

CITY OF MUSCLE SHOALS, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

CITY OF MUSCLE SHOALS, ALABAMA
FINANCIAL STATEMENTS
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FINANCIAL SECTION



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, 2017. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's financial position increased by \$2.11 million, or 5.0 percent.
- During the year, the City had taxes and other revenues for governmental programs that were \$.46 million less than the \$22.51 million in expenses.
- General fund revenues were more than budget amounts by \$ 208,771 and expenditures of funds were \$ 568,653 more 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 pages 17-19) 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 20. 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.



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 20 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.



The City's net position increased by \$2.11 million, from \$42.19 million to \$44.30 million. Table 1 below summarizes net assets at September 30, 2017 and September 30, 2016, respectively.

Table 1

Total Primary Government Activities

Net Position (in thousands)

	As of September 30,	
	2017	2016
Current and other assets	\$ 30,900	\$ 31,230
Capital assets	44,250	42,360
Total assets	75,151	73,590
Deferred Outflows	2,147	1,509
Total assets and deferred outflows	77,298	75,099
Long-term debt outstanding	19,110	20,260
Other liabilities	13,221	12,420
Total liabilities	32,331	32,680
Deferred Inflows	671	220
Total liabilities and deferred inflows	33,002	32,900
Net Position		
Invested in capital assets (net of debt)	25,140	22,100
Restricted	245	1,290
Unrestricted	18,910	18,800
Total net position	\$ 44,296	\$ 42,190

**Government-Wide Net Position
(in thousands)**

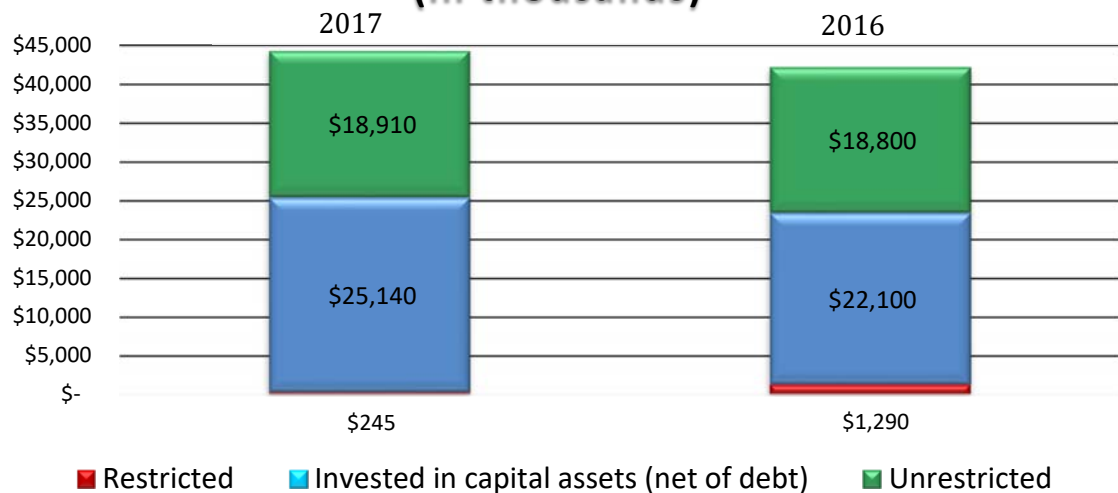




Table 2 details the change in net position for the same periods.

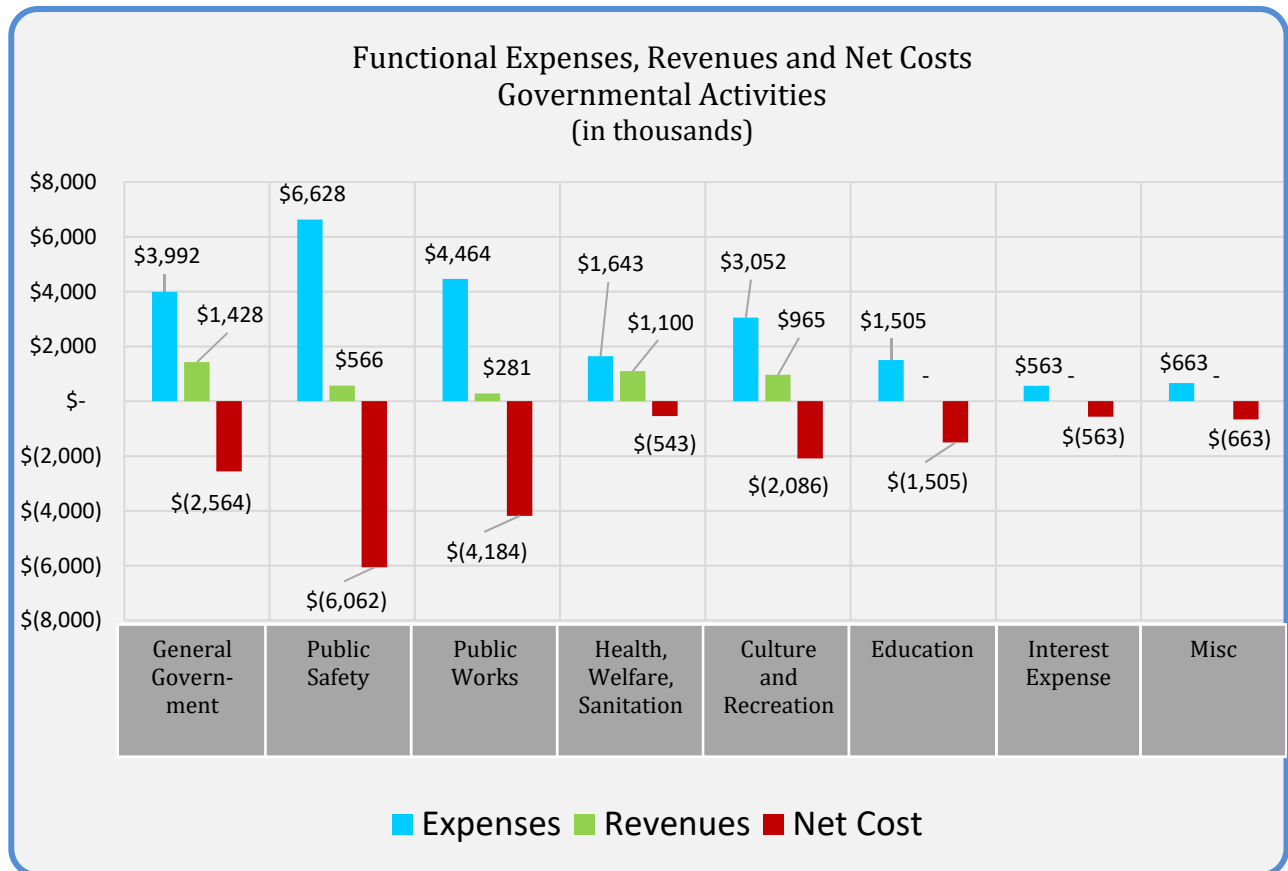
Table 2

Total Primary Government Activities Change in Net Position (in thousands)		For the fiscal year ended	
		2017	2016
Program revenues			
Fees, fines and charges for services		\$ 4,060	\$ 4,060
Grants and contributions		281	300
General revenues			
Sales taxes		12,782	12,300
Advalorem taxes		1,062	1,070
Other taxes and payments in lieu of taxes		3,237	3,140
Miscellaneous		597	830
Investment Earnings		32	30
Total revenues		<u>22,051</u>	<u>21,730</u>
Program expenses			
General government		3,993	3,740
Public safety		6,628	6,240
Public works		4,464	4,270
Health, welfare and sanitation		1,643	1,550
Education		3,052	1,500
Culture and recreation		1,505	3,630
Miscellaneous		564	740
Interest on long-term debt		<u>663</u>	<u>590</u>
Total expenses		<u>22,512</u>	<u>22,260</u>
Decrease in net position from operations		\$ (461)	\$ (530)



Governmental Activities

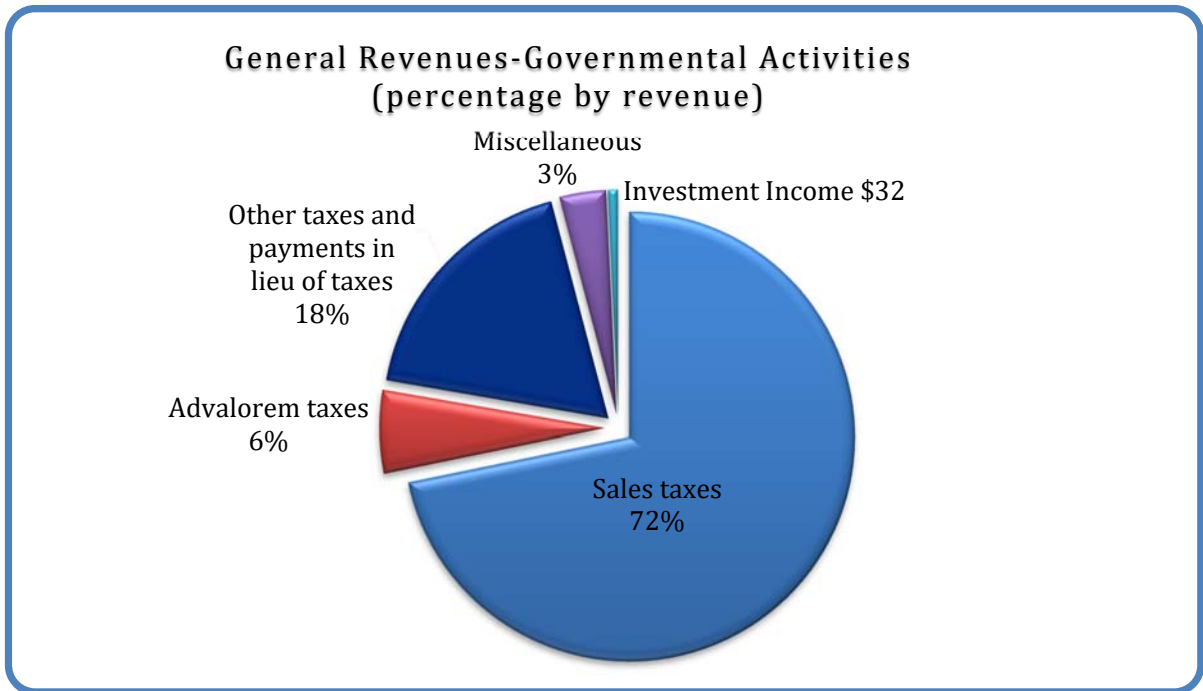
The cost of all government activities this year was \$22.51 million. However, as shown on the Statement of Activities on page 19, the cost ultimately financed by our taxpayers for these activities was \$ 18.17 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 4.34 million, thus reducing the burden to taxpayers.





Governmental Activities (continued)

Sales tax revenue represents the majority of general revenues received as depicted in the following chart:



Sales tax revenue has increased by \$ 1,842 thousand (17%) since fiscal 2013, while all other tax revenue has increased by \$ 130 thousand (3%) over the same timeframe.

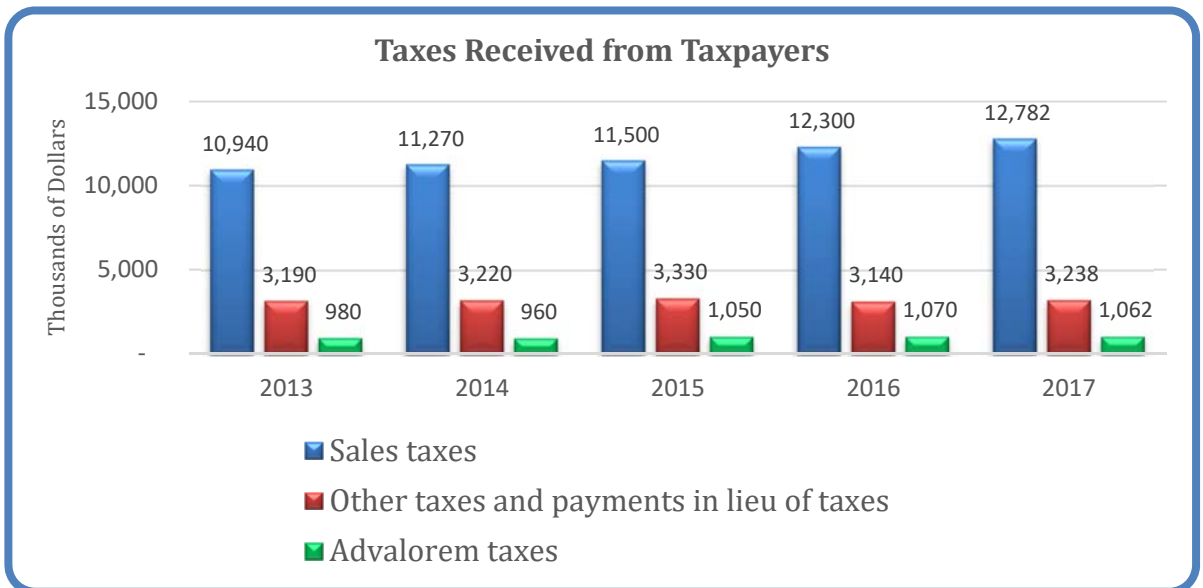


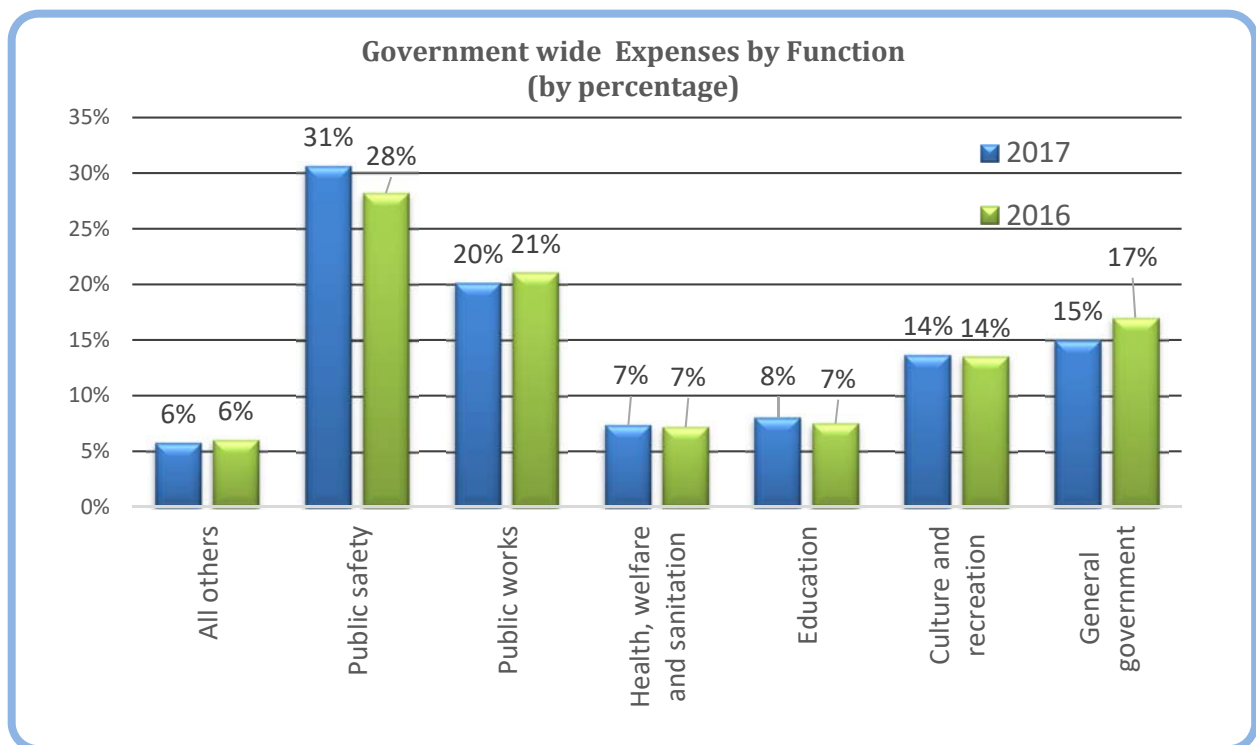


Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2017 and September 30, 2016 respectively.

