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CITY OF FLORENCE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

WALKER & COMPANY CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
FLOWOOD, MISSISSIPPI

CITY OF FLORENCE, MISSISSIPPI

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Independent Auditor's Report

To the Honorable Mayor and Board of Aldermen
City of Florence, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Florence, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Florence, Mississippi as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, budgetary comparison information on pages 35-36, schedule of the City's proportionate share of the net pension liability on page 37, and the schedule of the City's contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, Mississippi's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Walker & Company CPAs, P.C.
Flowood, Mississippi
December 1, 2020

CITY OF FLORENCE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The discussion and analysis of the City of Florence, Mississippi's ("City") financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the City's financial statements in conjunction with the notes to the financial statements to better understand the City's financial performance. A comparative analysis of government-wide data is included in this report.

FINANCIAL HIGHLIGHTS

- The net position of the City increased \$136,981 for 2019 and increased \$556,759 in 2018. The increase in net position for 2019 is the result of this year's operations of \$136,981.
- General revenues accounted for \$2,613,252 and \$2,484,741 in revenue, or 53.6% and 49.6% of all revenues for 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,187,264 and \$2,522,936 in revenue, or 46.4% and 50.4% of all revenues for 2019 and 2018, respectively.
- Business-type activity water and sewer expenses were \$1,384,279 for 2019 while charges for services were \$1,636,079 and capital grants and contributions were \$200,548.
- Total liabilities for 2019 increased by \$537,123 or 5.3% from 2018. This increase was due to payments on long-term debt of \$597,739 issuance of long-term debt of \$675,044 an increase in current liabilities at year-end of \$20,088 an increase in pension liability of \$417,630, and an increase in compensated absences of \$22,100.
- The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27*, during fiscal year 2015. The implementation resulted in a net pension liability reported in the amount of \$3,592,201 and \$3,174,571 for 2019 and 2018, respectively and total pension expense reported in the amount of \$574,361 and \$527,601 for 2019 and 2018, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements are comprised of government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.

Government-wide financial statements. The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements consist of the statement of net position and the statement of activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *statement of net position* presents information on all of the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements outline functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) and water, sewer, and sanitation

CITY OF FLORENCE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, and interest on long-term debt.

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains one type of proprietary fund, the enterprise fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Water and Sewer operations as well as sanitation services.

Notes to Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents required supplementary information including budgetary comparison statements for the General Fund and the Park Fund and the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions.

FINANCIAL ANALYSIS OF THE CITY

The statement of net position and the statement of activities report information about the City as a whole. The City's combined net position was \$7,092,005 and \$6,955,024 as of September 30, 2019 and 2018, respectively.

Table 1 provides a summary of the City's net position at September 30, 2019 and 2018 and **Table 2** summarizes the changes in net position for the years ended September 30, 2019 and 2018.

CITY OF FLORENCE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Table 1 - Condensed Statements of Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Assets:						
Current & other assets	\$ 1,624,254	\$ 3,828,939	\$ 5,453,193	\$ 1,260,738	\$ 3,881,420	\$ 5,142,158
Capital assets, net	5,418,337	6,706,378	12,124,715	5,484,039	6,290,193	11,774,232
Total assets	\$ 7,042,591	\$ 10,535,317	\$ 17,577,908	\$ 6,744,777	\$ 10,171,613	\$ 16,916,390
Deferred Outflows of Resources	\$ 453,784	\$ 17,891	\$ 471,675	\$ 381,316	\$ 17,651	\$ 398,967
Liabilities:						
Current & other liabilities	\$ 277,641	\$ 885,879	\$ 1,163,520	\$ 218,055	\$ 862,990	\$ 1,081,045
Long-term liabilities	4,690,798	4,779,705	9,470,503	4,246,274	4,769,581	9,015,855
Total liabilities	\$ 4,968,439	\$ 5,665,584	\$ 10,634,023	\$ 4,464,329	\$ 5,632,571	\$ 10,096,900
Deferred Inflows of Resources	\$ 308,204	\$ 15,351	\$ 323,555	\$ 252,668	\$ 10,769	\$ 263,437
Net Position:						
Investment in capital assets, net of related debt	\$ 4,277,070	\$ 1,420,237	\$ 5,697,307	\$ 4,364,166	\$ 997,576	\$ 5,361,742
Restricted	553,266	2,315,199	2,868,465	487,765	2,240,919	2,728,684
Unrestricted	(2,610,604)	1,136,837	(1,473,767)	(2,442,832)	1,307,430	(1,135,402)
Total net position	\$ 2,219,732	\$ 4,872,273	\$ 7,092,005	\$ 2,409,099	\$ 4,545,925	\$ 6,955,024

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

Table 2 - Condensed Statements of Changes in Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues:						
Program revenues:						
Charges for services	\$ 551,185	\$ 1,636,079	\$ 2,187,264	\$ 490,233	\$ 1,804,111	\$ 2,294,344
Operating grants	200,548	-	200,548	7,119	-	7,119
Capital grants & contributions	29,835	-	29,835	61,216	159,717	220,933
General revenues	2,613,652	74,548	2,688,200	2,432,282	52,459	2,484,741
Total revenues	\$ 3,395,220	\$ 1,710,627	\$ 5,105,847	\$ 2,990,850	\$ 2,016,287	\$ 5,007,137

CITY OF FLORENCE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Condensed Statements of Changes in Net Position – continued

