to higher interest rates paid by banks and an increase in nonoperating expenses by \$36,656 or about 14.4%.

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

	FY 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 139,266,526	\$ 129,829,185	\$ 9,437,341	7.27%
Operating Expenses				
Cost of Sales	\$ 105,379,758	\$ 95,831,409	\$ 9,548,349	9.96%
Operations	11,764,107	11,002,498	761,609	6.92%
Maintenance	8,249,357	7,277,700	971,657	13.35%
Depreciation	6,292,978	6,163,975	129,003	2.09%
Taxes and Tax Equivalentts	4,180,229	4,135,321	44,908	1.09%
Total Operating Expenses	<u>\$ 135,866,429</u>	<u>\$ 124,410,903</u>	<u>\$ 11,455,526</u>	<u>9.21%</u>
Operating Income	<u>\$ 3,400,097</u>	<u>\$ 5,418,282</u>	<u>\$ (2,018,185)</u>	<u>37.25%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 334,823	\$ 149,668	\$ 185,155	123.71%
Nonoperating Expenses	(291,021)	(254,365)	(36,656)	14.41%
Total Nonoperating Revenues (Exp)	<u>\$ 43,802</u>	<u>\$ (104,697)</u>	<u>\$ 148,499</u>	<u>141.84%</u>
Change in Net Position	\$ 3,443,899	\$ 5,313,585	\$ (1,869,686)	35.19%
Total Net Position - Beginning	<u>91,392,928</u>	<u>86,079,343</u>	<u>5,313,585</u>	<u>6.17%</u>
Total Net Position - Ending	<u><u>\$ 94,836,827</u></u>	<u><u>\$ 91,392,928</u></u>	<u><u>\$ 3,443,899</u></u>	<u><u>3.77%</u></u>

Gas Department

The Gas Department's net position decreased from last year by \$72,473 or about 0.2%. 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 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 18,799,078	\$ 21,101,066	\$ (2,301,988)	-10.91%
Capital Assets, Net	34,282,437	32,473,250	1,809,187	5.57%
Total Assets	<u>\$ 53,081,515</u>	<u>\$ 53,574,316</u>	<u>\$ (492,801)</u>	<u>-0.92%</u>
Deferred Outflows of Resources	\$ 3,739,132	\$ 1,914,753	\$ 1,824,379	95.28%
Current Liabilities	\$ 1,134,883	\$ 1,863,539	\$ (728,656)	-39.10%
Noncurrent Liabilities	8,822,458	6,414,711	2,407,747	37.53%
Total Liabilities	<u>\$ 9,957,341</u>	<u>\$ 8,278,250</u>	<u>\$ 1,679,091</u>	<u>20.28%</u>
Deferred Inflows of Resources	\$ 1,982,099	\$ 2,257,139	\$ (275,040)	-12.19%
Net Investment in Capital Assets	\$ 34,282,437	\$ 32,473,250	\$ 1,809,187	5.57%
Unrestricted	10,598,770	12,480,430	(1,881,660)	-15.08%
Total Net Position	<u><u>\$ 44,881,207</u></u>	<u><u>\$ 44,953,680</u></u>	<u><u>\$ (72,473)</u></u>	<u><u>-0.16%</u></u>

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

As the following table indicates, operating revenues increased approximately \$501,300 or about 2.9% from FY 2022. The Department had six rate changes in FY 2023. The Gas Department experienced an approximate 7.9% decrease in overall sales volume in FY 2023 compared to FY 2022. Cost of sales decreased approximately \$75,300 or about 0.9% due to lower sales volumes. The Gas Department experienced an increase in nonoperating revenues of \$171,906 or about 292.2% due to higher interest rates paid by banks.

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

	FY 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 17,659,444	\$ 17,158,131	\$ 501,313	2.92%
Operating Expenses				
Cost of Sales	\$ 8,223,002	\$ 8,298,307	\$ (75,305)	-0.91%
Operations	3,775,638	3,194,494	581,144	18.19%
Maintenance	2,582,201	2,375,371	206,830	8.71%
Depreciation and Amortization	1,776,161	1,688,378	87,783	5.20%
Taxes and Tax Equivalentts	1,605,658	1,506,288	99,370	6.60%
Total Operating Expenses	<u>\$ 17,962,660</u>	<u>\$ 17,062,838</u>	<u>\$ 899,822</u>	<u>5.27%</u>
Operating Income (Loss)	<u>\$ (303,216)</u>	<u>\$ 95,293</u>	<u>\$ (398,509)</u>	<u>-418.19%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 230,743	\$ 58,837	\$ 171,906	292.17%
Nonoperating Expenses	-	-	-	-
Total Nonoperating Revenues (Exp)	<u>\$ 230,743</u>	<u>\$ 58,837</u>	<u>\$ 171,906</u>	<u>292.17%</u>
Change in Net Position	\$ (72,473)	\$ 154,130	\$ (226,603)	-147.02%
Total Net Position - Beginning	<u>44,953,680</u>	<u>44,799,550</u>	<u>154,130</u>	<u>0.34%</u>
Total Net Position - Ending	<u><u>\$ 44,881,207</u></u>	<u><u>\$ 44,953,680</u></u>	<u><u>\$ (72,473)</u></u>	<u><u>-0.16%</u></u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$3,590,587 or about 3.8%. The summaries below focus on the Water and Wastewater Department's net position and changes in net position during the years presented.

Water and Wastewater Department
Statements of Net Position

	FY 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 27,290,793	\$ 25,866,309	\$ 1,424,484	5.51%
Capital Assets, Net	125,270,189	109,190,081	16,080,108	14.73%
Other Noncurrent Assets	17,018,823	2,930,474	14,088,349	480.75%
Total Assets	<u>\$ 169,579,805</u>	<u>\$ 137,986,864</u>	<u>\$ 31,592,941</u>	<u>22.90%</u>
Deferred Outflows of Resources	\$ 5,647,021	\$ 3,649,162	\$ 1,997,859	54.75%
Current Liabilities	\$ 7,431,223	\$ 6,398,206	\$ 1,033,017	16.15%
Noncurrent Liabilities	68,427,818	39,261,372	29,166,446	74.29%
Total Liabilities	<u>\$ 75,859,041</u>	<u>\$ 45,659,578</u>	<u>\$ 30,199,463</u>	<u>66.14%</u>
Deferred Inflows of Resources	\$ 1,459,693	\$ 1,658,943	\$ (199,250)	-12.01%
Net Investment in Capital Assets	\$ 76,659,618	\$ 73,301,521	\$ 3,358,097	4.58%
Restricted for Debt Service	2,433,575	2,339,940	93,635	4.00%
Unrestricted	18,814,899	18,676,044	138,855	0.74%
Total Net Position	<u>\$ 97,908,092</u>	<u>\$ 94,317,505</u>	<u>\$ 3,590,587</u>	<u>3.81%</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 \$552,102 or about 2.7% from FY 2022 revenues. Operating expenses increased about \$2.7 million or about 15.7% due largely to treatment chemicals and employee pension and benefits expenses. The Water and Wastewater Department experienced an increase in nonoperating revenues of \$501,120 or 3,116.2% due to higher interest rates paid by banks. The Water and Wastewater Department experienced an increase in nonoperating expenses of \$96,443 or about 6.3% due to additional interest expense on SRF loans. Capital contributions increased \$1,242,551 or 58.6% due to reimbursable line location projects being performed for other government agencies.

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

	FY 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 20,942,877	\$ 20,390,775	\$ 552,102	2.71%
Operating Expenses				
Water Treatment and Pumping	\$ 4,075,728	\$ 3,376,185	\$ 699,543	20.72%
Sewage Disposal	2,824,490	2,395,919	428,571	17.89%
Transmission and Distribution	2,383,689	1,868,276	515,413	27.59%
Accounting and Collections	1,185,891	1,148,037	37,854	3.30%
Administrative and General	3,116,444	2,370,924	745,520	31.44%
Depreciation	4,216,372	4,065,548	150,824	3.71%
Taxes and Tax Equivalents	1,809,730	1,732,737	76,993	4.44%
Total Operating Expenses	\$ 19,612,344	\$ 16,957,626	\$ 2,654,718	15.66%
Operating Income	\$ 1,330,533	\$ 3,433,149	\$ (2,102,616)	-61.24%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 517,201	\$ 16,081	\$ 501,120	3116.22%
Nonoperating Expenses	(1,618,834)	(1,522,391)	(96,443)	6.33%
Total Nonoperating Revenues (Exp)	\$ (1,101,633)	\$ (1,506,310)	\$ 404,677	26.87%
Income Before Contributions	\$ 228,900	\$ 1,926,839	\$ (1,697,939)	-88.12%
Capital Contributions	3,361,687	2,119,136	1,242,551	58.63%
Change in Net Position	\$ 3,590,587	\$ 4,045,975	\$ (455,388)	-11.26%
Total Net Position - Beginning	94,317,505	90,271,530	4,045,975	4.48%
Total Net Position - Ending	\$ 97,908,092	\$ 94,317,505	\$ 3,590,587	3.81%

BUDGETARY HIGHLIGHTS

As required, the City Council adopts a budget for each enterprise fund comprising Florence Utilities. The FY 2023 original budgets for the Gas and Water and Wastewater Departments were adopted on June 7, 2022. The FY 2023 original budget for the Electricity Department was adopted on August 2, 2022. The FY 2023 budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on October 4, 2022. 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, 2023

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 129,465,000	\$ 139,266,526	\$ 9,801,526	7.57%
Operating Expenses	126,298,700	135,866,429	(9,567,729)	-7.58%
Operating Income	\$ 3,166,300	\$ 3,400,097	\$ 233,797	7.38%
Nonoperating Revenues (Expenses)	(72,600)	43,802	116,402	160.33%
Change in Net Position	\$ 3,093,700	\$ 3,443,899	\$ 350,199	11.32%
Total Net Position - Beginning	91,392,928	91,392,928		
Total Net Position - Ending	\$ 94,486,628	\$ 94,836,827	\$ 350,199	0.37%

As the above budget report shows, the Electricity Department exceeded the budgeted Change in Net Position by \$350,199 or approximately 11.3%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The more significant variances were in sales revenues and cost of sales.

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, 2023

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 18,950,600	\$ 17,659,444	\$ (1,291,156)	-6.81%
Operating Expenses	18,597,300	17,962,660	634,640	3.41%
Operating Income (Loss)	\$ 353,300	\$ (303,216)	\$ (656,516)	-185.82%
Nonoperating Revenues (Expenses)	29,000	230,743	201,743	695.67%
Change in Net Position	\$ 382,300	\$ (72,473)	\$ (454,773)	-118.96%
Total Net Position - Beginning	44,953,680	44,953,680		
Total Net Position - Ending	\$ 45,335,980	\$ 44,881,207	\$ (454,773)	-1.00%

The Gas Department did not meet the budgeted Change in Net Position by \$454,773, or approximately 119%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The most significant variances were decreases in sales revenues and cost of sales.

Water and Wastewater Department

Water and Wastewater Department
 Schedule of Revenues, Expenses, and Changes in Fund Net Position
 Budget and Actual (GAAP Budgetary Basis)
 For the Year Ended June 30, 2023

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 20,635,000	\$ 20,942,877	\$ 307,877	1.49%
Operating Expenses	18,280,200	19,612,344	(1,332,144)	-7.29%
Operating Income	\$ 2,354,800	\$ 1,330,533	\$ (1,024,267)	-43.50%
Nonoperating Revenues (Expenses)	(1,367,700)	(1,101,633)	266,067	19.45%
Capital Contributions	291,600	3,361,687	3,070,087	1052.84%
Change in Net Position	\$ 1,278,700	\$ 3,590,587	\$ 2,311,887	180.80%
Total Net Position - Beginning	94,317,505	94,317,505		
Total Net Position - Ending	\$ 95,596,205	\$ 97,908,092	\$ 2,311,887	2.42%

The Water and Wastewater Department exceeded the budgeted Change in Net Position by \$2,311,887 or approximately 180.8%. 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 employee pension and benefits expenses and capital contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2023, capital assets comprised the majority of each fund's assets. The following are summaries highlighting each fund's changes in capital assets. Information that is more detailed is presented for each department in the supplementary schedules section.

Electricity Department

Electricity Department
 Capital Assets, Net
 FY 2023

	FY 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 200,708,519	\$ 195,936,773	\$ 4,771,746	2.44%
Construction in Progress	4,078,525	1,420,041	2,658,484	187.21%
Less: Accumulated Depreciation	(108,500,369)	(104,186,102)	(4,314,267)	4.14%
Net Utility Plant	\$ 96,286,675	\$ 93,170,712	\$ 3,115,963	3.34%

As the above table shows, the Electricity Department experienced a 3.3% increase in net utility plant. The Department plans to finance capital expenditures in FY 2024 through cash generated from current operations, cash reserves, and bond proceeds.