Table 3

Total Primary Government Activities

Total Cost of Services (in thousands)	September 30,	
	2017	2016
General government	\$ 3,993	\$ 3,775
Public safety	6,628	6,194
Public works	4,464	4,622
Health, welfare and sanitation	1,643	1,573
Education	1,505	1,423
Culture and recreation	3,052	2,968
All others	1,227	1,403
Totals	\$ 22,512	\$ 21,958





THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of \$10.43 million, which increased from last year's total of \$10.38 million. The general fund balance increased by \$.76 million from \$7.92 million to \$8.65 million.

General Fund Budgetary Highlights

The 2016-2017 budget was approved on December 19, 2016. It was amended on May 15, 2017 and September 5, 2017 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 \$1.96 million represented 9.5 % of general fund expenditures and were slightly less than the prior fiscal year.

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 2017, the City had \$44.25 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):



CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Table 4

Total Primary Government Activities
Capital Assets at Year-End (Net of Depreciation)
(in thousands)

	As of September 30,	
	2017	2016
Non-depreciable		
Land	\$ 7,429	\$ 7,408
Art	79	79
Construction in progress	825	1,306
Depreciable		
Buildings	17,226	15,980
Infrastructure	23,909	23,909
Improvements	12,859	10,366
Equipment	13,984	13,456
Totals	76,309	72,503
Less: Accumulated depreciation	(32,059)	(30,146)
Capital assets-net	\$ 44,250	\$ 42,357

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. 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.
2. 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 complete and construction should begin in the summer of 2018.
3. 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 complete, and construction should begin in the summer of 2018.
4. 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. Construction began in October 2017 and will be completed in early 2018.



CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Other projects that have been completed or are underway include:

1. The construction of a new gymnasium in Gattman Park was nearing completed at year's end. The gym is 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. Construction is underway and will be completed in early 2018.
3. The city received a \$308,000 grant for sidewalk construction along 6th Street during 2017. Design is complete, and construction should commence during 2018.

Debt

At year-end, the City had \$19.11 million in general obligation warrants outstanding versus \$20.26 million last year, a decrease of \$ 1.15 million. Detail is provided in the notes to financial statements.

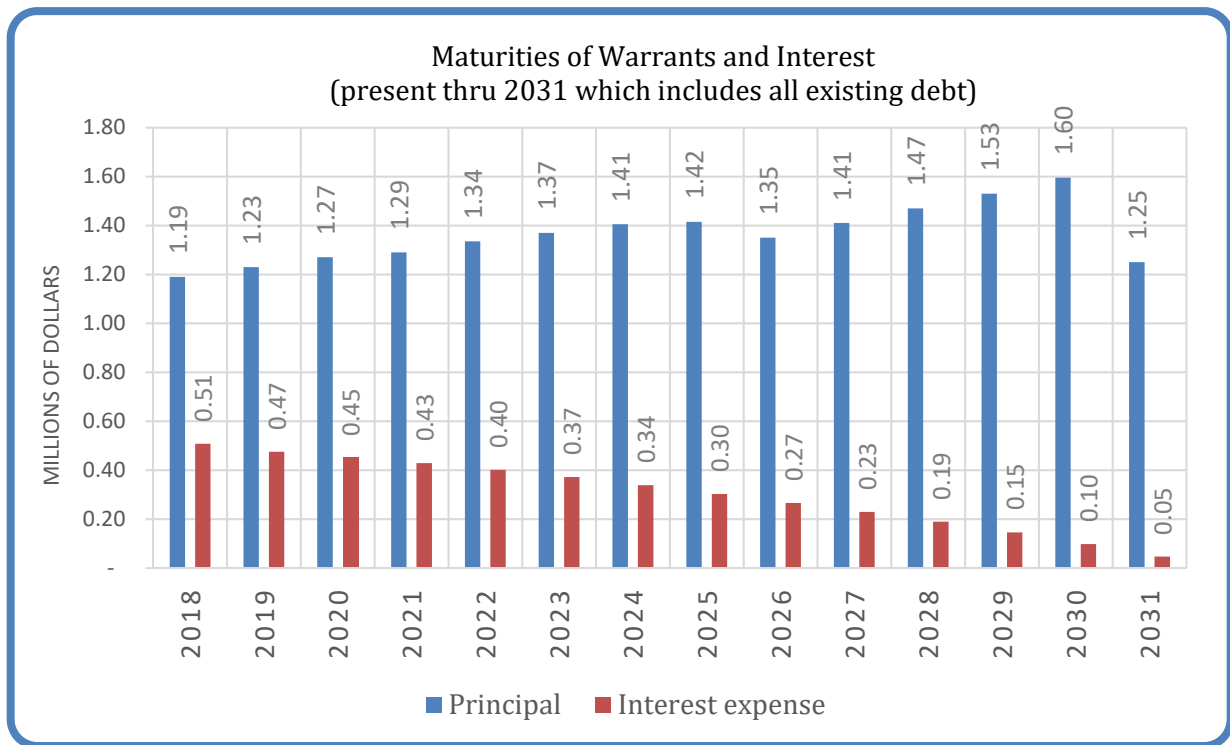
The City of Muscle Shoals has a "AA3" rating from Moody's for general obligation debt. The Constitution of Alabama provides that cities having a population of six thousand or more may not become indebted in an amount in excess of twenty percent (20%) of the assessed value of the property situated therein. The total net assessed value of the property in the City as assessed for City taxation for the tax year which ended September 30, 2017 (including motor vehicles), is \$212 million. Therefore, the City's general obligation debt is \$19.11 million, well below of its current debt limit of \$42.4 million (20% of \$212 million).

<u>Tax Year</u>	<u>Assessed Value</u>
2010	\$ 171,414,658
2011	\$ 171,190,289
2012	\$ 177,496,460
2013	\$ 179,407,660
2014	\$ 193,265,420
2015	\$ 188,432,920
2016	\$ 203,902,180
2017	\$ 212,104,880



Debt (continued)

All debt currently outstanding will mature by fiscal 2031.





ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Pharmacy giant Walgreens added 150 new jobs at its high-tech customer contact center in Muscle Shoals, pushing the total workforce at the Northwest Alabama facility to around 600. The Walgreens facility in Muscle Shoals opened in October 2004 as one of the company's most technologically advanced contact centers. At its opening, the center employed 30 people; today, the number is around 450.
- Tarkett is making another major investment in the Shoals, putting \$60 million into its Florence facilities in a move that will add some 50 employees. The two local plants have a combined 400 employees which should increase to 450 by the time the expansion is completed. The investment will increase production capacity and occur over a three-year period. Tarkett manufactures flooring and sports-surface solutions. This expansion is aimed at meeting the increasing demand for the company's luxury vinyl modular flooring. Tarkett's history covers some 130 years. Today the company has customers in more than 100 countries and its products include vinyl, linoleum, carpet, rubber, wood and laminate, synthetic turf and athletic tracks.
- Gemstone Foods, L.L.C. purchased the former Hillshire facility near the Port of Florence and opened a poultry processing production facility. The Florence operation will provide processing and other value-added services, such as marinating and seasoning for food service customers. The company has committed to improving and modernizing the aging facility through various renovations, new equipment purchases, and other capital improvements. Gemstone will invest over \$11 million and has committed to hiring 296 employees. President and CEO, Heath Lloyd, told the SEDA Board that he believed the facility would grow to more than the 296 employees committed and possibly could be the future home of the company's corporate headquarters.
- Life Data Labs, Inc., a premium animal nutrition and health products manufacturer, has completed work on one of the state's largest private solar installations, powering their entire manufacturing facility mainly with solar energy. They celebrated a "Generation Day" Thursday, March 23rd, 2017, where company executives, company employees and state employees as well as other dignitaries witnessed a "flipping of the switch" from electric power generating their first kilowatt of solar power. This solar facility generates 282 kilowatt (kW), which allows Life Data to potentially operate completely off of solar energy.
- A ribbon cutting ceremony was held on November 17th, 2017 to celebrate United Treating and Distribution, LLC's (UTD) recent expansion at their facility in Muscle Shoals. UTD has purchased the building and property adjacent to their current location which will add 54,000 covered square feet and 5.5 acres to UTD's property. Renovations of UTD's office area were recently completed and renovation plans for the new property will begin soon.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

This expansion will provide UTD the capacity to carry more inventory and new product lines, including composite decking. Today, UTD has more than 50 employees with more than 350 customers in 19 states. UTD provides treated and untreated lumber to retail lumber yards, portable barn builders, decking pros, fencing pros, utility trailer manufacturers, specialized industrial suppliers and contracting groups.

Numerous other manufacturers, such as Alabama Chanin, Alabama Interconnect, Ark Innovations, CHG Building Products, FilterPro, Geomarc (Senators Coaches), Harcros Chemicals, Mantel Craft, PartCycle Technologies, Performance Healthcare, and Southern Plastics & Inventory Control added new employment opportunities to their operations

Unemployment in Colbert County stood at 4.3% in October 2017, a decrease of 2.2% since 2016. The local rate of 4.3% is higher than the national rate of 4.1% and the state of Alabama rate of 3.8%.

The Mayor and City Council approved a conservative 2017-2018 General Fund budget. Total anticipated revenues and other financing resources are projected at \$21.21 million, an increase from the 2016-2017 budgeted revenues and other financing resources of \$20.81 million. Budgeted expenditures and other uses of funds are expected to increase to \$21.21 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 2017-2018 budget.

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, 2017, 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, 51 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, 2017, 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 on pages 1 through 13 and the schedule of changes in net pension liability and related ratios and schedule of employer contributions of the pension plan on pages 63 and 67, and the schedule of funding progress and schedule of employer contributions of the other postemployment benefit plan on pages 68-77 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

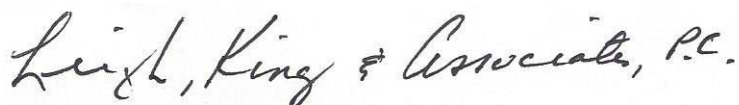
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muscle Shoals, Alabama's basic financial statements. The supplemental schedules of revenues and expenses by budget line item on pages 79-98 and the combining and individual fund financial statements and schedules on pages 100 to 130, and statistical section, 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

City of Muscle Shoals, Alabama
Statement of Net Position
At September 30, 2017



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	Governmental Activities	Component Units		
		Utilities Board	Electric Board	Board of Education
ASSETS				
Cash and equivalents	\$ 9,150,987	\$ 3,595,013	\$ 3,350,437	\$ 7,221,237
Account receivables, net	240,089	648,347	4,227,301	4,447,518
Receivable-component units	-	-	-	-
Due from other governments	1,241,916	-	-	-
Inventories	58,645	134,100	684,098	69,303
Net OPEB asset	-	-	-	-
Reserved and restricted assets		5,443,279	2,255,764	
Capital Assets:				
Non-depreciable	8,332,338	75,286	490,580	1,337,809
Other capital assets, net of depreciation	35,917,995	46,887,208	22,788,135	29,332,862
Equity interest in joint venture	19,487,977	-	-	-
Other receivables	115,496	482	85,852	-
Prepaid Expenses	-	60,608	258,295	
Receivable-commercial entity	605,250	-	-	-
Total assets	<u>75,150,693</u>	<u>56,844,323</u>	<u>34,140,462</u>	<u>42,408,729</u>
Deferred outflows of resources	<u>2,147,412</u>	<u>5,935,803</u>	<u>1,055,546</u>	<u>4,806,924</u>

(continued)

City of Muscle Shoals, Alabama
Statement of Net Position
September 30, 2017



18

	Component Units			
	Governmental Activities	Utilities Board	Electric Board	Board of Education
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	378,493	379,485	4,379,681	2,396,064
Due to other governments	-	-	715,939	-
Customer deposits	-	424,802	1,318,459	-
Long-term liabilities:				
Due within one year:				
Advances from TVA energy programs	-	-	991,232	-
Bonds payable	1,150,000	830,000	215,000	615,767
Accrued interest	84,683	426,707	69,877	-
Compensated absences	-	30,000	30,000	-
Due in more than one year:				
Net OPEB liability	186,437	16,003	48,929	-
Bonds payable	17,960,000	34,063,911	4,125,000	36,000,896
Compensated absences	1,159,935	164,865	265,885	-
Net pension liability	10,806,399	2,210,256	4,362,635	-
Bonds payable-commercial	605,250	-	-	-
Total liabilities	32,331,197	38,546,029	16,522,637	39,012,727
Deferred Inflows of resources	671,054	18,636	-	4,685,000
NET POSITION				
Invested in capital assets, net of related debt	25,140,333	16,490,076	19,032,743	19,512,009
Restricted or Committed for:				
Capital projects	150,011	-	-	210,293
Debt Service	36,595	4,344,679	535,793	579,559
Other purposes	58,645	-	-	607,071
Unrestricted	18,910,269	3,380,706	(895,165)	(17,391,006)
<i>Total net position</i>	\$ 44,295,854	\$ 24,215,461	\$ 18,673,371	\$ 3,517,926

