

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND
WATER AND WASTEWATER DEPARTMENTS
FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023**



**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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

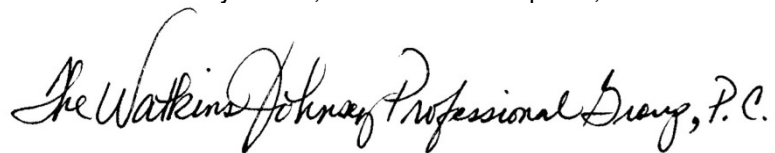
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

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

The Watkins Johnsey Professional Group, P.C.
Florence, Alabama
November 22, 2024



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**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEAR 2024**

FINANCIAL HIGHLIGHTS

- The individual enterprise funds experienced the following changes in net position: Electricity increased \$794,200 million or 0.8%; Gas increased \$1.3 million or 2.9%; Water and Wastewater increased \$4.9 million or 5%.
- The individual enterprise funds experienced the following changes in net utility plant: Electricity increased \$3.4 million or 3.5%; Gas increased \$1.8 million or 5.3%; Water and Wastewater increased \$13 million or 10.4%.
- The individual enterprise funds experienced the following changes in operating revenues: Electricity decreased \$5.8 million or 4.2%; Gas decreased \$733,800 or 4.2%; Water and Wastewater increased \$784,600 or 3.8%.
- The individual enterprise funds experienced the following changes in operating expenses: Electricity decreased \$2.7 million or 2%; Gas decreased \$1.8 million or 9.9%; Water and Wastewater increased \$724,300 or 3.7%.
- The individual enterprise funds experienced the following changes in nonoperating revenues: Electricity increased about \$672,100 or 200.7%; Gas increased about \$307,200 or 133.1%; Water and Wastewater increased about \$151,900 or 29.4%.
- The individual enterprise funds experienced the following changes in nonoperating expenses: Electricity increased \$223,600 or 76.8%; Gas remained at zero; Water and Wastewater increased \$193,600 or 12%.

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 \$794,234 or about 0.8%. 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 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 43,401,380	\$ 44,958,427	\$ (1,557,047)	-3.46%
Capital Assets, Net	99,683,188	96,286,675	3,396,513	3.53%
Other Noncurrent Assets	8,477,380	782,349	7,695,031	983.58%
Total Assets	<u>\$ 151,561,948</u>	<u>\$ 142,027,451</u>	<u>\$ 9,534,497</u>	<u>6.71%</u>
Deferred Outflows of Resources	\$ 10,042,525	\$ 9,549,081	\$ 493,444	5.17%
Current Liabilities	\$ 31,959,146	\$ 30,679,095	\$ 1,280,051	4.17%
Noncurrent Liabilities	31,413,843	23,010,628	8,403,215	36.52%
Total Liabilities	<u>\$ 63,372,989</u>	<u>\$ 53,689,723</u>	<u>\$ 9,683,266</u>	<u>18.04%</u>
Deferred Inflows of Resources	\$ 2,600,423	\$ 3,049,982	\$ (449,559)	-14.74%
Net Investment in Capital Assets	\$ 95,572,332	\$ 91,518,765	\$ 4,053,567	4.43%
Restricted for Debt Service	710,015	633,405	76,610	12.09%
Unrestricted	(651,286)	2,684,657	(3,335,943)	-124.26%
Total Net Position	<u>\$ 95,631,061</u>	<u>\$ 94,836,827</u>	<u>\$ 794,234</u>	<u>0.84%</u>

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

As the table below indicates, operating revenues decreased approximately \$5.8 million or about 4.2% from FY 2023. Cost of sales decreased by approximately \$3.9 million or about 3.8%. During FY 2024, TVA had twelve rate changes to its distributors under its Total Monthly Fuel Cost Adjustment provisions. TVA also had a wholesale rate adjustment in October 2023. 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 3.1% increase in kilowatt-hours sold in FY 2024 compared to FY 2023. Operating expenses for FY 2024 decreased \$2.7 million or 2% due to cost of sales and the aforementioned Fuel Cost Adjustments, which declined during this year. Operations Costs increased approximately \$1.3 million or 11.1% due mainly to overhead line expenses and employee pension and benefits expenses. The Electricity Department experienced an increase in nonoperating revenues of \$672,136 or 200.7% due to higher interest rates paid by banks and an increase in nonoperating expenses by \$223,604 or about 76.8%.

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

	FY 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 133,440,237	\$ 139,266,526	\$ (5,826,289)	-4.18%
Operating Expenses				
Cost of Sales	\$ 101,431,710	\$ 105,379,758	\$ (3,948,048)	-3.75%
Operations	13,074,581	11,764,107	1,310,474	11.14%
Maintenance	7,806,539	8,249,357	(442,818)	-5.37%
Depreciation	6,483,084	6,292,978	190,106	3.02%
Taxes and Tax Equivalents	4,342,423	4,180,229	162,194	3.88%
Total Operating Expenses	\$ 133,138,337	\$ 135,866,429	\$ (2,728,092)	-2.01%
Operating Income	\$ 301,900	\$ 3,400,097	\$ (3,098,197)	-91.12%
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 1,006,959	\$ 334,823	\$ 672,136	200.74%
Nonoperating Expenses	(514,625)	(291,021)	(223,604)	76.83%
Total Nonoperating Revenues (Exp)	\$ 492,334	\$ 43,802	\$ 448,532	1024.00%
Change in Net Position	\$ 794,234	\$ 3,443,899	\$ (2,649,665)	-76.94%
Total Net Position - Beginning	94,836,827	91,392,928	3,443,899	3.77%
Total Net Position - Ending	\$ 95,631,061	\$ 94,836,827	\$ 794,234	0.84%

Gas Department

The Gas Department's net position increased from last year by \$1,297,632 or about 2.9%. 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 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 18,591,607	\$ 18,799,078	\$ (207,471)	-1.10%
Capital Assets, Net	36,108,297	34,282,437	1,825,860	5.33%
Total Assets	<u>\$ 54,699,904</u>	<u>\$ 53,081,515</u>	<u>\$ 1,618,389</u>	<u>3.05%</u>
Deferred Outflows of Resources	\$ 3,949,671	\$ 3,739,132	\$ 210,539	5.63%
Current Liabilities	\$ 961,785	\$ 1,134,883	\$ (173,098)	-15.25%
Noncurrent Liabilities	9,900,674	8,822,458	1,078,216	12.22%
Total Liabilities	<u>\$ 10,862,459</u>	<u>\$ 9,957,341</u>	<u>\$ 905,118</u>	<u>9.09%</u>
Deferred Inflows of Resources	\$ 1,608,277	\$ 1,982,099	\$ (373,822)	-18.86%
Net Investment in Capital Assets	\$ 36,108,297	\$ 34,282,437	\$ 1,825,860	5.33%
Unrestricted	10,070,542	10,598,770	(528,228)	-4.98%
Total Net Position	<u><u>\$ 46,178,839</u></u>	<u><u>\$ 44,881,207</u></u>	<u><u>\$ 1,297,632</u></u>	<u><u>2.89%</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 decreased approximately \$733,800 or about 4.2% from FY 2023. The Department had one rate change in FY 2024. The Gas Department experienced an approximate 0.3% increase in overall sales volume in FY 2024 compared to FY 2023. Cost of sales decreased approximately \$2.2 million or about 26.6% due to lower gas prices. The Gas Department experienced an increase in nonoperating revenues of \$307,210 or about 133.1% due to higher interest rates paid by banks.

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

	FY 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	<u>\$ 16,925,668</u>	<u>\$ 17,659,444</u>	<u>\$ (733,776)</u>	<u>-4.16%</u>
Operating Expenses				
Cost of Sales	\$ 6,035,437	\$ 8,223,002	\$ (2,187,565)	-26.60%
Operations	3,890,917	3,775,638	115,279	3.05%
Maintenance	2,768,377	2,582,201	186,176	7.21%
Depreciation and Amortization	1,812,345	1,776,161	36,184	2.04%
Taxes and Tax Equivalents	1,672,158	1,605,658	66,500	4.14%
Total Operating Expenses	<u>\$ 16,179,234</u>	<u>\$ 17,962,660</u>	<u>\$ (1,783,426)</u>	<u>-9.93%</u>
Operating Income (Loss)	<u>\$ 746,434</u>	<u>\$ (303,216)</u>	<u>\$ 1,049,650</u>	<u>346.17%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 537,953	\$ 230,743	\$ 307,210	133.14%
Nonoperating Expenses	-	-	-	-
Total Nonoperating Revenues (Exp)	<u>\$ 537,953</u>	<u>\$ 230,743</u>	<u>\$ 307,210</u>	<u>133.14%</u>
Income (Loss) Before Contributions	\$ 1,284,387	\$ (72,473)	\$ 1,356,860	1872.23%
Capital Contributions	<u>13,245</u>	<u>-</u>	<u>13,245</u>	<u>N/A</u>
Change in Net Position	\$ 1,297,632	\$ (72,473)	\$ 1,370,105	1890.50%
Total Net Position - Beginning	<u>44,881,207</u>	<u>44,953,680</u>	<u>(72,473)</u>	<u>-0.16%</u>
Total Net Position - Ending	<u>\$ 46,178,839</u>	<u>\$ 44,881,207</u>	<u>\$ 1,297,632</u>	<u>2.89%</u>

Water and Wastewater Department

The Water and Wastewater Department's net position increased from last year by \$4,888,812 or about 5%. The summaries below focus on the Water and Wastewater Department's net position and changes in net position during the years presented.

Water and Wastewater Department
Statements of Net Position

	FY 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Current Assets	\$ 26,527,236	\$ 27,290,793	\$ (763,557)	-2.80%
Capital Assets, Net	138,316,059	125,270,189	13,045,870	10.41%
Other Noncurrent Assets	13,758,513	17,018,823	(3,260,310)	-19.16%
Total Assets	<u>\$ 178,601,808</u>	<u>\$ 169,579,805</u>	<u>\$ 9,022,003</u>	<u>5.32%</u>
Deferred Outflows of Resources	\$ 5,395,502	\$ 5,647,021	\$ (251,519)	-4.45%
Current Liabilities	\$ 7,088,364	\$ 7,431,223	\$ (342,859)	-4.61%
Noncurrent Liabilities	72,853,783	68,427,818	4,425,965	6.47%
Total Liabilities	<u>\$ 79,942,147</u>	<u>\$ 75,859,041</u>	<u>\$ 4,083,106</u>	<u>5.38%</u>
Deferred Inflows of Resources	\$ 1,258,259	\$ 1,459,693	\$ (201,434)	-13.80%
Net Investment in Capital Assets	\$ 77,159,677	\$ 76,659,618	\$ 500,059	0.65%
Restricted for Debt Service	3,245,286	2,433,575	811,711	33.35%
Unrestricted	22,391,941	18,814,899	3,577,042	19.01%
Total Net Position	<u>\$ 102,796,904</u>	<u>\$ 97,908,092</u>	<u>\$ 4,888,812</u>	<u>4.99%</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 \$784,617 or about 3.8% from FY 2023 revenues. Operating expenses increased by \$724,277 or about 3.7% due largely to maintenance costs and depreciation expenses. The Water and Wastewater Department experienced an increase in nonoperating revenues of \$151,902 or 29.4% due to higher interest rates paid by banks. The Water and Wastewater Department experienced an increase in nonoperating expenses of \$193,557 or about 12% due to additional interest expense on SRF loans. Capital contributions increased \$1,279,540 or 38.1% due to reimbursable line location projects being performed for other government agencies and governmental grant awards.