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Program expenses:						
General government	\$ 873,265	\$ -	\$ 873,265	\$ 842,430	\$ -	\$ 842,430
Public safety	1,455,092	-	1,455,092	1,141,655	-	1,141,655
Public services	386,067	-	386,067	412,559	-	412,559
Culture & recreation	486,608	-	486,608	360,055	-	360,055
Water & sewer	-	1,370,159	1,370,159	-	1,552,480	1,552,480
Interest	41,222	-	41,222	39,033	-	39,033
Pension expense	342,333	14,120	356,453	511,772	15,829	527,601
Total expenses	\$ 3,584,587	\$ 1,384,279	\$ 4,968,866	\$ 3,307,504	\$ 1,568,309	\$ 4,875,813
Change in net position	\$ (189,367)	\$ 326,348	\$ 136,981	\$ (316,654)	\$ 447,978	\$ 131,324
Net position, beginning, as previously reported	\$ 2,409,099	\$ 4,545,925	\$ 6,955,024	\$ 2,317,060	\$ 4,081,205	\$ 6,398,265
Prior period adjustment	-	-	-	408,693	16,742	425,435
Net position, beginning, as restated	2,409,099	4,545,925	6,955,024	2,725,753	4,097,947	6,823,700
Net position, ending	<u>\$ 2,219,732</u>	<u>\$ 4,872,273</u>	<u>\$ 7,092,005</u>	<u>\$ 2,409,099</u>	<u>\$ 4,545,925</u>	<u>\$ 6,955,024</u>

Governmental Activities. Revenues for the City's governmental activities for 2019 were \$3,395,220 compared to \$2,990,850 for 2018. Program revenues increased 13.52% primarily as a result of an increase in fine collections and an receipt of an operating grant from the local school district for police resources. General revenues are, for the most part, comprised of sales and use taxes, grants, and property taxes.

The cost of providing all governmental activities for 2019 was \$3,584,587 and for 2018 was \$3,307,504 an increase of \$277,083 for 2019 and a decrease of \$137,409 for 2018. Of this amount, general government expenses increased \$30,835 for 2019 and increased \$27,016 for 2018; public safety expenses increased \$313,437 in 2019 and decreased \$153,346 in 2018; public services expenses decreased \$26,492 in 2019 and decreased \$822 in 2018; culture and recreation expenses increased \$126,553 in 2019 and decreased \$31,754 in 2018; interest on long-term debt expenses increased \$2,189 in 2019 and decreased \$7,303 in 2018, and pension expense decreased \$169,439 in 2019 and increased \$27,789 in 2018.

The City's largest programs are general government, public safety, public services, and culture and recreation. Expenses exceeding revenues are offset by general revenues generated by taxes, investment income and other general revenues.

Business-type Activities. Revenues for business-type activities are primarily comprised of charges for water and sewer services. Charges for services for the City's business-type activities were \$1,636,079 for 2019 and \$1,804,111 for 2018, an decrease of \$168,032 for 2019 and an increase of \$46,873 for 2018.

The costs of these business-type activities were \$1,384,279 and \$1,568,309 for 2019 and 2018, respectively, an decrease of \$184,030 in 2019 and an increase of \$69,388 in 2018.

CITY OF FLORENCE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$1,409,881, an increase of \$303,930.

The fund balance consists of the following: \$4,793 or .34% which is restricted for specific purposes which are externally imposed, \$3417,585 or 29.62% which is committed for specific purposes internally imposed by the City, \$1,411 or .1% which is assigned by the Board for specific purposes, and \$745,497 or 69.94% which is unassigned and available for spending for any purpose.

BUDGETARY HIGHLIGHTS

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Over the course of the year, the City revised the annual operating budget. Schedules showing the original and final budget amounts compared to the City's actual financial activity for the General Fund and Park Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At September 30, 2019, the City's total capital assets were \$22,170,689 including land, construction in progress, buildings and improvements, infrastructure, machinery, equipment, furniture, and vehicles. This amount represents an increase of \$1,125,670 in 2019 from 2018 and an increase of \$641,277 in 2018 from 2017. The accumulated depreciation as of September 30, 2019 was \$10,045,975 and total depreciation expense for the year was \$775,188 resulting in total net capital assets of \$12,124,714.

Table 3 presents a summary of capital assets, net of accumulated depreciation, as of September 30, 2019 and 2018.

Table 3 – Summary of Capital Assets, Net of Accumulated Depreciation

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
Land	\$ 867,224	\$ -	\$ 867,224	\$ 867,224	\$ -	\$ 867,224
Construction in progress	6,500	-	6,500	6,500	-	6,500
Buildings & improvements	4,199,269	5,776,653	9,975,922	4,381,068	6,236,082	10,617,150
Machinery, equipment, & vehicles	345,343	929,725	1,275,068	229,247	54,110	283,357
Total	\$ 5,418,336	\$ 6,706,378	\$ 12,124,714	\$ 5,484,039	\$ 6,290,192	\$ 11,774,231

CITY OF FLORENCE, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Additional information of the City's capital assets can be found in the notes to the financial statements included in this report.

Debt Administration. At September 30, 2019 and 2018, the City had \$6,517,819 and \$6,475,479, respectively, in general obligation bonds and other long-term debt.

Table 4 presents outstanding notes and long-term obligations as of September 30, 2019 and 2018.

Table 4 – Outstanding Notes and Long-Term Obligations

	2019			2018		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
General obligation bonds	\$ 940,000	\$ 1,350,000	\$ 2,290,000	\$ 1,051,667	\$ 1,758,333	\$ 2,810,000
Revenue bonds	-	3,135,000	3,135,000	-	3,260,000	3,260,000
Capital loans	51,597	239,794	291,391	68,206	274,284	342,490
Lease Purchase Loans	149,670	561,347	711,017			
Compensated absences	81,516	8,895	90,411	60,498	2,491	62,989
Total	\$ 1,222,783	\$ 5,295,036	\$ 6,517,819	\$ 1,180,371	\$ 5,295,108	\$ 6,475,479

Additional information of the City's long-term debt can be found in the notes to the financial statements included in this report.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City of Florence, Mississippi's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Linda Wigley, City Clerk, at (601) 845-8856 or email cityhall2@windstream.net.

**CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 808,155	\$ 1,219,982	\$ 2,028,137
Receivables (net of allowance for uncollectibles, where applicable):			
Accounts receivable	-	193,673	193,673
Ad valorem	40,796	-	40,796
Franchise tax	27,676	-	27,676
Current sales tax	194,361	-	194,361
Due from other funds	-	100,085	100,085
Restricted cash and cash equivalents	553,266	2,315,199	2,868,465
Capital assets, net	<u>5,418,337</u>	<u>6,706,378</u>	<u>12,124,715</u>
Total assets	<u>7,042,591</u>	<u>10,535,317</u>	<u>17,577,908</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	-	2,938	2,938
Deferred outflows related to pension	<u>453,784</u>	<u>14,953</u>	<u>468,737</u>
Total deferred outflows of resources	<u>453,784</u>	<u>17,891</u>	<u>471,675</u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2019

	Governmental Activities	Business-Type Activities	Total
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 116,188	\$ 143,179	\$ 259,367
Accrued interest payable	5,728	17,159	22,887
Due to other funds	92,457	-	92,457
Deposits payable	-	154,614	154,614
Noncurrent liabilities:			
Due within one year:			
Current portion of capital improvement loan	8,268	37,594	45,862
Current portion of bonds payable	55,000	533,333	588,333
Due in more than one year:			
Compensated absences	81,516	3,573	85,089
Capital improvement loan	192,999	763,547	956,546
Bonds payable	885,000	3,951,667	4,836,667
Net pension liability	3,531,283	60,918	3,592,201
Total liabilities	<u>4,968,439</u>	<u>5,665,584</u>	<u>10,634,023</u>
DEFERRED INFLOWS OF RESOURCES			
Developer construction advances	-	-	-
Deferred inflows related to pensions	<u>308,204</u>	<u>15,351</u>	<u>323,555</u>
Total deferred inflows of resources	<u>308,204</u>	<u>15,351</u>	<u>323,555</u>
NET POSITION			
Net investment in capital assets	4,277,070	1,420,237	5,697,307
Restricted	553,266	2,315,199	2,868,465
Unrestricted	<u>(2,610,604)</u>	<u>1,136,837</u>	<u>(1,473,767)</u>
Total net position	<u><u>\$ 2,219,732</u></u>	<u><u>\$ 4,872,273</u></u>	<u><u>\$ 7,092,005</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions / Programs:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 873,265	\$ 33,871	\$ -	\$ -	\$ (839,394)	\$ -	\$ (839,394)
Public safety	1,455,092	443,436	200,548	29,835	(781,273)	-	(781,273)
Public services	386,067	-	-	-	(386,067)	-	(386,067)
Culture and recreation	486,608	73,878	-	-	(412,730)	-	(412,730)
Interest on long-term debt	41,222	-	-	-	(41,222)	-	(41,222)
Pension expense	342,333	-	-	-	(342,333)	-	(342,333)
Total governmental activities	<u>3,584,587</u>	<u>551,185</u>	<u>200,548</u>	<u>29,835</u>	<u>(2,803,019)</u>	<u>-</u>	<u>(2,803,019)</u>
Business-type activities:							
Water and sewer	1,384,279	1,636,079	-	-	-	251,800	251,800
Total business-type activities	<u>1,384,279</u>	<u>1,636,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,800</u>	<u>251,800</u>
Total primary governmental	<u>\$ 4,968,866</u>	<u>\$ 2,187,264</u>	<u>\$ 200,548</u>	<u>\$ 29,835</u>	<u>(2,803,019)</u>	<u>251,800</u>	<u>(2,551,219)</u>

General revenues:

Taxes:			
Sales taxes	1,182,925	-	1,182,925
Ad valorem taxes	1,184,443	-	1,184,443
Other taxes	189,095	-	189,095
Investment income	7,026	54,606	61,632
Gain (loss) on disposal of assets	22,424	0	22,424
Other	27,739	19,942	47,681
Total general revenues and transfers	<u>2,613,652</u>	<u>74,548</u>	<u>2,688,200</u>
Change in net position	(189,367)	326,348	136,981
Net position - beginning, as previously reported	2,409,099	4,545,925	6,955,024
Prior period adjustment			-
Net position - beginning of year, as restated	<u>2,409,099</u>	<u>4,545,925</u>	<u>6,955,024</u>
Net position - end of year	<u>\$ 2,219,732</u>	<u>\$ 4,872,273</u>	<u>\$ 7,092,005</u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Park Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 514,372	293,783	\$ 808,155
Receivables (net of allowance for uncollectibles, where applicable):			
Ad valorem	40,796	-	40,796
Current sales tax	131,049	63,312	194,361
Franchise tax	27,676	-	27,676
Due from other funds	-	37,334	37,334
Restricted assets:			
Cash and cash equivalents	553,266	-	553,266
Total Assets	<u>\$ 1,267,159</u>	<u>\$ 394,429</u>	<u>\$ 1,661,588</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 49,051	\$ 67,137	\$ 116,188
Accrued interest payable	5,728	-	5,728
Due to other funds	129,791	-	129,791
Total Liabilities	<u>184,570</u>	<u>67,137</u>	<u>251,707</u>
Fund Balances:			
Restricted	4,793	-	4,793
Committed	417,585	-	417,585
Assigned	1,411	-	1,411
Unassigned	658,800	327,292	986,092
Total Fund Balances	<u>1,082,589</u>	<u>327,292</u>	<u>1,409,881</u>
Total Liabilities and Fund Balances	<u>\$ 1,267,159</u>	<u>\$ 394,429</u>	<u>\$ 1,661,588</u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2019