The accompanying notes are an integral part of these financial statements

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City of Muscle Shoals, Alabama
Statement of Activities
September 30, 2017

Functions/Programs	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities				
General government	\$ 3,992,414	\$ 1,428,252	\$ -	\$ -
Public safety	6,627,679	566,098	-	-
Public works	4,464,343	-	-	280,823
Health, welfare and sanitation	1,643,203	1,099,972	-	-
Culture and recreation	3,051,812	965,445	-	-
Education	1,505,397	-	-	-
Interest on long-term debt	563,468	-	-	-
Miscellaneous	663,421	-	-	-
Total governmental activities	22,511,738	4,059,767	-	280,823
Component units:				
Utilities board	8,082,095	7,700,037	-	265,169
Electric board	28,582,756	30,018,560	-	-
Board of education	32,225,555	3,704,588	17,083,832	731,540
Total component units	\$ 60,808,311	\$ 41,423,185	\$ 17,083,832	\$ 996,709
Total primary government				
General revenues:				
Taxes:				
Sales taxes				
Advalorem				
Gasoline				
Alcohol				
Tobacco				
Lodging				
Financial institution				
Other taxes				
Total taxes				
Payments in lieu of taxes				
Grants and contributions not restricted to specific purposes				
Unrestricted investment earnings				
Transfers Out - Tax equivalents				
Miscellaneous				
Total general revenues, special items, and transfers				
Donated Property				
Change in net position				
Net position - beginning				
Net position - ending				



Net (Expense) Revenue and Changes in Net Assets	
Primary Governmental Activities	Component Units
\$ (2,564,162)	
(6,061,581)	
(4,183,520)	
(543,231)	
(2,086,367)	
(1,505,397)	
(563,468)	
(663,421)	
<u>(18,171,148)</u>	
	\$ (116,889)
	1,435,804
	<u>(10,705,595)</u>
	<u>(9,386,680)</u>
<u>(18,171,148)</u>	
12,781,977	1,377,481
1,061,981	4,211,483
751,710	-
263,060	65,476
128,011	-
66,760	-
184,317	-
313,199	76,176
<u>15,551,015</u>	<u>5,730,616</u>
1,530,721	-
-	1,472,800
31,656	98,810
	(916,087)
597,045	1,768,282
<u>17,710,437</u>	<u>8,154,421</u>
(460,711)	(1,232,259)
2,566,311	-
<u>2,105,600</u>	<u>(1,232,259)</u>
42,190,254	47,639,017
<u>\$ 44,295,854</u>	<u>\$ 46,406,758</u>

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
 Balance Sheet
 Governmental Funds
 September 30, 2017



	General Fund	Half-Cent Sales Tax	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,426,752	\$ 1,324,265	\$ 399,970	\$ 9,150,987
Accounts receivable, net	179,666	48,387	12,036	240,089
Receivable from component units	-	-	-	-
Receivable from other governments	1,241,916	-	-	1,241,916
Other receivables	115,496	-	-	115,496
Inventories	58,645	-	-	58,645
<i>Total assets</i>	<u>9,022,475</u>	<u>1,372,652</u>	<u>412,006</u>	<u>10,807,133</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	311,797	7,000	-	318,797
Other accrued liabilities	55,996	-	3,700	59,696
<i>Total liabilities</i>	<u>367,793</u>	<u>7,000</u>	<u>3,700</u>	<u>378,493</u>
Fund balances:				
Nonspendable:				
Inventories	58,645	-	-	58,645
Restricted for:				
Debt service	-	-	36,595	36,595
Capital Projects	-	-	150,011	150,011
Unassigned:	8,596,037	1,365,652	221,700	10,183,389
<i>Total fund balance</i>	<u>8,654,682</u>	<u>1,365,652</u>	<u>408,306</u>	<u>10,428,640</u>
<i>Total liabilities and fund balance</i>	<u>\$ 9,022,475</u>	<u>\$ 1,372,652</u>	<u>\$ 412,006</u>	<u>\$ 10,807,133</u>

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 September 30, 2017



Total fund balance, governmental funds	\$ 10,428,640
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial	44,250,333
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 Liability	(186,437)
Equity interest in joint venture	19,487,977
Deferred Outflows	2,147,412
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	(19,110,000)
Accrued interest	(84,683)
Deferred inflows	(671,054)
Compensated absences	(1,159,935)
Defined benefit obligation	(10,806,399)
Net Position of Governmental Activities in the Statement of Net Position	\$ 44,295,854

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
Statement of Revenues, Expenditures, and Changes
in Fund Balance
September 30, 2017



	General Fund	Half-Cent Sales Tax	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local taxes	\$ 16,861,800	\$ -	\$ 106,268	\$ 16,968,068
License, permits and fees	1,428,252	-	566,098	1,994,350
Charges for service	1,099,970	-	-	1,099,970
Joint Ventures	361,739	7,000	5	368,744
Intergovernmental revenue	75,754	205,069	-	280,823
Park and recreation	965,447	-	-	965,447
Investment earnings	29,968	841	846	31,655
Miscellaneous	209,448	-	116,845	326,293
Total revenues	21,032,378	212,910	790,062	22,035,350
EXPENDITURES				
Current:				
General government	3,113,912	46,672	196,282	3,356,866
Police	3,534,624	30,467	15,086	3,580,177
Fire	2,350,128	28,129	6,615	2,384,872
Street	1,854,501	605,556	169,430	2,629,487
Storm and Sewer	467,082	31,925	-	499,007
Health and sanitation	1,550,718	25,864	-	1,576,582
Culture and recreation	2,377,417	212,640	58,245	2,648,302
Appropriations	82,111	-	-	82,111
Education	1,305,397	200,000	-	1,505,397
Miscellaneous	570,495	10,815	-	581,310

(Continued)

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
Statement of Revenues, Expenditures, and Changes
in Fund Balance (continued)
September 30, 2017



	General Fund	Half-Cent Sales Tax	Other Governmental Funds	Total Governmental Funds
EXPENDITURES (continued)				
Debt Service:				
Principal	36,633	-	1,150,000	1,186,633
Interest and other charges	21,202	-	549,099	570,301
Capital Outlay	80,179	786,102	525,386	1,391,667
Total expenditures	17,344,399	1,978,170	2,670,143	21,992,712
Excess (deficiency) of revenues over expenditures	3,687,979	(1,765,260)	(1,880,081)	42,638
OTHER FINANCING SOURCES (USES)				
Transfers in	281,946	1,534,781	1,697,649	3,514,376
Transfers out	(3,232,430)	-	(281,946)	(3,514,376)
Total other financing sources and uses	(2,950,484)	1,534,781	1,415,703	-
SPECIAL ITEM				
Proceeds from sale of land	-	10,880	-	10,880
Net change in fund balances	737,495	(219,599)	(464,378)	53,518
Fund balances - beginning	7,917,187	1,585,251	872,684	10,375,122
Fund balances - ending	\$ 8,654,682	\$ 1,365,652	\$ 408,306	\$ 10,428,640

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 the Governmental Funds to the Statement of Activities
 September 30, 2017



Net change in fund balances - total governmental funds:	\$ 53,518
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 \$3,999,407 were exceeded by depreciation \$2,104,612 in the current period.	1,894,795
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds were exceeded by repayments.	
	1,150,000
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Increase in Net pension obligation	(503,616)
Increase in OPEB Liability	(426,859)
Increase in Deferred inflows related to pensions	(451,471)
Increase in Deferred outflows related to pensions	640,537
Accrued interest payable is not due and payable in the current period and therefore is not reported as a liability in the balance sheets of the governmental funds.	
	6,833
Changes in the equity value of an investment are not receivable or payable in the current period and therefore is not reported as an asset or liability in the balance sheets of the governmental funds	
	(294,901)
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:	
Decrease in compensated absences	36,764
Change in net position of governmental activities	\$ 2,105,600

The accompanying notes are an integral part of these financial statements



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, 2017.

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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The decision to include a potential component unit in the City's reporting entity is based on the criteria stated in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations are Component Units" and GASB 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34," which includes the ability to appoint a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burden on the City, or the nature and significance of the relationship between the City and the organization is such that exclusion would cause the City's financial statements to be incomplete.

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. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide financial statements (based on the City as a whole) and fund financial statements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Government-wide Statement of Net Position reports all financial and capital resources of the City, excluding those reported in the fiduciary funds. It is displayed in the format of assets and deferred outflows less liabilities and deferred inflows, equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components (each of which is defined below):

- *Net investment in capital assets* – (The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and adjusted for the balance of any deferred outflows of resources or deferred inflows of resources related to capital assets or debt).
- *Restricted* - (The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Restricted assets are those with constraints placed on their use that are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation).
- *Unrestricted* – (The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The measurement-focus of the governmental funds (in the Fund Financial Statements) is upon determination of financial position and changes in financial position rather than upon net income.

These 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. For this purpose, the government considered property taxes as available if they are collected within 60 days after year-end. A six-month availability period is used for revenue recognition for all other governmental fund revenues. 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.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. For example, property tax revenue is recognized in the year of levy, and all other revenue is recognized when services have been rendered.

Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds. The identification and separate reporting of major funds serves to highlight financial activities which may be particularly important to financial statement users. Nonmajor funds are reported in aggregate in a separate column in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City reports the following major 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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. It is the City's policy to first apply restricted resources to such programs, followed by unrestricted resources if necessary.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET
POSITION/FUND BALANCE

1) *Deposits and investments*

The City has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes and local ordinances authorize the government and the component units to invest in various types of investments as discussed in a subsequent note.

The City does not have a significant amount of investments valued at other than quoted market prices. Except in the pension trust funds, amortization of premium and accretion of discount on investments purchased are not recorded over the term of the investment. The effect of this policy on the financial statements of the various funds is not significant.

2) *Receivables and payables*

All trade receivables are shown net of an allowance for uncollectible accounts. Unbilled service receivables represent the estimated amount of accounts receivable for services that have not yet been billed. The amount represents a timing difference between the end of the financial statement cycle (month end) and the billing cycle (varying dates each billing period).



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

3) *Due to/Due from*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans.) All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

4) *Inventories and prepaid items*

Inventories are valued at cost (using average cost) in governmental type funds and the lower of cost (weighted average) or market in business-type funds. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures when consumed rather than when purchased.

5) *Deferred outflows and inflows of resources*

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

6) *Capital assets*

Capital assets, which include land, roads and parking lots, buildings and structures, improvements other than buildings, machinery and equipment, infrastructure assets, and construction in progress, are reported in the applicable governmental or business-type activities columns in the governmentwide financial statements. The City capitalizes equipment and improvements having an estimated useful life in excess of one year and acquisition cost of at least \$ 5,000.

All capital 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.

Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated lives:

	<u>Years</u>
Buidings, structures and improvements	20-50
Furniture, fixtures and equipment	3-20
Roads and streets	50
Storm sewers and drainage ditches	30

7) *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. Compensated absences cannot be segregate between current and long-term. Therefore, the entire amount is shown as long-term.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

8) *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.

9) *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."

- 10) *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.

- a. *Non-spendable Fund Balance* - Fund balances reported as non-spendable in the accompanying financial statements represent amounts for permanent fund principal restrictions, inventory, prepaid expenditures, advances to other funds and noncurrent notes receivables.
- b. *Restricted Fund Balance* - Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors or grantors.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

- c. Committed Fund Balance - Fund balances reported as committed are self-imposed restrictions placed upon certain resources by the City Council through the adoption of an ordinance and cannot be used for any other purpose unless formal action is approved by the City Council.
- d. Assigned Fund Balance - Fund balances reported as assigned are intended for certain purposes as approved by City Council, or management. City Council has a fund balance policy that allows assigned amounts to be re-assigned by City Council, or management.
- e. Unassigned Fund Balance - In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance, as they are needed.

- f. Stabilization Arrangement - The City has a fund balance policy established by the City Council that requires the general fund to maintain a minimum unrestricted fund balance of 25% of ensuing year's appropriated general fund expenditures. The fund has been established for the purposes of setting aside amounts for use in specific and non-routine situations, which include certain emergency and urgent situations, giving the Mayor power to resolve any issues at hand. Utilization of these funds must be reported to the City Council at the next Council meeting. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the Financial Stabilization Account balance to the established minimum. For the current fiscal year ending September 30, 2017, the City met the minimum general fund balance policy.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (continued)

11) 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.

12) *Use of estimates and reclassifications*

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.

13) *Postemployment benefits*

Postemployment healthcare benefits other than pension benefits are accounted for under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, which establishes standards for the measurement, recognition, and display of postemployment healthcare benefits expense and related liabilities, assets, and note disclosures, as further described in Note 13 and, if applicable, required supplementary information.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ACCOUNTING PRONOUNCEMENTS

The City adopted GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, required for fiscal periods beginning after June 15, 2016, in fiscal 2017. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The City plans to adopt GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, required for fiscal periods beginning after June 15, 2017, in fiscal 2018. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

The City adopted GASB Statement No. 77, Tax Abatement Disclosures, required for fiscal periods beginning after December 15, 2015, in fiscal 2017. This Statement improves financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively. See Note 22.

The City adopted GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, required for fiscal periods beginning after December 15, 2015, in fiscal 2017. This Statement amends the scope and applicability of Statement No. 68 regarding pensions provided to employees of state and local government employers through certain cost-sharing multiple-employees of state and local government employers through certain cost-sharing multiple-employer defined benefit pension plans.

The City adopted GASB Statement No. 79, Certain External Investment Pools and Pool Participants, required for fiscal periods beginning after June 15, 2015, except for certain provisions effective for fiscal periods beginning after December 15, 2015, in fiscal 2016 and 2017. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants.

The City adopted GASB Statement No. 80, Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14, required for fiscal periods beginning after June 15, 2016, in fiscal 2017. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.



2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Certain differences exist between the governmental fund financial statements and the government-wide financial statements. These differences relate to differences between the modified accrual basis of accounting used in the fund financial statements and the accrual basis of accounting used in the government-wide financial statements and to the consolidation of the internal service funds into the governmental activities in the government-wide financial statements.

