

**MINUTES FROM A REGULAR MEETING OF THE
COUNCIL OF MUSCLE SHOALS, ALABAMA, HELD
September 21, 2020**

The City Council of Muscle Shoals, Alabama met at the Muscle Shoals City Hall auditorium in said City at 6:00 pm on the 21st day of September, 2020 in a regular meeting. The meeting was called to order by Allen Noles, Council President.

On roll call the following members were found to be present or absent, as indicated:

PRESENT: CHRIS HALL, TERRY MCMINN, MIKE LOCKHART,
KEN SOCKWELL, ALLEN NOLES

ABSENT: NONE

Allen Noles, Council President, 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. Ricky Williams, City Clerk, was present and kept the minutes of the meeting.

Upon motion duly made by Council Member Sockwell 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 September 8, 2020 and approved the minutes as written.

Mr. Wesley Thompson, 914 Dearborn Avenue appeared before the Council and was recognized.

Council President Noles announced that the next item of business was the presentation of the 2018-2019 Financial Audit. City Clerk-Treasurer Ricky Williams presented the report to the Council. Council President Noles asked that the minutes be spread upon the minutes of the meeting.

CITY OF MUSCLE SHOALS, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

000320

CITY OF MUSCLE SHOALS, ALABAMA
FINANCIAL STATEMENTS
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FINANCIAL SECTION



Our discussion and analysis of the City of Muscle Shoals, Alabama's (the City's) financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's financial position increased by \$ 3.7 million, or 9.23 percent.
- During the year, the City had taxes and other revenues for governmental programs that were \$ 4.2 million more than the \$ 22.7 million in expenses.
- General fund revenues were more than budget amounts by \$ 4,079,951 and expenditures of funds were \$ 2,700,133 more than budgeted expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 17-19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 2. The Statement of Financial Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net position as the difference between assets and liabilities and the change in net assets as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors should also be considered when assessing the overall health of the City. These include changes in the City's property tax base and the condition of the City's roads.



In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Sales and property taxes, franchise fees, and state and federal grants finance most of these activities.
- Component units - The City includes three separate legal entities in its report: The City of Muscle Shoals Board of Education, the City of Muscle Shoals Utility Board, and the Electric Board of the City of Muscle Shoals. Although legally separate, these component units are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 5. The fund financial statements begin on page 20 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (e.g. - the half-cent sales tax for capital projects) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on page 21.



City of Muscle Shoals, Alabama
Management Discussion and Analysis
September 30, 2019

The City's net position increased by \$ 3.71 million, from \$ 40.19 million to \$ 43.90 million. Table 1 below summarizes net assets at September 30, 2019 and September 30, 2018, respectively.

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

Total Primary Government Activities

	As of September 30,	
	2019	2018
Current and other assets	\$ 37,223	\$ 35,333
Capital assets	48,677	47,593
Total assets	85,900	82,926
Deferred outflows	4,005	1,745
Total assets and deferred outflows	89,905	84,671
Long-term debt outstanding	259	90
Other liabilities	43,014	42,531
Total liabilities	43,273	42,621
Deferred Inflows	2,732	1,862
Total liabilities and deferred inflows	\$ 46,005	\$ 44,483
Net Position		
Invested in capital assets (net of debt)	28,427	26,018
Restricted	2,149	59
Unrestricted	13,324	14,111
Total net position	\$ 43,900	\$ 40,188

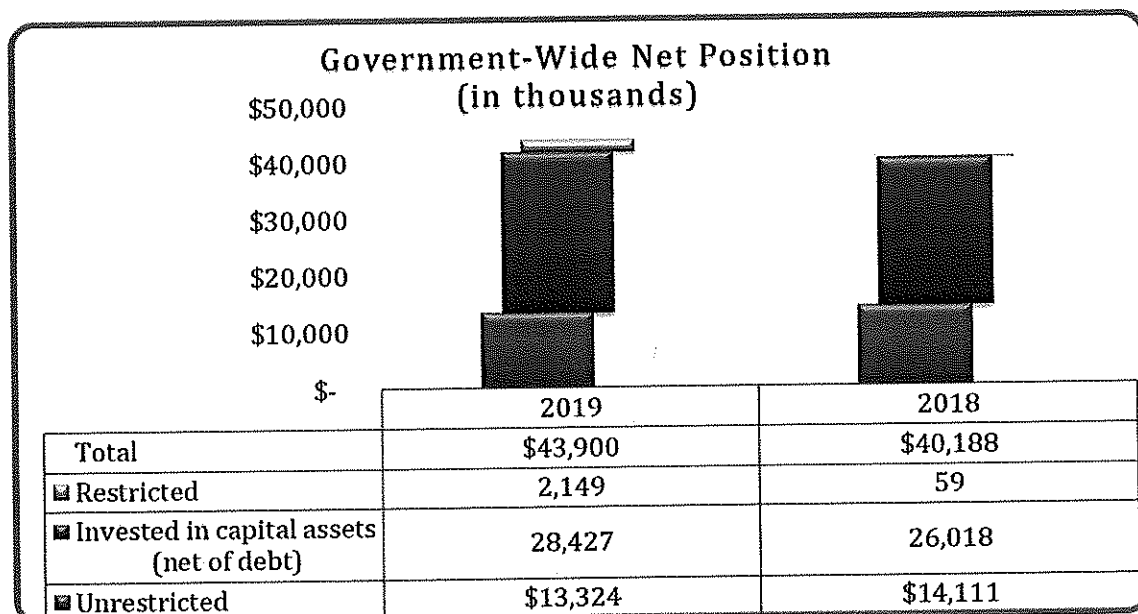




Table 2 details the change in net position for the same periods.

Table 2 - Change in Net Position (in thousands)

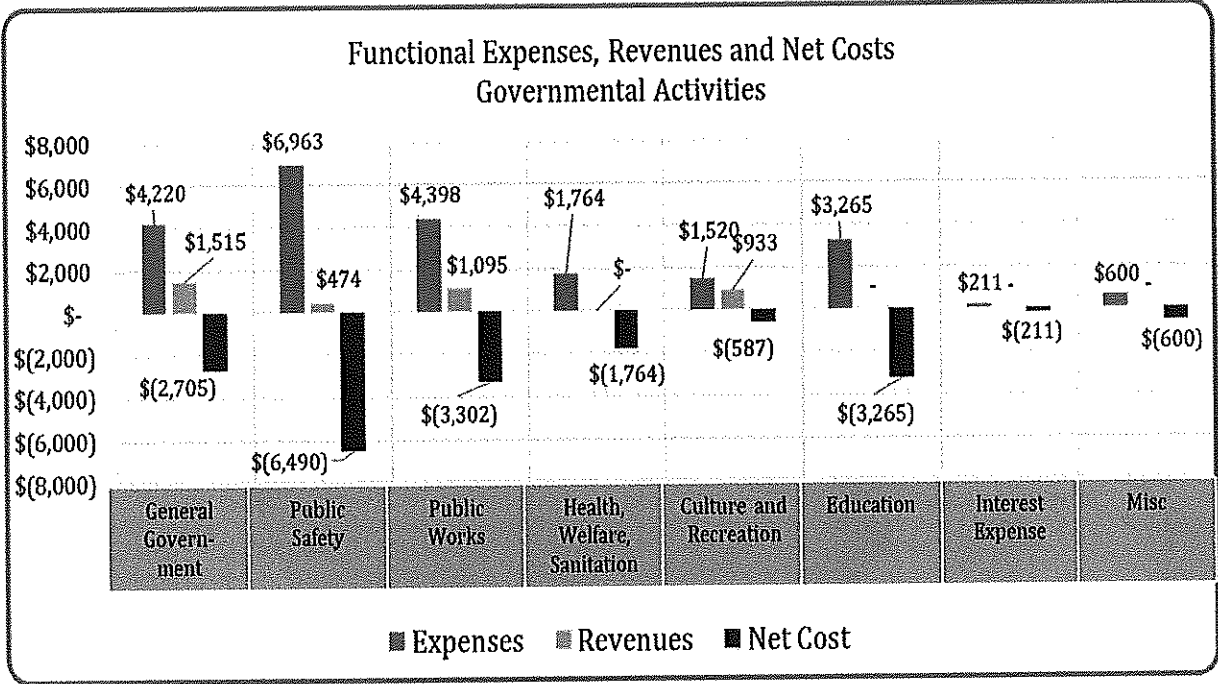
Total Primary Government Activities

	For the fiscal year ended	
	2019	2018
Program revenues		
Fees, fines and charges for services	\$ 4,040	\$ 4,031
Grants and contributions	1,095	3,889
General revenues		
Sales taxes	14,439	13,259
Advalorem taxes	1,171	1,146
Other taxes and payments in lieu of taxes	3,542	3,284
Miscellaneous	796	636
Equity in commercial entity	1,462	650
Investment Earnings	105	64
Total revenues	26,651	26,959
Program expenses		
General government	4,220	3,761
Public safety	6,963	6,927
Public works	4,398	4,942
Health, welfare and sanitation	1,764	1,651
Education	3,265	3,028
Culture and recreation	1,520	1,513
Miscellaneous	600	486
Interest on long-term debt	211	424
Total expenses	22,939	22,732
Increase in net position from operations	\$ 3,712	\$ 4,227



Governmental Activities

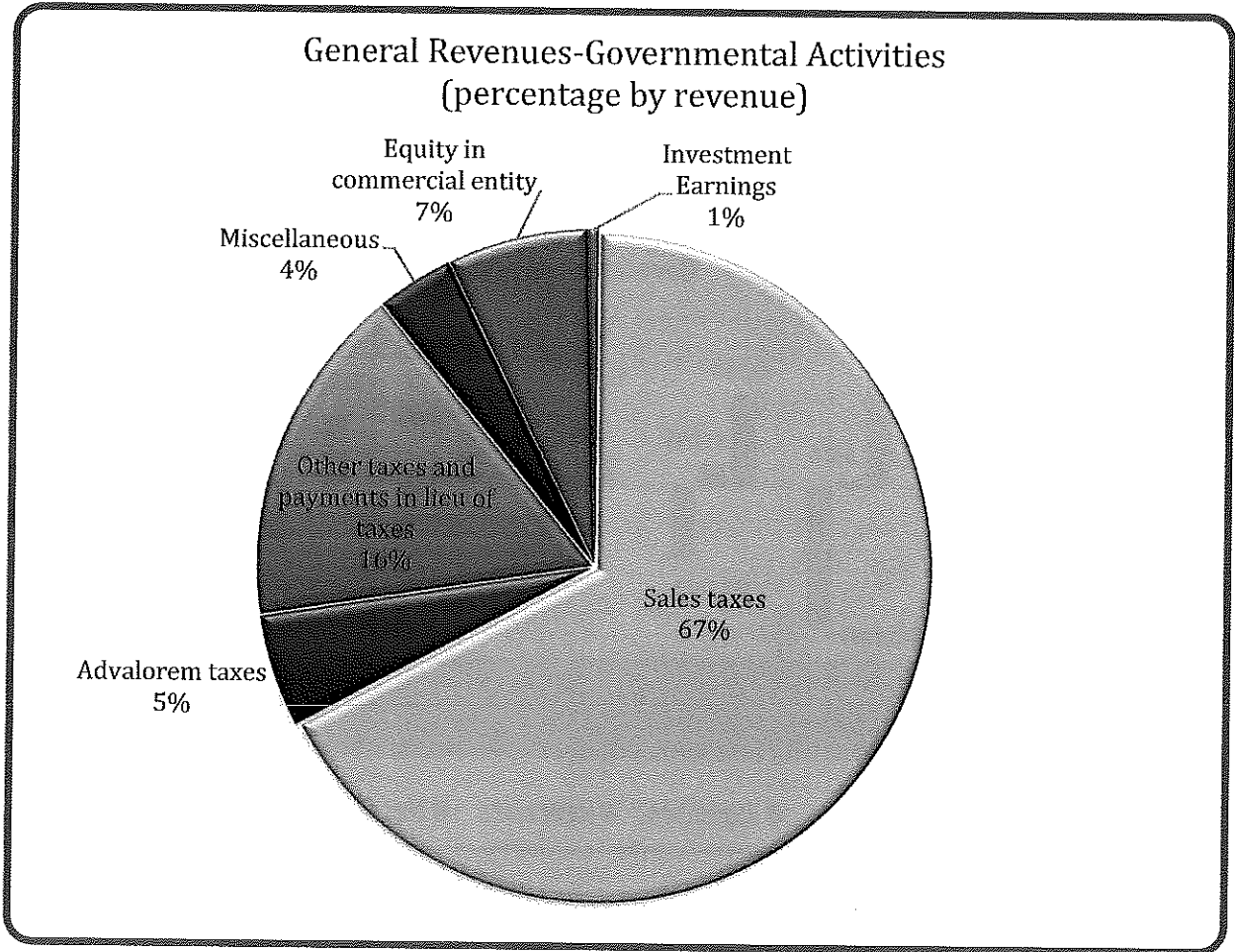
The cost of all government activities this year was \$ 22.93 million. However, as shown on the Statement of Activities on page 19, the cost ultimately financed by our taxpayers for these activities was \$ 18.92 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 4.02 million, thus reducing the burden to taxpayers.





Governmental Activities (continued)

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





Governmental Activities (continued)

Sales tax revenue has increased by \$ 3,499 thousand (32%) since fiscal year 2013, while all other tax revenue has increased by \$ 543 thousand (13%) over the same time frame. Sales tax revenue increased by \$ 1,180 thousand (9%) from fiscal 2018 to 2019.

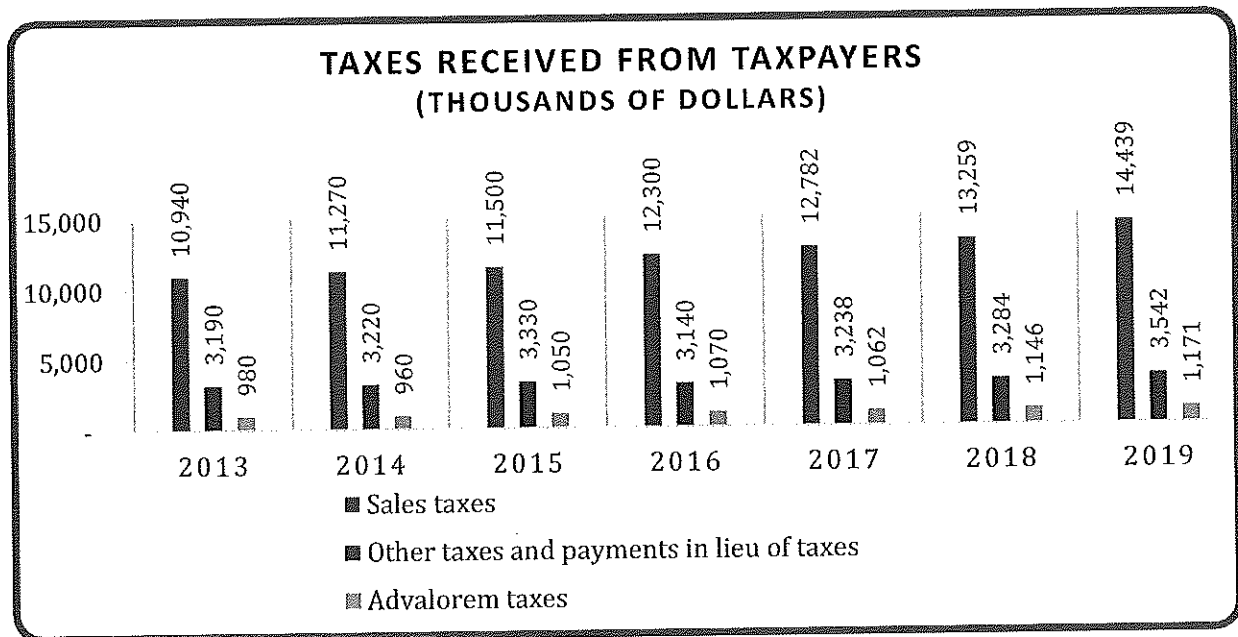


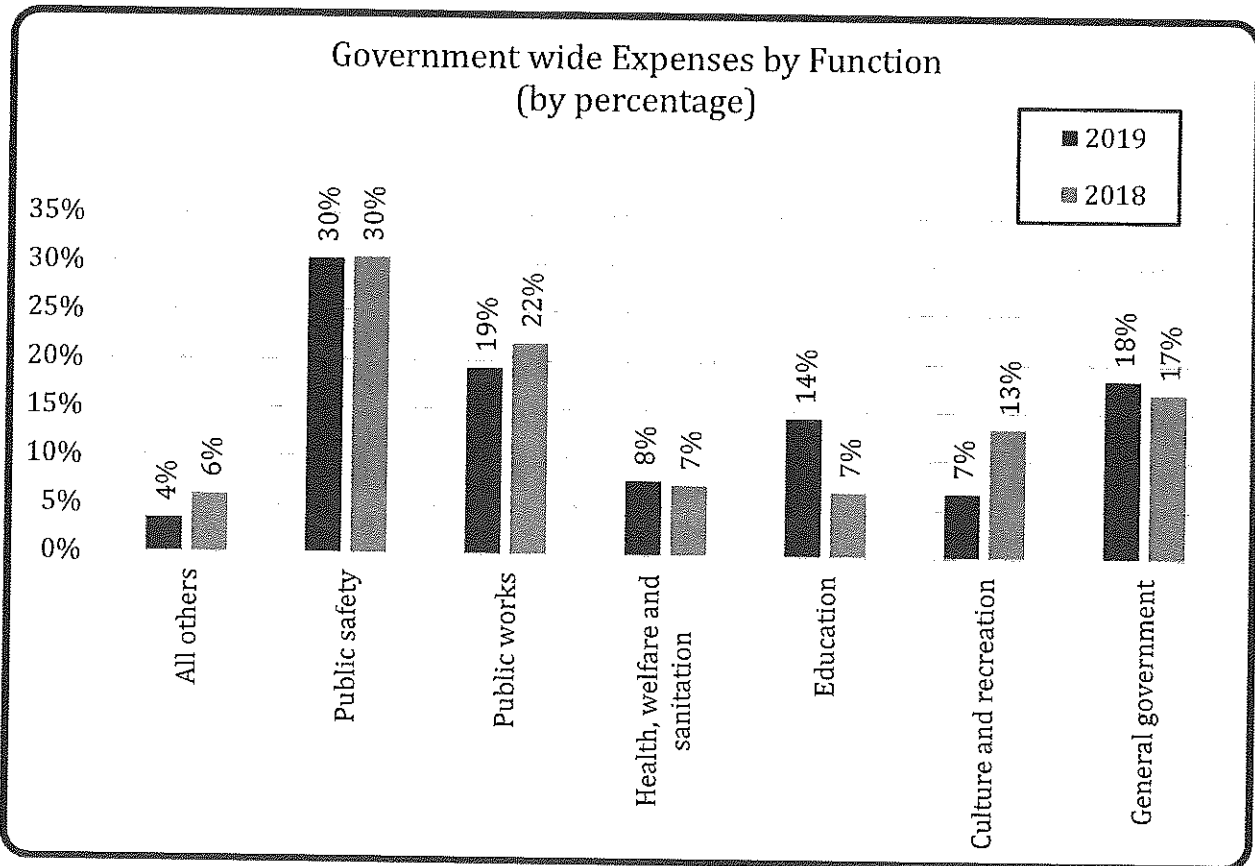
Table 3 - Total Cost of Services (in thousands)

Total Primary Government Activities

	September 30,	
	2019	2018
General government	\$ 4,220	\$ 3,761
Public safety	6,963	6,927
Public works	4,398	4,942
Health, welfare and sanitation	1,764	1,651
Education	3,265	1,513
Culture and recreation	1,520	3,029
All others	810	910
Totals	\$ 22,939	\$ 22,733



Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2019 and September 30, 2018 respectively.



THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of \$14.63 million, which increased from last year's total of \$14.29 million. The general fund balance increased by \$ 1.34 million from \$ 9.99 million to \$ 11.34 million.

General Fund Budgetary Highlights

The 2018-2019 budget was approved on November 13, 2018. It was amended on May 20, 2019 as is customary, to account for mid-year adjustments to the various department line items.

City officials continue to monitor the costs of employee health care. Health care costs of \$2.27 million represented 10.25% of general fund expenditures and were 15% more than the prior fiscal year.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City has worked extensively to develop and adequately maintain capital assets. City streets are routinely inspected for potholes, shoulder deterioration and other maintenance concerns. Prompt response to citizen complaints and an aggressive inspection program have led to better control of maintenance costs. On a regularly scheduled basis, the City resurfaces streets utilizing local and state shared gasoline tax revenues. Resurfacing costs are not capitalized.

At the end of fiscal year 2019, the City had \$48.68 million invested in a broad range of capital assets, including buildings, park facilities, roads, storm water detention and pumping facilities and police and fire equipment. (See Table 4):

Table 4 - Capital Assets at Year-End (Net of Depreciation) (in thousands)

Total Primary Government Activities

	As of September 30,	
	2019	2018
Non-depreciable		
Land	\$ 7,521	\$ 7,521
Art	79	79
Construction in progress	616	581
Depreciable		
Buildings	17,615	17,268
Infrastructure	29,224	28,794
Improvements	13,620	13,224
Equipment	15,812	14,215
Totals	84,487	81,682
Less: Accumulated depreciation	(35,810)	(33,834)
Capital assets-net	\$48,677	\$ 47,848



CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

A. There were several transportation related projects:

1. The widening of Webster Street from Avalon Avenue to 2nd Street was under construction at year end. The construction was funded with an 80% Alabama Department of Transportation (ALDOT) grant. Total costs are expected to be \$1.2 million with the city funding 20% of the costs.
2. A project to extend sidewalks along 6th Street to Woodward Avenue and Wilson Dam Road was completed during the fiscal year. The \$300,000 project was funded by an 80% ALDOT traffic enhancement grant.
3. Construction of the 6th Street intersection improvements at Wilson Dam Road were completed during the fiscal year. The \$430,000 project was funded by a grant from Alabama Industrial Access Board and the Shoals Industrial Development Committee.
4. The next phase of sidewalks will be undertaken during the 2019-2020 fiscal year. The project costs are estimated to \$516,000 with 80% funding from ALDOT. The project will impact four separate areas of the city.

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

Work commenced on the construction of an adaptive recreation ballfield in Gattman Park in May of 2019. The project was completed in October of 2019. The State of Alabama provided a \$250,000 Community Development Block Grant. Project costs are expected to be approximately \$515,000.

The extension of sanitary sewer service along South Wilson Dam was nearing completion at year's end. The project will extend sewer service from 6th Street to the south to the railroad underpass. The project costs are \$1.4 million. The costs are to be shared with the Muscle Shoals Utilities Board. The city's share (\$800,000) is being funded from proceeds of the 2018 General Obligation warrants.

Fiscal year 2019-2020 will include several storm drainage projects resulting from the February 2019 flooding. The torrential storms over North Alabama resulted in a federal disaster declaration for ten counties. Disaster response cost totaled \$620,000. Federal funds to reimburse the City were \$465,000 with the State of Alabama pledging \$77,500. The Nathan Estates subdivision experienced significant damages from the storm event with many homes flooded. In response the City undertook the installation of pump and force main capabilities to the existing detention pond to minimize future flooding. The project was nearing completion at year end. The improvement costs exceeded \$300,000.

A second drainage improvement project is also planned for the Wilson Dam Retention pond area. A number of homes experienced flooding in this area as well. The work will involve expansion of the existing pump and force main. Cost are expected to exceed \$200,000. Efforts to expand the existing pond are currently ongoing as the City explores funding options.



City of Muscle Shoals, Alabama
 Management Discussion and Analysis
 September 30, 2019

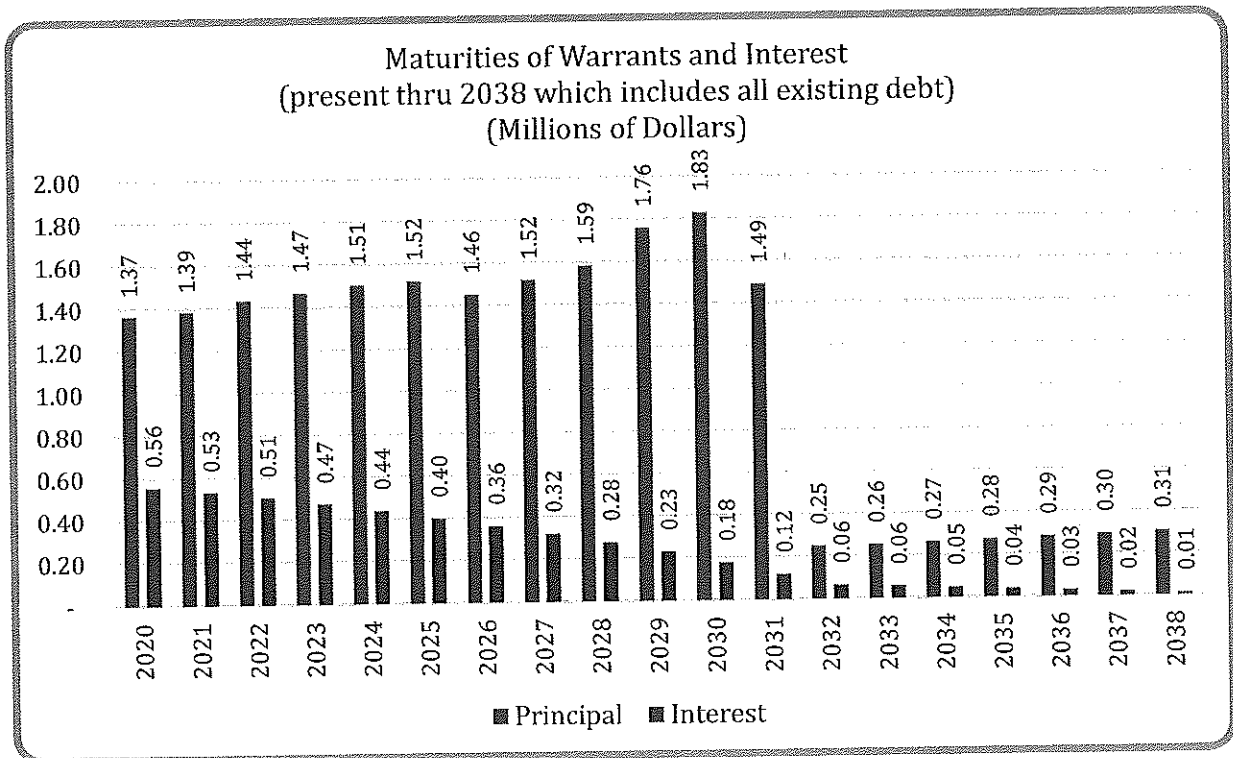
Debt

At year-end, the City had \$ 20.25 million in general obligation warrants outstanding versus \$21.58 million last year, a decrease of \$ 1.33 million. Detail is provided in the notes to financial statements.

The City of Muscle Shoals has a "AA3" rating from Moody's for general obligation debt. The Constitution of Alabama provides that cities having a population of six thousand or more may not become indebted in an amount in excess of twenty percent (20%) of the assessed value of the property situated therein. The total net assessed value of the property in the City as assessed for City taxation for the tax year which ended September 30, 2019 (including motor vehicles), is \$228.7 million. Therefore, the City's general obligation debt of \$ 20.25 million, is well below of its current debt limit of \$ 45.8 million (20% of \$228.7 million).

<u>Tax Year</u>	<u>Assessed Value</u>
2013	\$ 179,407,660
2014	\$ 193,265,420
2015	\$ 188,432,920
2016	\$ 203,902,180
2017	\$ 212,104,880
2018	\$ 218,110,220
2019	\$ 228,768,040

All debt currently outstanding will mature by fiscal 2038.





ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- **North American Lighting (NAL) expanded** operations in Shoals Research Airpark. The \$7 million expansion begun May 23rd and was completed in early 2020. The expansion includes a new stand-alone warehouse and additional manufacturing equipment. It's expected that NAL will add an additional 100 jobs to their existing 1,339-employee labor force. NAL is an industry leader in automotive headlamp manufacturing and has had a presence in Muscle Shoals since 2010.
- **Adventech, LLC** opened their new manufacturing operations in the Florence-Lauderdale Industrial Park in July of 2019. Adventech is an electric motor manufacturer that specializes in the MexEff energy efficient electric motor generators. The project is investing approximately \$2.7 million into developing, constructing and equipping the facility and is expected to add 23 new full-time positions. This is will be Adventech's flagship manufacturing facility with plans to grow into a large-scale high capacity commercial production line.
- **CRF Tech Inc. / Genus, LLC**, expanded their operations to include new high-tech machinery in the Florence-Lauderdale Industrial Park. The expansion consists of the purchase of new machinery at \$5.8 million and the addition of 10 new full-time employees. This new custom-built equipment will enable CRF Tech to rapidly produce a time-controlled release fertilizer product that may revolutionize the farming industry. Construction and installation are expected to be completed by December of 2020.
- **The Employment Growth Program (EGP)** started in 2013, during a year when the Shoals unemployment rate was as high as 8.6 percent. Up to \$75,000 from the Shoals Economic Development Fund was set aside for the program, which offers a streamlined way to provide industries with incentives from the fund. The incentive offers \$2,500 for companies that pay \$11-\$14.99 per hour, but in 2017 the committee voted to enhance it to \$4,000 for companies that pay employees \$15 an hour or more, \$5,000 for \$20-\$24.99 an hour and \$6,000 for \$25-\$29.99 an hour. Looking back on the 2019 fiscal year that concluded on Sept. 30, **The funds were dedicated to 16 local companies toward hirings that amounted to 103 jobs, at an average pay of \$16.50 per hour. A total of \$347,000 from the fund is dedicated toward those employment incentives.** The incentives are provided after a company has employed someone for at least six months. Accompanying capital investment for these new jobs amounted to nearly \$1.7 million.

Numerous other manufacturers, such AccessPoint LLC, Ally Communications, Ballman Metals, BlueCross BlueShield of AL Mycare, Consolidated Tool, FilterPro, Flanders Shoals RSC, nSide, O&A, Performance Healthcare Products, Renovation Brands, Singin' River Brewing Co., Southwire 12 For Life, Thacker Casket Manufacturing, TheTechService, and United Wood Preserving have added new employment opportunities to their operations.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Unemployment in Colbert County stood at 3.1% in October 2019, a decrease of 1.3% since 2018. The local rate of 3.1% is lower than the national rate of 3.3% and higher than the State of Alabama rate of 2.5%.

The Mayor and City Council approved a conservative 2019-2020 General Fund budget. Total anticipated revenues and other financing resources are projected at \$23.31 million, an increase from the 2018-2019 budgeted revenues and other financing resources of \$22.22 million. Budgeted expenditures and other uses of funds are expected to increase to \$23.30 million from \$22.22 million in the prior year. No new programs have been added to the 2019-2020 budget. Four new personnel positions were included in the budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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LEIGH, KING
NORTON AND
UNDERWOOD

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Muscle Shoals, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Muscle Shoals, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's primary 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements referred to above include only the primary government of the City of Muscle Shoals, Alabama, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. These primary government financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the City of Muscle Shoals, Alabama as of September 30, 2019, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the reporting entity of the City Muscle Shoals, Alabama, as of and for the year ended September 30, 2019, and our report thereon, dated September 21, 2020, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 13 and the schedule of changes in net pension liability and related ratios and schedule of employer contributions of the pension plan on pages 62-66, the schedule of funding progress and schedule of employer contributions of the other postemployment benefit plan on pages 67-68, and the budgetary comparison information on pages 69-70 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 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 71-89 and the combining and individual fund financial statements and schedules on pages 90-91, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of these financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate to the underlying accounting and other records used to prepare the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Leigh, King, Norton & Underwood, LLC

Leigh, King, Norton & Underwood, LLC
Sheffield, Alabama
September 21, 2020



	<u>Governmental Activities</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	259,035
Bonds payable	1,365,000
Accrued interest	92,737
Compensated absences	
Due in more than one year:	
Net OPEB liability	11,624,815
Bonds payable	18,885,000
Compensated absences	1,123,622
Net pension liability	9,386,776
Bonds payable-commercial	535,880
Total liabilities	<u>43,272,865</u>
Deferred Inflows of resources	
Proportionate share of Collective Deferred Inflows Related to:	
Net Pension Liability	1,693,623
Net OPEB Liability	1,038,745
	<u>2,732,368</u>
NET POSITION	
Invested in capital assets, net of related debt	28,427,016
Restricted or Committed for:	
Capital projects	2,105,099
Debt Service	2
Other purposes	43,951
Unrestricted	<u>13,323,802</u>
<u>Total net position</u>	<u>\$ 43,899,870</u>

The accompanying notes are an integral part of these financial statements



City of Muscle Shoals, Alabama
 Statement of Activities
 September 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution	
Primary government:					
Governmental Activities	\$ 4,219,538	\$ 1,514,904	\$ -	\$ -	\$ (2,704,634)
General government	6,963,169	473,515	-	-	(6,489,654)
Public safety	4,397,603	-	-	1,095,105	(3,302,498)
Public works	1,763,702	1,118,842	-	-	(644,860)
Health, welfare and sanitation	3,264,896	932,532	-	-	(2,332,364)
Culture and recreation	1,519,598	-	-	-	(1,519,598)
Education	599,589	-	-	-	(599,589)
Interest on long-term debt	210,635	-	-	-	(210,635)
Miscellaneous					
Total governmental	22,938,731	4,039,793	-	1,095,105	(17,803,833)

(continued)

	Net (Expense)
	Revenue and
	Changes in Net
	<u>Assets</u>
	<u>Primary</u>
	<u>Governmental</u>
	<u>Activities</u>
	14,439,067
	1,170,925
	718,427
	327,870
	138,841
	80,879
	446,934
	325,319
	<u>17,648,262</u>
	1,504,189
	-
	105,230
	1,462,150
	-
	<u>796,134</u>
	<u>21,515,965</u>
	3,712,133
	<u>40,187,737</u>
	<u>\$ 43,899,870</u>

General revenues:	
Taxes:	
Sales taxes	14,439,067
Advalorem	1,170,925
Gasoline	718,427
Alcohol	327,870
Tobacco	138,841
Lodging	80,879
Financial institution	446,934
Other taxes	325,319
Total taxes	<u>17,648,262</u>
Payments in lieu of taxes	1,504,189
Grants and contributions not restricted to specific purposes	-
Unrestricted investment earnings	105,230
Equity in commercial entity	1,462,150
Transfers Out - Tax equivalents	-
Miscellaneous	<u>796,134</u>
Total general revenues, special items, and transfers	<u>21,515,965</u>
Change in net position	3,712,133
Net position - beginning (as corrected)	<u>40,187,737</u>
<u>Net position - ending</u>	<u>\$ 43,899,870</u>

