

CITY OF MUSCLE SHOALS, ALABAMA
AUDITED FINANCIAL STATEMENTS
For the year ended September 30, 2023



FINANCIAL SECTION

CITY OF MUSCLE SHOALS, ALABAMA
 FINANCIAL STATEMENTS
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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, 2023, 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, each major fund, and the aggregate remaining fund information of the primary government of the City of Muscle Shoals, Alabama, as of September 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 ABC Organization 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, 2023, 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 within one year after the date that the financial statements are available to be issued.

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 and *Governmental 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, and pension and other postemployment benefit schedules 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 major fund financial statements, the revenues and expenditures budgetary comparison – general fund (detail), and the schedule of expenditure of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2024 on our consideration of City of Muscle Shoals, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Muscle Shoals, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ABC Organization's internal control over financial reporting and compliance.



NortonUnderwood, PC
Tuscumbia, Alabama
October 4, 2024



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, 2023. Please read it in conjunction with the City's financial statements, which begin on page 21.

FINANCIAL HIGHLIGHTS

- The City's financial position increased by \$ 7.94 million, or 13.2 percent.
- During the year, the City had taxes and other revenues for governmental programs that were \$ 5.29 million more than the \$ 29.6 million in expenses.
- General fund revenues were more than budget amounts by \$3.38 million and expenditures of funds were \$.16 million more than budgeted expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 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.

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 21 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 \$ 7.96 million, from \$ 60.29 million to \$ 68.25 million. Table 1 below summarizes net assets at September 30, 2023, and September 30, 2022, respectively.

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

Total Primary Government Activities

	As of September 30,	
	2023	2022
Current and other assets	\$ 66,646	\$ 53,116
Capital assets	50,695	49,063
Total assets	117,341	102,180
Deferred outflows	8,429	4,885
Total assets and deferred outflows	125,770	107,065
Long-term debt outstanding	21,072	15,320
Other liabilities	32,427	24,503
Total liabilities	53,500	39,823
Deferred Inflows	4,016	6,948
Total liabilities and deferred inflows	\$ 57,516	\$ 46,771
Net Position		
Invested in capital assets (net of debt)	29,622	33,743
Restricted	1,197	1,179
Unrestricted	37,435	25,372
Total net position	\$ 68,254	\$ 60,294

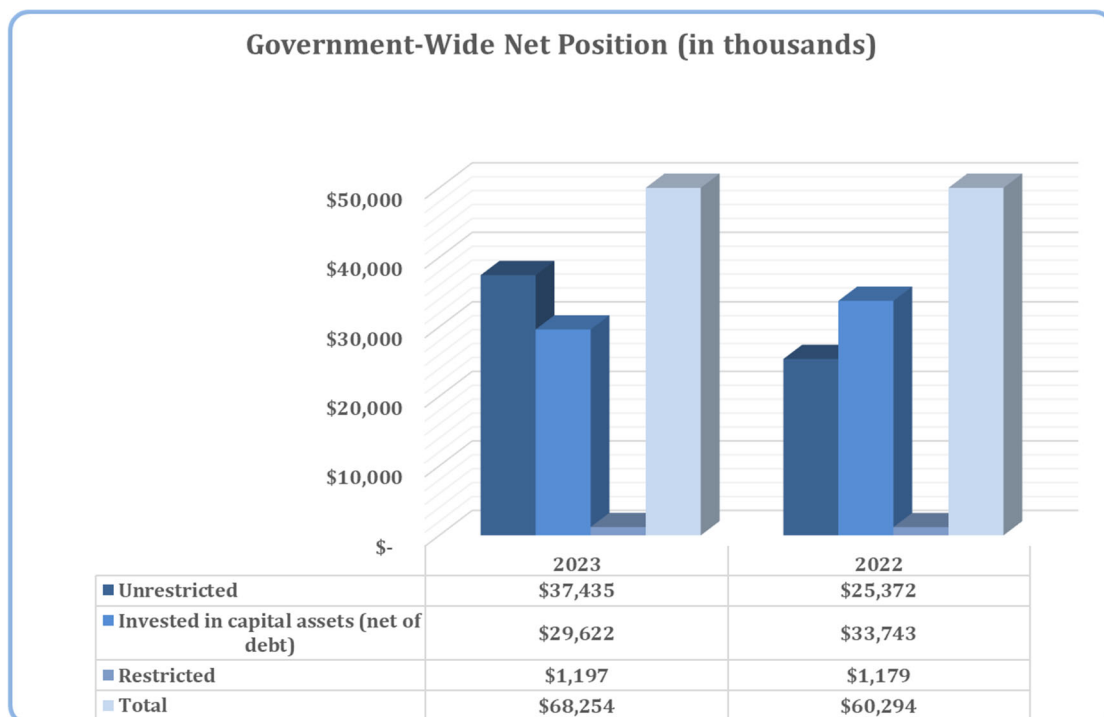




Table 2 - Change in Net Position (in thousands)

Total Primary Government Activities

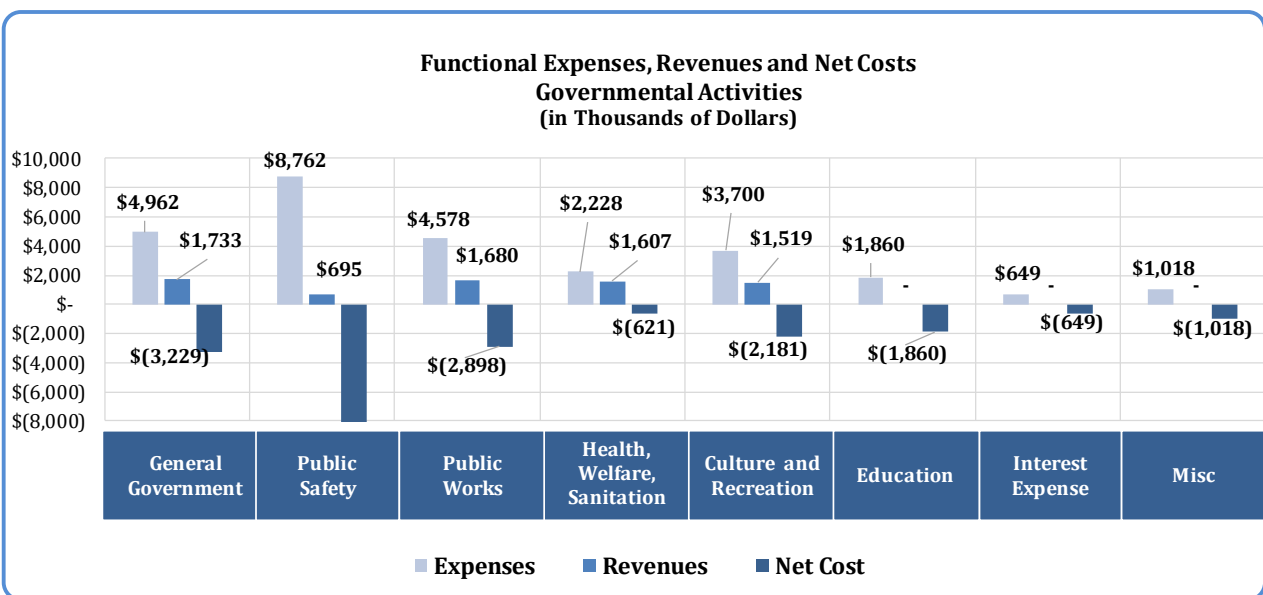
	For the fiscal year ended	
	2023	2022
Program revenues		
Fees, fines and charges for services	\$ 5,553	\$ 4,928
Grants and contributions	1,696	119
General revenues		
Sales taxes	19,856	18,630
Advalorem taxes	1,588	1,421
Other taxes and payments in lieu of taxes	4,764	4,304
Miscellaneous	844	1,224
Joint Venture	1,232	1,750
Investment Earnings	184	39
Total revenues	35,717	32,415

	For the fiscal year ended September 30,	
	2023	2022
Program expenses		
General government	4,962	4,694
Public safety	8,762	7,955
Public works	4,577	4,535
Health, welfare and sanitation	2,227	1,946
Education	3,700	1,752
Culture and recreation	1,862	3,293
Miscellaneous	1,018	282
Interest on long-term debt	649	493
Total expenses	27,757	24,950
Increase in net position from operations	\$ 7,960	\$ 7,465



Governmental Activities

The cost of all government activities this year was \$ 27.8 million. However, as shown on the Statement of Activities on page 20, the cost ultimately financed by our taxpayers for these activities was \$ 20.5 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 7.2 million, thus reducing the burden to taxpayers.

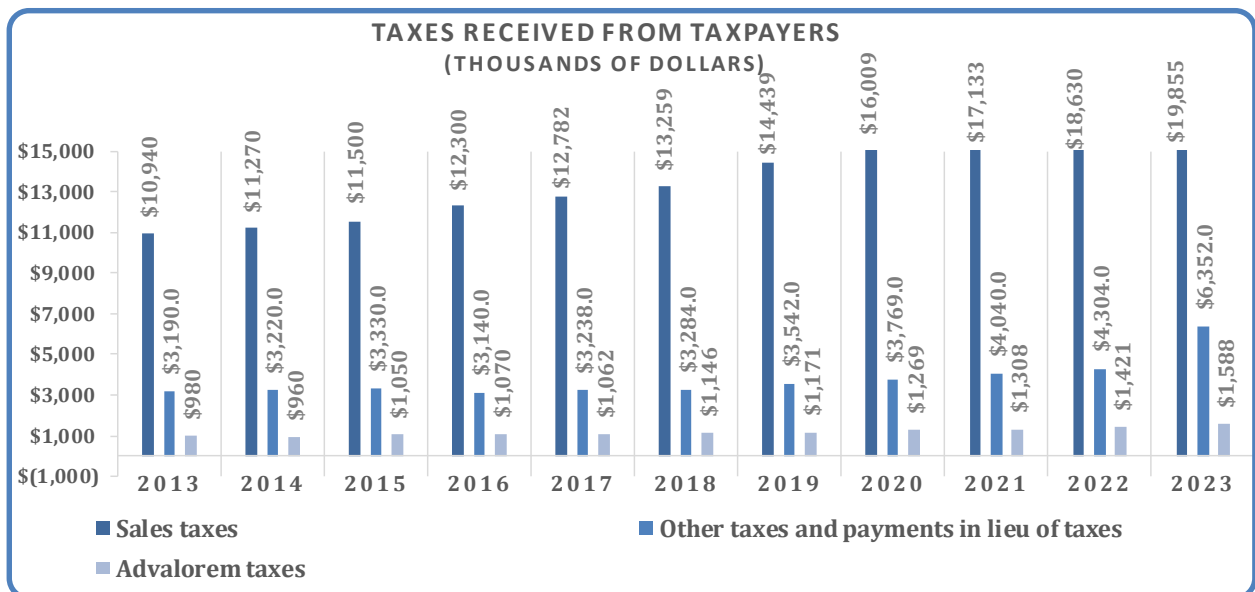




Governmental Activities (continued)

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

Revenue	Dollars (in Millions)	Pctg
Sales taxes	\$ 19,855	70%
Payments in lieu of taxes	1,938	7%
Joint Venture (commercial entity)	1,232	4%
Investment Earnings	184	1%
Miscellaneous	844	3%
Other Taxes		
Advalorem Taxes	1,588	6%
Gasoline Taxes	713	3%
Alcohol Taxes	446	2%
Tobacco Taxes	91	0%
Lodging Taxes	136	0%
Financial institution Taxes	914	3%
Miscellaneous Taxes	526	2%
Total Revenue	\$ 28,467	100%





Governmental Activities (continued)

Sales tax revenue has increased by \$ 7,073 thousand (55.4%) since fiscal year 2017 (6 years), while all other tax revenue has increased by \$ 900 thousand (29%) over the same time frame. Sales tax revenue increased by \$ 1,225 thousand (6.5%) from fiscal 2022 to 2023.

