

City of Gulf Shores, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ending December 31, 2013

Prepared by: Finance and Administrative Services Department



Little Lagoon



www.gulfshoresal.gov

THE CITY OF GULF SHORES, ALABAMA
 FINANCIAL STATEMENTS
 DECEMBER 31, 2013

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	5
Letter of Transmittal	6-9
Organizational Chart	10
List of Principal Officials	11
Certificate of Achievement for Excellence in Financial Reporting 2012	12
II. FINANCIAL SECTION	13
Report of Independent Certified Public Accountants	14-15
Management's Discussion and Analysis	16-24
Basic Financial Statements:	25
Government –Wide Financial Statements:	26
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements:	
Governmental Fund Financial Statements:	29
Balance Sheet	30
Reconciliation of the Balance Sheet to the Statement of Net Assets	31
Statement of Revenues, Expenditures and Changes in Fund Balance	32
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	33
Proprietary Fund Financial Statements:	34
Statement of Net Position	35
Statement of Revenues, Expenses and Changes in Fund Balance	36
Statement of Cash Flows	37
Notes to the Basic Financial Statements	38-63
Required Supplementary Information:	64
Budgetary Comparison Schedule – General Fund	65
Other Supplementary Information:	
Combining Financial Statements and Schedules:	66
Combining Balance Sheet – Nonmajor Governmental Funds	67

THE CITY OF GULF SHORES, ALABAMA
FINANCIAL STATEMENTS
DECEMBER 31, 2013

TABLE OF CONTENTS

Other Supplementary Information:	
Combining Financial Statements and Schedules:	68
Combining Statement of Revenues, Expenditures and Changes In Fund Balances- Nonmajor Governmental Funds	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Lodgings Tax Special Revenue Fund	70
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Designated Taxes Special Revenue Fund	71
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Impact Fees Special Revenue Fund	72
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Library Board Special Revenue Fund	73
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Beach Restoration Capital Projects Fund	74
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- 2008 A Warrant Proceeds Capital Improvements Fund	75
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Grants Capital Improvements Fund	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Debt Service Fund	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Storm Damage Capital Project Fund	78
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- 2012D GO Warrant Capital Improvement Fund	79
IV. STATISTICAL SECTION	80
Statistical section narrative	81
Schedule 1 – Net Assets by Component	82-83
Schedule 2 – Change in Net Assets	84-85
Schedule 3– Fund Balances, Governmental Funds	86-87
Schedule 4– Changes in Fund Balances, Governmental Funds	88-89
Schedule 5– Assessed Value and Estimated Actual Value of Taxable Property	90
Schedule 6 – Property Tax Levies and Assessed Valuation	91

THE CITY OF GULF SHORES, ALABAMA
FINANCIAL STATEMENTS
DECEMBER 31, 2013

TABLE OF CONTENTS

Schedule 7 – Principal Property Tax Payers	92
Schedule 8– Principal Sales Tax Returns	93
Schedule 9– Direct and Overlapping Sales Tax Rates	94
Schedule 10 – Direct and Overlapping Debt	95
Schedule 11– Ratios of Outstanding Debt by Type	96
Schedule 12– Ratios of General Bonded Debt Outstanding	97
Schedule 13 – Full Time Equivalent City Government Employees by Function/Program	98
Schedule 14– Operating Indicators by Function/Program	99
Schedule 15– Capital Assets Statistics by Function/Program	100
Schedule 16– Population	101
V. COMPLIANCE AND INTERNAL CONTROL SECTION	102
Schedule of Expenditures of Federal Awards	103
Schedule of Findings and Questioned Costs	104-105
Independent Auditor's Report on Compliance and on Internal Control and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	106-107
Independent Auditor's Report on Compliance with requirements applicable to each major program and Internal Control over Compliance in accordance with OMB Circular A-133.	108-109

INTRODUCTORY SECTION



March 25, 2014

To the Honorable Mayor, members of the City Council and the Citizens of Gulf Shores:

The City of Gulf Shores financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants: Grant, Sanders and Taylor, P.C.. The City of Gulf Shores issues the comprehensive annual financial report of the City for the fiscal year ended December 31, 2013.

The comprehensive annual financial report consists of management's representations concerning the finances of the City of Gulf Shores. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Gulf Shores has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gulf Shores' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City of Gulf Shores' framework of internal controls provides reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Gulf Shores' financial statements have been audited by Grant, Sanders and Taylor, P.C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gulf Shores for the fiscal year ended December 31, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Gulf Shore's financial statements for the fiscal year ended December 31, 2013, are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Gulf Shores' MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1957, is located on the southern border of Baldwin County on the Gulf of Mexico. The coastal town is situated on Alabama State Highway 182, approximately 36 miles west of Pensacola, Florida, and approximately 47 miles southeast of Mobile, Alabama.

The City is a tourist-oriented resort area. City facilities, which also serve the large visitor population that is vital to Gulf Shores' economy, include a municipal complex and a 10,000-square-foot Civic Center. A 6,000-square-foot library sponsors activities for all ages and is surrounded by an Adult Activity Center, a Fitness and Recreation Center, which includes an indoor heated swimming pool, and a municipal park with lighted tennis courts and ball fields. Four additional major parks are maintained by the City, one at Lagoon Pass on West Beach, one in the eastern residential area of the City, one at the Public Beach, which features a beach front boardwalk and pavilion and Wade Ward Nature Park featuring a boardwalk with observation points to provide the public with access to view tidally influenced wetland areas for recreation and education purposes.

The City is a municipal corporation incorporated under the Constitution and laws of the State of Alabama. The City is governed by a Council consisting of a mayor and five council members elected for terms of four years. Members of the City Council serve part-time and are responsible for adopting ordinances, resolutions and setting the policies of the City, including the appropriation of money. The Mayor, who is a member of the City Council, is elected for a four-year term and is the chief administrative officer of the City.

The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Gulf Shores, Alabama as legally defined), as well as the discretely presented component units of the Jack Edwards Airport and Airport Authority of the City of Gulf Shores, Alabama. The City provides, among other things, police protection, fire protection, and park and recreation facilities.

The annual budget or spending plan serves as the foundation for the City of Gulf Shores' financial planning and control. All departments of the City of Gulf Shores are required to present a departmental plan for appropriation to the City Administrator by the end of October each year. The City Administrator uses these requests as a starting point for developing a proposed budget for review by the Council for review prior to December 1. The Council holds public hearings and adopts the budget by December 31, the close of the City of Gulf Shores' fiscal year. Budget-to-actual comparisons are provided in this report for governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment specific to the City of Gulf Shores.

Long-term financial planning

The City and the surrounding Gulf Coast area suffered significant damages as a result of Hurricane Ivan in September 2004. During August 2005, the Gulf Coast area was also impacted by Hurricane Katrina. Following an audit of the Office of Inspector General (OIG), Department of Homeland Security an estimated overpayment of \$9,892,337 was recorded in the 2008 Financial Statement Notes. The City successfully appealed the findings of the OIG audits with a net repayment to the Federal Emergency Management Agency (FEMA) of \$1,364,427 for uncontested overpayments following the close of the Fiscal Year 2009. The City adopted formal Financial Policies in 2010 which provide for operating and stabilization reserve funds in the event of another major disaster or economic downturn. Included in the City's Financial Policies is the establishment of a Beach Renourishment Fund to provide match funds for FEMA authorized future beach repairs due to storms occurring in 2008 and 2009 as well as for future storms. In April 2010 the BP Oil Spill, a spill of National Significance occurred 100 miles in the Gulf of Mexico south of Gulf Shores. The City suffered substantial economic losses from the BP Oil Spill and is still recovering economically.

Major Initiatives

The City has entered a public-private partnership with Pelican Place developers for an outdoor shopping center that includes a major department store retail chain, movie theater, book store and other stores. A Publix Grocery store was opened in the spring of 2010 and is part of the Pelican Place development. The development has been a tremendous asset to the city promoting job growth and keeping dollars spent locally.

Federal grant dollars of approximately \$6 million were secured in early 2010 for a dry dock basin expansion that is another public-private partnership designed to bring additional jobs and economic benefits to the local economy. Construction began in 2011 on the dry dock basin expansion and was completed by January 2013.

Current Economic Condition

The City is sound financially. A target fund balance is commonly considered to be between 5 to 15 percent of expenditures; the City's General Fund balance is 25 per cent with an additional 20 percent reserved for Beach Renourishment resulting in a combined fund balance target of 45 percent. The City's adopted Financial Policies are consistent with sound financial management enabling it to maintain current operations in the event of economic downturns or natural disasters.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in demand deposits, savings accounts, certificates of deposit, and short term investments with maturities of three months or less. The Governmental funds earned interest revenue of \$20,397 on investments for the year ended December 31, 2013. The City of Gulf Shores considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

City of Gulf Shores
Transmittal Letter – continued

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Shores for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2012. This represented the third year the City achieved this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting from the GFOA a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received for the second time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2012 for fiscal year 2012. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

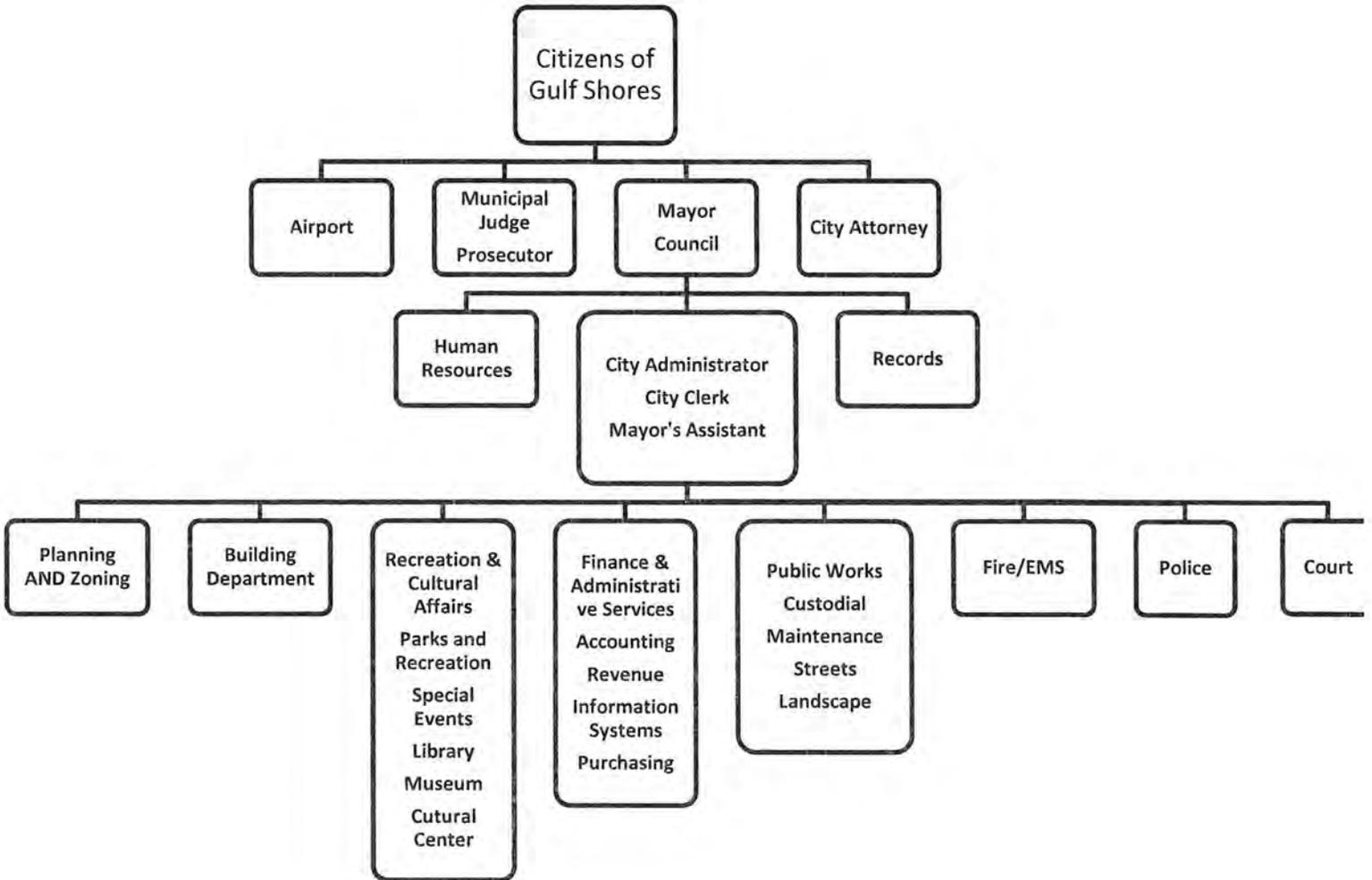
Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Accounting Division of the Finance and Administrative Services Department and all city employees. Each member of the department has our sincere appreciation for their contributions made in the preparation of this report. Without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Craft". The signature is written in a cursive style with a large initial "R" and "C".

Robert Craft,
Mayor



CITY OF GULF SHORES, ALABAMA

LIST OF PRINCIPAL OFFICIALS

December 31, 2013

Legislative Branch

Mayor	Robert Craft
Council Member	Joe Garris
Council Member	Carolyn M. Doughty
Council Member	Philip Harris
Council Member	Jason Dyken
Council Member	Stephen E. Jones

Management Staff

City Administrator	Steve Griffin
City Clerk	Wanda Parris
Building Official	Brandan Franklin
Finance and Administration Director	Cynthia A. King
Fire Chief	Hartly Brokenshaw
Municipal Court Clerk	Ken McKenzie
Planning and Zoning Director	Andy Bauer
Police Chief	Ed Delmore
Public Works Director	Mark Acreman
Recreation and Cultural Affairs Director	Grant Brown



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Gulf Shores
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

FINANCIAL SECTION

GRANT, SANDERS & TAYLOR, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ROBERT E. GRANT, JR., CPA
BERTRAM L. SANDERS, II, CPA
MATTHEW R. TAYLOR, CPA
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Public Accountants
Alabama Society of Certified
Public Accountants
Florida Institute of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
Gulf Shores, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Gulf Shores, Alabama, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have audited the discretely presented component units of the City- The Jack Edwards Airport Proprietary Fund and Airport Authority of the City of Gulf Shores, Alabama for the year ended September 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 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 the City of Gulf Shores, Alabama, as of December 31, 2013, 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 budgetary comparison information on pages 16 through 24 and 65 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

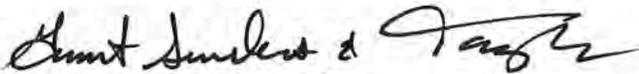
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Shores, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented 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 purpose 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 nonmajor 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. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the City of Gulf Shores, 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 over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gulf Shores, Alabama's internal control over financial reporting and compliance.



Grant, Sanders, & Taylor, P.C.
Gulf Shores, Alabama
March 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

Overview of the Financial Statements

This section of the annual financial report represents our discussion and analysis of the City of Gulf Shores' financial performance and an overview of its financial activities for the fiscal year that ended on December 31, 2013. Please read it in conjunction with the financial statements which follow this section.

The City's basic financial statements are comprised of three components:

- (1) Government-wide Financial Statements
- (2) Fund Financial Statements
- (3) Notes to the Basic Financial Statements

The basic financial statements also contain other supplementary information.

Government-wide Financial Statements

The two Government-wide financial statements, the Statement of Net Position and the Statement of Activities, provide a broad overview of the City's finances and report information about the City as a whole using a government-wide focus. These statements provide both long-term and short-term information about the City's overall financial status. The information is presented in a manner similar to a private-sector business.

One of the most important questions asked about the Municipality's finances is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Municipality as a whole and about its activities in a way that helps answer this question.

The Statement of Net Position provides information on all of the City's assets and liabilities. The difference between the two is reported as net assets. The Municipality's net assets can be thought of as one way to measure its financial position or health. Over time, increases or decreases in net assets are one indicator of whether the Municipality's financial health is improving or deteriorating. Other non-financial factors, for example, changes in sales tax base and the condition of infrastructure need to be considered to assess the overall health of the Municipality.

