

CITY OF FLORENCE, TEXAS

**Audited Financial Statements
Independent Auditor's Report And
Supplemental Schedules
For the Year Ended
September 30, 2023**

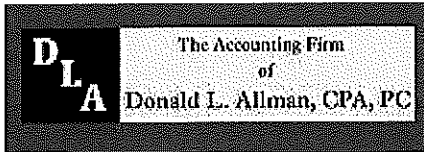
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**CITY OF FLORENCE, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Florence, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Florence, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Florence, Texas'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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Florence, Texas'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, Texas'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.

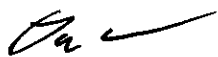
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, on our consideration of the City of Florence, Texas 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, Texas'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, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.



Georgetown, TX
June 27, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of the City of Florence, Texas, discuss and analyze the City's financial performance for the year ended September 30, 2023. Please read it in conjunction with the independent auditors' report and the City's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The city's net position was \$4,042,410 for the governmental activities fund and \$2,386,108 for the business-type activities fund at September 30, 2023.
- The General Fund had a decrease in net position of \$(623,568).
- The Proprietary Fund had a decrease in net position of \$(403,133).
- The General Fund on the governmental funds basis had a decrease in net position of \$(411,058) and had an ending fund balance of \$4,421,569.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the city's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the city's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the budget. The fiduciary statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The required Supplementary Information section contains financial information and disclosures required by the Governmental Accounting Standards Board (GASB), but are not considered a part of the basic financial statements. The section labeled Other Supplementary Information contains data used by monitoring or regulatory agencies for assurance that the City is using funds supplied in compliance with the terms of grants.

REPORTING THE CITY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies. This means all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

All of the current year's revenues are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who pay for the costs of some programs (such as utility funds) and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All of the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider nonfinancial factors such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities.

Governmental Activities-Most of the City's basic services are reported here, including the transportation, maintenance, community services, and general administration. Property taxes, fees, and state and federal grants finance most of these activities.

Business-type Activities – The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in the Revenue Fund.

Business-type Activities – The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in the Revenue Fund.

Component Units – The City includes two separate legal entities in its report – the Economic Development Corporation (4A) and the Infrastructure/Improvement Corporation (4B). Although legally separate, these “component units” are important because the City is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish some funds, such as grants received from a governmental agency. The city's administration may establish other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the city's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

Proprietary Funds – The City reports the activities for which it charges users in proprietary funds using the same accounting method employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City’s assets exceeded liabilities by \$6,428,518 at the close of the most recent fiscal year.

Governmental activities net position decreased by \$(623,568) during the current year.

Business-type activities net position decreased by \$(403,133) during the current year.

TABLE I
CITY OF FLORENCE, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
September 30, 2023

	Governmental Activities		Business-type Activities		Total	
	Sep-2023	Sep-2022	Sep-2023	Sep-2022	Sep-2023	Sep-2022
Current assets	\$ 4,513,184	\$ 4,918,419	\$ 128,145	\$ 649,504	\$ 4,641,329	\$ 5,567,923
Capital assets	2,027,347	2,181,403	3,208,181	3,586,758	5,235,528	5,768,161
Total assets	<u>6,540,531</u>	<u>7,099,822</u>	<u>3,336,326</u>	<u>4,236,262</u>	<u>9,876,857</u>	<u>11,336,084</u>
Deferred Outflows of Resources	70,383	10,059	34,982	11,878	105,365	21,937
Total deferred outflows	<u>70,383</u>	<u>10,059</u>	<u>34,982</u>	<u>11,878</u>	<u>105,365</u>	<u>21,937</u>
Current liabilities	132,719	117,260	441,670	344,861	574,389	462,121
Long-term liabilities	2,374,768	2,287,966	495,324	799,969	2,870,092	3,087,935
Total liabilities	<u>2,507,487</u>	<u>2,405,226</u>	<u>936,994</u>	<u>1,144,830</u>	<u>3,444,481</u>	<u>3,550,056</u>
Deferred Inflows of Resources	61,017	38,677	48,206	16,639	109,223	55,316
Total deferred inflows	<u>61,017</u>	<u>38,677</u>	<u>48,206</u>	<u>16,639</u>	<u>109,223</u>	<u>55,316</u>
Net Position:						
Net Investment in Capital Assets	732,496	931,191	2,478,276	2,720,761	3,210,772	3,651,952
Restricted	1,170,872	1,647,340	126,491	118,493	1,297,363	1,765,833
Unrestricted	2,139,042	2,087,447	(218,659)	247,417	1,920,383	2,334,864
Total net position	<u>4,042,410</u>	<u>4,665,978</u>	<u>2,386,108</u>	<u>3,086,671</u>	<u>6,428,518</u>	<u>7,752,645</u>

TABLE II
CITY OF FLORENCE, TEXAS
GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2023

