

CITY OF MUSCLE SHOALS, ALABAMA  
AUDITED FINANCIAL STATEMENTS  
For the year ended September 30, 2022



## FINANCIAL SECTION

CITY OF MUSCLE SHOALS, ALABAMA  
 FINANCIAL STATEMENTS  
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 SEPTEMBER 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Muscle Shoals, Alabama

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Muscle Shoals, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Muscle Shoals, Alabama's primary government as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Muscle Shoals, Alabama, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Muscle Shoals, Alabama, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter

As discussed in Note 1A, the financial statements referred to above include only the primary government of the City of Muscle Shoals, Alabama, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity.

These primary government financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, these primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the City of Muscle Shoals, Alabama, as of September 30, 2022, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Muscle Shoals, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Muscle Shoals, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Muscle Shoals, Alabama's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

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

**Supplementary 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 combining and individual nonmajor fund financial statements, and the Revenues and Expenditures Budgetary Comparison – General Fund (Detail) are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



NortonUnderwood, PC  
Tuscumbia, Alabama  
September 1, 2023



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, 2022. Please read it in conjunction with the City's financial statements, which begin on page 19.

### **FINANCIAL HIGHLIGHTS**

- The City's financial position increased by \$ 7.5 million, or 14.2 percent.
- During the year, the City had taxes and other revenues for governmental programs that were \$ 4.8 million more than the \$ 26.3 million in expenses.
- General fund revenues were more than budget amounts by \$ 2,838,877 million and expenditures of funds were \$ 673,981 less 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 19-20) 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 21. 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**

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 6. The fund financial statements begin on page 19 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 24.





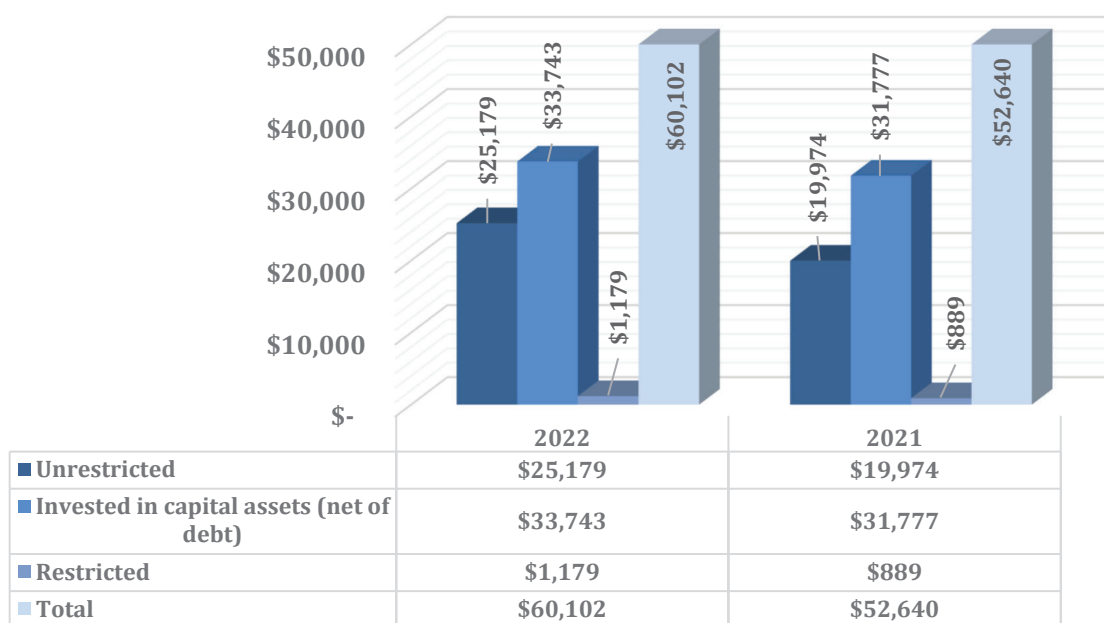
The City's net position increased by \$ 7.47 million, from \$ 52.64 million to \$ 60.10 million. Table 1 below summarizes net assets at September 30, 2022, and September 30, 2021, respectively.

**Table 1 - Condensed Statements of Net Position (in thousands)**

Total Primary Government Activities

	As of September 30,	
	2022	2021
Current and other assets	\$ 52,924	\$ 46,797
Capital assets	49,063	48,527
Total assets	101,988	95,324
Deferred outflows	4,885	5,224
Total assets and deferred outflows	106,873	100,548
Long-term debt outstanding	411	377
Other liabilities	39,412	44,658
Total liabilities	39,823	45,035
Deferred Inflows	6,948	2,873
Total liabilities and deferred inflows	\$ 46,771	\$ 47,908
Net Position		
Invested in capital assets (net of debt)	33,743	31,777
Restricted	1,179	889
Unrestricted	25,179	19,974
Total net position	\$ 60,102	\$ 52,640

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





**Table 2 - Change in Net Position (in thousands)**

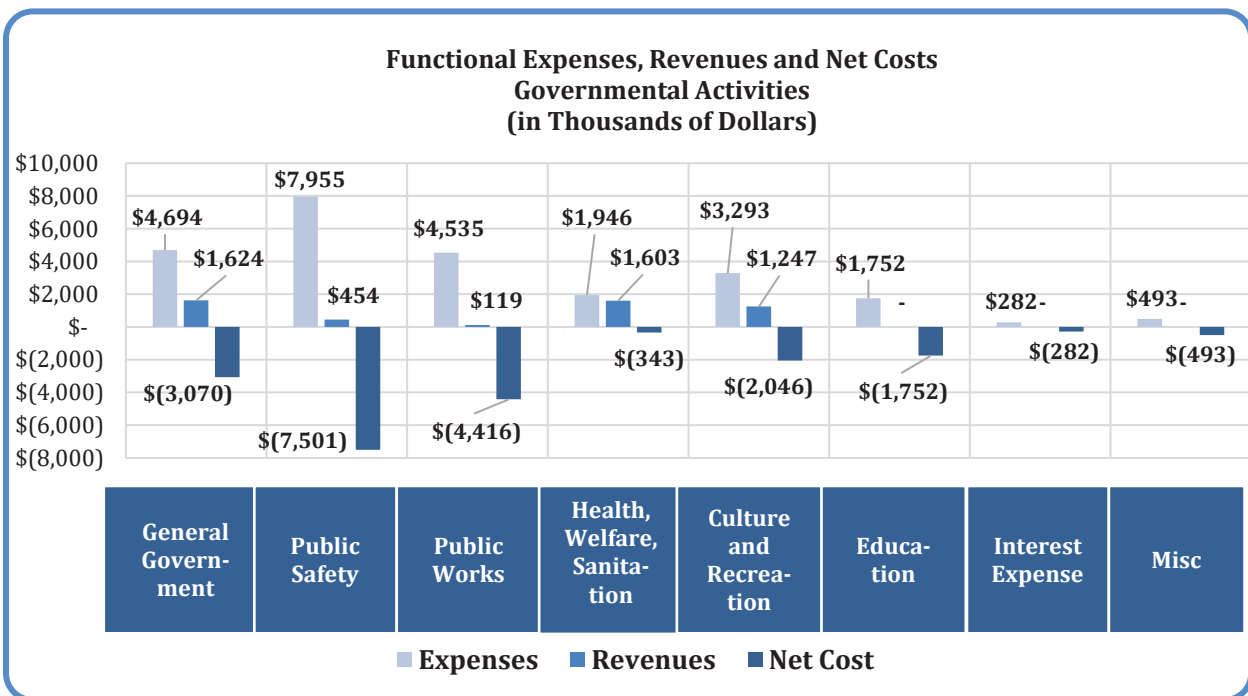
Total Primary Government Activities

	For the fiscal year ended	
	2022	2021
<b>Program revenues</b>		
Fees, fines and charges for services	\$ 4,928	\$ 4,507
Grants and contributions	119	1,925
<b>General revenues</b>		
Sales taxes	18,630	17,133
Advalorem taxes	1,421	1,308
Other taxes and payments in lieu of taxes	4,304	4,040
Miscellaneous	1,224	1,831
Joint Venture	1,750	2,079
Investment Earnings	39	31
<b>Total revenues</b>	<b>32,415</b>	<b>32,854</b>
<b>Program expenses</b>		
General government	4,698	4,731
Public safety	7,955	8,281
Public works	4,535	4,898
Health, welfare and sanitation	1,946	2,075
Education	1,752	1,543
Culture and recreation	3,293	3,812
Miscellaneous	282	614
Interest on long-term debt	493	418
<b>Total expenses</b>	<b>24,954</b>	<b>26,372</b>
<b>Increase in net position from operations</b>	<b>\$ 7,461</b>	<b>\$ 6,482</b>



## Governmental Activities

The cost of all government activities this year was \$ 24.95 million. However, as shown on the Statement of Activities on page 20, the cost ultimately financed by our taxpayers for these activities was \$ 21.30 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 5.05 million, thus reducing the burden to taxpayers.

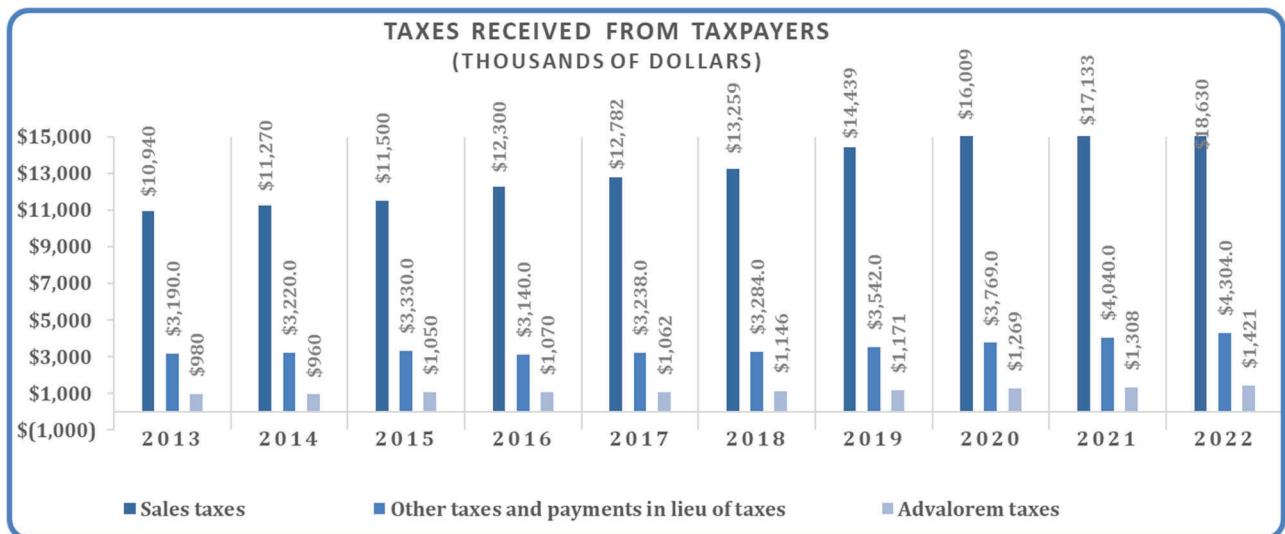




### Governmental Activities (continued)

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

Revenue	Dollars (in Millions)	Pctg
Sales taxes	\$ 18,630	68%
Payments in lieu of taxes	1,542	6%
Joint Venture (commercial entity)	1,750	6%
Investment Earnings	40	0%
Miscellaneous	1,224	4%
Other Taxes		
Advalorem Taxes	1,421	5%
Gasoline Taxes	704	3%
Alcohol Taxes	463	2%
Tobacco Taxes	133	0%
Lodging Taxes	130	0%
Financial institution Taxes	943	3%
Miscellaneous Taxes	387	1%
Total Revenue	\$ 27,368.31	100%





### Governmental Activities (continued)

Sales tax revenue has increased by \$ 6,330 thousand (51.4%) since fiscal year 2016 (6 years), while all other tax revenue has increased by \$ 900 thousand (29%) over the same time frame. Sales tax revenue increased by \$ 1,503 thousand (9.6%) from fiscal 2021 to 2022.