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
 Balance Sheet
 Governmental Funds
 September 30, 2019

	General Fund	Half-Cent Sales Tax
ASSETS		
Cash and cash equivalents	\$ 9,422,973	\$ 864,826
Accounts receivable, net	31,976	29,050
Receivable from component units	159,898	-
Receivable from other governments	1,790,715	-
Other receivables	115,409	-
Inventories	43,951	-
<i>Total assets</i>	<u>11,564,922</u>	<u>893,876</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	146,464	-
Other accrued liabilities	80,684	-
Total liabilities	<u>227,148</u>	<u>-</u>
Fund balances:		
Nonspendable:		
Inventories	43,951	-
Restricted for:		
Debt service	-	-
Capital Projects	-	-
Unassigned:	<u>11,293,823</u>	<u>893,876</u>
Total fund balance	<u>11,337,774</u>	<u>893,876</u>
<i>Total liabilities and fund balance</i>	<u>\$ 11,564,922</u>	<u>\$ 893,876</u>



2018 Warrant Sinking	Other Governmental Funds	Total Governmental Funds
\$ 1,974,765	\$ 445,741	\$ 12,708,305
-	9,858	70,884
-	-	159,898
-	883	1,791,598
-	-	115,409
-	-	43,951
<u>1,974,765</u>	<u>456,482</u>	<u>14,890,045</u>
-	16,583	163,047
-	15,304	95,988
-	31,887	259,035
-	-	43,951
-	2	2
1,974,765	130,334	2,105,099
-	294,259	12,481,958
<u>1,974,765</u>	<u>424,595</u>	<u>14,631,010</u>
<u>\$ 1,974,765</u>	<u>\$ 456,482</u>	<u>\$ 14,890,045</u>

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 September 30, 2019



Total fund balance, governmental funds	\$ 14,631,010
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	48,677,016
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position:	
Net OPEB Liability	(11,624,815)
Equity interest in joint venture	21,797,444
Deferred Outflows	
Pension Plan	1,750,362
OPEB	2,254,355
Some liabilities, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position	
Bonds payable	(20,250,000)
Accrued interest	(92,736)
Deferred inflows	
Pension Plan	(1,693,623)
OPEB	(1,038,745)
Compensated absences	(1,123,622)
Defined benefit obligation	(9,386,776)
<u>Net Position of Governmental Activities in the Statement of Net Position</u>	<u>\$ 43,899,870</u>

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance
 September 30, 2019



	General Fund	Half-Cent Sales Tax	2018 Warrant Sinking	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local taxes	\$ 18,924,191	\$ -	\$ -	\$ 108,020	\$ 19,032,211
License, permits and fees	1,514,905	-	-	473,515	1,988,420
Charges for service	1,118,843	-	-	-	1,118,843
Joint Ventures	365,000	12,637	-	100	377,737
Intergovernmental revenue	467,498	402,607	-	225,000	1,095,105
Park and recreation	932,532	-	-	-	932,532
Investment earnings	100,497	262	3,732	739	105,230
Miscellaneous	196,967	164,753	101	139,681	501,502
Total revenues	23,620,433	580,259	3,833	947,055	25,151,580
EXPENDITURES					
Current:					
General government	3,673,314	49,551	-	187,146	3,910,011
Police	3,730,517	111,481	-	15,099	3,857,097
Fire	2,507,350	6,592	-	-	2,513,942
Street	2,110,318	69,339	-	152,411	2,332,068
Storm and Sewer	543,088	138,377	-	-	681,465
Health and sanitation	1,719,534	-	-	-	1,719,534
Culture and recreation	2,723,064	10,935	23,321	46,899	2,804,219
Appropriations	80,157	-	-	-	80,157
Education	1,319,598	200,000	-	-	1,519,598
Miscellaneous	296,754	-	-	-	296,754

(continued)

EXPENDITURES (continued)

	General Fund	Half-Cent Sales Tax	2018 Warrant Sinking	Other Governmental Funds	Total Governmental Funds
Debt Service:					
Principal	37,253	-	-	1,325,000	1,362,253
Interest and other charges	20,582	-	-	583,526	604,108
Capital Outlay	147,863	1,264,967	1,180,509	577,417	3,170,756
Total expenditures	18,909,392	1,851,242	1,203,830	2,887,498	24,851,962
Excess (deficiency) of revenues over expenditures	4,711,041	(1,270,983)	(1,199,997)	(1,940,443)	299,618

OTHER FINANCING SOURCES (USES)

Proceeds from long-term debt, net	-	-	-	-	-
Proceeds from sale of assets	-	37,133	-	-	37,133
Transfers in	260,662	1,718,810	-	2,149,414	4,128,886
Transfers out	(3,627,220)	(241,004)	-	(260,662)	(4,128,886)
Total other financing sources and uses	(3,366,558)	1,514,939	-	1,888,752	37,133
Net change in fund balances	1,344,483	243,956	(1,199,997)	(51,691)	336,751
Fund balances - beginning	9,993,291	649,920	3,174,763	476,286	14,294,259
Fund balances - ending	\$ 11,337,774	\$ 893,876	\$ 1,974,766	\$ 424,595	\$ 14,631,010

The accompanying notes are an integral part of these financial statements

City of Muscle Shoals, Alabama
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of the Governmental Funds to the Statement of Activities
 September 30, 2019



Net change in fund balances - total governmental funds:	\$ 336,751
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
This is the amount by which net capital outlays \$3,059,465 exceeded depreciation \$1,975,830 in the current period.	1,083,635
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds were exceeded by repayments.	1,362,253
Pension and other postemployment benefit obligation amounts not reported in the funds:	
Decrease in Net pension obligation	540,909
Increase in OPEB Liability	(2,325,339)
Increase in Deferred inflows related to pensions	(416,753)
Increase in Deferred outflows related to pensions	22,638
Increase in Deferred inflows related to OPEB	(453,577)
Increase in Deferred outflows related to OPEB	2,236,949
Accrued interest payable is not due and payable in the current period and therefore is not reported as a liability in the balance sheets of the governmental funds.	4,517
Changes in the equity value of an investment are not receivable or payable in the current period and therefore is not reported as an asset or liability in the balance sheets of the governmental funds	1,462,150
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Increase in compensated absences	(64,570)
Other	(77,430)
<u>Change in net position of governmental activities</u>	<u>\$ 3,712,133</u>

The accompanying notes are an integral part of these financial statements



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Muscle Shoals, AL are discussed in subsequent sections of this note. The remaining notes are organized to provide explanations and include required disclosures of the City's financial activities for the fiscal year ended September 30, 2019.

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

The City has the following component units (which are not presented in these financial statements):

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

- *Net investment in capital assets* – (The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and adjusted for the balance of any deferred outflows of resources or deferred inflows of resources related to capital assets or debt).



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- *Restricted* - (The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. Restricted assets are those with constraints placed on their use that are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation).
- *Unrestricted* - (The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position).

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

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

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

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

These governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considered property taxes as available if they are collected within 60 days after year-end. A six-month availability period is used for revenue recognition for all other governmental fund revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The City reports the following major governmental funds:

- *General Fund* – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Half-cent Sales Tax* – A fund established by City ordinance to account for funds received and expended for capital projects as approved by the council.
- *2018 Warrant Sinking Fund* – This fund pays the debt of the city.

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

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

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

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

1) *Deposits and investments*

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

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2) *Receivables and payables*

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

3) *Due to/Due from*

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

4) *Inventories and prepaid items*

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

5) *Deferred outflows and inflows of resources*

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

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6) *Capital assets*

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

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

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

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

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

7) *Compensated absences*

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

9) *Equity classifications*

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

- a. *Invested in capital assets, net of related debt* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- f. Stabilization Arrangement - The City has a fund balance policy established by the City Council that requires the general fund to maintain a minimum unrestricted fund balance of 25% of ensuing year's appropriated general fund expenditures. The fund has been established for the purposes of setting aside amounts for use in specific and non-routine situations, which include certain emergency and urgent situations, giving the Mayor power to resolve any issues at hand. Utilization of these funds must be reported to the City Council at the next Council meeting. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the Financial Stabilization Account balance to the established minimum. For the current fiscal year ending September 30, 2018, the City met the minimum general fund balance policy.

11) Revenues

Sales Tax

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property taxes

Property taxes are levied and are due and payable on October 1 of each year and may be paid without penalty through December 31. All unpaid taxes on real and personal property become delinquent on January 2 of the year following the year in which the taxes were levied. Penalties, interest and late fees are assessed on all payments made after December 31. On the first Monday in April of each year a tax auction for real property is held at which a certificate is sold at auction for properties on which the taxes are delinquent.

12) *Use of estimates and reclassifications*

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

13) *Postemployment benefits*

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

14) *Pensions*

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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



2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
E. ACCOUNTING PRONOUNCEMENTS (continued)

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

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

3. BUDGETS AND BUDGETARY ACCOUNTING

Budget Development and Adoption

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

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

4. CASH AND INVESTMENTS

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



5. CASH AND INVESTMENTS (continued)

Custodial and Concentration of Credit Risk

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

6. RECEIVABLES

The City's general fund receivables from other governments consisted of the following at September 30, 2019:

Due from State of Alabama (Sales Tax)	\$ 1,263,643
Other	<u>527,072</u>
Total	<u>\$ 1,790,715</u>

7. CAPITAL ASSETS

A summary of capital assets follows:

Governmental Activities:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated</i>				
Land	\$ 7,520,574	\$ -	\$ -	\$ 7,520,574
Art	78,810	-	-	78,810
Construction in progress	580,698	1,034,634	999,248	616,084
Total assets not being depreciated	<u>8,180,083</u>	<u>1,034,634</u>	<u>999,248</u>	<u>8,215,468</u>
<i>Capital assets being depreciated</i>				
Buildings	17,268,247	352,169	5,600	17,614,816
Infrastructures	28,793,765	430,438	-	29,224,202
Land Improvements	13,223,554	396,563	-	13,620,117
Equipment	14,215,758	1,906,984	310,733	15,812,009
Total Capital assets being depreciated	73,501,324	3,086,152	316,333	76,271,144
Accumulated Depreciation	<u>(33,833,766)</u>	<u>(2,250,671)</u>	<u>(274,841)</u>	<u>(35,809,596)</u>
Total capital assets being depreciated, net	<u>39,667,558</u>	<u>835,481</u>	<u>41,492</u>	<u>40,461,548</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 47,847,641</u>	<u>\$ 1,870,115</u>	<u>\$ 1,040,740</u>	<u>\$ 48,677,016</u>

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2019



7. CAPITAL ASSETS

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

Function	Depreciation	Assets
General Government	\$ 209,093	\$ 10,481,897
Police	225,215	3,729,318
Fire	203,267	4,984,752
Public Works	552,932	21,132,799
Storm Drainage	753,732	27,311,850
Recreation	306,432	16,229,913
<i>Total depreciation expense</i>	<i>\$ 2,250,671</i>	<i>\$ 83,870,528</i>

1. LONG-TERM DEBT

The City's Debt consists of the following:

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

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

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

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

General Obligation Refunding Warrants, Series 2015-A (June 1)

On June 1, 2015 the City issued \$8,515,000 of General Obligation Refunding Warrants, Series 2015-A. These tax-exempt warrants mature from 2015 to 2030 and bear interest at rates from 1.40 to 2.08% and were issued to refund \$8,273,489 of the General Obligation Warrants, Series 2006-A Warrants dated March 1, 2006 and November 1, 2006, and pay issuance expenses of \$241,511.

General Obligation Refunding Warrants, Series 2015-B (June 1)

On June 1, 2015 the City issued \$500,000 of General Obligation Refunding Warrants, Series 2015-B. These tax-exempt warrants mature from 2015 to 2025 and bear interest at rates from 2.75 to 3.25% and were issued to refund \$421,689 of the General Obligation Warrants, Series 2006-A Warrants dated March 1, 2006 and November 1, 2006, and pay issuance expenses of \$78,311.



7. LONG-TERM DEBT (continued)

General Obligation Refunding Warrants, Series 2015-C (June 1)

On June 1, 2015 the City issued \$1,250,000 of General Obligation Refunding Warrants, Series 2015-C. These tax-exempt warrants mature from 2015 to 2031 and bear interest at rates of 3.75% and were issued to provide \$1,200,000 in Capital Improvements and pay issuance expenses of \$50,000.

General Obligation Refunding Warrants, Series 2018 (February 28)

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

The following summarizes the changes in the City's debt for the year ended September 30, 2019:

General Obligation Warrants	Beginning Balance	Increases	Reductions	Ending Balance	Current Maturities
Series 2014-A	\$ 1,330,000	\$ -	\$ 200,000	\$ 1,130,000	\$ 195,000
Series 2014-C	6,590,000	-	960,000	5,630,000	920,000
Series 2015-A	8,250,000	-	70,000	8,180,000	75,000
Series 2015-B	500,000	-	-	500,000	80,000
Series 2015-C	1,250,000	-	-	1,250,000	-
Series 2018	3,655,000	-	95,000	3,560,000	95,000
Total Warrants	\$ 21,575,000	\$ -	\$ 1,325,000	\$ 20,250,000	\$ 1,365,000

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2019



7. LONG-TERM DEBT (continued)

The total debt service (combined) for all long-term debt follows (in Thousands of Dollars):

Fiscal Year	2020	2021	2022	2023	2024	2025-2029	2030-2034	2035-2039	Totals
Series 2014-A									
Principal	\$ 195	\$ 200	\$ 205	\$ 210	\$ 220	\$ 100	\$ -	\$ -	\$ 1,130
Interest	31	27	22	16	10	3	-	-	110
Total	\$ 226	\$ 227	\$ 227	\$ 226	\$ 230	\$ 103	\$ -	\$ -	\$ 1,240
Series 2014-C									
Principal	\$ 920	\$ 935	\$ 1,050	\$ 1,075	\$ 1,100	\$ 550	\$ -	\$ -	\$ 5,630
Interest	119	105	86	64	40	14	-	-	429
Total	\$ 1,039	\$ 1,040	\$ 1,136	\$ 1,139	\$ 1,140	\$ 564	\$ -	\$ -	\$ 6,059
Series 2015-A									
Principal	\$ 75	\$ 75	\$ -	\$ -	\$ -	\$ 6,435	\$ 1,595	\$ -	\$ 8,180
Interest	239	238	236	236	236	879	51	-	2,115
Total	\$ 314	\$ 313	\$ 236	\$ 236	\$ 236	\$ 7,314	\$ 1,646	\$ -	\$ 10,295
Series 2015-B									
Principal	\$ 80	\$ 80	\$ 80	\$ 85	\$ 85	\$ 90	\$ -	\$ -	\$ 500
Interest	14	12	10	8	5	3	-	-	53
Total	\$ 94	\$ 92	\$ 90	\$ 93	\$ 90	\$ 93	\$ -	\$ -	\$ 553
Series 2015-C									
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,250	\$ -	\$ 1,250
Interest	47	47	47	47	47	234	94	-	563
Total	\$ 47	\$ 47	\$ 47	\$ 47	\$ 47	\$ 234	\$ 1,344	\$ -	\$ 1,813
Series 2018									
Principal	\$ 95	\$ 95	\$ 100	\$ 100	\$ 100	\$ 665	\$ 1,245	\$ 1,160	\$ 3,560
Interest	107	106	104	102	100	459	322	102	1,401
Total	\$ 202	\$ 201	\$ 204	\$ 202	\$ 200	\$ 1,124	\$ 1,567	\$ 1,262	\$ 4,961
Total of All Issues									
Principal	\$ 1,365	\$ 1,385	\$ 1,435	\$ 1,470	\$ 1,505	\$ 7,840	\$ 4,090	\$ 1,160	\$ 20,250
Interest	558	535	505	474	438	1,592	466	102	4,670
Total	\$ 1,923	\$ 1,920	\$ 1,940	\$ 1,944	\$ 1,943	\$ 9,432	\$ 4,556	\$ 1,262	\$ 24,920



8. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

During the year the City transferred money between funds, mostly from the general to other funds. These transfers were for several purposes such as providing funds for debt service and to provide match money to comply with the terms of grant agreements

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

Interfund transfers consisted of the following:

Fund	Transfers	
	To	From
General	\$ 260,662	\$ 3,627,220
Municipal Court	-	260,662
Debt Service	1,908,410	-
One Half-Cent Sales Tax	1,718,810	241,004
CDBG	241,004	-
	<u>\$ 4,128,886</u>	<u>\$ 4,128,886</u>

Due from Municipal Court Fund to General Fund \$11,226

9. COMMITMENTS AND CONTINGENCIES

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



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

The City of Muscle Shoals owns approximately 50 percent of the North Alabama Gas District (the Gas District) and the City of Madison, Alabama owns the remainder. The government-wide financial statements reflect the City of Muscle Shoals' equity in the Gas District, in the amount of \$21,797,444. The fund-level financial statements only report the earnings distributions received from the Gas District during the year (\$365,000). The distribution ratio is based on the percentage of gas sales in the respective areas of the two owners of the Gas District that is, the City of Muscle Shoals and the City of Madison, Alabama. The government-wide financial statements reflect an increase in the investment in the Gas District of \$ 1,462,150.

