

**MINUTES FROM A REGULAR MEETING OF THE
COUNCIL OF MUSCLE SHOALS, ALABAMA, HELD
April 17, 2017**

The City Council of Muscle Shoals, Alabama met at the Muscle Shoals City Hall auditorium in said City at 6:20 p.m. on the 17th day of April, 2017 being the scheduled time and approved place for said meeting. The meeting was called to order by Allen Noles, President of the Council. The invocation was given by Ricky Williams. On roll call the following members were found to be present or absent, as indicated:

PRESENT: CHRIS HALL, NEAL WILLIS, MIKE LOCKHART
KEN SOCKWELL, ALLEN NOLES
ABSENT: NONE

Allen Noles, President of the Council, presided at the meeting and declared that a quorum was present and that the meeting was convened and opened for the purposes of transaction of business. Mayor David Bradford was also present. Richard Williams, City Clerk, was present and kept the minutes of the meeting.

Upon motion duly made by Council Member Willis and seconded by Council Member Lockhart and unanimously adopted, the Council waived the reading of the minutes of the previously held regular meeting and work session of April 3, 2017 and approved the minutes as written.

Mayor Bradford read aloud a proclamation declaring April 22, 2017 as "Earth Day". He also commended the Police Department Tactical Team for their response to a recent domestic disturbance call in Tuscumbia. Mayor Bradford noted that the paving project was underway and repairs on Poplar and First Avenue were complete. He also noted that Walgreen's had announced 150 additional jobs at the Muscle Shoals call center.

Wendy Snitzer appeared before the Council and shared the information concerning an April 30th event to benefit the Colbert County Animal Control.

President Noles announced that the next item of business was consideration of a resolution to authorize the purchase of air-lift rescue bags for the fire department through the NPP-Gov Cooperative.

Council Member Lockhart introduced the following resolution and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2883-17

WHEREAS, the City Council of the City of Muscle Shoals, Alabama approved the purchase of three (3) emergency rescue air-lifting bag sets for use in the fire department; and

WHEREAS, the Procurement Agent advised that said purchase must comply with the Alabama Competitive Bid Law and further that a national cooperative contract meeting said requirement and eliminating the need for further formal, competitive, sealed bidding processes has been approved by the State of Alabama Department of Examiners upon special request of the Procurement Agent on behalf of City of Muscle Shoals and is valid for such purchase; and

WHEREAS, the Procurement Agent advised that the City of Muscle Shoals has been granted approval to use only the specific contract #VH11276 awarded by the national cooperative of National Purchasing Partners (NPP-Gov) for said purchase; and

WHEREAS, the Procurement Agent further advised that the total purchase price for the Hurst-Vetter air-lifting bag sets is \$27,625.00 to be purchased from Municipal Emergency Services, Inc. (MES) and further that Municipal Emergency Services, Inc. is the awarded contractual vendor for said item(s) with NPP-Gov, a State of Alabama Department of Examiners approved purchasing cooperative; now

THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals that Municipal Emergency Services, Inc. (MES), the contractual vendor of NPP-Gov is awarded the purchase of three (3) new, air-lifting bag sets for the total purchase price of \$27,625.00.

Council Member Sockwell seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was consideration of a resolution to authorize the purchase of a used rough mower for Cypress Lakes Golf through the NIPA Cooperative.

Council Member Sockwell introduced the following resolution and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2884-17

WHEREAS, the City Council of the City of Muscle Shoals, Alabama approved the purchase of (1) one, used, Toro Groundsmaster 4500D rough mower to be utilized at Cypress Lakes Golf and Tennis, and

WHEREAS, the Procurement Agent advised that the purchase must comply with the Alabama Competitive Bid Law requirements, and that a cooperative contract approved by the State of Alabama is valid for such purchase; and

WHEREAS, the Procurement Agent further advised that the purchase price for the used mower is \$39,150.00 to be purchased from Jerry Pate Turf & Irrigation and further that Jerry Pate Turf & Irrigation is the awarded contractual vendor of the national purchasing cooperative National Intergovernmental Purchasing Alliance (NIPA) for said item; now.

THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals that Jerry Pate Turf & Irrigation, the contractual vendor of Alabama approved purchasing cooperative NIPA for said described mower is now hereby awarded the purchase of the approved, used, Toro Groundsmaster 4500D rough mower for the total purchase price of \$39,150.00.

Council Member Hall seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was the presentation of the 2015-2016 Financial Audit. City Clerk/Treasurer Ricky Williams presented the audit report prepared by Leigh, King & Associates of Sheffield. President Noles directed that the report be spread upon the minutes of the meeting:

CITY OF MUSCLE SHOALS, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

CITY OF MUSCLE SHOALS, ALABAMA

**FINANCIAL STATEMENTS
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FINANCIAL SECTION

City of Muscle Shoals, Alabama
Management Discussion and Analysis
For the Year Ended September 30, 2016



Our discussion and analysis of the City of Muscle Shoals, Alabama's (the City's) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's financial position decreased by \$.53 million, or 1 percent.
- During the year, the City had taxes and other revenues for governmental programs that were, \$.53 million less than the \$21.98 million in expenses.
- General fund revenues were more than budget amounts by \$ 394,060 and expenditures of funds were \$ 443,358 less than budgeted expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Financial Position and the Statement of Activities (on page 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 2. The Statement of Financial Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net position as the difference between assets and liabilities and the change in net assets as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors should also be considered when assessing the overall health of the City. These include changes in the City's property tax base and the condition of the City's roads.

City of Muscle Shoals, Alabama
Management Discussion and Analysis
For the Year Ended September 30, 2016



In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Sales and property taxes, franchise fees, and state and federal grants finance most of these activities.
- Component units - The City includes three separate legal entities in its report: the City of Muscle Shoals Board of Education, the City of Muscle Shoals Utility Board, and the Electric Board of the City Of Muscle Shoals. Although legally separate, these component units are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 4. The fund financial statements begin on page 15 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (e.g. - the half-cent sales tax for capital projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on page 16.

City of Muscle Shoals, Alabama
 Management Discussion and Analysis
 For the Year Ended September 30, 2016



The City as a Whole

The City's net position decreased by \$.47 million, from \$42.71 million to \$42.24 million. Table 1 below summarizes net assets at September 30, 2016 and September 30, 2015, respectively.

Table 1

Total Primary Government Activities

Net Position (in millions)

	As of September 30,	
	2016	2015
Current and other assets	\$ 31.23	\$ 32.39
Capital assets	42.36	42.85
Total assets	73.59	75.24
Deferred Outflows	1.51	0.78
Total assets and deferred outflows	75.09	76.02
Long-term debt outstanding	20.26	21.40
Other liabilities	12.42	11.05
Total liabilities	32.68	32.74
Deferred Inflows	0.22	0.57
Total liabilities and deferred inflows	32.90	33.31
Net Position		
Invested in capital assets, net of debt	22.10	21.45
Restricted	1.29	0.41
Unrestricted	18.80	20.84
Total net position	\$ 42.19	\$ 42.71

City of Muscle Shoals, Alabama
 Management Discussion and Analysis
 For the Year Ended September 30, 2016



Table 2 details the change in net position for the same periods.

Table 2

Total Primary Government Activities
 Change in Net Position (in millions)

	For the fiscal year ended	
	2016	2015
Program revenues		
Fees, fines and charges for services	\$ 4.06	\$ 4.14
Grants and contributions	0.30	0.81
General revenues		
Sales taxes	12.30	11.50
Advalorem taxes	1.07	1.05
Other taxes	3.14	3.33
Miscellaneous	0.83	0.98
Investment Earnings	0.03	0.03
Total revenues	21.73	21.84
Program expenses		
General government	3.74	3.78
Public safety	6.24	6.19
Public works	4.27	4.62
Health, welfare and sanitation	1.55	1.57
Education	1.50	1.42
Culture and recreation	3.63	2.98
Miscellaneous	0.74	0.77
Interest on long-term debt	0.59	0.63
Total expenses	22.26	21.96
<i>Decrease in net assets from operations</i>	<i>\$ (0.53)</i>	<i>\$ (0.12)</i>

Governmental Activities

The cost of all government activities this year was \$22.26 million. However, as shown on the Statement of Activities on page 15, the cost ultimately financed by our taxpayers for these activities was \$ 17.86 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 4.36 million, thus reducing the burden to taxpayers.

City of Muscle Shoals, Alabama
 Management Discussion and Analysis
 For the Year Ended September 30, 2016



Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2016 and September 30, 2015 respectively.

Table 3

Total Primary Government Activities

Total Cost of Services

September 30,

	2016	2015
General government	\$ 3,742,191	\$ 3,775,141
Public safety	6,241,106	6,194,811
Public works	4,270,503	4,621,577
Health, welfare and sanitation	1,552,013	1,572,717
Education	1,503,034	1,422,884
Culture and recreation	3,625,041	2,968,423
All others	1,282,855	1,402,491
<i>Totals</i>	<i>\$ 22,216,744</i>	<i>\$ 21,958,044</i>

THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$10.37 million, which decreased from last year's total of \$11.06 million. The general fund balance increased by \$.63 million from \$7.29 million to \$7.92 million.

General Fund Budgetary Highlights

The 2015-2016 budget was approved on December 7, 2015. It was amended on May 17, 2016 and September 26, 2016 as is customary, to account for mid-year adjustments to the various department line items.

City officials continue to monitor the costs of employee health care. Health care costs of \$2.24 million represented 10.00 % of general fund expenditures and were roughly the same as in the prior fiscal year.

City of Muscle Shoals, Alabama
 Management Discussion and Analysis
 For the Year Ended September 30, 2016



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City has worked extensively to develop and adequately maintain capital assets. City streets are routinely inspected for potholes, shoulder deterioration and other maintenance concerns. Prompt response to citizen complaints and an aggressive inspection program have led to better control of maintenance costs. On a regularly scheduled basis, the City resurfaces streets utilizing local and state shared gasoline tax revenues. Resurfacing costs are not capitalized.

At the end of fiscal year 2016, the City had \$42.35 million invested in a broad range of capital assets, including buildings, park facilities, roads, storm water detention and pumping facilities and police and fire equipment. (See Table 4):

Table 4

Total Primary Government Activities

Capital Assets at Year-End (Net of Depreciation)

	As of September 30,	
	2016	2015
Non-depreciable		
Land	\$ 7,408,041	\$ 7,741,157
Art	78,810	31,850
Construction in progress	1,304,359	620,800
Depreciable		
Buildings	15,979,809	15,979,807
Infrastructure	23,908,529	23,908,528
Improvements	10,365,997	10,087,101
Equipment	13,456,229	13,007,329
Totals	72,501,774	71,376,572
Less: Accumulated depreciation	(30,146,238)	(28,516,992)
<i>Capital assets-net</i>	<i>\$ 42,355,536</i>	<i>\$42,859,580</i>

City of Muscle Shoals, Alabama
Management Discussion and Analysis
For the Year Ended September 30, 2016



Significant investments of grant and state and city funds have been or are planned to be invested in infrastructure in the following areas:

A. There were several transportation related projects:

1. ALDOT has awarded an \$800,000 ATRIP grant for improvements to Webster Street between 2nd Street and Avalon Avenue. Design documents have been completed. Construction has been scheduled for late 2017.
2. The ATRIP grant funded the widening of East Avalon Avenue between Wilson Dam Road and Webster Street and construction has been completed. Final close-out will be completed by the end of 2017.
3. The ALDOT project to widen Highway 133 from the Singing River Bridge approach to Highway 20 has acquired all rights of way. Construction is currently underway and is expected to be completed in 2018.
4. The MPO paving project will include paving of portions of Alabama Avenue, Sheffield Avenue, Covenant Drive, and Pepi Drive. The project is funded through an \$800,000 allocation from the Shoals Area MPO. Design is underway and construction should begin in late summer 2017.
5. 6th Street intersection improvements will improve the existing intersection between 6th Street and Wilson Dam Road. The project is funded by a \$280,000 grant from the Alabama Industrial Access Board. Design is underway and construction should begin in the summer of 2017.
6. Constellium Element 13 access improvements will upgrade and improve the existing entrance to Constellium's Element 13 project. The project is funded by a \$207,000 grant from the Alabama Industrial Access Board. The design will begin in the spring of 2017 and construction should begin in late 2017.

Other projects that have been completed or are underway include:

1. The construction of a new gymnasium in Gattman Park was nearing completion at year's end. The gym will be the third facility of its type, constructed at a cost of \$1.1 million.
2. The city received a \$300,000 grant for sidewalk construction on 6th Street from Sheffield Avenue to the entrance of the Cypress Lakes Golf & Tennis Facility. The plans have been completed and construction is underway. The project should be completed in 2017.

Debt

At year-end, the City had \$20.26 million in general obligation warrants outstanding versus \$21.39 million last year, a decrease of \$ 1.13 million.

