

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF FLORENCE, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

BARLOW & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
BRANDON, MISSISSIPPI

**CITY OF FLORENCE
TABLE OF CONTENTS**

For the Year Ended September 30, 2022

| | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis | 4-9 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 10-11 |
| Statement of Activities | 12 |
| Funds Financial Statements: | |
| Balance Sheet - Governmental Funds | 13 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 15 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Statement of Net Position - Proprietary Fund | 17 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund | 18 |
| Statement of Cash Flows - Proprietary Fund | 19-20 |
| Notes to the Financial Statements | 21-36 |
| Required Supplemental Information: | |
| Budgetary Comparison Schedule - General Fund | 37 |
| Schedule of the City's Proportionate Share of the Net Pension Liability | 38 |
| Schedule of the City Contributions | 39 |
| Notes to the Required Supplementary Information | 40 |
| Other Supplemental Information: | |
| Budgetary Comparison Schedule - Park Fund | 41 |
| Schedule of Surety Bonds for Municipal Officials | 42 |
| Reports on Internal Control and Compliance: | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 43-44 |
| Independent Auditor's Report on Compliance with Office of State Auditor Requirements | 45 |

Barlow & Company, PLLC

Certified Public Accountants

Charles S. Barlow, CPA
Kristi G. Thompson, CPA
Rose L. Williamson, CPA
Hogan E. Allen, CPA
R. Greg Vaughn, CPA

Lauren M. LaPrade, CPA
Kelly L. Smith, CPA

Members of:
American Institute of CPA's
Mississippi Society of CPA's

282 Maxey Drive
Brandon, Mississippi 39042 or
P.O. Box 150
Brandon, Mississippi 39043
(601) 825-1310
(601) 825-1326 Fax
Web Address: www.brandoncpas.com
Emails: sandy@brandoncpas.com
kthompson@brandoncpas.com
rwilliamson@brandoncpas.com
hallen@brandoncpas.com
gvaughn@brandoncpas.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Florence, Mississippi's basic 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 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, 2022, 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.

Basis for Opinions

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. 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 City of Florence, Mississippi 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 opinions.

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, Mississippi'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.



The CPA. Never Underestimate The Value.®

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 opinions. 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 and *Government 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 and *Government 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 City of Florence, Mississippi'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 City of Florence, Mississippi'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, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions on pages 4-9 and 37-40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 Budgetary Comparison Schedule – Park Fund is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Information

The Schedule of Surety Bonds for Municipal Officials 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. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2023, on our consideration of the City of Florence, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Florence, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Florence, Mississippi's internal control over financial reporting and compliance.



Brandon, Mississippi
July 20, 2023

CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

The Discussion and Analysis of the City of Florence, Mississippi's ("City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Please read it in conjunction with the City's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 were as follows:

Total net position for 2022 decreased \$348,430 or 4.3% from fiscal year 2021. The decrease in net position is attributed to a change in net position from current year operations of \$348,430. Total net position for 2021 increased \$843,177 or 11.61% from fiscal year 2020.

General revenues accounted for \$3,452,203 and \$3,069,466 in revenue, or 52.4% and 49.2% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,134,374 or 47.6% for 2022 and \$3,169,231 or 50.8% of total revenues for 2021.

In the business-type activity of water and sewer, water and sewer expenses were \$1,917,164 while charges for services were \$2,100,521.

Long-term debt, including net pension liability, increased by \$1,126,697 and decreased by \$1,857,021 for fiscal years 2022 and 2021, respectively. The increase in 2022 was due to the excess of debt repayments over debt issuances and a increase in pension liability.

Overall, the book value of capital assets decreased by \$362,878 and decreased by \$657,934 for 2022 and 2021, respectively. The change in 2022 was primarily due to depreciation expense exceeding purchases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net position presents information on all the City's assets and liabilities, with the difference between the two 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 for the change in net position during the 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 years.

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

CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

The government-wide financial statements are included in the financial statements section of this report.

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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's current financing requirements. Government funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The governmental funds statements provide a detailed short-term view of the City's operations.

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. The basic governmental fund financial statements and the reconciliations are included in the financial statements section of this report.

Proprietary funds. 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found in the financial statements section of this report.

Notes to the 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.

CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

The statement of net position and the statement of activities report information about the City as a whole and about its activities and may serve as a useful indicator of the City's financial position. These statements include all of the City's assets and liabilities resulting from the use of the accrual basis of accounting and economic resources focus of measurement.

Net position. The City's combined net position, on the accrual basis of accounting and economic resources measurement focus, decreased from \$8,104,953 to \$7,756,525 between fiscal years 2021 and 2022. This increase is the result of the change in net position from operations.

Table 1 presents a summary of the City's net position at September 30, 2022 and 2021.

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets: | | | | | | |
| Current & other assets | \$ 2,109,980 | \$ 2,539,051 | \$ 4,446,092 | \$ 3,668,739 | \$ 6,556,072 | \$ 6,207,790 |
| Capital assets, net | 5,095,511 | 5,227,066 | 5,405,068 | 5,636,391 | 10,500,579 | 10,863,457 |
| Total Assets | <u>\$ 7,205,491</u> | <u>\$ 7,766,117</u> | <u>\$ 9,851,160</u> | <u>\$ 9,305,130</u> | <u>\$ 17,056,651</u> | <u>\$ 17,071,247</u> |
| Deferred Outflows | | | | | | |
| of Resources | <u>\$ 1,465,670</u> | <u>\$ 801,113</u> | <u>\$ 48,935</u> | <u>\$ 29,386</u> | <u>\$ 1,514,605</u> | <u>\$ 830,499</u> |
| Liabilities: | | | | | | |
| Current & other liabilities | \$ 249,453 | \$ 256,065 | \$ 338,642 | \$ 963,147 | \$ 588,095 | \$ 1,219,212 |
| Long-term liabilities | 5,348,845 | 4,033,602 | 2,949,828 | 3,138,374 | 8,298,673 | 7,171,976 |
| Total Liabilities | <u>\$ 5,598,298</u> | <u>\$ 4,289,667</u> | <u>\$ 3,288,470</u> | <u>\$ 4,101,521</u> | <u>\$ 8,886,768</u> | <u>\$ 8,391,188</u> |
| Deferred Inflows | | | | | | |
| of Resources | <u>\$ 1,859,018</u> | <u>\$ 1,351,586</u> | <u>\$ 68,945</u> | <u>\$ 54,019</u> | <u>\$ 1,927,963</u> | <u>\$ 1,405,605</u> |
| Net Position: | | | | | | |
| Investment in capital assets, net of related debt | \$ 4,325,023 | \$ 4,285,460 | \$ 2,506,603 | \$ 1,921,629 | \$ 6,831,626 | \$ 6,207,089 |
| Restricted | 316,600 | 1,293,854 | 3,205,813 | 2,059,526 | 3,522,413 | 3,353,380 |
| Unrestricted | (3,427,778) | (2,653,337) | 830,264 | 1,197,821 | (2,597,514) | (1,455,516) |
| Total Net Position | <u>\$ 1,213,845</u> | <u>\$ 2,925,977</u> | <u>\$ 6,542,680</u> | <u>\$ 5,178,976</u> | <u>\$ 7,756,525</u> | <u>\$ 8,104,953</u> |

The City's total assets decreased \$14,596 during 2022 primarily due to decrease in capital asset balances.

