

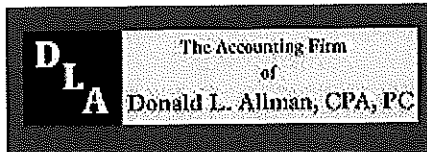
**CITY OF FLORENCE, TEXAS**

**Audited Financial Statements**  
**Independent Auditor's Report And**  
**Supplemental Schedules**  
**For the Year Ended**  
**September 30, 2024**

**CITY OF FLORENCE, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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Donald L. Allman, CPA, PC  
160 Owen Pass  
Liberty Hill Texas 78642  
Email: dallman@donallmancpa.com

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, 2024, 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, 2024, 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 October 25, 2025, 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  
October 25, 2025

## **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, 2024. 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 \$3,295,032 for the governmental activities fund and \$2,366,615 for the business-type activities fund at September 30, 2024.
- The General Fund had a decrease in net position of \$(355,349).
- The Proprietary Fund had a decrease in net position of \$(411,522).
- The General Fund on the governmental funds basis had a decrease in net position of \$(361,373) and had an ending fund balance of \$3,668,167.

### **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 \$5,661,647 at the close of the most recent fiscal year.

Governmental activities net position decreased by \$(747,378) during the current year.

Business-type activities net position decreased by \$(19,493) during the current year.

**TABLE I**  
**CITY OF FLORENCE, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**September 30, 2024**

	Governmental Activities		Business-type Activities		Total	
	Sep-2024	Sep-2023	Sep-2024	Sep-2023	Sep-2024	Sep-2023
Current assets	\$ 3,850,566	\$ 4,513,184	\$ 255,028	\$ 128,145	\$ 4,105,594	\$ 4,641,329
Capital assets	1,925,240	2,027,347	2,973,711	3,208,181	4,898,951	5,235,528
Total assets	5,775,806	6,540,531	3,228,739	3,336,326	9,004,545	9,876,857
Deferred Outflows of Resources	51,571	70,383	23,935	34,982	75,506	105,365
Total deferred outflows	51,571	70,383	23,935	34,982	75,506	105,365
Current liabilities	168,772	132,719	247,092	441,670	415,864	574,389
Long-term liabilities	2,253,361	2,374,768	561,868	495,324	2,815,229	2,870,092
Total liabilities	2,422,133	2,507,487	808,960	936,994	3,231,093	3,444,481
Deferred Inflows of Resources	110,212	61,017	77,099	48,206	187,311	109,223
Total deferred inflows	110,212	61,017	77,099	48,206	187,311	109,223
Net Position:						
Net Investment in Capital Assets	712,228	732,496	2,350,282	2,478,276	3,062,510	3,210,772
Restricted	1,271,610	1,170,872	107,408	126,491	1,379,018	1,297,363
Unrestricted	1,311,194	2,139,042	(91,075)	(218,659)	1,220,119	1,920,383
Total net position	3,295,032	4,042,410	2,366,615	2,386,108	5,661,647	6,428,518

**TABLE II**  
**CITY OF FLORENCE, TEXAS**  
**GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION**  
**For the Year Ended September 30, 2024**

	Governmental Activities		Business-Type Activities		Total	
	Sep-24	Sep-23	Sep-24	Sep-23	Sep-24	Sep-23
Revenues:						
Program Revenues:						
Charges for Services	404,326	364,940	898,542	949,387	1,302,868	1,314,327
Operating Grants	-	-	-	-	-	-
Capital Grants	-	-	21,500	17,000	21,500	17,000
General Revenues					-	-
Operations Taxes	589,045	534,302	-	-	589,045	534,302
General Sales Taxes	350,601	360,803	-	-	350,601	360,803
Franchise Taxes	41,056	43,568	-	-	41,056	43,568
Gain (loss) on sale of assets	-	-	-	-	-	-
Investment Earnings	21,485	27,597	257	3,031	21,742	30,628
Miscellaneous	1,128	26,426	-	-	1,128	26,426
Total Revenues	<u>1,407,641</u>	<u>1,357,636</u>	<u>920,299</u>	<u>969,418</u>	<u>2,327,940</u>	<u>2,327,054</u>
Expenses:						
General Government	1,078,636	719,126	-	-	1,078,636	719,126
Public Safety	378,076	742,637	-	-	378,076	742,637
Public Works	53,474	175,285	-	-	53,474	175,285
Municipal Court	136,166	207,127	-	-	136,166	207,127
Parks and Recreation	63,330	81,486	-	-	63,330	81,486
Interest long-term debt	53,308	55,543	20,015	22,008	73,323	77,551
Water and Sewer	-	-	1,311,806	1,350,543	1,311,806	1,350,543
Total Expenses	<u>1,762,990</u>	<u>1,981,204</u>	<u>1,331,821</u>	<u>1,372,551</u>	<u>3,094,811</u>	<u>3,353,755</u>
Increase in Net Position						
Before Transfers in Special items	(355,349)	(623,568)	(411,522)	(403,133)	(766,871)	(1,026,701)
Transfers In	(392,029)	-	392,029	-	-	-
Transfers Out	-	-	-	-	-	-
Special Items	-	-	-	-	-	-
Change in Net Position	<u>(747,378)</u>	<u>(623,568)</u>	<u>(19,493)</u>	<u>(403,133)</u>	<u>(766,871)</u>	<u>(1,026,701)</u>
Net Position - Beginning	4,042,410	4,665,978	2,386,108	2,789,241	6,428,518	7,455,219
Net Position - End	<u>\$ 3,295,032</u>	<u>\$ 4,042,410</u>	<u>\$ 2,366,615</u>	<u>2,386,108</u>	<u>5,661,647</u>	<u>6,428,518</u>



