

**MINUTES FROM A REGULAR MEETING OF THE
COUNCIL OF MUSCLE SHOALS, ALABAMA, HELD
May 19, 2015**

The City Council of Muscle Shoals, Alabama met at the Muscle Shoals City Hall auditorium in said City at 6:10 p.m. on the 19th day of May, 2015 being the scheduled time and approved place for said meeting. The meeting was called to order by Allen Noles, President Pro tempore of the Council. The invocation was given by Bill Howard. On roll call the following members were found to be present or absent, as indicated:

PRESENT: JOE PAMPINTO, NEAL WILLIS , MIKE LOCKHART
 ALLEN NOLES
ABSENT: JAMES HOLLAND

Allen Noles, President Pro tempore of the Council, presided at the meeting and declared that a quorum was present and that the meeting was convened and opened for the purposes of transaction of business. Mayor David Bradford was also present. Richard Williams, City Clerk, was present and kept the minutes of the meeting.

Upon motion duly made by Council Member Pampinto and seconded by Council Member Lockhart and unanimously adopted, the Council waived the reading of the minutes of the previously held regular meeting and work session of May 4, 2015 and the May 5, 2015 continued meeting and approved the minutes as written.

President Pro tempore Noles announced that the next item of business was proposed amendments to several job descriptions. City Clerk Ricky Williams informed the Council that technological advancements had allowed for new ways to activate off-duty public safety personnel and other staff positions subject to after hours callouts. The advances would require changes in the language of the affected job descriptions. The current language reads as follows: Must carry issued pager and be able to respond to emergency calls when off duty according to department policies. The proposed language is as follows: Must carry approved communication device and be able to respond to emergency calls when off duty according to department policies. The Council was informed that the following positions are subject to this change:

Fire Department: Fire Chief, Assistant Fire Chief, Fire Marshall, Captain, Lieutenant, Driver, Firefighter

Police Department: Police Chief, Chief Investigator, Investigator, Captain, Lieutenant, Sergeant, Police Officer, K-9 Officer, School Resource Officer, Corrections Officer, Communication Officer, Records Clerk, Records Clerk/Part-time

Parks & Recreation Department: Senior Maintenance Worker, Maintenance Worker

Council Member Willis moved that the language in the job descriptions noted be amended as proposed. Council Member Lockhart seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Pro tempore Noles announced that the motion had been approved and the job descriptions were amended.

President Pro tempore Noles announced that the next item of business was to consider the purchase of twelve self-contained breathing apparatus for the fire department through the HGAC-Buy purchasing cooperative.

Council Member Lockhart introduced the following resolution and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2743-15

WHEREAS, the City Council of the City of Muscle Shoals, Alabama approved the purchase of a self-contained breathing apparatus (SCBA's) to be utilized at Muscle Shoals Fire Department, and

WHEREAS, the Procurement Agent advised that the purchase must comply with the Alabama Competitive Bid Law requirements, and that a cooperative contract approved by the State of Alabama is valid for such purchase; and

WHEREAS, the Procurement Agent further advised that the purchase price for twelve SCBA's is \$79,999.56 to be purchased from Sunbelt Fire and further that Sunbelt Fire is the awarded contractual vendor for said item with Houston-Galveston Area Cooperative-Buy (HGAC-Buy), a State of Alabama approved purchasing cooperative; now

THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals that Sunbelt Fire the contractual vendor of HGAC-Buy is awarded the purchase of the approved SCBA's for the total purchase price of \$79,999.56.

Council Member Pampinto seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Pro tempore Noles announced that the resolution had been approved.

President Pro tempore Noles announced that the next item of business was the presentation of the 2012-2013 Financial Audit. City Clerk/Treasurer Ricky Williams presented the audit report prepared by Leigh, King & Associates of Sheffield. President Pro tempore Noles directed that the report be spread upon the minutes of the meeting:

CITY OF MUSCLE SHOALS, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

CITY OF MUSCLE SHOALS, ALABAMA
FINANCIAL STATEMENTS
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FINANCIAL SECTION

CITY OF MUSCLE SHOALS, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Muscle Shoals, Alabama's (COMS) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's financial position decreased by \$.47 million, or .9 percent.
- During the year, the City had taxes and other revenues for governmental programs that were \$.47 million less than the \$22.33 million in expenses.
- General fund revenues were more than budget amounts by \$ 160,331 and expenditures of funds were \$ 227,443 less than budgeted expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Financial Position and the Statement of Activities (on page 12) 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 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 11. 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.

CITY OF MUSCLE SHOALS, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Component units - The City includes three separate legal entities in its report: the City of Muscle Shoals Board of Education, the City of Muscle Shoals Utility Board, and the Electric Board of the City Of Muscle Shoals. Although legally separate, these component units are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 13. The fund financial statements begin on page 13 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 Assets and the Statement of Activities) and governmental funds in reconciliation on page 14.

The City as a Whole

The City's net position decreased by \$.47 million, from \$52.15 million to \$51.68 million. Table 1 below summarizes net assets at September 30, 2014 and September 30, 2013, respectively.

Table 1

Total Primary Government Activities
Net Position (in millions)

	As of September 30,	
	2014	2013
Current and other assets	\$ 31.12	\$ 31.39
Capital assets	43.87	44.43
Total assets	\$ 74.99	\$ 75.82
Long-term debt outstanding	\$ 20.68	\$ 19.90
Other liabilities	2.63	2.38
Total liabilities	\$ 23.31	\$ 22.28
Net Position		
Invested in capital assets, net of debt	\$ 23.18	\$ 24.55
Restricted	0.42	0.66
Unrestricted	28.08	28.33
Total net position	\$ 51.68	\$ 53.54

CITY OF MUSCLE SHOALS, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Table 2

Total Primary Government Activities

Change in Net Position (in millions)	For the fiscal year ended September	
	2014	2013
Program revenues		
Fees, fines and charges for services	\$ 4.78	\$ 3.65
Grants and contributions	0.70	0.51
General revenues		
Sales taxes	11.27	10.94
Advalorem taxes	0.96	0.98
Other taxes	3.22	1.82
Other general revenues	1.01	0.41
Miscellaneous	0.17	1.54
Total revenues	\$ 22.11	\$ 19.85
Program expenses		
General government	5.04	4.08
Police	3.45	3.48
Fire	2.60	2.69
Street	2.88	1.65
Storm and sewer	1.35	1.23
Sanitation	1.52	1.51
Education	1.42	1.30
Recreation	3.11	3.70
Other post-employment benefits	0.29	-
Interest on long-term debt	0.92	0.86
Total expenses	\$ 22.58	\$ 20.50
Increase in net assets from operations	\$ (0.47)	\$ (0.65)

Governmental Activities

The cost of all government activities this year was \$22.58 million. However, as shown on the Statement of Activities on page 12, the cost ultimately financed by our taxpayers for these activities was \$ 16.8 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 5.3 million, thus reducing the burden to taxpayers.

CITY OF MUSCLE SHOALS, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2014 and September 30, 2013 respectively.

Table 3

Total Primary Government Activities Total Cost of Services	For the fiscal year ended September	
	2014	2013
General government	\$ 5,035,267	\$ 4,073,503
Police	3,453,590	3,463,792
Fire	2,587,255	2,691,278
Street	2,885,847	1,648,097
Storm and sewer	1,351,747	1,236,042
Sanitation	1,528,890	1,512,474
Education	1,421,459	1,303,244
Recreation	3,111,665	3,707,647
All others	916,346	864,045
Totals	\$ 22,292,066	\$ 20,500,122

THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$9.7 million, which increased from last year's total of \$9.5 million. The general fund balance increased by \$.77 million from \$5.56 million to \$6.33 million.

General Fund Budgetary Highlights

The 2013-2014 budget was approved on December 16, 2013. It was amended on June 9, 2014 and September 16, 2014 as is customary, to account for mid-year adjustments to the various department line items

City officials continue to monitor the costs of employee health care. Health care costs of \$1.92 million represented 10.1% of general fund expenditures and were roughly the same as in 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.

CITY OF MUSCLE SHOALS, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of fiscal year 2014, the City had \$43.87 million invested in a broad range of capital assets, including buildings, park facilities, roads, storm water detention and pumping facilities and police and fire equipment. (See Table 4):

Table 4

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

	As of September 30,	
	2014	2013
Non-depreciable		
Land	\$ 7,757,157	\$ 7,714,827
Art	31,850	31,850
Construction in progress	428,963	294,834
Depreciable		
Buildings	15,950,292	15,927,711
Infrastructure	23,860,073	23,860,073
Improvements	9,774,908	9,774,908
Equipment	12,446,191	11,535,547
Totals	\$ 70,249,434	\$ 69,139,750
Less: Accumulated depreciation	(26,381,711)	(24,705,382)
Capital assets-net	\$ 43,867,723	\$ 44,434,368

Significant investments of grant and state and city funds have been or are planned to be invested in infrastructure in the following areas:

A. The development of the Shoals Research Airpark continued. Three projects were awarded related to expansions of the existing industries, and construction of new industries in the park:

1. The Alabama Department of Transportation (ALDOT) awarded a \$300,000 Industrial Access grant for the widening of 6th Street for the new CBC America plant. The project will be closed out in the 4th quarter of 2014.
2. The Alabama Department of Economic & Affairs awarded a \$200,000 CDBG grant for the extension of water and sewer for this new plant. The project will be completed and closed out in the 4th quarter of 2014.
3. ADECA has awarded a \$150,000 CDBG grant for storm sewer improvements related to the third expansion of North American Lighting in the industrial park. The project will be closed out in the 4th quarter of 2014.

B. There were several transportation related projects:

1. The local Metropolitan Planning Organization allocated \$800,000 for the resurfacing of five major collector streets within the City. The work is currently underway.
2. ALDOT has awarded an \$800,000 ATRIP grant for improvements to Webster Street between 2nd Street and Avalon Avenue. Design documents have been completed. Construction has not yet been scheduled.
3. The ATRIP grant funded the widening of Avalon Avenue between Wilson Dam Road and Webster Street and has moved into the utility relocation phase. Construction of this project will begin in 2015.

CITY OF MUSCLE SHOALS, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

1. The city received a \$300,000 grant to install new sidewalks along Sheffield Avenue. The project will be constructed in 2015.
2. The city received a \$70,000 grant to repair various sidewalk ramps within the city to make them ADA accessible. Construction will be completed by the first quarter of 2015.
3. The city has completed the replacement of recreation lighting at the Gattman Park ball fields at a cost of \$238,000.

Debt

At year-end, the City had \$20.68 million in general obligation warrants outstanding versus \$19.90 million last year, an increase of about \$.80 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several local companies have announced expansion of their operations. CBC ING America has begun operations in their first U.S. plant, employing 125 workers. Wise Alloys has completed work on a \$60 million expansion creating an additional 35 jobs. It has been announced by Constellium, a Netherlands based corporation that it is purchasing Wise Alloys for \$1.4 billion and will move into the automotive aluminum market. Employment at Navistar and Freightcar America, located in the Barton Riverfront Industrial Park, has increased their employment to a combined 900. Freightcar America has announced an additional \$10 million investment which will add 150-200 new positions. Tarkett Alabama has completed construction on their new manufacturing facility in Florence. Consolidated Tool has announced the construction of their second facility in the Shoals. This second facility will be constructed in the Shoals Research Airpark at a cost of \$6.4 million and will employ 22. The project is scheduled for completion in September, 2016.

Unemployment in the Florence-Muscle Shoals Statistical Metropolitan Area stood at 6.4% in October 2014, an increase of .3% since 2013. The local rate of 6.4% is slightly higher than the national rate of 5.7% and the state of Alabama rate of 6.3%.

The City's property tax base continued to grow through 2014 as shown below:

<u>Tax Year</u>	<u>Assessed Value</u>
2010	171,414,658
2011	171,190,289
2012	177,496,460
2013	179,407,660
2014	193,265,420

CITY OF MUSCLE SHOALS, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Mayor and City Council approved a conservative 2014-2015 General Fund budget. Total anticipated revenues and other financing resources are projected at \$20.0 million, an increase from the 2013-2014 budgeted revenues and other financing resources of \$19.5 million. Budgeted expenditures and other uses of funds are expected to increase to \$20.0 million from \$19.5 million in the prior year. No new positions or programs have been added to the 2014-2015 budgets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information such as separately issued financial statements for component units, contact the City Clerk/Treasurer's office at the City of Muscle Shoals, P.O. Box 2624, Muscle Shoals, AL 35662. Telephone (256) 383-5675 or e-mail at mshoals@hiwaay.net.

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Muscle Shoals, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muscle Shoals, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscle Shoals City Board of Education, Muscle Shoals Electric Board and Muscle Shoals Utilities Board, which collectively represent 64 percent, 57 percent and 68 percent, respectively, of the assets, net position, and revenues of the City of Muscle Shoals, Alabama. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for City of Muscle Shoals, Alabama, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muscle Shoals, Alabama, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on page 36-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muscle Shoals, Alabama's basic financial statements. The supplemental schedules of revenues and expenses by budget line item on pages 41-60, and the combining and individual non-major fund financial statements on pages 61 and 62 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2015 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Muscle Shoals, Alabama's internal control over financial reporting and compliance.

Leigh, King & Associates, P.C.