Reconciliations between the governmental fund balance sheet and the government-wide statement of net position and between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are shown on pages 21 and 24, respectively.

3. BUDGETS AND BUDGETARY ACCOUNTING

Budget Development and Adoption

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.



4. CASH AND INVESTMENTS

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.

Custodial and Concentration of Credit Risk

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.

5. RECEIVABLES

The City's general fund receivables from other governments consisted of the following at September 30, 2017:

Due from State of Alabama (Sales Tax)	\$ 1,091,152
Other	<u>150,764</u>
Total	<u>\$ 1,241,916</u>



6. CAPITAL ASSETS

Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 7,408,041	\$ 26,800	\$ 6,000	\$ 7,428,841
Art	78,810	-	-	78,810
Construction in progress	1,305,744	733,161	1,214,219	824,687
Total assets not being depreciated	8,792,595	759,961	1,220,219	8,332,338
<i>Capital assets being depreciated</i>				
Buildings	15,979,809	1,245,753	-	17,225,562
Infrastructures	23,908,529	48,862	48,456	23,908,935
Land Improvements	10,365,997	2,492,861	-	12,858,858
Equipment	13,456,229	717,137	189,563	13,983,803
Total Capital assets being depreciated	63,710,564	4,504,613	238,018	67,977,159
Accumulated Depreciation	(30,146,238)	(2,104,612)	(191,687)	(32,059,163)
Total capital assets being depreciated, net	33,564,326	2,400,001	46,332	35,917,995
<i>Governmental activities capital assets, net</i>	<i>\$ 42,356,922</i>	<i>\$ 3,159,962</i>	<i>\$ 1,266,551</i>	<i>\$ 44,250,333</i>

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

Function	Depreciation	Assets
General Government	\$ 198,796	\$ 10,376,690
Police	233,693	3,891,789
Fire	176,873	4,498,371
Public Works	378,039	14,561,687
Storm Drainage	825,610	26,740,467
Recreation	291,601	15,415,805
Total depreciation expense	\$ 2,104,612	\$ 75,484,809



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, 2017:

General Obligation Warrants	Beginning Balance	Increases	Reductions	Ending Balance	Current Maturities
Series 2014-A	\$ 1,695,000	\$ -	\$ 185,000	\$ 1,510,000	\$ 180,000
Series 2014-C	8,425,000	-	900,000	7,525,000	935,000
Series 2015-A	8,390,000	-	65,000	8,325,000	75,000
Series 2015-B	500,000	-	-	500,000	-
Series 2015-C	1,250,000	-	-	1,250,000	-
Total Warrants	\$ 20,260,000	\$ -	\$ 1,150,000	\$ 19,110,000	\$ 1,190,000



7. LONG-TERM DEBT (continued):

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

Fiscal Year	Series 2014-A		Series 2014-C		Series 2015-A	
	Principal	Interest	Principal	Interest	Principal	Interest
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	205,000	22,063	1,050,000	86,388	-	236,080
2023-2027	530,000	29,800	2,725,000	118,238	3,435,000	1,110,200
2028-2030	-	-	-	-	4,595,000	292,080
<i>Totals</i>	<i>\$ 1,510,000</i>	<i>\$ 184,143</i>	<i>\$ 7,525,000</i>	<i>\$ 732,826</i>	<i>\$ 8,325,000</i>	<i>\$ 2,597,480</i>

Year	Series 2015-B		Series 2015-C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	80,000	10,140	-	46,875	1,335,000	401,545
2023-2027	260,000	16,275	-	234,375	6,950,000	1,508,888
2028-2031	-	-	1,250,000	187,500	5,845,000	479,580
<i>Totals</i>	<i>\$ 500,000</i>	<i>\$ 81,535</i>	<i>\$ 1,250,000</i>	<i>\$ 656,250</i>	<i>\$ 19,110,000</i>	<i>\$ 4,252,234</i>

8. 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.



9. 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, 2017. The amounts of inter-fund transfers for the fiscal year ended September 30, 2017 are as follows:

Fund	Transfers	
	To	From
General	\$ 281,946	\$ 3,232,430
Municipal Court	-	281,946
Debt Service	1,697,649	-
One Half-Cent Sales Tax	1,534,781	-
	<u>\$ 3,514,376</u>	<u>\$ 3,514,376</u>

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

10. 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 \$19,487,977. The fund-level financial statements only report the earnings distributions received from the District during the year (\$352,364).

11. RELATED PARTY TRANSACTIONS

The City had the following material transactions with related parties during the year ended September 30, 2017:

Muscle Shoals Utility Board – This component unit provides water and sewer service to the City at market rates. At September 30, 2017, 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 \$ 1,024,613 of garbage revenues collected and (c) paid the City \$ 875,432 of tax equivalents. At September 30, 2017, the Electric Board owed the City a total of \$157,639. The City owed the Electric Board nothing at year-end.



11. RELATED PARTY TRANSACTIONS (continued)

Muscle Shoals Board of Education - The City appropriated \$1,303,397 to the Board of Education (a component unit) during the year. At September 30, 2017, the Board owed the City \$ 36,803 for miscellaneous items.

Shoals Solid Waste Disposal Authority - The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$178,019 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 \$352,364 of earnings distributions from the Gas District during 2017. 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.

12. 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.



12. 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.



12. 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 83,763 participants. As of September 30, 2015, membership consisted of:

<u>Number of Active and Retired Members as of September 30, 2015</u>	
	<u>Local Employees</u>
Retirees and beneficiaries receiving benefits	22,248
DROP participants	121
Terminated employees entitled to, but not receiving benefits	6,767
Non-vested inactive members who have not contributed more than 5 years	-
Active members	<u>54,627</u>
Total	<u>83,763</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.



12. 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, 2017, the City's active employee contribution rate was 5.43 % of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 11.44 % of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2017 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 \$794,653 for the year ended September 30, 2017.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, 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, 2016 using standard roll-forward techniques as shown in the following table:



12. DEFINED BENEFIT PLAN (continued)

	Expected	Actual 2015 Valuation Assumptions	Actual 2016 Valuation Assumptions
(a) Total Pension Liability as of September 30, 2015	\$ 29,743,823	\$29,202,042	\$ 30,563,657
(b) Discount rate	8.00%	8.00%	7.75%
(c) Entry age normal cost for the period October 1, 2015 through September	570,188	570,188	573,757
(d) Transfers Among Employers:		121,278	121,278
(e) Actual benefit payments and refunds for the period October 1, 2015 through September 30, 2016	<u>(1,511,146)</u>	<u>(1,511,146)</u>	<u>(1,511,146)</u>
(f) Total Pension Liability as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))]	<u>\$ 31,121,925</u>	<u>\$30,658,080</u>	<u>\$ 32,057,673</u>
(g) Difference between Expected and Actual:		\$ (463,845)	
(h) Less Liability Transferred for Immediate Recognition		<u>121,278</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (585,123)</u>	
(j) Difference between Action (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			
Assumption Change (Gain)/Loss			\$ 1,399,593

Actuarial assumptions

The total pension liability in the September 30, 2016 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



12. DEFINED BENEFIT PLAN (continued)

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2016 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, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2005 – September 30, 2010. The discount rate used to measure the TPL at September 30, 2016 was the long-term rate of return, 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the rates currently in effect and that employer contributions will be made in accordance with the funding policy adopted by the Board of Control. Projected future benefit payments for all current plan members were projected for all years.

Based on those assumptions, each employer's FNP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL and a municipal bond rate was not used in determining the discount rate.

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.



12. DEFINED BENEFIT PLAN (continued)

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%	

* 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.



12. 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, 2015	\$ 29,743,823	\$ 19,441,040	\$ 10,302,783
Changes for the year:			
Service cost	570,188	-	570,188
Interest	2,319,060	-	2,319,060
Changes of assumptions	1,399,593	-	1,399,593
Difference between expected and actual difference	(585,123)		(585,123)
Contributions - employer	-	848,920	(848,920)
Contributions - employee	-	379,502	(379,502)
Net investment income	-	1,971,680	(1,971,680)
Benefit payments, including refunds of employee contributions	(1,511,146)	(1,511,146)	-
Administrative expense		-	-
Transfers among employers	121,278	121,278	-
Net changes	2,313,850	1,810,234	503,616
Balances at September 30, 2016	\$ 32,057,673	\$ 21,251,274	\$ 10,806,399

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Muscle Shoals' net pension liability	\$ 14,491,077	\$ 10,806,399	\$ 7,686,665



12. 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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated May 17, 2017 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, 2017, the City recognized pension expense of \$ 1,084,078. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 671,054
Changes of assumptions	1,180,907	-
Net difference between projected and actual earnings on plan investments	171,852	-
Employer contributions subsequent to the measurement date	794,653	-
<i>Total</i>	<i>\$ 2,147,412</i>	<i>\$ 671,054</i>



12. DEFINED BENEFIT PLAN (continued)

PENSION EXPENSE	
Service Cost	\$ 570,188
Interest on the total pension liability	2,319,060
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(91,425)
Expensed portion of current-period changes of assumptions	218,686
Member contributions	(379,502)
Projected earnings on plan investments	(1,548,825)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(84,571)
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	122,694
Recognition of beginning deferred inflows of resources as pension expense	(42,227)
<i>Pension Expense (Income)</i>	<u>\$ 1,084,078</u>

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

Year Ended September 30	
2018	\$ 123,157
2019	123,156
2020	265,212
2021	463
2022	118,813
Thereafter	50,904



13. 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.

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.

Summary of Main Plan Provisions

Eligibility for Allowance

An employee is considered to be a retired employee of the Retirement Systems of Alabama under the following Tiers:

Tier I (for those hired before 1/1/2013):

- Retiree has 25 years of creditable service, regardless of age, or
- Retiree has 10 years of service and is 60 years old or is determined disabled by the Social Security Administration or the Retirement Systems of Alabama's Medical Board.

Tier II (for those hired on or after 1/1/2013):

- Retiree has 10 years of service and is 62 years old (56 years old for a full-time certified firefighter, police officer, or correction officer) or is determined disabled by the Social Security Administration or the Retirement Systems of Alabama's Medical Board.



13. POST-EMPLOYMENT BENEFITS (continued)

Trust and Plan Description (continued)

Amount of Allowance

Employees who retire from the City with a minimum of twenty-five (25) years of creditable service with the City of Muscle Shoals can continue single medical/vision coverage under the same conditions as active employees. Currently the premium for medical, vision, and prescription coverage is \$0 for single coverage and \$334 for family coverage. Dental coverage is \$5 for single coverage and \$14 per month for family coverage.

Employees who retire with at least 15 years of service to the City and are at least 60 years of age upon retirement will be eligible for medical, vision, prescription, and dental coverage provided the retiree pays the entire premium. The premium for medical, vision, and prescription coverage is \$224 per month for single coverage and \$558 per month for family coverage. Dental coverage is \$20 per month for single coverage and family coverage is \$61 per month.

Medical, vision, prescription, and dental coverage terminates when the retiree or covered dependent turns 65, or otherwise becomes eligible for Medicare.

The City provides whole life insurance coverage for all full-time employees and retirees. Employees with a date of hire after 10/1/1975 receive \$10,000 in coverage. For employees hired prior to 10/1/1975, the coverage amounts were based upon pay, age, years of service, etc. Department heads receive \$30,000 in coverage. The coverage continues in force after retirement if the retiree has at least 10 years of service with the City and vested for at least 10 years with the RSA. The City pays the monthly premium for all employees and retirees. Upon retirement, the employee can “cash out” the policy and receive the accumulated cash value or retain the policy with the City paying the premium until death.

Dependent Coverage

Dependents of eligible retirees can participate in the plan, but the premium must be paid by the retiree. Dependent coverage ends once the retiree becomes eligible for Medicare, once the dependent becomes eligible for Medicare, or upon the death of the retiree, whichever occurs first.



13. POST-EMPLOYMENT BENEFITS (continued)

Actuarial Study

GASB 45 requires that the City obtain 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 and 2016.

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.

Following is specific information about the plan and its actuarial valuation:

The following table summarizes the membership of the Plan as of September 30, 2016, the Valuation Date:

Membership as of September 30, 2016	
Inactive Employees or Beneficiaries Currently Receiving Benefits	65
Inactive Members Entitled To But Not Yet Receiving Benefits	-
Active Employees	147
Total Membership	212



13. POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Obligation

Total OPEB Liability	\$ 10,685,675
Fiduciary Net Position	1,252,454
<u>Net OPEB Liability</u>	<u>\$ 9,433,221</u>
Ratio of FNP to TOL	11.72%

Actuarial Assumptions used to measure TOL

The TOL was determined by an actuarial valuation as of September 30, 2016, using the following key actuarial assumptions and other inputs:

Inflation	2.875%
Real wage growth	0.25%
Wage inflation	3.125%
Salary increases, including wage inflation	3.375% - 5.125%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	3.30%
Municipal Bond Index Rate	
Prior Measurement Date	2.93%
Measurement Date	3.57%
Year FNP is projected to be depleted	
Prior Measurement Date	2020
Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	2.93%
Measurement Date	3.57%
Health Care Cost Trends Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022



13. POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions used to measure TOL (continued)

The discount rate used to measure the TOL was based upon the Single Equivalent Interest Rate. Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016 valuation were based on a review of recent plan experience done concurrently with the September 30, 2016 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be 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 then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.



13. POST-EMPLOYMENT BENEFITS (continued)

Target Asset Allocation

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation
Cash and Cash Equivalents	100.00%
Total	100.00%

Discount Rate (SEIR)

The discount rate used to measure the TOL as of the Measurement Date was 3.57%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of September 30, 2016. In addition to the actuarial methods and assumptions of the September 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Benefit payments are assumed to be paid out of the Trust until the Trust is depleted.
- Active employees do not explicitly contribute to the Plan.
- Cash flows occur mid-year.
- Additional contribution to the Trust were not assumed to be made.