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

	FY 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Operating Revenues	\$ 21,727,494	\$ 20,942,877	\$ 784,617	3.75%
Operating Expenses				
Water Treatment and Pumping	\$ 4,032,349	\$ 4,075,728	\$ (43,379)	-1.06%
Sewage Disposal	2,870,055	2,824,490	45,565	1.61%
Transmission and Distribution	2,763,143	2,383,689	379,454	15.92%
Accounting and Collections	1,170,583	1,185,891	(15,308)	-1.29%
Administrative and General	3,193,042	3,116,444	76,598	2.46%
Depreciation	4,414,652	4,216,372	198,280	4.70%
Taxes and Tax Equivalents	1,892,797	1,809,730	83,067	4.59%
Total Operating Expenses	<u>\$ 20,336,621</u>	<u>\$ 19,612,344</u>	<u>\$ 724,277</u>	<u>3.69%</u>
Operating Income	<u>\$ 1,390,873</u>	<u>\$ 1,330,533</u>	<u>\$ 60,340</u>	<u>4.54%</u>
Nonoperating Revenues (Expenses)				
Nonoperating Revenues	\$ 669,103	\$ 517,201	\$ 151,902	29.37%
Nonoperating Expenses	(1,812,391)	(1,618,834)	(193,557)	11.96%
Total Nonoperating Revenues (Exp)	<u>\$ (1,143,288)</u>	<u>\$ (1,101,633)</u>	<u>\$ (41,655)</u>	<u>-3.78%</u>
Income Before Contributions	\$ 247,585	\$ 228,900	\$ 18,685	8.16%
Capital Contributions	<u>4,641,227</u>	<u>3,361,687</u>	<u>1,279,540</u>	<u>38.06%</u>
Change in Net Position	\$ 4,888,812	\$ 3,590,587	\$ 1,298,225	36.16%
Total Net Position - Beginning	<u>97,908,092</u>	<u>94,317,505</u>	<u>3,590,587</u>	<u>3.81%</u>
Total Net Position - Ending	<u>\$ 102,796,904</u>	<u>\$ 97,908,092</u>	<u>\$ 4,888,812</u>	<u>4.99%</u>

BUDGETARY HIGHLIGHTS

As required, the City Council adopts a budget for each enterprise fund comprising Florence Utilities. The FY 2024 original budgets for the Electricity, Gas, and Water and Wastewater Departments were adopted on June 20, 2023. The FY 2024 budgets for the Electricity Department, Gas Department, and the Water and Wastewater Department were amended on October 3, 2023. 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 a brief explanation of the 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, 2024

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 136,530,000	\$ 133,440,237	\$ (3,089,763)	-2.26%
Operating Expenses	134,112,600	133,138,337	974,263	0.73%
Operating Income	\$ 2,417,400	\$ 301,900	\$ (2,115,500)	-87.51%
Nonoperating Revenues (Expenses)	172,600	492,334	319,734	185.25%
Change in Net Position	\$ 2,590,000	\$ 794,234	\$ (1,795,766)	-69.33%
Total Net Position - Beginning	94,836,827	94,836,827		
Total Net Position - Ending	\$ 97,426,827	\$ 95,631,061	\$ (1,795,766)	-1.84%

As the above budget report shows, the Electricity Department did not meet the budgeted Change in Net Position by \$1.8 million or approximately 69.3%. 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, 2024

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 19,077,500	\$ 16,925,668	\$ (2,151,832)	-11.28%
Operating Expenses	18,798,200	16,179,234	2,618,966	13.93%
Operating Income	\$ 279,300	\$ 746,434	\$ 467,134	167.25%
Nonoperating Revenues (Expenses)	344,000	537,953	193,953	56.38%
Capital Contributions	-	13,245	13,245	N/A
Change in Net Position	\$ 623,300	\$ 1,297,632	\$ 674,332	108.19%
Total Net Position - Beginning	44,881,207	44,881,207		
Total Net Position - Ending	\$ 45,504,507	\$ 46,178,839	\$ 674,332	1.48%

The Gas Department exceeded the budgeted Change in Net Position by \$674,332 or approximately 108.2%. As you can see on the budget schedule in the required supplementary information, there was a combination of positive and negative variances for many accounts. The most significant variances were decreases in sales revenues and cost of sales.

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, 2024

	Final Budget	Actual	Variance	
			Dollars	Percent
Operating Revenues	\$ 22,363,300	\$ 21,727,494	\$ (635,806)	-2.84%
Operating Expenses	20,437,400	20,336,621	100,779	0.49%
Operating Income	\$ 1,925,900	\$ 1,390,873	\$ (535,027)	-27.78%
Nonoperating Revenues (Expenses)	(836,900)	(1,143,288)	(306,388)	-36.61%
Capital Contributions	313,100	4,641,227	4,328,127	1382.35%
Change in Net Position	\$ 1,402,100	\$ 4,888,812	\$ 3,486,712	248.68%
Total Net Position - Beginning	97,908,092	97,908,092		
Total Net Position - Ending	\$ 99,310,192	\$ 102,796,904	\$ 3,486,712	3.51%

The Water and Wastewater Department exceeded the budgeted Change in Net Position by \$3,486,712 or approximately 248.7%. 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 maintenance expenses and capital contributions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2024, 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 2024

	FY 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 208,716,208	\$ 200,708,519	\$ 8,007,689	3.99%
Construction in Progress	4,692,876	4,078,525	614,351	15.06%
Less: Accumulated Depreciation	(113,725,896)	(108,500,369)	(5,225,527)	4.82%
Net Utility Plant	\$ 99,683,188	\$ 96,286,675	\$ 3,396,513	3.53%

As the above table shows, the Electricity Department experienced a 3.5% increase in net utility plant. The Department plans to finance capital expenditures in FY 2025 through cash generated from current operations, cash reserves, and bond proceeds.

Gas Department

Gas Department
Capital Assets, Net
FY 2024

	FY 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 66,659,977	\$ 65,955,618	\$ 704,359	1.07%
Acquisition Adjustment (net of amortization)	72,852	83,513	(10,661)	-12.77%
Construction in Progress	3,043,364	809,847	2,233,517	275.79%
Less: Accumulated Depreciation	(33,667,896)	(32,566,541)	(1,101,355)	3.38%
Net Utility Plant	<u>\$ 36,108,297</u>	<u>\$ 34,282,437</u>	<u>\$ 1,825,860</u>	<u>5.33%</u>

As the above table shows, the Gas Department increased net utility plant by 5.3%. The Department plans to finance capital expenditures in FY 2025 through cash reserves and cash generated from current operations.

Water and Wastewater Department

Water and Wastewater Department
Capital Assets, Net
FY 2024

	FY 2024	FY 2023	Increase / (Decrease)	
			Dollars	Percent
Utility Plant in Service (at Cost)	\$ 195,744,761	\$ 194,695,203	\$ 1,049,558	0.54%
Construction in Progress	33,476,358	16,992,385	16,483,973	97.01%
Less: Accumulated Depreciation	(90,905,060)	(86,417,399)	(4,487,661)	5.19%
Net Utility Plant	<u>\$ 138,316,059</u>	<u>\$ 125,270,189</u>	<u>\$ 13,045,870</u>	<u>10.41%</u>

As the above table shows, the Water and Wastewater Department increased net utility plant by 10.4%. The Department plans to finance capital expenditures in FY 2025 with cash reserves, cash generated from current operations, and SRF loan proceeds.

Long-term Debt

During FY 2024, 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 2024.

Electricity Department

The Electricity Department had two warrant issues outstanding at year-end as described in the notes to financial statements. These issues are (1) Electric Revenue Warrants, Series 2013, issued in March 2013 bearing interest rates ranging from 1.75% to 4.00% with an underlying rating of Aa2 and AA-/Stable by Moody's and Standard & Poor's, respectively; and (2) Electric Revenue Warrants, Series 2023, issued in December 2023 bearing interest rates ranging from 4.00% to 5.00% with an underlying rating of Aa2 and A+/Stable by Moody's and Standard & Poor's, respectively. The Series 2023 warrants are insured by Build America Mutual Assurance Company. These issues require that the Electricity Department's Annual Net Income (as defined in the indenture) be at least 1.30 times the maximum Annual Debt Service Requirement. For FY 2024, the Electricity Department exceeded that requirement at about 8.79 times. The Department does not anticipate issuing new debt in FY 2025.

Gas Department

The Gas Department did not have any outstanding debt issues in FY 2024. The Department has no plans to issue new debt in FY 2025.

Water and Wastewater Department

The Water and Wastewater Department had six 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%; (5) Water and Sewer Revenue Warrants, SRF Series 2023-DW, interest rate 1.99%; and (6) Water and Sewer Revenue Warrants, SRF Series 2023-CW, 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 warrants are insured by Build America Mutual Assurance Company. The Series 2017 warrants were 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 Series 2017 warrants were issued with a rating of A1 by Moody's and AA- Stable, AA (Insured) by Standard & Poor's. The Series 2017 warrants require that the Water and Wastewater Department's Annual Net Income (as defined in the indenture) be at least 1.25 times the maximum Annual Debt Service Requirement. For FY 2024, the Water and Wastewater Department exceeded that requirement at about 2.37 times. The Department does anticipate issuing new debt in FY 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Florence MSA's unemployment rate was 3.6% for August 2024 and 3.1% for August 2023. The State of Alabama's unemployment rate was 2.8% for August 2024 and 2.5% for August 2023. 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 2025 through September 2024 for electricity have increased from the same period last year by 6.7%. Sales in dekatherms to natural gas customers for the period from July 2024 through September 2024 as compared to sales for the same period in the previous fiscal year have increased approximately 9.7%. FY 2025 sales revenues from water and wastewater operations through September 2024 have increased about 7.4% from the same period in FY 2024.

The City Council adopted the FY 2025 budgets for the Gas and Water and Wastewater Departments on June 4, 2024 and the Electricity Department on August 20, 2024. These budgets were amended on November 5, 2024.

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. There was customer charge increase for certain classes in July 2024. TVA had a wholesale rate increase in October 2024. Florence Utilities passed the TVA 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 2024. 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 Chief Financial Officer-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, 2024 and 2023**

ASSETS	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 18,891,252	\$ 20,570,973
Accounts receivable (net)	12,533,047	13,100,275
Accrued interest receivable	106,220	31,291
Inventories	3,110,666	2,580,466
Prepaid expenses	<u>8,760,195</u>	<u>8,675,422</u>
Total current assets	<u>\$ 43,401,380</u>	<u>\$ 44,958,427</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 8,426,503	\$ 646,153
Capital assets:		
Utility plant in service (at cost)	208,716,208	200,708,519
Construction in progress	4,692,876	4,078,525
Less: accumulated depreciation	113,725,896	108,500,369
Receivables from customers for conservation loans	30,673	136,196
Prepaid debt related costs (net)	<u>20,204</u>	<u></u>
Total noncurrent assets	<u>\$ 108,160,568</u>	<u>\$ 97,069,024</u>
Total assets	<u>\$ 151,561,948</u>	<u>\$ 142,027,451</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 8,542,188	\$ 7,845,972
OPEB obligations	<u>1,500,337</u>	<u>1,703,109</u>
Total deferred outflows of resources	<u>\$ 10,042,525</u>	<u>\$ 9,549,081</u>

LIABILITIES	2024	2023
Current liabilities:		
Accounts payable	\$ 17,820,930	\$ 17,306,005
Customer deposits	11,477,420	11,197,859
Compensated absences	670,378	648,616
Accrued taxes and expenses	<u>1,126,952</u>	<u>1,093,566</u>
Total current liabilities	<u>\$ 31,095,680</u>	<u>\$ 30,246,046</u>
Liabilities payable from restricted assets:		
Revenue warrants—payable within one year	\$ 790,000	\$ 420,000
Unamortized debt premium (discount)	33,326	301
Accrued interest	<u>40,140</u>	<u>12,748</u>
Total liabilities payable from restricted assets	<u>\$ 863,466</u>	<u>\$ 433,049</u>
Noncurrent liabilities:		
Revenue warrants—payable after one year	\$ 10,535,000	\$ 4,345,000
Unamortized debt premium (discount)	428,878	2,609
Advances from TVA for conservation loans	36,107	152,909
Compensated absences	1,005,566	972,925
Net pension liability	14,494,912	12,535,893
Total OPEB liability	<u>4,913,380</u>	<u>5,001,292</u>
Total noncurrent liabilities	<u>\$ 31,413,843</u>	<u>\$ 23,010,628</u>
Total liabilities	<u>\$ 63,372,989</u>	<u>\$ 53,689,723</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 1,815,682	\$ 2,129,153
OPEB obligations	<u>784,741</u>	<u>920,829</u>
Total deferred inflows of resources	<u>\$ 2,600,423</u>	<u>\$ 3,049,982</u>
NET POSITION		
Net investment in capital assets	\$ 95,572,332	\$ 91,518,765
Restricted for debt service	710,015	633,405
Unrestricted	<u>(651,286)</u>	<u>2,684,657</u>
Total net position	<u>\$ 95,631,061</u>	<u>\$ 94,836,827</u>