	Governmental Activities		Business-Type Activities		Total	
	Sep-23	Sep-22	Sep-23	Sep-22	Sep-23	Sep-22
Revenues:						
Program Revenues:						
Charges for Services	364,940	294,342	949,387	970,840	1,314,327	1,265,182
Operating Grants	-	-	-	-	-	-
Capital Grants	-	-	17,000	1,700	17,000	1,700
General Revenues						
Operations Taxes	534,302	478,977	-	-	534,302	478,977
General Sales Taxes	360,803	330,979	-	-	360,803	330,979
Franchise Taxes	43,568	44,619	-	-	43,568	44,619
Gain (loss) on sale of assets	-	-	-	-	-	-
Investment Earnings	27,597	16,446	3,031	406	30,628	16,852
Miscellaneous	26,426	42,254	-	-	26,426	42,254
Total Revenues	<u>1,357,636</u>	<u>1,207,617</u>	<u>969,418</u>	<u>972,946</u>	<u>2,327,054</u>	<u>2,180,563</u>
Expenses:						
General Government	719,126	837,897	-	-	719,126	837,897
Public Safety	742,637	427,353	-	-	742,637	427,353
Public Works	175,285	69,720	-	-	175,285	69,720
Municipal Court	207,127	154,119	-	-	207,127	154,119
Parks and Recreation	81,486	55,185	-	-	81,486	55,185
Interest long-term debt	55,543	58,145	22,008	24,918	77,551	83,063
Water and Sewer	-	-	1,350,543	1,108,633	1,350,543	1,108,633
Total Expenses	<u>1,981,204</u>	<u>1,602,419</u>	<u>1,372,551</u>	<u>1,133,551</u>	<u>3,353,755</u>	<u>2,735,970</u>
Increase in Net Position						
Before Transfers in Special items	(623,568)	(394,802)	(403,133)	(160,605)	(1,026,701)	(555,407)
Transfers In	-	136,825	-	(136,825)	-	-
Transfers Out	-	-	-	-	-	-
Special Items	-	-	-	-	-	-
Change in Net Position	<u>(623,568)</u>	<u>(257,977)</u>	<u>(403,133)</u>	<u>(297,430)</u>	<u>(1,026,701)</u>	<u>(555,407)</u>
Net Position - Beginning	4,665,978	4,923,955	2,789,241	3,086,671	7,455,219	8,010,626
Net Position - End	<u>\$ 4,042,410</u>	<u>\$ 4,665,978</u>	<u>\$ 2,386,108</u>	<u>2,789,241</u>	<u>6,428,518</u>	<u>7,455,219</u>

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

Revenues were \$206,523 higher than budgeted mainly due to increased revenues across the board. Expenses were \$731,071 higher than anticipated mainly due to street maintenance and police expenditures from forfeitures and seizures.

Revenue Fund Budgetary Highlights

Revenues for Water & Sewer services were \$(67,799) less than anticipated. Operating expenses were \$206,242 more than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the City has \$5,235,528 invested in a broad range of capital assets, including facilities and equipment for administration and maintenance.

Capital Assets				
Net of Accumulated Depreciation				
	Governmental	Business-Type		
	Activities	Activities	Total 2023	Total 2022
Land	\$ 106,919	\$ 8,802	115,721	115,721
Machinery & Equipment	437,513	72,317	509,830	569,189
Buildings & Improvement	1,196,625	-	1,196,625	1,277,365
Street Improvements	286,290	-	286,290	309,478
Water System	-	2,255,961	2,255,961	2,408,884
Sewer System	-	871,101	871,101	888,343
Total	\$ 2,027,347	\$3,208,181	5,235,528	5,568,980

Debt

As of September 30, 2023, the City had loan obligations outstanding of \$3,116,676.

Outstanding Debt at Year End				
	Governmental	Business-Type		
	Activities	Activities	Total 2023	Total 2022
Notes Payable	\$ 81,839	\$261,476	343,315	143,393
Certificates of Obligation	2,304,932	468,429	2,773,361	2,959,000
Total	\$2,386,771	\$ 729,905	3,116,676	3,102,393

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the upcoming fiscal year ending September 30, 2023, the City's budget is fairly consistent with this year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditor with a general overview of the city's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City's business office at: City of Florence, Texas, P.O. Box 430, Florence, Texas 76527 or at (254) 793-2490.

**City of Florence, Texas
Statement of Net Position
September 30, 2023**

	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and equivalents	\$ 518,579	\$ 109,087	\$ 627,666	\$ 86,433
Restricted Cash	3,921,924	-	3,921,924	-
Net Pension Asset	-	3,386	3,386	-
Receivables (net allowance for uncollectibles)	63,204	12,733	75,937	-
Prepaid expenses	9,477	2,939	12,416	-
Total current assets	4,513,184	128,145	4,641,329	86,433
Capital assets				
Land	106,919	8,802	115,721	-
Buildings, machinery & equipment, net of depreciation	1,920,428	3,199,379	5,119,807	-
Total capital assets	2,027,347	3,208,181	5,235,528	-
Total assets	6,540,531	3,336,326	9,876,857	86,433
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources	70,383	34,982	105,365	-
LIABILITIES				
Accounts payable and accrued expenses	50,880	90,254	141,134	4,314
Customer Deposits		89,940	89,940	
Long-term liabilities				
Current portion loan payable	81,839	261,476	343,315	
Long-term loan payable	2,304,932	468,429	468,429	
Compensated absences payable	25,663	16,290	41,953	
Net OPEB Liability	10,604	10,605	21,209	
Net Pension Liability (Asset)	33,569	-	33,569	
Total liabilities	2,507,487	936,994	3,444,481	4,314
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources	61,017	48,206	109,223	
Total deferred inflows of resources	61,017	48,206	109,223	
NET POSITION				
Net Investment in Capital Assets	732,496	2,478,276	3,210,772	-
Restricted for:				
Child and safety	-	-	-	-
Court	2,305	-	2,305	-
Debt Service	21,918	-	21,918	-
Parks	135,147	126,491	261,638	-
Police Department	101	-	101	-
Streets	853,674	-	853,674	-
Veterans Memorial	152,495	-	152,495	-
Library	5,232	-	5,232	82,119
Unrestricted	2,139,042	(218,659)	1,920,383	-
Total net position	\$ 4,042,410	\$ 2,386,108	\$ 6,428,518	\$ 82,119