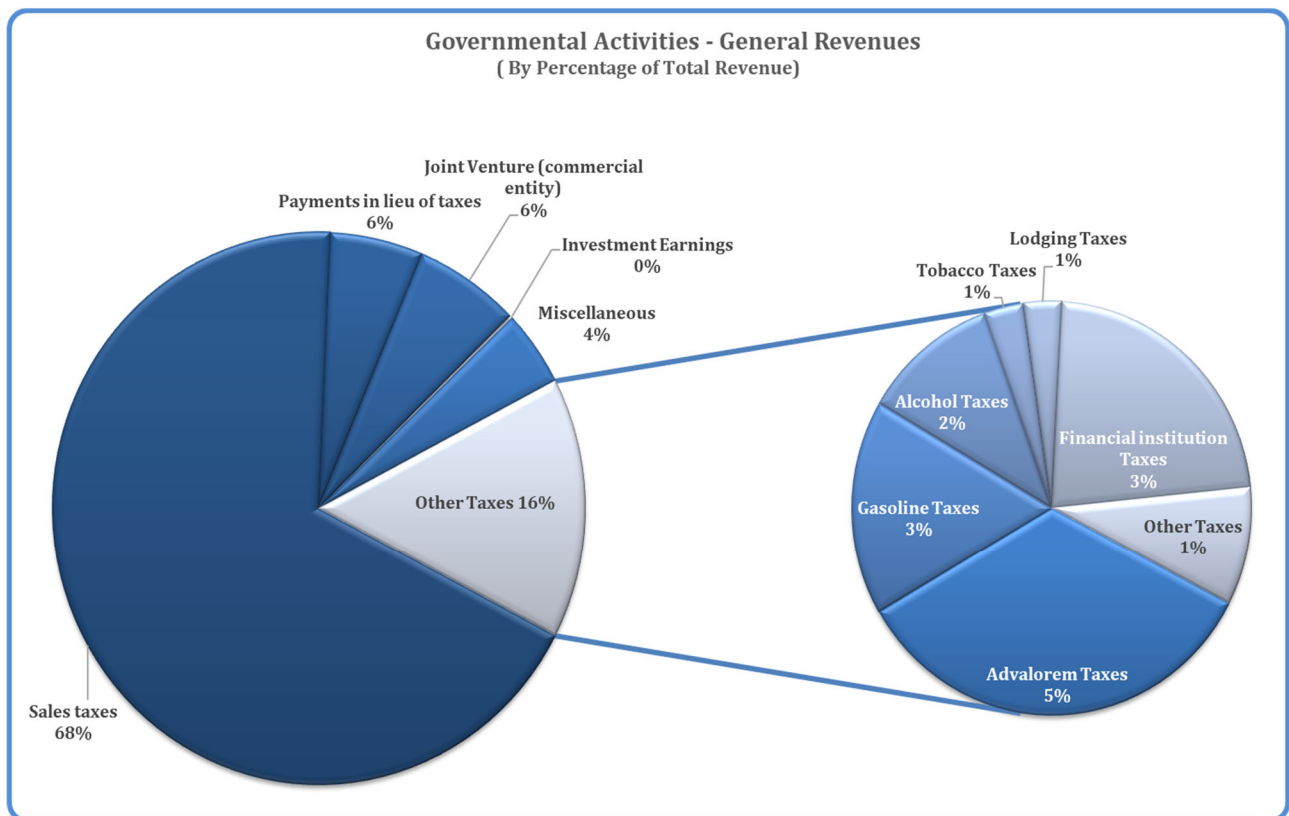


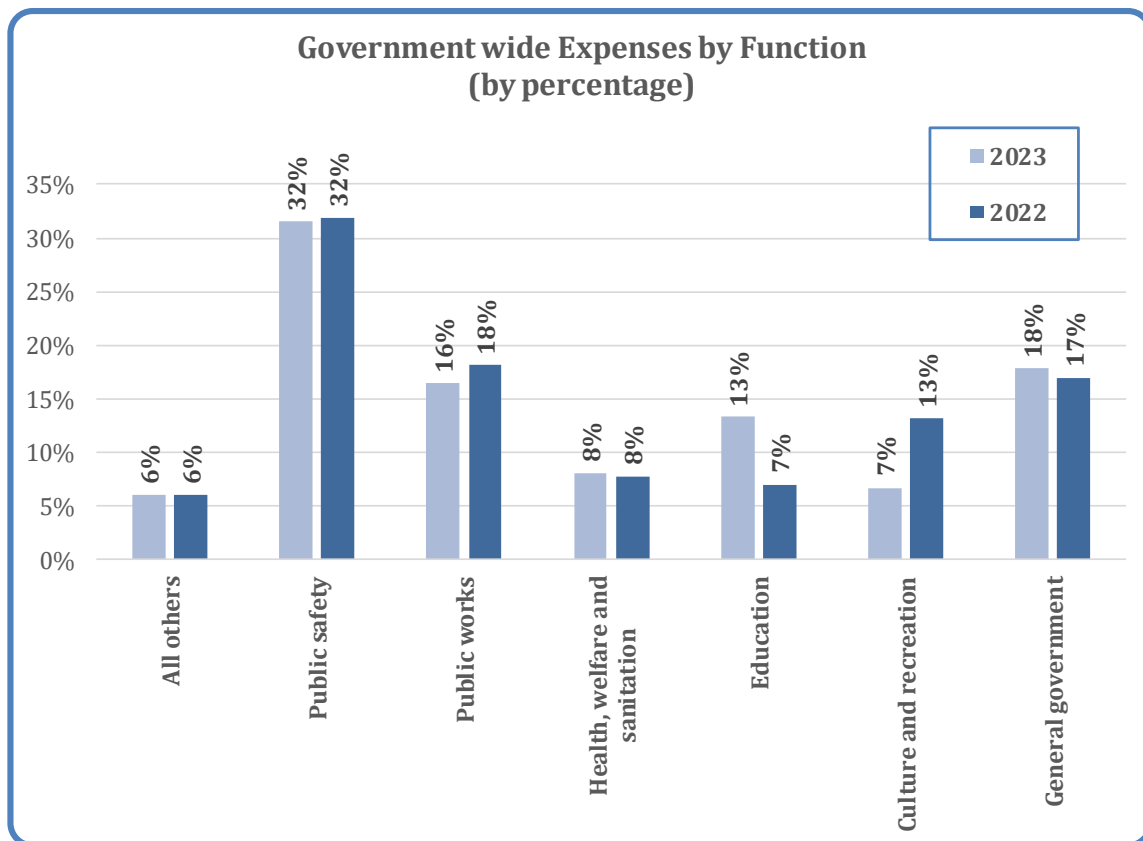
Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2023, and September 30, 2022, respectively.



Table 3 - Total Cost of Services (in thousands)

Total Primary Government Activities

	September 30,	
	2023	2022
General government	\$ 4,962	\$ 4,694
Public safety	8,762	7,955
Public works	4,577	4,535
Health, welfare and sanitation	2,227	1,946
Education	3,700	1,752
Culture and recreation	1,862	3,293
All others	1,667	775
Totals	\$ 27,757	\$ 24,950





THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 21) reported a combined fund balance of \$38.89 million, which increased from last year's total of \$21.40 million. The general fund balance increased by \$ 4.24 million from \$ 21.42 million to \$ 25.66 million.

General Fund Budgetary Highlights

The 2021-2022 budget was approved, and was later amended on September 2, 2023, 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 \$2.49 million represented 9.04% of general fund expenditures and were 4.3% more 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 2023, the City had \$50.69 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,	
	2023	2022
Non-depreciable		
Land	\$ 7,673	\$ 7,566
Art	79	79
Construction in progress	4,404	1,979
Depreciable		
Buildings	17,670	17,573
Infrastructure	33,696	33,106
Improvements	13,602	13,601
Equipment	17,329	16,980
Totals	94,453	90,884
Less: Accumulated depreciation	(43,758)	(41,821)
Capital assets-net	\$ 50,695	\$ 49,063



CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Several Infrastructure projects were undertaken during the 2022-2023 fiscal year:

A. Transportation projects:

1. The construction of sidewalks was finished along Ford Street starting at 2nd 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. The project was completed in August 2023.
2. The EDA Buena Vista project was still worked on 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. It is expected to be completed in 2024.

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

Preliminary work started on the resurface and widening of 2nd Street. The project is estimated to cost \$1,554,338 and will be funded by ATRIP II funds. This project involved widening SR-184 in the vicinity of Firestone Avenue.

DEBT

At year-end, the city had \$ 20.79 million in general obligation warrants outstanding versus \$15.32 million last year, an increase of \$5.47 million. The reason for the increase in debt was because there was a 2023 Warrant Fund issued to the city for \$6.860 million. These funds are to build a new fire station (number four), purchase of a fire truck for fire station four, purchase an additional fire truck, a veteran's memorial at City Hall, a new roof for City Hall, and the purchase of three garbage trucks. 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 \$303.04 million. Therefore, the City's general obligation debt of \$20.79 million, is well below its current debt limit of \$ 60.6 million (20% of \$303.047million).

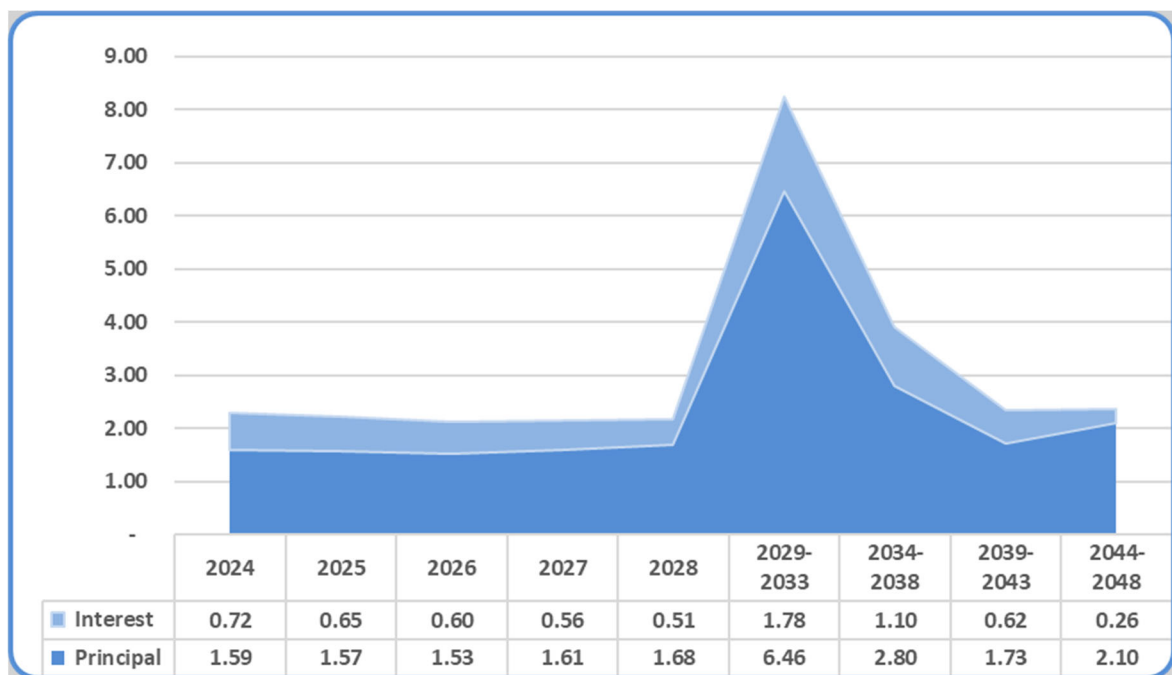


Debt (continued)

The following table shows the maturity of the bonds:

<u>Year</u>	<u>Assessed Value</u>
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
2023	\$ 303,047,660

All debt currently outstanding at September 30, 2023, will mature by fiscal 2048 as follows. Amounts are in \$ Millions.





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 continue 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.

- 25 projects assisted to-date.
- Over \$718,000 in total project budgets

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 or contact Kevin Jackson (kjackson@shoalseda.com, (256)349-5632).

The Shoals Economic Development Authority (Shoals EDA) strives to improve the economy in Northwest Alabama by assisting companies that are seeking to expand or have new facilities. The Shoals EDA Board of Directors passed the **2023 Product Development Plan**. This plan was to build two industrial buildings to lure new manufacturing investments in the community.

The Shoals Research Airpark building in Muscle Shoals, one of the two buildings, is currently under construction and is projected to be completed in 2024. The building is going to be 250,000 square feet and will have additional expansion opportunities.

Kevin Jackson, President of The Shoals EDA, states that "These two new buildings will solidify The Shoals as a leading location for industrial projects. We eagerly look forward to starting the construction and are committed to finding the ideal tenant."

In 2011, Shoals EDA created **the Employment Growth Program (EGP)** to promote the increase of quality employment opportunities within The Shoals community. Because of the great success and asset to our community, the program has been renewed as of July 2023. In 2023, 11 companies participated in EGP. These companies created a total of 51 new jobs with an average entry level of wage of \$18/hr.

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

For more information and/or request an application, contact Rob Jones at (256)349-5632 or rjones@shoalseda.com.

The **Code Alabama** had a partnership between the University of North Alabama's Center for Learning & Professional Development, the Shoals EDA, and Tennessee Valley Authority Economic Development. This new Code Alabama program was held June 5-July 27, 2023, and



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

consisted of a 96-hour (8 week) course to help possess a fundamental understanding of programming concepts, get exposure and hands on experience with two popular programming languages, and begin to acquire the skills necessary to be part of a software development team. This was a great opportunity for those who had an interest in technology, which has become a crucial part of almost every industry. There are many benefits to this career such as: high for tech professionals, competitive salary, continuous learning development, flexibility, career growth opportunities, creativity and innovation, and diverse range of industries.

The Remote Shoals Program- 2023

We had a very successful year for our Remote Shoals Program. Below are some stats from this calendar year:

- 26 people relocated to The Shoals, being incentivized \$212,000
- A total of 118 new residents call The Shoals home
- \$11.5 M is the approximate annual payroll for Remote Shoals Participants
- Homes have been purchased for a total of ~\$14.9 M
- Homes have been rented for an annual rent of ~\$500,000

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



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

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.

Shoals Spec Hangar

Construction was completed on a 27,500 SF speculative hangar for MRO development at the Northwest Alabama Regional Airport. This prefabricated metal hangar is large enough to support a Boeing 737-800 and is equipped with the latest in fire protection technology to accommodate strict federal guidelines for Department of Defense contractors.

North American Lighting Celebrates 40th Anniversary

On Wednesday, September 27th, we joined North American Lighting (NAL) at their plant here in Muscle Shoals to celebrate the company's 40th anniversary! The Muscle Shoals location is celebrating 16 years in the community. NAL management, city & community leaders, and the plant's most senior employees (some of whom have been with NAL since this plant's opening!) were in attendance to celebrate.

We appreciate NAL's commitment to excellence and kind words about The Shoals Community. Congratulations on your success and cheers to the future!

On November 9th, North American Lighting (NAL) was recognized at the Japan-America Society of Alabama (JASA) annual dinner. This event brought together leaders from government, economic development, education, and culture in support of the Alabama-Japan relationship.

NAL was honored for its remarkable industry expansion by creating 100 new job opportunities and investing \$15 million in capital. This achievement is a testament to the dedication and hard work of NAL's team towards the growth and success of the organization. We are proud to have them as a part of The Shoals!

Unemployment rate in the Florence-Muscle Shoals Metropolitan statistical area was at a 2.7% in 2023, according to the U.S. Bureau of Labor Statistics.

The Mayor and City Council approved a conservative 2023-2024 General Fund budget. Total anticipated revenues and other financing resources are projected at \$30.1 million, an increase from the 2022-2023 budgeted revenue and other financing resources of \$28.6 million. Budgeted expenditures and other uses of funds are expected to increase to \$30.125 from 28.59 million in the prior year. This budget included a cost of living raise of 2.5% for all full-time personnel.



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 jcastro@muscleshoalsal.org

City of Muscle Shoals, Alabama
Statement of Net Position
September 30, 2023

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 36,688,058
Account receivables, net	36,436
Due from other governments	2,580,740
Inventories	121,258
Reserved and restricted assets	
Capital Assets:	
Non-depreciable	12,155,204
Other capital assets, net of depreciation	38,539,591
Equity interest in joint venture	26,706,675
Other receivables	137,559
Receivable-commercial entity	375,336
Total assets	<u>117,340,857</u>
Deferred outflows of resources	
Collective Deferred Outflows Related to:	
Net Pension Liability	5,662,272
OPEB Liability	<u>2,767,185</u>
	<u>8,429,457</u>

(continued)



	Governmental Activities
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	675,294
Long-term liabilities:	
Due within one year:	
Bonds payable	1,590,862
Accrued interest	119,446
Due in more than one year:	
Net OPEB liability	13,806,973
Bonds payable	19,481,469
Compensated absences	1,293,517
Net pension liability	16,156,871
Bonds payable-commercial entity	375,336
Total liabilities	53,499,768
Deferred Inflows of resources	
Proportionate share of Collective Deferred Inflows Related to:	
Net Pension Liability	441,838
Net OPEB Liability	3,574,480
	4,016,318
NET POSITION	
Invested in capital assets, net of related debt	29,622,464
Restricted or Committed for:	
Capital projects	1,155,690
Other purposes	40,962
Unrestricted	37,435,111
<i>Total net position</i>	<i>\$ 68,254,227</i>

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
Statement of Activities
September 30, 2023



20

Functions/Programs	Expenses	Charges for Services	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contribution	Capital Grants and Contributions	
Primary government:					
Governmental Activities					
General government	\$ 4,962,568	\$ 1,732,945	\$ -	\$ -	\$ (3,229,623)
Public safety	8,762,150	694,648	-	-	(8,067,502)
Public works	4,577,500	-	-	1,695,877	(2,881,623)
Health, welfare and sanitation	2,227,050	1,606,745	-	-	(620,305)
Culture and recreation	3,700,479	1,518,861	-	-	(2,181,618)
Education	1,860,171	-	-	-	(1,860,171)
Interest on general long-term debt	649,379	-	-	-	(649,379)
Miscellaneous	1,017,745	-	-	-	(1,017,745)
Total governmental activities	<u>27,757,043</u>	<u>5,553,199</u>	<u>-</u>	<u>1,695,877</u>	<u>\$ (20,507,967)</u>

(continued)