The City's total liabilities decreased \$495,580 during 2022 due primarily to debt repayment.

The City's net position decreased \$348,430 from 2021 to 2022 due to a change in net position from current year operations.

CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

Table 2 summarizes the changes in net position for fiscal years ended September 30, 2022 and 2021.

Table 2 - Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|-------------------------|-------------------|--------------------------|-------------------|---------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 378,891 | \$ 372,529 | \$ 2,100,521 | \$ 1,962,498 | \$ 2,479,412 | \$ 2,335,027 |
| Operating grants | 170,000 | 150,000 | - | - | 170,000 | 150,000 |
| Capital Grants & Contributions | 484,962 | 684,204 | - | - | 484,962 | 684,204 |
| General revenues | 2,271,858 | 2,978,910 | 1,180,345 | 90,556 | 3,452,203 | 3,069,466 |
| Total Revenues | 3,305,711 | 4,185,643 | 3,280,866 | 2,053,054 | 6,586,577 | 6,238,697 |
| Program Expenses: | | | | | | |
| General government | 1,388,917 | 987,346 | - | - | 1,388,917 | 987,346 |
| Public safety | 2,205,939 | 1,578,578 | - | - | 2,205,939 | 1,578,578 |
| Public services | 731,571 | 543,675 | - | - | 731,571 | 543,675 |
| Culture & recreation | 656,554 | 468,578 | - | - | 656,554 | 468,578 |
| Water and sewer | - | - | 1,917,164 | 1,789,280 | 1,917,164 | 1,789,280 |
| Interest | 34,862 | 28,063 | - | - | 34,862 | 28,063 |
| Total Expenses | 5,017,843 | 3,606,240 | 1,917,164 | 1,789,280 | 6,935,007 | 5,395,520 |
| Change in net position | \$ (1,712,132) | \$ 579,403 | \$ 1,363,702 | \$ 263,774 | \$ (348,430) | \$ 843,177 |

Governmental Activities. Revenues for the City's governmental activities for the year ended September 30, 2022 were \$3,305,711 compared to \$4,185,643 in 2021. Program revenues decreased primarily as a result of a decrease in capital grants. 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 2022 was \$5,017,843 and for 2021 was \$3,606,240. Of this amount, general government expenses increased \$401,571 for 2022 and increased \$95,895 for 2021; public safety expenses increased \$627,361 in 2022 and increased \$122,002 in 2021; public services expenses increased \$187,896 in 2022 and increased \$52,072 in 2021; culture and recreation expenses increased \$187,976 in 2022 and increased \$108,077 in 2021; and interest on long-term debt expenses increased \$6,799 in 2022 and decreased \$31,149 in 2021.

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 \$2,100,521 for 2022 and \$1,962,498 for 2021, an increase of \$138,023 in 2022 and an increase of \$94,916 for 2021.

The costs of these business-type activities were \$1,917,164 and \$1,789,280 for 2022 and 2021, respectively, an increase of \$127,884.

CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

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 \$1,992,095, a decrease of \$400,419. The fund balance consists of the following: \$316,600 or 15.9% which is restricted for specific purposes which are externally imposed, \$374,526 or 18.8% which is committed for specific purposes internally imposed by the City, \$1,485 or .1% which is assigned by the Board for specific purposes, and \$1,299,484 or 65.2% 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 and supplementary information, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2022, the City's total capital assets were \$23,208,414 including land, construction in progress, buildings and improvements, infrastructure, machinery, equipment, furniture, and vehicles. This amount represents a decrease of \$363,735 for 2021 to 2022 and an increase of \$219,829 for 2020 to 2021. The accumulated depreciation as of September 30, 2022 was \$12,708,693 and total depreciation expense for the year was \$914,822, resulting in total net capital assets of \$10,499,722.

Table 3 presents a summary of capital assets, net of accumulated depreciation as of September 30, 2022 and 2021.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | \$ 867,224 | \$ 867,224 | \$ - | \$ - | \$ 867,224 | \$ 867,224 |
| Construction in Progress | - | - | 312,548 | - | 312,548 | - |
| Buildings & improvements | 3,748,678 | 3,957,800 | 4,398,608 | 4,857,955 | 8,147,286 | 8,815,755 |
| Machinery, equipment, & vehicles | 478,752 | 402,042 | 693,912 | 778,435 | 1,172,664 | 1,180,477 |
| Total | <u>\$ 5,094,654</u> | <u>\$ 5,227,066</u> | <u>\$ 5,405,068</u> | <u>\$ 5,636,390</u> | <u>\$ 10,499,722</u> | <u>\$ 10,863,456</u> |

CITY OF FLORENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

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, 2022 and 2021, the City had \$4,065,423 and \$4,984,266, respectively, in general obligation bonds and other long-term debt as shown in Table 4.

Table 4 - Outstanding Notes and Long-Term Obligations

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| General obligation bonds | \$ 745,000 | \$ 815,000 | \$ 50,000 | \$ 100,000 | \$ 795,000 | \$ 915,000 |
| Revenue bonds | - | - | 2,725,000 | 3,265,000 | 2,725,000 | 3,265,000 |
| Obligations under cap lease | 105,759 | 92,050 | - | 187,118 | 105,759 | 279,168 |
| Capital loans | 25,488 | 34,556 | 123,463 | 162,644 | 148,951 | 197,200 |
| Compensated absences | 113,975 | 105,573 | 3,329 | 6,139 | 117,304 | 111,712 |
| Total | \$ 990,222 | \$ 1,047,179 | \$ 2,901,792 | \$ 3,720,901 | \$ 3,892,014 | \$ 4,768,080 |

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

CURRENT ISSUES

Public Works, and Street Department: During FYE 2022, a contract for Sanitary Sewer Assessment and Rehabilitation for the City was awarded. Construction for this project is set to begin November 2022. Engineering for future American Relief Plan Act Infrastructure projects is scheduled to begin.