**City of Florence, Texas
Statement of Activities
September 30, 2023**

Functions/Programs	Net (Expense) Revenue & Change in Net Position						
	Program Revenue			Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities							
General government	\$ 719,126	\$ 54,684	-	-	(664,442)	-	(664,442)
Public Safety	742,637	-	-	-	(742,637)	-	(742,637)
Public Works	175,285	58,625	-	-	(116,660)	-	(116,660)
Municipal Court	207,127	246,358	-	-	39,231	-	39,231
Parks and recreation	81,486	5,273	-	-	(76,213)	-	(76,213)
Interest on long-term debt	77,551	-	-	-	(55,543)	(22,008)	(77,551)
Total governmental activities	2,003,212	364,940	-	-	(1,616,264)	(22,008)	(1,638,272)
Business-type activities							
Revenue fund	1,350,543	949,387	-	17,000	-	(384,156)	(384,156)
Total business-type activities	1,350,543	949,387	-	17,000	-	(384,156)	(384,156)
Total primary government	3,353,755	1,314,327	-	17,000	(1,616,264)	(406,164)	(2,022,428)
Component Units							
Component Unit - Library	\$ 31,857	\$ 770	\$ 31,246	\$ -	-	-	159
Total component units	\$ 31,857	\$ 770	\$ 31,246	\$ -	-	-	
General revenue							
Taxes							
Property taxes, levied for general purposes					534,302	-	534,302
Franchise taxes					43,568	-	43,568
Sales tax					360,803	-	360,803
Grants and contributions							
Unrestricted investment earnings					27,597	3,031	30,628
Miscellaneous					26,426	-	26,426
Transfers							
Total general revenues, special items, and transfers					992,696	3,031	995,727
Change in net position					(623,568)	(403,133)	(1,026,701)
Net position - beginning					4,665,978	2,789,241	7,455,219
Net position - ending					\$4,042,410	\$ 2,386,108	\$ 6,428,518

City of Florence, Texas
Balance Sheet
Government Funds
September 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 518,579	\$ -	\$ 518,579
Restricted Cash	3,921,924		3,921,924
Property Taxes receivable, net	31,257	-	31,257
Other receivables	31,946	-	31,946
Total assets	<u>\$ 4,503,706</u>	<u>\$ -</u>	<u>\$ 4,503,706</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 50,880	\$ -	\$ 50,880
Unearned revenue	31,257	-	31,257
Total liabilities	<u>82,137</u>	<u>-</u>	<u>82,137</u>
Fund balances:			
Nonspendable	-		-
Restricted	1,170,872		1,170,872
Committed	-		-
Assigned	-		-
Unassigned	3,250,697	-	3,250,697
Total fund balances	<u>4,421,569</u>	<u>-</u>	<u>4,421,569</u>
Total liabilities and fund balances	<u>\$ 4,503,706</u>	<u>\$ -</u>	<u>\$ 4,503,706</u>

City of Florence, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2023

Total fund balance, governmental funds	\$4,421,569
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,027,347
Deferred Outflows of Resources are not included in Govt Funds	70,383
Difference in deferred property tax revenue for governmental funds	15,072
Net Pension Liability is not included in Governmental Funds	(33,569)
Net OPEB Liability is not included in governmental funds	(10,604)
Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in governmental fund.	(2,386,771)
Deferred Outflows of Resources are not included in Govt. Funds	<u>(61,017)</u>
Net position of governmental activities in the statement of net position	<u>\$4,042,410</u>

City of Florence, Texas
Statement of Revenues and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 526,262	\$ -	\$ 526,262
Sales taxes	360,803	-	360,803
Franchise Fees	43,568	-	43,568
Fees and fines	246,358	-	246,358
Licenses and permits	54,684	-	54,684
Investment earnings	27,597	-	27,597
Charges for services	58,625	-	58,625
Grants	-	-	-
Miscellaneous	26,426	-	26,426
Total revenues	<u>1,344,323</u>	<u>-</u>	<u>1,344,323</u>
EXPENDITURES			
Current:			
General government	668,486	-	668,486
Public safety	527,945	-	527,945
Highways and roads	150,435	-	150,435
Municipal Court	206,692	-	206,692
Culture and recreation	12,662	-	12,662
Loan principal payments	80,464	-	80,464
Loan interest expense	55,543	-	55,543
Capital outlay	166,644	-	166,644
Total expenditures	<u>1,868,871</u>	<u>-</u>	<u>1,868,871</u>
Excess (deficiency) of revenues over expenditures	<u>(524,548)</u>	<u>-</u>	<u>(524,548)</u>
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	113,040	-	113,040
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>113,040</u>	<u>-</u>	<u>113,040</u>
Net change in fund balances	<u>(411,508)</u>	<u>-</u>	<u>(411,508)</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	<u>4,833,077</u>	<u>-</u>	<u>4,833,077</u>
Fund balances - ending	<u>\$ 4,421,569</u>	<u>\$ -</u>	<u>\$ 4,421,569</u>

City of Florence, Texas
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 change in fund balances - total governmental funds:	\$ (411,508)
Amounts reported for governmental activities in the statement of activities are different because:	
Total Pension expense is not recognized in Governmental Funds	(17,388)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increase in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase (decrease) net position.	166,644
Difference in property tax revenue for governmental funds	(8,040)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(320,700)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transfers, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(113,040)
Loan Principal payments not included in government wide financial statements	80,464
Change in net position of governmental activities	<u>\$ (623,568)</u>

