

CITY OF MUSCLE SHOALS, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

CITY OF MUSCLE SHOALS, ALABAMA
FINANCIAL STATEMENTS
TABLE OF CONTENTS
SEPTEMBER 30, 2015

	Page
I. FINANCIAL SECTION	
Management's Discussion and Analysis	1-7
Independent Auditor's Report	8-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11-12
Statement of Activities	13-14
Fund Financial Statements	
Balance Sheet	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17-18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Notes to the Financial Statements	20-41
II. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
Schedule of Changes in the Net Pension Liability	42
Schedule of Employer Contributions	43
Schedule of Funding Progress	44
Note to Schedule of Funding Progress	45
Actuarial Information for Other Post Employment Benefits (OPEB)	46
Budgetary Comparison Schedule - Major Fund	
General Fund	47-48
Notes to Budgetary Comparison Schedule	49
III. SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	50
Notes to the Schedule of Expenditures of Federal Awards	51
Revenues and Expenditures - By Budgetary Line Item - General Fund	52-70
Combining Financial Statements	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
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 Governmental Auditing Standard	73-74
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	75-76
Schedule of Findings and Questioned Costs	77-78

FINANCIAL SECTION

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

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, 2015. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's financial position decreased by \$.12 million, or .3 percent.
- During the year, the City had taxes and other revenues for governmental programs that were \$.125 million less than the \$21.96 million in expenses.
- General fund revenues were more than budget amounts by \$ 379,641 and expenditures of funds were \$ 402,579 less than budgeted expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Financial Position and the Statement of Activities (on page 13) 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 15. 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.

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

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 4. The fund financial statements begin on page 15 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 16.

The City as a Whole

The City's net position decreased by \$.12 million, from \$42.84 million to \$42.72 million. Table 1 below summarizes net assets at September 30, 2015 and September 30, 2014, respectively.

Table 1

Total Primary Government Activities Net Position (in millions)	As of September 30,	
	2015	2014 *
Current and other assets	\$ 32.39	\$ 31.12
Capital assets	42.85	43.87
Total assets	75.24	74.99
Deferred Outflows	0.78	-
Total assets and deferred outflows	76.02	74.99
Long-term debt outstanding	21.40	20.68
Other liabilities	11.05	12.14
Total liabilities	32.74	32.82
Deferred Inflows	0.57	0.67
Total liabilities and deferred inflows	33.31	33.49
Net Position		
Invested in capital assets, net of debt	\$ 21.45	\$ 23.18
Restricted	0.41	0.42
Unrestricted	20.85	17.91
Total net position	\$ 42.71	\$ 41.51

* As restated

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

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

Table 2

Total Primary Government Activities Change in Net Position (in millions)	For the fiscal year ended	
	2015	2014
Program revenues		
Fees, fines and charges for services	\$ 4.14	\$ 4.78
Grants and contributions	0.81	0.70
General revenues		
Sales taxes	11.50	11.27
Advalorem taxes	1.05	0.96
Other taxes	3.33	3.22
Miscellaneous	0.98	1.01
Investment Earnings	0.03	0.17
Total revenues	<u>\$ 21.84</u>	<u>\$ 22.11</u>
Program expenses		
General government	3.78	5.04
Public safety	6.19	6.05
Public works	4.62	4.23
Health, welfare and sanitation	1.57	1.52
Education	1.42	1.42
Culture and recreation	2.98	3.11
Miscellaneous	0.77	-
Interest on long-term debt	0.63	0.92
Total expenses	<u>\$ 21.96</u>	<u>\$ 22.58</u>
Increase in net assets from operations	<u>\$ (0.12)</u>	<u>\$ (0.47)</u>

Governmental Activities

The cost of all government activities this year was \$21.96 million. However, as shown on the Statement of Activities on page 13, the cost ultimately financed by our taxpayers for these activities was \$ 17.00 million. Program revenues in the form of user fees, charges for services and grants by other governments subsidized certain programs. These revenues amounted to \$ 4.95 million, thus reducing the burden to taxpayers.

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

Table 3 presents the cost of each of the City's programs for the fiscal years ended September 30, 2015 and September 30, 2014 respectively.

Table 3

Total Primary Government Activities Total Cost of Services	For the fiscal year ended	
	2015	2014
General government	\$ 3,775,141	\$ 5,035,267
Public safety	6,194,811	6,040,845
Public works	4,621,577	4,237,594
Health, welfare and sanitation	1,572,717	1,528,890
Education	1,422,884	1,421,459
Culture and recreation	2,968,423	3,111,665
All others	1,402,491	916,346
Totals	<u>\$ 21,958,044</u>	<u>\$22,292,066</u>

THE CITY'S FUNDS

The City's governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$11.06 million, which increased from last year's total of \$9.7 million. The general fund balance increased by \$.95 million from \$6.33 million to \$7.29 million.

General Fund Budgetary Highlights

The 2014-2015 budget was approved on December 4, 2014. It was amended on June 15, 2015 and September 8, 2015 as is customary, to account for mid-year adjustments to the various department line items

City officials continue to monitor the costs of employee health care. Health care costs of \$1.91 million represented 9.9 % of general fund expenditures and were roughly the same as in the prior fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

At the end of fiscal year 2015, the City had \$42.85 million invested in a broad range of capital assets, including buildings, park facilities, roads, storm water detention and pumping facilities and police and fire equipment. (See Table 4):

Table 4

Total Primary Government Activities Capital Assets at Year-End (Net of Depreciation)	As of September 30,	
	2015	2014
Non-depreciable		
Land	\$ 7,741,157	\$ 7,757,157
Art	31,850	31,850
Construction in progress	620,800	428,963
Depreciable		
Buildings	15,979,807	15,950,292
Infrastructure	23,908,528	23,860,073
Improvements	10,087,101	9,774,908
Equipment	<u>13,007,329</u>	<u>12,446,191</u>
Totals	\$71,376,572	\$ 70,249,434
Less: Accumulated depreciation	<u>(28,516,992)</u>	<u>(26,381,711)</u>
Capital assets-net	<u>\$42,859,580</u>	<u>\$ 43,867,723</u>

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

A. There were several transportation related projects:

1. ALDOT has awarded an \$800,000 ATRIP grant for improvements to Webster Street between 2nd Street and Avalon Avenue. Design documents have been completed. Construction has not yet been scheduled.
2. The ATRIP grant funded the widening of East Avalon Avenue between Wilson Dam Road and Webster Street and has moved into the construction phase. The project is expected to be completed by the summer of 2016.
3. The ALDOT project to widen Highway 133 from the Singing River Bridge approach to Highway 20 has acquired all rights of way. The removal of structures along with the relocation of utilities is presently underway. Construction of the final phase is scheduled to be let for bid in December, 2016.

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

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

1. The city received a \$300,000 grant to install new sidewalks along Sheffield Avenue. The project was nearing completion at year's end. It is expected to be completed in November, 2015.
2. Design plans for a new gymnasium have been completed. The construction of the gymnasium will start in the spring of 2016.
3. The city received a \$300,000 grant for sidewalk construction on 6th Street from Sheffield Avenue to the entrance of the Cypress Lakes Golf & Tennis Facility. The plans have been completed and the project is scheduled for construction in the summer of 2016.

Debt

At year-end, the City had \$21.39 million in general obligation warrants outstanding versus \$20.68 million last year, an increase of about \$.71 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

New companies and existing companies continue to make investments in The Shoals. In early 2015, MS Metal Solutions, a Michigan-based company, started a new operation in the former izzy+ facility in the Florence-Lauderdale Industrial Park. MS Metal made a capital investment of \$3 million and employed approximately 82 former izzy+ employees, who had been laid off during closure of izzy+'s local operation. Later in the year, MS Metals announced an additional investment of \$1.5 million and 18 full-time positions. Performance Scrubs started an innovative manufacturing operation using advanced technology to produce healthcare apparel. Performance Scrubs located in a vacant building in the Florence-Lauderdale Industrial Park and made a \$1.1 million investment; Performance Scrubs currently has 24 full-time employees. A-1 Machine & Fabrication, a start-up company, announced its location in an available facility located in the Sheffield Industrial Park; A-1 Machine projected a capital investment of \$445,000 and employment of 15 people. Shoals Extrusion, a manufacturer of aluminum extruded products, located in a new 70,000-square-foot facility in the Florence-Lauderdale Industrial Park, making a capital investment of \$4.3 million and projecting employment of up to 90 full-time people. Also in the Florence-Lauderdale Industrial Park, Elite-Medical, a medical device manufacturer, chose The Shoals as home to its manufacturing operation, making a capital investment of \$6 million with plans to employ 44 people over the next two years. River Bend Solar, LLC announced construction of an 80-MWac solar photovoltaic generating facility on approximately 640 acres in West Lauderdale County. River Bend Solar's capital investment is estimated to reach \$150,116,000; the project will create two new full-time positions and offer local contractors maintenance opportunities. In the Rogersville Business Park, Custom Synthetic Fibers, LLC announced its location in an expanded 81,000-square-foot-SEDA owned spec building, representing an investment of \$6 million and the creation of up to 80 new full-time positions. CR Gibson, a part of CSS Industries, Inc., announced an expansion of its facility, representing a \$2 million plus capital investment and adding 105 new employees to its 41-employee base. Thacker Casket Manufacturing, Inc. announced a \$3 million expansion and the addition of 12 new full-time positions to its 161-employee base. North American Lighting, Inc. located in the Shoals Research Airpark added another 200 full-time positions; North American Lighting has become one of the largest manufacturing employers with employment exceeding 1,000 people. Numerous other manufacturers, such as Alabama Chanin, Ginesis Natural Products, Power Cleaning Equipment, Inc., and Firestone Building Products, added new employment opportunities in their operations.

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

Unemployment in Colbert County stood at 7.1% in October 2015, an increase of .7% since 2014. The local rate of 7.1% is higher than the national rate of 5.1% and the state of Alabama rate of 6.0%.

<u>Tax Year</u>	<u>Assessed Value</u>
2010	171,414,658
2011	171,190,289
2012	177,496,460
2013	179,407,660
2014	193,265,420
2015	183,432,920

The Mayor and City Council approved a conservative 2015-2016 General Fund budget. Total anticipated revenues and other financing resources are projected at \$20.58 million, an increase from the 2014-2015 budgeted revenues and other financing resources of \$20.14 million. Budgeted expenditures and other uses of funds are expected to increase to \$20.58 million from \$20.14 million in the prior year. No new positions or programs have been added to the 2015-2016 budgets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



B.T. (Tim) Leigh, CPA
Karen P. King, CPA
Dennis K. Norton, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Muscle Shoals, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muscle Shoals, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscle Shoals City Board of Education, Muscle Shoals Electric Board and Muscle Shoals Utilities Board, which collectively represent 64 percent, 53 percent and 71 percent, respectively, of the assets, net position, and revenues of the City of Muscle Shoals, Alabama. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for City of Muscle Shoals, Alabama, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Muscle Shoals, Alabama, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on page 47-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

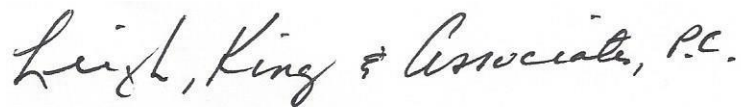
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muscle Shoals, Alabama's basic financial statements. The supplemental schedules of revenues and expenses by budget line item on pages 52-70, and the combining and individual non-major fund financial statements on pages 71 and 72 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016 on our consideration of the City of Muscle Shoals, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Muscle Shoals, Alabama's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Leigh, King & Associates, P.C." The signature is written in black ink and is positioned above the typed name of the firm.

