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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

And

Special Reports

For the Year Ended September 30, 2023

CITY OF FLORENCE

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Florence, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City'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, 2023, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' 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 opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS 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, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City's Contributions 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 appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

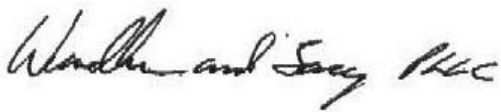
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Surety Bonds for Municipal Officials but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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 June 21, 2024, 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 the City of Florence, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
Pearl, Mississippi
July 1, 2024

CITY OF FLORENCE

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF FLORENCE

Management's Discussion and Analysis For the Year Ended September 30, 2023

INTRODUCTION

The discussion and analysis of the City of Florence's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2023. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

The City of Florence is financially stable. The City has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The City is committed to maintaining sound fiscal management to meet the challenges of the future.

The City of Florence continues to grow both economically and in population. This has allowed the City to maintain a steady growth in tax revenues without a significant tax increase.

Total net position (governmental and business-type activities) increased \$2,069,317. The City's ending cash balance increased by \$540,259 which represents a 9.0% increase from the prior fiscal year.

The City had \$4,352,510 in total revenues in its governmental funds. Property tax revenues account for \$1,421,872 or 32.7% of total revenues. Revenues in the form of reimbursements, shared revenue or grants, account for \$802,002 or 18.4% of total revenues.

The City had \$4,261,377 in total expenses in its governmental funds, which represents a decrease of \$558,595 or 11.6% decrease from the prior fiscal year.

As one of the major funds, the General Fund had \$3,799,396 in revenues and \$3,715,873 in expenditures. As a result, the General Fund's fund balance increased \$83,523 over the prior year. The other major fund, the Park Fund had \$553,114 in revenues and \$545,504 in expenditures. As a result, the Park Fund's fund balance increased \$7,610 over the prior year.

The Business-type Fund, the Water and Sewer Fund, had \$2,337,025 in total revenues and \$2,009,611 in expenditures. The Water and Sewer Fund increased by \$327,414 over the prior year.

Capital assets of governmental activities, net of accumulated depreciation, decreased by \$259,783. Capital assets of business-type activities, net of accumulated depreciation, decreased by \$299,225. Long-term debt of governmental activities increased by \$0 and decreased by \$109,612. Long-term debt of business-type activities increased by \$0 and decreased by \$240,740.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of City finances, in a manner similar to private-sector businesses.

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

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets 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 result in cash flows in future fiscal periods.

CITY OF FLORENCE

Management's Discussion and Analysis For the Year Ended September 30, 2023

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works (streets and bridges); health and welfare; culture and recreation; urban and economic development; and interest on long-term debt.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of 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 a city's near-term financing requirements. Governmental funds include the general, special revenue, debt service and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds in accordance with the *Mississippi Municipal Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Proprietary funds are used to account for resources used to operate the City's water and sewer system and electric system. The accrual basis of accounting is used for fiduciary funds, if any.

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

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Florence, assets exceeded liabilities by \$8,462,138 as of September 30, 2023.

By far, the largest portion of the City's net position (77.0%) reflects its investment in capital assets, (e.g., streets, bridges, land, buildings, water/sewer infrastructure, mobile equipment, furniture & equipment) less related outstanding debt used to acquire such assets. The City uses these capital assets to provide services to its citizens.

CITY OF FLORENCE

Management's Discussion and Analysis For the Year Ended September 30, 2023

The City's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the City's net position for the fiscal year ended September 30, 2023:

	Governmental Activities		Business-type Activities		Total		Increase
	2023	2022	2023	2022	2023	2022	(Decrease)
Current assets	\$ 2,235,088	2,109,980	4,935,263	4,446,092	7,170,351	6,556,072	614,279
Capital assets, net	4,832,030	5,095,511	5,105,839	5,636,391	9,937,869	10,731,902	(794,033)
Total assets	<u>\$ 7,067,118</u>	<u>7,205,491</u>	<u>10,041,102</u>	<u>10,082,483</u>	<u>17,108,220</u>	<u>17,287,974</u>	<u>(179,754)</u>
Deferred outflows	\$ 1,293,066	1,465,670	39,392	29,386	1,332,458	1,495,056	(162,598)
Current liabilities	\$ 402,717	249,453	362,532	963,147	765,249	1,212,600	(447,351)
Non-current liabilities	6,387,826	5,348,845	2,825,465	3,138,374	9,213,291	8,487,219	726,072
Total liabilities	<u>\$ 6,790,543</u>	<u>5,598,298</u>	<u>3,187,997</u>	<u>4,101,521</u>	<u>9,978,540</u>	<u>9,699,819</u>	<u>278,721</u>
Deferred inflows	\$ 32,080	1,859,018	(32,080)	54,019	0	1,913,037	(1,913,037)
Net position							
Invested in capital assets, net of related debt	\$ 4,065,394	4,325,023	2,448,115	1,921,629	6,513,509	6,246,652	266,857
Restricted	429,616	316,600	199,824	2,059,526	629,440	2,376,126	(1,746,686)
Unrestricted	<u>(2,957,449)</u>	<u>(3,427,778)</u>	<u>4,276,638</u>	<u>1,197,821</u>	<u>1,319,189</u>	<u>(2,229,957)</u>	<u>3,549,146</u>
Total net position	<u>\$ 1,537,561</u>	<u>1,213,845</u>	<u>6,924,577</u>	<u>5,178,976</u>	<u>8,462,138</u>	<u>6,392,821</u>	<u>2,069,317</u>