City of Muscle Shoals, Alabama
Management Discussion and Analysis
For the Year Ended September 30, 2016



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- In the 3rd quarter of 2016, RMR-Barton, a company with plant locations in Georgia, Pennsylvania, North Carolina, and Kentucky, purchased the former UCM Magnesia facility in the Barton Riverfront Industrial Park. This new facility is a "waste paper consolidator" that brings in recyclable materials from various sources, which is then sorted and made available for companies that utilize wastepaper. The company announced an investment of \$1.8 million with the employment of 23 people within three years. RMR-Barton is a prime vendor for SCA Americas – Barton Operations.
- Also in the Barton Riverfront Industrial Park, FreightCar America and Navistar, made a joint announcement of a \$5 million investment and the creation of 200 full-time positions. FreightCar America and Navistar made the investment to complete the build-out of the office portion of the facility and implement more employee-use facilities, such as break rooms and restrooms, in the center of the nearly mile-long building. FreightCar America and Navistar together employ 1,026 people.
- In the Shoals Research Airpark, North American Lighting (NAL) continues to grow announcing a 150-job increase in employment in 2016. As of March 2017, NAL employed approximately 1,700 people and remains the largest manufacturing employer in the two-county area. NAL also continues to be a major driving force in The Shoals by directly and indirectly affecting area manufacturing jobs with the continued growth of suppliers such as TASUS, located in the Florence-Lauderdale Industrial Park, and CBC INGS America, located next-door to NAL's facility.
- In late 2016, Life Data Labs announced the establishment of Life Data Solar and the construction of a solar "farm" to provide power to its manufacturing facility located in Cherokee, Alabama. The solar facility will generate approximately 282 kilowatts for the facility, enough solar power equivalent to power 40 homes. Earlier in 2016, Helena Chemical purchased property in Leighton, Alabama, to construct a facility and employ 10 people.
- At the Florence-Lauderdale Port, a new grain bunker and two new large grain storage bins are part of a nearly \$7 million infrastructure investment aimed at giving the co-op the ability to store large quantities of grain and take advantage of changes in the market.
- Southwire, a major manufacturing employer in the Florence-Lauderdale Industrial Park, announced an expansion of their operation increasing employment with 56 new positions. The employment increase is coupled with an investment of approximately \$7.5 million for the purchase and installation of new manufacturing machinery, as well as a complete electrical upgrade of the facility. Southwire now employs over 400 people in The Shoals and has been operating in the area since its purchase of Essex Electrical Products in 2005.

City of Muscle Shoals, Alabama
Management Discussion and Analysis
For the Year Ended September 30, 2016



- Shiloh Sewing, an apparel company which produces sewn component parts for the Department of Defense, announced that the company will launch a new operation in the Central Industrial Center in Lauderdale County, Alabama, an investment of approximately \$280,000 and the creation of 26 new textile jobs.
- IPWatch Corporation, a software company that excels in intellectual property applications, relocated its operations from Kansas City to The Shoals and announced an investment of approximately \$191,485 and the hiring of nine full-time employees, which includes software engineers, content developers, and an attorney.
- Custom Synthetic Fibers' new manufacturing facility located in the Rogersville Business Park became operational in July 2016 and now employs over 50 people.
- Numerous other manufacturers, such as Firestone Building Products, A-1 Machine & Fab, United Lumber & Reman, APC Forest Products, Senators Coaches, Alabama Chanin, MantelCraft, Premier Mantels, PartCycle, and Verus Works added new employment opportunities to their operations.

Unemployment in Colbert County stood at 6.5% in October 2016, a decrease of .6% since 2015. The local rate of 6.5% is higher than the national rate of 4.8% and the state of Alabama rate of 6.1%.

Assessed Value of the City is as follows:

<u>Tax Year</u>	<u>Assessed Value</u>
2011	171,190,289
2012	177,496,460
2013	179,407,660
2014	193,265,420
2015	188,432,920
2016	203,902,180

The Mayor and City Council approved a conservative 2016-2017 General Fund budget. Total anticipated revenues and other financing resources are projected at \$20.81 million, an increase from the 2015-2016 budgeted revenues and other financing resources of \$20.64 million. Budgeted expenditures and other uses of funds are expected to increase to \$20.81 million from \$20.64 million in the prior year. One additional patrol officer has been added due to the award of a Community Oriented Policing Services (COPS) grant. No new programs have been added to the 2016-2017 budget.

City of Muscle Shoals, Alabama
Management Discussion and Analysis
For the Year Ended September 30, 2016



CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information such as separately issued financial statements for component units, contact the City Clerk/Treasurer's office at the City of Muscle Shoals, P.O. Box 2624, Muscle Shoals, AL 35662. Telephone (256) 383-5675 or e-mail at mshoals@hiwaay.net.



B.T. (Tim) Leigh, CPA
Karen P. King, CPA
Dennis K. Norton, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Muscle Shoals, Alabama

We have audited the accompanying 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 City of Muscle Shoals, Alabama, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscle Shoals City Board of Education, Muscle Shoals Electric Board and Muscle Shoals Utilities Board, which collectively represent 65 percent, 53 percent and 75 percent, respectively, of the assets, net position, and revenues of the City of Muscle Shoals, Alabama. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for City of Muscle Shoals, Alabama, is based solely on the report of the other auditors. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muscle Shoals, Alabama, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on page 53-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muscle Shoals, Alabama's basic financial statements. The supplemental schedules of revenues and expenses by budget line item on pages 56-75, and the combining and individual non-major fund financial statements on pages 76 and 77 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Leigh, King & Associates, P.C.

Leigh, King & Associates, PC
Sheffield, Alabama
March 28, 2017

City of Muscle Shoals, Alabama
Statement of Net Position
For the Year Ended September 30, 2016



		Component Units		
	Governmental Activities	Utilities Board	Electric Board	Board of Education
ASSETS				
Cash and equivalents	\$ 8,819,918	\$ 2,849,626	\$ 2,632,895	\$ 8,026,442
Account receivables, net	218,755	698,104	4,702,317	3,955,847
Receivable-component units	45,306	-	-	-
Due from other governments	1,309,715	-	-	-
Inventories	60,212	126,271	640,024	71,535
Net OPEB asset	240,422	-	-	-
Reserved and restricted assets		5,698,786	2,248,980	
Capital Assets:				
Non-depreciable	8,791,210	464,850	490,580	1,337,809
Other capital assets, net of depreciation	33,564,326	46,926,943	22,926,350	30,053,589
Equity interest in joint venture	19,782,878	-	-	-
Other receivables	111,813	3,973	84,992	-
Prepaid Expenses	-	59,804	253,016	
Receivable-commercial entity	640,841	-	-	-
Total assets	<u>73,585,396</u>	<u>56,828,357</u>	<u>33,979,154</u>	<u>43,445,222</u>
Deferred outflows of resources	1,506,875	6,068,184	988,062	4,249,821

City of Muscle Shoals, Alabama
Statement of Net Position
For the Year Ended September 30, 2016



		Component Units		
	Governmental Activities	Utilities Board	Electric Board	Board of Education
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	190,595	263,854	4,510,018	2,387,613
Due to other governments	-	-	779,035	-
Customer deposits	-	408,185	1,179,832	40,452
Long-term liabilities:				
Due within one year:				
Advances from TVA energy programs	-	-	1,352,247	-
Bonds payable	1,150,000	570,000	210,000	629,009
Accrued interest	91,516	306,822	78,123	-
Compensated absences	67,491	30,000	30,000	-
Due in more than one year:				
Net OPEB liability	-	24,535	69,830	-
Bonds payable	19,110,000	35,619,407	4,340,000	35,679,663
Compensated absences	1,129,208	128,188	237,662	-
Net pension liability	10,302,783	1,188,523	4,076,311	-
Bonds payable-commercial	640,841	-	-	-
Total liabilities	32,682,434	38,539,514	16,863,058	38,736,737
Deferred Inflows of resources	219,583	19,474	-	3,761,000
NET POSITION				
Invested in capital assets, net of related debt	23,245,536	16,627,319	18,972,436	19,603,726
Restricted or Committed for:				
Capital projects	1,202,500	-	-	287,961
Debt Service	41,118	4,710,286	535,529	-
Other purposes	53,144	-	-	524,089
Unrestricted	17,647,956	2,999,948	(1,403,807)	(15,218,470)
Total net position	\$ 42,190,254	\$ 24,337,553	\$ 18,104,158	\$ 5,197,306

The accompanying notes are an integral part of these financial statements



City of Muscle Shoals, Alabama
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities					
General government	\$ 3,742,191	\$ 1,368,124	\$ -	-	\$ (2,374,067)
Public safety	6,241,106	585,628	-	-	(5,655,478)
Public works	4,270,503	-	-	303,698	(3,966,805)
Health, welfare and sanitation	1,552,013	1,108,884	-	-	(443,129)
Culture and recreation	3,625,041	994,842	-	-	(2,630,199)
Education	1,503,034	-	-	-	(1,503,034)
Interest on long-term debt	593,410	-	-	-	(593,410)
Miscellaneous	461,999	-	-	-	(461,999)
Total governmental activities	21,989,298	4,057,478	-	303,698	(17,628,122)
Component units:					
Utilities board	7,696,957	7,842,188	-	315,510	\$ 460,741
Electric board	27,723,208	28,112,091	-	-	388,883
Board of education	30,340,588	3,814,612	16,332,712	750,288	(9,442,976)
Total component units	58,063,796	39,768,891	16,332,712	1,065,798	(8,593,352)
Total primary government					(17,628,122)

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Net (Expense) Revenue and Changes in Net Assets	Primary Governmental Activities	Component Units
General revenues:		
Taxes:		
Sales taxes	12,297,891	1,321,813
Advalorem	1,072,478	4,122,926
Gasoline	751,475	-
Alcohol	262,894	61,899
Tobacco	124,322	-
Lodging	70,154	-
Financial institution	157,200	-
Other taxes	196,687	75,695
Total taxes	14,933,101	5,582,333
Payments in lieu of taxes	1,579,078	-
Grants and contributions not restricted to specific purposes	-	1,460,000
Unrestricted investment earnings	32,620	50,210
Other Changes	(274,478)	-
Miscellaneous	828,232	1,533,933
Total general revenues, special items, and transfers	17,098,553	8,626,476
Change in net assets	(529,569)	33,124
Net position - beginning, as originally reported	-	48,297,717
Prior Period Adjustment	-	(691,824)
Net position - beginning, as restated	42,719,823	47,605,893
Net position - ending	\$ 42,190,254	\$ 47,639,017

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
Balance Sheets
At September 30, 2016



	General Fund	Half-Cent Sales Tax	Municipal Court	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,446,161	\$ 1,505,629	\$ 102,187	\$ 765,941	\$ 8,819,918
Accounts receivable, net	179,359	29,117	883	9,396	218,755
Receivable from component units	(8,552)	50,505	3,353	-	45,306
Receivable from other governments	1,309,715	-	-	-	1,309,715
Other receivables	111,813	-	-	-	111,813
Inventories	60,212	-	-	-	60,212
<i>Total assets</i>	<u>8,098,708</u>	<u>1,585,251</u>	<u>106,423</u>	<u>775,337</u>	<u>10,565,719</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	97,291	-	573	-	97,864
Other accrued liabilities	84,230	-	8,501	-	92,731
Total liabilities	<u>181,521</u>	<u>-</u>	<u>9,074</u>	<u>-</u>	<u>190,595</u>
Fund balances:					
Restricted for:					
Debt service	-	-	-	37,918	37,918
Other fund activities	-	-	-	104,249	104,249
Unassigned:					
Total fund balance	<u>7,917,187</u>	<u>1,585,251</u>	<u>97,349</u>	<u>633,170</u>	<u>10,232,957</u>
	<u>7,917,187</u>	<u>1,585,251</u>	<u>97,349</u>	<u>775,337</u>	<u>10,375,124</u>
<i>Total liabilities and fund balance</i>	<u>\$ 8,098,708</u>	<u>\$ 1,585,251</u>	<u>\$ 106,423</u>	<u>\$ 775,337</u>	<u>\$ 10,565,719</u>

The accompanying notes are an integral part of these financial statements

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City of Muscle Shoals, Alabama
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 For the Year Ended September 30, 2016



Total fund balance, governmental funds	\$ 10,375,124
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Amounts reported for governmental activities in the Statement of Net Position
 are different because:

Capital assets used in governmental activities are not current financial	42,355,536
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Certain other long-term assets are not available to pay current period
 expenditures and therefore are not reported in this fund financial statement,
 but are reported in the governmental activities of the Statement of Net
 Position:

Net OPEB asset	240,422
Equity interest in joint venture	19,782,878
Deferred Outflows	1,506,875

Some liabilities, are not due and payable in the current period and are not
 included in the fund financial statement, but are included in the governmental
 activities of the Statement of Net Position

Bonds payable	(20,260,000)
Accrued interest	(91,516)
Deferred inflows	(219,583)
Compensated absences	(1,196,699)
Defined benefit obligation	(10,302,783)

Net Position of Governmental Activities in the Statement of Net Position	\$ 42,190,254
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The accompanying notes are an integral part of these financial statements



City of Muscle Shoals, Alabama
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended September 30, 2016

	General Fund	Half-Cent Sales Tax	Municipal Court	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local taxes	\$ 16,407,009	\$ -	\$ -	\$ 105,170	\$ 16,512,179
License, permits and fees	1,368,124	-	530,476	55,152	1,953,752
Charges for service	1,108,884	-	-	-	1,108,884
Joint Ventures	412,524	29,129	694	-	442,347
Intergovernmental revenue	143,025	160,673	-	-	303,698
Park and recreation	994,843	-	-	-	994,843
Investment earnings	27,319	964	161	4,175	32,619
Miscellaneous	262,566	5,350	-	117,969	385,885
Total revenues	20,724,294	196,116	531,331	282,466	21,734,207

EXPENDITURES

Current:					
General government	3,150,552	27,489	179,917	37,193	3,395,151
Police	3,439,956	152,485	-	15,685	3,608,126
Fire	2,355,375	5,608	-	1,155	2,362,138
Street	1,909,071	447,293	-	129,234	2,485,598
Storm and Sewer	426,791	270,214	-	-	697,005
Health and sanitation	1,552,013	-	-	-	1,552,013
Culture and recreation	2,441,381	130,071	-	765,719	3,337,171
Appropriations	81,058	-	-	-	81,058
Education	1,303,034	200,000	-	-	1,503,034
Miscellaneous	350,939	-	30,000	-	380,939

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EXPENDITURES (continued)

Debt Service:	General Fund	Half-Cent Sales Tax	Municipal Court	Other Governmental Funds	Total Governmental Funds
Principal	36,224	-	-	1,135,000	1,171,224
Interest and other charges	21,612	-	-	571,800	593,412
Capital Outlay	163,743	1,069,151	9,332	14,900	1,257,126
Total expenditures	17,231,749	2,302,311	219,249	2,670,686	22,423,995
Excess (deficiency) of revenues over expenditures	3,492,545	(2,106,195)	312,082	(2,388,220)	(689,788)

OTHER FINANCING SOURCES (USES)

Transfers in	331,502	1,494,861	-	1,703,632	3,529,995
Transfers out	(3,198,493)	-	(331,468)	(34)	(3,529,995)
Total other financing sources and uses	(2,866,991)	1,494,861	(331,468)	1,703,598	-
Net change in fund balances	625,554	(611,334)	(19,386)	(684,622)	(689,788)
Fund balances - beginning	7,291,633	2,196,585	116,735	1,459,959	11,064,912
Fund balances - ending	\$ 7,917,187	\$ 1,585,251	\$ 97,349	\$ 775,337	\$ 10,375,124

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
 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, 2016



Net change in fund balances - total governmental funds: \$ (689,788)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which net capital outlays \$1,257,126 were exceeded by depreciation \$1,993,653 in the current period. (504,045)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Increase in Net pension obligation	(1,246,761)
Decrease in accrued interest	3,784
Decrease in compensated absences	1,744
Decrease in OPEB asset	(47,032)
Decrease in Equity interest of joint venture	(262,019)
Increase in Deferred inflows	348,630
Increase in Deferred outflows	730,918

Change in net position of governmental activities \$ (529,569)

City of Muscle Shoals, Alabama
 Notes to Financial Statements
 For the Year Ended September 30, 2016



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Muscle Shoals, AL are discussed in subsequent sections of this note. The remaining notes are organized to provide explanations and include required disclosures of the City's financial activities for the fiscal year ended September 30, 2016.