Gas Department

Gas Department
Capital Assets, Net
FY 2023

	FY 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 65,955,618	\$ 63,636,575	\$ 2,319,043	3.64%
Acquisition Adjustment (net of amortization)	83,513	94,174	(10,661)	-11.32%
Construction in Progress	809,847	135,320	674,527	498.47%
Less: Accumulated Depreciation	(32,566,541)	(31,392,819)	(1,173,722)	3.74%
Net Utility Plant	<u>\$ 34,282,437</u>	<u>\$ 32,473,250</u>	<u>\$ 1,809,187</u>	<u>5.57%</u>

As the above table shows, the Gas Department increased net utility plant by 5.6%. The Department plans to finance capital expenditures in FY 2024 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department
Capital Assets, Net
FY 2023

	FY 2023	FY 2022	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 194,695,203	\$ 185,458,152	\$ 9,237,051	4.98%
Construction in Progress	16,992,385	5,990,522	11,001,863	183.65%
Less: Accumulated Depreciation	(86,417,399)	(82,258,593)	(4,158,806)	5.06%
Net Utility Plant	<u>\$ 125,270,189</u>	<u>\$ 109,190,081</u>	<u>\$ 16,080,108</u>	<u>14.73%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 14.7%. The Department plans to finance capital expenditures in FY 2024 with cash reserves, cash generated from current operations, and SRF loan proceeds.

Long-term Debt

During FY 2023, 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 2023.

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 2023, the Electricity Department exceeded that requirement at about 23.34 times. The Department has issued new debt in FY 2024 for the implementation of Advanced Metering Infrastructure (AMI).

Gas Department

The Gas Department did not have any outstanding debt issues in FY 2023. The Department has no plans to issue new debt in FY 2024.

Water and Wastewater Department

The Water and Wastewater Department had five warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Water and Sewer Revenue Warrants, SRF Series 2013, interest rates at 1.70% through December 1, 2016 and 2.45% thereafter, (2) Water and Sewer Revenue Warrants, Series 2017, interest rates ranging from 2.00% to 4.00%, (3) Water and Sewer Revenue Warrants, SRF Series 2021-DW, interest rate 2.20%, (4) Water and Sewer Revenue Warrants, SRF Series 2021-CW, interest rate 2.20%, and (5) Water and Sewer Revenue Warrants, SRF Series 2023-DW, interest rate 1.99%. The SRF warrants were issued through a federally funded (EPA) loan program to states for water and wastewater improvements. In Alabama, this program is administered jointly by ADWFA and ADEM. The Series 2017 is insured by Build America Mutual Assurance Company. The Series 2017 was issued to refinance the SRF Series 2006, SRF Series 2007 and \$20,110,000 of the Series 2011 warrants taking advantage of more favorable interest rates. The Water and Sewer Revenue Warrants, Series 2017 were issued with a rating of A1 by Moody's and AA- Stable, AA (Insured) by Standard & Poor's. The 2017 issue requires that the Water and Wastewater Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2023, the Water and Wastewater Department exceeded that requirement at about 2.24 times. The Department has borrowed additional SRF funds in FY 2024.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Florence MSA's unemployment rate was 2.6% for both September 2023 and September 2022. The State of Alabama's unemployment rate was 2.2% for September 2023 and 2.6% for September 2022. 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 2024 through October 2023 for electricity have decreased from the same period last year by 1.2%. Sales in dekatherms to natural gas customers for the period from July 2023 through October 2023 as compared to sales for the same period in the previous fiscal year have increased approximately 0.9%. FY 2024 sales revenues from water and wastewater operations through October 2023 have increased about 2.1% from the same period in FY 2023.

The City Council adopted the FY 2024 budgets for the Electricity, Gas, and Water and Wastewater Departments on June 20, 2023. These budgets were amended on October 3, 2023.

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. TVA had a wholesale rate increase in October 2023. Florence Utilities passed this rate increase along to our customers. Our corresponding rate change was revenue neutral for us.

The Gas Department's rate ordinance allows for gas rate changes without further City Council action. The Department last implemented a rate change in July 2023. The volatility of natural gas pricing markets 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 2023. The ordinance is available for review on the City's website at www.florenceal.org along with some prior rate ordinances.

CONTACTING FLORENCE UTILITIES FINANCIAL MANAGER

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



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**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022**

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 20,570,973	\$ 22,098,861
Accounts receivable (net)	13,100,275	13,538,493
Accrued interest receivable	31,291	915
Inventories	2,580,466	2,335,875
Prepaid expenses	<u>8,675,422</u>	<u>8,159,558</u>
Total current assets	<u>\$ 44,958,427</u>	<u>\$ 46,133,702</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 646,153	\$ 621,119
Capital assets:		
Utility plant in service (at cost)	200,708,519	195,936,773
Construction in progress	4,078,525	1,420,041
Less: accumulated depreciation	108,500,369	104,186,102
Receivables from customers for conservation loans	<u>136,196</u>	<u>339,074</u>
Total noncurrent assets	<u>\$ 97,069,024</u>	<u>\$ 94,130,905</u>
Total assets	<u>\$ 142,027,451</u>	<u>\$ 140,264,607</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 7,845,972	\$ 3,904,004
OPEB obligations	<u>1,703,109</u>	<u>822,958</u>
Total deferred outflows of resources	<u>\$ 9,549,081</u>	<u>\$ 4,726,962</u>

LIABILITIES	2023	2022
Current liabilities:		
Accounts payable	\$ 17,306,005	\$ 19,857,286
Customer deposits	11,197,859	10,768,794
Compensated absences	648,616	642,136
Accrued taxes and expenses	1,093,566	687,993
	<hr/>	<hr/>
Total current liabilities	\$ 30,246,046	\$ 31,956,209
Liabilities payable from restricted assets:		
Revenue warrants—payable within one year	\$ 420,000	\$ 410,000
Unamortized debt premium (discount)	301	301
Accrued interest	12,748	13,517
	<hr/>	<hr/>
Total liabilities payable from restricted assets	\$ 433,049	\$ 423,818
Noncurrent liabilities:		
Revenue warrants—payable after one year	\$ 4,345,000	\$ 4,765,000
Unamortized debt premium (discount)	2,609	2,910
Advances from TVA for conservation loans	152,909	365,717
Compensated absences	972,925	963,205
Net pension liability	12,535,893	6,976,663
Total OPEB liability	5,001,292	4,818,922
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 23,010,628	\$ 17,892,417
Total liabilities	<hr/>	<hr/>
	\$ 53,689,723	\$ 50,272,444
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 2,129,153	\$ 2,891,781
OPEB obligations	920,829	434,416
	<hr/>	<hr/>
Total deferred inflows of resources	\$ 3,049,982	\$ 3,326,197
NET POSITION		
Net investment in capital assets	\$ 91,518,765	\$ 87,992,501
Restricted for debt service	633,405	607,602
Unrestricted	2,684,657	2,792,825
	<hr/>	<hr/>
Total net position	<hr/>	<hr/>
	\$ 94,836,827	\$ 91,392,928

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

	2023	2022
Operating revenues:		
Electric sales:		
<i>Residential</i>	\$ 74,212,132	\$ 69,792,734
<i>Small commercial</i>	16,213,096	15,071,935
<i>Large commercial</i>	42,947,453	39,653,112
<i>Public street and highway lighting</i>	2,517,169	2,393,168
Forfeited discounts	997,158	948,099
Rents from electric property	1,930,818	1,514,219
Other operating revenues	448,700	455,918
Total operating revenues	\$ 139,266,526	\$ 129,829,185
Operating expenses:		
Costs of sales	\$ 105,379,758	\$ 95,831,409
Operations	11,764,107	11,002,498
Maintenance	8,249,357	7,277,700
Depreciation	6,292,978	6,163,975
Taxes and tax equivalents	4,180,229	4,135,321
Total operating expenses	\$ 135,866,429	\$ 124,410,903
Operating income	\$ 3,400,097	\$ 5,418,282
Nonoperating revenues (expenses):		
Interest revenues	\$ 252,931	\$ 18,898
Merchandising revenues (net of costs)	75,899	101,838
Miscellaneous nonoperating income (deductions)	(129,585)	(84,460)
Gain (loss) on disposition of assets	5,692	28,631
Interest expense	(161,436)	(169,905)
Amortization of debt related costs	301	301
Total nonoperating revenues (expenses)	\$ 43,802	\$ (104,697)
Change in net position	\$ 3,443,899	\$ 5,313,585
Total net position—beginning	91,392,928	86,079,343
Total net position—ending	\$ 94,836,827	\$ 91,392,928

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Receipts from customers and users	\$ 139,782,604	\$ 127,562,442
Receipts from interfund services provided	2,936,051	2,819,563
Payments to suppliers	(116,998,253)	(99,531,366)
Payments to employees for services and benefits—exclusive of capitalized costs	(12,729,451)	(14,049,833)
Payments for interfund services used	(4,094,570)	(3,997,658)
Net cash provided by operating activities	\$ 8,896,381	\$ 12,803,148
Cash flows from noncapital financing activities:		
Change in receivables from customers for conservation loans	\$ 202,878	\$ 342,332
Change in advances from TVA for conservation loans	(212,808)	(366,199)
Net cash used for noncapital financing activities	\$ (9,930)	\$ (23,867)
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (8,760,957)	\$ (7,975,697)
Proceeds from disposition of assets	23,689	52,788
Removal costs of retirements of capital assets	(1,343,233)	(1,103,925)
Salvage value of retirements of capital assets	40,846	78,319
Principal paid on capital debt	(410,000)	(400,000)
Interest paid on capital debt	(162,205)	(170,605)
Net cash used for capital and related financing activities	\$ (10,611,860)	\$ (9,519,120)
Cash flows from investing activities:		
Interest on investments	\$ 222,555	\$ 18,238
Net cash provided by investing activities	\$ 222,555	\$ 18,238
Net increase (decrease) in cash and cash equivalents	\$ (1,502,854)	\$ 3,278,399
Balances—beginning of the year	22,719,980	19,441,581
Balances—end of the year	\$ 21,217,126	\$ 22,719,980
<i>Classified as:</i>		
Current assets	\$ 20,570,973	\$ 22,098,861
Restricted assets	646,153	621,119
Totals	\$ 21,217,126	\$ 22,719,980

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022
(Continued)**

	<u>2023</u>	<u>2022</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 3,400,097	\$ 5,418,282
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 6,929,383	\$ 6,703,244
Income from merchandising revenues (net of costs)	75,899	101,838
Miscellaneous nonoperating income (deductions)	(129,585)	(84,460)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	438,218	(2,373,304)
Inventories	(244,591)	(378,902)
Prepaid expenses	(515,864)	(1,124,684)
Deferred outflows of resources	(4,822,119)	1,181,813
Accounts and other payables	(2,129,507)	4,415,218
Customer deposits	429,065	552,828
Net pension liability	5,559,230	(3,505,284)
Total OPEB liability	182,370	(13,423)
Deferred inflows of resources	(276,215)	1,909,982
Total adjustments	<u>\$ 5,496,284</u>	<u>\$ 7,384,866</u>
Net cash provided by operating activities	<u>\$ 8,896,381</u>	<u>\$ 12,803,148</u>

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

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022**

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 12,368,638	\$ 17,835,018
Investments	2,048,225	
Accounts receivable (net)	1,346,119	1,119,499
Accrued interest receivable	46,978	9,064
Inventories	2,113,269	1,176,415
Prepaid expenses	<u>875,849</u>	<u>961,070</u>
Total current assets	<u>\$ 18,799,078</u>	<u>\$ 21,101,066</u>
Noncurrent assets:		
Capital assets:		
Utility plant in service (at cost)	\$ 65,955,618	\$ 63,636,575
Acquisition adjustment (net of amortization)	83,513	94,174
Construction in progress	809,847	135,320
Less: accumulated depreciation	<u>32,566,541</u>	<u>31,392,819</u>
Total noncurrent assets	<u>\$ 34,282,437</u>	<u>\$ 32,473,250</u>
Total assets	<u>\$ 53,081,515</u>	<u>\$ 53,574,316</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 3,265,788	\$ 1,710,275
OPEB obligations	<u>473,344</u>	<u>204,478</u>
Total deferred outflows of resources	<u>\$ 3,739,132</u>	<u>\$ 1,914,753</u>

LIABILITIES	2023	2022
Current liabilities:		
Accounts payable	\$ 749,417	\$ 1,507,842
Compensated absences	249,290	238,167
Accrued taxes and expenses	136,176	117,530
Total current liabilities	<u>\$ 1,134,883</u>	<u>\$ 1,863,539</u>
Noncurrent liabilities:		
Compensated absences	\$ 373,935	\$ 357,251
Net pension liability	6,911,335	4,611,935
Total OPEB liability	1,537,188	1,445,525
Total noncurrent liabilities	<u>\$ 8,822,458</u>	<u>\$ 6,414,711</u>
Total liabilities	<u>\$ 9,957,341</u>	<u>\$ 8,278,250</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 527,706	\$ 717,919
OPEB obligations	1,454,393	1,539,220
Total deferred inflows of resources	<u>\$ 1,982,099</u>	<u>\$ 2,257,139</u>
NET POSITION		
Net investment in capital assets	\$ 34,282,437	\$ 32,473,250
Unrestricted	10,598,770	12,480,430
Total net position	<u>\$ 44,881,207</u>	<u>\$ 44,953,680</u>