CITY OF FLORENCE

Management's Discussion and Analysis For the Year Ended September 30, 2023

Change in Net Position – The City of Florence's total revenues for the fiscal year ended September 30, 2023, was \$6,685,847. The total cost for all services provided was \$7,019,123. The decrease in net position was \$333,276. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2023:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues						
Charges for services, fines, fees	\$ 381,256	378,891	2,254,686	2,100,521	2,635,942	2,479,412
Operating grants and contributions	201,586	170,000			201,586	170,000
Capital grants and contributions	325,887	484,962			325,887	484,962
General revenues						
Property taxes	1,421,872	1,378,750			1,421,872	1,378,750
Sales taxes	1,570,446	1,436,195			1,570,446	1,436,195
Franchise taxes	209,692	163,346			209,692	163,346
Unrestricted grants and contributions	22,833				22,833	
Interest	13,622	20,694	59,891	46,430	73,513	67,124
Miscellaneous	205,315	364,196	18,761	18,442	224,076	382,638
Gain (loss) on sale of assets		24,150				24,150
Total Revenues	<u>4,352,509</u>	<u>4,421,184</u>	<u>2,333,338</u>	<u>2,165,393</u>	<u>6,685,847</u>	<u>6,586,577</u>
Expenses:						
General government	1,641,580	1,388,917			1,641,580	1,388,917
Public safety	1,768,672	2,205,939			1,768,672	2,205,939
Public works	1,020,016	731,571			1,020,016	731,571
Culture and recreation	550,190	656,554			550,190	656,554
Interest on long-term debt	29,054	34,862			29,054	34,862
Water and Sewer Utility			2,009,611	1,917,164	2,009,611	1,917,164
Total Expenses	<u>5,009,512</u>	<u>5,017,843</u>	<u>2,009,611</u>	<u>1,917,164</u>	<u>7,019,123</u>	<u>6,935,007</u>
Increase (decrease) in net assets	(657,003)	(596,659)	323,727	248,229	(333,276)	(348,430)
Transfers	<u>(3,687)</u>	<u>(1,115,473)</u>	<u>3,687</u>	<u>1,115,473</u>		
Change in Net Assets	<u>\$ (660,690)</u>	<u>(1,712,132)</u>	<u>327,414</u>	<u>1,363,702</u>	<u>(333,276)</u>	<u>(348,430)</u>

CITY OF FLORENCE

Management's Discussion and Analysis For the Year Ended September 30, 2023

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds - At the close of the fiscal year, Florence's governmental funds reported a combined fund balance of \$2,083,228, an increase of \$91,133.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$83,523.

BUDGETARY HIGHLIGHTS (of General Fund only)

The actual disbursements were below original budget amounts by \$543,581.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as Required Supplementary Information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2023, the City of Florence's total capital assets were \$23,547,446.

Total accumulated depreciation as of September 30, 2023, was \$13,609,577, including \$898,990 of depreciation expense for the year. The balance in total net capital assets was \$9,937,869 at year-end.

Additional information on the City's capital assets can be found in "Notes to Financial Statements" of this report.

Debt Administration - On September 30, 2023, the City of Florence had \$3,424,358 long-term debt outstanding. This includes business-type revenue bonds. Of this debt, \$207,998 is due within one year.

The State of Mississippi limits the amount of debt a City can issue to generally 15% of the total assessed value. Debt issued to fund water and sewer projects is exempted from these limits; as a result, the City has legal debt capacity of \$6,636,218.

Additional information on Florence's long-term debt can be found in "Notes to Financial Statements" of this report.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City Clerk's Office at P. O. Box 187, Florence, MS 39073.

CITY OF FLORENCE

FINANCIAL STATEMENTS

CITY OF FLORENCE
Statement of Net Position
September 30, 2023

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,545,194	4,479,874	6,025,068
Property tax receivable	82,153		82,153
Sales tax receivables	188,274		188,274
Other receivables	88,000	208,482	296,482
Due from other funds		47,083	47,083
Total Current Assets	<u>1,903,621</u>	<u>4,735,439</u>	<u>6,639,060</u>
Restricted Assets:			
Cash and cash equivalents	<u>331,467</u>	<u>199,824</u>	<u>531,291</u>
Total Restricted Assets	<u>331,467</u>	<u>199,824</u>	<u>531,291</u>
Capital Assets, net	<u>4,832,030</u>	<u>5,105,839</u>	<u>9,937,869</u>
Total Assets	<u>\$ 7,067,118</u>	<u>10,041,102</u>	<u>17,108,220</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>\$ 1,293,066</u>	<u>39,392</u>	<u>1,332,458</u>
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 101,580	137,871	239,451
Interest payable	3,197	20,275	23,472
Compensated absences payable	139,496	7,749	147,245
Current portion of long-term debt	111,361	196,637	307,998
Due to other funds	47,083		47,083
Total Current Liabilities	<u>402,717</u>	<u>362,532</u>	<u>765,249</u>
Noncurrent Liabilities:			
Customer deposits		186,871	186,871
Net pension liability	5,732,551	177,507	5,910,058
Long-term liabilities	<u>655,275</u>	<u>2,461,087</u>	<u>3,116,362</u>
Total Noncurrent Liabilities	<u>6,387,826</u>	<u>2,825,465</u>	<u>9,213,291</u>
Total Liabilities	<u>6,790,543</u>	<u>3,187,997</u>	<u>9,978,540</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	<u>32,080</u>	<u>(32,080)</u>	<u>0</u>
NET POSITION			
Net investment in capital assets	4,065,394	2,448,115	6,513,509
Restricted for:			
Customer deposits		199,824	199,824
Culture and recreation	429,616		429,616
Unrestricted	<u>(2,957,449)</u>	<u>4,276,638</u>	<u>1,319,189</u>
Total Net Position	<u>\$ 1,537,561</u>	<u>6,924,577</u>	<u>8,462,138</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE
Statement of Activities
For the Year Ended September 30, 2023