A. Reporting Entity

The City of Muscle Shoals, Alabama, (the "City"), was incorporated in 1923, under the Constitution and laws of the State of Alabama. The City operates under the mayor-city council form of government. As required by generally accepted financial principles, these financial statements present financial position and results of operations of the City and its component units (see below).

The City's financial reporting entity consists of the following:

Primary government: The City of Muscle Shoals, Alabama

Discretely presented component units are as follows:

<u>Component unit</u>	<u>Activities and Relationship to City</u>
Utilities Board of the City of Muscle Shoals	Owns, operates and maintains a water and sewer system serving residents of the City. The City Council appoints all members of the Utility Board.
Electric Board of the City of Muscle Shoals	Provides electricity to the residents of Muscle Shoals and acts as collection agent for the City's garbage pick-up operation. The City Council appoints all members of the Electric Board.
Muscle Shoals City Board of Education	Operates the City's Public school system. The City Council appoints the five members of the Board. The City issued bonds for the construction of school facilities and is obligated for the debt. The City makes annual appropriations to the Board of Education.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In determining the reporting entity, the City complies with the provisions of GASB Statement No. 14 "The Financial Reporting Entity," (as amended by GASB Statement No. 39 and includes all component units of which the City appointed a voting majority of the units' board: the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Component units of the City issue separately audited financial statements. Copies of these reports are available from the respective organizations; therefore the component unit financial statement notes are not repeated here.

B. BASIS OF PRESENTATION

Government-wide Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues directly connected with the functional program. *Program revenues* include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

Fund Financial Statements

Fund financial statements are provided for the City's governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

The City reports the following major (as defined by GASB #34) governmental funds:

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

Half-cent Sales Tax – A fund established by City ordinance to account for funds received and expended for capital projects as approved by the council.

Municipal Court – A fund established by City ordinance to account for funds received and expended for fines and forfeitures.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes and fuel taxes are significant revenue sources considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. While governments have the option of following subsequent private-sector guidance for their business-type activities, the City has not elected to follow subsequent private sector guidance.

New Accounting Pronouncements

In FY 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-An amendment of GASB Statement No. 27." This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. See Note 10 for additional information.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In FY 2015, the City implemented GASB Statement No. 70, (Accounting and Financial Reporting for Non-exchange Finance Guarantees". This statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on that guarantee. The provisions of the statement are effective for reporting periods beginning after June 15, 2013, therefore, the City implemented this statement for fiscal year ended September 30, 2015, and had no impact on the financial statements.

In FY 2015, the City implemented GASB Statement No. 71, (Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No.68." The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014; therefore, the City implemented this Statement in fiscal year ending September 30, 2015, along with GASB 68 as discussed above.

D. CASH AND CASH EQUIVALENTS

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificate of deposits.

E. RECEIVABLES AND PAYABLES

The activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. INVENTORIES

The primary government values inventories at cost and records expenditures when the inventories are consumed.

G. FIXED ASSETS

The accounting treatment over fixed assets depends on whether they are reported in the *fund* or *government-wide* financial statements.

Fund statements. Fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide statements. Equipment and buildings costing more than \$5,000 are accounted for as capital assets. Infrastructure costing more than \$50,000 is capitalized. All fixed assets are recorded at historical cost, or estimated historical cost, if actual cost is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful life, in years are as follows:

Buildings, structures and improvements	20-50
Furniture, fixtures and equipment	3-20
Roads and streets	50
Storm sewers and drainage ditches	30

H. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave and related fringe benefits. The cost of earned but unused vacation pay is accrued when earned in the government-wide statements. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination. A liability for these amounts is reported in governmental funds only if they have matured, due to employee retirement.

I. LONG-TERM DEBT AND DEFERRED DEBT EXPENSE

In the government-wide financial statements, outstanding long-term debt is reported as a liability. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using the straight-line method.

The governmental fund financial statements recognize debt proceeds and premiums as other financing sources of the current period. Issuance costs are reported as debt service expenditures.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. EQUITY CLASSIFICATIONS

Government-wide statements - Equity is classified as net assets and displayed in three components:

- a. *Invested in capital assets, net of related debt* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved, with unreserved further split between designated and undesignated.

K. REVENUES

Sales Tax

The City levies tax on taxable sales within the City. Sales tax applicable to the month of September, but not received until after year-end are recorded as a receivable on both the government-wide and the fund financial statements.

Property taxes

Property taxes are levied and are due and payable on October 1 of each year, and may be paid without penalty through December 31. All unpaid taxes on real and personal property become delinquent on January 2 of the year following the year in which the taxes were levied. Penalties, interest and late fees are assessed on all payments made after December 31. On the first Monday in April of each year a tax auction for real property is held at which a certificate is sold at auction for properties on which the taxes are delinquent.

City of Muscle Shoals, Alabama
 Notes to Financial Statements
 For the Year Ended September 30, 2016



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. BUDGETING

The City follows these procedures in establishing the general fund fund-level budgetary data reflected in the financial statements:

- a. The Mayor submits to the City Council for approval, a proposed operating budget for the fiscal year beginning October 1. The operating budget is only for the General Fund and includes proposed expenditures and the means of financing them.
- b. Any revisions to the budget must be approved by the City Council. The budget is normally modified one or more times during the course of the fiscal year.
- c. All unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations remain in effect and are incorporated into the next fiscal year budget.

M. USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

2. CASH AND INVESTMENT

Deposits are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. Deposits exceeding \$250,000 are made to banks participating in the Security for Alabama Funds Enhancement Program (SAFE Program). In the State of Alabama, all public funds are protected through a collateral pool administered by the Alabama State Treasurer. Banks holding deposits belonging to the state, counties, cities or agencies of any of these entities must pledge securities as collateral against those deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, then every bank participating in the pool would share the liability for the remaining balance.

Each of the banks containing more than \$250,000 of the City of Muscle Shoals' deposits has been designated by the State Treasurer as a qualified public depository.

3. RECEIVABLES

The City's general fund receivables from other governments consisted of the following:

Due from State of Alabama (Sales Tax)	\$ 1,068,492
Other	<u>241,223</u>
Total	<u>\$ 1,309,715</u>

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



4. FIXED ASSETS

Capital assets activity for the year ended September 30, 2016 is as follows:

Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 7,741,157	\$ -	\$ 333,116	\$ 7,408,041
Art	31,850	46,960	-	78,810
Construction in progress	620,800	929,230	245,671	1,304,359
Total assets not being depreciated	8,393,807	976,191	578,788	8,791,210
<i>Capital assets being depreciated</i>				
Buildings	15,979,809	-	-	15,979,809
Infrastructures	23,908,529	-	-	23,908,529
Land Improvements	10,087,101	293,896	15,000	10,365,997
Equipment	12,893,328	838,572	275,671	13,456,229
Total Capital assets being depreciated	62,868,766	1,132,468	290,671	63,710,564
Accumulated Depreciation	(28,410,483)	(1,993,653)	(257,898)	(30,146,238)
Total capital assets being depreciated, net	34,458,284	(861,185)	32,773	33,564,326
Governmental activities capital assets, net	\$ 42,852,091	\$ 115,006	\$ 611,560	\$ 42,355,536

Depreciation expense was included in the functional expenses in the Statement of Activities as follows:

Function	Depreciation
General Government	\$ 347,040
Police	230,117
Fire	40,726
Public Works	382,366
Storm Drainage	705,533
Recreation	287,870
Total depreciation expense	\$ 1,993,653

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



5. LONG-TERM DEBT

The City's Debt consists of the following:

General Obligation Refunding Warrants, Series 2014-A (January 1)

On January 1, 2014 the City issued \$1,960,000 of General Obligation Refunding Warrants, Series 2014-A. These tax-exempt warrants mature from 2014 to 2025 and bear interest at rates from 2.00 to 3.25% and were issued to refund \$1,627,565 of the General Obligation Warrants, Series 2005 and to provide \$ 278,000 in Capital Improvements.

General Obligation Refunding Warrants, Series 2014-C (May 1)

On May 1, 2014 the City issued \$9,660,000 of General Obligation Refunding Warrants, Series 2014-C. These tax-exempt warrants mature from 2015 to 2025 and bear interest at rates from 1.50 to 2.50% and were issued to refund \$9,585,433 of the General Obligation Warrants, Series 2004 and to provide \$ 673,074 in Capital Improvements.

General Obligation Refunding Warrants, Series 2015-A (June 1)

On June 1, 2015 the City issued \$8,515,000 of General Obligation Refunding Warrants, Series 2015-A. These tax-exempt warrants mature from 2015 to 2030 and bear interest at rates from 1.40 to 2.08% and were issued to refund \$8,273,489 of the General Obligation Warrants, Series 2006-A Warrants dated March 1, 2006 and November 1, 2006, and pay issuance expenses of \$241,511.

General Obligation Refunding Warrants, Series 2015-B (June 1)

On June 1, 2015 the City issued \$500,000 of General Obligation Refunding Warrants, Series 2015-B. These tax-exempt warrants mature from 2015 to 2025 and bear interest at rates from 2.75 to 3.25% and were issued to refund \$421,689 of the General Obligation Warrants, Series 2006-A Warrants dated March 1, 2016 and November 1, 2006, and pay issuance expenses of \$78,311.

General Obligation Refunding Warrants, Series 2015-C (June 1)

On June 1, 2015 the City issued \$1,250,000 of General Obligation Refunding Warrants, Series 2015-C. These tax-exempt warrants mature from 2015 to 2031 and bear interest at rates of 3.75% and were issued to provide \$1,200,000 in Capital Improvements and pay issuance expenses of \$50,000.

The following summarizes the changes in the City's debt for the year ended September 30, 2016:

General Obligation Warrants	Beginning Balance	Increases	Reductions	Ending Balance	Current Maturities
Series 2014-A	\$ 1,895,000	\$ -	\$ 200,000	\$ 1,695,000	\$ 185,000
Series 2014-C	9,295,000	-	870,000	8,425,000	900,000
Series 2015-A	8,455,000	-	65,000	8,390,000	65,000
Series 2015-B	500,000	-	-	500,000	-
Series 2015-C	1,250,000	-	-	1,250,000	-
Total Warrants	\$ 21,395,000	\$ -	\$ 1,135,000	\$ 20,260,000	\$ 1,150,000

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



5. LONG-TERM DEBT (continued)

A Summary of the City's Debt Service requirements follows:

Fiscal Year	Series 2014-A		Series 2014-C		Series 2015-A	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 185,000	\$ 42,506	\$ 900,000	\$ 202,138	\$ 65,000	\$ 243,280
2018	180,000	38,806	935,000	166,138	75,000	241,980
2019	200,000	35,206	960,000	138,088	70,000	240,480
2020	195,000	31,206	920,000	118,888	75,000	239,080
2021	200,000	27,063	935,000	105,088	75,000	237,580
2022-2026	735,000	51,863	3,775,000	204,625	2,025,000	1,163,525
2027-2030	-	-	-	-	6,005,000	474,835
<i>Totals</i>	<i>\$ 1,695,000</i>	<i>\$ 226,649</i>	<i>\$ 8,425,000</i>	<i>\$ 934,964</i>	<i>\$ 8,390,000</i>	<i>\$ 2,840,760</i>

Year	Series 2015-B		Series 2015-C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	-	14,300	-	46,875	1,150,000	549,099
2018	-	14,300	-	46,875	1,190,000	508,099
2019	-	14,300	-	46,875	1,230,000	474,949
2020	80,000	14,300	-	46,875	1,270,000	450,349
2021	80,000	12,220	-	46,875	1,290,000	428,825
2022-2026	340,000	26,415	-	234,375	6,875,000	1,680,803
2027-2031	-	-	1,250,000	234,375	7,255,000	709,210
<i>Totals</i>	<i>\$ 500,000</i>	<i>\$ 95,835</i>	<i>\$ 1,250,000</i>	<i>\$ 703,125</i>	<i>\$ 20,260,000</i>	<i>\$ 4,801,333</i>

6. COMMITMENTS AND CONTINGENCIES

The Public Park Authority of the Shoals, an Alabama Public Corporation formed by four local municipal governments (including the City of Muscle Shoals) and the counties of Colbert and Lauderdale, issued \$17,925,000 in Special Obligation Bonds, Series 2003, dated June 1, 2003. The bonds are secured by a pledge of the two cents per gallon gasoline taxes levied in Colbert and Lauderdale counties.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



7. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

During the year the City transferred money between funds, mostly from the general to other funds. These transfers were for several purposes such as providing funds for debt service and to provide match money to comply with the terms of grant agreements. There were no outstanding Inter-fund receivable and payable balances at September 30, 2016. The amounts of inter-fund transfers for the fiscal year ended September 30, 2016 are as follows:

Fund	Transfers	
	To	From
General	\$ 331,502	\$ 3,198,493
Municipal Court	-	331,468
Debt Service	1,703,632	34
One Half-Cent Sales Tax	1,494,861	-
	<u>\$ 3,529,995</u>	<u>\$ 3,529,995</u>

The transfers were primarily used for the payment of debt service and capital outlay.