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 and 2023**

	2024	2023
Operating revenues:		
Electric sales:		
<i>Residential</i>	\$ 70,830,044	\$ 74,212,132
<i>Small commercial</i>	16,227,107	16,213,096
<i>Large commercial</i>	40,345,219	42,947,453
<i>Public street and highway lighting</i>	2,433,886	2,517,169
Forfeited discounts	936,333	997,158
Rents from electric property	2,191,684	1,930,818
Other operating revenues	475,964	448,700
Total operating revenues	\$ 133,440,237	\$ 139,266,526
Operating expenses:		
Costs of sales	\$ 101,431,710	\$ 105,379,758
Operations	13,074,581	11,764,107
Maintenance	7,806,539	8,249,357
Depreciation	6,483,084	6,292,978
Taxes and tax equivalents	4,342,423	4,180,229
Total operating expenses	\$ 133,138,337	\$ 135,866,429
Operating income	\$ 301,900	\$ 3,400,097
Nonoperating revenues (expenses):		
Interest revenues	\$ 718,718	\$ 252,931
Merchandising revenues (net of costs)	121,224	75,899
Miscellaneous nonoperating income (deductions)	(18,864)	(129,585)
Gain (loss) on disposition of assets	148,298	5,692
Interest expense	(344,771)	(161,436)
Debt issuance costs	(150,990)	
Amortization of debt related costs	18,719	301
Total nonoperating revenues (expenses)	\$ 492,334	\$ 43,802
Change in net position	\$ 794,234	\$ 3,443,899
Total net position—beginning	94,836,827	91,392,928
Total net position—ending	\$ 95,631,061	\$ 94,836,827

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, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 134,137,525	\$ 139,782,604
Receipts from interfund services provided	3,668,100	2,936,051
Payments to suppliers	(109,883,590)	(116,998,253)
Payments to employees for services and benefits—exclusive of capitalized costs	(14,287,623)	(12,729,451)
Payments for interfund services used	<u>(4,270,429)</u>	<u>(4,094,570)</u>
Net cash provided by operating activities	<u>\$ 9,363,983</u>	<u>\$ 8,896,381</u>
Cash flows from noncapital financing activities:		
Change in receivables from customers for conservation loans	\$ 105,523	\$ 202,878
Change in advances from TVA for conservation loans	<u>(116,802)</u>	<u>(212,808)</u>
Net cash used for noncapital financing activities	<u>\$ (11,279)</u>	<u>\$ (9,930)</u>
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (9,707,695)	\$ (8,760,957)
Proceeds from disposition of assets	185,812	23,689
Removal costs of retirements of capital assets	(923,421)	(1,343,233)
Salvage value of retirements of capital assets		40,846
Proceeds from capital debt	7,200,000	
Receipt of debt premium upon issuance	478,860	
Payment of debt insurance policy premium and issuance costs	(172,041)	
Principal paid on capital debt	(640,000)	(410,000)
Interest paid on capital debt	<u>(317,379)</u>	<u>(162,205)</u>
Net cash used for capital and related financing activities	<u>\$ (3,895,864)</u>	<u>\$ (10,611,860)</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 643,789</u>	<u>\$ 222,555</u>
Net cash provided by investing activities	<u>\$ 643,789</u>	<u>\$ 222,555</u>
Net increase (decrease) in cash and cash equivalents	\$ 6,100,629	\$ (1,502,854)
Balances—beginning of the year	<u>21,217,126</u>	<u>22,719,980</u>
Balances—end of the year	<u><u>\$ 27,317,755</u></u>	<u><u>\$ 21,217,126</u></u>
<i>Classified as:</i>		
Current assets	\$ 18,891,252	\$ 20,570,973
Restricted assets	<u>8,426,503</u>	<u>646,153</u>
Totals	<u><u>\$ 27,317,755</u></u>	<u><u>\$ 21,217,126</u></u>

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

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 and 2023
(Continued)**

	2024	2023
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 301,900	\$ 3,400,097
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 7,197,089	\$ 6,929,383
Income from merchandising revenues (net of costs)	121,224	75,899
Miscellaneous nonoperating income (deductions)	(18,864)	(129,585)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	567,228	438,218
Inventories	(530,200)	(244,591)
Prepaid expenses	(84,773)	(515,864)
Deferred outflows of resources	(493,444)	(4,822,119)
Accounts and other payables	602,714	(2,129,507)
Customer deposits	279,561	429,065
Net pension liability	1,959,019	5,559,230
Total OPEB liability	(87,912)	182,370
Deferred inflows of resources	(449,559)	(276,215)
 Total adjustments	 \$ 9,062,083	 \$ 5,496,284
 Net cash provided by operating activities	 \$ 9,363,983	 \$ 8,896,381

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, 2024 and 2023**

ASSETS	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 13,163,159	\$ 12,368,638
Investments	2,075,008	2,048,225
Accounts receivable (net)	728,068	1,346,119
Accrued interest receivable	128,789	46,978
Inventories	1,674,311	2,113,269
Prepaid expenses	<u>822,272</u>	<u>875,849</u>
Total current assets	<u>\$ 18,591,607</u>	<u>\$ 18,799,078</u>
Noncurrent assets:		
Capital assets:		
Utility plant in service (at cost)	\$ 66,659,977	\$ 65,955,618
Acquisition adjustment (net of amortization)	72,852	83,513
Construction in progress	3,043,364	809,847
Less: accumulated depreciation	<u>33,667,896</u>	<u>32,566,541</u>
Total noncurrent assets	<u>\$ 36,108,297</u>	<u>\$ 34,282,437</u>
Total assets	<u>\$ 54,699,904</u>	<u>\$ 53,081,515</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 3,530,695	\$ 3,265,788
OPEB obligations	<u>418,976</u>	<u>473,344</u>
Total deferred outflows of resources	<u>\$ 3,949,671</u>	<u>\$ 3,739,132</u>

LIABILITIES	2024	2023
Current liabilities:		
Accounts payable	\$ 542,925	\$ 749,417
Compensated absences	264,388	249,290
Accrued taxes and expenses	154,472	136,176
Total current liabilities	<u>\$ 961,785</u>	<u>\$ 1,134,883</u>
Noncurrent liabilities:		
Compensated absences	\$ 396,581	\$ 373,935
Net pension liability	7,999,222	6,911,335
Total OPEB liability	1,504,871	1,537,188
Total noncurrent liabilities	<u>\$ 9,900,674</u>	<u>\$ 8,822,458</u>
Total liabilities	<u>\$ 10,862,459</u>	<u>\$ 9,957,341</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 423,978	\$ 527,706
OPEB obligations	1,184,299	1,454,393
Total deferred inflows of resources	<u>\$ 1,608,277</u>	<u>\$ 1,982,099</u>
NET POSITION		
Net investment in capital assets	\$ 36,108,297	\$ 34,282,437
Unrestricted	10,070,542	10,598,770
Total net position	<u>\$ 46,178,839</u>	<u>\$ 44,881,207</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, 2024 and 2023**

	2024	2023
Operating revenues:		
Gas sales:		
<i>Residential</i>	\$ 7,604,664	\$ 7,182,907
<i>Commercial</i>	5,735,117	5,199,286
<i>Industrial</i>	2,612,251	3,396,806
<i>Resale and transportation</i>	816,301	1,715,822
Service fees	82,127	88,367
Forfeited discounts	64,758	65,806
Other operating revenues	10,450	10,450
Total operating revenues	\$ 16,925,668	\$ 17,659,444
Operating expenses:		
Costs of sales	\$ 6,035,437	\$ 8,223,002
Operations	3,890,917	3,775,638
Maintenance	2,768,377	2,582,201
Depreciation	1,801,684	1,765,500
Amortization of acquisition adjustment	10,661	10,661
Taxes and tax equivalents	1,672,158	1,605,658
Total operating expenses	\$ 16,179,234	\$ 17,962,660
Operating income (loss)	\$ 746,434	\$ (303,216)
Nonoperating revenues (expenses):		
Interest revenues	\$ 473,798	\$ 147,800
Gain (loss) on disposition of assets	53,160	77,391
Miscellaneous nonoperating income	10,995	5,552
Total nonoperating revenues (expenses)	\$ 537,953	\$ 230,743
Income (loss) before contributions	\$ 1,284,387	\$ (72,473)
Capital contributions	13,245	
Change in net position	\$ 1,297,632	\$ (72,473)
Total net position—beginning	44,881,207	44,953,680
Total net position—ending	\$ 46,178,839	\$ 44,881,207

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, 2024 and 2023**

	2024	2023
Cash flows from operating activities:		
Receipts from customers and users	\$ 17,554,714	\$ 17,438,377
Receipts from interfund services provided	248,369	238,405
Payments to suppliers	(6,927,999)	(11,164,455)
Payments to employees for services and benefits—exclusive of capitalized costs	(4,139,963)	(3,917,843)
Payments for interfund services used	(2,734,004)	(2,614,568)
Net cash provided by (used for) operating activities	\$ 4,001,117	\$ (20,084)
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (3,637,949)	\$ (3,505,979)
Proceeds from disposition of assets	87,650	79,325
Removal costs of retirements of capital assets	(34,746)	(81,303)
Proceeds from capital contributions	13,245	
Net cash used for capital and related financing activities	\$ (3,571,800)	\$ (3,507,957)
Cash flows from investing activities:		
Interest on investments	\$ 259,201	\$ 61,543
Purchase of investments	(4,012,397)	(4,044,882)
Sales of investments	4,118,400	2,045,000
Net cash provided by (used for) investing activities	\$ 365,204	\$ (1,938,339)
Net increase (decrease) in cash and cash equivalents	\$ 794,521	\$ (5,466,380)
Balances—beginning of the year	12,368,638	17,835,018
Balances—end of the year	\$ 13,163,159	\$ 12,368,638
<u>Classified as:</u>		
Current assets	\$ 13,163,159	\$ 12,368,638

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 and 2023
(Continued)**

	2024	2023
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ 746,434	\$ (303,216)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 1,801,684	\$ 1,765,500
Amortization of acquisition adjustment	10,661	10,661
Miscellaneous nonoperating income	10,995	5,552
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables (net)	618,051	(226,620)
Inventories	438,958	(936,854)
Prepaid expenses	53,577	85,221
Deferred outflows of resources	(210,539)	(1,824,379)
Accounts and other payables	(150,452)	(711,972)
Net pension liability	1,087,887	2,299,400
Total OPEB liability	(32,317)	91,663
Deferred inflows of resources	(373,822)	(275,040)
Total adjustments	\$ 3,254,683	\$ 283,132
Net cash provided by (used for) operating activities	\$ 4,001,117	\$ (20,084)

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, 2024 and 2023**

ASSETS	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 18,851,006	\$ 16,005,458
Investments		2,017,387
Accounts receivable (net)	5,283,257	6,682,583
Accrued interest receivable	34,016	
Inventories	1,152,966	1,138,041
Prepaid expenses	<u>1,205,991</u>	<u>1,447,324</u>
Total current assets	<u>\$ 26,527,236</u>	<u>\$ 27,290,793</u>
Noncurrent assets:		
Restricted cash and cash equivalents	\$ 13,708,274	\$ 16,793,439
Capital assets:		
Utility plant in service (at cost)	195,744,761	194,695,203
Construction in progress	33,476,358	16,992,385
Less: accumulated depreciation	90,905,060	86,417,399
Prepaid debt related costs (net)	<u>50,239</u>	<u>225,384</u>
Total noncurrent assets	<u>\$ 152,074,572</u>	<u>\$ 142,289,012</u>
Total assets	<u>\$ 178,601,808</u>	<u>\$ 169,579,805</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	\$ 1,370,836	\$ 1,484,284
Pensions	3,452,927	3,493,237
OPEB obligations	<u>571,739</u>	<u>669,500</u>
Total deferred outflows of resources	<u>\$ 5,395,502</u>	<u>\$ 5,647,021</u>