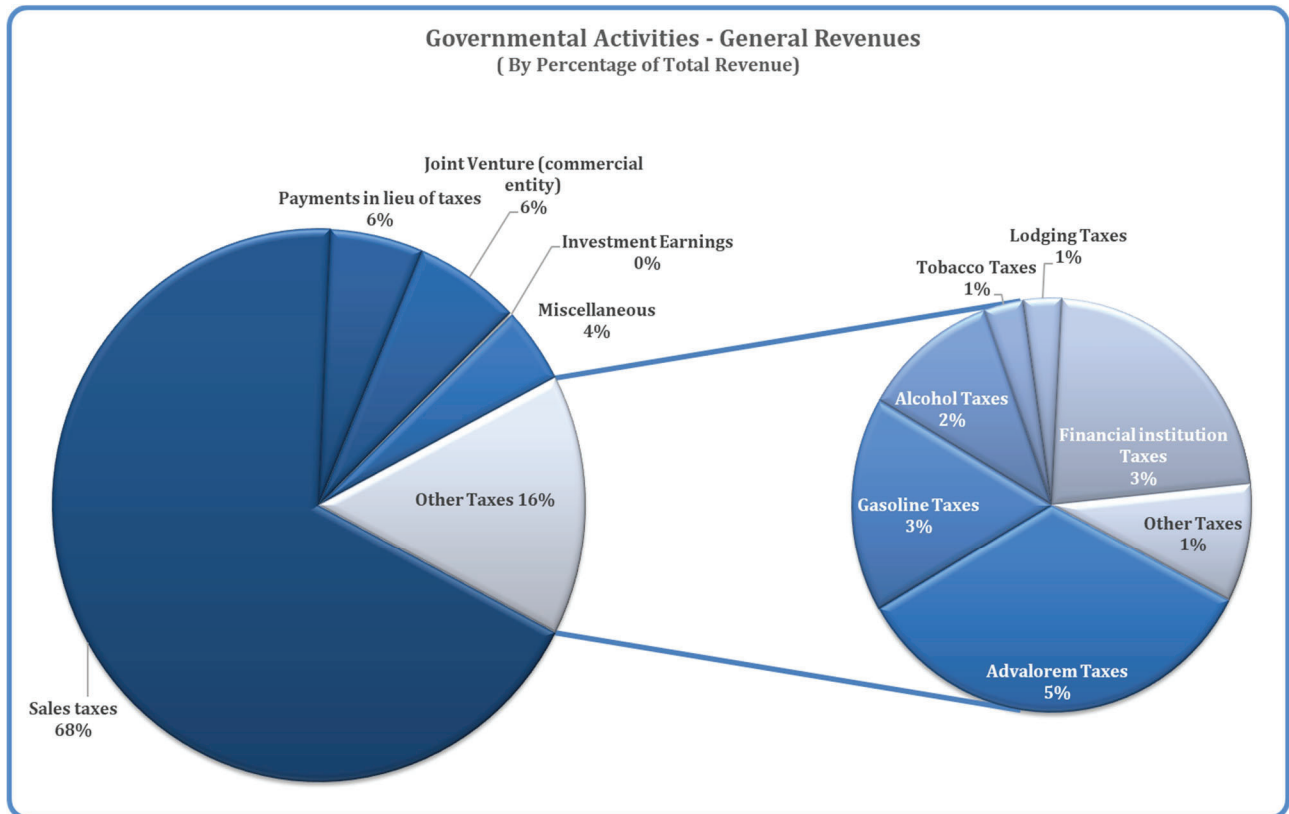


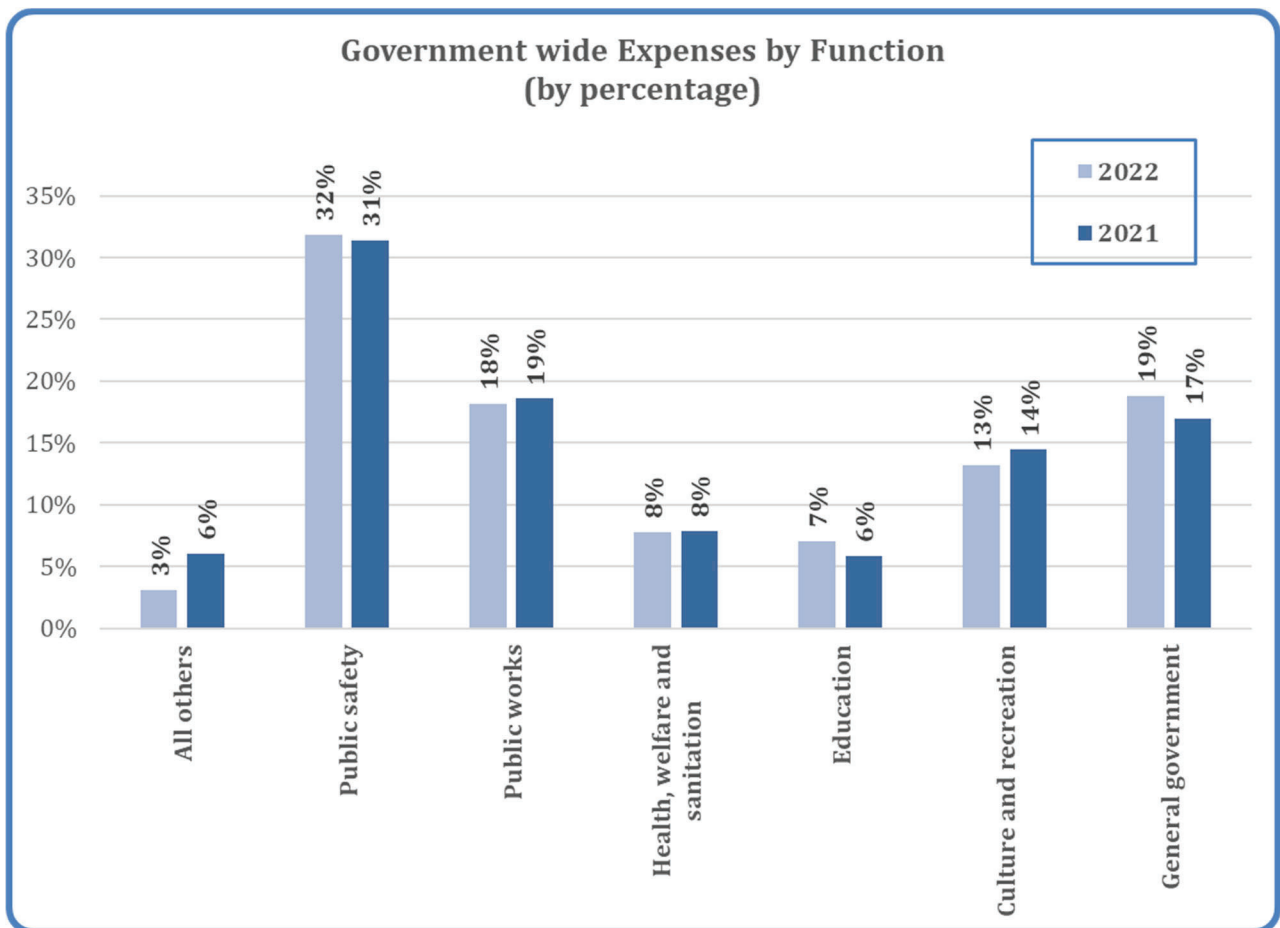
Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2022, and September 30, 2021, respectively.



**Table 3 - Total Cost of Services (in thousands)**

Total Primary Government Activities

	September 30,	
	2022	2021
General government	\$ 4,694	\$ 4,731
Public safety	7,955	8,281
Public works	4,535	4,898
Health, welfare and sanitation	1,946	2,075
Education	1,752	1,543
Culture and recreation	3,293	3,812
All others	775	1,032
Totals	\$ 24,950	\$ 26,372





## THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 21) reported a combined fund balance of \$26.22 million, which increased from last year's total of \$21.40 million. The general fund balance increased by \$ 3.41 million from \$ 17.98 million to \$ 21.39 million.

### General Fund Budgetary Highlights

The 2021-2022 budget was approved, and was later amended on September 2, 2022, as is customary, to account for mid-year adjustments to the various department line items.

City officials continue to monitor the costs of employee health care. Health care costs of \$2.37 million represented 10.87% of general fund expenditures and were 16.00% 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 2022, the City had \$49.06 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 - Capital Assets at Year-End (Net of Depreciation) (in thousands)**

Total Primary Government Activities

	As of September 30,	
	2022	2021
<b>Non-depreciable</b>		
Land	\$ 7,566	\$ 7,521
Art	79	79
Construction in progress	1,979	99
<b>Depreciable</b>		
Buildings	17,573	17,614
Infrastructure	33,106	33,023
Improvements	13,601	13,669
Equipment	16,980	16,786
Totals	90,884	88,791
Less: Accumulated depreciation	(41,821)	(40,264)
Capital assets-net	\$ 49,063	\$ 48,527



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

Several Infrastructure projects were undertaken during the 2021-2022 fiscal year:

### **A. Transportation projects:**

1. The 6<sup>th</sup> Street Industrial Access project was completed during this fiscal year. The completed project costs totaled \$799,056 with ALDOT covering \$367,975 and the remaining being paid by SEDA/SIDC funds.
2. The construction of sidewalks was started on along Ford Street starting at 2<sup>nd</sup> Street to W Michigan Avenue. The City received Federal TAP funds in the amount of \$577,911 and the remaining balance to be paid with City funds.
3. The EDA Buena Vista project was started during this fiscal year. This project consists of storm drainage improvements along Buena Vista Avenue from Woodward Avenue to the City's Stormwater Detention Pond at Buena Vista Avenue and John R Street. This project is being funded by both Federal funds and City funds.

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

1. Preliminary work started on the resurface and widening of 2<sup>nd</sup> Street. The project is estimated to cost \$1,554,338 and will be funded by ATRIP II funds.
2. Sanitary sewer expansion along South Wilson Dam was completed in two separate phases. Phase one was completed at a cost of \$1,418,057 with the City's share being \$817,433.95. Phase Two was completed in July of 2020 at a cost of \$945,732 with the City's share being \$472,866. \$1,000,000 was provided from the proceeds of the 2018 General Obligation warrants with the remaining funds provided from the Half Cent Fund. Discussions are ongoing for a final phase of work to extend sewer to the southside of Highway 157/72.

## **Debt**

At year-end, the City had \$ 15.32 million in general obligation warrants outstanding versus \$16.75 million last year, a decrease of \$ 1.43 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, 2022 (including motor vehicles), is \$240.2 million. Therefore, the City's general obligation debt of \$ 15.32 million, is well below its current debt limit of \$ 59.896 million (20% of \$299.478 million).

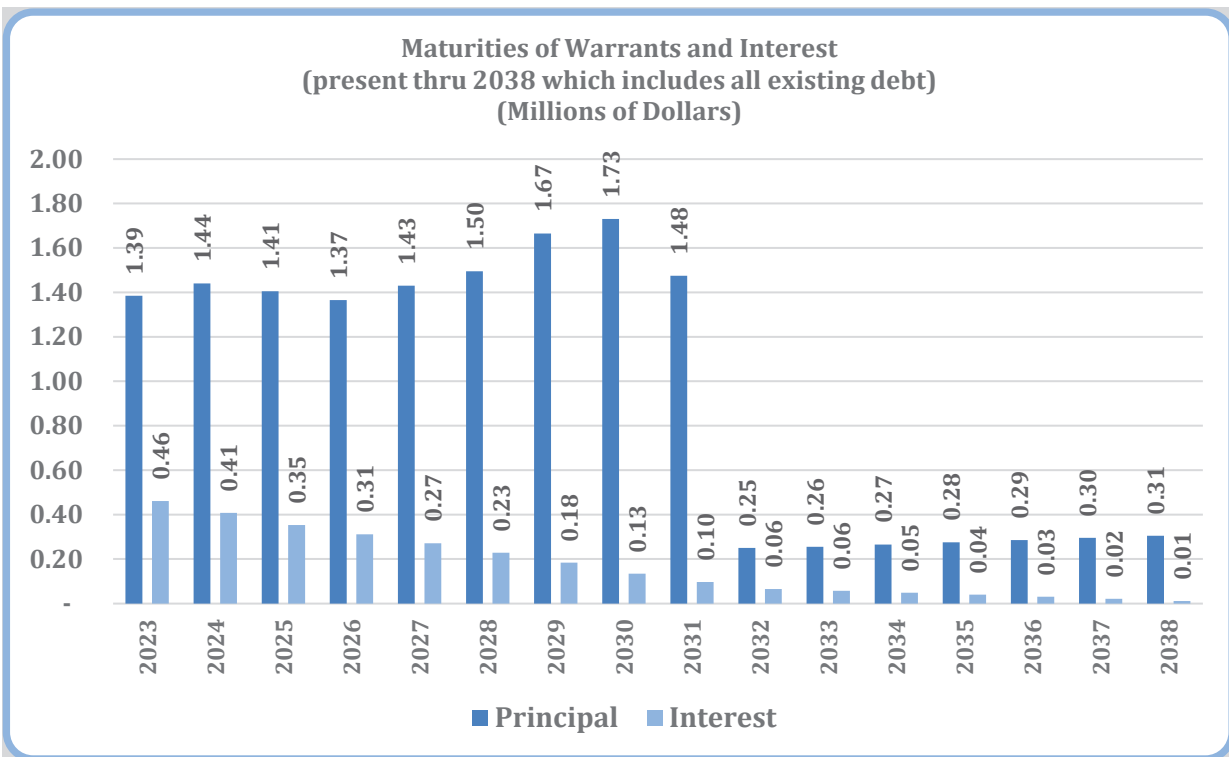




### Debt (continued)

Tax Year	Assessed Value
2013	\$ 179,407,660
2014	\$ 193,265,420
2015	\$ 188,432,920
2016	\$ 203,902,180
2017	\$ 212,104,880
2018	\$ 218,110,220
2019	\$ 228,768,040
2020	\$ 240,243,995
2021	\$ 272,166,440
2022	\$ 299,478,100

All debt currently outstanding at September 30, 2022, will mature by fiscal 2038.





## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Shoals is synonymous with legendary hit music. No one can deny the heritage and musical pedigree of our community and its influence across the world. The Shoals is pound-for-pound the largest hit-making area in the world, rightfully once known to the world as the "Hit Recording Capital of the World."

To continue the recording tradition and invoke a revival of growth in the industry, The Shoals EDA is excited to launch the **Shoals Music Makers Recording Incentive**. Eligible and approved recipients will receive up to a 30% reimbursement incentive on their entire budget, provided the project is recorded in Colbert or Lauderdale County.

"We are excited to play our part in encouraging the growth of the music industry and community here in The Shoals," says Kevin Jackson, President of The Shoals EDA.

The idea for this program developed from The Shoals EDA's strategic plan implemented in 2021. Music and film are one of the four new targets established in this plan. For the recording incentive to be awarded, there will be requirements and a selection process, including an interview and analysis of the economic impact of the project. More information and details can be found at [www.shoalsmusicmakers.com](http://www.shoalsmusicmakers.com).

As conversations were held between leaders in the music industry of The Shoals, the need for an organized resurgence effort was discovered. In addition to the recording incentive, the Shoals Music Makers will house a coalition of all facets of the industry in The Shoals. The goal of this is to provide a place to unify and amplify any & all efforts to grow The Shoals area music community. Additional aspects of the website, such as an event calendar and music community directory, are currently being developed to encourage this collaboration.

We are honored to be able to support the growth of the music industry here in The Shoals. We are grateful to those who've helped develop the program and to The Shoals EDA Board & SIDC for supporting this initiative.

Artists and producers wanting to work in The Shoals are encouraged to learn more and apply. For more information about this program, visit [shoalsmusicmakers.com](http://shoalsmusicmakers.com) or contact Kevin Jackson ([kjackson@shoalseda.com](mailto:kjackson@shoalseda.com), (256)349-5632).

The Shoals Economic Development Authority (Shoals EDA) strives to improve The Shoals area economy through partnerships, programs, and innovation. One of these initiatives is our **Employment Growth Program (EGP)**. Created in 2011, this program's mission is to promote the increase of quality employment opportunities within The Shoals community. Through the EGP, we hope to encourage full-time employment growth through a streamlined process and incentive that provides assistance to eligible applicants offering new employment opportunities for Shoals citizens.



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

In 2022, 11 companies participated in the EGP. These applicants have created a combined 76 jobs with an average wage of \$16.01/hr. We have committed \$292,500 to these companies who are bringing a combined capital expenditure of ~\$2.923 million. Chad Epperson, Owner/CEO of United Treating & Distribution (UTD), says the EGP has been "an excellent resource for UTD." He continues to add, the program "offers us the challenge to consistently hire additional long-term team members while allowing us to reinvest in our growing business and team."

The EGP provides reimbursement to eligible for-profit companies for hiring between one and ten full-time employees (FTE) per year. The reimbursement amount for each qualified FTE is based on the entry-level wage for the position.

### **Remote Shoals- Calendar Year 2022**

We had a very successful year for our Remote Shoals Program. Check out some stats below from this calendar year:

- 45 people relocated to The Shoals, being incentivized \$376,000
- A total of 91 new residents call The Shoals home
- \$4.5 M is the approximate annual payroll for Remote Shoals Participants
- 26 homes have been purchased for a total of ~\$7.5 M
- 17 properties have been rented for an annual rent of ~\$183,000

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- 17 properties have been rented for an annual rent of ~\$183,000



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

Unemployment in the Florence-Muscle Shoals Metropolitan statistical area saw a decrease in unemployment. In August 2022 unemployment fell to a rate of 2.4%.

The Mayor and City Council approved a conservative 2022-2023 General Fund budget. Total anticipated revenues and other financing resources are projected at \$28.6 million, an increase from the 2021-2022 budgeted revenues and other financing resources of \$26.3 million. Budgeted expenditures and other uses of funds are expected to increase to \$28.59 million from \$26.34 million in the prior year.