Grants: The Florence Police Department continues to participate in the Justice Department, Homeland Security and School Resource Officer grant programs.

Planning & Development: Future development in the city will include extensions to existing Highway 49 Sanitary Sewer, the Eagle Post Road Pump Station, and drilling for the West Side Sewer Water Well.

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, by telephone at (601) 845-8856 or by email at CityClerk@CityofFlorence.comcastbiz.net.

CITY OF FLORENCE
STATEMENT OF NET POSITION
September 30, 2022

| | Primary Government | | |
|---------------------------------------|--------------------|---------------|--------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,512,459 | \$ 981,228 | \$ 2,493,687 |
| Receivables: | | | |
| Accounts receivable | - | 211,968 | 211,968 |
| Ad valorem | 56,994 | - | 56,994 |
| Franchise tax | 9,020 | - | 9,020 |
| Current sales tax | 214,907 | - | 214,907 |
| Other receivables | - | 13,788 | 13,788 |
| Due from other funds | - | 33,295 | 33,295 |
| Total current assets | 1,793,380 | 1,240,279 | 3,033,659 |
| Noncurrent assets: | | | |
| Capital assets, net | 5,095,511 | 5,405,068 | 10,500,579 |
| Restricted cash and cash equivalents | 316,600 | 3,205,813 | 3,522,413 |
| Total noncurrent assets | 5,412,111 | 8,610,881 | 14,022,992 |
| Total assets | 7,205,491 | 9,851,160 | 17,056,651 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 1,465,670 | 48,935 | 1,514,605 |
| Total deferred outflows of resources | \$ 1,465,670 | \$ 48,935 | \$ 1,514,605 |

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF NET POSITION
September 30, 2022

| | Primary Government | | |
|---|--------------------|---------------|--------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Totals |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 81,392 | \$ 77,650 | \$ 159,042 |
| Accrued interest payable | 3,197 | 20,275 | 23,472 |
| Obligations under capital lease | 52,662 | - | 52,662 |
| Current portion of capital improvement loan | 8,907 | 40,717 | 49,624 |
| Current portion of bonds payable | 70,000 | 200,000 | 270,000 |
| Due to other funds | 33,295 | - | 33,295 |
| Total current liabilities | 249,453 | 338,642 | 588,095 |
| Noncurrent liabilities: | | | |
| Compensated absences | 113,975 | 3,639 | 117,614 |
| Deposits payable | - | 179,631 | 179,631 |
| Obligations under capital lease | 53,097 | - | 53,097 |
| Capital improvement loan | 16,581 | 82,748 | 99,329 |
| Bonds payable | 675,000 | 2,575,000 | 3,250,000 |
| Net pension liability | 4,490,192 | 108,810 | 4,599,002 |
| Total noncurrent liabilities | 5,348,845 | 2,949,828 | 8,298,673 |
| Total liabilities | 5,598,298 | 3,288,470 | 8,886,768 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 1,859,018 | 68,945 | 1,927,963 |
| Total deferred inflows of resources | 1,859,018 | 68,945 | 1,927,963 |
| NET POSITION | | | |
| Net investment in capital assets | 4,325,023 | 2,506,603 | 6,831,626 |
| Restricted | 316,600 | 3,205,813 | 3,522,413 |
| Unrestricted | (3,427,778) | 830,264 | (2,597,514) |
| Total net position | \$ 1,213,845 | \$ 6,542,680 | \$ 7,756,525 |

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

| Function / Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|----------------------------------|------------------|-------------------------|--|--|----------------------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Business-Type Activities |
| Governmental activities: | | | | | | |
| General government | \$ 1,388,917 | \$ 45,106 | \$ - | \$ - | \$ (1,343,811) | \$ - |
| Public safety | 2,205,939 | 275,238 | 170,000 | 484,962 | (1,275,739) | - |
| Public services | 731,571 | - | - | - | (731,571) | - |
| Culture and recreation | 656,554 | 58,547 | - | - | (598,007) | - |
| Interest on long-term debt | 34,862 | - | - | - | (34,862) | - |
| Total governmental activities | 5,017,843 | 378,891 | 170,000 | 484,962 | (3,983,990) | - |
| Business-type activities: | | | | | | |
| Water and sewer | 1,917,164 | 2,100,521 | - | - | - | 183,357 |
| Total business-type activities | 1,917,164 | 2,100,521 | - | - | - | 183,357 |
| Total primary governmental | \$ 6,935,007 | \$ 2,479,412 | \$ 170,000 | \$ 484,962 | (3,983,990) | (3,800,633) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Sales taxes | | | | | 1,436,195 | - |
| Property taxes | | | | | 1,378,750 | - |
| Other taxes | | | | | 163,346 | - |
| Investment income | | | | | 20,694 | 46,430 |
| Gain on disposal of assets | | | | | 24,150 | - |
| Other | | | | | 364,196 | 18,442 |
| Transfers | | | | | (1,115,473) | 1,115,473 |
| Total general revenues | | | | | 2,271,858 | 1,180,345 |
| Change in net position | | | | | (1,712,132) | 1,363,702 |
| Net Position - beginning of year | | | | | 2,925,977 | 5,178,978 |
| Net Position - end of year | | | | | \$ 1,213,845 | \$ 6,542,680 |
| | | | | | | \$ 7,756,525 |

See accompanying notes to financial statements.

CITY OF FLORENCE
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2022

| | General Fund | Park Fund | Total Governmental Funds |
|--------------------------------------|---------------------|-------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,149,626 | \$ 362,834 | \$ 1,512,460 |
| Receivables: | | | |
| Ad valorem | 56,994 | - | 56,994 |
| Current sales tax | 169,553 | 45,354 | 214,907 |
| Franchise tax | 9,020 | - | 9,020 |
| Due from other funds | - | 29,544 | 29,544 |
| Restricted assets: | | | |
| Cash and cash equivalents | 316,600 | - | 316,600 |
| Total Assets | <u>\$ 1,701,793</u> | <u>\$ 437,732</u> | <u>\$ 2,139,525</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 65,668 | \$ 15,726 | \$ 81,394 |
| Accrued interest payable | 3,197 | - | 3,197 |
| Due to other funds | 62,839 | - | 62,839 |
| Total Liabilities | <u>131,704</u> | <u>15,726</u> | <u>147,430</u> |
| Fund Balances: | | | |
| Restricted | 316,600 | - | 316,600 |
| Committed | 374,526 | - | 374,526 |
| Assigned | 1,485 | - | 1,485 |
| Unassigned | 877,478 | 422,006 | 1,299,484 |
| Total Fund Balances | <u>1,570,089</u> | <u>422,006</u> | <u>1,992,095</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,701,793</u> | <u>\$ 437,732</u> | <u>\$ 2,139,525</u> |

See accompanying notes to financial statements.