Leigh, King & Associates, PC

Sheffield, Alabama

May 1, 2015

STATEMENT OF NET POSITION

	Primary			
	Government		Component Units	
	Governmental Activities	Utilities Board	Electric Board	Board of Education
ASSETS				
Cash and cash equivalents	\$ 8,390,832	\$ 744,258	\$ 3,405,835	\$ 6,614,684
Accounts receivables, net	1,346,576	910,865	3,460,896	4,430,535
Due from component units	244,296	-	-	-
Inventories	58,007	120,548	516,229	75,639
Prepayments	-	56,939	230,947	-
Net OPEB asset	333,581	-	-	-
Reserved and restricted assets	-	4,490,753	2,298,259	-
Capital Assets				
Non-depreciable	8,217,970	694,930	2,123,932	14,717,133
Other capital assets, net of depreciation	35,649,753	46,421,170	20,031,115	17,943,575
Equity interest in joint venture	19,917,683	-	-	-
Other	-	-	2,031,342	1,889
Receivable-Commercial Entity	702,874	-	-	-
TOTAL ASSETS	<u>\$ 74,861,572</u>	<u>\$ 53,439,463</u>	<u>\$ 34,098,555</u>	<u>\$ 43,783,455</u>
DEFERRED OUTFLOWS	<u>\$ 131,149</u>	<u>\$ 997,985</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

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

STATEMENT OF NET POSITION (continued)

	Primary			
	Government		Component Units	
	Governmental Activities	Utilities Board	Electric Board	Board of Education
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 103,533	\$ 119,408	\$ 5,240,705	\$ 19,220
Customer deposits	-	30,000	939,478	-
Payable to City of Muscle Shoals	-	80,000	-	-
Construction costs payable	-	114,497	-	-
Salaries and benefits payable	267,588	-	-	1,806,059
Interest payable	160,840	577,211	76,123	-
Deferred revenue	-	-	-	41,172
Other liabilities	-	79,636	2,927	-
Compensated absences currently payable	69,412	30,000	30,000	-
Current maturities of bonds payable	980,000	640,000	200,000	(4,691)
Total current liabilities	\$ 1,581,373	\$ 1,670,752	\$ 6,489,233	\$ 1,861,760
Noncurrent liabilities:				
Advances from TVA-Energy Programs	\$ -	\$ -	\$ 1,816,066	\$ -
Compensated absences	1,178,437	139,234	177,192	-
Customer deposits-long term portion	-	343,485	-	-
Net OPEB obligation	-	45,941	87,555	-
Bonds payable	19,705,000	30,305,000	4,755,000	11,428,661
Bond payable-Commercial Entity	702,874	-	-	-
Total noncurrent liabilities	\$ 21,586,311	\$ 30,833,660	\$ 6,835,813	\$ 11,428,661
Total liabilities	\$ 23,167,684	\$ 32,504,412	\$ 13,325,046	\$ 13,290,421
DEFERRED INFLOWS				
	141,703	\$ -		\$ 3,700,000
NET POSITION				
Investment in capital assets, net of related debt	\$ 23,182,723	\$ 17,809,085	\$ 17,335,391	\$ 21,236,738
Restricted for:				
Road projects	17,551	-	-	-
Debt service	38,868	2,193,242	596,877	-
Capital Projects	-	-	-	103,215
Other purposes	365,476	-	-	734,062
Unrestricted	28,078,716	1,930,709	2,841,241	4,719,019
Total net position	\$ 51,683,334	\$ 21,933,036	\$ 20,773,509	\$ 26,793,034

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

STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 5,035,267	\$ 1,856,300	\$ -	\$ -
Police	3,453,590	709,686	-	-
Fire	2,587,255	-	-	-
Street	2,885,847	-	-	709,686
Storm and sewer	1,351,747	-	-	-
Sanitation	1,528,890	1,014,957	-	-
Education	1,421,459	-	-	-
Recreation	3,111,665	1,203,377	-	-
Interest on long-term debt	916,346	-	-	-
Total governmental activities	\$ 22,292,066	\$ 4,784,320	\$ -	\$ 709,686
Component units:				
Utilities board	\$ 7,798,160	\$ 8,663,993	\$ -	\$ -
Electric board	28,056,241	28,925,817	-	-
Board of education	28,727,064	3,527,434	15,756,495	1,041,380
Total component units	\$ 64,581,465	\$ 41,117,244	\$ 15,756,495	\$ 1,041,380

General Revenues:

Taxes:

Sales

Advalorem

Gasoline

Alcohol

Tobacco

Lodging

Financial institution

Other

Total taxes

Payments in lieu of taxes

Grants and contributions-unrestricted

Investment earnings

Miscellaneous

Changes in net assets from operations

Net position, as restated

Net position, ending

(continued)

STATEMENT OF ACTIVITIES (continued)

Changes in Net Assets	
Primary Government Governmental Activities	Component Units
\$ (3,178,967)	\$ -
(2,743,904)	-
(2,587,255)	-
(2,176,161)	-
(1,351,747)	-
(513,933)	-
(1,421,459)	-
(1,908,288)	-
(916,346)	-
<u>\$ (16,798,060)</u>	-
	\$ 865,833
	869,576
	<u>(8,401,755)</u>
	<u>\$ (6,666,346)</u>
\$ 11,269,556	\$ 1,238,261
961,664	3,562,211
558,471	-
205,516	65,512
138,714	-
64,994	-
261,429	-
408,595	90,641
<u>\$ 13,868,939</u>	<u>\$ 4,956,625</u>
1,557,280	
-	1,478,625
21,308	58,998
879,722	1,647,249
<u>\$ 16,327,249</u>	<u>\$ 8,141,497</u>
\$ (470,811)	\$ 1,475,151
\$ 52,154,145	68,024,428
<u>\$ 51,683,334</u>	<u>\$ 69,499,579</u>

The accompanying notes are an integral part of these financial statements

BALANCE SHEET

	General Fund	Half-cent Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 5,049,357	\$ 2,682,161	\$ 38,868	\$ 620,446	\$ 8,390,832
Accounts receivable, net	1,226,137	83,896	-	14,281	1,324,314
Interfund receivable	22,262	-	-	-	22,262
Due from component units	244,296	-	-	-	244,296
Inventories	58,007	-	-	-	58,007
TOTAL ASSETS	\$ 6,600,059	\$ 2,766,057	\$ 38,868	\$ 634,727	\$ 10,039,711
LIABILITIES AND FUND EQUITY					
LIABILITIES:					
Accounts payable	\$ -	\$ 5,194	\$ -	\$ -	\$ 5,194
Interfund payable	-	-	-	22,262	22,262
Due to component units	-	76,790	-	-	76,790
Accrued liabilities	262,302	-	-	4,573	266,875
Total liabilities	\$ 262,302	\$ 81,984	\$ -	\$ 26,835	\$ 371,121
FUND BALANCES:					
Unreserved	\$ 6,337,757	\$ 2,684,073	\$ -	\$ -	\$ 9,021,830
Unreserved, reported in nonmajor:					
Debt service fund	-	-	38,868	-	38,868
Special revenue funds	-	-	-	607,892	607,892
Total fund balances	\$ 6,337,757	\$ 2,684,073	\$ 38,868	\$ 607,892	\$ 9,668,590
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,600,059	\$ 2,766,057	\$ 38,868	\$ 634,727	\$ 10,039,711

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

Net change in fund balances - total governmental funds	\$ 167,306
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation.	(420,525)
Current year increase in accrued interest on long-term debt reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the governmental funds.	
Current year decrease in post-employment benefit funding excess does not require the use of current financial resources and is not reported as an expenditure in the governmental funds	(68,210)
Included in the statement of activities is an increase in equity in North Alabama Gas District that is not attributable to any certain fund.	1,037,347
Current year increase in compensated absence liability does not require the use of current financial resources and is not reported in governmental funds.	(65,065)
Increase in long-term debt is a funding source for governmental funds, but is an increase in long-term liabilities in the statement of net position	(12,235,000)
Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position	11,435,000
Current year premium on bonds sold, not treated as a revenue for the statement of government-wide statements.	(141,703)
Expenses and discounts associated with the reacquisition of debt are considered a current year expenditure in the fund financial statements, but those costs are deferred and amortized in the government-wide statements. The current year amortization reflected in the government-wide statements is \$11,008	(11,008)
Other changes in various expense and accruals	(168,953)
Total change in net assets of governmental activities	\$ (470,811)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

	General	Half-cent Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local taxes	\$ 15,327,913	\$ -	\$ -	\$ 98,306	\$ 15,426,219
Licenses, permits and fees	1,348,083	-	-	508,217	1,856,300
Charges for service	1,014,957	-	-	-	1,014,957
Joint Ventures	327,713	-	-	-	327,713
Bond & Wts. Proceeds	-	-	12,235,000	-	12,235,000
Issue Premium	-	-	141,703	-	141,703
Intergovernmental revenue:	7,864	701,822	-	-	709,686
Park and Recreation	1,203,377	-	-	-	1,203,377
Investment Revenue	18,188	1,541	-	1,579	21,308
Sale of Real Estate	-	-	-	-	-
Other revenue:	217,170	3,542	-	165,126	385,838
Total revenue	\$ 19,465,265	\$ 706,905	\$ 12,376,703	\$ 773,228	\$ 33,322,101
EXPENDITURES					
Current					
General government	\$ 3,676,760	\$ 66,584	\$ -	\$ 409,524	\$ 4,152,868
Police	3,197,044	10,096	-	-	3,207,140
Fire	2,288,865	8,180	-	-	2,297,045
Industrial Park	-	-	-	-	-
Street	1,335,083	933,040	-	294,324	2,562,447
Storm and sewer	402,347	261,066	-	-	663,413
Sanitation	1,510,527	18,363	-	-	1,528,890
Recreation	2,641,266	164,504	-	-	2,805,770
Education	1,302,832	118,627	-	-	1,421,459
Capital outlay	-	1,399,258	-	283,700	1,682,958
Other	200,999	-	247,435	-	448,434
Debt Service -Principal	33,025	-	11,435,000	-	11,468,025
Debt Service -Interest	24,811	-	891,535	-	916,346
	\$ 16,613,559	\$ 2,979,718	\$ 12,573,970	\$ 987,548	\$ 33,154,795
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 2,851,706	\$ (2,272,813)	\$ (197,267)	\$ (214,320)	\$ 167,306
OTHER FINANCING SOURCES (USES):					
Transfers in	\$ 287,458	\$ 1,677,453	\$ 1,386,452	\$ 1,379,798	\$ 4,731,161
Transfers out	(2,364,691)	-	(1,379,798)	(986,672)	(4,731,161)
Total other financing sources (uses)	\$ (2,077,233)	\$ 1,677,453	\$ 6,654	\$ 393,126	\$ -
Net change in fund balances	\$ 774,473	\$ (595,360)	\$ (190,613)	\$ 178,806	\$ 167,306
FUND BALANCE, BEGINNING OF YEAR	5,563,284	3,279,433	229,481	429,086	9,501,284
FUND BALANCE, END OF YEAR	\$ 6,337,757	\$ 2,684,073	\$ 38,868	\$ 607,892	\$ 9,668,590

The accompanying notes are an integral part of these financial statements

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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Total fund balance - total governmental funds	\$ 9,668,590
Capital assets are not financial resources and, therefore, are not reported in the funds. See note 2.C for additional details.	43,867,723
OPEB expense is accrued in the government-wide statements, but not in the fund financial statements.	333,581
The City's equity interest in the North Alabama Gas District is not attributable to any certain fund.	19,917,683
Long-term debt is not due and payable in the current period and is not included in the funds.	(20,685,000)
Accrued interest on long-term debt is not due and payable in the current period and is not included in the funds.	(160,840)
Expenses and discounts associated with debt issues are treated as a deferred asset on the Statement of Net Assets, but the costs are expensed as incurred in the fund financial statements. Unamortized debt discount and expense was at year-end.	(141,703) 131,149
Compensated absences reported in the statement of net assets do not require the use of current financial resources and are not reported as liabilities in governmental funds.	(1,247,849)
Net assets of governmental activities	<u>\$ 51,683,334</u>

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Muscle Shoals (City) 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, 2014.

A. Reporting Entity

The City of Muscle Shoals, Alabama, (the "City"), was incorporated in 1923, under the Constitution and laws of the State of Alabama. The City operates under the mayor-city council form of government. As required by generally accepted financial principles, these financial statements present financial position and results of operations of the City and its component units (see below).

The City's financial reporting entity consists of the following:

Primary government: The City of Muscle Shoals, Alabama

Discretely presented component units are as follows:

<u>Component unit</u>	<u>Activities and Relationship to City</u>
Utilities Board of the City of Muscle Shoals	Owns, operates and maintains a water and sewer system serving residents of the City. The City Council appoints all members of the Utility Board.
Electric Board of the City of Muscle Shoals	Provides electricity to the residents of Muscle Shoals and acts as collection agent for the City's garbage pick-up operation. The City 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.

In determining the reporting entity, the City complies with the provisions of GASB Statement No. 14 "The Financial Reporting Entity," (as amended by GASB Statement No. 39 and includes all component units of which the City appointed a voting majority of the units' board: the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Component units of the City issue separately audited financial statements. Copies of these reports are available from the respective organizations; therefore the component unit financial statement notes are not repeated here.

B. BASIS OF PRESENTATION

Government-wide Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenues directly connected with the functional program. *Program revenues* include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

Fund Financial Statements

Fund financial statements are provided for the City's governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

The City reports the following major (as defined by GASB #34) governmental funds:

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Half-cent Sales Tax – A fund established by City ordinance to account for funds received and expended for capital projects as approved by the council.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes and fuel taxes are significant revenue sources considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. While governments have the option of following subsequent private-sector guidance for their business-type activities, the City has not elected to follow subsequent private sector guidance.