## BUDGETARY HIGHLIGHTS

### General Fund Budgetary Highlights

Revenues were \$147,018 higher than budgeted mainly due to increased revenues across the board. Expenses were \$508,391 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 \$(230,858 less than anticipated. Operating expenses were \$330,929 more than anticipated.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2024, the City has \$4,898,951 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 2024	Total 2023
Land	\$ 106,919	\$ 8,802	115,721	115,721
Machinery & Equipment	429,878	60,611	490,489	509,830
Buildings & Improvement	1,125,341		1,125,341	1,196,625
Street Improvements	263,102	-	263,102	286,290
Water System	-	2,102,939	2,102,939	2,255,961
Sewer System	-	801,359	801,359	871,101
Total	\$ 1,925,240	\$ 2,973,711	4,898,951	5,235,528

### Debt

As of September 30, 2024, the City had loan obligations outstanding of \$2,928,361.

Outstanding Debt at Year End				
	Governmental	Business-Type		
	Activities	Activities	Total 2024	Total 2023
Notes Payable	\$ 91,714	\$ 90,733	182,447	343,315
Certificates of Obligation	2,213,218	532,696	2,745,914	2,773,361
Total	\$ 2,304,932	\$ 623,429	2,928,361	3,116,676

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the upcoming fiscal year ending September 30, 2024, 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, 2024**

	Governmental Activities	Business-Type Activities	Total	Component Units
<b>ASSETS</b>				
Cash and equivalents	\$ 1,216,085	\$ 104,453	\$ 1,320,538	\$ 98,952
Restricted Cash	2,427,611	107,408	2,427,611	
Net Pension Asset	26,991	6,942	33,933	
Receivables (net allowance for uncollectibles)	170,402	36,225	206,627	-
Prepaid expenses	9,477	-	9,477	
Total current assets	3,850,566	255,028	4,105,594	98,952
Capital assets				
Land	106,919	8,802	115,721	-
Buildings, machinery & equipment, net of depreciation	1,818,321	2,964,909	4,783,230	-
Total capital assets	1,925,240	2,973,711	4,898,951	-
Total assets	5,775,806	3,228,739	9,004,545	98,952
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources	51,571	23,935	75,506	-
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	77,058	66,419	143,477	5,329
Customer Deposits		89,940	89,940	
Long-term liabilities				
Current portion loan payable	91,714	90,733	182,447	
Long-term loan payable	2,213,218	532,696	532,696	
Compensated absences payable	25,663	16,290	41,953	
Net OPEB Liability	14,480	12,882	27,362	-
Net Pension Liability (Asset)	-	-	-	-
Total liabilities	2,422,133	808,960	3,231,093	5,329
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows of Resources	110,212	77,099	187,311	
Total deferred inflows of resources	110,212	77,099	187,311	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	712,228	2,350,282	3,062,510	-
Restricted for:	-	-	-	-
Child and safety	3,325	-	3,325	
Court	32,673		32,673	
Debt Service	150,098	107,408	257,506	
Parks	-		-	
Police Department	863,794		863,794	
Streets	217,083		217,083	
Veterans Memorial	4,637		4,637	
Library	-		-	93,623
Unrestricted	1,311,194	(91,075)	1,220,119	-
Total net position	\$ 3,295,032	\$ 2,366,615	\$ 5,661,647	\$ 93,623