CITY OF FLORENCE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balances - governmental funds \$ 1,992,095

Total net position reported for governmental activities in the
statement of net position is different because:

Capital assets used in governmental activities are not
financial resources and; therefore, are not reported
in the governmental funds:

| | | |
|-------------------------------|--------------------|-----------|
| Governmental capital assets | \$ 9,194,299 | |
| Less accumulated depreciation | <u>(4,099,667)</u> | 5,094,610 |

Certain items are not available to pay for current period
expenditures and; therefore, are either deferred or
not applicable to funds:

| | |
|---|-----------|
| Deferred outflows and inflows of resources related to pensions | (392,446) |
|---|-----------|

Long-term liabilities are not due and payable in the current
period and; therefore, are not reported in the funds:

| | | |
|-----------------------------------|--------------------|--------------------|
| Compensated absences | \$ (113,975) | |
| Obligations under capital lease | (105,759) | |
| Capital improvement loans payable | (25,488) | |
| General obligation bonds payable | (745,000) | |
| Net pension liability | <u>(4,490,192)</u> | <u>(5,480,414)</u> |

| | |
|---|----------------------------|
| Net position of governmental activities | <u><u>\$ 1,213,845</u></u> |
|---|----------------------------|

CITY OF FLORENCE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

| | General Fund | Park Fund | Total Governmental Funds |
|---|---------------------|-------------------|--------------------------------|
| Revenues | | | |
| Taxes | \$ 1,378,750 | \$ - | \$ 1,378,750 |
| Licenses and permits | 175,321 | - | 175,321 |
| Federal and State shared revenues | 1,662,985 | 461,303 | 2,124,288 |
| Fines and forfeitures | 341,293 | - | 341,293 |
| Charges for services | - | 58,547 | 58,547 |
| Interest | 20,694 | - | 20,694 |
| Other | 310,265 | 10,395 | 320,660 |
| Total Revenues | <u>3,889,308</u> | <u>530,245</u> | <u>4,419,553</u> |
| Expenditures | | | |
| Current (operating): | | | |
| General government | 1,091,659 | - | 1,091,659 |
| Public safety | 1,455,248 | - | 1,455,248 |
| Public services | 408,365 | - | 408,365 |
| Culture and recreation | 4,200 | 460,510 | 464,710 |
| Capital outlay | 151,367 | 19,742 | 171,109 |
| Debt service: | | | |
| Principal | 78,546 | - | 78,546 |
| Interest and fiscal charges | 34,862 | - | 34,862 |
| Total Expenditures | <u>3,224,247</u> | <u>480,252</u> | <u>3,704,499</u> |
| Excess of revenues over (under) expenditures | 665,061 | 49,993 | 715,054 |
| Other financing sources (uses), including transfers | | | |
| Proceeds from sale of bonds | - | - | - |
| Proceeds from sale of assets | - | - | - |
| Transfers in | - | - | - |
| Proceeds from issuance of long-term debt | - | - | - |
| Transfers | (1,115,473) | - | (1,115,473) |
| Total other financing sources (uses) | (1,115,473) | - | (1,115,473) |
| Net change in fund balances | (450,412) | 49,993 | (400,419) |
| Fund balances, October 01, 2021 | 2,020,501 | 372,013 | 2,392,514 |
| Fund balances, September 30, 2022 | <u>\$ 1,570,089</u> | <u>\$ 422,006</u> | <u>\$ 1,992,095</u> |

See accompanying notes to financial statements.

CITY OF FLORENCE
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, 2022

| | |
|--|--------------|
| Net change in fund balances - governmental funds | \$ (400,419) |
|--|--------------|

Amounts reported for governmental activities in statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of capital assets is depreciated over
their estimated useful lives. In the current period, these amounts are:

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 236,608 | |
| Less current year depreciation | <u>(369,020)</u> | (132,412) |

Some revenues and expenses reported in the statement of activities are not
available for spending or do not require the use of current resources
and; therefore, are not reported as revenues or expenditures in the
governmental funds:

| | | |
|---|--|----------------|
| Change in compensated absences and other accrued expenses | | (6,473) |
| Pension expense for the current period | | <u>757,029</u> |

Bond and capital loan proceeds provide current financial resources to
governmental funds, but issuing debt increases long-term liabilities in
the statement of net position. Repayment of bond and capital loans
and principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets:

| | | |
|----------------------------|--|---------------|
| Payments of debt principal | | <u>65,359</u> |
|----------------------------|--|---------------|

| | |
|---|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 283,084</u></u> |
|---|--------------------------|

CITY OF FLORENCE
STATEMENT OF NET POSITION - PROPRIETARY FUND
September 30, 2022

| | Water & Sewer Fund |
|---|-----------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 981,228 |
| Receivables: | |
| Accounts receivable | 261,968 |
| Allowance for bad debts | (50,000) |
| Other receivable | 13,788 |
| Due from other funds | 33,295 |
| Total current assets | <u>1,240,279</u> |
| Noncurrent assets: | |
| Capital assets, net of accumulated depreciation | 5,405,068 |
| Restricted cash | 3,205,813 |
| Total noncurrent assets | <u>8,610,881</u> |
| Total Assets | <u>9,851,160</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 48,935 |
| Total Deferred Outflows of Resources | <u>48,935</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 77,650 |
| Accrued interest payable | 20,275 |
| Current portion of capital improvement loan | 40,717 |
| Current portion of bonds payable | 200,000 |
| Total current liabilities | <u>338,642</u> |
| Noncurrent liabilities: | |
| Compensated absences | 3,639 |
| Deposits payable | 179,631 |
| Capital improvement loan | 82,748 |
| Bonds payable | 2,575,000 |
| Net pension liability | 108,810 |
| Total noncurrent liabilities | <u>2,949,828</u> |
| Total Liabilities | <u>3,288,470</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 68,945 |
| Total Deferred Inflows of Resources | <u>68,945</u> |
| NET POSITION | |
| Net investment in capital assets | 2,506,603 |
| Restricted | 3,205,813 |
| Unrestricted | 830,264 |
| Total Net Position | <u>\$ 6,542,680</u> |