**City of Florence, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023**

	Business Type Activities
	Revenue Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 109,087
Restricted cash	-
Net Pension Asset	3,386
Accounts receivable, net	12,733
Prepaid expenses	2,939
Total current assets	128,145
Non-current assets:	
Capital assets:	
Land and Improvements	8,802
Machinery and equipment, net of depreciation	3,199,379
Total non-current assets	3,208,181
Other assets	-
Total assets	3,336,326
Deferred Outflows of resources	34,982
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	90,254
Customer deposits	89,940
Current portion Certificates and Loans	261,476
Total current liabilities	441,670
Long-term liabilities:	
Net OPEB Liability	10,605
Compensated absences payable	16,290
Long-term liabilities:	468,429
Net Pension Liability	-
Total Long-term liabilities	495,324
Total liabilities	936,994
Deferred Inflows of Resources	48,206
NET POSITION	
Net Investment in Capital Assets	2,478,276
Restricted	126,491
Unrestricted	(218,659)
Total net position	\$ 2,386,108

City of Florence, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2023

	Business-Type Activities
	Revenue Fund
REVENUES	
Charges for services	949,387
Miscellaneous	-
Total operating revenues	949,387
OPERATING EXPENSES	
Personnel services	273,840
Contractual services	122,044
Utilities	39,132
Repairs and maintenance	241,632
Other supplies and expenses	454,286
Depreciation	241,617
Total operating expenses	1,372,551
Operating income (loss)	(423,164)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	3,031
Interest expense	-
Operating grants and contributions	17,000
Transfers out	-
Total non-operating revenue (expenses)	20,031
Income (loss) before contributions and transfers	(403,133)
Transfers in	-
Change in net position	(403,133)
Total net position - beginning	2,789,241
Total net position - ending	\$ 2,386,108

City of Florence, Texas
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2023

	Business-Type Activities
	Revenue Fund
Cash flows from operating activities	
Cash receipts from customers	\$ 1,046,897
Payments to employees	(273,840)
Payments to suppliers	(724,820)
Net cash provided by operating activities	48,237
Cash flows from noncapital financing activities	
Net transfer from other funds	-
Net cash provided (used) by noncapital financing activities	-
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(62,221)
Debt principal payments	(94,172)
Net cash provided by capital and related financing activities	(156,393)
Net increase (decrease) in cash and cash equivalents	(108,156)
Cash and cash equivalents, beginning of year	217,243
Cash and cash equivalents, end of year	\$ 109,087
Reconciliation of operating income to net cash	
Provided by operating activities	
Operating income	(403,133)
Adjustments to reconcile operating income to	
Net cash provided by operating activities:	
Depreciation	241,617
Amortization	1,437
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	97,510
(Increase) decrease in prepaid expenses	(2,939)
Increase (decrease) in accounts payable and accrued expenses	30,826
Increase (decrease) in customer deposits	6,259
(Increase) decrease in net pension asset/liability	30,619
Increase (decrease) in compensated absences	3,427
(Increase) decrease in Deferred Outflows	26,897
Increase (Decrease) in net OPEB liability	2,579
Increase (Decrease) in deferred inflows	13,138
Net cash provided by operating activities	\$ 48,237

City of Florence, Texas
Notes to Financial Statements
For the Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Florence, Texas is a general law city in Williamson County, incorporated in the State of Texas in 1929. The City operates under a Council form of government and provides such services as public safety, highways, streets, sanitation and water and sewer, judicial, community improvements, planning and zoning, culture-recreation, general administrative, and other services as authorized by its code of ordinances and its citizens.

The City Council, which is elected at large, consists of a Mayor and five Aldermen constituting an ongoing entity and is the level of government which has governing responsibilities over all activities related to the City. The City is not included in any other governmental reporting entity. Councilmen are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City of Florence, Texas are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. REPORTING ENTITY

Generally accepted accounting principles require that these financial statements present the city of Florence, Texas (the primary government) and its component units. The component unit discussed below is included in the City's reporting entity because of its financial relationship with the City and the City's ability to appoint its directors.

The component unit is presented using the discrete method. Its financial data is presented in a separate column as a government type fund because it is legally separate from the City.

Component Units

The Florence Public Library is a separate legal entity for which the primary government is financially accountable. This component unit has been discreetly presented within the financial statements of the City because it exclusively benefits the primary government and the citizens of Florence. The component unit does not maintain separate financial statements other than those included in this report.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Florence, Texas and its component units nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes. State foundation funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The “grants and contributions” columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City’s functions. Taxes are always general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the Governmental/Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories—governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund’s principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are include on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2022
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the “susceptible to accrual” concept, that is, when they are both measurable and available. The City considers them “available” if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Council pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The City reports the following major governmental funds:

General Fund – The general fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The City reports the following major enterprise fund:

Proprietary Fund – accounts for the operating activities of the City’s water and sewer services.

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. NATURE AND PURPOSE OF CLASSIFICATION OF FUND EQUITY

The fund balance classifications for governmental Funds are:

Nonspendable- Includes fund balance amounts that cannot be spent because they are either not in spendable form or, for legal or contractual reasons, must be kept intact.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts restricted due to constitutional provisions now enabling legislation.

Committed – Includes fund balance amounts that are self-imposed by the City to be used for a specific purpose.

Unassigned – Includes the residual positive fund balance within the general fund which has not been classified within the above mentioned categories.

F. GOVERNMENT-WIDE AND PROPRIETARY FUND NET POSITION

Net investment in capital assets – Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the City’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (including those who have donated to the City’s parks endowment less related liabilities and deferred inflows or resources).

Unrestricted – all other net position is reported in this category.

G. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three years or less when purchased.
2. The City reports purchase of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory, and the expenditure is reduced. There was no inventory at year end.

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

G. OTHER ACCOUNTING POLICIES (cont.)

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Employees of the City are entitled to vacation and sick leave based on category/class of employment. Vacation and sick leave are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general purpose financial statements.
5. Capital assets which include land buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives.