All of the current year's revenues and expenditures are accounted for in the Statement of Activities and it provides information on how the City's net assets changed during the fiscal year.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific objectives or activities. State Law requires some funds and City Management establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants. The City of Gulf Shores uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund Financial Statements report the City's operations in more detail than the Government-wide Financial Statements. All of the funds of the City are either governmental or proprietary.

Governmental Funds

Governmental Funds provide information, which may be useful in evaluating and determining a government's near-term financing requirements. The financial statements focus on near-term inflows and outflows of spendable resources and on fiscal year end available balances of spendable resources. Readers of the financial statements may better understand the long-term impact of the government's near-term financial decisions.

Overview of the Financial Statements (continued)

Proprietary Funds

The City of Gulf Shores reports one enterprise fund and two proprietary fund types discretely presented component units: Jack Edwards Airport Fund, Airport Authority Fund, and the Public Education Building Authority Fund. The Jack Edwards Airport Fund and Airport Authority are discretely presented component units of the primary government of the City of Gulf Shores. For 2013 comparative statements are presented for Governmental Activities, Business-Type Activities and Component Units. Separately issued audited financial statements of the two component units can be obtained from the Airport Authority at 3190 Airport Drive, Gulf Shores, AL 36542.

Notes to the Basic Financial Statements

The notes provide additional information and are essential to the full understanding of the data provided in the Government-wide and Fund Financial Statements. Please refer to the notes to the Financial Statements for more detailed information.

Government-wide Financial Analysis

As previously noted, over time, net assets may serve as a useful indicator of a government's financial condition. At December 31, 2013, the City of Gulf Shores' assets exceeded its liabilities by \$62,541,976, an increase of \$4,351,999 from 2012 due to reduction of long term debt. The largest portion of the City's net assets reflects its investment in capital assets (property, plant and equipment), less debt outstanding that was used for acquisition. These assets are used to provide services to the citizens and are not available for future spending. Since the capital assets cannot be used to liquidate the outstanding debt, resources needed to repay the debt must be provided from other sources. As of December 31, 2013, the City of Gulf Shores is able to report a positive balance in the governmental category of total net assets. The net assets of the primary government increased \$4,407,405 as a result of payment of outstanding debt.

Table 1 below represents the City's Condensed Statement of Net Position as of December 31, 2013 and is derived from the Government-wide Statement of Net Position. For more detailed information see the **Statement of Net Position** on Page 27.

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Units	Component Units
	2013	2012	2013	2012	2013	2012	2013	2012
Current & Other Assets	\$ 27,746,704	\$ 39,665,649	\$ 31,060	\$ 38,533	\$ 27,777,764	\$ 39,704,182	\$ 1,316,012	\$ 3,795,316
Capital Assets	78,678,013	74,556,708	2,016,518	2,043,639	80,694,531	76,600,347	15,534,146	13,238,258
Total Assets	<u>\$ 106,424,717</u>	<u>\$ 114,222,357</u>	<u>\$ 2,047,578</u>	<u>\$ 2,082,172</u>	<u>\$ 108,472,295</u>	<u>\$ 116,304,529</u>	<u>\$ 16,850,158</u>	<u>\$ 17,033,574</u>
Defeasance cost, net	1,737,658	1,835,163			1,737,658	1,835,163		
Total Deferred Outflow of Resources	<u>\$ 1,737,658</u>	<u>\$ 1,835,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,737,658</u>	<u>\$ 1,835,163</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term Liabilities	\$ 42,249,384	\$ 42,217,549	\$ -	\$ -	\$ 42,249,384	\$ 42,217,549	\$ 75,000	\$ 100,000
Other Liabilities	2,714,724	14,131,024	-	-	2,714,724	14,131,024	848,548	932,297
Total Liabilities	<u>\$ 44,964,108</u>	<u>\$ 56,348,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,964,108</u>	<u>\$ 56,348,573</u>	<u>\$ 923,548</u>	<u>\$ 1,032,297</u>
Deferred Revenue	656,291	1,608,970			656,291	1,608,970		
Total Deferred Inflow of Resources	<u>\$ 656,291</u>	<u>\$ 1,608,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,291</u>	<u>\$ 1,608,970</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position	<u>\$ 62,541,976</u>	<u>\$ 58,099,977</u>	<u>\$ 2,047,578</u>	<u>\$ 2,082,172</u>	<u>\$ 64,589,554</u>	<u>\$ 60,182,149</u>	<u>\$ 15,926,610</u>	<u>\$ 16,001,277</u>
Invested in Capital Assets,								
Net of Related Debt	\$ 38,121,287	\$ 30,068,504	\$ 2,016,518	\$ 2,043,639	\$ 40,137,805	\$ 32,112,143	\$ 15,481,831	\$ 13,358,258
Restricted	3,899,134	18,604,002	-	-	3,899,134	18,604,002	-	-
Unrestricted	20,521,555	9,427,471	31,060	38,533	20,552,615	9,466,004	444,779	2,643,019
Total Net Position	<u>\$ 62,541,976</u>	<u>\$ 58,099,977</u>	<u>\$ 2,047,578</u>	<u>\$ 2,082,172</u>	<u>\$ 64,589,554</u>	<u>\$ 60,182,149</u>	<u>\$ 15,926,610</u>	<u>\$ 16,001,277</u>

Government-wide Financial Analysis (continued)

Table 2 below represents the City's Condensed Statement of Activities for the year ending December 31, 2013, and is derived from the **Government-wide Statement of Activities** on Page 28.

	Governmental		Business-Type		Total		Component Units	
	Activities		Activities		Primary Government		Component Units	
	2013	2012	2013	2012	2013	2012	2013	2012
PRIMARY GOVERNMENT:								
Revenues:								
Charges for Services	\$ 5,105,388	\$ 4,786,549	\$ 164,728	\$ 163,503	\$ 5,270,116	\$ 4,950,052	\$ 457,575	\$ 446,787
Operating grants and Contributions	1,433,071	348,819	-	-	1,433,071	348,819	-	-
Capital grants and Contributions	2,964,418	8,965,656	-	-	2,964,418	8,965,656	582,146	398,545
General Revenues:								
Property Taxes	2,402,380	2,500,195	-	-	2,402,380	2,500,195	-	-
Local Taxes	20,798,896	19,962,896	-	-	20,798,896	19,962,896	-	-
Franchise Taxes	1,151,859	1,162,351	-	-	1,151,859	1,162,351	-	-
State Taxes	492,085	329,770	-	-	492,085	329,770	-	-
Interest income	20,397	37,187	17	32	20,414	37,219	1,212	913
Miscellaneous income	50,208	145,782	-	-	50,208	145,782	-	-
BP Settlement	-	1,336	-	-	-	1,336	-	-
Gain (loss) on asset sales	(60,212)	13,615	-	-	(60,212)	13,615	-	-
Total Revenues	\$ 34,358,490	\$ 38,254,156	\$ 164,745	\$ 163,535	\$ 34,523,235	\$ 38,417,691	\$ 1,040,933	\$ 846,245
Expenses:								
Executive	3,644,562	3,492,747	-	-	3,644,562	3,492,747	-	-
Municipal Court	307,308	324,188	-	-	307,308	324,188	-	-
Police	5,060,640	4,301,242	-	-	5,060,640	4,301,242	-	-
Fire	3,583,029	3,397,974	-	-	3,583,029	3,397,974	-	-
Community and Economic Affairs	6,748,057	7,354,432	-	-	6,748,057	7,354,432	-	-
Public Works	8,939,249	12,468,191	-	-	8,939,249	12,468,191	-	-
Interest on Long-Term Debt	1,536,803	1,675,013	-	-	1,536,803	1,675,013	-	-
Public Education Building Authority	-	-	199,339	221,980	199,339	221,980	-	-
Total Expenses	29,819,648	33,013,787	199,339	221,980	30,018,987	33,235,767	-	-
COMPONENT UNITS:								
Expenses:								
Jack Edwards Airport	-	-	-	-	-	-	828,299	777,741
Airport Authority	-	-	-	-	-	-	383,301	368,587
Total Expenses	-	-	-	-	-	-	1,211,600	1,146,328
Increase Decrease) in Net Position								
Before Transfers	4,538,842	5,240,369	(34,594)	(58,445)	4,504,248	5,181,924	(170,667)	(300,083)
Transfers	(96,843)	(96,000)	-	-	(96,843)	(96,000)	96,000	96,000
Change in Net Position	4,441,999	5,144,369	(34,594)	(58,445)	4,407,405	5,085,924	(74,667)	(204,083)
Net Position - Beginning	58,099,977	51,643,732	2,082,172	2,140,617	60,182,149	53,784,349	16,001,277	16,205,360
Prior Period Adjustment	-	1,311,876	-	-	-	1,311,876	-	-
Net Position - Ending	\$ 62,541,976	\$ 58,099,977	\$ 2,047,578	\$ 2,082,172	\$ 64,589,554	\$ 60,182,149	\$ 15,926,610	\$ 16,001,277

Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2013 include the following:

The assets of the City exceeded its liabilities (net assets) at the close of the fiscal year by \$62,541,976 for Governmental Activities and by \$2,047,578 for Business-type Activities of the primary government. The total primary government's net assets are \$64,589,554 as of December 31, 2013, up from \$60,182,149. For the year ended December 31, 2013 there was a \$4,441,999 increase in the net assets for governmental activities due to payment of bond debt. Business-type activities net assets were \$2,047,578 as of December 31, 2013 a decrease of \$34,594 from 2012 reflecting increased depreciation expense of the Public Education Building Authority. (See Table 2-Condensed Statement of Activities)

Financial Analysis of the Government's Funds

The City of Gulf Shores uses fund accounting to ensure and demonstrate compliance with finance related requirements. Funds that experienced significant changes in Fund Balance during the year are as follows:

Governmental Funds

At the close of the fiscal year, the City's Governmental Funds showed a combined ending fund balance of \$24,487,552 with \$7,277,794 designated as committed, \$12,951,896 unassigned, \$3,899,133 restricted and \$358,728 nonspendable. The unassigned amount of \$12,951,896 is designated by the Council for emergencies and is funded by Certificates of Deposit and Money Market funds.

General Fund

The fund balance at December 31, 2013, totaled \$20,994,052 an increase of \$2,389,443 from the fund balance at December 31, 2012, which was \$18,604,609. The increase in Fund Balance for Fiscal Year 2013 is attributable to conservative spending practices resulted in positive income from operations of \$2,899,992.

Debt Service Fund

The fund balance increased \$61,736 as a result of transfers exceeding debt service payments during the fiscal year.

The Debt Service Fund is used to record principal and interest payments on debt which include bond issues, general obligation warrants with banks, notes payable, and lease/purchases. The expense for Fiscal Agent Fees for bond issues is also recorded in this fund. Funding for most payments is provided by a transfer from the General Fund. One issue for Beach Restoration-Phase III was retired in 2013 and it was funded with a transfer from the 2% Lodging Tax Fund. Payments on the 2005-C G. O. Warrant that provided funds to purchase the Pinnacle Mall property are funded by: the City's share of Property Taxes or payments in lieu of taxes paid by the developer/owner to Baldwin County; Sales and Use Taxes paid to the City by the merchants located in the mall; and rent paid to the City by the developer/owner.

Financial Analysis of the Government's Funds (Continued)

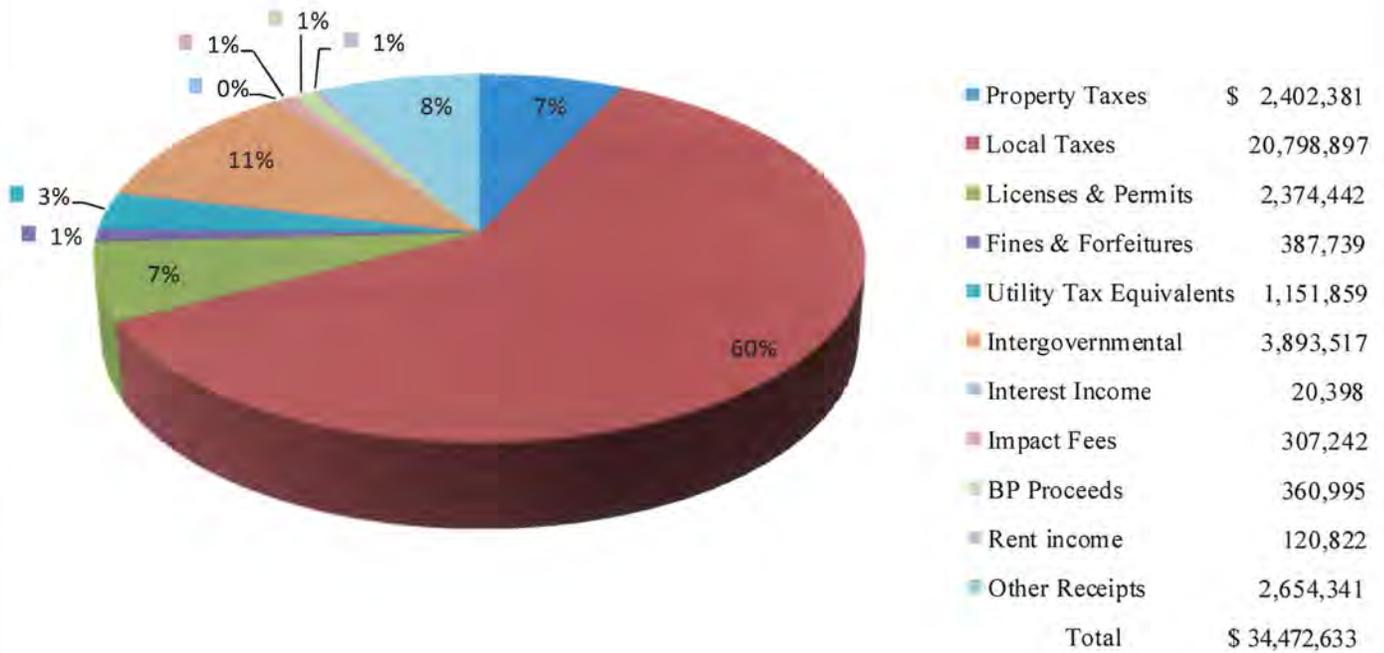
Storm Damage Fund

The fund balance decreased \$301,596 during 2013. The Storm Damage Fund is used to record costs incurred by the City for storm damage and BP grant related expenditures. These costs may or may not be eligible for reimbursement by FEMA and/or the State of Alabama and/or BP. In the past, expenditures have been funded in two different ways. One option is by interfund loans from the General Fund. After Hurricanes Ivan and Katrina, bond proceeds for the specific purpose of beach restoration were on deposit to pay for these costs as the project progressed. After Hurricane Ivan, the beach restoration project came to an immediate halt.

Because Gulf Shores was in a declared disaster area and was operating in an emergency situation, the City was allowed to "borrow" from the bond proceeds on deposit to fund hurricane damage expenditures until FEMA reimbursement funds were received. Upon receipt of FEMA funds, loans from the bond issue proceeds were repaid.

If storm damage costs are FEMA and State reimbursable, these revenues are recorded in the Storm Damage Fund and are used to repay the interfund loans. Non-reimbursable costs are covered by transfers from the General Fund to the Storm Damage Fund.