### **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 Finance office at the City of Muscle Shoals, P.O. Box 2624, Muscle Shoals, AL 35662. Telephone (256) 383-5675 or e-mail at [bwalker@cityofmuscleshoals.com](mailto:bwalker@cityofmuscleshoals.com).



City of Muscle Shoals, Alabama  
Statement of Net Position  
September 30, 2022

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 24,158,251
Account receivables, net	65,737
Due from other governments	2,254,169
Inventories	54,173
Reserved and restricted assets	
Capital Assets:	
Non-depreciable	9,623,350
Other capital assets, net of depreciation	39,440,070
Equity interest in joint venture	25,903,461
Other receivables	118,938
Receivable-commercial entity	<u>369,619</u>
Total assets	<u>101,987,768</u>
Deferred outflows of resources	
Proportionate share of	
Collective Deferred Outflows	
Net Pension Liability	3,139,227
OPEB Liability	<u>1,746,109</u>
	<u>4,885,336</u>

(continued)



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	Governmental Activities
<hr/>	
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued expenses	431,266
Long-term liabilities:	
Due within one year:	
Bonds payable	1,385,000
Accrued interest	76,806
Due in more than one year:	
Net OPEB liability	11,665,084
Bonds payable	13,935,000
Compensated absences	1,353,623
Net pension liability	10,606,694
Bonds payable-commercial entity	369,619
Total liabilities	<hr/> 39,823,092
Deferred Inflows of resources	
Proportionate share of Collective Deferred Inflows Related to:	
Net Pension Liability	2,647,684
Net OPEB Liability	4,300,707
	<hr/> 6,948,391
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	33,743,420
Restricted or Committed for:	
Capital projects	1,137,983
Other purposes	40,962
Unrestricted	<hr/> 25,179,256
<i>Total net position</i>	<hr/> \$ 60,101,621

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



City of Muscle Shoals, Alabama  
Statement of Activities  
September 30, 2022



20

Functions/Programs	Expenses	Charges for Services	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
<b>Primary government:</b>					
Governmental Activities					
General government	\$ 4,697,508	\$ 1,623,925	\$ -	\$ -	\$ (3,073,583)
Public safety	7,955,367	453,586	-	-	(7,501,781)
Public works	4,534,714	-	-	118,630	(4,416,084)
Health, welfare and sanitation	1,945,531	1,602,848	-	-	(342,683)
Culture and recreation	3,293,065	1,247,719	-	-	(2,045,346)
Education	1,751,939	-	-	-	(1,751,939)
Interest on long-term debt	493,103	-	-	-	(493,103)
Miscellaneous	282,437	-	-	-	(282,437)
Total governmental activities	24,953,665	4,928,078	-	118,630	\$ (19,906,957)

(continued)

	Net (Expense) Revenue and Changes in Net Assets Primary Governmental Activities
<b>General revenues:</b>	
Taxes:	
Sales taxes	18,630,283
Advalorem	1,421,353
Gasoline	703,864
Alcohol	463,225
Tobacco	133,288
Lodging	130,260
Financial institution	942,932
Other taxes	387,160
Total taxes	22,812,365
Payments in lieu of taxes	1,542,367
Unrestricted investment earnings	39,630
Joint Venture (commercial entity)	
Distributions	400,292
Increase in equity	1,350,034
Miscellaneous	1,223,621
Total general revenues, special items, and transfers	27,368,309
Change in net position	7,461,353
Net position - beginning (as corrected)	52,640,268
<i>Net position - ending</i>	<i>\$ 60,101,621</i>

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

City of Muscle Shoals, Alabama  
Balance Sheet  
Governmental Funds  
September 30, 2022

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	General Fund	Half-Cent Sales Tax
<b>ASSETS</b>		
Cash and cash equivalents	19,342,463	1,957,029
Accounts receivable, net	21,364	34,244
Receivable from other governments	2,243,976	-
Other receivables	118,198	-
Inventories	54,173	-
<i>Total assets</i>	<u>21,780,174</u>	<u>1,991,273</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	(14)	-
Due to other funds	-	-
Due to component units	-	-
Other accrued liabilities	393,840	-
<i>Total liabilities</i>	<u>393,826</u>	<u>-</u>
Fund balances:		
Nonspendable:		
Inventories	54,173	-
Restricted for:		
Capital Projects	-	-
Unassigned:	21,332,174	1,991,273
<i>Total fund balance</i>	<u>21,386,347</u>	<u>1,991,273</u>
<i>Total liabilities and fund balance</i>	<u>\$ 21,780,173</u>	<u>\$ 1,991,273</u>



2018 Warrant Sinking	Debt Service	Special Trust	Other Governmental Funds	Total Governmental Funds
\$ 548,996	\$ -	\$ 286,467	\$ 2,023,296	\$ 24,158,251
-	-	-	10,129	65,737
-	-	-	10,193	2,254,169
-	-	-	740	118,938
-	-	-	-	54,173
<u>548,996</u>	<u>-</u>	<u>286,467</u>	<u>2,044,358</u>	<u>26,651,268</u>
-	-	16,583	-	16,569
-	-	-	924	924
-	-	-	19,933	19,933
-	-	-	-	393,840
<u>-</u>	<u>-</u>	<u>16,583</u>	<u>20,857</u>	<u>431,266</u>
-	-	-	-	54,173
548,996	-	269,884	343,254	1,162,134
-	-	-	1,680,247	25,003,695
<u>548,996</u>	<u>-</u>	<u>269,884</u>	<u>2,023,501</u>	<u>26,220,002</u>
<u>\$ 548,996</u>	<u>\$ -</u>	<u>\$ 286,467</u>	<u>\$ 2,044,358</u>	<u>\$ 26,651,268</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, 2022



Total fund balance, governmental funds	\$ 26,220,002
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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.

49,063,420

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:

Equity interest in joint venture	25,903,461
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Deferred Outflows

Pension Plan	3,139,227
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Other Post Employment Benefits	1,746,109
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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	(15,320,000)
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Accrued interest	(76,806)
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Deferred inflows

Pension Plan	(2,647,684)
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Other Post Employment Benefits	(4,300,707)
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Compensated absences	(1,353,625)
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Net OPEB Liability	(11,665,084)
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Defined benefit obligation	(10,606,692)
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<i>Net Position of Governmental Activities in the Statement of Net Position</i>	<i>\$ 60,101,621</i>
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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, 2022



	General Fund	Half-Cent Sales Tax	2018 Warrant Sinking	Debt Service	Special Trust	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Local taxes	\$ 24,129,008	\$ -	\$ -	\$ -	\$ -	\$ 115,049	\$ 24,244,057
License, permits and fees	1,623,925	-	-	-	-	453,587	2,077,512
Charges for service	1,602,847	-	-	-	-	-	1,602,847
Joint Ventures	400,317	-	-	-	-	(25)	400,292
Intergovernmental revenue	4,000	-	-	-	-	114,630	118,630
Park and recreation	1,247,718	-	-	-	-	-	1,247,718
Investment earnings	36,021	898	572	-	224	1,914	39,629
Miscellaneous	123,870	421,008	-	-	150,649	678,748	1,374,275
Total revenues	29,167,706	421,906	572	-	150,873	1,363,903	31,104,960
<b>EXPENDITURES</b>							
Current:							
General government	3,771,653	-	-	-	-	203,454	3,975,107
Police	4,553,262	1,125	-	-	-	12,509	4,566,896
Fire	2,929,526	-	24,150	-	-	-	2,953,676
Street	2,261,782	5,707	-	-	-	17,282	2,284,771
Storm and Sewer	617,658	185,879	-	-	-	-	803,537
Health and sanitation	1,922,011	-	-	-	-	-	1,922,011
Culture and recreation	2,792,801	-	-	-	23,000	-	2,815,801
Appropriations	116,466	-	-	-	-	-	116,466
Education	1,551,939	200,000	-	-	-	-	1,751,939
Miscellaneous	282,437	-	-	-	-	-	282,437

(continued)

	General Fund	Half-Cent Sales Tax	2018 Warrant Sinking	Debt Service	Special Trust	Other Governmental Funds	Total Governmental Funds
<b>EXPENDITURES (continued)</b>							
Debt Service:							
Principal	42,603	-	-	1,430,000	-	-	1,472,603
Interest and other charges	15,232	-	-	490,968	-	-	506,200
Capital Outlay	1,099,119	1,735,368	-	-	-	-	2,834,487
Total expenditures	21,956,489	2,128,079	24,150	1,920,968	23,000	233,245	26,285,931
Excess (deficiency) of revenues over expenditures	7,211,217	(1,706,173)	(23,578)	(1,920,968)	127,873	1,130,658	4,819,030
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfer to Utilities Board	-	-	-	-	-	-	-
Proceeds from Bond Issuance				-			-
Premium on Issuance of Bonds				-			-
Transfers in	245,046	2,130,146	-	1,920,968	-	-	4,296,160
Retirement of Bonds							-
Debt Issuance Costs				-			-
Transfers out	(4,051,114)	-	-	-	-	(245,046)	(4,296,160)
Total other financing sources and uses	(3,806,068)	2,130,146	-	1,920,968	-	(245,046)	-
Net change in fund balances	3,405,149	423,973	(23,578)	-	127,873	885,612	4,819,030
Fund balances - beginning	17,981,199	1,567,300	572,574	-	142,011	1,137,889	21,400,972
Fund balances - ending	\$ 21,386,348	\$ 1,991,273	\$ 548,996	\$ -	\$ 269,884	\$ 2,023,501	\$ 26,220,002

*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, 2022



Net change in fund balances - total governmental funds:	\$ 4,819,030
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 (net of retirements) \$2,478,717 were exceeded by depreciation \$2,053,745 in the current period.	300,791
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds were exceeded by repayments.	1,430,000
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Decrease in Net pension obligation	2,282,350
Decrease in OPEB Liability	1,679,692
Increase in Deferred inflows related to pensions	(2,218,280)
Increase in Deferred outflows related to pensions	54,706
(Increase) in Deferred inflows related to OPEB	(1,856,873)
Decrease in Deferred outflows related to OPEB	(393,194)
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.	13,097
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	1,350,034
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:	
Miscellaneous	-
<i>Change in net position of governmental activities</i>	<i>\$ 7,461,353</i>

*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, 2022.

### 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. These primary government financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government.

The City's component units consist of the following:

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).
- *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).



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.
- *2018 Warrant Sinking Fund* – This fund pays the debt of the city.
- *Debt Service* – This fund currently funds capital projects.
- *Special Trust* – This fund is used primarily for capital projects.

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



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

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

#### 1) *Deposits and investments (continued)*

discount on investments purchased are not recorded over the term of the investment. The effect of this policy on the financial statements of the various funds is not significant.

#### 2) *Receivables and payables*

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

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

7) *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave and related fringe benefits. The cost of earned but unused vacation pay is accrued when earned in the government-wide statements. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination. A liability for these amounts is reported in governmental funds only if they have matured, due to employee retirement. Compensated absences cannot be segregate between current and long-term. Therefore, the entire amount is shown as long-term.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8) *Long-term debt and deferred debt expense*

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

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

9) *Equity classifications*

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

- a. *Invested in capital assets, net of related debt* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - b. *Restricted net position* - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
  - c. *Unrestricted net position* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- 10) *Fund statements* - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved, with unreserved further split between designated and undesignated.
- a. *Non-spendable Fund Balance* - Fund balances reported as non-spendable in the accompanying financial statements represent amounts for permanent fund principal restrictions, inventory, prepaid expenditures, advances to other funds and noncurrent notes receivables.
  - b. *Restricted Fund Balance* - Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors or grantors.

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





1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- f. Stabilization Arrangement - The City has a fund balance policy established by the City Council that requires the general fund to maintain a minimum unrestricted fund balance of 25% of ensuing year's appropriated general fund expenditures. The fund has been established for the purposes of setting aside amounts for use in specific and non-routine situations, which include certain emergency and urgent situations, giving the Mayor power to resolve any issues at hand. Utilization of these funds must be reported to the City Council at the next Council meeting. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the Financial Stabilization Account balance to the established minimum. For the current fiscal year ending September 30, 2022, 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.





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 reported and accounted for under "GASB STATEMENT NO. 74, Financial Reporting for Postemployment Benefit Plans other than pension plans" and GASB STATEMENT NO. 75, Accounting and Financial Reporting for postemployment benefits other than pensions.

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 or ERS) 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 the 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 Annual Comprehensive Financial Report.



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

### E. ACCOUNTING PRONOUNCEMENTS

The City's financial statements are prepared in accordance with standards promulgated by the GASB. The status of the City's adoption of recently-issued GASB standards is as follows:

**Pronouncements issued, but not yet effective, which will be adopted by the City in future years:**

GASB Statement No 84, Fiduciary Activities. The statement establishes criteria for identifying fiduciary activities of all state and local governments and will enhance comparability of financial statements through this added criteria and clarity of whether and how business-type activities should report fiduciary activities. The requirements for this statement are effective in the period beginning after December 15, 2019.

GASB Statement No. 87, Leases, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No 90, Majority Equity Interests – an amendment of GASB Statements No.14 and No. 61. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No 91, Conduit Debt Obligations. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers. The requirements of this statement are effective for reporting periods beginning after December 15, 2022.

GASB Statement No 93, Replacement of Interbank Offered Rates. The objectives of this statement are to address accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this statement are effective for reporting periods beginning after December 31, 2022.

Management is in the process of determining the effects that the adoption of these statements will have on the City's basic financial statements.



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

### E. ACCOUNTING PRONOUNCEMENTS (continued)

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

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

## 3. BUDGETS AND BUDGETARY ACCOUNTING

### Budget Development and Adoption

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

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

## 4. CASH AND INVESTMENTS

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



#### 4. CASH AND INVESTMENTS (continued)

##### *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.

At September 30, 2022, the City's cash was protected as follows:

Amount Covered by FDIC Insurance	\$ 250,000
Amount Collateralized (through Alabama Safe Act)	22,236,966
	<u>\$ 22,486,966</u>

#### 5. RECEIVABLES

The City's general fund receivables from other governments consisted of the following at September 30, 2022:

Due from State of Alabama (Sales Tax)	\$ 1,652,951
Other	591,025
Total	<u>\$ 2,243,976</u>

#### 6. CAPITAL ASSETS

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

Function	Depreciation
General Government	\$ 218,298
Police	189,874
Fire	152,889
Public Works	632,782
Storm Drainage	775,831
Recreation	324,914
Total depreciation expense	<u>\$ 2,294,589</u>



## 6. CAPITAL ASSETS (continued)

A summary of capital assets follows:

### Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 7,520,574	\$ 45,000	\$ -	\$ 7,565,574
Art	78,810	-	-	78,810
Construction in progress	99,115	1,879,851	-	1,978,966
Total assets not being depreciated	7,698,499	1,924,851	-	9,623,350
<i>Capital assets being depreciated</i>				
Buildings	17,614,816	-	41,934	17,572,882
Infrastructures	33,022,865	82,706	-	33,105,571
Land Improvements	13,669,047	-	67,014	13,602,033
Equipment	16,785,710	826,930	632,157	16,980,483
Total Capital assets being depreciated	81,092,438	909,635	741,105	81,260,969
Accumulated Depreciation	(40,263,555)	(2,294,589)	(737,245)	(41,820,899)
Total capital assets being depreciated, net	40,828,883	(1,384,954)	3,860	39,440,070
Governmental activities capital assets, net	\$ 48,527,383	\$ 539,897	\$ 3,860	\$ 49,063,420

## 7. LONG-TERM DEBT

The City's Debt consists of the following:

### *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 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.

*General Obligation Refunding Warrants, Series 2021-A (May 5)*

On May 5, 2021 the City issued \$7,495,000 of General Obligation Refunding Warrants, Series 2022-B. These tax-exempt warrants mature from 2025 to 2030 and bear interest at rates of 1.37-3.0% and were issued refund the City's 2015-A Warrants.