**City of Florence, Texas**  
**Statement of Activities**  
**September 30, 2024**

Functions/Programs	Net (Expense) Revenue & Change in Net Position				
	Primary Government				Component Units
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
Governmental activities					
General government	\$ 1,078,636	\$ 302,490	-	-	-
Public Safety	378,076	12	-	-	-
Public Works	53,474	59,200	-	-	-
Municipal Court	136,166	34,117	-	-	-
Parks and recreation	63,330	8,507	-	-	-
Interest on long-term debt	73,323	-	-	-	-
Total governmental activities	1,783,005	404,326	-	-	(1,378,679)
Business-type activities					
Revenue fund	1,311,806	898,542	-	21,500	(391,764)
Total business-type activities	1,311,806	898,542	-	21,500	(391,764)
Total primary government	3,094,811	1,302,868	-	21,500	(1,770,443)
<b>Component Units</b>					
Component Unit - Library	\$ 51,686	\$ -	\$ 62,990	\$ -	11,304
Total components units	\$ 51,686	\$ -	\$ 62,990	\$ -	
<b>General revenue</b>					
<b>Taxes</b>					
Property taxes, levied for general purposes					589,045
Franchise taxes					41,056
Sales tax					350,601
Grants and contributions					-
Unrestricted investment earnings					257
Miscellaneous					1,128
Transfers					392,029
Total general revenues, special items, and transfers					611,286
Change in net position					(747,378)
Net position - beginning					4,042,410
Net position - ending					2,386,108
					6,428,518
					\$ 5,661,647
					\$ 93,623

City of Florence, Texas  
Balance Sheet  
Government Funds  
September 30, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,216,085	\$ -	\$ 1,216,085
Restricted Cash	2,427,611		2,427,611
Property Taxes receivable, net	68,873	-	68,873
Other receivables	101,529	-	101,529
Total assets	<u>\$ 3,814,098</u>	<u>\$ -</u>	<u>\$ 3,814,098</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 77,058	\$ -	\$ 77,058
Unearned revenue	68,873	-	68,873
Total liabilities	<u>145,931</u>	<u>-</u>	<u>145,931</u>
Fund balances:			
Nonspendable	-		-
Restricted	1,271,610		1,271,610
Committed	-		-
Assigned	-		-
Unassigned	2,396,557	-	2,396,557
Total fund balances	<u>3,668,167</u>	<u>-</u>	<u>3,668,167</u>
Total liabilities and fund balances	<u>\$ 3,814,098</u>	<u>\$ -</u>	<u>\$ 3,814,098</u>

**City of Florence, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**September 30, 2024**

Total fund balance, governmental funds	\$3,668,167
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.	1,925,240
Deferred Outflows of Resources are not included in Govt Funds	51,571
Difference in deferred property tax revenue for governmental funds	52,687
Net Pension Assets not included in Governmental Funds	26,991
Net OPEB Liability is not included in governmental funds	(14,480)
Long-term liabilities are not due and payable in the current year and therefore are not reported as liabilities in governmental fund.	(2,304,932)
Deferred Inflows of Resources are not included in Govt. Funds	<u>(110,212)</u>
Net position of governmental activities in the statement of net position	<u>\$3,295,032</u>

**City of Florence, Texas**  
**Statement of Revenues and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2024**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 551,429	\$ -	\$ 551,429
Sales taxes	350,601	-	350,601
Franchise Fees	41,056	-	41,056
Fees and fines	34,117	-	34,117
Licenses and permits	302,490	-	302,490
Investment earnings	21,485	-	21,485
Charges for services	59,212	-	59,212
Grants	-	-	-
Miscellaneous	1,128	-	1,128
Total revenues	<u>1,361,518</u>	<u>-</u>	<u>1,361,518</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,008,262	-	1,008,262
Public safety	158,396	-	158,396
Highways and roads	30,286	-	30,286
Municipal Court	135,731	-	135,731
Culture and recreation	40,246	-	40,246
Loan principal payments	81,839	-	81,839
Loan interest expense	53,308	-	53,308
Capital outlay	214,823	-	214,823
Total expenditures	<u>1,722,891</u>	<u>-</u>	<u>1,722,891</u>
Excess (deficiency) of revenues over expenditures	<u>(361,373)</u>	<u>-</u>	<u>(361,373)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan Proceeds	-	-	-
Transfers in	(392,029)	-	(392,029)
Transfers out	-	-	-
Total other financing sources and uses	<u>(392,029)</u>	<u>-</u>	<u>(392,029)</u>
Net change in fund balances	<u>(753,402)</u>	<u>-</u>	<u>(753,402)</u>
Prior period adjustment	-	-	-
Fund balances - beginning	<u>4,421,569</u>	<u>-</u>	<u>4,421,569</u>
Fund balances - ending	<u>\$ 3,668,167</u>	<u>\$ -</u>	<u>\$ 3,668,167</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, 2024**

Net change in fund balances - total governmental funds: \$ (753,402)

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

Total Pension expense is not recognized in Governmental Funds (11,323)

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.

214,823

Difference in property tax revenue for governmental funds

37,615

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.

(316,930)

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.