Exhibit 1: Governmental Revenue Sources for Fiscal Year 2013



Budget Variances in the General Fund

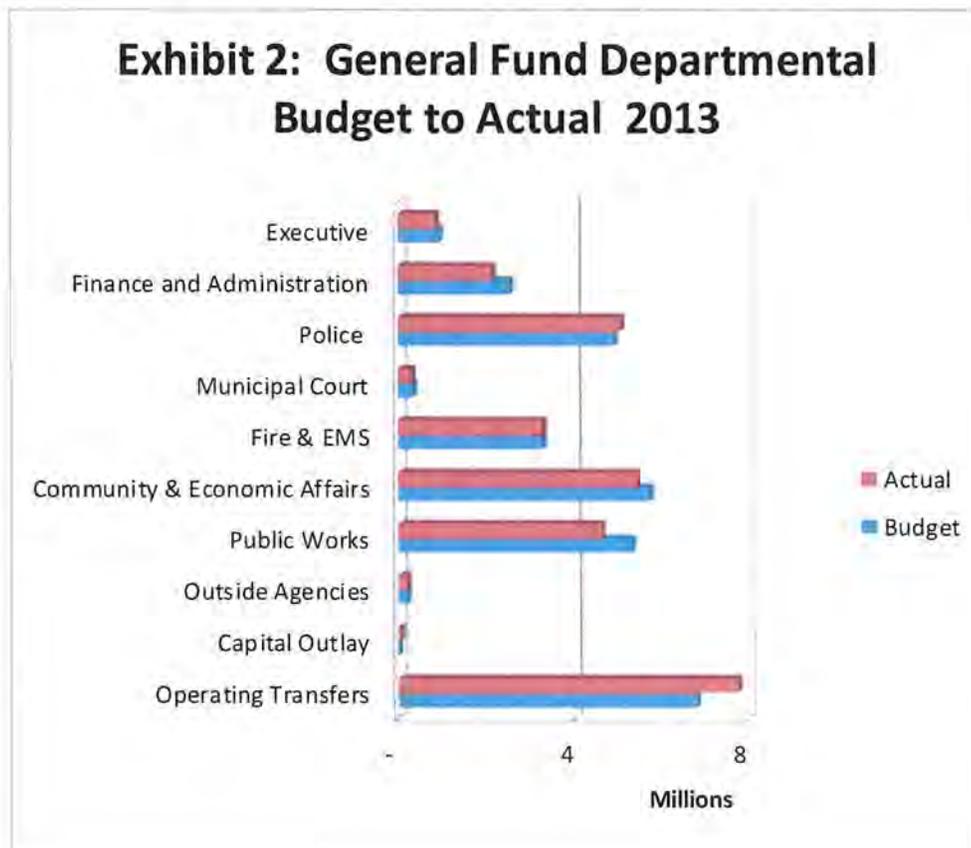
A schedule of General Fund Revenues, Expenditures and Changes in Fund Balances can be found on page 65. Revenues were more than the Budget in the following major categories with an overall \$692,742 collections more than budget:

- Property Taxes - \$65,918 less due to county collection timing
- Local Taxes - \$670,896 more due to increased collections for Lodging Taxes and Sales Taxes
- Licenses and Permits - \$6,058 less than budget due to amended funds not reaching expected collections
- Fines and Forfeitures - \$17,739 more due to enhanced enforcement efforts
- Utility Tax Collections - \$42,691 decreased collections Baldwin EMC due to reduced consumption
- Federal and State transfers - \$94,425 more than budgeted due to increased federal transfers
- Income on investments \$899 more than budgeted due to investment rates
- Other - \$23,450 more than budget.

Expenditures were significantly different from the budget in the following departments:

- Executive Department - \$482,162 less due to budget in excess of expenses for personnel, legal and software expense
- Municipal Court - \$34,848 less due to final insurance expense less than the amended budget
- Police Department - \$155,401 more due to overtime, health insurance, and donations expense in excess of budget
- Community and Economic Affairs - \$302,475 less due to engineering/consulting, Special Events, Library, Bodenhamer Center, Sportsplex and Parks budgets in excess of expenses
- Public Works - \$697,162 expenses less due to unfilled positions/personnel savings, Waterway Village budget greater than expense.
- Capital Outlay - \$36,700 more due to a land swap approved by Council for Bon Secour Village Parcel G

The City Council approved revisions to the original adopted General Fund budget four times during the fiscal year prior to the fiscal year end on December 31, 2013.



General Fund Departmental Budget to Actual 2013

	Budget	Actual	% of total expenses
Operating Transfers	6,838,692	7,794,871	26%
Capital Outlay	-	36,700	0%
Outside Agencies	200,000	199,758	1%
Public Works	5,355,487	4,658,325	16%
Community & Economic Affairs	5,780,213	5,477,738	18%
Fire & EMS	3,322,363	3,321,777	11%
Municipal Court	342,003	307,155	1%
Police	4,957,105	5,112,506	17%
Finance and Administration	2,561,290	2,165,264	7%
Executive	946,412	860,276	3%
Total	30,303,565	29,934,370	100%

Capital Asset and Long-term Debt Activity

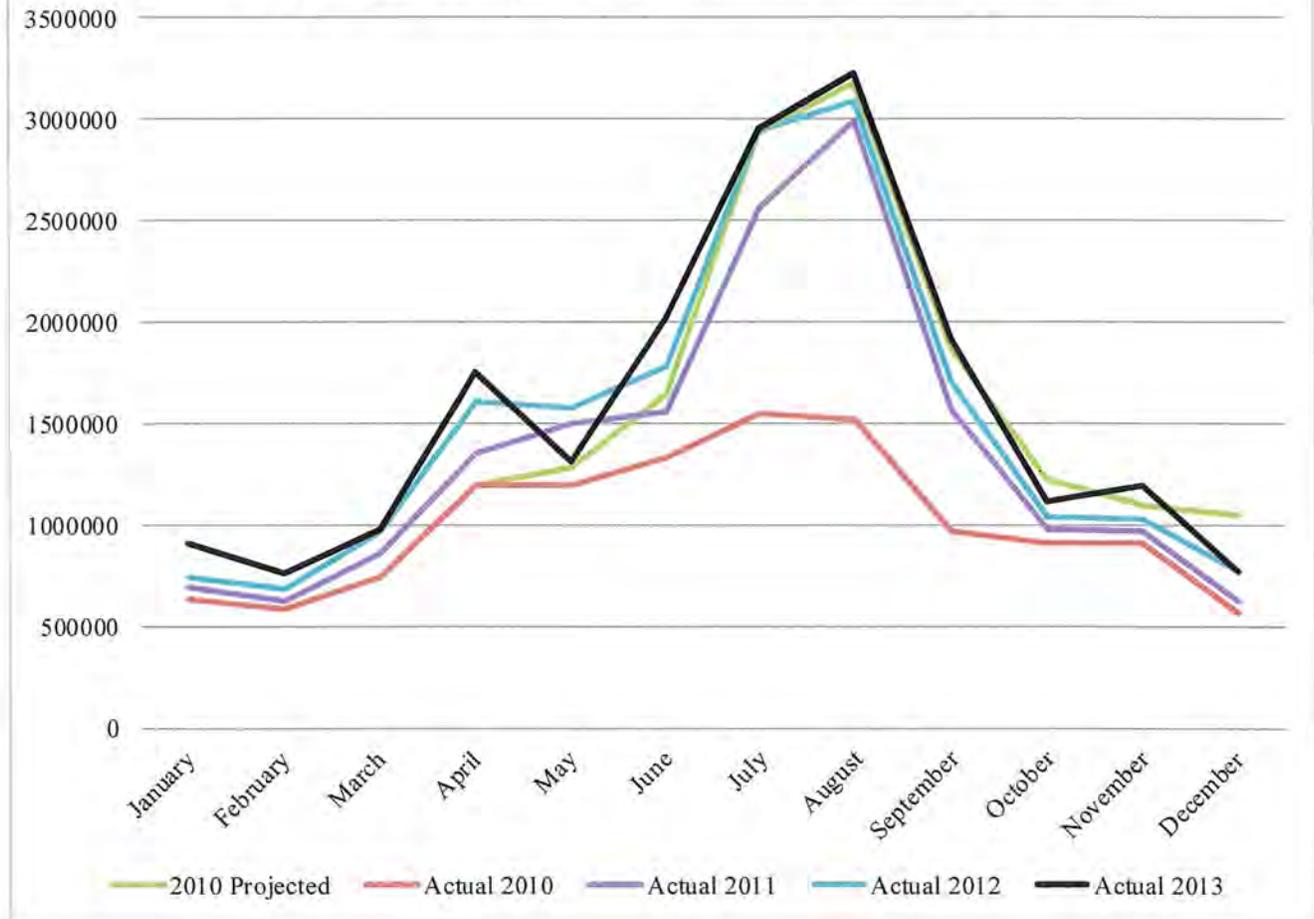
Capital Asset Activity

At December 31, 2013, the City of Gulf Shores reported net capital assets of \$78,678,013 from governmental activities, an increase of \$4,121,226 from December 31, 2012. Net capital assets from business-type activities are reported as \$2,016,518 which is a decrease of \$27,121 from December 31, 2012. Refer to **Note 3.D.** to the financial statements for additional information on capital assets.

Long-term Debt Activity

As of year-end, the City had \$42,294,384 in debt outstanding (which includes long term compensated absences) compared to \$46,922,266 for the prior year. All debt service payments were made timely. Refer to **Note 3.E.** to the financial statements for additional information on long-term debt activity.

Exhibit 3: Gulf Shores Tax Losses due to BP Oil Spill & Hangout Music Festival Impact



Future Events Impacting the City's Financial Condition

The City of Gulf Shores' business community recovered in 2013 with revenues almost on target with pre 2010 BP Oil Spill revenue projection levels. The first three months of 2013 show continued strong tourist Sales and Lodging Tax revenue. Exhibit 3 also shows the economic impact of the Hangout Music Festival ticket sales leading up to the May event. National Sand Volleyball competitions that have begun to be held in April also contribute to the increase revenues during the spring. More state sports competitions have also begun to be held in Gulf Shores, increasing Sales and Lodging Tax Revenues as well.

New stores continue to open in the Pelican Place Mall resulting in greater economic activity in the City. Also, a grant was approved in early 2010 for a public private partnership - Saunders Gulf Shores Drydock Basin Project expansion of an existing dry dock basin for maintenance of ocean going vessels on the IntraCoastal Waterway. Construction on the project began in 2011 and was completed by first quarter 2013. This project will provide for high skill high wage jobs.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Jack Edwards Airport	Airport Authority
ASSETS					
Current Cash and Cash Equivalents	\$ 9,846,968	\$ 31,060	\$ 9,878,028	\$ -	\$ 443,816
Reserve Current Cash and Cash Equivalents	7,213,450	-	7,213,450	-	-
Receivables (Net)	4,448,987	-	4,448,987	34,776	18,458
Due from component units	779,274	-	779,274	-	-
Inventories	51,340	-	51,340	718,624	-
Prepays and Other Assets	307,388	-	307,388	-	3,266
Restricted Assets:					
Cash and Cash Equivalents	5,099,297	-	5,099,297	3,134	-
Capital Assets:					
Non - Depreciable	33,465,162	366,518	33,831,680	6,346,391	93,938
Depreciable (Net)	45,212,851	1,650,000	46,862,851	9,065,967	121,788
Total Assets	106,424,717	2,047,578	108,472,295	16,168,892	681,266
DEFERRED OUTFLOW OF RESOURCES					
Defeasance cost, net	1,737,658	-	1,737,658	-	-
LIABILITIES					
Accounts Payable	\$ 1,796,086	\$ -	\$ 1,796,086	\$ 40,639	\$ -
Accrued Liabilities	806,780	-	806,780	-	1,083
Accrued Interest Payable	66,860	-	66,860	-	2,552
Due to primary government	-	-	-	-	779,274
Non - Current Liabilities					
Due Within One Year:					
Compensated absences	74,469	-	74,469	-	-
Bonds Payable	3,346,512	-	3,346,512	-	25,000
Due In More than One Year:					
Compensated absences	789,580	-	789,580	-	-
Bonds Payable	38,083,823	-	38,083,823	-	75,000
Total Liabilities	44,964,108	-	44,964,110	40,639	882,909
DEFERRED INFLOW OF RESOURCES					
Unearned Revenue	656,291	-	656,291	-	-
NET POSITION:					
Investment in Capital Assets (net of related debt)	38,121,287	2,016,518	40,137,805	15,381,386	100,445
Restricted for:					
Grants	91,848	-	91,848	-	-
Municipal Court	86,337	-	86,337	-	-
Environment Study	6,070	-	6,070	-	-
Debt service	2,247,636	-	2,247,636	-	-
Capital outlay	553,499	-	553,499	-	-
Beach restoration	913,744	-	913,744	-	-
Unrestricted	20,521,555	31,060	20,552,615	746,867	(302,088)
Total Net Position	\$ 62,541,976	\$ 2,047,578	\$ 64,589,554	\$ 16,128,253	\$ (201,643)

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues			Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total	Jack Edwards Airport	Airport Authority
PRIMARY GOVERNMENT:									
Governmental Activities:									
Executive	\$ 3,644,562	\$ 49,600	\$ -	\$ -	\$ (3,594,962)	\$ -	\$ (3,594,962)		
Municipal Court	307,308	545,389	-	-	238,081	-	238,081		
Police	5,060,640	21,181	148,809	-	(4,890,650)	-	(4,890,650)		
Fire	3,583,029	27,524	-	-	(3,555,505)	-	(3,555,505)		
Community and Economic Affairs	6,748,057	4,130,862	693,451	-	(1,923,744)	-	(1,923,744)		
Public Works	9,036,092	330,832	590,811	2,964,418	(5,150,031)	-	(5,150,031)		
Interest on Long - Term Debt	1,536,803	-	-	-	(1,536,803)	-	(1,536,803)		
Total governmental activities	<u>29,916,491</u>	<u>5,105,388</u>	<u>1,433,071</u>	<u>2,964,418</u>	<u>(20,413,614)</u>	<u>-</u>	<u>(20,413,614)</u>		
Business-type activities:									
Public Education Building Authority	199,339	164,728	-	-	-	(34,611)	(34,611)		
Total primary government	<u>\$ 30,115,830</u>	<u>\$ 5,270,116</u>	<u>\$ 1,433,071</u>	<u>\$ 2,964,418</u>	<u>\$ (20,413,614)</u>	<u>\$ (34,611)</u>	<u>\$(20,448,225)</u>		
COMPONENT UNITS:									
Jack Edwards Airport	\$ 828,299	\$ -	\$ -	\$ 582,146				\$ (246,153)	\$ -
Airport Authority	383,301	457,575	96,000	-				-	170,274
Total component units	<u>\$ 1,211,600</u>	<u>\$ 457,575</u>	<u>\$ 96,000</u>	<u>\$ 582,146</u>				<u>\$ (246,153)</u>	<u>\$ 170,274</u>
General revenues:									
Property Taxes					\$ 2,402,380	\$ -	\$ 2,402,380	\$ -	\$ -
Local Taxes:									
Sales taxes					11,894,065	-	11,894,065	-	-
Lodging taxes					6,905,619	-	6,905,619	-	-
Other local taxes					1,999,212	-	1,999,212	-	-
Franchise Taxes					1,151,859	-	1,151,859	-	-
State Taxes					492,085	-	492,085	-	-
Interest Income					20,397	17	20,414	-	1,212
Miscellaneous					50,208	-	50,208	-	-
Gain on Disposal of Assets					(60,212)	-	(60,212)	-	-
Total general revenues, special items and transfers					<u>24,855,613</u>	<u>17</u>	<u>24,855,630</u>	<u>-</u>	<u>1,212</u>
Change in net position					4,441,999	(34,594)	4,407,405	(246,153)	171,486
Net position - beginning					58,099,977	2,082,172	60,182,149	16,374,406	(373,129)
Net position - ending					<u>\$ 62,541,976</u>	<u>\$ 2,047,578</u>	<u>\$ 64,589,554</u>	<u>\$ 16,128,253</u>	<u>\$ (201,643)</u>