	Net (Expense) Revenue and Changes in Net Assets
General revenues:	
Taxes:	
Sales taxes	19,855,531
Advalorem	1,587,628
Gasoline	713,507
Alcohol	445,537
Tobacco	91,272
Alabama Fuel Tax	117,238
Lodging	136,429
Financial institution	914,342
Other taxes	409,007
Total taxes	24,270,491
Payments in lieu of taxes	1,937,649
Unrestricted investment earnings	184,174
Joint Venture (commercial entity)	
Distributions	428,592
Increase in equity	803,215
Miscellaneous	843,709
Total general revenues, special items, and transfers	28,467,830
Change in net position	7,959,862
Net position - beginning (as corrected)	60,294,365
<i>Net position - ending</i>	<i>\$ 68,254,227</i>

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund	Half-Cent Sales Tax
ASSETS		
Cash and cash equivalents	23,690,492	3,047,434
Accounts receivable, net	21,422	-
Receivable from other governments	2,327,828	242,465
Other receivables	134,575	-
Inventories	121,258	-
<i>Total assets</i>	<u>26,295,575</u>	<u>3,289,899</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	134,940	-
Due to component units	-	-
Other accrued liabilities	499,556	-
Total liabilities	<u>634,496</u>	<u>-</u>
Fund balances:		
Nonspendable:		
Inventories	121,258	-
Restricted for:		
Capital Projects	-	-
Unassigned:	25,539,820	3,289,899
Total fund balance	<u>25,661,078</u>	<u>3,289,899</u>
<i>Total liabilities and fund balance</i>	<u>\$ 26,295,575</u>	<u>\$ 3,289,899</u>



2023 Warrant Sinking	Debt Service	Special Trust	Other Governmental Funds	Total Governmental Funds
7,026,204	1,918	438,441	\$ 2,483,569	\$ 36,688,058
-	-	-	15,014	36,436
-	-	-	10,447	2,580,740
-	-	-	2,984	137,559
-	-	-	-	121,258
<u>7,026,204</u>	<u>1,918</u>	<u>438,441</u>	<u>2,512,014</u>	<u>39,564,051</u>
-	-	16,583	-	151,523
-	-	-	22,562	22,562
-	-	-	1,653	501,209
<u>-</u>	<u>-</u>	<u>16,583</u>	<u>24,215</u>	<u>675,294</u>
-	-	-	-	121,258
7,026,204	1,918	421,858	575,939	8,025,919
-	-	-	1,911,860	30,741,580
<u>7,026,204</u>	<u>1,918</u>	<u>421,858</u>	<u>2,487,799</u>	<u>38,888,756</u>
<u>\$ 7,026,204</u>	<u>\$ 1,918</u>	<u>\$ 438,441</u>	<u>\$ 2,512,014</u>	<u>\$ 39,564,051</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, 2023



Total fund balance, governmental funds	\$	38,888,756
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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.	50,694,795
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position:

Equity interest in joint venture	26,706,675
Deferred Outflows	
Pension Plan	5,662,272
Other Post Employment Benefits	2,767,187

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

Bonds payable	(21,072,331)
Accrued interest	(119,446)
Deferred inflows	
Pension Plan	(441,838)
Other Post Employment Benefits	(3,574,480)
Compensated absences	(1,293,519)
Net OPEB Liability	(13,806,973)
Defined benefit obligation	(16,156,871)

<i>Net Position of Governmental Activities in the Statement of Net Position</i>	<i>\$</i>	<i>68,254,227</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, 2023



	General Fund	Half-Cent Sales Tax	2023 Warrant Sinking	Debt Service	Special Trust	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local taxes	\$ 25,819,161	\$ -	\$ -	\$ -	\$ -	\$ 120,122	\$ 25,939,283
License, permits and fees	1,732,945	-	-	-	-	694,648	2,427,593
Charges for service	1,606,745	-	-	-	-	-	1,606,745
Joint Ventures	428,592	-	-	-	-	-	428,592
Alabama Fuel Tax	-	-	-	-	-	117,238	117,238
Intergovernmental revenue	108,007	1,587,870	-	-	-	-	1,695,877
Park and recreation	1,518,861	-	-	-	-	-	1,518,861
Investment earnings	157,324	1,117	23,043	11	355	2,323	184,174
Miscellaneous	413,063	430,599	-	-	151,619	45	995,326
Total revenues	31,784,699	2,019,586	23,043	11	151,974	934,376	34,913,689
EXPENDITURES							
Current:							
General government	4,158,003	-	-	-	-	324,386	4,482,389
Police	4,679,738	39,840	-	-	-	6,931	4,726,509
Fire	3,270,540	-	-	-	-	-	3,270,540
Street	2,312,662	39,974	-	-	-	-	2,352,636
Storm and Sewer	624,155	22,958	-	-	-	-	647,113
Health and sanitation	2,109,701	-	-	-	-	-	2,109,701
Culture and recreation	3,189,509	-	-	-	-	-	3,189,509
Appropriations	121,388	-	-	-	-	-	121,388
Education	1,660,171	200,000	-	-	-	-	1,860,171
Miscellaneous	885,410	-	-	-	-	-	885,410

(continued)

	General Fund	Half-Cent Sales Tax	2023 Warrant Sinking	Debt Service	Special Trust	Other Governmental Funds	Total Governmental Funds
EXPENDITURES (continued)							
Debt Service:							
Principal	44,197	-	-	1,385,000	-	-	1,429,197
Interest and other charges	13,638	-	-	593,101	-	-	606,739
Capital Outlay	677,214	2,858,180	-	-	-	391,563	3,926,957
Total expenditures	23,746,326	3,160,952	-	1,978,101	-	722,880	29,608,259
Excess (deficiency) of revenues over expenditures	8,038,373	(1,141,366)	23,043	(1,978,090)	151,974	211,496	5,305,430
OTHER FINANCING SOURCES (USES)							
Proceeds from Bond Issuance			-	6,860,000			6,860,000
Premium on Issuance of Bonds			-	277,331			277,331
Transfers in	296,195	2,247,248	7,003,161	1,845,836	-	-	11,392,440
Transfers out	(4,093,084)	-	-	(7,003,161)	-	(296,195)	(11,392,440)
Total other financing sources and uses	(3,796,889)	2,247,248	7,003,161	1,980,006	-	(296,195)	7,137,331
Net change in fund balances	4,241,484	1,105,882	7,026,204	1,916	151,974	(84,699)	12,442,761
Fund balances - beginning	21,419,595	2,184,017	-	2	269,884	2,572,498	26,445,995
Fund balances - ending	\$ 25,661,079	\$ 3,289,899	\$ 7,026,204	\$ 1,918	\$ 421,858	\$ 2,487,799	\$ 38,888,756

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, 2023



Net change in fund balances - total governmental funds:	\$ 12,442,761
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) \$3,916,789 were exceeded by depreciation \$2,285,415 in the current period.	1,620,426
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.	(5,430,803)
Pension and other postemployment benefit obligation amounts not reported in the funds:	
(Increase) Decrease in Net pension obligation	(5,550,177)
(Increase) Decrease in OPEB Liability	(2,141,889)
Increase (Decrease) in Deferred inflows related to pensions	2,205,846
Increase (Decrease) in Deferred outflows related to pensions	2,523,045
(Increase) Decrease in Deferred inflows related to OPEB	726,227
(Increase) Decrease in Deferred outflows related to OPEB	1,021,076
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.	(42,640)
Compensated Absences 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.	60,106
Premium on Issuance of Bonds	(277,331)
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	803,215
<i>Change in net position of governmental activities</i>	<i>\$ 7,959,862</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, 2023.

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)*

discounts 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, 2023, 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. 99, "Omnibus." The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No.100, "Accounting Changes and Error Corrections, an amendment of GASB Statement No.62." The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, "Compensated Absences." The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

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

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

Reconciliations between the governmental fund balance sheet and the government-wide statement of net position and between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are shown on pages 21 and 23, respectively.



2. 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.

3. CASH AND INVESTMENTS

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

Custodial and Concentration of Credit Risk

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

At September 30, 2023, the City's cash was protected as follows:

Amount Covered by FDIC Insurance	\$ 1,000,000
Account Colateralized (through Alabama Safe Act)	<u>36,585,386</u>
	<u>\$ 37,585,386</u>



4. RECEIVABLES

The City's general fund receivables from other governments consisted of the following at September 30, 2023:

Due from State of Alabama (Sales Tax)	\$ 1,736,826
Other	<u>843,914</u>
Total	<u>\$ 2,580,740</u>

5. CAPITAL ASSETS

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

<u>Function</u>	<u>Depreciation</u>
General Government	\$ 220,684
Police	175,783
Fire	144,494
Public Works	626,152
Storm Drainage	784,743
Recreation	<u>333,559</u>
<i>Total depreciation expense</i>	<u>\$ 2,285,415</u>



5. 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	\$ 7,565,574	\$ 107,024	\$ -	\$ 7,672,598
Art	78,810	-	-	78,810
Construction in progress	1,978,966	2,904,988	480,159	4,403,795
Total assets not being depreciated	9,623,350	3,012,012	480,159	12,155,204
<i>Capital assets being depreciated</i>				
Buildings	17,572,882	97,507	-	17,670,389
Infrastructures	33,105,571	752,638	161,760	33,696,449
Land Improvements	13,602,033	-	-	13,602,033
Equipment	16,980,483	544,957	196,595	17,328,845
Total Capital assets being depreciated	81,260,969	1,395,102	358,355	82,297,715
Accumulated Depreciation	(41,820,899)	(2,285,415)	(348,190)	(43,758,124)
Total capital assets being depreciated, net	39,440,070	(890,313)	10,166	38,539,591
<i>Governmental activities capital assets, net</i>	\$ 49,063,420	\$ 2,121,699	\$ 490,324	\$ 50,694,795

6. 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.

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.



7. LONG-TERM DEBT (continued)

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 2021-B. These tax-exempt warrants mature from 2025 to 2030 and bear interest at rates of 1.37-3.0% and were issued to 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.

General Obligation Warrants, Series 2023 (July 12)

On July 12, 2023 the City issued \$6,860,000 of General Obligation Refunding Warrants, Series 2023. These tax-exempt warrants mature from 2024 to 2038 and bear interest at rates of 3.20-5.0% and were issued to provide for Capital Improvements.

The following summarizes the changes in the City's debt for the year ended September 30, 2023:

General Obligation Bonds	Beginning Balance	Increases	Reductions	Ending Balance	Current Maturities
Series 2015-B	\$ 260,000	\$ -	\$ 85,000	\$ 175,000	\$ 85,000
Series 2018	3,270,000	-	100,000	3,170,000	100,000
Series 2021-A	7,495,000	-	-	7,495,000	-
Series 2021-B	4,295,000	-	1,200,000	3,095,000	1,255,000
Series 2023	-	6,860,000		6,860,000	145,000
Unamortized Amounts:					
For Issuance Premiums		277,331		277,331	5,862
Total Bonds Payable	\$ 15,320,000	\$ 7,137,331	\$ 1,385,000	\$ 21,072,331	\$ 1,590,862

Total interest expense paid during the fiscal year was \$ 606,739.

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2023



7. LONG-TERM DEBT (continued)

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

The following sets forth the service requirements on the Warrants:

Fiscal Year	Series 2015-B		Series 2018		Series 2021-A	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 85,000	\$ 5,425	\$ 100,000	\$ 99,578	\$ -	\$ 209,900
2025	90,000	2,790	105,000	97,328	605,000	209,900
2026	-	-	105,000	94,703	1,260,000	191,750
2027	-	-	110,000	92,078	1,320,000	153,950
2028	-	-	115,000	89,053	1,380,000	114,350
2029-2033	-	-	1,210,000	358,970	2,930,000	102,850
2034-2038	-	-	1,425,000	150,325	-	-
2039-2043	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-
<i>Totals</i>	<i>\$ 175,000</i>	<i>\$ 8,215</i>	<i>\$ 3,170,000</i>	<i>\$ 982,033</i>	<i>\$ 7,495,000</i>	<i>\$ 982,700</i>

Year	Series 2021-B		Series 2023		Total Combined	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,255,000	\$ 93,050	\$ 150,862	\$ 308,725	\$ 1,590,862	\$ 716,678
2025	605,000	42,850	161,266	301,475	1,566,266	654,343
2026	-	24,700	166,468	293,725	1,531,468	604,878
2027	-	24,700	176,873	285,725	1,606,873	556,453
2028	-	24,700	187,277	277,225	1,682,277	505,328
2029-2033	1,235,000	74,100	1,087,246	1,241,625	6,462,246	1,777,545
2034-2038	-	-	1,378,566	953,875	2,803,566	1,104,200
2039-2043	-	-	1,727,109	621,225	1,727,109	621,225
2044-2048	-	-	2,101,663	256,575	2,101,663	256,575
<i>Totals</i>	<i>\$ 3,095,000</i>	<i>\$ 284,100</i>	<i>\$ 7,137,331</i>	<i>\$ 4,540,175</i>	<i>\$ 21,072,331</i>	<i>\$ 6,797,223</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	\$ 296,195	\$ 4,093,084
Municipal Court Fund	-	296,195
Half Cent Sales Tax	2,247,248	-
2023 Warrant	7,003,161	-
Debt Service	<u>1,845,836</u>	<u>7,003,161</u>
	<u>\$ 11,392,440</u>	<u>\$ 11,392,440</u>

There were no interfund receivables/payables at September 30, 2023.

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 \$26,706,675. The fund-level financial statements only report the earnings distributions received from the Gas District during the year (\$428,592). 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 \$ 803,214.

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, 2023:

Muscle Shoals Utility Board – This component unit provides water and sewer service to the City at market rates. At September 30, 2023, 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 \$ 1,544,817 of garbage revenues collected and (c) paid the city \$ 1,168,861 of tax equivalents. At September 30, 2023, the Electric Board owed the city a total of \$68,130. The City owed the Electric Board \$64,009 at September 30, 2023.

Muscle Shoals Board of Education - The City appropriated \$1,563,918 to the Board of Education (a component unit) during the year. At September 30, 2023, the Board owed the city \$11,250 for miscellaneous items.

Shoals Solid Waste Disposal Authority – The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$457,083 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 (\$106,055 in fiscal year ended September 30, 2023).

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.



12. DEFINED BENEFIT PLAN (continued)

Plan description

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 vested active employee of a participating municipality or city in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - c. One vested active employee of a participating county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - d. One vested active employee or retiree of a participating employer in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
 - e. One vested active 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.

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.



12. DEFINED BENEFIT PLAN (continued)

Benefits provided

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 608 employers adopted Act 2019-132 as of September 30, 2022.

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.

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

Retirees and beneficiaries currently receiving benefits	30,598
Terminated employees entitled to, but not receiving benefits	2,286
Terminated employees not entitled to a benefit	18,689
Post-DROP participants who are still in active service	39
Active members	57,278
Total	<u>108,890</u>



12. DEFINED BENEFIT PLAN (continued)

Contributions

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

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.

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, 2023, 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, 2023, was 14.23% of pensionable pay for Tier 1 employees, and 12.37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2020, 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



12. DEFINED BENEFIT PLAN (continued)

Contributions (continued)

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 \$ 1,132,974 for the year ended September 30, 2023.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	TPL Roll-Forward		
	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2021	\$ 39,805,853	\$ 39,715,398	\$ 39,737,630
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry age normal cost for the period October 1, 2021 through September 30, 2022	770,070	770,070	770,668
(d) Transfers Among Employers:	-	45,216	45,216
(e) Actual benefit payments and refunds for the period October 1, 2021 through September 30, 2022	(2,349,202)	(2,349,202)	(2,349,202)
(f) Total Pension Liability as of September 30, 2022 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 * (b))]	\$ 41,104,749	\$ 41,052,772	\$ 41,077,258
(g) Difference between Expected and Actual:		\$ (51,977)	
(h) Less Liability Transferred for Immediate Recognition		45,216	
(i) Experience (Gain)/Loss = (g) - (h)		\$ (97,193)	
(j) Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 24,486



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 Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

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.