LIABILITIES	<u>2024</u>	<u>2023</u>
Current liabilities:		
Accounts payable	\$ 1,321,619	\$ 2,870,924
Retainage payable	788,702	613,714
Customer deposits	3,750	3,000
Compensated absences	369,337	401,398
Accrued taxes and expenses	<u>351,406</u>	<u>332,438</u>
Total current liabilities	<u>\$ 2,834,814</u>	<u>\$ 4,221,474</u>
Liabilities payable from restricted assets:		
Revenue warrants—payable within one year	\$ 3,580,000	\$ 2,660,000
Unamortized debt premium (discount)	38,480	38,480
Accrued interest	<u>635,070</u>	<u>511,269</u>
Total liabilities payable from restricted assets	<u>\$ 4,253,550</u>	<u>\$ 3,209,749</u>
Noncurrent liabilities:		
Revenue warrants—payable after one year	\$ 64,795,000	\$ 60,780,000
Unamortized debt premium (discount)	426,489	464,970
Compensated absences	554,005	602,096
Net pension liability	5,221,857	4,786,501
Total OPEB liability	<u>1,856,432</u>	<u>1,794,251</u>
Total noncurrent liabilities	<u>\$ 72,853,783</u>	<u>\$ 68,427,818</u>
Total liabilities	<u>\$ 79,942,147</u>	<u>\$ 75,859,041</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 888,915	\$ 1,026,430
OPEB obligations	<u>369,344</u>	<u>433,263</u>
Total deferred inflows of resources	<u>\$ 1,258,259</u>	<u>\$ 1,459,693</u>
NET POSITION		
Net investment in capital assets	\$ 77,159,677	\$ 76,659,618
Restricted for debt service	3,245,286	2,433,575
Unrestricted	<u>22,391,941</u>	<u>18,814,899</u>
Total net position	<u>\$ 102,796,904</u>	<u>\$ 97,908,092</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 REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 and 2023

	2024	2023
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 7,528,265	\$ 7,315,823
<i>Commercial</i>	3,770,715	3,617,917
<i>Resale</i>	1,901,826	1,762,096
Sewer service sales:		
<i>Residential</i>	4,673,355	4,514,800
<i>Commercial</i>	3,544,301	3,431,951
Forfeited discounts	136,622	135,467
Other operating revenues	172,410	164,823
Total operating revenues	\$ 21,727,494	\$ 20,942,877
Operating expenses:		
Water treatment and pumping	\$ 4,032,349	\$ 4,075,728
Sewage disposal	2,870,055	2,824,490
Transmission and distribution	2,763,143	2,383,689
Accounting and collections	1,170,583	1,185,891
Administrative and general	3,193,042	3,116,444
Depreciation	4,414,652	4,216,372
Taxes and tax equivalents	1,892,797	1,809,730
Total operating expenses	\$ 20,336,621	\$ 19,612,344
Operating income	\$ 1,390,873	\$ 1,330,533
Nonoperating revenues (expenses):		
Interest revenues	\$ 669,103	\$ 444,298
Gain (loss) on disposition of assets	(761)	72,903
Interest expense	(1,721,504)	(1,528,708)
Debt issuance costs	(11,000)	(11,000)
Amortization of debt related costs	(79,126)	(79,126)
Total nonoperating revenues (expenses)	\$ (1,143,288)	\$ (1,101,633)
Income before contributions	\$ 247,585	\$ 228,900
Capital contributions	4,641,227	3,361,687
Change in net position	\$ 4,888,812	\$ 3,590,587
Total net position—beginning	97,908,092	94,317,505
Total net position—ending	\$ 102,796,904	\$ 97,908,092

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, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Receipts from customers and users	\$ 22,671,794	\$ 18,728,595
Receipts from interfund services provided	322,256	244,153
Payments to suppliers	(5,916,634)	(3,807,852)
Payments to employees for services and benefits—exclusive of capitalized costs	(7,063,581)	(6,290,540)
Payments for interfund services used	(3,410,871)	(3,318,174)
Net cash provided by operating activities	\$ 6,602,964	\$ 5,556,182
Cash flows from capital and related financing activities:		
Purchase and construction of capital assets (net)	\$ (17,646,715)	\$ (20,473,800)
Proceeds from disposition of assets	13,150	135,522
Proceeds from capital contributions	4,641,227	3,361,687
Proceeds from capital debt	7,595,000	29,286,460
Payment of debt issuance costs	(11,000)	(11,000)
Principal paid on capital debt	(2,660,000)	(3,110,000)
Interest paid on capital debt	(1,426,717)	(1,401,230)
Net cash provided by (used for) capital and related financing activities	\$ (9,495,055)	\$ 7,787,639
Cash flows from investing activities:		
Interest on investments	\$ 577,174	\$ 385,688
Purchase of investments		(3,999,942)
Sales of investments	2,075,300	2,042,400
Net cash provided by (used for) investing activities	\$ 2,652,474	\$ (1,571,854)
Net increase (decrease) in cash and cash equivalents	\$ (239,617)	\$ 11,771,967
Balances—beginning of the year	32,798,897	21,026,930
Balances—end of the year	\$ 32,559,280	\$ 32,798,897
<i>Classified as:</i>		
Current assets	\$ 18,851,006	\$ 16,005,458
Restricted assets	13,708,274	16,793,439
Totals	\$ 32,559,280	\$ 32,798,897

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, 2024 and 2023
(Continued)**

	2024	2023
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income	\$ 1,390,873	\$ 1,330,533
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 4,586,934	\$ 4,331,074
Change in assets and liabilities:		
Receivables (net)	1,399,326	(1,803,168)
Inventories	(14,925)	(93,726)
Prepaid expenses	241,333	339,011
Deferred outflows of resources	138,071	(2,111,308)
Accounts and other payables	(1,435,501)	1,047,250
Customer deposits	750	(1,250)
Net pension liability	435,356	2,622,918
Total OPEB liability	62,181	94,098
Deferred inflows of resources	(201,434)	(199,250)
 Total adjustments	\$ 5,212,091	\$ 4,225,649
 Net cash provided by operating activities	\$ 6,602,964	\$ 5,556,182

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, 2024 and 2023

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, 2024 and 2023
(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, 2024 and 2023
(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, 2024 and 2023
(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, 2024 and 2023 were as follows for each department:

Electricity Department

	<u>2024</u>	<u>2023</u>
Deposits		
Cash on hand	\$ 10,050	\$ 10,050
Cash in banks	14,140,155	15,963,482
Non-negotiable certificates of deposit	4,741,047	4,597,441
Investments		
U.S. agency securities	8,426,503	646,153
Total deposits and investments	\$ 27,317,755	\$ 21,217,126
Less: restricted assets	(8,426,503)	(646,153)
Total unrestricted deposits and investments	<u>\$ 18,891,252</u>	<u>\$ 20,570,973</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Continued)

NOTE 2—DEPOSITS AND INVESTMENTS (Continued)

Gas Department

	<i>2024</i>	<i>2023</i>
Deposits		
Cash on hand	\$ 700	\$ 500
Cash in banks	3,312,354	6,014,394
Money market funds	5,307,729	4,351,407
Non-negotiable certificates of deposit	4,542,376	2,002,337
Investments		
U.S. agency securities	2,075,008	2,048,225
Total unrestricted deposits and investments	\$ 15,238,167	\$ 14,416,863

Water and Wastewater Department

	<i>2024</i>	<i>2023</i>
Deposits		
Cash on hand	\$ 500	\$ 500
Cash in banks	6,295,220	6,568,846
Money market funds	10,055,286	9,436,112
Non-negotiable certificates of deposit	2,500,000	
Investments		
U.S. agency securities	13,708,274	18,810,826
Total deposits and investments	\$ 32,559,280	\$ 34,816,284
Less: restricted assets	(13,708,274)	(16,793,439)
Total unrestricted deposits and investments	\$ 18,851,006	\$ 18,022,845

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, 2024 and 2023
(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, 2024 and 2023:

<i>Investments by Fair Value Level</i>	<i>Assets at Fair Value as of June 30, 2024</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	\$ 8,426,503	\$ -	\$ 8,426,503	\$ -
<u>Gas Department</u>				
U.S. agency securities	\$ 2,075,008	\$ -	\$ 2,075,008	\$ -
<u>Water and Wastewater Department</u>				
U.S. agency securities	\$ 13,708,274	\$ -	\$ 13,708,274	\$ -
<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	\$ -

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(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 2024 totaled \$7,197,089 of which \$6,483,084 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$714,005 for the year ended June 30, 2024. 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.

As of June 30, 2024 and 2023, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$1,743,334 and \$1,731,445, 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	\$ 43,825,568	\$ 84,663	\$ 5,148	\$ 43,905,083
Distribution plant	129,558,808	6,765,776	603,984	135,720,600
General plant	27,324,143	2,242,905	476,523	29,090,525
Totals	<u>\$ 200,708,519</u>	<u>\$ 9,093,344</u>	<u>\$ 1,085,655</u>	<u>\$ 208,716,208</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 and \$39,655, respectively. As of June 30, 2024 and 2023, accumulated depreciation amounted to \$515,519 and \$475,864, 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 \$1,801,684 for fiscal year 2024 and \$1,765,500 for fiscal year 2023.

As of June 30, 2024 and 2023, nondepreciable capital assets consist of land, land rights, and rights-of-way in the amount of \$882,891 and \$882,852, respectively.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
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JUNE 30, 2024 and 2023
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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	\$ 10,435,635	\$ 28,242	\$ 14,582	\$ 10,449,295
Distribution plant	45,532,295	844,294	382,794	45,993,795
General plant	9,987,688	531,896	302,697	10,216,887
Totals	<u>\$ 65,955,618</u>	<u>\$ 1,404,432</u>	<u>\$ 700,073</u>	<u>\$ 66,659,977</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, 2024 and 2023, accumulated amortization amounted to \$282,521 and \$271,860, 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 2024 totaled \$4,586,934 of which \$4,414,652 was charged against income. Amounts applicable to certain transportation equipment, which was allocated to various accounts based on vehicle usage, totaled \$172,282 for the year ended June 30, 2024. 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.

As of June 30, 2024 and 2023, nondepreciable capital assets consist of land, land rights, and rights-of-way amounted to \$1,302,439.

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	\$ 189,687,259	\$ 550,031	\$ 24,579	\$ 190,212,711
General plant	5,007,944	612,711	88,605	5,532,050
Totals	<u>\$ 194,695,203</u>	<u>\$ 1,162,742</u>	<u>\$ 113,184</u>	<u>\$ 195,744,761</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Continued)

NOTE 4—RECEIVABLES AND PAYABLES

Receivables as of June 30, 2024 and 2023 were as follows for each department:

Electricity Department

	<u>2024</u>	<u>2023</u>
Customer accounts	\$ 10,491,176	\$ 10,480,547
Other governments	225,805	461,646
Miscellaneous	190,062	547,885
Secured customer deposits	1,252,086	1,313,246
Accrued rents	512,973	498,534
Less: allowance for doubtful accounts	(139,055)	(201,583)
Net receivables	<u>\$ 12,533,047</u>	<u>\$ 13,100,275</u>

Gas Department

	<u>2024</u>	<u>2023</u>
Customer accounts	\$ 659,997	\$ 696,446
Other governments	72,224	635,705
Miscellaneous	1,152	22,270
Less: allowance for doubtful accounts	(5,305)	(8,302)
Net receivables	<u>\$ 728,068</u>	<u>\$ 1,346,119</u>

Water and Wastewater Department

	<u>2024</u>	<u>2023</u>
Customer accounts	\$ 1,768,161	\$ 1,972,863
Other governments	3,490,053	4,740,108
Miscellaneous	50,703	
Less: allowance for doubtful accounts	(25,660)	(30,388)
Net receivables	<u>\$ 5,283,257</u>	<u>\$ 6,682,583</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
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JUNE 30, 2024 and 2023
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NOTE 4—RECEIVABLES AND PAYABLES (Continued)

Payables as of June 30, 2024 and 2023 were as follows for each department:

Electricity Department

	<u>2024</u>	<u>2023</u>
Vendors	\$ 18,207,159	\$ 17,741,242
Salaries and benefits	640,328	600,015
Other governments	100,395	58,314
Totals	<u>\$ 18,947,882</u>	<u>\$ 18,399,571</u>

Gas Department

	<u>2024</u>	<u>2023</u>
Vendors	\$ 455,553	\$ 657,623
Salaries and benefits	154,473	136,176
Other governments	87,371	91,794
Totals	<u>\$ 697,397</u>	<u>\$ 885,593</u>

Water and Wastewater Department

	<u>2024</u>	<u>2023</u>
Vendors	\$ 1,916,411	\$ 3,211,198
Salaries and benefits	250,219	228,274
Other governments	295,097	377,604
Totals	<u>\$ 2,461,727</u>	<u>\$ 3,817,076</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, 2024 and 2023, the Department had \$1,077,872 and \$1,568,354, respectively, in storage gas that is valued using the weighted average method.

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.