New Accounting Pronouncements - For fiscal year ended September 30, 2013, COMS implemented Governmental Accounting Standards Board (GASB) Statements No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." Statement No. 62 incorporates accounting and financial reporting guidance from FASB and AICPA pronouncements into the GASB literature.

This statement also supersedes Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Statement No. 63 amends Statement No. 34 to incorporate deferred outflows of resources and deferred inflows of resources into financial reporting by establishing a framework detailing how these elements should be reported. This will result in standardizing the presentation of deferred balances and their effects on a government's net position. The adoption of these statements did not have a significant impact on COMS's financial condition or results of operations.

In FY 2014, COMS implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement requires governments to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB Statement No. 63. Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. Additionally, Statement No. 65 limits the use of the term "deferred" to only items reported as deferred outflows of resources or deferred inflows of resources. The result of implementation was a direct adjustment to the net position on COMS's FY 2014 Statement of Net Positions of \$ 1,294,797 to eliminate unamortized debt issuance cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. CASH AND CASH EQUIVALENTS

The City considers cash and cash equivalents to be cash on hand, demand deposits, and certificate of deposits.

E. RECEIVABLES AND PAYABLES

The activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. INVENTORIES

The primary government values inventories at cost and records expenditures when the inventories are consumed.

G. FIXED ASSETS

The accounting treatment over fixed assets depends on whether they are reported in the *fund* or *government-wide* financial statements.

Fund statements. Fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Government-wide statements. Fixed assets costing more than \$2,500 are accounted for as capital assets. All fixed assets are recorded at historical cost, or estimated historical cost, if actual cost is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years are as follows:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave and related fringe benefits. The cost of earned but unused vacation pay is accrued when earned in the government-wide statements. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination. A liability for these amounts is reported in governmental funds only if they have matured, due to employee retirement.

I. LONG-TERM DEBT AND DEFERRED DEBT EXPENSE

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

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

J. EQUITY CLASSIFICATIONS

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

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.

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.

Unrestricted net position—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements-Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved, with unreserved further split between designated and undesignated.

K. REVENUES

Sales Tax

The City levies tax on taxable sales within the City. Sales tax applicable to the month of September, but not received until after year-end are recorded as a receivable on both the government-wide and the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

L. BUDGETING

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

- 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.
- 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.
- All unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations remain in effect and are incorporated into the next fiscal year budget.

M. USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

2. CASH AND 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.

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

3. RECEIVABLES

The City's general fund receivables are composed of the following:

State of Alabama	\$ 966,995
Other	<u>259,142</u>
Accounts receivable-net of uncollectible allowance	\$ <u>1,226,137</u>

4. FIXED ASSETS

Capital assets activity for the year ended September 30, 2014 is as follows:

Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 7,714,827	\$ 42,330	\$ -	\$ 7,757,157
Art	31,850	-	-	31,850
Construction in progress	294,834	183,569	49,440	428,963
Total not being depreciated:	<u>8,041,511</u>	<u>225,899</u>	<u>49,440</u>	<u>8,217,970</u>
<i>Capital assets being depreciated:</i>				
Buildings	15,927,711	22,581	-	15,950,292
Infrastructures	23,860,073	-	-	23,860,073
Land Improvements	9,774,908	-	-	9,774,908
Equipment	11,535,547	1,434,478	523,834	12,446,191
Total capital assets being depreciated	61,098,239	1,457,059	523,834	62,031,464
Accumulated depreciation	<u>(24,705,381)</u>	<u>(2,103,483)</u>	<u>(427,153)</u>	<u>(26,381,711)</u>
Total being depreciated, net	<u>36,392,858</u>	<u>(646,424)</u>	<u>96,681</u>	<u>35,649,753</u>
Governmental activities capital assets, net	<u>\$44,434,369</u>	<u>\$ (420,525)</u>	<u>\$ 146,121</u>	<u>\$ 43,867,723</u>

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

<u>Function</u>	<u>Depreciation</u>
General government	\$ 249,194
Police	246,450
Fire	290,210
Public works	323,400
Storm drainage	688,334
Recreation	<u>305,895</u>
Total depreciation expense	<u>\$2,103,483</u>

5. LONG-TERM DEBT

The City's Debt consists of the following:

General Obligation Refunding Warrants, Series 2006 (March 1)

These tax-exempt warrants dated March 1, 2006, in the amount of \$6,945,000 were used to retire \$6,475,000 of the Series 2001 Warrants. The Warrants mature over the period 2006 to 2030, and bear interest at rates ranging from 3.25% to 4.375%. Interest is payable semiannually on February 1 and August 1.

General Obligation Refunding Warrants, Series 2006 (November 1)

These warrants dated November 1, 2006, in the amount of \$3,055,000 were used to retire the remaining \$2,235,000 of the Series 2001 Warrants and to provide \$626,118 for the construction of the new library addition. These warrants bear interest at rates ranging from 2.00 to 3.25% and mature over the period from 2011 to 2030. Interest is paid on February 1 and August 1.

General Obligation Refunding Warrants, Series 2014-A (January 1)

On January 1, 2014 the City issued \$1,960,000 of General Obligation Refunding Warrants, Series 2014-A. These tax-exempt warrants mature from 2014 to 2025 and bear interest at rates from 2.00 to 3.25% and were issued to refund \$1,627,565 of the General Obligation Warrants, Series 2005 and to provide \$ 278,000 in Capital Improvements.

General Obligation Refunding Warrants, Series 2014-B (January 1)

On January 1, 2014 the City issued \$185,000 of General Obligation Refunding Warrants, Series 2014-A. These taxable warrants mature in 2015 and bear interest at .85% and were issued to refund \$181,300 of the General Obligation Warrants, Series 2005.

General Obligation Refunding Warrants, Series 2014-C (May 1)

On May 1, 2014 the City issued \$9,660,000 of General Obligation Refunding Warrants, Series 2014-C. These tax-exempt warrants mature from 2015 to 2025 and bear interest at rates from 1.50 to 2.50% and were issued to refund \$9,585,433 of the General Obligation Warrants, Series 2004 and to provide \$ 673,074 in Capital Improvements.

General Obligation Refunding Warrants, Series 2014-D (May 1)

On May 1, 2014 the City issued \$430,000 of General Obligation Refunding Warrants, Series 2014-C. These tax-exempt warrants mature in 2015 and bear interest at 1.0% and were issued to refund \$23,250 of the General Obligation Warrants, Series 2005 and to provide \$ 403,667 in Capital Improvements.

6. Long-Term Debt (continued)

The following summarizes the changes in the City's debt for the year ended September 30, 2014:

	Beginning			Ending	Current
	Balance	Increases	Reductions	Balance	Maturities
General Obligation Warrants					
- Series 2004	\$ 9,410,000		\$ 9,410,000	\$ -	\$ -
- Series 2005	1,900,000		1,900,000	-	-
- Series 2006 (11/06)	2,935,000		10,000	2,925,000	-
- Series 2006 (03/06)	5,640,000	-	50,000	5,590,000	-
- Series 2014-A	-	1,960,000	65,000	1,895,000	-
- Series 2014-B	-	185,000	-	185,000	185,000
- Series 2014-C	-	9,660,000	-	9,660,000	365,000
- Series 2014-D	-	430,000	-	430,000	430,000
Total Warrants	<u>\$ 19,885,000</u>	<u>\$ 12,235,000</u>	<u>\$ 11,435,000</u>	<u>\$ 20,685,000</u>	<u>\$ 980,000</u>

The following sets forth the service requirements on the Warrants:

Fiscal	Series 2006 (11/06)		Series 2006 (3/06)		Series 2014-A	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	-	180,913	-	239,444	-	46,506
2016	125,000	58,588	-	239,444	200,000	46,506
2017	-	181,069	-	239,444	185,000	42,506
2018	140,000	48,436	-	239,444	180,000	38,806
2019	-	180,399	-	239,444	200,000	35,206
2020-2024	220,000	446,995	-	1,197,220	1,030,000	106,882
2025-2029	1,930,000	381,741	4,505,000	861,024	100,000	3,250
2030	510,000	21,420	1,085,000	47,467	-	-
Totals	<u>\$ 2,925,000</u>	<u>\$ 1,499,561</u>	<u>\$ 5,590,000</u>	<u>\$ 3,302,931</u>	<u>\$ 1,895,000</u>	<u>\$ 319,662</u>

Fiscal	Series 2014-B		Series 2014-C		Series 2014-D	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	185,000	1,573	365,000	226,838	430,000	4,300
2016	-	-	870,000	219,538	-	-
2017	-	-	900,000	202,138	-	-
2018	-	-	935,000	166,138	-	-
2019	-	-	960,000	138,088	-	-
2020-2024	-	-	5,080,000	414,852	-	-
2025-2029	-	-	550,000	13,750	-	-
2030	-	-	-	-	-	-
Totals	<u>\$ 185,000</u>	<u>\$ 1,573</u>	<u>\$ 9,660,000</u>	<u>\$ 1,381,342</u>	<u>\$ 430,000</u>	<u>\$ 4,300</u>

6. Long-Term Debt (continued)

A Summary of Debt Service requirements follows:

Fiscal Year	Total	
	Principal	Interest
2015	980,000	699,574
2016	1,195,000	564,076
2017	1,085,000	665,157
2018	1,255,000	492,824
2019	1,160,000	593,137
2020-2024	6,330,000	2,165,949
2025-2029	7,085,000	1,259,765
2030	1,595,000	68,887
Totals	<u>\$ 20,685,000</u>	<u>\$ 6,509,369</u>

7. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

During the year the City transferred money between funds, mostly from the general to other funds. These transfers were for several purposes such as providing funds for debt service and to provide match money to comply with the terms of grant agreements. Inter-fund receivable and payable balances at September 30, 2014 and the amounts of inter-fund transfers for the fiscal year ended September 30, 2014 are as follows:

Fund	Transfers		Interfund	
	Transfers To	Transfers From	Receivable	Payable
General	\$ 287,458	\$ 2,364,691	\$ -	\$ 22,262
Half-cent sales tax	1,677,453	-	-	-
Municipal court	-	287,459	22,262	-
2014 Bond Fund	286,883	-	-	-
2014 Bond Construction Fund	1,092,915	699,213	-	-
Debt service	1,386,452	1,379,798	-	-
Totals	<u>\$ 4,731,161</u>	<u>\$ 4,731,161</u>	<u>\$ 22,262</u>	<u>\$ 22,262</u>

8. EQUITY INTEREST IN JOINT VENTURE (NORTH ALABAMA GAS DISTRICT)

The City of Muscle Shoals owns approximately 49.5 percent of the North Alabama Gas District (the Gas District) and the City of Madison, Alabama owns the remainder. The government-wide financial statements reflect the City of Muscle Shoals' equity in the Gas District, in the amount of \$ 19,917,683. The fund-level financial statements only report the earnings distributions received from the District during the year (\$313,338).

9. RELATED PARTY TRANSACTIONS

The City had the following material transactions with related parties during the year ended September 30, 2014.

Muscle Shoals Utility Board – This component unit provides water and sewer service to the City at market rates. At September 30, 2014, the Board owed the City \$ 76,790.

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 \$ 1,014,957 of garbage revenues collected and (c) paid the City \$ 798,023 of tax equivalents. At September 30, 2014, the Electric Board owed the City a total of \$152,096. The City owed the Electric Board nothing at year-end.

Muscle Shoals Board of Education - The City appropriated \$1,300,832.21 to the Board of Education (a component unit) during the year. At September 30, 2013, the Board owed the City \$ 15,409 for miscellaneous items.

Shoals Solid Waste Disposal Authority – The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$186,936 for landfill services provided to the City. The City and the other three joint governors are charged special rates for landfill services, which are lower than that charged the public.

North Alabama Gas District (the Gas District)– The City, having approximately a 49.5 percent equity interest in the Gas District, received \$313,338 of earnings distributions from the Gas District during 2014. The distribution ratio is based on the percentage of gas sales in the respective areas of the two owners of the Gas District that is, the City of Muscle Shoals and the City of Madison, Alabama.

The City jointly governs, with several other governmental organizations, the Colbert County Animal Control and Northwest Alabama Airport Authority. There have been no material transactions with these organizations, other than the City's annual appropriations to them.