12. DEFINED BENEFIT PLAN (continued)

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:

	Target Allocation (%)	Long-Term Expected Rate of Return (%)*
Fixed Income	15.00%	2.80%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Real Estate	10.00%	9.00%
Cash	10.00%	6.50%
	5.00%	1.50%
Total	100%	

* Includes assumed rate of inflation of 2.0%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current 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 total pension liability.



12. DEFINED BENEFIT PLAN (continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2021	\$ 39,805,853	\$ 29,199,161	\$ 10,606,692
Changes for the year:			
Service cost	770,070		770,070
Interest	2,878,028		2,878,028
Change of benefit terms	24,486		24,486
Changes of assumptions	-		-
Difference between expected and actual difference	(97,193)		(97,193)
Contributions - employer		1,156,208	(1,156,208)
Contributions - employee		566,068	(566,068)
Net investment income		(3,697,064)	3,697,064
Benefit payments, including refunds of employee contributions	(2,349,202)	(2,349,202)	-
Administrative expense	-	-	-
Transfers among employers	45,216	45,216	-
Net changes	1,271,405	(4,278,774)	5,550,179
Balances at September 30, 2022	\$ 41,077,258	\$ 24,920,387	\$ 16,156,871

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's net pension liability calculated using the discount rate of 7.45%, 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 (6.45%) 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	\$ 20,999,658	\$ 16,156,871	\$ 12,099,665



12. DEFINED BENEFIT PLAN (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <https://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

For the year ended September 30, 2023, the City recognized pension expense. At September 30, 2023, 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	\$ 551,133	\$ 441,838
Changes of assumptions	971,062	-
Net difference between projected and actual earnings on plan investments	3,007,103	-
Employer contributions subsequent to the measurement date	1,132,974	-
<i>Total</i>	<i>\$ 5,662,272</i>	<i>\$ 441,838</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	
2024	1,099,930
2025	891,764
2026	762,749
2027	1,317,822
2028	16,790
Thereafter	(1,595)



12. DEFINED BENEFIT PLAN (continued)

Pension Expense

For the year ended September 30, 2023, the City recognized pension expense of \$2,032,111 as follows:

PENSION EXPENSE	
Service Cost	\$ 770,070
Interest on the total pension liability	2,878,028
Current-period benefit changes	24,486
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(15,933)
Expensed portion of current-period changes of assumptions	-
Member contributions	(566,068)
Projected earnings on plan investments	(2,153,669)
Expensed portion of current-period differences between actual and projected earnings on plan investments	1,170,147
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	538,673
Recognition of beginning deferred inflows of resources as pension expense	(613,623)
<i>Pension Expense (Income)</i>	<u>\$ 2,032,111</u>

Membership

Retired Members or their beneficiaries currently receiving benefits	103
Vested inactive members	8
Non-vested inactive members	44
Active members	184
Post-DROP retired members still in active service	-
Total	<u>339</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):

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

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)

Amount of Allowance (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, 2023:

Retiree Only	\$ 22.90
Retiree & Spouse	\$ 70.05

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:

The discount rate used to measure the TOL was based upon the Single Equivalent Interest Rate.

Mortality rates were based on the Pub-2010 Below-Median Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.



13. POST-EMPLOYMENT BENEFITS (continued)

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	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.25% - 6.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	3.00%
Municipal Bond Index Rate	
Prior Measurement Date	4.02%
Measurement Date	4.09%
Year FNP is projected to be depleted	
Prior Measurement Date	2027
Measurement Date	2027
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	3.90%
Measurement Date	4.07%
Health Care Cost Rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032
Dental	3.50%
Vision	2.00%

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, 2022. In addition to the actuarial methods and assumptions of the September 30, 2022 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.



13. POST-EMPLOYMENT BENEFITS (continued)

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 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 (4.09%) was applied to periods on and after 2027, resulting in an SEIR at the Measurement Date (4.07%). As a result of the change to the Municipal Bond Index Rate, there was a change in the discount rate from 3.99% at the Prior Measurement Date to 4.07% 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 Rate Sensitivity			
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 11,888,611	\$ 13,806,973	\$ 16,130,739

Sensitivity of the Net OPEB Liability to Discount Rates

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 4.07%, 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 (3.07%)	Current Discount Rate (4.07%)	1% Increase (5.07%)
Net OPEB Liability	\$ 15,457,280	\$ 13,806,973	\$ 12,339,782



13. POST-EMPLOYMENT BENEFITS (continued)

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.

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (c)
Balance as of September 30, 2022	\$ 12,992,971	\$ 1,327,887	\$ 11,665,084
Changes for the year:			
Service Cost at the end of the year *	673,479	-	673,479
Interest on TOL and Cash Flows	505,612	-	505,612
Change in benefit terms	-	-	-
Difference between expected and actual experience	1,281,066	-	1,281,066
Changes of assumptions or other inputs	385,946	-	385,946
Contributions – employer **	-	648,304	(648,304)
Contributions – non-employer	-	-	-
Net investment income	-	55,910	(55,910)
Benefit payments **	(648,304)	(648,304)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	2,197,799	55,910	2,141,889
Balance as of September 30, 2023	\$ 15,190,770	\$ 1,383,797	\$ 13,806,973

* 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:

- None

Changes to assumptions or other inputs since prior Measurement Date:

- Change in medical trend, dental trend, and vision 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, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,148,030	\$ 699,524
Changes of assumptions or other inputs	1,592,686	2,874,956
Net difference between projected and actual earnings on plan investments	26,469	-
Total	\$ 2,767,185	\$ 3,574,480

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:	
2024	\$ (99,241)
2025	\$ (87,971)
2026	\$ (27,146)
2027	\$ (274,136)
2028	\$ (352,923)
Thereafter	\$ 34,122



13. POST-EMPLOYMENT BENEFITS (continued)

OPEB Expense

The calculation of the OPEB Expense (OE) for the year ended September 30, 2023 is shown in the following table:

Service Cost at end of year *	\$ 673,479
Interest on the Total OPEB Liability and Cash Flow	505,612
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	161,751
Expensed portion of current-period changes of assumptions or other inputs	48,731
Active member contributions	-
Projected earnings on plan investments	(39,837)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(3,215)
Administrative Costs**	-
Other	-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	422,596
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	(726,227)
OPEB Expense	<u>\$ 1,042,890</u>

*The service cost includes interest for the year.

**Administrative costs are based on the fees paid from the Trust and any additional cost paid as reported outside the Trust. Any costs paid outside of Trust may need to be included as an employer contribution.



13. POST-EMPLOYMENT BENEFITS (continued)

Investment Earnings

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

a) Expected asset return rate	3.00%
b) Beginning of year market value of assets	\$ 1,327,887
c) End of year market value of assets	1,383,797
d) Expected return on beginning assets for plan year	39,837
e) External cash flow (mid-year payments assumed):	
Contributions - employer *	648,304
Contributions - active member	-
Refunds of contributions	-
Benefit payments	(648,304)
Administrative expenses	-
Other	-
Total external cash flow	-
f) Expected return on external cash flow	-
g) Projected earnings for plan year (d+f)	39,837
h) Net investment income (c-b-e)	55,910
i) Investment earnings (gain) loss (g-h)	\$ (16,073)

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

Plan Membership Information

The data required regarding the membership of the Plan was furnished by the City. The following table summarizes the membership of the Plan as of September 30, 2022, the Valuation Date.

<u>Membership</u>	
Inactive Employees or Beneficiaries Currently Receiving Benefits	90
Inactive Members Entitled to But Not Yet Receiving Benefits	0
Active Employees	183
Total Membership	<u>273</u>



13. POST-EMPLOYMENT BENEFITS (continued)

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, 2022 and prior years were used to determine the contribution amount reported in the schedule. Please refer to the actuarial report as of September 30, 2022 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, 2022. 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 \$16,040,925. Against this, the plan had \$1,327,887 in assets. When this amount is deducted from the Accrued Liability, there remains \$14,713,038 as the Unfunded Accrued Liability for the Plan. The Unfunded Accrued Liability Amortization Payment in the following ADC was calculated using a 24 - 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, 2024 and September 30, 2025.

Actuarially Determined Contribution For Fiscal Years Ending September 30, 2024 and September 30, 2025

Contribution Component	Dollar Amount
Normal Cost	\$ 898,471
Administrative Fees	-
Unfunded Accrued Liability Amortization Payment	843,463
Total Contribution	\$ 1,741,934



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, 2023, was \$375,336.



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
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
2028	51,580	6,255	57,835
Thereafter	134,439	20,051	154,490
Total	<u>\$ 375,336</u>	<u>\$ 68,329</u>	<u>\$ 443,665</u>

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, 2023 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 30,	
2014	\$ 1,915,400
2015	\$ 1,911,444
2016	\$ 2,048,223
2017	\$ 2,104,480
2018	\$ 1,916,899
2019	\$ 2,332,688
2020	\$ 2,207,618
2021	\$ 2,058,621
2022	\$ 2,387,901
2023	\$ 2,486,779



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 2023:

<u>Project Description</u>	<u>% of Taxes Abated</u>	<u>Amount of Taxes Abated</u>
Restaurant chain located in an existing building	50%	\$ 50,198
<i>Total</i>		<i>\$ 50,198</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:

<u>Project Description</u>	<u>Millage Abated</u>	<u>Amount of Taxes Abated</u>
Automotive accessories manufacturing expansion	5.5	\$ 48,160
Manufacturing - Shoals Research Airpark	5.5	1,342
Manufacturing	5.5	2,032
Manufacturing	55	11,393
Manufacturing		64,702
		30,183
<i>Total</i>		<i>\$ 157,812</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. The Management of the City evaluated its activity through October 9, 2024 the date that the financial statements were available to be issued and has determined that no events occurring subsequent to year end warrant disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama
Required Supplementary Information
September 30, 2023

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2022	2021	2020
TOTAL PENSION LIABILITY			
Service Cost	\$ 770,070	\$ 663,212	\$ 592,584
Interest	2,878,028	2,814,438	2,656,735
Changes of benefit terms	24,486	-	441,104
Differences between expected and actual experience	(97,193)	(365,246)	882,260
Changes of assumptions	-	1,379,629	-
Benefit payments, including refunds of employee contributions	(2,349,202)	(2,263,670)	(2,232,283)
Transfers among employers	45,216	(105,482)	(276,618)
Net Change in total pension liability	1,271,405	2,122,881	2,063,782
Total pension liability - beginning	39,805,853	37,682,972	35,619,190
Total pension liability - ending (a)	\$ 41,077,258	\$ 39,805,853	\$ 37,682,972
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 1,156,208	\$ 896,075	\$ 852,157
Contributions - member	566,068	482,428	422,853
Net investment income	(3,697,064)	5,395,882	1,373,556
Benefit payments, including refunds of employee contributions	(2,349,202)	(2,263,670)	(2,232,283)
Transfer among employees	45,216	(105,482)	(276,618)
Net Change in plan fiduciary net position	(4,278,774)	4,405,233	139,665
Plan net position - beginning	29,199,161	24,793,928	24,654,263
Plan net position - ending (b)	\$ 24,920,387	\$ 29,199,161	\$ 24,793,928
Net pension liability (asset) - ending (a) - (b)	\$ 16,156,871	\$ 10,606,692	\$ 12,889,044
Plan fiduciary net position as a percentage of the total pension liability	60.67%	73.35%	65.80%
Covered employee payroll *	\$ 8,447,888	\$ 8,159,544	\$ 7,702,074
Net pension liability (asset) as a percentage of covered employee payroll	191.25%	129.99%	167.35%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2023 the measurement period is October 1, 2021 - September 30, 2022. 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.



2019	2018	2017	2016	2015	2014
\$ 613,005	\$ 569,288	\$ 605,208	\$ 570,188	\$ 552,760	\$ 545,427
2,554,476	2,506,109	2,422,801	2,319,060	2,236,690	2,141,482
-	-	-	-	-	-
321,797	(537,113)	(30,197)	(585,123)	(261,810)	-
-	176,775	-	1,399,593	-	-
(1,996,493)	(1,905,567)	(1,591,452)	(1,511,146)	(1,484,876)	(1,508,755)
(46,851)	74,096	(174,365)	121,278	-	-
1,445,934	883,588	1,231,995	2,313,850	1,042,764	1,178,154
34,173,256	33,289,668	32,057,673	29,743,823	28,701,059	27,522,905
\$ 35,619,190	\$ 34,173,256	\$ 33,289,668	\$ 32,057,673	\$ 29,743,823	\$ 28,701,059
\$ 831,330	\$ 741,572	\$ 814,786	\$ 848,920	\$ 753,105	\$ 742,144
453,072	384,931	377,436	379,502	361,847	353,105
626,725	2,129,465	2,684,304	1,971,680	230,487	2,131,301
(1,996,493)	(1,905,567)	(1,591,452)	(1,511,146)	(1,484,876)	(1,508,755)
(46,851)	74,096	(174,365)	121,278	(64,560)	(84,906)
(132,217)	1,424,497	2,110,709	1,810,234	(203,997)	1,632,889
24,786,480	23,361,983	21,251,274	19,441,040	19,645,037	18,012,148
\$ 24,654,263	\$ 24,786,480	\$ 23,361,983	\$ 21,251,274	\$ 19,441,040	\$ 19,645,037
\$ 10,964,927	\$ 9,386,776	\$ 9,927,685	\$ 10,806,399	\$ 10,302,783	\$ 9,056,022
69.22%	72.53%	70.18%	66.29%	65.36%	68.45%
\$ 7,238,107	\$ 6,770,429	\$ 6,707,019	\$ 6,790,034	\$ 6,439,111	\$ 6,391,870
151.49%	138.64%	148.02%	159.15%	160.00%	141.68%

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SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 1,132,974	\$ 1,072,650	\$ 950,381	\$ 878,985	\$ 858,112
Contributions in relation to the actuarially determined contribution *	1,132,974	1,072,650	950,381	878,985	858,112
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 8,447,888	\$ 8,159,544	\$ 7,702,074	\$ 7,523,223	\$ 7,238,107
Contributions as a percentage of covered employee payroll	13.41%	13.15%	12.34%	11.68%	11.86%

* 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 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.4 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



<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 765,503	\$ 794,653	\$ 873,998	\$ 742,144	
<u>765,503</u>	<u>794,653</u>	<u>873,998</u>	<u>742,144</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$6,770,429	\$6,707,019	\$6,790,034	\$6,439,111	
<u>11.31%</u>	<u>11.85%</u>	<u>12.87%</u>	<u>11.53%</u>	

Not Available

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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)	UAAAL as a Pctg of Covered Payroll ((b-a) / c)
2015		19,663	28,801	9,138	68.3%	139.5%
2016	3	21,217	31,698	10,481	66.9%	150.8%
2017	3	22,669	32,792	10,123	69.1%	154.4%
2018	3	23,985	34,472	10,487	69.6%	145.7%
2019	4	24,951	36,438	11,487	68.5%	161.4%
2020	4	25,582	37,344	11,762	68.5%	161.6%
2020	2,4	25,582	37,368	11,786	68.5%	161.9%

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

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

3-Reflects changes in actuarial assumptions.