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND
For the Year Ended September 30, 2022

| | Water & Sewer Fund |
|--------------------------------------|----------------------------|
| Operating Revenues | |
| Charges for services | \$ 2,100,521 |
| Total operating revenues | <u>2,100,521</u> |
| Operating Expenses | |
| Personnel services | 140,478 |
| Supplies, services and other charges | 1,130,598 |
| Depreciation and amortization | <u>545,803</u> |
| Total operating expenses | <u>1,816,879</u> |
| Operating income | <u>283,642</u> |
| Nonoperating revenues (expenses) | |
| Interest income | 46,430 |
| Rental income | 18,442 |
| Interest expense and bond fees | <u>(100,285)</u> |
| Net nonoperating expenses | <u>(35,413)</u> |
| Income (loss) before transfers | <u>248,229</u> |
| Transfers in | 1,115,473 |
| Change in net position | 1,363,702 |
| Net position - Beginning | <u>5,178,978</u> |
| Net position - Ending | <u><u>\$ 6,542,680</u></u> |

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2022

| | Water & Sewer Fund |
|---|----------------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 2,097,172 |
| Cash payments for goods and services | (1,195,909) |
| Cash payments for personnel services | (79,031) |
| Net cash provided by operating activities | <u>822,232</u> |
| Cash flows from non-capital financing activities: | |
| Receipts from rental income | 18,442 |
| Receipts from other funds | <u>1,115,473</u> |
| Net cash provided by non-capital financing activities | <u>1,133,915</u> |
| Cash flows from capital and related financing activities: | |
| Principal paid on notes payables | (816,299) |
| Interest paid on notes payable | (100,285) |
| Increase in compensated absences payable | (2,810) |
| Acquisition and construction of capital assets | <u>(314,479)</u> |
| Net cash used by capital and related financing activities | <u>(1,233,873)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>46,430</u> |
| Net cash provided by investing activities | <u>46,430</u> |
| Net decrease in cash and cash equivalents | 768,704 |
| Cash and cash equivalents, October 01, 2021 | <u>3,418,337</u> |
| Cash and cash equivalents, September 30, 2022 | <u><u>\$ 4,187,041</u></u> |

See accompanying notes to financial statements.

CITY OF FLORENCE
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2022

| | <u>Water & Sewer Fund</u> |
|--|-----------------------------------|
| Reconciliation of change in net position to net cash provided by operating activities: | |
| Operating income (loss) | \$ 283,642 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 545,803 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivables, net | (9,954) |
| (Increase) decrease in other receivables | 4,147 |
| (Increase) decrease in deferred outflows of resources | (18,670) |
| Increase (decrease) in accounts payable | (63,703) |
| Increase (decrease) in accrued interest payable | (5,755) |
| Increase (decrease) in customer meter deposits | 6,605 |
| Increase (decrease) in net pension liability | 11,172 |
| Increase (decrease) in deferred inflows of resources | 68,945 |
| Net cash provided by operating activities | <u>\$ 822,232</u> |

Cash is presented on the statement of net position - proprietary fund as:

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 981,228 |
| Restricted | <u>3,205,813</u> |
| | <u>\$ 4,187,041</u> |

See accompanying notes to financial statements.

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

(1) Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The City of Florence 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
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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 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
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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 Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund loans or transactions between funds that are representative of lending/borrowing arrangements are reported as "advances from and to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

Receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on management judgment and historical information.

Inventory

No inventories are maintained in the General Fund or Proprietary Fund. Supplies are recorded as an expenditures when purchased.

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 |

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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 financial position will sometimes report 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) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Long-term Debt

In the government-wide financial statements, and proprietary fund types in the 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.

Pensions

Financial reporting information pertaining to the City's participation in the Public Employees' Retirement System of Mississippi ("PERS") is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PERS have been determined on the same basis as they are reported by PERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PERS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the City's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

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. Actual results could differ from those estimates.

Comparative Data

Comparative data have not been presented in all statements because their inclusion would make statements unduly complex and difficult to understand.

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

(2) Reclassifications

Certain amounts in 2021 have been reclassified to conform with the 2022 classifications. The reclassifications had no effect on the City's net position or changes in net position or fund balances.

(3) Budget and Budgetary Accounting

The City 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 Alderpersons 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 Alderpersons 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. It is the City's policy for the Board to approve 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.

(4) 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."

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 activity and receivables and payables between funds are eliminated in the government-wide financial statements.

(5) 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.

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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.

(6) Cash Deposits

Mississippi Code Section 21-33-323 allows municipalities to maintain deposits in banks and savings and loan associations insured by the Federal Deposit Insurance Corporation. Municipalities may also invest in obligations of the United States of America or the State of Mississippi, or of any county, school district or municipal bonds that have been approved by a reputable bond attorney or have been validated by decree of the chancery court, or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository.

State statute requires that all deposits in financial institutions be collateralized in an amount at least equal to 105% of the amount not insured by the Federal Deposit Insurance Corporation (FDIC). The City participates in the State Treasurer's collateral pool. The City's deposits were fully insured or collateralized with securities held by this pool at September 30, 2022.

At September 30, 2022, the carrying amount of the City's deposits was \$6,016,101 and the bank balance was \$6,357,740. All investments by the City of Florence during the year were in bank certificates of deposit which are valued at cost plus accrued interest.

(7) Restricted, Committed, and Unassigned Fund Balance

In the water and sewer fund, cash accounts were required to be established for several purposes. Those accounts are restricted for the specific purposes for which they were created and total \$3,205,813.

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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

| | Governmental Activities |
|---------------------------|----------------------------|
| Restricted: | |
| Drug Seizure | \$ 71,589 |
| GNB Road Maintenance | 245,011 |
| Total | <u>\$ 316,600</u> |
| Committed: | |
| Fire Truck | \$ 148,779 |
| Stonebrook Reserve | - |
| Municipal Fire | 8,589 |
| Court Special Assessments | 150,599 |
| City Hall Savings | 66,559 |
| Total | <u>\$ 374,526</u> |
| Assigned: | |
| Park Savings | <u>\$ 1,485</u> |

(8) 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.

(9) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(-2,597,514) includes the effect of deferring the recognition of expenses resulting from a deferred outflow and deferred inflow from pensions. The \$1,514,605 balance of deferred outflow of resources and the \$1,927,963 balance of deferred inflows of resources, at September 30, 2022 will be recognized in pension expense over the next 3 years.

(10) Other Required Individual Fund Disclosures

- Individual fund interfund receivable and payable balances at September 30, 2022 were:

| | Due From | (Due To) | Net Balance |
|--------------------|------------------|--------------------|-------------|
| General Fund | - | \$ (62,735) | \$ (62,735) |
| Parks Fund | 25,116 | - | 25,116 |
| Water & Sewer Fund | 33,594 | - | 37,619 |
| | <u>\$ 58,710</u> | <u>\$ (62,735)</u> | <u>\$ -</u> |

These balances are not expected to be repaid within one year.