Total fund balances - governmental funds		\$ 1,409,879
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the governmental funds:		
Governmental capital assets	\$ 8,503,289	
Less accumulated depreciation	<u>(3,084,952)</u>	5,418,337
Deferred outflows and inflows of resources related to pensions are applicable to future periods and; therefore, are not reported in the funds:		145,580
Long-term liabilities of governmental funds, including bonds payable, are not due and payable in the current period and; therefore, are not reported in the funds. These long-term liabilities consist of:		
Compensated absences	\$ (81,516)	
Capital improvement loans payable	(201,267)	
General obligation bonds payable	(940,000)	
Net pension liability	<u>(3,531,283)</u>	<u>(4,754,066)</u>
Net position of governmental activities		<u>\$ 2,219,730</u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Park Fund	Total Governmental Funds
Revenues:			
Taxes	\$ 1,184,441	\$ -	\$ 1,184,441
Licenses and permits	191,766	-	191,766
Federal and State shared revenues	1,083,229	361,279	1,444,508
County shared revenues			-
Fines and forfeitures	443,436	-	443,436
Charges for services	-	73,878	73,878
Interest	7,026	-	7,026
Other	33,075	12,935	46,010
Total Revenues	2,942,973	448,092	3,391,065
Expenditures:			
Current (operating):			
General government	797,832	-	797,832
Public safety	1,541,245	-	1,541,245
Public services	249,797	-	249,797
Culture and recreation	5,300	439,834	445,134
Capital outlay	48,485	52,836	101,321
Debt service:			
Principal	64,404	-	64,404
Interest and fiscal charges	41,222	-	41,222
Total Expenditures	2,748,285	492,670	3,240,955
Subtotal	194,688	(44,578)	150,110
Other Financing Sources and Uses			
Proceeds from sale of bonds	-	-	-
Proceeds from sale of assets	4,150	-	4,150
Transfers in	-	-	-
Proceeds from issuance of long-term debt	149,670	-	149,670
Transfers	-	-	-
Total Other Financing Sources and Uses	153,820	-	153,820
Net change in fund balances	348,508	(44,578)	303,930
Fund balances, beginning of year	734,081	371,870	1,105,951
Fund balances, end of year	\$ 1,082,589	\$ 327,292	\$ 1,409,881

The accompanying notes are an integral part of this statement.

**CITY OF FLORENCE, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - governmental funds	\$ 303,930
Amounts reported for governmental activities in the statement of activities are different because:	
Proceeds from long term debt	(149,670)
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. The change in net position differs from the change in fund balance by the amount that capital outlays exceed depreciation:	
Expenditures for capital assets	\$ 236,423
Less current year depreciation	<u>(302,126)</u> (65,703)
In the statement of activities, only the gain or loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.	(22,424)
Certain expenses reported in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absences	(28,233)
Pension expense for the current period	(355,547)
Repayment of long-term debt is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position:	<u>128,280</u>
Change in net position of governmental activities	<u><u>\$ (189,367)</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUND
AS OF SEPTEMBER 30, 2019

	<u>Water & Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,219,982
Receivables:	
Accounts receivable	218,673
Allowance for bad debts	(25,000)
Due from other funds	100,085
Total current assets	<u>1,513,740</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	6,706,378
Restricted cash	2,315,199
Total noncurrent assets	<u>9,021,577</u>
Total Assets	<u>10,535,317</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	2,938
Deferred outflows related to pensions	14,953
Total Deferred Outflows of Resources	<u>17,891</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	143,179
Accrued interest payable	17,159
Current portion of capital improvement loan	37,594
Current portion of bonds payable	533,333
Total current liabilities	<u>731,265</u>
Noncurrent liabilities:	
Compensated absences	3,573
Deposits payable	154,614
Capital improvement loan	763,547
Bonds payable	3,951,667
Net pension liability	60,918
Total noncurrent liabilities	<u>4,934,319</u>
Total Liabilities	<u>5,665,584</u>
 DEFERRED INFLOWS OF RESOURCES	
Developer construction advances	-
Deferred inflows related to pensions	15,351
Total Deferred Inflows of Resources	<u>15,351</u>
 NET POSITION	
Net investment in capital assets	1,420,237
Restricted	2,315,199
Unrestricted	1,136,837
Total Net Position	<u>\$ 4,872,273</u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Water & Sewer Fund</u>
Operating Revenues	
Charges for services	<u>\$ 1,636,080</u>
Total operating revenues	<u>1,636,080</u>
Operating Expenses	
Personnel services	94,704
Supplies, services and other charges	668,825
Depreciation and amortization	<u>473,062</u>
Total operating expenses	<u>1,236,591</u>
Operating income	<u>399,489</u>
Nonoperating revenues (expenses)	
Capital grant	-
Interest income	54,606
Gain on sale of asset	-
Rental income	19,942
Interest expense and bond fees	<u>(147,689)</u>
Net nonoperating revenues (expenses)	<u>(73,141)</u>
Change in net position	326,348
Net position - beginning, as previously reported	<u>4,545,925</u>
Net position - end of year	<u><u>\$ 4,872,273</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water & Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,622,292
Cash payments for goods and services	(729,309)
Cash payments for personnel services	(79,500)
Net cash provided by operating activities	<u>813,483</u>
Cash flows from non-capital financing activities:	
Receipts from rental income	<u>19,942</u>
Net cash provided by non-capital financing activities	<u>19,942</u>
Cash flows from capital and related financing activities:	
Principal paid on notes payables	(533,333)
Interest paid on notes payable	(60,344)
Proceeds from issuance of capital leases	525,354
Acquisition and construction of capital assets	(889,249)
Net cash used by capital and related financing activities	<u>(957,572)</u>
Cash flows from investing activities:	
Interest on investments	<u>54,606</u>
Net cash provided by investing activities	<u>54,606</u>
Net decrease in cash and cash equivalents	(69,541)
Cash and cash equivalents, October 01, 2018	<u>3,604,722</u>
Cash and cash equivalents, September 30, 2019	<u><u>\$ 3,535,181</u></u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Water & Sewer Fund</u>
Reconciliation of change in net position to net cash provided by operating activities:	
Operating income (loss)	\$ 399,489
Adjustments to reconcile operating income to net cash provided by operating activities:	
Prior period adjustment	
Gain on disposal of asset	0
Depreciation	473,062
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables, net	(13,788)
(Increase) decrease in other receivables	(3,272)
(Increase) decrease in deferred outflows of resources	(5,978)
Increase (decrease) in accounts payable	(62,868)
Increase (decrease) in compensated absences	1,082
Increase (decrease) in customer meter deposits	5,656
Increase (decrease) in net pension liability	15,518
Increase (decrease) in deferred inflows of resources	4,582
Net cash provided by operating activities	<u>\$ 813,483</u>

The accompanying notes are an integral part of this statement.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Florence, Mississippi ("City") was incorporated in 1905 in Rankin County, Mississippi. The City operates under a mayor-board of aldermen form of government that provides all of the rights and privileges provided by statute for municipalities. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based on the application of the criteria above, no component units of the City were identified.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for services.