4-Reflects the impact of Act 2019-132, which provides Tier 1 benefits to Tier 2 members.

Market Value of Assets as of September 30, 2020 was \$ 24,793,928.

Valuation date	9/30/2020
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization method	25.4
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
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NOTE TO SCHEDULE OF FUNDING PROGRESS

Required Employer Contribution Rates (Effective October 1, 2022)

	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	3.27%	0.80%
Accrued liability	10.59%	10.60%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	0.35%	0.35%
Total	14.23%	11.77%
5% employer contribution factor (14.23% / 5%)	2.846000	
6% employer contribution factor (14.23% / 6%)	2.371667	
7.5% employer contribution factor (11.77% / 7.5%)		1.569333
8.5% employer contribution factor (12.37% / 8.5%)		1.384706
Tier 2 Employees (applies to all members hired on or after January 1, 2013)		
Normal cost	1.41%	1.41%
Accrued liability	10.59%	10.60%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	0.35%	0.35%
Total	12.37%	12.38%
7.5% employer contribution factor (12.37% / 7.5%)	1.649333	
8.5% employer contribution factor (12.37% / 8.5%)	1.455294	
7.5% employer contribution factor (12.38% / 7.5%)		1.650667
8.5% employer contribution factor (12.38% / 8.5%)		1.456471

DEFINED BENEFIT PLAN (NOTES TO REQUIRED SUPPLEMENTARY INFORMATION)

Collective Deferred Outflows and Inflows

		Between Expected and Actual Experience								
		2022	2021	2020	2019	2018	2017	2016	2015	Total
Initial Balance of Losses/Deferred Outflows		\$ -	\$ -	\$ 882,260	\$ 321,797	\$ -	\$ -	\$ -	\$ -	
Initial Balance of Gains/Deferred Inflows		\$ 97,193	\$ 365,246	\$ -	-	\$ 537,113	\$ 30,197	\$ 585,123	\$ 261,810	
Amortization Period		6.1	6.2	5.9	6.3	6.3	6.5	6.4	6.2	
Beginning Balance:										
Deferred Outflows	A	\$ -	\$ -	\$ 583,188	\$ 168,560	-	-	-	-	\$ 751,748
Deferred Inflows	B	\$ -	\$ 306,335	\$ -	\$ -	\$ 196,089	\$ 6,967	\$ 36,573	\$ -	\$ 545,964
Losses/Deferred Outflows	C	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gains/Deferred Inflows	D	\$ 97,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,193
Amounts Recognized in Pension Expense/Deferred Outflow	E	\$ -	\$ -	\$ 149,536	\$ 51,079	\$ -	\$ -	\$ -	\$ -	
Amounts Recognized in Pension Expense/Deferred Inflow	F	\$ 15,933	\$ 58,911	\$ -	\$ -	\$ 85,256	\$ 4,646	\$ 36,573	\$ -	
Ending Balance										
Deferred Outflows	A+C-E	\$ -	\$ -	\$ 433,652	\$ 117,481	\$ -	\$ -	\$ -	\$ -	\$ 551,133
Deferred Inflows	B+D-F	\$ 81,260	\$ 247,424	\$ -	\$ -	\$ 110,833	\$ 2,321	\$ -	\$ -	\$ 441,838

		For Differences from Assumption Changes							
		2022	2021	2020	2019	2018	2017	2016	Total
Initial Balance of Losses/Deferred Outflows		\$ -	\$ 1,379,629	\$-	\$-	\$ 176,775	\$ -	\$ 1,399,593	
Initial Balance of Gains/Deferred Inflows		\$ -	\$ -	\$-	\$-	\$ -	\$ -	\$ -	
Amortization Period		6.1	6.2	5.9	6.3	6.3	6.5	6.4	
Beginning Balance:									
Deferred Outflows	A	\$ -	\$ 1,157,108	\$-	\$-	\$ 64,535	\$ -	\$ 87,477	\$ 1,309,120
Deferred Inflows	B	\$ -	\$ -	\$-	\$-	\$ -	\$ -	\$ -	\$ -
Losses/Deferred Outflows	C	\$ -	\$ -	\$-	\$-	\$ -	\$ -	\$ -	\$ -
Gains/Deferred Inflows	D	\$ -	\$ -	\$-	\$-	\$ -	\$ -	\$ -	\$ -
Amounts Recognized in Pension Expense/Deferred Outflow	E	\$ -	\$ 222,521	\$-	\$-	\$ 28,060	\$ -	\$ 87,477	
Amounts Recognized in Pension Expense/Deferred Inflow	F	\$ -	\$ -	\$-	\$-	\$ -	\$ -	\$ -	
Ending Balance									
Deferred Outflows	A+C-E	\$ -	\$ 934,587	\$-	\$-	\$ 36,475	\$ -	\$ -	\$ 971,062
Deferred Inflows	B+D-F	\$ -	\$ -	\$-	\$-	\$ -	\$ -	\$ -	\$ -



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		For Differences in Investment Experience						
		2022	2021	2020	2019	2018	2017	Total
Initial Balance of Losses/Deferred Outflows		\$ 5,850,733	\$ -	\$ 477,317	\$ 1,252,615	\$ -	\$ -	
Initial Balance of Gains/Deferred Inflows		\$ -	\$ 3,524,890	\$ -	\$ -	\$ 346,229	\$ 1,059,557	
Amortization Period		5.0	5.0	\$ 5	5.0	5.0	5.0	
Beginning Balance:								
Deferred Outflows	A	\$ -	\$ -	\$ 286,391	\$ 501,046	\$ -	\$ -	\$ 787,437
Deferred Inflows	B	\$ -	\$ 2,819,912	\$ -	\$ -	\$ 69,245	\$ -	\$ 2,889,157
Losses/Deferred Outflows	C	\$ 5,850,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,850,733
Gains/Deferred Inflows	D	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts Recognized in Pension Expense/Deferred Outflow	E	\$ 1,170,147	\$ -	\$ 95,463	\$ 250,523	\$ -	\$ -	
Amounts Recognized in Pension Expense/Deferred Inflow	F	\$ -	\$ 704,978	\$ -	\$ -	\$ 69,245	\$ -	
Ending Balance								
Deferred Outflows	A+C-E	\$ 4,680,586	\$ -	\$ 190,928	\$ 250,523	\$ -	\$ -	\$ 5,122,037
Deferred Inflows	B+D-F	\$ -	\$ 2,114,934	\$ -	\$ -	\$ -	\$ -	\$ 2,114,934
Net Difference between projected and actual earnings on investments								\$ 3,007,103

Summary of Amortization of Deferred Outflows and Inflows of Resources:

Year	Difference						Assumption Changes		
	2017	2018	2019	2020	2021	2022	2016	2018	2021
2024	\$ (2,321)	\$ (85,256)	\$ 51,079	\$ 149,536	\$ (58,911)	\$ (15,933)	\$ -	\$ 28,060	\$ 222,521
2025	-	(25,577)	51,079	149,536	(58,911)	(15,933)	-	8,415	222,521
2026	-	-	15,323	134,580	(58,911)	(15,933)	-	-	222,521
2027	-	-	-	-	(58,911)	(15,933)	-	-	222,521
2028	-	-	-	-	(11,780)	(15,933)	-	-	44,503
Thereafter	-	-	-	-	-	(1,595)	-	-	-
Total	\$ (2,321)	\$ (110,833)	\$ 117,481	\$ 433,652	\$ (247,424)	\$ (81,260)	\$ -	\$ 36,475	\$ 934,587

Year	Investment Gains/Losses				Total
	2019	2020	2021	2022	
2024	\$ 250,523	\$ 95,463	\$ (704,978)	\$ 1,170,147	\$ 1,099,930
2025	-	95,465	(704,978)	1,170,147	891,764
2026	-	-	(704,978)	1,170,147	762,749
2027	-	-	-	1,170,145	1,317,822
2028	-	-	-	-	16,790
Thereafter	-	-	-	-	(1,595)
Total	\$ 250,523	\$ 190,928	\$ (2,114,934)	\$ 4,680,586	\$ 4,087,460

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, 2023.

Schedule of Changes in Net OPEB Liability

A 7-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	2023	2022
Total OPEB Liability		
Service Cost at end of year	\$ 673,479	\$ 929,346
Interest on the Total OPEB Liability	505,612	328,997
Changes of benefit terms	-	-
Difference between expected and actual experience	1,281,066	(54,539)
Changes of assumptions or other inputs	385,946	(2,528,561)
Benefit payments*	(648,304)	(349,104)
Net change in Total OPEB Liability	2,197,799	(1,673,861)
Total OPEB Liability – beginning	\$ 12,992,971	\$ 14,666,832
Total OPEB Liability – ending (a)	\$ 15,190,770	\$ 12,992,971
Plan Fiduciary Net Position		
Contributions – employer **	\$648,304	\$349,104
Contributions – non-employer	-	-
Contributions – active member	-	-
Net investment income	55,910	5,831
Benefit payments*	(648,304)	(349,104)
Administrative expense	-	-
Other	-	-
Net change in Plan Fiduciary Net	55,910	5,831
Plan Fiduciary Net Position – beginning	1,327,887	1,322,056
Plan Fiduciary Net Position – ending (b)	1,383,797	1,327,887
Net OPEB Liability – ending (a) – (b)	\$ 13,806,973	\$ 11,665,084

*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.

10 Years not available.



Other Pensions and Benefits Obligations (OPEB) (continued)

Schedule of Changes in Net OPEB Liability (continued)

2021	2020	2019	2018	2017
\$ 611,711	\$ 542,664	\$ 406,689	\$ 449,805	\$ 495,489
309,411	338,490	432,188	376,698	317,461
1,913,783	-	-	-	-
(676,280)	57,499	(616,399)	(9,871)	-
(1,298,562)	604,283	2,548,538	(660,973)	(740,397)
(259,867)	(400,354)	(418,091)	(270,205)	(443,468)
600,196	1,142,582	2,352,925	(114,546)	(370,915)
\$ 14,066,636	\$ 12,924,054	\$ 10,571,129	\$ 10,685,675	\$ 11,056,590
\$ 14,666,832	\$ 14,066,636	\$ 12,924,054	\$ 10,571,129	\$ 10,685,675
\$259,867	\$400,354	\$418,091	\$270,205	\$443,468
-	-	-	-	-
-	-	-	-	-
313	22,504	27,586	19,199	9,888
(259,867)	(400,354)	(418,091)	(270,205)	(443,468)
-	-	-	-	-
-	-	-	-	-
313	22,504	27,586	19,199	9,888
1,321,743	1,299,239	1,271,653	1,252,454	1,242,566
1,322,056	1,321,743	1,299,239	1,271,653	1,252,454
\$ 13,344,776	\$ 12,744,893	\$ 11,624,815	\$ 9,299,476	\$ 9,433,221

Other Pensions and Benefits Obligations (OPEB) (continued)

Schedule of the Net OPEB Liability

A 7-year schedule of the Net OPEB Liability and related ratios are shown in the following table. **

Fiscal Year Ending September 30	2023	2022
Total OPEB Liability	\$ 15,190,770	\$ 12,992,971
Plan Fiduciary Net Position	1,383,797	1,327,887
Net OPEB Liability	\$ 13,806,973	\$ 11,665,084
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	9.11%	10.22%
Covered Payroll*	\$ 8,682,623	\$ 7,150,807
Net OPEB Liability as a percentage of covered payroll	159.02%	163.13%

Schedule of Employer contributions (continued)

A 7-year schedule of employer contributions and the related ratios are shown in the following table. **

Fiscal Year Ending September 30	2023	2022
Actuarially Determined Contribution	\$ 1,381,566	\$ 1,381,566
Contributions in relation to the Actuarially Determined Contribution	648,304	349,104
Annual contribution deficiency (excess)	\$ 733,262	\$ 1,032,462
Covered payroll*	\$ 8,682,623	\$ 7,150,807
Actual contributions as a percentage of covered payroll	7.47%	4.88%

*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.

**10 Years not available.



Other Pensions and Benefits Obligations (OPEB) (continued)

Schedule of the Net OPEB Liability (continued)

2020	2020	2019	2018	2017
\$ 14,666,832	\$ 14,066,636	\$ 12,924,054	\$ 10,571,129	\$ 10,685,675
1,322,056	1,321,743	1,299,239	1,271,653	1,252,454
\$ 13,344,776	\$ 12,744,893	\$ 11,624,815	\$ 9,299,476	\$ 9,433,221
9.01%	9.40%	10.05%	12.03%	11.72%
\$ 7,150,807	\$ 6,408,913	\$ 6,408,913	\$ 6,569,295	\$ 6,569,295
186.62%	198.86%	181.39%	141.56%	143.60%

Schedule of Employer contributions (continued)

2021	2020	2019	2018	2017
\$ 1,027,821	\$ 1,027,821	\$ 926,455	\$ 926,455	\$ 388,749
259,867	400,354	418,091	270,205	443,468
\$ 767,954	\$ 627,467	\$ 508,364	\$ 656,250	\$ (54,719)
\$ 7,150,807	\$ 6,408,913	\$ 6,408,913	\$ 6,569,295	\$ 6,569,295
3.63%	6.25%	6.52%	4.11%	6.75%

Other Pensions and Benefits Obligations (OPEB) (continued)

Deferred Outflows and Inflows of Resources

The following schedules provide the balances of Deferred Outflows of Resources and Deferred Inflows of Resources that are reported for differences between expected and actual experience and changes of assumptions or other inputs. For the following exhibits:

- Deferred Outflows of Resources are presented as positive amounts and amounts recognized increase OPEB Expense (income).
- Deferred Inflows of Resources are presented as positive amounts and amounts recognized decrease OPEB Expense (income).