Assets	Years
Buildings	5-40
Building Improvements	5-20
Infrastructure	40
Machinery and Equipment	3-7
Furniture and Fixtures	3-7
Computer Equipment	3-5

6. The City provides health insurance coverage for its full-time employees through Texas Municipal League. The City pays for 100% of premium for individual coverage. Additional coverage for dependents are paid in full by employees.
7. 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 Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Page 11 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Page 13 provides a reconciliation of the governmental funds balance sheet to the statement of net position. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balances and the change in net position.

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Council adopts an “appropriated budget” for the General Fund and Revenue Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears on Page 32 and the other report is on Page 33.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements.

1. Prior to September 30, the City prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Council is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Council. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year end. The City had no budget amendments during the year. All budget appropriations lapse at year end.

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

NOTE IV – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. As of September 30, 2023, the City had a signed depository contract with Verabank, the City's depository bank.

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposits and interest-bearing savings accounts included in temporary investments) was \$4,549,590 and the bank balance was \$4,549,590. The City's cash deposits at September 30, 2023 and during the year ended September 30, 2023 were entirely covered by the FDIC Insurance or by pledged collateral held by the City's agent bank in the City's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices management reports and establishment of appropriate policies. Amount other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings account, (5) repurchase agreements, (6) banker acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the act. The City is in substantial compliance with requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or investments that are insured, registered or held by the City or by its agent in the City's name.

Category 2 - Cash or Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the City's name.

Based on these three levels of risk, all of the City's investments are classified as Category 1.

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

NOTE IV – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (cont.)

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Property taxes become a lien on the first day of the levy year and may be paid in two equal installments. The first installment is due on or before January 31 and the second installment, which bears interest at the State mandated rate, is due on, or before June 30. Accounts not paid as of July 1 are considered to be past due. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The rate for the 2023 tax roll was 0.60333 per \$100 on 100% of market value. The assessed value was \$101,373,484. The Adjusted Original Tax Levy was \$534,302 and \$518,379 was collected year to date. Current property taxes receivable are \$15,923 and delinquent property taxes receivable are \$18,332, for a total of \$34,255.

C. DELINQUENT TAXES RECEIVABLE

Allowances for uncollectible tax receivables within the General Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2023, was as follows:

	Capital Assets, Not Depreciated		Capital Assets Depreciated		Street Improvements	Total
	Land		Buildings & Improvement	Machinery & Equipment		
Primary Government						
Governmental Activities:						
Balance September 30, 2022	\$ 106,919	\$ -	\$ 1,796,743	\$ 1,244,763	926,135	\$3,967,641
Increases	-	-	-	166,644	-	166,644
Decreases	-	-	-	-	-	-
Balance September 30, 2023	\$ 106,919	\$ -	\$ 1,796,743	\$ 1,411,407	926,135	\$4,134,285
Accumulated Depreciation						
Balance September 30, 2022	-	-	(519,378)	(757,122)	(616,657)	(1,893,157)
Increases	-	-	(80,740)	(216,772)	(23,188)	(320,700)
Decreases	-	-	-	-	-	-
Balance September 30, 2023	-	-	(600,118)	(973,894)	(639,845)	(2,213,857)
Governmental Activities						
Capital Assets, Net	\$ 106,919	\$ -	\$ 1,196,625	\$ 437,513	286,290	\$2,027,347

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

NOTE IV – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (cont.)

B. CAPITAL ASSET ACTIVITY (cont.)

	Capital Assets, Not D		Capital Assets, Depreciated			Total
	Land	Construction In Progress	Water System	Machinery & Equipment	Sewer System	
Business-type Activities:						
Balance September 30, 2022	8,802	-	4,164,251	376,939	2,092,113	6,633,303
Increases	-	-	-	9,721	52,500	62,221
Decreases	-	-	-	-	-	-
Balance September 30, 2023	8,802	-	4,164,251	386,660	2,144,613	6,695,524
Accumulated Depreciation						
Balance September 30, 2022	-	-	(1,755,367)	(295,391)	(1,203,770)	(3,254,528)
Increases	-	-	(152,923)	(18,952)	(69,742)	(241,617)
Decreases	-	-	-	-	-	-
Balance September 30, 2023	-	-	(1,908,290)	(314,343)	(1,273,512)	(3,496,145)
Business-type Activities						
Capital Assets Net	8,802	-	2,255,961	72,317	871,101	3,199,379

Depreciation expense was charged to governmental functions as follows:

General	11,899
Street	24,850
Police & Fire	214,692
Municipal court	435
Parks and recreation	68,824
Total Depreciation Ex	<u>320,700</u>

C. LONG-TERM LIABILITIES: CERTIFICATES OF OBLIGATION AND LOANS PAYABLE

The following is a summary of long-term debt transactions in the governmental activities fund for the year ending September 30, 2023.