Leigh, King & Associates, PC
Sheffield, Alabama
March 24, 2016

STATEMENT OF NET POSITION

	Governmental Activities	Component Units		
		Utilities Board	Electric Board	Board of Education
ASSETS				
Cash and equivalents	\$ 9,611,880	\$ 6,278,447	\$ 4,631,162	\$ 7,289,673
Account receivables, net	333,385	560,445	5,045,374	4,171,187
Receivable-component units	12,377	-	-	-
Due from other governmental agencies	1,292,841	-	-	-
Inventories	55,638	-	698,168	76,883
Net OPEB asset	287,454	131,148	-	-
Reserved and restructured assets				
Capital Assets:				
Non-depreciable	8,393,807	1,090,218	596,377	1,545,400
Other capital assets, net of depreciation	34,465,773	47,304,872	22,502,949	30,861,862
Equity interest in joint venture	20,044,897	-	-	-
Other receivables	81,899	34,111	80,122	-
Receivable-commercial entity	671,197	-	-	-
Total assets	<u>75,251,148</u>	<u>55,399,241</u>	<u>33,554,152</u>	<u>43,945,005</u>
Deferred outflows of resources	<u>775,957</u>	<u>5,216,035</u>	<u>625,337</u>	<u>2,283,945</u>

(Continued)

The accompanying notes are an integral part of these financial statements

STATEMENT OF NET POSITION (continued)

	Governmental Activities	Component Units		
		Utilities Board	Electric Board	Board of Education
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	323,107	287,709	4,500,062	1,952,598
Due to other governmental agencies	-	-	722,490	-
Customer deposits	-	390,650	1,061,145	45,886
Long-term liabilities:				
Due within one year				
Advances from TVA energy programs	-	-	1,705,501	-
Bonds payable	1,135,000	550,000	205,000	348,426
Accrued interest	95,300	483,775	76,123	-
Compensated absences	69,412	30,000	30,000	-
Due in more than one year				
Net OPEB liability	-	42,259	69,420	-
Bonds payable	20,260,000	33,809,903	4,550,000	31,996,410
Compensated absences	1,129,031	132,721	189,788	-
Net pension liability	9,056,022	846,967	3,147,096	-
Bonds payable-commercial entity	671,197	-	-	-
Total liabilities	<u>32,739,069</u>	<u>36,573,984</u>	<u>16,256,625</u>	<u>34,343,320</u>
Deferred Inflows of resources	<u>568,213</u>	<u>164,480</u>	<u>207,589</u>	<u>5,180,000</u>
NET POSITION				
Invested in capital assets, net of related debt				
	22,599,580	18,561,633	18,474,872	20,828,426
Restricted or Committed for:				
Capital projects	1,202,500	-	-	80,530
Debt Service	41,118	3,309,343	534,935	-
Other purposes	53,144	-	-	504,771
Unrestricted	18,823,481	2,005,836	(1,294,532)	(14,708,097)
Total net position	<u>\$ 42,719,823</u>	<u>\$ 23,876,812</u>	<u>\$ 17,715,275</u>	<u>\$ 6,705,630</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities				
General government	\$ 3,775,141	\$ 1,297,855	\$ -	\$ -
Public safety	6,194,811	679,407	-	-
Public works	4,621,577	-	-	813,598
Health, welfare and sanitation	1,572,717	1,077,778	-	-
Culture and recreation	2,968,423	1,082,860	-	-
Education	1,422,884	-	-	-
Interest on long-term debt	633,366	-	-	-
Miscellaneous	769,125	-	-	-
Total governmental activities	<u>21,958,044</u>	<u>4,137,900</u>	<u>-</u>	<u>813,598</u>
Component units				
Utilities board	7,561,319	7,656,305	-	2,773,703
Electric board	28,754,983	28,860,623	-	-
Board of education	29,082,100	3,657,854	16,115,996	816,444
Total component units	<u>57,837,083</u>	<u>40,174,782</u>	<u>16,115,996</u>	<u>3,590,147</u>
Total primary government				

General revenues:

Taxes:

Sales taxes

Advalorem

Gasoline

Alcohol

Tobacco

Lodging

Financial institution

Other taxes

Total taxes

Payments in lieu of taxes

Grants and contributions not restricted to specific purposes

Unrestricted investment earnings

Increase in equity interest in joint venture

Miscellaneous

Total general revenues, special items, and transfers

Change in net assets

Net position - beginning, as restated

Net position - ending

STATEMENT OF ACTIVITIES

Net (Expense) Revenue and Changes in Net Assets	
Primary Governmental Activities	Component Units
\$ (2,477,286)	
(5,515,404)	
(3,807,979)	
(494,939)	
(1,885,563)	
(1,422,884)	
(633,366)	
(769,125)	
<u>(17,006,546)</u>	
	\$ 2,868,689
	105,640
	(8,491,806)
<u>(17,006,546)</u>	
11,501,807	1,254,906
1,054,098	4,066,597
735,493	-
258,571	-
131,954	69,135
66,963	-
250,742	-
307,581	76,147
<u>14,307,209</u>	<u>5,466,785</u>
1,579,787	-
-	1,378,625
27,170	52,886
127,214	-
847,687	1,575,106
<u>16,889,067</u>	<u>8,473,402</u>
(117,479)	8,473,402
<u>42,837,302</u>	<u>45,341,792</u>
<u>\$ 42,719,823</u>	<u>\$ 53,815,194</u>

The accompanying notes are an integral part of these financial statements

BALANCE SHEET

	General Fund	Half-Cent Sales Tax	2015-C Warrant Construction	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,996,519	\$ 2,048,774	\$ 1,202,500	\$ 364,087	\$ 9,611,880
Accounts receivable, net	175,229	147,809	-	10,347	333,385
Receivable from component units	44	-	-	12,333	12,377
Receivable from other governments	1,292,841	-	-	-	1,292,841
Other receivables	81,899	-	-	-	81,899
Inventories	55,638	-	-	-	55,638
Total assets	<u>7,602,170</u>	<u>2,196,583</u>	<u>1,202,500</u>	<u>386,767</u>	<u>11,388,020</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	27,029	-	-	12,573	39,602
Other accrued liabilities	283,505	-	-	-	283,505
Total liabilities	<u>310,534</u>	<u>-</u>	<u>-</u>	<u>12,573</u>	<u>323,107</u>
Fund balances:					
Restricted for:					
Debt service	-	-	-	41,118	-
Other fund activities	-	-	-	53,144	-
Unrestricted	7,291,636	2,196,583	1,202,500	279,932	10,970,651
Total fund balance	<u>7,291,636</u>	<u>2,196,583</u>	<u>1,202,500</u>	<u>374,194</u>	<u>11,064,913</u>
Total liabilities and fund balance	<u>\$ 7,602,170</u>	<u>\$ 2,196,583</u>	<u>\$ 1,202,500</u>	<u>\$ 386,767</u>	<u>\$ 11,388,020</u>

The accompanying notes are an integral part of these financial statements

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

Total fund balance, governmental funds \$ 11,064,913

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 42,859,580

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 asset	287,454
Equity interest in joint venture	20,044,897
Deferred Outflows	775,957

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

Bonds payable	(21,395,000)
Accrued interest	(95,300)
Deferred inflows	(568,213)
Compensated absences	(1,198,443)
Defined benefit obligation	(9,056,022)

Net Position of Governmental Activities in the Statement of Net Position \$ 42,719,823

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

	General	Half-Cent	2015-C	Other	Total
	Fund	Sales Tax	Warrant	Governmental	Governmental
			Construction	Funds	Funds
REVENUES					
Local taxes	\$15,671,252	\$ -	\$ -	\$ 102,164	\$ 15,773,416
License, permits and fees	1,297,855	-	-	679,407	1,977,262
Charges for service	1,077,778	-	-	-	1,077,778
Joint Ventures	340,055	-	-	-	340,055
Intergovernmental revenue	242,522	571,076	-	-	813,598
Park and recreation	1,082,860	-	-	-	1,082,860
Investment earnings	23,837	1,163	1,387	783	27,170
Miscellaneous	497,145	9,038	-	114,750	620,933
Total revenues	<u>20,233,304</u>	<u>581,277</u>	<u>1,387</u>	<u>897,104</u>	<u>21,713,072</u>
EXPENDITURES					
Current:					
General government	3,016,656	175,202	-	257,623	3,449,481
Police	3,281,282	35,790	-	49,341	3,366,413
Fire	2,318,394	3,155	-	16,123	2,337,672
Street	1,775,846	1,208,961	-	57,167	3,041,974
Storm and Sewer	424,036	129,726	-	-	553,762
Health and sanitation	1,557,747	14,970	-	-	1,572,717
Culture and recreation	2,407,231	177,984	5,400	61,344	2,651,959
Appropriations	79,613	-	-	-	79,613
Education	1,304,259	118,625	-	-	1,422,884
Miscellaneous	291,036	-	-	-	291,036
Debt Service:					
Principal	35,167	-	-	-	35,167
Interest and other charges	22,669	-	-	676,237	698,906
Capital Outlay	173,211	929,574	-	132,813	1,235,598
Total expenditures	<u>16,687,147</u>	<u>2,793,987</u>	<u>5,400</u>	<u>1,250,648</u>	<u>20,737,182</u>
Excess (deficiency) of revenues over expenditures	<u>3,546,157</u>	<u>(2,212,710)</u>	<u>(4,013)</u>	<u>(353,544)</u>	<u>975,890</u>

(Continued)

The accompanying notes are an integral part of these financial statements

COMS / Financial Statements / September 30, 2015 / 18

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (Continued)

	General	Half-Cent	2015-C Warrant	Other Governmental	Total Governmental
	<u>Fund</u>	<u>Sales Tax</u>	<u>Construction</u>	<u>Funds</u>	<u>Funds</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt, net	-	-	-	10,265,000	10,265,000
Retirement of Bonds	-	-	-	(9,918,309)	(9,918,309)
Transfers in	323,932	1,651,479	1,206,513	1,538,296	4,720,220
Transfers out	<u>(2,916,210)</u>	<u>-</u>	<u>-</u>	<u>(1,804,010)</u>	<u>(4,720,220)</u>
Total other financing sources and uses	<u>(2,592,278)</u>	<u>1,651,479</u>	<u>1,206,513</u>	<u>80,977</u>	<u>346,691</u>
Net change in fund balances	953,879	(561,231)	1,202,500	(272,567)	1,322,581
Fund balances - beginning	<u>6,337,757</u>	<u>2,757,814</u>	<u>-</u>	<u>646,761</u>	<u>9,742,332</u>
Fund balances - ending	<u>\$ 7,291,636</u>	<u>\$ 2,196,583</u>	<u>\$ 1,202,500</u>	<u>\$ 374,194</u>	<u>\$ 11,064,913</u>

The accompanying notes are an integral part of these financial statements

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

Net change in fund balances - total governmental funds: \$ 1,322,581

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 \$1,235,598 were exceeded by depreciation \$2,082,026 in the current period. (846,428)

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 exceeded repayments. (710,000)

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 Net pension obligation	(79,665)
Decrease in accrued interest	65,540
Decrease in compensated absences	49,406
Decrease in OPEB asset	(46,127)
Increase in Equity interest of joint venture	<u>127,214</u>

Change in net position of governmental activities \$ (117,479)

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, 2015.