- 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

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are that only expenditures relating to the September 30, 2022 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.

(11) Capital Assets

A summary of changes in capital assets for governmental activities at September 30, 2022 is as follows:

| | Balance 10/01/21 | Increases | Decreases | Completed CIP | Balance 09/30/22 |
|---------------------------------|---------------------|---------------------|-----------------|------------------|---------------------|
| Governmental Activities | | | | | |
| Non-depreciable | | | | | |
| Land | \$ 867,224 | \$ - | \$ - | \$ - | \$ 867,224 |
| Construction in progress | - | - | - | - | - |
| Total | <u>867,224</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>867,224</u> |
| Depreciable | | | | | |
| Buildings & improvements | 6,182,525 | 10,050 | - | - | 6,192,575 |
| Machinery, equip & vehicles | <u>1,951,874</u> | <u>226,558</u> | <u>(43,933)</u> | <u>-</u> | <u>2,134,499</u> |
| Total | <u>8,134,399</u> | <u>236,608</u> | <u>(43,933)</u> | <u>-</u> | <u>8,327,074</u> |
| Less accum. depreciation | | | | | |
| Buildings & improvements | 2,224,725 | 219,172 | - | - | 2,443,897 |
| Machinery, equip & vehicles | <u>1,549,832</u> | <u>149,848</u> | <u>(43,933)</u> | <u>-</u> | <u>1,655,747</u> |
| Total | <u>3,774,557</u> | <u>369,020</u> | <u>(43,933)</u> | <u>-</u> | <u>4,099,644</u> |
| Net book value | <u>4,359,842</u> | <u>(132,412)</u> | <u>-</u> | <u>-</u> | <u>4,227,430</u> |
| Governmental Activities, net | <u>\$ 5,227,066</u> | <u>\$ (132,412)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,094,654</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| General Government | \$ 80,596 |
| Public Safety | 77,932 |
| Public Service | 165,766 |
| Culture and Recreation | 44,726 |
| Total depreciation expense | <u>\$ 369,020</u> |

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

A summary of changes in capital assets for business-type activities at September 30, 2022 is as follows:

| | Balance 10/01/21 | Increases | Decreases | Completed CIP | Balance 09/30/22 |
|---------------------------------|---------------------|---------------------|-----------------|------------------|---------------------|
| Business-type Activities | | | | | |
| Non-depreciable | | | | | |
| Land | \$ - | - | - | - | \$ - |
| Construction in progress | - | 312,548 | - | - | 312,548 |
| Total | <u>\$ -</u> | <u>\$ 312,548</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 312,548</u> |
| Depreciable | | | | | |
| Buildings & improvements | \$ 12,147,767 | - | - | - | \$ 12,147,767 |
| Machinery, equip & vehicles | 1,567,921 | 1,931 | (16,051) | - | 1,553,801 |
| Total | <u>13,715,688</u> | <u>1,931</u> | <u>(16,051)</u> | <u>-</u> | <u>13,701,568</u> |
| Less accum. depreciation | | | | | |
| Buildings & improvements | 7,289,812 | 459,348 | - | - | 7,749,160 |
| Machinery, equip & vehicles | 789,486 | 86,454 | (16,051) | - | 859,889 |
| Total | <u>8,079,298</u> | <u>545,802</u> | <u>(16,051)</u> | <u>-</u> | <u>8,609,049</u> |
| Net book value | <u>5,636,390</u> | <u>(543,871)</u> | <u>-</u> | <u>-</u> | <u>5,092,519</u> |
| Business-type Activities, net | <u>\$ 5,636,390</u> | <u>\$ (231,323)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,405,067</u> |

(12) Long-Term Debt

General obligation bonds are directed unlimited obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. Bonds and capital improvement loans payable at September 30, 2022 are comprised of the following:

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

| | <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%. | \$ - | \$ 2,725,000 |
| \$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%. | - | - |
| \$1,000,000 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 4.4561%. | 25,000 | 50,000 |
| \$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%. | 720,000 | - |
| Total Bonds | <u>\$ 745,000</u> | <u>\$ 2,775,000</u> |
| <u>Capital Improvement Loans and Leases</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. | \$ 25,488 | \$ 50,977 |
| \$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. | - | 72,486 |
| \$149,670 2018 Lease, which is payable to Copiah Bank in five annual payments of \$32,699 which includes of 3.10%, with the final payment due November 15, 2023. | 62,366 | - |
| \$65,670 2022 Lease, which is payable to Copiah Bank in three annual payments of \$22,565 which includes interest of 1.45%, with the final payment November 15, 2024 | 43,393 | - |
| Total Capital Improvement Loans & Leases Payable | <u>\$ 131,247</u> | <u>\$ 123,463</u> |
| Total Bonds and Capital Improvement Loans Payable | <u>\$ 876,247</u> | <u>\$ 2,898,463</u> |

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

Transactions for the fiscal year ended September 30, 2022, including compensated absences, are summarized as follows:

| | Balance 10/1/21 | Additions | Reductions | Balance 9/30/22 |
|---------------------------------|---------------------|------------------|-------------------|---------------------|
| Governmental Activities | | | | |
| Capital Improvement loans | \$ 34,556 | \$ - | \$ 9,068 | \$ 25,488 |
| General obligation bonds | 815,000 | - | 70,000 | 745,000 |
| Obligations under capital lease | 92,050 | 65,570 | 51,861 | 105,759 |
| Compensated absences | 105,573 | 8,402 | - | 113,975 |
| Total governmental activities | <u>1,047,179</u> | <u>73,972</u> | <u>130,929</u> | <u>990,222</u> |
| Business-type Activities | | | | |
| General obligation bonds | 100,000 | - | 50,000 | 50,000 |
| Capital Improvement loans | 162,644 | - | 39,181 | 123,463 |
| Obligations under capital lease | 187,118 | - | 187,118 | - |
| Revenue Bonds-2016 | 3,265,000 | - | 540,000 | 2,725,000 |
| Compensated absences | 6,139 | - | 2,810 | 3,329 |
| | <u>3,720,901</u> | <u>-</u> | <u>819,109</u> | <u>2,901,792</u> |
| Total | <u>\$ 4,768,080</u> | <u>\$ 73,972</u> | <u>\$ 950,038</u> | <u>\$ 3,892,014</u> |

Annual requirements to amortize loans and bonds outstanding as of September 30, 2022, including interest payments are as follows:

| Year Ended 9/30 | Governmental Activities | | Business-type Activities | | Total |
|-----------------|-------------------------|-------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2023 | 131,798 | 30,705 | 240,717 | 79,430 | \$ 482,650 |
| 2024 | 112,415 | 27,284 | 196,534 | 72,863 | 409,096 |
| 2025 | 57,034 | 24,295 | 201,212 | 67,402 | 349,943 |
| 2026 | 50,000 | 22,707 | 165,000 | 62,675 | 300,382 |
| 2027 | 55,000 | 21,083 | 175,000 | 58,138 | 309,221 |
| 2028-2032 | 320,000 | 73,756 | 980,000 | 221,781 | 1,595,537 |
| 2033-2036 | 150,000 | 10,501 | 940,000 | 72,000 | 1,172,501 |
| Total | <u>\$ 876,247</u> | <u>\$ 210,331</u> | <u>\$ 2,898,463</u> | <u>\$ 634,289</u> | <u>\$ 4,619,330</u> |

(13) 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 beneficiaries. Plan provisions and was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, and elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

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

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

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.