	Beginning			Ending Balance	Due Within One Year	Due After One Year
	Balance	Additions	Reductions			
Governmental Activities:						
20 Certificates of Obligations	\$ 619,000	\$ -	\$ 42,000	\$ 577,000	\$ 43,000	\$ 534,000
21 Certificates of Obligation	1,674,000	-	27,000	1,647,000	27,000	1,620,000
Notes Payable GCC 9649	61,195	-	11,464	49,731	11,839	37,892
Notes Payable GCC 10635	-	113,040	-	113,040	-	113,040
Total Bonds & Loans Payable	2,354,195	113,040	80,464	2,386,771	81,839	2,304,932
Net Pension Liability	-	33,569	-	33,569	-	33,569
OPEB Liability	13,183	-	2,579	10,604	-	10,604
Compensated Absences	25,663	-	-	25,663	-	25,663
	2,393,041	146,609	83,043	2,456,607	81,839	2,374,768

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

C. LONG-TERM LIABILITIES: CERTIFICATES OF OBLIGATION AND LOANS PAYABLE
(continued)

<p>Note payable to Government Capital Corporation secured by equipment payable in annual installments of \$19,441 including interest at 5.29% with final payment due November 2023. Fifty percent of this loan is serviced by the proprietary fund.</p>	113,040
<p>Note payable to Government Capital Corporation secured by vehicles payable in annual installments of \$16,607 including interest at 4.375% with final payment due May 2024.</p>	49,731
<p>Series 2020, Certificates of Obligation due in annual installments of \$40,000 beginning in August 2021 and ending in \$54,000 at August 2035 with interest at 2.35% for street repairs.</p>	577,000
<p>Series 2021, Certificates of Obligation due in annual installments of \$26,000 to \$64,000 beginning in 2021 and ending 2061 with interest at 2.375% for buildings and improvements.</p>	1,647,000
	-
	\$2,386,771

Year ending September 30	Governmental Activities-General Fund		
	Bonds Payable		Total
	Principal	Interest	
2024	81,839	53,308	135,147
2025	91,714	58,384	150,098
2026	94,642	56,246	150,888
2027	97,616	53,002	150,618
2028	86,172	50,391	136,563
2029-2030	180,284	93,081	273,365
2031-2035	482,504	187,344	669,848
Thereafter	1,272,000	459,300	1,731,300
	2,386,771	1,011,056	3,397,827

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

C.LONG-TERM LIABILITIES: CERTIFICATES OF OBLIGATION AND LOANS PAYABLE (continued)

The following is a summary of long-term debt transactions in the enterprise activities fund for the year ending September 30, 2022.

<u>Business-Type Activities:</u>						
14 Certificates of Obligation	300,000		30,000	270,000	145,000	125,000
19 Certificates of Obligation	365,000			365,000	95,000	270,000
Total Bonds Payable	665,000	-	30,000	635,000	240,000	395,000
Notes Payable GCC 8222	31,154	-	15,244	15,910	15,910	-
Notes Payable SIB	84,399	-	5,404	78,995	5,566	73,429
Net Pension Liability			-	-		-
OPEB Liability	13,184	-	2,579	10,605		10,605
Compensated Absences	16,290	-	-	16,290	-	16,290
	810,027	-	53,227	756,800	261,476	495,324
Grand Total	\$ 3,203,068	\$ 146,609	\$ 136,270	\$ 3,213,407	\$ 343,315	\$ 2,870,092

Note payable to the Texas Department of Transportation, payable in annual installments of \$7,936 including interest at 3% with final payment due July 35	78,995
Note payable to the Government Capital Corporation, secured by vehicle payable in annual installments of \$8,137 including interest at 5.23%, with final payment due July 2035.	-
Notes payable to Government Capital Corporation secured by equipment, payable in annual installments of \$19,441 including interest at 5.29%, with final payment due November 2023. Fifty percent of this loan is serviced by the proprietary fund.	15,910
Series 2019, certificates of obligations due in annual installments of \$35,000 beginning in April 2021, and ending at \$40,000 in April 2026 with interest at 2.39 percent.	270,000
Series 2014, certificates of obligation due in annual installments of \$40,000 beginning in April 2015, \$45,000 beginning in April 2020, \$50,000 beginning in April 2024, \$55,000 beginning April 2027, and \$60,000, due in April 2029, with interest at 3.28 percent	365,000
Total	729,905

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

C.LONG-TERM LIABILITIES: CERTIFICATES OF OBLIGATION AND LOANS PAYABLE (continued)

The following is a summary of long-term debt transactions in the enterprise activities fund for the year ending September 30, 2023.

Year ending September 30	Governmental Activities - Proprietary Fund		
	Bonds Payable		
	Principal	Interest	Total
2024	106,476	20,015	126,491
2025	90,733	16,675	107,408
2026	95,905	14,027	109,932
2027	101,082	11,254	112,336
2028	101,265	8,311	109,576
thereafter	234,444	21,744	256,188
	729,905	92,026	821,931

E. DEFINED BENEFIT PENSION PLANS

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member board of Trustees. Although the Governor, with the advice and consent of the senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TRMS.

At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employee-financial monetary credits with interest were used to purchase to annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 yearly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>13</u>
Total	32

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.08 and (13.68) for 2022 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were 55,646 and were equal to the required contributions.

3. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retire Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Inc	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.23%
Private Equity	5.00%	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CURRENT PERIOD
September 30, 2023

A. Total pension liability

1 Service cost	\$	56,895
2 Interest (on the Total Pension Liability)		46,313
3 Changes of benefit terms		-
4 Difference between expected and actual experience		644
5 Changes of assumptions		-
6 Benefit payments, including refunds of employee contributions		(19,159)
7 Net change in total pension liability		84,693
8 Total pension liability - beginning		667,248
9 Tot pension liability - ending	\$	751,941

B. Plan fiduciary net position

1 Contributions - employer	\$	25,921
2 Contributions - employee		29,725
3 Net investment income		(53,950)
4 Benefit payments including refunds of employee contributions		(19,159)
5 Administrative expense		(467)
6 Other		557
7 Net change in plan fiduciary net position		(17,373)
8 Plan fiduciary net position - beginning		739,130
9 Plan fiduciary net position - ending	\$	721,757