11. RELATED PARTY TRANSACTIONS

The City had the following material transactions with related parties during the year ended September 30, 2019:

Muscle Shoals Utility Board – This component unit provides water and sewer service to the City at market rates. At September 30, 2018, the Board owed the City \$ 0.

Muscle Shoals Electric Board – The Board, a component unit of the City, (a) provides electricity to the City at normal market rates, (b) collected on behalf of and remitted to the City \$ 1,049,053 of garbage revenues collected and (c) paid the City \$ 862,074 of tax equivalents. At September 30, 2019, the Electric Board owed the City a total of \$159,899. The City owed the Electric Board nothing at year-end.

Muscle Shoals Board of Education - The City appropriated \$1,317,598 to the Board of Education (a component unit) during the year. At September 30, 2019, the Board owed the City \$46,765 for miscellaneous items.

Shoals Solid Waste Disposal Authority – The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$188,521 for landfill services provided to the City. The City and the other three joint governors are charged special rates for landfill services, which are lower than that charged the public.

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



12. DEFINED BENEFIT PLAN

Plan description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, *ex officio*.
- 2) The State Treasurer, *ex officio*.
- 3) The State Personnel Director, *ex officio*
- 4) The State Director of Finance, *ex officio*.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an *ex officio* trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit.



12. DEFINED BENEFIT PLAN (continued)

Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries receiving benefits	24,818
Terminated employees entitled to, but not receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Post-DROP participants who are still in active service	141
Active members	<u>56,760</u>
Total	<u>90,999</u>

Contributions

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



12. DEFINED BENEFIT PLAN (continued)

Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the City's active employee contribution rate was 6.18% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 11.86% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2018 was 5.0% of pensionable pay for Tier 1 employees, and 6.0% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$858,112 for the year ended September 30, 2019.

City of Muscle Shoals, Alabama
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12. DEFINED BENEFIT PLAN (continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	TPL Roll-Forward		
	Expected	Actual	Actual
(a) Total Pension Liability as of September 30, 2017	\$ 33,289,668	\$ 32,791,188	\$ 32,965,129
(b) Discount rate	7.75%	7.75%	7.70%
(c) October 1, 2016 through September 30, 2017	569,288	569,288	574,647
(d) Transfers Among Employers:	-	74,096	74,096
(e) Actual benefit payments and refunds for the period October 1, 2016 through September 30, 2017	(1,905,567)	(1,905,567)	(1,905,567)
(f) Total Pension Liability as of September 30, 2017 = $[(a) \times (1+(b))] + (c) + (d) + [(e) \times (1 + 0.5 * (b))]$	\$ 34,459,498	\$ 33,996,481	\$ 34,173,256
(g) Difference between Expected and Actual:		\$ (463,017)	
(h) Less Liability Transferred for Immediate Recognition		74,096	
(i) Experience (Gain)/Loss = (g) - (h)		\$ (537,113)	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss]=			\$ 176,775

Actuarial assumptions

The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return *	7.75%
* Net of pension plan investment expense	



12. DEFINED BENEFIT PLAN (continued)

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

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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

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

* Includes assumed inflation of 2.50%

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2019



12. DEFINED BENEFIT PLAN (continued)

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	\$ 33,289,668	\$ 23,361,983	\$ 9,927,685
Changes for the year:			
Service cost	569,288	-	569,288
Interest	2,506,109	-	2,506,109
Changes of assumptions	176,775	-	176,775
Difference between expected and actual difference	(537,113)		(537,113)
Contributions - employer	-	741,572	(741,572)
Contributions - employee	-	384,931	(384,931)
Net investment income	-	2,129,465	(2,129,465)
Benefit payments, including refunds of employee contributions	(1,905,567)	(1,905,567)	-
Administrative expense		-	-
Transfers among employers	74,096	74,096	-
Net changes	883,588	1,424,497	(540,909)
Balances at September 30, 2018	\$ 34,173,256	\$ 24,786,480	\$ 9,386,776



12. DEFINED BENEFIT PLAN (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
City of Muscle Shoals' net pension liability	\$ 13,290,165	\$ 9,386,776	\$ 6,079,947

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the City recognized pension expense of \$ 932,426. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 876,512
Changes of assumptions	892,250	-
Net difference between projected and actual earnings on plan investments	-	817,111
Employer contributions subsequent to the measurement date	858,112	-
<i>Total</i>	<i>\$ 1,750,362</i>	<i>\$ 1,693,623</i>

City of Muscle Shoals, Alabama
Notes to Financial Statements
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12. DEFINED BENEFIT PLAN (continued)

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

<u>Year Ended</u> <u>September 30</u>	
2020	(77,787)
2021	(342,536)
2022	(224,188)
2023	(80,183)
2024	(59,517)
Thereafter	(17,162)

For the year ended September 30, 2019, the City recognized pension expense of \$ 687,387 as follows:

<u>PENSION EXPENSE</u>	
Service Cost	\$ 569,288
Interest on the total pension liability	2,506,109
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(85,256)
Expensed portion of current-period changes of assumptions	28,060
Member contributions	(384,931)
Projected earnings on plan investments	(1,783,236)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(69,246)
Transfers among employers	-
Recognition of beginning deferred outflows of resources as pension expense	218,686
Recognition of beginning deferred inflows of resources as pension expense	<u>(312,087)</u>
<i>Pension Expense (Income)</i>	<u>\$ 687,387</u>



12. DEFINED BENEFIT PLAN (continued)

Membership	
Retired Members or their beneficiaries currently receiving benefits	87
Vested inactive members	3
Non-vested inactive members	11
Active members	188
Post-DROP retired members still in active service	-
Total	289

13. POST-EMPLOYMENT BENEFITS

Plan Description

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

Summary of Main Plan Provisions

Eligibility for Allowance

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

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

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

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

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



13. POST-EMPLOYMENT BENEFITS (continued)

Plan Description (continued)

Amount of Allowance

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

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

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

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

Dependent Coverage

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

Representative Monthly Retiree Premium Amounts

The following is the monthly cost of dental coverage by tier. The effective date of coverage is October 1, 2019:

Retiree Only	\$ 20.06
Retiree & Spouse	\$ 61.36



13. POST-EMPLOYMENT BENEFITS (continued)

Summary of Key Actuarial Assumptions, Methods

The following information has been provided for the purpose of satisfying the disclosure requirements related to the actuarial assumptions and other inputs used in the measurement of the TOL. The complete set of actuarial assumptions and other inputs utilized in developing the TOL are outlined in Schedule C. The TOL was determined based on an actuarial valuation as of September 30, 2018, using the following key actuarial assumptions and other inputs:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.000%
Salary increases, including wage inflation	3.25% - 5.00%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	3.00%
Municipal Bond Index Rate	
Prior Measurement Date	4.18%
Measurement Date	2.66%
Year FNP is projected to be depleted	
Prior Measurement Date	2021
Measurement Date	2022
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.17%
Measurement Date	2.66%
Health Care Cost Trends Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Dental	4.00%
Vision	2.50%



13. POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions used to measure TOL (continued)

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2018 valuation were based on the actuarial experience study for the period October 1, 2010 – September 30, 2015, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 29, 2016.

The remaining actuarial assumptions (e.g., health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2018 valuation.

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

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

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



13. POST-EMPLOYMENT BENEFITS (continued)

Discount Rate (SEIR)

The discount rate used to measure the TOL as of the Measurement Date was 2.66%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of September 30, 2018. In addition to the actuarial methods and assumptions of the September 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Benefit payments are assumed to be paid out of the Trust until the Trust is depleted.
- Active employees do not explicitly contribute to the Plan.
- Cash flows occur mid-year.
- Additional contribution to the Trust were not assumed to be made.

Based on these assumptions, the Plan's FNP was projected to be depleted in 2022 and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. Here, the long-term expected rate of return of 3.00% on Plan investments was applied to periods through 2022 and the Municipal Bond Index Rate at the Measurement Date (2.66%) was applied to periods on and after 2022, resulting in an SEIR at the Measurement Date (2.66%). There was a change in the discount rate from 3.57% at the Prior Measurement Date to 4.17% at the Measurement Date.

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

Sensitivity of the Net OPEB Liability to Health Care Cost Trend Rates

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

	Health Care Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 10,029,512	\$ 11,624,815	\$ 13,533,490

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2019



13. POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Net OPEB Liability to Discount Rates

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 2.66%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Net OPEB Liability	\$ 13,021,722	\$ 11,624,815	\$ 10,373,293

Change in Net OPEB Liability (NOL)

The following table shows the development of the TOL, FNP and NOL from the prior measurement date to the current measurement date.

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (c)
Balance as of September 30, 2018	\$ 10,571,129	\$ 1,271,653	\$ 9,299,476
Changes for the year:			
Service Cost at the end of the year *	406,689	-	406,689
Interest on TOL and Cash Flows	432,188	-	432,188
Change in benefit terms	-	-	-
Difference between expected and actual experience	(616,399)	-	(616,399)
Changes of assumptions or other inputs	2,548,538	-	2,548,538
Contributions - employer	-	418,091	(418,091)
Contributions - non-employer	-	-	-
Net investment income	-	27,586	(27,586)
Net Benefit payments	(418,091)	(418,091)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	2,352,925	27,586	2,325,339
Balance as of September 30, 2019	\$ 12,924,054	\$ 1,299,239	\$ 11,624,815

* The service cost includes interest for the year.

There are no changes in benefit terms since the Prior Measurement Date.



13. POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability (NOL) (continued)

Changes in assumptions include: incorporating a life insurance retention load, change in discount rate, and change in medical trend.

Deferred Inflows of Resources and Deferred Outflows of Resources

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of September 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 546,602
Changes of assumptions or other inputs	2,229,572	492,143
Net difference between projected and actual earnings on plan investments	<u>24,783</u>	<u>-</u>
	<u>\$ 2,254,355</u>	<u>\$ 1,038,745</u>

Deferred Inflows of Resources were displayed as negative amounts in prior valuation reports.

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

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

<u>Measurement Period</u>	
<u>Ended September 30:</u>	
2020	\$ 163,446
2021	\$ 163,446
2022	\$ 163,448
2023	\$ 159,019
2024	\$ 156,144
Thereafter	\$ 410,107

City of Muscle Shoals, Alabama
Notes to Financial Statements
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13. POST-EMPLOYMENT BENEFITS (continued)

OPEB Expense

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

Investment Earnings (Gain) Loss:

a) Expected asset return rate	3.30%
b) Beginning of year market value of assets	\$ 1,271,653
c) End of year market value of assets	1,299,239
d) Expected return on beginning assets for plan year	41,965
e) External cash flow (mid-year payments assumed):	
Contributions - employer *	418,091
Contributions - active member	-
Refunds of contributions	-
Benefit payments	(418,091)
Administrative expenses	-
Other	-
Total external cash flow	-
f) Expected return on external cash flow	-
g) Projected earnings for plan year (d+f)	41,965
h) Net investment income (c-b-e)	27,586
i) Investment earnings (gain) loss (g-h)	<u>\$ 14,379</u>

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

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2019



13. POST-EMPLOYMENT BENEFITS (continued)

OPEB Expense (continued)

The calculation of the OPEB Expense (OE) for the year ended September 30, 2019 is shown in the following table:

Service Cost at end of year *	\$ 406,689
Interest on the Total OPEB Liability and Cash Flow	432,188
Current-period benefit changes	-
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(77,146)
Expensed portion of current-period changes of assumptions or other inputs	318,966
Active member contributions	-
Projected earnings on plan investments	(41,965)
Expensed portion of current-period differences between actual and projected earnings on plan investments	2,876
Administrative Costs**	-
Other	-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	4,426
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	(85,676)
OPEB Expense	<u>\$ 960,358</u>

* The service cost includes interest for the year.

**Administrative costs are based on the fees paid from the Trust and any additional cost paid as reported outside the Trust.

***Deferred Inflows are negative because they lower the OPEB expense.

Plan Membership Information

The Plan's membership data was furnished by the City of Muscle Shoals for valuation purposes as of September 30, 2018. The following table summarizes the membership of the Plan as of the September 30, 2018 Valuation Date.

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2019



13. POST-EMPLOYMENT BENEFITS (continued)

Plan Membership Information (continued)

Membership as of September 30, 2018	
Inactive Employees or Beneficiaries Currently Receiving Benefits	67
Inactive Members Entitled To But Not Yet Receiving Benefits	-
Active Employees	145
Total Membership	212

Methods and assumptions used in calculations of Actuarially Determined Contributions

The Actuarially Determined Contribution (ADC) amount in the Schedule of Employer Contributions (Schedule A) is calculated with each biennial actuarial valuation. The actuarial methods and assumptions from the actuarial reports as of September 30, 2018 and prior years were used to determine the contribution amount reported in the schedule. Please refer the actuarial report as of September 30, 2018 for details related to the assumptions and methods used in the most recent ADC determination.

Actuarially Determined Contribution (ADC)

The following is the ADC based upon an actuarial valuation dated September 30, 2018. Based on the 3.00% assumed Long-term Investment Rate of Return, the valuation shows an Accrued Liability of \$11,920,874. Against this, the plan had \$1,271,653 in assets. When this amount is deducted from the Accrued Liability, there remains \$10,649,221 as the Unfunded Accrued Liability for the Plan. The Unfunded Accrued Liability Amortization Payment in the following ADC was calculated using a 28-year amortization period with level dollar payments. The amortization period will decrease each year. Please see Schedule C, Schedule D, and Schedule F for the complete set of assumptions, methods and plan provisions utilized in developing the ADC applicable for the fiscal years ending September 30, 2020 and September 30, 2021.

Actuarially Determined Contribution For Fiscal Years Ending September 30, 2020 and September 30, 2021	
Contribution Component	Dollar Amount
Normal Cost	\$ 476,820
Administrative Fees	-
Unfunded Accrued Liability Amortization Payment	551,001
Total Contribution	\$ 1,027,821



14. RISK MANAGEMENT

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

15. COMMERCIAL ENTITY TRANSACTIONS

In January 2011, the City took several steps to bring a restaurant entity to a site within the City. The City issued taxable warrants, using the proceeds to purchase and renovate a building formerly occupied by another business.

The building has been leased to the entity with the rental rate set at an amount equivalent to that needed to pay the principal and interest on the warrants over a 20-year term. To further incentivize the entity to locate in Muscle Shoals, the lease payments will be reduced by an amount equal to 50% of the sales tax generated by the business.

In substance the City of Muscle Shoals has merely facilitated the installment purchase of the property by the entity. The lease agreement has all of the characteristics of an installment sale. The lease is non-cancellable and contains a bargain purchase option. After the required lease payments have been made, the entity can purchase the property for \$500.

Accordingly, on the government-wide statements, the City of Muscle Shoals showed a liability for the unpaid balance of the warrants and a corresponding receivable from the entity. The fund level statements show the loan principal and interest payments as current expenditures and the lease payments received from the entity as current income. The balance owed on the Warrants at September 30, 2018 was \$572,314.

15. COMMERCIAL ENTITY TRANSACTIONS

The Warrants dated January 19, 2011 in the amount of \$800,000 issued to a local bank bears interest at the rate of 3.8% per annum and matures on January 19, 2031. The service requirements on the Warrant are as follows:

FYE	Principal	Interest	Total
September 30,			
2020	\$ 42,904	\$ 14,931	\$ 57,835
2021	41,307	16,528	57,835
2022	39,687	18,148	57,835
2023	38,151	19,684	57,835
2024	36,865	20,970	57,835
Thereafter	336,965	51,026	387,991
Total	<u>\$ 535,880</u>	<u>\$ 141,288</u>	<u>\$ 677,168</u>

City of Muscle Shoals, Alabama
Notes to Financial Statements
September 30, 2019



17. HEALTH CARE PROGRAM

The City provides healthcare for its employees and their dependents. The policy of the City is to self-insure the Health Care Program. At September 30, 2019 the City was self-insured with a third-party reinsurer providing coverage for claims per individual exceeding \$115,000 annually. The City does not have reinsurance coverage for group aggregate claims.

The actual expense for the healthcare coverage was as follows:

Fiscal year Ended	
<u>September</u>	
2014	\$1,915,400
2015	\$1,911,444
2016	\$2,048,223
2017	\$2,104,480
2018	\$1,916,899
2019	\$2,332,868

16. TAX ABATEMENTS

The City of Muscle Shoals negotiates Amendment 772 sales tax abatements on an individual basis. The City had three abatement agreements with three entities during fiscal year 2019:

<u>Project Description</u>	<u>% of Taxes Abated</u>	<u>Amount of Taxes Abated</u>
Restaurant chain constructed a new facility	50%	\$6,414
Restaurant chain constructed a new facility	50%	46,759
Restaurant chain located in an existing building	50%	43,173
	TOTAL	<u>\$96,346</u>

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

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

City of Muscle Shoals, Alabama
Notes to Financial Statements
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16. TAX ABATEMENTS (continued)

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

<u>Project Description, Abated</u>	<u>Millage Abated</u>	<u>Amount of Taxes Abated</u>
Automotive accessories manufacturing expansion	5.5	\$113,641
Incoming Call Center	5.5	538
Manufacturing - Shoals Research Airpark	5.5	1,038
Manufacturing - Shoals Research Airpark	5.5	<u>6,749</u>
	TOTAL	<u>\$121,966</u>

17. EVALUATION OF SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City evaluated its activity through September 21, 2020. There were no events which require disclosure.