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 1,641,580	72,135	31,586		(1,537,859)		(1,537,859)
Public safety	1,768,672	248,117	170,000		(1,350,555)		(1,350,555)
Public works	1,020,016			325,887	(694,129)		(694,129)
Health and welfare		61,004			61,004		61,004
Culture and recreation	550,190				(550,190)		(550,190)
Interest on long-term debt	29,054				(29,054)		(29,054)
Total Governmental Activities	<u>5,009,512</u>	<u>381,256</u>	<u>201,586</u>	<u>325,887</u>	<u>(4,100,783)</u>	<u>0</u>	<u>(4,100,783)</u>
Business-type Activities:							
Water and sewer utilities	<u>2,009,611</u>	<u>2,254,686</u>				<u>245,075</u>	<u>245,075</u>
Total Business-type Activities	<u>2,009,611</u>	<u>2,254,686</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>245,075</u>	<u>245,075</u>
Total Primary Government	<u>\$ 7,019,123</u>	<u>2,635,942</u>	<u>201,586</u>	<u>325,887</u>	<u>(4,100,783)</u>	<u>245,075</u>	<u>(3,855,708)</u>
General Revenues and Transfers							
Taxes:							
Property taxes					\$ 1,421,872		1,421,872
Sales tax					1,570,446		1,570,446
Franchise taxes					209,692		209,692
Grants and contributions not otherwise restricted					22,833		22,833
Unrestricted investment income					13,622	59,891	73,513
Miscellaneous					205,315	18,761	224,076
Transfers					(3,687)	3,687	
Total General Revenues and Transfers					<u>3,440,093</u>	<u>82,339</u>	<u>3,522,432</u>
Change in Net Position					<u>(660,690)</u>	<u>327,414</u>	<u>(333,276)</u>
Net Position - Beginning, as originally stated					1,213,845	6,542,680	7,756,525
Prior Period Adjustment					984,406	54,483	1,038,889
Net Position - Beginning, as restated					<u>2,198,251</u>	<u>6,597,163</u>	<u>8,795,414</u>
Net Position - Ending					<u>\$ 1,537,561</u>	<u>6,924,577</u>	<u>8,462,138</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE
Balance Sheet
Governmental Funds
September 30, 2023

Exhibit 3

	General Fund	Park Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,545,194	331,467	1,876,661
Property tax receivable	82,153		82,153
Sales tax receivable	188,274		188,274
Due from other funds		29,375	29,375
Other receivables	<u>10,469</u>	<u>77,531</u>	<u>88,000</u>
 Total Assets	 <u>\$ 1,826,090</u>	 <u>438,373</u>	 <u>2,264,463</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Claims payable	\$ 92,823	8,757	101,580
Accrued interest payable	3,197		
Due to other funds	<u>76,458</u>		<u>76,458</u>
Total Liabilities	<u>172,478</u>	<u>8,757</u>	<u>178,038</u>
 Fund Balances:			
Unassigned	1,653,612		1,653,612
Restricted:			
Culture & recreation		<u>429,616</u>	<u>429,616</u>
Total Fund Balances	<u>1,653,612</u>	<u>429,616</u>	<u>2,083,228</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,826,090</u>	 <u>438,373</u>	 <u>2,261,266</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2023

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 2,083,228
Amounts reported for governmental services in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets are used in governmental activities, are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	4,832,030
Deferred outflows of resources - deferred outflows - pension	1,293,066
Deferred inflows of resources - deferred inflows - pension	(32,080)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(5,732,551)
Long-term liabilities	(766,636)
Compensated absences	<u>(139,496)</u>
Total net position - Governmental Activities (Exhibit 1)	\$ <u><u>1,537,561</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2023

Exhibit 4

	General Fund	Park Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,421,872		1,421,872
Franchise fees	209,692		209,692
Licenses and permits	133,139		133,139
Fines and forfeitures	248,117		248,117
Intergovernmental revenues	325,887	476,115	802,002
Charges for services	1,318,751		1,318,751
Interest income	13,623		13,623
Miscellaneous	128,315	76,999	205,314
Total Revenues	<u>3,799,396</u>	<u>553,114</u>	<u>4,352,510</u>
EXPENDITURES			
Current:			
General government	757,551		757,551
Public safety	1,858,791		1,858,791
Public works	950,915		950,915
Culture and recreation	4,300	545,504	549,804
Debt service:			
Principal retirement	109,612		109,612
Interest and fiscal charges	31,017		31,017
Total Expenditures	<u>3,712,186</u>	<u>545,504</u>	<u>4,257,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>87,210</u>	<u>7,610</u>	<u>94,820</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(3,687)		(3,687)
Total Other Financing Sources and Uses	<u>(3,687)</u>	<u>0</u>	<u>(3,687)</u>
Net Change in Fund Balances	83,523	7,610	91,133
Fund Balances - Beginning	<u>1,570,089</u>	<u>422,006</u>	<u>1,992,095</u>
Fund Balances - Ending	<u>\$ 1,653,612</u>	<u>429,616</u>	<u>2,083,228</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE**Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2023**

Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$	91,133
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$348,090 exceeded capital outlays of \$88,307 in the current period less adjustments to prior period of \$2,842.	(262,625)
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the basis of assets disposed.