Deferred Outflows and Inflows for Difference between expected and Actual Experience

Measurement Date	Initial Balance of Deferred Outflows	Initial Balance of Deferred Inflows	Amortization Period	Beginning Balance Deferred Outflows	Beginning Balance Deferred Inflows
				(a)	(b)
9/30/2018	\$ -	\$ 9,871	7.83	\$ -	\$ 3,566
9/30/2019	\$ -	\$ 616,399	7.99	\$ -	\$ 307,815
9/30/2020	\$ 57,499	\$ -	7.99	\$ 35,911	\$ -
9/30/2021	\$ -	\$ 676,280	8.09	\$ -	\$ 509,090
9/30/2022	\$ -	\$ 54,539	8.09	\$ -	\$ 47,797
9/30/2023	\$ 1,281,066	\$ -	7.92	\$ -	\$ -
				<u>\$ 35,911</u>	<u>\$ 868,268</u>

Deferred Outflows and Inflows Arising from Change in Assumptions

Measurement Date	Initial Balance of Deferred Outflows	Initial Balance of Deferred Inflows	Amortization Period	Beginning Balance Deferred Outflows	Beginning Balance Deferred Inflows
				(a)	(b)
9/30/2018	\$ -	\$ 660,973	7.83	\$ -	\$ 238,898
9/30/2019	\$ 2,548,538	\$ -	7.99	\$1,272,674	\$ -
9/30/2020	\$ 604,283	\$ -	7.99	\$ 377,393	\$ -
9/30/2021	\$ -	\$ 1,298,562	8.09	\$ -	\$ 977,534
9/30/2022	\$ -	\$ 2,528,561	8.09	\$ -	\$ 2,216,007
9/30/2023	\$ 385,946	\$ -	7.92	\$ -	\$ -
				<u>\$1,650,067</u>	<u>\$ 3,432,439</u>



Other Pensions and Benefits Obligations (OPEB) (continued)

Deferred Outflows and Inflows of Resources (continued)

Deferred Outflows and Inflows for Difference between expected and Actual Experience (cont'd)

Losses/Deferred Outflows	Gains / Deferred Inflows	Amounts Recognized in OPEB Expense / Deferred Outflows	Amounts Recognized in OPEB Expense / Deferred Inflows	Ending Balance of Deferred Outflows	Ending Balance of Deferred Inflows
(c)	(d)	(e)	(f)	(a)+(c)-(e)	(b)+(d)-(f)
\$ -	\$ -	\$ -	\$ 1,261	\$ -	\$ 2,305
\$ -	\$ -	\$ -	\$ 77,146	\$ -	\$ 230,669
\$ -	\$ -	\$ 7,196	\$ -	\$ 28,715	\$ -
\$ -	\$ -	\$ -	\$ 83,595	\$ -	\$ 425,495
\$ -	\$ -	\$ -	\$ 6,742	\$ -	\$ 41,055
\$ 1,281,066	\$ -	\$ 161,751	\$ -	\$ 1,119,315	\$ -
\$ 1,281,066	\$ -	\$ 168,947	\$ 168,744	\$ 1,148,030	\$ 699,524

Deferred Outflows and Inflows Arising from Change in Assumptions (cont'd)

Losses/Deferred Outflows	Gains / Deferred Inflows	Amounts Recognized in OPEB Expense / Deferred Outflows	Amounts Recognized in OPEB Expense / Deferred Inflows	Ending Balance of Deferred Outflows	Ending Balance of Deferred Inflows
(c)	(d)	(e)	(f)	(a)+(c)-(e)	(b)+(d)-(f)
\$ -	\$ -	\$ -	\$ 84,415	\$ -	\$ 154,483
\$ -	\$ -	\$ 318,966	\$ -	\$ 953,708	\$ -
\$ -	\$ -	\$ 75,630	\$ -	\$ 301,763	\$ -
\$ -	\$ -	\$ -	\$ 160,514	\$ -	\$ 817,020
\$ -	\$ -	\$ -	\$ 312,554	\$ -	\$ 1,903,453
\$ 385,946	\$ -	\$ 48,731	\$ -	\$ 337,215	\$ -
\$ 385,946	\$ -	\$ 443,327	\$ 557,483	\$ 1,592,686	\$ 2,874,956

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Other Pensions and Benefits Obligations (OPEB) (continued)

Deferred Outflows and Inflows of Resources (continued)

Deferred Outflows and Inflows for Difference between Projected and Actual Earnings on Plan Investments

Measurement Date	Initial Balance of Deferred Outflows	Initial Balance of Deferred Inflows	Amortization Period	Beginning Balance Deferred Outflows	Beginning Balance Deferred Inflows
				(a)	(b)
9/30/2018	\$ 22,132	\$ -	5.00	\$ -	\$ -
9/30/2019	\$ 14,379	\$ -	5.00	\$ 2,875	\$ -
9/30/2020	\$ 16,473	\$ -	5.00	\$ 6,588	\$ -
9/30/2021	\$ 39,339	\$ -	5.00	\$ 23,603	\$ -
9/30/2022	\$ 33,831	\$ -	5.00	\$ 27,065	\$ -
9/30/2023	\$ -	\$ 16,073	5.00	\$ -	\$ -
				<u>\$ 60,131</u>	<u>\$ -</u>

Net Difference Between Projected and Actual Earnings on Investments



Other Pensions and Benefits Obligations (OPEB) (continued)

Deferred Outflows and Inflows of Resources (continued)

Deferred Outflows and Inflows for Difference between Projected and Actual Earnings on Plan Investments

Losses/Deferred Outflows	Gains / Deferred Inflows	Amounts Recognized in OPEB Expense / Deferred Outflows	Amounts Recognized in OPEB Expense / Deferred Inflows	Ending Balance of Deferred Outflows	Ending Balance of Deferred Inflows
(c)	(d)	(e)	(f)	(a)+(c)-(e)	(b)+(d)-(f)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 2,875	\$ -	\$ -	\$ -
\$ -	\$ -	\$ 3,295	\$ -	\$ 3,293	\$ -
\$ -	\$ -	\$ 7,868	\$ -	\$ 15,735	\$ -
\$ -	\$ -	\$ 6,766	\$ -	\$ 20,299	\$ -
\$ -	\$ 16,073	\$ -	\$ 3,215	\$ -	\$ 12,858
\$ -	\$ 16,073	\$ 20,804	\$ 3,215	\$ 39,327	\$ 12,858
				\$ 26,469	\$ -

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 For the Year Ended September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE- BEGINNING	\$ 21,419,595	\$ 21,419,595	\$ 21,419,595	\$ -
RESOURCES (INFLOWS):				
Local taxes	23,465,524	23,462,324	25,819,159	2,356,835
License, permits and fees	1,562,000	1,562,000	1,732,944	170,944
Charges for service	1,591,100	1,591,100	1,606,745	15,645
Joint Ventures	395,000	395,000	428,592	33,592
Intergovernmental revenue	700	700	108,007	107,307
Park and recreation	1,263,900	1,266,900	1,518,861	251,961
Investment earnings	24,000	24,000	157,324	133,324
Miscellaneous	93,274	103,293	413,063	309,770
<i>Total resources (inflows)</i>	<u>28,395,498</u>	<u>28,405,317</u>	<u>31,784,695</u>	<u>3,379,378</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>49,815,093</u>	<u>49,824,912</u>	<u>53,204,290</u>	<u>3,379,378</u>
EXPENDITURES				
Current:				
General Government	4,986,870	5,411,870	4,741,395	670,475
Public Safety	8,092,597	8,108,597	7,950,276	158,321
Public Works	3,406,446	3,416,259	2,936,817	479,442
Health and sanitation	2,056,273	2,056,273	2,109,702	(53,429)
Recreation	3,158,093	3,160,893	3,188,650	(27,757)
Education	1,565,218	1,565,918	1,660,171	(94,253)
Miscellaneous	427,858	427,508	424,262	3,246
Debt Service	57,797	57,797	57,835	(38)
Capital Outlay	999,173	566,773	677,214	(110,441)
<i>Total Expenditures</i>	<u>24,750,325</u>	<u>24,771,888</u>	<u>23,746,322</u>	<u>1,025,566</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	230,000	230,000	296,195	66,195
Transfers out	(3,671,073)	(3,867,624)	(4,093,084)	(225,460)
Total other financing sources and uses	<u>(3,441,073)</u>	<u>(3,637,624)</u>	<u>(3,796,889)</u>	<u>(159,265)</u>
TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)	<u>28,191,398</u>	<u>28,409,512</u>	<u>27,543,211</u>	<u>866,301</u>
BUDGETARY FUND BALANCE- ENDING	<u>\$ 21,623,695</u>	<u>\$ 21,415,400</u>	<u>\$ 25,661,079</u>	<u>\$ 4,245,679</u>

City of Muscle Shoals, Alabama
Notes to Required Supplementary Information
For the Year Ended September 30, 2023



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	\$ 53,204,290
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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>21,419,595</u>
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>31,784,695</u>
--	-------------------

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>27,543,215</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 27,543,215</u>
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SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Ad Valorem - Real Property	\$ 1,170,000	\$ 1,175,300	\$ 1,307,121	\$ 131,821
Ad Valorem - Personal Property	240,000	240,000	280,507	40,507
Sales Tax	18,622,000	18,622,000	19,855,531	1,233,531
Alcohol Beverage Tax	367,293	367,293	395,902	28,609
Tangible Personal Property Rentals	200,000	200,000	248,174	48,174
Lodging Tax	125,000	125,000	136,429	11,429
Tax Equivalent (Electric Board)	927,231	918,731	1,168,861	250,130
Gasoline (Local)	581,000	581,000	593,385	12,385
Tobacco Tax	140,000	140,000	91,272	(48,728)
TVA In Lieu Of Taxes	625,000	625,000	768,788	143,788
State Auto License	7,000	7,000	9,212	2,212
ABC Board	46,000	46,000	49,635	3,635
Financial Inst. Tax	415,000	415,000	914,342	499,342
	<u>23,465,524</u>	<u>23,462,324</u>	<u>25,819,159</u>	<u>2,356,835</u>
License, Permits and Fees				
Business License (City)	1,420,000	1,420,000	1,597,859	177,859
Building Permits	140,000	140,000	131,407	(8,593)
Mechanical Permits	2,000	2,000	3,678	1,678
	<u>1,562,000</u>	<u>1,562,000</u>	<u>1,732,944</u>	<u>170,944</u>
Intergovernmental Revenues				
FEMA Grant	-	-	58,532	58,532
NACOLG Traffic Grant	700	700	-	(700)
Police Active Shooter Grant	-	-	49,475	49,475
	<u>700</u>	<u>700</u>	<u>108,007</u>	<u>107,307</u>
Charges for Services				
Street Cutting	6,500	6,500	6,100	(400)
Gas Inspection Fees	6,500	6,500	1,834	(4,666)
Electric Inspection Fees	12,000	12,000	11,427	(573)
Plumbing Inspection Fees	8,000	8,000	6,459	(1,541)
Photo Copy Service	5,000	5,000	6,398	1,398
Fire Protection	2,500	2,500	-	(2,500)
Garbage Fees	1,524,000	1,524,000	1,544,817	20,817
Fire Training Center	23,000	23,000	27,718	4,718
Radio Operator Service	3,600	3,600	1,992	(1,608)
	<u>1,591,100</u>	<u>1,591,100</u>	<u>1,606,745</u>	<u>15,645</u>

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
Joint Ventures				
North Ala. Gas District	395,000	395,000	428,592	33,592
	<u>395,000</u>	<u>395,000</u>	<u>428,592</u>	<u>33,592</u>
Park and Recreation				
Cypress Lakes Facility Revenues				
Dues	240,000	240,000	302,563	62,563
Golf Concessions	90,000	90,000	110,772	20,772
Tennis Lessons	1,500	1,500	7,341	5,841
Golf Lessons	1,800	1,800	295	(1,505)
Room Rentals	10,000	10,000	9,325	(675)
Miscellaneous	3,400	3,400	2,405	(995)
Cart Rentals	30,000	30,000	28,224	(1,776)
Greens Fees	166,500	166,500	191,984	25,484
Merchandise	278,750	278,750	344,398	65,648
Golf Club Rental	90,000	90,000	137,946	47,946
Credit Card Receipts	500	500	1,120	620
Cash Over/Short (Cypress Lakes)	100	100	(180)	(280)
Tip Revenue	6,100	6,100	7,902	1,802
Golf Tournament Revenues	29,750	29,750	2,760	(26,990)
Other Recreation Revenues				
Gattman Splashpad Concessions	10,000	10,000	4,881	(5,119)
Batting Cage Revenue	-	-	1,113	1,113
Football	15,000	15,000	27,726	12,726
Flag Football Revenue	8,000	8,000	9,920	1,920
Airport Concessions	30,000	30,000	37,305	7,305
Webster Concessions	2,500	2,500	-	(2,500)
Karate	4,000	4,000	1,136	(2,864)
Pool Receipts	25,000	25,000	27,624	2,624
Pool Concessions	2,500	2,500	2,861	361
Track and Field	-	3,000	2,830	(170)
Gattman Concessions	35,000	35,000	33,055	(1,945)
Youth Basketball Registration	20,000	20,000	23,480	3,480
Youth Soccer Registration	10,000	10,000	15,240	5,240
Youth Baseball Registration	17,000	17,000	17,900	900
Girls Softball Registration	8,500	8,500	9,360	860

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
<i>Park and Recreation</i>				
Special Events Revenue	25,000	25,000	43,562	18,562
Adult Softball	-	-	(250)	(250)
Volleyball	2,500	2,500	3,695	1,195
Facilities Rental	35,000	35,000	38,688	3,688
Vending And Game Machines	500	500	172	(328)
Miscellaneous Revenues	2,500	2,500	3,448	948
Sportsplex Concessions	25,000	25,000	31,939	6,939
Tournament Revenues	20,000	20,000	15,340	(4,660)
Tennis Guest Fees	5,000	5,000	6,186	1,186
Tennis Passes	12,500	12,500	14,795	2,295
<i>Total Park and Recreation Revenues</i>	<i>1,263,900</i>	<i>1,266,900</i>	<i>1,518,861</i>	<i>251,961</i>
Investment Earnings	24,000	24,000	157,324	133,324
Library Revenues				
State Aid	21,286	21,286	24,246	2,960
County Appropriation	3,000	3,000	3,000	-
Fines	4,000	4,000	5,549	1,549
Miscellaneous Library Revenues	11,300	11,300	10,867	(433)
	39,586	39,586	43,662	4,076
Other Revenues				
Lease Payments	8,000	8,000	7,204	(796)
Insurance Refund	16,144	16,144	16,144	-
Sale Of Street Material	2,000	2,000	5,853	3,853
Donations	-	1,550	1,550	-
Sale Of City Eqpt	-	9,813	58,865	49,052
Wal-Mart Foundation Grant	2,000	2,000	2,000	-
Centennial Week	-	-	69,159	69,159
Misc. Revenue	4,000	4,000	2,824	(1,176)
Transf From Area Agency On Aging	7,800	7,800	7,800	-
Proceeds from Opioid Investigation	-	-	185,602	185,602
Colbert County Commission	-	7,400	7,400	-
Christmas Parade	5,000	5,000	5,000	-
	44,944	63,707	369,401	305,694
<i>Total Revenues</i>	<i>\$ 28,386,754</i>	<i>\$ 28,405,317</i>	<i>\$ 31,784,695</i>	<i>\$ 3,379,378</i>

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Mayor And City Council				
Salaries - Regular	\$ 126,410	\$ 126,410	\$ 123,393	\$ 3,017
Retirement	12,012	12,012	11,976	36
SIMRP	-	-	603	(603)
Employee's Insurance	13,522	13,522	13,006	516
Workmen's Compensation	179	179	197	(18)
Consultant Services	4,800	2,900	2,863	37
Mayor And City Council - Data Proce	2,500	3,900	3,888	12
Gas, Oil	3,000	3,000	2,001	999
Miscellaneous	3,200	1,200	979	221
Vehicle Repair	1,300	1,300	900	400
Advertising	23,500	22,200	22,347	(147)
Travel	25,000	28,000	27,836	164
Meals	6,000	7,700	1,075	6,625
Employee Education & Training	500	1,000	8,337	(7,337)
Insurance - General	31,064	31,064	31,064	-
Dues	19,500	18,100	18,043	57
Road Building	600,000	600,000	470,984	129,016
Total	872,487	872,487	739,492	132,995
City Clerk				
Salaries - Regular	725,585	673,185	651,948	21,237
Retirement	90,376	90,376	79,660	10,716
SIMRP	-	-	3,094	(3,094)
Employee's Insurance	222,230	222,230	185,974	36,256
Workmen's Compensation	5,028	5,028	2,014	3,014
Vacation Sold	30,651	30,651	31,648	(997)
Auditing Services	47,000	47,000	45,375	1,625
Consultant Services	154,700	154,700	101,229	53,471
Janitorial	4,500	4,500	3,057	1,443
Data Processing	66,080	66,080	51,923	14,157
Office Supplies	7,400	7,400	5,381	2,019
Gas, Oil	3,000	3,000	3,068	(68)
Tobacco Stamps	12,000	12,000	-	12,000
Miscellaneous	5,000	5,500	6,093	(593)
Buildings And Grounds	77,800	123,800	123,445	355
Vehicle Repair	2,000	2,000	1,092	908
Postage	12,500	12,500	13,056	(556)
Advertising	2,200	2,200	1,528	672