000387

REQUIRED SUPPLEMENTARY INFORMATION

000388

City of Muscle Shoals, Alabama
 Required Supplementary Information
 September 30, 2019

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2018
TOTAL PENSION LIABILITY	
Service Cost	\$ 569,288
Interest	2,506,109
Changes of benefit terms	-
Differences between expected and actual experience	(537,113)
Changes of assumptions	176,775
Benefit payments, including refunds of employee contributions	(1,905,567)
Transfers among employers	74,096
<i>Net Change in total pension liability</i>	<i>883,588</i>
<i>Total pension liability - beginning</i>	<i>33,289,668</i>
<i>Total pension liability - ending (a)</i>	<i>\$ 34,173,256</i>
PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 741,572
Contributions - member	384,931
Net investment income	2,129,465
Benefit payments, including refunds of employee contributions	(1,905,567)
Transfer among employees	74,096
<i>Net Change in plan fiduciary net position</i>	<i>1,424,497</i>
<i>Plan net position - beginning</i>	<i>23,361,983</i>
<i>Plan net position - ending (b)</i>	<i>\$ 24,786,480</i>
Net pension liability (asset) - ending (a) - (b)	\$ 9,386,776
Plan fiduciary net position as a percentage of the total pension liability	72.53%
Covered employee payroll *	\$ 6,770,429
Net pension liability (asset) as a percentage of covered employee payroll	138.64%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2019 the measurement period is October 1, 2017 - September 30, 2018. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll for FY 2017.

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



2017	2016	2015	2014
\$ 605,208	\$ 570,188	\$ 552,760	\$ 545,427
2,422,801	2,319,060	2,236,690	2,141,482
-	-	-	-
(30,197)	(585,123)	(261,810)	-
-	1,399,593	-	-
(1,591,452)	(1,511,146)	(1,484,876)	(1,508,755)
(174,365)	121,278	-	-
1,231,995	2,313,850	1,042,764	1,178,154
32,057,673	29,743,823	28,701,059	27,522,905
\$ 33,289,668	\$ 32,057,673	\$ 29,743,823	\$ 28,701,059
\$ 814,786	\$ 848,920	\$ 753,105	\$ 742,144
377,436	379,502	361,847	353,105
2,684,304	1,971,680	230,487	2,131,301
(1,591,452)	(1,511,146)	(1,484,876)	(1,508,755)
(174,365)	121,278	(64,560)	(84,906)
2,110,709	1,810,234	(203,997)	1,632,889
21,251,274	19,441,040	19,645,037	18,012,148
\$ 23,361,983	\$ 21,251,274	\$ 19,441,040	\$ 19,645,037
\$ 9,927,685	\$ 10,806,399	\$ 10,302,783	\$ 9,056,022
70.18%	66.29%	65.36%	68.45%
\$ 6,707,019	\$ 6,790,034	\$ 6,439,111	\$ 6,391,870
148.02%	159.15%	160.00%	141.68%

City of Muscle Shoals, Alabama
 Required Supplementary Information
 September 30, 2019



SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 858,112	\$ 765,503	\$ 794,653	\$ 873,998	\$ 742,144
Contributions in relation to the actuarially determined contribution *	858,112	765,503	794,653	873,998	742,144
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll **	\$7,238,107	\$6,770,429	\$6,707,019	\$6,790,034	\$6,439,111
Contributions as a percentage of covered employee payroll	11.86%	11.31%	11.85%	12.87%	11.53%

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds of error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.

** Employer's covered payroll during fiscal year is the total covered payroll for the 12-month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.3 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

City of Muscle Shoals, Alabama
 Required Supplementary Information
 September 30, 2019



Membership

Retired Members or their beneficiaries currently receiving benefits	87
Vested inactive members	3
Non-vested inactive members	11
Active members	188
Post-DROP retired members still in active service	-
Total	289

FUNDING PROGRESS (in thousands of dollars)

Actuarial Valuation Date (9/30)		Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Pctg of Covered Payroll ((b-a) / c)
2013	4	\$ 17,189	\$ 26,480	\$ 9,291	64.9%	\$ 6,294	147.6%
2014		18,460	27,737	9,277	66.6%	6,439	144.1%
2015		19,663	28,801	9,138	68.3%	6,551	139.5%
2016	3	21,217	31,698	10,481	66.9%	6,948	150.8%
2017	3	22,669	32,792	10,123	69.1%	6,558	154.4%
2018	3	23,985	34,472	10,487	69.6%	7,199	145.7%
2018	2,3	23,985	34,499	10,514	69.5%	7,199	146.0%

- 1-Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- 2-Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
- 3-Reflects changes in actuarial assumptions.
- 4-Reflects 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, 2018 was \$ 24,786,480.



NOTE TO SCHEDULE OF FUNDING PROGRESS

Required Employer Contribution Rates (Effective October 1, 2020)

	Retain Current Member Contribution Rates	Elect to Increase Member Contribution Rate Under Act 2011-676
Tier 1 Employees (applies to all members hired before January 1, 2013)		
Normal cost	3.28%	0.81%
Accrued liability	9.05%	9.07%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	0.35%	0.35%
Total	12.70%	10.25%
5% employer contribution factor (12.70% / 5%)	2.540000	
6% employer contribution factor (12.7% / 6%)	2.116666	
7.5% employer contribution factor (10.25% / 7.5%)		1.366666
8.5% employer contribution factor (10.25% / 8.5%)		1.205882
Tier 2 Employees (applies to all members hired on or after January 1, 2013)		
Normal cost	0.16%	
Accrued liability	9.05%	
Pre-retirement death benefit	0.02%	
Administrative expense	0.35%	
Total	9.58%	
6% employer contribution factor (9.58% / 6%)	1.596666	
7% employer contribution factor (9.58% / 7%)	1.368571	
Valuation date	9/30/2018	
Actuarial cost method	Entry Age	
Amortization method	Level percent closed	
Remaining amortization method	27.2 years	
Asset valuation method	5-year smoothed market	
Actuarial assumptions:		
Investment rate of return**	7.70%	
Projected salary increases**	3.25-5.00%	
** (includes inflation at)	3.0000%	
Cost-of-living adjustments	None	



City of Muscle Shoals, Alabama
 Required Supplementary Information
 September 30, 2019

DEFINED BENEFIT PLAN (NOTES TO REQUIRED SUPPLEMENTARY INFORMATION)

Collective Deferred Outflows and Inflows

Collective Deferred Outflows and Inflows between Expected and Actual Experience

Year	Beginning Balance				Amounts				Ending Balance		
	Initial Balance of Losses/Deferred Outflow	Initial Balance of Gains/Deferred Inflow	Amortization Period	Deferred Outflows (a)	Deferred Inflows (b)	Losses/Deferred Outflows (c)	Gains/Deferred Inflows (d)	Recog in Pension Expense/Deferred Outflow (e)	Recog in Pension Expense/Deferred Inflow (f)	Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2018	\$ -	\$ 537,113	6.3	\$ -	\$ -	\$ -	\$ 537,113	\$ -	\$ 85,256	\$ -	\$ 451,857
2017	-	341,826	6.5	-	25,551	-	-	-	4,646	-	20,905
2016	-	585,123	6.4	-	402,273	-	-	-	91,425	-	310,848
2015	-	261,810	6.2	-	135,129	-	-	-	42,227	-	92,902
Total	-	-	-	\$ -	\$ 562,953	\$ -	\$ 537,113	\$ -	\$ -	\$ -	\$ 876,512

Collective Deferred Outflows and Inflows for Differences from Assumption Changes

Year	Beginning Balance				Amounts				Ending Balance		
	Initial Balance of Losses/Deferred Outflow	Initial Balance of Gains/Deferred Inflow	Amortization Period	Deferred Outflows (a)	Deferred Inflows (b)	Losses/Deferred Outflows (c)	Gains/Deferred Inflows (d)	Recog in Pension Expense/Deferred Outflow (e)	Recog in Pension Expense/Deferred Inflow (f)	Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2018	\$ 176,775	\$ -	6.3	\$ -	\$ -	\$ 176,775	\$ -	\$ 28,060	\$ -	\$ 148,715	\$ -
2017	-	-	6.5	-	-	-	-	-	-	-	-
2016	1,399,593	-	6.4	962,221	-	-	-	218,686	-	743,535	-
2015	-	-	6.2	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	-	\$ 962,221	\$ -	\$ 176,775	\$ -	\$ 28,060	\$ -	\$ 892,250	\$ -



City of Muscle Shoals, Alabama
 Required Supplementary Information
 September 30, 2019

DEFINED BENEFIT PLAN (NOTES TO REQUIRED SUPPLEMENTARY INFORMATION)

Collective Deferred Outflows and Inflows (continued)

Collective Deferred Outflows and Inflows for Differences in Investment Experience

Year	Beginning Balance				Amounts						Ending Balance
	Initial Balance of Losses/Deferred Outflow	Initial Balance of Gains/Deferred Inflow	Amortization Period	Deferred Outflows (a)	Deferred Inflows (b)	Losses/Deferred Outflows (c)	Gains/Deferred Inflows (d)	Expense/Deferred Outflow (e)	Expense/Deferred Inflow (f)	Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2018	\$ -	\$ 346,229	5.0	\$ -	\$ -	\$ -	\$ 346,229	\$ -	\$ 69,246	\$ -	\$ 276,983
2017	-	1,059,557	5.0	-	847,646	-	-	-	211,911	-	635,735
2016	-	422,855	5.0	-	253,713	-	-	-	84,571	-	169,142
2015	1,323,737	-	5.0	529,496	-	-	-	264,747	-	264,749	-
2014	-	710,266	5.0	-	142,054	-	-	-	142,054	-	-
Total	\$ -	\$ 2,539,907		\$ 529,496	\$ 1,243,413	\$ -	\$ 346,229	\$ -	\$ 0	\$ 264,749	\$ 1,081,860

Net difference between projected and actual earnings on investments \$ - \$ 817,111

Summary of Deferred Outflows and Inflows of Resources

Amortization Year	Actual and Expected Difference			Assumption Changes			Investment Gains/Losses			Total
	2015	2016	2017	2018	2016	2015	2016	2017	2018	
2020	\$ (42,227)	\$ (91,425)	\$ (4,646)	\$ (85,256)	\$ 218,686	\$ 264,749	\$ (84,571)	\$ (211,911)	\$ (69,246)	\$ (77,787)
2021	(42,227)	(91,425)	(4,646)	(85,256)	218,686	-	(84,571)	(211,911)	(69,246)	(342,536)
2022	(8,448)	(91,425)	(4,646)	(85,256)	218,686	-	-	(211,913)	(69,246)	(224,188)
2023	-	(36,573)	(4,646)	(85,256)	87,477	-	-	-	(69,245)	(80,183)
2024	-	-	(2,321)	(85,256)	-	-	-	-	-	(59,517)
Thereafter	-	-	-	(25,577)	-	-	-	-	-	(17,162)
Total	\$ (92,902)	\$ (310,848)	\$ (20,905)	\$ (451,857)	\$ 743,535	\$ 264,749	\$ (169,142)	\$ (635,735)	\$ (276,983)	\$ (801,373)

City of Muscle Shoals, Alabama
 Required Supplementary Information
 September 30, 2019



The following information is regarding the Other Pensions and Benefits Obligations (OPEB) of the City and was determined as part of the actuarial valuation at September 30, 2019.

Schedule of Changes in Net OPEB Liability

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

Fiscal Year Ending September 30	2019	2018	2017
Total OPEB Liability			
Service Cost at end of year	\$ 406,689	\$ 449,905	\$ 495,489
Interest on the Total OPEB Liability	432,188	376,698	317,461
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(616,399)	(9,871)	-
Changes of assumptions or other inputs	2,548,538	(660,973)	(740,397)
Benefit payments*	(418,091)	(270,205)	(443,468)
Net change in Total OPEB Liability	2,352,925	(114,446)	(370,915)
Total OPEB Liability - beginning	\$ 10,571,129	\$ 10,685,675	\$ 11,056,590
Total OPEB Liability - ending (a)	\$ 12,924,054	\$ 10,571,129	\$ 10,685,675
Plan Fiduciary Net Position			
Contributions - employer **	\$418,091	\$270,205	\$443,468
Contributions - non-employer	-	-	-
Contributions - active member	-	-	-
Net investment income	27,586	19,199	9,888
Benefit payments*	(418,091)	(270,205)	(443,468)
Administrative expense	-	-	-
Other	-	-	-
Net change in Plan Fiduciary Net	27,586	19,199	9,888
Plan Fiduciary Net Position - beginning	1,271,653	1,252,454	1,242,566
Plan Fiduciary Net Position - ending (b)	1,299,239	1,271,653	1,252,454
Net OPEB Liability - ending (a) - (b)	\$ 11,624,815	\$ 9,299,476	\$ 9,433,221

* The benefit payments shown above include the implicit subsidy, if any, for the year. Net benefit payments paid outside the trust are also included.

** Employer contributions include benefit payments and administrative expenses paid outside the Trust.



Other Pensions and Benefits Obligations (OPEB) (continued)

Schedule of the Net OPEB Liability

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

SCHEDULE OF THE NET OPEB LIABILITY			
Fiscal Year Ending September 30	2019	2018	2017
Total OPEB Liability	\$ 12,924,054	\$ 10,571,129	\$ 10,685,675
Plan Fiduciary Net Position	1,299,239	1,271,653	1,252,454
Net OPEB Liability	\$ 11,624,815	\$ 9,299,476	\$ 9,433,221
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	10.05%	12.03%	11.72%
Covered Payroll*	\$ 6,569,295	\$ 6,569,295	\$ 6,569,295
Net OPEB Liability as a percentage of covered payroll	176.96%	141.56%	143.60%

Schedule of Employer Contributions

SCHEDULE OF EMPLOYER CONTRIBUTIONS			
Fiscal Year Ending September 30	2019	2018	2017
Actuarially Determined Contribution	\$ 926,455	\$ 926,455	\$ 388,749
Contributions in relation to the Actuarially Determined Contribution	418,091	270,205	443,468
Annual contribution deficiency (excess)	\$ 508,364	\$ 656,250	\$ (54,719)
Covered payroll*	\$ 6,408,913	\$ 6,569,295	\$ 6,569,295
Actual contributions as a percentage of covered payroll	6.52%	4.11%	6.75%

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

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 For the Year Ended September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE- BEGINNING	\$ 9,993,291	\$ 9,993,291	\$ 9,993,291	\$ -
RESOURCES (INFLOWS):				
Local taxes	17,338,500	17,335,500	18,924,191	1,588,691
License, permits and fees	1,440,000	1,390,668	1,514,905	124,237
Charges for service	1,084,600	1,087,600	1,118,843	31,243
Joint Ventures	330,000	330,000	365,000	35,000
Intergovernmental revenue	39,200	403,462	467,498	64,036
Park and recreation	1,140,600	1,140,900	932,532	(208,368)
Investment earnings	45,000	45,000	100,497	55,497
Miscellaneous	120,180	210,328	196,967	(13,361)
<i>Total resources (inflows)</i>	<u>21,538,080</u>	<u>21,943,458</u>	<u>23,620,433</u>	<u>1,676,975</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	<u>31,531,371</u>	<u>31,936,749</u>	<u>33,613,724</u>	<u>1,676,975</u>
EXPENDITURES				
Current:				
General government	3,473,023	3,517,632	3,673,314	(155,682)
Public Safety	6,355,365	6,438,499	6,237,868	200,631
Public Works	2,442,912	2,628,431	2,653,405	(24,974)
Health and sanitation	1,660,810	1,715,433	1,719,534	(4,101)
Culture and recreation	2,617,942	2,623,967	2,723,064	(99,097)
Education	1,303,800	1,303,800	1,319,598	(15,798)
Miscellaneous	389,613	389,613	376,911	12,702
Debt Service:				
Principal	37,274	37,274	37,253	21
Interest and other charges	20,561	20,561	20,582	(21)
Capital Outlay	-	19,850	147,863	(128,013)
<i>Total Expenditures</i>	<u>18,301,300</u>	<u>18,695,060</u>	<u>18,909,392</u>	<u>(214,332)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	277,000	277,000	260,662	(16,338)
Transfers out	(3,513,692)	(3,513,692)	(3,627,220)	(113,528)
<i>Total other financing sources and uses</i>	<u>(3,236,692)</u>	<u>(3,236,692)</u>	<u>(3,366,558)</u>	<u>(129,866)</u>
TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)	<u>21,537,992</u>	<u>21,931,752</u>	<u>22,275,950</u>	<u>(344,198)</u>
BUDGETARY FUND BALANCE- ENDING	\$ <u>9,993,379</u>	\$ <u>10,004,997</u>	\$ <u>11,337,774</u>	\$ <u>1,332,777</u>



NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget is adopted for the general fund on a basis consistent with accounting principles generally accepted in the United States except for encumbrances:

The budgetary data reflected in the required supplementary information that was established by the City using the following procedures:

- a) The Mayor submits to the City Council a proposed budget for the forthcoming fiscal year
- b) The City Council in regular session votes to approve the budget and it is legally enacted through the passage of a budget ordinance to that affect.