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments of \$109,612 exceeded debt proceeds of \$0.	109,612
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Items reported in the Statement of Activities relating to the implementation of GASB Statement No. 68 are not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year	(866,286)	
Recognition of contributions made subsequent to the measurement date	75,565	
Recognition of contributions made in the fiscal year prior to the measurement date	<u>217,432</u>	(573,289)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by the following item:

Change in compensated absences	<u>(25,521)</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	\$	<u><u>(660,690)</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE
Statement of Net Position -
Proprietary Fund
September 30, 2023

Exhibit 5

	Water and Sewer Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,479,874
Accounts receivable, net	208,482
Due from other funds	47,083
Total Current Assets	<u>4,735,439</u>
Restricted Assets:	
Cash and cash equivalents	199,824
Total Restricted Assets	<u>199,824</u>
Capital assets, net	<u>5,105,839</u>
Total Assets	<u>\$ 10,041,102</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	\$ <u>39,392</u>
LIABILITIES	
Current Liabilities:	
Claims payable	\$ 137,871
Interest payable	20,275
Compensated absences	7,749
Current portion of long-term debt	196,637
Total Current Liabilities	<u>362,532</u>
Noncurrent Liabilities:	
Customer deposits	186,871
Net pension liability	177,507
Long-term liabilities	2,461,087
Total Noncurrent Liabilities	<u>2,825,465</u>
Total Liabilities	<u>3,187,997</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	<u>(32,080)</u>
NET POSITION	
Net investment in capital assets	2,448,115
Restricted for:	
Meter deposits	199,824
Unrestricted	<u>4,276,638</u>
Total Net Position	<u>\$ 6,924,577</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Fund
For the Year Ended September 30, 2023

Exhibit 6

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 2,254,686
Total Operating Revenues	<u>2,254,686</u>
OPERATING EXPENSES	
Personnel services	174,642
Supplies, services, and other charges	1,206,851
Depreciation expense	<u>550,900</u>
Total Operating Expenses	<u>1,932,393</u>
Operating Income (Loss)	<u>322,293</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	59,891
Miscellaneous nonoperating income (expense)	18,761
Interest expense	<u>(77,218)</u>
Total Nonoperating Revenue (Expenses)	<u>1,434</u>
Transfer in	<u>3,687</u>
Change in Net Position	<u>327,414</u>
Total Net Position - Beginning, as originally stated	6,542,680
Prior Period Adjustment	<u>54,483</u>
Total Net Position - Beginning, as restated	<u>6,597,163</u>
Total Net Position - Ending	<u>\$ 6,924,577</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE
Statement of Cash Flows -
Proprietary Fund
For the Year Ended September 30, 2023

Exhibit 7

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,254,686
Payments to suppliers	(1,180,668)
Payments to employees	(94,067)
Net Cash Provided (Used) by Operating Activities	<u>979,951</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from other income	18,761
Interfund transactions	3,687
Net Cash Provided (Used) by Noncapital Financing Activities	<u>22,448</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(251,675)
Principal paid on long-term debt	(240,740)
Interest expense paid	(77,218)
Net Cash Provided (Used) by Capital Financing Activities	<u>(569,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	59,891
Net Cash Provided From Investing Activities	<u>59,891</u>
Net Increase (Decrease) in Cash and Cash Equivalents	492,657
Cash and Cash Equivalents - Beginning of Year	<u>4,187,041</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,679,698</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>322,293</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	550,900
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	17,274
(Increase) decrease in deferred outflows	9,543
(Increase) decrease in due from	(13,788)
Increase (decrease) in claims payable	60,221
Increase (decrease) in compensated absences payable	4,110
Increase (decrease) in net pension liability	68,697
Increase (decrease) in deferred inflows	(46,539)
Increase (decrease) in intergovernmental payables	7,240
Total adjustments	<u>657,658</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 979,951</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Florence, Mississippi, (City) was incorporated in 1905 under the laws of the State of Mississippi (State) and is located within Rankin County. The City operates under a Board of Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and sanitation, recreation, education, public improvements, planning and zoning, and general administrative services.

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

B. Basis of Presentation.

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes and intergovernmental revenues, and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the government activities and business-type activities of the City as of September 30, 2023. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflow, fund balance, revenues and expenditures or expenses. Funds are organized into governmental, proprietary and fiduciary, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

C. Measurement Focus and Basis of Accounting.

The Government-wide and Proprietary Fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements have been satisfied.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major governmental funds:

General Fund - The City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Park Fund - This fund is used to account for monies from specific revenue sources that are restricted for the park.

The City reports the following major Proprietary Fund:

Water and Sewer Fund - This fund accounts for the activities of the City's water and wastewater systems and waste disposal.

Additionally, the City reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

Permanent Funds - These funds are used to account for and report resources that are restricted to the extent that only earning, and not principal, may be used for purposes that support the City's programs.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the City to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any City, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Inventory.

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

I. Restricted Assets.

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City of Florence meets this criteria and has so elected. Therefore, the major general infrastructure assets required prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the City's financial statements.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

K. Deferred Outflows/Inflows of Resources.

In addition to assets, the Statement of Net 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/expenditure) until then.

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

Deferred amount on refunding - For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows related to pensions - This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 9 for additional details.

Deferred revenues - property tax/unavailable revenue - property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions - This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 9 for additional details.

L. Long-term Liabilities.

Long-term liabilities are the unmatured principal bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on financed purchases and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Statement of Net Position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources.

M. Pensions.

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

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

N. Compensated Absences.

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example, an employee resigns or retires.

O. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the City:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources by an external party or imposed by law through either a constitutional provision or enabling legislation.