CITY OF FLORENCE, ALABAMA
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NOTE 6—RESTRICTED ASSETS (Continued)

Electricity Department

Special funds created for capital construction and debt service by the Series 2013 and Series 2023 Warrant Indentures are invested in short-term U.S. Government obligations, as follows:

	<i>2024</i>	<i>2023</i>
Series 2013 Debt Service Reserve Fund	\$ 618,999	\$ 590,265
Series 2013 Warrant Fund	69,595	55,888
Series 2023 Construction Fund	7,676,348	
Series 2023 Warrant Fund	61,561	
	\$ 8,426,503	\$ 646,153

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:

	<i>2024</i>	<i>2023</i>
Warrant Funds-All SRF Series	\$ 2,126,880	\$ 1,257,948
Series 2017 Warrant Funds	1,753,476	1,686,896
Construction Fund-SRF Series 2021-DWSRF-DL		343,772
Construction Fund-SRF Series 2023-DWSRF-DL	6,312,751	13,504,823
Construction Fund-SRF Series 2023-CWSRF-DL	3,515,167	
	\$ 13,708,274	\$ 16,793,439

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 \$30,673 and \$136,196, respectively at June 30, 2024 and 2023. 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 \$36,107 and \$152,909 as of June 30, 2024 and 2023, 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 \$7,858,002 and \$7,912,359 as of June 30, 2024 and 2023, 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, 2024 was as follows:

	<i>Electric Revenue Warrants, Series 2013</i>	<i>Electric Revenue Warrants, Series 2023</i>	<i>Totals</i>
Balance—beginning of year	\$ 4,765,000	\$ -	\$ 4,765,000
Add: proceeds from debt		7,200,000	7,200,000
Less: principal paid on debt	420,000	220,000	640,000
Balance—end of year	<u>\$ 4,345,000</u>	<u>\$ 6,980,000</u>	<u>\$ 11,325,000</u>

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 each June 1 and December 1.

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% for the implementation of Advanced Metering Infrastructure 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 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>
2025	\$ 790,000	\$ 481,680	\$ 1,271,680
2026	820,000	452,500	1,272,500
2027	845,000	421,400	1,266,400
2028	880,000	389,050	1,269,050
2029	920,000	354,350	1,274,350
2030–2034	4,590,000	1,189,750	5,779,750
2035–2038	2,480,000	317,500	2,797,500
Totals	<u>\$ 11,325,000</u>	<u>\$ 3,606,230</u>	<u>\$ 14,931,230</u>
Less: portion due within one year	<u>790,000</u>		
Long-term debt—end of year	<u>\$ 10,535,000</u>		

All interest costs were expensed for the fiscal years presented.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8—LONG-TERM OBLIGATIONS (Continued)

Water and Wastewater Department

Long-term obligations activity for the year ended June 30, 2024 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	\$ 4,365,000	\$ 25,050,000	\$ 13,790,000	
Add: proceeds from debt				
Less: principal paid on debt	265,000	1,445,000	635,000	
Balance—end of year	<u>\$ 4,100,000</u>	<u>\$ 23,605,000</u>	<u>\$ 13,155,000</u>	
	<i>Water and Sewer Revenue Warrants, Series 2021-CWSRF-DL</i>	<i>Water and Sewer Revenue Warrants, Series 2023-DWSRF-DL</i>	<i>Water and Sewer Revenue Warrants, Series 2023-CWSRF-DL</i>	<i>Totals</i>
Balance—beginning of year	\$ 6,900,000	\$ 13,335,000	\$ -	\$ 63,440,000
Add: proceeds from debt			7,595,000	7,595,000
Less: principal paid on debt	315,000			2,660,000
Balance—end of year	<u>\$ 6,585,000</u>	<u>\$ 13,335,000</u>	<u>\$ 7,595,000</u>	<u>\$ 68,375,000</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 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 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 each February 15 and August 15.

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JUNE 30, 2024 and 2023
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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 each February 15 and August 15.

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 each February 15 and August 15. As of June 30, 2024, the balance of the construction fund held by ADEM was \$6,312,751.

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. Principal is payable annually on February 15. Interest is payable semi-annually each February 15 and August 15. As of June 30, 2024, the balance of the construction fund held by ADEM was \$3,515,167.

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>
2025	\$ 3,580,000	\$ 1,681,342	\$ 5,261,342
2026	3,675,000	1,602,055	5,277,055
2027	3,780,000	1,493,442	5,273,442
2028	3,875,000	1,389,869	5,264,869
2029	3,990,000	1,291,588	5,281,588
2030–2034	21,515,000	4,864,719	26,379,719
2035–2039	19,205,000	1,975,337	21,180,337
2040–2044	8,755,000	416,799	9,171,799
Totals	\$ 68,375,000	\$ 14,715,151	\$ 83,090,151
Less: portion due within one year	<u>3,580,000</u>		
Long-term debt—end of year	<u>\$ 64,795,000</u>		

All interest costs were expensed for the fiscal years presented.

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
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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:

- A 120-month 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). Lump sum distributions are not available to participants hired on or after October 6, 2021.

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NOTE 9—PENSION AND DEFERRED COMPENSATION PLANS (Continued)

Employees Covered by Benefit Terms—As of September 30, 2023, the following employees were covered by the benefit terms:

Active participants who have not reached age 65	636
Active participants attaining normal retirement age 65	17
Inactive participants (83 in pay status)	<u>193</u>
Total participants	<u><u>846</u></u>

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

For the current fiscal year, the active employee contribution rate was 2.56% on the first \$350 of monthly compensation and 5.12% of monthly compensation in excess of \$350. The City contributed 2.75 times the employee contribution. In subsequent fiscal years, the City has approved to increase the employer contribution by .25 each year until the City contributes 4.00 times the employee contribution.

Net Pension Liability—The City’s net pension liability was measured as of September 30, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% plus a merit scale increase
Investment rate of return	7.00%, net of investment expenses

Significant changes in the actuarial assumptions from the prior measurement period were to (1) update the long-term investment rate of return from 7.50% to 7.00%; (2) update the salary increases from 3.00% to an annual salary growth rate of 3.50% plus an annual merit increase that is applied based on each participant’s employment division and years of service; and (3) update the inflation rate from 2.30% to 2.50%. The assumption for the salary increases is based on the results of an experience study performed in 2024 using data from 2013 through 2023.

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)

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Cash Equivalents	1.50%	0.51%
US Core Fixed Income	17.00%	2.07%
US Intermediate Bonds	7.50%	1.63%
US Large Cap Equity	17.00%	5.42%
US Broad Growth Equity	7.00%	5.72%
US Broad Value Equity	7.00%	5.41%
US Mid Cap Equity	2.00%	6.00%
US Mid Cap Growth Equity	2.00%	6.50%
US Mid Cap Value Equity	2.00%	5.50%
US Small Cap Equity	2.00%	7.08%
US Small Cap Growth Equity	2.00%	7.65%
US Small Cap Value Equity	2.00%	6.52%
International Equity	14.00%	7.64%
Emerging Markets Equity	3.00%	9.58%
Global Real Estate Investment Trusts	4.00%	7.34%
Core Private Real Estate Funds	10.00%	4.98%

Discount Rate—The discount rate used to measure the total pension liability was 7.00%. The discount rate used to measure the total pension liability for the prior measurement period 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’s contributions will be made at 2.75 times the employee contributions, which will increase by .25 each year until the City contributes 4.00 times the employee contribution. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balance as of September 30, 2023 *	\$ 133,282,236	\$ 84,653,040	\$ 48,629,196
Changes for the year:			
Service cost	3,262,553		3,262,553
Interest on total pension liability	9,821,146		9,821,146
Effect of economic/demographic gain/losses	6,399,274		6,399,274
Effect of assumption changes/inputs	3,069,313		3,069,313
Benefit payments	(11,398,411)	(11,398,411)	-
Employer contributions		5,134,655	(5,134,655)
Member contributions		1,867,147	(1,867,147)
Net investment income		8,256,998	(8,256,998)
Administrative expenses		(444,307)	444,307
Balance as of September 30, 2024 *	<u>\$ 144,436,111</u>	<u>\$ 88,069,122</u>	<u>\$ 56,366,989</u>

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

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(Continued)

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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<i>1% Decrease</i>	<i>Current</i>	<i>1% Increase</i>
	<i>(6.00%)</i>	<i>Discount Rate</i>	<i>(8.00%)</i>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Total pension liability	\$ 155,835,760	\$ 144,436,111	\$ 134,083,076
Fiduciary net position	88,069,122	88,069,122	88,069,122
Net pension liability	<u>\$ 67,766,638</u>	<u>\$ 56,366,989</u>	<u>\$ 46,013,954</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 \$10,334,955. 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	\$ 5,777,078	\$ -
Differences between expected and actual experience	11,564,157	
Changes in assumptions	3,164,132	109,618
Net difference between projected and actual earnings	12,921,346	6,769,520

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>	
2025	\$ 3,694,665
2026	4,136,970
2027	6,092,261
2028	1,786,050
2029	1,805,026
Thereafter *	3,255,525

* 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 \$5,777,078 will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2025.

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, 2024 and 2023
(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, 2024 and 2023
(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, 2023, 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, 2023 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, 2024 and 2023
(Continued)

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

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2023 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	4.02%
Measurement date	4.09%
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	6.50% 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, 2023 *	\$ 19,732,865
Changes for the year:	
Service cost	882,004
Interest on total OPEB liability	796,212
Effect of assumption changes or inputs	(98,879)
Benefit payments	<u>(1,633,320)</u>
Balance as of September 30, 2024 *	<u>\$ 19,678,882</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 4.09%, 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 (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Discount Rate</i>	<i>1% Increase</i>
	<i>(3.09%)</i>	<i>(4.09%)</i>	<i>(5.09%)</i>
Total OPEB liability	<u>\$ 21,148,860</u>	<u>\$ 19,678,882</u>	<u>\$ 18,331,473</u>

CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 and 2023
(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	\$ 17,776,614	\$ 19,678,882	\$ 21,908,062

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 \$1,658,996. 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	\$ 1,559,959	\$ -
Differences between expected and actual experience	4,385,557	1,728,626
Changes of assumptions or inputs	495,323	2,414,549

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>
2025	\$ (19,220)
2026	41,213
2027	108,222
2028	122,879
2029	286,629
Thereafter *	197,982

* 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 \$1,559,959 will be recognized as a reduction of the total OPEB liability in the fiscal year ending September 30, 2025.

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, 2024 and 2023
(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, 2024, open contracts for construction totaled \$140,050 of which \$0 had been expended. As of June 30, 2024, open contracts for system maintenance totaled \$2,239,389 of which \$425,012 had been expended. 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.

Gas Department

The Department enters into agreements with contractors for the construction and expansion of the system. As of June 30, 2024, open contracts for construction totaled \$2,976,159 of which \$2,614,751 had been expended. As of June 30, 2024, open contracts for system maintenance totaled \$105,621 of which \$0 had been expended. 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.

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, 2024 and 2023, the Department had made purchase commitments amounting to \$4,344,840 and \$4,121,800, 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, 2024 and 2023
(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, 2024, open contracts for construction totaled \$32,254,887 of which \$25,065,336 had been expended. As of June 30, 2024, open contracts for system maintenance totaled \$2,844,142 of which \$733,756 had been expended. 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.