10. PENSION COSTS

The City of Muscle Shoals contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments. Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City of Muscle Shoals. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

10. PENSION COSTS (continued)

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits of State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living-Adjustments granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Following is the most recent information available for the plan as of and for the year ending September 30, 2014 (except where indicated otherwise):

General Information

Valuation date	9/30/2013
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization method	29 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Ultimate investment rate of return	8.00%
Projected salary increases	3.75-7.25%
(includes inflation at)	3.00%
Cost-of-living adjustments	None

Trend Information

Fiscal Year	Percentage	Net
Ending	of APC	Pension
(9/30)	Contributed	Obligation
Annual Pension Cost		
2011	100	\$0
2012	100	\$0
2013	100	\$0

10. PENSION COSTS (continued)

Required Employer Contribution Rates (Effective January 1, 2013)

Tier 1 Employees (applies to all members hired before January 1, 2013)	Retain Current Member	Elect to Increase Member Contribution
	<u>Contribution Rates</u>	<u>Rate Under Act 2011-676</u>
Normal cost	2.91%	0.67%
Accrued liability	9.10%	9.15%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	<u>0.35%</u>	<u>0.35%</u>
Total	<u>12.38%</u>	<u>10.19%</u>
5% employer contribution factor (12.08% / 5%)	2.476000	
6% employer contribution factor (12.08% / 6%)	2.063333	
7.5% employer contribution factor (9.88% / 7.5%)		1.358667
8.5% employer contribution factor (9.88% / 8.5%)		1.198824
Tier 2 Employees (applies to all members hired after December 31, 2012)		
Normal cost	1.30%	
Accrued liability	9.10%	
Pre-retirement death benefit	0.02%	
Administrative expense	<u>0.35%</u>	
Total	<u>10.77%</u>	
6.0% employer contribution factor (10.77% / 6.0%)	1.795000	
7.0% employer contribution factor (10.77% / 7.0%)	1.538571	

10. PENSION COSTS (continued)

Funding Progress of the plan is as follows:

Funding Progress (in thousands)						
Actuarial Valuation Date (9/30)		Actuarial				
		Value of Assets (a)	Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)
						UAAL as a Pctg of Covered Payroll ((b-a) / c)
2007		\$16,707	\$ 21,178	\$ 4,471	78.9%	\$ 5,445
2008		17,019	22,362	5,343	76.1%	5,806
2009		16,944	23,718	6,774	71.4%	5,934
2010	2	16,535	24,267	7,732	68.1%	5,808
2011	4	16,158	24,447	8,289	66.1%	5,781
2012	5	15,920	23,908	7,988	66.6%	5,737
2013	6	17,189	26,480	9,291	64.9%	6,294
2013	3,6	17,189	26,535	9,346	64.8%	6,294

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

2-Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

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

4-Reflects changes in actuarial assumptions.

5-Reflects changes to interest smoothing methodology.

6-Reflects implementation of Board Funding Policy.

The actuarial value of assets was set to equal to the market value of assets as of September 30, 2012.

Market Value of Assets as of September 30, 2013 was \$ 18,011,809.

11. POST-EMPLOYMENT BENEFITS

Trust and Plan Description

On September 30, 2009, the City of Muscle Shoals established an irrevocable trust with the Bank of New York Mellon to fund its post-employment benefits. The Trust is managed by a committee composed of Muscle Shoals' mayor, a council member and City Clerk. The Trust issues separately audited financial statements. A copy of the report may be obtained from the City Clerk of the City of Muscle Shoals.

11. POST-EMPLOYMENT BENEFITS (continued)

The City of Muscle Shoals provides (defined-benefit plan) medical, dental, vision, and life insurance benefits to its retirees. Medical, dental and vision benefits are provided under the following two options until the retiree or dependent is eligible for Medicare coverage. Additionally, the life insurance the retiree had as an active employee may be carried into retirement with the City bearing the full costs.

Option 1 - Employees retiring with 25 years of actual exclusive service with the City of Muscle Shoals (excludes military, stress bill time, and service with other agencies) may continue medical, dental and vision coverage under the same conditions as active employees. Under this retirement option, the retiree pays monthly rates based on single or family coverage as follows: (a) single coverage - nothing for medical/vision and \$5 for dental and (b) family coverage - \$334 for medical/vision and \$14 for dental.

Option 2 - Employees retiring who are at least age 60 with 15 years of actual exclusive service with the City of Muscle Shoals may continue coverage with the retiree paying the following monthly premiums: single coverage - \$224 for medical/vision and \$20 for dental; family coverage - \$558 for medical/ vision and \$61 for dental.

Actuarial Study

GASB 45 requires that the City obtain an actuarial valuation every three years. In accordance with that requirement Muscle Shoals had actuarial valuations made as of September 30, 2006, 2009 and 2012.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

<u>Annual Required Contribution</u>		
	<u>Rate as a % of Compensation</u>	<u>Annual Amount</u>
Normal Cost	3.60%	\$ 196,752
Accrued Liability	3.57%	194,950
Total	7.17%	\$ 391,702

11. POST-EMPLOYMENT BENEFITS (continued)

Funding Progress						
Actuarial						
Actuarial	Actual	Accrued Liability	Unfunded	Funded	Covered	Percentage of
Valuation	Value of	(AAL) Projected	AAL (UAAL)	Ratio	Payroll	Covered Payroll.
Date	(a)	Unit Credit	(b-a)	(a/b)	(c)	((b-a)/c)
9/30/2006	\$0	\$5,741,164	\$5,741,164	0.00%	\$5,372,717	106.9
9/30/2009	\$1,200,000	\$6,314,594	\$5,114,594	19.00%	\$5,530,123	92.5
9/30/2012	\$1,223,696	\$5,322,891	\$4,009,195	22.99%	\$5,459,733	75.08

Net OPEB Asset

The Net OPEB Asset is calculated as shown below:

a) Employer Annual Required Contribution (ARC)	\$ 391,702
b) Valuation Discount Rate	6.00%
c) Interest on Net OPEB Asset: (b) * (i)	\$ 24,107
d) Amortization Factor	21.0269
e) Adjustment of Annual Required Contribution (i) / (d)	\$ 19,108
f) Annual OPEB Cost (a) - (c) + (e)	\$ 386,703
g) Employer Contributions made for Fiscal Year Ending 9/30/2014	318,493
h) Increase (decrease) in Net OPEB Asset: (g) - (f)	(68,210)
i) Net OPEB asset - Beginning of Fiscal Year	401,791
j) Net OPEB asset - End of Fiscal Year (i) + (h)	\$ 333,581

12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has chosen to purchase commercial insurance to handle all of these risks.

13. COMMITMENTS AND CONTINGENCIES

The Public Park Authority of the Shoals, an Alabama Public Corporation formed by four local municipal governments (including the City of Muscle Shoals) and the counties of Colbert and Lauderdale, issued \$17,925,000 in Special Obligation Bonds, Series 2003, dated June 1, 2003. The bonds are secured by a pledge of (i) the two cents per gallon gasoline taxes levied in Colbert and Lauderdale counties, and (ii) certain payments from specified municipalities and counties pursuant to six funding agreements among the municipalities and counties.

14. 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, 2014 was \$733,371.

14. 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	Principal	Interest
2015	31,677	26,158
2016	32,832	25,003
2017	33,009	24,826
2018	34,293	23,542
2019	35,626	22,209
2020-2024	200,024	89,151
2025-2029	242,064	47,111
2030-2031	93,349	5,153
	<u>\$ 702,874</u>	<u>\$ 263,153</u>

15. EVALUATION OF SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City evaluated its activity through May 1, 2015. There were no events which require disclosure.

16. RESTATEMENT

In fiscal year ended September 30, 2014, COMS adopted GASB Statement No. 65 *"Items Previously Reported as Assets and Liabilities."* The affect and reconciliation of these adjustments are as follows:

Net Position as previously reported, September 30, 2013	\$ 53,542,771
Prior Period Adjustment due to:	
- Adoption of GASB No. 65	(1,294,797)
- Other Miscellaneous Adjustment	<u>(93,829)</u>
Net Position as corrected, September 30, 2013	<u>\$ 52,154,145</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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REVENUES AND EXPENDITURES – BUDGETARY COMPARISON – GENERAL FUND

	Budgeted Amounts		Total	Final Budget
	Original	Final	Actual	Fav (Unfav)
BUDGETARY FUND BALANCE-BEGINNING	\$ 5,563,284	\$ 5,563,284	\$ 5,563,284	\$ -
RESOURCES (INFLOWS):				
Local taxes	\$ 15,068,800	\$ 15,068,800	\$ 15,327,913	\$ 259,113
Licenses, permits and fees	1,292,195	1,295,327	1,348,083	52,756
Charges for service	1,010,000	1,010,000	1,014,957	4,957
Joint Ventures	323,975	323,975	327,713	3,738
Intergovernmental revenue:	7,864	7,864	7,864	-
Park and Recreation	1,408,900	1,418,900	1,203,377	(215,523)
Investment Revenue	21,000	21,000	18,188	(2,812)
Other revenue	147,068	159,068	217,170	58,102
<i>Total resources (inflows)</i>	<u>\$ 19,279,802</u>	<u>\$ 19,304,934</u>	<u>\$ 19,465,265</u>	<u>\$ 160,331</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>\$ 24,843,086</u>	<u>\$ 24,868,218</u>	<u>\$ 25,028,549</u>	<u>\$ 160,331</u>
CHARGES TO APPROPRIATION (OUTFLOWS):				
General government:				
Mayor and City Council	\$ 258,831	\$ 258,831	\$ 262,964	\$ (4,133)
City clerk	888,607	888,607	870,959	17,648
Civil Service Board	13,250	13,250	13,374	(124)
Legal services	55,250	55,250	34,811	20,439
City buildings	243,808	243,808	251,309	(7,501)
Communications	87,740	87,740	85,040	2,700
Payroll taxes - all departments	559,770	559,770	555,418	4,352
Municipal court	158,499	158,499	151,044	7,455
City engineer	175,000	175,000	259,704	(84,704)
Street lighting	390,000	390,000	400,995	(10,995)
Senior citizens	179,442	179,442	171,822	7,620
Library	614,811	617,943	619,320	(1,377)
Police Department	3,296,623	3,296,623	3,197,044	99,579
Fire Department	2,220,794	2,220,794	2,288,865	(68,071)
Street Department	1,343,486	1,355,486	1,335,083	20,403
Storm drainage	432,076	432,076	402,347	29,729
Sanitation Department	1,551,966	1,551,966	1,510,527	41,439
Recreation Department	2,777,221	2,787,221	2,641,266	145,955
Contractual obligations	123,978	123,978	118,225	5,753

(continued)

REVENUES AND EXPENDITURES – BUDGETARY COMPARISON – GENERAL FUND (Continued)

Appropriations	78,883	78,883	76,399	2,484
Special events	5,000	5,000	6,375	(1,375)
Education	1,303,000	1,303,000	1,302,832	168
Debt Service - Principal	31,239	31,239	33,025	(1,786)
Debt Service - Interest	26,596	26,596	24,811	1,785
	<u>\$ 16,815,870</u>	<u>\$ 16,841,002</u>	<u>\$ 16,613,559</u>	<u>\$ 227,443</u>
OTHER FINANCING SOURCES:				
Transfers in	\$ 275,000	\$ 275,000	\$ 287,458	\$ (12,458.00)
Transfers (out)	<u>(2,738,376)</u>	<u>(2,738,376)</u>	<u>(2,364,691)</u>	<u>(373,685)</u>
Net Transfers (Out)	<u>\$ (2,463,376)</u>	<u>\$ (2,463,376)</u>	<u>\$ (2,077,233)</u>	<u>\$ (386,143)</u>
Total charges to appropriations (outflows)	<u>\$ 19,279,246</u>	<u>\$ 19,304,378</u>	<u>\$ 18,690,792</u>	<u>\$ 613,586</u>
REVENUES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ 556</u>	<u>\$ 556</u>	<u>\$ 774,473</u>	<u>\$ 1,631</u>
BUDGETARY FUND BALANCE-ENDING	<u>\$ 5,563,840</u>	<u>\$ 5,563,840</u>	<u>\$ 6,337,757</u>	<u>\$ 773,917</u>

NOTES TO BUDGETARY COMPARISON SCHEDULE

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 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

Following is a reconciliation of Budgetary and actual results:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 25,028,549
----------------------------------------------------------------------------------------------------------	---------------

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>(5,563,284)</u>
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Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 19,465,265</u>
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Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 16,613,559</u>
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Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 16,613,559</u>
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SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Passed through State of Alabama:</u>	Special Programs for the			
Northwest Alabama Council of	Title III, Part B-Grants for			
Local Governments	Supportive Services	93.044	4010112	<u>\$ 7,864</u>
<u>U.S. Housing and Urban Development</u>				
<u>Passed through State of Alabama:</u>				
Economic and Community Affairs	State Administered CDBG	14.228	LR-ED-PF-13-008	\$ 152,307
Economic and Community Affairs	Cluster	14.228	LR-ED-PF-13-002	130,306
Total Housing and Urban Development				<u>\$ 282,613</u>
<u>U.S. Department of Justice</u>				
<u>U.S. Department of Transportation</u>				
<u>Passed through State of Alabama:</u>				
Dept of Transportation	Highway Safety Cluster	20.205	DB0A8828(003)	\$ 48,704
Dept of Transportation	Highway Safety Cluster	20.205	STPOA-UR13(600)	34,244
Dept of Transportation	Highway Safety Cluster	20.205	ACOA58387-ATRP	1,376
Dept of Transportation	Highway Safety Cluster	20.205	STPOA-8828(601)	13,286
Dept of Transportation	Highway Safety Cluster	20.205	IAR-017-000-010	292,498
Total U.S. Department of Transportation				<u>\$ 390,108</u>
<u>National Endowment for the Humanities</u>				
<u>Passed thru State of Alabama</u>	Library Technology	45.31		<u>\$ 2,000</u>
Total Federal Financial Assistance				<u>\$ 682,585</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 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, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit* Alabama, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Muscle Shoals, Alabama.