GOVERNMENT FUND FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Debt Service Fund	Storm Damage Fund	2% Lodgings Tax Fund	Other Governmental Funds	Total
ASSETS						
Current Cash and Equivalents	\$ 9,846,968	\$ -	\$ -	\$ -	\$ -	\$ 9,846,968
Reserved Cash and Equivalents	7,213,450	-	-	-	-	7,213,450
Restricted Cash and Equivalents	92,407	2,681,636	676,402	484,338	1,164,514	5,099,297
Receivables (Net)						
Accounts	363,865	12,306	-	-	38,335	414,506
Taxes	3,147,375	-	-	-	-	3,147,375
Due From Other Funds	1,322,363	-	-	429,405	65,320	1,817,088
Due From Other Governments	91,848	-	478,220	-	317,040	887,108
Due From Component Units	779,274	-	-	-	-	779,274
Prepays and Other Assets	307,388	-	-	-	-	307,388
Inventories	51,340	-	-	-	-	51,340
Total Assets	<u>\$ 23,216,278</u>	<u>\$ 2,693,942</u>	<u>\$ 1,154,622</u>	<u>\$ 913,743</u>	<u>\$ 1,585,209</u>	<u>\$ 29,563,794</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 961,985	\$ -	\$ 129,335	\$ -	\$ 704,766	\$ 1,796,086
Payroll taxes & benefits payable	(20,345)	-	-	-	-	(20,345)
Accrued wages	362,154	-	-	-	-	362,154
Other liabilities	464,969	-	-	-	-	464,969
Due to other funds	446,366	434,000	725,669	-	211,053	1,817,088
Total Liabilities	<u>2,215,129</u>	<u>434,000</u>	<u>855,004</u>	<u>-</u>	<u>915,819</u>	<u>4,419,952</u>
DEFERRED INFLOW OF RESOURCES						
Unearned revenue	7,097	12,306	585,341	-	51,546	656,290
Fund Balances:						
Nonspendable	358,728	-	-	-	-	358,728
Spendable:						
Restricted	184,255	2,247,636	-	913,743	553,500	3,899,133
Committed	7,213,450	-	-	-	64,344	7,277,794
Unassigned	13,237,619	-	(285,723)	-	-	12,951,896
Total Fund Balances	<u>20,994,052</u>	<u>2,247,636</u>	<u>(285,723)</u>	<u>913,743</u>	<u>617,844</u>	<u>24,487,552</u>
Total Liabilities, Deferred Outflows and Fund Balance	<u>\$ 23,216,278</u>	<u>\$ 2,693,942</u>	<u>\$ 1,154,622</u>	<u>\$ 913,743</u>	<u>\$ 1,585,209</u>	<u>\$ 29,563,794</u>

**The City of Gulf Shores, Alabama
Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Funds
December 31, 2013**

Fund balances - total governmental funds	\$	24,487,552
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 99,807,367	
Less accumulated depreciation	<u>(21,129,354)</u>	78,678,013
<p>Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Loss on advance refunding	1,950,098	
Less accumulated amortization	<u>(212,440)</u>	1,737,658
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Governmental bonds payable	(41,363,156)	
Discounts on bond issue	177,011	
Premiums on bond issues	(368,469)	
Accumulated amortization	124,276	
Compensated absences	<u>(864,049)</u>	(42,294,387)
<p>Accrued interest payable on debt and the current portion of accrued compensated absences in the governmental funds are susceptible to full accrual on the entity wide basis.</p>		
Accrued Interest Payable	<u>(66,860)</u>	<u>(66,860)</u>
Net position of governmental activities	\$	<u>62,541,976</u>

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

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Debt Service Fund	Storm Damage Fund	2% Lodgings Tax Fund	Other Governmental Funds	Total
REVENUES						
Property taxes	\$ 2,367,025	\$ 35,356	\$ -	\$ -	\$ -	\$ 2,402,381
Local taxes	16,176,207	1,859,657	-	2,763,033	-	20,798,897
Licenses and permits	2,374,442	-	-	-	-	2,374,442
Fines and forfeitures	387,739	-	-	-	-	387,739
Utility tax equivalents	1,151,859	-	-	-	-	1,151,859
Intergovernmental:						
State of Alabama taxes	50,612	-	-	-	590,520	641,132
Federal and State grants	235,713	-	2,424,848	-	591,824	3,252,385
Interest income	15,899	495	504	2,002	1,498	20,398
Impact fees	-	-	-	-	307,242	307,242
BP Proceeds	-	-	360,995	-	-	360,995
Rent Income	-	120,822	-	-	-	120,822
Other receipts	2,376,838	-	-	-	277,503	2,654,341
Total Revenues	<u>25,136,334</u>	<u>2,016,330</u>	<u>2,786,347</u>	<u>2,765,035</u>	<u>1,768,587</u>	<u>34,472,633</u>
EXPENDITURES						
Current Operating:						
Executive Department	3,025,540	-	-	-	-	3,025,540
Municipal Court	307,155	-	-	-	-	307,155
Police Department	5,112,506	-	-	-	27,902	5,140,408
Fire and Emergency Services	3,321,777	-	-	-	14,344	3,336,121
Community and Eco. Affairs	5,477,738	-	-	-	79,812	5,557,550
Public Works	4,658,325	-	3,263,515	-	211,230	8,133,070
Appropriations	296,601	-	-	-	-	296,601
Capital outlay	36,700	-	-	-	6,670,764	6,707,464
Principal and interest	-	6,201,953	-	-	-	6,201,953
Miscellaneous	-	7,814	-	-	6,429	14,243
Total Expenditures	<u>22,236,342</u>	<u>6,209,767</u>	<u>3,263,515</u>	<u>-</u>	<u>7,010,481</u>	<u>38,720,105</u>
Excess (Deficiency) of revenues Over Expenditures	<u>\$ 2,899,992</u>	<u>\$ (4,193,437)</u>	<u>\$ (477,168)</u>	<u>\$ 2,765,035</u>	<u>\$ (5,241,894)</u>	<u>\$ (4,247,472)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	2,529,433	4,255,173	325,509	-	-	7,110,115
Transfers Out	(3,039,982)	-	(149,937)	(3,431,196)	(489,000)	(7,110,115)
Total Other Financing Sources and (Uses)	<u>(510,549)</u>	<u>4,255,173</u>	<u>175,572</u>	<u>(3,431,196)</u>	<u>(489,000)</u>	<u>-</u>
Net Change in Fund Balance	2,389,443	61,736	(301,596)	(666,161)	(5,730,894)	(4,247,472)
Fund Balances - Beginning	18,604,609	2,185,900	15,873	1,579,904	6,348,738	28,735,024
Fund Balances - Ending	<u>\$ 20,994,052</u>	<u>\$ 2,247,636</u>	<u>\$ (285,723)</u>	<u>\$ 913,743</u>	<u>\$ 617,844</u>	<u>\$ 24,487,552</u>

The City of Gulf Shores, Alabama
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Activities
For the Year Ended December 31, 2013

Net change in fund balances \$ (4,247,472)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	6,298,088	
Less current year depreciation	<u>(2,062,733)</u>	4,235,355

When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the statement of activities.

Proceeds from the disposal of assets	(53,917)	
Loss on disposal of assets	<u>(60,212)</u>	(114,129)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Principal payments on bonds and loans	<u>4,627,283</u>	4,627,283
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in interest accrued on long term debt	37,866	
Amortization of current year bond issue premiums	11,130	
Amortization of current year bond discounts	(12,789)	
Amortization of loss on advanced refunding	(97,505)	
Decrease in compensated absences	<u>2,260</u>	<u>(59,038)</u>

Change in net position of governmental activities		<u>\$ 4,441,999</u>
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The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
 ALL PROPRIETARY FUND TYPES
 STATEMENT OF NET POSITION
 AS OF DECEMBER 31, 2013

	Business-type Activities
	Enterprise Funds
	Primary Government
	Non-major Fund
	Public Education
	Building Authority
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 31,060
Capital Assets:	
Land	1,650,000
Land improvements	203,088
Buildings	898,425
Furniture and equipment	261,893
Less: accumulated depreciation	(996,888)
Total Non-Current Assets	2,016,518
Total Assets	\$ 2,047,578
LIABILITIES	
NET POSITION	
Invested in Capital Assets, net of related debt	2,016,518
Unrestricted	31,060
Total Net Position	\$ 2,047,578

THE CITY OF GULF SHORES, ALABAMA
 ALL PROPRIETARY FUND TYPES
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities
	Enterprise Funds
	Primary Government
	Non-major Fund
	Public Education
	Building Authority
Operating Revenues	
FSCC Rent	\$ 164,728
Operating Expenses	
Depreciation	27,121
Miscellaneous	7,490
Rent	164,728
Total Operating Expenses	199,339
Operating Income (Loss)	(34,611)
Non-Operating Revenues (Expenses)	
Interest income	17
Income (Loss) before Contributions and Transfers	(34,594)
Change in Net Position	(34,594)
Net Position - Beginning	2,082,172
Net Position - Ending	\$ 2,047,578

THE CITY OF GULF SHORES, ALABAMA
 ALL PROPRIETARY FUND TYPES
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities
	Enterprise Funds
	Primary Government
	Non-major Fund
	Public Education
	Building Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from leases and other operating activities	\$ 164,728
Other operating expenses	(172,218)
Net cash provided (used) by operating activities	(7,490)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments received	17
Net increase (decrease) in cash and cash equivalents	(7,473)
Cash balance - beginning of year	38,533
Cash balance - end of year	\$ 31,060
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (34,611)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	27,121
Net cash provided (used) by operating activities	\$ (7,490)

Noncash Investing, Capital and Financing Activities: None

NOTES TO BASIC FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

In June 1999, the GASB approved Statement 34, *Basic Financial Statements and Management Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual method of accounting for all of the City's activities.

The accounting and reporting framework and the more significant accounting principles and practices used by the City are discussed in subsequent sections of this Note. The remainders of the Notes to the Financial Statements are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ending December 31, 2013.

1. A. REPORTING ENTITY

The City of Gulf Shores, Alabama (the "City") was incorporated on February 5, 1957. The City operates under a Mayor-Council form of government with a City Council consisting of six council members including the mayor, elected at large by the qualified voters of the City for a four-year term. The Council has full legislative authority for the operations of the City.

For financial reporting purposes and in conformance with the criteria set forth by the Government Accounting Standards Board, Statement 14, *Defining the Governmental Reporting Entity*, the City includes those funds, agencies, boards, commissions and authorities for which the City provides financial and managerial assistance, which influence operations and tend to indicate control by or dependence on the City. Control by or dependence on the City is evidenced through budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, responsibility for the funding of any operating deficits that may occur and the scope of services provided to the City. Based on these criteria, this report includes financial statements of the funds required to account for those financial activities for which the City has the ability to influence and control through its legislative processes.

The Jack Edwards Airport and Airport Authority of the City of Gulf Shores, Alabama, are separate legal entities that are included as component units in the financial reporting entity. They are included as a result of being financially accountable and fiscally dependent. They receive an appropriation of \$96,843 annually. Without this appropriation they would not meet their operating budget. The Jack Edwards Airport and Airport Authority of the City of Gulf Shores, Alabama, do not provide services entirely or almost entirely to the City, nor do they exclusively benefit the City, therefore they do not meet the criterion for blending, and must be discretely presented in the basic financial statements of the primary government. The Airport Authority does not have substantially the same governing body as the City. The Jack Edwards Airport and Airport Authority of the City of Gulf Shores, Alabama have elected to continue to report on a September 30th year end, where as the City reports on December 31st year end. Generally accepted accounting principles allow the presentation of these component units as part of the reporting entity if the component unit's year end falls within the year end of the primary government. Significant interfund transfers and borrowings between the City and the component units that occur from October 1 to December 31 each year will be disclosed in a later note. Separately issued audited financial statements of the two component units can be obtained from the Airport Authority at 3190 Airport Drive, Gulf Shores, AL 36542.

Excluded from the financial statements is the following board for which a lack of influence, control and dependency exist: The Utilities Board of the City of Gulf Shores, Alabama. This board is governed by its own board of directors, prepares and adopts an annual operating budget which is not influenced by the City, has the authority to issue debt securities which are not an obligation of the City and are not secured by City revenues, has responsibilities for any operating deficits which may occur and must fund such deficits through prior year surplus or other financial sources. These financial statements do not include other boards, agencies and authorities that operate within the boundaries of the City and Baldwin County. The establishment of these boards, agencies and authorities is provided in the statutes and codes of the State of Alabama.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. B. BASIC FINANCIAL STATEMENTS

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

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

Fund financial statements display information at the individual level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental or proprietary, or fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information. The new GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type: and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds.

As a general rule the effect of interfund activity has been eliminated from the government wide financial statements. Exceptions to this general rule include charges between the City's business type activities/enterprise funds, as well as some special revenue funds, and the General Fund. The City allocates charges as reimbursement for services provided by the General Fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

1. C. BASIS OF PRESENTATION

The funds of the financial reporting entity are described below:

General Fund

This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. C. BASIS OF PRESENTATION (CONTINUED)

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following major funds:

Governmental Funds:

General Fund

This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

Storm Damage Capital Projects Fund

This fund is used to account for financial resources, such as Federal Emergency Management Agency and Alabama Emergency Management Agency grants, to be used for the beach restoration, debris removal, protective measure costs, and repairs/restoration of damaged roads, bridges, buildings, equipment, and parks associated with the aftermath of storms and the BP Horizon oil spill.

2 % Lodging Tax Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Major Proprietary Funds of Primary Government:

The primary government does not have any major proprietary funds.

Discretely Presented Component Units which are Major Proprietary Funds:

Jack Edwards Airport Enterprise Fund

Accounts for the maintenance and improvement of the Jack Edwards Airport, as well as the real estate transactions associated with the Industrial Park. This enterprise fund does not provide services entirely or almost entirely to the primary government, nor does it primarily benefit the primary government.

Airport Authority Enterprise Fund

This fund accounts for all operating revenues and expenditures of the Jack Edwards Airport. This enterprise fund does not provide services entirely or almost entirely to the primary government, nor does it primarily benefit the primary government. The vast majority of the governing board's are not the same.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. C. BASIS OF PRESENTATION (CONTINUED)

Additionally, the City's reports the following non major funds:

Governmental Funds:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Beach Restoration Capital Projects Fund

This fund is used to account for financial resources to be used for the restoration of the beaches.

2008 A GO Warrant Building Capital Projects Fund

This fund is used to account for financial resources from the 2008 A GO Warrant issue. The proceeds were used for the acquisition of the 200 Clubhouse Drive land and building, as well as various capital projects as determined by the City.

Capital Improvements Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

2012 D GO Warrant Building Capital Projects Fund

This fund is used to account for financial resources from the 2012 D GO Warrant issue. The proceeds were used to refund the 2004 & 2006

Proprietary Funds:

Public Education Building Authority Enterprise Fund

Accounts for acquiring, purchasing, servicing the related debt, constructing, remodeling, altering, operating, maintaining, equipping and furnishing of public educational buildings and related facilities, as provided in Chapter 18 of Title 16 of the Code of Alabama 1975.

1. D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide statements and fund financial statements for proprietary funds are reported using the *economic resources* measurement focus and the *full accrual* basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred regardless of the timing of related cash inflows and outflows.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental fund financial statements are reported using *current financial resources* measurement focus and are accounted for using the *modified accrual* basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. The revenues susceptible to accrual are property taxes, franchise fees, utility equivalents, licenses, charges for service, interest income, grants, and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenues. All other governmental fund revenues are recognized when received. Expenditures are recorded when the related fund liability incurred, as under accrual accounting.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are normally expected to be liquidated with expendable financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the governments must be recognized. Thus, the expense and related accrued liability for long term and current portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Jack Edwards Airport, Airport Authority; are lease and rental income, Industrial Park lot sales, and some miscellaneous income. The Public Building Education Authority receives rent income from Faulkner State Community College to service the general obligation debt held by the City on the building and land. Operating expenses for the Jack Edwards Airport and Airport Authority include salaries and related expenses, depreciation, repairs and maintenance, the cost of sales for Industrial park lots, and a ground lease. The Public Education Building Authority only incurs debt service expenditures. All revenues and expenses not meeting this definition, most notably grants and interest income, are reported as non-operating revenues and expenses.

1. E. ASSETS, LIABILITES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand deposits, savings accounts, certificates of deposit, and short term investments with original or remaining maturities of three months or less when purchased. For purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, certificates of deposit, and short term investments with an original maturity of three months or less. Certificates of deposits are not considered investments. Investments are stated at fair value. The balance in the certificates of deposit at December 31, 2013 at the financial institutions is \$5,000 at BBVA Compass Bank.