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

CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Gas sales:		
<i>Residential</i>	\$ 7,182,907	\$ 6,616,955
<i>Commercial</i>	5,199,286	4,751,999
<i>Industrial</i>	3,396,806	3,637,498
<i>Resale and transportation</i>	1,715,822	1,976,882
Service fees	88,367	102,047
Forfeited discounts	65,806	61,758
Other operating revenues	10,450	10,992
	<u>17,659,444</u>	<u>17,158,131</u>
Total operating revenues	\$ 17,659,444	\$ 17,158,131
Operating expenses:		
Costs of sales	\$ 8,223,002	\$ 8,298,307
Operations	3,775,638	3,194,494
Maintenance	2,582,201	2,375,371
Depreciation	1,765,500	1,677,717
Amortization of acquisition adjustment	10,661	10,661
Taxes and tax equivalents	1,605,658	1,506,288
	<u>17,962,660</u>	<u>17,062,838</u>
Total operating expenses	\$ 17,962,660	\$ 17,062,838
Operating income (loss)	<u>(303,216)</u>	<u>95,293</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 147,800	\$ 12,721
Gain (loss) on disposition of assets	77,391	33,504
Miscellaneous nonoperating income	5,552	12,612
	<u>230,743</u>	<u>58,837</u>
Total nonoperating revenues (expenses)	\$ 230,743	\$ 58,837
Change in net position	\$ (72,473)	\$ 154,130
Total net position—beginning	<u>44,953,680</u>	<u>44,799,550</u>
Total net position—ending	<u>\$ 44,881,207</u>	<u>\$ 44,953,680</u>

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

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Receipts from customers and users	\$ 17,438,377	\$ 16,748,746
Receipts from interfund services provided	238,405	197,655
Payments to suppliers	(11,164,455)	(8,782,785)
Payments to employees for services and benefits—exclusive of capitalized costs	(3,917,843)	(3,959,662)
Payments for interfund services used	(2,614,568)	(2,394,629)
Net cash provided by (used for) operating activities	\$ (20,084)	\$ 1,809,325
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (3,505,979)	\$ (3,429,797)
Proceeds from disposition of assets	79,325	39,826
Removal costs of retirements of capital assets	(81,303)	(29,738)
Net cash used for capital and related financing activities	\$ (3,507,957)	\$ (3,419,709)
Cash flows from investing activities:		
Interest on investments	\$ 61,543	\$ 7,104
Purchase of investments	(4,044,882)	
Sales of investments	2,045,000	
Net cash provided by (used for) investing activities	\$ (1,938,339)	\$ 7,104
Net decrease in cash and cash equivalents	\$ (5,466,380)	\$ (1,603,280)
Balances—beginning of the year	17,835,018	19,438,298
Balances—end of the year	\$ 12,368,638	\$ 17,835,018
<u>Classified as:</u>		
Current assets	\$ 12,368,638	\$ 17,835,018

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

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022
(Continued)**

	<u>2023</u>	<u>2022</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ (303,216)	\$ 95,293
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 1,765,500	\$ 1,677,717
Amortization of acquisition adjustment	10,661	10,661
Miscellaneous nonoperating income	5,552	12,612
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	(226,620)	(421,997)
Inventories	(936,854)	(172,860)
Prepaid expenses	85,221	135,071
Deferred outflows of resources	(1,824,379)	197,378
Accounts and other payables	(711,972)	537,672
Net pension liability	2,299,400	(454,576)
Total OPEB liability	91,663	(24,734)
Deferred inflows of resources	<u>(275,040)</u>	<u>217,088</u>
Total adjustments	\$ 283,132	\$ 1,714,032
Net cash provided by (used for) operating activities	<u>\$ (20,084)</u>	<u>\$ 1,809,325</u>

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

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF NET POSITION
JUNE 30, 2023 and 2022**

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 16,005,458	\$ 18,155,010
Investments	2,017,387	
Accounts receivable (net)	6,682,583	4,879,415
Accrued interest receivable		1,234
Inventories	1,138,041	1,044,315
Prepaid expenses	<u>1,447,324</u>	<u>1,786,335</u>
Total current assets	<u>\$ 27,290,793</u>	<u>\$ 25,866,309</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 16,793,439	\$ 2,871,920
Capital assets:		
Utility plant in service (at cost)	194,695,203	185,458,152
Construction in progress	16,992,385	5,990,522
Less: accumulated depreciation	86,417,399	82,258,593
Prepaid debt related costs (net)	<u>225,384</u>	<u>58,554</u>
Total noncurrent assets	<u>\$ 142,289,012</u>	<u>\$ 112,120,555</u>
Total assets	<u>\$ 169,579,805</u>	<u>\$ 137,986,864</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	\$ 1,484,284	\$ 1,597,733
Pensions	3,493,237	1,560,790
OPEB obligations	<u>669,500</u>	<u>490,639</u>
Total deferred outflows of resources	<u>\$ 5,647,021</u>	<u>\$ 3,649,162</u>

LIABILITIES	2023	2022
Current liabilities:		
Accounts payable	\$ 2,870,924	\$ 2,320,193
Retainage payable	613,714	189,440
Customer deposits	3,000	4,250
Compensated absences	401,398	373,215
Accrued taxes and expenses	332,438	330,648
	<hr/>	<hr/>
Total current liabilities	\$ 4,221,474	\$ 3,217,746
Liabilities payable from restricted assets:		
Revenue warrants–payable within one year	\$ 2,660,000	\$ 2,610,000
Unamortized debt premium (discount)	38,480	38,480
Accrued interest	511,269	531,980
	<hr/>	<hr/>
Total liabilities payable from restricted assets	\$ 3,209,749	\$ 3,180,460
Noncurrent liabilities:		
Revenue warrants–payable after one year	\$ 60,780,000	\$ 34,334,363
Unamortized debt premium (discount)	464,970	503,450
Compensated absences	602,096	559,823
Net pension liability	4,786,501	2,163,583
Total OPEB liability	1,794,251	1,700,153
	<hr/>	<hr/>
Total noncurrent liabilities	\$ 68,427,818	\$ 39,261,372
Total liabilities	<hr/> <hr/>	<hr/> <hr/>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 1,026,430	\$ 1,392,983
OPEB obligations	433,263	265,960
	<hr/>	<hr/>
Total deferred inflows of resources	\$ 1,459,693	\$ 1,658,943
NET POSITION		
Net investment in capital assets	\$ 76,659,618	\$ 73,301,521
Restricted for debt service	2,433,575	2,339,940
Unrestricted	18,814,899	18,676,044
	<hr/>	<hr/>
Total net position	<hr/> <hr/>	<hr/> <hr/>

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

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	2023	2022
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 7,315,823	\$ 7,026,521
<i>Commercial</i>	3,617,917	3,462,457
<i>Resale</i>	1,762,096	1,746,624
Sewer service sales:		
<i>Residential</i>	4,514,800	4,458,571
<i>Commercial</i>	3,431,951	3,411,225
Forfeited discounts	135,467	137,526
Other operating revenues	164,823	147,851
	<u>\$ 20,942,877</u>	<u>\$ 20,390,775</u>
Operating expenses:		
Water treatment and pumping	\$ 4,075,728	\$ 3,376,185
Sewage disposal	2,824,490	2,395,919
Transmission and distribution	2,383,689	1,868,276
Accounting and collections	1,185,891	1,148,037
Administrative and general	3,116,444	2,370,924
Depreciation	4,216,372	4,065,548
Taxes and tax equivalents	1,809,730	1,732,737
	<u>\$ 19,612,344</u>	<u>\$ 16,957,626</u>
Total operating expenses		
	<u>\$ 1,330,533</u>	<u>\$ 3,433,149</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 444,298	\$ 12,930
Gain (loss) on disposition of assets	72,903	3,151
Interest expense	(1,528,708)	(1,436,121)
Debt issuance costs	(11,000)	
Amortization of debt related costs	(79,126)	(86,270)
	<u>\$ (1,101,633)</u>	<u>\$ (1,506,310)</u>
Total nonoperating revenues (expenses)		
	<u>\$ 228,900</u>	<u>\$ 1,926,839</u>
Income before contributions		
Capital contributions	3,361,687	2,119,136
	<u>\$ 3,590,587</u>	<u>\$ 4,045,975</u>
Change in net position		
Total net position—beginning	94,317,505	90,271,530
Total net position—ending	<u>\$ 97,908,092</u>	<u>\$ 94,317,505</u>

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

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 18,728,595	\$ 18,035,742
Receipts from interfund services provided	244,153	232,167
Payments to suppliers	(3,807,852)	(2,575,208)
Payments to employees for services and benefits—exclusive of capitalized costs	(6,290,540)	(6,015,893)
Payments for interfund services used	<u>(3,318,174)</u>	<u>(3,155,932)</u>
Net cash provided by operating activities	<u>\$ 5,556,182</u>	<u>\$ 6,520,876</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (20,473,800)	\$ (6,899,741)
Proceeds from disposition of assets	135,522	3,151
Proceeds from capital contributions	3,361,687	2,119,136
Net proceeds from capital debt	29,275,460	5,798,599
Principal paid on capital debt	(3,110,000)	(2,545,000)
Interest paid on capital debt	<u>(1,401,230)</u>	<u>(1,458,610)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ 7,787,639</u>	<u>\$ (2,982,465)</u>
Cash flows from investing activities:		
Interest on investments	\$ 385,688	\$ 14,468
Purchase of investments	(3,999,942)	
Sales of investments	<u>2,042,400</u>	
Net cash provided by (used for) investing activities	<u>\$ (1,571,854)</u>	<u>\$ 14,468</u>
Net increase in cash and cash equivalents	\$ 11,771,967	\$ 3,552,879
Balances—beginning of the year	<u>21,026,930</u>	<u>17,474,051</u>
Balances—end of the year	<u><u>\$ 32,798,897</u></u>	<u><u>\$ 21,026,930</u></u>
<u>Classified as:</u>		
Current assets	\$ 16,005,458	\$ 18,155,010
Restricted assets	<u>16,793,439</u>	<u>2,871,920</u>
Totals	<u><u>\$ 32,798,897</u></u>	<u><u>\$ 21,026,930</u></u>

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

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 and 2022
(Continued)**

	<u>2023</u>	<u>2022</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 1,330,533	\$ 3,433,149
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 4,331,074	\$ 4,156,489
Change in assets and liabilities:		
Receivables (net)	(1,803,168)	(1,985,896)
Inventories	(93,726)	(214,505)
Prepaid expenses	339,011	(634,204)
Deferred outflows of resources	(2,111,308)	97,858
Accounts and other payables	1,047,250	1,987,940
Customer deposits	(1,250)	1,299
Net pension liability	2,622,918	(1,276,375)
Total OPEB liability	94,098	(2,787)
Deferred inflows of resources	(199,250)	957,908
	<u>\$ 4,225,649</u>	<u>\$ 3,087,727</u>
Net cash provided by operating activities	<u>\$ 5,556,182</u>	<u>\$ 6,520,876</u>

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting and Financial Statement Presentation:

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

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

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

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accounts Receivable—Trade:

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

Inventories:

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

Debt Premiums, Discounts, and Issuance Costs:

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

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

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

Prepaid Expenses:

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

Deposits and Investments:

The City's investment policy limit investments to the asset classes designated as acceptable in accordance with state statutes. For the Electricity Department, the policy allows funds to be invested in the TVA Prepaid Power Program. Under the terms of bond indentures, the Utilities are required to deposit into certain bond funds for debt service. These investments are governed by the bond indenture, held by the paying agent as required under the indenture, and are invested in U. S. Government securities. This policy does not cover the investments of the City's retirement plan. All investments are carried at fair value with unrealized gains and losses recorded as adjustment to interest earnings. Fair value is the price that would be received to sell an investment in an orderly transaction at year-end.

For purposes of the statement of cash flows, the Utilities consider all currency, demand deposits, certificates of deposit, and money market accounts with financial institutions to be cash equivalents.

Revenues and Expenses:

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions:

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

Net Position:

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

Compensated Absences:

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

Reclassifications:

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

Estimates:

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 2—DEPOSITS AND INVESTMENTS

The Utilities are authorized to deposit and invest public monies in local financial institutions using checking and savings accounts, money market accounts, certificates of deposit, and obligations of the U.S. Government and its agencies, and obligations of the State Government.

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

Total cash and investments as of June 30, 2023 and 2022 were as follows for each department:

Electricity Department

	<u>2023</u>	<u>2022</u>
Deposits		
Cash on hand	\$ 10,050	\$ 10,050
Cash in banks	15,963,482	19,490,366
Non-negotiable certificates of deposit	4,597,441	2,598,445
Investments		
U.S. agency securities	646,153	621,119
Total deposits and investments	\$ 21,217,126	\$ 22,719,980
Less: restricted assets	(646,153)	(621,119)
Total unrestricted deposits and investments	<u>\$ 20,570,973</u>	<u>\$ 22,098,861</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 2—DEPOSITS AND INVESTMENTS (Continued)

Gas Department

	<u>2023</u>	<u>2022</u>
Deposits		
Cash on hand	\$ 500	\$ 500
Cash in banks	6,014,394	10,531,600
Money market funds	4,351,407	1,625,564
Non-negotiable certificates of deposit	2,002,337	5,677,354
Investments		
U.S. agency securities	2,048,225	
Total unrestricted deposits and investments	<u>\$ 14,416,863</u>	<u>\$ 17,835,018</u>

Water and Wastewater Department

	<u>2023</u>	<u>2022</u>
Deposits		
Cash on hand	\$ 500	\$ 500
Cash in banks	6,568,846	681,274
Money market funds	9,436,112	14,351,707
Non-negotiable certificates of deposit		3,121,529
Investments		
U.S. agency securities	18,810,826	2,871,920
Total deposits and investments	\$ 34,816,284	\$ 21,026,930
Less: restricted assets	<u>(16,793,439)</u>	<u>(2,871,920)</u>
Total unrestricted deposits and investments	<u>\$ 18,022,845</u>	<u>\$ 18,155,010</u>

Interest Rate Risk—Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Utilities manage their exposure to declines in fair values by investing funds primarily in shorter-term securities of one year or less.