NOTE 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
REVENUES				
Local Taxes				
Ad Valorem - Real Property	\$ 780,000	\$ 780,000	761,231	\$ (18,769)
Ad Valorem - Personal Property	192,000	192,000	200,433	8,433
Sales Tax	11,137,150	11,137,150	11,269,556	132,406
Alcohol Beverage Tax	205,000	205,000	205,516	516
Tangible Personal Property Rentals	149,000	149,000	170,537	21,537
Lodging Tax	55,000	55,000	64,994	9,994
Tax Equivalent (Electric Board)	798,000	798,000	798,023	23
Gasoline (Local)	552,000	552,000	558,471	6,471
Tobacco Tax	145,000	145,000	138,714	(6,286)
TVA In Lieu Of Taxes	763,000	763,000	759,257	(3,743)
ABC Board	45,000	45,000	49,123	4,123
Financial Inst. Tax	164,000	164,000	261,429	97,429
Bulletproof Vest Grant	2,650	2,650	(2,657)	(5,307)
NACOLG Traffic Grant	1,000	1,000	-	(1,000)
ALDOT Grant E Avalon Avenue	-	-	13,286	13,286
Tax Equivalent (Muscle Shoals Utilities Board)	80,000	80,000	80,000	-
	<u>\$ 15,068,800</u>	<u>\$ 15,068,800</u>	<u>\$ 15,327,913</u>	<u>\$ 259,113</u>
License, Permits and Fees				
Business License (City)	\$ 1,121,000	\$ 1,121,000	1,157,831	\$ 36,831
Building Permits	81,500	81,500	100,469	18,969
Street Cutting	5,000	5,000	9,643	4,643
Gas Inspection Fees	3,000	3,000	4,342	1,342
Electric Inspection Fees	12,000	12,000	9,648	(2,352)
Plumbing Inspection Fees	6,000	6,000	5,888	(112)
Fire Protection	16,000	16,000	7,150	(8,850)
Fines-Library	17,500	17,500	15,989	(1,511)
Alabama Public Library Grant	2,000	2,000	2,000	-
State Aid (Library)	13,835	16,967	17,036	69
County Appropriation	3,060	3,060	2,800	(260)
Miscellaneous	10,500	10,500	13,611	3,111
ALDOT Grants (ATRP and STRS)	-	-	1,376	1,376

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REVENUES AND EXPENDITURES – BY BUDGETARY LINE ITEM – GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary)	Positive (Negative)
REVENUES (continued)				
License, Permits and Fees				
Flood Hazard Improvement Fees	500	500	-	(500)
Stormwater Permits	300	\$ 300	300	-
	<u>\$ 1,292,195</u>	<u>\$ 1,295,327</u>	<u>\$ 1,348,083</u>	<u>\$ 52,756</u>
Charges for Services				
Garbage Fees	<u>\$ 1,010,000</u>	<u>\$ 1,010,000</u>	<u>\$ 1,014,957</u>	<u>\$ 4,957</u>
Joint Ventures				
North Ala. Gas District	\$ 314,600	\$ 314,600	\$ 318,338	\$ 3,738
1/2 Cent Sales Tax Fund	-	-	-	-
Shoals Solid Waste Authority	9,375	9,375	9,375	-
	<u>\$ 323,975</u>	<u>\$ 323,975</u>	<u>\$ 327,713</u>	<u>\$ 3,738</u>
Intergovernmental Revenues	<u>\$ 7,864</u>	<u>\$ 7,864</u>	<u>\$ 7,864</u>	<u>\$ -</u>
Park and Recreation				
Cypress Lakes Facility Revenues				
Dues	\$ 360,000	\$ 360,000	\$ 329,691	\$ (30,309)
Locker Rental	-	-	57	57
Golf Concessions	85,000	85,000	68,004	(16,996)
Tennis Lessons	1,600	1,600	42	(1,558)
Golf Lessons	15,000	15,000	3,345	(11,655)
Room Rentals	35,000	35,000	19,325	(15,675)
Miscellaneous	2,900	2,900	6,795	3,895
Range Tokens	20,000	20,000	16,916	(3,084)
Cart Rentals	185,500	185,500	132,008	(53,492)
Greens Fees	265,000	265,000	177,665	(87,335)
Merchandise	85,000	85,000	58,653	(26,347)
Golf Club Rental	800	800	290	(510)
Credit Card Receipts	-	-	32	-
Rent Payments	14,400	14,400	23,800	9,400
Tennis Guest Fees	1,500	1,500	1,243	(257)

(continued)

REVENUES AND EXPENDITURES – BY BUDGETARY LINE ITEM – GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
REVENUES				
Park and Recreation				
Pool Receipts	30,000	30,000	13,454	(16,546)
Tennis Passes	16,000	16,000	7,001	(8,999)
Pool Concessions	4,500	4,500	2,315	(2,185)
Tip Revenue	1,200	1,200	1,977	777
Golf Tournament Revenues	-	-	35	35
	<u>\$ 1,123,400</u>	<u>\$ 1,123,400</u>	<u>\$ 862,648</u>	<u>\$ (260,752)</u>
Other Recreation Revenues				
Gattman Splashpad	\$ 9,000	\$ 9,000	\$ 3,840	\$ (5,160)
Batting Cage Revenue	6,000	6,000	5,223	(777)
Football	11,000	11,000	12,986	1,986
Flag Football Revenue	6,000	6,000	4,498	(1,502)
Airport Concessions	25,000	25,000	39,675	14,675
Webster Concessions	25,000	25,000	29,570	4,570
Karate	8,000	8,000	8,010	10
Pool Receipts	-	-	380	380
Pool Concessions	-	-	164	164
Gattman Concessions	25,000	25,000	26,548	1,548
Youth Basketball Registration	15,000	15,000	16,346	1,346
Youth Soccer Registration	4,000	4,000	4,800	800
Youth Baseball Registration	15,000	15,000	16,440	1,440
Girls Softball Registration	7,500	7,500	5,850	(1,650)
Special Events Revenue	15,000	15,000	12,235	(2,765)
Adult Softball	1,500	1,500	-	(1,500)
Volleyball	1,000	1,000	700	(300)
Facilities Rental	20,000	20,000	31,763	11,763
Vending And Game Machines	1,500	1,500	1,466	(34)
Miscellaneous Revenues	5,000	5,000	4,051	(949)
Sportsplex Concessions	35,000	45,000	57,729	12,729
Tournament Revenues	50,000	50,000	58,455	8,455
	<u>\$ 285,500</u>	<u>\$ 295,500</u>	<u>\$ 340,729</u>	<u>\$ 45,229</u>
Total Park and Recreation Revenues	<u>\$ 1,408,900</u>	<u>\$ 1,418,900</u>	<u>\$ 1,203,377</u>	<u>\$ (215,523)</u>

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REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES (continued)				
Investment Earnings	\$ 21,000	\$ 21,000	\$ 18,188	\$ (2,812)
Other Revenues				
Installment - SAS	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Sale Of Dirt	16,000	16,000	130	(15,870)
Sale Of Street Material	15,000	15,000	16,232	1,232
Sale of City Equipment	12,400	24,400	88,511	64,111
Wal-Mart Foundation Grant	250	250	250	-
Misc. Revenue	3,500	3,500	11,018	7,518
Christmas Parade	5,000	5,000	10,000	5,000
Cash Short/Over - Cypress Lakes	-	-	-	-
Photo Copy Service	3,000	3,000	1,992	(1,008)
Fire Training Center	40,000	40,000	40,072	72
Radio Operator Service	3,600	3,600	3,600	-
State Auto License	7,500	7,500	7,203	(297)
Colbert County Commission	-	-	-	-
Lease Payments	19,065	19,065	16,409	(2,656)
Insurance Refund	6,753	6,753	6,753	-
Donations	-	-	-	-
	<u>\$ 147,068</u>	<u>\$ 159,068</u>	<u>\$ 217,170</u>	<u>\$ 58,102</u>
Total Revenues	<u>\$ 19,279,802</u>	<u>\$ 19,304,934</u>	<u>\$ 19,465,265</u>	<u>\$ 160,331</u>

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REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Mayor And City Council				
Salaries - Regular	\$ 108,776	\$ 108,776	\$ 109,052	\$ (276)
Retirement	8,067	8,067	8,034	33
Employee's Insurance	10,958	10,958	12,231	(1,273)
Workmen's Compensation	215	215	192	23
Consultant Services	22,110	22,110	22,370	(260)
Gas, Oil	3,200	3,200	2,739	461
Miscellaneous	1,200	1,200	2,144	(944)
Vehicle Repair	800	800	398	402
Advertising	24,000	24,000	22,642	1,358
Travel	37,500	37,500	44,700	(7,200)
Meals	500	500	219	281
Insurance - General	22,437	22,437	22,437	-
Dues	16,068	16,068	15,639	429
Spical Events	3,000	3,000	167	2,833
Total	\$ 258,831	\$ 258,831	\$ 262,964	\$ (4,133)
City Clerk				
Salaries - Regular	\$ 467,084	\$ 467,084	\$ 466,391	\$ 693
Retirement	56,426	56,426	54,877	1,549
Employee's Insurance	122,113	122,113	119,418	2,695
Workmen's Compensation	3,582	4,382	4,393	(11)
Vacation Sold	22,000	17,800	7,481	10,319
Auditing Services	32,500	32,500	30,841	1,659
Consultant Services	35,000	36,400	48,140	(11,740)
Janitorial	4,600	4,600	2,396	2,204
Data Processing	34,850	34,850	34,867	(17)
Office Supplies	2,900	3,400	3,330	70
Gas, Oil	4,300	4,300	3,919	381
Tobacco Stamps	12,800	12,800	11,448	1,352
Miscellaneous	3,800	3,800	2,263	1,537
Buildings And Grounds	29,000	29,000	26,944	2,056
Vehicle Repair	2,100	2,800	2,572	228

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REVENUES AND EXPENDITURES -- BY BUDGETARY LINE ITEM -- GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
City Clerk				
Postage	10,000	10,000	10,562	(562)
Advertising	100	100	58	42
Recording Fees	200	200	67	133
Travel	9,000	9,800	9,897	(97)
Drug/Alcohol Testing	1,800	1,800	795	1,005
Meals	500	500	154	346
Employee Education And Training	4,000	4,000	3,941	59
Insurance - General	7,652	7,652	7,650	2
Photo Copy Exp	4,000	4,000	3,107	893
Printing, Books, Subscriptions	7,200	7,200	5,436	1,764
Dues	2,300	2,300	2,283	17
Municipal Code	1,200	1,200	1,204	(4)
Trustee Fees	7,600	7,600	6,525	1,075
Total	<u>\$ 888,607</u>	<u>\$ 888,607</u>	<u>\$ 870,959</u>	<u>\$ 17,648</u>
Civil Service Board				
Salaries - Regular	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Legal Services	750	750	1,008	(258)
Meals	500	500	366	134
Total	<u>\$ 13,250</u>	<u>\$ 13,250</u>	<u>\$ 13,374</u>	<u>\$ (124)</u>
Legal Services				
Salaries - City Attorney	\$ 6,000	\$ 6,000	\$ 8,398	\$ (2,398)
Legal Services	49,250	49,250	26,413	22,837
Total	<u>\$ 55,250</u>	<u>\$ 55,250</u>	<u>\$ 34,811</u>	<u>\$ 20,439</u>
City Buildings				
Workmen's Compensation	\$ 4,800	\$ 4,800	\$ 5,690	\$ (890)
Lawn Maintenance	19,200	19,200	15,644	3,556
Buildings And Grounds	12,380	12,380	9,819	2,561
Utilities	165,000	165,000	178,324	(13,324)
Early Warning System	5,000	5,000	4,496	504
Advalorem Taxes	1,120	1,120	1,123	(3)
Insurance - General	36,308	36,308	36,213	95
Total	<u>\$ 243,808</u>	<u>\$ 243,808</u>	<u>\$ 251,309</u>	<u>\$ (7,501)</u>

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REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Communications				
Paging Services	\$ 8,000	\$ 8,000	\$ 8,463	\$ (463)
Telephone	52,000	52,000	53,576	(1,576)
Radio	27,740	27,740	23,001	4,739
Total	<u>\$ 87,740</u>	<u>\$ 87,740</u>	<u>\$ 85,040</u>	<u>\$ 2,700</u>
Payroll Tax Expense				
Fica	\$ 554,770	\$ 554,770	\$ 550,457	\$ 4,313
Unemployment Insurance	5,000	5,000	4,961	39
Total	<u>\$ 559,770</u>	<u>\$ 559,770</u>	<u>\$ 555,418</u>	<u>\$ 4,352</u>
Police Dept.				
Holiday Pay	\$ 62,939	\$ 62,939	\$ 62,388	\$ 551
Salaries - Regular	1,719,266	1,719,266	1,683,992	35,274
Salaries - Overtime	105,500	110,500	115,080	(4,580)
Retirement	212,055	212,055	218,578	(6,523)
Employee's Insurance	530,744	530,744	566,777	(36,033)
Workmen's Compensation	55,795	55,795	51,010	4,785
Vacation Sold	57,000	57,000	38,208	18,792
Consultant Services	-	-	-	-
Janitorial	20,000	20,000	19,514	486
Data Processing	70,000	57,000	46,098	10,902
Office Supplies	10,000	10,000	7,507	2,493
Gas, Oil	115,000	120,000	120,118	(118)
Miscellaneous	12,500	12,500	8,181	4,319
Canine Expense	6,000	6,000	4,196	1,804
Dare Program	5,000	5,000	4,136	864
Jail Expense	13,500	13,500	7,131	6,369
Buildings And Grounds	30,100	30,100	19,349	10,751
Vehicle Repair	59,500	59,500	50,403	9,097
Public Safety Equipment	53,768	46,768	40,418	6,350
Travel	30,000	29,500	18,948	10,552
Meals	300	300	103	197