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, 2024**

	<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:				
Electric sales:				
<i>Residential</i>	\$ 73,200,000	\$ 73,200,000	\$ 70,830,044	\$ (2,369,956)
<i>Small commercial</i>	15,065,000	15,065,000	16,227,107	1,162,107
<i>Large commercial</i>	42,310,000	42,310,000	40,345,219	(1,964,781)
<i>Public street and highway lighting</i>	2,480,000	2,480,000	2,433,886	(46,114)
Forfeited discounts	1,015,000	1,015,000	936,333	(78,667)
Rents	2,000,000	2,000,000	2,191,684	191,684
Other operating revenues	460,000	460,000	475,964	15,964
Total operating revenues	<u>\$ 136,530,000</u>	<u>\$ 136,530,000</u>	<u>\$ 133,440,237</u>	<u>\$ (3,089,763)</u>
Operating expenses:				
Costs of sales	\$ 102,300,000	\$ 102,300,000	\$ 101,431,710	\$ 868,290
Operations:				
<i>Transmission</i>	321,700	324,500	317,591	6,909
<i>Distribution</i>	4,061,000	4,162,900	4,891,012	(728,112)
<i>Customer accounts</i>	2,332,300	2,387,500	2,063,890	323,610
<i>Customer service and information assistance and instruction</i>	63,300	63,300	72,416	(9,116)
<i>Sales</i>	61,000	61,000	56,144	4,856
<i>Administrative and general</i>	5,278,500	5,307,000	5,673,528	(366,528)
Maintenance:				
<i>Transmission</i>	495,000	495,000	378,162	116,838
<i>Distribution</i>	7,624,200	7,704,900	6,887,782	817,118
<i>Administrative and general</i>	616,000	625,200	540,595	84,605
Depreciation	6,380,000	6,380,000	6,483,084	(103,084)
Taxes and tax equivalents	4,280,000	4,301,300	4,342,423	(41,123)
Total operating expenses	<u>\$ 133,813,000</u>	<u>\$ 134,112,600</u>	<u>\$ 133,138,337</u>	<u>\$ 974,263</u>
Operating income	<u>\$ 2,717,000</u>	<u>\$ 2,417,400</u>	<u>\$ 301,900</u>	<u>\$ (2,115,500)</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 300,000	\$ 300,000	\$ 718,718	\$ 418,718
Merchandising revenues (net of costs)	100,000	100,000	121,224	21,224
Miscellaneous nonoperating income (deductions)	(70,000)	(70,000)	(18,864)	51,136
Gain (loss) on disposition of assets			148,298	148,298
Interest expense	(152,100)	(152,100)	(344,771)	(192,671)
Debt issuance costs			(150,990)	(150,990)
Amortization of debt related costs	(5,300)	(5,300)	18,719	24,019
Total nonoperating revenues (expenses)	<u>\$ 172,600</u>	<u>\$ 172,600</u>	<u>\$ 492,334</u>	<u>\$ 319,734</u>
Change in net position	<u>\$ 2,889,600</u>	<u>\$ 2,590,000</u>	<u>\$ 794,234</u>	<u>\$ (1,795,766)</u>
Total net position—beginning	<u>94,836,827</u>	<u>94,836,827</u>	<u>94,836,827</u>	
Total net position—ending	<u>\$ 97,726,427</u>	<u>\$ 97,426,827</u>	<u>\$ 95,631,061</u>	<u>\$ (1,795,766)</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, 2024**

	<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>	\$ 8,060,000	\$ 8,060,000	\$ 7,604,664	\$ (455,336)
<i>Commercial</i>	5,655,000	5,655,000	5,735,117	80,117
<i>Industrial</i>	3,363,000	3,363,000	2,612,251	(750,749)
<i>Resale and transportation</i>	1,822,000	1,822,000	816,301	(1,005,699)
Service fees	102,000	102,000	82,127	(19,873)
Forfeited discounts	64,500	64,500	64,758	258
Other operating revenues	11,000	11,000	10,450	(550)
Total operating revenues	<u>\$ 19,077,500</u>	<u>\$ 19,077,500</u>	<u>\$ 16,925,668</u>	<u>\$ (2,151,832)</u>
Operating expenses:				
Costs of sales	\$ 9,100,000	\$ 9,100,000	\$ 6,035,437	\$ 3,064,563
Operations:				
<i>Transmission</i>	75,500	77,500	74,842	2,658
<i>Distribution</i>	337,800	339,600	445,375	(105,775)
<i>Customer accounts</i>	484,500	484,500	460,690	23,810
<i>Sales</i>	28,000	28,000	19,500	8,500
<i>Administrative and general</i>	2,482,800	2,495,800	2,890,510	(394,710)
Maintenance:				
<i>Transmission</i>	400	400	34,833	(34,433)
<i>Distribution</i>	2,652,600	2,708,400	2,644,021	64,379
<i>Administrative and general</i>	114,500	114,500	89,523	24,977
Depreciation	1,785,000	1,785,000	1,801,684	(16,684)
Amortization of acquisition adjustment	10,700	10,700	10,661	39
Taxes and tax equivalents	1,648,200	1,653,800	1,672,158	(18,358)
Total operating expenses	<u>\$ 18,720,000</u>	<u>\$ 18,798,200</u>	<u>\$ 16,179,234</u>	<u>\$ 2,618,966</u>
Operating income (loss)	<u>\$ 357,500</u>	<u>\$ 279,300</u>	<u>\$ 746,434</u>	<u>\$ 467,134</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 324,000	\$ 324,000	\$ 473,798	\$ 149,798
Gain (loss) on disposition of assets	10,000	10,000	53,160	43,160
Miscellaneous nonoperating income	10,000	10,000	10,995	995
Total nonoperating revenues (expenses)	<u>\$ 344,000</u>	<u>\$ 344,000</u>	<u>\$ 537,953</u>	<u>\$ 193,953</u>
Income before contributions	<u>\$ 701,500</u>	<u>\$ 623,300</u>	<u>\$ 1,284,387</u>	<u>\$ 661,087</u>
Capital contributions			13,245	13,245
Change in net position	\$ 701,500	\$ 623,300	\$ 1,297,632	\$ 674,332
Total net position—beginning	<u>44,881,207</u>	<u>44,881,207</u>	<u>44,881,207</u>	
Total net position—ending	<u>\$ 45,582,707</u>	<u>\$ 45,504,507</u>	<u>\$ 46,178,839</u>	<u>\$ 674,332</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, 2024

	<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>	\$ 7,880,200	\$ 7,880,200	\$ 7,528,265	\$ (351,935)
<i>Commercial</i>	3,873,800	3,873,800	3,770,715	(103,085)
<i>Resale</i>	1,965,400	1,965,400	1,901,826	(63,574)
Sewer service sales:				
<i>Residential</i>	4,708,000	4,708,000	4,673,355	(34,645)
<i>Commercial</i>	3,637,800	3,637,800	3,544,301	(93,499)
Forfeited discounts	143,200	143,200	136,622	(6,578)
Other operating revenues	154,900	154,900	172,410	17,510
Total operating revenues	<u>\$ 22,363,300</u>	<u>\$ 22,363,300</u>	<u>\$ 21,727,494</u>	<u>\$ (635,806)</u>
Operating expenses:				
Water treatment and pumping	\$ 4,328,700	\$ 4,360,400	\$ 4,032,349	\$ 328,051
Sewage disposal	2,926,000	2,951,500	2,870,055	81,445
Transmission and distribution	2,532,600	2,567,900	2,763,143	(195,243)
Accounting and collections	1,332,600	1,332,600	1,170,583	162,017
Administrative and general	2,892,000	2,904,800	3,193,042	(288,242)
Depreciation	4,387,300	4,387,300	4,414,652	(27,352)
Taxes and tax equivalents	1,924,800	1,932,900	1,892,797	40,103
Total operating expenses	<u>\$ 20,324,000</u>	<u>\$ 20,437,400</u>	<u>\$ 20,336,621</u>	<u>\$ 100,779</u>
Operating income	<u>\$ 2,039,300</u>	<u>\$ 1,925,900</u>	<u>\$ 1,390,873</u>	<u>\$ (535,027)</u>
Nonoperating revenues (expenses):				
Interest revenues	\$ 588,000	\$ 588,000	\$ 669,103	\$ 81,103
Gain (loss) on disposition of assets			(761)	(761)
Interest expense	(1,345,700)	(1,345,700)	(1,721,504)	(375,804)
Debt issuance costs			(11,000)	(11,000)
Amortization of debt related costs	(79,200)	(79,200)	(79,126)	74
Total nonoperating revenues (expenses)	<u>\$ (836,900)</u>	<u>\$ (836,900)</u>	<u>\$ (1,143,288)</u>	<u>\$ (306,388)</u>
Income before contributions	\$ 1,202,400	\$ 1,089,000	\$ 247,585	\$ (841,415)
Capital contributions	313,100	313,100	4,641,227	4,328,127
Change in net position	\$ 1,515,500	\$ 1,402,100	\$ 4,888,812	\$ 3,486,712
Total net position—beginning	<u>97,908,092</u>	<u>97,908,092</u>	<u>97,908,092</u>	
Total net position—ending	<u>\$ 99,423,592</u>	<u>\$ 99,310,192</u>	<u>\$ 102,796,904</u>	<u>\$ 3,486,712</u>

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY										
Service cost	\$ 3,262,553	\$ 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	9,821,146	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	6,399,274	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	3,069,313	25,235	32,938	(54,052)	410,054	(74,689)	(73,548)	(188,107)	1,286,192	
Benefit payments	(11,398,411)	(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	\$ 11,153,875	\$ 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	133,282,236	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>\$ 144,436,111</u>	<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>
FIDUCIARY NET POSITION										
Contributions—employer	\$ 5,134,655	\$ 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	1,867,147	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	8,256,998	(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	(11,398,411)	(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	(444,307)	(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	\$ 3,416,082	\$ (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	84,653,040	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>\$ 88,069,122</u>	<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>
Net pension liability, ending (a-b)	<u>\$ 56,366,989</u>	<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>
Fiduciary net position as a percentage of total pension liability	60.97%	63.51%	80.52%	70.91%	70.20%	77.06%	76.99%	73.18%	71.61%	79.20%
Covered payroll	\$ 41,312,457	\$ 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	136.44%	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>	
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	5,134,655	1,363,768	35,521,774	14.45%	
2024	8,086,309	5,777,078	2,309,231	41,312,457	13.98%	

Valuation date:

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

Methods and assumptions used to determine the contribution rates:

Actuarial cost method: Entry age normal

Amortization method: Level dollar of payroll, layered

Remaining amortization period: 20 years

Asset valuation method: 5-year smoothed market

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

Inflation: 2.50%

Salary increases: 3.50%, plus an annual merit increase that is applied based on each participant's employment division and years of service

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

Investment rate of return: 7.00%, 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 tables with generational mortality improvement projected with 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**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL OPEB LIABILITY										
Service cost	\$ 882,004	\$ 1,163,227	\$ 1,263,588	\$ 1,001,856	\$ 802,578	\$ 783,223	\$ 840,770	\$ -	\$ -	\$ -
Interest on total OPEB liability	796,212	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	(98,879)	(2,659,086)	(62,306)	594,837	393,577	(522,925)	(646,697)			
Benefit payments	(1,633,320)	(1,579,204)	(1,454,549)	(800,422)	(698,684)	(977,623)	(980,229)			
Net change in total OPEB liability	\$ (53,983)	\$ 1,177,826	\$ 165,091	\$ 2,855,284	\$ (1,404,728)	\$ (86,700)	\$ (247,106)	\$ -	\$ -	\$ -
Total OPEB liability, beginning	19,732,865	18,555,039	18,389,948	15,534,664	16,939,392	17,026,092	17,273,198			
Total OPEB liability, ending	<u>\$ 19,678,882</u>	<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>
Covered-employee payroll	\$ 38,070,340	\$ 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	51.69%	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.