Contributions

The contributions requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9% of their annual covered compensation and employers are required to contribute at an actuarially determined rate. The employer's contractually required contribution rate for the year ended September 30, 2022 was 17.4% of annual covered payroll. The City's contributions to PERS for the years ended September 30, 2022, 2021, and 2020 was \$289,997, \$245,234, and \$216,833, 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, 2022, the City reported a liability of \$4,599,002 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.02234 percent, which was an increase of 0.00117 percent from its proportion measured as of June 30, 2021.

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 expected remaining service lives of active and inactive members. For 2022, this was 3.73 years, which was a decrease of .15 years from the prior year average of 3.88.

For the year ended September 30, 2022, the City recognized pension expense of \$1,279,887. Of this amount, \$1,237,886, was allocated to governmental activities and \$42,001, was allocated to business-type activities.

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

At September 30, 2022, 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 | \$ 65,119 | \$ 889,103 |
| Net difference between projected and actual earnings on pension plan investments | 1,130,655 | - |
| Change of assumptions | 243,584 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | - | 1,038,860 |
| City contributions subsequent to the measurement date | 76,126 | - |
| Total | <u>\$1,515,484</u> | <u>\$1,927,963</u> |

The \$76,126 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, 2021. 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:

| | |
|------|-------------|
| 2023 | \$ (73,590) |
| 2024 | \$ 49,084 |
| 2025 | \$ 270,994 |
| 2026 | \$ (41,780) |
| 2027 | \$ 207,771 |

Actuarial Assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75% |
| Salary increases | 3.0-18.25 average, including inflation |
| Investment rate of return | 7.75% net of pension plan investment expense, |

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The experience report is dated April 20, 2021.

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
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------|-------------------|--|
| U.S. Broad | 25% | 4.60% |
| International equity | 20% | 4.50% |
| Global | 12% | 4.80% |
| Fixed Income | 18% | 1.40% |
| Real Estate | 10% | 3.65% |
| Private equity | 10% | 6.00% |
| Private Infrastructure | 2% | 4.00% |
| Private Credit | 2% | 4.00% |
| Cash | 1% | -0.10% |
| 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 (17.40%). 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 net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were 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 | \$ 6,002,168 | \$ 4,599,002 | \$ 3,442,164 |

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. That information may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

(14) Risk Management

Participation in Public Entity Risk Pool - The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG) and the Mississippi Municipal Liability Plan (MMLP), both of which are administered by Municipal Services, Inc. Both groups are risk-sharing pools; such a pool is frequently referred to as a self-insurance pool.

MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any employee claim. If total claims during a year were to deplete the trust

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

MMLP covers the risk of loss related to torts and other liability claims. The general policy limit is \$500,000 per occurrence, but the policy also tracks the Mississippi tort claims law for municipalities which limits the City's liability to \$250,000 per occurrence. The policy also covers up to \$1,000,000 in federal claims. As with the MMWCG, pool members would be required to pay for the deficiency should total claims for the year exceed member contributions. The City has received no assessments for excess losses incurred by the pool.

(15) 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.

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.

CITY OF FLORENCE
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

The following is a schedule of limitations on the indebtedness of the City, at September 30, 2022:

| Authorized Debt Limit: | <u>15 Percent</u> | <u>20 Percent</u> |
|---|-----------------------|-----------------------|
| Assessed Valuation for the fiscal year ended September 30, 2022: \$ 47,076,621 | \$ 7,061,493 | \$ 9,415,324 |
| Present debt subject to debt limitation | <u>(795,000)</u> | <u>(943,951)</u> |
| Margin for further general indebtedness | <u>\$ 6,266,493</u> | <u>\$ 8,471,373</u> |

(16) Date of Management Review and Subsequent Events

Management has evaluated subsequent events through July 20, 2023, 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
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2022

| | Original Budget | Budget as Amended | Actual | Variances Final Budgeted to Actual Over (Under) |
|---|---------------------|----------------------|---------------------|--|
| Revenues: | | | | |
| Taxes | \$ 1,314,286 | \$ 1,384,460 | \$ 1,378,750 | \$ (5,710) |
| Licenses and permits | 168,500 | 192,359 | 175,321 | (17,038) |
| State shared revenues | 1,072,000 | 1,340,518 | 1,662,985 | 322,467 |
| Fines and forfeits | 381,000 | 381,000 | 341,293 | (39,707) |
| Other | 15,500 | 116,400 | 330,959 | 214,559 |
| Total revenues | <u>2,951,286</u> | <u>3,414,737</u> | <u>3,889,308</u> | <u>474,571</u> |
| Expenditures: | | | | |
| General government | 1,097,843 | 1,158,845 | 1,091,659 | (67,186) |
| Public safety | 1,601,468 | 1,610,548 | 1,455,248 | (155,300) |
| Public service | 684,158 | 699,551 | 408,365 | (291,186) |
| Culture and recreation | 4,200 | 4,200 | 4,200 | - |
| Capital outlays | 173,631 | 283,945 | 151,367 | (132,578) |
| Debt service | 119,273 | 119,273 | 113,408 | (5,865) |
| Total expenditures | <u>3,680,573</u> | <u>3,876,362</u> | <u>3,224,247</u> | <u>(652,115)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (729,287)</u> | <u>\$ (461,625)</u> | 665,061 | <u>\$ 1,126,686</u> |
| Other financing sources (uses): | | | | |
| Transfers from other funds | - | - | (1,115,473) | (1,115,473) |
| Total other financing source: | - | - | (1,115,473) | (1,115,473) |
| Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis | <u>\$ (729,287)</u> | <u>\$ (461,625)</u> | (450,412) | <u>\$ 11,213</u> |
| Fund Balance, October 01, 2021 | | | <u>2,020,501</u> | |
| Fund Balance, September 30, 2022 | | | <u>\$ 1,570,089</u> | |