Sensitivity Data

The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Health Care Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 8,090,865	\$ 9,433,221	\$ 11,036,112



13. POST-EMPLOYMENT BENEFITS (continued)

Sensitivity Data (continued)

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 3.57%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Net OPEB Liability		
	1% Decrease (2.57%)	Current Discount Rate (3.57%)	1% Increase (4.57%)
Net OPEB Liability	\$ 10,614,151	\$ 9,433,221	\$ 8,379,095

TOL Rollforward

The TOL is based upon an actuarial valuation performed as of the Valuation Date, September 30, 2016. An expected TOL is determined as of September 30, 2017 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of September 30, 2016, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). Actuarial gains and losses arising from the change in the SEIR from 2.93% on the Prior Measurement Date to 3.57% on the Measurement Date are accounted for as changes of assumptions or other inputs. The procedure used to determine the TOL, as of September 30, 2017, is shown in the following table:

TOL Roll-Forward	
(a) TOL as of September 30, 2016*	\$ 11,056,590
(b) Actual Benefit Payments and Refunds for the Year October 1, 2016 – September 30, 2017	(443,468)
(c) Interest on TOL = [(a) x (0.0293)] + [(b) x (0.01465)]	317,461
(d) Service Cost for the Year October 1, 2016 – September 30, 2017 at the End of the Year	495,489
(e) Changes of Benefit Terms	-
(f) Differences Between Expected and Actual Experience at the End of the Year	-
(g) Changes of Assumptions or Other Inputs	(740,397)
(h) TOL Rolled Forward to September 30, 2017 = (a) + (b) + (c) + (d) + (e) + (f) + (g)	\$ 10,685,675

* The TOL used in the roll forward as of September 30, 2016 is calculated using the discount rate as of the Prior Measurement Date.



14. 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.

15. 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.

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, 2017 was \$605,250.



15. COMMERCIAL ENTITY TRANSACTIONS

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:

FYE September 30	Principal	Interest
2018	\$ 36,084	\$ 21,751
2019	37,440	20,395
2020	38,847	18,988
2021	40,306	17,529
2022	41,821	16,015
2023-2027	233,888	55,289
2028-2031	176,864	11,101
Total	<u>\$ 605,250</u>	<u>\$ 161,068</u>

17. 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, 2017 the City was self-insured with a third-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 <u>September</u>	
2011	\$1,718,533
2012	\$1,608,798
2013	\$1,885,180
2014	\$1,915,400
2015	\$1,911,444
2016	\$2,048,223
2017	\$2,004,735



16. TAX ABATEMENTS

The City of Muscle Shoals negotiates Amendment 772 sales tax abatements on an individual basis. The City had three abatement agreements with three entities during fiscal year 2017:

<u>Project Description, Abated</u>	<u>Pctg of Taxes Abated</u>	<u>Amount Abated</u>
Restaurant chain constructed a new facility	50%	\$ 67,000
Grocery store chain constructed a new facility	50%	237,358 *
Restaurant chain located in an existing building	50%	40,444
Total		<u>\$ 344,802</u>

* Tax Abatement was complete in August 2017. Not active at year end.

Amendment 772 allows the governing body of any city to use public funds to purchase, lease or otherwise acquire real property, buildings and equipment for industry of any kind. It also allows the city to sell, lease, grant or convey real property, buildings and equipment to any individual, firm, or corporation, public or private, for commercial, industrial, research or service operations.

Amendment 772 allows the City to lend its credit or grant public funds or anything of value to any individual, firm, or corporation, public or private, to promote economic and industrial development within the city. The City may also become indebted for any of purposes as noted in this amendment. In carrying out the purposes of this amendment, the City must conduct a public hearing and adopt a resolution citing the public purposes to be served by the project along with specific details of the project.

The Tax Incentive Reform Act of 1992 (Title 40, Chapter 9B of the Code of Alabama, 1975) provides municipal governments with the ability to provide certain tax incentives to new and existing industry. The incentives provide exemption from Ad Valorem taxes (noneducational) and construction related transaction taxes, except those levied for educational purposes. The exemption for Ad Valorem taxes is authorized for a 10-year period. The Act sets forth the eligibility requirements and the process for granting of the abatements. Following are the abatement agreements applicable to Title 40:



16. TAX ABATEMENTS (continued)

<u>Project Description, Abated</u>	<u>Millage Abated</u>	<u>Amount Abated</u>
Tier 1 manufacturer of automotive lighting	5.5	\$ 84,430
Inbound Call Center	5.5	724
Tooling and die manufacturing	5.5	4,275
Automotive injection molding components manufacturer	5.5	14,631
		<u>\$ 104,060</u>

17. 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, 2018. The following event requires disclosure.

The City issued General Obligation Warrants Series 2018 on February 13, 2018 in the amount of \$ 3,655,000 for the purpose of (1) acquiring and constructing certain capital improvements in the City, and (2) paying issuance expenses. The warrants bear an average interest rate of 3.1% and are payable between 2019 and 2038.

REQUIRED SUPPLEMENTARY INFORMATION



SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service Cost	\$ 570,188	\$ 552,760	\$ 545,427
Interest	2,319,060	2,236,690	2,141,482
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(585,123)	(261,810)	-
Changes of assumptions	1,399,593	-	-
Benefit payments, including refunds of employee contributions	(1,511,146)	(1,484,876)	(1,508,755)
Transfers among employers	121,278	-	-
Net Change in total pension liability	2,313,850	1,042,764	1,178,154
Total pension liability - beginning	29,743,823	28,701,059	27,522,905
Total pension liability - ending (a)	\$ 32,057,673	\$ 29,743,823	\$ 28,701,059
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 848,920	\$ 753,105	\$ 742,144
Contributions - member	379,502	361,847	353,105
Net investment income	1,971,680	230,487	2,131,301
Benefit payments, including refunds of employee contributions	(1,511,146)	(1,484,876)	(1,508,755)
Transfer among employees	121,278	(64,560)	(84,906)
Net Change in plan fiduciary net position	1,810,234	(203,997)	1,632,889
Plan net position - beginning	19,441,040	19,645,037	18,012,148
Plan net position - ending (b)	\$ 21,251,274	\$ 19,441,040	\$ 19,645,037
Net pension liability (asset) - ending (a) - (b)	\$ 10,806,399	\$ 10,302,783	\$ 9,056,022
Plan fiduciary net position as a percentage of the total pension liability	66.29%	65.36%	68.45%
Covered employee payroll *	\$ 6,707,019	\$ 6,790,034	\$ 6,439,111
Net pension liability (asset) as a percentage of covered employee payroll	161.12%	151.73%	140.64%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2017 the measurement period is October 1, 2015 - September 30, 2016. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY 2017.

Note to schedule: Although 10 years are required to be shown, there is only 3 years compiled. Therefore, only three are shown here.



SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2017	2016	2015
Actuarially determined contribution	\$ 794,653	\$ 873,998	\$ 742,144
Contributions in relation to the actuarially determined contribution *	794,653	873,998	742,144
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll **	\$6,707,019	\$ 6,790,034	\$ 6,439,111
Contributions as a percentage of covered employee payroll	11.85%	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 2017 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



Membership

Retired Members or their beneficiaries currently receiving benefits	74
Vested inactive members	4
Non-vested inactive members	7
Active members	169
Post-DROP retired members still in active service	-
Total	254

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)
2011	3 16,158	24,447	8,289	66.1%	5,781	143.4%
2012	4 15,920	23,908	7,988	66.6%	5,737	139.3%
2013	5 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%
2016	3 21,217	31,698	10,481	68.1%	6,948	140.3%
2016	2,3 21,217	31,716	10,498	66.9%	6,948	151.1%

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

2-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.

3-Reflects changes in actuarial assumptions.

4-Reflects changes to interest smoothing methodology.

5-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, 2016 was \$ 21,251,274



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	3.02%	0.55%
Accrued liability	9.25%	9.26%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	0.35%	0.35%
Total	12.64%	10.18%
5% employer contribution factor (12.64% / 5%)	2.528000	
6% employer contribution factor (12.64% / 6%)	2.106666	
7.5% employer contribution factor (10.18% / 7.5%)		1.357333
8.5% employer contribution factor (10.18% / 8.5%)		1.197647
Tier 2 Employees (applies to all members hired on or after January 1, 2013)		
Normal cost	0.17%	
Accrued liability	9.25%	
Pre-retirement death benefit	0.02%	
Administrative expense	0.35%	
Total	9.79%	
6% employer contribution factor (9.79% / 6%)	1.631666	
7% employer contribution factor (9.79% / 7%)	1.398571	
Valuation date	9/30/2016	
Actuarial cost method	Entry Age	
Amortization method	Level percent closed	
Remaining amortization method	28.3 years	
Asset valuation method	5-year smoothed market	
Actuarial assumptions:		
Ultimate investment rate of return	7.875%	
Projected salary increases	3.375-5.125%	
(includes inflation at)	2.875%	
Cost-of-living adjustments	None	

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2017

	Between Expected and Actual Experience		
	2016	2015	2014
Initial Balance of Losses/Deferred Outflows	\$ -	\$ -	\$ -
Initial Balance of Gains/Deferred Inflows	\$ 585,123	\$ 261,810	\$ -
Amortization Period	6.4	6.2	
Beginning Balance:			
Deferred Outflows A	\$ -	\$ -	\$ -
Deferred Inflows B	\$ -	\$ 219,583	\$ -
Losses/Deferred Outflows C	\$ -	\$ -	\$ -
Gains/Deferred Inflows D	\$ 585,123	\$ -	\$ -
Amounts Recognized in Pension Expense/Deferred Outflow E	\$ -	\$ -	\$ -
Amounts Recognized in Pension Expense/Deferred Inflow F	\$ 91,425	\$ 42,227	\$ -
Ending Balance:			
Deferred Outflows A+C-E	\$ -	\$ -	\$ -
Deferred Inflows B+D-F	\$ 493,698	\$ 177,356	\$ -
Net difference between projected and actual earnings in investments			
Deferred Outflows	\$ -		
Deferred Inflows	\$ 671,054		

Summary of Amortization of Deferred Outflows and Inflows of Resources:

Amortization Year	Actual and Expected Difference		
	2014	2015	2016
2018	\$ -	\$ (42,227)	\$ (91,425)
2019	-	(42,227)	(91,425)
2020	-	(42,227)	(91,425)
2021	-	(42,227)	(91,425)
2022	-	(8,448)	(91,425)
Thereafter	-	-	(36,573)
Total	\$ -	\$ (177,356)	\$ (493,698)



Collective Deferred Outflows and Inflows

For Differences from Assumption Changes			For Differences in Investment Experience		
2016	2015	2014	2016	2015	2014
\$ 1,399,593	\$ -	\$ -	\$ -	\$ 1,323,737	\$ -
\$ -	\$ -	\$ -	\$ 422,855	\$ -	\$ 710,266
6.4			5.0	5.0	5.0
\$ -	\$ -	\$ -	\$ -	\$ 1,058,990	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426,160
\$ 1,399,593	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 422,855	\$ -	\$ -
\$ 218,686	\$ -	\$ -	\$ -	\$ 264,747	\$ -
\$ -	\$ -	\$ -	\$ 84,571	\$ -	\$ 142,053
\$ 1,180,907	\$ -	\$ -	\$ -	\$ 794,243	\$ -
\$ -	\$ -	\$ -	\$ 338,284	\$ -	\$ 284,107
\$ 1,180,907			\$ 171,852		
\$ -			\$ -		

Assumption Changes			Investment Gains/Losses			Total
2014	2015	2016	2014	2015	2016	
\$ -	\$ -	\$ 218,686	\$ (142,053)	\$ 264,747	\$ (84,571)	\$ 123,157
-	-	218,686	(142,054)	264,747	(84,571)	123,156
-	-	218,686	-	264,749	(84,571)	265,212
-	-	218,686	-	-	(84,571)	463
-	-	218,686	-	-	-	118,813
-	-	87,477	-	-	-	50,904
\$ -	\$ -	\$ 1,180,907	\$ (284,107)	\$ 794,243	\$ (338,284)	\$ 681,705



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, 2016.

GASB 74 Discussion:

GASB 74 replaced GASB 43, which was more closely tied to funding efforts in that it required OPEB plans to report items consistent with the results of the plan's actuarial valuations, as long as those valuations met certain parameters. Basically, GASB 74 separates accounting from funding by creating disclosure and reporting requirements that may or may not be consistent with the basis used for funding the plan.

GASB 74 requires the determination of the Total OPEB Liability (TOL) utilizing the Entry Age Normal (EAN) actuarial cost method. If the valuation date at which the TOL is determined is before the measurement date, as is the case here, the TOL must be rolled forward to the measurement date. The Net OPEB Liability (NOL) is then set equal to the rolled forward TOL minus the plan's Fiduciary Net Position (FNP) (basically, the market value of assets as of the measurement date). The plan provisions recognized in the calculation of the TOL are summarized in Note 13.

Following are the GASB 74 Disclosures:

Methods and assumptions used in calculations of Actuarially Determined Contributions

The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated with each biennial actuarial valuation. The following actuarial methods and assumptions (from the September 30, 2015 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending September 30, 2017:



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

Methods and Assumptions

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay
Amortization period	30 years, Open
Asset valuation method	Market Value of Assets
Inflation	3.00%
Real wage growth	0.25%
Wage inflation	3.25%
Salary increases, including wage inflation	3.75% - 7.25%
Discount Rate, net of OPEB plan investment expense, including price inflation	6.00%
Health Care Cost Trends Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022

Actuarially Determined Contribution (ADC)

The following is the ADC based upon an actuarial valuation dated September 30, 2016. Based on the 3.30% assumed Long-term Investment Rate of Return, the valuation shows an Accrued Liability of \$10,632,219. Against this, the plan has \$1,242,566 in assets. When this amount is deducted from the Accrued Liability, there remains \$9,389,653 as the Unfunded Accrued Liability for the Plan. The Unfunded Accrued Liability Amortization Payment in the following ADC was calculated using a 30 year Closed amortization period with level dollar payments. Please see Note 13 for the complete set of plan provisions, assumptions, and methods utilized in developing the ADC applicable for the fiscal years ending September 30, 2018 and September 30, 2019.



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

Actuarially Determined Contribution For Fiscal Years Ending September 30, 2018 and September 30, 2019		
Contribution Component	Dollar Amount	ADC as a Percentage of Valuation Compensation
Normal Cost	\$ 444,542	6.77%
Unfunded Accrued Liability Amortization Payment	481,913	7.34%
Total Contribution	\$ 926,455	14.11%



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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
 GASB 74 Paragraph 36.a.