A. Reporting Entity

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

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

Primary government: The City of Muscle Shoals, Alabama

Discretely presented component units are as follows:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

B. BASIS OF PRESENTATION

Government-wide Statements

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

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

Fund Financial Statements

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

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

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

New Accounting Pronouncements

In FY 2015, the City implemented GASB Statement No. 68, “Accounting and Financial Reporting for Pensions-An amendment of GASB Statement No. 27.” This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. See Note 10 for additional information.

In FY 2015, the City implemented GASB Statement No. 70, (Accounting and Financial Reporting for Non-exchange Finance Guarantees”. This statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on that guarantee. The provisions of the statement are effective for reporting periods beginning after June 15, 2013, therefore, the City implemented this statement for fiscal year ended September 30, 2015, and had no impact on the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In FY 2015, the City implemented GASB Statement No. 71, (Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No.68.” The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014; therefore, the City implemented this Statement in fiscal year ending September 30, 2015, along with GASB 68 as discussed above.

D. CASH AND CASH EQUIVALENTS

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

E. RECEIVABLES AND PAYABLES

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

F. INVENTORIES

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

G. FIXED ASSETS

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimated useful lives, in years are as follows:

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

H. COMPENSATED ABSENCES

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

I. LONG-TERM DEBT AND DEFERRED DEBT EXPENSE

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

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

J. EQUITY CLASSIFICATIONS

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

Invested in capital assets, net of related debt—Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. REVENUES

Sales Tax

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

Property taxes

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

L. BUDGETING

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

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

M. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

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

2. CASH AND INVESTMENTS (continued)

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

3. RECEIVABLES

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

Other governments	\$ 1,292,841
Other	<u>427,661</u>
Accounts receivable-net of uncollectible allowance	\$ <u>1,720,502</u>

4. FIXED ASSETS

Capital assets activity for the year ended September 30, 2015 is as follows:

Governmental Activities:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated</i>				
Land	\$ 7,757,157	\$ -	\$ 16,000	\$ 7,741,157
Art	31,850	-	-	31,850
Construction in progress	<u>428,963</u>	<u>308,124</u>	<u>116,287</u>	<u>620,800</u>
Total assets not being depreciated	<u>8,217,970</u>	<u>308,124</u>	<u>132,287</u>	<u>8,393,807</u>
<i>Capital assets being depreciated</i>				
Buildings	15,950,292	29,515	-	15,979,807
Infrastructures	23,860,073	48,455	-	23,908,528
Land Improvements	9,774,908	331,392	19,199	10,087,101
Equipment	<u>12,520,982</u>	<u>549,828</u>	<u>63,481</u>	<u>13,007,329</u>
Total Capital assets being depreciated	62,106,255	959,190	82,680	62,982,765
Accumulated Depreciation	<u>(26,381,712)</u>	<u>(2,082,026)</u>	<u>53,254</u>	<u>(28,516,992)</u>
Total capital assets being depreciated, net	<u>35,724,543</u>	<u>(1,122,836)</u>	<u>29,426</u>	<u>34,465,773</u>
Governmental activities capital assets, net	<u>\$ 43,942,513</u>	<u>\$ (814,712)</u>	<u>\$ 161,713</u>	<u>\$ 42,859,580</u>

4. FIXED ASSETS (continued)

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

<u>Function</u>	<u>Depreciation</u>
General Government	\$ 248,995
Police	255,854
Fire	234,872
Public Works	320,464
Storm Drainage	705,377
Recreation	316,464
Total depreciation expense	<u>\$ 2,082,026</u>

5. 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, 2016 and November 1, 2006, and pay issuance expenses of \$78,311.

6. 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.

A Summary of the Debt Service requirements follows:

Fiscal	Series 2014-A		Series 2014-C		Series 2015-A	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	200,000	46,506	870,000	219,538	65,000	244,580
2017	185,000	42,506	900,000	202,138	65,000	243,280
2018	180,000	38,806	935,000	166,138	75,000	241,980
2019	200,000	35,206	960,000	138,088	70,000	240,480
2020	195,000	31,206	920,000	118,888	75,000	239,080
2021-2025	935,000	78,925	4,710,000	309,713	750,000	1,181,900
2026-2030	-	-	-	-	7,355,000	694,040
2031	-	-	-	-	-	-
Totals	<u>\$ 1,895,000</u>	<u>\$ 273,155</u>	<u>\$ 9,295,000</u>	<u>\$ 1,154,502</u>	<u>\$ 8,455,000</u>	<u>\$ 3,085,340</u>

Fiscal	Series 2015-B		Series 2015-C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	-	14,300	-	46,875	1,135,000	571,799
2017	-	14,300	-	46,875	1,150,000	549,099
2018	-	14,300	-	46,875	1,190,000	508,099
2019	-	14,300	-	46,875	1,230,000	474,949
2020	80,000	14,300	-	46,875	1,270,000	450,349
2021-2025	420,000	38,635	-	234,375	6,815,000	1,843,548
2026-2030	-	-	-	234,375	7,355,000	928,415
2031	-	-	1,250,000	46,875	1,250,000	46,875
	<u>\$ 500,000</u>	<u>\$ 110,135</u>	<u>\$ 1,250,000</u>	<u>\$ 750,000</u>	<u>\$ 21,395,000</u>	<u>\$ 5,373,132</u>

6. Long-Term Debt (continued)

The following summarizes the changes in the City's debt for the year ended September 30, 2015:

	Beginning			Ending	
	Balance	Increases	Reductions	Balance	Current Maturities
General Obligation Warrants					
- Series 2006 (11/06)	\$ 2,925,000	\$ -	\$ 2,925,000	\$ -	\$ -
- Series 2006 (03/06)	5,590,000	-	5,590,000	-	-
- Series 2014-A	1,895,000.00	-	-	1,895,000	200,000
- Series 2014-B	185,000.00	-	185,000	-	-
- Series 2014-C	9,660,000.00	-	365,000	9,295,000	870,000
- Series 2014-D	430,000.00	-	430,000	-	-
- Series 2015-A	-	8,515,000	60,000	8,455,000	65,000
- Series 2015-B	-	500,000	-	500,000	-
- Series 2015-C	-	1,250,000	-	1,250,000	-
Total Warrants	<u>\$ 20,685,000</u>	<u>\$10,265,000</u>	<u>\$ 9,555,000</u>	<u>\$ 21,395,000</u>	<u>\$ 1,135,000</u>

7. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

During the year the City transferred money between funds, mostly from the general to other funds. These transfers were for several purposes such as providing funds for debt service and to provide match money to comply with the terms of grant agreements. There were no outstanding Inter-fund receivable and payable balances at September 30, 2015. The amounts of inter-fund transfers for the fiscal year ended September 30, 2015 are as follows:

Fund	Transfers	
	To	From
General	\$ 323,932	\$ 2,916,210
Municipal Court	-	323,932
Bond Construction	-	273,565
Debt Service	1,538,296	1,206,213
2015-C Construction	1,206,513	-
One Half-Cent Sales Tax	1,651,479	-
	<u>\$ 4,720,220</u>	<u>\$ 4,720,220</u>

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

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

The City of Muscle Shoals owns approximately 49.5 percent of the North Alabama Gas District (the Gas District) and the City of Madison, Alabama owns the remainder. The government-wide financial statements reflect the City of Muscle Shoals' equity in the Gas District, in the amount of \$ 20,247,371. The fund-level financial statements only report the earnings distributions received from the District during the year (\$336,080).

9. RELATED PARTY TRANSACTIONS

The City had the following material transactions with related parties during the year ended September 30, 2015.

Muscle Shoals Utility Board – This component unit provides water and sewer service to the City at market rates. At September 30, 2015, 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 \$ 1,007,728 of garbage revenues collected and (c) paid the City \$ 843,179 of tax equivalents. At September 30, 2015, the Electric Board owed the City a total of \$153,203. The City owed the Electric Board nothing at year-end.

Muscle Shoals Board of Education - The City appropriated \$1,300,832 to the Board of Education (a component unit) during the year. At September 30, 2015, the Board owed the City \$ 15,409 for miscellaneous items.

Shoals Solid Waste Disposal Authority – The Authority, jointly governed by Muscle Shoals and three other governments, was paid \$177,003 for landfill services provided to the City. The City and the other three joint governors are charged special rates for landfill services, which are lower than that charged the public.

North Alabama Gas District (the Gas District)– The City, having approximately a 49.5 percent equity interest in the Gas District, received \$336,080 of earnings distributions from the Gas District during 2015. The distribution ratio is based on the percentage of gas sales in the respective areas of the two owners of the Gas District that is, the City of Muscle Shoals and the City of Madison, Alabama.

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

10. 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. 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.

10. PENSION COSTS (continued)

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to, but not receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	<u>55,883</u>
Total	<u>83,874</u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

10. PENSION COSTS (continued)

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, 2015, the City's active employee contribution rate was 9.87 % of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 11.53% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 5.0% of pensionable pay for Tier 1 employees, and 6.0 % of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$775,957 for the year ended September 30, 2015.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

(a) Total Pension Liability as of September 30, 2013	\$ 27,522,905
(b) Entry age normal cost for the period October 1, 2013 through September 30, 2014	545,427
(c) Actual benefit payments and refunds for the period October 1, 2013 through September 30, 2014	(1,508,755)
(d) Total Pension Liability as of September 30, 2014 = ((a) x (1.08)) + (b) - ((c) x (1.04))	\$ 28,701,059

10. PENSION COSTS (continued)

Actuarial assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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:

	Target Allocation (%)	Long-Term Expected Rate of Return (%) *
Fixed Income	25.00	5.00
US Large Stocks	34.00	9.00
US Mid Stocks	8.00	12.00
US Small Stocks	3.00	15.00
International Developed Market Stocks	15.00	11.00
International Emerging Market Stocks	3.00	16.00
Real Estate	10.00	7.50
Cash	2.00	1.50
Total	100.00	

* Includes assumed rate of inflation of 2.5%

10. PENSION COSTS (continued)

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2013	\$ 27,522,905	\$ 18,012,148	\$ 9,510,757
Changes for the year:			
Service cost	545,427	-	545,427
Interest	2,141,482	-	2,141,482
Changes of assumptions	-	-	-
Difference between expected and actual difference	-	-	-
Contributions - employer	-	742,144	(742,144)
Contributions - employee	-	353,105	(353,105)
Net investment income	-	2,131,301	(2,131,301)
Benefit payments, including refunds of employee contributions	(1,508,755)	(1,508,755)	-
Administrative expense	-	-	-
Transfers among employers	-	(84,906)	84,906
Net changes	1,178,154	1,632,889	(454,735)
Balances at September 30, 2014	\$ 28,701,059	\$ 19,645,037	\$ 9,056,022