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CITY OF MUSCLE SHOALS, ALABAMA

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Police Dept.				
Employee Education/Training	21,500	21,500	21,087	413
Insurance - General	51,137	51,137	51,137	-
Uniforms	50,000	50,000	44,181	5,819
Photo Copy Exp	5,000	5,500	5,662	(162)
Printing, Books, Subscriptions	5,000	5,000	1,561	3,439
Film & Developing	1,000	1,000	-	1,000
Dues	1,500	1,500	1,364	136
Informer Information	500	500	241	259
Care of Prisoners	9,000	19,000	21,503	(2,503)
Police Tactical Team	28,000	28,000	24,000	4,000
Training Facility	5,000	5,000	-	5,000
Colbert Drug Task Force	10,000	10,000	10,000	-
Salary & Benefit Reimbursement-				
Board Of Ed.	(59,981)	(59,981)	(65,827)	5,846
Total	\$ 3,296,623	\$ 3,296,623	\$ 3,197,044	\$ 99,579
Municipal Court				
Salaries - Regular	\$ 79,669	\$ 79,669	\$ 79,994	\$ (325)
Retirement	9,624	9,624	9,624	-
Employee's Insurance	33,408	33,408	31,038	2,370
Workmen's Compensation	163	163	68	95
Vacation Sold	2,600	2,600	746	1,854
Municipal Judge	12,235	12,235	12,326	(91)
Data Processing	5,800	5,800	5,359	441
Office Supplies	4,000	4,000	2,152	1,848
Miscellaneous	500	500	107	393
Municipal Prosecutor	7,600	7,600	6,600	1,000
Travel	-	-	340	(340)
Printing, Books, Subscriptions	2,600	2,600	2,315	285
Dues	300	300	375	(75)
Total	\$ 158,499	\$ 158,499	\$ 151,044	\$ 7,455

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REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Fire Dept.				
Holiday Pay	\$ 54,924	\$ 54,924	\$ 49,523	\$ 5,401
Salaries - Regular	1,253,932	1,253,932	1,260,683	(6,751)
Salaries - Overtime	76,900	76,900	128,359	(51,459)
Retirement	163,468	163,468	169,041	(5,573)
Employee's Insurance	361,134	361,134	387,263	(26,129)
Workmen's Compensation	52,297	52,297	62,027	(9,730)
Vacation Sold	38,000	37,000	35,807	1,193
Janitorial	3,500	3,500	2,065	1,435
Data Processing	20,000	17,500	13,049	4,451
Chemicals	2,500	2,500	1,565	935
Office Supplies	1,000	1,000	630	370
Gas, Oil	33,000	35,500	36,811	(1,311)
Medical Supplies	2,000	1,400	1,299	101
Small Tools	2,500	3,100	2,679	421
Miscellaneous	6,000	6,000	3,397	2,603
Fire Prevention Program	2,000	3,000	2,763	237
Buildings And Grounds	12,500	12,500	10,777	1,723
Vehicle Repair	25,000	25,000	21,410	3,590
Machine & Equipment Repair	6,000	6,000	4,797	1,203
Public Safety Equipment	10,000	10,000	7,979	2,021
Travel	6,500	7,000	6,831	169
Employee Education And Training	3,871	3,371	1,643	1,728
Insurance - General	26,839	26,839	26,839	-
Uniforms	23,000	22,900	21,103	1,797
Printing, Books, Subscriptions	3,000	3,100	3,009	91
Dues	1,800	1,800	728	1,072
Training Facility	25,000	18,000	16,272	1,728
Capital Outlay	4,129	11,129	22,522	(11,393)
Construction In Progress	-	-	(12,006)	12,006
Total	\$ 2,220,794	\$ 2,220,794	\$ 2,288,865	\$ (68,071)

(continued)

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Street Dept.				
Salaries - Regular	\$ 667,080	\$ 667,080	\$ 678,213	\$ (11,133)
Salaries - Overtime	6,000	6,000	(100)	6,100
Retirement	80,582	80,582	88,450	(7,868)
Employee's Insurance	232,767	232,767	241,455	(8,688)
Workmen's Compensation	41,707	41,707	26,719	14,988
Vacation Sold	20,000	20,000	14,572	5,428
Data Processing	4,500	4,500	2,088	2,412
Chemicals	7,000	7,000	7,500	(500)
Office Supplies	1,000	1,000	867	133
Gas, Oil	70,000	70,000	66,973	3,027
Road Building	20,000	20,000	20,389	(389)
Street Materials Sold	15,000	15,000	1,662	13,338
Medical Supplies	200	200	10	190
Small Tools	9,900	9,900	8,884	1,016
Street Markers	19,000	19,000	14,242	4,758
Miscellaneous	2,000	2,000	2,071	(71)
Safety Supplies	8,000	8,000	4,813	3,187
Buildings And Grounds	13,740	13,740	16,712	(2,972)
Vehicle Repair	20,000	32,000	23,887	8,113
Tire Repair	10,000	10,000	9,068	932
Machine & Equipment Repair	14,385	14,385	15,423	(1,038)
Storm Drainage	20,000	20,000	37,441	(17,441)
Travel	1,000	1,000	657	343
Meals	750	750	-	750
Employee Education And Training	1,250	1,250	604	646
Insurance - General	34,300	34,300	34,300	-
Uniforms	5,000	5,000	2,937	2,063
Photo Copy Exp	250	250	210	40
Tree Services	2,000	2,000	900	1,100
Pedestrian Overpass	5,200	5,200	5,261	(61)
Sidewalk Repair	2,000	2,000	-	2,000
Capital Outlay	8,875	8,875	8,875	-
Total	\$ 1,343,486	\$ 1,355,486	\$ 1,335,083	\$ 20,403

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REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
City Engineer				
Engineering Services	\$ 175,000	\$ 175,000	\$ 259,704	\$ (84,704)
Total	\$ 175,000	\$ 175,000	\$ 259,704	\$ (84,704)
Storm Drainage				
Salaries - Regular	\$ 210,101	\$ 210,101	\$ 198,566	\$ 11,535
Salaries - Overtime	3,500	3,500	4,124	(624)
Retirement	17,300	17,300	18,210	(910)
Employee's Insurance	33,753	33,753	35,925	(2,172)
Workmen's Compensation	4,550	4,550	5,603	(1,053)
Vacation Sold	5,400	5,400	5,641	(241)
Janitorial	1,650	1,650	1,158	492
Data Processing	1,000	1,000	1,031	(31)
Chemicals	32,000	32,000	33,158	(1,158)
Gas, Oil	21,500	21,500	18,838	2,662
Small Tools	1,000	1,000	592	408
Miscellaneous	1,800	1,800	1,634	166
Vehicle Repair	4,500	4,500	3,094	1,406
Tire Repair	4,000	4,000	3,766	234
Machine & Equipment Repair	13,000	13,000	15,162	(2,162)
Retention Ponds	30,000	30,000	17,839	12,161
Utilities	35,850	35,850	30,525	5,325
Program/Review Fees	900	900	-	900
Travel	2,000	2,000	665	1,335
Meals	200	200	-	200
Employee Education And Training	850	850	-	850
Insurance - General	5,572	5,572	5,572	-
Uniforms	1,650	1,650	1,244	406
Total	\$ 432,076	\$ 432,076	\$ 402,347	\$ 29,729
Street Lighting				
Utilities	\$ 390,000	\$ 390,000	\$ 400,995	\$ (10,995)
Total	\$ 390,000	\$ 390,000	\$ 400,995	\$ (10,995)

(continued)

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Sanitation				
Salaries - Regular	\$ 777,087	\$ 777,087	\$ 726,289	\$ 50,798
Salaries - Overtime	6,000	6,000	6,750	(750)
Retirement	91,344	91,344	86,153	5,191
Employee's Insurance	263,972	263,972	269,450	(5,478)
Workmen's Compensation	50,348	50,348	47,795	2,553
Vacation Sold	25,000	25,000	9,551	15,449
Landfill Services	187,500	187,500	186,936	564
Chemicals	7,000	7,000	7,027	(27)
Office Supplies	800	800	741	59
Gas, Oil	60,000	60,000	61,121	(1,121)
Medical Supplies	200	200	11	189
Small Tools	1,000	1,000	471	529
Miscellaneous	1,700	1,700	2,735	(1,035)
Safety Supplies	4,500	4,500	3,754	746
Vehicle Repair	15,000	15,000	33,710	(18,710)
Tire Repair	10,000	10,000	7,645	2,355
Machine & Equipment Repair	16,900	16,900	28,790	(11,890)
Travel	1,000	1,000	20	980
Employee Education And Training	1,250	1,250	-	1,250
Insurance - General	22,865	22,865	22,865	-
Uniforms	6,225	6,225	5,953	272
Photo Copy Exp	250	250	210	40
Printing, Books, Subscriptions	1,800	1,800	2,350	(550)
Dues	225	225	200	25
Total	\$ 1,551,966	\$ 1,551,966	\$ 1,510,527	\$ 41,439
Contractual Obligations				
Colbert Animal Shelter	\$ 81,056	\$ 81,056	\$ 81,056	\$ -
Colbert County Emergency Mgmt	11,832	11,832	11,832	-
M.S Airport Authority	9,375	9,375	9,375	-
Incentive Rebate	19,215	19,215	13,462	5,753
Hazard Mat Team	2,500	2,500	2,500	-
Total	\$ 123,978	\$ 123,978	\$ 118,225	\$ 5,753

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REVENUES AND EXPENDITURES – BY BUDGETARY LINE ITEM – GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	
EXPENDITURES				
Appropriations				
Riverbend Mental Health	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Colbert Health Dept	5,000	5,000	5,000	-
Easter Seals Rehabilitation Cente	7,000	7,000	7,000	-
Safeplace, Inc.	2,000	2,000	2,000	-
Colbert County Attention Home	1,000	1,000	1,000	-
Meals On Wheels	2,000	2,000	2,000	-
Hope Haven School	2,500	2,500	2,500	-
Colbert County Tourism Board	23,333	23,333	26,399	(3,066)
Rape Response	1,500	1,500	1,500	-
I.M. Alliance	2,000	2,000	2,000	-
Shoals Area COARMM	1,500	1,500	1,500	-
Shoals Area Chamber Of Comm	550	550	-	550
Cerebral Palsy Center	1,500	1,500	1,500	-
NACOLG Transit Program	1,500	1,500	1,500	-
SenioRX Program (Nacolg)	1,500	1,500	1,500	-
Mainstream Development Corp	1,000	1,000	1,000	-
Scope 310 Authority	1,000	1,000	1,000	-
Community Action	1,000	1,000	1,000	-
Shoals Entrepreneurial Center	5,000	5,000	5,000	-
Crimestoppers	500	500	500	-
Cramer Children's Center	1,000	1,000	1,000	-
Alabama Silver-Haired Legislatun	500	500	500	-
Colbert County DHR	1,000	1,000	1,000	-
University of North Alabama	5,000	5,000	-	5,000
Disabled American Veterans	1,000	1,000	1,000	-
Salvation Army	1,000	1,000	1,000	-
CASA	1,000	1,000	1,000	-
Total	\$ 78,883	\$ 78,883	\$ 76,399	\$ 2,484

Recreation - Administration Division

Salaries Part Time	\$ 204,544	\$ 182,544	\$ 163,583	\$ 18,961
Salaries - Regular	447,310	447,310	426,795	20,515
Salaries - Overtime	2,000	2,000	2,668	(668)

(continued)

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Recreation - Administration Division				
Retirement	59,200	59,200	55,991	3,209
Employee's Insurance	131,661	131,661	130,591	1,070
Workmen's Compensation	15,086	21,086	20,652	434
Vacation Sold	17,500	17,500	5,748	11,752
Janitorial	2,900	2,900	2,555	345
Data Processing	5,000	5,000	1,997	3,003
Office Supplies	2,000	2,000	1,522	478
Medical Supplies	250	250	12	238
Miscellaneous	1,000	1,500	1,536	(36)
Buildings And Grounds	17,900	17,900	13,169	4,731
Machine & Equipment Repair	1,500	1,500	35	1,465
Utilities	100,000	100,000	119,051	(19,051)
Advertising	1,000	1,000	1,000	-
Travel	2,500	2,500	67	2,433
Meals	750	750	238	512
Employee Education And Training	1,000	1,000	-	1,000
Insurance - General	13,197	13,197	13,597	(400)
Photo Copy Exp	1,000	1,000	1,597	(597)
Printing, Books, Subscriptions	850	850	625	225
Dues	1,250	1,250	648	602
Transaction Fees	2,000	2,000	2,849	(849)
Special Events	15,000	15,000	12,739	2,261
Vending Machines	1,500	1,500	1,205	295
Total	\$ 1,047,898	\$ 1,032,398	\$ 980,470	\$ 51,928
Recreation - Maint. & Grounds Division				
Chemicals	\$ 6,000	\$ 6,000	\$ 4,662	\$ 1,338
Gas, Oil	30,000	30,000	27,806	2,194
Medical Supplies	250	250	-	250
Small Tools	1,500	1,500	2,358	(858)
Buildings And Grounds	27,000	32,000	31,401	599
Vehicle Repair	10,000	10,000	7,056	2,944
Machine & Equipment Repair	9,000	9,000	5,857	3,143
Uniforms	4,000	4,000	1,972	2,028
Total	\$ 87,750	\$ 92,750	\$ 81,112	\$ 11,638