Fiscal Year Ending September 30	2017
Total OPEB Liability	
Service Cost at end of year	\$495,489
Interest on the Total OPEB Liability	317,461
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(740,397)
Benefit payments*	(443,468)
Net change in Total OPEB Liability	\$(370,915)
Total OPEB Liability - beginning	\$11,056,590
Total OPEB Liability - ending (a)	\$10,685,675
Plan Fiduciary Net Position	
Contributions - employer**	\$443,468
Contributions - non-employer	-
Contributions - active member	-
Net investment income	9,888
Benefit payments*	(443,468)
Administrative expense	-
Other	-
Net change in Plan Fiduciary Net Position	\$ 9,888
Plan Fiduciary Net Position - beginning	\$ 1,242,566
Plan Fiduciary Net Position - ending (b)	\$ 1,252,454
Net OPEB Liability -ending (a) - (b)	\$ 9,433,221

*Benefit payments are net of participant contributions. Net benefit payments of \$443,468 paid directly from the employer are also included.

**Employer contributions include \$443,468 paid directly from the employer.

Only one year is presented as 10 Years (required) is not available.



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

SCHEDULE OF THE NET OPEB LIABILITY
GASB 74 Paragraph 36.b.

Fiscal Year Ending September 30	2017	2016
Total OPEB Liability	\$ 10,685,675	\$ 11,056,590
Plan Fiduciary Net Position	1,252,454	1,242,566
Net OPEB Liability	\$ 9,433,221	\$ 9,814,024
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	11.72%	11.24%
Covered Payroll*	\$ 6,569,295	\$ 6,569,295
Net OPEB Liability as a percentage of covered payroll	143.60%	149.39%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 74 Paragraph 36.c.

Fiscal Year Ending September 30	2017	2016
Actuarially Determined Contribution	\$ 388,749	\$ 388,749
Contributions in relation to the Actuarially Determined Contribution	443,468	345,293
Annual contribution deficiency (excess)	\$ (54,719)	\$ 43,456
Covered payroll*	\$ 6,569,295	\$ 6,569,295
Actual contributions as a percentage of covered payroll	6.75%	5.26%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.



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

GASB 45 Discussion:

The annual required contribution was determined in accordance with the accounting requirements under GASB Statement No. 43 and GASB Statement No. 45.

GASB 74 relates to accounting disclosures for plan sponsors and, as such, replaces GASB 43 beginning with fiscal years ending June 30, 2017. GASB 75 relates to accounting disclosures for contributing employers and, as such, replaces GASB 45 beginning with fiscal years ending June 30, 2018. GASB 74 and 75 will require applicable OPEB plan sponsors and contributing employers to disclose the net OPEB liability on the statement of financial position and book an accounting expense based upon the entry age normal actuarial cost method. Beyond the use of a specified actuarial cost method, GASB's new disclosure standards will also require the discount rate used to calculate liabilities to be based upon the yield of 20-year, tax-exempt municipal bonds and the expected rate of return on plan assets, to the extent plan assets are projected to be available for the payment of future benefits. Additionally, GASB 74 and 75 will bring about many other changes in the liability valuation and accounting disclosure processes currently in place which are expected to significantly impact data collection, timing, and effort.

Following are the GASB 45 Disclosures:

Membership		
<i>Active Members</i>		
Number		147
Annual Compensation	\$	6,569,295
<i>Retired Members</i>		
		65
Annual Required Contribution		
	Rate as % of Compensation	Annual Amount
Normal Cost	6.77%	\$ 444,542
Accrued Liability	7.34%	481,913
Total	14.11%	\$ 926,455



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

Valuation Balance Sheet

Accrued Actuarial Liabilities

Present value of benefits (based on credited service to date)
 payable in respect of:

1) Present active members	\$ 8,282,675
2) Present retired members and beneficiaries	<u>2,349,544</u>
3) Total accrued actuarial liabilities [1+2]	<u>\$ 10,632,219</u>

Present and Prospective Assets

4) Present assets	\$ 1,242,566
5) Present value of future accrued liability contributions (Unfunded accrued liability) [3-4]	<u>9,389,653</u>
6) Total present and prospective assets	<u>\$ 10,632,219</u>

Valuation date	9/30/2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, closed
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	3.30%
ARC adjustment factor	19.4841
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%



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

Net OPEB obligation

Annual OPEB Cost and Net OPEB obligation for the Fiscal Year Ending September 30, 2017 is calculated as shown below:

a) Employer Annual Required Contribution (ARC) *	\$ 388,749
b) Valuation Discount Rate	3.30%
c) Interest on Net OPEB Asset: (b) * (i)	9,617
d) Amortization Factor	27.0642
e) Adjustment of Annual Required Contribution (i) / (d)	8,883
f) Annual OPEB Cost: (a) - (c) + (e)	\$ 389,483
g) Employer Contributions made for Fiscal Year Ending	443,468
h) Increase (decrease) in Net OPEB Asset: (g) - (f)	(53,985)
i) Net OPEB obligation - Beginning of Fiscal Year	240,422
j) Net OPEB obligation - End of Fiscal Year (i) + (h)	\$ 186,437

* ARC from the September 30, 2015 OPEB valuation

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%
9/30/2016 *	\$ 1,242,566	\$ 10,632,219	\$ 9,389,653	11.69%	\$ 6,569,295	142.93%

* 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.



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

Trend Information			
Actuarial Valuation Date	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obigation
9/30/2015	\$ 386,703	88.07%	\$ 287,454
9/30/2016	\$ 392,325	88.01%	\$ 240,422
9/30/2017	\$ 389,483	113.86%	\$ 186,437

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 For the Year Ended September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	with Final Budget - Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE- BEGINNING	<u>\$ 8,902,057</u>	<u>\$ 8,902,057</u>	<u>\$ 8,902,057</u>	<u>\$ -</u>
RESOURCES (INFLOWS):				
Local taxes	16,338,360	16,613,860	16,861,800	247,940
License, permits and fees	1,338,000	1,375,400	1,428,252	52,852
Charges for service	1,080,500	1,079,600	1,099,970	20,370
Joint Ventures	330,000	330,000	361,739	31,739
Intergovernmental revenue	55,331	78,918	75,754	(3,164)
Park and recreation	1,114,000	1,114,000	965,447	(148,553)
Investment earnings	27,000	27,000	29,968	2,968
Miscellaneous	203,763	204,829	209,448	4,619
<i>Total resources (inflows)</i>	<u>20,486,954</u>	<u>20,823,607</u>	<u>21,032,378</u>	<u>208,771</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>29,389,011</u>	<u>29,725,664</u>	<u>29,934,435</u>	<u>208,771</u>
EXPENDITURES				
Current:				
General government	3,267,465	3,331,568	3,113,911	217,657
Public Safety	6,009,222	6,027,690	5,884,752	142,938
Public Works	2,292,862	2,322,156	2,321,583	573
Health and sanitation	1,658,255	1,642,872	1,550,718	92,154
Culture and recreation	2,537,122	2,541,723	2,377,417	164,306
Education	1,303,000	1,303,000	1,305,397	(2,397)
Miscellaneous	486,206	661,658	652,606	9,052
Debt Service:				
Principal	34,171	34,171	36,633	(2,462)
Interest and other charges	23,664	23,664	21,202	2,462
Capital Outlay	-	24,550	80,179	(55,629)
<i>Total Expenditures</i>	<u>17,611,967</u>	<u>17,913,052</u>	<u>17,344,398</u>	<u>568,654</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	320,000	320,000	281,946	(38,054)
Transfers out	<u>(3,192,799)</u>	<u>(3,227,649)</u>	<u>(3,232,430)</u>	<u>(4,781)</u>
Total other financing	<u>(2,872,799)</u>	<u>(2,907,649)</u>	<u>(2,950,484)</u>	<u>(42,835)</u>
TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)	<u>20,484,766</u>	<u>20,820,701</u>	<u>20,294,882</u>	<u>525,819</u>
BUDGETARY FUND BALANCE- ENDING	<u>\$ 8,904,245</u>	<u>\$ 8,904,963</u>	<u>\$ 9,639,553</u>	<u>\$ 734,590</u>



City of Muscle Shoals, Alabama
Notes to Required Supplementary Information
For the Year Ended September 30, 2017

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	\$ 29,934,435
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>(8,902,057)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 21,032,378</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 17,344,399</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 17,344,399</u>

SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
<i>Local Taxes</i>				
Ad Valorem - Real Property	\$ 838,000	\$ 853,000	\$ 853,366	\$ 366
Ad Valorem - Personal Property	200,000	200,000	208,614	8,614
Sales Tax	12,313,000	12,600,000	12,781,977	181,977
Alcohol Beverage Tax	205,000	205,000	217,617	12,617
Tangible Personal Property Rentals	187,000	187,000	191,878	4,878
Lodging Tax	65,000	65,000	66,760	1,760
Tax Equivalent (Electric Board)	880,000	880,000	875,432	(4,568)
Gasoline (Local)	630,000	630,000	645,443	15,443
Tobacco Tax	124,000	124,000	128,011	4,011
TVA In Lieu Of Taxes	681,360	654,860	655,288	428
State Auto License	8,800	8,800	7,655	(1,145)
ABC Board	49,000	49,000	45,442	(3,558)
Financial Inst. Tax	157,200	157,200	184,317	27,117
	<u>16,338,360</u>	<u>16,613,860</u>	<u>16,861,800</u>	<u>247,940</u>
<i>License, Permits and Fees</i>				
Business License (City)	1,240,000	1,276,500	1,346,046	69,546
Building Permits	98,000	98,000	80,317	(17,683)
Mechanical Permits	-	900	1,889	989
	<u>1,338,000</u>	<u>1,375,400</u>	<u>1,428,252</u>	<u>52,852</u>
<i>Intergovernmental Revenues</i>				
Bulletproof Vest Grant	2,500	2,500	-	(2,500)
U.S. Department Of Justice Grant	51,831	60,831	54,613	(6,218)
State Community Service Grant	-	-	1,000	1,000
NACOLG Traffic Grant	1,000	4,720	9,278	4,558
ADECA Grant	-	10,867	10,863	(4)
	<u>55,331</u>	<u>78,918</u>	<u>75,754</u>	<u>(3,164)</u>

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
<i>Charges for Services</i>				
Street Cutting	5,300	5,300	12,100	6,800
Gas Inspection Fees	2,800	1,900	2,140	240
Electric Inspection Fees	8,000	8,000	8,202	202
Plumbing Inspection Fees	5,000	5,000	5,528	528
Flood Hazard Improvement Fees	500	500	-	(500)
Stormwater Permits	300	300	-	(300)
Photo Copy Service	5,000	5,000	4,326	(674)
Fire Protection	5,500	5,500	4,485	(1,015)
Garbage Fees	1,018,000	1,018,000	1,024,613	6,613
Fire Training Center	26,500	26,500	34,976	8,476
Radio Operator Service	3,600	3,600	3,600	-
	<u>1,080,500</u>	<u>1,079,600</u>	<u>1,099,970</u>	<u>20,370</u>
<i>Joint Ventures</i>				
North Ala. Gas District	330,000	330,000	352,364	22,364
Shoals Solid Waste Authority	-	-	9,375	9,375
	<u>330,000</u>	<u>330,000</u>	<u>361,739</u>	<u>31,739</u>
<i>Park and Recreation</i>				
Cypress Lakes Facility Revenues				
Dues	312,000	312,000	256,859	(55,141)
Golf Concessions	60,000	60,000	59,511	(489)
Tennis Lessons	500	500	205	(295)
Room Rentals	8,000	8,000	4,925	(3,075)
Miscellaneous	4,000	4,000	4,008	8
Range Tokens	18,000	18,000	14,242	(3,758)
Cart Rentals	130,000	130,000	112,079	(17,921)
Greens Fees	195,000	195,000	173,808	(21,192)
Merchandise	64,000	64,000	53,200	(10,800)
Golf Club Rental	400	400	105	(295)
Rent Payments	11,100	11,100	5,500	(5,600)

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
<i>Park and Recreation</i>				
Cypress Lakes Facility Revenues				
Tennis Guest Fees	2,000	2,000	2,574	574
Tennis Passes	7,500	7,500	8,330	830
Tip Revenue	1,500	1,500	1,923	423
Other Recreation Revenues				
Gattman Splashpad Concessions	10,000	10,000	9,573	(427)
Batting Cage Revenue	2,500	2,500	2,846	346
Football	11,000	11,000	7,040	(3,960)
Flag Football Revenue	6,000	6,000	5,420	(580)
Airport Concessions	30,000	30,000	29,603	(397)
Webster Concessions	25,000	25,000	9,840	(15,160)
Karate	8,000	8,000	6,255	(1,745)
Pool Receipts	20,000	20,000	17,532	(2,468)
Pool Concessions	500	500	1,085	585
Youth Basketball Registration	45,000	45,000	54,113	9,113
Youth Soccer Registration	15,000	15,000	15,872	872
Youth Baseball Registration	5,000	5,000	7,713	2,713
Girls Softball Registration	15,000	15,000	13,790	(1,210)
Special Events Revenue	7,500	7,500	5,290	(2,210)
Adult Softball	12,000	12,000	16,233	4,233
Volleyball	1,000	1,000	680	(320)
Facilities Rental	25,000	25,000	31,709	6,709
Vending And Game Machines	1,500	1,500	1,633	133
Miscellaneous Revenues	5,000	5,000	2,285	(2,715)
Sportsplex Concessions	35,000	35,000	19,748	(15,252)
Tournament Revenues	20,000	20,000	9,918	(10,082)
<i>Total Park and Recreation Revenues</i>	<u>1,114,000</u>	<u>1,114,000</u>	<u>965,447</u>	<u>(148,553)</u>
<i>Investment Earnings</i>	<u>27,000</u>	<u>27,000</u>	<u>29,968</u>	<u>2,968</u>

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
<i>Library Revenues</i>				
State Aid	15,824	15,824	15,864	40
Alabama Public Library Grant	6,000	-	-	-
County Appropriation	2,500	2,500	2,500	-
Fines	16,000	16,000	14,424	(1,576)
Miscellaneous Library Revenues	12,400	12,400	11,504	(896)
	<u>52,724</u>	<u>46,724</u>	<u>44,292</u>	<u>(2,432)</u>
<i>Other Revenues</i>				
Lease Payments	14,129	14,129	17,614	3,485
Insurance Refund	7,621	7,621	7,622	1
Sale Of Street Material	5,000	5,000	-	(5,000)
Sale Of Dirt	-	4,966	4,966	-
Sale Of City Eqpt	-	500	2,500	2,000
Sale Of Real Estate	24,500	24,500	24,539	39
Wal-Mart Foundation Grant	1,000	1,000	1,000	-
Muscle Shoals Utilities Board	68,000	68,000	68,000	-
Misc. Revenue	3,000	4,600	6,126	1,526
Transf From Area Agency On Aging	7,800	7,800	7,800	-
Colbert County Commission	14,989	14,989	14,989	-
Christmas Parade	5,000	5,000	10,000	5,000
	<u>151,039</u>	<u>158,105</u>	<u>165,156</u>	<u>7,051</u>
<i>Total Revenues</i>	<u>\$20,486,954</u>	<u>\$20,823,607</u>	<u>\$21,032,378</u>	<u>\$208,771</u>