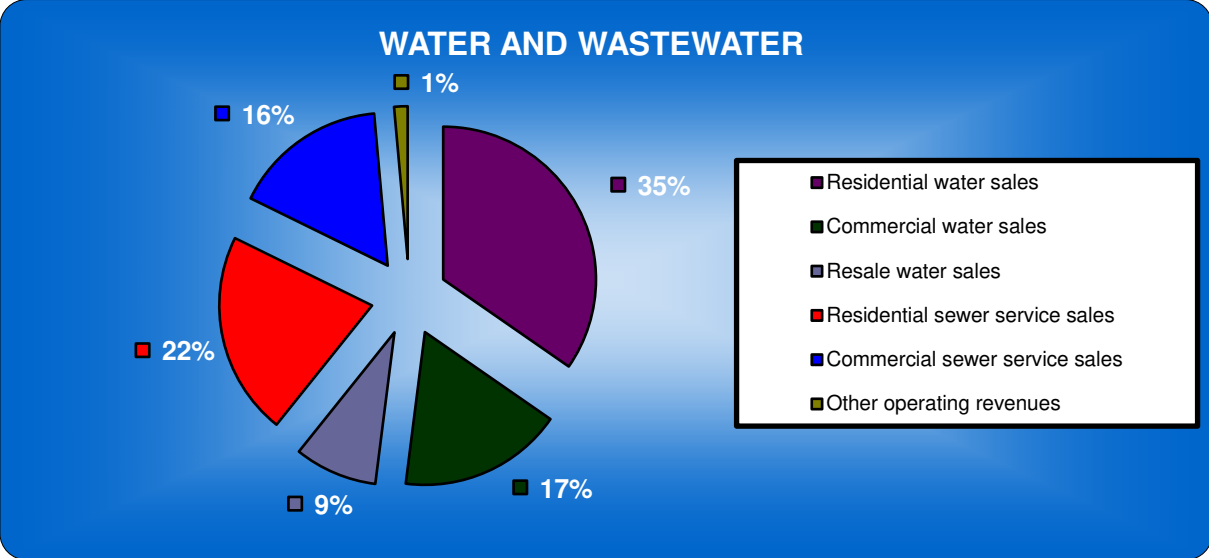
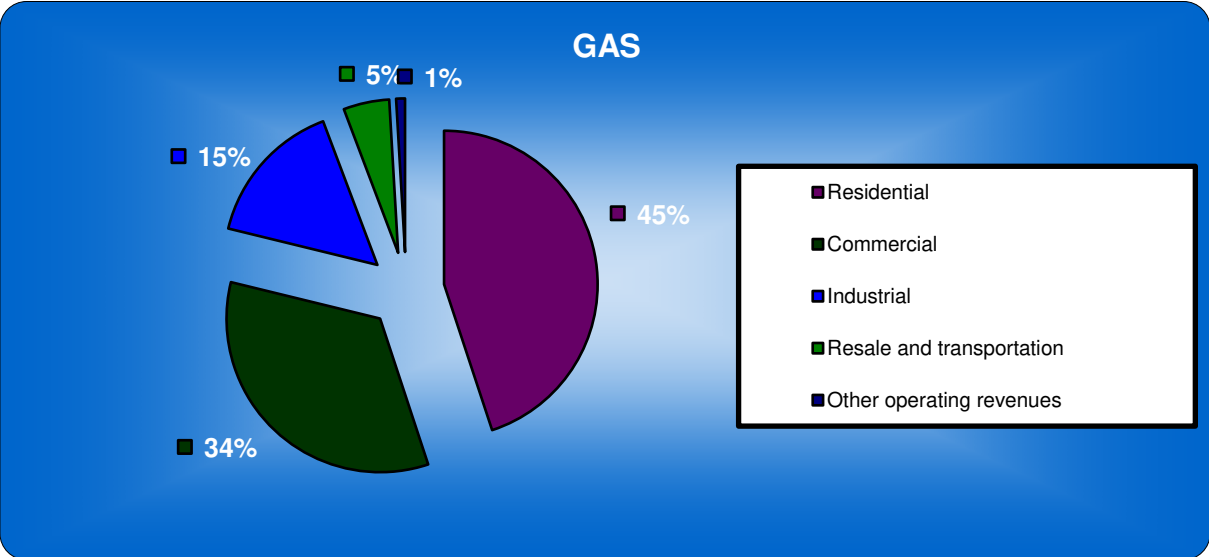
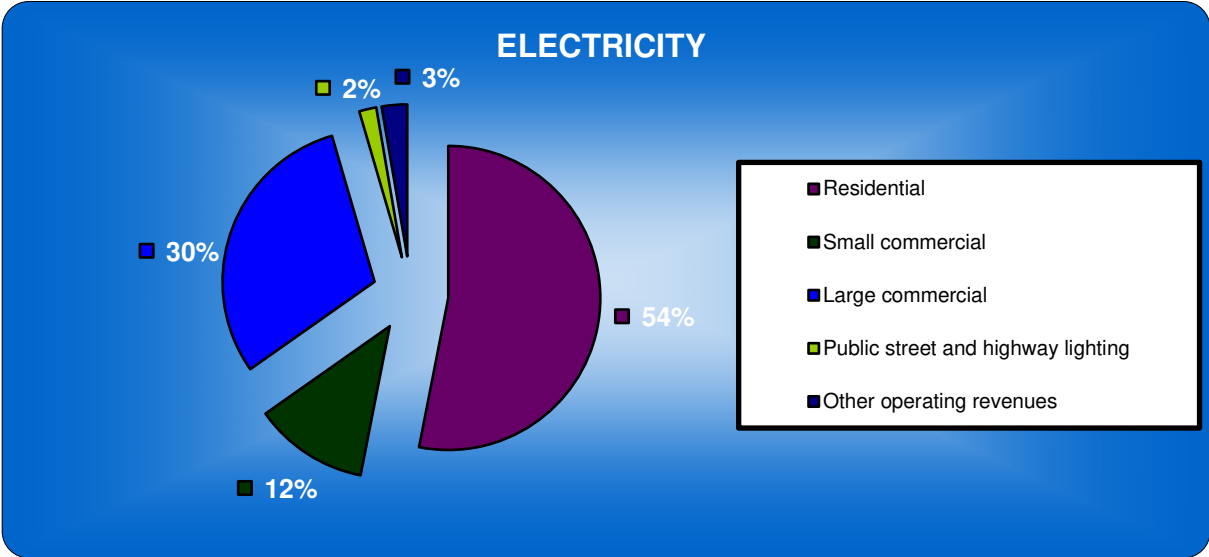
Changes of assumptions—

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:

2023	4.090%
2022	4.020%
2021	2.260%
2020	2.210%
2019	2.660%
2018	4.180%
2017	3.640%
2016	3.058%
2015	-
2014	-

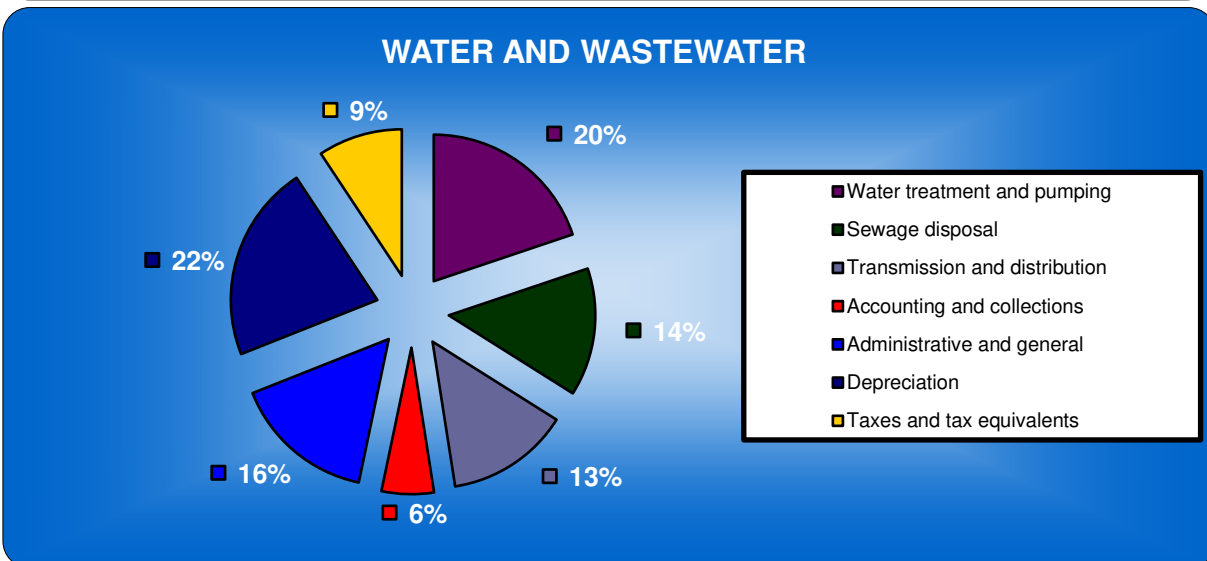
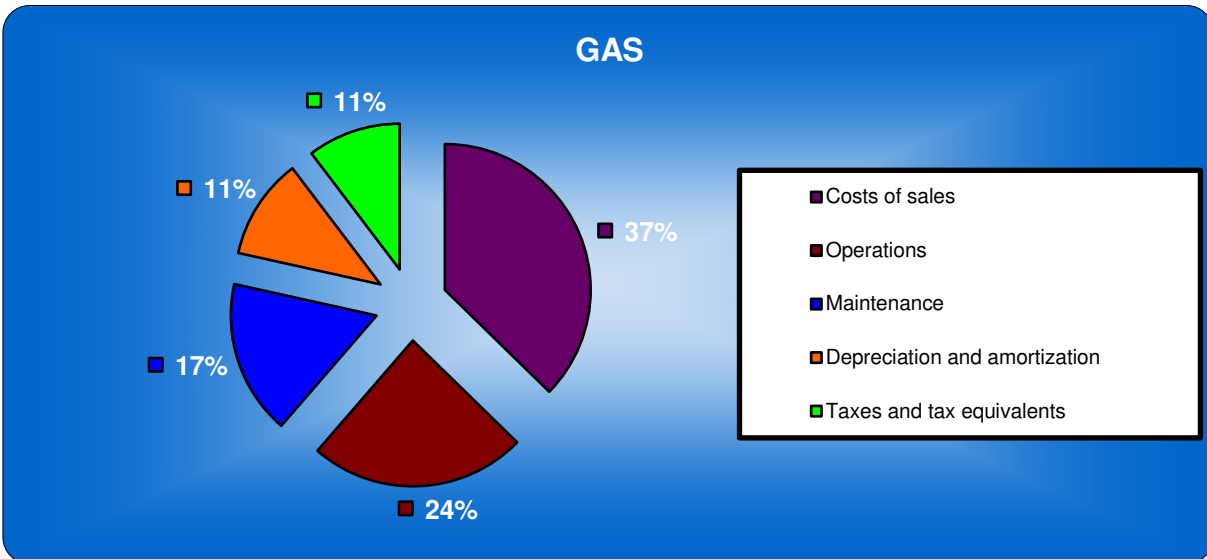
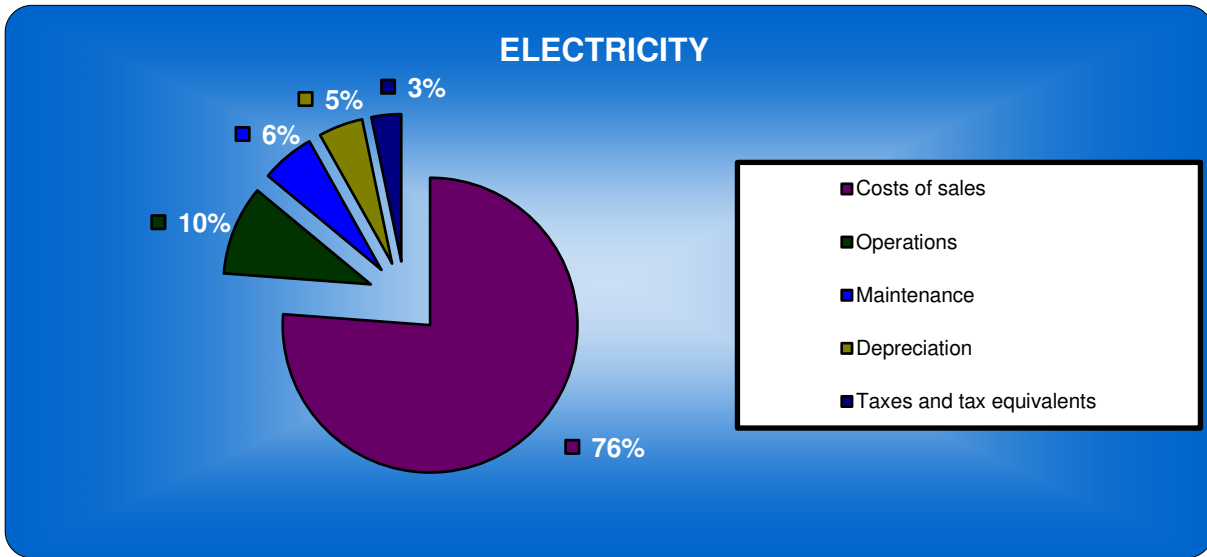
SUPPLEMENTARY SCHEDULES SECTION