*General Obligation Refunding Warrants, Series 2021-B (May 5)*

On May 5, 2021 the City issued \$4,495,000 of General Obligation Refunding Warrants, Series 2018. These tax-exempt warrants mature from 2022 to 2031 and bear interest at rates of 1.45-4.0% and were issued to provide refund the City's 2014-A, 2015-C and a portion of the 2014-C Warrants.

The following summarizes the changes in the City's debt for the year ended September 30, 2022:

General Obligation Warrants	Beginning Balance	Increases	Reductions	Ending Balance	Current Maturities
Series 2014-C	1,050,000	-	1,050,000	-	-
Series 2015-B	340,000	-	80,000	260,000	85,000
Series 2018	3,370,000	-	100,000	3,270,000	100,000
Series 2021-A	7,495,000	-	-	7,495,000	-
Series 2021-B	4,495,000	-	200,000	4,295,000	1,200,000
<i>Total Warrants</i>	<i>\$ 16,750,000</i>	<i>\$ -</i>	<i>\$ 1,430,000</i>	<i>\$ 15,320,000</i>	<i>\$ 1,385,000</i>

*Total interest expense paid during the fiscal year was \$ 506,200.*

City of Muscle Shoals, Alabama  
Notes to Financial Statements  
September 30, 2022



7. LONG-TERM DEBT (continued)

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

Fiscal Year	Series 2015-B		Series 2018	
	Principal	Interest	Principal	Interest
2023	85,000	8,060	100,000	101,828
2024	85,000	5,425	100,000	99,578
2025	90,000	2,790	105,000	97,328
2026	-	-	105,000	94,703
2027	-	-	110,000	92,078
2028-2032	-	-	1,070,000	391,235
2033-2037	-	-	1,375,000	196,438
2038-2040			305,000	10,675
<i>Totals</i>	<i>\$ 260,000</i>	<i>\$ 16,275</i>	<i>\$ 3,270,000</i>	<i>\$ 1,083,860</i>

Year	Series 2021-A		Series 2021-B		Total Combined	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	-	209,900	1,200,000	141,050	1,385,000	460,838
2024	-	209,900	1,255,000	93,050	1,440,000	407,953
2025	605,000	209,900	605,000	42,850	1,405,000	352,868
2026	1,260,000	191,750	-	24,700	1,365,000	311,153
2027	1,320,000	153,950	-	24,700	1,430,000	270,728
2028-2032	4,310,000	217,200	1,235,000	98,800	6,615,000	707,235
2033-2037	-	-	-	-	1,375,000	196,438
2038-2040	-	-	-	-	305,000	10,675
<i>Totals</i>	<i>\$ 7,495,000</i>	<i>\$ 1,192,600</i>	<i>\$ 4,295,000</i>	<i>\$ 425,150</i>	<i>\$ 15,320,000</i>	<i>\$ 2,717,886</i>



#### 8. 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.

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

Interfund transfers consisted of the following:

<u>Fund</u>	<u>To</u>	<u>From</u>
General Fund	\$ 245,046	\$ 4,051,114
Municipal Court Fund	-	220,046
Half Cent Sales Tax	2,130,146	-
Defensive Driving	-	25,000
Debt Service	1,920,968	-
	<u>\$ 4,296,159</u>	<u>\$ 4,296,159</u>

#### 9. COMMITMENTS AND CONTINGENCIES

The City, from time to time is a party of litigation. At the date of this report, there were no significant threatening lawsuits which were deemed necessary to disclose or record as a liability in these financial statements.





#### 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 \$25,903,461. The fund-level financial statements only report the earnings distributions received from the Gas District during the year (\$400,292). 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 \$ 1,350,034.

The financial statements of North Alabama Gas District may be obtained at their office located at:  
602 Dearborn St  
Muscle Shoals, AL

#### 11. RELATED PARTY TRANSACTIONS

The City had the following material transactions with related parties during the year ended September 30, 2022:

*Muscle Shoals Utility Board* – This component unit provides water and sewer service to the City at market rates. At September 30, 2022, 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 \$ 1,542,477 of garbage revenues collected and (c) paid the city \$ 902,168 of tax equivalents. At September 30, 2022, the Electric Board owed the city a total of \$45,532. The City owed the Electric Board nothing at year-end.

*Muscle Shoals Board of Education* - The City appropriated \$1,549,939 to the Board of Education (a component unit) during the year. At September 30, 2022, the Board owed the city \$10,023 for miscellaneous items.

*Shoals Solid Waste Disposal Authority* – The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$356,356 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 ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* 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 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.



## 12. 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 formula method. 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 up to 80% of their average final compensation. 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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.



## 12. DEFINED BENEFIT PLAN (continued)

### *Benefits provided (continued)*

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants.

#### Number of Active and Retired Members as of September 30, 2021

Retirees and beneficiaries receiving benefits	29,727
Terminated employees entitled to, but not receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Post-DROP participants who are still in active service	54
Active members	<u>56,184</u>
Total	<u>104,510</u>

### *Contributions*

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

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.



## 12. DEFINED BENEFIT PLAN (continued)

### *Contributions (continued)*

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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2022, the City's active employee contribution rate was 12.79% percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 13.3% percent of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2022, was 13.67% of pensionable pay for Tier 1 employees, and 10.42% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, 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 City were \$ 1,078,359 for the year ended September 30, 2022.

### *Net Pension Liability*

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:



12. DEFINED BENEFIT PLAN (continued)

*Net Pension Liability (continued)*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2020	\$ 37,682,972	\$ 24,793,928	\$ 12,889,044
Changes for the year:			
Service cost	663,212		663,212
Interest	2,814,438		2,814,438
Change of benefit terms	-		-
Changes of assumptions	1,379,629		1,379,629
Difference between expected and actual difference	(365,246)		(365,246)
Contributions - employer		896,075	(896,075)
Contributions - employee		482,428	(482,428)
Net investment income		5,395,882	(5,395,882)
Benefit payments, including refunds of employee contributions	(2,263,670)	(2,263,670)	-
Administrative expense	-	-	-
Transfers among employers	(105,482)	(105,482)	-
Net changes	2,122,881	4,405,233	(2,282,352)
Balances at September 30, 2021	\$ 39,805,853	\$ 29,199,161	\$ 10,606,692



12. DEFINED BENEFIT PLAN (continued)

	TPL Roll-Forward			
	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience
(a) Total Pension Liability as of September 30,	\$ 37,682,972	\$ 37,343,839	\$ 37,343,839	\$ 38,643,094
(b) Discount rate	7.70%	7.70%	7.70%	7.45%
(c) Entry age normal cost for the period October 1, 2020 through	663,212	663,212	663,212	737,322
(d) Transfers Among Employees	-	(105,482)	(105,482)	(105,482)
(e) Actual benefit payments and refunds for the period October 1, 2020 through September 30,	(2,263,670)	(2,263,670)	(2,263,670)	(2,263,670)
(f) Total Pension Liability as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))]	\$ 38,896,952	\$ 38,426,224	\$ 38,426,224	\$ 39,805,853
(g) Difference between Expected and Actual:		\$ (470,728)		
(h) Less Liability Transferred for Immediate Recognition		(105,482)		
(i) Experience (Gain)/Loss = (g) - (h)		\$ (365,246)		
(j) Actual TPL Before and After Act 2019-132 \$0 Benefit Change (Gain)/Loss			\$ -	
(k) Difference between Actual TPL Before and After 2020 Experience Study - Assumption Change (Gain)/Loss				\$ 1,379,629





## 12. DEFINED BENEFIT PLAN (continued)

### *Actuarial Assumptions*

The total pension liability as of September 30, 2022 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

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

\* Includes Inflation

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2021 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. 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 2021 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

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

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class, as provided by the System, are summarized in the following table:





12. DEFINED BENEFIT PLAN (continued)

	Target Allocation (%)	Long-Term Expected Rate of Return (%) *
Fixed Income	25.00%	5.00%
US Large Stocks	34.00%	9.00%
US Mid Stocks	8.00%	12.00%
US Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100%	

\* Includes assumed rate of inflation of 2.5%

*Discount rate*

The discount rate used to measure the TPL at September 30, 2021 was the long-term rate of return, 7.70 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the rates currently in effect and that employer contributions will be made in accordance with the funding policy adopted by the Board of Control. Projected future benefit payments for all current plan members were projected for all years.

The following table presents the City's net pension liability calculated using the discount rate of 6.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
City of Muscle Shoals' net pension liability	\$ 15,263,060	\$ 10,606,692	\$ 6,704,117



12. DEFINED BENEFIT PLAN (continued)

*Changes in Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2020	\$ 37,682,972	\$ 24,793,928	\$ 12,889,044
Changes for the year:			
Service cost	663,212		663,212
Interest	2,814,438		2,814,438
Change of benefit terms	-		-
Changes of assumptions	1,379,629		1,379,629
Difference between expected and actual difference	(365,246)		(365,246)
Contributions - employer		896,075	(896,075)
Contributions - employee		482,428	(482,428)
Net investment income		5,395,882	(5,395,882)
Benefit payments, including refunds of employee contributions	(2,263,670)	(2,263,670)	-
Administrative expense	-	-	-
Transfers among employers	(105,482)	(105,482)	-
Net changes	2,122,881	4,405,233	(2,282,352)
Balances at September 30, 2021	\$ 39,805,853	\$ 29,199,161	\$ 10,606,692



## 12. DEFINED BENEFIT PLAN (continued)

### *Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

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	\$ 751,748	\$ 545,964
Changes of assumptions	1,309,120	-
Net difference between projected and actual earnings on plan investments	-	2,101,720
Employer contributions subsequent to the measurement date	1,078,359	-
<i>Total</i>	<i>\$ 3,139,227</i>	<i>\$ 2,647,684</i>

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

Year Ended September 30	
2023	(74,950)
2024	(54,284)
2025	(262,450)
2026	(391,465)
2027	163,610
Thereafter	32,723



## 12. DEFINED BENEFIT PLAN (continued)

For the year ended September 30, 2022, the City recognized pension expense of \$ 905,275 as follows:

PENSION EXPENSE	
Service Cost	\$ 663,212
Interest on the total pension liability	2,814,438
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(58,911)
Expensed portion of current-period changes of assumptions	222,521
Member contributions	(482,428)
Projected earnings on plan investments	(1,870,992)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(704,978)
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	512,188
Recognition of beginning deferred inflows of resources as pension expense	(189,775)
<i>Pension Expense (Income)</i>	<u>\$ 905,275</u>

Membership	
Retired Members or their beneficiaries currently receiving benefits	100
Vested inactive members	5
Non-vested inactive members	25
Active members	193
Post-DROP retired members still in active service	-
Total	<u>323</u>



### 13. POST-EMPLOYMENT BENEFITS

#### **Plan Description**

The City provides (defined-benefit plan) medical benefits to its retirees. Medical benefits are provided under the following two options until the retiree or dependent is eligible for Medicare coverage with SU bearing full cost.

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

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

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

#### **Plan Description (continued)**

##### *Amount of Allowance*

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

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

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



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

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.

#### *Representative Monthly Retiree Premium Amounts*

The following is the monthly cost of dental coverage by tier. The effective date of coverage is October 1, 2021:

Retiree Only	\$ 22.35
Retiree & Spouse	\$ 68.36

#### *Summary of Key Actuarial Assumptions, Methods*

The following information has been provided for the purpose of satisfying the disclosure requirements related to the actuarial assumptions and other inputs used in the measurement of the TOL. The complete set of actuarial assumptions and other inputs utilized in developing the TOL are outlined in Schedule C. The TOL was determined based on an actuarial valuation as of September 30, 2022, using the following key actuarial assumptions and other inputs:

#### Methods and Assumptions

Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay
Amortization period	30 years, Open
Asset valuation method	Market Value of Assets
Inflation	3.00%
Real wage growth	0.25%
Wage inflation	3.25%
Salary increases, including wage inflation	3.75% - 7.25%



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

Discount Rate, net of OPEB plan investment expense, including price inflation	6.00%
Health Care Cost Trends Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Year FNP is projected to be depleted	
Prior Measurement Date	2023
Measurement Date	2027
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	2.22%
Measurement Date	2.27%
Health Care Cost Trends Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.00% by 2030
Dental	4.00%
Vision	2.50%

#### *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 were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2021, with an adjustment of 66-2/3% to the table beginning in year 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2021 valuation were based on the actuarial experience study for the period October 1, 2015 – September 30, 2021, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 14, 2022.

The remaining actuarial assumptions (e.g., health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2021 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2021 valuation.



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

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.

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>

#### *Discount Rate (SEIR)*

The discount rate used to measure the TOL as of the Measurement Date was 2.27%. 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, 2021. In addition to the actuarial methods and assumptions of the September 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- Benefit payments are assumed to be paid out of the Trust until the Trust is depleted.
- Additional contributions to the Trust were not assumed to be made.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2027 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term





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

expected rate of return of 3.00% on Plan investments was applied to periods through 2027 and the Municipal Bond Index Rate at the Measurement Date (2.26%) was applied to periods on and after 2027, resulting in an SEIR at the Measurement Date (2.27%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 2.22% at the Prior Measurement Date to 2.27% 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 of the Net OPEB Liability to Health Care Cost Trend Rates*

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 are 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	\$ 9,947,910	\$ 11,665,084	\$ 13,756,305

#### *Sensitivity of the Net OPEB Liability to Discount Rates*

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 2.99%, 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:

	Discount Rate Sensitivity		
	1% Decrease (2.99%)	Current Discount Rate (3.99%)	1% Increase (4.99%)
Net OPEB Liability	\$ 13,072,971	\$ 11,665,084	\$ 10,414,633

*Change in Net OPEB Liability (NOL) - The following table shows the development of the TOL, FNP and NOL from the prior measurement date to the current measurement date.*



13. POST-EMPLOYMENT BENEFITS (continued)

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (c)
Balance as of September 30, 2021	\$ 14,666,832	\$ 1,322,056	\$ 13,344,776
Changes for the year:			
Service Cost at the end of the year *	929,346	-	929,346
Interest on TOL and Cash Flows	328,997	-	328,997
Change in benefit terms	-	-	-
Difference between expected and actual experience	(54,539)	-	(54,539)
Changes of assumptions or other inputs	(2,528,561)	-	(2,528,561)
Contributions – employer	-	349,104	(349,104)
Contributions – non-employer	-	-	-
Net investment income	-	5,831	(5,831)
Net Benefit payments	(349,104)	(349,104)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	(1,673,861)	5,831	(1,679,692)
Balance as of September 30, 2022	\$ 12,992,971	\$ 1,327,887	\$ 11,665,084

\* The service cost includes interest for the year.