Credit Risk—Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy requires limiting investments to the asset classes designated as acceptable in accordance with state statutes. The City limits its investments to U.S. agency securities and non-negotiable certificates of deposit.

Concentration of Credit Risk—The concentration of credit risk is the risk of loss that may be caused by the Utilities' investment in a single issuer. The City's investment policy places no limit on the amount that may be invested in debt backed by the United States Treasury.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 2—DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements—The Utilities use fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. The Utilities follow an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Utilities have categorized their investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level I—Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level II—Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level III—Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the Utilities' own assumptions about the assumptions market participants would use in pricing the asset.

Investments were measured as follows as of June 30, 2023 and 2022:

<i>Investments by Fair Value Level</i>	<i>Assets at Fair Value as of June 30, 2023</i>			
	<i>Fair Value</i>	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>
<u>Electricity Department</u>				
U.S. agency securities	\$ 646,153	\$ -	\$ 646,153	\$ -
<u>Gas Department</u>				
U.S. agency securities	\$ 2,048,225	\$ -	\$ 2,048,225	\$ -
<u>Water and Wastewater Department</u>				
U.S. agency securities	\$ 18,810,826	\$ -	\$ 18,810,826	\$ -
<i>Investments by Fair Value Level</i>	<i>Assets at Fair Value as of June 30, 2022</i>			
	<i>Fair Value</i>	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>
<u>Electricity Department</u>				
U.S. agency securities	\$ 621,119	\$ -	\$ 621,119	\$ -
<u>Gas Department</u>				
U.S. agency securities	\$ -	\$ -	\$ -	\$ -
<u>Water and Wastewater Department</u>				
U.S. agency securities	\$ 2,871,920	\$ -	\$ 2,871,920	\$ -

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 3—UTILITY PLANT

Electricity Department

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 50 years. Depreciation for the fiscal year 2023 totaled \$6,929,383 of which \$6,292,978 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$636,405 for the year ended June 30, 2023. Depreciation for the fiscal year 2022 totaled \$6,703,244 of which \$6,163,975 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$539,269 for the year ended June 30, 2022.

As of June 30, 2023 and 2022, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$1,731,445 and \$1,626,716, respectively.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission plant	\$ 43,903,532	\$ 255,144	\$ 333,108	\$ 43,825,568
Distribution plant	126,306,840	4,113,286	861,318	129,558,808
General plant	25,726,401	1,781,089	183,347	27,324,143
Totals	<u>\$ 195,936,773</u>	<u>\$ 6,149,519</u>	<u>\$ 1,377,773</u>	<u>\$ 200,708,519</u>

During the 2011 fiscal year, the Department recorded a capital contribution of \$1,388,735 as a reduction in capitalized utility plant in accordance with regulatory standards. For financial reporting, the capital contribution was reported as an increase in net position in accordance with GASB standards. The Department is depreciating the capital contribution using the straight-line method over the estimated useful lives of the assets, which is from 25 to 44 years. Current and prior year depreciation amounted to \$39,656. As of June 30, 2023 and 2022, accumulated depreciation amounted to \$475,864 and \$436,208, respectively.

Gas Department

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 50 years. Depreciation expense amounted to \$1,765,500 for fiscal year 2023 and \$1,677,717 for fiscal year 2022.

As of June 30, 2023 and 2022, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$882,852.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
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NOTE 3—UTILITY PLANT (Continued)

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission plant	\$ 10,407,624	\$ 28,011	\$ -	\$ 10,435,635
Distribution plant	43,402,208	2,314,380	184,293	45,532,295
General plant	9,826,743	489,061	328,116	9,987,688
Totals	<u>\$ 63,636,575</u>	<u>\$ 2,831,452</u>	<u>\$ 512,409</u>	<u>\$ 65,955,618</u>

During the 2000 fiscal year, the Department performed improvements to the Gate Station purchased in fiscal year 1998 and in doing so retired approximately one-half of the equipment. The Department was able to obtain information on the costs of the original equipment and based on that information, the Department was able to determine the cost of the retirements and reclassify the difference between the purchase price of the Gate Station and the cost of the equipment. The Department then reclassified from Measuring and Regulating Equipment to the Gas Plant Acquisition Adjustment account, in the amount of \$355,373 and reclassified from Accumulated Depreciation to Accumulated Amortization of Gas Plant Acquisition Adjustment in the amount of \$15,992. The Department is amortizing the Acquisition Adjustment over a 33-year period. Current and prior year amortization amounted to \$10,661. As of June 30, 2023 and 2022, accumulated amortization amounted to \$271,860 and \$261,199, respectively.

Water and Wastewater Department

Utility plant is stated at historical cost. Major renewals and betterments, including internal labor cost, are recorded to utility plant, while general routine maintenance and replacements that do not extend the useful life or improve the assets are charged to operations in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is from 5 to 75 years. Depreciation for the fiscal year 2023 totaled \$4,331,074 of which \$4,216,372 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$114,702 for the year ended June 30, 2023. Depreciation for the fiscal year 2022 totaled \$4,156,489 of which \$4,065,548 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$90,941 for the year ended June 30, 2022.

As of June 30, 2023 and 2022, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$1,302,439 and \$1,365,057, respectively.

A summary of utility plant in service is presented below:

	<i>Balance Beginning of Year</i>	<i>Additions and Reclassifications</i>	<i>Retirements and Reclassifications</i>	<i>Balance End of Year</i>
Transmission and distribution plant	\$ 180,815,822	\$ 8,934,055	\$ 62,618	\$ 189,687,259
General plant	4,642,330	537,883	172,269	5,007,944
Totals	<u>\$ 185,458,152</u>	<u>\$ 9,471,938</u>	<u>\$ 234,887</u>	<u>\$ 194,695,203</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
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NOTE 4—RECEIVABLES AND PAYABLES

Receivables as of June 30, 2023 and 2022 were as follows for each department:

Electricity Department

	<u>2023</u>	<u>2022</u>
Customer accounts	\$ 10,480,547	\$ 11,396,567
Other governments	461,646	438,017
Miscellaneous	547,885	152,125
Secured customer deposits	1,313,246	1,310,281
Accrued rents	498,534	468,087
Less: allowance for doubtful accounts	<u>(201,583)</u>	<u>(226,584)</u>
Net receivables	<u>\$ 13,100,275</u>	<u>\$ 13,538,493</u>

Gas Department

	<u>2023</u>	<u>2022</u>
Customer accounts	\$ 696,446	\$ 1,027,818
Other governments	635,705	52,237
Miscellaneous	22,270	50,934
Less: allowance for doubtful accounts	<u>(8,302)</u>	<u>(11,490)</u>
Net receivables	<u>\$ 1,346,119</u>	<u>\$ 1,119,499</u>

Water and Wastewater Department

	<u>2023</u>	<u>2022</u>
Customer accounts	\$ 1,972,863	\$ 2,120,877
Other governments	4,740,108	2,795,215
Less: allowance for doubtful accounts	<u>(30,388)</u>	<u>(36,677)</u>
Net receivables	<u>\$ 6,682,583</u>	<u>\$ 4,879,415</u>

CITY OF FLORENCE, ALABAMA
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JUNE 30, 2023 and 2022
(Continued)

NOTE 4—RECEIVABLES AND PAYABLES (Continued)

Payables as of June 30, 2023 and 2022 were as follows for each department:

Electricity Department

	<u>2023</u>	<u>2022</u>
Vendors	\$ 17,741,242	\$ 19,975,038
Salaries and benefits	600,015	505,697
Other governments	58,314	64,544
Totals	<u>\$ 18,399,571</u>	<u>\$ 20,545,279</u>

Gas Department

	<u>2023</u>	<u>2022</u>
Vendors	\$ 657,623	\$ 1,288,160
Salaries and benefits	136,176	117,530
Other governments	91,794	219,682
Totals	<u>\$ 885,593</u>	<u>\$ 1,625,372</u>

Water and Wastewater Department

	<u>2023</u>	<u>2022</u>
Vendors	\$ 3,211,198	\$ 1,999,304
Salaries and benefits	228,274	201,333
Other governments	377,604	639,644
Totals	<u>\$ 3,817,076</u>	<u>\$ 2,840,281</u>

NOTE 5—STORAGE GAS

Gas Department

The Department has purchased a volume of gas storage capacity from certain gas suppliers. This gas is purchased in off demand periods during the year and is sold during peak demand periods. Payment for the gas is made when allotted to the storage facility by the supplier. The Department expenses the gas as it is sold and used by customers. As of June 30, 2023 and 2022, the Department had \$1,568,354 and \$699,525, respectively, in storage gas that is valued using the weighted average method.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
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JUNE 30, 2023 and 2022
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NOTE 6—RESTRICTED ASSETS

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

Electricity Department

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

	<u>2023</u>	<u>2022</u>
Series 2013 Debt Service Reserve Fund	\$ 590,265	\$ 573,331
Series 2013 Warrant Funds	55,888	47,788
Total restricted cash and cash equivalents	<u>\$ 646,153</u>	<u>\$ 621,119</u>

Water and Wastewater Department

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

	<u>2023</u>	<u>2022</u>
Warrant Funds-All SRF Series	\$ 1,257,948	\$ 1,223,345
Series 2017 Warrant Funds	1,686,896	1,648,575
Construction Fund-SRF Series 2021-DWSRF-DL	343,772	
Construction Fund-SRF Series 2023-DWSRF-DL	13,504,823	
Total restricted cash and cash equivalents	<u>\$ 16,793,439</u>	<u>\$ 2,871,920</u>

NOTE 7—TVA POWER AND CONSERVATION PROGRAMS

Electricity Department

Conservation Program

The Department has entered into a contract with TVA to establish a joint home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the loans provided by the program. In fiscal year 2016, TVA gave the Department the option to continue on-bill financing or choose off-bill financing. The Department elected the off-bill financing option; thus, the Department will function as a fiscal intermediary only for existing conservation loans until all are paid in full. The balance of energy conservation loans due from customers participating in the program was \$136,196 and \$339,074, respectively at June 30, 2023 and 2022. These loans are to be repaid in monthly installments by the customer over a 10-year period at an interest rate established by TVA. Under the terms of the contract, as amended, the Department has received advances on these conservation loans in the amount of \$152,909 and \$365,717 as of June 30, 2023 and 2022, respectively.

Power Program

The Department participates in the TVA Power Invoice Prepayment Program that allows the Department to transfer funds electronically, which are nonrefundable, on a weekly basis to be applied to the monthly TVA power invoice. An advance payment credit is computed on a daily basis at a rate established monthly by TVA and is added to the prepayment account. This rate has been slightly higher than the interest rate currently earned on temporary cash investments with local banks. The prepayment balances of \$7,912,359 and \$7,868,393 as of June 30, 2023 and 2022, respectively, are reported as a component of prepaid expenses in the financial statements.

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NOTE 8—LONG-TERM OBLIGATIONS

Electricity Department

Long-term obligations activity for the year ended June 30, 2023 was as follows:

	<i>Electric Revenue Warrants, Series 2013</i>
Balance—beginning of year	\$ 5,175,000
Less: principal paid on debt	410,000
Balance—end of year	\$ 4,765,000

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

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

<i>Fiscal Year Ending June 30</i>	<i>Principal Maturities and Scheduled Mandatory Redemption Payments</i>	<i>Interest Payable</i>	<i>Total Debt Service</i>
2024	\$ 420,000	\$ 152,980	\$ 572,980
2025	430,000	142,480	572,480
2026	440,000	131,300	571,300
2027	450,000	119,200	569,200
2028	465,000	106,600	571,600
2029–2033	2,560,000	299,500	2,859,500
Totals	\$ 4,765,000	\$ 952,060	\$ 5,717,060
Less: portion due within one year	420,000		
Long-term debt—end of year	\$ 4,345,000		

All interest costs were expensed for the fiscal years presented.

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NOTE 8—LONG-TERM OBLIGATIONS (Continued)

Water and Wastewater Department

Long-term obligations activity for the year ended June 30, 2023 was as follows:

	<i>Water and Sewer Revenue Warrants, Series 2013-DWSRF-DL</i>	<i>Water and Sewer Revenue Warrants, Series 2017</i>	<i>Water and Sewer Revenue Warrants, Series 2021-DWSRF-DL</i>
Balance—beginning of year	\$ 4,625,000	\$ 26,470,000	\$ 3,239,678
Add: proceeds from debt			11,170,322
Less: principal paid on debt	260,000	1,420,000	620,000
Balance—end of year	<u>\$ 4,365,000</u>	<u>\$ 25,050,000</u>	<u>\$ 13,790,000</u>

	<i>Water and Sewer Revenue Warrants, Series 2021-CWSRF-DL</i>	<i>Water and Sewer Revenue Warrants, Series 2023-DWSRF-DL</i>	<i>Totals</i>
Balance—beginning of year	\$ 2,609,685	\$ -	\$ 36,944,363
Add: proceeds from debt	4,600,315	13,835,000	29,605,637
Less: principal paid on debt	310,000	500,000	3,110,000
Balance—end of year	<u>\$ 6,900,000</u>	<u>\$ 13,335,000</u>	<u>\$ 63,440,000</u>

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

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

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

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NOTE 8—LONG-TERM OBLIGATIONS (Continued)

The Department issued Water and Sewer Revenue Warrants, Series 2021-CWSRF-DL, dated February 15, 2021, in the amount of \$7,515,000 bearing an interest rate of 2.20%. The warrants were issued for capital improvements to the Department's sanitary sewer system. The warrants were issued under the SRF and are administered jointly by the Alabama Water Pollution Control Authority (AWPCA) and ADEM. Principal is payable annually on February 15. Interest is payable semi-annually on each February 15 and August 15. As of June 30, 2023, the balance of the construction fund held by ADEM was \$343,772.