C. Net pension liability \$ 30,184

D. Plan fiduciary net position as a percentage of the total pension liability 95.99%

E. Covered-employee payroll 594,509

F. Net pension liability as a percentage of covered employee payroll 5.08%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City of Florence's net pension liability	\$ 157,918	\$ 30,183	\$ (73,028)

Premium Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

Schedule of Pension Expense		
1.	Total Service Cost	56,895
2.	Interest on the Total Pension Liability	46,313
3.	Changes in the Current Period Benefits including substantively automatic status	-
4.	Employee Contributions reduction of expense	(29,725)
5.	Projected earnings on plan investments	(49,891)
6.	Administrative Expense	467
7.	Other changes in Fiduciary Net Position	(557)
8.	Recognition of Current year Outflow (Inflow) of resources-liabilities	147
9.	Recognition of Current year Outflow (Inflow) of resources-assets	20,769
10.	Amortization of Prior Year Outflows (Inflows) of resources-liabilities	4,872
11.	Amortization of Prior Year Outflows (Inflows) of resources-assets	(7,791)
12.	Total Pension Expense (Income)	41,499

CITY OF FLORENCE
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2023

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2022 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.4100	\$ 644	\$ 147	\$ 497
Difference in assumption changes [actuarial (gains) or losses]	4.4100	\$ -	\$ -	\$ -
			<u>\$ 147</u>	<u>\$ 497</u>
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ 103,841	\$ 20,769	\$ 83,072
			<u>\$ 20,769</u>	<u>\$ 83,072</u>
Total:				<u>\$ 83,569</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2023	\$ 6,124
2024	13,589
2025	13,202
2026	20,821
2027	-
Thereafter	-
Total	<u>\$ 53,736</u>

CITY OF FLORENCE, TEXAS
Notes to Financial Statements
For The Year Ended September 30, 2023
(continued)

E. DEFINED BENEFIT PENSION PLANS

**Net Other Post Employment Benefits Liability.
Actuarial Assumptions**

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	3.31%

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease) <u>Total OPEB Liability</u>
Balance at 12/31/21	\$ 26,367
Changes for the year	
Service Cost	3,329
Interest on Total OPEB liability	514
Changes of benefit terms	0
Differences between expected and actual experience	4,313
Changes in assumption or other inputs	(13,076)
Benefit payments	(238)
Net changes	(5,158)
Total OPEB Liability – end of year	\$ 21,209

Total OPEB Liability as a Percentage of Covered Payroll 3.57%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the current discount rate of 4.05% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.05%) or -1 percentage point higher (5.05%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

1% Decrease in	Discount Rate (3.05%)	Discount Rate (4.05%)	Discount Rate (5.05%)
Total OPEB liability	\$26,081	\$21,209	\$17,500

Note E. Other post-employment benefits

**SCHEDULE OF OUTFLOWS AND INFLOWS - OPEB CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2023**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2022 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	8.0000	\$ 4,313	\$ 540	\$ 3,773
Difference in assumption changes [actuarial (gains) or losses]	8.0000	\$ (13,076)	\$ (1,635)	\$ (11,441)
			<u>\$ (1,095)</u>	<u>\$ (7,668)</u>
Contributions made subsequent to measurement date		city to provide	city to provide	city to provide
Total:				<u>\$ (7,668)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2023	\$ (178)
2024	(248)
2025	(47)
2026	(18)
2027	(1,012)
Thereafter	(2,130)
Total	<u>\$ (3,633)</u>

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:

Total covered payroll * retiree Portion of SDB Contribution (Rate)

F. SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is Dec the date the financials were available to be issues.

REQUIRED SUPPLEMENTARY INFORMATION

City of Florence, Texas
 Budget and Actual (with Variances)
 General Fund
 For the Year ended September 30, 2023

	Budgeted Amounts		Final	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original				
REVENUES					
Property taxes	508,000		508,000	526,262	18,262
Sales and miscellaneous taxes	316,000		316,000	360,803	44,803
Franchise fees	42,000		42,000	43,568	1,568
Fees and fines	200,000		200,000	246,358	46,358
Licenses and fees	30,000		30,000	54,684	24,684
Charges for services	40,300		40,300	58,625	18,325
Investment earnings	1,400		1,400	27,597	26,197
Grants	-		-	-	-
Miscellaneous	100		100	26,426	26,326
Total revenues	1,137,800		1,137,800	1,344,323	206,523
EXPENDITURES					
Current					
General government	749,626		749,626	668,486	(81,140)
Public safety	71,874		71,874	527,945	456,071
Highways and roads	28,700		28,700	150,435	121,735
Municipal court	119,700		119,700	206,692	86,992
Culture and recreation	34,900		34,900	12,662	(22,238)
Debt principal payments	121,000		121,000	80,464	(40,536)
Interest expense	12,000		12,000	55,543	43,543
Capital outlay	-		-	166,644	166,644
Total expenditures	1,137,800		1,137,800	1,868,871	731,071
Excess (deficiency) of revenues over expenditures	-		-	(524,548)	(524,548)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-		-	113,040	-
Transfers in	-		-	-	-
Transfers out	-		-	-	-
Total other financing sources and uses	-		-	113,040	-
Net change in fund balances	-		-	(411,508)	(411,508)
Prior period adjustment	-		-	-	-
Fund balances - beginning	4,833,077		4,833,077	4,833,077	-
Fund balances - ending	\$ 4,833,077		\$ 4,833,077	\$ 4,421,569	\$ (411,508)

City of Florence, Texas
 Budget and Actual (with Variances)
 Enterprise Fund
 For the Year ended September 30, 2023