\*\*Employer contributions and benefit payments include benefit payment amounts paid outside the Trust.

Changes in benefit terms since prior measurement date:

- The City has elected Act 2019-132. Tier 2 employees must retire under the same eligibility requirements as Tier 1 employees to receive OPEB benefits.

Changes to assumptions or other inputs:

- The decremental and salary increase assumptions have been updated based on the most Recent AL ERS experience analysis.
- Change in medical trend
- Change in discount rate



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

#### *Deferred Inflows of Resources and Deferred Outflows of Resources*

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of September 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,911	\$ 868,268
Changes of assumptions or other inputs	1,650,067	3,432,439
Net difference between projected and actual earnings on plan investments	60,131	-
	<u>\$ 1,746,109</u>	<u>\$ 4,300,707</u>

#### *Schedule of the Recognition of Deferred Outflows / (Inflows) of Resources in OPEB Expense*

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

Measurement Period Ended September 30:	
2023	\$ (303,631)
2024	\$ (306,508)
2025	\$ (295,238)
2026	\$ (234,413)
2027	\$ (481,405)
Thereafter	\$ (933,403)



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

#### *OPEB Expense*

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

#### Investment Earnings (Gain) Loss:

a) Expected asset return rate	3.00%
b) Beginning of year market value of assets	\$ 1,322,056
c) End of year market value of assets	1,327,887
d) Expected return on beginning assets for plan year	39,662
e) External cash flow (mid-year payments assumed):	
Contributions - employer *	349,104
Contributions - active member	-
Refunds of contributions	-
Benefit payments	(349,104)
Administrative expenses	-
Other	-
Total external cash flow	-
f) Expected return on external cash flow	-
g) Projected earnings for plan year (d+f)	39,662
h) Net investment income (c-b-e)	5,831
i) Investment earnings (gain) loss (g-h)	\$ 33,831

\*Employer contributions and benefit payments include benefit payment amounts paid outside the Trust.



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

#### *OPEB Expense (continued)*

The calculation of the OPEB Expense (OE) for the year ended September 30, 2022 is shown in the following table:

Service Cost at end of year *	\$ 929,346
Interest on the Total OPEB Liability and Cash Flow	328,997
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(6,742)
Expensed portion of current-period changes of assumptions or other inputs	(312,554)
Active member contributions	-
Projected earnings on plan investments	(39,662)
Expensed portion of current-period differences between actual and projected earnings on plan investments	6,766
Administrative Costs**	-
Other	-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	420,259
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	(406,931)
OPEB Expense	<u>\$ 919,479</u>

\* The service cost includes interest for the year.

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



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

#### *Plan Membership Information*

The Plan's membership data was furnished by the City of Muscle Shoals for valuation purposes as of September 30, 2021. The following table summarizes the membership of the Plan as of the September 30, 2021 Valuation Date.

Membership as of September 30, 2020	
Inactive Employees or Beneficiaries	
Currently Receiving Benefits	84
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Employees	193
<u>Total Membership</u>	<u>277</u>

#### *Methods and assumptions used in calculations of Actuarially Determined Contributions*

The Actuarially Determined Contribution (ADC) amount in the Schedule of Employer Contributions (Schedule A) is calculated with each biennial actuarial valuation. The actuarial methods and assumptions from the actuarial reports as of September 30, 2021 and prior years were used to determine the contribution amount reported in the schedule. Please refer the actuarial report as of September 30, 2021 for details related to the assumptions and methods used in the most recent ADC determination.

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

The following is the ADC based upon an actuarial valuation dated September 30, 2021. Based on the assumed Long-term Investment Rate of Return as of the valuation date of 3.00%, the valuation shows an Accrued Liability of \$12,798,037. Against this, the plan had \$1,321,743 in assets. When this amount is deducted from the Accrued Liability, there remains \$11,476,294 as the Unfunded Accrued Liability for the Plan. The Unfunded Accrued Liability Amortization Payment in the following ADC was calculated using a 26 - year amortization period with level dollar payments. The amortization period will decrease each year. Please see Schedule C, Schedule D, and Schedule F for the complete set of assumptions, methods and plan provisions utilized in developing the ADC applicable for the fiscal years ending September 30, 2022 and September 30, 2023.



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

Actuarially Determined Contribution  
For Fiscal Years Ending September 30, 2022 and 2023

Contribution Component

Normal Cost	\$ 758,300
Estimated Administrative Fees	-
Unfunded Accrued Liability Amortization Payment	623,266
Total Contribution	<u>\$ 1,381,566</u>

### 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, 2022, was \$369,619.



#### 15. COMMERCIAL ENTITY TRANSACTIONS (continued)

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
2023	43,037	14,798	57,835
2024	44,665	13,170	57,835
2025	46,430	11,405	57,835
2026	48,288	9,547	57,835
2027	49,934	7,901	57,835
Thereafter	137,265	9,598	146,863
Total	\$ 369,619	\$ 66,419	\$ 436,038

#### 16. 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, 2022 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
2021	\$2,332,868
2022	\$2,058,621





## 17. TAX ABATEMENTS

The City of Muscle Shoals negotiates Amendment 772 sales tax abatements on an individual basis. The City had two abatement agreements with two entities during fiscal year 2022:

Project Description	% of Taxes Abated	Amount of Taxes Abated
Restaurant chain constructed a new facility	50%	\$ 1,784
Restaurant chain located in an existing building	50%	49,676
<i>Total</i>		<i>\$ 51,460</i>

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

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

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

Project Description	Millage Abated	Amount of Taxes Abated
Automotive accessories manufacturing expansion	5.5	\$ 72,162
Incoming Call Center	5.5	283
Manufacturing - Shoals Research Airpark	5.5	1,146
Manufacturing - Shoals Research Airpark	5.5	3,108
Manufacturing	5.5	2,308
Manufacturing	55	7,437
<i>Total</i>		<i>\$ 86,444</i>



#### 18. 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 September 1, 2023. The City issued new Bonds, GO Warrants Series 2023 in the amount of \$6,860,000. These warrants were sold on August 1, 2023. The warrants are to fund capital expenditures budgeted as follows:

Fire station	\$ 3,000,000
2 Fire trucks	2,050,000
3 garbage trucks	900,000
New roof for city hall	425,000
Veterans memorial (at city hall)	200,000
Other miscellaneous	285,000
	<u>\$ 6,860,000</u>

## REQUIRED SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama  
Required Supplementary Information  
September 30, 2022

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2021	2020	2019
<b>TOTAL PENSION LIABILITY</b>			
Service Cost	\$ 663,212	\$ 592,584	\$ 613,005
Interest	2,814,438	2,656,735	2,554,476
Changes of benefit terms	-	441,104	-
Differences between expected and actual experience	(365,246)	882,260	321,797
Changes of assumptions	1,379,629	-	-
Benefit payments, including refunds of employee contributions	(2,263,670)	(2,232,283)	(1,996,493)
Transfers among employers	(105,482)	(276,618)	(46,851)
<b>Net Change in total pension liability</b>	<b>2,122,881</b>	<b>2,063,782</b>	<b>1,445,934</b>
<b>Total pension liability - beginning</b>	<b>37,682,972</b>	<b>35,619,190</b>	<b>34,173,256</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 39,805,853</b>	<b>\$ 37,682,972</b>	<b>\$ 35,619,190</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 896,075	\$ 852,157	\$ 831,330
Contributions - member	482,428	422,853	453,072
Net investment income	5,395,882	1,373,556	626,725
Benefit payments, including refunds of employee contributions	(2,263,670)	(2,232,283)	(1,996,493)
Transfer among employees	(105,482)	(276,618)	(46,851)
<b>Net Change in plan fiduciary net position</b>	<b>4,405,233</b>	<b>139,665</b>	<b>(132,217)</b>
<b>Plan net position - beginning</b>	<b>24,793,928</b>	<b>24,654,263</b>	<b>24,786,480</b>
<b>Plan net position - ending (b)</b>	<b>\$ 29,199,161</b>	<b>\$ 24,793,928</b>	<b>\$ 24,654,263</b>
Net pension liability (asset) - ending (a) - (b)	\$ 10,606,692	\$ 12,889,044	\$ 10,964,927
Plan fiduciary net position as a percentage of the total pension liability	73.35%	65.80%	69.22%
Covered employee payroll *	\$ 8,428,854	\$ 7,702,074	\$ 7,238,107
Net pension liability (asset) as a percentage of covered employee payroll	125.84%	167.35%	151.49%

\* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2022 the measurement period is October 1, 2020 - September 30, 2021. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY 2017.

Note to schedule: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years available is presented.



2018	2017	2016	2015	2014
\$ 569,288	\$ 605,208	\$ 570,188	\$ 552,760	\$ 545,427
2,506,109	2,422,801	2,319,060	2,236,690	2,141,482
-	-	-	-	-
(537,113)	(30,197)	(585,123)	(261,810)	-
176,775	-	1,399,593	-	-
(1,905,567)	(1,591,452)	(1,511,146)	(1,484,876)	(1,508,755)
74,096	(174,365)	121,278	-	-
<b>883,588</b>	<b>1,231,995</b>	<b>2,313,850</b>	<b>1,042,764</b>	<b>1,178,154</b>
<b>33,289,668</b>	<b>32,057,673</b>	<b>29,743,823</b>	<b>28,701,059</b>	<b>27,522,905</b>
<b>\$ 34,173,256</b>	<b>\$ 33,289,668</b>	<b>\$ 32,057,673</b>	<b>\$ 29,743,823</b>	<b>\$ 28,701,059</b>
\$ 741,572	\$ 814,786	\$ 848,920	\$ 753,105	\$ 742,144
384,931	377,436	379,502	361,847	353,105
2,129,465	2,684,304	1,971,680	230,487	2,131,301
(1,905,567)	(1,591,452)	(1,511,146)	(1,484,876)	(1,508,755)
74,096	(174,365)	121,278	(64,560)	(84,906)
<b>1,424,497</b>	<b>2,110,709</b>	<b>1,810,234</b>	<b>(203,997)</b>	<b>1,632,889</b>
<b>23,361,983</b>	<b>21,251,274</b>	<b>19,441,040</b>	<b>19,645,037</b>	<b>18,012,148</b>
<b>\$ 24,786,480</b>	<b>\$ 23,361,983</b>	<b>\$ 21,251,274</b>	<b>\$ 19,441,040</b>	<b>\$ 19,645,037</b>
\$ 9,386,776	\$ 9,927,685	\$ 10,806,399	\$ 10,302,783	\$ 9,056,022
72.53%	70.18%	66.29%	65.36%	68.45%
\$ 6,770,429	\$ 6,707,019	\$ 6,790,034	\$ 6,439,111	\$ 6,391,870
138.64%	148.02%	159.15%	160.00%	141.68%



SCHEDULE OF EMPLOYER CONTRIBUTIONS									
	2022	2021	2020	2019	2018	2017	2016	2015	
Actuarially determined contribution	\$ 1,078,359	\$ 950,381	\$ 878,985	\$ 858,112	\$ 765,503	\$ 794,653	\$ 873,998	\$ 742,144	
Contributions in relation to the actuarially determined contribution *	1,078,359	950,381	878,985	858,112	765,503	794,653	873,998	742,144	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered employee payroll	\$ 8,428,854	\$ 7,702,074	\$ 7,523,223	\$ 7,238,107	\$ 6,770,429	\$ 6,707,019	\$ 6,790,034	\$ 6,439,111	
Contributions as a percentage of covered employee payroll	12.79%	12.34%	11.68%	11.86%	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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	26.8 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation



FUNDING PROGRESS (in thousands of dollars)

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 )
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%
2018 3	23,985	34,472	10,487	69.6%	7,199	145.7%
2019	24,951	36,438	11,487	68.5%	7,116	161.4%
2019 2	24,951	36,464	11,513	68.4%	7,116	161.8%

- 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.

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, 2019 was \$ 24,654,260.



NOTE TO SCHEDULE OF FUNDING PROGRESS

Required Employer Contribution Rates (Effective October 1, 2020)

	Retain Current Member Contribution Rates	Elect to Increase Member Contribution Rate Under Act 2011-676
Tier 1 Employees (applies to all members hired before January 1, 2013)		
Normal cost	3.20%	0.73%
Accrued liability	10.10%	10.12%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	0.35%	0.35%
Total	13.67%	11.22%
5% employer contribution factor (13.67% / 5%)	2.734000	
6% employer contribution factor (13.67% / 6%)	2.278333	
7.5% employer contribution factor (11.22% / 7.5%)		1.496000
8.5% employer contribution factor (11.22% / 8.5%)		1.320000
Tier 2 Employees (applies to all members hired on or after January 1, 2013)		
Normal cost	-0.05%	
Accrued liability	10.10%	
Pre-retirement death benefit	0.02%	
Administrative expense	0.35%	
Total	10.42%	
6% employer contribution factor (10.42% / 6%)	1.736666	
7% employer contribution factor (10.42% / 7%)	1.488571	
Valuation date	9/30/2018	
Actuarial cost method	Entry Age	
Amortization method	Level percent closed	
Remaining amortization method	26.8	
Asset valuation method	5-year smoothed market	
Actuarial assumptions:		
Investment rate of return**	7.70%	
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, 2022

DEFINED BENEFIT PLAN (NOTES TO REQUIRED SUPPLEMENTARY INFORMATION)

Collective Deferred Outflows and Inflows

		Between Expected and Actual Experience							
		2021	2020	2019	2018	2017	2016	2015	Total
Initial Balance of Losses/Deferred Outflows		\$ -	\$ 882,260	\$ 321,797	\$ -	\$ -	\$ -	\$ -	
Initial Balance of Gains/Deferred Inflows		\$ 365,246	\$ -	-	537,113	30,197	585,123	261,810	
Amortization Period		6.2	\$ 5.9	6.3	6.3	6.5	6.4	6.2	
<b>Beginning Balance:</b>									
Deferred Outflows	A	\$ -	\$ -	270,718	-	-	-	-	\$ 270,718
Deferred Inflows	B	\$ -	\$ -	-	366,601	16,259	219,423	50,675	\$ 652,958
Losses/Deferred Outflows	C	\$ -	\$ 882,260	-	-	-	-	-	\$ 882,260
Gains/Deferred Inflows	D	\$ 365,246	\$ -	-	-	-	-	-	\$ -
Amounts Recognized in Pension Expense/Deferred Outflow									
	E	\$ -	\$ 149,536	51,079	-	-	-	-	
Pension Expense/Deferred Inflow	F	\$ 58,911	\$ -	-	85,256	4,646	91,425	42,227	
<b>Ending Balance</b>									
Deferred Outflows	A+C-E		\$ 732,724	219,639					\$ 952,363
Deferred Inflows	B+D-F				281,345	11,613	127,998	8,448	\$ 429,404