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 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	% Decrease (9.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City of Muscle Shoals' net pension liability	\$ 12,355,783	\$ 9,056,022	\$ 6,262,106

10. PENSION COSTS (continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended June 30, 2015, the City recognized pension expense of \$ 2,164,440. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

For the year ended June 30, 2015, the City recognized pension expense of \$ 2,164,440. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	568,213
Employer contributions subsequent to the measurement date	775,957	-
<i>Total</i>	\$ 775,957	\$ 568,213

10. PENSION COSTS (continued)

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

Year Ended		
June 30		
2016	\$	142,053
2017		142,053
2018		142,053
2019		142,053
2020		-
Thereafter		-

11. POST-EMPLOYMENT BENEFITS

Trust and Plan Description

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

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

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

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

11. POST-EMPLOYMENT BENEFITS (continued)

Actuarial Study

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

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

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

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

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

11. POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Asset

The Net OPEB Asset is calculated as shown below:

a) Employer Annual Required Contribution (ARC)	\$ 391,702
b) Valuation Discount Rate	6.00%
c) Interest on Net OPEB Asset: (b) * (i)	24,107
d) Amortization Factor	21.0269
e) Adjustment of Annual Required Contribution (i) / (d)	<u>19,108</u>
f) Annual OPEB Cost: (a) - (c) + (e)	386,703
g) Employer Contributions made for Fiscal Year Ending 9/30/2015	<u>340,576</u>
h) Increase (decrease) in Net OPEB Asset: (g) - (f)	(46,127)
i) Net OPEB asset - Beginning of Fiscal Year	<u>333,581</u> ¹
j) Net OPEB asset - End of Fiscal Year (i) + (h)	<u><u>\$ 287,454</u></u>

12 .RISK MANAGEMENT

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

13. COMMITMENTS AND CONTINGENCIES

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

14. COMMERCIAL ENTITY TRANSACTIONS

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

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

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

Accordingly, on the government-wide statements, the City of Muscle Shoals showed a liability for the unpaid balance of the warrants and a corresponding receivable from the entity. The fund level statements show the loan principal and interest payments as current expenditures and the lease payments received from the entity as current income. The balance owed on the Warrants at September 30, 2015 was \$671,198.

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:

<u>FYE</u>	<u>Principal</u>	<u>Interest</u>
2016	32,832	25,003
2017	33,009	24,826
2018	34,293	23,542
2019	35,626	22,209
2020	37,012	20,823
2021-2025	207,803	81,372
2026-2030	251,478	37,697
2031	39,145	1,522
	<u>\$ 671,198</u>	<u>\$ 236,994</u>

15. HEALTH CARE PROGRAM

The City provides health care for its employees. The policy of the City is to self-insure the Health Care Program. At June 30, 2015, the City was self-insured with a stop-loss (maximum liability) per insured (contract) of \$105,000 annually. However, the City carries coverage for the aggregate of all contract medical claims over \$1.8 million.

The actual expense for the healthcare coverage was as follows:

Fiscal Year Ended June 30,	
2011	\$ 1,580,837
2012	\$ 2,047,692
2013	\$ 2,580,909
2014	\$ 1,609,488
2015	\$ 1,477,585

16. EVALUATION OF SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City evaluated its activity through March 24, 2016. There were no events which require disclosure.

17. RESTATEMENT

In fiscal year ended September 30, 2015, the City adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-An amendment of GASB Statement No. 27 and GASB Statement No. 71, (Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No.68." This implementation resulted in a restatement of net position as follows:

Net position, September 30, 2014 as previously reported	\$ 51,683,334
To record beginning deferred outflow of resources for FY 14 contributions based on GASB No. 71	664,725
Implementation of GASB No. 68 to record net pension liability	<u>(9,510,757)</u>
Net position, September 30, 2014 as corrected	<u>\$ 42,837,302</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MUSCLE SHOALS, AL
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
 RSA Fiscal Years Ending September 30, 2014 *

TOTAL PENSION LIABILITY

Service Cost	\$ 545,427
Interest	2,141,482
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,508,755)</u>
Net Change in total pension liability	1,178,154
Total pension liability - beginning	<u>27,522,905</u>
Total pension liability - ending (a)	<u>\$ 28,701,059</u>

PLAN FIDUCIARY NET POSITION

Contributions - employer	\$ 742,144
Contributions - member	353,105
Net investment income	2,131,301
Benefit payments, including refunds of employee contributions	(1,508,755)
Transfer among employees	<u>(84,906)</u>
Net Change in plan fiduciary net position	1,632,889
Plan net position - beginning	<u>18,012,148</u>
Plan net position - ending (b)	<u>\$ 19,645,037</u>

Net pension liability (asset) - ending (a) - (b)	\$ 9,056,022
Plan fiduciary net position as a percentage of the total pension liability	68.45%
Covered employee payroll *	\$ 6,439,111
Net pension liability (asset) as a percentage of covered employee payroll	140.64%

* Although 10 years are required to be shown, there is only 1 year compiled. Therefore, only one is shown here.

CITY OF MUSCLE SHOALS, AL
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

SCHEDULE OF EMPLOYER CONTRIBUTIONS
 RSA Fiscal Years Ending September 30, 2014 *

Actuarially determined contribution	\$ 742,144
Contributions in relation to the actuarially determined contribution *	<u>742,144</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll **	\$ 6,439,111
Contributions as a percentage of covered employee payroll	11.53%

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds of error service payments. For FY2015, the fiscal year is the twelve month period beginning after 6/15/2014.

** Employer's covered payroll during fiscal year is the total payroll paid to covered employees (not jus pensionable payroll). For FY2015, the fiscal year is the twelve month period beginning after 6/15/2014.

NOTES TO SCHEDULE

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

Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
	8.00%, net of pension plan investment expense, including
Investment rate of return	inflation

CITY OF MUSCLE SHOALS, AL
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

FUNDING PROGRESS (in thousands)						
	Actuarial					
	Actuarial	Accrued	Unfunded	Funded	Covered	UAAL as a Pctg of
Actuarial	Value of	Liability (AAL)	AAL	Ratio	Payroll	Covered Payroll
Valuation	Assets	Entry Age	(UAAL)	(a / b)	(c)	((b-a) / c)
Date (9/30)	(a)	(b)	(b-a)			
2009	\$ 16,944	\$ 23,718	\$ 6,774	71.4%	\$ 5,934	114.2%
2010	2 16,535	24,267	7,732	68.1%	5,808	133.1%
2011	4 16,158	24,447	8,289	66.1%	5,781	143.4%
2012	5 15,920	23,908	7,988	66.6%	5,737	139.3%
2013	6 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%
2014	3 18,460	27,792	9,332	66.4%	6,439	144.9%

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

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

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

4-Reflects changes in actuarial assumptions.

5-Reflects changes to interest smoothing methodology.

6-Reflects implementation of Board Funding Policy.

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

Market Value of Assets as of September 30, 2014 was \$ 19,645,037.

CITY OF MUSCLE SHOALS, AL
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

NOTE TO SCHEDULE OF FUNDING PROGRESS

Required Employer Contribution Rates (Effective October 1, 2016)

Tier 1 Employees (applies to all members hired before January 1, 2013)	Retain Current Member Contribution Rates	Elect to Increase Member Contribution Rate Under Act 2011-676
Normal cost	2.93%	0.62%
Accrued liability	8.92%	8.97%
Pre-retirement death benefit	0.02%	0.02%
Administrative expense	<u>0.35%</u>	<u>0.35%</u>
Total	<u>12.22%</u>	<u>9.96%</u>
5% employer contribution factor (12.22% / 5%)	2.444000	
6% employer contribution factor (12.22% / 6%)	2.036667	
7.5% employer contribution factor (9.96% / 7.5%)		1.328000
8.5% employer contribution factor (9.96% / 8.5%)		1.171765
Tier 2 Employees (applies to all members hired after December 31, 2012)		
Normal cost	0.58%	
Accrued liability	8.92%	
Pre-retirement death benefit	0.02%	
Administrative expense	<u>0.35%</u>	
Total	<u>9.87%</u>	
6.0% employer contribution factor (9.87% / 6.0%)	1.645000	
7.0% employer contribution factor (9.87% / 7.0%)	1.410000	
Valuation date		9/30/2014
Actuarial cost method		Entry Age
Amortization method		Level percent closed
Remaining amortization method		29 years
Asset valuation method		5-year smoothed market
Actuarial assumptions:		
Ultimate investment rate of return		8.00%
Projected salary increases		3.75-7.25%
(includes inflation at)		3.00%
Cost-of-living adjustments		None

CITY OF MUSCLE SHOALS, AL
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

ACTUARIAL INFORMATION FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)

VALUATION BALANCE SHEET

Accrued Actuarial Liabilities

Present value of benefits (based on credited service to date)

payable in respect of:

1) Present active members	\$ 3,566,161
2) Present retired members and beneficiaries	<u>1,756,730</u>
3) Total accrued actuarial liabilities [1+2]	<u>\$ 5,322,891</u>

Present and Prospective Assets

4) Present assets	\$ 1,233,037
5) Present value of future accrued liability contributions (Unfunded accrued liability) [3-4]	<u>4,089,854</u>
6) Total present and prospective assets	<u>\$ 5,322,891</u>

Valuation date	9/30/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	26 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return *	6.00%
ARC adjustment factor	21.0269
Medical cost trend rate	8.50%-5.00%
Year of ultimate trend rate	2018
 *Includes inflation at	 3.25%

REVENUES AND EXPENDITURES – BUDGETARY COMPARISON – GENERAL FUND

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
BUDGETARY FUND BALANCE- BEGINNING	\$ 6,337,757	\$ 6,337,757	\$ 6,337,757	\$ -
RESOURCES (INFLOWS):				
Local taxes	15,228,430	15,300,430	15,671,252	370,822
License, permits and fees	1,252,000	1,229,125	1,297,855	68,730
Charges for service	1,079,900	1,079,900	1,077,778	(2,122)
Joint Ventures	314,600	323,975	340,055	16,080
Intergovernmental revenue	3,650	79,040	242,522	163,482
Park and recreation	1,229,600	1,229,600	1,082,860	(146,740)
Investment earnings	21,000	21,000	23,837	2,837
Miscellaneous	592,393	590,593	497,145	(93,448)
<i>Total resources (inflows)</i>	<u>19,721,573</u>	<u>19,853,663</u>	<u>20,233,304</u>	<u>379,641</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>26,059,330</u>	<u>26,191,420</u>	<u>26,571,061</u>	<u>379,641</u>
EXPENDITURES				
Current:				
General government	3,091,031	3,185,061	3,016,656	168,405
Public Safety	5,748,924	5,759,074	5,599,676	159,398
Public Works	2,199,437	2,200,103	2,199,882	221
Health and sanitation	1,607,667	1,618,911	1,557,747	61,164
Culture and recreation	2,557,540	2,559,290	2,407,231	152,059
Education	1,303,000	1,303,000	1,304,259	(1,259)
Miscellaneous	392,202	394,352	370,649	23,703
Debt Service:				
Principal	31,975	31,975	35,167	(3,192)
Interest and other charges	25,860	25,860	22,669	3,191
Capital Outlay	-	12,100	173,211	(161,111)
Total Expenditures	<u>16,957,636</u>	<u>17,089,726</u>	<u>16,687,147</u>	<u>402,579</u>