**CITY OF FLORENCE, ALABAMA
ELECTRICITY, GAS, AND WATER AND WASTEWATER DEPARTMENT
SOURCE OF FUNDS
JUNE 30, 2024**



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, 2024**



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

ELECTRICITY DEPARTMENT

**CITY OF FLORENCE, ALABAMA
ELECTRICITY DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2024**

<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	\$ 622,380	\$ -	\$ -	\$ 622,380
Clearing land and right of ways	90,378			90,378
Structures and improvements	70,402			70,402
Station equipment	28,410,508			28,410,508
Towers and fixtures	32,266			32,266
Poles and fixtures	7,343,242	66,611	3,737	7,406,116
Overhead conductors and devices	7,256,392	18,052	1,411	7,273,033
Total transmission plant	<u>\$ 43,825,568</u>	<u>\$ 84,663</u>	<u>\$ 5,148</u>	<u>\$ 43,905,083</u>
Distribution plant:				
Land and land rights	\$ 72,040	\$ -	\$ -	\$ 72,040
Station equipment	2,082,224			2,082,224
Poles, towers, and fixtures	30,844,637	1,613,715	87,401	32,370,951
Overhead conductors and devices	23,024,197	345,693	18,836	23,351,054
Underground conduit	3,412,842	31,088	170	3,443,760
Underground conductors and devices	14,396,954	142,616	18,874	14,520,696
Line transformers	28,486,749	3,528,780	200,193	31,815,336
Services	10,129,015	208,993	93,787	10,244,221
Meters	4,479,687	49,626	48,843	4,480,470
Installation on customer premises	3,224,174	241,657	79,265	3,386,566
Street lighting and signal systems	9,406,289	603,608	56,615	9,953,282
Total distribution plant	<u>\$ 129,558,808</u>	<u>\$ 6,765,776</u>	<u>\$ 603,984</u>	<u>\$ 135,720,600</u>
General plant:				
Land and land rights	\$ 946,647	\$ 11,889	\$ -	\$ 958,536
Structures and improvements	6,835,339	208,906		7,044,245
Office furniture and equipment	3,107,781	119,820	78,429	3,149,172
Transportation equipment	11,202,776	1,264,603	363,834	12,103,545
Stores equipment	43,241			43,241
Tools, shop, and garage equipment	3,231,833	595,902	34,260	3,793,475
Laboratory equipment	133,686	3,650		137,336
Power operated equipment	720,226			720,226
Communication equipment	682,339			682,339
Miscellaneous equipment	420,275	38,135		458,410
Total general plant	<u>\$ 27,324,143</u>	<u>\$ 2,242,905</u>	<u>\$ 476,523</u>	<u>\$ 29,090,525</u>
Total utility plant in service	<u><u>\$ 200,708,519</u></u>	<u><u>\$ 9,093,344</u></u>	<u><u>\$ 1,085,655</u></u>	<u><u>\$ 208,716,208</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-					-
60,592	1,408				62,000
19,130,241	994,368				20,124,609
32,266					32,266
5,216,958	295,883	3,737	12,656		5,496,448
5,354,519	218,110	1,411	(120)		5,571,338
<u>\$ 29,794,576</u>	<u>\$ 1,509,769</u>	<u>\$ 5,148</u>	<u>\$ 12,536</u>	<u>\$ -</u>	<u>\$ 31,286,661</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,927,749	83,289				2,011,038
9,803,687	946,553	87,401	495,981		10,166,858
18,390,752	637,182	18,836	62,931		18,946,167
2,945,486	137,695	170	1,153		3,081,858
8,438,840	579,149	18,874	35,705		8,963,410
7,704,274	686,560	200,193	37,987		8,152,654
4,331,875	304,848	93,787	151,250		4,391,686
298,719	336,634	48,843	17,159		569,351
2,047,250	165,274	79,265	67,263		2,065,996
8,537,766	473,998	56,615	41,456		8,913,693
<u>\$ 64,426,398</u>	<u>\$ 4,351,182</u>	<u>\$ 603,984</u>	<u>\$ 910,885</u>	<u>\$ -</u>	<u>\$ 67,262,711</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,223,946	189,468				2,413,414
2,263,385	177,799	78,285			2,362,899
6,474,916	722,058	327,450			6,869,524
43,241					43,241
2,181,006	142,153	33,274			2,289,885
60,347	6,903				67,250
375,992	31,880				407,872
409,029	34,709				443,738
247,533	31,168				278,701
<u>\$ 14,279,395</u>	<u>\$ 1,336,138</u>	<u>\$ 439,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,176,524</u>
<u>\$ 108,500,369</u>	<u>\$ 7,197,089</u>	<u>\$ 1,048,141</u>	<u>\$ 923,421</u>	<u>\$ -</u>	<u>\$ 113,725,896</u>

GAS DEPARTMENT

**CITY OF FLORENCE, ALABAMA
GAS DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2024**

<u>Description</u>	UTILITY PLANT			
	<u>Balance Beginning of Year</u>	<u>Additions and Reclassifications</u>	<u>Retirements and Reclassifications</u>	<u>Balance End of Year</u>
Transmission plant:				
Land and land rights	\$ 120,691	\$ -	\$ -	\$ 120,691
Structures and improvements	142,993			142,993
Mains	7,432,503	78	14,582	7,417,999
Measuring and regulating equipment	2,739,448	28,164		2,767,612
Total transmission plant	<u>\$ 10,435,635</u>	<u>\$ 28,242</u>	<u>\$ 14,582</u>	<u>\$ 10,449,295</u>
Distribution plant:				
Land and land rights	\$ 42,944	\$ 39	\$ -	\$ 42,983
Structures and improvements	154,621	16,385		171,006
Mains	23,545,524	178,973	174,171	23,550,326
Corrosion	707,344			707,344
Measuring and regulating equipment	6,287,316	310,267	131,860	6,465,723
Services	14,778,925	338,630	76,763	15,040,792
Other distribution equipment	15,621			15,621
Total distribution plant	<u>\$ 45,532,295</u>	<u>\$ 844,294</u>	<u>\$ 382,794</u>	<u>\$ 45,993,795</u>
General plant:				
Land and land rights	\$ 719,217	\$ -	\$ -	\$ 719,217
Structures and improvements	3,256,066	56,344		3,312,410
Office furniture and equipment	439,098	16,975	20,967	435,106
Transportation equipment	1,887,322	219,419		2,106,741
Stores equipment	14,697		554	14,143
Tools, shop, and garage equipment	34,737	4,809		39,546
Laboratory equipment	39,665			39,665
Power operated equipment	2,890,584	185,790	272,110	2,804,264
Communication equipment	69,695	9,117		78,812
Miscellaneous equipment	636,607	39,442	9,066	666,983
Total general plant	<u>\$ 9,987,688</u>	<u>\$ 531,896</u>	<u>\$ 302,697</u>	<u>\$ 10,216,887</u>
Total utility plant in service	<u>\$ 65,955,618</u>	<u>\$ 1,404,432</u>	<u>\$ 700,073</u>	<u>\$ 66,659,977</u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Accrual	Retirements- Original Cost	Removal Costs	Balance End of Year
\$ -	\$ -	\$ -	\$ -	\$ -
142,993				142,993
3,619,886	215,084	14,582		3,820,388
2,568,305	16,053			2,584,358
<u>\$ 6,331,184</u>	<u>\$ 231,137</u>	<u>\$ 14,582</u>	<u>\$ -</u>	<u>\$ 6,547,739</u>
\$ -	\$ -	\$ -	\$ -	\$ -
154,621	16,385			171,006
8,284,167	471,023	174,171	1,741	8,579,278
707,344				707,344
2,085,077	191,296	131,860		2,144,513
7,887,965	447,296	76,763	33,005	8,225,493
15,621				15,621
<u>\$ 19,134,795</u>	<u>\$ 1,126,000</u>	<u>\$ 382,794</u>	<u>\$ 34,746</u>	<u>\$ 19,843,255</u>
\$ -	\$ -	\$ -	\$ -	\$ -
2,965,236	16,958			2,982,194
382,513	22,449	20,967		383,995
1,569,633	124,083			1,693,716
14,697		554		14,143
23,980	3,908			27,888
39,390	274			39,664
1,641,189	214,517	238,400		1,617,306
42,501	7,003			49,504
421,423	55,355	8,286		468,492
<u>\$ 7,100,562</u>	<u>\$ 444,547</u>	<u>\$ 268,207</u>	<u>\$ -</u>	<u>\$ 7,276,902</u>
<u>\$ 32,566,541</u>	<u>\$ 1,801,684</u>	<u>\$ 665,583</u>	<u>\$ 34,746</u>	<u>\$ 33,667,896</u>

WATER AND WASTEWATER DEPARTMENT

**CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF UTILITY PLANT IN SERVICE
AND ACCUMULATED DEPRECIATION
JUNE 30, 2024**

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	\$ 1,302,439	\$ -	\$ -	\$ 1,302,439
Supply source	3,327,037			3,327,037
Pumping structures	6,517,984	37,611		6,555,595
Sewer plant and system	103,393,759	259,845	1,068	103,652,536
Reservoirs and standpipes	1,806,557		5,370	1,801,187
Purification building and equipment	36,701,065	21,131	18,141	36,704,055
Transmission mains and appurtenances	6,210,473			6,210,473
Distribution mains and appurtenances	19,737,385	(11,431)		19,725,954
Customer services	9,372,596	242,875		9,615,471
Fire hydrants	570,961			570,961
Miscellaneous structures and improvements	747,003			747,003
Total transmission and distribution plant	<u>\$ 189,687,259</u>	<u>\$ 550,031</u>	<u>\$ 24,579</u>	<u>\$ 190,212,711</u>
General plant:				
Office furniture and equipment	\$ 605,015	\$ 24,807	\$ 3,555	\$ 626,267
Transportation equipment	2,481,449	411,184	54,197	2,838,436
Tools and equipment	1,731,620	171,289	22,996	1,879,913
Communication equipment	84,631			84,631
Laboratory equipment	105,229	5,431	7,857	102,803
Total general plant	<u>\$ 5,007,944</u>	<u>\$ 612,711</u>	<u>\$ 88,605</u>	<u>\$ 5,532,050</u>
Total utility plant in service	<u><u>\$ 194,695,203</u></u>	<u><u>\$ 1,162,742</u></u>	<u><u>\$ 113,184</u></u>	<u><u>\$ 195,744,761</u></u>

ACCUMULATED DEPRECIATION

Balance Beginning of Year	Additions and Reclassifications	Retirements and Reclassifications	Balance End of Year
\$ -	\$ -	\$ -	\$ -
1,398,020	66,910		1,464,930
2,776,353	192,309		2,968,662
42,141,144	2,062,727	435	44,203,436
1,432,084	41,169	1,752	1,471,501
17,346,265	1,013,002	8,480	18,350,787
3,356,127	105,270		3,461,397
8,674,289	408,854		9,083,143
4,430,048	394,568		4,824,616
400,199	8,241		408,440
453,799	22,875		476,674
<u>\$ 82,408,328</u>	<u>\$ 4,315,925</u>	<u>\$ 10,667.00</u>	<u>\$ 86,713,586</u>
\$ 568,181	\$ 16,433	\$ 3,555	\$ 581,059
1,872,311	172,282	54,198	1,990,395
1,396,104	75,954	22,996	1,449,062
82,100	622		82,722
90,375	5,718	7,857	88,236
<u>\$ 4,009,071</u>	<u>\$ 271,009</u>	<u>\$ 88,606</u>	<u>\$ 4,191,474</u>
<u>\$ 86,417,399</u>	<u>\$ 4,586,934</u>	<u>\$ 99,273</u>	<u>\$ 90,905,060</u>

CITY OF FLORENCE, ALABAMA
WATER AND WASTEWATER DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES—KILLEN SYSTEM
FOR THE YEARS ENDED JUNE 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Water sales:		
<i>Residential</i>	\$ 1,617,853	\$ 1,565,094
<i>Commercial</i>	591,052	534,502
Forfeited discounts	16,928	15,711
Other operating revenues	<u>18,289</u>	<u>17,103</u>
Total operating revenues	<u>\$ 2,244,122</u>	<u>\$ 2,132,410</u>
Operating expenses:		
Water treatment and pumping	\$ 593,897	\$ 543,538
Transmission and distribution	350,343	328,947
Accounting and collections	101,798	107,451
Administrative and general	274,686	254,131
Depreciation	157,754	135,994
Taxes and tax equivalents	<u>31,455</u>	<u>28,283</u>
Total operating expenses	<u>\$ 1,509,933</u>	<u>\$ 1,398,344</u>
Operating income	<u>\$ 734,189</u>	<u>\$ 734,066</u>
Nonoperating revenues (expenses):		
Interest revenues	\$ 53,528	\$ 35,544
Gain (loss) on disposition of assets	(2,607)	
Interest expense	(160,802)	(151,241)
Debt issuance costs		(1,430)
Amortization of debt related costs	<u>(7,612)</u>	<u>(7,612)</u>
Total nonoperating revenues (expenses)	<u>\$ (117,493)</u>	<u>\$ (124,739)</u>
Change in net position	<u><u>\$ 616,696</u></u>	<u><u>\$ 609,327</u></u>