The Department issued Water and Sewer Revenue Warrants, Series 2023-DWSRF-DL, dated December 15, 2022, in the amount of \$13,835,000 bearing an interest rate of 1.99%. The warrants were issued for capital improvements to the Department's drinking water plant and distribution system. The warrants were issued under the SRF and are administered jointly by the ADWFA and ADEM. Principal is payable annually on February 15. Interest is payable semi-annually on each February 15 and August 15. As of June 30, 2023, the balance of the construction fund held by ADEM was \$13,504,823.

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

<i>Fiscal Year Ending June 30</i>	<i>Principal Maturities and Scheduled Mandatory Redemption Payments</i>		<i>Interest Payable</i>	<i>Total Debt Service</i>
2024	\$ 2,660,000	\$ 1,345,689	\$ 4,005,689	
2025	3,265,000	1,535,659	4,800,659	
2026	3,355,000	1,457,183	4,812,183	
2027	3,455,000	1,354,938	4,809,938	
2028	3,545,000	1,257,832	4,802,832	
2029–2033	19,210,000	4,853,153	24,063,153	
2034–2038	19,340,000	2,119,238	21,459,238	
2039–2043	7,810,000	449,013	8,259,013	
2044	800,000	7,960	807,960	
Totals	\$ 63,440,000	<u>\$ 14,380,665</u>	<u>\$ 77,820,665</u>	
Less: portion due within one year	<u>2,660,000</u>			
Long-term debt—end of year	<u>\$ 60,780,000</u>			

All interest costs were expensed for the fiscal years presented.

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NOTE 9—PENSION AND DEFERRED COMPENSATION PLANS

Pension Plan

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

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

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

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

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

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NOTE 9—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—As of September 30, 2022, the following employees were covered by the benefit terms:

Active participants who have not reached age 65	614
Active participants attaining normal retirement age 65	18
Inactive participants (76 in pay status)	179
Total participants	811

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

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

Net Pension Liability—The City’s net pension liability was measured as of September 30, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the Pub-2010 mortality table with generational mortality improvement projected with the MP-2021 projection scale to reflect the most recent mortality expectations published by the Society of Actuaries.

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

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NOTE 9—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	1.50%	3.00%
US Core Fixed Income	17.00%	3.90%
High Yield Fixed Income	7.50%	3.70%
US Large Cap Growth Equity	7.00%	9.30%
US Large Cap Value Equity	7.00%	9.10%
US Large Cap Core Equity	17.00%	9.20%
US Mid Cap Growth Equity	2.00%	9.60%
US Mid Cap Value Equity	2.00%	9.60%
US Mid Cap Core Equity	2.00%	9.60%
US Small Cap Growth Equity	2.00%	8.90%
US Small Cap Value Equity	2.00%	9.90%
US Small Cap Core Equity	2.00%	9.40%
International Equity	14.00%	8.20%
Emerging Markets Equity	3.00%	9.90%
Real Estate Investment Trusts	4.00%	7.40%
Core Private Real Estate Funds	10.00%	7.80%

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

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

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance as of September 30, 2022 *	\$ 128,228,877	\$ 103,249,508	\$ 24,979,369
Changes for the year:			
Service cost	3,111,275		3,111,275
Interest on total pension liability	9,482,419		9,482,419
Effect of economic/demographic gain/losses	2,430,968		2,430,968
Effect of assumption changes/inputs	25,235		25,235
Benefit payments	(9,996,538)	(9,996,538)	-
Employer contributions		4,286,874	(4,286,874)
Member contributions		1,558,863	(1,558,863)
Net investment income		(13,962,497)	13,962,497
Administrative expenses		(483,170)	483,170
Balance as of September 30, 2023 *	<u>\$ 133,282,236</u>	<u>\$ 84,653,040</u>	<u>\$ 48,629,196</u>

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

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NOTE 9—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>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Total pension liability	\$ 144,106,919	\$ 133,282,236	\$ 123,560,174
Fiduciary net position	84,653,040	84,653,040	84,653,040
Net pension liability	<u>\$ 59,453,879</u>	<u>\$ 48,629,196</u>	<u>\$ 38,907,134</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—For the fiscal year, the City recognized pension expense of \$8,102,093. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred</i>	<i>Deferred</i>
	<i>Outflows of</i>	<i>Inflows of</i>
	<u>Resources</u>	<u>Resources</u>
Contributions made subsequent to the measurement date	\$ 4,513,585	\$ -
Differences between expected and actual experience	7,339,671	
Changes in assumptions	624,282	150,666
Net difference between projected and actual earnings	18,378,617	7,958,900

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

<i>Year Ending</i>	<i>Amount</i>
<u>September 30</u>	
2024	\$ 4,149,434
2025	2,999,278
2026	3,441,583
2027	5,396,874
2028	1,090,661
Thereafter *	1,155,174

* 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 \$4,513,585 will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2024.

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)**

NOTE 9—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Deferred Compensation Plan

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

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

NOTE 10—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

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

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

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 10—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Annual Retiree Cost Sharing:

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

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

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

Life Insurance Coverage:

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

Employees Covered by Benefit Terms—As of September 30, 2022, the following employees were covered by the benefit terms:

Retirees and covered spouses	
currently receiving benefits	97
Active employees	<u>674</u>
Total	<u><u>771</u></u>

Total OPEB Liability—The City's total OPEB liability was measured as of September 30, 2022 and was determined by an actuarial valuation as of that date.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 10—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.00%, including inflation
Discount rate:	
Prior measurement date	2.26%
Measurement date	4.02%
Healthcare cost trend rates:	
Medical costs prior to age 65	6.50% initially, adjusting to an ultimate rate of 3.70% for 2073 and later years
Dental costs	4.00% initially, adjusting to an ultimate rate of 3.70% for 2073 and later years
CareHere costs	3.00%

The discount rate was based on the General Obligation 20-year Municipal Bond Index published by The Bond Buyer. Mortality rates were based on the Pub-2010 mortality tables, amount-weighted with separate rates for annuitants and non-annuitants, with generational mortality improvement projected using the MP-2021 projection scale to reflect the most recent mortality expectations published by the Society of Actuaries. The plan has not had a formal actuarial experience study performed.

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

	<i>Total OPEB Liability</i>
Balance as of September 30, 2022 *	\$ 18,555,039
Changes for the year:	
Service cost	1,163,227
Interest on total OPEB liability	427,888
Effect of economic/demographic gains or losses	3,825,001
Effect of assumption changes or inputs	(2,659,086)
Benefit payments	(1,579,204)
Balance as of September 30, 2023 *	<u>\$ 19,732,865</u>

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

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 4.02%, 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 (3.02%) or 1-percentage-point higher (5.02%) than the current rate:

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
	<i>(3.02%)</i>	<i>(4.02%)</i>	<i>(5.02%)</i>
Total OPEB liability	<u>\$ 21,197,448</u>	<u>\$ 19,732,865</u>	<u>\$ 18,389,270</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 10—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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

	<i>1% Decrease</i>	<i>Current Trend Rate</i>	<i>1% Increase</i>
Total OPEB liability	\$ 18,008,559	\$ 19,732,865	\$ 21,745,210

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—For the fiscal year, the City recognized OPEB expense of \$1,583,234. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Contributions made subsequent to the measurement date	\$ 1,633,320	\$ -
Differences between expected and actual experience	5,132,094	2,140,695
Changes of assumptions or inputs	607,663	2,781,698

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

<i>Year Ending September 30</i>	<i>Amount</i>
2024	\$ (7,881)
2025	(7,881)
2026	52,552
2027	119,561
2028	134,218
Thereafter *	526,795

* 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 \$1,633,320 will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2024.

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 11—RISK MANAGEMENT

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

NOTE 12—CONTINGENCIES AND COMMITMENTS

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

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

Electricity Department

The Department enters into agreements with contractors for the construction and expansion of the system and for system maintenance. As of June 30, 2023, open contracts for construction totaled \$315,521 of which \$49,250 had been expended. As of June 30, 2023, open contracts for system maintenance totaled \$3,500,552 of which \$1,676,676 had been expended. As of June 30, 2022, open contracts for construction totaled \$50,000 of which \$0 had been expended. As of June 30, 2022, open contracts for system maintenance totaled \$2,629,107 of which \$0 had been expended.

Gas Department

The Department enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2023, open contracts for construction totaled \$5,290,561 of which \$3,054,238 had been expended. As of June 30, 2023, open contracts for system maintenance totaled \$27,025 of which \$20,175 had been expended. As of June 30, 2022, open contracts for construction totaled \$1,025,554 of which \$499,597 had been expended.

The Department entered into an agreement with two (2) energy suppliers to purchase natural gas in the futures market. This agreement allows the Department to purchase gas at current rates for delivery at a future time. If the quantities of gas purchased are not needed for resale during the month for which it was purchased, the Department could transport the gas to its storage facilities, or the Agreement allows the suppliers to re-purchase the gas at market price. Thus, management does not believe that the risk of loss from the purchase commitment would materially affect the Department's operations or financial position. As of June 30, 2023 and 2022, the Department had made purchase commitments amounting to \$4,121,800 and \$6,036,750, respectively, for the subsequent fiscal year's gas needs.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022
(Continued)

NOTE 12—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, 2023, open contracts for construction totaled \$26,344,279 of which \$14,472,549 had been expended. As of June 30, 2023, open contracts for system maintenance totaled \$3,065,358 of which \$606,982 had been expended. As of June 30, 2022, open contracts for construction totaled \$28,669,907 of which \$4,639,864 had been expended. As of June 30, 2022, open contracts for system maintenance totaled \$3,059,640 of which \$256,812 had been expended.

NOTE 13—SUBSEQUENT EVENTS

Electricity Department

Subsequent to year-end, the Department issued Electric Revenue Warrants, Series 2023, dated December 12, 2023, in the amount of \$7,200,000 bearing interest rates ranging from 4.00% to 5.00%. The warrants were issued for the implementation of Advanced Metering Infrastructure.

Water and Wastewater Department

Subsequent to year-end, the Department issued Water and Sewer Revenue Warrants, Series 2023-CWSRF-DL, dated August 15, 2023, in the amount of \$7,595,000 bearing an interest rate of 1.99%. The warrants were issued for capital improvements to the Department's sanitary sewer system. The warrants were issued under the SRF and are administered jointly by the AWPCA and ADEM.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating revenues:				
Electric sales:				
<i>Residential</i>	\$ 67,500,000	\$ 69,800,000	\$ 74,212,132	\$ 4,412,132
<i>Small commercial</i>	14,200,000	14,800,000	16,213,096	1,413,096
<i>Large commercial</i>	38,500,000	39,600,000	42,947,453	3,347,453
<i>Public street and highway lighting</i>	2,325,000	2,325,000	2,517,169	192,169
Forfeited discounts	975,000	975,000	997,158	22,158
Rents	1,510,000	1,510,000	1,930,818	420,818
Other operating revenues	455,000	455,000	448,700	(6,300)
Total operating revenues	<u>\$ 125,465,000</u>	<u>\$ 129,465,000</u>	<u>\$ 139,266,526</u>	<u>\$ 9,801,526</u>
Operating expenses:				
Costs of sales	\$ 92,300,000	\$ 95,600,000	\$ 105,379,758	\$ (9,779,758)
Operations:				
<i>Transmission</i>	292,400	294,400	316,166	(21,766)
<i>Distribution</i>	3,635,700	3,995,800	4,096,198	(100,398)
<i>Customer accounts</i>	2,307,200	2,432,200	2,045,003	387,197
<i>Customer service and information assistance and instruction</i>	62,800	62,800	55,663	7,137
<i>Sales</i>	42,000	42,000	67,850	(25,850)
<i>Administrative and general</i>	4,831,700	4,953,700	5,183,227	(229,527)
Maintenance:				
<i>Transmission</i>	457,500	457,500	389,009	68,491
<i>Distribution</i>	7,128,000	7,382,000	7,270,741	111,259
<i>Administrative and general</i>	580,300	603,300	589,607	13,693
Depreciation	6,225,000	6,225,000	6,292,978	(67,978)
Taxes and tax equivalents	4,210,000	4,250,000	4,180,229	69,771
Total operating expenses	<u>\$ 122,072,600</u>	<u>\$ 126,298,700</u>	<u>\$ 135,866,429</u>	<u>\$ (9,567,729)</u>
Operating income	<u>\$ 3,392,400</u>	<u>\$ 3,166,300</u>	<u>\$ 3,400,097</u>	<u>\$ 233,797</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 19,200	\$ 19,200	\$ 252,931	\$ 233,731
Merchandising revenues (net of costs)	150,000	150,000	75,899	(74,101)
Miscellaneous nonoperating income (deductions)	(75,000)	(75,000)	(129,585)	(54,585)
Gain (loss) on disposition of assets			5,692	5,692
Interest expense	(161,500)	(161,500)	(161,436)	64
Amortization of debt related costs	(5,300)	(5,300)	301	5,601
Total nonoperating revenues (expenses)	<u>\$ (72,600)</u>	<u>\$ (72,600)</u>	<u>\$ 43,802</u>	<u>\$ 116,402</u>
Change in net position	<u>\$ 3,319,800</u>	<u>\$ 3,093,700</u>	<u>\$ 3,443,899</u>	<u>\$ 350,199</u>
Total net position—beginning	<u>91,392,928</u>	<u>91,392,928</u>	<u>91,392,928</u>	
Total net position—ending	<u>\$ 94,712,728</u>	<u>\$ 94,486,628</u>	<u>\$ 94,836,827</u>	<u>\$ 350,199</u>