-

Loan Principal payments not included in government wide financial statements

81,839

Change in net position of governmental activities

\$ (747,378)

**City of Florence, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2024**

	Business Type Activities
	<u>Revenue Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 104,453
Restricted cash	107,408
Net Pension Asset	6,942
Accounts receivable, net	36,225
Prepaid expenses	-
Total current assets	<u>255,028</u>
Non-current assets:	
Capital assets:	
Land and Improvements	8,802
Machinery and equipment, net of depreciation	2,964,909
Total non-current assets	<u>2,973,711</u>
Other assets	-
Total assets	<u>3,228,739</u>
Deferred Outflows of resources	23,935
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	66,419
Customer deposits	89,940
Current portion Certificates and Loans	90,733
Total current liabilities	<u>247,092</u>
Long-term liabilities:	
Net OPEB Liability	12,882
Compensated absences payable	16,290
Long-term liabilities:	532,696
Net Pension Liability	-
Total Long-term liabilities	<u>561,868</u>
Total liabilities	<u>808,960</u>
Deferred Inflows of Resources	77,099
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,350,282
Restricted	107,408
Unrestricted	(91,075)
Total net position	<u>\$ 2,366,615</u>

**City of Florence, Texas**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2024**

	Business-Type Activities
	<u>Revenue Fund</u>
<b>REVENUES</b>	
Charges for services	898,542
Miscellaneous	-
Total operating revenues	<u>898,542</u>
 <b>OPERATING EXPENSES</b>	
Personnel services	245,146
Contractual services	111,373
Utilities	23,618
Repairs and maintenance	227,266
Other supplies and expenses	470,033
Depreciation	234,370
Total operating expenses	<u>1,311,806</u>
Operating income (loss)	<u>(413,264)</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	257
Interest expense	(20,015)
Operating grants and contributions	21,500
Transfers out	392,029
Total non-operating revenue (expenses)	<u>393,771</u>
Income (loss) before contributions and transfers	<u>(19,493)</u>
Transfers in	-
Change in net position	<u>(19,493)</u>
Total net position - beginning	2,386,108
Total net position - ending	<u>\$ 2,366,615</u>

**City of Florence, Texas**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended September 30, 2024**

	Business-Type Activities
	Revenue Fund
Cash flows from operating activities	
Cash receipts from customers	\$ 875,050
Payments to employees	(245,146)
Payments to suppliers	(420,654)
Net cash provided by operating activities	<u>209,250</u>
Cash flows from noncapital financing activities	
Net transfer from other funds	-
Net cash provided (used) by noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	-
Debt principal payments	(106,476)
Net cash provided by capital and related financing activities	<u>(106,476)</u>
Net increase (decrease) in cash and cash equivalents	102,774
Cash and cash equivalents, beginning of year	109,087
Cash and cash equivalents, end of year	<u>\$ 211,861</u>
Reconciliation of operating income to net cash	
Provided by operating activities	
Operating income	(19,493)
Adjustments to reconcile operating income to	
Net cash provided by operating activities:	
Depreciation	234,370
Amortization	-
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(23,492)
(Increase) decrease in prepaid expenses	2,939
Increase (decrease) in accounts payable and accrued expenses	(23,835)
Increase (decrease) in customer deposits	-
(Increase) decrease in net pension asset/liability	3,556
Increase (decrease) in compensated absences	-
(Increase) decrease in Deferred Outflows	11,047
Increase (Decrease) in net OPEB liability	2,277
Increase (Decrease) in deferred inflows	21,881
Net cash provided by operating activities	<u>\$ 209,250</u>

**City of Florence, Texas**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2024**

**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, 2024**  
**(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 included 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, 2024**  
**(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, 2024**  
**(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, 2024**  
**(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, 2024**  
**(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, 2024**  
**(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. Among 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, 2024**  
**(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 2024 tax roll was 0.60333 per \$100 on 100% of market value. The assessed value was \$97,637,162. The Adjusted Original Tax Levy was \$589,045 and \$565,465 was collected year to date. Current property taxes receivable are \$32,015 and delinquent property taxes receivable are \$36,858, for a total of \$68,873.

