

CITY OF MUSCLE SHOALS, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

CITY OF MUSCLE SHOALS, ALABAMA  
FINANCIAL STATEMENTS  
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SEPTEMBER 30, 2018

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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, 2018. 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 \$ 4.2 million, or 11.8 percent.
- During the year, the City had taxes and other revenues for governmental programs that were \$ 4.2 million more than the \$ 22.7 million in expenses.
- General fund revenues were more than budget amounts by \$ 4,079,951 and expenditures of funds were \$ 2,700,133 more than budgeted expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net 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 5. 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 21.



The City's net position increased by \$ 4.27 million, from \$ 35.96 million to \$ 40.19 million. Table 1 below summarizes net assets at September 30, 2018 and September 30, 2017, respectively.

**Table 1**

Total Primary Government Activities  
Net Position (in thousands)

	As of September 30,	
	2018	2017
Current and other assets	\$ 35,333	\$ 31,097
Capital assets	47,593	44,964
Total assets	82,927	76,061
Deferred outflows	18	2,147
Total assets and deferred outflows	82,944	78,208
Long-term debt outstanding	91	19,110
Other liabilities	42,531	22,468
Total liabilities	42,622	41,578
Deferred Inflows	9,928	671
Total liabilities and deferred inflows	\$ 52,550	\$ 42,249
Net Position		
Invested in capital assets (net of debt)	26,018	25,140
Restricted	59	245
Unrestricted	14,111	18,910
Total net position	\$ 40,188	\$ 35,959

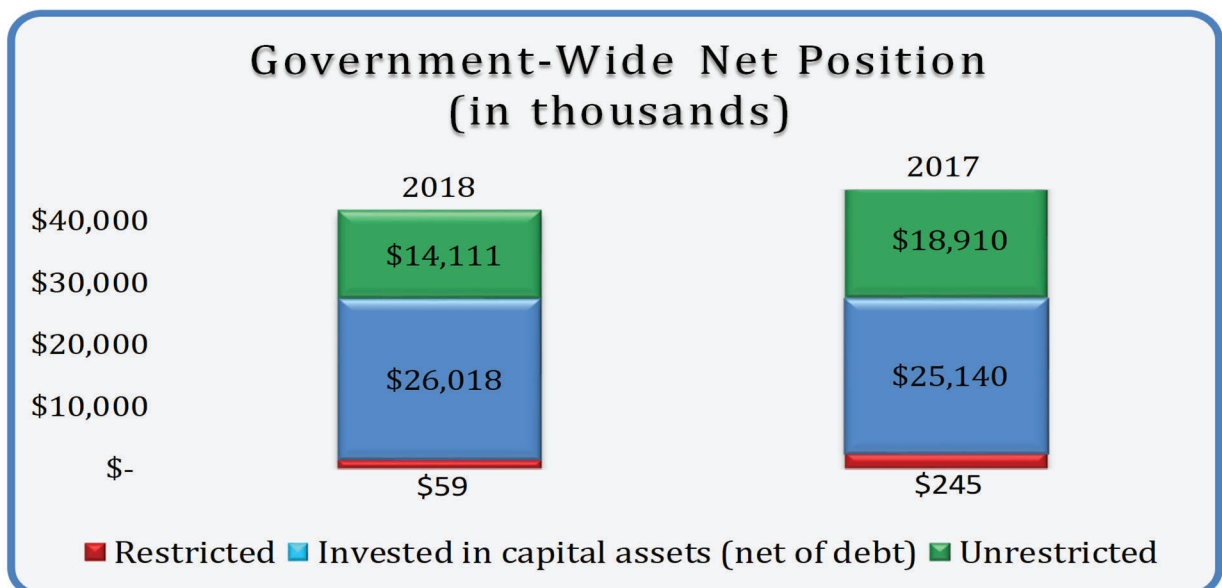




Table 2 details the change in net position for the same periods.

**Table 2**

Total Primary Government Activities

Change in Net Position (in thousands)

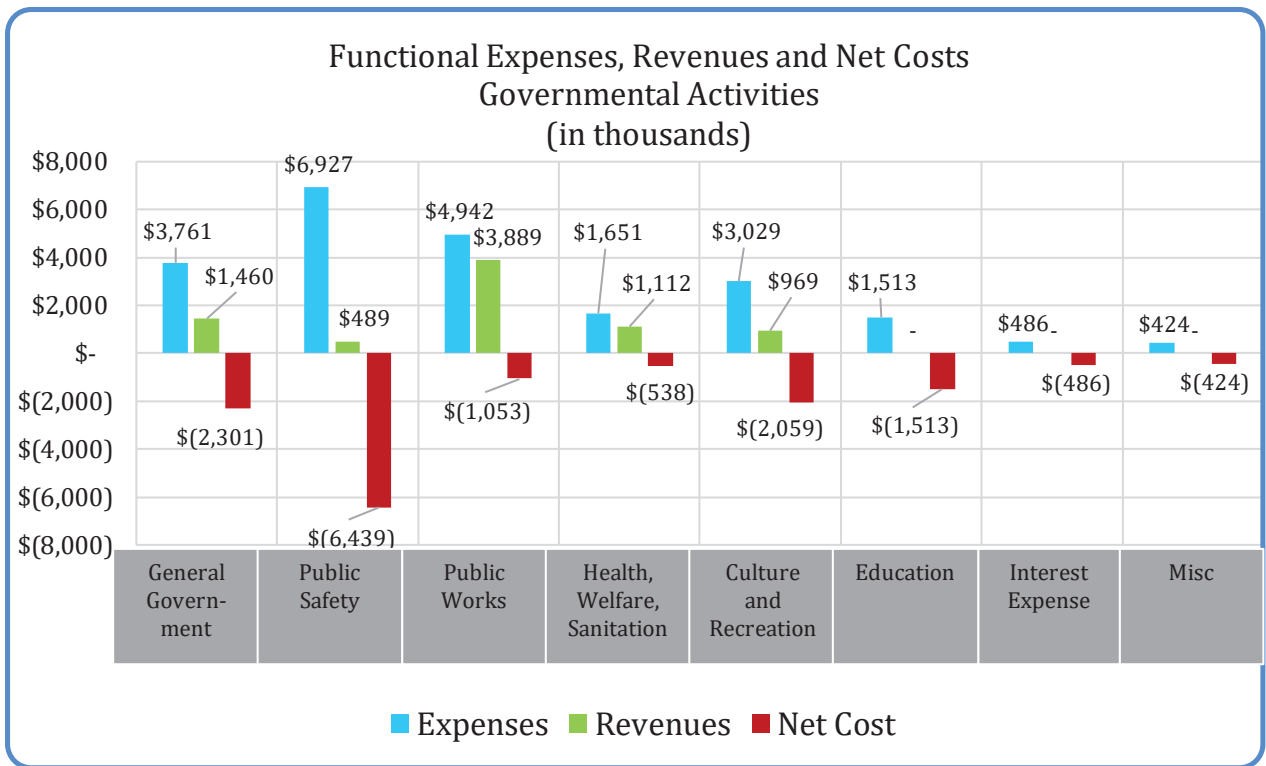
	For the fiscal year	
	2018	2017
<b>Program revenues</b>		
Fees, fines and charges for services	\$ 4,031	\$ 4,060
Grants and contributions	3,889	281
<b>General revenues</b>		
Sales taxes	13,259	12,782
Advalorem taxes	1,146	1,062
Other taxes and payments in lieu of taxes	3,284	3,237
Miscellaneous	636	597
Investment Earnings	715	32
Total revenues	<u>26,960</u>	<u>22,051</u>
<b>Program expenses</b>		
General government	3,761	3,993
Public safety	6,927	6,628
Public works	4,942	4,464
Health, welfare and sanitation	1,651	1,643
Education	3,028	3,052
Culture and recreation	1,513	1,505
Miscellaneous	486	564
Interest on long-term debt	<u>424</u>	<u>663</u>
Total expenses	<u>22,732</u>	<u>22,512</u>
Increase in net position from operations	\$ 4,228	\$ (461)





## Governmental Activities

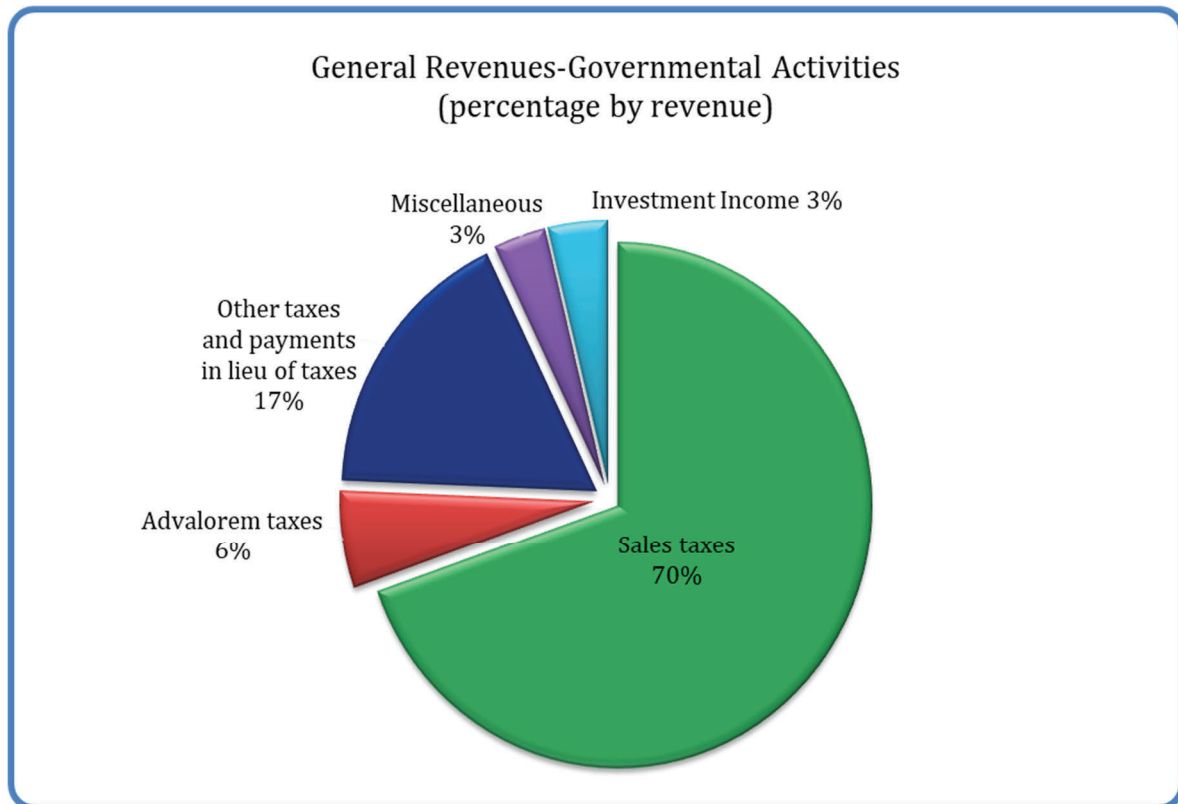
The cost of all government activities this year was \$ 22.16 million. However, as shown on the Statement of Activities on page 19, the cost ultimately financed by our taxpayers for these activities was \$ 14.25 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 7.92 million, thus reducing the burden to taxpayers.





### Governmental Activities (continued)

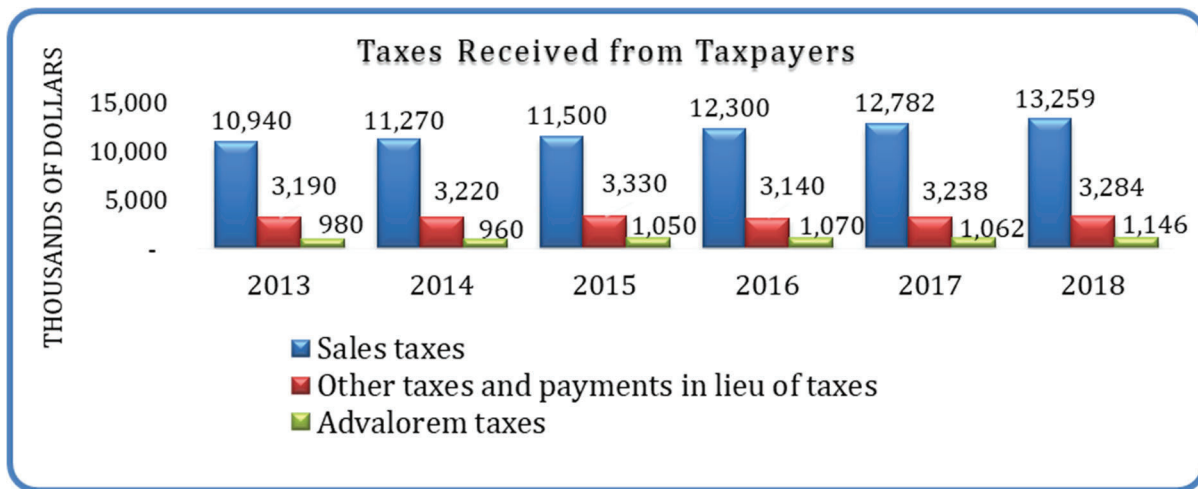
Sales tax revenue represents the majority of general revenues received as depicted in the following chart:





### Governmental Activities (continued)

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



**Table 3**

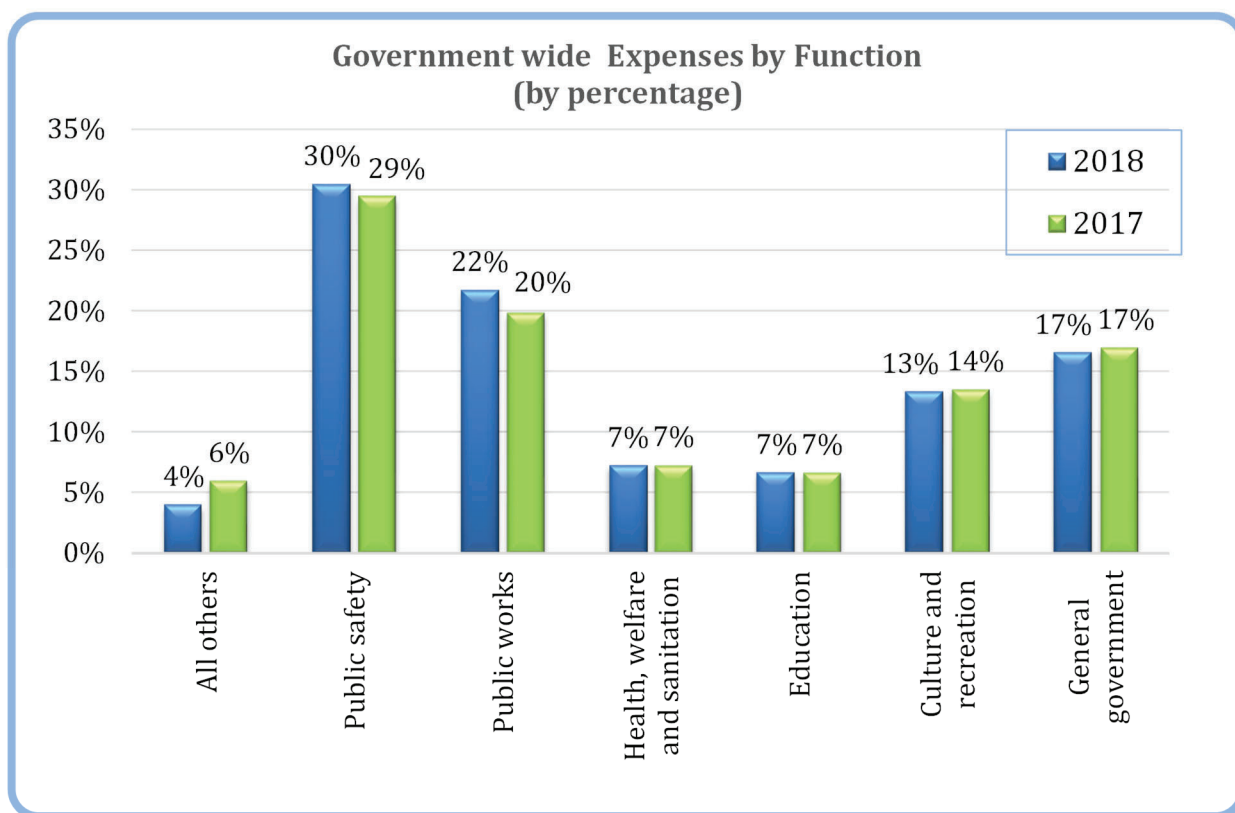
Total Primary Government Activities

Total Cost of Services (in thousands)

	September 30,	
	2018	2017
General government	\$ 3,761	\$ 3,993
Public safety	6,927	6,628
Public works	4,942	4,464
Health, welfare and sanitation	1,651	1,643
Education	1,513	1,505
Culture and recreation	3,029	3,052
All others	910	1,227
Totals	\$ 22,733	\$ 22,512



Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2018 and September 30, 2017 respectively.



## THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of \$14.33 million, which increased from last year's total of \$10.43 million. The general fund balance increased by \$ 1.34 million from \$ 8.65 million to \$ 9.99 million.

### General Fund Budgetary Highlights

The 2017-2018 budget was approved on November 6, 2017. It was amended on May 14, 2018 and September 17, 2018 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 \$1.92 million represented 7.6% 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 2018, the City had \$47.59 million invested in a broad range of capital assets, including buildings, park facilities, roads, storm water detention and pumping facilities and police and fire equipment. (See Table 4):

**Table 4**

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

	As of September 30,	
	2018	2017
<b>Non-depreciable</b>		
Land	\$ 7,521	\$ 7,428
Art	79	79
Construction in progress	326	1,754
<b>Depreciable</b>		
Buildings	17,268	17,226
Infrastructure	28,793	23,909
Improvements	13,224	12,859
Equipment	14,216	13,984
Totals	81,427	77,239
Less: Accumulated depreciation	(33,834)	(32,059)
Capital assets-net	\$47,593	\$ 45,180



### **CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

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 was completed in 2018.
2. The MPO paving project was also completed in 2018. The project included paving portions of Alabama Avenue, Sheffield Avenue, Covenant Drive, and Pepsi Drive.
3. Construction of the 6<sup>th</sup> Street intersection at Wilson Dam Road will begin in October 2018. The project is funded by a \$280,000 grant from the Alabama Industrial Access Board. The project should be completed in early 2019.
4. Widening and improvements to East Avalon Avenue from Wilson Dam Road to the Airport were completed in the prior fiscal year. Costs for the \$4.9 million project were funded by 80% federal funds and a local match.
5. Constellium Element 13 access improvements (Reduction Plant Road) were completed in the summer of 2018. The project was funded by a 100% grant from the Alabama Industrial Access Board.

B. Other projects that have been completed or are underway include:

1. 1.5 acres were purchased at Old Highway 20 and Gargis Lane for the construction of an additional fire station. The purchase of the land and construction of the fire station are funded from proceeds of the 2018 General Obligation warrants. Design of the new station has not begun.
2. An additional phase of sidewalks was completed in the summer of 2018. This project, costing \$364,000 was funded with ALDOT enhancement funds. The sidewalks were constructed on 6<sup>th</sup> Street from Sheffield Avenue to the entrance of the Cypress Lakes Golf & Tennis Facility.
3. Construction on the next phase of sidewalks began in September 2018. A \$308,000 ALDOT traffic enhancement grant funds 80% of the cost. The project extends sidewalks to Woodward Avenue and Wilson Dam Road. Work should be completed in early 2019.
4. The design for extension of sanitary sewer service along South Wilson Dam was nearing completion at year's end. The project will extend sewer service from 6<sup>th</sup> Street to the south to the railroad underpass. The project costs are estimated at \$1 million. The costs are to be shared with the Muscle Shoals Utilities Board. The city's share is being funded from proceeds of the 2018 General Obligation warrants.
5. The City has received a \$250,000 ADECA grant to construct an adaptive ballfield in Gattman Park. Construction will begin in the spring of 2019 and should be completed prior to the end of the fiscal year.



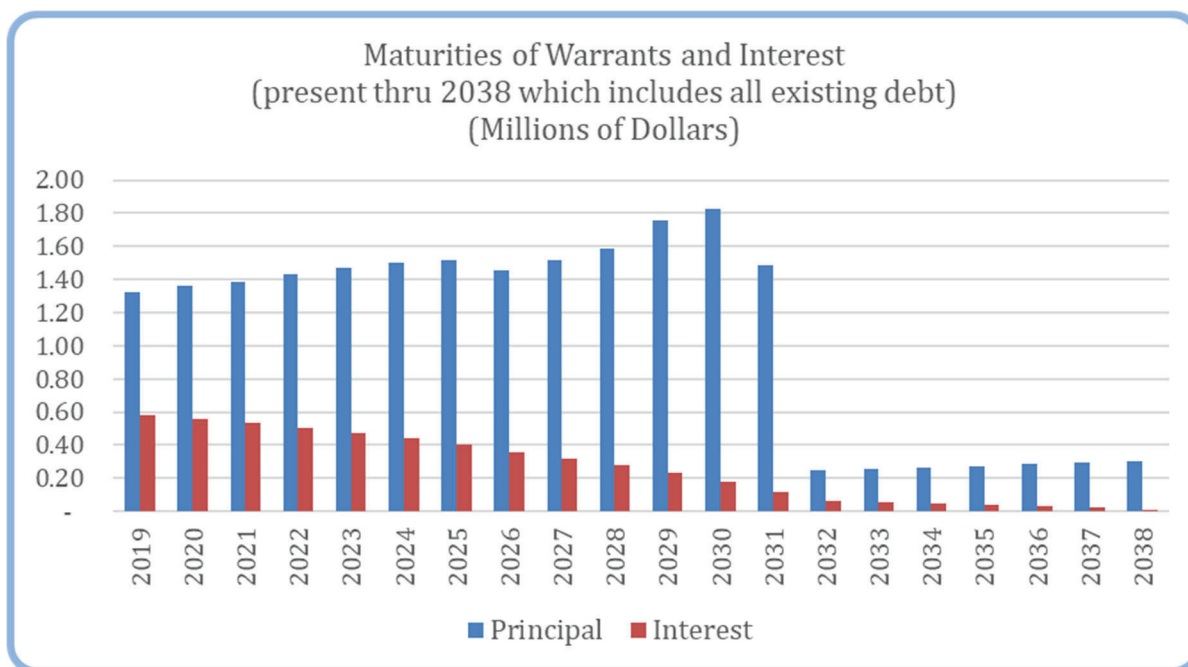
## Debt

At year-end, the City had \$ 21.58 million in general obligation warrants outstanding versus \$19.11 million last year, an increase of \$ 2.47 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, 2018 (including motor vehicles), is \$218 million. Therefore, the City’s general obligation debt is \$ 21.58 million, well below of its current debt limit of \$43.6 million (20% of \$218 million).

<u>Tax Year</u>	<u>Assessed Value</u>
2013	\$ 179,407,660
2014	\$ 193,265,420
2015	\$ 188,432,920
2016	\$ 203,902,180
2017	\$ 212,104,880
2018	\$ 218,110,220

All debt currently outstanding will mature by fiscal 2038.





## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Great Southern Wood announced an expansion of its operation in the Shoals Commerce Park in September 2018. The \$6.3 million expansion is expected to begin October 1, 2018 and completed sometime in the spring of 2019. Plans are in place to add a new warehouse and additional manufacturing equipment. The 45,200-square-foot facility will be used for treating wood products and distribution. The expansion is forecasted to create 28 new full-time jobs within three years of the facility's completion. Great Southern Wood is known for YellaWood, their brand of pressure-treated pine products, and other wood products. Great Southern Wood has had a presence in Colbert County since 1998.
- Rock Solid Ready Mix announced construction of a new ready-mix concrete batch plant in June 2018. Construction of the plant on Sawmill Road began in mid-July 2018 with concrete delivery commencement in mid-August 2018. Capital investment of this project was estimated to be \$3 million with 13 full-time positions created. Rock Solid Ready Mix will cater to homebuilders, contractors and municipal governments.
- In November 2018, the Tennessee Valley Authority announced an agreement with First Solar, a Houston, Texas, company, to develop a 227-megawatt solar farm in Colbert County. In addition to being another marketing tool for the county, the solar farm will also have a major impact on school systems. The school systems could share in about \$8.1 million over a 10-year period. 300 to 400 construction jobs are expected to be created with two to three permanent jobs once the facilities are completed.
- In the spring of 2019, American Paper & Twine announced plans to begin construction of a 30,000-square-foot warehouse and distribution center on an approximate seven-acre tract on Bob Riley Drive in the Shoals Research Airpark.
- Numerous other manufacturers throughout the Shoals, such as A-1 Machine & Fabrication, Alabama Interconnect, B&W Machine & Tool, Commercial Millwork, Essity, Farris Wholesale Outlets, Inc., Firestone Building Products, LLC, Johnson Systems, Mitchell Printing, Inc., Net Direct Merchants, nSide, PartCycle Technologies, Rockwood Studios, Sycamore Physician Contracting, LLC, Tri-State Metals Company Inc., United Lumber and Remanufacturing LLC, United Treating & Distribution, and Valmet have added new employment opportunities to their operations during this fiscal year.





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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)**

Unemployment in Colbert County stood at 4.4% in October 2018, an increase of .1% since 2017. The local rate of 4.4% is higher than the national rate of 3.9% and the state of Alabama rate of 3.8%.

The Mayor and City Council approved a conservative 2018-2019 General Fund budget. Total anticipated revenues and other financing resources are projected at \$21.82 million, an increase from the 2017-2018 budgeted revenues and other financing resources of \$201.38 million. Budgeted expenditures and other uses of funds are expected to increase to \$21.81 million from \$21.38 million in the prior year. No new programs have been added to the 2018-2019 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](mailto:mshoals@hiwaay.net).