8. EQUITY INTEREST IN JOINT VENTURE (NORTH ALABAMA GAS DISTRICT)

The City of Muscle Shoals owns approximately 49.5 percent of the North Alabama Gas District (the Gas District) and the City of Madison, Alabama owns the remainder. The government-wide financial statements reflect the City of Muscle Shoals' equity in the Gas District, in the amount of \$ 19,782,878. The fund-level financial statements only report the earnings distributions received from the District during the year (\$ 403,024).

9. RELATED PARTY TRANSACTIONS

The City had the following material transactions with related parties during the year ended September 30, 2016:

Muscle Shoals Utility Board – This component unit provides water and sewer service to the City at market rates. At September 30, 2016, the Board owed the City \$ 0.

Muscle Shoals Electric Board – The Board, a component unit of the City, (a) provides electricity to the City at normal market rates, (b) collected on behalf of and remitted to the City \$ 1,018,855 of garbage revenues collected and (c) paid the City \$ 879,765 of tax equivalents. At September 30, 2016, the Electric Board owed the City a total of \$157,276. The City owed the Electric Board nothing at year-end.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



9. RELATED PARTY TRANSACTIONS (continued)

Muscle Shoals Board of Education - The City appropriated \$1,301,034 to the Board of Education (a component unit) during the year. At September 30, 2016, the Board owed the City \$ 15,648 for miscellaneous items.

Shoals Solid Waste Disposal Authority - The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$174,898 for landfill services provided to the City. The City and the other three joint governors are charged special rates for landfill services, which are lower than that charged the public.

North Alabama Gas District (the Gas District)- The City, having approximately a 49.5 percent equity interest in the Gas District, received \$403,024 of earnings distributions from the Gas District during 2016. The distribution ratio is based on the percentage of gas sales in the respective areas of the two owners of the Gas District that is, the City of Muscle Shoals and the City of Madison, Alabama.

The City jointly governs, with several other governmental organizations, the Colbert County Animal Control and Northwest Alabama Airport Authority. There have been no material transactions with these organizations, other than the City's annual appropriations to them.

10. DEFINED BENEFIT PLAN

Plan description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
- a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to, but not receiving benefits	1,252
Terminated employees not entitled to benefits	5,048
Active members	55,883
Total	<u>83,874</u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 9.52 % of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 12.87 % of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 5.0% of pensionable pay for Tier 1 employees, and 6.0 % of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$874,045 for the year ended September 30, 2016.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2013	\$ 28,701,059	\$ 28,458,643
(b) Entry age normal cost for the period October 1, 2013 through September 30, 2014	552,760	552,760
(c) Actual benefit payments and refunds for the period October 1, 2013 through September 30, 2014	<u>(1,484,876)</u>	<u>(1,484,876)</u>
(d) Total Pension Liability as of September 30, 2014 = ((a) x (1.08)) + (b) - ((c) x (1.04))	<u>\$ 30,005,633</u>	<u>\$ 29,743,823</u>
(e) Difference between Expected and Actual <i>Experience (Gain)/Loss</i>		<u>\$ (261,810)</u>

Actuarial assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

City of Muscle Shoals, Alabama
 Notes to Financial Statements
 For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation (%)	Long-Term Expected Rate of Return (%)
Fixed Income	25.00	5.00
US Large Stocks	34.00	9.00
US Mid Stocks	8.00	12.00
US Small Stocks	3.00	15.00
International Developed Market Stocks	15.00	11.00
International Emerging Market Stocks	3.00	16.00
Real Estate	10.00	7.50
Cash	2.00	1.50
Total	100.00	

* Includes assumed rate of inflation of 2.5%

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2014	\$ 28,701,059	\$ 19,645,037	\$ 9,056,022
Changes for the year:			
Service cost	552,760	-	552,760
Interest	2,236,690	-	2,236,690
Changes of assumptions	-	-	-
Difference between expected and actual difference	(261,810)	-	(261,810)
Contributions - employer	-	753,105	(753,105)
Contributions - employee	-	361,847	(361,847)
Net investment income	-	230,487	(230,487)
Benefit payments, including refunds of employee contributions	(1,484,876)	(1,484,876)	-
Administrative expense	-	-	-
Transfers among employers	-	(64,560)	64,560
Net changes	1,042,764	(203,997)	1,246,761
Balances at September 30, 2015	\$ 29,743,823	\$ 19,441,040	\$ 10,302,783

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City of Muscle Shoals' net pension liability	\$ 13,670,687	\$ 10,302,783	\$ 7,447,628

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated April 10, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2016, the City recognized pension expense of \$ 1,018,406. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

PENSION EXPENSE	
Service Cost	\$ 552,760
Interest on the total pension liability	2,236,690
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(42,227)
Expensed portion of current-period changes of assumptions	-
Member contributions	(361,847)
Projected earnings on plan investments	(1,554,224)
Expensed portion of current-period differences between actual and projected earnings on plan investments	264,747
Transfers among employers	64,560
Recognition of beginning deferred outflows of resources as pension expense	-
Recognition of beginning deferred inflows of resources as pension expense	(142,053)
<i>Pension Expense (Income)</i>	<u>\$ 1,018,406</u>

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



10. DEFINED BENEFIT PLAN (continued)

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 219,583
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	632,830	-
Employer contributions subsequent to the measurement date	874,045	-
<i>Total</i>	<i>\$ 1,506,875</i>	<i>\$ 219,583</i>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	\$ 80,467
2018	80,467
2019	80,466
2020	222,522
2021	(42,227)
Thereafter	(8,448)

11. POST-EMPLOYMENT BENEFITS

Trust and Plan Description

On September 30, 2009, the City of Muscle Shoals established an irrevocable trust with the Bank of New York Mellon to fund its post-employment benefits. The Trust is managed by a committee composed of Muscle Shoals' mayor, a council member and City Clerk. The Trust issues separately audited financial statements. A copy of the report may be obtained from the City Clerk of the City of Muscle Shoals.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



11. POST-EMPLOYMENT BENEFITS (continued)

The City of Muscle Shoals provides (defined-benefit plan) medical, dental, vision, and life insurance benefits to its retirees. Medical, dental and vision benefits are provided under the following two options until the retiree or dependent is eligible for Medicare coverage. Additionally, the life insurance the retiree had as an active employee may be carried into retirement with the City bearing the full costs.

Option 1 - Employees retiring with 25 years of actual exclusive service with the City of Muscle Shoals (excludes military, stress bill time, and service with other agencies) may continue medical, dental and vision coverage under the same conditions as active employees. Under this retirement option, the retiree pays monthly rates based on single or family coverage as follows: (a) single coverage – nothing for medical/vision and \$5 for dental and (b) family coverage - \$334 for medical/vision and \$14 for dental.

Option 2 - Employees retiring who are at least age 60 with 15 years of actual exclusive service with the City of Muscle Shoals may continue coverage with the retiree paying the following monthly premiums: single coverage - \$224 for medical/vision and \$20 for dental; family coverage - \$558 for medical/ vision and \$61 for dental.

Actuarial Study

GASB 45 requires that the City obtain an actuarial valuation every three years. In accordance with that requirement Muscle Shoals had actuarial valuations made as of September 30, 2006, 2009, 2012 and 2015.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



11. POST-EMPLOYMENT BENEFITS (continued)

	Annual Required Contribution	
	Rate as % of Compensation	Annual Amount
Normal Cost	3.08%	\$ 192,302
Accrued Liability	3.15%	196,447
Total	6.23%	\$ 388,749

12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has chosen to purchase commercial insurance to handle all of these risks.

13. COMMERCIAL ENTITY TRANSACTIONS

In January 2011, the City took several steps to bring a restaurant entity to a site within the City. The City issued taxable warrants, using the proceeds to purchase and renovate a building formerly occupied by another business

The building has been leased to the entity with the rental rate set at an amount equivalent to that needed to pay the principal and interest on the warrants over a 20-year term. To further incentivize the entity to locate in Muscle Shoals, the lease payments will be reduced by an amount equal to 50% of the sales tax generated by the business.

In substance the City of Muscle Shoals has merely facilitated the installment purchase of the property by the entity. The lease agreement has all of the characteristics of an installment sale. The lease is non-cancellable and contains a bargain purchase option. After the required lease payments have been made, the entity can purchase the property for \$500.

City of Muscle Shoals, Alabama
 Notes to Financial Statements
 For the Year Ended September 30, 2016



13. COMMERCIAL ENTITY TRANSACTIONS (continued)

Accordingly, on the government-wide statements, the City of Muscle Shoals showed a liability for the unpaid balance of the warrants and a corresponding receivable from the entity. The fund level statements show the loan principal and interest payments as current expenditures and the lease payments received from the entity as current income. The balance owed on the Warrants at September 30, 2016 was \$640,841.

The Warrants dated January 19, 2011 in the amount of \$800,000 issued to a local bank bears interest at the rate of 3.8% per annum and matures on January 19, 2031. The service requirements on the Warrant are as follows:

<u>FYE</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 33,009	\$ 24,826
2018	34,293	23,542
2019	35,626	22,209
2020	37,012	20,823
2021	38,398	19,437
2025-2026	208,550	79,439
2027-2030	253,953	21,715
<i>Total</i>	<i>\$ 640,841</i>	<i>\$ 211,991</i>

City of Muscle Shoals, Alabama
Notes to Financial Statements
For the Year Ended September 30, 2016



14. HEALTH CARE PROGRAM

The City provides healthcare for its employees and their dependents. The policy of the City is to self-insure the Health Care Program. At September 30, 2016 the City was self-insured with a thirty party reinsurer providing coverage for claims per individual exceeding \$115,000 annually. The City does not have reinsurance coverage for group aggregate claims.

The actual expense for the healthcare coverage was as follows:

Fiscal year Ended

September

2011	\$1,718,533
2012	\$1,608,798
2013	\$1,885,180
2014	\$1,915,400
2015	\$1,911,444
2016	\$2,048,223

16. EVALUATION OF SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City evaluated its activity through March 28, 2017 There were no events which require disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama
 Required Supplementary Information
 For the Year Ended September 30, 2016



SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2015	2014
TOTAL PENSION LIABILITY		
Service Cost	\$ 552,760	\$ 545,427
Interest	2,236,690	2,141,482
Changes of benefit terms	-	-
Differences between expected and actual experience	(261,810)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,484,876)	(1,508,755)
Net Change in total pension liability	1,042,764	1,178,154
Total pension liability - beginning	28,701,059	27,522,905
Total pension liability - ending (a)	\$ 29,743,823	\$ 28,701,059
PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 753,105	\$ 742,144
Contributions - member	361,847	353,105
Net investment income	230,487	2,131,301
Benefit payments, including refunds of employee contributions	(1,484,876)	(1,508,755)
Transfer among employees	(64,560)	(84,906)
Net Change in plan fiduciary net position	(203,997)	1,632,889
Plan net position - beginning	19,645,037	18,012,148
Plan net position - ending (b)	\$ 19,441,040	\$ 19,645,037
Net pension liability (asset) - ending (a) - (b)	\$ 10,302,783	\$ 9,056,022
Plan fiduciary net position as a percentage of the total pension liability	65.36%	68.45%
Covered employee payroll *	\$ 6,790,034	\$ 6,439,111
Net pension liability (asset) as a percentage of covered employee payroll	151.73%	140.64%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2016 the measurement period is October 1, 2014 - September 30, 2015.

Note to schedule: Although 10 years are required to be shown, there is only 1 year compiled. Therefore, only one is shown here.

City of Muscle Shoals, Alabama
 Required Supplementary Information
 For the Year Ended September 30, 2016



SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2016	2015
Actuarially determined contribution	\$ 873,998	\$ 742,144
Contributions in relation to the actuarially determined contribution *	873,998	742,144
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll **	\$ 6,790,034	\$ 6,439,111
Contributions as a percentage of covered employee payroll	12.87%	11.53%

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds of error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

** Employer's covered payroll during fiscal year is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

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

Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

City of Muscle Shoals, Alabama
 Required Supplementary Information
 For the Year Ended September 30, 2016



Membership

Retired Members or their beneficiaries currently receiving benefits	73
Vested inactive members	4
Non-vested inactive members	8
Active members	166
Post-DROP retired members still in active service	-
Total	251

FUNDING PROGRESS (in thousands)

Actuarial Valuation Date (9/30)	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Pctg of Covered Payroll ((b-a) / c)
2010	2 \$ 16,535	24,267	7,732	68.1%	\$ 5,808	133.1%
2011	4 16,158	24,447	8,289	66.1%	5,781	143.4%
2012	5 15,920	23,908	7,988	66.6%	5,737	139.3%
2013	6 17,189	26,480	9,291	64.9%	6,294	147.6%
2014	18,460	27,737	9,277	66.6%	6,439	144.1%
2015	19,663	28,801	9,138	68.3%	6,551	139.5%
2015	3 19,663	28,854	9,191	68.1%	6,551	140.3%

1-Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

2-Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

3-Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

4-Reflects changes in actuarial assumptions.