**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, 2024, was as follows:

	Capital Assets, Not Depreciated		Capital Assets Depreciated			
	Land		Buildings & Improvement	Machinery & Equipment	Street Improvements	Total
Primary Government						
Governmental Activities:						
Balance September 30, 2022	\$ 106,919	\$ -	\$ 1,796,743	\$ 1,411,407	926,135	\$4,134,285
Increases	-	-	-	214,823	-	214,823
Decreases	-	-	-	-	-	-
Balance September 30, 2023	\$ 106,919	\$ -	\$ 1,796,743	\$ 1,626,230	926,135	\$4,349,108
Accumulated Depreciation						
Balance September 30, 2022	-	-	(600,118)	(973,894)	(639,845)	(2,213,857)
Increases	-	-	(71,284)	(222,458)	(23,188)	(316,930)
Decreases	-	-	-	-	-	-
Balance September 30, 2023	-	-	(671,402)	(1,196,352)	(663,033)	(2,530,787)
Governmental Activities						
Capital Assets, Net	\$ 106,919	\$ -	\$ 1,125,341	\$ 429,878	263,102	\$1,925,240

**CITY OF FLORENCE, TEXAS**  
**Notes to Financial Statements**  
**For The Year Ended September 30, 2024**  
**(continued)**

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

**B. CAPITAL ASSET ACTIVITY (cont.)**

	Capital Assets, Not D		Capital Assets, Depreciated			
	Land	Construction In Progress	Water System	Machinery & Equipment	Sewer System	Total
<b>Business-type Activities:</b>						
Balance September 30, 2022	8,802	-	4,164,251	386,660	2,144,613	6,695,524
Increases	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Balance September 30, 2023	8,802	-	4,164,251	386,660	2,144,613	6,695,524
<b>Accumulated Depreciation</b>						
Balance September 30, 2022	-	-	(1,908,390)	(314,343)	(1,273,512)	(3,496,245)
Increases	-	-	(152,922)	(11,706)	(69,742)	(234,370)
Decreases	-	-	-	-	-	-
Balance September 30, 2023	-	-	(2,061,312)	(326,049)	(1,343,254)	(3,730,615)
<b>Business-type Activities</b>						
Capital Assets Net	8,802	-	2,102,939	60,611	801,359	2,964,909

Depreciation expense was charged to governmental functions as follows:

General	50,543
Street	23,188
Police & Fire	219,680
Municipal court	435
Parks and recreation	23,084
Total Depreciation Ex	316,930

**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, 2024.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<b>Governmental Activities:</b>						
20 Certificates of Obligations	\$ 577,000	\$ -	\$ 43,000	\$ 534,000	\$ 43,000	\$ 491,000
21 Certificates of Obligation	1,647,000	-	27,000	1,620,000	28,000	1,592,000
Notes Payable GCC 9649	49,731	-	11,839	37,892	12,226	25,666
Notes Payable GCC 10635	113,040	-	-	113,040	8,488	104,552
Total Bonds & Loans Payable	2,386,771	-	81,839	2,304,932	91,714	2,213,218
Net Pension Liability	33,569	-	-	33,569	-	33,569
OPEB Liability	10,604	-	-	10,604	-	10,604
Compensated Absences	25,663	-	-	25,663	-	25,663
	2,456,607	-	81,839	2,374,768	91,714	2,283,054

CITY OF FLORENCE, TEXAS  
Notes to Financial Statements  
For The Year Ended September 30, 2024  
(continued)

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

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.	113,040
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.	37,892
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.	534,000
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.	1,620,000
	-
	<u>\$2,304,932</u>

Year ending September 30	Governmental Activities-General Fund		
	Bonds Payable		Total
	Principal	Interest	
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	87,805	47,840	135,645
2030	92,479	45,241	137,720
2031-2035	482,504	187,344	669,848
Thereafter	1,272,000	459,300	1,731,300
	<u>2,304,932</u>	<u>957,748</u>	<u>3,262,680</u>

CITY OF FLORENCE, TEXAS  
Notes to Financial Statements  
For The Year Ended September 30, 2024  
(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, 2024.

<u>Business-Type Activities:</u>						
14 Certificates of Obligation	270,000		50,000	220,000	50,000	170,000
19 Certificates of Obligation	365,000		35,000	330,000	35,000	270,000
Total Bonds Payable	635,000	-	85,000	550,000	85,000	440,000
Notes Payable GCC 8222	15,910	-	15,910	-	-	-
Notes Payable SIB	78,995	-	5,566	73,429	5,733	67,696
Net Pension Liability			-	-		-
OPEB Liability	10,605	-	-	10,605		10,605
Compensated Absences	16,290	-	-	16,290	-	16,290
	756,800	-	106,476	650,324	90,733	559,591
Grand Total	\$ 3,213,407	\$ -	\$ 188,315	\$ 3,025,092	\$ 182,447	\$ 2,842,645

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	73,429
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.	-
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.	220,000
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	330,000
Total	623,429

CITY OF FLORENCE, TEXAS  
Notes to Financial Statements  
For The Year Ended September 30, 2024  
(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, 2024.