LEIGH, KING  
NORTON AND  
UNDERWOOD

## 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, 2018, 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. 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, 2018, 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 63-67, the schedule of funding progress and schedule of employer contributions of the other postemployment benefit plan on pages 68-73, and the budgetary comparison information on pages 74-75 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 76-94 and the combining and individual fund financial statements and schedules on pages 95-96, 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 27, 2019, 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, Norton & Underwood, LLC  
Sheffield, Alabama  
March 27, 2019

City of Muscle Shoals, Alabama  
Statement of Net Position  
At September 30, 2018

		Component Units		
	Governmental Activities	Utilities Board	Electric Board	Board of Education
<b>ASSETS</b>				
Cash and equivalents	\$ 12,540,952	\$ 4,311,719	\$ 3,984,517	\$ 6,353,913
Account receivables, net	265,520	711,687	4,124,181	4,486,139
Receivable-component units	158,064	-	-	-
Due from other governments	1,411,391	-	-	-
Inventories	49,638	136,039	683,096	73,945
Net OPEB asset	-	-	-	-
Reserved and restricted assets	-	5,506,246	2,265,149	
Capital Assets:				
Non-depreciable	7,925,822	490,745	41,425	1,337,809
Other capital assets, net of depreciation	39,667,559	45,330,001	23,121,773	28,313,547
Equity interest in joint venture	20,335,293	-	-	-
Other receivables	-	3,193	126,015	-
Prepaid Expenses	-	59,707	257,089	
Receivable-commercial entity	572,314	-	-	-
Total assets	82,926,554	56,549,337	34,603,245	40,565,353
Deferred outflows of resources				
Proportionate share of Collective				
Deferred Outflows Related to:				
Net Pension Liability	1,727,724	-	-	4,891,871
OPEB Liability	17,706	-	-	621,725
Other	-	6,028,736	1,038,338	-
	1,745,430	6,028,736	1,038,338	5,513,596

(continued)



	Component Units			
	Governmental Activities	Utilities Board	Electric Board	Board of Education
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued expenses	91,428	250,320	4,651,603	2,396,900
Due to other governments	-	77,422	739,785	-
Customer deposits	-	441,947	1,434,173	-
Long-term liabilities:				
Due within one year:				
Advances from TVA energy programs	-	-	729,952	-
Bonds payable	1,325,000	860,000	220,000	396,393
Accrued interest	97,254	415,967	67,497	-
Compensated absences	-	30,000	-	-
Due in more than one year:				
Net OPEB liability	9,299,476	8,648	33,017	-
Bonds payable	20,250,000	31,810,000	3,905,000	52,736,595
Compensated absences	1,059,052	185,072	340,890	-
Net pension liability	9,927,685	1,827,017	4,259,214	-
Bonds payable-commercial	572,314	-	-	-
Total liabilities	42,622,209	35,906,393	16,381,131	55,529,888
Deferred Inflows of resources				
Proportionate share of Collective				
Deferred Inflows Related to:				
Net Pension Liability	1,276,870	337,094	-	2,493,000
Net OPEB Liability	585,168	1,878,415	-	2,572,395
Other	-	-	232,263	4,048,000
	1,862,038	2,215,509	232,263	9,113,395
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	26,018,381	16,009,008	19,154,050	19,108,460
Restricted or Committed for:				
Capital projects	-	-	-	223,729
Debt Service	-	4,414,946	539,409	688,127
Other purposes	58,645	-	-	692,165
Unrestricted	14,110,711	4,032,217	(665,270)	(39,276,815)
<i>Total net position</i>	<i>\$ 40,187,737</i>	<i>\$ 24,456,171</i>	<i>\$ 19,028,189</i>	<i>\$ (18,564,334)</i>

*The accompanying notes are an integral part of these financial statements*

City of Muscle Shoals, Alabama  
Statement of Activities  
September 30, 2018



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Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
<b>Primary government:</b>						
Governmental Activities						
General government	\$ 3,760,773	\$ 1,460,253	\$ -	\$ -	\$ (2,300,520)	
Public safety	6,927,433	488,909	-	-	(6,438,524)	
Public works	4,941,793	-	-	3,889,209	(1,052,584)	
Health, welfare and sanitation	1,650,562	1,112,469	-	-	(538,093)	
Culture and recreation	3,028,518	969,178	-	-	(2,059,340)	
Education	1,513,229	-	-	-	(1,513,229)	
Interest on long-term debt	486,083	-	-	-	(486,083)	
Miscellaneous	423,690	-	-	-	(423,690)	
Total governmental activities	22,732,081	4,030,809	-	3,889,209	(14,812,063)	
<b>Component units:</b>						
Utilities board	8,082,095	7,700,037	-	265,169		\$ (116,889)
Electric board	28,647,622	29,862,315	-	-		1,214,693
Board of education	33,333,530	3,634,894	17,426,300	749,509		(11,522,827)
Total component units	\$ 61,981,152	\$ 41,197,246	\$ 17,426,300	\$ 1,014,678		(10,425,023)
Total primary government					(14,812,063)	

	Net (Expense) Revenue and Changes in Net Assets	
	Primary	Component
	Governmental Activities	Units
<b>General revenues:</b>		
Taxes:		
Sales taxes	13,259,261	1,363,398
Advalorem	1,146,386	4,559,346
Gasoline	715,149	-
Alcohol	302,491	71,325
Tobacco	124,477	-
Lodging	82,755	-
Financial institution	242,809	-
Other taxes	294,170	77,172
Total taxes	16,167,498	6,071,241
Payments in lieu of taxes	1,521,738	-
Grants and contributions not restricted to specific purposes	-	1,461,700
Unrestricted investment earnings	64,282	100,434
Investment in North Alabama Gas District	650,467	
Transfers Out - Tax equivalents		(912,083)
Miscellaneous	635,871	1,738,507
Total general revenues, special items, and transfers	19,039,856	8,459,799
Change in net position	4,227,793	(1,965,224)
Net position - beginning (as corrected)	35,959,944	26,644,540
<i>Net position - ending</i>	<i>\$ 40,187,737</i>	<i>\$ 24,679,316</i>

*The accompanying notes are an integral part of these financial statements*



City of Muscle Shoals, Alabama  
Balance Sheet  
Governmental Funds  
September 30, 2018

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	General Fund	Half-Cent Sales Tax
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,321,869	\$ 520,593
Accounts receivable,net	25,157	129,326
Receivable from component units	158,064	-
Receivable from other governments	1,410,507	-
Other receivables	101,248	-
Inventories	49,638	-
<i>Total assets</i>	<u>10,066,483</u>	<u>649,919</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	18,136	-
Other accrued liabilities	55,056	-
Total liabilities	<u>73,192</u>	<u>-</u>
Fund balances:		
Nonspendable:		
Inventories	49,638	-
Restricted for:		
Debt service	-	-
Capital Projects	-	-
Unassigned:	9,943,653	649,919
Total fund balance	<u>9,993,291</u>	<u>649,919</u>
<i>Total liabilities and fund balance</i>	<u>\$ 10,066,483</u>	<u>\$ 649,919</u>



2018 Warrant Sinking	Other Governmental Funds	Total Governmental Funds
\$ 3,174,763	\$ 523,727	\$ 12,540,952
-	9,789	164,272
-	-	158,064
-	884	1,411,391
-	-	101,248
-	-	49,638
<u>3,174,763</u>	<u>534,400</u>	<u>14,425,565</u>
-	-	18,136
-	18,236	73,292
-	18,236	91,428
-	-	49,638
-	116	116
3,174,763	224,801	3,399,564
-	291,247	10,884,819
<u>3,174,763</u>	<u>516,164</u>	<u>14,334,137</u>
<u>\$ 3,174,763</u>	<u>\$ 534,400</u>	<u>\$ 14,425,565</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, 2018



Total fund balance, governmental funds	\$ 14,334,137
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	47,593,381
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position:

Net OPEB Liability	(9,299,476)
Equity interest in joint venture	20,335,293
Deferred Outflows	
Pension Plan	1,727,724
OPEB	17,706

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	(21,575,000)
Accrued interest	(97,254)
Deferred inflows	
Pension Plan	(1,276,870)
OPEB	(585,168)
Compensated absences	(1,059,051)
Defined benefit obligation	(9,927,685)

<u>Net Position of Governmental Activities in the Statement of Net Position</u>	<u>\$ 40,187,737</u>
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*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, 2018



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	General Fund	Half-Cent Sales Tax	2018 Warrant Sinking	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local taxes	\$ 17,469,178	\$ -	\$ -	\$ 106,205	\$ 17,575,383
License, permits and fees	1,460,253	-	-	488,908	1,949,161
Charges for service	1,112,467	-	-	-	1,112,467
Joint Ventures	363,620	(5,038)	-	-	358,582
Intergovernmental revenue	3,593,335	295,874	-	-	3,889,209
Park and recreation	970,048	(552)	-	-	969,496
Investment earnings	59,277	651	3,013	1,341	64,282
Miscellaneous	164,538	73,442	-	146,022	384,002
Total revenues	<u>25,192,716</u>	<u>364,377</u>	<u>3,013</u>	<u>742,476</u>	<u>26,302,582</u>
<b>EXPENDITURES</b>					
Current:					
General government	3,160,500	92,439	-	188,666	3,441,605
Police	3,639,738	90,561	-	12,208	3,742,507
Fire	2,314,550	12,188	239,347	-	2,566,085
Street	1,875,115	1,034,973	-	62,900	2,972,988
Storm and Sewer	458,259	90,988	-	-	549,247
Health and sanitation	1,597,599	-	-	-	1,597,599
Culture and recreation	2,465,522	158,300	-	16,954	2,640,776
Appropriations	91,991	-	-	-	91,991
Education	1,313,229	200,000	-	-	1,513,229
Miscellaneous	331,699	-	-	-	331,699

	General Fund	Half-Cent Sales Tax	2018 Warrant Sinking	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES (continued)</b>					
Debt Service:					
Principal	37,684	-	-	1,342,170	1,379,854
Interest and other charges	20,151	-	-	554,244	574,395
Capital Outlay	3,484,832	998,716	91,733	81,657	4,656,938
Total expenditures	20,790,869	2,678,165	331,080	2,258,799	26,058,913
Excess (deficiency) of revenues over expenditures	4,401,847	(2,313,788)	(328,067)	(1,516,323)	243,669
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt, net	-	-	-	3,655,000	3,655,000
Proceeds from sale of assets	-	6,825	-	-	6,825
Other source	-	-	-	-	-
Retirement of Bonds	-	-	-	-	-
Transfers in	235,042	1,591,229	3,502,830	1,707,051	7,036,152
Transfers out	(3,298,280)	-	-	(3,737,872)	(7,036,152)
Total other financing sources and uses	(3,063,238)	1,598,054	3,502,830	1,624,179	3,661,825
<b>SPECIAL ITEM</b>					
Net change in fund balances	1,338,609	(715,734)	3,174,763	107,856	3,905,494
Fund balances - beginning	8,654,682	1,365,653	-	408,308	10,428,643
Fund balances - ending	\$ 9,993,291	\$ 649,919	\$ 3,174,763	\$ 516,164	\$ 14,334,137

*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:	\$ 3,905,494
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 \$4,656,938 were exceeded by depreciation \$2,217,766 in the current period.	2,439,172
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.	(2,275,146)
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Decrease in Net pension obligation	878,714
Decrease in OPEB Liability	133,745
Increase in Deferred inflows related to pensions	(605,816)
Increase in Deferred outflows related to pensions	(419,688)
Increase in Deferred inflows related to OPEB	17,706
Increase in Deferred outflows related to OPEB	(585,168)
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.	(12,571)
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	650,467
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	100,884
<i>Change in net position of governmental activities</i>	<u>\$ 4,227,793</u>

*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, 2018.

### 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.



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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.

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).





## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- *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.

### 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.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Major funds are those 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.

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.



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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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).

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.



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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.*



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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, 2018, the City met the minimum general fund balance policy.

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.





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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*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.

14) *Pensions*

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.



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## 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.

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.





## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### E. ACCOUNTING PRONOUNCEMENTS (continued)

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, 2018:

Due from State of Alabama (Sales Tax)	\$ 1,204,869
Other	205,638
Total	<u>\$ 1,410,507</u>

## 6. CAPITAL ASSETS

### Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 7,428,841	\$ 91,733	\$ -	\$ 7,520,574
Art	78,810	-	-	78,810
Construction in progress	1,754,760	3,832,019	5,260,341	326,438
Total assets not being depreciated	<u>9,262,411</u>	<u>3,923,752</u>	<u>5,260,341</u>	<u>7,925,822</u>
<i>Capital assets being depreciated</i>				
Buildings	17,225,562	42,686	-	17,268,248
Infrastructures	23,908,935	4,884,830	-	28,793,765
Land Improvements	12,858,858	364,696	-	13,223,554
Equipment	13,983,803	701,316	469,361	14,215,758
Total Capital assets being depreciated	67,977,159	5,993,528	469,361	73,501,326
Accumulated Depreciation	<u>(32,059,163)</u>	<u>(2,217,766)</u>	<u>(443,163)</u>	<u>(33,833,766)</u>
Total capital assets being depreciated, net	<u>35,917,995</u>	<u>3,775,762</u>	<u>26,198</u>	<u>39,667,559</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 45,180,406</u>	<u>\$ 7,699,514</u>	<u>\$ 5,286,539</u>	<u>\$ 47,593,381</u>



## 6. CAPITAL ASSETS (continued)

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

Function	Depreciation
General Government	\$ 205,075
Police	232,461
Fire	177,240
Public Works	466,178
Storm Drainage	836,615
Recreation	300,197
<i>Total depreciation expense</i>	<i>\$ 2,217,766</i>

## 7. 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, 2006 and November 1, 2006, and pay issuance expenses of \$78,311.



## 7. LONG-TERM DEBT (continued)

### *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.

### *General Obligation Refunding Warrants, Series 2018 (February 28)*

On February 28, 2018 the City issued \$3,655,000 of General Obligation Refunding Warrants, Series 2018. These tax-exempt warrants mature from 2015 to 2031 and bear interest at rates of 1.50-3.50% and were issued to provide \$3,500,000 in Capital Improvements and pay issuance expenses of \$108,000.