NOTE 2 - RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

Sources/Inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 33,613,724
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>9,993,291</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>23,620,433</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>18,909,392</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 18,909,392</u>

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SUPPLEMENTARY INFORMATION

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Ad Valorem - Real Property	\$ 943,000	\$ 971,000	\$ 971,920	\$ 920
Ad Valorem - Personal Property	200,000	192,000	199,005	7,005
Sales Tax	13,219,000	13,219,000	14,439,067	1,220,067
Alcohol Beverage Tax	209,000	209,000	295,228	86,228
Tangible Personal Property Rentals	170,000	170,000	197,615	27,615
Lodging Tax	82,000	82,000	80,879	(1,121)
Tax Equivalent (Electric Board)	872,000	862,000	862,074	74
Gasoline (Local)	612,000	602,000	610,344	8,344
Tobacco Tax	124,000	129,000	138,841	9,841
TVA In Lieu Of Taxes	636,000	636,000	642,114	6,114
State Auto License	7,500	7,500	7,528	28
ABC Board	44,000	36,000	32,642	(3,358)
Financial Inst. Tax	220,000	220,000	446,934	226,934
	<u>17,338,500</u>	<u>17,335,500</u>	<u>18,924,191</u>	<u>1,588,691</u>
License, Permits and Fees				
Business License (City)	1,335,000	1,268,000	1,324,113	56,113
Building Permits	100,000	117,668	181,471	63,803
Mechanical Permits	5,000	5,000	9,321	4,321
	<u>1,440,000</u>	<u>1,390,668</u>	<u>1,514,905</u>	<u>124,237</u>
Intergovernmental Revenues				
Bulletproof Vest Grant	2,300	2,300	-	(2,300)
U.S. Department Of Justice Grant	34,500	34,500	34,054	(446)
NACOLG Traffic Grant	2,400	2,400	5,894	3,494
EMA Disaster Funds	-	364,262	367,524	3,262
ALDOT Grant E. Avalon Avenue	-	-	60,026	60,026
	<u>39,200</u>	<u>403,462</u>	<u>467,498</u>	<u>64,036</u>

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
Charges for Services				
Street Cutting	6,000	6,000	4,750	(1,250)
Gas Inspection Fees	2,100	2,100	3,078	978
Electric Inspection Fees	7,000	7,000	13,244	6,244
Plumbing Inspection Fees	5,800	5,800	8,954	3,154
Flood Hazard Improvement Fees	500	500	-	(500)
Stormwater Permits	300	300	-	(300)
Photo Copy Service	4,300	7,300	9,469	2,169
Fire Protection	-	-	(500)	(500)
Garbage Fees	1,033,000	1,033,000	1,049,053	16,053
Fire Training Center	22,000	22,000	27,195	5,195
Radio Operator Service	3,600	3,600	3,600	-
	<u>1,084,600</u>	<u>1,087,600</u>	<u>1,118,843</u>	<u>31,243</u>
Joint Ventures				
North Ala. Gas District	330,000	330,000	365,000	35,000
	<u>330,000</u>	<u>330,000</u>	<u>365,000</u>	<u>35,000</u>
Park and Recreation				
Cypress Lakes Facility Revenues				
Dues	280,000	280,000	213,631	(66,369)
Golf Concessions	64,000	64,000	57,580	(6,420)
Tennis Lessons	500	500	-	(500)
Room Rentals	16,500	16,500	19,525	3,025
Miscellaneous	5,000	5,000	96	(4,904)
Cart Rentals	18,000	18,000	13,872	(4,128)
Greens Fees	145,000	145,000	112,179	(32,821)
Merchandise	230,000	230,000	192,263	(37,737)
Golf Club Rental	60,000	60,000	52,404	(7,596)
Credit Card Receipts	500	500	90	(410)
Tennis Guest Fees	-	-	225	225
Pool Receipts	3,000	3,000	5,072	2,072
Pool Concessions	9,000	9,000	9,346	346
Cash Over/Short (Cypress Lakes)	100	400	530	130
Tip Revenue	2,000	2,000	1,583	(417)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
<i>Park and Recreation</i>				
Other Recreation Revenues		-		
Gattman Splashpad				
Concessions	10,000	10,000	6,652	(3,348)
Batting Cage Revenue	3,000	3,000	1,880	(1,120)
Football	7,500	7,500	4,850	(2,650)
Flag Football Revenue	7,000	7,000	6,092	(908)
Airport Concessions	30,000	30,000	30,080	80
Webster Concessions	10,000	10,000	5,498	(4,502)
Karate	8,000	8,000	6,306	(1,694)
Pool Receipts	20,000	20,000	19,718	(282)
Pool Concessions	1,000	1,000	2,027	1,027
Youth Basketball Registration	55,000	55,000	41,166	(13,834)
Youth Soccer Registration	17,500	17,500	16,130	(1,370)
Youth Baseball Registration	7,500	7,500	7,210	(290)
Girls Softball Registration	17,000	17,000	12,095	(4,905)
Special Events Revenue	8,500	8,500	5,805	(2,695)
Aerobics Revenue	-	-	146	146
Adult Softball	15,000	15,000	21,076	6,076
Volleyball	1,000	1,000	220	(780)
Facilities Rental	35,000	35,000	31,304	(3,696)
Vending And Game Machines	1,500	1,500	943	(557)
Miscellaneous Revenues	2,500	2,500	1,211	(1,289)
Sportsplex Concessions	35,000	35,000	13,973	(21,027)
Tournament Revenues	15,000	15,000	19,754	4,754
<i>Total Park and Recreation</i>				
<i>Revenues</i>	<i>1,140,600</i>	<i>1,140,900</i>	<i>932,532</i>	<i>(208,368)</i>
Investment Earnings	45,000	45,000	100,497	55,497
Library Revenues				
State Aid	16,391	18,978	18,978	-
Fines	14,000	14,000	10,752	(3,248)
Miscellaneous Library Revenues	11,300	11,300	9,795	(1,505)
	44,191	49,278	44,525	(4,753)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
Other Revenues				
Lease Payments	15,784	15,784	14,662	(1,122)
Insurance Refund	7,905	7,905	7,905	-
Sale Of Street Material	5,000	5,000	1,993	(3,007)
Donations	-	2,025	2,025	-
Sale Of City Eqpt	-	58,746	58,740	(6)
Wal-Mart Foundation Grant	-	1,500	1,500	-
Occidental Chemical Grant	-	400	-	(400)
Muscle Shoals Utilities Board	39,500	36,500	36,329	(171)
Misc. Revenue	-	9,682	5,780	(3,902)
Transf From Area Agency On Aging	7,800	7,800	7,800	-
Colbert County Commission	-	15,708	15,708	-
	<u>75,989</u>	<u>161,050</u>	<u>152,442</u>	<u>(8,608)</u>
<i>Total Revenues</i>	<u>\$ 21,538,080</u>	<u>\$ 21,943,458</u>	<u>\$ 23,620,433</u>	<u>\$ 1,676,975</u>

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Mayor And City Council				
Salaries - Regular	\$ 114,008	\$ 114,008	\$ 114,286	\$ (278)
Retirement	9,102	9,102	9,022	80
Employee's Insurance	12,537	12,537	14,782	(2,245)
Workmen's Compensation	177	177	111	66
Consultant Services	-	-	-	-
Gas, Oil	3,000	2,220	1,548	672
Miscellaneous	3,800	2,800	1,837	963
Vehicle Repair	800	1,300	1,320	(20)
Advertising	27,000	26,500	21,289	5,211
Travel	48,000	48,000	34,809	13,191
Meals	500	500	66	434
Insurance - General	19,268	19,268	19,268	-
Dues	16,600	18,380	18,380	-
Special Events	-	-	-	-
Total	254,792	254,792	236,718	18,074
City Clerk				
Salaries - Regular	517,346	517,346	507,102	10,244
Retirement	62,496	62,496	59,590	2,906
Employee's Insurance	145,605	145,605	158,185	(12,580)
Workmen's Compensation	4,012	1,512	1,506	6
Vacation Sold	19,913	19,913	16,323	3,590
Auditing Services	40,000	41,500	41,503	(3)
Consultant Services	44,000	46,000	48,328	(2,328)
Janitorial	7,000	7,000	3,719	3,281
Data Processing	50,800	57,200	54,283	2,917
Office Supplies	3,200	6,200	5,915	285
Gas, Oil	3,200	3,200	2,788	412
Tobacco Stamps	11,700	11,700	11,632	68
Miscellaneous	3,000	4,000	4,202	(202)
Buildings And Grounds	38,350	31,550	27,767	3,783
Vehicle Repair	1,600	2,100	1,955	145

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
City Clerk				
Postage	12,000	12,000	11,022	978
Advertising	200	100	875	(775)
Recording Fees	100	100	94	6
Travel	12,000	12,000	8,974	3,026
Drug/Alcohol Testing	5,800	6,300	7,132	(832)
Meals	300	300	19	281
Employee Education And Training	5,000	4,700	4,794	(94)
Insurance - General	9,551	10,951	10,960	(9)
Photo Copy Exp	3,600	3,600	3,002	598
Printing, Books, Subscriptions	6,000	6,000	6,565	(565)
Dues	2,600	2,600	2,263	337
Trustee Fees	7,600	7,600	6,785	815
Total	1,016,973	1,023,573	1,007,283	16,290
Civil Service Board				
Salaries - Regular	18,000	18,000	18,000	-
Legal Services	3,000	3,000	30	2,970
Meals	500	500	105	395
Total	21,500	21,500	18,135	3,365
Legal Services				
Salaries - City Attorney	6,000	6,000	6,000	-
Legal Services	32,000	32,000	32,432	(432)
Total	38,000	38,000	38,432	(432)
City Buildings				
Workmen's Compensation	8,450	1,884	466	1,418
Lawn Maintenance	21,400	21,400	17,787	3,613
Buildings And Grounds	14,000	16,000	18,489	(2,489)
Utilities	180,000	180,000	178,841	1,159
Early Warning System	4,600	4,600	4,931	(331)
Paging Services	2,000	-	-	-
Insurance - General	44,899	44,899	44,899	-
Capital Outlay	-	7,850	7,850	-
Total	275,349	276,633	273,263	3,370

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City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Communications				
Telephone	58,000	65,000	74,656	(9,656)
Radio	27,850	25,350	22,439	2,911
Total	85,850	90,350	97,095	(6,745)
Payroll Tax Expense				
FICA	617,482	617,482	609,054	8,428
Unemployment Insurance	5,000	5,000	3,011	1,989
Total	622,482	622,482	612,065	10,417
Police Dept.				
Holiday Pay	76,503	76,503	73,195	3,308
Salaries - Regular	2,061,536	2,046,536	1,912,316	134,220
Salaries - Overtime	125,453	194,844	197,117	(2,273)
Retirement	240,292	240,292	255,117	(14,825)
Employee's Insurance	632,524	632,524	723,314	(90,790)
Workmen's Compensation	64,911	64,911	55,494	9,417
Vacation Sold	80,275	80,275	48,440	31,835
Janitorial	20,000	20,000	18,282	1,718
Data Processing	84,220	84,220	81,449	2,771
Office Supplies	13,000	10,000	9,817	183
Gas, Oil	78,200	78,200	70,925	7,275
Miscellaneous	6,500	9,600	12,574	(2,974)
Canine Expense	6,000	6,000	4,669	1,331
D.A.R.E. Program	4,000	4,000	3,983	17
Jail Expense	13,500	18,000	18,511	(511)
Buildings And Grounds	31,100	29,100	24,824	4,276
Vehicle Repair	40,600	40,600	47,266	(6,666)
Public Safety Equipment	45,000	54,612	55,033	(421)
Travel	18,000	18,000	20,503	(2,503)
Employee Education And Training	32,500	33,900	23,823	10,077
Insurance - General	63,439	63,439	63,439	-
Uniforms	53,500	56,500	54,746	1,754
Photo Copy Exp	5,500	4,500	3,739	761
Printing, Books, Subscriptions	4,373	6,873	6,885	(12)
Dues	2,200	2,200	1,390	810

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Police Dept.				
Care of Prisoners	22,500	22,500	21,177	1,323
Police Tactical Team	17,000	17,000	4,425	12,575
Training Facility	2,800	2,800	327	2,473
Colbert Drug Task Force	10,000	10,000	10,000	-
Special Events	4,000	6,250	5,605	645
Salary & Benefit				
Reimbursement-Board Of Ed.	(94,662)	(94,661)	(97,868)	3,207
Total	3,764,764	3,839,518	3,730,517	109,001
Municipal Court				
Salaries - Regular	85,989	85,989	86,124	(135)
Retirement	10,869	10,869	10,844	25
Employee's Insurance	33,240	33,240	43,772	(10,532)
Workmen's Compensation	138	138	31	107
Vacation Sold	2,600	2,350	-	2,350
Municipal Judge	12,781	12,781	13,254	(473)
Data Processing	8,300	8,300	5,378	2,922
Office Supplies	2,000	8,208	7,792	416
Miscellaneous	900	900	137	763
Municipal Prosecutor	6,600	6,600	6,600	-
Travel	-	-	-	-
Printing, Books, Subscriptions	2,650	2,900	1,937	963
Dues	200	200	-	200
Total	166,267	172,475	175,869	(3,394)
Fire Dept.				
Holiday Pay	56,188	56,188	55,058	1,130
Salaries - Regular	1,484,116	1,481,916	1,432,158	49,758
Salaries - Overtime	75,000	94,431	78,975	15,456
Retirement	175,888	175,888	177,618	(1,730)
Employee's Insurance	404,408	404,408	449,695	(45,287)
Workmen's Compensation	45,161	45,161	31,735	13,426
Vacation Sold	81,298	69,298	46,956	22,342
Janitorial	3,000	3,000	2,337	663
Data Processing	18,000	22,000	19,605	2,395

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Fire Dept.				
Chemicals	3,000	3,000	2,066	934
Office Supplies	1,000	1,000	639	361
Gas, Oil	22,800	22,800	18,966	3,834
Medical Supplies	4,000	4,000	3,370	630
Small Tools	3,500	4,900	4,545	355
Miscellaneous	9,500	9,500	5,934	3,566
Fire Prevention Program	6,000	6,750	6,434	316
Buildings And Grounds	25,000	30,000	26,281	3,719
Vehicle Repair	32,000	32,000	30,183	1,817
Tire Repair	5,000	9,500	9,194	306
Machine & Equipment Repair	8,000	8,000	6,588	1,412
Public Safety Equipment	23,500	23,500	22,773	727
Travel	6,500	3,500	2,543	957
Employee Education And Training	11,000	11,000	3,277	7,723
Insurance - General	26,641	26,641	26,641	-
Uniforms	37,500	34,500	32,481	2,019
Printing, Books, Subscriptions	3,000	3,000	1,275	1,725
Dues	1,800	800	454	346
Training Facility	17,800	12,300	9,570	2,730
Capital Outlay	-	-	-	-
Construction In Progress	-	-	-	-
Total	2,590,600	2,598,981	2,507,351	91,630
Street Dept.				
Salaries - Regular	724,973	724,973	737,966	(12,993)
Salaries - Overtime	10,000	47,322	46,158	1,164
Retirement	89,474	89,474	95,662	(6,188)
Employee's Insurance	254,341	254,341	279,932	(25,591)
Workmen's Compensation	41,864	29,041	28,403	638
Vacation Sold	12,000	14,000	14,810	(810)
Data Processing	7,890	3,890	3,595	295
Chemicals	8,000	8,000	7,051	949
Office Supplies	1,000	6,500	6,660	(160)
Gas, Oil	45,000	45,000	42,321	2,679

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Street Dept.				
Road Building	24,000	16,000	17,325	(1,325)
Street Materials Sold	15,000	15,000	2,327	12,673
Medical Supplies	200	200	-	200
Small Tools	10,000	21,179	20,661	518
Street Markers	15,000	15,000	13,890	1,110
Miscellaneous	2,000	2,000	1,826	174
Safety Supplies	7,500	5,000	4,338	662
Buildings And Grounds	27,000	16,258	11,591	4,667
Vehicle Repair	14,000	24,500	25,289	(789)
Tire Repair	14,000	11,500	8,309	3,191
Machine & Equipment Repair	10,000	10,000	6,880	3,120
Storm Drainage	56,000	153,127	170,231	(17,104)
Travel	1,000	1,000	634	366
Meals	750	750	-	750
Employee Education And Training	750	750	790	(40)
Insurance - General	44,589	44,589	44,589	-
Uniforms	5,500	5,500	5,384	116
Photo Copy Exp	300	450	492	(42)
Tree Services	18,000	18,000	13,250	4,750
Pedestrian Overpass	6,900	6,900	4,512	2,388
Sidewalk Repair	2,500	500	-	500
Capital Outlay	-	12,000	11,763	237
Total	1,469,531	1,602,744	1,626,639	(23,895)
City Engineer				
Engineering Services	232,600	264,985	250,195	14,790
Construction in Progress	-	-	62,117	(62,117)
Total	232,600	264,985	312,312	(47,327)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Storm Drainage				
Salaries - Regular	226,855	226,855	206,150	20,705
Salaries - Overtime	8,000	25,621	24,002	1,619
Retirement	23,513	23,513	25,695	(2,182)
Employee's Insurance	35,005	35,005	41,711	(6,706)
Workmen's Compensation	6,631	6,631	4,111	2,520
Vacation Sold	12,000	12,000	4,090	7,910
Janitorial	2,000	2,000	1,965	35
Data Processing	1,100	1,100	1,283	(183)
Chemicals	33,600	33,600	42,256	(8,656)
Gas, Oil	14,300	30,600	26,381	4,219
Small Tools	6,000	6,000	4,578	1,422
Miscellaneous	2,500	2,500	2,542	(42)
Vehicle Repair	5,750	5,750	4,082	1,668
Tire Repair	4,200	4,200	3,735	465
Machine & Equipment Repair	14,550	14,550	16,606	(2,056)
Retention Ponds	41,000	71,385	68,043	3,342
Utilities	38,500	38,500	46,945	(8,445)
Program/Review Fees	1,400	1,400	-	1,400
Travel	2,000	2,000	1,524	476
Meals	200	200	-	200
Employee Education And Training	850	850	125	725
Insurance - General	9,677	9,677	9,974	(297)
Levee Maintenance	7,000	7,000	6,000	1,000
Uniforms	1,750	1,750	1,291	459
Total	498,381	562,687	543,089	19,598
Street Lighting				
Utilities	475,000	475,000	495,447	(20,447)
Total	475,000	475,000	495,447	(20,447)
Sanitation				
Salaries - Regular	823,520	823,520	774,679	48,841
Salaries - Overtime	10,000	21,522	19,504	2,018
Retirement	97,028	97,028	92,052	4,976
Employee's Insurance	283,903	283,903	346,921	(63,018)