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its component units. Governments will report all capital assets, including infrastructure, in the government-wide statement of net position and will report depreciation expense in the statement of activities.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. Direct expenses are those that are clearly identifiable with a specific activity or program. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given activity or program, and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular activity or program. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include a reconciliation to the government-wide statement.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial treatment applied to a fund is determined by its measurement focus. The government-wide financial statements, proprietary fund financial statements, and the fiduciary fund financial statements are all reported using the *economic resources measurement focus* and the accrual basis of accounting. Under this focus and basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the cash is received or expended.

Property tax, sales tax, franchise tax, intergovernmental revenue, and investment earnings are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available when cash is received.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year; taxpayer assessed income and sales taxes are considered "measurable" when received by intermediary collecting governments and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for principal and interest payments on general long-term debt, which are recognized when due.

Major Governmental Funds

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Park Fund is used to account for proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Major Proprietary Fund

The Water and Sewer Fund is used to account for the operations of the City's water and wastewater systems and waste disposal, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and the Sanitation Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Balance

Governmental fund balance is reported in five separate categories: Nonspendable, restricted, committed, assigned, and unassigned. When both restricted and unrestricted fund balance is available for use, it is the City's policy to use restricted fund balance first. When expenditures qualify for more than one unrestricted fund balance classification, it is the City's policy to use resources in the following order: Committed, assigned, and then unassigned.

Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the Board of Alderman. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the Board of Alderman or by an official to which the Board delegates.

Unassigned fund balance - amounts that are available for any purpose.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the City.

Receivables

Receivables, net of estimated uncollectible amounts, are reported in the governmental and proprietary financial statements for services and taxes. The estimated uncollectible amount is based on professional judgment and historical information.

Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. The City defines capital assets as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight line method over the following useful lives:

Computer Equipment and Peripherals	3 years
Vehicles and Equipment	5 years
Heavy Equipment	10 years
Furniture and Fixtures	7 years
Improvements other than Buildings	20 years
Infrastructure	20-50 years

Compensated Absences

The City records the vested portion of accumulated unused compensated absences at year-end based on each employee's accumulated unused hours and rate of pay. All compensated absences are accrued when incurred in the governmental-wide and proprietary fund financial statements. Compensated absences expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will make the payments.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Long-term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 Public Employees' Retirement System ("PERS") and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 2 - Budget and Budgetary Accounting

The governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Management follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. During September, the budget must be published in a newspaper published in the city (or the county if none is published by the city).
3. Prior to the adoption of the budget, at least one public hearing is held by the Board of Aldermen to provide the general public with an opportunity to comment on the taxing and spending plan incorporated in the proposed budget. The public hearing must be held at least one week prior to the adoption of the budget with advance notice and held outside normal working hours.
4. Prior to September 15, the budget is legally enacted through passage of an ordinance.
5. Routine budget revisions may be made by the Board as often as necessary. However, when a department's total budget has been revised up or down by ten percent (10%) or more, public notice must be given of the change. Also, during the first three months of office, while operating under the prior Board's budget, the new Board is limited to one revision if a deficit is evident.
6. The Board approves all budget transfers between departments and/or funds.
7. Formal budgetary integration is employed as a management control device during the year for the various funds. Budgeting data presented is as originally adopted or amended by the Board of Aldermen.
8. Budgets for the various funds are not adopted on a basis consistent with generally accepted accounting principles but rather on a modified cash basis as required by State statutes.

Note 3 - Due To and Due From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds."

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Short-term interfund loans are reported as "interfund receivables and payables." Short-term amounts owed between funds are classified as "due to/from other funds" and are considered "available spendable resources". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds."

Interfund receivables and payables between funds are eliminated in the government-wide financial statements on the statement of net position.

Note 4 - Fund Balance

Beginning with fiscal year ending September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the City's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the Board of Alderman. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the Board of Alderman or by an official to which the Board delegates the City.

Unassigned fund balance - amounts that are available for any purpose. Only positive amounts are reported in governmental funds.

The City establishes (and modifies or rescinds) fund balance commitments by a Board order. Assigned fund balance is established by management's intention to use funds for specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, then unassigned funds, as needed.

Note 5 - Cash Deposits

Custodial Credit Risk. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. 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 institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

At September 30, 2019, the carrying amount of the City's deposits was \$4,896,602 and the bank balance was \$4,884,333. The difference of \$12,269 was principally due to outstanding deposits. All investments by the City of Florence during the year were in bank certificates of deposit.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 6 - Restricted, Committed, and Unassigned Fund Balance

In the water and sewer fund, cash accounts were required to be established for several purposes for compliance with the 2016 Series Revenue Bond agreement. Those accounts are restricted for the specific purposes for which they were created and total \$2,253,465. An amount related to a project of the water and sewer fund is also restricted in the amount of \$61,734. The total cash restricted for water and sewer purposes totals \$2,315,199.

The City also has cash in the general fund that is restricted by law or outside parties as follows:

	<u>Governmental Activities</u>
Restricted:	
Drug Seizure	\$ 4,793
General Fund Reserve	129,476
Total	<u>\$ 134,269</u>
Committed:	
Fire Truck	\$ 169,637
Stonebrook Reserve	0
Municipal Fire	8,106
Court Special Assessments	176,576
City Hall Savings	63,266
Total	<u>\$ 417,585</u>
Assigned:	
Park Savings	<u>\$ 1,411</u>

Note 7 - Other Required Individual Fund Disclosures

1. Individual fund interfund receivable and payable balances at September 30, 2019 were:

	<u>Due From</u>	<u>(Due To)</u>	<u>Net Balance</u>
General Fund	-	\$ (92,457)	\$ (92,457)
Water & Sewer Fund	100,085	-	100,085
	<u>\$ 100,085</u>	<u>\$ (92,457)</u>	<u>\$ 7,628</u>

The Water and Sewer Fund receivable includes an amount of \$108,280 related to a prior year bond issue and is not expected to be repaid within one year.