Year ending September 30	Governmental Activities - Proprietary Fund		
	Bonds Payable		Total
	Principal	Interest	
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
2029	111,453	4,741	116,194
thereafter	122,991	17,003	139,994
	623,429	72,011	695,440

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](http://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, 2023 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>12</u>
Total	40



CITY OF FLORENCE, TEXAS  
Notes to Financial Statements  
For The Year Ended September 30, 2024  
(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, 2023, 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, 2023 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, 2024**  
**(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	100.00%	

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, 2024**  
**(continued)**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**CURRENT PERIOD**  
**September 30, 2024**

**A. Total pension liability**

1 Service cost	\$ 61,300
2 Interest (on the Total Pension Liability)	50,848
3 Changes of benefit terms	-
4 Difference between expected and actual experience	(61,919)
5 Changes of assumptions	(2,985)
6 Benefit payments, including refunds of employee contributions	(58,589)
7 Net change in total pension liability	(11,345)
8 Total pension liability - beginning	751,941
9 Tot pension liability - ending	<u>\$ 740,596</u>

**B. Plan fiduciary net position**

1 Contributions - employer	\$ 28,454
2 Contributions - employee	31,828
3 Net investment income	83,625
4 Benefit payments including refunds of employee contributions	(58,589)
5 Administrative expense	(531)
6 Other	(5)
7 Net change in plan fiduciary net position	84,782
8 Plan fiduciary net position - beginning	721,758
9 Plan fiduciary net position - ending	<u>\$ 806,540</u>

**C. Net pension liability** \$ (65,944)

**D. Plan fiduciary net position as a percentage of the total pension liability** 108.90%

**E. Covered-employee payroll** 636,552

**F. Net pension liability as a percentage of covered employee payroll** -10.36%

**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.tnrs.com](http://www.tnrs.com)

**CITY OF FLORENCE, TEXAS**  
**Notes to Financial Statements**  
**For The Year Ended September 30, 2024**  
**(continued)**

Schedule of Pension Expense		
1.	Total Service Cost	61,300
2.	Interest on the Total Pension Liability	50,848
3.	Changes in the Current Period Benefits including substantively automatic status	-
4.	Employee Contributions reduction of expense	(31,828)
5.	Projected earnings on plan investments	(48,719)
6.	Administrative Expense	531
7.	Other changes in Fiduciary Net Position	4
8.	Recognition of Current year Outflow (Inflow) of resources-liabilities	(16,474)
9.	Recognition of Current year Outflow (Inflow) of resources-assets	(6,982)
10.	Amortization of Prior Year Outflows (Inflows) of resources-liabilities	2,142
11.	Amortization of Prior Year Outflows (Inflows) of resources-assets	3,982
12.	Total Pension Expense (Income)	14,804

**CITY OF FLORENCE**  
**SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE**  
**SEPTEMBER 30, 2024**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2023 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.9400	\$ (61,919)	\$ (15,716)	\$ (46,203)
Difference in assumption changes [actuarial (gains) or losses]	3.9400	\$ (2,985)	\$ (758)	\$ (2,227)
			<u>\$ (16,474)</u>	<u>\$ (48,430)</u>
<b>Due to Assets:</b>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	\$ (34,906)	\$ (6,982)	\$ (27,924)
			<u>\$ (6,982)</u>	<u>\$ (27,924)</u>
<b>Total:</b>				<u>\$ (76,354)</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
2024	\$ (9,867)
2025	(10,254)
2026	(1,643)
2027	(6,978)
2028	-
Thereafter	-
<b>Total</b>	<u>\$ (28,742)</u>

**CITY OF FLORENCE, TEXAS**  
**Notes to Financial Statements**  
**For The Year Ended September 30, 2024**  
**(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	\$ 21,209
Changes for the year	
Service Cost	1,910
Interest on Total OPEB liability	892
Changes of benefit terms	0
Differences between expected and actual experience	1,696
Changes in assumption or other inputs	1,910
Benefit payments	(255)
Net changes	6,153
Total OPEB Liability – end of year	\$ 27,362

Total OPEB Liability as a Percentage of Covered Payroll 4.30%

**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%)	1% Increase in Discount Rate (4.05%)	Discount Rate (5.05%)
Total OPEB liability	\$34,270	\$27,362	\$22,260

**Note E. Other post-employment benefits**

**SCHEDULE OF OUTFLOWS AND INFLOWS - OPEB CURRENT AND FUTURE EXPENSE  
SEPTEMBER 30, 2024**

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2023 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<b>Due to Liabilities:</b>				
Difference in expected and actual experience [actuarial (gains) or losses]	6.6300	\$ 1,696	\$ 256	\$ 1,440
Difference in assumption changes [actuarial (gains) or losses]	6.6300	\$ 1,910	\$ 289	\$ 1,621
			<u>\$ 545</u>	<u>\$ 3,061</u>
Contributions made subsequent to measurement date		city to provide	city to provide	city to provide
<b>Total:</b>				<u>\$ 3,061</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
2024	\$ 297
2025	498
2026	527
2027	(467)
2028	(487)
Thereafter	(762)
<b>Total</b>	<u>\$ (394)</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, 2024