The following summarizes the changes in the City's debt for the year ended September 30, 2018:

General Obligation Warrants	Beginning Balance	Increases	Reductions	Ending Balance	Current Maturities
Series 2014-A	\$ 1,510,000	\$ -	\$ 180,000	\$ 1,330,000	\$ 200,000
Series 2014-C	7,525,000	-	935,000	6,590,000	960,000
Series 2015-A	8,325,000	-	75,000	8,250,000	70,000
Series 2015-B	500,000	-	-	500,000	-
Series 2015-C	1,250,000	-	-	1,250,000	-
Series 2018	-	3,655,000	-	3,655,000	95,000
<b>Total Warrants</b>	<b>\$ 19,110,000</b>	<b>\$ 3,655,000</b>	<b>\$ 1,190,000</b>	<b>\$ 21,575,000</b>	<b>\$ 1,325,000</b>

The following sets forth the service requirements on the Warrants:

Fiscal Year	Series 2014-A		Series 2014-C		Series 2015-A	
	Principal	Interest	Principal	Interest	Principal	Interest
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	210,000	16,425	1,075,000	64,338	-	236,080
2024-2028	320,000	13,375	1,650,000	53,900	4,905,000	1,016,690
2029-2033					3,125,000	149,510
2034-2038	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 1,330,000</b>	<b>\$ 145,337</b>	<b>\$ 6,590,000</b>	<b>\$ 566,688</b>	<b>\$ 8,250,000</b>	<b>\$ 2,355,500</b>



## 7. LONG-TERM DEBT (continued)

Year	Series 2015-B		Series 2015-C		Series 2018	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	-	14,300	-	46,875	95,000	108,578
2020	80,000	14,300	-	46,875	95,000	107,153
2021	80,000	12,220	-	46,875	95,000	105,728
2022	80,000	10,140	-	46,875	100,000	103,828
2023	85,000	8,060	-	46,875	100,000	101,828
2024-2028	175,000	8,215	-	234,375	535,000	472,738
2029-2033	-	-	1,250,000	140,625	1,210,000	358,970
2034-2038	-	-	-	-	1,425,000	150,325
<i>Totals</i>	<i>\$ 500,000</i>	<i>\$ 67,235</i>	<i>\$ 1,250,000</i>	<i>\$ 609,375</i>	<i>\$ 3,655,000</i>	<i>\$ 1,509,145</i>

The total debt service (combined) for all long-term debt follows:

Fiscal Year	Total	
	Principal	Interest
2019	1,325,000	583,527
2020	1,365,000	557,501
2021	1,385,000	534,553
2022	1,435,000	505,373
2023	1,470,000	473,605
2024-2028	7,585,000	1,799,293
2029-2033	5,585,000	649,105
2034-2038	1,425,000	150,325
<i>Totals</i>	<i>\$ 21,575,000</i>	<i>\$ 5,253,280</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, 2018. The amounts of inter-fund transfers for the fiscal year ended September 30, 2018 are as follows:

<u>Fund</u>	<u>To</u>	<u>From</u>
General Fund	\$ 235,042	\$ 3,298,280
Municipal Court Fund	-	235,042
Half Cent Sales Tax	1,591,229	
Debt Service	1,707,051	3,502,830
2018 Warrant Fund	3,502,830	
	<u>\$ 7,036,152</u>	<u>\$ 7,036,152</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 50 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 \$20,335,294. The fund-level financial statements only report the earnings distributions received from the Gas District during the year (\$363,620). 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 government-wide financial statements reflect an increase in the investment in the Gas District of \$ 650,467.

## 11. RELATED PARTY TRANSACTIONS

The City had the following material transactions with related parties during the year ended September 30, 2018:

*Muscle Shoals Utility Board* – This component unit provides water and sewer service to the City at market rates. At September 30, 2018, 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 \$ 1,033,993 of garbage revenues collected and (c) paid the City \$ 871,538 of tax equivalents. At September 30, 2018, the Electric Board owed the City a total of \$158,064. The City owed the Electric Board nothing at year-end.



#### 11. RELATED PARTY TRANSACTIONS (continued)

*Muscle Shoals Board of Education* - The City appropriated \$1,313,229 to the Board of Education (a component unit) during the year. At September 30, 2018, the Board owed the City \$ 25,420 for miscellaneous items.

*Shoals Solid Waste Disposal Authority* - The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$182,040 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.

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](http://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.
- 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.





### 13. DEFINED BENEFIT PLAN (continued)

#### *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.

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 909 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 88,517 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries receiving benefits	23,853
Terminated employees entitled to, but not receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Post-DROP participants who are still in active service	168
Active members	<u>55,941</u>
Total	<u>88,517</u>





## 12. DEFINED BENEFIT PLAN (continued)

### *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.

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, 2018, the City's active employee contribution rate was 6.18% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 13.26% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2018 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 \$814,786 for the year ended September 30, 2018.



## 12. DEFINED BENEFIT PLAN (continued)

### *Net Pension Liability*

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2016	\$ 32,057,673	\$ 32,029,648
(b) Discount rate	7.75%	7.75%
(c) Entry age normal cost for the period October 1, 2016 through September 30, 2017	605,208	605,208
(d) Transfers Among Employers:	-	(174,365)
(e) Actual benefit payments and refunds for the period October 1, 2016 through September 30, 2017	<u>(1,591,452)</u>	<u>(1,591,452)</u>
(f) Total Pension Liability as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))]	<u>\$ 33,494,230</u>	<u>\$ 33,289,668</u>
(g) Difference between Expected and Actual:		\$ (204,562)
(h) Less Liability Transferred for Immediate Recognition		<u>(174,365)</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (30,197)</u>

### *Actuarial assumptions*

The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return *	7.75%

\* Net of pension plan investment expense



## 12. DEFINED BENEFIT PLAN (continued)

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00 %	4.4 %
US Large Stocks	32.00 %	8.0 %
US Mid Stocks	9.00 %	10.0 %
US Small Stocks	4.00 %	11.0 %
Int'l Developed Mkt Stocks	12.00 %	9.5 %
Int'l Emerging Mkt Stocks	3.00 %	11.0 %
Alternatives	10.00 %	10.1 %
Real Estate	10.00 %	7.5 %
Cash Equivalents	3.00 %	1.5 %
Total	100.00 %	

\* Includes assumed inflation of 2.50%



## 12. DEFINED BENEFIT PLAN (continued)

### *Discount rate*

The discount rate used to measure the total pension liability was the long-term rate of return, 7.75%. 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.

### *Changes in Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2016	\$ 32,057,673	\$ 21,251,274	\$ 10,806,399
Changes for the year:			
Service cost	605,208	-	605,208
Interest	2,422,801	-	2,422,801
Changes of assumptions	-	-	-
Difference between expected and actual difference	(30,197)		(30,197)
Contributions - employer	-	814,786	(814,786)
Contributions - employee	-	377,436	(377,436)
Net investment income	-	2,684,304	(2,684,304)
Benefit payments, including refunds of employee contributions	(1,591,452)	(1,591,452)	-
Administrative expense		-	-
Transfers among employers	(174,365)	(174,365)	-
Net changes	1,231,995	2,110,709	(878,714)
Balances at September 30, 2017	\$ 33,289,668	\$ 23,361,983	\$ 9,927,685



## 12. DEFINED BENEFIT PLAN (continued)

*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	\$ 13,837,610	\$ 9,927,685	\$ 6,616,464

### *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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018, 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](http://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, 2018, the City recognized pension expense of \$ 932,426. At September 30, 2018, 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	\$ -	\$ 562,953
Changes of assumptions	962,221	-
Net difference between projected and actual earnings on plan investments	-	713,917
Employer contributions subsequent to the measurement date	765,503	-
<i>Total</i>	<i>\$ 1,727,724</i>	<i>\$ 1,276,870</i>



12. DEFINED BENEFIT PLAN (continued)

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	
2019	\$ (93,401)
2020	48,655
2021	(216,094)
2022	(97,746)
2023	46,258
Thereafter	(2,321)

For the year ended September 30, 2018, the City recognized pension expense of \$ 932,426 as follows:

PENSION EXPENSE	
Service Cost	\$ 605,208
Interest on the total pension liability	2,422,801
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(4,646)
Expensed portion of current-period changes of assumptions	-
Member contributions	(377,436)
Projected earnings on plan investments	(1,624,747)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(211,911)
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	256,809
Recognition of beginning deferred inflows of resources as pension expense	(133,652)
<i>Pension Expense (Income)</i>	<u>\$ 932,426</u>



## 12. DEFINED BENEFIT PLAN (continued)

Membership	
Retired Members or their beneficiaries currently receiving benefits	80
Vested inactive members	4
Non-vested inactive members	7
Active members	169
Post-DROP retired members still in active service	-
<b>Total</b>	<b>260</b>

## 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.



### 13. POST-EMPLOYMENT BENEFITS (continued)

#### **Trust and Plan Description (continued)**

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.

#### *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 74 and 75 require that the City obtain actuarial valuation every two years. 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:

#### *Affordable Care Act*

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the future implementation of the excise tax on high-value health insurance plans (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government mandated benefits, and technological advances. Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

#### *Actuarial Cost Method*

The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement, disability or death.



### 13. POST-EMPLOYMENT BENEFITS (continued)

The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future investment rate of return. The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to current benefit recipients to obtain the present value of all expected benefits payable to the present group of members and survivors.

The employer contributions required to support the benefits of the Plan are determined following a level funding approach and consist of a normal contribution and an actuarial accrued liability contribution.

The actuarial accrued liability is determined using the "entry age normal" method. Under this method, the accrued liability is the difference between the present value of expected future benefits payable, as described above, and the present value of expected future normal cost, as described below.

The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made for OPEB benefits to determine the uniform and constant percentage rate of employer contribution. This contribution will be applied to the compensation of the average new member during the entire period of his anticipated covered service, ceasing when both the member and spouse are no longer members of the plan. This contribution would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.

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	0
Active Employees	147
<i>Total Membership</i>	<i>212</i>



### 13. POST-EMPLOYMENT BENEFITS (continued)

#### *Net OPEB Obligation*

Total OPEB Liability (TOL)	\$ 10,571,129
Fiduciary Net Position (FNP)	1,271,653
<u>Net OPEB Liability</u>	<u>\$ 9,299,476</u>
Ratio of FNP to TOL	12.03%

#### *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	3.57%
Measurement Date	4.18%
Year FNP is projected to be depleted	
Prior Measurement Date	2021
Measurement Date	2021
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	3.57%
Measurement Date	4.17%
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.

#### *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:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash and Cash Equivalents	<u>100%</u>



### 13. POST-EMPLOYMENT BENEFITS (continued)

#### *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.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 3.30% on Plan investments was applied to periods through 2021 and the Municipal Bond Index Rate at the Measurement Date (4.18%) was applied to periods on and after 2021, resulting in an SEIR at the Measurement Date (4.17%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 3.57% at the Prior Measurement Date to 4.17% at the Measurement Date.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

#### *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	\$ 7,939,827	\$ 9,299,476	\$ 10,921,777



### 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:

	Interest Rates		
	1% Decrease (3.17%)	Current Discount Rate (4.17%)	1% Increase (5.17%)
Net OPEB Liability	\$ 10,426,057	\$ 9,299,476	\$ 8,291,203

#### *Deferred Outflows and Inflows*

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB Expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of September 30, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (8,610)
Changes of assumptions or other inputs	-	(576,558)
Net difference between projected and actual earnings on plan investments	17,706	-
Total Deferrals	\$ 17,706	\$ (585,168)

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:



### 13. POST-EMPLOYMENT BENEFITS (continued)

Measurement Period Ended September 30,	
2019	\$ (81,250)
2020	\$ (81,250)
2021	\$ (81,250)
2022	\$ (81,248)
2023	\$ (85,676)
Thereafter	\$ (156,788)

#### *TOL Roll Forward*

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, 2018 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, 2018, is shown in the following table:



13. POST-EMPLOYMENT BENEFITS (continued)

*Changes in the Net OPEB Liability*

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of September 30, 2017	\$ 10,685,675	\$ 1,252,454	\$ 9,433,221
Changes for the year:			
Service Cost at end of the year *	449,805	-	449,805
Interest on TOL and Cash Flows	376,698	-	376,698
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(9,871)	-	(9,871)
Changes of assumptions or other inputs	(660,973)	-	(660,973)
Contributions - employer	-	270,205	(270,205)
Contributions - non-employer	-	-	-
Net investment income	-	19,199	(19,199)
Benefit payments	(270,205)	(270,205)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	(114,546)	19,199	(133,745)
Balance as of September 30, 2018	\$ 10,571,129	\$ 1,271,653	\$ 9,299,476

\* The service cost includes interest for the year.

*OPEB Expense*

The OPEB Expense (OE) consists of a number of different items. GASB 75 refers to the first item as Service Cost which is the Normal Cost using the Entry Age Normal actuarial funding method. The second item is interest on the TOL at 3.57%, the Discount Rate in effect as of the Prior Measurement Date.

The next three items refer to any changes that occurred in the TOL due to:

- benefit changes, or
- actual versus expected experience, or
- changes in assumptions or other inputs.





### 13. POST-EMPLOYMENT BENEFITS (continued)

Benefit changes, which are reflected immediately, will increase OE, if there is a benefit improvement for existing Plan members, or decrease OE, if there is a benefit reduction. For the year ended September 30, 2018, there were no benefit changes to be recognized.

The next item to be recognized is the portion of current year changes in TOL due to actual versus expected Plan experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership at the beginning of the measurement period. The average expected remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts (not less than 1 year). The recognition period is 7.83 years.

The last item under changes in TOL is changes in assumptions or other inputs. There was a change in the TOL arising from the change in the Discount Rate from 3.57% on the Prior Measurement Date to 4.17% on the Measurement Date. Therefore, the change in TOL resulting from the change in the Discount Rate is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 7.83 years, using the same approach applied to Plan experience as described in the prior paragraph.