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
City Clerk				
Recording Fees	100	100	95	5
Travel	10,000	10,000	10,205	(205)
Drug/Alcohol Testing	7,150	7,150	3,596	3,554
Meals	200	500	476	24
Employee Education And Training	4,000	5,500	5,868	(368)
Insurance - General	10,632	11,332	11,325	7
Photo Copy Exp	6,000	9,400	9,556	(156)
Printing, Books, Subscriptions	7,500	7,500	6,959	541
Dues	2,500	2,500	2,298	202
Trustee Fees	7,400	7,400	5,060	2,340
Total	1,523,532	1,523,532	1,365,023	158,509
Civil Service Board				
Salaries - Regular	18,000	18,000	16,307	1,693
Legal Services	500	500	-	500
Meals	500	500	124	376
Total	19,000	19,000	16,431	2,569
Legal Services				
Salaries - City Attorney	10,500	10,500	9,000	1,500
Legal Services	35,000	35,000	24,422	10,578
Total	45,500	45,500	33,422	12,078
City Buildings				
Workmen's Compensation	6,000	6,000	1,133	4,867
Lawn Maintenance	24,200	26,200	25,980	220
Buildings And Grounds	21,800	38,700	37,813	887
Utilities	190,000	171,100	151,635	19,465
Early Warning System	5,200	5,200	2,642	2,558
Insurance - General	66,413	66,413	66,413	-
Total	313,613	313,613	285,616	27,997
Communications				
Telephone	102,000	94,985	81,500	13,485
Radio	15,000	15,000	15,057	(57)
Total	117,000	109,985	96,557	13,428

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Police Dept.				
Holiday Pay	96,105	93,305	81,382	11,923
Salaries - Regular	2,466,158	2,375,415	2,383,006	(7,591)
Salaries - Overtime	169,766	189,281	193,819	(4,538)
Retirement	339,831	348,560	348,648	(88)
SIMRP	-	-	16,314	(16,314)
Employee's Insurance	781,745	781,745	726,685	55,060
Workmen's Compensation	69,556	69,556	45,888	23,668
Vacation Sold	55,000	45,300	45,300	-
Janitorial	16,000	12,898	11,452	1,446
Data Processing	174,400	186,100	187,692	(1,592)
Office Supplies	13,000	13,000	12,711	289
Gas, Oil	120,000	133,200	129,694	3,506
Miscellaneous	8,178	12,978	14,172	(1,194)
Canine Expense	6,000	5,580	4,229	1,351
D.A.R.E. Program	4,000	4,000	3,706	294
Jail Expense	13,500	17,601	17,602	(1)
Buildings And Grounds	15,503	18,503	18,801	(298)
Vehicle Repair	65,000	94,000	92,677	1,323
Public Safety Equipment	105,094	142,094	191,491	(49,397)
Travel	18,000	18,600	20,633	(2,033)
Employee Education And Training	47,500	33,900	36,181	(2,281)
Insurance - General	86,907	95,407	95,347	60
Uniforms	52,791	45,791	45,196	595
Photo Copy Exp	5,500	6,420	7,344	(924)
Printing, Books, Subscriptions	4,373	4,373	3,381	992
Dues	2,200	2,200	1,664	536
Care of Prisoners	19,500	17,500	17,003	497
Police Tactical Team	17,840	10,840	8,880	1,960
Training Facility	2,870	2,870	1,593	1,277
Colbert Drug Task Force	10,000	10,000	10,000	-
Special Events	4,000	6,700	6,647	53
Salary & Benefit				
-Reimbursement -Board Of Ed.	(110,918)	(110,918)	(99,402)	(11,516)
Total	4,679,399	4,686,799	4,679,736	7,063

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Municipal Court				
Salaries - Regular	94,309	94,309	92,489	1,820
Retirement	12,586	12,586	11,923	663
SIMRP	-	-	1,205	(1,205)
Employee's Insurance	41,209	41,209	40,063	1,146
Workmen's Compensation	136	136	118	18
Vacation Sold	1,500	11,200	11,167	33
Municipal Judge	14,100	14,100	14,359	(259)
Data Processing	5,300	6,300	6,338	(38)
Office Supplies	27,295	15,095	1,956	13,139
Miscellaneous	500	800	743	57
Municipal Prosecutor	11,100	11,100	9,600	1,500
Photo Copy Expense	1,500	1,500	555	945
Printing, Books, Subscriptions	2,500	2,500	781	1,719
Dues	200	200	50	150
Total	212,735	212,735	192,990	19,745
Fire Dept.				
Holiday Pay	82,502	82,502	62,221	20,281
Salaries - Regular	1,985,382	1,921,105	1,890,320	30,785
Salaries - Overtime	75,000	83,602	81,481	2,121
Retirement	273,223	273,223	265,073	8,150
SIMRP	-	-	16,754	(16,754)
Employee's Insurance	571,316	571,316	509,913	61,403
Workmen's Compensation	62,580	62,580	37,990	24,590
Vacation Sold	35,000	35,000	32,265	2,735
Janitorial	3,500	3,500	3,388	112
Data Processing	36,900	41,600	41,613	(13)
Chemicals	3,000	3,000	2,496	504
Office Supplies	1,000	1,000	994	6
Gas, Oil	28,000	29,000	28,254	746
Medical Supplies	9,981	9,981	10,300	(319)
Small Tools	2,500	2,500	108	2,392
Miscellaneous	9,500	13,000	12,938	62
Fire Prevention Program	4,500	17,575	14,890	2,685
Buildings And Grounds	30,000	30,000	29,744	256
Vehicle Repair	43,700	66,700	67,125	(425)
Tire Repair	5,000	5,000	4,702	298
Machine & Equipment Repair	10,800	10,900	10,806	94
Public Safety Equipment	10,000	14,600	6,989	7,611

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Fire Dept.				
Travel	6,500	6,500	8,969	(2,469)
Employee Education And Training	13,000	17,050	17,003	47
Insurance - General	33,514	33,514	33,514	-
Uniforms	52,000	62,250	61,769	481
Printing, Books, Subscriptions	3,000	3,000	1,318	1,682
Dues	1,800	1,800	503	1,297
Training Facility	20,000	20,000	17,100	2,900
Total	3,413,198	3,421,798	3,270,540	151,258
Street Dept.				
Salaries - Regular	867,154	867,154	828,730	38,424
Salaries - Overtime	10,000	10,000	2,533	7,467
Retirement	113,281	113,281	112,482	799
SIMRP	-	-	3,268	(3,268)
Employee's Insurance	601,989	601,989	332,219	269,770
Workmen's Compensation	48,232	48,232	41,188	7,044
Vacation Sold	19,780	19,780	11,275	8,505
Data Processing	5,400	11,400	11,425	(25)
Chemicals	12,000	12,000	9,321	2,679
Office Supplies	1,500	1,500	1,210	290
Gas, Oil	70,000	72,000	52,700	19,300
Road Building	15,000	18,500	18,556	(56)
Street Materials Sold	15,000	13,000	8,959	4,041
Medical Supplies	200	200	200	-
Small Tools	12,000	12,000	12,390	(390)
Street Markers	11,500	11,500	7,885	3,615
Miscellaneous	6,500	6,500	2,881	3,619
Safety Supplies	8,000	8,000	4,400	3,600
Buildings And Grounds	38,000	38,000	20,492	17,508
Vehicle Repair	30,000	30,000	22,844	7,156
Tire Repair	25,000	25,000	14,310	10,690
Machine & Equipment Repair	20,000	42,813	25,292	17,521
Storm Drainage	50,000	27,500	7,531	19,969
Travel	2,500	2,500	-	2,500
Meals	1,000	1,000	144	856
Employee Education And Training	2,000	2,000	267	1,733
Insurance - General	67,428	67,428	67,428	-

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Street Dept.				
Uniforms	7,250	7,250	5,932	1,318
Photo Copy Exp	300	300	165	135
Tree Services	10,000	10,000	36,800	(26,800)
Pedestrian Overpass	5,900	5,900	4,469	1,431
Sidewalk Repair	2,000	2,000	1,243	757
Total	2,078,914	2,088,727	1,668,539	420,188
City Engineer				
Engineering Services	370,000	310,000	82,947	227,053
Total	370,000	310,000	82,947	227,053
Storm Drainage				
Salaries - Regular	305,896	294,296	290,145	4,151
Salaries - Overtime	8,000	10,000	7,891	2,109
Retirement	41,713	41,713	40,247	1,466
SIMRP	-	-	2,491	(2,491)
Employee's Insurance	99,025	99,025	65,257	33,768
Workmen's Compensation	7,446	7,446	2,976	4,470
Vacation Sold	12,000	12,000	2,399	9,601
Janitorial	2,400	2,400	1,924	476
Data Processing	3,550	3,550	809	2,741
Chemicals	40,600	40,600	36,298	4,302
Gas, Oil	22,500	26,500	24,733	1,767
Small Tools	5,000	5,000	5,352	(352)
Miscellaneous	3,700	2,800	2,704	96
Buildings And Grounds	-	3,100	1,713	1,387
Vehicle Repair	7,650	7,650	6,333	1,317
Tire Repair	8,200	8,200	6,440	1,760
Machine & Equipment Repair	17,000	20,000	21,006	(1,006)
Retention Ponds	48,000	48,000	43,363	4,637
Utilities	40,000	40,000	34,176	5,824
Program/Review Fees	1,400	1,400	90	1,310
Travel	2,000	2,000	1,955	45
Meals	200	200	-	200
Employee Education And Training	850	850	125	725

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Storm Drainage				
Insurance - General	16,152	16,152	16,152	-
Levee Maintenance	7,000	7,000	6,936	64
Uniforms	2,250	2,650	2,641	9
Total	702,532	702,532	624,156	78,376
Street Lighting				
Utilities	625,000	625,000	644,122	(19,122)
Total	625,000	625,000	644,122	(19,122)
Sanitation				
Salaries - Regular	817,643	817,643	792,111	25,532
Salaries - Overtime	10,000	10,000	4,829	5,171
Retirement	109,885	109,885	107,145	2,740
SIMRP	-	-	4,554	(4,554)
Employee's Insurance	292,872	292,872	277,483	15,389
Workmen's Compensation	47,350	47,350	42,057	5,293
Vacation Sold	12,000	12,000	26,578	(14,578)
Landfill Services	380,000	380,000	457,083	(77,083)
Chemicals	12,000	12,000	9,575	2,425
Office Supplies	1,000	1,000	951	49
Gas, Oil	112,800	112,800	118,476	(5,676)
Medical Supplies	200	200	200	-
Small Tools	4,000	4,000	2,813	1,187
Miscellaneous	4,000	2,800	2,653	147
Safety Supplies	5,500	5,800	5,777	23
Vehicle Repair	50,000	56,200	71,310	(15,110)
Tire Repair	23,000	18,000	17,748	252
Machine & Equipment Repair	60,000	63,100	63,070	30
Travel	1,500	1,500	37	1,463
Employee Education And Training	1,000	700	91	609
Garbage Containers	80,000	76,900	75,238	1,662
Insurance - General	19,181	19,181	19,181	-
Uniforms	8,492	8,492	8,038	454
Photo Copy Exp	350	1,550	1,550	-
Printing, Books, Subscriptions	3,000	1,800	806	994
Dues	500	500	348	152
Total	2,056,273	2,056,273	2,109,702	(53,429)

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Contractual Obligations				
Colbert Animal Shelter	104,100	104,100	106,055	(1,955)
Colbert County Emergency Mgmt	13,578	13,578	13,578	-
M.S Airport Authority	9,375	9,375	9,375	-
Hazard Mat. Team	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total	<u>129,553</u>	<u>129,553</u>	<u>131,508</u>	<u>(1,955)</u>
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	3,000	3,000	3,000	-
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	48,500	48,500	50,388	(1,888)
I.M. Alliance	2,000	2,000	2,000	-
Shoals Area COARMM	1,500	1,500	1,500	-
Shoals Area Chamber Of Comm	7,500	7,500	7,500	-
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	-
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	-
Fame Girls Ranch	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total	<u>119,500</u>	<u>119,500</u>	<u>121,388</u>	<u>(1,888)</u>

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Administration Division				
Salaries Part Time	167,706	146,516	142,877	3,639
Salaries - Regular	564,690	551,235	552,683	(1,448)
Salaries - Overtime	2,000	2,000	5,585	(3,585)
Retirement	84,924	84,924	75,009	9,915
SIMRP	-	-	2,491	(2,491)
Employee's Insurance	171,411	171,411	163,560	7,851
Workmen's Compensation	16,953	16,953	10,208	6,745
Vacation Sold	20,000	21,190	21,187	3
Janitorial	5,000	8,750	8,238	512
Data Processing	17,000	43,300	44,201	(901)
Office Supplies	3,000	3,000	2,464	536
Medical Supplies	250	250	164	86
Miscellaneous	2,500	2,500	2,741	(241)
Buildings And Grounds	30,000	47,000	42,662	4,338
Machine & Equipment Repair	1,500	1,500	-	1,500
Utilities	210,600	164,600	169,477	(4,877)
Advertising	2,000	2,000	200	1,800
Travel	2,500	2,500	1,855	645
Meals	750	750	667	83
Employee Education And Training	1,000	1,000	225	775
Insurance - General	12,832	13,232	13,232	-
Photo Copy Exp	2,000	3,000	3,290	(290)
Printing, Books, Subscriptions	1,500	1,500	172	1,328
Dues	1,500	1,500	1,048	452
Special Events	2,500	3,150	3,150	-
Adaptive Program	7,500	8,300	9,481	(1,181)
Ampitheater	7,500	5,000	3,447	1,553
Total	1,339,116	1,307,061	1,280,314	26,747
Recreation - Maint. & Grounds Division				
Chemicals	6,000	6,000	4,327	1,673
Gas, Oil	25,000	25,000	23,358	1,642
Medical Supplies	250	250	-	250
Small Tools	3,500	3,500	2,778	722
Buildings And Grounds	30,000	39,100	39,209	(109)
Vehicle Repair	25,000	18,000	14,793	3,207
Machine & Equipment Repair	10,000	10,000	9,177	823