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

P. Property Tax Revenues.

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount, which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase.

Rankin County collects the City's property taxes.

Q. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

CITY OF FLORENCE

**Notes to Financial Statements
For the Year Ended September 30, 2023**

(2) Prior Period Adjustment.

A summary of the significant net position/fund balance adjustment is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
Pension for 2022 was not stated correctly; due to this error the governmental fund balance was adjusted to correct this error.	\$ <u>984,406</u>
Total prior period adjustment	\$ <u><u>984,406</u></u>

Exhibit 2 – Statement of Activities – Business-type Activities.

<u>Explanation</u>	<u>Amount</u>
Pension for 2022 was not stated correctly; due to this error the governmental fund balance was adjusted to correct this error.	\$ <u>54,483</u>
Total prior period adjustment	\$ <u><u>54,483</u></u>

(3) Deposits.

The carrying amount of the City's total deposits with financial institutions at September 30, 2023, was \$6,556,359 and the bank balance was \$6,712,220. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by *Section 27-105-5, Mississippi Code of 1972 Annotated*. Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

CITY OF FLORENCE

**Notes to Financial Statements
For the Year Ended September 30, 2023**

(4) Receivables.

Receivables as of year-end for the City's individual major funds and Proprietary Fund, are as follows:

	<u>Governmental Funds</u>			<u>Proprietary Fund</u>
	<u>General</u>	<u>Park</u>	<u>Total</u>	
Receivables:				
Property taxes	\$ 82,153		82,153	
Accounts				208,482
Sales tax	188,274		188,274	
Tourism tax		77,531	77,531	
Franchise tax	<u>10,469</u>	<u></u>	<u>10,469</u>	<u></u>
Gross receivables	<u>\$ 280,896</u>	<u>77,531</u>	<u>358,427</u>	<u>208,482</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2023:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 867,224			867,224
Total capital assets, not being depreciated	<u>867,224</u>	<u>0</u>	<u>0</u>	<u>867,224</u>
Capital assets, being depreciated:				
Buildings & improvements	6,192,575			6,192,575
Machinery, equipment & vehicles	<u>2,134,499</u>	<u>88,307</u>	<u>(950)</u>	<u>2,221,856</u>
Total capital assets being depreciated	<u>8,327,074</u>	<u>88,307</u>	<u>(950)</u>	<u>8,414,431</u>
Less: Accumulated depreciation for:				
Buildings & improvements	2,444,065	207,672		2,651,737
Machinery, equipment & vehicles	<u>1,658,420</u>	<u>140,418</u>	<u>(950)</u>	<u>1,797,888</u>
Total accumulated depreciation	<u>4,102,485</u>	<u>348,090</u>	<u>(950)</u>	<u>4,449,625</u>
Total capital assets, being depreciated, net	<u>4,224,589</u>	<u>(259,783)</u>	<u>0</u>	<u>3,964,806</u>
Governmental activities capital assets, net	<u>\$ 5,091,813</u>	<u>(259,783)</u>	<u>0</u>	<u>4,832,030</u>

(Capital Assets Continued)

CITY OF FLORENCE

**Notes to Financial Statements
For the Year Ended September 30, 2023**

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 312,548	190,155		502,703
Total capital assets, not being depreciated	<u>312,548</u>	<u>190,155</u>	<u>0</u>	<u>502,703</u>
Capital assets:				
Buildings & improvements	12,147,767	26,000		12,173,767
Machinery, equipment & vehicles	1,553,801	35,520		1,589,321
Total capital assets, being depreciated	<u>13,701,568</u>	<u>61,520</u>	<u>0</u>	<u>13,763,088</u>
Less: Accumulated depreciation:				
Buildings & improvements	7,749,160	460,865		8,210,025
Machinery, equipment & vehicles	859,892	90,035		949,927
Total accumulated depreciation	<u>8,609,052</u>	<u>550,900</u>	<u>0</u>	<u>9,159,952</u>
Total capital assets, being depreciated, net	<u>5,092,516</u>	<u>(489,380)</u>	<u>0</u>	<u>4,603,136</u>
Business-type activities capital assets, net	\$ <u>5,405,064</u>	<u>(299,225)</u>	<u>0</u>	<u>5,105,839</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 71,673
Public safety	72,514
Public works	161,106
Culture and recreation	<u>42,797</u>
Total depreciation expense - governmental activities	\$ <u>348,090</u>
Business-type activities:	
Water and Sewer Fund	\$ <u>550,900</u>
Total depreciation expense - business-type activities	\$ <u>550,900</u>

CITY OF FLORENCE

**Notes to Financial Statements
For the Year Ended September 30, 2023**

(6) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2023:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Park Fund	General Fund	\$ 29,375
Water Fund	General Fund	47,083
Total		\$ <u>76,458</u>

Interfund payables are primarily related to grant activity.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Water	General Fund	\$ 3,687
Total		\$ <u>3,687</u>

The purpose of this transfer was routine allocations between fund, transfers for debt service.

(7) Long-term Debt.

General Obligation and Revenue Bonds:

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the City.