		For Differences in Investment Experience							
		2021	2020	2019	2018	2017	2016	2015	Total
Initial Balance of Losses/Deferred Outflows		\$ 1,379,629	\$ -	\$ -	\$ 176,775	\$ -	\$ 1,399,593	\$ -	
Initial Balance of Gains/Deferred Inflows		\$ -	\$ -	-	-	-	-	261,810	
Amortization Period		6.2	5.9	6.3	6.3	6.5	6.4	6.2	
<b>Beginning Balance:</b>									
Deferred Outflows	A	\$ -	\$ -	-	120,655	-	524,849	-	\$ 645,504
Deferred Inflows	B	\$ -	\$ -	-	-	-	-	50,675	\$ -
Losses/Deferred Outflows	C	\$ 1,379,629	\$ -	-	-	-	-	-	\$ -
Gains/Deferred Inflows	D	\$ -	\$ -	-	-	-	-	-	\$ -
Amounts Recognized in Pension Expense/Deferred	E	\$ 222,521	\$ -	-	28,060	-	218,686	-	
Amounts Recognized in Pension Expense/Deferred	F	\$ -	\$ -	-	-	-	-	42,227	
<b>Ending Balance</b>									
Deferred Outflows	A+C-E		\$ -	-	92,595	-	306,163		\$ 398,758
Deferred Inflows	B+D-F			-	-	-	-	8,448	\$ -



City of Muscle Shoals, Alabama  
Required Supplementary Information  
September 30, 2022

		For Differences in Investment Experience							
Initial Balance of Losses/Deferred Outflows		2021	2020	2019	2018	2017	2016	2015	Total
Initial Balance of Gains/Deferred Inflows		\$ -	\$ 477,317	\$ 1,252,615	\$ -	\$ -		\$ -	
Amortization Period		\$ 3,524,890	\$ -	-	346,229	1,059,557	422,855	261,810	
Beginning Balance:		5.0	\$ 5	5.0	5.0	5.0	5	6.2	
Deferred Outflows	A								
Deferred Inflows	B	\$ -	\$ -	1,002,092	-	-	-	-	\$ 1,002,092
Losses/Deferred Outflows	C	\$ -	\$ -	-	207,737	423,824	84,571	50,675	\$ 716,132
Gains/Deferred Inflows	D	\$ -	\$ 477,317	-	-	-	-	-	\$ 477,317
Pension Expense/Deferred Outflow	E	\$ 3,524,890	\$ -	-	-	-	\$ -	-	\$ -
Pension Expense/Deferred Inflow	F	\$ -	\$ 95,463	250,523	-	-		-	
Ending Balance		\$ 704,978	\$ -	-	69,246	211,911	84,571	42,227	
Deferred Outflows	A+C-E								
Deferred Inflows	B+D-F		\$ 381,854	751,569	-	-	-		\$ 1,133,423
				-	138,491	211,913	-	8,448	\$ 350,404
		Net Difference between projected and actual earnings on investments							\$ 783,019

Summary of Amortization of Deferred Outflows and Inflows of Resources:

Year	Actual and Expected Difference						Assumption Changes	
	2015	2016	2017	2018	2019	2020	2016	2018
2022	\$ (8,448)	\$ (91,425)	\$ (4,646)	\$ (85,256)	\$ 51,079	\$ 149,536	\$ 218,686	\$ 28,060
2023	-	(36,573)	(4,646)	(85,256)	51,079	149,536	87,477	28,060
2024	-	-	(2,321)	(85,256)	51,079	149,536		28,060
2025	-	-	-	(25,577)	51,079	149,536	-	8,415
2026	-	-	-	-	15,323	134,580	-	-
Thereafter	-	-	-	-	-	-	-	-
Total	\$ -	\$ (36,573)	\$ (6,967)	\$ (196,089)	\$ 168,560	\$ 583,188	\$ 87,477	\$ 64,535

Investment Gains/Losses				
2018	2019	2020	2021	Total
(69,245)	250,523	95,463	(704,978)	\$ (74,950)
	250,523	95,463	(704,978)	(54,284)
-	-	95,465	(704,978)	(262,450)
-	-	-	(704,978)	(391,465)
-	-	-	-	32,723
\$ (69,245)	\$ 501,046	\$ 286,391	\$ (2,819,912)	\$ (750,426)



**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, 2022.**

*Schedule of Changes in Net OPEB Liability*

A 3-year schedule of changes in Net OPEB Liability and related ratios are shown in the following table. The Schedule of changes for the prior years may be obtained from the City's annual financial statements.

	Fiscal Year Ending September 30		
	2022	2021	2020
<b>Total OPEB Liability</b>			
Service Cost at end of year	\$ 929,346	\$ 611,711	\$ 542,664
Interest on the Total OPEB Liability	328,997	309,411	338,490
Changes of benefit terms	-	1,913,783	-
Difference between expected and actual experience	(54,539)	(676,280)	57,499
Changes of assumptions or other inputs	(2,528,561)	(1,298,562)	604,283
Benefit payments*	(349,104)	(259,867)	(400,354)
<b>Net change in Total OPEB Liability</b>	<b>(1,673,861)</b>	<b>600,196</b>	<b>1,142,582</b>
<b>Total OPEB Liability – beginning</b>	<b>\$ 14,666,832</b>	<b>\$ 14,066,636</b>	<b>\$ 12,924,054</b>
<b>Total OPEB Liability – ending (a)</b>	<b>\$ 12,992,971</b>	<b>\$ 14,666,832</b>	<b>\$ 14,066,636</b>
<b>Plan Fiduciary Net Position</b>			
Contributions – employer **	\$349,104	\$259,867	\$400,354
Contributions – non-employer	-	-	-
Contributions – active member	-	-	-
Net investment income	5,831	313	22,504
Benefit payments*	(349,104)	(259,867)	(400,354)
Administrative expense	-	-	-
Other	-	-	-
<b>Net change in Plan Fiduciary Net Position</b>	<b>5,831</b>	<b>313</b>	<b>22,504</b>
<b>Plan Fiduciary Net Position – beginning</b>	<b>1,322,056</b>	<b>1,321,743</b>	<b>1,299,239</b>
<b>Plan Fiduciary Net Position – ending (b)</b>	<b>1,327,887</b>	<b>1,322,056</b>	<b>1,321,743</b>
<b>Net OPEB Liability – ending (a) – (b)</b>	<b>\$ 11,665,084</b>	<b>\$ 13,344,776</b>	<b>\$ 12,744,893</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.



## Other Pensions and Benefits Obligations (OPEB) (continued)

### *Schedule of the Net OPEB Liability*

A 3-year schedule of the Net OPEB Liability and related ratios are shown in the following table. The Schedule of changes for the prior years may be obtained from the City's annual financial statements.

SCHEDULE OF THE NET OPEB LIABILITY			
Fiscal Year Ending September 30	2022	2021	2020
Total OPEB Liability	\$ 12,992,971	\$ 14,666,832	\$ 14,066,636
Plan Fiduciary Net Position	1,327,887	1,322,056	1,321,743
Net OPEB Liability	\$ 11,665,084	\$ 13,344,776	\$ 12,744,893
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	10.22%	9.01%	9.40%
Covered Payroll*	\$ 7,150,807	\$ 7,150,807	\$ 6,408,913
Net OPEB Liability as a percentage of covered payroll	163.13%	186.62%	198.86%

\*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*

SCHEDULE OF EMPLOYER CONTRIBUTIONS			
Fiscal Year Ending September 30	2022	2021	2020
Actuarially Determined Contribution	\$ 1,381,566	\$ 1,027,821	\$ 1,027,821
Contributions in relation to the Actuarially Determined Contribution	349,104	259,867	400,354
Annual contribution deficiency (excess)	\$ 1,032,462	\$ 767,954	\$ 627,467
Covered payroll*	\$ 7,150,807	\$ 7,150,807	\$ 6,408,913
Actual contributions as a percentage of covered payroll	4.88%	3.63%	6.25%

\*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.

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 For the Year Ended September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>BUDGETARY FUND BALANCE- BEGINNING</b>	<b>\$ 17,981,199</b>	<b>\$ 17,981,199</b>	<b>\$ 17,981,199</b>	<b>\$ -</b>
<b>RESOURCES (INFLOWS):</b>				
Local taxes	21,367,537	21,548,437	24,129,008	2,580,571
License, permits and fees	1,562,000	1,562,000	1,623,925	61,925
Charges for service	1,591,100	1,591,100	1,602,847	11,747
Joint Ventures	340,000	340,000	400,317	60,317
Intergovernmental revenue	700	700	4,000	3,300
Park and recreation	1,134,955	1,143,530	1,247,718	104,188
Investment earnings	18,000	18,000	36,021	18,021
Miscellaneous	91,283	125,062	123,870	(1,192)
<i>Total resources (inflows)</i>	<u>26,105,575</u>	<u>26,328,829</u>	<u>29,167,706</u>	<u>2,838,877</u>
<b>AMOUNTS AVAILABLE FOR APPROPRIATIONS</b>	<u>44,086,774</u>	<u>44,310,028</u>	<u>47,148,905</u>	<u>2,838,877</u>
<b>EXPENDITURES</b>				
Current:				
General Government	4,535,910	4,443,876	3,771,642	672,234
Public Safety	7,013,091	7,459,285	7,482,788	(23,503)
Public Works	3,009,778	2,924,890	2,879,442	45,448
Health and sanitation				
Health and sanitation	2,004,920	1,917,582	1,922,012	(4,430)
Recreation	2,858,473	2,866,427	2,792,803	73,624
Education	1,407,459	1,407,459	1,551,939	(144,480)
Miscellaneous	406,337	419,437	398,909	20,528
Debt Service	57,835	57,835	57,835	-
Capital Outlay	1,105,913	1,133,679	1,099,119	34,560
<i>Total Expenditures</i>	<u>22,399,716</u>	<u>22,630,470</u>	<u>21,956,489</u>	<u>673,981</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	235,000	245,000	245,046	46
Transfers out	(3,671,073)	(3,942,754)	(4,051,114)	(108,360)
Total other financing sources and uses	<u>(3,436,073)</u>	<u>(3,697,754)</u>	<u>(3,806,068)</u>	<u>(108,314)</u>
<b>TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>	<u>25,835,789</u>	<u>26,328,224</u>	<u>25,762,557</u>	<u>565,667</u>
<b>BUDGETARY FUND BALANCE- ENDING</b>	<b><u>\$ 18,250,985</u></b>	<b><u>\$ 17,981,804</u></b>	<b><u>\$ 21,386,348</u></b>	<b><u>\$ 3,404,544</u></b>



#### 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	\$ 47,148,905
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>17,981,199</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>29,167,706</u>

##### Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>21,956,489</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 21,956,489</u>

## SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Ad Valorem - Real Property	\$ 1,085,000	\$ 1,085,000	\$ 1,177,189	\$ 92,189
Ad Valorem - Personal Property	225,000	225,000	244,163	19,163
Sales Tax	16,650,000	16,830,900	18,670,260	1,839,360
Alcohol Beverage Tax	367,293	367,293	393,621	26,328
Tangible Personal Property Rentals	200,000	200,000	227,655	27,655
Lodging Tax	125,000	125,000	130,260	5,260
Tax Equivalent (Electric Board)	902,244	902,244	902,168	(76)
Gasoline (Local)	581,000	581,000	588,814	7,814
Tobacco Tax	140,000	140,000	133,288	(6,712)
TVA In Lieu Of Taxes	625,000	625,000	640,199	15,199
State Auto License	7,000	7,000	8,856	1,856
ABC Board	45,000	45,000	69,603	24,603
Financial Inst. Tax	415,000	415,000	942,932	527,932
	21,367,537	21,548,437	24,129,008	2,580,571
License, Permits and Fees				
Business License (City)	1,420,000	1,420,000	1,472,321	52,321
Building Permits	140,000	140,000	148,746	8,746
Mechanical Permits	2,000	2,000	2,858	858
	1,562,000	1,562,000	1,623,925	61,925
Intergovernmental Revenues				
NACOLG Traffic Grant	700	700	1,006	306
EMA Disaster Funds	-	-	2,994	2,994
	700	700	4,000	3,300
Charges for Services				
Street Cutting	6,500	6,500	5,500	(1,000)
Gas Inspection Fees	6,500	6,500	5,101	(1,399)
Electric Inspection Fees	12,000	12,000	7,384	(4,616)
Plumbing Inspection Fees	8,000	8,000	5,489	(2,511)
Photo Copy Service	5,000	5,000	6,016	1,016
Garbage Fees	1,524,000	1,524,000	1,542,477	18,477
Fire Training Center	23,000	23,000	27,280	4,280
Radio Operator Service	3,600	3,600	3,600	-
	1,591,100	1,591,100	1,602,847	11,747

(continued)



City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
Joint Ventures				
North Ala. Gas District	340,000	340,000	400,317	60,317
	340,000	340,000	400,317	60,317
Park and Recreation				
Cypress Lakes Facility Revenues				
Dues	215,000	215,000	222,936	7,936
Golf Concessions	67,664	67,664	100,158	32,494
Room Rentals	20,000	20,000	3,250	(16,750)
Miscellaneous	1,200	1,200	3,372	2,172
Cart Rentals	25,900	25,900	31,375	5,475
Greens Fees	146,225	146,225	179,177	32,952
Merchandise	252,466	252,466	306,068	53,602
Golf Club Rental	80,000	80,000	96,552	16,552
Cash Over/Short (Cypress Lakes)	100	100	262	162
Tip Revenue	3,500	3,500	6,675	3,175
Other Recreation Revenues				
Gattman Splashpad Concessions	10,000	10,000	9,422	(578)
Batting Cage Revenue	3,000	3,000	874	(2,126)
Football	10,000	10,000	16,070	6,070
Flag Football Revenue	7,000	12,000	8,293	(3,707)
Airport Concessions	30,000	30,000	31,659	1,659
Webster Concessions	7,500	7,500	-	(7,500)
Karate	8,000	8,000	2,473	(5,527)
Pool Receipts	20,000	22,575	25,164	2,589
Pool Concessions	2,500	2,500	2,945	445
Gattman Concessions	35,000	35,000	28,867	(6,133)
Youth Basketball Registration	17,500	17,500	16,360	(1,140)
Youth Soccer Registration	7,500	7,500	11,775	4,275
Youth Baseball Registration	17,000	17,000	12,987	(4,013)
Girls Softball Registration	8,500	8,500	6,485	(2,015)
Special Events Revenue	25,000	25,000	35,528	10,528
Facilities Rental	35,000	35,000	32,816	(2,184)
Vending And Game Machines	1,500	1,500	230	(1,270)
Miscellaneous Revenues	2,500	2,500	4,908	2,408
Sportsplex Concessions	40,000	40,000	23,929	(16,071)