5-Reflects changes to interest smoothing methodology.

6-Reflects implementation of Board Funding Policy.

The actuarial value of assets was set to equal to the market value of assets as of September 30, 2012.

Market Value of Assets as of September 30, 2015 was \$ 19,441,040.

City of Muscle Shoals, Alabama
 Notes to Required Supplementary Information
 For the Year Ended September 30, 2016



NOTE TO SCHEDULE OF FUNDING PROGRESS

Required Employer Contribution Rates (Effective October 1, 2017)

	Retain Current Member Contribution Rates	Elect to Increase Member Contribution Rate Under Act 2011- 676
Tier 1 Employees (applies to all members hired before January 1, 2013)		
Normal cost	2.95%	0.51%
Accrued liability	8.45%	8.49%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	0.35%	0.35%
Total	11.77%	9.37%
5% employer contribution factor (11.77% / 5%)	2.354000	
6% employer contribution factor (11.77% / 6%)	1.961666	
7.5% employer contribution factor (9.37% / 7.5%)		1.249333
8.5% employer contribution factor (9.37% / 8.5%)		1.102352
Tier 2 Employees (applies to all members hired on or after January 1, 2013)		
Normal cost	0.70%	
Accrued liability	8.45%	
Pre-retirement death benefit	0.02%	
Administrative expense	0.35%	
Total	9.52%	
6% employer contribution factor (9.52% / 6%)	1.586666	
7% employer contribution factor (9.52% / 7%)	1.360000	
Valuation date	9/30/2015	
Actuarial cost method	Entry Age	
Amortization method	Level percent closed	
Remaining amortization method	28.4 years	
Asset valuation method	5-year smoothed market	
Actuarial assumptions:		
Ultimate investment rate of return	8.00%	
Projected salary increases	3.75-7.25%	
(includes inflation at)	3.00%	
Cost-of-living adjustments	None	



City of Muscle Shoals, Alabama
Required Supplementary Information
For the Year Ended September 30, 2016

Collective Deferred Outflows and Inflows

	Between Expected and Actual Experience		For Differences from Assumption Changes		For Differences in Investment Experience	
	2015	2014	2015	2014	2015	2014
Initial Balance of Losses/Deferred Outflows	\$ -	\$ -	\$ -	\$ -	\$ 1,323,737	\$ -
Initial Balance of Gains/Deferred Inflows	\$ 261,810	\$ -	\$ -	\$ -	\$ -	\$ 710,266
Amortization Period	6				5	5
Beginning Balance:						
Deferred Outflows A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 568,213
Losses/Deferred Outflows C	\$ -	\$ -	\$ -	\$ -	\$ 1,323,737	\$ -
Gains/Deferred Inflows D	\$ 261,810	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts Recognized in Pension Expense/Deferred Outflow E	\$ -	\$ -	\$ -	\$ -	\$ 264,747	\$ -
Amounts Recognized in Pension Expense/Deferred Inflow F	\$ 42,227	\$ -	\$ -	\$ -	\$ -	\$ 142,053
Ending Balance:						
Deferred Outflows A+C-E	\$ -	\$ -	\$ -	\$ -	\$ 1,058,990	\$ -
Deferred Inflows B+D-F	\$ 219,583	\$ -	\$ -	\$ -	\$ -	\$ 426,160
Net difference between projected and actual earnings in investments						
Deferred Outflows					\$ 632,830	
Deferred Inflows					\$ -	

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City of Muscle Shoals, Alabama
Notes to Required Supplementary Information
For the Year Ended September 30, 2016



Summary of Amortization of Deferred Outflows and Inflows of Resources:

Amortization Year	Actual and Expected Difference		Assumption Changes		Investment Gains/Losses		Total
	2014	2015	2014	2015	2014	2015	
2017	\$ -	\$ (42,227)	\$ -	\$ -	\$ (142,053)	\$ 264,747	\$ 80,467
2018	-	(42,227)	-	-	(142,053)	264,747	80,467
2019	-	(42,227)	-	-	(142,054)	264,747	80,466
2020	-	(42,227)	-	-	-	264,749	222,522
2021	-	(42,227)	-	-	-	-	(42,227)
Thereafter	-	(8,448)	-	-	-	-	(8,448)
Total	\$ -	\$ (219,583)	\$ -	\$ -	\$ (426,160)	\$ 1,058,990	\$ 413,247

City of Muscle Shoals, Alabama
 Required Supplementary Information
 For the Year Ended September 30, 2016



The following information is regarding the Other Pensions and Benefits Obligations (OPEB) of the City and was determined as part of the actuarial valuation at September 30, 2015.

The Health Care Plan of the City of Muscle Shoals, AL

Membership		
<i>Active Members</i>		
Number		143
Annual Compensation	\$	6,245,153
<i>Retired Members</i>		
		63
Valuation Balance Sheet		
<i>Accrued Actuarial Liabilities</i>		
Present value of benefits (based on credited service to date) payable in respect of:		
1) Present active members		\$ 3,476,335
2) Present retired members and beneficiaries		1,887,370
3) Total accrued actuarial liabilities [1+2]		<u>\$ 5,363,705</u>
<i>Present and Prospective Assets</i>		
4) Present assets		\$ 1,233,037
5) Present value of future accrued liability contributions (Unfunded accrued liability) [3-4]		<u>4,130,668</u>
6) Total present and prospective assets		<u>\$ 5,363,705</u>
Annual Required Contribution		
	Rate as % of Compensation	Annual Amount
Normal Cost	3.08%	\$ 192,302
Accrued Liability	3.15%	196,447
Total	6.23%	<u>\$ 388,749</u>

City of Muscle Shoals, Alabama
 Required Supplementary Information
 For the Year Ended September 30, 2016



The Health Care Plan of the City of Muscle Shoals, AL (continued)

Valuation date	9/30/2015
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	6.00%
ARC adjustment factor	21.0269
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022
 *Includes inflation at	 3.25%

Annual OPEB Cost and Net OPEB Asset for the Fiscal Year Ending September 30, 2016 is calculated as shown below:

a) Employer Annual Required Contribution (ARC)	\$ 388,749
b) Valuation Discount Rate	6.00%
c) Interest on Net OPEB Asset: (b) * (i)	17,247
d) Amortization Factor	21.0269
e) Adjustment of Annual Required Contribution (i) / (d)	13,671
f) Annual OPEB Cost: (a) - (c) + (e)	\$ 392,325
g) Employer Contributions made for Fiscal Year Ending 9/30/2016	345,293
h) Increase (decrease) in Net OPEB Asset: (g) - (f)	(47,032)
i) Net OPEB asset - Beginning of Fiscal Year	287,454
j) Net OPEB asset - End of Fiscal Year (i) + (h)	\$ 240,422

City of Muscle Shoals, Alabama
 Required Supplementary Information
 For the Year Ended September 30, 2016



The Health Care Plan of the City of Muscle Shoals, AL (continued)

Schedule of Funding Progress						
Actuarial Valuation Date	Actual Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2009	\$ 1,200,000	\$ 6,314,594	\$ 5,114,594	19.00%	\$ 5,530,123	92.50%
9/30/2012	\$ 1,223,696	\$ 5,322,891	\$ 4,009,195	22.99%	\$ 5,459,733	75.08%
9/30/2015 *	\$ 1,233,037	\$ 5,363,705	\$ 4,130,668	22.99%	\$ 6,242,153	66.17%

** Includes the updated actuarial assumptions and plan design based on the introduction of a new tier of membership for those hired on or after January 1, 2013.*

Trend Information			
Actuarial Valuation Date	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Asset
9/30/2015	\$ 386,703	88.07%	\$ 287,454
9/30/2016	\$ 392,325	88.01%	\$ 240,422

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE- BEGINNING	\$ 7,291,633	\$ 7,291,633	\$ 7,291,633	\$ -
RESOURCES (INFLOWS):				
Local taxes	15,683,519	15,756,912	16,407,008	650,096
License, permits and fees	1,298,000	1,315,305	1,368,124	52,819
Charges for service	1,070,400	1,078,400	1,108,884	30,484
Joint Ventures	405,000	405,000	412,524	7,524
Intergovernmental revenue	250,340	203,500	143,025	(60,475)
Park and recreation	1,130,335	1,130,335	994,843	(135,492)
Investment earnings	23,000	23,000	27,319	4,319
Miscellaneous	372,207	411,167	262,567	(148,600)
<i>Total resources (inflows)</i>	<u>20,232,801</u>	<u>20,323,619</u>	<u>20,724,294</u>	<u>400,675</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>27,524,434</u>	<u>27,615,252</u>	<u>28,015,927</u>	<u>400,675</u>
EXPENDITURES				
Current:				
General government	3,371,445	3,314,190	3,150,552	163,638
Public Safety	5,961,528	5,968,278	5,795,331	172,947
Public Works	2,334,024	2,347,074	2,335,862	11,212
Health and sanitation	1,573,640	1,578,590	1,552,013	26,577
Culture and recreation	2,498,473	2,479,173	2,441,381	37,792
Education	1,304,000	1,304,000	1,303,034	966
Miscellaneous	378,180	442,924	431,997	10,927
Debt Service:				
Principal	34,066	34,066	36,224	(2,158)
Interest and other charges	23,769	23,769	21,612	2,157
Capital Outlay	-	19,300	163,743	(144,443)
<i>Total Expenditures</i>	<u>17,479,125</u>	<u>17,511,364</u>	<u>17,231,749</u>	<u>279,615</u>

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	320,000	320,000	331,502	11,502
Transfers out	(3,100,182)	(3,128,761)	(3,198,493)	(69,732)
Total other financing sources and uses	(2,780,182)	(2,808,761)	(2,866,991)	(58,230)
TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)	20,259,307	20,320,125	20,098,740	221,385
BUDGETARY FUND BALANCE-ENDING	\$ 7,265,127	\$ 7,295,127	\$ 7,917,187	\$ 622,060

City of Muscle Shoals, Alabama
 Notes to Required Supplementary Information
 For the Year Ended September 30, 2016



NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget is adopted for the general fund on a basis consistent with accounting principles generally accepted in the United States except for encumbrances:

The budgetary data reflected in the required supplementary information the was established by the City using the following procedures:

- (a) The Mayor submits to the City Council a proposed budget for the forthcoming fiscal year
- (b) The City Council in regular session votes to approve the budger and it is legally enacted through the passage of a budget ordinance to that affect.

NOTE 2 - RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 28,015,927
Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial report purposes	<u>(7,291,633)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 20,724,294</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 17,231,749</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 17,231,749</u>

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SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
REVENUES				
Local Taxes				
Ad Valorem - Real Property	\$ 854,000	\$ 854,000	\$ 856,671	\$ 2,671
Ad Valorem - Personal Property	200,000	200,000	215,807	15,807
Sales Tax	11,501,000	11,711,293	12,297,891	586,598
Alcohol Beverage Tax	210,000	201,000	207,355	6,355
Tangible Personal Property Rentals	184,000	184,000	187,333	3,333
Lodging Tax	65,000	65,000	70,154	5,154
Tax Equivalent (Electric Board)	876,719	876,719	879,765	3,046
Gasoline (Local)	625,000	625,000	646,305	21,305
Tobacco Tax	132,000	124,000	124,322	322
TVA In Lieu Of Taxes	730,000	700,000	699,313	(687)
State Auto License	8,800	8,800	9,354	554
ABC Board	47,000	49,900	55,538	5,638
Financial Inst. Tax	250,000	157,200	157,200	-
	15,683,519	15,756,912	16,407,008	650,096
License, Permits and Fees				
Business License (City)	1,219,000	1,219,000	1,264,948	45,948
Building Permits	79,000	96,305	103,176	6,871
	1,298,000	1,315,305	1,368,124	52,819
Intergovernmental Revenues				
Bulletproof Vest Grant	2,500	2,500	-	(2,500)
NACOLG Traffic Grant	1,000	1,000	-	(1,000)
ALDOT Grant	46,840	-	1,333	1,333
ALDOT Grant E. Avalon Avenue	200,000	200,000	141,692	(58,308)
	250,340	203,500	143,025	(60,475)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
REVENUES				
Charges for Services				
Street Cutting	5,300	5,300	5,100	(200)
Gas Inspection Fees	2,800	3,300	3,486	186
Electric Inspection Fees	7,000	8,500	8,959	459
Plumbing Inspection Fees	4,700	6,200	6,460	260
Flood Hazard Improvement Fees	500	500	300	(200)
Stormwater Permits	300	300	-	(300)
Photo Copy Service	5,200	5,200	4,788	(412)
Fire Protection	8,000	5,500	5,500	-
Garbage Fees	1,008,000	1,008,000	1,018,855	10,855
Fire Training Center	25,000	32,000	51,836	19,836
Radio Operator Service	3,600	3,600	3,600	-
	<u>1,070,400</u>	<u>1,078,400</u>	<u>1,108,884</u>	<u>30,484</u>
Joint Ventures				
North Ala. Gas District	405,000	405,000	403,024	(1,976)
Shoals Solid Waste Authority	-	-	9,500	9,500
	<u>405,000</u>	<u>405,000</u>	<u>412,524</u>	<u>7,524</u>
Park and Recreation				
Cypress Lakes Facility Revenues				
Dues	316,000	316,000	268,762	(47,238)
Golf Concessions	62,000	62,000	58,224	(3,776)
Tennis Lessons	500	500	295	(205)
Room Rentals	13,500	13,500	4,750	(8,750)
Miscellaneous	4,235	4,235	3,194	(1,041)
Range Tokens	17,500	17,500	13,422	(4,078)
Cart Rentals	140,000	140,000	110,808	(29,192)
Greens Fees	205,000	205,000	167,269	(37,731)
Merchandise	59,000	59,000	64,283	5,283
Golf Club Rental	800	800	193	(607)
Rent Payments	11,100	11,100	6,000	(5,100)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Park and Recreation				
Cypress Lakes Facility Revenues				
Tennis Guest Fees	2,000	2,000	2,470	470
Tennis Passes	6,000	6,000	3,235	(2,765)
Tip Revenue	2,200	2,200	909	(1,291)
Other Recreation Revenues				
Gattman Splashpad Concessions	6,000	6,000	11,179	5,179
Batting Cage Revenue	6,000	6,000	2,489	(3,511)
Football	11,000	11,000	9,621	(1,379)
Flag Football Revenue	6,000	6,000	5,835	(165)
Airport Concessions	30,000	30,000	30,940	940
Webster Concessions	25,000	25,000	18,540	(6,460)
Karate	8,000	8,000	6,454	(1,546)
Pool Receipts	20,000	20,000	13,587	(6,413)
Pool Concessions	4,500	4,500	1,252	(3,248)
Youth Basketball Registration	40,000	40,000	50,431	10,431
Youth Soccer Registration	15,000	15,000	15,220	220
Youth Baseball Registration	4,000	4,000	5,945	1,945
Girls Softball Registration	15,000	15,000	13,350	(1,650)
Special Events Revenue	7,500	7,500	5,295	(2,205)
Adult Softball	10,000	10,000	12,117	2,117
Volleyball	1,000	1,000	80	(920)
Facilities Rental	25,000	25,000	26,024	1,024
Vending And Game Machines	1,500	1,500	1,114	(386)
Miscellaneous Revenues	5,000	5,000	2,765	(2,235)
Sportsplex Concessions	35,000	35,000	32,629	(2,371)
Tournament Revenues	15,000	15,000	26,162	11,162
<i>Total Park and Recreation Revenues</i>	<i>1,130,335</i>	<i>1,130,335</i>	<i>994,843</i>	<i>(135,492)</i>