Bonds currently outstanding are as follows:

<u>Bonds</u>	<u>Governmental Activities</u>	<u>Business-type Activities</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%.	\$	2,575,000
\$1,000,000 general obligation bonds, Series 2002-1, payable for 20 years to Trustmark Bank with installments ranging from \$20,000 to \$75,000, bearing interest of 4.4561%.		
\$1,000,000 general obligation bonds, Series 2014, payable semi-annually for 20 years to Priority One Bank with installments ranging from \$20,000 to \$75,000, bearing interest ranging from .75% to 4.75%.	<u>675,000</u>	
Total Bonds	\$ <u>675,000</u>	<u>2,575,000</u>

CITY OF FLORENCE

**Notes to Financial Statements
For the Year Ended September 30, 2023**

Annual debt service requirements to maturity for bonds are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 50,000	25,758
2025	50,000	24,258
2026	50,000	22,708
2027	55,000	21,083
2028	60,000	19,240
2029-2036	<u>410,000</u>	<u>65,015</u>
Total	\$ <u>675,000</u>	<u>178,062</u>

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 155,000	69,400
2025	160,000	64,875
2026	165,000	60,406
2027	175,000	56,059
2028	180,000	51,731
2029-2036	<u>1,740,000</u>	<u>215,059</u>
Total	\$ <u>2,575,000</u>	<u>517,530</u>

Loans:

The City has received several loans to finance various projects including building acquisition and waste water system improvements. Two of these loans are made under state programs. Loans currently outstanding are as follows:

<u>Capital Improvement Loans and Other Loans</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$500,000 2002 capital improvement loan for infrastructure improvements, of which the City drew \$470,982. The City makes monthly payments of \$2,383 to the Mississippi Development Authority, which includes interest of 2%, with the final payment due March 31, 2025.	\$ 16,613	32,572
\$500,000 2003 capital improvement loan for infrastructure improvements, of which the City drew \$388,926. The City makes monthly payments of \$1,968 to the Mississippi Development Authority, which includes interest of 2%, with the final payment due October 31, 2025.		50,151

(Loans Continued)

CITY OF FLORENCE

**Notes to Financial Statements
For the Year Ended September 30, 2023**

<u>Capital Improvement Loans and Other Loans</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
\$149,670 2018 loan, which is payable to Copiah Bank in five annual payments of \$32,699 which includes interest of 3.10%, with the final payment due November 15, 2023.	31,629	
\$65,670 2022 loan, which is payable to Copiah Bank in three annual payments of \$22,565 which includes interest of 1.45%, with the final payment due November 14, 2024.	<u>43,393</u>	
Total Capital Improvement Loans and Other Loans	\$ <u><u>91,635</u></u>	<u><u>82,723</u></u>

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30:</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 102,998	4,386
2025	69,460	2,097
2026	<u>1,900</u>	<u>68</u>
Total	\$ <u><u>174,358</u></u>	<u><u>6,551</u></u>

Changes in Long-term Liabilities:

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities:					
General obligation bonds	\$ 745,000		70,000	675,000	50,000
Capital improvement loans	25,488		8,875	16,613	8,307
Other loans	<u>105,759</u>		<u>30,737</u>	<u>75,022</u>	<u>53,054</u>
	876,247		109,612	766,635	111,361
Compensated absences	<u>113,975</u>	<u>25,521</u>		<u>139,496</u>	
Total Governmental Activities	\$ <u><u>990,222</u></u>	<u><u>25,521</u></u>	<u><u>109,612</u></u>	<u><u>906,131</u></u>	<u><u>111,361</u></u>
Business-type Activities:					
General obligation bonds	\$ 50,000		50,000		
Revenue bonds	2,725,000		150,000	2,575,000	155,000
Capital improvement loans	<u>123,463</u>		<u>40,740</u>	<u>82,723</u>	<u>41,637</u>
	2,898,463		240,740	2,657,723	196,637
Compensated absences	<u>3,639</u>	<u>4,110</u>		<u>7,749</u>	
Total Business-type Activities	\$ <u><u>2,902,102</u></u>	<u><u>4,110</u></u>	<u><u>240,740</u></u>	<u><u>2,665,472</u></u>	<u><u>196,637</u></u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally, the General Fund, Waste Water Fund, and Solid Waste Fund.

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

(8) Contingencies.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time; although the City expects such amounts, if any, to be immaterial.

The City is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the City with respect to the various proceedings; however, the City's legal counsel believes that any ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

The City of Florence has entered into joint and several relationships with other public entities in the Mississippi Municipal Worker's Compensation Group. Each member shares responsibility for premium contribution based on payroll and their own loss experiences as well as assessments needed for fund inadequacies. They also share the benefit of fund surplus in the form of dividends when applicable. The City was subject to assessment for the year ended September 30, 2023. No assessment was made or is probable for the year ended September 30, 2023.

(9) Defined Benefit Pension Plan.

General Information about the Pension Plan

Plan Description. The City of Florence, Mississippi 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 the Board of Trustees' authority to determine contribution rates are established by *Mississippi Code of 1972 Annotated Section 25-11-1 et seq.* and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public-school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent 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 2.5 percent 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. 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).

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2023, PERS members were required to contribute 9% of their annual covered salary, and the City's required to contribute at an actuarially determined rate. The employer's rate at September 30, 2023 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ended September 30, 2023, 2022, and 2021, were \$309,202, \$289,997, and \$245,234, respectively equal to the required contributions for each year.

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

At September 30, 2023, the City of Florence reported a liability of \$5,910,057 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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 employers, actuarially determined. The City's proportionate share used to calculate the September 30, 2023 net pension liability was .023498 percent, which was based on a measurement date of June 30, 2023. This was an increase of .001158 percent from its proportionate share used to calculate the September 30, 2022 net pension liability, which was based on a measurement date of June 30, 2022.