Reserve cash and equivalents

General fund cash and certificates of deposit totaling \$7,212,450 were designated as reserve by the City Council. The CD's and money market funds are to be used to fund a reserve for emergencies.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. E. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Restricted Assets

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the fund level Balance Sheets, on Government – wide Statement of Net Position and the Business Activity Statement of Net Position.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “interfund receivables and payable.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, local taxes, franchise taxes, and grants. There are no noted receivables in the proprietary funds in the current year.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues that are usually both measurable and available. Nonexchange transactions collectible but not available are not deferred in the fund financial statements in accordance with modified accrual, but are deferred in the government-wide statements in accordance with accrual basis. The interest earnings are recorded when earned, only if paid within 60 days since they would be considered both measurable and available.

Inventories

The cost is recorded as expenditure at the time the individual items are used (consumption method). Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government wide or fund financial statements.

Government-wide Statement

In the government-wide financial statements, fixed assets that exceed the City’s capitalization threshold by asset type are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for contributed capital assets which are recorded at their estimated fair value on the date received.

Capitalization thresholds of the City are: Land \$5,000, Buildings/Improvements \$100,000, Emergency/Fire/Police Vehicles & Equipment \$15,000, Other Vehicles & Equipment \$10,000, Parks & Recreational Facilities \$50,000, Office Equipment \$5,000.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1.E. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Capital Assets (continued)

Infrastructure	30-40 years
Buildings	25-40 years
Building improvements	20-30 years
Machinery and equipment	5-15 years
Furniture and fixtures	3-15 years

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in the proprietary fund operations are accounted for the same as in the government-wide statements.

GASB No.34 required the City to report and depreciates new infrastructure assets effective with the beginning of the fiscal year ending September 30, 2003. Infrastructure assets include roads, bridges, underground pipe (other than utilities), traffic signals, etc. The City accounted for \$2,260,019 in infrastructure from 1980 to September 30, 2002 that exceeded the City's capitalization threshold for infrastructure.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums or discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The payment of principle and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Accounting for the proprietary fund is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences

City employees earn vacation from twelve to twenty days per year depending upon past years of service. An employee can accumulate vacation days up to a maximum of 15 to 25 days based on their employment tenure. The City's policies regarding vacation permit employees to accumulate earned but unused vacation leave and carryover up to a maximum 200 hours based on years of service. Vacation time above the allowed carryover, will lapse as of December 31st, unless extended by the Mayor to March 31st of the subsequent year. Employees may also accumulate up to 120 hours of comp time, and can elect for the unused portion that will lapse within one year of the date it was earned, to be paid out.

Compensated absences includes the early retirement service credit liability which allows an employee to accumulate and use up to 960 hours of sick leave toward an early retirement service credit once the employee reaches retirement eligibility. An employee is eligible when they reach 10 years of service and attains age 60, or 25 years of service with no age requirement. Refer to **Note 4.I.** for more information on the early retirement sick leave benefit.

All vested compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total compensated absences liability for the governmental activities is \$864,049. \$74,469 is deemed the current portion on the government wide full accrual basis. None of this liability is reported at the fund level at December 31, 2013.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. E. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

Equity Classifications

Government Wide Level Financial Statements

Equity is classified as net assets and displayed in three components:

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

Fund Level Financial Statements

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Bureau classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The policy established by the City pursuant to which the authorization to assign fund balance to a specific purpose is given is for the Finance Committee to approve, followed by Council action to accept and the Mayor’s signature to authorize.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City commits fund balance through council action, the government’s highest level of decision-making authority. Formal Council action in a form of a resolution is required to establish, modify, or rescind a fund balance commitment is needed.

The City’s General Fund Reserve policy is to maintain a minimum of 15% with a target of 25% of General Fund Expenditures. For 2013 expenses of \$22,236,342 the 15% minimum would be \$3,335,451 and the 25% target would be \$5,559,086.

The City does not have an established policy regarding use of unrestricted fund balance when both restricted and unrestricted fund balance are available. However the City does consider committed amounts would be reduced first, followed by any assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the City’s unrestricted fund balance classifications are used.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

I. E. ASSETS, LIABILITES, AND EQUITY (CONTINUED)

A schedule of fund balances is as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Damage Fund</u>	<u>2 % Lodging Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:						
Nonspendable:						
Inventories	\$ 51,340	\$ -	\$ -	\$ -	\$ -	\$ 51,340
Prepaid expenses	307,388	-	-	-	-	307,388
Restricted for:						
Grants	91,848	-	-	-	-	91,848
Municipal Court	86,337	-	-	-	-	86,337
Environment Study	6,070	-	-	-	-	6,070
Debt service	-	2,247,636	-	-	-	2,247,636
Capital outlay	-	-	-	-	553,500	553,500
Beach restoration	-	-	-	913,743	-	913,743
Committed to:						
Emergencies	7,213,450	-	-	-	-	7,213,450
Capital outlay	-	-	-	-	64,344	64,344
Assigned to:						
Unassigned :	13,237,619	-	(285,723)	-	-	12,951,896
Total Fund Balance	<u>\$ 20,994,052</u>	<u>\$2,247,636</u>	<u>\$ (285,723)</u>	<u>\$ 913,743</u>	<u>\$ 617,844</u>	<u>\$ 24,487,552</u>

Use of Estimates

In preparing the City of Gulf Shores' financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

All ad valorem taxes levied by the state, county and any municipality in Baldwin County are assessed by the Tax Assessor and collected by the Tax Collector of Baldwin County. The Baldwin County property tax calendar requires the Tax Assessor to assess and attach taxes as enforceable liens on property as of September 30, and taxes are due October 1 through December 31 of the subsequent year. Property taxes that have not been paid by January 1 are considered delinquent. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of any additional property taxes receivable after the 60 day period, no additional accrual is made in the government-wide financial statements. All amounts paid to the City within the bill paying period are included in revenues. The Council has the authority to increase property taxes at its discretion, within certain statutory limits.

Sales, Use, and Lodgings Taxes

The City, through its revenue department collects sales, use and lodging taxes monthly. Under this arrangement, revenues from sales, use and lodging taxes are recognized when they become susceptible to accrual.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified as follows:

Governmental Funds- By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Funds- By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before November 1, Department heads update in the City's software system proposed operational budgets along with requested capital purchases for the fiscal year commencing the following January 1 for review by the City Administrator and Finance And Administration Director.
2. The City Administrator and Finance Director make appropriate revisions and prepare the General Fund Operating Budget, Debt Service and Appropriations Budgets, which include proposed expenditures and the means of financing them.
3. Prior to January 1, the budget is legally enacted through passage of a resolution by the City Council.
4. The City Administrator and Finance and Administration Director are authorized to transfer budgeted amounts within operating departments within any fund; however, any revisions that alter the total expenditures of a fund must be formally approved by the Mayor and City Council.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds. Budgets for the City of Gulf Shores are adopted on a basis consistent with generally accepted accounting principles.
6. Each department of the City of Gulf Shores is funded through allocations provided by the adopted General Fund Budget. Total appropriations may not exceed current year's cash surplus and projected revenues. The budget for the current year was amended, provided adequate funds were available at the time of the amendment, as needed throughout the year by the City Council.
7. All unused appropriations automatically lapse at year-end.
8. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Annual budgets were not legally adopted for the Library Board special revenue fund, or the Beach Restoration capital projects fund.

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES

3. A. CASH AND INVESTMENTS

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments and in securities sold under agreement to repurchase (repurchase agreements) which are collateralized by government securities, therefore, bearing minimal risk. These securities have original maturity dates not exceeding three months, usually maturing within one business day. Such investments are stated at cost, which approximates fair value.

The City's deposits at year end were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

At December 31, 2013, the carrying amount of the City's total deposits was \$22,558,201. Amounts in excess of FDIC coverage of \$250,000 of each financial institution are further secured by a pledge of securities from various institutions to the Alabama State Treasurer's Office in accordance with the Security for Alabama Funds Enhancement (SAFE) Act.

Restricted cash reported in the Special Revenue Funds represents proceeds from the collection of Fire Fighter Ad Valorem Taxes which are designated for Fire Department capital purchases in accordance with State Law, State Excise Gas Taxes which are designated for improvement, maintenance or lighting of streets and/or roads in accordance with State Law Corrections Funds which are designated for operation and maintenance of the municipal jail, Law Enforcement Funds which may be used to enhance future investigations, for law enforcement training, equipment, detention facilities and drug education and awareness programs, Parking Ordinance Funds which are restricted to upgrade, improve or increase public parking areas, Library Advisory Funds which are restricted to upgrade or improve public library resources.

For the purpose of the statement of cash flows in the proprietary funds, the City considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

3. B. RECEIVABLES

Receivables as of year end for the City's individual major, and total non-major governmental funds in the aggregate, net of applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service Fund	Storm Damage Fund	Other Governmental Funds	Total
Taxes	\$ 3,147,375	\$ -	\$ -	\$ -	\$ 3,147,375
Accounts receivable	363,865	12,306	-	38,335	414,506
Due from other governments	91,848	-	478,220	317,040	887,108
Total Receivables	<u>\$ 3,603,088</u>	<u>\$ 12,306</u>	<u>\$ 478,220</u>	<u>\$ 355,375</u>	<u>\$ 4,448,989</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at December 31, 2013 consisted of the following:

<u>Due To (Interfund Receivable)</u>	<u>Due From (Interfund Payable)</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service Fund</u>	<u>Storm Damage Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 434,000	\$ 725,669	\$ 162,694	\$ 1,322,363
Storm Damage Fund	-	-	-	-	-
Nonmajor Governmental Funds	446,366	-	-	48,359	494,725
Total Receivables	<u>\$ 446,366</u>	<u>\$ 434,000</u>	<u>\$ 725,669</u>	<u>\$ 211,053</u>	<u>\$ 1,817,088</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended December 31, 2013, consisted of the following:

<u>Transfers To (Other Financing Source)</u>	<u>Transfers From (Other Financing Use)</u>			<u>Total</u>
	<u>General</u>	<u>Storm Damage Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 149,937	\$ 2,379,496	\$ 2,529,433
Debt Service Fund	2,714,473	-	1,540,700	4,255,173
Storm Damage Fund	325,509	-	-	325,509
Total Receivables	<u>\$ 3,039,982</u>	<u>\$ 149,937</u>	<u>\$ 3,920,196</u>	<u>\$ 7,110,115</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. D. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2013, was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
Governmental Activities					
Non-Depreciable Assets:					
Land	\$ 33,335,707	\$ 190,876	\$ 61,420	\$ -	\$ 33,465,163
Depreciable Assets:					
Buildings, parks facilities, & improvements	43,159,672	4,999,641	33,598	(914,368)	47,211,347
Motor vehicles and equipment	10,411,501	1,107,571	337,165	-	11,181,907
Infrastructure	7,034,582	-	-	914,368	7,948,950
Totals at historical cost	<u>93,941,462</u>	<u>6,298,088</u>	<u>432,183</u>	<u>-</u>	<u>99,807,367</u>
Less accumulated depreciation for:					
Buildings and improvements	9,800,559	1,207,496	30,025	-	10,978,030
Motor vehicles and equipment	8,625,262	670,676	288,029	-	9,007,909
Infrastructure	958,854	184,561	-	-	1,143,415
Total accumulated depreciation	<u>19,384,675</u>	<u>2,062,733</u>	<u>318,054</u>	<u>-</u>	<u>21,129,354</u>
Governmental activities capital assets, net	<u>\$ 74,556,787</u>				<u>\$ 78,678,013</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 610,897
Police	159,406
Fire	122,880
Public Works	404,930
Community and Economic Affairs	764,620
Total depreciation for governmental activities	<u>\$ 2,062,733</u>

Capital asset activity for the business-type activities of the primary government for the year ended December 31, 2013 is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
Non-Depreciable Assets:					
Land	\$ 1,650,000	\$ -	\$ -	\$ -	\$ 1,650,000
Depreciable Assets					
Land improvements	203,088	-	-	-	203,088
Buildings	898,425	-	-	-	898,425
Equipment	261,893	-	-	-	261,893
Totals at historical cost	<u>3,013,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,013,406</u>
Less accumulated depreciation for:					
Land improvements	113,954	13,539	-	-	127,493
Buildings	593,920	13,582	-	-	607,502
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	<u>969,767</u>	<u>27,121</u>	<u>-</u>	<u>-</u>	<u>996,888</u>
Business-type activities capital assets, net	<u>\$ 2,043,639</u>				<u>\$ 2,016,518</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. D. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the discretely presented component units, the Jack Edwards Airport and the Airport Authority of the City of Gulf Shores, AL., is as follows:

Description	Beginning Balance	Additions	Retirements	Reclass- ifications	Ending Balance
Non-Depreciable Assets:					
Land	\$ 6,440,329	\$ -	\$ -	\$ -	\$ 6,440,329
Depreciable Assets					
Runways, taxiways, and improvements	15,551,460	3,124,979	-	-	18,676,439
Buildings and improvements	2,683,252	-	-	-	2,683,252
Motor vehicles and equipment	121,474	-	-	-	121,474
Totals at historical cost	<u>24,796,515</u>	<u>3,124,979</u>	<u>-</u>	<u>-</u>	<u>27,921,494</u>
Less accumulated depreciation for:					
Runways, taxiways, and improvements	10,652,168	720,974	-	-	11,373,142
Buildings and improvements	676,996	130,953	-	-	807,949
Motor vehicles and equipment	109,093	3,226	-	-	112,319
Total accumulated depreciation	<u>11,438,257</u>	<u>855,153</u>	<u>-</u>	<u>-</u>	<u>12,293,410</u>
Business-type activities capital assets, net	<u>\$ 13,358,258</u>				<u>\$ 15,628,084</u>

3. E. LONG-TERM DEBT

The reporting entities long-term debts results from the City's governmental activities, and are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds, loans, and leases payable:					
General obligation bonds	\$ 45,932,780	\$ -	\$ 4,568,725	\$ 41,364,055	\$ 4,569,726
Leases payable	58,558	-	58,558	-	-
Total bonds, loans and leases, less premiums/discounts	<u>45,991,338</u>	<u>-</u>	<u>4,627,283</u>	<u>41,364,055</u>	<u>4,569,726</u>
Plus bond premiums/discounts	<u>64,621</u>	<u>1,659</u>	<u>-</u>	<u>66,280</u>	<u>-</u>
Total bonds, loans, and leases payable	46,055,959	1,659	4,627,283	41,430,335	4,569,726
Other liabilities: Compensated Absences	<u>866,307</u>	<u>-</u>	<u>2,258</u>	<u>864,049</u>	<u>74,469</u>
Governmental activities long term liabilities	<u>\$ 46,922,266</u>	<u>\$ 1,659</u>	<u>\$ 4,629,541</u>	<u>\$ 42,294,384</u>	<u>\$ 4,644,195</u>

The primary government had no business activity long-term debt as of December 31, 2013.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. E. LONG-TERM DEBT (CONTINUED)

The long term-debt of the discretely presented component units of the Jack Edwards Airport and the Airport Authority of the City of Gulf Shores, AL., is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Discretely Presented Component Units					
Bonds and loans payable:					
1996 B Airport Authority Bond	\$ 120,000	\$ -	\$ 20,000	\$ 100,000	\$ 25,000
1993 Series A Revenue Bond	7,005	-	7,005	-	-
Business-type activities long term liabilities	<u>\$ 127,005</u>	<u>\$ -</u>	<u>\$ 27,005</u>	<u>\$ 100,000</u>	<u>\$ 25,000</u>

As of December 31, 2013 the governmental long term debt consisted of the following:

General Obligation Warrants:

\$5,355,000, Series 2002 General Obligation Warrants, dated January 1, 2002 due in annual installment from \$885,000 to \$160,000 plus interest varying from 1.80% to 4.45% per annum payable March 1 and September 1, final payment due September 1, 2014	\$ 160,000
\$11,560,000, Series 2005-C General Obligation Warrants, dated December 15, 2006 due in annual installments from \$1,210,000 to 1,705,000 beginning on December 15, 2008, with a final payment due December 15, 2016. Interest varying from 4.80% to 5.05% per annum payable June 15 and December 15, first payment June 15, 2006 and last payment December 15, 2015.	3,330,000
\$2,465,000, Series 2006-A General Obligation Warrants, dated February 1, 2006 due in 2 annual installments. The first on \$1,215,000 on December 15, 2016, with a final payment due December 15, 2017 of \$1,250,000. Beginning June 15, 2006 interest varying from 5.10% to 5.15% per annum payable on June 15 and December 15, with a final payment due December 15, 2017.	2,465,000
\$17,050,000, Series 2008-A General Obligation Warrants, dated April 1, 2008 due in annual principal installments of \$100,000 increasing to \$2,890,000 beginning on December 15, 2008, with a final payment due December 15, 2028. Interest varying from of 3.00% to 4.5% per annum payable June 15 and December 15, first payment due December 15, 2008 and last December 15, 2028.	15,520,000
\$738,283, Series 2012 General Obligation Warrants, dated April 2, 2012 due in annual installments of \$189,981 plus interest varying of 1.95% per annum payable on April 9th of each year, beginning in July 2012, final payment due April 9, 2015.	367,073
\$4,000,000, Series 2012-A General Obligation Warrants, dated July 13, 2012 and matures four years for the date of delivery. Interest only quarterly payments bear a fixed rate of 2.83% are due January 15, April 15, July 15 and October 15, first payment due October 15, 2012 and last December July 13, 2016.	1,000

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. E. LONG-TERM DEBT (CONTINUED)

\$800,000, Series 2012-B General Obligation Warrants, dated August 16, 2012 due in monthly installments of \$22,649 including interest of 1.22% per annum payable on the 16th of each month, beginning in September 2012, final payment due August 16, 2015.	450,982
\$9,000,000, Series 2012-C General Obligation Warrants, dated October 1, 2012 due in annual principal installments of \$500,000 increasing to \$2,315,000 beginning on December 15, 2021, with a final payment due December 15, 2025. Interest varying from of 2.00% to 2.55% per annum payable June 15 and December 15, first payment due December 15, 2012 and last December 15, 2025.	9,000,000
\$10,645,000, Series 2012-D General Obligation Warrants, dated October 1, 2012 due in annual principal installments of \$210,000 increasing to \$1,910,000 beginning on December 15, 2012, with a final payment due December 15, 2021. Interest varying from of 2.00% to 2.55% per annum payable June 15 and December 15, first payment due December 15, 2012 and last December 15, 2021.	10,070,000
Total Unamortized General Obligation Warrant Issue Premiums	66,280
Total Long Term Debt	\$ 41,430,335

As of December 31, 2013 the long term debt payable for the discretely presented component unit, the Airport Authority of the City of Gulf Shores, AL consisted of the following:

Revenue bonds:

\$325,000, Series 1996-B, General Obligation Warrants, dated November 1, 1996, due in annual installments serially from \$50,000 to \$120,000 on November 1 of each year, plus interest from 5.375% to 6.125% per annum payable on May 1 and November 1.	\$ 100,000
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Annual debt service requirements to maturity, including principle and interest, for the governmental activities long-term debt as of December 31, 2013, are as follows:

Year Ending December 31,	Principal	Interest
2014	\$ 3,346,512	\$ 1,407,331
2015	3,211,645	1,279,944
2016	3,755,000	1,149,010
2017	3,835,000	1,024,905
2018	2,095,000	891,630
2019-2023	11,755,000	3,443,651
2024-2028	13,365,898	1,703,181
Total	\$ 41,364,055	\$ 10,899,652

Annual debt service requirements to maturity, including principle and interest, for the discretely presented component units, the Airport Authority of the City of Gulf Shores, AL and the Jack Edwards Airport is as follows:

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. E. LONG-TERM DEBT (CONTINUED)

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	25,000	5,359
2015	25,000	3,828
2016	25,000	2,297
2017	25,000	766
Total	<u>\$ 100,000</u>	<u>\$ 12,250</u>

The principal of and interest on the 1993 Bonds of the Airport Authority of the City of Gulf Shores, AL, a discretely presented component unit, are payable solely out of the revenues, rentals, receipts, profits and income derived by the Issuer from the Lease Agreement or any successor agreement entered into in substitution for or in continuation of the Lease Agreement with respect to the Leased Airport Property (as defined in the Lease Agreement) (the "Pledged Revenues"). Pursuant to the Indenture, as security for the payment of the Bonds, the Issuer has assigned and pledged to the Bondholder all rights, title and interest of the Insurer in and to the Pledged Revenues and the Lease Agreement and any of such other agreements (except for certain rights to indemnification and reimbursement of expenses granted to the Issuer). As additional security for the payment of the Series A Bonds pursuant to a Bond Guaranty Agreement dated as of January 1, 1993 (the "Guaranty") to the bondholder. In accordance with its obligations under the Lease Agreement, the Corporation has caused Regions Bank to issue an irrevocable letter of credit (the "Letter of Credit") in favor of the Bondholder authorizing the Bondholder to draw on said bank in an amount not exceeding \$150,000 (subject to reduction by each principal payment on the Series A Bonds as provided in the Letter of Credit) for application to the payment of the principal of and interest on the Series A Bonds.

Except as aforesaid, the Bonds shall never constitute an indebtedness of the City of Gulf Shores, Alabama (the "City") within the meaning of any constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

The 1996 B General Obligation Warrants were issued for the purpose of constructing a new terminal building at the Jack Edwards Airport. The principal and interest payments are to be paid from proceeds received by the Airport Authority in connection with the lease of the terminal building per a lease agreement dated October 31, 1996. The indebtedness is to be repaid by revenues of the Airport Authority and therefore is reported as a liability of the Airport Authority. However, the City is contingently liable for principal and interest payments on the warrants should the lease proceeds prove insufficient.

3. F. UNEARNED REVENUE

The City has unearned revenues of \$6,070 in the general fund from receiving advance funds from developers', for future environmental impact studies (EIS) to be conducted by these developers' for proposed projects. The EIS is required by the US Army Corps of Engineers, to study the impact from development on the environment. The City serves as the facilitator for the study between the developers and a subcontracted company to conduct the EIS. The remaining \$1,027 is derived from gift certificates that have been purchased to the Bodenhamer Center. These revenues will be recognized as the City incurs these expenditures

As of December 31, 2013 the City has unearned revenues of \$546,337 reported in the Storm Damage fund. The City was advanced Alabama Emergency Management Agency BP Deepwater Horizon Oil Spill assistance in anticipation of expending these awards on eligible expenditures. These revenues will be recognized as the City incurs eligible expenditures for this grant. The remaining \$39,004 is derived from a grant received from the Deepwater Horizon Economic Claims Administration, BP & the Plaintive Steering Committee in anticipation of expending these awards on eligible expenditures. These revenues will be recognized as the City incurs eligible expenditures for this grant

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

3. F. UNEARNED REVENUE (CONTINUED)

As of December 31, 2013 the City has unearned revenues of 12,306 reported in the Debt Service Fund from Emfinger Paving assessments which has been deferred and included in revenue, when the receivables become available

The remaining \$51,546 is derived from various sundry assessments for capital projects which are deferred and included in revenue, when the receivables become available.

3. G. PENSION EXPENSE

The City maintains a pension plan which covers substantially all employees. The plan is funded by making monthly contributions as they accrue. See **Note 4.A** for details.

3. H. ACCUMULATED DEFICIT

At December 31, 2013, the Storm Damage fund of the City of Gulf Shores had an accumulated total fund balance deficit of \$285,723. It is anticipated that this deficit will be eliminated by future excess revenues over expenses. The Airport Authority of the City of Gulf Shores, a component unit of the primary government, had an accumulated total net position deficit of \$201,643 at September 30, 2013.

3. I. DEBT LIMIT AND TAXING AUTHORITY

According to the Baldwin County Revenue Commissioner's Office, the total aggregate assessed valuation of the property in the City as of December 31, 2013, was \$478,341,860 resulting in a debt limit of \$95,728,372. The City Council has the authority to raise sales, use and lodgings taxes at its discretion. The City currently imposes a three-percent sales tax, a five-percent lodging tax within Corporate Limits of the Municipality, and a two and one half percent lodgings tax outside the corporate limits.

3. J. CONTINGENCIES

The City is subject to losses from damages to buildings, equipment, and vehicles and injuries incurred to or by their employees on the job. The City has attempted to mitigate their risk of loss by purchasing insurance from several third-party vendors. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City purchases Workman's Compensation Insurance from the Municipal Workers Compensation Fund, Inc. The policy premiums are based on estimated annual payroll. The premiums are adjusted retrospectively based on actual annual payroll.

NOTE 4 – OTHER INFORMATION

4. A. RETIREMENT PLAN

The Employee Retirement System (ERS) is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. A defined benefit plan provides the employee with a specific benefit at retirement by calculating the retirement benefit based on an established formula. The plan is a cost-sharing multiple employer plan. Participating in the ERS was not mandatory by employees eligible as of December 1, 2006, however if the employee chooses to participate in the plan then their assets in the previous pension plan must be transferred to the ERS. Participation in the ERS is mandatory for all employees hired after December 1, 2006, who are eligible. Employees are eligible to participate if employed in a full time position, as well as part time positions working at least 20 hours per week and earning at least the federal minimum wage. Once enrolled, the member must continue participation until employment is terminated.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control.

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

NOTE 4 – OTHER INFORMATION

4. A. RETIREMENT PLAN (CONTINUED)

Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

The following is information taken from the Employees' Retirement System of Alabama, Actuarial Valuation Summary as of September 30, 2012; the latest date for which a valuation was available. The valuation sets the rate for the period beginning October 1, 2014.

<u>Summary of Employee Census Data</u>		
Number of active members:		218
Annual compensation:		\$ 9,674,297
Number of retired members and beneficiaries:		22
Annual retirement allowances:		\$ 746,920

<u>Required Employer Contribution Rates</u>	<u>Retain Current Member Contribution Rates</u>	<u>Elect to Increase Member Contribution Rates Under Act 2011-676</u>
<u>Tier 1 Employees (Applies to all members hired before January 1, 2013)</u>		
Normal cost	3.43%	1.22%
Accrued Liability	5.30%	5.39%
Pre-retirement death benefit	0.14%	0.14%
Administrative expense	0.21%	0.21%
Total	9.08%	6.96%
5% Employer contribution factor (9.08%/5%)	1.816000%	
6% Employer contribution factor (9.08%/6%)	1.513333%	
7.5% Employer contribution factor (7.07%/7.5%)		0.928000%
8.5% Employer contribution factor (7.07%/8.5%)		0.818824%
<u>Tier 2 Employees (Applies to all members hired on or after January 1, 2013)</u>		
Total Employer Contribution Rate	6.78%	
6% Employer contribution factor (6.78%/6%)	1.130000%	
7% Employer contribution factor (6.78%/7%)	0.968571%	

Comments on Employer Contribution Rates:

1. These rates included contributions for cost of living benefit increases granted on or after October 1, 1978 through the valuation date.
2. Employer contributions may increase due to the granting of pay raises in excess of the expected and for any future cost of living adjustments granted to retirees.
3. These contribution rates have been determined in accordance with generally accepted actuarial standards of practice.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets *	Accrued Act. Liability Entry Age	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
	(a)	(b) ₁	(b-a)			
9/30/2007	\$ 8,801,789	\$ 10,714,720	\$1,912,931	82.1%	\$ 8,186,268	23.4%
9/30/2008	\$ 10,382,700	\$ 14,712,754	\$4,330,054	70.6%	\$ 9,871,622	43.9%
9/30/2009	\$ 10,944,617	\$ 16,360,595	\$5,415,978	66.9%	\$ 9,319,904	58.1%
9/30/2010 ₂	\$ 11,654,622	\$ 18,981,372	\$7,326,750	61.4%	\$ 9,237,271	79.3%
9/30/2011 ₄	\$ 12,339,073	\$ 20,398,217	\$8,059,144	60.5%	\$ 10,376,800	77.7%
9/30/2012 ₅	\$ 12,861,294	\$ 19,705,804	\$6,844,510	65.3%	\$ 9,674,297	70.7%
9/30/2012 _{3,5}	\$ 12,861,294	\$ 19,827,464	\$6,966,170	64.9%	\$ 967,297	72.0%

- ₁ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- ₂ Reflects changes in actuarial assumption.
- ₃ Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011
- ₄ Reflects the impact of Act 2011-676 as well as Act 2011-26, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012
- ₅ Reflects changes in actuarial assumption.
- * The Actuarial value of assets was set equal to the market value of assets as of September 30 2012.

Valuation date	9/30/2012
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Ultimate Investment rate of return (discount rate)*	8.00%
Projected salary increases**	3.75 - 7.25%
**Includes inflation at	3.00%
Cost-of-living adjustments	None

Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obiligation (NPO)
9/30/2010	\$ 730,375	100%	\$ -
9/30/2011	\$ 909,040	100%	\$ -
9/30/2012	\$ 831,250	100%	\$ -

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. B. DEFEASED DEBT

In April, 2008 the City issued \$17,050,000 Series 2008 A General Obligation Warrants, which were used to advance refund the Series 1996 and 1998 C General Obligation Warrants, acquire the 200 Clubhouse Drive land and building, and to construct various capital projects. In accordance with the refunding agreement, the City deposited with Regions Bank funds from the Series 2008 A Warrants into two escrow accounts which along with the earnings there from, are sufficient to pay the principal and interest of the bonds. These escrowed funds will be used to currently refund on May 29, 2008 the City's General Obligation Warrants, Series 1996 and 1998 C.

As a result of the above action, the refunding meets the requirements of a current refunding and the bonds were removed from the debt. The refunding was undertaken to provide more favorable repayment terms and interest rates.

The advance refunding has decreased debt service payments relative to the refunded debt by \$512,095 (\$9,553,346-\$9,041,251) over the next 13 years and resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$428,325.

In October 2012 the City issued \$9,000,000 Series 2012-C General Obligation Warrants and \$10,645,000 Series 2012-D General Obligation Warrants, which were used to advance refund the Series 2004 and 2006 B General Obligation Warrants, constructing certain capital improvements within the City and paying issuance expense. In accordance with the refunding agreement, the City deposited with Regions Bank funds from the Series 2012 C and 2012 D Warrants into two escrow accounts which along with the earnings there from, are sufficient to pay the principal and interest of the bonds. A portion of these escrowed funds were used to currently refund on November 10, 2012 the City's General Obligation Warrants, Series 2004 and the remaining escrowed funds will be used to currently refund on December 15, 2015 the City's General Obligation Warrants, Series 2006B.

As a result of the above action, the refunding meets the requirements of a current refunding and the bonds were removed from the debt. The refunding was undertaken to provide more favorable repayment terms and interest rates.

The advance refunding has increased debt service payments relative to the refunded debt by \$2,575,707 (\$20,878,215-23,453,922) over the next 14 years and resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$890,238 (PV of savings from cash flows \$2,275,282 less cash refunding on hand \$3,165,521).