(continued)

City of Muscle Shoals, Alabama

Revenues and Expenditures-Budgetary Comparison-General Fund (continued)

At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Sanitation				
Workmen's Compensation	63,235	48,384	48,384	-
Vacation Sold	12,000	16,500	16,726	(226)
Landfill Services	176,300	176,300	188,521	(12,221)
Chemicals	8,000	8,000	8,536	(536)
Office Supplies	1,000	1,000	671	329
Gas, Oil	45,000	68,000	64,744	3,256
Medical Supplies	200	200	-	200
Small Tools	1,500	1,500	1,078	422
Miscellaneous	1,200	1,950	1,846	104
Safety Supplies	5,000	5,000	3,353	1,647
Vehicle Repair	14,000	43,000	42,833	167
Tire Repair	12,000	12,000	8,672	3,328
Machine & Equipment Repair	14,000	14,000	10,516	3,484
Travel	750	750	-	750
Employee Education And Training	250	250	40	210
Garbage Containers	60,000	60,000	59,046	954
Insurance - General	22,999	22,999	22,999	-
Uniforms	6,000	6,000	5,043	957
Photo Copy Exp	300	300	48	252
Printing, Books, Subscriptions	2,400	3,102	3,101	1
Dues	225	225	223	2
Total	1,660,810	1,715,433	1,719,536	(4,103)
Contractual Obligations				
Colbert Animal Shelter	84,547	84,547	86,319	(1,772)
Colbert County Emergency Mgmt	11,832	11,832	11,832	-
M.S Airport Authority	9,375	9,375	9,375	-
Incentive Rebate	49,625	49,625	70,615	(20,990)
Hazard Mat. Team	2,500	2,500	2,500	-
Total	157,879	157,879	180,641	(22,762)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Appropriations				
Riverbend Mental Health	9,000	9,000	9,000	-
Colbert Health Dept	7,000	7,000	7,000	-
Easter Seals Rehabilitation Center	7,000	7,000	7,000	-
Safepace, Inc.	2,000	2,000	2,000	-
Colbert County Attention Home	1,000	1,000	1,000	-
Meals On Wheels	3,000	3,000	3,000	-
Hope Haven School	2,500	2,500	2,500	-
Colbert County Tourism Board	32,333	32,333	27,657	4,676
Rape Response	1,500	1,500	-	1,500
I.M. Alliance	2,000	2,000	2,000	-
Shoals Area COARMM	1,500	1,500	1,500	-
Shoals Area Chamber Of Comm	3,050	3,050	-	3,050
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 Legislatur	500	500	500	-
Colbert County DHR	1,000	1,000	1,000	-
Appropriations - Children's Hospi	1,000	1,000	-	1,000
Salvation Army	1,000	1,000	-	1,000
CASA	1,000	1,000	1,000	-
Shoals Scholar Dollars	1,000	1,000	1,000	-
Total	91,383	91,383	80,157	11,226
Recreation - Administration Division				
Salaries Part Time	175,000	175,000	187,244	(12,244)
Salaries - Regular	515,680	515,680	498,345	17,335
Salaries - Overtime	2,000	3,000	2,466	534

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Administration Division				
Retirement	68,888	68,888	66,229	2,659
Employee's Insurance	126,145	126,145	144,386	(18,241)
Workmen's Compensation	18,742	18,742	14,970	3,772
Vacation Sold	26,560	26,560	18,425	8,135
Consultant Services	10,000	10,000	10,000	-
Janitorial	4,000	4,000	4,882	(882)
Data Processing	3,000	3,000	2,224	776
Office Supplies	3,000	5,000	5,244	(244)
Medical Supplies	250	250	76	174
Miscellaneous	1,000	2,500	3,047	(547)
Buildings And Grounds	15,700	20,700	20,219	481
Machine & Equipment Repair	1,500	1,500	-	1,500
Utilities	150,000	150,000	159,873	(9,873)
Advertising	1,000	1,000	-	1,000
Travel	2,500	1,000	148	852
Meals	750	750	140	610
Employee Education And Training	1,000	1,000	53	947
Insurance - General	16,782	16,782	16,782	-
Photo Copy Exp	2,000	2,000	3,110	(1,110)
Printing, Books, Subscriptions	1,500	1,500	467	1,033
Dues	1,500	1,500	790	710
Transaction Fees	2,500	2,500	1,829	671
Special Events	5,000	2,000	2,755	(755)
Adaptive Program	5,000	5,000	4,055	945
Total	1,160,997	1,165,997	1,167,759	(1,762)
Recreation - Maint. & Grounds Division				
Chemicals	6,000	6,000	5,071	929
Gas, Oil	20,000	18,000	16,158	1,842
Medical Supplies	250	250	-	250
Small Tools	2,000	2,000	2,371	(371)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Maint. & Grounds Division				
Buildings And Grounds	35,000	42,084	47,856	(5,772)
Vehicle Repair	10,000	10,000	8,266	1,734
Machine & Equipment Repair	9,000	11,000	12,081	(1,081)
Uniforms	4,000	4,000	3,372	628
Total	86,250	93,334	95,175	(1,841)
Recreation - Swimming / Tennis Facilities				
Salaries Part Time	14,000	14,000	18,423	(4,423)
Chemicals	3,000	3,000	1,304	1,696
Buildings And	15,000	15,000	10,985	4,015
Pool Concession	500	500	903	(403)
Tournament Expenses	500	500	91	409
Total	33,000	33,000	31,706	1,294
Recreation - Athletic Division				
Buildings And Grounds	75,000	65,000	60,978	4,022
Batting Cages	1,000	1,000	985	15
Splashpad Concessions	2,000	2,000	1,229	771
Football	10,000	10,000	14,886	(4,886)
Football Referees	2,500	2,500	-	2,500
Splashpad Expenses	5,000	5,000	5,224	(224)
Special Events	7,500	7,500	9,035	(1,535)
Youth Baseball Supplies	20,000	20,000	16,580	3,420
Baseball Umpires	20,000	15,000	13,710	1,290
Youth Basketball Supplies	7,500	7,500	8,286	(786)
Basketball Officials	10,000	15,000	14,085	915
Youth Soccer Supplies	3,500	8,500	8,392	108
Soccer Officials	2,000	2,000	2,190	(190)
Girls Softball Supplies	7,500	5,500	4,867	633
Softball Umpires	3,500	3,500	2,890	610
Volleyball	1,000	1,000	-	1,000
Gattman Concessions	35,000	35,000	24,655	10,345
Sportsplex Concessions	20,000	18,000	9,343	8,657
Tournament Expenses	5,000	7,000	6,913	87
Karate	7,000	7,000	4,677	2,323

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Athletic Division				
Karate	7,000	7,000	4,677	2,323
Webster Concessions	5,000	7,000	6,637	363
Airport Concessions	20,000	20,000	17,150	2,850
Flag Football Supplies	5,000	5,000	4,290	710
Flag Football Officials	5,000	5,000	3,490	1,510
Total	280,000	275,000	240,492	34,508
Golf Course Operations				
Salaries Part Time	204,055	204,055	246,652	(42,597)
Salaries - Regular	245,065	245,065	246,124	(1,059)
Retirement	36,618	36,618	34,270	2,348
Employee's Insurance	56,367	56,367	73,063	(16,696)
Workmen's Compensation	6,655	6,655	5,146	1,509
Vacation Sold	5,500	5,500	3,801	1,699
Consultant Services	2,500	2,500	-	2,500
Janitorial	6,600	6,600	6,485	115
Data Processing	11,100	9,100	8,527	573
Chemicals	85,000	71,340	88,476	(17,136)
Office Supplies	1,600	1,600	1,689	(89)
Gas & Oil	13,500	16,100	25,394	(9,294)
Small Tools	1,800	3,800	5,474	(1,674)
Miscellaneous	6,000	6,000	6,224	(224)
Buildings And Grounds	58,000	63,000	103,300	(40,300)
Driving Range Equipment	6,000	5,000	4,855	145
Vehicle Repair	3,000	4,000	3,930	70
Machine & Equipment Repair	35,000	40,000	76,598	(36,598)
Utilities	95,000	95,000	79,890	15,110
Telephone	6,000	6,000	5,554	446
Advertising	2,500	2,500	1,810	690
Travel	1,000	1,000	987	13
Employee Education	500	500	130	370
Insurance - General	14,076	14,076	13,824	252

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Golf Course Operations				
19th Hole Concessions Supplies	33,000	33,000	31,996	1,004
Uniforms	4,500	4,500	3,276	1,224
Photo Copy Exp	400	400	220	180
Printing, Books,	1,800	1,800	1,672	128
Dues	3,000	3,000	2,655	345
Contractual Services	55,560	55,560	56,436	(876)
Transaction Fees	9,000	9,000	9,165	(165)
Pro Shop	47,000	47,000	40,310	6,690
Total	1,057,696	1,056,636	1,187,933	(131,297)
Senior Citizens				
Salaries - Regular	63,442	63,442	57,397	6,045
Retirement	6,080	5,280	5,392	(112)
Employee's Insurance	644	644	664	(20)
Workmen's Compensation	1,663	1,663	874	789
Janitorial	2,100	2,100	1,576	524
Data Processing	2,500	2,900	2,653	247
Office Supplies	2,000	2,000	207	1,793
Gas, Oil	3,200	3,200	2,499	701
Miscellaneous	4,500	4,500	2,858	1,642
Buildings And Grounds	18,000	18,000	9,388	8,612
Vehicle Repair	1,000	1,000	252	748
Utilities	11,000	11,000	13,077	(2,077)
Travel	2,200	2,200	421	1,779
Insurance - General	1,472	1,872	1,922	(50)
Photo Copy Exp	1,000	1,000	787	213
Printing, Books, Subscriptions	700	700	698	2
Area On Aging	4,850	4,850	4,850	-
Art Instruction	1,200	1,200	457	743
Wellness Activities	7,500	7,500	6,853	647
Arts and Crafts	2,500	2,500	572	1,928
Ceramics	2,800	2,800	2,717	83
Total	140,351	140,351	116,114	24,237

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Libraries				
Salaries Part Time	173,952	169,168	153,922	15,246
Salaries - Regular	163,660	163,660	167,167	(3,507)
Retirement	32,559	32,559	32,747	(188)
Employee's Insurance	47,471	47,471	56,443	(8,972)
Workmen's Compensation	8,947	8,947	5,755	3,192
Vacation Sold	5,000	2,500	1,732	768
Janitorial	7,000	7,000	4,930	2,070
Data Processing	44,500	46,000	33,618	12,382
Office Supplies	8,000	10,066	9,244	822
Gas, Oil	700	700	407	293
Miscellaneous	5,900	4,900	5,112	(212)
Buildings And Grounds	40,000	40,000	298,683	(258,683)
Vehicle Repair	2,000	1,000	390	610
Utilities	32,000	32,000	23,980	8,020
Postage	800	800	260	540
Travel	6,000	11,500	9,587	1,913
Employee Education And Training	3,000	3,000	2,357	643
Insurance - General	3,721	3,721	3,721	-
Children/Youth Programs	25,000	25,000	15,580	9,420
Videos	30,000	30,000	26,165	3,835
Photo Copy Exp	4,000	3,000	3,194	(194)
Printing, Books, Subscriptions	110,000	112,500	112,194	306
Capital Outlay	-	-	9,898	(9,898)
Total	754,210	755,492	977,086	(221,594)
Special Events				
Christmas Parade	5,000	5,000	4,913	87
Total	5,000	5,000	4,913	87
Board Of Education				
Educational Foundation	2,000	2,000	2,000	-
Education	1,301,800	1,301,800	1,317,598	(15,798)
Total	1,303,800	1,303,800	1,319,598	(15,798)

(continued)

City of Muscle Shoals, Alabama
 Revenues and Expenditures-Budgetary Comparison-General Fund (continued)
 At September 30, 2019



	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital Outlay	-	-	56,232	(56,232)
Debt Service				
Principal	37,274	37,274	37,253	21
Interest Expense	20,561	20,561	20,582	(21)
Total	57,835	57,835	57,835	-
Total Expenditures	18,301,300	18,694,860	18,909,392	(214,532)
Excess (deficiency of revenues over expenditures)	3,236,780	3,248,598	4,711,041	1,462,443
OTHER FINANCING SOURCES (USES)				
Transfers in				
Debt Service	-	-	-	-
Municipal Court Fund	237,000	237,000	220,662	(16,338)
Transfer from Defensive Driving	40,000	40,000	40,000	-
Total	277,000	277,000	260,662	(16,338)
Transfers out				
Debt Service	1,908,528	1,908,528	1,908,410	118
Half Cent Sales Tax	1,605,164	1,605,164	1,718,810	(113,646)
Total	3,513,692	3,513,692	3,627,220	(113,528)
Net Transfers (out)	(3,236,692)	(3,236,692)	(3,366,558)	(129,866)
Excess Revenue (Expenditures) and other Funding Sources	\$ 88	\$ 11,906	\$ 1,344,483	\$ 1,332,577

City of Muscle Shoals, Alabama
 Balance Sheet – Other Governmental Funds
 September 30, 2019

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.
ASSETS			
Cash and cash equivalents	\$ 76,542	\$ 409	\$ 3,368
Accounts receivable, net	5,523	4,335	-
Receivable from other governments	-	-	-
Total assets	<u>82,065</u>	<u>4,744</u>	<u>3,368</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Other accrued liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Debt service	-	-	-
Capital Projects	76,542	409	-
Unassigned:			
Unassigned	<u>5,523</u>	<u>4,335</u>	<u>3,368</u>
Total fund balances	<u>82,065</u>	<u>4,744</u>	<u>3,368</u>
Total liabilities and fund balances	<u>\$ 82,065</u>	<u>\$ 4,744</u>	<u>\$ 3,368</u>



City Court Correction	CDBG	Debt Service	Municipal Court	Special Trust	Total Nonmajor Governmental Funds
\$ 122,328	\$ 6,724	\$ 2	\$ 166,402	\$ 69,966	\$ 445,741
-	-	-	-	-	9,858
-	-	-	883	-	883
<u>122,328</u>	<u>6,724</u>	<u>2</u>	<u>167,285</u>	<u>69,966</u>	<u>456,482</u>
-	-	-	-	16,583	16,583
-	-	-	15,304	-	15,304
-	-	-	15,304	16,583	31,887
-	-	2	-	-	2
-	-	-	-	53,383	130,334
<u>122,328</u>	<u>6,724</u>	<u>-</u>	<u>151,981</u>	<u>-</u>	<u>294,259</u>
<u>122,328</u>	<u>6,724</u>	<u>2</u>	<u>151,981</u>	<u>53,383</u>	<u>424,595</u>
<u>\$ 122,328</u>	<u>\$ 6,724</u>	<u>\$ 2</u>	<u>\$167,285</u>	<u>\$ 69,966</u>	<u>\$ 456,482</u>

City of Muscle Shoals, Alabama
Statement of Revenues, Expenditures and Fund Balance
Other Governmental Funds
September 30, 2019

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept.
REVENUES			
Local taxes	\$ 60,482	\$ 47,538	\$ -
License, permits and fees	-	-	-
Joint Ventures	-	-	-
Intergovernmental revenue	-	-	-
Investment earnings	102	74	3
Miscellaneous	-	-	1,292
Total revenues	<u>60,584</u>	<u>47,612</u>	<u>1,295</u>
EXPENDITURES			
Current:			
General government	-	-	-
Police	-	-	-
Street	1	99,000	-
Culture and recreation	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	-	-	-
Total expenditures	<u>1</u>	<u>99,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>60,583</u>	<u>(51,388)</u>	<u>1,295</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	60,583	(51,388)	1,295
Fund balances - beginning	<u>61,361</u>	<u>56,131</u>	<u>2,073</u>
Fund balances - ending	<u>\$ 121,944</u>	<u>\$ 4,743</u>	<u>\$ 3,368</u>



City Court Correction	CDBG	Debt Service	Municipal Court	Special Trust	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,020
56,871	-	-	416,644	-	473,515
-	-	-	100	-	100
-	225,000	-	-	-	225,000
188	-	2	201	169	739
-	18,213	-	-	120,176	139,681
57,059	243,213	2	416,945	120,345	947,055
24,150	(5,180)	-	168,176	-	187,146
15,099	-	-	-	-	15,099
-	-	-	-	53,410	152,411
-	5,180	-	-	41,719	46,899
-	-	1,325,000	-	-	1,325,000
-	-	583,526	-	-	583,526
-	488,485	-	-	88,932	577,417
39,249	488,485	1,908,526	168,176	184,061	2,887,498
17,810	(245,272)	(1,908,524)	248,769	(63,716)	(1,940,443)
-	241,004	1,908,410	-	-	2,149,414
-	-	-	(260,662)	-	(260,662)
-	241,004	1,908,410	(260,662)	-	1,888,752
17,810	(4,268)	(114)	(11,893)	(63,716)	(51,691)
104,518	10,992	116	163,874	117,099	516,164
\$ 122,328	\$ 6,724	\$ 2	151,981	\$ 53,383	\$ 464,473

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SINGLE AUDIT SECTION

000424



LEIGH, KING
NORTON AND
UNDERWOOD

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

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, 2019, 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 September 21, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Leigh, King, Norton & Underwood, LLC

Leigh, King, Norton & Underwood, LLC
Sheffield, Alabama
September 21, 2020

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LEIGH, KING
NORTON AND
UNDERWOOD

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

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 Compliance Supplement* that could have a direct and material effect on each of City of Muscle Shoals, Alabama's major federal programs for the year ended September 30, 2019. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 of Muscle Shoals, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Muscle Shoals, Alabama's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of City of Muscle Shoals, Alabama's 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 the Uniform Guidance, 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Leigh, King, Norton & Underwood, LLC

Leigh, King, Norton & Underwood, CPAs
Sheffield, Alabama
September 21, 2020

City of Muscle Shoals, Alabama
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2019

<u>Agency or Department</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Total Federal Awards Expended</u>
US Department of Homeland Security Disaster Programs	4426-DR-PA-AL	97.036	\$ 367,524
Total Department of US Homeland Security			<u>367,524</u>
Housing and Urban Development Passed thru Alabama Department of Economic and Community Affairs Community Development Block Grant	LR-CEPF-17-021	14.218	225,000
Total Department of Housing and Urban Development			<u>225,000</u>
Department of Transportation CPMS Project	IAR-017-000-011	20.205	265,684
ATRIP	ACOA56068-ATR	20.205	136,922
Total Department of Transportation			<u>402,606</u>
Total Federal Financial Assistance			<u>\$ 995,130</u>

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

City of Muscle Shoals, Alabama
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

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, 2019. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Muscle Shoals, Alabama, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Muscle Shoals, Alabama.