For the year ended September 30, 2023, the City of Florence recognized pension expense of \$706,417. At September 30, 2023, the City of Florence reported deferred outflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 144,926
Net difference between projected and actual earnings on pension plan investments	207,128
Changes of assumptions	729,666
Changes in proportion and differences between entity contributions and proportionate share of contributions	170,994
Entity contributions subsequent to the measurement date	<u>79,744</u>
Total	\$ <u><u>1,332,458</u></u>

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

\$79,744 reported as deferred outflows of resources related to pensions resulting from the City of Florence's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Deferred Outflows of Resources</u>
2024	\$ 508,193
2025	286,283
2026	456,479
2027	<u>1,759</u>
Total	<u>\$ 1,252,714</u>

Actuarial assumptions. The total pension liability as of June 30, 2023 was determined by an actuarial valuation prepared as of June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77; for females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2021 to June 30, 2022. The experience report is dated April 21, 2023.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimated future real rates of return (expected nominal returns, net of pension plan investments 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. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.75 %
International Equity	22.00	4.75
Fixed Income	20.00	1.75
Global Equity	12.00	4.95
Real Estate	10.00	3.25
Private Equity	8.00	6.00
Cash Equivalents	<u>1.00</u>	0.25
Total	<u>100.00 %</u>	

CITY OF FLORENCE

Notes to Financial Statements For the Year Ended September 30, 2023

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) 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 Entity's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City of Florence's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.00%, as well as what the entities' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 7,621,169	\$ 5,910,057	\$ 4,505,900

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(10) Effect of Deferred Amounts on Net Position.

The City of Florence's unrestricted net position amount of \$1,319,189 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$79,744 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. The \$1,252,714 balance of deferred outflow of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next three years. The \$0 balance of the deferred inflows of resources related to pensions at September 30, 2023, will be recognized in pension expense over the next three years.

(11) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the Statement of Net Position date, require disclosure in the accompanying notes. Management of the City of Florence evaluated the activity of the City through July 1, 2024, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

Subsequent to September 30, 2023, the City issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11/01/2023	7.125% - 5.500%	\$ 6,380,000	General obligation bond	First Security Bank

CITY OF FLORENCE

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORENCE
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund - UNAUDITED
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive Negative
REVENUES				
Taxes	\$ 1,400,000	1,400,000	1,421,872	21,872
Franchise fees	171,989	171,989	209,692	37,703
Licenses and permits	66,640	66,640	133,139	66,499
Fines and forfeitures	250,000	250,000	248,117	(1,883)
Intergovernmental revenues	1,436,891	1,436,891	1,474,638	37,747
Charges for services	323,721	323,721	170,000	(153,721)
Interest earned	13,622	13,622	13,622	
Miscellaneous revenues	104,863	104,863	109,433	4,570
Total Revenues	<u>3,767,726</u>	<u>3,767,726</u>	<u>3,780,513</u>	<u>12,787</u>
EXPENDITURES				
General government	980,437	980,437	823,450	(156,987)
Public safety	2,152,544	2,152,544	1,870,742	(281,802)
Public works	1,059,265	1,059,265	946,486	(112,779)
Culture and recreation	4,200	4,200	4,300	100
Total Expenditures	<u>4,196,446</u>	<u>4,196,446</u>	<u>3,644,978</u>	<u>551,468</u>
Excess of Revenues Over (Under) Expenditures	<u>(428,720)</u>	<u>(428,720)</u>	<u>135,535</u>	<u>564,255</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		0	(3,687)	(3,687)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>(3,687)</u>	<u>(3,687)</u>
Net Change in Fund Balance	(428,720)	(428,720)	131,848	560,568
Fund Balances - Beginning	<u>424,520</u>	<u>424,520</u>	<u>1,570,089</u>	<u>711,759</u>
Fund Balances - Ending	<u>\$ (4,200)</u>	<u>(4,200)</u>	<u>1,701,937</u>	<u>1,272,327</u>

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

CITY OF FLORENCE
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Park Fund - UNAUDITED
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 480,000	480,000	476,115	(3,885)
Miscellaneous revenues	86,932	86,932	76,999	(9,933)
Total Revenues	<u>566,932</u>	<u>566,932</u>	<u>553,114</u>	<u>(13,818)</u>
EXPENDITURES				
Culture and recreation	<u>770,979</u>	<u>770,979</u>	<u>543,311</u>	<u>(227,668)</u>
Total Expenditures	<u>770,979</u>	<u>770,979</u>	<u>543,311</u>	<u>227,668</u>
Excess of Revenues Over (Under) Expenditures	<u>(204,047)</u>	<u>(204,047)</u>	<u>9,803</u>	<u>213,850</u>
Net Change in Fund Balance	(204,047)	(204,047)	9,803	213,850
Fund Balances - Beginning	<u>204,047</u>	<u> </u>	<u>422,006</u>	<u>(422,006)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>(204,047)</u>	<u>431,809</u>	<u>(208,156)</u>

The accompanying 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
Last 10 Fiscal Years * - UNAUDITED
PERS
For the Year Ended September 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.023498 %	0.022343 %	0.021357 %	0.021166 %	0.020170 %	0.019086 %	0.020418 %	0.018736 %	0.01821 %
City's proportionate share of the net pension liability (asset)	\$ 5,910,057	4,599,002	3,156,657	4,097,492	3,592,201	3,174,571	3,394,166	3,346,717	2,814,907
City's covered payroll	\$ 1,756,234	1,420,046	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 (asset) as a percentage of its covered payroll	336.518767 %	323.862889 %	222.292588 %	377.668873 %	267.352053 %	260.466935 %	259.133039 %	279.21814 %	247.42737 %
Plan fiduciary net position as a percentage of the total pension liability	55.70 %	58.97 %	70.44 %	58.97 %	61.59 %	62.54 %	61.49 %	57.47 %	61.70 %