Active member contributions for the year and projected earnings on FNP at the discount rate serve to reduce the expense. One-fifth of current-period difference between actual and projected earnings on the FNP is recognized in the OE.

The current-year portions of previously determined experience and assumption amounts recognized as Deferred Outflows of Resources and Deferred Inflows of Resources are included on the following page. Deferred Outflows of Resources are added to the OE while Deferred Inflows of Resources are subtracted from the OE. Finally, other miscellaneous items are included.



### 13. POST-EMPLOYMENT BENEFITS (continued)

The calculation of the investment gain or loss is shown in the following table:

Investment Earnings (Gain) Loss:

a) Expected asset return rate	3.30%
b) Beginning of year market value of assets	\$1,252,454
c) End of year market value of assets	1,271,653
d) Expected return on beginning assets for plan year	41,331
e) External cash flow (mid-year payments assumed):	
Contributions - employer	270,205
Contributions - active member	-
Refunds of contributions	-
Benefit payments	(270,205)
Administrative expenses	-
Other	-
Total external cash flow	-
f) Expected return on external cash flow	-
g) Projected earnings for plan year (d+f)	41,331
h) Net investment income (c-b-e)	19,199
i) Investment earnings (gain) loss (g-h)	<u>\$ 22,132</u>



### 13. POST-EMPLOYMENT BENEFITS (continued)

The calculation of the OPEB Expense for the year ended September 30, 2018 is shown in the following table:

OPEB Expense:

Service Cost at end of year *	\$ 449,805
Interest on the Total OPEB Liability and Cash Flow	376,698
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(1,261)
Expensed portion of current-period changes of assumptions or other inputs	(84,415)
Active member contributions	-
Projected earnings on plan investments	(41,331)
Expensed portion of current-period differences between actual and projected earnings on plan investments	4,426
Administrative Costs**	-
Other	-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	-
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	-
OPEB Expense	<u>\$ 703,922</u>

\* The service cost includes interest for the year.

\*\* Administrative costs are based on the fees paid from the plan's trust.



#### 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, 2018 was \$572,314.

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	Total
2019	\$ 36,865	\$ 20,970	\$ 57,835
2020	38,151	19,684	57,835
2021	39,687	18,148	57,835
2022	41,307	16,528	57,835
2023	42,904	14,931	57,835
	373,399	54,566	419,306
	<u>\$ 572,314</u>	<u>\$ 144,828</u>	<u>\$ 708,483</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, 2018 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 September	
2014	\$1,915,400
2015	\$1,911,444
2016	\$2,048,223
2017	\$2,104,480
2018	\$1,916,899

## 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 2018:

<b>Project Description, Abated</b>	<b>% of Taxes Abated</b>	<b>Amount of Taxes Abated</b>
Restaurant chain constructed a new facility	50%	\$ 70,975
Restaurant chain constructed a new facility	50%	4,921
Restaurant chain located in an existing building	50%	42,051
	<b>TOTAL</b>	<b>\$ 117,947</b>

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.



#### 16. TAX ABATEMENTS (continued)

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:

<b>Project Description, Abated</b>	<b>Millage Abated</b>	<b>Amount of Taxes Abated</b>
Automotive accessories manufacturing expansion	5.5	\$397,151
Incoming Call Center	5.5	1,905
Manufacturing - Shoals Research Airpark	5.5	14,207
Manufacturing - Shoals Research Airpark	5.5	46,660
	<b>TOTAL</b>	<b>\$459,923</b>

#### 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 27, 2018. There were no events which require disclosure.

## REQUIRED SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama  
Required Supplementary Information  
September 30, 2018

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2017
<b>TOTAL PENSION LIABILITY</b>	
Service Cost	\$ 605,208
Interest	2,422,801
Changes of benefit terms	-
Differences between expected and actual experience	(30,197)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,591,452)
Transfers among employers	(174,365)
<b><i>Net Change in total pension liability</i></b>	<b><i>1,231,995</i></b>
<b><i>Total pension liability - beginning</i></b>	<b><i>32,057,673</i></b>
<b><i>Total pension liability - ending (a)</i></b>	<b><i>\$ 33,289,668</i></b>
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - employer	\$ 814,786
Contributions - member	377,436
Net investment income	2,684,304
Benefit payments, including refunds of employee contributions	(1,591,452)
Transfer among employees	(174,365)
<b><i>Net Change in plan fiduciary net position</i></b>	<b><i>2,110,709</i></b>
<b><i>Plan net position - beginning</i></b>	<b><i>21,251,274</i></b>
<b><i>Plan net position - ending (b)</i></b>	<b><i>\$ 23,361,983</i></b>
Net pension liability (asset) - ending (a) - (b)	\$ 9,927,685
Plan fiduciary net position as a percentage of the total pension liability	70.18%
Covered employee payroll *	\$ 6,707,019
Net pension liability (asset) as a percentage of covered employee payroll	148.02%

\* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2018 the measurement period is October 1, 2016 - September 30, 2017. 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 are only four years compiled. Therefore, only four are shown here.





2016	2015	2014
\$ 570,188	\$ 552,760	\$ 545,427
2,319,060	2,236,690	2,141,482
-	-	-
(585,123)	(261,810)	-
1,399,593	-	-
(1,511,146)	(1,484,876)	(1,508,755)
121,278	-	-
<b>2,313,850</b>	<b>1,042,764</b>	<b>1,178,154</b>
<b>29,743,823</b>	<b>28,701,059</b>	<b>27,522,905</b>
<b>\$ 32,057,673</b>	<b>\$ 29,743,823</b>	<b>\$ 28,701,059</b>
\$ 848,920	\$ 753,105	\$ 742,144
379,502	361,847	353,105
1,971,680	230,487	2,131,301
(1,511,146)	(1,484,876)	(1,508,755)
121,278	(64,560)	(84,906)
<b>1,810,234</b>	<b>(203,997)</b>	<b>1,632,889</b>
<b>19,441,040</b>	<b>19,645,037</b>	<b>18,012,148</b>
<b>\$ 21,251,274</b>	<b>\$ 19,441,040</b>	<b>\$ 19,645,037</b>
\$ 10,806,399	\$ 10,302,783	\$ 9,056,022
66.29%	65.36%	68.45%
\$ 6,790,034	\$ 6,439,111	\$ 6,391,870
159.15%	160.00%	141.68%



### SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2018	2017	2016	2015
Actuarially determined	\$ 765,503	\$ 794,653	\$ 873,998	\$ 742,144
Contributions in relation to the actuarially determined	765,503	794,653	873,998	742,144
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll **	\$ 6,770,429	\$ 6,707,019	\$ 6,790,034	\$ 6,439,111
Contributions as a percentage of covered employee payroll	11.31%	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 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.4 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	80
Vested inactive members	4
Non-vested inactive members	7
Active members	169
Post-DROP retired members still in active service	-
<b>Total</b>	<b>260</b>

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 )
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	66.9%	6,948	150.8%
2017	3	22,669	32,792	10,123	69.1%	6,558	154.4%
2017	2,3	22,669	32,821	10,152	69.1%	6,558	154.8%

- 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, 2017 was \$ 23,361,983



NOTE TO SCHEDULE OF FUNDING PROGRESS

Required Employer Contribution Rates (Effective October 1, 2018)

	Retain Current Member Contribution Rates	Elect to Increase Member Contribution Rate Under Act 2011-676
<b>Tier 1 Employees</b> (applies to all members hired before January 1, 2013)		
Normal cost	3.19%	0.72%
Accrued liability	9.56%	9.59%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	0.35%	0.35%
<b>Total</b>	<b>13.12%</b>	<b>10.68%</b>
5% employer contribution factor (13.12% / 5%)	2.624000	
6% employer contribution factor (13.12% / 6%)	2.186666	
7.5% employer contribution factor (10.68% / 7.5%)		1.424000
8.5% employer contribution factor (10.68% / 8.5%)		1.256470
<b>Tier 2 Employees</b> (applies to all members hired on or after January 1, 2013)		
Normal cost	0.13%	
Accrued liability	9.56%	
Pre-retirement death benefit	0.02%	
Administrative expense	0.35%	
<b>Total</b>	<b>10.06%</b>	
6% employer contribution factor (10.06% / 6%)	1.676666	
7% employer contribution factor (10.06% / 7%)	1.437142	
Valuation date	9/30/2017	
Actuarial cost method	Entry Age	
Amortization method	Level percent closed	
Remaining amortization method	27.7 years	
Asset valuation method	5-year smoothed market	
Actuarial assumptions:		
Ultimate investment rate of return	7.75%	
Projected salary increases	3.25-5.00%	
(includes inflation at)	3.0000%	
Cost-of-living adjustments	None	

City of Muscle Shoals, Alabama  
Required Supplementary Information  
September 30, 2018

Collective Deferred Outflows and Inflows

		Between Expected and Actual Experience			
		2017	2016	2015	2014
Initial Balance of Losses/Deferred Outflows		\$ -	\$ -	\$ -	\$-
Initial Balance of Gains/Deferred Inflows		\$ 30,197	\$585,123	\$261,810	\$-
Amortization Period		6.5	6.4	6.2	-
<b>Beginning Balance:</b>					
Deferred Outflows	A	\$ -	\$ -	\$ -	\$-
Deferred Inflows	B	\$ -	\$493,698	\$177,356	\$-
Losses/Deferred Outflows	C	\$ -	\$ -	\$ -	\$-
Gains/Deferred Inflows	D	\$ 30,197	\$ -	\$ -	\$-
Amounts Recognized in Pension Expense/Deferred Outflow	E	\$ -	\$ -	\$ -	\$-
Amounts Recognized in Pension Expense/Deferred Inflow	F	\$ 4,646	\$ 91,425	\$ 42,227	\$-
<b>Ending Balance:</b>					
Deferred Outflows	A+C-E	\$ -	\$ -	\$ -	\$-
Deferred Inflows	B+D-F	\$ 25,551	\$402,273	\$135,129	\$-
Net difference between projected and actual earnings in investments					
Deferred Outflows		\$ -			
Deferred Inflows		\$562,953			

Summary of Amortization of Deferred Outflows and Inflows of Resources:

Amortization	Actual and Expected Difference			Assumption Changes
	2015	2016	2017	2016
2019	\$ (42,227)	\$ (91,425)	\$ (4,646)	\$ 218,686
2020	(42,227)	(91,425)	(4,646)	218,686
2021	(42,227)	(91,425)	(4,646)	218,686
2022	(8,448)	(91,425)	(4,646)	218,686
2023	-	(36,573)	(4,646)	87,477
Thereafter	-	-	(2,321)	-
Total	\$ (135,129)	\$ (402,273)	\$ (25,551)	\$ 962,221



For Differences from Assumption Changes				For Differences in Investment Experience			
2017	2016	2015	2014	2017	2016	2015	2014
\$ -	\$1,399,593	\$-	\$-	\$ -	\$ -	\$1,323,737	\$ -
\$ -	\$ -	\$-	\$-	\$1,059,557	\$422,855	\$ -	\$710,266
6.5	6.4	6.2	-	5.0	5.0	5.0	5.0
\$ -	\$1,180,907	\$-	\$-	\$ -	\$ -	\$ 794,243	\$ -
\$ -	\$ -	\$-	\$-	\$ -	\$338,284	\$ -	\$284,107
\$ -	\$ -	\$-	\$-	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$-	\$-	\$1,059,557	\$ -	\$ -	\$ -
\$ -	\$ 218,686	\$-	\$-	\$ -	\$ -	\$ 264,747	\$ -
\$ -	\$ -	\$-	\$-	\$ 211,911	\$ 84,571	\$ -	\$142,053
\$ -	\$ 962,221	\$-	\$-	\$ -	\$ -	\$ 529,496	\$ -
\$ -	\$ -	\$-	\$-	\$ 847,646	\$253,713	\$ -	\$142,054
\$962,221				\$ -			
\$ -				\$ 713,917			

Investment Gains/Losses				
2014	2015	2016	2017	Total
\$ (142,054)	\$ 264,747	\$ (84,571)	\$ (211,911)	\$ (93,401)
-	264,749	(84,571)	(211,911)	\$ 48,655
-	-	(84,571)	(211,911)	\$ (216,094)
-	-	-	(211,913)	\$ (97,746)
-	-	-	-	\$ 46,258
-	-	-	-	\$ (2,321)
\$ (142,054)	\$ 529,496	\$ (253,713)	\$ (847,646)	\$ (314,649)



**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, 2018:



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

#### *Actuarially Determined Contribution (ADC)*

The following is the ADC based upon an actuarial valuation dated September 30, 2017. 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.

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		
Fiscal Year Ending September 30	2018	2017
<b>Total OPEB Liability</b>		
Service Cost at end of year	\$ 449,905	\$ 495,489
Interest on the Total OPEB Liability	376,698	317,461
Changes of benefit terms	-	-
Difference between expected and actual experience	(9,871)	-
Changes of assumptions or other inputs	(660,973)	(740,397)
Benefit payments*	(270,205)	(443,468)
<b>Net change in Total OPEB Liability</b>	<b>(114,446)</b>	<b>(370,915)</b>
<b>Total OPEB Liability – beginning</b>	<b>\$ 10,685,675</b>	<b>\$ 11,056,590</b>
<b>Total OPEB Liability – ending (a)</b>	<b>\$ 10,571,129</b>	<b>\$ 10,685,675</b>
<b>Plan Fiduciary Net Position</b>		
Contributions – employer**	\$270,205	\$443,468
Contributions – non-employer	-	-
Contributions – active member	-	-
Net investment income	19,199	9,888
Benefit payments*	(270,205)	(443,468)
Administrative expense	-	-
Other	-	-
<b>Net change in Plan Fiduciary Net Position</b>	<b>\$ 19,199</b>	<b>\$ 9,888</b>
<b>Plan Fiduciary Net Position – beginning</b>	<b>\$ 1,252,454</b>	<b>\$ 1,242,566</b>
<b>Plan Fiduciary Net Position – ending (b)</b>	<b>\$ 1,271,653</b>	<b>\$ 1,252,454</b>
<b>Net OPEB Liability – ending (a) – (b)</b>	<b>\$ 9,299,476</b>	<b>\$ 9,433,221</b>

\*Benefit payments are net of participant contributions. Net benefit payments paid outside the trust are also included.