(continued)

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

	<u>Budgeted Amounts</u>		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in	287,000	287,000	323,932	36,932
Transfers out	<u>(3,050,249)</u>	<u>(3,050,249)</u>	<u>(2,916,210)</u>	<u>134,039</u>
Total other financing sources and	<u>(2,763,249)</u>	<u>(2,763,249)</u>	<u>(2,592,278)</u>	<u>170,971</u>
TOTAL CHARGES TO APPROPRIATIONS (OUTFLOWS)	<u>19,720,885</u>	<u>19,852,975</u>	<u>19,279,425</u>	<u>573,550</u>
BUDGETARY FUND BALANCE-ENDING	<u>\$ 6,338,445</u>	<u>\$ 6,338,445</u>	<u>\$ 7,291,636</u>	<u>\$ 953,191</u>

NOTES TO BUDGETARY COMPARISON SCHEDULE

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING:

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

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

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

NOTE 2 - RECONCILIATION OF BUDGETED AND ACTUAL RESULTS

Following is a reconciliation of Budgetary and actual results:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 26,571,061
--	---------------

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>(6,337,757)</u>
---	--------------------

Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 20,233,304</u>
--	----------------------

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	<u>\$ 16,687,147</u>
--	----------------------

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 16,687,147</u>
--	----------------------

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Passed through State of Alabama:</u>				
Northwest Alabama Council of Local Governments	Title III, Part B-Grants for Supportive Services	93.044	4010112	\$ 1,765
<u>U.S. Housing and Urban Development</u>				
<u>Passed through State of Alabama:</u>				
Economic and Community Affairs	State Administered CDBG	14.228	LR-ED-PF-13-008	\$ 156,759
Economic and Community Affairs	Cluster	14.228	LR-ED-PF-13-002	6,060
Total Housing and Urban Development				\$ 162,819
<u>U.S. Department of Justice</u>				
<u>U.S. Department of Transportation</u>				
<u>Passed through State of Alabama:</u>				
Dept of Transportation	Highway Safety Cluster	20.205	STPTE-TE13(901)	\$ 48,471
Dept of Transportation	Highway Safety Cluster	20.205	TAPOA-TA13(905)	190,962
Dept of Transportation	Highway Safety Cluster	20.205	STPOA-UR13(600)	64,663
Dept of Transportation	Highway Safety Cluster	20.205	STPOA-8828(602)	51,225
Dept of Transportation	Highway Safety Cluster	20.205	STPOA-8828(601)	104,016
Total U.S. Department of Transportation				\$ 459,336
<u>National Endowment for the Humanities</u>				
<u>Passed thru State of Alabama</u>	Library Technology	45.31		\$ 13,929
Total Federal Financial Assistance				\$ 637,849

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Muscle Shoals, Alabama under programs of the Federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit* Alabama, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Muscle Shoals, Alabama.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

REVENUES AND EXPENDITURES – BY BUDGETARY LINE ITEM – GENERAL FUND

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local Taxes				
Ad Valorem - Real Property	\$ 760,000	\$ 854,000	\$ 854,319	\$ 319
Ad Valorem - Personal Property	200,000	200,000	199,779	(221)
Sales Tax	11,269,500	11,269,500	11,501,807	232,307
Alcohol Beverage Tax	205,000	205,000	210,696	5,696
Tangible Personal Property Rentals	170,000	170,000	184,955	14,955
Lodging Tax	65,000	65,000	66,963	1,963
Tax Equivalent (Electric Board)	843,180	843,180	843,179	(1)
Gasoline (Local)	557,000	557,000	633,329	76,329
Tobacco Tax	138,000	138,000	131,954	(6,046)
TVA In Lieu Of Taxes	759,250	737,250	736,608	(642)
State Auto License	7,500	7,500	9,046	1,546
ABC Board	47,000	47,000	47,875	875
Financial Inst Tax	207,000	207,000	250,742	43,742
	<u>15,228,430</u>	<u>15,300,430</u>	<u>15,671,252</u>	<u>370,822</u>
License, Permits and Fees				
Business License (City)	1,157,000	1,157,000	1,219,592	62,592
Building Permits	95,000	72,125	78,263	6,138
	<u>1,252,000</u>	<u>1,229,125</u>	<u>1,297,855</u>	<u>68,730</u>
Intergovernmental Revenues				
Bulletproof Vest Grant	2,650	2,650	9,141	6,491
NACOLG Traffic Grant	1,000	1,000	1,765	765
Aldot Grant	-	46,840	59,545	12,705
Aldot Grant	-	-	54,413	54,413
Aldot Grant E. Avalon Avenue	-	28,550	117,658	89,108
	<u>3,650</u>	<u>79,040</u>	<u>242,522</u>	<u>163,482</u>

(continued)

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

	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	5,300	(700)
Gas Inspection Fees	4,000	4,000	2,711	(1,289)
Electric Inspection Fees	10,000	10,000	6,916	(3,084)
Plumbing Inspection Fees	6,000	6,000	4,625	(1,375)
Flood Hazard Improvement Fees	500	500	-	(500)
Stormwater Permits	300	300	-	(300)
Photo Copy Service	2,500	2,500	5,241	2,741
Fire Protection	8,000	8,000	9,513	1,513
Garbage Fees	1,014,000	1,014,000	1,007,728	(6,272)
Fire Training Center	25,000	25,000	32,144	7,144
Radio Operator Service	3,600	3,600	3,600	-
	<u>1,079,900</u>	<u>1,079,900</u>	<u>1,077,778</u>	<u>(2,122)</u>
Joint Ventures				
North Ala. Gas District	314,600	314,600	330,680	16,080
Shoals Solid Waste Authority	-	9,375	9,375	-
	<u>314,600</u>	<u>323,975</u>	<u>340,055</u>	<u>16,080</u>
Park and Recreation				
Cypress Lakes Facility Revenues				
Dues	340,000	340,000	301,345	(38,655)
Locker Rental	-	-	-	-
Golf Concessions	70,000	70,000	59,520	(10,480)
Tennis Lessons	1,000	1,000	91	(909)
Golf Lessons	2,000	2,000	-	(2,000)
Room Rentals	24,300	24,300	12,675	(11,625)
Miscellaneous	2,700	2,700	5,116	2,416
Range Tokens	20,000	20,000	16,928	(3,072)
Cart Rentals	155,000	155,000	119,708	(35,292)
Greens Fees	235,000	235,000	178,986	(56,014)
Merchandise	67,900	67,900	54,280	(13,620)
Golf Club Rental	800	800	820	20

(continued)

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
Greens Fees	235,000	235,000	178,986	(56,014)
Merchandise	67,900	67,900	54,280	(13,620)
Golf Club Rental	800	800	820	20
Rent Payments	23,400	23,400	11,100	(12,300)
Tennis Guest Fees	1,000	1,000	2,024	1,024
Tennis Passes	5,000	5,000	6,720	1,720
Tip Revenue	2,000	2,000	2,111	111
Other Recreation Revenues				
Gattman Splashpad Concessions	5,000	5,000	7,550	2,550
Batting Cage Revenue	6,000	6,000	3,588	(2,412)
Football	11,000	11,000	8,814	(2,186)
Flag Football Revenue	6,000	6,000	5,034	(966)
Airport Concessions	25,000	25,000	40,652	15,652
Webster Concessions	25,000	25,000	21,127	(3,873)
Karate	8,000	8,000	9,909	1,909
Pool Receipts	20,000	20,000	17,172	(2,828)
Pool Concessions	4,500	4,500	2,208	(2,292)
Gattman Concessions	-	-	746	746
Youth Basketball Registration	35,000	35,000	50,756	15,756
Youth Soccer Registration	15,000	15,000	17,179	2,179
Youth Baseball Registration	4,000	4,000	6,564	2,564
Girls Softball Registration	15,000	15,000	14,473	(527)
Special Events Revenue	7,500	7,500	6,355	(1,145)
Adult Softball	10,000	10,000	10,210	210
Volleyball	1,000	1,000	890	(110)
Facilities Rental	25,000	25,000	34,132	9,132
Vending And Game Machines	1,500	1,500	1,208	(292)
Miscellaneous Revenues	5,000	5,000	2,000	(3,000)
Sportsplex Concessions	35,000	35,000	31,155	(3,845)
Tournament Revenues	15,000	15,000	19,689	4,689
Recreation Lease Payments	-	-	25	25
Total Park and Recreation Revenues	1,229,600	1,229,600	1,082,860	(146,740)

(continued)

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES (continued)				
Investment Earnings	<u>21,000</u>	<u>21,000</u>	<u>23,837</u>	<u>2,837</u>
Library Revenues				
State Aid	13,900	13,900	13,929	29
County Appropriation	2,800	2,800	2,500	(300)
Fines	16,000	16,000	15,059	(941)
Miscellaneous Library Revenues	<u>12,400</u>	<u>12,400</u>	<u>11,891</u>	<u>(509)</u>
	<u>45,100</u>	<u>45,100</u>	<u>43,379</u>	<u>(1,721)</u>
Other Revenues				
Lease Payments	16,970	16,970	14,562	(2,408)
Insurance Refund	6,959	6,959	6,959	-
Sale Of Dirt	-	-	712	712
Sale Of Street Material	15,000	15,000	-	(15,000)
Sale Of City Eqpt	-	3,200	3,189	(11)
Sale Of Real Estate	400,000	400,000	325,585	(74,415)
Muscle Shoals Utilities Board	80,000	80,000	80,000	-
Misc. Revenue	3,500	3,500	2,895	(605)
Transf From Area Agency On Aging	7,864	7,864	7,864	-
Colbert County Commission	12,000	12,000	12,000	-
Christmas Parade	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>547,293</u>	<u>545,493</u>	<u>453,766</u>	<u>(91,727)</u>
Total Revenues	<u>19,721,573</u>	<u>19,853,663</u>	<u>20,233,304</u>	<u>379,641</u>