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

CITY OF FLORENCE
Schedule of the City's Proportionate Share
of the Net Pension Liability
Mississippi Public Employees' Retirement System
Last 10 Fiscal Years Ended September 30, 2022

| | 2022 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | \$ 4,599,002 | \$ 4,097,492 | \$ 3,592,201 | \$ 3,174,571 | \$ 3,394,166 | \$ 3,346,717 | \$ 2,814,907 |
| City's proportionate share of the net pension liability | 0.021357% | 0.021166% | 0.020170% | 0.019086% | 0.020418% | 0.018736% | 0.018210% |
| City's covered employee payroll | \$ 1,420,046 | \$ 1,084,943 | \$ 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-employee payroll | 323.86% | 377.67% | 267.35% | 260.47% | 259.13% | 279.22% | 247.43% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.44% | 58.97% | 61.59% | 62.54% | 61.49% | 57.47% | 67.21% |

CITY OF FLORENCE
Schedule of City Contributions
Mississippi Public Employees' Retirement System
Last 10 Fiscal Years Ended September 30, 2022

| | 2022 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 289,997 | \$ 247,424 | \$ 216,822 | \$ 191,347 | \$ 199,326 | \$ 191,653 | \$ 180,762 |
| Contributions in relation to the contractually required contribution | 289,997 | 247,424 | 216,822 | 191,347 | 199,326 | 191,653 | 180,762 |
| Contribution deficiency | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered-employee payroll | \$ 1,666,649 | \$ 1,570,946 | \$ 1,343,622 | \$ 1,214,902 | \$ 1,265,562 | \$ 1,216,844 | \$ 1,147,695 |
| Contributions as a percentage of covered-employee payroll | 17.40% | 17.40% | 15.75% | 15.75% | 15.75% | 15.75% | 15.75% |

CITY OF FLORENCE
Notes to the Required Supplementary Information
For the Year Ended September 30, 2022

MEASUREMENT DATE

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented.

DATA AVAILABLE AND PRESENTED

The required supplementary schedules are presented to illustrate the requirement to show information for 10 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.

CHANGE OF BENEFIT TERMS

None.

CHANGE OF ASSUMPTIONS

None.

CITY OF FLORENCE
BUDGETARY COMPARISON SCHEDULE
PARK FUND
For the Year Ended September 30, 2022

| | Original Budget | Budget as Amended | Actual | Variances Final Budgeted to Actual Over (Under) |
|--|---------------------|----------------------|-------------------|--|
| Revenues: | | | | |
| Federal and state shared | \$ 357,500 | \$ 483,059 | \$ 461,303 | \$ (21,756) |
| Charges for services | 64,000 | 68,057 | 58,547 | (9,510) |
| Other | 11,500 | 21,895 | 10,395 | (11,500) |
| Total revenues | <u>433,000</u> | <u>573,011</u> | <u>530,245</u> | <u>(42,766)</u> |
| Expenditures: | | | | |
| Culture and recreation | 525,050 | 541,138 | 460,510 | (80,628) |
| Capital outlays | 136,700 | 136,700 | 19,742 | (116,958) |
| Total expenditures | <u>661,750</u> | <u>677,838</u> | <u>480,252</u> | <u>(197,586)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (228,750)</u> | <u>\$ (104,827)</u> | 49,993 | <u>\$ 154,820</u> |
| Fund Balance, October 01, 2021 | | | <u>372,013</u> | |
| Fund Balance, September 30, 2022 | | | <u>\$ 422,006</u> | |

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

CITY OF FLORENCE
Schedule of Surety Bonds for Municipal Officials
September 30, 2022

| Name | Position | Company | Bond |
|-------------------|-----------------------------------|-------------------|----------------|
| Robert Morris | Mayor | Municipal Program | \$ 50,000 |
| All | Alderpersons (5) | Municipal Program | \$ 50,000 each |
| Linda C. Wigley | City Clerk | Western Surety | \$ 75,000 |
| Brad Burns | Police Chief | Western Surety | \$ 75,000 |
| Mark Hester | Park Director | 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 |
| Joel Sims | Planning and Zoning Administrator | Western Surety | \$ 50,000 |
| Various Policemen | Police Department | Western Surety | \$ 25,000 |

Barlow & Company, PLLC

Certified Public Accountants

Charles S. Barlow, CPA
Kristi G. Thompson, CPA
Rose L. Williamson, CPA
Hogan E. Allen, CPA
R. Greg Vaughn, CPA

Lauren M. LaPrade, CPA
Kelly L. Smith, CPA

Members of:
American Institute of CPA's
Mississippi Society of CPA's

282 Maxey Drive
Brandon, Mississippi 39042 or
P.O. Box 150
Brandon, Mississippi 39043
(601) 825-1310
(601) 825-1326 Fax
Web Address: www.brandoncpas.com
Emails: sandy@brandoncpas.com
kthompson@brandoncpas.com
rwilliamson@brandoncpas.com
hallen@brandoncpas.com
gvaughn@brandoncpas.com

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

To the Board of Directors
City of Florence, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Florence, Mississippi, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Florence, Mississippi's basic financial statements, and have issued our report thereon dated July 20, 2023.

Internal Control Over Financial Reporting

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

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

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



The CPA. Never Underestimate The Value.

Compliance and Other Matters

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

Purpose of this Report

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

Barlow & Company, PLLC

July 20, 2023
Brandon, Mississippi

Barlow & Company, PLLC

Certified Public Accountants

Charles S. Barlow, CPA
Kristi G. Thompson, CPA
Rose L. Williamson, CPA
Hogan E. Allen, CPA
R. Greg Vaughn, CPA

Lauren M. LaPrade, CPA
Kelly L. Smith, CPA

Members of:
American Institute of CPA's
Mississippi Society of CPA's

282 Maxey Drive
Brandon, Mississippi 39042 or
P.O. Box 150
Brandon, Mississippi 39043
(601) 825-1310
(601) 825-1326 Fax
Web Address: www.brandoncpas.com
Emails: sandy@brandoncpas.com
kthompson@brandoncpas.com
rwilliamson@brandoncpas.com
hallen@brandoncpas.com
gvaughn@brandoncpas.com

INDEPENDENT AUDITOR'S SPECIAL REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the basic financial statements of the City of Florence, Mississippi ("City"), as of and for the year ended September 30, 2022, and have issued our report thereon dated July 20, 2023. 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 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 instances of noncompliance.

This report is intended for the information of the City's management 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.

Barlow & Company, PLLC

Brandon, Mississippi
July 20, 2023



The CPA. Never Underestimate The Value.