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. C. COMMITMENTS AND CONTINGENCIES

Construction, engineering, and design contracts for material public works project commitments at December 31, 2013 are as follows:

Contractor/Engineer	Construction/Professional Services Project	Contract Amount Including Change Orders	Approximate Expenditures Incurred To Date	Approximate Balance of Contract
Skipper Consulting	Traffic Signal Design	\$ 48,600	\$ 16,010	\$ 32,590
Precision Sports Surfaces	Sportsplex Track Resurfacing Construction	\$ 482,155	\$ 161,178	\$ 320,977
Hatch Mott McDonald	Sims Park Concession Stand	\$ 19,500	\$ 6,725	\$ 12,775
Amerson Roofing	Civic Center Roof Repair	\$ 448,000	\$ 409,970	\$ 38,030
McClaren, Wilson & Lawrie	Police Facilities Space & Site Needs Assessment	\$ 48,314	\$ 39,554	\$ 8,760
Color-Ad	Wayfinding Signage (Res. No. 5187-13)	\$ 1,046,145	\$ -	\$ 1,046,145
R&S Paving & Grading	Intersection Improvements Along Hwy 59 at Clubhouse Drive	\$ 26,450	\$ -	\$ 26,450
Jade Consulting & Preble-Rish	Develop Schematic Plan for Waterway Village	\$ 138,000	\$ 126,584	\$ 11,416
Thompson Engineering	Environmental Assessment & Corridor Study for East 20th Avenue Ext.	\$ 265,000	\$ 16,298	\$ 248,703
Precision Sports Surfaces	Change Order #1 - Additional Labor and Track & Field Equipment	\$ 55,242	\$ -	\$ 55,242
Hosea O. Weaver	Roadway Resurfacing, FY 2013	\$ 490,673	\$ 336,600	\$ 154,073
Holcombe Norton Partners	Sportsplex Track & Field Improvements & Design Master Plan	\$ 12,800	\$ 6,400	\$ 6,400
Thompson Engineering	Develop Schematic Master Plan for Gulf Place & Lagoon Pass Public Beach	\$ 87,500	\$ -	\$ 87,500
W.R. Mitchell Contractor	Change Order #1 - Drainage Enhancement Project for 5th & 7th Streets	\$ 29,681	\$ -	\$ 29,681
Asphalt Services	Change Order #1 - Additional Work for Multi-Use Trail	\$ 96,185	\$ 82,853	\$ 13,332
Thompson Engineering	Engineering & Inspection Services for Cty Rd 4 Improvements Project	\$ 279,859	\$ -	\$ 279,859
Asphalt Services	Waterway Village District Public Parking Lot Improvements Construction	\$ 556,388	\$ 163,968	\$ 392,420
Asphalt Services	Waterway Village District East 24th Avenue Improvements	\$ 1,108,524	\$ -	\$ 1,108,524
DMD Engineers	Additional Engineering & Inspection Services for Multi-Use Trail Project	\$ 10,000	\$ -	\$ 10,000
ALDOT	Alabama Hwy 59 Sidewalk Improvement Project	\$ 100,000	\$ -	\$ 100,000

Health Self Insurance Plan

Beginning October 1, 2009 the City changed Blue Cross Blue Shield health insurance coverage from a fully insured plan to a self insured plan up to \$1,700,000. The self insurance policy is administered through Occidental, an American United Life insurance company. Anticipated savings from self insuring were estimated to be \$250,000 per year; savings for the first two years averaged \$140,000.

4. D. LEASE OBLIGATIONS

The City is obligated under certain leases accounted for as operating leases. The City entered into various agreements for the lease of copiers and other equipment that are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's debt. For 2012, rentals approximated \$47,044 for such leases. Approximately \$31,855, in minimum rental payments are due in 2014. These leases are primarily supported by the governmental fund activities.

4. E. AIRPORT LEASES

The Airport Authority's, a component unit of the primary government, investment in property on operating leases is as follows:

Land	\$ 93,938
Buildings	555,859
Equipment	38,994
	<u>688,791</u>
Less accumulated depreciation	<u>(473,065)</u>
Net investment in operating leases	<u>\$ 215,726</u>

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

4. E. AIRPORT LEASES (CONTINUED)

In addition to the above lease terms, the lease agreements call for non-cancelable lease payments through December 31, 2049 as follows:

Year	Payment
2014	324,228
2015	335,880
2016	343,432
2017	344,991
2018	345,202
Thereafter	10,372,490
Total	\$ 12,066,223

Minimum Future lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments only occur if sales and activities of the lessee exceed certain levels. Contingent rentals were \$132,819 in 2012.

4. F. PUBLIC EDUCATION BUILDING AUTHORITY

On October 5, 1992, the City Council of the City of Gulf Shores, Alabama approved the Certificate of Incorporation establishing The Public Education Building Authority of the City of Gulf Shores, Alabama. The objects for which the corporation was organized are to acquire, purchase, construct, remodel, alter, operate, maintain, equip and furnish public educational buildings and related facilities, as provided in Chapter 18 of Title 16 of the Code of Alabama 1975. The Public Education Building Authority of the City of Gulf Shores, Alabama has been reflected as a proprietary fund of the City of Gulf Shores, Alabama.

The Public Education Building Authority (PEBA) has constructed educational facilities at a total cost of \$2,810,318 with contributions from the City of \$2,674,585 and from Faulkner State Community College of \$93,685. The PEBA entered into a lease agreement with Faulkner State Community College, whereby Faulkner agrees to use and occupy the premises as a community college for public educational purposes only and for no other object or purpose. The agreement calls for annual lease payments of \$10 to be paid to the PEBA, in addition to other amounts not specifically defined (e.g. insurance premium, taxes). On November 18, 1994, the original lease agreement was amended to include the new Hospitality and Tourism Management Center Building. The financing of the construction of the new building was provided by the City of Gulf Shores, Alabama's General Obligation Warrants dated July 1, 1994 totaling approximately \$1,820,000.

The lease amendment increases the amount of the basic rent payment to include the debt service payment to be made on the 1994 G.O. Warrant. Therefore, the amended lease agreement calls for non-cancelable lease payments through June 25, 2014 as follows:

Year	Payment
2014	120,138
Total	\$ 120,138

On November 29, 1994, the PEBA entered into a ground lease with the City of Gulf Shores to lease the property where the above buildings are located under substantially the same terms and conditions as the above referenced lease.

On January 1, 2002, the City issued the Series 2002 General Obligation Warrant to refund the 1994 G.O. Warrant along with the 1993-B and 1997 G.O. Warrants. According to the refunding agreement, Faulkner State Community College will continue to make payments according to the original lease agreement as above.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. G. INVESTMENTS

The City's investments consist of a U.S. Treasury Note with a face value of \$10,000 and a current value of \$9,994. The market value for this investment type is not materially different from its carrying amount.

4. H. POST-EMPLOYMENT HEALTH CARE BENEFITS

The City has a one time closed group of retirees covered under the employer's health benefits program. The City has four employees covered who are required to pay 100% of the blended premium and are only covered until age 65. No other employees are eligible for coverage in the future. This does not meet the definition of an Other Post Employment Benefit and therefore constitute a long term retiree health care liability. The city does not provide any other post-employment health care benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the City incurs no direct costs.

4. I. POST RETIREMENT EMPLOYEE BENEFITS

A new sick leave policy placed into effect in fiscal year 2006 allows an employee to accumulate and use up to 960 hours of sick leave toward an early retirement service credit once the employee reaches retirement eligibility. An employee is eligible when they reach 10 years of service and attains age 60, or 25 years of service with no age requirement. The total actuarial accrued and unfunded liability according to Rebowe & Fontenot, LLC as of January 1, 2012 is \$426,574 at a 4.0% assumed annual investment.

The gross annual required contribution (current liability) assumed payable is \$63,387, which consists of an annual normal cost assumed payable of \$38,721, plus a 30 year actuarial accrued liability amortization contribution of \$24,666. The City has not funded this future liability, and plans to pay the early service retirement credit as an employee becomes eligible and utilizes the benefit. In 2012 there was \$48,332 in early retirement sick leave paid out by the City to eligible retirees.

4. J. CAFETERIA PLAN

Beginning in 1994, the City began providing an employer-sponsored benefit package (Cafeteria Plan) under Code Section 125 that offers employees a choice between taking cash or receiving qualified benefits (such as dental insurance and family coverage health insurance premiums). No amounts are included in the income of the Cafeteria Plan participant who chooses among the benefits of the plan; however, if a participant chooses cash it is includible in gross income as compensation. If qualified benefits are chosen, they are excludable to the extent allowed by law.

4. K. FUND BALANCE – COMMITTED

There is \$7,213,450 of committed fund balance in the General fund on the fund financial statements that is committed for emergencies as designated by the City Council in the current year budget. The City has funded the committed for emergencies amount of \$7,213,450, as reflected in reserved cash and cash equivalents of the General fund.

4. L. COLONIAL PINNACLE AT CRAFT FARMS PROJECT

The City has entered into a Lease and Development Agreement and a Repurchase and Sale Agreement with Colonial Realty Limited Partnership. This agreement involves a public/private partnership to develop 68 acres on Highway 59, north of the intracoastal waterway. This project involved public financing, via the 2005-C GO warrant, with the related debt service being provided by future sales, use, and property taxes generated by the project. The City purchased half of the property for \$5,000,000 in 2006, with the purchase of the remaining \$5,000,000 in 2007. The City uses the sales and use tax generated by the Pinnacle retail and the property taxes collected by the County on the parcels listed in the agreement to service the 2005-C GO warrant. The shortfall between the local taxes and property taxes collected and the annual debt service, less incentive credits as determined in the lease agreement, is to be paid by Colonial Realty Limited Partnership.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

4.M. ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

The City implemented Statement 65 "Items Previously Reported as Assets and Liabilities". The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for issuances costs were reclassified as expense of prior periods and resulted in the adjustment below:

Net position at December 31, 2012	\$58,702,831
Change in reporting for deferred charges for debt issuances costs	<u>(602,854)</u>
Net position at December 31, 2012 (restated)	\$58,099,977

4. N. SUBSEQUENT EVENTS

The City is party to various other legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. They are vigorously protesting those actions. The details of the major cases are listed below:

Fort Morgan Civic Association v. City of Gulf Shores

At the end of the year, the city had a pending motion for a rehearing in front of the Alabama Supreme Court concerning their previous order that resulted in the de-annexation of several parcels of property. In February of 2014, the Alabama Supreme Court denied the City's request for rehearing and dismissed the appeal. There are no accruals in the city's financial statements as of December 31, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF GULF SHORES, ALABAMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 2,468,300	\$ 2,468,300	\$ 2,402,382	\$ (65,918)
Local Taxes	19,628,000	20,128,000	20,798,896	670,896
Licenses and Permits	2,191,500	2,380,500	2,374,442	(6,058)
Fines and Forfeitures	285,000	370,000	387,739	17,739
Utility Tax Equivalents	1,187,300	1,194,550	1,151,859	(42,691)
Intergovernmental:				
Federal and State Grants	75,500	125,500	235,713	110,213
State of Alabama - Taxes	66,400	66,400	50,612	(15,788)
Income on Investments	15,000	15,000	15,899	899
Other	1,831,638	2,353,388	2,376,838	23,450
Total Revenues	<u>27,748,638</u>	<u>29,101,638</u>	<u>29,794,380</u>	<u>692,742</u>
EXPENDITURES				
Executive Department	3,363,201	3,507,702	3,025,540	(482,162)
Municipal Court	302,003	342,003	307,155	(34,848)
Police Department	4,486,251	4,957,105	5,112,506	155,401
Fire and Emergency Services	3,297,363	3,322,363	3,321,777	(586)
Community and Economic Affairs	5,550,689	5,780,213	5,477,738	(302,475)
Public Works	4,367,487	5,355,487	4,658,325	(697,162)
Appropriations	80,000	200,000	199,758	(242)
Capital Outlay	-	-	36,700	36,700
Total Expenditures	<u>21,446,994</u>	<u>23,464,873</u>	<u>22,139,499</u>	<u>(1,325,374)</u>
Excess of revenues over expenditures	<u>6,301,644</u>	<u>5,636,765</u>	<u>7,654,881</u>	<u>2,018,116</u>
OTHER FINANCING SOURCES (USES)				
Bond issue proceeds	-	523,854	-	(523,854)
Transfers from Other Funds	768,272	2,899,209	2,529,433	(369,776)
Transfer to Other Funds	(6,895,966)	(6,838,692)	(7,794,871)	(956,179)
Total Other Financing Uses	<u>(6,127,694)</u>	<u>(3,415,629)</u>	<u>(5,265,438)</u>	<u>(1,849,809)</u>
Net Change in Fund Balances	<u>\$ 173,950</u>	<u>\$ 2,221,136</u>	<u>\$ 2,389,443</u>	<u>\$ 168,307</u>

Note to Budgetary Comparison Schedule:

The 2% lodgings tax revenue is budgeted in the general fund, in addition to the transfers to the corresponding 2% lodgings tax special revenue fund. The 2% lodgings tax revenue is presented for financial statement purposes in the 2% special revenue fund as local tax revenue. For budget to actual comparison purposes the 2% lodgings tax revenue will be included in the actual general fund local tax revenues and transfers out on this schedule.

The property, sales, and use tax segregated for the Pinnacle debt service is presented for financial statement purposes in the Debt Service fund, but is budgeted by the City in the General fund tax revenues and transfers to other funds. For comparison purposes the property and local tax previously segregated will be included in the actual General fund revenues and transfers out on this schedule.

The basis of budgeting is the same as GAAP.

OTHER SUPPLEMENTARY INFORMATION

THE CITY OF GULF SHORES, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds	
	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	2008 A GO Building Fund	Capital Improvements Fund		2012 C & D GO Warrant Fund
ASSETS								
Restricted Cash and Cash Equivalents	\$ 157,352	\$ 627,838	\$ 22,681	\$ 1,267	\$ 139	\$ 155,757	\$ 199,480	\$ 1,164,514
Receivable (Net)	-	-	-	-	-	38,335	-	38,335
Due From Other Funds	11,876	38,859	-	-	9,500	5,085	-	65,320
Due From Other Governments	-	-	-	-	317,040	-	-	317,040
Total Assets	<u>169,228</u>	<u>666,697</u>	<u>22,681</u>	<u>1,267</u>	<u>326,679</u>	<u>199,177</u>	<u>199,480</u>	<u>1,585,209</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	390	304,455	1,528	-	74,023	125,000	199,370	704,766
Due to Other Funds	-	-	-	-	188,859	22,094	100	211,053
Total Liabilities	<u>390</u>	<u>304,455</u>	<u>1,528</u>	<u>-</u>	<u>262,882</u>	<u>147,094</u>	<u>199,470</u>	<u>915,819</u>
DEFERRED INFLOW OF RESOURCES								
Unearned revenue	-	-	-	-	-	51,546	-	51,546
Fund Balances:								
Spendable:								
Restricted	168,838	362,242	21,153	1,267	-	-	-	553,500
Committed	-	-	-	-	63,797	537	10	64,344
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	<u>168,838</u>	<u>362,242</u>	<u>21,153</u>	<u>1,267</u>	<u>63,797</u>	<u>537</u>	<u>10</u>	<u>617,844</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 169,228</u>	<u>\$ 666,697</u>	<u>\$ 22,681</u>	<u>\$ 1,267</u>	<u>\$ 326,679</u>	<u>\$ 199,178</u>	<u>\$ 199,480</u>	<u>\$ 1,585,209</u>

COMBINING FUND FINANCIAL
STATEMENTS AND SCHEDULES

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	2008 A GO Building Fund	Capital Improvements Fund	
REVENUES							
Intergovernmental:							
State of Alabama taxes	\$ 590,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 590,520
Federal and State grants	-	-	990	-	589,666	1,168	591,824
Interest income	171	257	79	2	496	366	1,498
Impact fees	-	307,242	-	-	-	-	307,242
Other receipts	-	-	-	12	177,406	5,085	277,503
Total Revenues	<u>590,691</u>	<u>307,499</u>	<u>1,069</u>	<u>14</u>	<u>767,568</u>	<u>6,380</u>	<u>1,768,587</u>
EXPENDITURES							
Current Operating:							
Police	-	27,902	-	-	-	-	27,902
Fire	-	14,344	-	-	-	-	14,344
Community and Economic Affairs	-	79,812	-	-	-	-	79,812
Public Works	-	211,230	-	-	-	-	211,230
Capital Outlay	-	-	-	-	3,409,744	-	6,670,764
Miscellaneous	2,891	-	3,538	-	-	-	6,429
Total Expenditures	<u>2,891</u>	<u>333,288</u>	<u>3,538</u>	<u>-</u>	<u>3,409,744</u>	<u>-</u>	<u>7,010,481</u>
Excess (Deficiency) of revenues Over Expenditures	<u>587,800</u>	<u>(25,789)</u>	<u>(2,469)</u>	<u>14</u>	<u>(2,642,176)</u>	<u>6,380</u>	<u>(5,241,894)</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	-	-	-
Transfers Out	(489,000)	-	-	-	-	-	(489,000)
Total Other Financing Sources (Uses)	<u>(489,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(489,000)</u>
Net Change in Fund Balance	<u>98,800</u>	<u>(25,789)</u>	<u>(2,469)</u>	<u>14</u>	<u>(2,642,176)</u>	<u>6,380</u>	<u>(5,730,894)</u>
Fund Balances - Beginning	<u>70,038</u>	<u>388,031</u>	<u>23,622</u>	<u>1,253</u>	<u>2,705,973</u>	<u>(5,843)</u>	<u>6,348,738</u>
Fund Balances - Ending	<u>\$ 168,838</u>	<u>\$ 362,242</u>	<u>\$ 21,153</u>	<u>\$ 1,267</u>	<u>\$ 63,797</u>	<u>\$ 537</u>	<u>\$ 617,844</u>