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Mayor And City Council				
Salaries - Regular	110,069	110,069	110,135	(66)
Retirement	8,223	8,223	8,231	(8)
Employee's Insurance	11,284	11,284	12,296	(1,012)
Workmen's Compensation	232	382	376	6
Consultant Services	22,110	22,110	22,585	(475)
Gas, Oil	3,000	3,000	1,510	1,490
Miscellaneous	1,200	1,350	1,649	(299)
Vehicle Repair	800	500	816	(316)
Advertising	24,000	24,000	14,161	9,839
Travel	37,500	37,500	24,994	12,506
Meals	500	300	56	244
Insurance - General	23,548	23,548	21,294	2,254
Dues	16,068	16,368	16,363	5
Special Events	3,000	3,000	-	3,000
Total	<u>261,534</u>	<u>261,634</u>	<u>234,466</u>	<u>27,168</u>
City Clerk				
Salaries - Regular	470,526	470,526	471,679	(1,153)
Retirement	55,853	55,853	56,144	(291)
Employee's Insurance	99,473	99,473	124,980	(25,507)
Workmen's Compensation	3,865	5,715	5,708	7
Vacation Sold	22,000	22,000	10,588	11,412
Auditing Services	32,500	30,000	30,000	-
Consultant Services	35,000	48,500	39,750	8,750
Janitorial	4,200	4,200	3,150	1,050
Data Processing	34,850	34,850	32,701	2,149
Office Supplies	3,200	4,200	2,699	1,501
Gas, Oil	4,400	4,400	2,680	1,720
Tobacco Stamps	12,800	12,800	12,179	621
Miscellaneous	2,800	2,800	2,990	(190)
Buildings And Grounds	28,000	29,350	30,728	(1,378)

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 57

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
City Clerk				
Vehicle Repair	2,600	2,100	2,277	(177)
Postage	10,000	10,000	10,133	(133)
Advertising	100	750	854	(104)
Recording Fees	100	100	12	88
Travel	9,800	9,800	6,923	2,877
Drug/Alcohol Testing	2,500	3,000	4,585	(1,585)
Meals	300	300	78	222
Employee Education And Training	4,000	4,800	5,416	(616)
Insurance - General	8,323	8,323	8,373	(50)
Photo Copy Exp	3,800	3,800	3,539	261
Printing, Books, Subscriptions	7,000	7,000	4,589	2,411
Dues	2,300	2,300	2,259	41
Municipal Code	1,200	-	-	-
Trustee Fees	7,600	7,600	7,178	422
Total	<u>869,090</u>	<u>884,540</u>	<u>882,192</u>	<u>2,348</u>
Civil Service Board				
Salaries - Regular	12,000	12,000	12,000	-
Legal Services	1,000	3,000	2,727	273
Meals	500	500	280	220
Total	<u>13,500</u>	<u>15,500</u>	<u>15,007</u>	<u>493</u>
Legal Services				
Salaries - City Attorney	6,000	6,000	6,000	-
Legal Services	49,000	45,000	30,425	14,575
Total	<u>55,000</u>	<u>51,000</u>	<u>36,425</u>	<u>14,575</u>
City Buildings				
Workmen's Compensation	4,800	6,350	5,593	757
Lawn Maintenance	17,940	17,940	17,940	-
Buildings And Grounds	12,000	12,000	11,963	37
Utilities	172,000	170,450	165,587	4,863
Early Warning System	4,600	4,600	2,928	1,672
Advalorem Taxes	-	-	-	-
Insurance - General	38,344	38,344	38,344	-
Total	<u>249,684</u>	<u>249,684</u>	<u>242,355</u>	<u>7,329</u>

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 58

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Communications				
Paging Services	8,400	7,500	8,629	(1,129)
Telephone	46,200	46,200	52,046	(5,846)
Radio	26,000	24,500	14,439	10,061
Total	<u>80,600</u>	<u>78,200</u>	<u>75,114</u>	<u>3,086</u>
Payroll Tax Expense				
Fica	568,638	568,638	558,719	9,919
Unemployment Insurance	5,000	12,100	10,095	2,005
Total	<u>573,638</u>	<u>580,738</u>	<u>568,814</u>	<u>11,924</u>
Police Dept.				
Holiday Pay	65,487	65,487	62,600	2,887
Salaries - Regular	1,814,112	1,777,112	1,747,215	29,897
Salaries - Overtime	118,281	149,281	128,713	20,568
Retirement	222,378	222,378	230,182	(7,804)
Employee's Insurance	542,907	542,907	578,398	(35,491)
Workmen's Compensation	63,784	68,534	68,888	(354)
Vacation Sold	51,209	51,209	39,895	11,314
Consultant Services	-	-	-	-
Janitorial	20,000	20,000	18,606	1,394
Data Processing	64,400	64,400	61,927	2,473
Office Supplies	10,000	10,000	9,088	912
Gas, Oil	120,000	120,000	87,112	32,888
Miscellaneous	10,500	10,500	7,393	3,107
Canine Expense	6,000	6,000	2,793	3,207
Dare Program	5,000	5,000	4,954	46
Jail Expense	13,500	13,500	10,638	2,862
Buildings And Grounds	25,100	25,100	17,132	7,968
Vehicle Repair	57,500	57,500	48,130	9,370
Public Safety Equipment	46,768	39,268	10,596	28,672
Travel	26,872	26,872	15,891	10,981
Meals	300	300	41	259

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 59

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Police Dept.				
Employee Education And Training	21,500	27,500	25,395	2,105
Insurance - General	48,983	48,983	50,668	(1,685)
Uniforms	53,500	61,000	57,397	3,603
Photo Copy Exp	5,500	5,500	4,387	1,113
Printing, Books, Subscriptions	4,373	4,373	1,274	3,099
Film & Developing	1,000	1,000	-	1,000
Dues	1,500	1,500	1,394	106
Informer Information	500	500	-	500
Care of Prisoners	19,000	19,000	10,961	8,039
Police Tactical Team	37,500	37,500	37,196	304
Training Facility	4,800	4,800	2,981	1,819
Colbert Drug Task Force	10,000	10,000	10,000	-
Salary & Benefit Reimbursement-	(71,694)	(71,694)	(70,563)	(1,131)
Total	3,420,560	3,425,310	3,281,282	144,028
Municipal Court				
Salaries - Regular	80,851	80,851	80,685	166
Retirement	9,767	9,767	9,771	(4)
Employee's Insurance	29,943	29,943	31,730	(1,787)
Workmen's Compensation	176	176	96	80
Vacation Sold	2,600	2,400	1,120	1,280
Municipal Judge	12,357	12,357	12,357	-
Data Processing	5,800	6,300	6,904	(604)
Office Supplies	3,500	3,000	1,602	1,398
Miscellaneous	400	600	498	102
Municipal Prosecutor	6,600	6,600	6,600	-
Printing, Books, Subscriptions	2,600	2,600	2,648	(48)
Dues	300	300	200	100
Total	154,894	154,894	154,211	683

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 60

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Fire Dept.				
Holiday Pay	52,420	52,420	49,486	2,934
Salaries - Regular	1,330,306	1,330,306	1,308,670	21,636
Salaries - Overtime	76,900	94,900	97,904	(3,004)
Retirement	170,992	170,992	170,431	561
Employee's Insurance	372,438	372,438	385,399	(12,961)
Workmen's Compensation	69,826	79,826	83,479	(3,653)
Vacation Sold	38,000	41,000	50,028	(9,028)
Janitorial	3,000	3,000	1,884	1,116
Data Processing	20,000	4,000	4,128	(128)
Chemicals	2,500	1,500	847	653
Office Supplies	1,000	1,000	734	266
Gas, Oil	33,000	33,000	25,766	7,234
Medical Supplies	2,000	2,000	1,163	837
Small Tools	2,000	1,100	1,107	(7)
Miscellaneous	6,000	5,000	3,808	1,192
Fire Prevention Program	1,500	2,400	2,509	(109)
Buildings And Grounds	12,500	20,500	22,049	(1,549)
Vehicle Repair	25,000	25,000	17,832	7,168
Tire Repair	3,000	4,600	4,514	86
Machine & Equipment Repair	6,000	4,800	5,390	(590)
Public Safety Equipment	10,000	11,600	10,992	608
Travel	6,500	3,500	3,179	321
Employee Education And Training	3,871	3,871	5,334	(1,463)
Insurance - General	28,311	28,311	28,311	-
Uniforms	23,000	23,000	22,923	77
Printing, Books, Subscriptions	3,000	3,000	3,061	(61)
Dues	1,800	1,800	2,032	(232)
Training Facility	23,500	8,900	5,434	3,466
Capital Outlay	-	4,600	4,574	26
Total	2,328,364	2,338,364	2,322,968	15,396

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 61

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Street Dept.				
Salaries - Regular	680,940	680,940	723,548	(42,608)
Salaries - Overtime	10,000	10,000	12,460	(2,460)
Retirement	82,256	82,256	87,943	(5,687)
Employee's Insurance	227,936	227,936	235,234	(7,298)
Workmen's Compensation	43,656	51,225	51,224	1
Vacation Sold	10,000	14,300	15,767	(1,467)
Data Processing	3,500	4,050	4,448	(398)
Chemicals	7,000	8,000	7,498	502
Office Supplies	300	850	756	94
Gas, Oil	70,000	62,500	45,852	16,648
Road Building	24,000	24,000	12,898	11,102
Street Materials Sold	15,000	15,000	2,566	12,434
Medical Supplies	200	200	6	194
Small Tools	10,000	7,500	7,167	333
Street Markers	15,000	24,000	26,166	(2,166)
Miscellaneous	2,000	2,000	1,961	39
Safety Supplies	10,000	4,000	2,108	1,892
Buildings And Grounds	21,200	13,500	13,997	(497)
Vehicle Repair	14,000	18,500	18,900	(400)
Tire Repair	14,000	10,500	6,388	4,112
Machine & Equipment Repair	10,000	7,300	5,935	1,365
Storm Drainage	25,000	25,000	38,925	(13,925)
Travel	1,000	1,000	553	447
Meals	750	750	-	750
Employee Education And Training	750	750	332	418
Trash Containers	-	549	548	1
Insurance - General	38,232	38,320	38,320	-
Uniforms	5,000	5,000	3,651	1,349
Photo Copy Exp	300	300	210	90
Tree Services	4,000	5,950	5,950	-
Pedestrian Overpass	6,500	6,500	4,525	1,975
Sidewalk Repair	2,500	-	-	-
Capital Outlay	-	2,700	-	2,700
Total	<u>1,355,020</u>	<u>1,355,376</u>	<u>1,375,836</u>	<u>(20,460)</u>

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 62

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget -
	Original	Final		Positive (Negative)
EXPENDITURES				
City Engineer				
Engineering Services	200,000	275,390	200,598	74,792
Construction in Progress	-	-	161,147	(161,147)
Total	200,000	275,390	361,745	(86,355)
Storm Drainage				
Salaries - Regular	215,546	215,546	195,637	19,909
Salaries - Overtime	4,500	8,500	8,427	73
Retirement	17,898	17,898	19,708	(1,810)
Employee's Insurance	36,225	36,225	36,609	(384)
Workmen's Compensation	5,586	5,896	5,794	102
Vacation Sold	5,400	5,400	5,641	(241)
Janitorial	1,500	1,700	1,690	10
Data Processing	1,000	1,000	927	73
Chemicals	32,000	26,900	35,205	(8,305)
Gas, Oil	21,500	21,500	13,402	8,098
Small Tools	1,000	1,200	1,099	101
Miscellaneous	1,800	2,500	2,446	54
Vehicle Repair	4,500	4,500	3,920	580
Tire Repair	4,000	4,000	3,427	573
Machine & Equipment Repair	13,000	13,000	14,143	(1,143)
Retention Ponds	30,000	30,000	31,154	(1,154)
Utilities	35,850	35,850	35,378	472
Program/Review Fees	900	900	90	810
Travel	2,000	2,000	571	1,429
Meals	200	200	-	200
Employee Education And Training	850	850	-	850
Insurance - General	7,512	7,512	7,570	(58)
Uniforms	1,650	1,650	1,198	452
Total	444,417	444,727	424,036	20,691
Street Lighting				
Utilities	400,000	400,000	400,010	(10)
Total	400,000	400,000	400,010	(10)