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Mayor And City Council</i>				
Salaries - Regular	\$ 110,954	\$ 110,954	\$ 110,212	\$ 742
Retirement	8,426	8,426	8,421	5
Employee's Insurance	12,596	12,596	15,372	(2,776)
Workmen's Compensation	281	281	320	(39)
Consultant Services	22,500	22,500	21,922	578
Gas, Oil	3,000	3,000	1,272	1,728
Miscellaneous	1,200	3,800	4,044	(244)
Vehicle Repair	800	800	801	(1)
Advertising	27,000	20,000	20,788	(788)
Travel	30,000	35,200	40,802	(5,602)
Meals	500	500	150	350
Insurance - General	23,636	23,636	23,636	-
Dues	16,400	16,400	16,569	(169)
Total	257,293	258,093	264,309	(6,216)
<i>City Clerk</i>				
Salaries - Regular	496,746	496,746	487,813	8,933
Retirement	59,275	62,636	61,683	953
Employee's Insurance	123,949	123,949	121,440	2,509
Workmen's Compensation	5,478	1,878	1,817	61
Vacation Sold	13,000	13,000	10,079	2,921
Auditing Services	34,000	37,800	37,822	(22)
Consultant Services	38,760	38,760	36,597	2,163
Janitorial	7,800	7,800	6,115	1,685
Data Processing	38,150	39,850	39,597	253
Office Supplies	3,600	3,200	2,055	1,145
Gas, Oil	4,000	3,000	2,394	606
Tobacco Stamps	12,000	12,000	10,412	1,588
Miscellaneous	2,800	2,800	3,087	(287)
Buildings And Grounds	28,000	33,000	35,539	(2,539)

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>City Clerk</i>				
Vehicle Repair	2,000	2,000	4,588	(2,588)
Postage	11,200	11,200	11,484	(284)
Advertising	1,000	500	(316)	816
Recording Fees	100	100	157	(57)
Travel	9,800	9,800	9,008	792
Drug/Alcohol Testing	5,300	5,300	5,629	(329)
Meals	300	300	57	243
Employee Education And Trainir	5,000	5,000	4,717	283
Insurance - General	8,800	8,800	8,850	(50)
Photo Copy Exp	3,600	3,600	3,088	512
Printing, Books, Subscriptions	6,000	6,000	5,672	328
Dues	2,400	2,400	2,341	59
Elections	-	-	-	-
Municipal Code	2,340	2,340	2,858	(518)
Trustee Fees	7,600	7,600	5,885	1,715
Total	932,998	941,359	920,468	20,891
<i>Civil Service Board</i>				
Salaries - Regular	17,000	17,000	17,000	-
Legal Services	3,000	3,000	1,281	1,719
Meals	500	500	250	250
Total	20,500	20,500	18,531	1,969
<i>Legal Services</i>				
Salaries - City Attorney	6,000	6,000	6,000	-
Legal Services	36,000	36,000	21,041	14,959
Total	42,000	42,000	27,041	14,959

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>City Buildings</i>				
Workmen's Compensation	6,350	9,650	9,631	19
Lawn Maintenance	20,940	17,640	11,825	5,815
Buildings And Grounds	12,000	12,000	7,600	4,400
Utilities	200,000	200,000	135,742	64,258
Early Warning System	4,600	4,600	3,475	1,125
Insurance - General	40,537	40,537	40,537	-
Total	284,427	284,427	208,810	75,617
<i>Communications</i>				
Paging Services	2,000	2,000	873	1,127
Telephone	53,000	53,000	61,610	(8,610)
Radio	18,000	18,000	15,558	2,442
Total	73,000	73,000	78,041	(5,041)
<i>Payroll Tax Expense</i>				
FICA	582,132	582,132	569,749	12,383
Unemployment Insurance	22,500	22,500	1,428	21,072
Total	604,632	604,632	571,177	33,455
<i>Police Dept.</i>				
Holiday Pay	71,433	71,433	68,026	3,407
Salaries - Regular	1,904,501	1,901,501	1,904,220	(2,719)
Salaries - Overtime	118,282	118,282	123,899	(5,617)
Retirement	233,227	246,624	250,443	(3,819)
Employee's Insurance	614,062	614,062	588,650	25,412
Workmen's Compensation	92,878	92,878	70,467	22,411
Vacation Sold	51,209	60,009	60,998	(989)
Janitorial	20,000	20,000	18,441	1,559
Data Processing	64,400	69,767	74,867	(5,100)
Office Supplies	13,000	13,000	10,983	2,017
Gas, Oil	88,200	68,200	66,865	1,335
Miscellaneous	10,500	10,800	11,467	(667)

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Police Dept.</i>				
Canine Expense	6,000	6,000	5,319	681
D.A.R.E. Program	5,000	4,000	3,833	167
Jail Expense	13,500	13,500	12,671	829
Buildings And Grounds	22,600	33,600	32,249	1,351
Vehicle Repair	40,600	50,600	50,578	22
Public Safety Equipment	50,000	55,500	50,754	4,746
Travel	26,872	26,572	12,384	14,188
Meals	300	300	-	300
Employee Education And Trainir	27,500	27,500	24,434	3,066
Insurance - General	54,000	54,000	58,066	(4,066)
Uniforms	53,500	61,500	60,019	1,481
Photo Copy Exp	5,500	5,500	4,856	644
Printing, Books, Subscriptions	4,373	4,373	3,020	1,353
Film & Developing	1,000	-	-	-
Dues	2,200	2,200	1,176	1,024
Informer Information	500	500	-	500
Care of Prisoners	22,500	22,500	22,243	257
Police Tactical Team	25,000	12,200	11,230	970
Training Facility	4,800	4,800	2,609	2,191
Colbert Drug Task Force	10,000	10,000	10,000	-
Salary & Benefit	(76,608)	(76,608)	(80,143)	3,535
Total	3,580,829	3,614,093	3,543,624	70,469
<i>Municipal Court</i>				
Salaries - Regular	82,821	82,821	82,406	415
Retirement	10,069	10,646	10,647	(1)
Employee's Insurance	33,916	33,916	32,509	1,407
Workmen's Compensation	216	216	89	127
Vacation Sold	1,800	1,800	417	1,383
Municipal Judge	12,604	12,604	12,722	(118)
Data Processing	6,900	6,900	5,493	1,407
Office Supplies	3,000	3,000	1,698	1,302

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Municipal Court</i>				
Miscellaneous	900	900	115	785
Municipal Prosecutor	6,600	6,600	6,600	-
Printing, Books, Subscriptions	2,650	2,650	1,857	793
Dues	200	200	150	50
Total	161,676	162,253	154,703	7,550
<i>Fire Dept.</i>				
Holiday Pay	55,857	55,857	53,442	2,415
Salaries - Regular	1,358,110	1,358,110	1,363,189	(5,079)
Salaries - Overtime	75,000	75,000	78,314	(3,314)
Retirement	174,329	184,083	186,990	(2,907)
Employee's Insurance	415,702	415,702	401,092	14,610
Workmen's Compensation	81,101	81,101	51,975	29,126
Vacation Sold	30,000	36,668	38,289	(1,621)
Janitorial	3,000	3,000	2,237	763
Data Processing	15,000	8,332	7,784	548
Chemicals	3,000	1,352	1,043	309
Office Supplies	1,000	1,000	731	269
Gas, Oil	22,800	22,800	16,985	5,815
Medical Supplies	2,000	2,000	1,189	811
Small Tools	2,500	2,500	2,188	312
Miscellaneous	8,000	5,500	5,672	(172)
Fire Prevention Program	2,500	2,500	2,321	179
Buildings And Grounds	32,989	32,989	29,281	3,708
Vehicle Repair	27,000	27,000	23,294	3,706
Tire Repair	5,000	5,000	8,848	(3,848)
Machine & Equipment Repair	6,000	6,000	5,395	605
Public Safety Equipment	10,000	6,000	3,308	2,692
Travel	6,500	6,500	4,777	1,723

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Fire Dept.</i>				
Employee Education And Training	8,000	8,000	3,567	4,433
Insurance - General	28,205	28,205	28,205	-
Uniforms	25,000	25,000	22,267	2,733
Printing, Books, Subscriptions	3,000	4,648	4,668	(20)
Dues	1,800	1,800	375	1,425
Training Facility	25,000	15,950	2,702	13,248
Total	2,428,393	2,438,147	2,359,160	78,987
<i>Street Dept.</i>				
Salaries - Regular	702,488	702,488	690,614	11,874
Salaries - Overtime	10,000	5,000	2,962	2,038
Retirement	84,135	88,983	87,629	1,354
Employee's Insurance	240,736	240,736	260,681	(19,945)
Workmen's Compensation	56,766	83,164	83,164	-
Vacation Sold	12,000	15,000	13,274	1,726
Data Processing	3,500	3,500	3,732	(232)
Chemicals	8,400	8,400	7,591	809
Office Supplies	1,000	1,500	1,405	95
Gas, Oil	48,400	32,560	31,632	928
Road Building	24,000	29,000	33,056	(4,056)
Street Materials Sold	5,000	5,000	2,060	2,940
Medical Supplies	200	200	3	197
Small Tools	7,700	7,007	6,997	10
Street Markers	15,000	15,000	16,188	(1,188)
Miscellaneous	2,000	2,000	1,795	205
Safety Supplies	10,000	6,000	4,689	1,311
Buildings And Grounds	15,000	11,500	10,763	737
Vehicle Repair	14,000	31,857	34,344	(2,487)
Tire Repair	14,000	14,000	10,040	3,960
Machine & Equipment Repair	12,300	12,300	13,202	(902)
Storm Drainage	46,570	46,570	49,457	(2,887)

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Street Dept.</i>				
Travel	1,000	1,000	653	347
Meals	750	750	-	750
Employee Education And Training	750	750	79	671
Insurance - General	38,826	38,826	38,826	-
Uniforms	5,500	5,000	3,843	1,157
Photo Copy Exp	300	300	210	90
Tree Services	8,000	8,000	8,000	-
Pedestrian Overpass	6,500	6,500	7,210	(710)
Sidewalk Repair	2,500	2,500	645	1,855
Total	1,397,321	1,425,391	1,424,744	647
<i>City Engineer</i>				
Engineering Services	180,000	232,600	209,407	23,193
Total	180,000	232,600	271,554	(38,954)
<i>Storm Drainage</i>				
Salaries - Regular	221,671	221,671	223,615	(1,944)
Salaries - Overtime	8,000	8,000	6,827	1,173
Retirement	18,454	19,678	21,323	(1,645)
Employee's Insurance	38,796	38,796	38,188	608
Workmen's Compensation	8,206	8,206	3,308	4,898
Vacation Sold	6,000	6,000	11,488	(5,488)
Janitorial	2,000	2,000	1,250	750
Data Processing	1,100	1,100	978	122
Chemicals	40,750	40,750	39,472	1,278
Gas, Oil	14,300	14,300	9,190	5,110
Small Tools	7,100	7,100	4,234	2,866
Miscellaneous	2,500	2,500	2,069	431
Vehicle Repair	4,250	5,750	4,907	843
Tire Repair	4,200	4,200	3,675	525
Machine & Equipment Repair	14,550	14,550	20,696	(6,146)

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Storm Drainage</i>				
Retention Ponds	31,000	29,500	31,050	(1,550)
Utilities	36,000	36,000	29,881	6,119
Program/Review Fees	1,400	1,400	-	1,400
Travel	2,000	2,000	711	1,289
Meals	200	200	67	133
Employee Education And Trainir	850	850	-	850
Insurance - General	8,464	8,464	8,718	(254)
Levee Maintenance	7,000	7,000	4,000	3,000
Uniforms	1,750	1,750	1,436	314
Total	480,541	481,765	467,083	14,682
<i>Street Lighting</i>				
Utilities	415,000	415,000	429,758	(14,758)
Total	415,000	415,000	429,758	(14,758)
<i>Sanitation</i>				
Salaries - Regular	817,098	817,098	762,104	54,994
Salaries - Overtime	10,000	5,000	3,241	1,759
Retirement	92,241	97,216	91,794	5,422
Employee's Insurance	304,155	304,155	286,210	17,945
Workmen's Compensation	87,465	62,861	62,861	-
Vacation Sold	15,518	19,518	17,528	1,990
Landfill Services	175,000	175,000	178,019	(3,019)
Chemicals	8,400	8,400	9,383	(983)
Office Supplies	1,000	1,515	1,341	174
Gas, Oil	45,800	38,800	39,577	(777)
Medical Supplies	200	200	3	197
Small Tools	1,500	1,500	348	1,152
Miscellaneous	1,200	2,700	3,200	(500)
Safety Supplies	10,000	10,000	3,872	6,128

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Sanitation</i>				
Buildings and Grounds	14,000	24,501	-	24,501
Vehicle Repair	12,000	12,000	24,916	(12,916)
Tire Repair	14,000	14,000	7,199	6,801
Machine & Equipment Repair	750	750	13,266	(12,516)
Employee Education And Trainir	250	495	495	-
Insurance - General	23,753	23,753	23,753	-
Uniforms	6,000	6,000	4,743	1,257
Photo Copy Exp	300	300	210	90
Printing, Books, Subscriptions	2,400	2,400	1,958	442
Dues	225	225	212	13
Total	1,658,255	1,642,872	1,550,718	92,154
<i>Contractual Obligations</i>				
Colbert Animal Shelter	82,354	82,354	82,322	32
Colbert County Emergency Mgm	11,832	11,832	11,832	-
M.S Airport Authority	9,375	9,375	9,375	-
Incentive Rebate	126,000	301,000	307,305	(6,305)
Hazard Mat. Team	2,500	2,500	2,500	-
Total	232,061	407,061	413,334	(6,273)
<i>Appropriations</i>				
Riverbend Mental Health	9,000	9,000	9,000	-
Colbert Health Dept	7,000	7,000	7,000	-
Easter Seals Rehabilitation Cente	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	26,611	56