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
Park and Recreation				
Tournament Revenues	20,000	20,000	2,600	(17,400)
Tennis Guest Fees	5,000	5,000	5,006	6
Tennis Passes	10,000	10,000	12,748	2,748
Total Park and Recreation Revenues	1,134,955	1,143,530	1,247,718	104,188
Investment Earnings	18,000	18,000	36,021	18,021
Library Revenues				
State Aid	21,286	21,286	21,533	247
County Appropriation	3,000	3,000	3,000	-
Fines	4,000	4,000	3,907	(93)
Miscellaneous Library Revenues	11,300	11,300	8,780	(2,520)
	39,586	39,586	37,220	(2,366)
Other Revenues				
Lease Payments	11,635	11,635	8,398	(3,237)
Insurance Refund	14,762	14,762	14,762	-
Sale Of Street Material	2,000	2,000	2,456	456
Donations	-	1,950	1,950	-
Sale Of City Eqpt	-	29,879	29,879	-
Wal-Mart Foundation Grant	-	-	-	-
Misc. Revenue	4,000	5,950	8,905	2,955
Transf From Area Agency On Aging	7,800	7,800	7,800	-
Colbert County Commission	6,500	6,500	7,500	1,000
	51,697	85,476	86,650	1,174
Total Revenues	\$ 26,105,575	\$ 26,328,829	\$ 29,167,706	\$ 2,838,877

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Mayor And City Council				
Salaries - Regular	\$ 116,288	\$ 120,098	\$ 123,952	\$ (3,854)
Retirement	10,482	10,892	10,885	7
Employee's Insurance	13,522	13,522	12,537	985
Workmen's Compensation	153	153	33	120
Consultant Services	17,700	17,700	16,350	1,350
Mayor And City Council - Data Proc	9,000	2,380	476	1,904
Gas, Oil	3,000	3,000	1,757	1,243
Miscellaneous	2,800	4,300	4,280	20
Vehicle Repair	1,300	1,300	427	873
Advertising	22,000	22,080	22,078	2
Travel	30,000	30,000	33,097	(3,097)
Meals	500	500	376	124
Insurance - General	31,051	31,051	29,770	1,281
Dues	18,400	19,220	19,219	1
Road Building	300,000	300,000	-	300,000
Total	576,196	576,196	275,237	300,959
City Clerk				
Salaries - Regular	689,208	613,197	616,006	(2,809)
Retirement	84,886	75,026	75,279	(253)
Employee's Insurance	198,765	166,305	166,303	2
Workmen's Compensation	4,850	5,140	5,137	3
Vacation Sold	37,824	37,824	34,839	2,985
Auditing Services	45,000	45,000	44,520	480
Consultant Services	147,000	147,000	145,881	1,119
Janitorial	6,500	4,500	4,119	381
Data Processing	65,000	92,500	92,504	(4)
Office Supplies	7,400	8,350	8,322	28
Gas, Oil	3,000	3,000	3,004	(4)
Tobacco Stamps	12,000	12,000	11,626	374
Miscellaneous	5,000	8,850	8,842	8
Buildings And Grounds	44,000	63,500	63,424	76
Vehicle Repair	2,000	1,500	1,341	159
Postage	12,500	11,500	11,131	369

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
City Clerk				
Advertising	3,200	4,100	4,099	1
Recording Fees	100	100	204	(104)
Travel	8,000	8,000	7,174	826
Drug/Alcohol Testing	7,150	7,150	5,877	1,273
Meals	200	200	28	172
Employee Education And Training	2,000	3,750	3,723	27
Insurance - General	10,631	10,631	10,199	432
Photo Copy Exp	5,700	8,450	8,433	17
Printing, Books, Subscriptions	5,225	7,375	7,352	23
Dues	2,500	2,500	2,129	371
Trustee Fees	7,400	7,400	6,055	1,345
Total	1,417,039	1,354,848	1,347,551	7,297
Civil Service Board				
Salaries - Regular	18,000	18,000	19,500	(1,500)
Legal Services	500	-	-	-
Meals	500	-	-	-
Total	19,000	18,000	19,500	(1,500)
Legal Services				
Salaries - City Attorney	6,000	6,000	6,000	-
Legal Services	35,000	35,000	28,582	6,418
Total	41,000	41,000	34,582	6,418
City Buildings				
Workmen's Compensation	5,000	5,162	5,161	1
Lawn Maintenance	24,200	23,538	22,200	1,338
Buildings And Grounds	18,500	19,000	18,993	7
Utilities	180,000	152,150	152,144	6
Early Warning System	5,200	3,395	3,395	-
Insurance - General	52,187	52,187	52,187	-
Total	285,087	255,432	254,080	1,352
Communications				
Telephone	102,000	128,100	127,533	567
Radio	15,000	12,350	12,347	3
Total	117,000	140,450	139,880	570

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Payroll Tax Expense				
FICA	680,598	657,098	657,058	40
Unemployment Insurance	6,000	33,200	33,176	24
Total	686,598	690,298	690,234	64
Police Dept.				
Holiday Pay	80,943	86,793	98,552	(11,759)
Salaries - Regular	2,164,471	2,273,671	2,293,331	(19,660)
Salaries - Overtime	119,477	178,777	179,166	(389)
Retirement	298,568	332,968	335,439	(2,471)
Employee's Insurance	646,977	710,602	710,601	1
Workmen's Compensation	62,353	59,553	59,551	2
Vacation Sold	79,000	41,200	41,128	72
Janitorial	20,000	10,640	10,636	4
Data Processing	148,000	155,100	155,043	57
Office Supplies	13,000	12,750	12,748	2
Gas, Oil	83,000	162,700	162,658	42
Miscellaneous	8,178	13,398	13,405	(7)
Canine Expense	6,000	1,900	1,802	98
D.A.R.E. Program	4,000	4,150	4,134	16
Jail Expense	13,500	11,600	11,511	89
Buildings And Grounds	31,100	29,750	29,735	15
Vehicle Repair	45,000	97,950	99,258	(1,308)
Public Safety Equipment	140,424	148,493	148,415	78
Travel	18,000	27,150	27,221	(71)
Employee Education And Training	50,000	39,750	39,746	4
Insurance - General	74,270	74,870	74,844	26
Uniforms	53,500	65,300	65,290	10
Photo Copy Exp	5,500	3,900	3,889	11
Printing, Books, Subscriptions	4,373	5,203	5,199	4
Dues	2,200	1,155	1,155	-
Care of Prisoners	22,500	16,400	16,364	36
Police Tactical Team	28,700	24,600	24,560	40
Training Facility	2,870	1,970	1,881	89
Colbert Drug Task Force	10,000	10,000	10,000	-
Special Events	4,000	8,680	8,678	2
Salary & Benefit				
-Reimbursement -Board Of Ed.	(107,345)	(82,645)	(92,677)	10,032
Total	4,132,559	4,528,328	4,553,263	(24,935)

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Municipal Court				
Salaries - Regular	92,000	80,340	80,713	(373)
Retirement	12,981	10,481	10,524	(43)
Employee's Insurance	37,348	39,128	39,117	11
Workmen's Compensation	123	123	29	94
Vacation Sold	1,500	1,500	-	1,500
Municipal Judge	13,666	13,891	13,891	-
Data Processing	6,000	5,000	4,335	665
Office Supplies	6,000	5,000	1,392	3,608
Miscellaneous	500	500	507	(7)
Municipal Prosecutor	6,600	6,600	6,550	50
Photo Copy Expense	-	-	23	(23)
Printing, Books, Subscriptions	2,500	2,500	2,067	433
Dues	200	200	200	-
Total	179,918	168,423	162,505	5,918
Fire Dept.				
Holiday Pay	65,166	65,716	74,658	(8,942)
Salaries - Regular	1,673,262	1,677,902	1,691,353	(13,451)
Salaries - Overtime	75,000	71,500	71,829	(329)
Retirement	231,890	239,940	241,727	(1,787)
Employee's Insurance	463,532	499,132	499,095	37
Workmen's Compensation	48,918	35,118	35,061	57
Vacation Sold	37,143	15,943	15,907	36
Janitorial	3,000	3,000	2,977	23
Data Processing	23,220	24,530	24,526	4
Chemicals	3,000	3,000	963	2,037
Office Supplies	1,000	1,000	847	153
Gas, Oil	22,800	26,400	26,345	55
Medical Supplies	3,000	3,000	2,718	282
Small Tools	2,500	2,500	33	2,467
Miscellaneous	9,500	10,760	10,759	1
Fire Prevention Program	2,500	3,060	3,050	10
Buildings And Grounds	30,000	38,260	31,717	6,543
Vehicle Repair	43,700	56,050	56,002	48
Tire Repair	5,000	5,000	4,948	52
Machine & Equipment Repair	10,800	10,800	8,828	1,972
Public Safety Equipment	17,000	17,000	16,440	560
Travel	6,500	6,500	1,951	4,549

(continued)

City of Muscle Shoals, Alabama  
Revenues and Expenditures-Budgetary Comparison-General Fund  
At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Fire Dept.				
Employee Education And Training	11,000	12,365	12,365	-
Insurance - General	31,777	51,577	31,777	19,800
Uniforms	33,800	33,800	53,517	(19,717)
Printing, Books, Subscriptions	3,000	3,000	2,859	141
Dues	1,800	1,800	1,654	146
Training Facility	20,724	12,304	5,619	6,685
Total	2,880,532	2,930,957	2,929,525	1,432
Street Dept.				
Salaries - Regular	792,390	817,890	823,786	(5,896)
Salaries - Overtime	10,000	3,140	2,929	211
Retirement	104,934	108,184	108,537	(353)
Employee's Insurance	507,048	310,088	310,086	2
Workmen's Compensation	41,153	42,803	42,801	2
Vacation Sold	19,780	20,380	20,360	20
Data Processing	4,790	3,090	3,006	84
Chemicals	10,000	10,000	7,432	2,568
Office Supplies	1,000	1,000	843	157
Gas, Oil	50,000	65,000	64,825	175
Road Building	25,000	25,000	17,407	7,593
Street Materials Sold	15,000	15,000	5,572	9,428
Medical Supplies	200	200	-	200
Small Tools	12,000	12,000	9,772	2,228
Street Markers	15,000	15,000	13,072	1,928
Miscellaneous	3,535	6,335	6,334	1
Safety Supplies	6,000	7,082	7,081	1
Buildings And Grounds	38,000	17,040	17,156	(116)
Vehicle Repair	30,000	30,000	29,412	588
Tire Repair	17,000	15,480	15,477	3
Machine & Equipment Repair	20,000	12,680	12,678	2
Storm Drainage	50,000	64,500	64,478	22
Travel	2,000	2,000	400	1,600
Meals	1,000	1,000	160	840
Employee Education And Training	1,500	1,500	158	1,342
Insurance - General	50,098	50,098	50,098	-

(continued)



City of Muscle Shoals, Alabama  
Revenues and Expenditures-Budgetary Comparison-General Fund  
At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Street Dept.				
Uniforms	6,150	5,150	4,489	661
Photo Copy Exp	300	300	109	191
Tree Services	20,000	5,800	5,800	-
Pedestrian Overpass	6,900	6,900	5,101	1,799
Sidewalk Repair	2,500	2,500	85	2,415
Total	1,863,278	1,677,140	1,649,444	27,696
City Engineer				
Engineering Services	370,000	349,050	92,977	256,073
Construction in Progress	-	-	-	-
Total	370,000	349,050	92,977	256,073
Storm Drainage				
Salaries - Regular	284,721	265,801	265,951	(150)
Salaries - Overtime	8,000	13,650	14,676	(1,026)
Retirement	38,149	38,149	37,193	956
Employee's Insurance	75,608	62,408	62,375	33
Workmen's Compensation	6,994	5,229	4,075	1,154
Vacation Sold	12,000	2,220	2,210	10
Janitorial	2,400	2,400	1,784	616
Data Processing	3,390	3,390	1,847	1,543
Chemicals	40,600	40,600	39,003	1,597
Gas, Oil	22,500	23,550	23,539	11
Small Tools	5,000	5,000	2,985	2,015
Miscellaneous	3,700	7,650	7,611	39
Buildings And Grounds	-	-	131	(131)
Vehicle Repair	7,650	7,800	3,569	4,231
Tire Repair	4,200	4,290	4,287	3
Machine & Equipment Repair	17,000	26,300	26,266	34
Retention Ponds	48,000	49,275	49,252	23
Utilities	40,000	51,100	51,081	19
Program/Review Fees	1,400	1,400	-	1,400
Travel	2,000	2,000	668	1,332
Meals	200	200	33	167
Employee Education And Training	850	850	165	685
Insurance - General	12,888	12,888	12,888	-

(continued)



City of Muscle Shoals, Alabama  
Revenues and Expenditures-Budgetary Comparison-General Fund  
At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Storm Drainage				
Levee Maintenance	7,000	7,000	4,000	3,000
Uniforms	2,250	2,250	2,069	181
Total	646,500	635,400	617,658	17,742
Street Lighting				
Utilities	500,000	612,350	612,340	10
Total	500,000	612,350	612,340	10
Sanitation				
Salaries - Regular	837,603	787,823	783,411	4,412
Salaries - Overtime	10,000	4,200	3,880	320
Retirement	111,803	106,053	105,920	133
Employee's Insurance	251,648	277,448	277,420	28
Workmen's Compensation	48,174	31,024	31,020	4
Vacation Sold	12,000	9,440	9,434	6
Landfill Services	400,000	356,360	356,356	4
Chemicals	10,000	9,000	8,693	307
Office Supplies	1,000	1,500	843	657
Gas, Oil	70,000	109,500	113,724	(4,224)
Medical Supplies	200	200	-	200
Small Tools	2,000	3,837	3,515	322
Miscellaneous	3,534	3,894	3,887	7
Safety Supplies	4,000	4,525	4,521	4
Vehicle Repair	50,000	37,225	37,322	(97)
Tire Repair	20,000	20,000	29,999	(9,999)
Machine & Equipment Repair	60,000	49,100	49,089	11
Travel	1,000	1,000	-	1,000
Employee Education And Training	500	500	-	500
Garbage Containers	75,000	69,400	69,333	67
Insurance - General	25,891	25,891	25,891	-
Uniforms	7,392	6,392	4,584	1,808
Photo Copy Exp	350	350	251	99
Printing, Books, Subscriptions	2,600	2,635	2,634	1
Dues	225	285	285	-
Total	2,004,920	1,917,582	1,922,012	(4,430)