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Gas sales:				
<i>Residential</i>	\$ 6,945,000	\$ 7,662,500	\$ 7,182,907	\$ (479,593)
<i>Commercial</i>	4,860,000	5,364,900	5,199,286	(165,614)
<i>Industrial</i>	3,112,000	3,731,800	3,396,806	(334,994)
<i>Resale and transportation</i>	1,562,000	2,025,600	1,715,822	(309,778)
Service fees	90,000	90,000	88,367	(1,633)
Forfeited discounts	65,000	65,000	65,806	806
Other operating revenues	10,800	10,800	10,450	(350)
Total operating revenues	<u>\$ 16,644,800</u>	<u>\$ 18,950,600</u>	<u>\$ 17,659,444</u>	<u>\$ (1,291,156)</u>
Operating expenses:				
Costs of sales	\$ 7,500,000	\$ 9,682,000	\$ 8,223,002	\$ 1,458,998
Operations:				
<i>Transmission</i>	148,100	151,700	60,731	90,969
<i>Distribution</i>	310,900	312,800	464,496	(151,696)
<i>Customer accounts</i>	465,400	465,400	479,615	(14,215)
<i>Sales</i>	43,500	43,500	12,806	30,694
<i>Administrative and general</i>	2,249,600	2,273,800	2,757,990	(484,190)
Maintenance:				
<i>Transmission</i>	400	400	26,330	(25,930)
<i>Distribution</i>	2,220,700	2,323,100	2,466,883	(143,783)
<i>Administrative and general</i>	130,500	130,500	88,988	41,512
Depreciation	1,640,000	1,640,000	1,765,500	(125,500)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,553,300	1,563,400	1,605,658	(42,258)
Total operating expenses	<u>\$ 16,273,100</u>	<u>\$ 18,597,300</u>	<u>\$ 17,962,660</u>	<u>\$ 634,640</u>
Operating income (loss)	<u>\$ 371,700</u>	<u>\$ 353,300</u>	<u>\$ (303,216)</u>	<u>\$ (656,516)</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 21,000	\$ 21,000	\$ 147,800	\$ 126,800
Gain (loss) on disposition of assets	2,000	2,000	77,391	75,391
Miscellaneous nonoperating income	6,000	6,000	5,552	(448)
Total nonoperating revenues (expenses)	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 230,743</u>	<u>\$ 201,743</u>
Change in net position	<u>\$ 400,700</u>	<u>\$ 382,300</u>	<u>\$ (72,473)</u>	<u>\$ (454,773)</u>
Total net position—beginning	<u>44,953,680</u>	<u>44,953,680</u>	<u>44,953,680</u>	
Total net position—ending	<u>\$ 45,354,380</u>	<u>\$ 45,335,980</u>	<u>\$ 44,881,207</u>	<u>\$ (454,773)</u>

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION—
BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Water sales:				
<i>Residential</i>	\$ 7,126,400	\$ 7,126,400	\$ 7,315,823	\$ 189,423
<i>Commercial</i>	3,527,900	3,527,900	3,617,917	90,017
<i>Resale</i>	1,757,300	1,757,300	1,762,096	4,796
Sewer service sales:				
<i>Residential</i>	4,481,200	4,481,200	4,514,800	33,600
<i>Commercial</i>	3,472,400	3,472,400	3,431,951	(40,449)
Forfeited discounts	141,000	141,000	135,467	(5,533)
Other operating revenues	128,800	128,800	164,823	36,023
Total operating revenues	<u>\$ 20,635,000</u>	<u>\$ 20,635,000</u>	<u>\$ 20,942,877</u>	<u>\$ 307,877</u>
Operating expenses:				
Water treatment and pumping	\$ 3,613,300	\$ 3,668,800	\$ 4,075,728	\$ (406,928)
Sewage disposal	2,446,400	2,494,100	2,824,490	(330,390)
Transmission and distribution	1,742,900	2,078,300	2,383,689	(305,389)
Accounting and collections	1,256,700	1,256,700	1,185,891	70,809
Administrative and general	2,764,800	2,786,100	3,116,444	(330,344)
Depreciation	4,211,400	4,211,400	4,216,372	(4,972)
Taxes and tax equivalents	1,771,000	1,784,800	1,809,730	(24,930)
Total operating expenses	<u>\$ 17,806,500</u>	<u>\$ 18,280,200</u>	<u>\$ 19,612,344</u>	<u>\$ (1,332,144)</u>
Operating income	<u>\$ 2,828,500</u>	<u>\$ 2,354,800</u>	<u>\$ 1,330,533</u>	<u>\$ (1,024,267)</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 8,400	\$ 112,800	\$ 444,298	\$ 331,498
Gain (loss) on disposition of assets			72,903	72,903
Interest expense	(1,401,300)	(1,401,300)	(1,528,708)	(127,408)
Debt issuance costs			(11,000)	(11,000)
Amortization of debt related costs	(79,200)	(79,200)	(79,126)	74
Total nonoperating revenues (expenses)	<u>\$ (1,472,100)</u>	<u>\$ (1,367,700)</u>	<u>\$ (1,101,633)</u>	<u>\$ 266,067</u>
Income before contributions	<u>\$ 1,356,400</u>	<u>\$ 987,100</u>	<u>\$ 228,900</u>	<u>\$ (758,200)</u>
Capital contributions		291,600	3,361,687	3,070,087
Change in net position	<u>\$ 1,356,400</u>	<u>\$ 1,278,700</u>	<u>\$ 3,590,587</u>	<u>\$ 2,311,887</u>
Total net position—beginning	<u>94,317,505</u>	<u>94,317,505</u>	<u>94,317,505</u>	
Total net position—ending	<u><u>\$ 95,673,905</u></u>	<u><u>\$ 95,596,205</u></u>	<u><u>\$ 97,908,092</u></u>	<u><u>\$ 2,311,887</u></u>

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
TOTAL PENSION LIABILITY										
Service cost	\$ 3,111,275	\$ 3,124,337	\$ 2,998,469	\$ 2,898,609	\$ 2,942,609	\$ 2,830,614	\$ 2,888,380	\$ 2,825,270	\$ 2,854,759	\$ -
Interest	9,482,419	9,287,632	8,939,067	8,498,888	8,422,824	8,207,619	7,880,999	7,721,152	7,603,781	
Effect of plan changes						840,263				
Effect of economic/demographic gains or losses	2,430,968	(463,387)	3,074,258	4,434,107	69,847	63,177	1,690,662	558,626	1,537,047	
Effect of assumption changes or inputs	25,235	32,938	(54,052)	410,054	(74,689)	(73,548)	(188,107)	1,286,192		
Benefit payments	(9,996,538)	(8,768,293)	(12,044,622)	(8,956,126)	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)	
Net change in total pension liability	\$ 5,053,359	\$ 3,213,227	\$ 2,913,120	\$ 7,285,532	\$ (240,263)	\$ 5,159,074	\$ 3,303,393	\$ 761,728	\$ 2,779,182	\$ -
Total pension liability, beginning	128,228,877	125,015,650	122,102,530	114,816,998	115,057,261	109,898,187	106,594,794	105,833,066	103,053,884	
Total pension liability, ending (a)	<u>\$ 133,282,236</u>	<u>\$ 128,228,877</u>	<u>\$ 125,015,650</u>	<u>\$ 122,102,530</u>	<u>\$ 114,816,998</u>	<u>\$ 115,057,261</u>	<u>\$ 109,898,187</u>	<u>\$ 106,594,794</u>	<u>\$ 105,833,066</u>	<u>\$ -</u>
FIDUCIARY NET POSITION										
Contributions—employer	\$ 4,286,874	\$ 4,490,308	\$ 4,528,897	\$ 4,334,831	\$ 4,111,326	\$ 4,056,029	\$ 4,309,829	\$ 4,052,968	\$ 3,710,391	\$ -
Contributions—employee	1,558,863	1,632,839	1,646,872	1,576,302	1,495,028	1,474,920	1,567,210	1,473,806	1,349,233	
Investment income, net of investment expenses	(13,962,497)	17,743,425	9,276,689	755,848	6,366,786	9,759,245	7,565,914	(1,028,142)	7,950,048	
Benefit payments	(9,996,538)	(8,768,293)	(12,044,622)	(8,956,126)	(11,600,854)	(6,709,051)	(8,968,541)	(11,629,512)	(9,216,405)	
Administrative expenses	(483,170)	(496,722)	(479,655)	(473,594)	(469,888)	(421,537)	(384,687)	(353,852)	(378,171)	
Net change in plan fiduciary net position	\$ (18,596,468)	\$ 14,601,557	\$ 2,928,181	\$ (2,762,739)	\$ (97,602)	\$ 8,159,606	\$ 4,089,725	\$ (7,484,732)	\$ 3,415,096	\$ -
Fiduciary net position, beginning	103,249,508	88,647,951	85,719,770	88,482,509	88,580,111	80,420,505	76,330,780	83,815,512	80,400,416	
Fiduciary net position, ending (b)	<u>\$ 84,653,040</u>	<u>\$ 103,249,508</u>	<u>\$ 88,647,951</u>	<u>\$ 85,719,770</u>	<u>\$ 88,482,509</u>	<u>\$ 88,580,111</u>	<u>\$ 80,420,505</u>	<u>\$ 76,330,780</u>	<u>\$ 83,815,512</u>	<u>\$ -</u>
Net pension liability, ending (a-b)	<u>\$ 48,629,196</u>	<u>\$ 24,979,369</u>	<u>\$ 36,367,699</u>	<u>\$ 36,382,760</u>	<u>\$ 26,334,489</u>	<u>\$ 26,477,150</u>	<u>\$ 29,477,682</u>	<u>\$ 30,264,014</u>	<u>\$ 22,017,554</u>	<u>\$ -</u>
Fiduciary net position as a percentage of total pension liability	63.51%	80.52%	70.91%	70.20%	77.06%	76.99%	73.18%	71.61%	79.20%	
Covered payroll	\$ 35,521,774	\$ 34,178,253	\$ 34,692,146	\$ 32,147,389	\$ 30,779,896	\$ 30,855,953	\$ 30,035,187	\$ 29,475,065	\$ 29,557,478	\$ -
Net pension liability as a percentage of covered payroll	136.90%	73.09%	104.83%	113.17%	85.56%	85.81%	98.14%	102.68%	74.49%	

CITY OF FLORENCE, ALABAMA
Schedule of Employer Contributions

Employees' Retirement Plan						
<i>Fiscal Year Ended September 30</i>	<i>Actuarially Determined Contribution</i>	<i>Actual Employer Contribution</i>	<i>Contribution Deficiency (Excess)</i>	<i>Covered Payroll</i>	<i>Contribution as a Percentage of Covered Payroll</i>	
2014	\$ 4,139,524	\$ 3,710,391	\$ 429,133	\$ 29,562,601	12.55%	
2015	4,023,027	4,052,968	(29,941)	29,557,478	13.71%	
2016	4,276,605	4,309,829	(33,224)	29,475,065	14.62%	
2017	4,453,606	4,056,029	397,577	30,035,187	13.50%	
2018	4,720,081	4,111,326	608,755	30,855,953	13.32%	
2019	4,770,478	4,334,831	435,647	30,779,896	14.08%	
2020	5,208,728	4,528,897	679,831	32,147,389	14.09%	
2021	5,695,923	4,490,308	1,205,615	34,692,146	12.94%	
2022	5,525,626	4,286,874	1,238,752	34,178,253	12.54%	
2023	6,498,423	4,513,585	1,984,838	35,521,774	12.71%	

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: 18 years

Asset valuation method: 3-year smoothed market

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

Inflation: 2.30%

Salary increases: 3.00%, based on plan sponsor expectations

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

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

Cost of living adjustments: None

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

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

Mortality: Pub-2010 mortality table with generational mortality improvement based on the MP-2021 projection scale

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
TOTAL OPEB LIABILITY										
Service cost	\$ 1,163,227	\$ 1,263,588	\$ 1,001,856	\$ 802,578	\$ 783,223	\$ 840,770	\$ -	\$ -	\$ -	\$ -
Interest on total OPEB liability	427,888	418,358	429,295	727,162	630,625	539,050				
Effect of plan changes										
Effect of economic/demographic gains or losses	3,825,001		1,629,718	(2,629,361)						
Effect of assumption changes or inputs	(2,659,086)	(62,306)	594,837	393,577	(522,925)	(646,697)				
Benefit payments	(1,579,204)	(1,454,549)	(800,422)	(698,684)	(977,623)	(980,229)				
Net change in total OPEB liability	\$ 1,177,826	\$ 165,091	\$ 2,855,284	\$ (1,404,728)	\$ (86,700)	\$ (247,106)	\$ -	\$ -	\$ -	\$ -
Total OPEB liability, beginning	18,555,039	18,389,948	15,534,664	16,939,392	17,026,092	17,273,198				
Total OPEB liability, ending	<u>\$ 19,732,865</u>	<u>\$ 18,555,039</u>	<u>\$ 18,389,948</u>	<u>\$ 15,534,664</u>	<u>\$ 16,939,392</u>	<u>\$ 17,026,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 36,961,495	\$ 42,653,962	\$ 41,257,814	\$ 38,368,054	\$ 38,846,611	\$ 30,855,953	\$ -	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered-employee payroll	53.39%	43.50%	44.57%	40.49%	43.61%	55.18%				