2. Summary of Significant Accounting Policies

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

City of Muscle Shoals, Alabama
 Schedule of Findings and Questioned Costs
 For the year ended September 30, 2019

Section I : Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | | |
|----|--|---------------|
| 4 | Internal control over major programs: | |
| | a. Material Weakness(es) identified | No |
| | b. Significant deficiency(ies) identified that are not considered to be material weakness(es) | None reported |
| 5 | Type of auditor's report issued on compliance for major federal programs | Unmodified |
| 6 | Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7 | Identification of major programs:
CFDA# 97.036 Disaster Programs
CFDA# 14.218 Community Development Block Grant | |
| 8 | The dollar threshold used to distinguish between Type A and Type B programs | \$ 750,000 |
| 9 | Auditee qualified as low-risk auditee? | Yes |
| 10 | Prior year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133? | No |

(Continued)

City of Muscle Shoals, Alabama
 Schedule of Findings and Questioned Costs
 For the year ended September 30, 2019

Section II : Financial Statement Findings

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

Section III : Federal Award Findings and Questioned Costs

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

Council President Noles announced that the next item of business was consideration of a resolution to appoint additional poll workers for the municipal runoff election on October 6th.

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

**STATE OF ALABAMA
 COLBERT COUNTY**

RESOLUTION NUMBER 3091 - 20

WHEREAS, a runoff election will be held on the 6th day of October 2020 and

WHEREAS, certain poll workers selected to assist with the runoff election have advised the city of their unavailability on October 6, 2020. now

THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MUSCLE SHOALS, ALABAMA that the following individuals are appointed and summoned to serve during the runoff election on October 6, 2020:

PLUMBERS/STEAMFITTERS- BOX 4

Fred Joly - Inspector

Teena Noles - Clerk

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

President Noles announced that the resolution had been approved.

Council President Noles announced that the next item of business was consideration of a resolution to establish the meeting dates for the 2020-2021 City Council meetings.

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

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 3092 - 20

WHEREAS, Act #2005-40, enacted by the Alabama Legislature, addresses the manner in which municipalities conduct and give notice of public meetings of the governing body, and

WHEREAS, the Alabama Open Meetings Act requires notice to the public of meetings of governmental bodies covered by the act, now

THEREFORE BE IT RESOLVED By the City Council of the City of Muscle Shoals, Alabama that notice is hereby given of the regular meetings of the City Council commencing with the regular meeting on October 5, 2020 and ending on September 30, 2021 as noted on Exhibit "A" of this resolution, and

BE IT FURTHER RESOLVED that all regular meetings of the City Council shall commence immediately upon the conclusion of the 5:30 p.m. work session, however the regular meeting shall not begin before 6:00 p.m. in the City Hall Auditorium located at 2010 E. Avalon Avenue, and

BE IT FURTHER RESOLVED that public notice of special or emergency meetings of the City Council shall be given to the public by posting notice on the bulletin board in city hall, and

BE IT FURTHER RESOLVED that any member of the public or media desiring direct notification of meetings of the City Council shall do so in writing on forms provided by the City Clerk, and

BE IT FURTHER RESOLVED that direct notice of public meetings of the City Council shall be distributed by the City Clerk by any method, at his discretion, likely to provide the requested notice as provided under Act #2005-40.

EXHIBIT "A"

Schedule of Regular Meetings/Work Sessions
Muscle Shoals City Council

Monday, October 5, 2020

Monday, October 19, 2020

Monday, November 2, 2020

Monday, November 16, 2020

Monday, December 7, 2020

Monday, December 21, 2020

Monday, January 4, 2021

Tuesday, January 19, 2021 (Conflict with Martin Luther King Federal Holiday)

Monday, February 1, 2021

Monday, February 15, 2021

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Monday, March 1, 2021 NLC Conference date unknown
Monday, March 15, 2021
Monday, April 5, 2021
Monday, April 19, 2021
Monday, May 3, 2021
Monday, May 17, 2021 AL League meeting dates unknown
Monday, June 7, 2021
Monday, June 21, 2021
Tuesday, July 6, 2021 (July 4th holiday observed July 5th)
Monday, July 19, 2021 AL Electric Cities July 11th - 14th)
Monday, August 2, 2021
Monday, August 16, 2021
Tuesday, September 7, 2021 (Conflict with Labor Day Holiday)
Monday, September 20, 2021

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

President Noles announced that the resolution had been approved.

Council President Noles announced that the next item of business was consideration of a resolution to request funding from the Shoals Economic Development Fund for the Counts Drive extension project.

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

**STATE OF ALABAMA
COLBERT COUNTY**

**RESOLUTION NUMBER 3093 - 20
AUTHORIZING AND APPROVING APPLICATION
FOR THE SHOALS ECONOMIC DEVELOPMENT FUND**

WHEREAS, On August 25, 2020 Dura Automotive announced their location in the Shoals Research Airpark with anticipated investment of \$64,000,000 in equipment, and

WHEREAS, one of the stated purposes/uses of the Shoals Economic Development Fund (hereinafter referred to as "SEDF") is "to foster activities and policies conducive to expansion of existing industries within either of the counties or any city or town therein", and

WHEREAS, certain infrastructure improvements on Counts Drive are necessary to accommodate the operation of of Dura Automotive at this location, now

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MUSCLE SHOALS:

1. That the City of Muscle Shoals requests up to \$345,444 in SEDF funding for construction, engineering and inspection associated with the Counts Drive improvements;
2. That the Mayor is duly authorized to sign said application for and act on behalf of the City of Muscle Shoals and is further authorized to execute all other documents required for application or disbursement of SEDF funds for the City of Muscle Shoals.

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

President Noles announced that the resolution had been approved.

Council President Noles announced that the next item of business was consideration of a resolution to request funding from the Shoals Economic Development Fund for the Sixth Street improvements.

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

**STATE OF ALABAMA
COLBERT COUNTY**

**RESOLUTION NUMBER 3094 - 20
AUTHORIZING AND APPROVING APPLICATION**

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

President Noles announced that the resolution had been approved.

WHEREAS, the City of Muscle Shoals has made application for an Alabama Industrial Access grant to improve Sixth Street near the Shoals Research Airpark entrance, and

WHEREAS, construction engineering and inspection must be performed in association with the infrastructure improvements, and

WHEREAS, one of the stated purposes/uses of the Shoals Economic Development Fund (hereinafter referred to as "SEDF") is "to foster activities and policies conducive to expansion of existing industries within either of the counties or any city or town therein", and

WHEREAS, certain infrastructure improvements on Sixth Street are necessary to accommodate the continued operations of the various manufacturing facilities located in the Shoals Research Airpark, now

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THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MUSCLE SHOALS:

1. That the City of Muscle Shoals requests up to \$400,000 in SEDF funding for construction, engineering and inspection associated with the Sixth Street improvements;
2. That the Mayor is duly authorized to sign said application for and act on behalf of the City of Muscle Shoals and is further authorized to execute all other documents required for application or disbursement of SEDF funds for the City of Muscle Shoals.

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

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was approval of a resolution making an appointment to the North Alabama Gas District Board.

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

**STATE OF ALABAMA
COLBERT COUNTY**

RESOLUTION NUMBER 3095 - 20

WHEREAS, the term of a member of the North Alabama Gas District Board has expired and the City Council being desirous of making the necessary appointment to said board within the City;

WHEREAS, notice was given to the public of said pending vacancy and applications solicited for members to said board;

WHEREAS, the following individuals made proper application and met the requirements for appointment, and are eligible for appointment to fill the pending vacancy:

John Conn

WHEREAS, John Conn was the lone applicant and otherwise determined to be qualified for appointment, and

WHEREAS, a roll call vote was had by City Council as follows:

Council Member Hall: John Conn

Council Member McMinn: John Conn

Council Member Lockhart: John Conn

Council Member Sockwell: John Conn

Council Member Noles: John Conn

WHEREAS, President Noles announced that John Conn had received a majority of the votes cast, now

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals, Alabama does hereby appoint the following named person to serve as set forth herein:

APPOINTEE

John Conn

BOARD

North Alabama Gas District

EXPIRATION OF TERM

May 2026

The Clerk is hereby directed to notify the above named person of their appointment and to further notify the respective board of said appointment.

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

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was approval of a resolution making an appointment to the Utilities Board.

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

**STATE OF ALABAMA
COLBERT COUNTY**

RESOLUTION NUMBER 3096 - 20

WHEREAS, the term of a member of the Utilities Board has expired and the City Council being desirous of making the necessary appointment to said board within the City;

WHEREAS, notice was given to the public of said pending vacancy and applications solicited for members to said board;

WHEREAS, the following individuals made proper application and met the requirements for appointment, and are eligible for appointment to fill the pending vacancy:

Justin R. Boozer
Andy Martin

Perry Burgess
Kelly Robinson

Waylon Huguley

WHEREAS, Andy Martin was determined to have received the best overall ranking on the City Council evaluations, and

WHEREAS, a roll call vote was had by City Council as follows:

Council Member Hall: Waylon Huguley
Council Member McMinn: Waylon Huguley
Council Member Lockhart: Andy Martin
Council Member Sockwell: Waylon Huguley
Council Member Noles: Andy Martin

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WHEREAS, President Noles announced that Waylon Huguley had received a majority of the votes cast, now

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals, Alabama does hereby appoint the following named person to serve as set forth herein:

<u>APPOINTEE</u>	<u>BOARD</u>	<u>EXPIRATION OF TERM</u>
Waylon Huguley	Utilities Board	July 2026

The Clerk is hereby directed to notify the above named person of their appointment and to further notify the respective board of said appointment.

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

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was approval of a resolution making an appointment to the Civil Service Board.

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

**STATE OF ALABAMA
COLBERT COUNTY**

RESOLUTION NUMBER 3097 - 20

WHEREAS, the term of a member of the Civil Service Board has expired and the City Council being desirous of making the necessary appointment to said board within the City;

WHEREAS, notice was given to the public of said pending vacancy and applications solicited for members to said board;

WHEREAS, the following individuals made proper application and met the requirements for appointment, and are eligible for appointment to fill the pending vacancy:

Edna M. Burgess	Chelsea Kauchick	Bethany E. Malone
James W. Nipper III	Hayden Strickland	

WHEREAS, Bethany E. Malone was determined to have received the best overall ranking on the City Council evaluations, and

WHEREAS, a roll call vote was had by City Council as follows:

- Council Member Hall: Bethany E. Malone
- Council Member McMinn: Bethany E. Malone
- Council Member Lockhart: Hayden Strickland
- Council Member Sockwell: Bethany E. Malone
- Council Member Noles: Hayden Strickland

WHEREAS, President Noles announced that Bethany E. Malone had received a majority of the votes cast, now

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals, Alabama does hereby appoint the following named person to serve as set forth herein:

<u>APPOINTEE</u>	<u>BOARD</u>	<u>EXPIRATION OF TERM</u>
Bethany E. Malone	Civil Service Board	June 2023

The Clerk is hereby directed to notify the above named person of their appointment and to further notify the respective board of said appointment.

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

President Noles announced that the resolution had been approved.

President Noles announced that the next item of business was consideration of a resolution to grant tax abatements to DUS Operating Inc.

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

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 3098 - 20

This Resolution is made this 21st day of September 2020 (the Effective Date) by the City Council of Muscle Shoals, Alabama (the Granting Authority) to grant a tax abatement for DUS Operating Inc. (the Company).

WHEREAS, the Company has announced plans for a new project; that being, the construction of a manufacturing facility and the purchase and installation of a new manufacturing machinery and personal property by (the Project), located at 309 Counts Drive, Muscle Shoals, Colbert County, Alabama, within the jurisdiction of the Granting Authority; and

WHEREAS, pursuant to the Tax Incentive Reform Act of 1992 (Section 40-9B-1 et seq., **Code of Alabama 1975**) (the Act), the Company has requested from the Granting Authority an abatement of all state and local noneducational property taxes and all construction-related transaction taxes, except those local construction-related transaction taxes levied for educational purposes or for capital improvements for education and except the 0.5% general sales and use taxes levied by Colbert County, which pursuant to Alabama Act No. 2007-351 cannot be abated; and

WHEREAS, the Company has requested that the abatement of state and local noneducational property taxes be extended for a period of ten (10) years, in accordance with the Act; and

WHEREAS, the Granting Authority has considered the request of the Company and the completed applications (copy attached) filed with the Granting Authority by the Company, in connection with its request; and

WHEREAS, the Granting Authority has found the information contained in the Company's application to be sufficient to permit the Granting Authority to make a reasonable cost/benefit analysis of the proposed project and to determine the economic benefits to the community; and

WHEREAS, the construction of the project will involve a capital investment of \$74,700,000; and

WHEREAS, the Company is duly qualified to do business in the State of Alabama and has powers to enter into and to perform and observe the agreements and covenants on its part contained in the Tax Abatement Agreement; and

WHEREAS, the Granting Authority represents and warrants to the Company that it has power under that constitution and laws of the State of Alabama (including particularly the provisions of the Act) to carry out the provisions of the Tax Abatement Agreement;

NOW, THEREFORE, be it resolved by the Granting Authority as follows:

Section 1. Approval is hereby given to the application of the Company and abatement is hereby granted for all state and local noneducational property taxes and all construction-related transaction taxes, except those local construction-related transaction taxes levied for educational purposes or for capital improvements for education and except the 0.5% general sales and use taxes levied by Colbert County, which pursuant to Alabama Act No. 2007-351 cannot be abated, as the same may apply to the fullest extent permitted by the ACT.

Section 2. The period of abatement for the noneducational property taxes shall extend for a period of ten (10) years measured as provided in the Act unless the Company ceases operation for which these property tax abatements are granted. Should the Company cease operation the abatements granted herein are considered null and void.

Section 3. The Granting Authority hereby does not assess a fee associated with the granting of these abatements.

Section 4. The governing body of the Granting Authority is authorized to enter into a Tax Abatement Agreement with the Company to provide for the abatement granted in Section 1.

Section 5. A certified copy of this resolution, with the application and abatement agreement, shall be forwarded to the Company to deliver to the appropriate local taxing authorities (if applicable) and to the Alabama Department of Revenue in accordance with the Act.

Section 6. The governing body of the Granting Authority is authorized to take any and all actions necessary or desirable to accomplish the purpose of the foregoing of this Resolution.

Council Member Hall seconded the motion and upon said motion being put to a vote all voted "AYE" and "NAYS" were none.
President Noles announced that the resolution had been approved.

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

Chc Hall
COUNCIL MEMBER - PLACE ONE

Terry McMurin
COUNCIL MEMBER - PLACE TWO

Mike Lockhart
COUNCIL MEMBER - PLACE THREE

Ken Lockwell
COUNCIL MEMBER - PLACE FOUR

All Noles
COUNCIL MEMBER - PLACE FIVE

ATTEST:

Ruby Will
CITY CLERK