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Contractual Obligations				
Colbert Animal Shelter	98,135	98,135	97,232	903
Colbert County Emergency Mgmt	11,832	11,832	11,832	-
M.S Airport Authority	9,375	9,375	9,375	-
Incentive Rebate	1,800	1,800	1,784	16
Hazard Mat. Team	2,500	2,500	2,500	-
Total	123,642	123,642	122,723	919
Appropriations				
Riverbend Mental Health	10,000	10,000	10,000	-
Colbert Health Dept	7,000	7,000	7,000	-
Easter Seals Rehabilitation Center	7,000	7,000	7,000	-
The Caring Place	-	5,000	5,000	-
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	46,667	48,417	48,416	1
I.M. Alliance	2,000	2,000	2,000	-
Shoals Area COARMM	1,500	1,500	1,500	-
Shoals Area Chamber Of Comm	5,000	11,050	11,050	-
Cerebral Palsy Center	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	-
Keep the Shoals Beautiful	2,500	2,500	2,500	-
Crimestoppers	500	-	-	-
Cramer Children's Center	1,000	1,000	1,000	-
Colbert County DHR	1,000	1,000	1,000	-
CASA	1,000	1,000	1,000	-
Shoals Scholar Dollars	1,000	1,000	1,000	-
Total	104,167	116,467	116,466	1

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Administration Division				
Salaries Part Time	167,706	145,606	147,274	(1,668)
Salaries - Regular	537,309	534,309	535,219	(910)
Salaries - Overtime	2,000	725	725	-
Retirement	79,546	77,106	77,156	(50)
Employee's Insurance	136,622	144,322	144,279	43
Workmen's Compensation	16,146	13,796	13,791	5
Vacation Sold	24,734	17,964	17,961	3
Consultant Services	-	-	-	-
Janitorial	5,000	6,200	6,182	18
Data Processing	3,000	12,000	11,992	8
Office Supplies	3,000	1,500	1,492	8
Medical Supplies	250	250	44	206
Miscellaneous	2,500	9,200	9,156	44
Buildings And Grounds	20,000	20,720	20,718	2
Machine & Equipment Repair	1,500	30	27	3
Utilities	150,000	175,500	175,438	62
Advertising	1,000	2,850	2,849	1
Travel	2,500	4,620	4,620	-
Meals	750	750	572	178
Employee Education And Training	1,000	-	-	-
Insurance - General	16,610	16,750	16,747	3
Photo Copy Exp	2,000	2,900	2,885	15
Printing, Books, Subscriptions	1,500	-	-	-
Dues	1,500	1,000	982	18
Special Events	5,000	2,160	2,160	-
Adaptive Program	5,000	8,370	8,363	7
Ampitheater	5,000	1,900	1,883	17
Total	1,191,173	1,200,528	1,202,522	(1,994)
Recreation - Maint. & Grounds Division				
Chemicals	6,000	5,570	5,566	4
Gas, Oil	20,000	23,550	23,533	17
Medical Supplies	250	40	33	7
Small Tools	2,000	3,460	3,454	6
Buildings And Grounds	35,000	13,400	13,341	59
Vehicle Repair	10,000	24,010	24,007	3
Machine & Equipment Repair	9,000	11,980	11,976	4
Uniforms	4,000	5,150	5,144	6
Total	86,250	87,160	87,054	106

(continued)

City of Muscle Shoals, Alabama  
Revenues and Expenditures-Budgetary Comparison-General Fund  
At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Swimming / Tennis Facilities				
Salaries Part Time	25,000	27,486	30,061	(2,575)
Chemicals	3,000	4,350	4,327	23
Buildings And Grounds	15,000	12,170	12,167	3
Pool Concession	500	1,450	1,424	26
	44,000	45,716	48,231	(2,515)
Recreation - Athletic Division				
Buildings And Grounds	75,000	97,210	97,208	2
Retirement	-	-	-	-
Batting Cages	1,000	-	-	-
Splashpad Concessions	2,000	2,550	2,535	15
Football	5,000	14,300	19,285	(4,985)
Football Referees	2,500	-	-	-
Splashpad Expenses	5,000	2,470	2,460	10
Special Events	7,500	18,400	18,363	37
Youth Baseball Supplies	20,000	21,850	21,834	16
Baseball Umpires	20,000	14,940	14,934	6
Youth Basketball Supplies	7,500	11,335	11,334	1
Basketball Officials	15,000	10,920	10,920	-
Youth Soccer Supplies	3,500	4,360	4,351	9
Soccer Officials	2,000	3,820	3,811	9
Girls Softball Supplies	7,500	4,330	4,324	6
Softball Umpires	3,500	3,950	3,950	-
Gattman Concessions	20,000	23,885	23,885	-
Sportsplex Concessions	25,000	17,510	17,508	2
Tournament Expenses	5,000	3,600	3,600	-
Karate	7,000	-	-	-
Webster Concessions	5,000	-	-	-
Airport Concessions	20,000	16,000	15,991	9
Flag Football Supplies	5,000	4,160	4,977	(817)
Flag Football Officials	5,000	4,000	4,160	(160)
Tennis Lesson Expenses	-	(3,980)	-	(3,980)
Total	269,000	275,610	285,430	(9,820)

(continued)

City of Muscle Shoals, Alabama  
Revenues and Expenditures-Budgetary Comparison-General Fund  
At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Golf Course Operations				
Salaries Part Time	236,376	192,626	196,897	(4,271)
Salaries - Regular	323,877	302,897	305,067	(2,170)
Retirement	50,940	49,980	47,580	2,400
Employee's Insurance	77,717	83,822	83,819	3
Workmen's Compensation	7,685	7,685	7,329	356
Vacation Sold	5,850	10,350	9,761	589
Consultant Services	2,500	2,500	-	2,500
Janitorial	6,600	6,600	5,460	1,140
Data Processing	11,500	11,500	10,360	1,140
Chemicals	90,000	72,513	48,485	24,028
Office Supplies	1,200	1,200	560	640
Gas & Oil	18,000	26,190	26,189	1
Small Tools	4,000	4,000	756	3,244
Miscellaneous	6,000	7,550	7,530	20
Buildings And Grounds	85,000	85,000	60,733	24,267
Driving Range Equipment	7,500	7,500	3,966	3,534
Vehicle Repair	4,000	4,000	3,975	25
Machine & Equipment Repair	50,924	48,674	23,071	25,603
Utilities	80,000	95,200	95,177	23
Telephone	6,300	8,400	8,399	1
Advertising	4,000	5,650	5,623	27
Travel	1,200	1,415	1,412	3
Employee Education	500	285	30	255
Insurance - General	16,476	16,476	14,316	2,160
19th Hole Concessions Supplies	40,000	49,600	50,650	(1,050)
Uniforms	5,200	5,200	2,711	2,489
Photo Copy Exp	2,500	2,500	2,248	252
Printing, Books,	2,000	2,000	1,609	391
Dues	3,500	3,585	3,585	-
Contractural Services	55,705	55,705	55,467	238
Transaction Fees	13,000	15,200	15,193	7
Pro Shop	48,000	71,610	71,608	2
Total	1,268,050	1,257,413	1,169,566	87,847
Senior Citizens				
Salaries - Regular	76,056	76,856	73,955	2,901
Retirement	9,340	9,340	8,774	566
Employee's Insurance	15,129	15,129	14,994	135

(continued)

City of Muscle Shoals, Alabama  
 Revenues and Expenditures-Budgetary Comparison-General Fund  
 At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Senior Citizens				
Workmen's Compensation	1,800	1,800	1,264	536
Janitorial	2,100	2,625	2,622	3
Data Processing	2,100	2,100	1,988	112
Office Supplies	1,100	1,100	252	848
Gas, Oil	3,200	5,100	5,099	1
Miscellaneous	4,500	4,575	4,573	2
Buildings And Grounds	10,000	10,600	10,596	4
Vehicle Repair	1,400	1,400	805	595
Utilities	25,000	19,930	14,788	5,142
Travel	2,000	2,000	-	2,000
Insurance - General	1,303	1,303	1,303	-
Photo Copy Exp	4,500	6,470	6,467	3
Printing, Books, Subscriptions	650	650	374	276
Area On Aging	4,850	4,850	4,850	-
Art Instruction	1,200	1,200	-	1,200
Wellness Activities	7,000	7,000	5,050	1,950
Arts and Crafts	2,500	2,500	855	1,645
Ceramics	2,800	2,800	1,111	1,689
Total	178,528	179,328	159,720	19,608
Libraries				
Salaries Part Time	128,000	128,000	112,538	15,462
Salaries - Regular	206,484	212,484	206,468	6,016
Retirement	38,566	38,566	35,547	3,019
Employee's Insurance	65,212	67,312	67,276	36
Workmen's Compensation	8,404	8,404	4,205	4,199
Vacation Sold	5,000	5,000	3,010	1,990
Janitorial	7,000	7,260	7,256	4
Data Processing	45,700	45,700	31,299	14,401
Office Supplies	8,000	8,000	5,455	2,545
Gas, Oil	700	700	563	137
Miscellaneous	12,399	12,399	3,402	8,997
Buildings And Grounds	56,000	34,240	25,439	8,801
Vehicle Repair	2,000	2,000	106	1,894
Utilities	32,000	32,000	18,947	13,053
Postage	800	800	509	291
Employee Education And Training	3,000	3,000	299	2,701

(continued)

City of Muscle Shoals, Alabama  
Revenues and Expenditures-Budgetary Comparison-General Fund  
At September 30, 2022



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Libraries				
Insurance - General	4,807	4,807	4,807	-
Children/Youth Programs	25,000	24,000	21,222	2,778
Videos	30,000	30,000	25,686	4,314
Photo Copy Exp	4,000	6,650	6,637	13
Printing, Books, Subscriptions	150,000	167,750	169,318	(1,568)
Total	839,072	845,072	749,989	95,083
Special Events				
Christmas Parade	5,000	5,107	5,107	-
Total	5,000	5,107	5,107	-
Board Of Education				
Educational Foundation	2,000	2,000	2,000	-
Education	1,405,459	1,405,459	1,549,939	(144,480)
Total	1,407,459	1,407,459	1,551,939	(144,480)
Capital Outlay	1,105,913	1,133,679	1,099,119	34,560
Debt Service				
Principal	41,477	41,477	42,603	(1,126)
Interest Expense	16,358	16,358	15,232	1,126
Total	57,835	57,835	57,835	-
Total Expenditures	22,399,716	22,630,470	21,956,489	673,981
Excess (deficiency of revenues over expenditures)	3,705,859	3,698,359	7,211,217	3,512,858
OTHER FINANCING SOURCES (USES)				
Transfers in				
Municipal Court Fund	220,000	220,000	220,046	46
Transfer from Defensive Driving	15,000	25,000	25,000	-
Total	235,000	245,000	245,046	46
Transfers out				
Debt Service	1,920,968	1,920,968	1,920,968	-
Half Cent Sales Tax	2,021,786	2,021,786	2,130,146	(108,360)
Total	3,942,754	3,942,754	4,051,114	(108,360)
Net Transfers (out)	(3,707,754)	(3,697,754)	(3,806,068)	(108,314)
Excess Revenue (Expenditures) and other Funding Sources	\$ (1,895)	\$ 605	\$ 3,405,149	\$ 3,404,544

City of Muscle Shoals, Alabama  
Balance Sheet – Other Governmental Funds  
September 30, 2022

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	Rebuild Alabama Fuel Tax
<b>ASSETS</b>			
Cash and cash equivalents	\$ 33,947	\$ 91,187	7,916
Accounts receivable, net	5,338	4,242	-
Receivable from other governments	-	-	8,310
Total assets	39,285	95,429	16,226
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	-	-	-
Due to other funds	-	-	-
Cash bonds outstanding	-	-	-
Other accrued liabilities	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Capital Projects	33,947	91,187	7,916
Unassigned:			
Unassigned	5,338	4,242	8,310
Total fund balances	39,285	95,429	16,226
Total liabilities and fund balances	\$ 39,285	\$ 95,429	\$ 16,226





M.S. Police Dept.	City Court Correction	CDBG	Coronavirus Relif Fund	Municipal Court	Total Nonmajor Governmental Funds
\$ 3,765	\$ 144,347	\$ 2	675,301	\$ 194,252	\$ 1,150,717
-	-	-	-	-	9,580
-	-	-	-	883	9,193
<u>3,765</u>	<u>144,347</u>	<u>2</u>	<u>675,301</u>	<u>195,135</u>	<u>1,169,490</u>
-	-	-	-	-	-
-	-	-	-	21,586	21,586
-	-	-	-	9,735	9,735
-	-	-	-	337	337
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,658</u>	<u>31,658</u>
-	-	-	-	-	-
-	-	-	-	-	133,050
<u>3,765</u>	<u>144,347</u>	<u>2</u>	<u>675,301</u>	<u>163,477</u>	<u>1,004,782</u>
<u>3,765</u>	<u>144,347</u>	<u>2</u>	<u>675,301</u>	<u>163,477</u>	<u>1,137,832</u>
<u>\$ 3,765</u>	<u>\$ 144,347</u>	<u>\$ 2</u>	<u>\$ 675,301</u>	<u>\$ 195,135</u>	<u>\$ 1,169,490</u>

City of Muscle Shoals, Alabama  
Statement of Revenues, Expenditures and Fund Balance  
Other Governmental Funds  
September 30, 2022

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	Rebuild Alabama Fuel Tax
<b>REVENUES</b>			
Local taxes	\$ 58,520	\$ 46,212	\$ -
License, permits and fees	-	-	-
Joint Ventures	-	-	-
Intergovernmental revenue	-	-	89,946
Investment earnings	72	69	37
Miscellaneous	-	-	-
Total revenues	<u>58,592</u>	<u>46,281</u>	<u>89,983</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Police	-	-	-
Street	73,894	-	81,900
Health and sanitation	-	-	-
Total expenditures	<u>73,894</u>	<u>-</u>	<u>81,900</u>
Excess (deficiency) of revenues over expenditures	<u>(15,302)</u>	<u>46,281</u>	<u>8,083</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	(15,302)	46,281	8,083
Fund balances - beginning	<u>54,587</u>	<u>49,148</u>	<u>8,144</u>
Fund balances - ending	<u>\$ 39,285</u>	<u>\$ 95,429</u>	<u>\$ 16,227</u>



M.S. Police Dept.	City Court Correction	CDBG	Coronavirus Relif Fund	Municipal Court	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 5	\$ -	\$ -	\$ 104,737
-	65,899	-	-	452,729	518,628
-	-	-	-	261	261
-	-	-	-	-	89,946
4	151	0	275	191	799
8,303	-	0	675,026	-	683,329
8,307	66,050	5	675,301	453,181	1,397,700
-	44,009	-	-	155,755	199,764
6,648	23,814	-	-	-	30,462
-	-	-	-	-	155,794
-	-	-	-	-	-
6,648	67,823	-	-	155,755	386,020
1,659	(1,773)	5	675,301	297,426	1,011,680
-	-	-	-	-	-
-	-	(21,215)	-	(268,895)	(290,110)
-	-	(21,215)	-	(268,895)	(290,110)
1,659	(1,773)	(21,210)	675,301	28,531	721,570
2,106	146,120	21,212	-	134,946	416,263
\$ 3,765	\$ 144,347	\$ 2	\$ 675,301	163,477	\$ 1,137,833