2. Reconciliation of Fund Balances on the budgetary basis to the GAAP basis:

Mississippi law requires that municipalities prepare budgets using the modified cash basis, which differs from GAAP basis. The budget and all transactions are presented in accordance with the City's method (modified cash basis) in the Budgetary Comparison Schedule -General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are that only expenditures relating to the 2019 fiscal year which are paid within the first 30 days after year end are included in the budget and all revenues are recognized for budgetary purposes when received. Budgetary and GAAP differences are shown as reconciling items on the budget comparison schedule.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 8 - Capital Assets

A summary of changes in capital assets for governmental activities and business-type activities at September 30, 2019 is as follows:

	Balance 10/01/18	Increases	Decreases	Completed CIP	Balance 09/30/19
Governmental Activities					
Non-depreciable					
Land	\$ 867,224	\$ -	\$ -	\$ -	\$ 867,224
Construction in progress	6,500	-	-	-	6,500
Total	873,724	-	-	-	873,724
Depreciable					
Buildings & improvements	5,909,744	23,250	-	-	5,932,994
Machinery, equipment & vehicles	1,483,397	213,173	-	-	1,696,570
Total	7,393,141	236,423	-	-	7,629,564
Less: accumulated depreciation:					
Buildings & improvements	1,528,676	205,049	-	-	1,733,725
Machinery, equipment & vehicles	1,254,150	97,077	-	-	1,351,227
Total	2,782,826	302,126	-	-	3,084,952
Net book value	4,610,315	(65,703)	-	-	4,544,612
Governmental Activities, net	\$ 5,484,039	\$ (65,703)	\$ -	\$ -	\$ 5,418,336
Business-type Activities					
Non-depreciable					
Construction in progress	\$ -	-	\$ -	-	\$ -
Total	-	-	-	-	-
Depreciable					
Buildings & improvements	12,147,767	-	-	-	12,147,767
Machinery, equipment & vehicles	630,387	889,247	-	-	1,519,634
Total	12,778,154	889,247	-	-	13,667,401
Less: accumulated depreciation:					
Buildings & improvements	5,911,685	459,429	-	-	6,371,114
Machinery, equipment & vehicles	576,277	13,632	-	-	589,909
Total	6,487,962	473,061	-	-	6,961,023
Net book value	6,290,192	416,186	-	-	6,706,378
Business-type Activities, net	\$ 6,290,192	\$ 416,186	\$ -	\$ -	\$ 6,706,378

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 9 - Long-Term Debt

Bonds and capital improvement loans payable at September 30, 2019 are comprised of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Bonds</u>		
\$3,500,000 2016 Revenue Bond payable annually for 20 years to First National Bank of Clarksdale with installments ranging from \$120,000 to \$250,000, bearing interest ranging from 2.375% to 3.000%.	\$ -	\$ 3,135,000
\$2,580,000 2014 Revenue Bond payable semi-annually for 7 years to Peoples Bank with installments ranging from \$345,000 to \$395,000, bearing interest of 3.88% ranging from .75% to 2.25%.	-	1,160,000
\$1,000,000 General Obligation Bonds Series 2002-1 payable for 20 years to Trustmark Bank with installments ranging from \$20,000 to \$75,000, bearing interest of 4.561%.	95,000	190,000
\$1,000,000 General Obligation Bonds, Series 2014 payable semi-annually for 20 years to Priority One Bank with installments ranging from \$20,000 to \$75,000, bearing interest ranging from .75% to 4.75%.	<u>845,000</u>	<u>-</u>
Total Bonds	<u>\$ 940,000</u>	<u>\$ 4,485,000</u>
<u>Capital Improvement Loans</u>		
\$500,000 2002 Capital Improvement Loan for infrastructure improvements, of which the City drew \$470,982. The City makes monthly payments of \$2,259 to the Mississippi Development Authority, which includes of 2%, with the final payment due March 31, 2025.	\$ 51,597	\$ 103,195
\$500,000 2003 Capital Improvement Loan for infrastructure improvements, of which the City drew \$388,926. The City makes monthly payments of \$2,529 to the Mississippi Development Authority, which includes of 2%, with the final payment due October 31, 2025.	<u>-</u>	<u>136,599</u>
Total Capital Improvement Loans Payable	<u>\$ 51,597</u>	<u>\$ 239,794</u>
Total Bonds and Capital Improvement Loans Payable	<u>\$ 991,597</u>	<u>\$ 4,724,794</u>

Transactions for the fiscal year ended September 30, 2019, including compensated absences, are summarized as follows:

	<u>Balance 10/1/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/19</u>
Governmental Activities				
Capital Improvement loans	\$ 68,206	\$ -	\$ 16,609	\$ 51,597
Lease Purchase loans	\$ -	149,670		149,670
General obligation bonds	1,051,667	-	111,667	940,000
Compensated absences	<u>60,498</u>	<u>21,018</u>	<u>-</u>	<u>81,516</u>
Total governmental activities	<u>1,180,371</u>	<u>170,688</u>	<u>128,276</u>	<u>1,222,783</u>

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

	Balance 10/1/18	Additions	Reductions	Balance 9/30/19
Business-type Activities				
General obligation bonds	1,758,333	-	408,333	1,350,000
Capital Improvement loans	274,284	-	34,490	239,794
Lease Purchase loans	-	561,347		561,347
Revenue Bonds-2016	3,260,000		125,000	3,135,000
Compensated absences	2,491	6,404	-	8,895
Total business-type activities	5,295,108	567,751	567,823	5,295,036

Annual requirements to amortize loans and bonds outstanding as of September 30, 2019, including interest payments are as follows:

Year Ended 9/30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	65,101	37,053	570,927	139,086	812,167
2021	70,271	35,253	591,685	125,241	822,450
2022	72,112	33,110	605,791	110,831	821,844
2023	78,956	30,760	629,913	95,945	835,574
2024	79,136	28,105	240,717	79,430	320,147
2022-2026	221,029	94,054	736,253	261,077	1,312,413
2027-2031	320,000	73,755	980,000	221,781	1,595,536
2032-2036	150,000	10,500	940,000	72,000	1,172,500
Total	\$ 1,056,605	\$ 342,590	\$ 5,295,286	\$ 1,105,391	\$ 7,799,872

Note 10 - Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied October 1 and are payable on or before February 1 (or in installments, plus interest, payable as follows: 50% due February 1; 25% due by May 1; and 25% due by August 1). All property taxes are collected and remitted to the City by the county tax collector.