Notes to Schedule

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

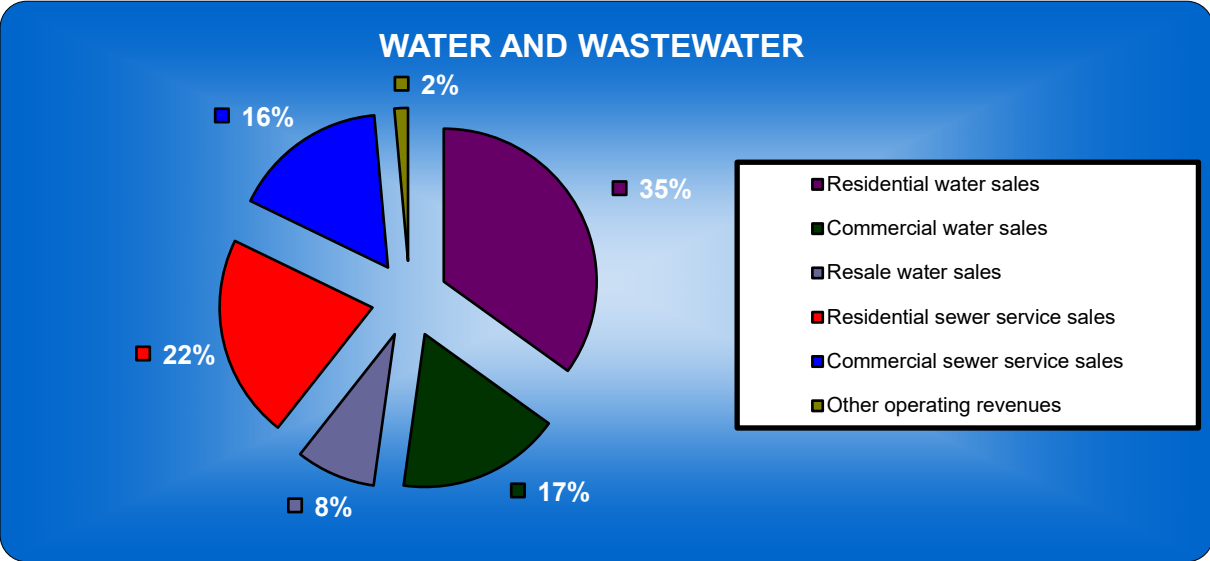
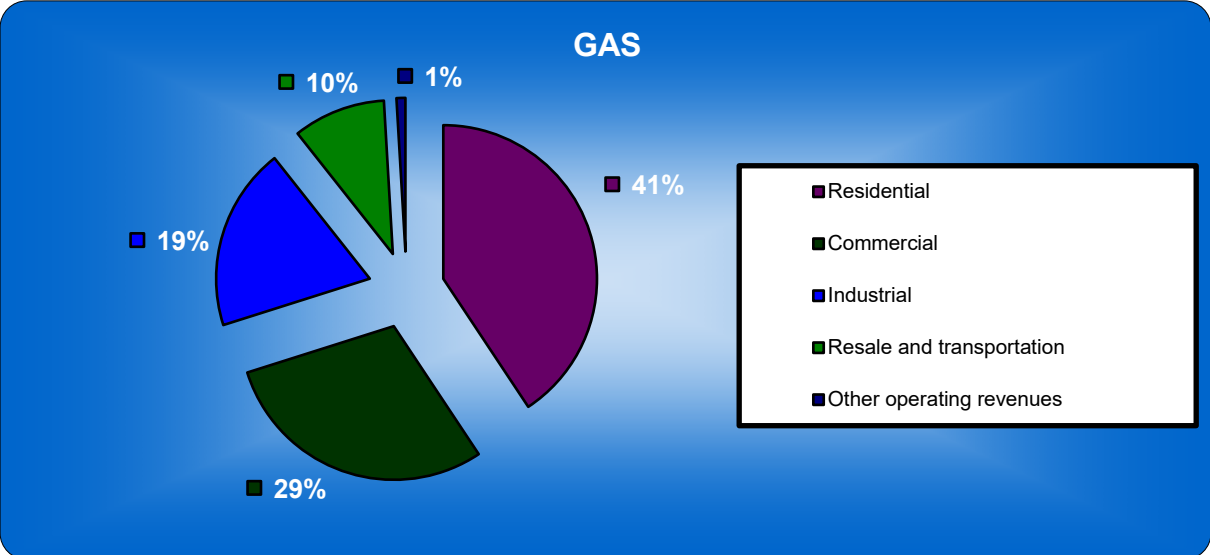
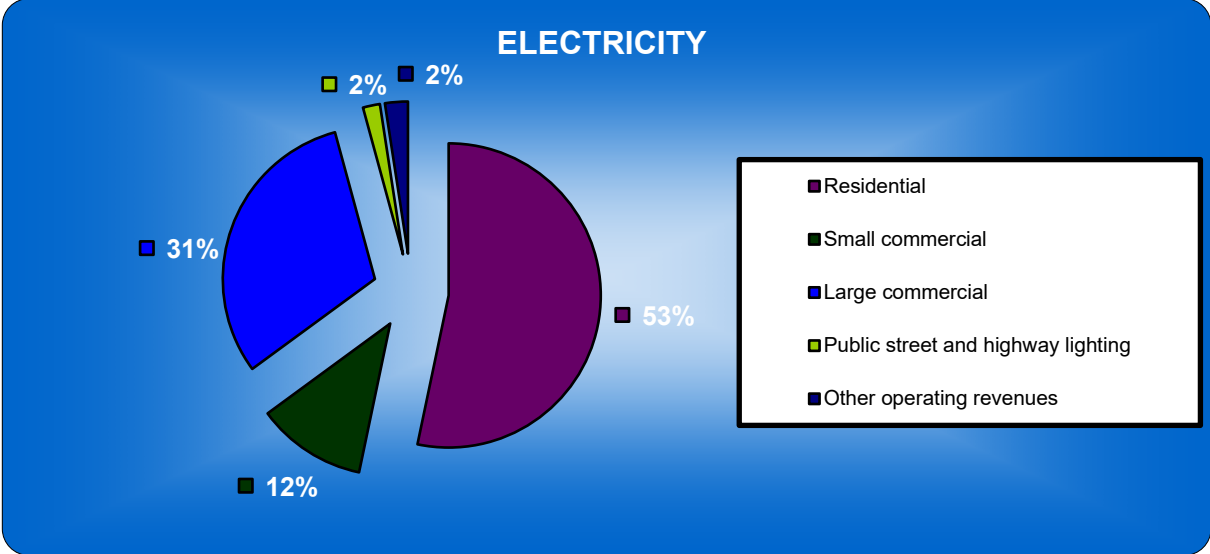
Changes of assumptions—

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

2022	4.020%
2021	2.260%
2020	2.210%
2019	2.660%
2018	4.180%
2017	3.640%
2016	3.058%
2015	-
2014	-
2013	-

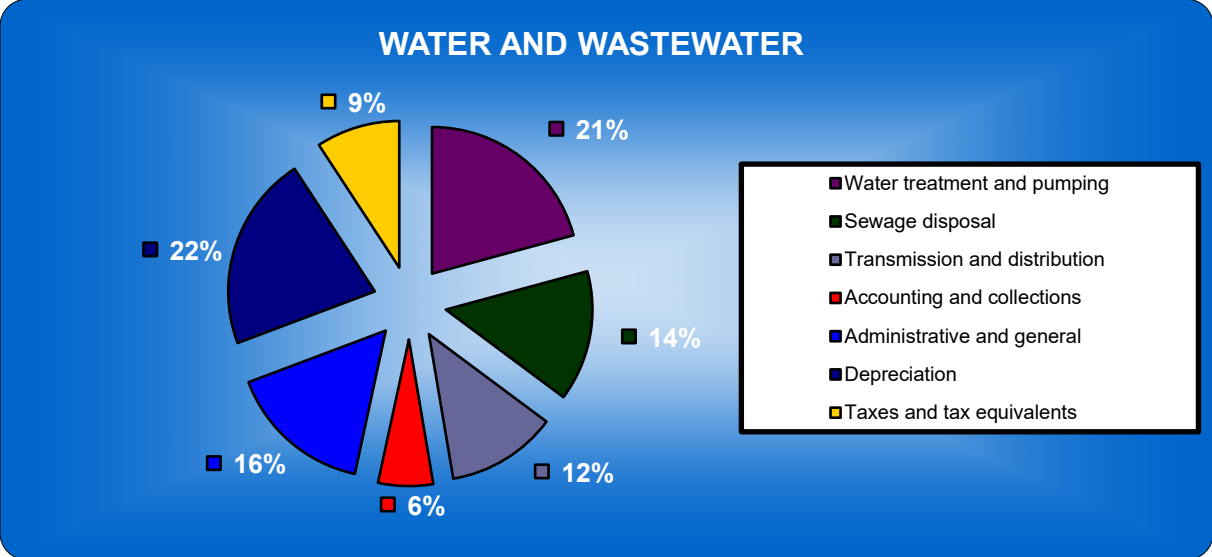
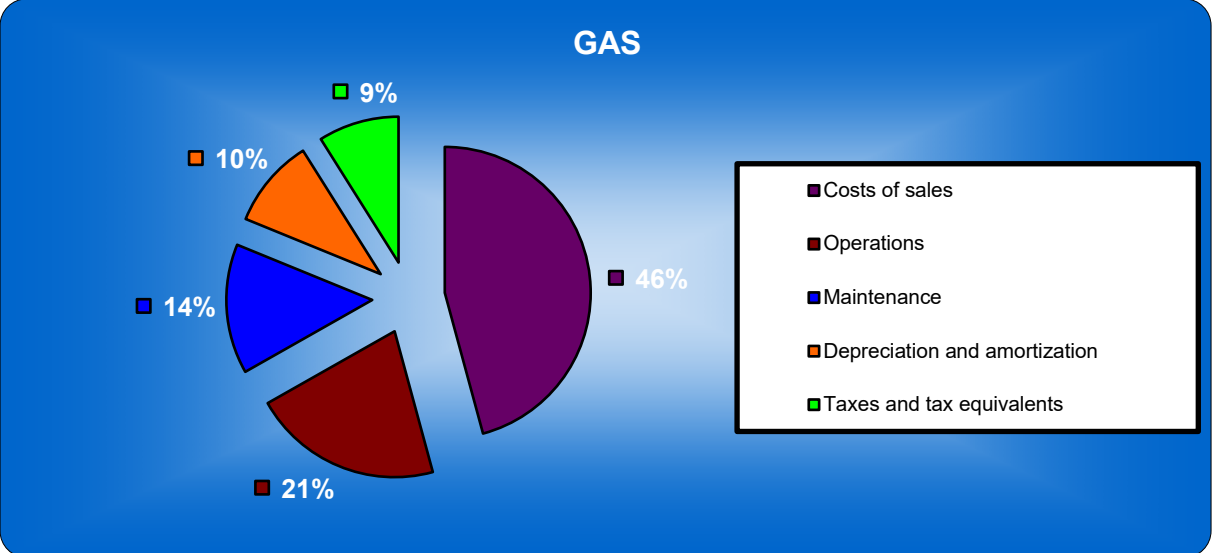
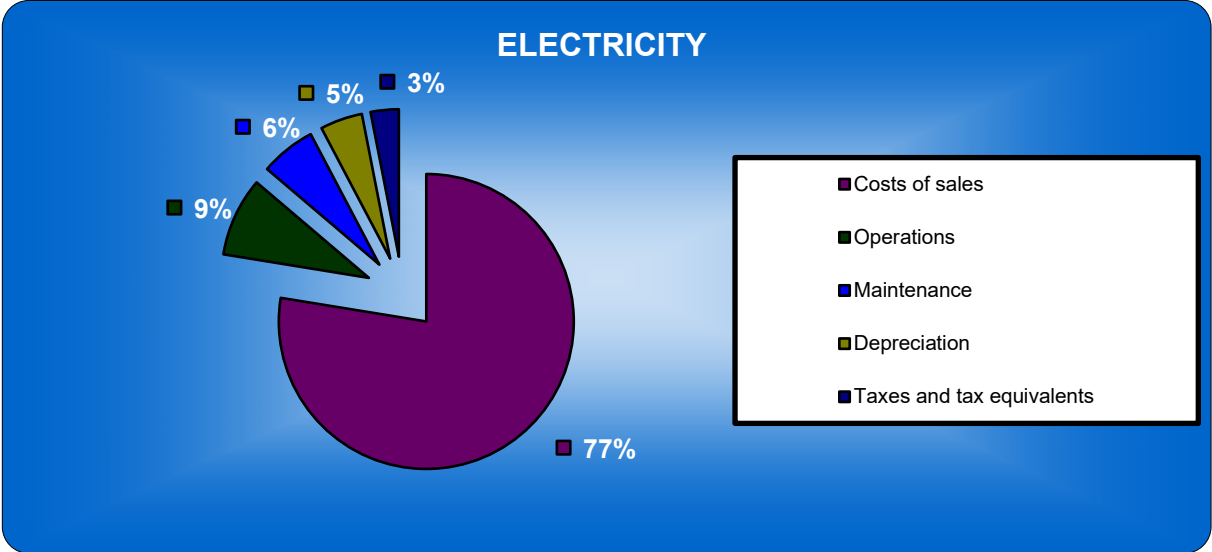
SUPPLEMENTARY SCHEDULES SECTION