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment Earnings	<u>23,000</u>	<u>23,000</u>	<u>27,319</u>	<u>4,319</u>
Library Revenues				
State Aid	13,958	13,958	13,958	-
Alabama Public Library Grant	6,000	6,000	6,000	-
County Appropriation	2,500	2,500	2,500	-
Fines	16,000	16,000	15,796	(204)
Miscellaneous Library Revenues	12,400	12,400	10,676	(1,724)
	<u>50,858</u>	<u>50,858</u>	<u>48,930</u>	<u>(1,928)</u>
Other Revenues				
Lease Payments	15,285	15,285	14,313	(972)
Insurance Refund	7,200	7,200	7,204	4
Sale Of Street Material	15,000	15,000	3,775	(11,225)
Donations	-	-	6,615	6,615
Sale Of City Eqpt	-	4,000	4,195	195
Sale Of Real Estate	200,000	200,000	58,000	(142,000)
Wal-Mart Foundation Grant	-	1,100	1,100	-
Muscle Shoals Utilities Board	68,000	68,000	68,000	-
Misc. Revenue	3,000	3,000	3,775	775
Transf From Area Agency On Aging	7,864	7,864	7,800	(64)
Transf From Municipal Court	30,000	30,000	30,000	-
Colbert County Commission	-	3,860	3,860	-
Christmas Parade	5,000	5,000	5,000	-
	<u>351,349</u>	<u>360,309</u>	<u>213,637</u>	<u>(146,672)</u>
Total Revenues	<u>\$ 20,262,801</u>	<u>\$ 20,323,619</u>	<u>\$ 20,724,294</u>	<u>\$ 400,675</u>

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (continued)

For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
EXPENDITURES				
Mayor And City Council				
Salaries - Regular	\$ 109,974	\$ 109,974	\$ 105,597	\$ 4,377
Retirement	8,415	8,415	8,902	(487)
Employee's Insurance	11,346	11,346	13,101	(1,755)
Workmen's Compensation	267	417	413	4
Consultant Services	22,500	20,500	22,170	(1,670)
Gas, Oil	3,000	3,000	1,356	1,644
Miscellaneous	1,200	1,200	1,582	(382)
Vehicle Repair	800	900	897	3
Advertising	20,000	21,750	28,765	(7,015)
Travel	30,000	32,000	36,962	(4,962)
Meals	500	500	115	385
Insurance - General	22,904	22,904	22,952	(48)
Dues	16,400	16,400	15,895	505
Total	247,306	249,306	258,707	(9,401)
City Clerk				
Salaries - Regular	488,868	489,472	472,989	16,483
Retirement	59,841	60,272	61,277	(1,005)
Employee's Insurance	111,150	114,700	136,164	(21,464)
Workmen's Compensation	5,070	4,470	4,384	86
Vacation Sold	13,000	13,000	11,108	1,892
Auditing Services	31,000	34,700	34,689	11
Consultant Services	27,500	30,950	31,914	(964)
Janitorial	4,200	4,200	3,051	1,149
Data Processing	38,150	39,150	40,827	(1,677)
Office Supplies	3,200	3,200	3,821	(621)
Gas, Oil	4,400	3,400	2,235	1,165
Tobacco Stamps	12,800	10,300	10,204	96
Miscellaneous	2,800	2,800	2,929	(129)
Buildings And Grounds	28,000	26,000	26,739	(739)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
EXPENDITURES				
City Clerk				
Vehicle Repair	2,100	1,600	953	647
Postage	10,500	11,000	11,125	(125)
Advertising	1,000	1,000	945	55
Recording Fees	100	100	40	60
Travel	9,800	8,800	8,079	721
Drug/Alcohol Testing	3,000	3,000	5,878	(2,878)
Meals	300	200	94	106
Employee Education And Training	5,000	5,000	4,050	950
Insurance - General	8,596	16,781	18,696	(1,915)
Photo Copy Exp	3,800	3,300	3,055	245
Printing, Books, Subscriptions	7,000	6,000	4,648	1,352
Dues	2,300	2,400	2,414	(14)
Elections	18,000	14,000	13,772	228
Municipal Code	1,200	1,200	-	1,200
Trustee Fees	7,600	7,600	6,285	1,315
Total	910,275	918,595	922,365	(3,770)
Civil Service Board				
Salaries - Regular	12,000	12,000	11,800	200
Legal Services	3,000	2,700	1,935	765
Meals	500	800	402	398
Total	15,500	15,500	14,137	1,363
Legal Services				
Salaries - City Attorney	6,000	6,000	6,000	-
Legal Services	36,000	26,000	24,281	1,719
Total	42,000	32,000	30,281	1,719

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City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
City Buildings				
Workmen's Compensation	6,350	7,615	7,615	-
Lawn Maintenance	17,940	17,940	15,263	2,677
Buildings And Grounds	12,000	12,000	11,025	975
Utilities	170,450	170,170	190,251	(20,081)
Early Warning System	4,600	4,600	3,944	656
Insurance - General	39,437	39,717	39,717	-
Total	250,777	252,042	267,815	(15,773)
Communications				
Paging Services	6,000	2,200	2,033	167
Telephone	52,000	52,000	53,031	(1,031)
Radio	25,000	18,919	15,029	3,890
Total	83,000	73,119	70,093	3,026
Payroll Tax Expense				
FICA	584,138	584,569	564,604	19,965
Unemployment Insurance	10,100	22,550	22,521	29
Total	594,238	607,119	587,125	19,994
Police Dept.				
Holiday Pay	66,827	66,827	64,649	2,178
Salaries - Regular	1,920,382	1,920,382	1,838,143	82,239
Salaries - Overtime	118,282	118,282	102,508	15,774
Retirement	233,785	233,785	246,463	(12,678)
Employee's Insurance	516,974	516,974	587,649	(70,675)
Workmen's Compensation	76,435	76,435	86,375	(9,940)
Vacation Sold	51,209	51,209	50,329	880
Janitorial	20,000	20,000	20,401	(401)
Data Processing	64,400	64,400	62,394	2,006
Office Supplies	10,000	13,000	13,691	(691)
Gas, Oil	120,000	120,000	66,977	53,023
Miscellaneous	10,500	10,500	10,241	259

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Police Dept.				
Canine Expense	6,000	6,000	3,047	2,953
D.A.R.E. Program	5,000	5,000	4,410	590
Jail Expense	13,500	13,500	9,884	3,616
Buildings And Grounds	22,600	22,600	24,099	(1,499)
Vehicle Repair	57,500	40,600	35,421	5,179
Public Safety Equipment	44,268	53,968	50,689	3,279
Travel	26,872	26,872	17,694	9,178
Meals	300	300	-	300
Employee Education And Training	27,500	27,500	20,855	6,645
Insurance - General	54,983	54,983	54,983	-
Uniforms	53,500	53,500	40,657	12,843
Photo Copy Exp	5,500	5,500	4,133	1,367
Printing, Books, Subscriptions	4,373	4,373	2,797	1,576
Film & Developing	1,000	1,000	75	925
Dues	1,500	2,200	2,153	47
Informer Information	500	500	-	500
Care of Prisoners	19,000	22,500	22,295	205
Police Tactical Team	52,100	52,100	55,105	(3,005)
Training Facility	4,800	4,800	4,193	607
Colbert Drug Task Force	10,000	10,000	10,000	-
Salary & Benefit	(76,337)	(76,337)	(72,354)	(3,983)
Total	3,543,253	3,543,253	3,439,956	103,297
Municipal Court				
Salaries - Regular	84,274	84,274	84,498	(224)
Retirement	10,433	10,433	11,053	(620)
Employee's Insurance	30,129	30,129	35,604	(5,475)
Workmen's Compensation	211	211	114	97
Vacation Sold	2,600	2,350	-	2,350
Municipal Judge	12,357	12,607	12,542	65
Data Processing	6,900	6,900	5,254	1,646
Office Supplies	3,000	3,000	2,747	253
Miscellaneous	600	600	964	(364)

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City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
EXPENDITURES				
Municipal Court				
Municipal Prosecutor	6,600	6,600	6,600	-
Printing, Books, Subscriptions	2,650	2,650	2,398	252
Dues	200	200	200	-
Total	159,954	159,954	161,974	(2,020)
Fire Dept.				
Holiday Pay	54,936	54,936	52,732	2,204
Salaries - Regular	1,371,488	1,371,488	1,329,463	42,025
Salaries - Overtime	75,000	78,000	68,468	9,532
Retirement	180,150	180,150	186,663	(6,513)
Employee's Insurance	384,407	384,407	415,395	(30,988)
Workmen's Compensation	83,988	83,988	82,492	1,496
Vacation Sold	38,000	29,500	23,871	5,629
Janitorial	3,000	3,000	2,761	239
Data Processing	19,300	19,300	8,416	10,884
Chemicals	3,000	3,000	3,069	(69)
Office Supplies	1,000	1,500	334	1,166
Gas, Oil	35,000	32,500	17,397	15,103
Medical Supplies	1,800	1,800	1,482	318
Small Tools	2,500	2,500	1,927	573
Miscellaneous	6,000	10,000	8,940	1,060
Fire Prevention Program	2,300	3,900	3,246	654
Buildings And Grounds	15,000	19,000	18,729	271
Vehicle Repair	25,000	25,000	19,784	5,216
Tire Repair	3,000	3,000	2,789	211
Machine & Equipment Repair	5,900	5,900	5,394	506
Public Safety Equipment	10,000	11,500	10,807	693
Travel	6,500	6,500	4,770	1,730
Employee Education And Training	8,000	8,000	6,190	1,810
Insurance - General	28,206	28,206	28,206	-
Uniforms	25,000	25,000	22,421	2,579

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
EXPENDITURES				
Fire Dept.				
Printing, Books, Subscriptions	3,000	3,000	2,844	156
Dues	1,800	1,800	859	941
Training Facility	25,000	28,150	25,927	2,223
Total	2,418,275	2,425,025	2,355,376	69,649
Street Dept.				
Salaries - Regular	754,592	754,592	735,284	19,308
Salaries - Overtime	10,000	3,500	3,419	81
Retirement	92,220	92,220	95,303	(3,083)
Employee's Insurance	238,672	247,441	264,316	(16,875)
Workmen's Compensation	54,824	71,886	71,886	-
Vacation Sold	10,000	14,083	14,975	(892)
Data Processing	3,500	3,500	3,387	113
Chemicals	7,000	7,000	7,649	(649)
Office Supplies	300	550	545	5
Gas, Oil	70,000	40,000	33,233	6,767
Road Building	24,000	39,300	41,089	(1,789)
Street Materials Sold	15,000	15,000	4,558	10,442
Medical Supplies	200	200	90	110
Small Tools	12,500	12,500	10,526	1,974
Street Markers	15,000	19,000	19,575	(575)
Miscellaneous	2,000	2,000	1,110	890
Safety Supplies	10,000	5,500	2,162	3,338
Buildings And Grounds	15,000	2,000	933	1,067
Vehicle Repair	14,000	16,500	23,771	(7,271)
Tire Repair	14,000	14,000	7,148	6,852
Machine & Equipment Repair	10,000	11,100	11,590	(490)
Storm Drainage	25,000	26,386	35,036	(8,650)