(continued)

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Sanitation				
Salaries - Regular	798,541	798,541	739,295	59,246
Salaries - Overtime	10,000	10,000	12,140	(2,140)
Retirement	89,482	89,482	84,611	4,871
Employee's Insurance	286,178	286,178	299,861	(13,683)
Workmen's Compensation	60,957	67,808	67,808	-
Vacation Sold	17,250	8,750	16,628	(7,878)
Landfill Services	195,000	177,300	177,003	297
Chemicals	7,000	7,000	6,307	693
Office Supplies	300	800	665	135
Gas, Oil	60,000	60,000	44,778	15,222
Medical Supplies	200	200	-	200
Small Tools	1,500	1,500	416	1,084
Miscellaneous	1,200	2,500	2,864	(364)
Safety Supplies	10,000	4,500	3,704	796
Vehicle Repair	14,000	29,500	32,414	(2,914)
Tire Repair	12,000	16,500	15,894	606
Machine & Equipment Repair	14,000	28,293	25,094	3,199
Travel	750	750	-	750
Employee Education And Training	250	250	253	(3)
Garbage Containers	-	-	(66)	66
Insurance - General	20,634	20,634	20,634	-
Uniforms	5,500	5,500	5,149	351
Photo Copy Exp	300	300	210	90
Printing, Books, Subscriptions	2,400	2,400	1,873	527
Dues	225	225	212	13
Total	<u>1,607,667</u>	<u>1,618,911</u>	<u>1,557,747</u>	<u>61,164</u>
Contractual Obligations				
Colbert Animal Shelter	81,560	81,560	81,560	-
Colbert County Emergency Mgmt	11,832	11,832	11,832	-
M.S Airport Authority	9,375	9,375	9,375	-
Incentive Rebate	15,756	15,756	10,963	4,793
Hazard Mat. Team	2,500	2,500	2,500	-
Total	<u>121,023</u>	<u>121,023</u>	<u>116,230</u>	<u>4,793</u>

(continued)

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Appropriations				
Riverbend Mental Health	7,000	7,000	7,000	-
Colbert Health Dept	5,000	5,000	5,000	-
Easter Seals Rehabilitation Center	7,000	7,000	7,000	-
Safeplace, Inc.	2,000	2,000	2,000	-
Colbert County Attention Home	1,000	1,000	1,000	-
Meals On Wheels	2,000	2,000	2,000	-
Hope Haven School	2,500	2,500	2,500	-
Colbert County Tourism Board	26,667	26,667	27,113	(446)
Rape Response	1,500	1,500	1,500	-
I.M. Alliance	2,000	2,000	2,000	-
Shoals Area COARMM	1,500	1,500	1,500	-
Shoals Area Chamber Of Comm	3,050	3,050	2,500	550
Cerebral Palsy Center	1,500	1,500	1,500	-
NACOLG Transit Program	1,500	1,500	1,500	-
SenioRX Program (Nacolg)	1,500	1,500	1,500	-
Mainstream Development Corp	1,000	1,000	1,000	-
Scope 310 Authority	1,000	1,000	1,000	-
Community Action	1,000	1,000	1,000	-
Shoals Entrepreneurial Center	5,000	5,000	5,000	-
Crimestoppers	500	500	500	-
Cramer Children's Center	1,000	1,000	1,000	-
Alabama Silver-Haired Legislature	500	500	500	-
Colbert County DHR	1,000	1,000	-	1,000
University of North Alabama	5,000	5,000	-	5,000
Disabled American Veterans	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	-
Children's Hospital	-	1,000	1,000	-
Total	85,717	85,717	79,613	6,104

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 65

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget -
	Original	Final		Positive (Negative)
EXPENDITURES				
Recreation - Administration Division				
Salaries Part Time	190,000	170,000	157,032	12,968
Salaries - Regular	453,867	453,867	451,664	2,203
Salaries - Overtime	2,000	2,000	1,567	433
Retirement	58,284	58,284	58,133	151
Employee's Insurance	123,362	123,362	133,895	(10,533)
Workmen's Compensation	16,074	21,874	21,425	449
Vacation Sold	17,500	17,500	12,884	4,616
Janitorial	2,500	2,500	2,192	308
Data Processing	2,500	2,500	3,108	(608)
Office Supplies	2,000	2,500	2,489	11
Medical Supplies	250	250	-	250
Miscellaneous	1,000	1,500	1,513	(13)
Safety Supplies	5,000	5,000	-	5,000
Buildings And Grounds	20,000	25,000	29,547	(4,547)
Machine & Equipment Repair	1,500	1,500	-	1,500
Utilities	100,000	100,000	127,113	(27,113)
Advertising	1,000	1,000	637	363
Travel	2,500	2,500	1,163	1,337
Meals	750	750	443	307
Employee Education And Training	1,000	1,000	900	100
Insurance - General	13,663	13,663	13,663	-
Photo Copy Exp	500	1,500	1,800	(300)
Printing, Books, Subscriptions	500	500	518	(18)
Dues	1,250	1,250	255	995
Transaction Fees	2,500	2,500	4,714	(2,214)
Special Events	10,000	10,000	11,086	(1,086)
Vending Machines	1,500	1,500	731	769
Capital Outlay	-	7,500	7,490	10
Total	1,031,000	1,031,300	1,045,962	(14,662)

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 66

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Recreation - Maint. & Grounds Division				
Chemicals	6,000	6,000	3,767	2,233
Gas, Oil	30,000	22,500	18,611	3,889
Medical Supplies	250	250	-	250
Small Tools	2,000	2,000	1,716	284
Buildings And Grounds	27,000	34,500	36,809	(2,309)
Vehicle Repair	10,000	10,000	9,839	161
Machine & Equipment Repair	9,000	9,000	8,861	139
Uniforms	4,000	4,000	2,171	1,829
Total	88,250	88,250	81,774	6,476
Recreation - Swimming / Tennis Facilities				
Salaries Part Time	18,000	18,000	14,827	3,173
Chemicals	4,500	4,500	1,149	3,351
Buildings And	15,000	30,000	28,153	1,847
Pool Concession	1,900	1,900	1,490	410
Tournament Expenses	1,000	1,000	-	1,000
	40,400	55,400	45,619	9,781
Recreation - Athletic Division				
Buildings And Grounds	75,000	75,000	71,498	3,502
Batting Cages	2,000	2,000	46	1,954
Splashpad Concessions	5,000	5,000	4,243	757
Football	14,000	7,000	13,323	(6,323)
Football Referees	2,500	2,500	210	2,290
Splashpad Expenses	5,000	5,000	4,582	418
Special Events	10,000	10,000	10,017	(17)
Youth Baseball Supplies	20,000	25,000	24,123	877
Baseball Umpires	25,000	17,500	16,200	1,300
Youth Basketball Supplies	9,000	9,000	9,787	(787)
Basketball Officials	15,000	15,000	12,760	2,240
Youth Soccer Supplies	3,500	3,500	6,141	(2,641)
Soccer Officials	2,000	2,000	1,960	40
Girls Softball Supplies	7,500	7,500	6,409	1,091
Softball Umpires	5,000	5,000	4,230	770
Volleyball	1,000	1,000	492	508
Gatman Concessions	30,000	30,000	26,736	3,264

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 67

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES				
Recreation - Athletic Division				
Sportsplex Concessions	25,000	25,000	20,006	4,994
Tournament Expenses	5,000	5,000	4,656	344
Karate	7,000	7,000	4,950	2,050
Webster Concessions	20,000	20,000	19,914	86
Airport Concessions	15,000	15,000	21,613	(6,613)
Flag Football Supplies	7,500	7,500	961	6,539
Flag Football Officials	5,000	5,000	3,330	1,670
Total	316,000	306,500	288,187	18,313
Golf Course Operations				
Salaries Part Time	112,320	112,320	101,281	11,039
Salaries - Regular	86,613	86,613	86,712	(99)
Retirement	10,463	10,463	10,508	(45)
Employee's Insurance	72,319	72,319	77,249	(4,930)
Workmen's Compensation	5,974	9,424	9,671	(247)
Vacation Sold	1,800	1,800	1,646	154
Janitorial	7,000	7,000	6,190	810
Data Processing	6,800	6,800	6,854	(54)
Office Supplies	1,500	1,500	654	846
Miscellaneous	5,000	5,000	5,120	(120)
Buildings And Grounds	45,500	41,000	17,672	23,328
Driving Range Equipment	6,000	6,000	5,377	623
Vehicle Repair	1,500	1,500	628	872
Utilities	60,000	63,300	63,603	(303)
Telephone	6,000	6,000	5,544	456
Advertising	2,500	2,500	1,380	1,120
Employee Education	1,500	1,500	-	1,500
Insurance - General	13,807	13,807	13,807	-
Pro Shop	34,000	34,000	30,599	3,401
Uniforms	1,000	1,000	861	139
Photo Copy Exp	400	400	245	155
Printing, Books,	400	1,600	1,602	(2)
Dues	2,400	2,400	1,793	607
Transaction Fees	7,500	7,500	7,808	(308)
Pro Shop	45,000	45,000	42,167	2,833
Total	537,296	540,746	498,971	41,775

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 68

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Golf Course Maintenance				
Salaries Part Time	92,600	92,600	86,607	5,993
Salaries - Regular	168,920	168,920	135,622	33,298
Retirement	17,710	17,710	13,003	4,707
Vacation Sold	1,500	4,850	5,958	(1,108)
Consultant Services	4,065	2,715	-	2,715
Janitorial	600	600	179	421
Chemicals	96,400	96,400	73,140	23,260
Gas, Oil	17,965	17,965	13,852	4,113
Small Tools	2,000	2,000	1,758	242
Miscellaneous	1,000	1,000	815	185
Buildings And Grounds	40,950	40,950	31,856	9,094
Vehicle Repair	750	750	-	750
Machine & Equipment	27,000	27,000	11,691	15,309
Travel	1,575	575	246	329
Employee Education	1,045	45	-	45
Uniforms	3,000	3,000	2,864	136
Dues	1,130	1,130	1,125	5
Contractual Serv.	66,384	66,384	75,492	(9,108)
Total	544,594	544,594	454,208	90,386
Senior Citizens				
Salaries - Regular	95,390	95,390	91,217	4,173
Retirement	9,761	9,761	9,652	109
Employee's Insurance	22,897	22,897	25,322	(2,425)
Workmen's Compensation	2,231	2,856	2,855	1
Vacation Sold	1,500	1,500	1,297	203
Janitorial	2,000	2,000	1,608	392
Data Processing	2,700	2,700	2,631	69
Office Supplies	1,000	1,000	393	607
Gas, Oil	4,000	4,000	2,764	1,236
Miscellaneous	3,000	2,725	1,627	1,098
Buildings And Grounds	3,500	4,000	4,644	(644)
Vehicle Repair	1,800	3,200	2,743	457
Utilities	9,800	9,800	11,765	(1,965)