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REVENUES AND EXPENDITURES -- BY BUDGETARY LINE ITEM -- GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Recreation - Athletic Division				
Buildings And Grounds	\$ 75,000	\$ 75,000	\$ 92,558	\$ (17,558)
Batting Cages	2,000	2,000	419	1,581
Splashpad Concessions	5,000	5,000	2,307	2,693
Football	14,000	16,000	26,053	(10,053)
Football Referees	2,500	2,500	-	2,500
Splashpad Expenses	5,000	5,000	4,977	23
Special Events	20,000	20,000	13,018	6,982
Youth Baseball Supplies	20,000	23,500	23,656	(156)
Baseball Umpires	25,000	30,000	29,750	250
Youth Basketball Supplies	7,000	7,000	5,342	1,658
Basketball Officials	12,000	12,000	12,450	(450)
Youth Soccer Supplies	3,500	3,500	2,475	1,025
Soccer Officials	2,000	2,000	960	1,040
Girls Softball Supplies	7,500	7,500	4,751	2,749
Adult Softball Supplies	500	500	-	500
Softball Umpires	5,000	5,000	5,215	(215)
Volleyball	1,000	1,000	1,064	(64)
Gattman Concessions	15,000	15,000	21,449	(6,449)
Sportsplex Concessions	25,000	35,000	36,997	(1,997)
Tournament Expenses	35,000	35,000	40,444	(5,444)
Karate	7,000	7,000	6,136	864
Webster Concessions	20,000	20,000	22,516	(2,516)
Airport Concessions	25,000	25,000	27,878	(2,878)
Flag Football Supplies	7,500	7,500	-	7,500
Flag Football Officials	5,000	5,000	2,800	2,200
Total	\$ 346,500	\$ 367,000	\$ 383,215	\$ (16,215)

Senior Citizens

Salaries - Regular	\$ 90,755	\$ 90,755	\$ 88,046	\$ 2,709
Retirement	9,514	9,514	9,428	86
Employee's Insurance	22,362	22,362	24,909	(2,547)
Workmen's Compensation	2,124	2,124	1,745	379
Vacation Sold	1,284	1,284	648	636

(continued)

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Senior Citizens				
Janitorial	2,000	2,000	1,270	730
Data Processing	2,500	2,500	2,780	(280)
Office Supplies	1,500	1,500	232	1,268
Gas, Oil	3,700	3,700	3,805	(105)
Miscellaneous	3,050	3,050	1,947	1,103
Buildings And Grounds	3,000	3,000	5,110	(2,110)
Vehicle Repair	1,200	1,200	2,136	(936)
Utilities	9,500	9,500	9,892	(392)
Travel	5,312	5,312	4,969	343
Meals	50	50	-	50
Insurance - General	736	736	1,136	(400)
Photo Copy Expense	800	800	713	87
Printing, Books, Subscriptions	500	500	195	305
Area On Aging	4,850	4,850	4,850	-
Aerobics	6,000	6,000	3,958	2,042
Art Instruction	1,000	1,000	595	405
Wellness Activities	7,705	7,705	3,458	4,247
Total	\$ 179,442	\$ 179,442	\$ 171,822	\$ 7,620
Golf Course Operations				
Salaries Part Time	\$ 127,308	\$ 127,308	\$ 131,146	\$ (3,838)
Salaries - Regular	118,467	118,467	114,485	3,982
Retirement	14,311	14,311	13,764	547
Employee's Insurance	88,756	88,756	86,342	2,414
Worker's Compensation	5,929	5,929	4,583	1,346
Legal Services	-	-	1,496	(1,496)
Vacation Sold	1,500	1,800	1,802	(2)
Property Taxes	1,448	1,448	-	1,448
Janitorial	8,000	8,000	6,923	1,077
Data Processing	6,800	6,800	6,976	(176)
Office Supplies	3,000	2,700	975	1,725
Miscellaneous	4,380	5,480	6,266	(786)
Buildings And Grounds	45,500	45,500	49,268	(3,768)
Driving Range Equipment & Supp	9,000	7,900	4,180	3,720
Vehicle Repair	2,700	2,700	1,119	1,581

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REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary)	
EXPENDITURES				
Golf Course Operations				
Machinery & Equipment	-	-	-	-
Utilities	60,000	60,000	31,467	28,533
Telephone	6,000	6,000	5,722	278
Advertising	5,000	5,000	920	4,080
Employee Education And Training	1,500	1,500	1,016	484
Insurance - General	12,707	12,707	13,140	(433)
Pro Shop	36,000	36,000	35,586	414
Uniforms	1,200	1,200	883	317
Photocopy Expense	600	600	287	313
Printing, Books, Subscriptions	2,000	2,000	1,262	738
Dues	3,000	3,000	2,311	689
Transaction Fees	5,800	5,800	8,065	(2,265)
Capital Outlay	4,500	4,500	4,512	(12)
Tournament Fees	-	-	-	-
Pro Shop Merchandise	70,000	65,000	45,984	19,016
Total	\$ 645,406	\$ 640,406	\$ 580,480	\$ 59,926
Golf Course Maintenance				
Salaries Part Time	\$ 92,600	\$ 92,600	\$ 92,491	\$ 109
Salaries - Regular	166,444	166,444	156,159	10,285
Retirement	17,575	17,575	16,495	1,080
Vacation Sold	1,000	1,340	1,340	-
Consultant Services	8,850	8,850	125	8,725
Janitorial	1,200	1,200	520	680
Data Processing	-	-	-	-
Chemicals	106,950	111,950	122,375	(10,425)
Gas, Oil	23,064	23,064	19,867	3,197
Small Tools	3,000	3,000	2,941	59
Miscellaneous	3,000	3,000	1,559	1,441
Buildings And Grounds	60,500	60,500	63,832	(3,332)
Vehicle Repair	300	300	90	210
Machine & Equipment Repair	36,000	35,660	30,583	5,077
Travel	2,300	2,300	858	1,442

(continued)

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Golf Course Maintenance				
Employee Education & Training	2,350	2,350	1,759	591
Uniforms	3,800	3,800	3,542	258
Dues	1,330	1,330	920	410
Contractual Serv.	66,384	66,384	60,753	5,631
Tree Services	-	-	-	-
Capital Outlay	3,120	3,120	3,120	-
Total	\$ 599,767	\$ 604,767	\$ 579,329	\$ 25,438
Pool/Tennis/Fitness Operations				
Salaries Part Time	\$ 27,000	\$ 27,000	\$ 27,948	\$ (948)
Retirement		-	-	-
Chemicals	4,500	4,500	1,541	2,959
Buildings And Grounds	15,000	15,000	6,332	8,668
Machine & Equipment Repair	500	500	-	500
Pool Concession Supplies	1,900	1,900	827	1,073
Tournament Expenses	1,000	1,000	12	988
Total	\$ 49,900	\$ 49,900	\$ 36,660	\$ 13,240
Libraries				
Salaries Part Time	\$ 144,077	\$ 144,077	\$ 144,100	\$ (23)
Salaries - Regular	150,389	150,389	147,832	2,557
Retirement	33,345	33,345	32,187	1,158
Employee's Insurance	55,018	55,018	57,721	(2,703)
Workmen's Compensation	6,465	6,465	5,830	635
Vacation Sold	1,000	1,000	-	1,000
Janitorial	5,000	5,000	2,524	2,476
Data Processing	18,400	18,400	19,692	(1,292)
Office Supplies	7,000	7,000	4,291	2,709
Gas, Oil	700	700	404	296
Miscellaneous	6,500	6,500	5,226	1,274
Buildings And Grounds	22,000	22,000	13,527	8,473
Vehicle Repair	1,000	1,000	56	944
Utilities	31,000	31,000	32,451	(1,451)
Postage	800	800	380	420

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REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary	(Negative)
EXPENDITURES				
Libraries				
Travel	2,000	2,000	1,500	500
Employee Education And Training	4,200	4,200	5,274	(1,074)
Insurance - General	3,317	3,317	13,317	(10,000)
Children/Youth Programs	9,000	9,000	8,131	869
Videos	26,000	26,000	25,864	136
Photo Copy Exp	2,000	2,000	2,877	(877)
Printing, Books, Subscriptions	85,600	88,732	96,136	(7,404)
Capital Outlay	-	-	-	-
Total	<u>\$ 614,811</u>	<u>\$ 617,943</u>	<u>\$ 619,320</u>	<u>\$ (1,377)</u>
Special Events				
Christmas Parade	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,375</u>	<u>\$ (1,375)</u>
Total	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 6,375</u>	<u>\$ (1,375)</u>
Board Of Education				
Educational Foundation	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Education	<u>1,301,000</u>	<u>1,301,000</u>	<u>1,300,832</u>	<u>168</u>
Total	<u>\$ 1,303,000</u>	<u>\$ 1,303,000</u>	<u>\$ 1,302,832</u>	<u>\$ 168</u>
Debt Service				
Principal	<u>\$ 31,239</u>	<u>\$ 31,239</u>	<u>\$ 33,025</u>	<u>\$ (1,786)</u>
Interest Expense	<u>26,596</u>	<u>26,596</u>	<u>24,811</u>	<u>1,785</u>
Total	<u>\$ 57,835</u>	<u>\$ 57,835</u>	<u>\$ 57,836</u>	<u>\$ (1)</u>
Total Expenditures	<u>\$ 16,815,870</u>	<u>\$ 16,841,002</u>	<u>\$ 16,613,559</u>	<u>\$ 227,443</u>
Excess (deficiency of revenues over expenditures)	<u>\$ 2,463,932</u>	<u>\$ 2,463,932</u>	<u>\$ 2,851,706</u>	<u>\$ 387,774</u>

(continued)

REVENUES AND EXPENDITURES - BY BUDGETARY LINE ITEM - GENERAL FUND (continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive Negative
	Original	Final	(Budgetary	(Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in				
Municipal Court Fund	\$ 275,000	\$ 275,000	\$ 287,458	\$ 12,458
Half-Cent Sales Tax	-	-	-	-
Total	\$ 275,000	\$ 275,000	\$ 287,458	\$ 12,458
Transfers out				
Debt Service	\$ (1,386,008)	\$ (1,386,008)	\$ (997,428)	\$ (388,580)
Half Cent Sales Tax	(1,352,368)	(1,352,368)	(1,367,263)	\$ 14,895
Total	\$ (2,738,376)	\$ (2,738,376)	\$ (2,364,691)	\$ (373,685)
Net Transfers (out)	\$ (2,463,376)	\$ (2,463,376)	\$ (2,077,233)	\$ (361,227)
Excess Revenues (Expenditures) and other Funding Sources	\$ 556	\$ 556	\$ 774,473	\$ 26,547

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

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	<i>Special Revenue Funds</i>								Total Nonmajor Governmental Funds
	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.	City Court Correction	Municipal Court	2014 Bond Fund	2014 Construction Fund	Special Trust	
ASSETS									
Cash	\$ 417	\$ 8,455	\$ 5,822	\$ (121)	\$ 80,753	\$ 5	\$ 273,337	\$ 251,778	\$ 620,446
Interfund receivable	-	-	-	-	-	-	-	-	-
Receivables	4,791	3,888	-	-	5,602	-	-	-	14,281
TOTAL ASSETS	<u>\$ 5,208</u>	<u>\$ 12,343</u>	<u>\$ 5,822</u>	<u>\$ (121)</u>	<u>\$ 86,355</u>	<u>\$ 5</u>	<u>\$ 273,337</u>	<u>\$ 251,778</u>	<u>\$ 634,727</u>
LIABILITIES AND FUND EQUITY									
LIABILITIES:									
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ 22,262	\$ -	\$ -	\$ -	\$ 22,262
Accrued liabilities	-	-	-	-	4,573	-	-	-	4,573
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,835</u>
FUND BALANCES:									
Unreserved	\$ 5,208	\$ 12,343	\$ 5,822	\$ (121)	\$ 59,520	\$ 5	\$ 273,337	\$ 251,778	\$ 607,892
Total fund balances	<u>\$ 5,208</u>	<u>\$ 12,343</u>	<u>\$ 5,822</u>	<u>\$ (121)</u>	<u>\$ 59,520</u>	<u>\$ 5</u>	<u>\$ 273,337</u>	<u>\$ 251,778</u>	<u>\$ 607,892</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,208</u>	<u>\$ 12,343</u>	<u>\$ 5,822</u>	<u>\$ (121)</u>	<u>\$ 86,355</u>	<u>\$ 5</u>	<u>\$ 273,337</u>	<u>\$ 251,778</u>	<u>\$ 634,727</u>

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COMBINING REVENUES AND EXPENDITURES - NONMAJOR FUNDS

	Special Revenue Funds								Total Nonmajor Governmental Funds
	Seven-cent Gasoline Excise Tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.	City Court Correction	Municipal Court	2014 Bond Fund	2014 Construction Fund	Special Trust	
REVENUES									
Taxes	\$ 55,131	\$ 43,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,306
Fines, forfeitures and penalties	-	-	-	-	508,217	-	-	-	508,217
Intergovernmental	-	-	-	-	-	-	-	-	-
Investment earnings	28	25	6	8	71	67	774	600	1,579
Other revenue	-	-	113	42,872	8,323	-	-	113,818	165,126
Total revenue	\$ 55,159	\$ 43,200	\$ 119	\$ 42,880	\$ 516,611	\$ 67	\$ 774	\$ 114,418	\$ 773,228
EXPENDITURES (Current):									
General government	\$ 23,000	\$ -	\$ -	\$ 43,080	184,702	\$ 114,000	\$ 21,139	\$ 23,603	\$ 409,524
Police	-	-	-	-	-	-	-	-	-
Street	36,875	87,404	-	-	-	70,045	-	100,000	294,324
Capital outlay	-	-	-	-	-	102,900	100,000	80,800	283,700
	\$ 59,875	\$ 87,404	\$ -	\$ 43,080	\$ 184,702	\$ 286,945	\$ 121,139	\$ 204,403	\$ 987,548
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (4,716)	\$ (44,204)	\$ 119	\$ (200)	\$ 331,909	\$ (286,878)	\$ (120,365)	\$ (89,985)	\$ (214,320)
OTHER FINANCING SOURCES (USES):									
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,883	\$ 1,092,915	\$ -	\$ 1,379,798
Transfers out	-	-	-	-	(287,459)	-	(699,213)	-	(986,672)
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	\$ (287,459)	\$ 286,883	\$ 393,702	\$ -	\$ 393,126
Net change in fund balances	\$ (4,716)	\$ (44,204)	\$ 119	\$ (200)	\$ 44,450	\$ 5	\$ 273,337	\$ (89,985)	\$ 178,806
FUND BALANCE, BEGINNING OF YEAR	9,924	56,547	5,703	79	15,070	-	-	341,763	429,086
FUND BALANCE, END OF YEAR	\$ 5,208	\$ 12,343	\$ 5,822	\$ (121)	\$ 59,520	\$ 5	\$ 273,337	\$ 251,778	\$ 607,892

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

To the City Council
City of Muscle Shoals, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muscle Shoals, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Muscle Shoals, Alabama's basic financial statements, and have issued our report thereon dated May 1, 2015. Our report includes a reference to other auditors who audited the financial statements of the following component units: Muscle Shoals Electric Board, Utilities Board of the City of Muscle Shoals and the Muscle Shoals City Board of Education, as described in our report on City of Muscle Shoals, Alabama's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Leigh, King & Associates, P.C.