	Budgeted Amounts		Actual Amounts		Variance with
	Original	Final	Budgetary Basis	Positive	Final Budget -
				(Negative)	
<b>REVENUES</b>					
Property taxes	525,000	525,000	551,429	26,429	
Sales and miscellaneous taxes	351,000	351,000	350,601	(399)	
Franchise fees	40,000	40,000	41,056	1,056	
Fees and fines	225,000	225,000	34,117	(190,883)	
Licenses and fees	30,000	30,000	302,490	272,490	
Charges for services	42,500	42,500	59,212	16,712	
Investment earnings	1,000	1,000	21,485	20,485	
Grants	-	-	-	-	
Miscellaneous	-	-	1,128	1,128	
Total revenues	1,214,500	1,214,500	1,361,518	147,018	

**EXPENDITURES**

Current					
General government	802,792	802,792	1,008,262	205,470	
Public safety	67,158	67,158	158,396	91,238	
Highways and roads	30,000	30,000	30,286	286	
Municipal court	156,400	156,400	135,731	(20,669)	
Culture and recreation	37,150	37,150	40,246	3,096	
Debt principal payments	121,000	121,000	81,839	(39,161)	
Interest expense	-	-	53,308	53,308	
Capital outlay	-	-	214,823	214,823	
Total expenditures	1,214,500	1,214,500	1,722,891	508,391	

Excess (deficiency) of revenues over expenditures

**OTHER FINANCING SOURCES (USES)**

Loan proceeds	-	-	-	-	
Transfers in	-	-	(392,029)	(392,029)	
Transfers out	-	-	-	(392,029)	
Total other financing sources and uses	-	-	(753,402)	(753,402)	
Net change in fund balances	-	-	-	-	
Prior period adjustment	-	-	-	-	
Fund balances - beginning	4,421,569	4,421,569	4,421,569	-	
Fund balances - ending	\$ 4,421,569	\$ 4,421,569	\$ 3,668,167	\$ (753,402)	

City of Florence, Texas  
Budget and Actual (with Variances)  
Enterprise Fund  
For the Year ended September 30, 2024

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,129,400	\$ 1,129,400	\$ 898,542	\$ (230,858)
Miscellaneous	-	-	-	-
Total operating revenues	<u>1,129,400</u>	<u>1,129,400</u>	<u>898,542</u>	<u>\$ (230,858)</u>
OPERATING EXPENSES				
Personnel services	329,970	329,970	245,146	84,824
Contractual services	128,500	128,500	111,373	17,127
Charges for services	106,971	106,971	-	106,971
Utilities	-	-	23,618	(23,618)
Repairs and maintenance	124,410	124,410	227,266	(102,856)
Water & Wastewater expenses	291,026	291,026	-	291,026
Other supplies and expenses	-	-	470,033	(470,033)
Depreciation	-	-	234,370	(234,370)
Total operating expenses	<u>980,877</u>	<u>980,877</u>	<u>1,311,806</u>	<u>(330,929)</u>
Operating income (loss)	<u>148,523</u>	<u>148,523</u>	<u>(413,264)</u>	<u>(561,787)</u>
NON-OPERATING REVENUES (EXPENSES)				
Capital expenditures	-	-	-	-
Interest income	100	100	257	(157)
Interest expense	(148,623)	(148,623)	(20,015)	(128,608)
Operating grants and contributions	-	-	21,500	21,500
Total non-operating revenue (expenses)	<u>(148,523)</u>	<u>(148,523)</u>	<u>1,742</u>	<u>150,265</u>
Income (loss) before contributions and transfers	-	-	(411,522)	(411,522)
Transfers in	-	-	392,029	392,029
Transfers out	-	-	-	-
Change in net assets	-	-	(19,493)	(19,493)
Total net position - beginning	2,386,108	2,386,108	2,386,108	-
Total net position - end	<u>\$ 2,386,108</u>	<u>\$ 2,386,108</u>	<u>\$ 2,366,615</u>	<u>\$ (19,493)</u>