Note 11 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in State insurance funds for risks of loss for all liability and workers' compensation insurance. Settled claims resulting from these risks have not exceeded State insurance coverage in any of the past three fiscal years.

The City has joined with other municipalities to pool its risk as a member of the Mississippi Municipal Liability Plan and the Mississippi Municipal Workers' Compensation Pool, both of which are public entity risk pools. The City pays annual premiums to the liability plan and quarterly premiums to the pool for its workers' compensation coverage. The agreements establishing the pools provide that the pools will be self-sustaining through member premiums.

Note 12 - Defined Benefit Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or by visiting online at www.pers.ms.gov.

Benefits Provided. For the cost-sharing plan participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. A Cost-of-Living Adjustment ("COLA") payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate for the year ended September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ended September 30, 2019, 2018, and 2017 was \$216,822, \$191,347, and \$205,092, which was equal to the required contribution for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the City reported a liability of \$3,549,353 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion was 0.0202 percent, which was an decrease of 0.0632 percent from its proportion measured as of June 30, 2018.

Changes in net pension liability are recognized in pension expense with the following exceptions:

Differences Between Expected and Actual Experience

Differences between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over the average of the

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

expected remaining service lives of active and inactive members. For 2018, this was 3.90 years, which was an increase of .53 years from the prior year average of 3.37.

For the year ended September 30, 2019, the City recognized pension expense of \$527,601. Of this amount, \$511,772, was allocated to governmental activities and \$15,829, was allocated to business-type activities.

At September 30, 2019, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,233	\$ 51,180
Net difference between projected and actual earnings on pension plan investments	174,165	220,685
Change of assumptions	13,875	-
Changes in proportion and differences between City contributions and proportionate share of contributions	210,086	49,399
City contributions subsequent to the measurement date	-	-
Total	<u>\$ 437,359</u>	<u>\$321,264</u>

The \$45,141 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30:

2019	\$ 160,483
2020	9,240
2021	(73,732)
2022	(14,276)
Total	<u>\$ 81,715</u>

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.00 - 18.25% , including inflation
Investment rate of return	7.75% net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2018. The experience report is dated April 18, 2017 the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of 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.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	27%	4.90%
International equity	22%	4.75%
Global Equity	12%	5.00%
Fixed income	20%	1.35%
Real Estate	10%	4.00%
Private equity	8%	4.00%
Cash	1%	0.25%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9%) and that employer contributions will be made at the current employer contribution rate (15.75%). 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net pension liability of PERS based on the June 30, 2017 actuarial calculations calculated using a discount rate of 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than current rate:

	Discount Rate		
	1% Decrease 6.75%	Current 7.75%	1% Increase 8.75%
City's proportional share of the net pension liability	\$ 4,620,140	\$ 3,603,223	\$ 2,759,512

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Public Employees' Retirement System of Mississippi financial report.

Note 13 - Limitation of Indebtedness:

Section 21-33-303, Miss. Code 1972 (Ann.), prohibits any municipality from issuing bonds secured by a pledge of its full faith and credit for the purposes authorized by law in an amount which, when added to the then outstanding bonded indebtedness of such municipality shall exceed either (a) fifteen percent (15%) of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, or (b) ten percent (10%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. In computing such indebtedness, there may be deducted all bonds or other evidence of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding general obligation indebtedness, both bonded and floating, shall exceed either (a) twenty percent (20%) of the assessed value of all taxed property within such municipality according to the last completed assessment for taxation or (b) fifteen percent (15%) of the assessment upon which taxes were levied for its fiscal year ending September 30, 1984, whichever is greater. Nothing herein contained shall be construed to apply to contract obligations in any form heretofore or hereafter incurred by any municipality for school purposes or to contract obligations in any form heretofore or hereafter incurred by any municipality which are payable exclusively from the revenues of any municipally-owned utility, or to bonds issued by any municipality under the provisions of Sections 57-1-1 through 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Section 21-41-1 through 21-41-53.

All bonds issued prior to July 1, 1990, pursuant to this chapter by any municipality for the purpose of the constructing, replacing, renovating or improving wastewater collection and treatment facilities in order to comply with an administrative order of the Mississippi Department of Natural Resources issued pursuant to the Federal Water Pollution Control Act and amendments thereto, are hereby exempt from the limitation imposed by this section, if the governing body of the municipality adopts an order, resolution or ordinance to the effect that the rates paid by the users of such facilities shall be increased to the extent necessary to provide sufficient funds for the payment of the principal of and interest on such bonds as each respectively becomes due and payable as well as the necessary expenses in connection with the operation and maintenance of such facilities.

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2019:

Authorized Debt Limit:	<u>15 Percent</u>	<u>20 Percent</u>
Assessed Valuation for the fiscal year ended		
September 30, 2019: \$ 37,833,452	\$ 5,675,018	\$ 7,566,690
Present debt subject to debt limitation	<u>(1,571,061)</u>	<u>(1,571,061)</u>
Margin for further general indebtedness	<u>\$ 4,103,957</u>	<u>\$ 5,995,629</u>

Note 14 - Date of Management Review and Subsequent Event

Management has evaluated subsequent events through December 1, 2020, the date the financial statements were available to be issued and found that there were no material subsequent events to be disclosed.