(continued)

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Senior Citizens				
Travel	3,436	3,436	2,007	1,429
Insurance - General	1,217	1,617	1,617	-
Photo Copy Exp	800	1,000	955	45
Printing, Books, Subscriptions	500	500	15	485
Area On Aging	4,850	4,850	4,850	-
Aerobics	5,400	5,200	4,470	730
Art Instruction	2,600	2,600	1,020	1,580
Wellness Activities	7,080	6,580	1,354	5,226
Total	<u>185,462</u>	<u>187,612</u>	<u>174,806</u>	<u>12,806</u>
Libraries				
Salaries Part Time	141,883	136,883	126,914	9,969
Salaries - Regular	152,767	152,767	154,119	(1,352)
Retirement	31,989	31,989	30,227	1,762
Employee's Insurance	56,872	56,872	61,567	(4,695)
Workmen's Compensation	7,931	8,000	8,367	(367)
Vacation Sold	2,000	2,100	950	1,150
Janitorial	4,000	4,000	2,742	1,258
Data Processing	26,000	26,000	23,601	2,399
Office Supplies	7,000	7,000	7,039	(39)
Gas, Oil	700	700	383	317
Miscellaneous	5,500	8,500	7,866	634
Buildings And Grounds	23,500	25,500	24,877	623
Vehicle Repair	2,000	2,000	1,435	565
Utilities	32,000	32,000	32,427	(427)
Postage	800	800	655	145
Travel	2,889	2,889	3,983	(1,094)
Employee Education And Training	2,000	2,000	620	1,380
Insurance - General	3,260	3,260	3,260	-
Children/Youth Programs	9,000	9,000	7,533	1,467
Videos	25,000	29,000	26,815	2,185
Photo Copy Exp	4,000	4,000	2,913	1,087
Printing, Books, Subscriptions	<u>87,000</u>	<u>83,000</u>	<u>73,611</u>	<u>9,389</u>
Total	<u>628,091</u>	<u>628,260</u>	<u>601,904</u>	<u>26,356</u>

(continued)

COMS / Supplementary Schedules / September 30, 2015 / 70

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

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Special Events				
Christmas Parade	5,000	5,221	5,570	(349)
Total	5,000	5,221	5,570	(349)
Board Of Education				
Educational Foundation	2,000	2,000	2,000	-
Education	1,301,000	1,301,000	1,302,259	(1,259)
Total	1,303,000	1,303,000	1,304,259	(1,259)
Debt Service				
Principal	31,975	31,975	35,167	(3,192)
Interest Expense	25,860	25,860	22,669	3,191
Total	57,835	57,835	57,836	(1)
Total Expenditures	16,957,636	17,089,726	16,687,147	402,579
Excess (deficiency of revenues over expenditures)	2,763,937	2,763,937	3,546,157	782,220
OTHER FINANCING SOURCES (USES)				
Transfers in				
Municipal Court Fund	287,000	287,000	323,932	36,932
Total	287,000	287,000	323,932	36,932
Transfers out				
Debt Service	1,681,810	1,681,810	1,538,296	143,514
Half Cent Sales Tax	1,368,439	1,368,439	1,377,914	(9,475)
Total	3,050,249	3,050,249	2,916,210	134,039
Net Transfers (out)	(2,763,249)	(2,763,249)	(2,592,278)	170,971
Excess Revenues (Expenditures) and other Funding Sources	\$ 688	\$ 688	\$ 953,879	\$ 953,191

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept	City Court Correction	Municipal Court	Debt Service	2014 2014 Bond Fund	2014 Construction Fund	Special Trust	Total Nonmajor Governmental Funds
ASSETS										
Cash and cash equivalents	\$ 188	\$ 52,956	\$ 5,038	\$ 12,513	\$ 116,091	\$ 41,118	\$ -	\$ -	\$ 136,183	\$ 364,087
Accounts receivable, net	5,305	4,159	-	-	883	-	-	-	-	10,347
Due from other funds	-	-	-	-	-	-	-	-	-	-
Receivable from component units	-	-	-	-	12,333	-	-	-	-	12,333
Total assets	<u>5,493</u>	<u>57,115</u>	<u>5,038</u>	<u>12,513</u>	<u>129,307</u>	<u>41,118</u>	<u>-</u>	<u>-</u>	<u>136,183</u>	<u>386,767</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	-	-	-	-	12,573	-	-	-	-	12,573
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,573</u>
Fund balances:										
Restricted for:										
Debt service	-	-	-	-	-	41,118	-	-	-	41,118
Other fund activities	188	52,956	-	-	-	-	-	-	-	53,144
Assigned for:										
Unassigned:										
Unassigned	5,305	4,159	5,038	12,513	116,734	-	-	-	136,183	279,932
Total fund balances	<u>5,493</u>	<u>57,115</u>	<u>5,038</u>	<u>12,513</u>	<u>116,734</u>	<u>41,118</u>	<u>-</u>	<u>-</u>	<u>136,183</u>	<u>374,194</u>
Total liabilities and fund balances	<u>\$ 5,493</u>	<u>\$ 57,115</u>	<u>\$ 5,038</u>	<u>\$ 12,513</u>	<u>\$ 129,307</u>	<u>\$ 41,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,183</u>	<u>\$ 386,767</u>

COMBINING REVENUES AND EXPENDITURES – NONMAJOR FUNDS

	Seven-cent Gasoline Excise tax	Four-cent Gasoline Excise Tax	M.S. Police Dept	City Court Correction	Municipal Court	Debt Service	2014 2014 Bond Fund	2014 Construction Fund	Special Trust	Total Nonmajor Governmental Funds
REVENUES										
Local taxes	\$ 57,424	\$ 44,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,164
License, permits and fees	-	-	-	70,979	608,428	-	-	-	-	679,407
Investment earnings	28	31	6	9	130	13	-	228	338	783
Miscellaneous	-	-	1,170	-	-	-	-	-	113,580	114,750
Total revenues	<u>57,452</u>	<u>44,771</u>	<u>1,176</u>	<u>70,988</u>	<u>608,558</u>	<u>13</u>	<u>-</u>	<u>228</u>	<u>113,918</u>	<u>897,104</u>
EXPENDITURES										
Current										
General government	-	-	-	30,205	227,413	-	5	-	-	257,623
Police	-	-	1,960	28,148	-	-	-	-	19,233	49,341
Fire	-	-	-	-	-	-	-	-	16,123	16,123
Street	57,167	-	-	-	-	-	-	-	-	57,167
Culture and recreation	-	-	-	-	-	-	-	-	61,344	61,344
Interest and other charges	-	-	-	-	-	676,237	-	-	-	676,237
Capital Outlay	-	-	-	-	-	-	-	-	132,813	132,813
Total expenditures	<u>57,167</u>	<u>-</u>	<u>1,960</u>	<u>58,353</u>	<u>227,413</u>	<u>676,237</u>	<u>5</u>	<u>-</u>	<u>229,513</u>	<u>1,250,648</u>
Excess (deficiency) of revenues over expenditures	<u>285</u>	<u>44,771</u>	<u>(784)</u>	<u>12,635</u>	<u>381,145</u>	<u>(676,224)</u>	<u>(5)</u>	<u>228</u>	<u>(115,595)</u>	<u>(353,544)</u>
OTHER FINANCING SOURCES (USES)										
Proceeds from long-term debt, net	-	-	-	-	-	10,265,000	-	-	-	10,265,000
Other use	-	-	-	-	-	(9,918,309)	-	-	-	(9,918,309)
Transfers in	-	-	-	-	-	1,538,296	-	-	-	1,538,296
Transfers out	-	-	-	-	(323,932)	(1,206,513)	-	(273,565)	-	(1,804,010)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(323,932)</u>	<u>678,474</u>	<u>-</u>	<u>(273,565)</u>	<u>-</u>	<u>80,977</u>
Net change in fund balances	285	44,771	(784)	12,635	57,213	2,250	(5)	(273,337)	(115,595)	(272,567)
Fund balances - beginning	5,208	12,344	5,822	(122)	59,521	38,868	5	273,337	251,778	646,761
Fund balances - ending	<u>\$ 5,493</u>	<u>\$ 57,115</u>	<u>\$ 5,038</u>	<u>\$ 12,513</u>	<u>\$ 116,734</u>	<u>\$ 41,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,183</u>	<u>\$ 374,194</u>



B.T. (Tim) Leigh, CPA
Karen P. King, CPA
Dennis K. Norton, CPA

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, 2015, and the related notes to the financial statements, which collectively comprise City of Muscle Shoals, Alabama's basic financial statements, and have issued our report thereon dated March 24, 2016. Our report includes a reference to other auditors who audited the financial statements of the following component units; Muscle Shoals Electric Board, Utilities Board of the City of Muscle Shoals and the Muscle Shoals City Board of Education, as described in our report on City of Muscle Shoals, Alabama's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

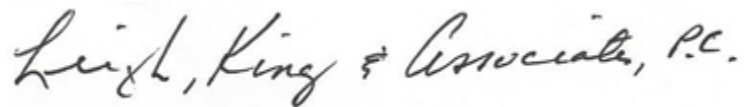
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Leigh, King & Associates, P.C.".

Leigh, King & Associates, PC
Sheffield, Alabama
March 24, 2016



B.T. (Tim) Leigh, CPA
Karen P. King, CPA
Dennis K. Norton, CPA

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

To the City Council
City of Muscle Shoals, Alabama

Report on Compliance for Each Major Federal Program

We have audited City of Muscle Shoals, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City Muscle Shoals, Alabama's major federal programs for the year ended September 30, 2015. City of Muscle Shoals, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, City of Muscle Shoals, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Report on Internal Control over Compliance

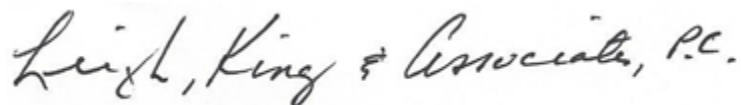
Management of City of Muscle Shoals, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Muscle Shoals, Alabama's internal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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We found no instances which we considered to be material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We found no instances which we considered to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Leigh, King & Associates, PC
Sheffield, Alabama
March 24, 2016

CITY OF MUSCLE SHOALS, ALABAMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1 . Type of auditor's report issued: | |
| Governmental Activities | |
| - General Fund | Unmodified |
| - Half Cent Sales Tax | Unmodified |
| - 2015-C Warrant Construction | Unmodified |
| 2 . Internal Control over financial reporting | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3 . Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|--|--|
| 4 . Internal control over major programs | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5 . Type of auditor's report issued on compliance for | Unqualified |
| 6 . Any findings disclosed that are required to be | No |
| 7 . Identification of major awards | |
| | Name of Federal Program
or Cluster |
| <u>CFDA Number</u> | <hr/> |
| 20.205 | Department of HUD
(Community Development) |
| 8 . Dollar threshold to distinguish between type A and | \$ 300,000 |
| 9 . Auditee qualified as low-risk auditee? | No |

CITY OF MUSCLE SHOALS, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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