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,017,186	\$ 1,017,186	\$ 949,387	\$ (67,799)
Miscellaneous	-	-	-	-
Total operating revenues	1,017,186	1,017,186	949,387	\$ (67,799)
OPERATING EXPENSES				
Personnel services	325,234	325,234	273,840	51,394
Contractual services	122,000	122,000	122,044	(44)
Charges for services	21,600	21,600	-	21,600
Utilities	25,000	25,000	39,132	(14,132)
Repairs and maintenance	13,900	13,900	241,632	(227,732)
Water & Wastewater expenses	294,029	294,029	-	294,029
Other supplies and expenses	364,546	364,546	454,286	(89,740)
Depreciation	-	-	241,617	(241,617)
Total operating expenses	1,166,309	1,166,309	1,372,551	(206,242)
Operating income (loss)	(149,123)	(149,123)	(423,164)	(274,041)
NON-OPERATING REVENUES (EXPENSES)				
Capital expenditures	-	-	-	-
Interest income	500	500	3,031	(2,531)
Interest expense	148,623	148,623	-	148,623
Operating grants and contributions	-	-	17,000	17,000
Total non-operating revenue (expenses)	149,123	149,123	20,031	(129,092)
Income (loss) before contributions and transfers	-	-	(403,133)	(403,133)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Change in net assets	-	-	(403,133)	(403,133)
Total net position - beginning	2,789,241	2,789,241	2,789,241	-
Total net position - end	\$ 2,789,241	\$ 2,789,241	\$ 2,386,108	\$ (403,133)

CITY OF FLORENCE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)

	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability								
Service cost	\$ 26,188	\$ 27,880	\$ 30,921	\$ 36,868	\$ 40,502	\$ 43,349	49,955	56,895
Interest (on the Total Pension Liabil	20,349	24,282	26,808	29,536	31,421	35,666	40,600	46,313
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	8,418	(14,071)	(11,522)	(21,905)	8,923	6,408	5,576	644
Change of assumptions	16,329	-	-	-	601	-	-	-
Benefit payments, including refunds of employee contributions	(2,043)	(4,164)	(216)	(17,302)	(19,486)	(20,477)	(10,780)	(19,159)
Net Change in Total Pension Liabil	69,241	33,927	45,991	27,197	61,961	64,946	85,351	84,693
Total Pension Liability - Beginning	278,634	347,875	381,802	427,793	454,990	516,951	581,897	667,248
Total Pension Liability - Ending (a)	347,875	381,802	427,793	454,990	516,951	581,897	667,248	751,941
Plan Fiduciary Net Position								
Contributions - employer	\$ 12,208	\$ 9,864	\$ 12,680	\$ 16,377	\$ 17,529	\$ 19,804	22,582	25,921
Contributions - employee	15,155	15,268	16,553	19,404	20,622	22,815	26,265	29,725
Net investment income	460	22,785	52,762	(13,789)	71,905	42,165	80,814	(53,950)
Benefit payments, including refunds of employee contributions	(2,043)	(4,164)	(216)	(17,302)	(19,486)	(20,477)	(10,780)	(19,159)
Administrative expense	(280)	(257)	(273)	(267)	(407)	(273)	(374)	(467)
Other	(13)	(14)	(14)	(15)	(14)	(11)	1	557
Net Change in Plan Fiduciary Net I	25,487	43,482	81,492	4,408	90,149	64,023	118,508	(17,373)
Plan Fiduciary Net Position - Begir	311,581	337,068	380,550	462,042	466,450	556,599	620,622	739,130
Plan Fiduciary net Position - Endin:	\$337,068	\$380,550	\$462,042	\$466,450	\$556,599	\$620,622	739,130	721,757
Net Pension Liability - Ending (a) -	\$ 10,807	\$ 1,252	\$ (34,249)	\$ (11,460)	\$ (39,648)	\$ (38,725)	\$(71,882)	\$ 30,184
Plan Fiduciary Net Position as a Percentage								
of Total Pension Liability	96.89%	99.67%	108.01%	102.50%	107.70%	106.65%	110.77%	95.99%
Net Pension Liability as Percentage of								
Covered Employee Payroll	3.57%	0.41%	-10.35%	-2.95%	-9.61%	-8.49%	-13.68%	5.08%
Covered Employee Payroll	303,108	305,369	331,058	388,082	412,442	456,305	525,293	594,509
Notes to Schedule:								
N/A								

**CITY OF FLORENCE, TEXAS
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)**

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contribution	11,903	11,074	12,375	15,629	18,121	19,239	22,582	25,921
Contributions in relation to the actuarially determined contribution	11,903	11,074	12,375	15,629	18,121	19,239	22,582	25,921
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employee payroll	300,039	344,967	378,139	422,729	456,992	485,520	525,293	594,509
Contribution as a percentage of covered employee payroll	3.97%	3.21%	3.27%	3.70%	3.97%	3.96%	4.30%	4.36%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Entry Age Normal

Amortization Level Percentage of Payroll, Closed

Remaining Amortization period 10 years

Asset Value 10 Year smoothed market, 12% soft corridor

Inflation 2.50%

Salary Increase 3.5% to 10.50% including inflation

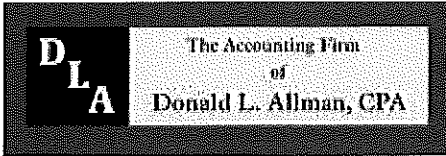
Investment Rate of Return 6.75%

Retiremer Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.



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CERTIFIED PUBLIC ACCOUNTANT

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

To the Mayor & City Council
City of Florence, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Florence, Texas, as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the City of Florence, Texas' basic financial statements, and have issued our report thereon dated June 27, 2024.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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


Donald L. Allman, CPA, PC

Georgetown, TX
June 27, 2024