Leigh, King & Associates, PC
Sheffield, Alabama
May 1, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council
City of Muscle Shoals, Alabama

Report on Compliance for Each Major Federal Program

We have audited City of Muscle Shoals, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City Muscle Shoals, Alabama's major federal programs for the year ended September 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Muscle Shoals, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Muscle Shoals, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City Muscle Shoals, Alabama's compliance.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of City of Muscle Shoals, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Muscle Shoals, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Muscle Shoals, Alabama's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We found no instances which we considered to be material weakness.

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. We found no instances which we considered to be significant deficiencies.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Leigh, King & Associates, P.C.

Leigh, King & Associates, PC
Sheffield, Alabama
May 1, 2015

CITY OF MUSCLE SHOALS, ALABAMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1 . Type of auditor's report issued:

Governmental Activities

- General Fund

Unmodified

- Half Cent Sales Tax

Unmodified

- Debt Service Fund

Unmodified

2 . Internal Control over financial reporting

a. Material weaknesses identified?

No

b. Significant deficiency(ies) identified that are not
 considered to be material weaknesses?

None reported

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 weaknesses?

None reported

5 . Type of auditor's report issued on compliance for

Unqualified

6 . Any findings disclosed that are required to be

No

7 . Identification of major awards

CFDA Number

20.205

Name of Federal Program
 or Cluster

Department of HUD
 (Community Development)

8 Dollar threshold to distinguish between type A and
 type B programs:

\$ 300,000

9 . Auditee qualified as low-risk auditee?

No

CITY OF MUSCLE SHOALS, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings or questions costs related to the Federal awards.

President Pro tempore Noles announced that the next item of business was consideration of an ordinance to ratify the current ad valorem tax levies.

Council Member Pampinto introduced the following ordinance and moved for its immediate consideration:

STATE OF ALABAMA
COLBERT COUNTY

ORDINANCE NO. 1470 - 15

AN ORDINANCE TO PROVIDE FOR THE LEVY OF TAXES FOR THE MUNICIPAL TAX YEAR COMMENCING OCTOBER 1, 2015, AND FOR EACH SUCCEEDING AD VALOREM TAX YEAR THEREAFTER

BE IT ORDAINED by the City Council of the City of Muscle Shoals, Alabama ("the City"), as follows:

Section 1. That there are hereby levied upon all property and subjects of taxation liable thereof within the corporate limits of the City for the tax year beginning October 1, 2015 (for which tax year municipal taxes become due and payable on October 1, 2015), and for each succeeding ad valorem tax year:

(a) a general municipal tax of five-and-one-half tenths of one per centum (that is, 5.5 mills on each dollar or \$.55 per \$100) on the value of all taxable property situated within the corporate limits of the City, as assessed for state taxation as shown on the books of assessment for the preceding state and county tax year; the proceeds of such tax to be used for any purpose for which the City may lawfully expend funds; and

(b) a special municipal tax of seven-and-one-half-tenths of one per centum (that is, 7.5 mills on each dollar or \$.75 per \$100) on the value of all taxable property situated within the corporate limits of the City, as assessed for state taxation as shown on the books of assessment for the preceding state and county tax year; the proceeds of such tax to be used exclusively for public school purposes in the City (said tax having been authorized at elections held in the City on April 7, 1987, and April 28, 2015).

Section 2. That the Mayor or City Clerk, acting pursuant to Section 11-51-42 of the Code of Alabama 1975, as amended, shall deliver a certified copy of this Ordinance to the Revenue Commissioner of Colbert County on or before June 1, 2015.

Section 3. That this Ordinance shall become effective immediately upon its adoption, approval and publication as provided by law.

Council Member Willis seconded the motion and upon said motion being put to a vote, a roll call was had and the vote recorded as follows:

AYES: Council Member Pampinto, Council Member Willis,
Council Member Lockhart, Council Member Noles

NAYS: None

President Pro tempore Noles announced that the motion for immediate consideration was unanimously adopted. Council Member Pampinto moved that the ordinance be adopted as presented. Council Member Willis seconded the motion and upon said motion being put to a vote, a roll call was had and the vote recorded as follows:

AYES: Council Member Pampinto, Council Member Willis,
Council Member Lockhart, Council Member Noles

NAYS: None

President Pro tempore Noles announced the vote and declared that the ordinance was approved.

President Pro tempore Noles announced that the next item of business was consideration of a resolution in support of the name change of the SCOPE 310 Board.

Council Member Willis introduced the following resolution and moved for its adoption:
STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2744 - 15

WHEREAS, the City of Muscle Shoals previously passed a resolution supporting the incorporation of the Shoals Committee on Programs and Employment for the Mentally Retarded aka Shoals Cope for MR (herein after referred to as SCOPE) as a local nonprofit to serve individuals with development disabilities; and

WHEREAS, SCOPE wishes to change their legal name to SCOPE 310 Authority to remove the offensive term Mentally Retarded; and

WHEREAS, the Secretary of State of Alabama requires a resolution from governmental entities that passed resolution of the original incorporation for said name change to be approved; and

WHEREAS, the SCOPE Board of Directors wishes to take such action; now

THEREFORE, BE IT RESOLVED by the Muscle Shoals City Council that the Council concurs with the SCOPE Board of Directors desire to change their legal name to SCOPE 310 Authority.

Council Member Lockhart seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Pro tempore Noles announced that the resolution had been approved.

President Pro tempore Noles announced that the next item of business was consideration of a resolution authorizing the sale of dirt from the Brown Street pond to Robert Eaton.

Council Member Lockhart introduced the following resolution and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2745 - 15

WHEREAS, the City Council has been informed that it has a request for the purchase of dirt to be excavated from the Brown Street retention pond and the City Engineer has inspected and approved that the dirt be acquired from said location under certain conditions; and

WHEREAS, the City Council is informed that the removal of the quantity of dirt requested will not adversely affect the operation of the said retention pond; and

WHEREAS, the City Council has caused the value of the dirt to be ascertained and is informed that a fair price for the surplus dirt is \$0.50 per cubic yard; and

WHEREAS, the City Council is informed that there is no current need of the surplus dirt for future or anticipated projects at this time;

WHEREAS, the City Council has determined that the City has no current or anticipated use for said dirt and that the removal of the dirt from the Brown Street retention pond is not detrimental to the City's interests and the receipt of the funds for the purchase of the said surplus dirt is beneficial to the City;

WHEREAS, the City Council is desirous of authorizing the sale of and removal of the dirt from the Brown Street retention by Robert Eaton in its "as is, where is" location under the following conditions:

1. The material must be removed at the locations agreed upon by the City Engineer or his designee.
2. The purchaser shall pay the City \$0.50 per loose cubic yard of material removed. Measurement shall be based on counted truck loads assuming fifteen (15) cubic yards per load unless the trucks used are not standard triaxle trucks.
3. The developer/engineer shall agree upon and provide a cost estimate for the removal of the dirt and for reclamation and repair of the pond prior to the removal of the dirt.
4. The amount of material to be removed should be specified and approved by the City Engineer or his designee.
5. The purchaser shall be required to remove and reset the fence where required.
6. Final slopes after excavation of the dirt shall be no greater than 3:1
7. All disturbed areas must be covered with solid sod. Seasonal conditions may require watering by the purchaser to achieve a healthy grass cover.

8. A performance bond shall be provided to the City in the amount of the approved estimate for the work plus 10%, same to be approved by the City Engineer or his designee.
9. A maintenance bond shall be provided to the City in the amount of 5% of the approved estimate once the work is complete and shall remain in effect for one (1) year, or until the sod is established.
10. Construction should be done during the dry season in order to avoid excessive damage to the pond, and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals, Alabama that the sale of the dirt from the Brown Street retention pond to Robert Eaton on the herein contained conditions and requirements is hereby approved. The price of the surplus dirt shall be \$0.50 per cubic yard and shall be calculated per cubic yard of dirt removed from the City's Brown Street retention pond. The terms of the sale shall include that the City shall not transport or deliver the dirt but shall require the purchaser to accept the dirt in its "as is, where is" condition. The Purchaser shall be responsible for loading and transporting the dirt and shall maintain accurate records of the number of loads and amounts of dirt removed. Further terms, in addition to the requirements and conditions set out above, shall include that the quantity of dirt obtained by the Purchaser shall be limited to the quantity as may be purchased so long as the quantities purchased does not deplete, disrupt or otherwise interfere with the operation of the Brown Street retention pond. The City shall require payment of the surplus dirt based upon the calculation of the quantity of dirt removed from the City's Brown Street retention pond and said payment shall be due upon presentment of the invoice for the surplus dirt.

Council Member Pampinto seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Pro tempore Noles announced that the resolution had been approved.

President Pro tempore Noles announced that the next item of business was to change the June 1, 2015 meeting date of the Council.

Council Member Pampinto moved that the June 1, 2015 meeting date be changed to Monday, June 22, 2015 with the work session beginning at 5:30 pm and the regular meeting at 6:00 pm or upon completion of the work session, whichever is later. Council Member Willis seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.

President Pro tempore Noles announced that the motion had been approved.

President Pro tempore Noles announced that the next item of business was consideration of a request from the City Engineer to authorize the Mayor to purchase a drainage easement from the Trustee of the Family Trust under the will of Richard G. Preuit. This purchase would facilitate the completion of the Lee High Acres drainage project.

Council Member Willis moved for immediate consideration of the request which was not an agenda item. Council Member Lockhart seconded the motion and upon said motion being put to a vote, a roll call was had and the vote recorded as follows:

AYES: Council Member Pampinto, Council Member Willis,
Council Member Lockhart, Council Member Noles

NAYS: None

President Pro tempore Noles announced that the motion for immediate consideration was unanimously adopted. Council Member Willis moved that the purchase of the easement be approved as presented. Council Member Lockhart seconded the motion and upon said motion being put to a vote, a roll call was had and the vote recorded as follows:

AYES: Council Member Pampinto, Council Member Willis,
Council Member Lockhart, Council Member Noles

NAYS: None

President Pro tempore Noles announced the vote and declared that the authority to purchase the easement was approved.

Council Member Willis Pampinto announced that the Council Committee on Recreation would meet on June 22, 2015 at 4:30 pm at the City Hall conference room.

President Pro tempore Noles announced that PGM Properties, LLC had requested financial incentives under Amendment 772 (section 94.01 (a) (3) of the Constitution of Alabama 1901) for the redevelopment of properties at 501 west 6th Street in the City into a first-class retail development.

President Pro tempore Noles announced that at a public hearing to be held on Monday, June 22, 2015 at 6:00 pm the City Council will hear public comment on the granting of these incentives.

President Pro tempore Noles announced that Chick-fil-A, Inc. had requested financial incentives under Amendment 772 (section 94.01 (a) (3) of the Constitution of Alabama 1901) for the development of a restaurant at 519 West Avalon Avenue in the City.

President Pro tempore Noles announced that at a public hearing to be held on Monday, June 15, 2015 at 6:00 pm the City Council will hear public comment on the granting of these incentives.

000128

There being no further business to come before the meeting, upon the motion duly made and seconded the meeting was adjourned.

CITY OF MUSCLE SHOALS, ALABAMA
a Municipal Corporation


COUNCIL MEMBER - PLACE ONE


COUNCIL MEMBER - PLACE TWO


COUNCIL MEMBER - PLACE THREE

COUNCIL MEMBER - PLACE FOUR

COUNCIL MEMBER - PLACE FIVE

ATTEST:


CITY CLERK