**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	2023
<b>Total Pension Liability</b>									
Service cost	\$ 26,188	\$ 27,880	\$ 30,921	\$ 36,868	\$ 40,502	\$ 43,349	49,955	56,895	61,300
Interest (on the Total Pension Liability)	20,349	24,282	26,808	29,536	31,421	35,666	40,600	46,313	50,840
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	(61,910)
Change of assumptions	16,329	-	-	-	601	-	-	-	(2,980)
Benefit payments, including refunds of employee contributions	(2,043)	(4,164)	(216)	(17,302)	(19,486)	(20,477)	(10,780)	(19,159)	(58,580)
<b>Net Change in Total Pension Liability</b>	<b>69,241</b>	<b>33,927</b>	<b>45,991</b>	<b>27,197</b>	<b>61,961</b>	<b>64,946</b>	<b>85,351</b>	<b>84,693</b>	<b>(11,340)</b>
<b>Total Pension Liability - Beginning</b>	<b>278,634</b>	<b>347,875</b>	<b>381,802</b>	<b>427,793</b>	<b>454,990</b>	<b>516,951</b>	<b>581,897</b>	<b>667,248</b>	<b>751,941</b>
<b>Total Pension Liability - Ending</b>	<b>347,875</b>	<b>381,802</b>	<b>427,793</b>	<b>454,990</b>	<b>516,951</b>	<b>581,897</b>	<b>667,248</b>	<b>751,941</b>	<b>740,599</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - employer	\$ 12,208	\$ 9,864	\$ 12,680	\$ 16,377	\$ 17,529	\$ 19,804	22,582	25,921	28,450
Contributions - employee	15,155	15,268	16,553	19,404	20,622	22,815	26,265	29,725	31,820
Net investment income	460	22,785	52,762	(13,789)	71,905	42,165	80,814	(53,950)	83,620
Benefit payments, including refunds of employee contributions	(2,043)	(4,164)	(216)	(17,302)	(19,486)	(20,477)	(10,780)	(19,159)	(58,580)
Administrative expense	(280)	(257)	(273)	(267)	(407)	(273)	(374)	(467)	(530)
Other	(13)	(14)	(14)	(15)	(14)	(11)	1	557	(60)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>25,487</b>	<b>43,482</b>	<b>81,492</b>	<b>4,408</b>	<b>90,149</b>	<b>64,023</b>	<b>118,508</b>	<b>(17,373)</b>	<b>84,780</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>311,581</b>	<b>337,068</b>	<b>380,550</b>	<b>462,042</b>	<b>466,450</b>	<b>556,599</b>	<b>620,622</b>	<b>739,130</b>	<b>721,757</b>
<b>Plan Fiduciary net Position - Ending</b>	<b>\$337,068</b>	<b>\$380,550</b>	<b>\$462,042</b>	<b>\$466,450</b>	<b>\$556,599</b>	<b>\$620,622</b>	<b>739,130</b>	<b>721,757</b>	<b>806,537</b>
<b>Net Pension Liability - Ending</b>	<b>\$ 10,807</b>	<b>\$ 1,252</b>	<b>\$ (34,249)</b>	<b>\$ (11,460)</b>	<b>\$ (39,648)</b>	<b>\$ (38,725)</b>	<b>\$ (71,882)</b>	<b>\$ 30,184</b>	<b>\$ (65,940)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>96.89%</b>	<b>99.67%</b>	<b>108.01%</b>	<b>102.50%</b>	<b>107.70%</b>	<b>106.65%</b>	<b>110.77%</b>	<b>95.99%</b>	<b>108.90%</b>
<b>Net Pension Liability as Percentage of Covered Employee Payroll</b>	<b>3.57%</b>	<b>0.41%</b>	<b>-10.35%</b>	<b>-2.95%</b>	<b>-9.61%</b>	<b>-8.49%</b>	<b>-13.68%</b>	<b>5.08%</b>	<b>-10.36%</b>
<b>Covered Employee Payroll</b>	<b>303,108</b>	<b>305,369</b>	<b>331,058</b>	<b>388,082</b>	<b>412,442</b>	<b>456,305</b>	<b>525,293</b>	<b>594,509</b>	<b>636,550</b>
<b>Notes to Schedule:</b>									
<b>N/A</b>									

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contribution	11,903	11,074	12,375	15,629	18,121	19,239	22,582	25,921	28,454
Contributions in relation to the actuarially determined contr	11,903	11,074	12,375	15,629	18,121	19,239	22,582	25,921	28,454
Contribution deficiency	-	-	-	-	-	-	-	-	-
Covered employee payroll	300,039	344,967	378,139	422,729	456,992	485,520	525,293	594,509	636,552
Contribution as a percentage of covered employee payroll	3.97%	3.21%	3.27%	3.70%	3.97%	3.96%	4.30%	4.36%	-10.36%

**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

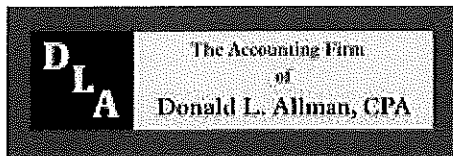
Investment Rate of Return 6.75%

Retirement 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.



Donald L. Allman, CPA, PC  
4749 Williams Drive, Ste. 322  
Georgetown, Texas 78633

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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, 2024 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 October 25, 2025.

**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  
October 25, 2025