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City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Street Dept.				
Travel	1,000	1,000	660	340
Meals	750	750	-	750
Employee Education And Training	750	750	579	171
Trash Containers	15,000	15,000	14,987	13
Insurance - General	36,761	36,761	36,761	-
Uniforms	5,000	5,000	4,497	503
Photo Copy Exp	300	300	228	72
Tree Services	8,000	8,000	7,180	820
Pedestrian Overpass	6,500	6,500	4,161	2,339
Sidewalk Repair	2,500	100	10	90
Total	1,474,369	1,472,419	1,456,648	15,771
City Engineer				
Engineering Services	375,000	313,160	299,816	13,344
Total	375,000	313,160	299,816	13,344
Storm Drainage				
Salaries - Regular	209,791	209,791	204,082	5,709
Salaries - Overtime	8,000	8,000	7,219	781
Retirement	19,162	19,912	21,893	(1,981)
Employee's Insurance	34,980	37,980	40,476	(2,496)
Workmen's Compensation	6,835	6,835	4,795	2,040
Vacation Sold	6,000	6,000	5,752	248
Janitorial	2,000	2,000	1,404	596
Data Processing	1,000	1,000	1,056	(56)
Chemicals	35,250	40,750	40,345	405
Office Supplies	-	-	313	(313)
Gas, Oil	21,500	21,500	9,380	12,120
Small Tools	2,100	2,100	1,667	433
Miscellaneous	2,500	2,500	2,080	420
Vehicle Repair	4,250	4,250	2,642	1,608
Tire Repair	3,750	5,250	4,196	1,054

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
EXPENDITURES				
Storm Drainage				
Machine & Equipment Repair	14,550	14,550	13,619	931
Retention Ponds	31,000	19,650	19,442	208
Utilities	36,000	36,000	28,230	7,770
Program/Review Fees	900	1,400	1,385	15
Travel	2,000	2,000	551	1,449
Meals	200	200	-	200
Employee Education And Training	850	850	-	850
Insurance - General	8,387	8,387	8,535	(148)
Levee Maintenance	7,000	7,000	6,000	1,000
Uniforms	1,650	1,750	1,729	21
Total	459,655	459,655	426,791	32,864
Street Lighting				
Utilities	400,000	415,000	452,423	(37,423)
Total	400,000	415,000	452,423	(37,423)
Sanitation				
Salaries - Regular	772,512	772,512	733,226	39,286
Salaries - Overtime	10,000	4,400	4,990	(590)
Retirement	93,501	93,501	92,894	607
Employee's Insurance	273,350	299,875	319,952	(20,077)
Workmen's Compensation	65,996	83,543	83,543	-
Vacation Sold	10,000	11,743	11,743	-
Landfill Services	189,800	179,800	174,898	4,902
Chemicals	7,000	7,000	8,773	(1,773)
Office Supplies	300	550	465	85
Gas, Oil	65,000	43,000	33,242	9,758
Medical Supplies	200	200	90	110
Small Tools	1,500	1,500	523	977
Miscellaneous	1,200	1,200	864	336
Safety Supplies	10,000	4,500	3,889	611
Vehicle Repair	14,000	18,700	33,099	(14,399)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Sanitation				
Tire Repair	12,000	12,000	10,661	1,339
Machine & Equipment Repair	14,000	11,285	7,575	3,710
Travel	750	750	-	750
Employee Education And Training	250	250	-	250
Insurance - General	23,856	23,856	23,856	-
Uniforms	5,500	5,500	5,174	326
Photo Copy Exp	300	300	193	107
Printing, Books, Subscriptions	2,400	2,400	2,363	37
Dues	225	225	-	225
Total	1,573,640	1,578,590	1,552,013	26,577
Contractual Obligations				
Colbert Animal Shelter	81,560	81,560	81,964	(404)
Colbert County Emergency Mgmt	11,832	11,832	11,832	-
M.S Airport Authority	9,375	9,375	9,375	-
Incentive Rebate	775	44,754	50,997	(6,243)
Hazard Mat. Team	2,500	2,500	2,500	-
Total	106,042	150,021	156,668	(6,647)
Appropriations				
Riverbend Mental Health	7,000	7,000	7,000	-
Colbert Health Dept	5,000	5,000	5,000	-
Easter Seals Rehabilitation Center	7,000	7,000	7,000	-
Safeplace, Inc.	2,000	2,000	2,000	-
Colbert County Attention Home	1,000	1,000	1,000	-
Meals On Wheels	2,000	2,000	2,000	-
Hope Haven School	2,500	2,500	2,500	-
Colbert County Tourism Board	26,667	26,667	28,558	(1,891)
Rape Response	1,500	1,500	1,500	-
I.M. Alliance	2,000	2,000	2,000	-
Shoals Area COARMM	1,500	1,500	1,500	-
Shoals Area Chamber Of Comm	3,050	3,050	2,500	550

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive [Negative]
EXPENDITURES				
Appropriations				
Cerebral Palsy Center	1,500	1,500	1,500	-
NACOLG Transit Program	1,500	1,500	1,500	-
SenioRX Program (Nacolg)	1,500	1,500	1,500	-
Mainstream Development Corp	1,000	1,000	1,000	-
Scope 310 Authority	1,000	1,000	1,000	-
Community Action	1,000	1,000	1,000	-
Shoals Entrepreneurial Center	5,000	5,000	5,000	-
Crimestoppers	500	500	500	-
Cramer Children's Center	1,000	1,000	1,000	-
Alabama Silver-Haired Legislature	500	500	500	-
Colbert County DHR	1,000	1,000	1,000	-
Salvation Army	1,000	1,000	1,000	-
CASA	1,000	1,000	1,000	-
Shoals Scholar Dollars	1,000	1,000	1,000	-
Total	79,717	79,717	81,058	(1,341)
Recreation - Administration Division				
Salaries Part Time	167,600	157,600	163,470	(5,870)
Salaries - Regular	493,003	473,703	455,927	17,776
Salaries - Overtime	2,000	2,000	40	1,960
Retirement	62,721	62,721	62,631	90
Employee's Insurance	123,942	123,942	131,410	(7,468)
Workmen's Compensation	20,278	20,278	18,810	1,468
Vacation Sold	17,500	10,000	8,283	1,717
Janitorial	2,500	2,500	3,056	(556)
Data Processing	2,500	2,500	1,052	1,448
Office Supplies	2,000	2,000	2,852	(852)
Medical Supplies	250	250	13	237
Miscellaneous	1,000	1,000	1,769	(769)
Buildings And Grounds	20,000	37,500	28,423	9,077
Machine & Equipment Repair	1,500	1,500	63	1,437
Utilities	100,000	117,000	151,873	(34,873)
Advertising	1,000	1,000	40	960
Travel	2,500	2,500	2,236	264

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City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
EXPENDITURES				
Recreation - Administration Division				
Meals	750	750	169	581
Employee Education And Training	1,000	1,000	587	413
Insurance - General	15,794	15,794	15,886	(92)
Photo Copy Exp	500	1,500	2,130	(630)
Printing, Books, Subscriptions	500	1,500	1,062	438
Dues	1,000	1,300	1,256	44
Transaction Fees	2,500	2,500	1,334	1,166
Special Events	10,000	10,000	8,231	1,769
Vending Machines	1,500	1,500	-	1,500
Capital Outlay	-	19,300	-	19,300
Total	1,053,838	1,073,138	1,062,603	10,535
Recreation - Maint. & Grounds Division				
Chemicals	6,000	11,500	9,338	2,162
Gas, Oil	30,000	21,500	14,740	6,760
Medical Supplies	250	250	-	250
Small Tools	2,000	5,000	4,554	446
Buildings And Grounds	34,364	34,364	26,648	7,716
Vehicle Repair	10,000	10,000	9,541	459
Machine & Equipment Repair	9,000	9,000	6,083	2,917
Uniforms	4,000	4,000	3,871	129
Total	95,614	95,614	74,775	20,839
Recreation - Swimming / Tennis Facilities				
Salaries Part Time	18,000	15,000	13,060	1,940
Chemicals	4,500	4,500	2,736	1,764
Buildings And	15,000	19,000	18,784	216
Pool Concession	1,500	1,500	1,419	81
Tournament Expenses	1,000	-	-	-
Total	40,000	40,000	35,999	4,001

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Athletic Division				
Buildings And Grounds	75,000	100,000	100,989	(989)
Retirement	-	-	6	(6)
Batting Cages	2,000	500	177	323
Splashpad Concessions	5,000	2,500	2,333	167
Football	14,000	14,000	12,501	1,499
Football Referees	2,500	2,500	-	2,500
Splashpad Expenses	15,000	15,000	13,143	1,857
Special Events	10,000	10,000	9,305	695
Youth Baseball Supplies	20,000	15,000	14,680	320
Baseball Umpires	25,000	17,500	17,010	490
Youth Basketball Supplies	9,000	8,000	7,744	256
Basketball Officials	15,000	11,700	11,545	155
Youth Soccer Supplies	3,500	3,500	4,744	(1,244)
Soccer Officials	2,000	2,000	2,068	(68)
Girls Softball Supplies	7,500	7,500	7,714	(214)
Softball Umpires	5,000	1,500	1,405	95
Volleyball	1,000	1,000	299	701
Gattman Concessions	30,000	30,000	32,625	(2,625)
Sportsplex Concessions	25,000	17,500	19,917	(2,417)
Tournament Expenses	10,000	6,500	6,356	144
Karate	7,000	7,000	4,680	2,320
Webster Concessions	20,000	11,000	10,671	329
Airport Concessions	20,000	20,000	17,546	2,454
Flag Football Supplies	7,500	7,500	3,926	3,574
Flag Football Officials	5,000	5,000	3,540	1,460
Total	336,000	316,700	304,924	11,776
Golf Course Operations				
Salaries Part Time	179,838	177,013	166,715	10,298
Salaries - Regular	196,405	196,405	205,925	(9,520)
Retirement	22,589	22,589	24,311	(1,722)
Employee's Insurance	61,242	61,242	72,255	(11,013)
Workmen's Compensation	7,333	7,333	6,466	867
Vacation Sold	3,300	6,125	6,125	-
Consultant Services	2,800	2,800	-	2,800

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Golf Course Operations				
Janitorial	5,853	5,853	5,549	304
Data Processing	7,500	7,500	7,589	(89)
Chemicals	73,753	73,753	36,758	36,995
Office Supplies	1,000	1,000	958	42
Gas & Oil	13,389	10,889	5,568	5,321
Small Tools	1,900	1,900	1,568	332
Miscellaneous	5,993	5,993	5,582	411
Buildings And Grounds	61,654	52,654	49,248	3,406
Driving Range Equipment	6,000	6,000	4,655	1,345
Vehicle Repair	2,250	2,250	1,042	1,208
Machine & Equipment Repair	19,353	21,853	24,507	(2,654)
Utilities	60,000	60,000	111,300	(51,300)
Telephone	6,000	6,000	5,261	739
Advertising	2,500	2,500	753	1,747
Travel	500	500	-	500
Employee Education	1,750	1,750	95	1,655
Insurance - General	13,280	13,280	13,455	(175)
Pro Shop	34,000	34,000	27,956	6,044
Uniforms	3,343	3,343	3,205	138
Photo Copy Exp	300	300	241	59
Printing, Books,	600	600	287	313
Dues	2,840	2,840	2,796	44
Contractual Services	55,338	55,338	39,466	15,872
Transaction Fees	7,800	7,800	8,263	(463)
Pro Shop	40,000	49,000	51,530	(2,530)
Total	900,403	900,403	889,429	10,974
Golf Course Maintenance				
Salaries Part Time	21,082	21,082	16,114	4,968
Salaries - Regular	21,184	21,184	18,147	3,037
Retirement	2,654	2,654	2,254	400
Janitorial	47	47	47	-
Chemicals	11,247	11,247	17,501	(6,254)
Gas, Oil	2,611	2,611	5,795	(3,184)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, Budgetary Basis	Final Budget - Positive (Negative)
EXPENDITURES				
Golf Course Maintenance				
Small Tools	100	100	100	-
Miscellaneous	7	7	7	-
Buildings And Grounds	1,646	1,646	1,646	-
Machine & Equipment	647	647	647	-
Uniforms	157	157	157	-
Dues	190	190	190	-
Contractual Serv.	11,046	11,046	11,046	-
Total	72,618	72,618	73,651	(1,033)
Senior Citizens				
Salaries - Regular	98,384	112,349	100,768	11,581
Retirement	10,342	10,342	9,340	1,002
Employee's Insurance	23,021	23,021	25,548	(2,527)
Workmen's Compensation	3,127	3,127	3,706	(579)
Vacation Sold	1,500	7,900	7,934	(34)
Janitorial	2,000	2,000	1,858	142
Data Processing	3,500	3,500	3,324	176
Office Supplies	750	750	596	154
Gas, Oil	4,000	4,000	2,613	1,387
Miscellaneous	2,550	3,750	3,707	43
Buildings And Grounds	4,000	5,400	5,651	(251)
Vehicle Repair	3,200	1,700	486	1,214
Utilities	12,000	12,000	9,066	2,934
Travel	4,000	4,000	3,602	398
Insurance - General	1,217	1,617	1,617	-
Photo Copy Exp	1,000	1,000	751	249
Printing, Books, Subscriptions	500	200	50	150
Area On Aging	4,850	4,850	4,850	-
Art Instruction	2,900	2,100	2,267	(167)
Wellness Activities	9,580	9,580	6,540	3,040
Total	192,421	213,186	194,274	18,912