\*\*Employer contributions include benefit payments paid outside the trust.

Only two years are 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**

Fiscal Year Ending September 30	2018	2017	2016
Total OPEB Liability	\$ 10,571,129	\$ 10,685,675	\$ 11,056,590
Plan Fiduciary Net Position	<u>1,271,653</u>	<u>1,252,454</u>	<u>1,242,566</u>
Net OPEB Liability	\$ 9,299,476	\$ 9,433,221	\$ 9,814,024
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	12.03%	11.72%	11.24%
Covered Payroll*	\$ 6,569,295	\$ 6,569,295	\$ 6,569,295
Net OPEB Liability as a percentage of covered payroll	<u>141.56%</u>	<u>143.60%</u>	<u>149.39%</u>

\*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**

Fiscal Year Ending September 30	2018	2017	2016
Actuarially Determined Contribution	\$ 926,455	\$ 388,749	\$ 388,749
Contributions in relation to the Actuarially Determined Contribution	<u>270,205</u>	<u>443,468</u>	<u>345,293</u>
Annual contribution deficiency (excess)	<u>\$ 656,250</u>	<u>\$ (54,719)</u>	<u>\$ 43,456</u>
Covered payroll*	\$ 6,569,295	\$ 6,569,295	\$ 6,569,295
Actual contributions as a percentage of covered payroll	4.11%	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, 2018. GASB 75 relates to accounting disclosures for contributing employers and, as such, replaces GASB 45 beginning with fiscal years ending June 30, 2017. 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.

#### **Annual Required Contribution**

	<u>Rate as % of Compensation</u>	<u>Annual Amount</u>
Normal Cost	6.77%	\$ 444,542
Accrued Liability	7.34%	481,913
Total	<u>14.11%</u>	<u>\$ 926,455</u>



## 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	2,349,544
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>

### 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.

### Trend Information

Actuarial Valuation Date	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
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 (continued)  
 For the Year Ended September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE- BEGINNING	\$ 8,654,682	\$ 8,654,682	\$ 8,654,682	\$ -
RESOURCES (INFLOWS):				
Local taxes	16,728,730	16,776,317	17,469,182	692,865
License, permits and fees	1,416,900	1,418,700	1,460,253	41,553
Charges for service	1,084,500	1,082,700	1,112,469	29,769
Joint Ventures	330,000	369,000	363,620	(5,380)
Intergovernmental revenue	67,700	147,980	3,570,934	3,422,954
Park and recreation	1,106,500	1,106,500	969,179	(137,321)
Investment earnings	40,000	40,000	59,277	19,277
Miscellaneous	156,984	171,570	187,804	16,234
<i>Total resources (inflows)</i>	<u>20,931,314</u>	<u>21,112,767</u>	<u>25,192,718</u>	<u>4,079,951</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>29,585,996</u>	<u>29,767,449</u>	<u>33,847,400</u>	<u>4,079,951</u>
EXPENDITURES				
Current:				
General government	3,463,090	3,497,672	3,160,500	337,172
Public Safety	6,119,759	6,180,659	5,954,291	226,368
Public Works	2,333,584	2,309,484	2,333,374	(23,890)
Health and sanitation	1,669,662	1,696,262	1,597,599	98,663
Culture and recreation	2,560,505	2,583,531	2,465,522	118,009
Education	1,303,000	1,303,000	1,313,229	(10,229)
Miscellaneous	459,795	462,295	423,689	38,606
Debt Service:				
Principal	35,713	35,713	37,684	(1,971)
Interest and other charges	22,122	22,122	20,151	1,971
Capital Outlay	-	-	3,484,832	(3,484,832)
<i>Total Expenditures</i>	<u>17,967,230</u>	<u>18,090,738</u>	<u>20,790,871</u>	<u>(2,700,133)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	280,000	268,000	235,042	(32,958)
Transfers out	(3,240,605)	(3,286,750)	(3,298,280)	(11,530)
Total other financing sources and uses	<u>(2,960,605)</u>	<u>(3,018,750)</u>	<u>(3,063,238)</u>	<u>(44,488)</u>
TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)	<u>20,927,835</u>	<u>21,109,488</u>	<u>23,854,109</u>	<u>(2,744,621)</u>
<b>BUDGETARY FUND BALANCE- ENDING</b>	<u><b>\$ 8,658,161</b></u>	<u><b>\$ 8,657,961</b></u>	<u><b>\$ 9,993,291</b></u>	<u><b>\$ 1,335,330</b></u>

City of Muscle Shoals, Alabama  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2018



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 that 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 budget 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	\$ 33,847,400
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>(8,654,682)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 25,192,718</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 20,790,871</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 20,790,871</u>

## SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Local Taxes</b>				
Ad Valorem - Real Property	\$ 870,000	\$ 943,587	\$ 943,800	\$ 213
Ad Valorem - Personal Property	200,000	200,000	202,586	2,586
Sales Tax	12,678,000	12,678,000	13,259,261	581,261
Alcohol Beverage Tax	205,000	205,000	258,332	53,332
Tangible Personal Property Rentals	192,000	166,000	172,866	6,866
Lodging Tax	65,730	65,730	82,755	17,025
Tax Equivalent (Electric Board)	880,000	880,000	871,538	(8,462)
Gasoline (Local)	642,000	642,000	608,944	(33,056)
Tobacco Tax	124,000	124,000	124,477	477
TVA In Lieu Of Taxes	640,000	640,000	650,201	10,201
State Auto License	8,000	8,000	7,454	(546)
ABC Board	44,000	44,000	44,159	159
Financial Inst. Tax	180,000	180,000	242,809	62,809
	<u>16,728,730</u>	<u>16,776,317</u>	<u>17,469,182</u>	<u>692,865</u>
<b>License, Permits and Fees</b>				
Business License (City)	1,335,000	1,335,000	1,348,165	13,165
Building Permits	80,000	80,000	108,156	28,156
Mechanical Permits	1,900	3,700	3,932	232
	<u>1,416,900</u>	<u>1,418,700</u>	<u>1,460,253</u>	<u>41,553</u>
<b>Intergovernmental Revenues</b>				
Bulletproof Vest Grant	2,300	2,300	-	(2,300)
U.S. Department Of Justice Grant	63,000	63,000	45,333	(17,667)
NACOLG Traffic Grant	2,400	2,400	12,425	10,025
ALDOT Grant	-	-	3,432,896	3,432,896
ALDOT Grant E. Avalon Avenue	-	56,280	56,280	-
ADECA Grant	-	24,000	24,000	-
	<u>67,700</u>	<u>147,980</u>	<u>3,570,934</u>	<u>3,422,954</u>

(continued)



City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund (cont'd)  
 At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES (continued)</b>				
<b>Charges for Services</b>				
Street Cutting	6,000	6,000	3,800	(2,200)
Gas Inspection Fees	2,100	2,100	1,833	(267)
Electric Inspection Fees	8,000	6,200	7,262	1,062
Plumbing Inspection Fees	5,200	5,200	6,378	1,178
Flood Hazard Improvement Fees	500	500	-	(500)
Stormwater Permits	300	300	-	(300)
Photo Copy Service	4,300	4,300	13,876	9,576
Fire Protection	2,500	2,500	(3,500)	(6,000)
Garbage Fees	1,022,000	1,022,000	1,033,993	11,993
Fire Training Center	30,000	30,000	45,227	15,227
Radio Operator Service	3,600	3,600	3,600	-
	<u>1,084,500</u>	<u>1,082,700</u>	<u>1,112,469</u>	<u>29,769</u>
<b>Joint Ventures</b>				
North Ala. Gas District	330,000	369,000	363,620	(5,380)
	<u>330,000</u>	<u>369,000</u>	<u>363,620</u>	<u>(5,380)</u>
<b>Park and Recreation</b>				
Cypress Lakes Facility Revenues				
Dues	286,000	286,000	238,963	(47,037)
Golf Concessions	64,000	64,000	59,272	(4,728)
Tennis Lessons	500	500	-	(500)
Room Rentals	8,000	8,000	675	(7,325)
Miscellaneous	5,000	5,000	2,868	(2,132)
Range Tokens	18,000	18,000	13,909	(4,091)
Cart Rentals	135,000	135,000	120,339	(14,661)
Greens Fees	200,000	200,000	204,948	4,948
Merchandise	60,000	60,000	50,397	(9,603)
Golf Club Rental	500	500	80	(420)
Tennis Guest Fees	2,000	2,000	3,328	1,328
Tennis Passes	7,500	7,500	8,840	1,340
Tip Revenue	2,000	2,000	1,811	(189)
Golf Tournament Revenues	-	-	8	8

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES (continued)</b>				
<b><i>Park and Recreation</i></b>				
Other Recreation Revenues				
Gattman Splashpad Concessions	10,000	10,000	7,891	(2,109)
Batting Cage Revenue	3,000	3,000	2,156	(844)
Football	10,000	10,050	5,210	(4,840)
Flag Football Revenue	6,000	6,140	7,030	890
Airport Concessions	30,000	30,000	30,766	766
Webster Concessions	25,000	25,000	5,402	(19,598)
Karate	8,000	8,035	6,170	(1,865)
Pool Receipts	20,000	20,000	16,296	(3,704)
Pool Concessions	1,000	1,000	1,379	379
Youth Basketball Registration	55,000	55,000	54,100	(900)
Youth Soccer Registration	15,000	15,000	14,625	(375)
Youth Baseball Registration	7,500	7,750	5,990	(1,760)
Girls Softball Registration	15,000	14,620	13,500	(1,120)
Special Events Revenue	7,500	7,405	7,115	(290)
Adult Softball	15,000	15,000	21,186	6,186
Volleyball	1,000	1,000	760	(240)
Facilities Rental	30,000	30,000	34,174	4,174
Vending And Game Machines	1,500	1,500	873	(627)
Miscellaneous Revenues	2,500	2,500	107	(2,393)
Sportsplex Concessions	35,000	35,000	12,502	(22,498)
Tournament Revenues	20,000	20,000	16,509	(3,491)
<i>Total Park and Recreation Revenues</i>	<i>1,106,500</i>	<i>1,106,500</i>	<i>969,179</i>	<i>(137,321)</i>
<b>Investment Earnings</b>	<b>40,000</b>	<b>40,000</b>	<b>59,277</b>	<b>19,277</b>
<b>Library Revenues</b>				
State Aid	16,391	16,391	16,361	(30)
County Appropriation	2,500	2,500	2,500	-
Fines	14,000	14,000	12,809	(1,191)
Miscellaneous Library Revenues	11,300	11,300	11,468	168
	<i>44,191</i>	<i>44,191</i>	<i>43,138</i>	<i>(1,053)</i>

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES (continued)</b>				
<b>Other Revenues</b>				
Lease Payments	16,993	16,993	19,129	2,136
Insurance Refund	-	-	-	-
Sale Of Street Material	15,000	5,000	1,462	(3,538)
SIDC Grant	-	22,400	22,400	-
Sale Of City Eqpt	-	15,600	20,147	4,547
Sale Of Real Estate	-	-	500	500
Muscle Shoals Utilities Board	68,000	39,500	39,572	72
Cash Short/Over-Cypress Lakes	-	600	868	268
Misc. Revenue	5,000	1,300	9,602	8,302
Transf From Area Agency On Aging	7,800	7,800	7,800	-
Colbert County Commission	-	18,186	18,186	-
Christmas Parade	-	-	5,000	5,000
	<u>112,793</u>	<u>127,379</u>	<u>144,666</u>	<u>17,287</u>
<i>Total Revenues</i>	<u>\$ 20,931,314</u>	<u>\$ 21,112,767</u>	<u>\$ 25,192,718</u>	<u>\$ 4,079,951</u>

(continued)

## City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Mayor And City Council</b>				
Salaries - Regular	\$ 112,471	\$ 112,471	\$ 112,394	\$ 77
Retirement	8,294	8,294	8,291	3
Employee's Insurance	12,596	12,596	12,212	384
Workmen's Compensation	221	221	284	(63)
Consultant Services	1,850	1,850	1,815	35
Gas, Oil	3,000	3,000	1,755	1,245
Miscellaneous	3,800	3,800	2,138	1,662
Vehicle Repair	800	800	646	154
Advertising	27,000	27,000	18,901	8,099
Travel	38,000	48,000	46,977	1,023
Meals	500	500	-	500
Insurance - General	21,057	21,057	21,057	-
Dues	16,600	16,600	16,252	348
Total	246,189	256,189	242,722	13,467
<b>City Clerk</b>				
Salaries - Regular	547,261	535,935	483,305	52,630
Retirement	58,279	58,279	55,454	2,825
Employee's Insurance	136,536	136,536	118,677	17,859
Workmen's Compensation	4,579	4,579	1,595	2,984
Vacation Sold	13,000	13,000	11,152	1,848
Auditing Services	38,000	40,440	40,440	-
Consultant Services	44,000	44,000	37,010	6,990
Janitorial	7,800	7,800	3,375	4,425
Data Processing	42,950	47,676	48,156	(480)
Office Supplies	3,200	3,200	2,180	1,020
Gas, Oil	3,000	3,000	2,912	88
Tobacco Stamps	12,000	12,000	10,418	1,582
Miscellaneous	3,000	3,000	3,219	(219)
Buildings And Grounds	68,350	68,350	57,533	10,817
Vehicle Repair	4,000	1,560	969	591