**CITY OF FLORENCE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variances Final Budgeted to Actual Over (Under)</u>
Revenues:				
Taxes	\$ 1,087,092	\$ 1,194,027	\$ 1,184,441	\$ (9,586)
Licenses and permits	188,500	186,108	191,766	5,658
State shared revenues	931,500	918,500	1,083,229	164,729
Fines and forfeits	416,000	443,436	443,436	-
Other	170,000	355,991	40,101	(315,890)
Total revenues	<u>2,793,092</u>	<u>3,098,062</u>	<u>2,942,973</u>	<u>(155,089)</u>
Expenditures:				
General government	817,667	862,530	797,832	(64,698)
Public safety	1,674,269	1,790,738	1,541,245	(249,493)
Public service	365,837	364,452	249,797	(114,655)
Culture and recreation	5,300	5,300	5,300	-
Capital outlays	44,000	44,000	48,485	4,485
Debt service	102,320	102,320	105,626	3,306
Total expenditures	<u>3,009,393</u>	<u>3,169,340</u>	<u>2,748,285</u>	<u>(421,055)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (216,301)</u>	<u>\$ (71,278)</u>	<u>194,688</u>	<u>\$ 265,966</u>
Fund Balance, October 01, 2018			<u>734,081</u>	
Fund Balance, September 30, 2019			<u>\$ 928,769</u>	

See accompanying notes to required supplemental information schedules.

CITY OF FLORENCE, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
PARK FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Budget as Amended	Actual	Variances Final Budgeted to Actual Over (Under)
Revenues:				
Federal and state shared	\$ 350,000	\$ 352,699	\$ 361,279	\$ 8,580
Charges for services	78,825	73,879	73,878	(1)
Other	12,500	12,937	12,935	(2)
Total revenues	<u>441,325</u>	<u>439,515</u>	<u>448,092</u>	<u>8,577</u>
Expenditures:				
Culture and recreation	474,471	478,104	439,834	(38,270)
Debt service	-	-	-	-
Capital outlays	<u>72,048</u>	<u>68,648</u>	<u>52,836</u>	<u>(15,812)</u>
Total expenditures	<u>546,519</u>	<u>546,752</u>	<u>492,670</u>	<u>(54,082)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (105,194)</u>	<u>\$ (107,237)</u>	(44,578)	<u>\$ 62,659</u>
Fund Balance, October 01, 2018			<u>371,870</u>	
Fund Balance, September 30, 2019			<u>\$ 327,292</u>	

See accompanying notes to required supplemental information schedules.

**CITY OF FLORENCE, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MISSISSIPPI PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	\$ 3,592,201	\$ 3,174,571	\$ 3,394,166	\$ 3,346,717	\$ 2,814,907
City's proportionate share of the net pension liability	0.020170%	0.019086%	0.020418%	0.018736%	0.018210%
City's covered employee payroll	\$ 1,343,622	\$ 1,218,800	\$ 1,309,816	\$ 1,198,603	\$ 1,137,670
City's proportionate share of the net pension liability as a percentage of its covered payroll	267.35%	260.47%	259.13%	279.22%	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.47%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF FLORENCE, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
MISSISSIPPI PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 216,822	\$ 191,347	\$ 199,326	\$ 191,653	\$ 180,762
Contributions in relation to the contractually required contribution	<u>216,822</u>	<u>191,347</u>	<u>199,326</u>	<u>191,653</u>	<u>180,762</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,343,622	\$1,214,901.59	\$1,265,561.90	\$1,216,844.44	\$1,147,695.24
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%
	17.4% after June				

The notes to the required supplementary information are an integral part of this schedule.

CITY OF FLORENCE, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Budgetary Comparison Schedules

NOTE A - BASIS OF PRESENTATION

The City's governmental fund types are budgeted in accordance with the laws of the State of Mississippi which require that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for under the cash basis. Capital project funds, however, are budgeted per project and do not lapse at year end. The required budgetary basis is therefore not considered to be in accordance with generally accepted accounting principles. Governmental accounting requires that the "Budget to Actual" statement be prepared according to budgetary laws and the "Combined Statement of Revenues, Expenditures, and Fund Balance" be prepared according to the modified accrual basis (GAAP).

Pension Schedules

NOTE A- VALUATION DATE

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

NOTE B - CHANGES OF BENEFIT TERMS

None.

NOTE C - CHANGES OF ASSUMPTIONS

The expectation of the retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

NOTE D - DATA AVAILABLE AND PRESENTED

The required supplementary pension schedules are presented to illustrate the requirement to show information for ten years, as required by GASB 68. GASB 68 was implemented during the fiscal year ended September 30, 2015, and only reflects data for years for which trend information is available.

CITY OF FLORENCE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2019

Name	Position	Company	Bond
Robert Morris	Mayor	Municipal Program	\$ 50,000
all Board members	Aldermen (5)	Municipal Program	\$ 50,000 each
Carley W. Moore	City Clerk	Western Surety	\$ 75,000
Richard Thomas	Police Chief	Western Surety	\$ 75,000
John Mickle	Park Director	Western Surety	\$ 50,000
Paula Eure	Park Secretary and Deputy Water Clerk	Western Surety	\$ 50,000
Debra Ross	Park Clerk	Western Surety	\$ 50,000
Dana Vaughn	Deputy Clerk	Western Surety	\$ 50,000
Julia Whittington	Deputy Clerk	Western Surety	\$ 50,000
Melissa J. Mccue	Court Clerk	Western Surety	\$ 75,000
Tiffany Matlock	Court Clerk	Western Surety	\$ 50,000
Tammie Roberson	Planning and Zoning Administrator	Western Surety	\$ 50,000
police officers	Police Department	Western Surety	\$ 25,000

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Independent Auditor's Special Report on Compliance with State Laws and Regulations

To the Honorable Mayor and Members of the Board of Aldermen
City of Florence, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Florence, Mississippi ("City") as of and for the year ended September 30, 2019, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the Mississippi Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management, Board of Aldermen, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Walker & Company CPAs, P.C.
Flowood, Mississippi
December 1, 2020



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