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Libraries				
Salaries Part Time	154,321	154,321	154,277	44
Salaries - Regular	160,251	160,251	155,594	4,657
Retirement	35,467	35,467	35,295	172
Employee's Insurance	57,182	57,182	65,610	(8,428)
Workmen's Compensation	10,371	10,371	9,113	1,258
Vacation Sold	2,000	3,500	2,612	888
Janitorial	4,000	4,000	2,139	1,861
Data Processing	32,500	32,500	32,634	(134)
Office Supplies	8,000	7,000	6,197	803
Gas, Oil	700	700	306	394
Miscellaneous	6,500	3,400	3,023	377
Buildings And Grounds	49,885	49,885	51,433	(1,548)
Vehicle Repair	2,000	2,000	470	1,530
Utilities	32,000	28,000	31,263	(3,263)
Postage	800	800	602	198
Travel	3,889	6,689	6,609	80
Employee Education And Training	2,000	2,300	2,297	3
Insurance - General	3,529	3,529	3,529	-
Children/Youth Programs	9,000	9,000	9,177	(177)
Videos	25,000	26,000	26,470	(470)
Photo Copy Exp	4,000	2,500	2,062	438
Printing, Books, Subscriptions	85,000	89,000	87,702	1,298
Total	688,395	688,395	688,414	(19)
Special Events				
Christmas Parade	5,000	5,000	6,948	(1,948)
Total	5,000	5,000	6,948	(1,948)
Board Of Education				
Educational Foundation	2,000	2,000	2,000	-
Education	1,302,000	1,302,000	1,301,034	966
Total	1,304,000	1,304,000	1,303,034	966

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2016



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt Service				
Principal	34,066	34,066	36,224	(2,158)
Interest Expense	23,769	23,769	21,612	2,157
Total	57,835	57,835	57,836	(1)
Total Expenditures	17,479,125	17,511,364	17,231,749	279,615
Excess (deficiency of revenues over expenditures)	2,783,676	2,812,255	3,492,545	680,290
OTHER FINANCING SOURCES (USES)				
Transfers in				
Debt Service	-	-	34	34
Municipal Court Fund	320,000	320,000	331,468	11,468
Total	320,000	320,000	331,502	11,502
Transfers out				
Debt Service	1,703,632	1,703,632	1,703,632	-
Half Cent Sales Tax	1,396,550	1,425,129	1,494,861	(69,732)
Total	3,100,182	3,128,761	3,198,493	(69,732)
Net Transfers (out)	(2,780,182)	(2,808,761)	(2,866,991)	(58,230)
Excess Revenues (Expenditures) and other Funding Sources	\$ 3,494	\$ 3,494	\$ 625,554	\$ 622,060



City of Muscle Shoals, Alabama
Combining Balance Sheet - Nonmajor Governmental Funds
At September 30, 2016

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.	City Court Correction	Debt Service	2015-C Warrant Construction	Special Trust	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 59,281	\$ 44,968	2,844	\$ 30,734	\$ 37,918	\$ 444,854	\$ 145,342	\$ 765,941
Accounts receivable, net	5,194	4,202	-	-	-	-	-	9,396
Total assets	64,475	49,170	2,844	30,734	37,918	444,854	145,342	775,337

LIABILITIES AND FUND BALANCES

Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-

Fund balances:								
Restricted for:								
Debt service	-	-	-	-	37,918	-	-	37,918
Other fund activities	59,281	44,968	-	-	-	-	-	104,249
Assigned for:								
Unassigned	5,194	4,202	2,844	30,734	-	444,854	145,342	633,170
Total fund balances	64,475	49,170	2,844	30,734	37,918	444,854	145,342	775,337
Total liabilities and fund balances	\$ 64,475	\$ 49,170	2,844	\$ 30,734	\$ 37,918	\$ 444,854	\$ 145,342	\$ 775,337

City of Muscle Shoals, Alabama
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
At September 30, 2016



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	Seven-cent		Four-cent		M.S.		2015-C		Total Nonmajor	
	Gasoline	Excise tax	Gasoline	Excise Tax	Police	Dept.	City Court	Debt	Warrant	Special
							Correction	Service	Construction	Trust
REVENUES										
Local taxes	\$ 58,951		\$ 46,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License, permits and fees	-		-	-	-	-	55,152	-	-	-
Investment earnings	31		70	4	4	2	26	2	3,884	158
Miscellaneous	-		-	1,149	1,149	-	-	-	-	116,820
Total revenues	58,982		46,289	1,153	1,153	2	55,178	2	3,884	116,978
EXPENDITURES										
Current:										
General government	-		-	-	-	-	31,268	-	-	5,925
Police	-		-	3,347	3,347	-	5,688	-	-	6,650
Fire	-		-	-	-	-	-	-	-	1,155
Street	-		54,234	-	-	-	-	-	3,297	75,000
Culture and recreation	-		-	-	-	-	-	-	758,233	4,189
Interest and other charges	-		-	-	-	571,799	-	-	-	-
Capital Outlay	-		-	-	-	-	-	-	-	14,900
Total expenditures	-		54,234	3,347	3,347	571,799	36,956	571,799	761,530	107,819
Excess (deficiency) of revenues over expenditures	58,982	(7,945)	(2,194)	(2,194)	18,222	(571,797)	(757,646)	9,159	(1,253,219)	

(Continued)

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	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.	City Court Correction	Debt Service	2015-C Warrant Construction	Special Trust	Total Nonmajor Governmental Funds
Other use	-	-	-	-	(1,135,000)	-	-	(1,135,000)
Transfers in	-	-	-	-	1,703,632	-	-	1,703,632
Transfers out	-	-	-	-	(34)	-	-	(34)
Total other financing sources and uses	-	-	-	-	568,598	-	-	568,598
Net change in fund balances	58,982	(7,945)	(2,194)	18,222	(3,199)	(757,646)	9,159	(684,621)
Fund balances - beginning	5,493	57,115	5,038	12,512	41,118	1,202,500	136,183	1,459,959
Fund balances - ending	\$ 64,475	\$ 49,170	\$ 2,844	\$ 30,734	\$ 37,919	\$ 444,854	\$ 145,342	\$ 775,338

OTHER FINANCING SOURCES (USES)

President Noles announced that the next item of business was consideration of a resolution to enter into an Industrial Access grant agreement with the Alabama Department of Transportation for the Constellium-Element 13 project.

Council Member Hall introduced the following resolution and moved for its adoption:

STATE OF ALABAMA

COLBERT COUNTY

RESOLUTION NUMBER 2885 - 17

BE IT RESOLVED, by the City Council of the City of Muscle Shoals, Alabama as follows:

1. That the City enters into an Agreement with the State of Alabama, acting by and through the Alabama Department of Transportation for:

Project IAR-017-000-012, Project Reference Number 100000000 for a preliminary engineering, right-of-way acquisition, and construction program for resurfacing Reduction Plant Road between Ford Road and the Constellium site to include patching and structural overlay of the existing roadway and construction of aggregate shoulders to benefit Constellium—Element 13 in the City of Muscle Shoals; with Agreement is before this Council.

2. That the Agreement be executed in the name of the City, by its Mayor, for and on its behalf.
3. That the Agreement be attested by the City Clerk and the seal of the City affixed thereto.

BE IT FURTHER RESOLVED, that upon the completion of the execution of the Agreement by all parties, that a copy of such Agreement be kept on file by the City Clerk.

Council Member Willis seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was consideration of a resolution to request up to \$25,000 of funding from the Shoals Economic Development Fund for plan development and design, pavement surveys and geotechnical assessments for the Constellium-Element 13 project.

Council Member Willis introduced the following resolution and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2886 - 17

**AUTHORIZING AND APPROVING APPLICATION FOR THE
SHOALS ECONOMIC DEVELOPMENT FUND**

WHEREAS, the City of Muscle Shoals has received approval for an Alabama Industrial Access grant to improve road access to the Constellium Element 13 facility via Reduction Plant Road, and

WHEREAS, plan development and design as well as pavement surveys, geotechnical assessments and advertising and bidding must be completed prior to construction of the infrastructure improvements, and

WHEREAS, one of the stated purposes/uses of the Shoals Economic Development Fund (hereinafter referred to as "SEDF") is "to foster activities and policies conducive to expansion of existing industries within either of the counties or any city or town therein", and

WHEREAS, certain infrastructure improvements are necessary to accommodate the planned expansion of the Element 13 facility by Constellium, now

**THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
MUSCLE SHOALS:**

1. That the City of Muscle Shoals requests up to \$25,000 in SEDF funding for plan development and design as well as pavement surveys, geotechnical assessments and advertising and bidding costs;
2. That the Mayor is duly authorized to sign said application for and act on behalf of the City of Muscle Shoals and is further authorized to execute all other documents required for application or disbursement of SEDF funds for the City of Muscle Shoals.

Council Member Lockhart seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was consideration of an amendment to the "Back-to-school" sales tax holiday ordinance.

Council Member Lockhart introduced the following ordinance and moved for its immediate consideration:

ORDINANCE NO. 1500 - 17

AN ORDINANCE PROVIDING FOR THE EXEMPTION OF CERTAIN COVERED ITEMS FROM THE MUNICIPAL SALES AND USE TAX SOLD DURING THE PERIOD OF TIME COMMENCING AT 12:01 O'CLOCK A.M. ON THE THIRD FRIDAY OF JULY 2017 UNTIL 12:00 O'CLOCK MIDNIGHT ON THE FOLLOWING SUNDAY IN JULY 2017, AND DURING THE SAME HOURS ON THE THIRD FRIDAY OF JULY THROUGH THE FOLLOWING SUNDAY OF EACH YEAR THEREAFTER AS AUTHORIZED BY ACT 2017-120 OF THE ALABAMA LEGISLATURE, GENERALLY REFERRED TO AS THE STATE SALES TAX HOLIDAY ACT.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MUSCLE SHOALS, ALABAMA AS FOLLOWS:

Section I. In conformity with the provisions of Act 2017-120 enacted by the Alabama Legislature during the 2017 Regular Session of the Legislature and providing for a State Sales Tax Holiday, the City Council of the City of Muscle Shoals, Alabama does hereby exempt covered items from municipal sales and use tax sold within the City of Muscle Shoals and its police jurisdiction during the period of time commencing at 12:01 o'clock a.m. on the third Friday in July 2017, same being July 21, 2017 and until at 12:00 o'clock midnight on the following Sunday in July 2017, same being July 23, 2017 and during the same hours on the third Friday of July through the following Sunday of each year thereafter.

Section II. This Ordinance shall be subject to all terms, conditions, definitions, periods of time, and rules as provided by Act 2006-574 enacted by the Alabama Legislature during the 2006 Regular Session of the Legislature and Act 2017-120 enacted by the Alabama Legislature during the 2017 Regular Session of the Legislature.

Section III. The City Clerk is hereby authorized and directed to certify a copy of this ordinance under the seal of the City of Muscle Shoals, Alabama, and shall forthwith forward a certified copy to the Alabama Department of Revenue for its information and use.

Section IV. The Ordinance, and its provisions, shall become upon publication or posting pursuant to law or as otherwise provided for by law.

Council Member Sockwell seconded the motion and upon said motion being put to a vote a roll call was had and the vote recorded as follows:

AYES: Council Member Hall, Council Member Willis, Council Member Lockhart,
Council Member Sockwell, Council Member Noles

NAYS: None

President Noles announced that the motion for immediate consideration had passed unanimously. Council Member Lockhart moved that the Ordinance be approved. Council Member Sockwell seconded the motion and upon said motion being put to a vote a roll call was had and the vote recorded as follows:

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AYES: Council Member Hall, Council Member Willis, Council Member Lockhart,
Council Member Sockwell, Council Member Noles

NAYS: None

President Noles announced that the motion for approval of the Ordinance was approved unanimously.

President Noles announced that the next item of business was consideration of a resolution authorizing the Mayor to enter into an agreement with the Alabama Department of Transportation for the purchase of a van for the Senior Citizens Center.

Council Member Sockwell introduced the following resolution and moved for its immediate consideration:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2887 - 17

BE IT RESOLVED, by the City Council of the City of Muscle Shoals, Alabama, as follows:

1. That the City Council enter into an agreement with the State of Alabama: acting by and through the Alabama Department of Transportation relating to public transportation with partial funding by the Federal Transit Administration, which agreement is before this City Council;
2. That the agreement to be executed in the name of the City of Muscle Shoals, by the Mayor of the City of Muscle Shoals for and on its behalf;
3. That such execution be attested by the City Clerk and the seal of the City of Muscle Shoals affixed thereto:

BE IT FURTHER RESOLVED, that upon completion of the execution of the agreement by all parties, a copy of such agreement be kept by the City Clerk in the minute book of the City Council.

Council Member Hall seconded the motion and upon said motion being put to a vote a roll call was had and the vote recorded as follows:

AYES: Council Member Hall, Council Member Willis, Council Member Lockhart,
Council Member Sockwell, Council Member Noles

NAYS: None

President Noles announced that the motion for immediate consideration had passed unanimously. Council Member Sockwell moved that the Resolution be approved. Council

Member Hall seconded the motion and upon said motion being put to a vote a roll call was had and the vote recorded as follows:

AYES: Council Member Hall, Council Member Willis, Council Member Lockhart,
Council Member Sockwell, Council Member Noles

NAYS: None

President Noles announced that the motion for approval of the Resolution was approved unanimously.

There being no further business to come before the meeting, upon the motion duly made and seconded the meeting was adjourned.

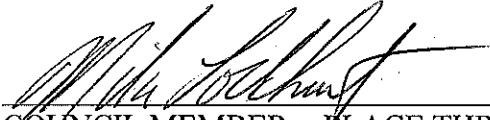
CITY OF MUSCLE SHOALS, ALABAMA
a Municipal Corporation



COUNCIL MEMBER - PLACE ONE



COUNCIL MEMBER - PLACE TWO



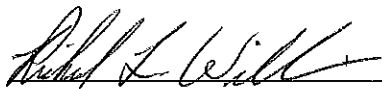
COUNCIL MEMBER - PLACE THREE



COUNCIL MEMBER - PLACE FOUR

COUNCIL MEMBER - PLACE FIVE

ATTEST:



CITY CLERK

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