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)
 At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Appropriations</i>				
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	26,611	56
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
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 Legislatu	500	500	500	-
Colbert County DHR	1,000	1,000	1,000	-
Appropriations - Children's Hosp	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	84,717	84,717	82,111	2,606

Recreation - Administration Division

Salaries Part Time	183,364	159,164	143,133	16,031
Salaries - Regular	463,716	463,716	451,269	12,447
Salaries - Overtime	2,000	2,000	1,221	779
Retirement	59,832	63,045	61,683	1,362
Employee's Insurance	135,441	135,441	134,213	1,228
Workmen's Compensation	22,422	22,422	12,949	9,473
Vacation Sold	12,500	12,500	8,169	4,331

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Recreation - Administration Division</i>				
Janitorial	3,750	3,750	4,625	(875)
Data Processing	2,500	3,000	3,423	(423)
Office Supplies	3,000	3,000	1,838	1,162
Medical Supplies	250	250	-	250
Miscellaneous	1,000	2,500	2,393	107
Buildings And Grounds	22,000	22,000	27,101	(5,101)
Vehicle Repair	1,500	1,500	-	1,500
Utilities	150,000	150,000	164,060	(14,060)
Advertising	1,000	1,000	95	905
Travel	2,500	2,500	1,053	1,447
Meals	750	750	452	298
Employee Education And Trainir	1,000	1,000	30	970
Insurance - General	16,094	17,294	17,236	58
Photo Copy Exp	1,500	2,500	2,967	(467)
Printing, Books, Subscriptions	1,500	1,500	467	1,033
Dues	1,500	1,500	782	718
Transaction Fees	2,500	2,500	1,416	1,084
Special Events	10,000	10,000	7,530	2,470
Total	1,101,619	1,084,832	1,048,105	36,727
<i>Recreation - Maint. & Grounds Division</i>				
Chemicals	6,000	6,000	8,707	(2,707)
Gas, Oil	17,000	17,000	14,386	2,614
Medical Supplies	250	250	-	250
Small Tools	2,000	2,000	2,648	(648)
Buildings And Grounds	25,000	25,000	30,285	(5,285)
Vehicle Repair	10,000	10,000	8,067	1,933
Machine & Equipment Repair	9,000	9,000	5,096	3,904
Uniforms	4,000	4,000	2,613	1,387
Total	73,250	73,250	71,802	1,448

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Recreation - Swimming / Tennis Facilities</i>				
Salaries Part Time	14,000	14,000	15,188	(1,188)
Chemicals	3,000	3,000	2,022	978
Buildings And	15,000	15,000	14,096	904
Pool Concession	500	500	408	92
Tournament Expenses	500	500	-	500
	<u>33,000</u>	<u>33,000</u>	<u>31,714</u>	<u>1,286</u>
<i>Recreation - Athletic Division</i>				
Buildings And Grounds	75,000	95,000	76,332	18,668
Retirement	-	-	(6)	6
Batting Cages	1,000	1,000	46	954
Splashpad Concessions	3,000	3,000	4,099	(1,099)
Football	25,000	22,000	17,819	4,181
Football Referees	2,500	2,500	-	2,500
Splashpad Expenses	5,000	5,000	5,264	(264)
Special Events	10,000	12,000	12,815	(815)
Youth Baseball Supplies	20,000	24,500	24,146	354
Baseball Umpires	20,000	13,300	13,285	15
Youth Basketball Supplies	9,000	11,200	10,327	873
Basketball Officials	13,000	13,000	13,102	(102)
Youth Soccer Supplies	3,500	6,500	6,887	(387)
Soccer Officials	2,000	2,000	2,303	(303)
Girls Softball Supplies	7,500	7,500	5,681	1,819
Softball Umpires	2,500	2,500	3,455	(955)
Volleyball	3,500	3,500	4,201	(701)
Gattman Concessions	30,000	30,000	31,302	(1,302)
Sportsplex Concessions	20,000	20,000	8,908	11,092
Tournament Expenses	10,000	8,000	2,640	5,360
Karate	7,000	7,000	4,793	2,207
Webster Concessions	15,000	15,000	8,240	6,760
Airport Concessions	20,000	20,000	15,998	4,002

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Recreation - Athletic Division</i>				
Flag Football Supplies	5,000	5,000	222	4,778
Flag Football Officials	5,000	5,000	4,153	847
Total	314,500	334,500	276,012	58,488
<i>Golf Course Operations</i>				
Salaries Part Time	204,055	204,055	195,790	8,265
Salaries - Regular	221,564	221,564	211,417	10,147
Retirement	22,195	23,583	25,096	(1,513)
Employee's Insurance	67,673	67,673	63,699	3,974
Workmen's Compensation	7,998	7,998	5,329	2,669
Vacation Sold	3,635	2,635	2,542	93
Consultant Services	2,500	-	-	-
Janitorial	5,700	5,700	5,554	146
Data Processing	7,600	7,600	6,121	1,479
Chemicals	85,000	85,000	80,199	4,801
Office Supplies	1,000	1,300	1,127	173
Gas & Oil	8,800	13,100	16,076	(2,976)
Small Tools	1,570	1,570	1,721	(151)
Miscellaneous	5,600	4,800	5,388	(588)
Buildings And Grounds	64,500	59,100	43,821	15,279
Driving Range Equipment	6,000	6,300	6,097	203
Vehicle Repair	1,800	2,900	2,470	430
Machine & Equipment Repair	23,000	26,000	21,217	4,783
Utilities	102,000	102,000	89,868	12,132
Telephone	6,000	6,000	5,483	517
Advertising	1,000	1,800	2,317	(517)
Travel	1,000	1,460	1,456	4
Employee Education	1,750	690	525	165
Insurance - General	13,413	13,413	13,345	68
Pro Shop	32,000	32,000	30,113	1,887
Uniforms	4,600	5,000	4,841	159

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
<i>Golf Course Operations</i>				
Photo Copy Exp	300	400	403	(3)
Printing, Books,	2,600	2,600	2,185	415
Dues	2,850	2,850	2,332	518
Contractual Services	53,750	53,750	47,817	5,933
Transaction Fees	8,300	8,300	8,864	(564)
Pro Shop	45,000	45,000	46,571	(1,571)
Total	1,014,753	1,016,141	949,784	66,357
<i>Senior Citizens</i>				
Salaries - Regular	87,106	87,106	82,968	4,138
Retirement	7,941	8,393	8,257	136
Employee's Insurance	13,579	13,579	13,025	554
Workmen's Compensation	3,255	3,255	3,065	190
Vacation Sold	1,500	-	-	-
Janitorial	2,000	2,200	2,101	99
Data Processing	3,500	3,500	3,550	(50)
Office Supplies	750	950	1,703	(753)
Gas, Oil	4,000	3,200	2,539	661
Miscellaneous	2,550	4,150	3,912	238
Buildings And Grounds	4,000	4,000	3,546	454
Vehicle Repair	3,200	3,000	2,593	407
Utilities	12,000	12,000	8,862	3,138
Travel	4,000	4,800	3,029	1,771
Insurance - General	1,217	1,617	1,667	(50)
Photo Copy Exp	1,000	1,000	723	277
Printing, Books, Subscriptions	500	900	548	352
Area On Aging	4,850	4,850	4,850	-
Art Instruction	2,900	2,560	2,730	(170)
Wellness Activities	9,580	6,580	6,137	443
Arts and Crafts	-	500	139	361
Ceramics	-	1,740	1,221	519
Total	169,428	169,880	157,165	12,715

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Libraries				
Salaries Part Time	163,509	146,509	143,645	2,864
Salaries - Regular	156,841	156,841	157,276	(435)
Retirement	33,095	34,860	33,043	1,817
Employee's Insurance	51,151	51,151	49,656	1,495
Workmen's Compensation	12,436	12,436	7,361	5,075
Vacation Sold	3,000	5,000	4,332	668
Janitorial	4,000	4,000	2,314	1,686
Data Processing	38,500	38,500	27,970	10,530
Office Supplies	8,000	8,000	5,619	2,381
Gas, Oil	700	700	295	405
Miscellaneous	6,500	6,500	2,322	4,178
Buildings And Grounds	47,920	52,920	50,127	2,793
Vehicle Repair	2,000	2,000	63	1,937
Utilities	32,000	32,000	27,516	4,484
Postage	800	800	377	423
Travel	5,000	5,000	3,462	1,538
Employee Education And Training	2,000	2,000	1,403	597
Insurance - General	4,487	4,487	4,487	-
Children/Youth Programs	10,000	10,000	8,454	1,546
Videos	30,000	30,000	21,504	8,496
Photo Copy Exp	4,000	4,000	2,561	1,439
Printing, Books, Subscriptions	90,000	100,000	101,012	(1,012)
Total	705,939	707,704	654,799	52,905
Special Events				
Christmas Parade	5,000	5,000	6,620	(1,620)
Total	5,000	5,000	6,620	(1,620)
Board Of Education				
Educational Foundation	2,000	2,000	2,000	-
Education	1,301,000	1,301,000	1,303,397	(2,397)
Total	1,303,000	1,303,000	1,305,397	(2,397)

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)

At September 30, 2017



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Debt Service				
Principal	34,171	34,171	36,633	(2,462)
Interest Expense	23,664	23,664	21,202	2,462
Total	57,835	57,835	57,835	-
Total Expenditures	17,611,967	17,913,052	17,344,399	568,653
Excess (deficiency of revenues over expenditures)	2,874,987	2,910,555	3,687,979	777,424
OTHER FINANCING SOURCES (USES)				
Transfers in				
Municipal Court Fund	320,000	320,000	281,946	(38,054)
Total	320,000	320,000	281,946	(38,054)
Transfers out				
Debt Service	1,697,649	1,697,649	1,697,649	-
Half Cent Sales Tax	1,495,150	1,530,000	1,534,781	(4,781)
Total	3,192,799	3,227,649	3,232,430	(4,781)
Net Transfers (out)	(2,872,799)	(2,907,649)	(2,950,484)	(42,835)
Excess Revenue (Expenditures) and other Funding Sources	\$ 2,188	\$ 2,906	\$ 737,495	\$ 734,589

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City of Muscle Shoals, Alabama
Balance Sheet – Other Governmental Funds
September 30, 2017

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.
ASSETS			
Cash and cash equivalents	\$ 37,288	\$ 5,126	\$ 2,995
Accounts receivable, net	5,438	4,276	-
Total assets	<u>42,726</u>	<u>9,402</u>	<u>2,995</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Other accrued liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Debt service	-	-	-
Capital Projects	37,288	5,126	-
Unassigned:			
Unassigned	5,438	4,276	2,995
Total fund balances	<u>42,726</u>	<u>9,402</u>	<u>2,995</u>
Total liabilities and fund balances	<u>\$ 42,726</u>	<u>\$ 9,402</u>	<u>\$ 2,995</u>



City Court Correction	Debt Service	2015-C Warrant Construction	Municipal Court	Special Trust	Total Nonmajor Governmental Funds
\$ 73,540	\$ 36,595	\$ -	\$ 136,829	\$ 107,597	\$ 399,970
-	-	-	2,322	-	12,036
73,540	36,595	-	139,151	107,597	412,006
-	-	-	3,700	-	3,700
-	-	-	3,700	-	3,700
-	36,595	-	-	-	36,595
-	-	-	-	107,597	150,011
73,540	-	-	135,451	-	221,700
73,540	36,595	-	135,451	107,597	408,306
\$ 73,540	\$ 36,595	\$ -	\$ 139,151	\$ 107,597	\$ 412,006

City of Muscle Shoals, Alabama
Statement of Revenues, Expenditures and Fund Balance
Other Governmental Funds
September 30, 2017

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.
REVENUES			
Local taxes	\$ 59,624	\$ 46,644	\$ -
License, permits and fees	-	-	-
Investment earnings	79	59	3
Miscellaneous	-	-	3,179
Total revenues	<u>59,703</u>	<u>46,703</u>	<u>3,182</u>
EXPENDITURES			
Current:			
General government	-	-	-
Police	-	-	3,030
Fire	-	-	-
Street	81,452	86,471	-
Culture and recreation	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>81,452</u>	<u>86,471</u>	<u>3,030</u>
Excess (deficiency) of revenues over expenditures	<u>(21,749)</u>	<u>(39,768)</u>	<u>152</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(21,749)	(39,768)	152
Fund balances - beginning	<u>64,475</u>	<u>49,170</u>	<u>2,843</u>
Fund balances - ending	<u>\$ 42,726</u>	<u>\$ 9,402</u>	<u>\$ 2,995</u>



City Court Correction	Debt Service	2015-C Warrant Construction	Municipal Court	Special Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,268
74,149	-	-	491,949	-	566,098
61	126	215	148	155	846
-	-	-	-	113,666	116,845
74,210	126	215	492,102	113,821	790,062
22,473	-	-	172,053	1,756	196,282
8,931	-	-	-	3,125	15,086
-	-	-	-	6,615	6,615
-	-	1,507	-	-	169,430
-	-	91	-	58,154	58,245
-	1,150,000	-	-	-	1,150,000
-	549,099	-	-	-	549,099
-	-	443,470	-	81,916	525,386
31,404	1,699,099	445,068	172,053	151,566	2,670,143
42,806	(1,698,973)	(444,853)	320,049	(37,745)	(1,880,081)
-	1,697,649	-	-	-	1,697,649
-	-	-	(281,946)	-	(281,946)
-	1,697,649	-	(281,946)	-	1,415,703
42,806	(1,324)	(444,853)	38,103	(37,745)	(464,378)
30,734	37,919	444,853	\$ 97,348	145,342	872,684
\$ 73,540	\$ 36,595	\$ -	135,451	\$ 107,597	\$ 408,307



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*33

To the City Council
City of Muscle Shoals, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muscle Shoals, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Muscle Shoals, Alabama's basic financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

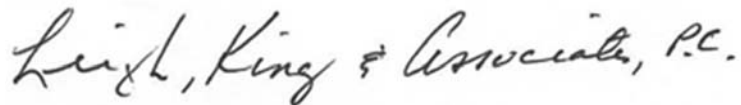
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Leigh, King & Associates, P.C.".

Leigh, King & Associates, PC
Sheffield, Alabama
March 28, 2018