

CITY OF MUSCLE SHOALS, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

CITY OF MUSCLE SHOALS, ALABAMA

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SEPTEMBER 30, 2016**

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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 |
| <i>Total net position</i> | <i>\$ 42.19</i> | <i>\$ 42.71</i> |

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 | | <u>21.73</u> | <u>21.84</u> |
| 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 | | <u>22.26</u> | <u>21.96</u> |
| <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.



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.

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



| | Governmental Activities | Component Units | | |
|--|----------------------------|-------------------|-------------------|-----------------------|
| | | 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 | <u>1,506,875</u> | <u>6,068,184</u> | <u>988,062</u> | <u>4,249,821</u> |

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 Governmental Activities | Component Units |
| 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) | |

| | 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 |
| <i>Net position - ending</i> | <i>\$ 42,190,254</i> | <i>\$ 47,639,017</i> |

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 |
| <i>Total liabilities</i> | <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: | 7,917,187 | 1,585,251 | 97,349 | 633,170 | 10,232,957 |
| <i>Total fund balance</i> | <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

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 |
| 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 |
| 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 |

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 |

(Continued)

| | General Fund | Half-Cent Sales Tax | Municipal Court | Other Governmental Funds | Total Governmental Funds |
|--|--------------|------------------------|--------------------|--------------------------------|--------------------------------|
| EXPENDITURES (continued) | | | | | |
| Debt Service: | | | | | |
| 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)

The accompanying notes are an integral part of these financial statements

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.



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.



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.



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.



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.



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.

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 (includes inflation at) | 3.75-7.25% 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 | | | | | | \$ - | |

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 | | <u>1,887,370</u> |
| 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% | <u>196,447</u> |
| 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 | Variance with |
|--------------------------------------|-------------------|-------------------|-----------------------------|--|
| | Original | Final | Amounts, Budgetary Basis | Final Budget - Positive (Negative) |
| 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) |
| <i>TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)</i> | 20,259,307 | 20,320,125 | 20,098,740 | 221,385 |
| <i>BUDGETARY FUND BALANCE-ENDING</i> | <i>\$ 7,265,127</i> | <i>\$ 7,295,127</i> | <i>\$ 7,917,187</i> | <i>\$ 622,060</i> |

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> |

SUPPLEMENTARY INFORMATION

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



| | Budgeted Amounts | | Actual Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|------------------------------------|-------------------|-------------------|---------------------------------------|---|
| | Original | Final | | |
| 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 | - |
| | <u>15,683,519</u> | <u>15,756,912</u> | <u>16,407,008</u> | <u>650,096</u> |
| 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 |
| | <u>1,298,000</u> | <u>1,315,305</u> | <u>1,368,124</u> | <u>52,819</u> |
| 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) |
| | <u>250,340</u> | <u>203,500</u> | <u>143,025</u> | <u>(60,475)</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 Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---------------------------------|------------------|------------------|---------------------------------------|---|
| | Original | Final | | |
| 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 | Variance with |
|----------------------------------|----------------------|----------------------|-----------------------------|--|
| | Original | Final | Amounts, Budgetary Basis | Final Budget - Positive (Negative) |
| 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 | <u>12,400</u> | <u>12,400</u> | <u>10,676</u> | <u>(1,724)</u> |
| | <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 | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| | <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 Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---------------------------------|------------------|---------|---------------------------------------|---|
| | Original | Final | | |
| 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 |

(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 | | | | |
| 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) |

(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 | | | | |
| 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 Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--------------------------------|------------------|-----------|---------------------------------------|---|
| | Original | Final | | |
| 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) |

(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 | | | | |
| 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 Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|---------------------------------|------------------|---------|---------------------------------------|---|
| | Original | Final | | |
| 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 |

(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 - 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 |
| Contractural 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 Amounts, Budgetary Basis | Variance with Final Budget - Positive (Negative) |
|--------------------------------|------------------|---------|---------------------------------------|---|
| | Original | Final | | |
| 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: | | | | | | | | |
| 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



| | 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 |
|--|--------------------------------------|-------------------------------------|-------------------------|--------------------------|------------------|-----------------------------------|------------------|---|
| REVENUES | | | | | | | | |
| Local taxes | \$ 58,951 | \$ 46,219 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 105,170 |
| License, permits and fees | - | - | - | 55,152 | - | - | - | 55,152 |
| Investment earnings | 31 | 70 | 4 | 26 | 2 | 3,884 | 158 | 4,175 |
| Miscellaneous | - | - | 1,149 | - | - | - | 116,820 | 117,969 |
| Total revenues | <u>58,982</u> | <u>46,289</u> | <u>1,153</u> | <u>55,178</u> | <u>2</u> | <u>3,884</u> | <u>116,978</u> | <u>282,466</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | 31,268 | - | - | 5,925 | 37,193 |
| Police | - | - | 3,347 | 5,688 | - | - | 6,650 | 15,685 |
| Fire | - | - | - | - | - | - | 1,155 | 1,155 |
| Street | - | 54,234 | - | - | - | 3,297 | 75,000 | 132,531 |
| Culture and recreation | - | - | - | - | - | 758,233 | 4,189 | 762,422 |
| Interest and other charges | - | - | - | - | 571,799 | - | - | 571,799 |
| Capital Outlay | - | - | - | - | - | - | 14,900 | 14,900 |
| Total expenditures | <u>-</u> | <u>54,234</u> | <u>3,347</u> | <u>36,956</u> | <u>571,799</u> | <u>761,530</u> | <u>107,819</u> | <u>1,535,685</u> |
| Excess (deficiency) of revenues over expenditures | <u>58,982</u> | <u>(7,945)</u> | <u>(2,194)</u> | <u>18,222</u> | <u>(571,797)</u> | <u>(757,646)</u> | <u>9,159</u> | <u>(1,253,219)</u> |

(Continued)

| | 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 FINANCING SOURCES (USES) | | | | | | | | |
| 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 |