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Maint. & Grounds Division				
Uniforms	5,000	5,000	4,938	62
Total	104,750	106,850	98,580	8,270
Recreation - Swimming / Tennis Facilities				
Salaries Part Time	30,000	30,000	27,919	2,081
Chemicals	5,000	5,250	5,231	19
Buildings And Grounds	12,500	14,900	14,791	109
Pool Concession	1,500	2,500	2,426	74
	49,500	52,650	50,367	2,283
Recreation - Athletic Division				
Buildings And Grounds	118,262	119,612	144,546	(24,934)
Batting Cages	1,000	-	-	-
Splashpad Concessions	2,500	1,000	993	7
Football	20,000	20,000	28,583	(8,583)
Football Referees	2,500	2,500	-	2,500
Splashpad Expenses	5,000	9,300	9,202	98
Special Events	16,500	30,300	34,508	(4,208)
Youth Baseball Supplies	20,000	25,900	25,822	78
Baseball Umpires	20,000	16,400	17,111	(711)
Youth Basketball Supplies	11,500	14,150	14,060	90
Basketball Officials	12,500	17,700	17,615	85
Youth Soccer Supplies	3,500	3,500	6,739	(3,239)
Soccer Officials	3,000	3,000	3,801	(801)
Girls Softball Supplies	5,000	5,200	5,193	7
Softball Umpires	3,500	4,530	4,530	-
Gattman Concessions	20,000	21,300	23,443	(2,143)
Sportsplex Concessions	20,000	21,000	23,737	(2,737)
Tournament Expenses	5,000	4,100	4,003	97
Karate	2,000	-	-	-
Webster Concessions	2,500	-	-	-
Airport Concessions	20,000	20,000	18,255	1,745
Flag Football Supplies	5,000	5,000	5,520	(520)
Flag Football Officials	5,000	5,000	3,956	1,044
Volleyball Officials	-	1,500	-	1,500
Track and Field	-	375	361	14
Total	324,262	353,867	395,946	(42,079)

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Golf Course Operations				
Salaries Part Time	248,268	248,268	255,821	(7,553)
Salaries - Regular	325,539	325,539	329,331	(3,792)
Retirement	52,255	52,255	52,122	133
SIMRP	-	-	3,696	(3,696)
Employee's Insurance	82,718	82,718	86,418	(3,700)
Workmen's Compensation	7,610	7,610	6,435	1,175
Vacation Sold	8,600	8,600	4,468	4,132
Consultant Services	1,500	1,500	-	1,500
Janitorial	7,200	7,200	6,010	1,190
Data Processing	11,500	11,500	12,031	(531)
Chemicals	88,000	87,744	86,858	886
Office Supplies	860	860	424	436
Gas & Oil	25,000	25,000	22,784	2,216
Small Tools	3,000	3,000	2,737	263
Miscellaneous	6,200	6,300	7,596	(1,296)
Buildings And Grounds	95,000	77,437	50,353	27,084
Driving Range Equipment	8,000	23,623	24,541	(918)
Vehicle Repair	4,000	4,000	1,687	2,313
Machine & Equipment Repair	46,000	46,000	45,039	961
Utilities	88,000	88,000	86,232	1,768
Telephone	9,705	9,705	7,251	2,454
Advertising	5,000	5,000	6,868	(1,868)
Travel	1,400	1,806	1,656	150
Employee Education	500	650	650	-
Insurance - General	14,210	14,210	22,839	(8,629)
19th Hole Concessions Supplies	52,000	53,840	57,136	(3,296)
Uniforms	5,200	5,200	2,935	2,265
Photo Copy Exp	2,500	2,500	530	1,970
Printing, Books,	2,000	2,000	1,591	409
Dues	3,800	3,500	2,198	1,302
Contractual Services	55,500	55,500	57,203	(1,703)
Transaction Fees	15,500	15,500	18,873	(3,373)
Pro Shop	63,900	63,900	99,130	(35,230)
Total	1,340,465	1,340,465	1,363,443	(22,978)
Senior Citizens				
Salaries - Regular	77,265	78,465	79,121	(656)
Retirement	9,558	9,558	9,051	507

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Senior Citizens				
Employee's Insurance	16,416	16,416	14,969	1,447
Workmen's Compensation	1,709	1,709	1,303	406
Janitorial	2,100	3,100	2,922	178
Data Processing	2,100	3,100	3,056	44
Office Supplies	1,100	1,100	161	939
Gas, Oil	5,000	5,800	5,523	277
Miscellaneous	4,500	8,300	9,130	(830)
Buildings And Grounds	10,000	12,500	15,218	(2,718)
Vehicle Repair	1,400	2,050	2,043	7
Utilities	22,729	11,229	11,286	(57)
Travel	1,500	1,500	-	1,500
Insurance - General	778	778	778	-
Photo Copy Exp	3,500	3,700	3,328	372
Printing, Books, Subscriptions	800	800	199	601
Area On Aging	4,850	4,850	4,850	-
Wellness Activities	7,000	7,000	6,365	635
Arts and Crafts	3,700	3,700	890	2,810
Ceramics	2,800	2,800	1,173	1,627
Total	178,805	178,455	171,366	7,089
Libraries				
Salaries Part Time	71,760	88,310	87,391	919
Salaries - Regular	218,723	199,723	200,324	(601)
Retirement	39,725	31,555	31,501	54
SIMRP	-	-	857	(857)
Employee's Insurance	71,668	71,668	71,232	436
Workmen's Compensation	8,773	8,773	5,943	2,830
Vacation Sold	5,000	3,100	2,328	772
Janitorial	9,000	5,400	5,368	32
Data Processing	32,000	32,915	27,913	5,002
Office Supplies	8,000	6,100	6,093	7
Gas, Oil	700	700	403	297
Miscellaneous	4,000	5,450	5,637	(187)
Buildings And Grounds	25,800	22,100	22,786	(686)
Vehicle Repair	2,000	2,000	1,736	264
Utilities	32,000	18,500	18,732	(232)
Postage	800	800	407	393

(continued)

City of Muscle Shoals, Alabama
Revenues and Expenditures-Budgetary Comparison-General Fund
At September 30, 2023



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Libraries				
Employee Education And Training	1,000	1,000	299	701
Insurance - General	5,314	5,314	5,314	-
Children/Youth Programs	15,000	16,370	16,686	(316)
Photo Copy Exp	5,000	5,000	4,848	152
Printing, Books, Subscriptions	100,000	138,500	143,605	(5,105)
Total	658,263	665,278	659,403	5,875
Special Events				
Christmas Parade	5,000	5,000	5,837	(837)
Centennial Week	100,000	585,000	582,536	2,464
Total	105,000	590,000	588,373	1,627
Board Of Education				
Educational Foundation	2,000	2,000	2,000	-
Education	1,563,218	1,563,918	1,658,171	(94,253)
Total	1,565,218	1,565,918	1,660,171	(94,253)
Capital Outlay				
	999,173	566,773	677,214	(110,441)
Debt Service				
Principal	42,866	42,866	44,197	(1,331)
Interest Expense	14,931	14,931	13,638	1,293
Total	57,797	57,797	57,835	(38)
Total Expenditures	24,750,325	24,771,888	23,746,322	1,025,566
Excess (deficiency of revenues over expenditures)	3,636,429	3,633,429	8,038,373	4,404,944
OTHER FINANCING SOURCES (USES)				
Transfers in				
Municipal Court Fund	220,000	220,000	296,195	76,195
Transfer from Defensive Driving	10,000	10,000	-	(10,000)
Total	230,000	230,000	296,195	66,195
Transfers out				
Debt Service	1,845,838	1,845,838	1,845,836	2
Half Cent Sales Tax	2,021,786	2,021,786	2,247,248	(225,462)
Total	3,867,624	3,867,624	4,093,084	(225,460)
Net Transfers (out)	(3,637,624)	(3,637,624)	(3,796,889)	(159,265)
Excess Revenue (Expenditures) and other Funding Sources	\$ (1,195)	\$ (4,195)	\$ 4,241,484	\$ 4,245,679

City of Muscle Shoals, Alabama
Balance Sheet – Other Governmental Funds
September 30, 2023

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	Rebuild Alabama Fuel Tax
ASSETS			
Cash and cash equivalents	\$ 145,104	\$ 192,940	237,895
Accounts receivable, net	5,866	9,148	-
Due from other funds	-	-	-
Receivable from other governments	-	-	10,447
Other receivables	-	-	-
Total assets	150,970	202,088	248,342
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash bonds outstanding	-	-	-
Other accrued liabilities	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Capital Projects	145,104	192,940	237,895
Unassigned:			
Unassigned	5,866	9,148	10,447
Total fund balances	150,970	202,088	248,342
Total liabilities and fund balances	\$ 150,970	\$ 202,088	\$ 248,342



<u>M.S. Police Dept.</u>	<u>City Court Correction</u>	<u>2018 Warrant Sinking</u>	<u>Coronavirus Relif Fund</u>	<u>Municipal Court</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 982	\$ 143,964	157,894	1,352,552	\$ 252,238	\$ 2,483,569
-	-	-	-	-	15,014
-	-	-	-	2,101	2,101
-	-	-	-	-	10,447
-	-	-	-	883	883
<u>982</u>	<u>143,964</u>	<u>157,894</u>	<u>1,352,552</u>	<u>255,222</u>	<u>2,512,014</u>
-	-	-	-	22,562	22,562
-	-	-	-	1,653	1,653
-	-	-	-	24,215	24,215
-	-	-	-	-	575,939
<u>982</u>	<u>143,964</u>	<u>157,894</u>	<u>1,352,552</u>	<u>231,007</u>	<u>1,911,860</u>
<u>982</u>	<u>143,964</u>	<u>157,894</u>	<u>1,352,552</u>	<u>231,007</u>	<u>2,487,799</u>
<u>\$ 982</u>	<u>\$ 143,964</u>	<u>\$ 157,894</u>	<u>\$ 1,352,552</u>	<u>\$ 255,222</u>	<u>\$ 2,512,014</u>

City of Muscle Shoals, Alabama
Statement of Revenues, Expenditures and Fund Balance
Other Governmental Funds
September 30, 2023

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	Rebuild Alabama Fuel Tax
REVENUES			
Local taxes	\$ 64,563	\$ 55,559	\$ -
License, permits and fees	-	-	-
Alabama Fuel Tax	-	-	117,238
Investment earnings	114	168	182
Miscellaneous	-	-	-
Total revenues	<u>64,677</u>	<u>55,727</u>	<u>117,420</u>
EXPENDITURES			
Current:			
General government	-	-	-
Police	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>64,677</u>	<u>55,727</u>	<u>117,420</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	64,677	55,727	117,420
Fund balances - beginning	<u>86,293</u>	<u>146,361</u>	<u>130,922</u>
Fund balances - ending	<u>\$ 150,970</u>	<u>\$ 202,088</u>	<u>\$ 248,342</u>



M.S. Police Dept.	City Court Correction	2018 Warrant Sinking	Coronavirus Relief Fund	Municipal Court	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,122
-	66,265	-	-	628,383	694,648
-	-	-	-	-	117,238
1	150	461	954	293	2,323
45	-	-	-	-	45
<u>46</u>	<u>66,415</u>	<u>461</u>	<u>954</u>	<u>628,676</u>	<u>934,376</u>
-	56,339	-	-	268,047	324,386
850	6,081	-	-	-	6,931
-	-	391,563	-	-	391,563
<u>850</u>	<u>62,420</u>	<u>391,563</u>	<u>-</u>	<u>268,047</u>	<u>722,880</u>
<u>(804)</u>	<u>3,995</u>	<u>(391,102)</u>	<u>954</u>	<u>360,629</u>	<u>211,496</u>
-	-	-	-	(296,195)	(296,195)
-	-	-	-	(296,195)	(296,195)
(804)	3,995	(391,102)	954	64,434	(84,699)
<u>1,786</u>	<u>139,969</u>	<u>548,996</u>	<u>1,351,598</u>	<u>166,573</u>	<u>2,572,498</u>
<u>\$ 982</u>	<u>\$ 143,964</u>	<u>\$ 157,894</u>	<u>\$ 1,352,552</u>	<u>231,007</u>	<u>\$ 2,487,799</u>

SINGLE AUDIT SECTION

City of Muscle Shoals, Alabama
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2023

	Pass-Through Grantor Number	Assistance Listing Number	Federal Award Expended
US Department of Commerce Economic Development Cluster - Passed Through Economic Development Administration	04-79-07444	11.300	<u>\$ 1,219,895</u>
Total US Department of Commerce			<u>1,219,895</u>
US Department of Transportation - Passed Through Alabama Department of of Transportation	TAPOA-TACC(906)	20.205	<u>367,975</u>
Total US Department of Transportation			<u>367,975</u>
US Department of Justice - Passed Through Alabama Department of Economic and Community Affairs	2023 DJ 01 174	16.738	<u>49,475</u>
Total US Department of Justice			<u>49,475</u>
Department of Homeland Security - Passed Through Alabama Emergency Management Agency	FEMA 4710-DR-AL	97.036	<u>58,532</u>
Total US Department of Homeland Security			<u>58,532</u>
Total Financial Awards, All Programs			<u>\$ 1,695,877</u>

See Notes to Schedule of Expenditures of Federal Awards

City of Muscle Shoals, Alabama
Note to Schedule of Expenditures of Federal Awards
For the year ended September 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Muscle Shoals, Alabama under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Muscle Shoals, Alabama, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Muscle Shoals, Alabama

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The agency has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Muscle Shoals, Alabama
Schedule of Findings and Questioned Costs (continued)
For the year ended September 30, 2023

Section I : Summary of Auditor's Results

Financial Statements

- | | | |
|---|---|------------|
| 1 | Type of auditor's report issued (on whether the financial statements were prepared in accordance with GAAP) | Unmodified |
| 2 | Internal control over financial reporting: | |
| | a. Material Weakness(es) identified | No |
| | b. Significant deficiency(ies) identified that are not considered to be material weakness(es) | No |
| 3 | Noncompliance material to financial statements noted | No |

Federal Awards

- | | | |
|----|--|---------------|
| 4 | Internal control over major programs: | |
| | a. Material Weakness(es) identified | No |
| | b. Significant deficiency(ies) identified that are not considered to be material weakness(es) | None reported |
| 5 | Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 6 | Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7 | Identification of major programs:
Economic Development Cluster
US Department of Transportation (ASL 20.205) | |
| 8 | The dollar threshold used to distinguish between Type A and Type B programs | \$ 750,000 |
| 9 | Auditee qualified as low-risk auditee? | No |
| 10 | Prior year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133? | No |

City of Muscle Shoals, Alabama
Schedule of Findings and Questioned Costs (continued)
For the year ended September 30, 2023

Section II : Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements

Section III : Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings or questioned costs related to the federal awards

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

Mayor and Council
City of Muscle Shoals, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of City of Muscle Shoals, Alabama (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Muscle Shoals, Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

A handwritten signature in black ink that reads "NortonUnderwood, PC". The script is cursive and fluid, with the letters "Norton" and "Underwood" connected, and "PC" written separately at the end.

NortonUnderwood, PC
Tuscumbia, Alabama
October 4, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

Mayor and Council
City of Muscle Shoals, Alabama

Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program

We have audited City of Muscle Shoals, Alabama's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Muscle Shoals, Alabama's major federal programs for the year ended September 30, 2023. City of Muscle Shoals, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Muscle Shoals, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Muscle Shoals, Alabama and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Muscle Shoals, Alabama's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Muscle Shoals, Alabama's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Muscle Shoals, Alabama's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Muscle Shoals, Alabama's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Muscle Shoals, Alabama's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Muscle Shoals, Alabama's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Muscle Shoals, Alabama's internal control over compliance. Accordingly, no such opinion is expressed.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

A handwritten signature in black ink that reads "Norton Underwood, PC". The signature is written in a cursive, flowing style.

NortonUnderwood, PC

Tuscumbia, Alabama

October 4, 2024