(continued)

## City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b><i>City Clerk</i></b>				
Postage	11,500	11,500	11,687	(187)
Advertising	500	450	137	313
Recording Fees	100	100	30	70
Travel	10,200	10,200	9,866	334
Drug/Alcohol Testing	5,800	5,800	6,310	(510)
Meals	300	300	110	190
Employee Education And Training	5,000	5,000	4,009	991
Insurance - General	8,814	8,864	8,864	-
Photo Copy Exp	3,600	3,600	3,570	30
Printing, Books, Subscriptions	6,000	6,000	5,924	76
Dues	2,400	2,400	2,368	32
Elections	-	9,000	6,914	2,086
Municipal Code	2,800	2,800	799	2,001
Trustee Fees	7,600	7,600	6,385	1,215
Total	1,050,569	1,052,969	943,368	109,601
<b>Civil Service Board</b>				
Salaries - Regular	17,000	17,000	18,000	(1,000)
Legal Services	3,000	3,000	1,416	1,584
Meals	500	500	191	309
Total	20,500	20,500	19,607	893
<b>Legal Services</b>				
Salaries - City Attorney	6,000	6,000	6,000	-
Legal Services	32,000	32,000	21,300	10,700
Total	38,000	38,000	27,300	10,700
<b>City Buildings</b>				
Workmen's Compensation	8,450	8,450	(4,343)	12,793
Lawn Maintenance	21,400	21,400	19,404	1,996
Buildings And Grounds	12,000	12,000	12,907	(907)
Utilities	180,000	180,000	149,992	30,008

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>City Buildings (continued)</b>				
Early Warning System	4,600	4,600	4,307	293
Insurance - General	43,594	43,594	43,594	-
Total	270,044	270,044	225,861	44,183
<b>Communications</b>				
Paging Services	2,000	2,000	390	1,610
Telephone	58,000	58,000	56,439	1,561
Radio	18,000	18,000	14,251	3,749
Total	78,000	78,000	71,080	6,920
<b>Payroll Tax Expense</b>				
FICA	605,576	606,137	573,512	32,625
Unemployment Insurance	15,000	1,000	(14,040)	15,040
Total	620,576	607,137	559,472	47,665
<b>Police Dept.</b>				
Holiday Pay	71,636	71,636	71,555	81
Salaries - Regular	1,975,132	1,944,132	1,916,219	27,913
Salaries - Overtime	126,504	146,504	153,864	(7,360)
Retirement	225,458	225,458	233,313	(7,855)
Employee's Insurance	614,866	614,866	577,056	37,810
Workmen's Compensation	76,483	76,483	63,633	12,850
Vacation Sold	79,596	79,596	70,298	9,298
Janitorial	20,000	20,000	20,861	(861)
Data Processing	75,070	94,070	96,188	(2,118)
Office Supplies	13,000	14,000	13,248	752
Gas, Oil	78,200	78,200	75,643	2,557
Miscellaneous	10,500	13,000	13,219	(219)
Canine Expense	6,000	6,000	4,685	1,315
D.A.R.E. Program	4,000	4,000	3,961	39
Jail Expense	13,500	14,500	14,512	(12)
Buildings And Grounds	32,600	29,600	27,065	2,535

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b><i>Police Dept.</i></b>				
Vehicle Repair	40,600	49,600	45,658	3,942
Public Safety Equipment	50,000	92,400	89,702	2,698
Travel	19,477	11,477	13,028	(1,551)
Meals	300	300	-	300
Employee Education And Training	37,500	29,500	28,096	1,404
Insurance - General	57,205	67,205	67,205	-
Uniforms	53,500	59,500	57,600	1,900
Photo Copy Exp	5,500	5,500	5,217	283
Printing, Books, Subscriptions	4,373	5,373	4,948	425
Dues	2,200	2,200	1,131	1,069
Informer Information	500	500	-	500
Care of Prisoners	22,500	21,500	21,759	(259)
Police Tactical Team	17,700	17,700	16,327	1,373
Training Facility	4,800	4,800	3,362	1,438
Colbert Drug Task Force	10,000	10,000	10,000	-
Salary & Benefit Reimbursement-	(77,825)	(77,825)	(79,615)	1,790
Total	3,670,875	3,731,775	3,639,738	92,037
<b>Municipal Court</b>				
Salaries - Regular	84,291	84,291	81,244	3,047
Retirement	9,921	9,921	9,526	395
Employee's Insurance	33,451	33,451	33,241	210
Workmen's Compensation	171	171	79	92
Vacation Sold	2,600	4,100	4,122	(22)
Municipal Judge	12,781	12,781	12,994	(213)
Data Processing	6,900	8,286	7,607	679
Office Supplies	3,000	3,000	1,448	1,552
Miscellaneous	900	900	644	256
Municipal Prosecutor	6,600	6,600	6,600	-
Printing, Books, Subscriptions	2,650	2,650	2,134	516
Dues	200	200	-	200
Total	163,465	166,351	159,639	6,712

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Fire Dept.</b>				
Holiday Pay	55,109	55,109	54,270	839
Salaries - Regular	1,402,093	1,402,093	1,376,378	25,715
Salaries - Overtime	75,000	75,000	48,788	26,212
Retirement	169,255	169,255	164,554	4,701
Employee's Insurance	408,473	408,473	379,370	29,103
Workmen's Compensation	56,084	56,084	41,772	14,312
Vacation Sold	39,702	29,702	29,971	(269)
Janitorial	3,000	3,000	2,521	479
Data Processing	15,000	25,000	22,171	2,829
Chemicals	3,000	3,000	2,860	140
Office Supplies	1,000	2,000	1,575	425
Gas, Oil	22,800	22,800	19,093	3,707
Medical Supplies	2,000	2,000	1,700	300
Small Tools	2,500	2,500	1,570	930
Miscellaneous	9,500	9,500	7,184	2,316
Fire Prevention Program	2,500	3,700	2,897	803
Buildings And Grounds	22,000	25,200	18,729	6,471
Vehicle Repair	27,000	30,500	26,674	3,826
Tire Repair	5,000	5,600	5,413	187
Machine & Equipment Repair	6,000	10,100	10,146	(46)
Public Safety Equipment	10,000	5,700	4,422	1,278
Travel	6,500	5,500	5,308	192
Employee Education And Training	23,800	27,800	27,423	377
Insurance - General	26,768	26,768	26,768	-
Uniforms	25,000	25,000	25,089	(89)
Printing, Books, Subscriptions	3,000	2,000	1,530	470
Dues	1,800	1,800	1,330	470
Training Facility	25,000	13,700	5,044	8,656
Total	2,448,884	2,448,884	2,314,550	134,334

(continued)



City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Street Dept.</b>				
Salaries - Regular	742,327	718,377	704,075	14,302
Salaries - Overtime	10,000	10,000	5,930	4,070
Retirement	82,821	82,821	81,887	934
Employee's Insurance	252,259	252,259	260,367	(8,108)
Workmen's Compensation	50,999	58,999	56,855	2,144
Vacation Sold	23,102	23,102	21,104	1,998
Data Processing	3,500	4,700	4,862	(162)
Chemicals	8,000	8,750	8,765	(15)
Office Supplies	1,000	1,000	766	234
Gas, Oil	45,000	39,000	34,657	4,343
Road Building	24,000	24,000	9,783	14,217
Street Materials Sold	15,000	15,000	2,843	12,157
Medical Supplies	200	200	49	151
Small Tools	10,000	10,000	9,152	848
Street Markers	15,000	15,000	16,845	(1,845)
Miscellaneous	2,000	2,000	975	1,025
Safety Supplies	7,500	7,500	3,945	3,555
Buildings And Grounds	15,000	6,000	9,717	(3,717)
Vehicle Repair	14,000	18,900	18,651	249
Tire Repair	14,000	14,000	11,168	2,832
Machine & Equipment Repair	10,000	10,000	10,792	(792)
Storm Drainage	68,000	68,000	73,162	(5,162)
Travel	1,000	1,000	668	332
Meals	750	750	-	750
Employee Education And Training	750	750	574	176
Insurance - General	41,602	41,602	41,602	-
Uniforms	5,500	5,500	3,684	1,816
Photo Copy Exp	300	300	210	90
Tree Services	8,000	8,000	-	8,000
Pedestrian Overpass	6,900	6,900	4,620	2,280
Sidewalk Repair	2,500	2,500	2,471	29
Capital Outlay	-	-	3,432,896	(3,432,896)
Total	1,481,010	1,456,910	4,833,075	(3,376,165)

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>City Engineer</b>				
Engineering Services	232,600	265,135	260,218	4,917
Total	232,600	265,135	312,154	(47,019)
<b>Storm Drainage</b>				
Salaries - Regular	177,278	177,278	200,114	(22,836)
Salaries - Overtime	8,000	8,000	6,522	1,478
Retirement	12,276	12,276	19,704	(7,428)
Employee's Insurance	26,341	26,341	33,363	(7,022)
Workmen's Compensation	5,716	5,716	3,483	2,233
Vacation Sold	6,000	4,000	4,010	(10)
Janitorial	2,000	2,000	1,901	99
Data Processing	1,100	1,100	1,278	(178)
Chemicals	40,750	31,750	29,690	2,060
Gas, Oil	14,300	11,800	12,915	(1,115)
Small Tools	7,100	7,100	5,868	1,232
Miscellaneous	2,500	2,500	3,307	(807)
Vehicle Repair	5,750	5,750	4,580	1,170
Tire Repair	4,200	3,700	3,548	152
Machine & Equipment Repair	14,550	14,550	16,823	(2,273)
Retention Ponds	41,000	55,000	50,227	4,773
Utilities	36,000	36,000	38,344	(2,344)
Program/Review Fees	1,400	1,400	2,860	(1,460)
Travel	2,000	2,000	1,163	837
Meals	200	200	-	200
Employee Education And Training	850	850	349	501
Insurance - General	9,513	9,513	9,537	(24)
Levee Maintenance	7,000	7,000	7,000	-
Uniforms	1,750	1,750	1,672	78
Total	427,574	427,574	458,258	(30,684)
<b>Street Lighting</b>				
Utilities	425,000	425,000	474,936	(49,936)
Total	425,000	425,000	474,936	(49,936)

(continued)

## City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Sanitation</b>				
Salaries - Regular	840,192	840,192	797,726	42,466
Salaries - Overtime	10,000	10,000	6,304	3,696
Retirement	89,833	89,833	86,220	3,613
Employee's Insurance	295,615	295,615	263,648	31,967
Workmen's Compensation	72,216	64,216	50,845	13,371
Vacation Sold	12,000	14,125	14,474	(349)
Landfill Services	185,000	180,000	182,040	(2,040)
Chemicals	8,000	8,750	9,465	(715)
Office Supplies	1,000	1,000	960	40
Gas, Oil	45,000	50,500	49,944	556
Medical Supplies	200	200	24	176
Small Tools	1,500	1,500	438	1,062
Miscellaneous	1,200	1,200	873	327
Safety Supplies	5,000	5,000	4,323	677
Vehicle Repair	14,000	39,000	37,985	1,015
Tire Repair	12,000	12,000	9,229	2,771
Machine & Equipment Repair	14,000	14,000	15,913	(1,913)
Travel	750	750	-	750
Employee Education And Training	250	250	-	250
Insurance - General	22,681	22,681	22,681	-
Uniforms	6,000	6,000	5,469	531
Photo Copy Exp	600	600	210	390
Printing, Books, Subscriptions	2,400	2,400	2,400	-
Dues	225	225	212	13
Total	1,669,662	1,696,262	1,597,599	98,663
<b>Contractual Obligations</b>				
Colbert Animal Shelter	83,400	83,400	83,400	-
Colbert County Emergency Mgmt	11,832	11,832	11,832	-
M.S Airport Authority	9,375	9,375	9,375	-
Incentive Rebate	76,400	76,400	73,538	2,862
Hazard Mat. Team	2,500	2,500	2,500	-
Total	183,507	183,507	180,645	2,862

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Appropriations</b>				
Riverbend Mental Health	9,000	9,000	9,000	-
Colbert Health Dept	7,000	7,000	7,000	-
Easter Seals Rehabilitation Center	7,000	7,000	7,000	-
Safeplace, Inc.	2,000	2,000	2,000	-
Colbert County Attention Home	1,000	1,000	1,000	-
Meals On Wheels	3,000	3,000	3,000	-
Hope Haven School	2,500	2,500	2,500	-
Colbert County Tourism Board	26,910	26,910	32,491	(5,581)
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 Legislature	500	500	500	-
Colbert County DHR	1,000	1,000	1,000	-
Appropriations - Children's Hospit	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	-
Muscle Shoals Music Foundation	-	2,500	2,500	-
Total	85,960	88,460	91,991	(3,531)