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT
SOURCE OF FUNDS
JUNE 30, 2023**



Percentages in graphs may not add up to 100 percent due to rounding.
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**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT
USE OF FUNDS
JUNE 30, 2023**



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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2023**

<u>Description</u>	<u>UTILITY PLANT</u>			
	<u>Balance Beginning of Year</u>	<u>Additions and Reclassifications</u>	<u>Retirements and Reclassifications</u>	<u>Balance End of Year</u>
Transmission plant:				
Land and land rights	\$ 618,863	\$ 3,517	\$ -	\$ 622,380
Clearing land and right of ways	90,378			90,378
Structures and improvements	70,402			70,402
Station equipment	28,606,042	89,048	284,582	28,410,508
Towers and fixtures	32,266			32,266
Poles and fixtures	7,265,565	110,731	33,054	7,343,242
Overhead conductors and devices	<u>7,220,016</u>	<u>51,848</u>	<u>15,472</u>	<u>7,256,392</u>
Total transmission plant	<u>\$ 43,903,532</u>	<u>\$ 255,144</u>	<u>\$ 333,108</u>	<u>\$ 43,825,568</u>
Distribution plant:				
Land and land rights	\$ 72,040	\$ -	\$ -	\$ 72,040
Station equipment	2,082,224			2,082,224
Poles, towers, and fixtures	29,439,336	1,524,347	119,046	30,844,637
Overhead conductors and devices	23,025,749	136,642	138,194	23,024,197
Underground conduit	3,364,713	48,173	44	3,412,842
Underground conductors and devices	13,912,496	504,173	19,715	14,396,954
Line transformers	27,640,440	1,046,571	200,262	28,486,749
Services	10,082,220	134,727	87,932	10,129,015
Meters	4,379,926	137,574	37,813	4,479,687
Installation on customer premises	3,087,740	219,475	83,041	3,224,174
Street lighting and signal systems	<u>9,219,956</u>	<u>361,604</u>	<u>175,271</u>	<u>9,406,289</u>
Total distribution plant	<u>\$ 126,306,840</u>	<u>\$ 4,113,286</u>	<u>\$ 861,318</u>	<u>\$ 129,558,808</u>
General plant:				
Land and land rights	\$ 845,435	\$ 101,212	\$ -	\$ 946,647
Structures and improvements	6,725,977	109,362		6,835,339
Office furniture and equipment	2,915,560	229,736	37,515	3,107,781
Transportation equipment	10,354,435	902,932	54,591	11,202,776
Stores equipment	43,241			43,241
Tools, shop, and garage equipment	3,156,431	155,988	80,586	3,231,833
Laboratory equipment	101,583	32,103		133,686
Power operated equipment	580,428	139,798		720,226
Communication equipment	621,206	61,133		682,339
Miscellaneous equipment	<u>382,105</u>	<u>48,825</u>	<u>10,655</u>	<u>420,275</u>
Total general plant	<u>\$ 25,726,401</u>	<u>\$ 1,781,089</u>	<u>\$ 183,347</u>	<u>\$ 27,324,143</u>
Total utility plant in service	<u><u>\$ 195,936,773</u></u>	<u><u>\$ 6,149,519</u></u>	<u><u>\$ 1,377,773</u></u>	<u><u>\$ 200,708,519</u></u>

ACCUMULATED DEPRECIATION

<u>Balance Beginning of Year</u>	<u>Accrual</u>	<u>Retirements- Original Cost</u>	<u>Removal Costs</u>	<u>Salvage/ Adjustments</u>	<u>Balance End of Year</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-					-
59,184	1,408				60,592
18,423,087	1,001,033	265,473	28,406		19,130,241
32,266					32,266
5,016,736	292,017	23,066	77,772	9,043	5,216,958
5,189,480	216,806	12,811	43,512	4,556	5,354,519
<u>\$ 28,720,753</u>	<u>\$ 1,511,264</u>	<u>\$ 301,350</u>	<u>\$ 149,690</u>	<u>\$ 13,599</u>	<u>\$ 29,794,576</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,844,460	83,289				1,927,749
9,537,576	903,672	115,695	526,529	4,663	9,803,687
18,072,079	634,064	137,733	177,899	241	18,390,752
2,809,980	135,614	43	65		2,945,486
7,914,021	567,983	11,420	32,582	838	8,438,840
7,432,064	629,739	198,457	178,482	19,410	7,704,274
4,275,587	303,154	88,028	158,838		4,331,875
19,311	329,995	37,813	12,774		298,719
2,040,988	157,651	81,888	71,393	1,892	2,047,250
8,283,313	464,184	174,953	34,981	203	8,537,766
<u>\$ 62,229,379</u>	<u>\$ 4,209,345</u>	<u>\$ 846,030</u>	<u>\$ 1,193,543</u>	<u>\$ 27,247</u>	<u>\$ 64,426,398</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,040,027	183,919				2,223,946
2,126,238	174,105	36,958			2,263,385
5,881,976	642,183	49,243			6,474,916
43,241					43,241
2,144,197	108,865	72,056			2,181,006
55,095	5,252				60,347
340,091	35,901				375,992
378,440	30,589				409,029
226,665	27,960	7,092			247,533
<u>\$ 13,235,970</u>	<u>\$ 1,208,774</u>	<u>\$ 165,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,279,395</u>
<u>\$ 104,186,102</u>	<u>\$ 6,929,383</u>	<u>\$ 1,312,729</u>	<u>\$ 1,343,233</u>	<u>\$ 40,846</u>	<u>\$ 108,500,369</u>

GAS DEPARTMENT

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2023**

<u>Description</u>	<u>UTILITY PLANT</u>			
	<u>Balance Beginning of Year</u>	<u>Additions and Reclassifications</u>	<u>Retirements and Reclassifications</u>	<u>Balance End of Year</u>
Transmission plant:				
Land and land rights	\$ 120,691	\$ -	\$ -	\$ 120,691
Structures and improvements	142,993			142,993
Mains	7,432,503			7,432,503
Measuring and regulating equipment	2,711,437	28,011		2,739,448
Total transmission plant	<u>\$ 10,407,624</u>	<u>\$ 28,011</u>	<u>\$ -</u>	<u>\$ 10,435,635</u>
Distribution plant:				
Land and land rights	\$ 42,944	\$ -	\$ -	\$ 42,944
Structures and improvements	154,621			154,621
Mains	21,976,807	1,584,411	15,694	23,545,524
Corrosion	707,344			707,344
Measuring and regulating equipment	6,122,732	244,217	79,633	6,287,316
Services	14,382,139	485,752	88,966	14,778,925
Other distribution equipment	15,621			15,621
Total distribution plant	<u>\$ 43,402,208</u>	<u>\$ 2,314,380</u>	<u>\$ 184,293</u>	<u>\$ 45,532,295</u>
General plant:				
Land and land rights	\$ 719,217	\$ -	\$ -	\$ 719,217
Structures and improvements	3,135,551	120,515		3,256,066
Office furniture and equipment	432,299	23,385	16,586	439,098
Transportation equipment	1,937,654	4,496	54,828	1,887,322
Stores equipment	15,735		1,038	14,697
Tools, shop and garage equipment	32,446	3,471	1,180	34,737
Laboratory equipment	39,665			39,665
Power operated equipment	2,826,748	218,339	154,503	2,890,584
Communication equipment	44,613	25,082		69,695
Miscellaneous equipment	642,815	93,773	99,981	636,607
Total general plant	<u>\$ 9,826,743</u>	<u>\$ 489,061</u>	<u>\$ 328,116</u>	<u>\$ 9,987,688</u>
Total utility plant in service	<u>\$ 63,636,575</u>	<u>\$ 2,831,452</u>	<u>\$ 512,409</u>	<u>\$ 65,955,618</u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Accrual	Retirements- Original Cost	Removal Costs	Balance End of Year
\$ -	\$ -	\$ -	\$ -	\$ -
142,993				142,993
3,471,210	148,676			3,619,886
2,486,542	81,763			2,568,305
<u>\$ 6,100,745</u>	<u>\$ 230,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,331,184</u>
\$ -	\$ -	\$ -	\$ -	\$ -
154,621				154,621
7,864,543	455,223	15,694	19,905	8,284,167
707,344				707,344
1,978,559	186,151	79,633		2,085,077
7,600,913	437,416	88,966	61,398	7,887,965
15,621				15,621
<u>\$ 18,321,601</u>	<u>\$ 1,078,790</u>	<u>\$ 184,293</u>	<u>\$ 81,303</u>	<u>\$ 19,134,795</u>
\$ -	\$ -	\$ -	\$ -	\$ -
2,949,930	15,306			2,965,236
377,286	21,813	16,586		382,513
1,480,576	143,885	54,828		1,569,633
15,736		1,039		14,697
22,131	3,029	1,180		23,980
37,909	1,481			39,390
1,570,464	223,294	152,569		1,641,189
39,872	2,629			42,501
476,569	44,834	99,980		421,423
<u>\$ 6,970,473</u>	<u>\$ 456,271</u>	<u>\$ 326,182</u>	<u>\$ -</u>	<u>\$ 7,100,562</u>
<u>\$ 31,392,819</u>	<u>\$ 1,765,500</u>	<u>\$ 510,475</u>	<u>\$ 81,303</u>	<u>\$ 32,566,541</u>

WATER AND WASTEWATER DEPARTMENT

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2023**

Description	UTILITY PLANT			
	Balance Beginning of Year	Additions and Reclassifications	Retirements and Reclassifications	Balance End of Year
Transmission and distribution plant:				
Land and land rights	\$ 1,365,057	\$ -	\$ 62,618	\$ 1,302,439
Supply source	3,327,037			3,327,037
Pumping structures	6,487,701	30,283		6,517,984
Sewer plant and system	98,070,492	5,323,267		103,393,759
Reservoirs and standpipes	1,801,040	5,517		1,806,557
Purification building and equipment	36,632,588	68,477		36,701,065
Transmission mains and appurtenances	6,210,473			6,210,473
Distribution mains and appurtenances	16,486,320	3,251,065		19,737,385
Customer services	9,117,150	255,446		9,372,596
Fire hydrants	570,961			570,961
Miscellaneous structures and improvements	747,003			747,003
Total transmission and distribution plant	<u>\$ 180,815,822</u>	<u>\$ 8,934,055</u>	<u>\$ 62,618</u>	<u>\$ 189,687,259</u>
General plant:				
Office furniture and equipment	\$ 599,398	\$ 13,210	\$ 7,593	\$ 605,015
Transportation equipment	2,153,608	373,987	46,146	2,481,449
Tools and equipment	1,708,436	141,714	118,530	1,731,620
Communication equipment	82,136	2,495		84,631
Laboratory equipment	98,752	6,477		105,229
Total general plant	<u>\$ 4,642,330</u>	<u>\$ 537,883</u>	<u>\$ 172,269</u>	<u>\$ 5,007,944</u>
Total utility plant in service	<u><u>\$ 185,458,152</u></u>	<u><u>\$ 9,471,938</u></u>	<u><u>\$ 234,887</u></u>	<u><u>\$ 194,695,203</u></u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Additions and Reclassifications	Retirements and Reclassifications	Balance End of Year
\$ -	\$ -	\$ -	\$ -
1,331,110	66,910		1,398,020
2,583,216	193,137		2,776,353
40,223,704	1,917,440		42,141,144
1,391,108	40,976		1,432,084
16,335,824	1,010,441		17,346,265
3,250,856	105,271		3,356,127
8,299,792	374,497		8,674,289
4,044,784	385,264		4,430,048
388,323	11,876		400,199
430,731	23,068		453,799
<u>\$ 78,279,448</u>	<u>\$ 4,128,880</u>	<u>\$ -</u>	<u>\$ 82,408,328</u>
\$ 556,235	\$ 19,538	\$ 7,592	\$ 568,181
1,803,755	114,702	46,146	1,872,311
1,456,511	58,123	118,530	1,396,104
80,881	1,219		82,100
81,763	8,612		90,375
<u>\$ 3,979,145</u>	<u>\$ 202,194</u>	<u>\$ 172,268</u>	<u>\$ 4,009,071</u>
<u>\$ 82,258,593</u>	<u>\$ 4,331,074</u>	<u>\$ 172,268</u>	<u>\$ 86,417,399</u>

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES—KILLEN SYSTEM
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 1,565,094	\$ 1,507,175
<i>Commercial</i>	534,502	481,214
Forfeited discounts	15,711	15,936
Other operating revenues	<u>17,103</u>	<u>14,791</u>
Total operating revenues	<u>\$ 2,132,410</u>	<u>\$ 2,019,116</u>
Operating expenses:		
Water treatment and pumping	\$ 543,538	\$ 516,652
Transmission and distribution	328,947	252,481
Accounting and collections	107,451	101,502
Administrative and general	254,131	194,234
Depreciation	135,994	81,713
Taxes and tax equivalents	<u>28,283</u>	<u>24,911</u>
Total operating expenses	<u>\$ 1,398,344</u>	<u>\$ 1,171,493</u>
Operating income	<u>\$ 734,066</u>	<u>\$ 847,623</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 35,544	\$ 1,035
Interest expense	(151,241)	(137,412)
Debt issuance costs	(1,430)	
Amortization of debt related costs	<u>(7,612)</u>	<u>(8,541)</u>
Total nonoperating revenues (expenses)	<u>\$ (124,739)</u>	<u>\$ (144,918)</u>
Change in net position	<u><u>\$ 609,327</u></u>	<u><u>\$ 702,705</u></u>