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

CITY OF FLORENCE
Schedule of the City's Contributions
Last 10 Fiscal Years - UNAUDITED**
PERS
For the Year Ended September 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 309,202	289,997	244,226	247,424	216,882	191,347	199,326	191,653	180,762
Contributions in relation to the contractually required contribution	<u>309,202</u>	<u>289,997</u>	<u>244,226</u>	<u>247,424</u>	<u>216,882</u>	<u>191,347</u>	<u>199,326</u>	<u>191,653</u>	<u>180,762</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
City covered payroll	\$ 1,777,028	1,666,649	1,403,598	1,570,946	1,343,622	1,214,902	1,265,562	1,216,844	1,147,695
Contributions as a percentage of covered payroll	17.40%	17.40%	17.40%	17.40%	15.75% 17.40% *	15.75%	15.75%	15.75%	15.75%

* Until July 1, 2019, contributions were 15.75%. Subsequent to July 1, 2019, contributions were 17.40%.

** This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in the fiscal year ending September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

CITY OF FLORENCE

Notes to the Required Supplementary Information For the Year Ended September 30, 2023 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and the Park Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		General Fund
		<u> </u>
Net Change in Fund Balance - Budget (Cash Basis)	\$	131,848
Increase (decrease):		
Net adjustments for revenue accruals		18,883
Net adjustments for expenditure accruals		<u>(67,208)</u>
Net Change in Fund Balance GAAP Basis	\$	<u><u>83,523</u></u>

CITY OF FLORENCE

Notes to the Required Supplementary Information For the Year Ended September 30, 2023 UNAUDITED

Pension Schedules

A. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

B. Changes in assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

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

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

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CITY OF FLORENCE

Notes to the Required Supplementary Information For the Year Ended September 30, 2023 UNAUDITED

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
Projection scale MP-2018 will be used to project future improvements in life expectancy, generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.
For females, 115% of female rates at all ages.
Projection scale MP-2018 will be used to project future improvements in life expectancy, generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2021

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
For females, 84% of the female rates up to age 72, 100% for ages above 76.
Projection scale MP-2020 will be used to project future improvements in life expectancy, generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

For males, 134% of male rates at all ages.
For females, 121% of female rates at all ages.
Projection scale MP-2020 will be used to project future improvements in life expectancy, generationally.

CITY OF FLORENCE

Notes to the Required Supplementary Information For the Year Ended September 30, 2023 UNAUDITED

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.
For females, 110% of female rates at all ages.
Projection scale MP-2020 will be used to project future improvements in life expectancy, generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.
The wage inflation assumption was reduced from 3.00% to 2.65%.
The investment rate of return assumption was changed from 7.75% to 7.55%.
The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.
Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

2023

The investment rate of return assumption was changed from 7.55% to 7.00%.
The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.
Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

C. Method and assumptions used in calculations of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2021 valuation for the June 30, 2023 fiscal year-end). The following actuarial methods and assumptions were used to determine the most recent contributions rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	26.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

CITY OF FLORENCE

OTHER INFORMATION

CITY OF FLORENCE
Schedule of Surety Bonds For Municipal Officials - UNAUDITED
For the Year Ended September 30, 2023

Name	Position	Surety Agency	Bond Amount
Robert Morris	Mayor	Municipal Program	\$ 50,000
John Helms	Alderman	Municipal Program	\$ 50,000
Kenyon D. Gunn	Alderman	Municipal Program	\$ 50,000
Mason Herrin	Alderman	Municipal Program	\$ 50,000
John V. Banks	Alderman	Municipal Program	\$ 50,000
Brian Grantham	Alderman	Municipal Program	\$ 50,000
Linda C. Wigley	City Clerk	Western Surety	\$ 75,000
Brad Burns	Police Chief	Western Surety	\$ 75,000
Mark Hester	Sports Director	Western Surety	\$ 50,000
Dana Vaughn	Deputy Clerk	Western Surety	\$ 50,000
Melissa J. McCue	Court Clerk	Western Surety	\$ 75,000
Joel Sims	Building Official	Western Surety	\$ 50,000
Edwin Sandifer	Development & Zoning Administrator	Western Surety	\$ 50,000
Teresa Callahan	Water Clerk	Western Surety	\$ 25,000
Nora Cleveland	Water Clerk	Western Surety	\$ 25,000
Various	Police Officers	Western Surety	\$ 25,000
Various	Dispatchers	Western Surety	\$ 25,000

CITY OF FLORENCE

SPECIAL REPORTS

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Mississippi Society of CPAs

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

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

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 1, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

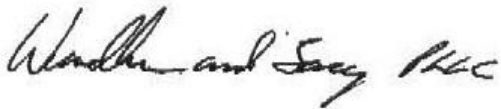
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Florence, Mississippi's financial statements are free of 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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City'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.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
Pearl, Mississippi
July 1, 2024

Windham and Lacey, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

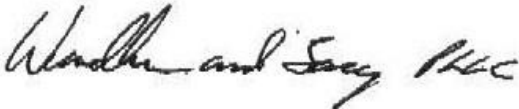
Honorable Mayor and
Members of the Board of Aldermen
City of Florence, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the City of Florence, Mississippi, as of and for the year ended September 30, 2023, and have issued our report thereon dated July 1, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management 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.



Windham and Lacey, PLLC
Pearl, Mississippi
July 1, 2024

CITY OF FLORENCE

SCHEDULE OF FINDINGS

CITY OF FLORENCE

**Schedule of Findings
For the Year Ended September 30, 2023**

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditors' report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.