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Recreation - Administration Division</b>				
Salaries Part Time	177,450	167,450	167,518	(68)
Salaries - Regular	504,369	489,369	460,100	29,269
Salaries - Overtime	2,000	1,000	-	1,000
Retirement	58,985	58,985	58,357	628
Employee's Insurance	135,439	135,439	125,896	9,543
Workmen's Compensation	20,546	20,546	12,579	7,967
Vacation Sold	22,015	21,015	15,246	5,769
Janitorial	4,000	5,000	5,536	(536)
Data Processing	3,000	3,000	2,972	28
Office Supplies	3,000	3,000	1,701	1,299
Medical Supplies	250	250	-	250
Miscellaneous	1,000	2,000	3,826	(1,826)
Buildings And Grounds	20,000	20,000	15,806	4,194
Vehicle Repair	-	-	26	(26)
Machine & Equipment Repair	1,500	1,500	395	1,105
Utilities	150,000	150,000	152,046	(2,046)
Advertising	1,000	1,000	41	959
Travel	2,500	2,500	310	2,190
Meals	750	750	248	502
Employee Education And Training	1,000	1,000	205	795
Insurance - General	16,840	16,840	16,840	-
Photo Copy Exp	2,000	3,000	3,593	(593)
Printing, Books, Subscriptions	1,500	1,500	757	743
Dues	1,500	1,500	832	668
Transaction Fees	2,500	2,500	1,563	937
Special Events	5,000	4,000	2,526	1,474
Vending Machines	-	-	-	-
Adaptive Program	5,000	5,000	3,294	1,706
Capital Outlay	-	-	-	-
Total	1,143,144	1,118,144	1,052,213	65,931

(continued)

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Recreation - Maint. &amp; Grounds Division</b>				
Chemicals	6,000	6,000	8,609	(2,609)
Gas, Oil	20,000	20,000	15,251	4,749
Medical Supplies	250	250	-	250
Small Tools	2,000	2,000	2,596	(596)
Buildings And Grounds	25,000	25,000	17,753	7,247
Vehicle Repair	10,000	10,000	8,791	1,209
Machine & Equipment Repair	9,000	9,000	8,371	629
Uniforms	4,000	4,000	4,333	(333)
Total	76,250	76,250	65,704	10,546
<b>Recreation - Swimming / Tennis Facilities</b>				
Salaries Part Time	14,000	14,000	18,046	(4,046)
Chemicals	3,000	3,000	2,912	88
Buildings And	15,000	15,000	3,517	11,483
Pool Concession	500	500	1,046	(546)
Tournament Expenses	500	500	23	477
	33,000	33,000	25,544	7,456
<b>Recreation - Athletic Division</b>				
Buildings And Grounds	75,000	115,000	106,759	8,241
Retirement	-	-	-	-
Batting Cages	1,000	1,000	220	780
Splashpad Concessions	4,000	4,000	4,982	(982)
Football	15,000	15,000	7,573	7,427
Football Referees	2,500	2,500	-	2,500
Splashpad Expenses	5,000	5,000	2,357	2,643
Special Events	10,000	10,000	7,539	2,461
Youth Baseball Supplies	20,000	20,000	14,830	5,170
Baseball Umpires	20,000	20,000	16,120	3,880
Youth Basketball Supplies	10,000	10,000	7,476	2,524
Basketball Officials	13,000	13,000	8,980	4,020
Youth Soccer Supplies	3,500	3,500	3,241	259
Soccer Officials	2,000	2,000	2,550	(550)
(continued)				

City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Recreation - Athletic Division</b>				
Girls Softball Supplies	7,500	7,500	6,852	648
Softball Umpires	2,500	2,500	4,111	(1,611)
Volleyball	1,000	1,000	348	652
Gattman Concessions	35,000	35,000	38,639	(3,639)
Sportsplex Concessions	20,000	20,000	9,411	10,589
Tournament Expenses	10,000	10,000	4,428	5,572
Karate	7,000	7,000	4,398	2,602
Webster Concessions	15,000	15,000	4,757	10,243
Airport Concessions	20,000	20,000	15,942	4,058
Flag Football Supplies	5,000	5,000	4,797	203
Flag Football Officials	5,000	5,000	3,097	1,903
Total	309,000	349,000	279,407	69,593
<b>Golf Course Operations</b>				
Salaries Part Time	207,555	214,883	202,952	11,931
Salaries - Regular	214,708	214,708	219,846	(5,138)
Retirement	22,806	23,504	26,038	(2,534)
Employee's Insurance	67,672	67,672	57,182	10,490
Workmen's Compensation	6,993	6,993	5,738	1,255
Vacation Sold	3,635	4,585	4,583	2
Consultant Services	2,500	-	-	-
Janitorial	5,700	5,700	7,075	(1,375)
Data Processing	7,600	7,600	8,385	(785)
Chemicals	85,000	71,000	67,868	3,132
Office Supplies	1,200	2,000	1,958	42
Gas & Oil	13,000	13,000	17,457	(4,457)
Small Tools	1,800	6,700	6,750	(50)
Miscellaneous	5,000	7,000	8,071	(1,071)
Buildings And Grounds	52,000	62,325	66,819	(4,494)
Driving Range Equipment	6,100	6,100	4,818	1,282
Vehicle Repair	2,500	2,500	1,503	997
Machine & Equipment Repair	23,000	29,400	51,178	(21,778)
Utilities	95,000	95,000	102,774	(7,774)

(continued)



City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Golf Course Operations</b>				
Telephone	6,000	6,000	5,928	72
Advertising	2,000	2,600	2,534	66
Travel	1,400	500	460	40
Employee Education	700	-	-	-
Insurance - General	13,942	13,942	13,806	136
19th Hole Concessions Supplies	33,000	27,600	31,863	(4,263)
Uniforms	4,600	4,600	3,990	610
Photo Copy Exp	400	400	220	180
Printing, Books,	2,600	450	125	325
Dues	2,500	2,175	2,675	(500)
Contractual Services	52,200	52,200	53,961	(1,761)
Transaction Fees	9,000	9,000	9,993	(993)
Pro Shop	47,000	47,000	56,108	(9,108)
Total	999,111	1,007,137	1,042,658	(35,521)
<b>Senior Citizens</b>				
Salaries - Regular	92,048	91,648	66,957	24,691
Retirement	7,856	7,856	5,248	2,608
Employee's Insurance	13,258	13,258	11,483	1,775
Workmen's Compensation	2,826	2,826	2,463	363
Vacation Sold	6,863	6,863	6,744	119
Janitorial	2,100	2,100	2,023	77
Data Processing	3,300	3,300	2,555	745
Office Supplies	1,090	1,090	816	274
Gas, Oil	3,200	3,200	2,892	308
Miscellaneous	3,500	3,500	3,945	(445)
Buildings And Grounds	17,220	17,220	15,314	1,906
Vehicle Repair	2,500	2,500	373	2,127
Utilities	11,000	11,000	11,644	(644)
Travel	2,500	2,500	1,501	999
Insurance - General	1,217	1,617	1,617	-
Photo Copy Exp	1,000	1,000	695	305

(continued)



## City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Senior Citizens</b>				
Printing, Books, Subscriptions	600	600	605	(5)
Area On Aging	4,850	4,850	4,850	-
Art Instruction	1,200	1,200	300	900
Wellness Activities	8,500	8,500	5,929	2,571
Arts and Crafts	900	900	738	162
Ceramics	2,800	2,800	2,360	440
Total	190,328	190,328	151,052	39,276
<b>Libraries</b>				
Salaries Part Time	156,475	156,475	134,931	21,544
Salaries - Regular	160,457	160,457	159,780	677
Retirement	30,142	30,142	27,727	2,415
Employee's Insurance	47,471	47,471	44,404	3,067
Workmen's Compensation	9,352	9,352	7,101	2,251
Vacation Sold	5,000	5,000	3,396	1,604
Janitorial	5,000	5,000	4,496	504
Data Processing	44,500	44,500	36,446	8,054
Office Supplies	8,000	8,000	6,535	1,465
Gas, Oil	700	700	292	408
Miscellaneous	8,000	8,000	2,775	5,225
Buildings And Grounds	66,600	66,600	34,644	31,956
Vehicle Repair	2,000	2,000	42	1,958
Utilities	32,000	32,000	27,366	4,634
Postage	800	800	425	375
Travel	6,000	6,000	4,618	1,382
Employee Education And Training	3,000	3,000	2,634	366
Insurance - General	3,850	3,850	3,850	-
Children/Youth Programs	15,000	15,000	12,753	2,247
Videos	30,000	30,000	25,407	4,593
Photo Copy Exp	4,000	4,000	2,995	1,005
Printing, Books, Subscriptions	100,000	100,000	104,258	(4,258)
Total	738,347	738,347	646,875	91,472

(continued)

## City of Muscle Shoals, Alabama

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

At September 30, 2018



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Special Events</b>				
Christmas Parade	5,000	5,000	4,359	641
Total	5,000	5,000	4,359	641
<b>Board Of Education</b>				
Educational Foundation	2,000	2,000	2,000	-
Education	1,301,000	1,301,000	1,311,229	(10,229)
Total	1,303,000	1,303,000	1,313,229	(10,229)
<b>Debt Service</b>				
Principal	35,713	35,713	37,684	(1,971)
Interest Expense	22,122	22,122	20,151	1,971
Total	57,835	57,835	57,835	-
<b>Total Expenditures</b>	<b>17,967,430</b>	<b>18,090,738</b>	<b>20,790,871</b>	<b>(2,700,133)</b>
Excess (deficiency of revenues over expenditures)	2,963,884	3,022,029	4,401,847	1,379,818
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
Municipal Court Fund	280,000	268,000	235,042	(32,958)
Total	280,000	268,000	235,042	(32,958)
Transfers out				
Debt Service	1,701,134	1,747,279	1,707,051	40,228
Half Cent Sales Tax	1,539,471	1,539,471	1,591,229	(51,758)
Total	3,240,605	3,286,750	3,298,280	(11,530)
Net Transfers (out)	(2,960,605)	(3,018,750)	(3,063,238)	(44,488)
<b>Excess Revenue (Expenditures) and other Funding Sources</b>	<b>\$ 3,279</b>	<b>\$ 3,279</b>	<b>\$ 1,338,609</b>	<b>\$ 1,335,330</b>

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City of Muscle Shoals, Alabama  
Balance Sheet – Other Governmental Funds  
September 30, 2018

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.
<b>ASSETS</b>			
Cash and cash equivalents	\$ 55,897	\$ 51,805	\$ 2,073
Receivable from component units	-	-	-
Receivable from other governments	-	-	-
Total assets	61,360	56,131	2,073
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Other accrued liabilities	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Capital Projects	55,897	51,805	-
Unassigned:			
Unassigned	5,463	4,326	2,073
Total fund balances	61,360	56,131	2,073
Total liabilities and fund balances	\$ 61,360	\$ 56,131	\$ 2,073



City Court Correction	CDBG	Debt Service	Municipal Court	Special Trust	Total Nonmajor Governmental Funds
\$ 104,518	\$ 10,992	\$ 116	\$ 181,227	\$ 117,099	\$ 523,727
-	-	-	-	-	-
-	-	-	884	-	884
104,518	10,992	116	182,111	117,099	534,400
-	-	-	18,236	-	18,236
-	-	-	18,236	-	18,236
-	-	116	-	-	116
-	-	-	-	117,099	224,801
104,518	10,992	-	163,875	-	291,247
104,518	10,992	116	163,875	117,099	516,164
\$ 104,518	\$ 10,992	\$ 116	\$182,111	\$ 117,099	\$ 534,400

City of Muscle Shoals, Alabama  
Statement of Revenues, Expenditures and Fund Balance  
Other Governmental Funds  
September 30, 2018

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.
<b>REVENUES</b>			
Local taxes	\$ 59,505	\$ 46,700	\$ -
License, permits and fees	-	-	-
Investment earnings	66	29	3
Miscellaneous	-	-	5,176
Total revenues	<u>59,571</u>	<u>46,729</u>	<u>5,179</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Police	-	-	6,101
Street	40,937	-	-
Culture and recreation	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>40,937</u>	<u>-</u>	<u>6,101</u>
Excess (deficiency) of revenues over expenditures	<u>18,634</u>	<u>46,729</u>	<u>(922)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	18,634	46,729	(922)
Fund balances - beginning	<u>42,726</u>	<u>9,402</u>	<u>2,995</u>
Fund balances - ending	<u>\$ 61,360</u>	<u>\$ 56,131</u>	<u>\$ 2,073</u>



City Court Correction	CDBG	Debt Service	Municipal Court	Special Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,205
61,931	-	-	426,977	-	488,908
123	-	714	185	221	1,341
-	26,996	-	-	113,850	146,022
62,054	26,996	714	427,162	114,071	742,476
24,970	-	-	163,696	-	188,666
6,107	-	-	-	-	12,208
-	-	-	-	21,963	62,900
-	16,004	-	-	950	16,954
-	-	1,342,170	-	-	1,342,170
-	-	554,244	-	-	554,244
-	-	-	-	81,657	81,657
31,077	16,004	1,896,414	163,696	104,570	2,258,799
30,977	10,992	(1,895,700)	263,466	9,501	(1,516,323)
-	-	1,707,051	-	-	1,707,051
-	-	(3,502,830)	(235,042)	-	(3,737,872)
-	-	1,859,221	(235,042)	-	1,624,179
30,977	10,992	(36,479)	28,424	9,501	107,856
73,541	-	36,595	135,451	107,598	408,308
\$ 104,518	\$ 10,992	\$ 116	163,875	\$ 117,099	\$ 516,164



LEIGH, KING  
NORTON AND  
UNDERWOOD

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, 2018, 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, 2019.

**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.



Leigh, King, Norton & Underwood, LLC  
Sheffield, Alabama  
March 27, 2019