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

THE CITY OF GULF SHORES, ALABAMA
 LODGING TAX SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Interest income	\$ 1,000	\$ 1,000	\$ 2,002	\$ 1,002
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>2,002</u>	<u>1,002</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Total General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>1,000</u>	<u>1,000</u>	<u>2,002</u>	<u>1,002</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	2,520,000	2,520,000	2,763,033	243,033
Transfer to Other Funds	<u>(2,521,000)</u>	<u>(2,521,000)</u>	<u>(3,431,196)</u>	<u>(910,196)</u>
Total Other Financing Uses	<u>(1,000)</u>	<u>(1,000)</u>	<u>(668,163)</u>	<u>(667,163)</u>
Net Change in Fund Balances	-	-	(666,161)	(666,161)
Fund Balance, beginning	<u>1,579,904</u>	<u>1,579,904</u>	<u>1,579,904</u>	<u>-</u>
Fund Balance, ending	<u>\$ 1,579,904</u>	<u>\$ 1,579,904</u>	<u>\$ 913,743</u>	<u>\$ (666,161)</u>

THE CITY OF GULF SHORES, ALABAMA
DESIGNATED TAXES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Firefighters Ad Valorem	\$ 100,000	\$ 103,000	\$ 154,199	\$ 51,199
Law Enforcement:				
Federal Equity Sharing	1,000	1,500	3,806	2,306
State, Local & Other	10,000	10,000	6,318	(3,682)
Alabama Gasoline Excise Tax				
Four per gallon	8,000	8,000	15,648	7,648
Five per gallon	9,000	9,000	7,700	(1,300)
Seven per gallon	14,000	20,000	26,949	6,949
Petroleum Inspection Fees	7,400	7,400	4,309	(3,091)
Motor Fuel Distribution	600	600	1,184	584
State Shared Capital Improvement Fund	80,000	220,000	221,360	1,360
Corrections Fund	85,000	85,000	107,404	22,404
Municipal Court Judicial Administrative Fund	-	32,000	41,643	9,643
Interest income	-	-	171	171
Total Revenues	<u>315,000</u>	<u>496,500</u>	<u>590,691</u>	<u>94,191</u>
EXPENDITURES				
Account Administration	-	-	2,891	(2,891)
Total Expenditures	<u>-</u>	<u>-</u>	<u>2,891</u>	<u>(2,891)</u>
Excess of revenues over expenditures	<u>315,000</u>	<u>496,500</u>	<u>587,800</u>	<u>91,299</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund				
Corrections	(85,000)	(85,000)	(85,000)	-
Firefighters Ad Valorem	(100,000)	(135,000)	(135,000)	-
Law Enforcement Federal	(1,000)	(1,500)	-	1,500
Law Enforcement State, Local & Other	(10,000)	(10,000)	(4,000)	6,000
Alabama Gasoline Excise Tax	(39,000)	(45,000)	(45,000)	-
State Capital Improvements	(80,000)	(220,000)	(220,000)	-
Total Other Financing Uses	<u>(315,000)</u>	<u>(496,500)</u>	<u>(489,000)</u>	<u>7,500</u>
Net Change in Fund Balances	-	-	98,800	98,799
Fund Balance, beginning	<u>70,038</u>	<u>70,038</u>	<u>70,038</u>	<u>-</u>
Fund Balance, ending	<u>\$ 70,038</u>	<u>\$ 70,038</u>	<u>\$ 168,838</u>	<u>\$ 98,799</u>

THE CITY OF GULF SHORES, ALABAMA
IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Parks & Recreation	\$ 153,272	\$ 231,242	\$ 132,544	\$ (98,698)
Fire	-	13,850	27,524	13,674
Police	-	33,000	18,937	(14,063)
Public Works	300,000	300,000	128,237	(171,763)
Interest income	-	-	257	257
Total Revenues	<u>453,272</u>	<u>578,092</u>	<u>307,499</u>	<u>(270,593)</u>
EXPENDITURES				
Current				
Fire	-	13,850	14,344	494
Recreation	153,272	231,242	79,812	(151,430)
Public Works	300,000	300,000	211,230	(88,770)
Police	-	33,000	27,902	(5,098)
Total Expenditures	<u>453,272</u>	<u>578,092</u>	<u>333,288</u>	<u>(244,804)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(25,789)</u>	<u>(25,789)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(25,789)</u>	<u>(25,789)</u>
Fund Balance, beginning	<u>388,031</u>	<u>388,031</u>	<u>388,031</u>	<u>-</u>
Fund Balance, ending	<u>\$ 388,031</u>	<u>\$ 388,031</u>	<u>\$ 362,242</u>	<u>\$ (25,789)</u>

THE CITY OF GULF SHORES, ALABAMA
LIBRARY BOARD SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
State of Alabama - Public Library Service	\$ -	\$ -	\$ 990	\$ 990
Interest income	-	-	79	79
Total Revenues	<u>-</u>	<u>-</u>	<u>1,069</u>	<u>1,069</u>
EXPENDITURES				
Account Administration	-	-	3,538	(3,538)
Total Expenditures	<u>-</u>	<u>-</u>	<u>3,538</u>	<u>(3,538)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2,469)</u>	<u>(2,469)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(2,469)</u>	<u>(2,469)</u>
Fund Balance, beginning	<u>23,622</u>	<u>23,622</u>	<u>23,622</u>	<u>-</u>
Fund Balance, ending	<u>\$ 23,622</u>	<u>\$ 23,622</u>	<u>\$ 21,153</u>	<u>\$ (2,469)</u>

THE CITY OF GULF SHORES, ALABAMA
 BEACH RESTORATION CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 2	\$ 2
Miscellaneous	-	-	12	12
Total Revenues	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
EXPENDITURES				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
Fund Balance, beginning	<u>1,253</u>	<u>1,253</u>	<u>1,253</u>	<u>-</u>
Fund Balance, ending	<u>\$ 1,253</u>	<u>\$ 1,253</u>	<u>\$ 1,267</u>	<u>\$ 14</u>

THE CITY OF GULF SHORES, ALABAMA
2008 A WARRANT PROCEEDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants requiring matching funds				
ALDOT Multi-Use Trail	\$ 444,650	\$ 444,650	\$ 435,186	\$ (9,464)
Safe Routes to School	150,520	150,520	-	(150,520)
Roadway & Signal Improvements	470,800	470,800	154,480	(316,320)
Interest income	-	-	496	496
Contributions	-	-	177,406	177,406
Bond Issue Proceeds	4,601,683	2,947,449	-	(2,947,449)
Total Revenues	<u>5,667,653</u>	<u>4,013,419</u>	<u>767,568</u>	<u>(3,245,851)</u>
EXPENDITURES				
Capital Outlay Projects				
Recreation Improvements	278,000	50,882	50,881	(1)
Street Resurfacing	600,000	342,598	247,033	(95,565)
Maintenance Improvements	1,000,000	695,000	686,946	(8,054)
Appraisal/Survey/Engineer/Legal	5,000	5,000	2,000	(3,000)
Renovate 200 Clubhouse Drive	103,000	-	495	495
Branding/Way finding/Signage	303,000	14,750	14,750	-
Renovate Fire Station # 3	8,335	8,335	10,139	1,804
Fire Improvements	250,000	-	-	-
New Fire Station # 1	1,000,000	646,570	647,348	778
Police Improvements	50,000	5,000	4,690	(310)
Meyer Park Improvements - PH I	83,000	50	50	-
Skate Park - Sims Park	70,000	28,000	27,968	(32)
Lagoon Park	6,000	2,300	2,299	(1)
Concession Improvements	355,000	236,000	235,976	(24)
Sportsplex Improvements	145,500	75,900	75,606	(294)
Track Resurfacing	-	388,704	388,703	(1)
Beach Improvements	-	5,340	5,320	(20)
Library Improvements	48,500	48,500	34,892	(13,608)
Grant Match				
ALDOT - Multi-Use Trail	587,050	652,050	538,318	(113,732)
ALDOT - Safe Routes to School	156,000	156,000	-	(156,000)
ALDOT - Roadway & Signal Improvements	619,268	606,288	425,980	(180,308)
ATRIP - County Road 4	-	46,152	10,350	(35,802)
Total Expenditures	<u>5,667,653</u>	<u>4,013,419</u>	<u>3,409,744</u>	<u>(603,675)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2,642,176)</u>	<u>(3,849,526)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(2,642,176)</u>	<u>(3,849,526)</u>
Fund Balance, beginning	<u>2,705,973</u>	<u>2,705,973</u>	<u>2,705,973</u>	<u>-</u>
Fund Balance, ending	<u>\$ 2,705,973</u>	<u>\$ 2,705,973</u>	<u>\$ 63,797</u>	<u>\$ (3,849,526)</u>

THE CITY OF GULF SHORES, ALABAMA
 GRANTS CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants				
EDA Saunders Dry Dock	\$ -	\$ -	\$ 1,168	\$ 1,168
Minnow Lane				
Paving Assessment Principal	-	-	4,797	4,797
Paving Assessment Interest	-	-	288	288
Other	-	-	-	-
Interest income	-	-	127	127
Total Revenues	<u>-</u>	<u>-</u>	<u>6,380</u>	<u>6,381</u>
EXPENDITURES				
Administrative	-	-	-	-
Dry Dock Basin	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6,380</u>	<u>6,381</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	6,380	6,381
Fund Balance, beginning	<u>(5,843)</u>	<u>(5,843)</u>	<u>(5,843)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (5,843)</u>	<u>\$ (5,843)</u>	<u>\$ 537</u>	<u>\$ 6,381</u>

THE CITY OF GULF SHORES, ALABAMA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Rent Income	\$ 243,883	\$ 243,883	\$ 120,822	\$ (123,061)
Interest income	-	-	495	495
Total Revenues	<u>243,883</u>	<u>243,883</u>	<u>121,317</u>	<u>(122,566)</u>
EXPENDITURES				
Miscellaneous	5,500	5,500	7,814	2,314
Principal	4,682,500	4,682,500	4,627,284	(55,216)
Interest	1,596,400	1,596,400	1,574,669	(21,731)
Total Expenditures	<u>6,284,400</u>	<u>6,284,400</u>	<u>6,209,767</u>	<u>(74,633)</u>
Excess of revenues over expenditures	<u>(6,040,517)</u>	<u>(6,040,517)</u>	<u>(6,088,450)</u>	<u>(47,933)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	6,040,517	6,040,517	6,150,186	(109,669)
Total Other Financing Uses	<u>6,040,517</u>	<u>6,040,517</u>	<u>6,150,186</u>	<u>(109,669)</u>
Net Change in Fund Balances	-	-	61,736	61,736
Fund Balance, beginning	<u>2,185,900</u>	<u>2,185,900</u>	<u>2,185,900</u>	-
Fund Balance, ending	<u>\$ 2,185,900</u>	<u>\$ 2,185,900</u>	<u>\$ 2,247,636</u>	<u>\$ 61,736</u>

THE CITY OF GULF SHORES, ALABAMA
 STORM DAMAGE CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants				
Hurricane Gustav	\$ -	\$ 174,491	\$ 676,740	\$ 502,249
Hurricane Ike	-	-	590,493	590,493
Tropical Storm Ida	-	-	404,524	404,524
Hurricane Isaac	-	-	232,259	232,259
Hurricane Katrina	-	-	135,013	135,013
Pedestrian Walkway	-	-	28,974	28,974
BP Oil Spill	-	-	356,845	356,845
Interest income	-	-	504	504
BP Proceeds	-	1,403,182	360,995	(1,042,187)
Total Revenues	<u>-</u>	<u>1,577,673</u>	<u>2,786,347</u>	<u>1,208,674</u>
EXPENDITURES				
Waterway District Development	-	1,000,000	686,664	(313,336)
Parks, Recreation & Other	-	70,000	1,804,583	1,734,583
Buildings & Equipment	-	683,245	292,185	(391,060)
Engineering & Construction	-	-	480,083	480,083
Total Expenditures	<u>-</u>	<u>1,753,245</u>	<u>3,263,515</u>	<u>1,510,270</u>
Excess of revenues over expenditures	<u>-</u>	<u>(175,572)</u>	<u>(477,168)</u>	<u>(301,596)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	325,509	325,509	-
Transfer to Other Funds	-	(149,937)	(149,937)	-
Total Other Financing Uses	<u>-</u>	<u>175,572</u>	<u>175,572</u>	<u>-</u>
Net Change in Fund Balances	-	-	(301,596)	(301,596)
Fund Balance, beginning	<u>15,873</u>	<u>15,873</u>	<u>15,873</u>	<u>-</u>
Fund Balance, ending	<u>\$ 15,873</u>	<u>\$ 15,873</u>	<u>\$ (285,723)</u>	<u>\$ (301,596)</u>

THE CITY OF GULF SHORES, ALABAMA
2012 D GO WARRANT CAPITAL IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ 298	\$ 366	\$ 68
Other	-	95,000	95,000	-
Total Revenues	<u>-</u>	<u>95,298</u>	<u>95,366</u>	<u>68</u>
EXPENDITURES				
Miscellaneous	-	3,000	-	(3,000)
Public Works Maintenance Improvements	-	196,689	92,350	(104,339)
Police Improvements	-	182,312	180,276	(2,036)
Recreation Bodenhamer Improvements	-	109,102	35,816	(73,286)
Tennis Improvements	-	84,016	78,585	(5,431)
Sportsplex Improvements	-	47,000	33,086	(13,914)
Track Resurfacing/Equipment	-	81,500	8,430	(73,070)
Meyer Sims Park Resurfacing	-	82,950	75,005	(7,945)
Sims Park Trail Landscaping	-	40,000	17,728	(22,272)
Sims Park Improvements	-	42,000	53	(41,947)
Lagoon Park	-	3,700	3,872	172
Sims Park Concession Improvements	-	151,637	156,215	4,578
Public Works Street Resurfacing	-	525,000	206,547	(318,453)
Fifth & Seventh Street Drainage	-	204,172	66,266	(137,906)
Twentieth Street Extension	-	172,460	6,413	(166,047)
ATRIP County Road Four	-	455,000	456,014	1,014
City Hall Renovations & Security	-	53,000	31,010	(21,990)
Branding/Wayfinding/Signage	-	313,250	257,976	(55,274)
Property purchases	-	1,540,208	1,555,378	15,170
Total Expenditures	<u>-</u>	<u>4,286,996</u>	<u>3,261,020</u>	<u>(1,025,976)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(4,191,698)</u>	<u>(3,165,654)</u>	<u>1,026,044</u>
OTHER FINANCING SOURCES (USES)				
Bond Issue Proceeds	-	4,191,698	-	(4,191,698)
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(3,165,654)</u>	<u>(3,165,654)</u>
Fund Balance, beginning	<u>3,165,664</u>	<u>3,165,664</u>	<u>3,165,664</u>	<u>-</u>
Fund Balance, ending	<u>\$ 3,165,664</u>	<u>\$ 3,165,664</u>	<u>\$ 10</u>	<u>\$ (3,165,654)</u>

STATISTICAL SECTION

THE CITY OF GULF SHORES, ALABAMA
STATISTICAL SECTION
DECEMBER 31, 2013

This part of the City of Gulf Shores' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City of Gulf Shores' financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City of Gulf Shores' significant local tax sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City of Gulf Shores' current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City of Gulf Shores' financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

Schedule 1
City of Gulf Shores
Net Assets by Component
Last Ten Fiscal Years

	2004	2005	Fiscal Year 2006	2007	2008*
Governmental Activities					
Invested in capital assets, net of related debt	\$ 7,568,636	\$12,229,297	\$14,391,987	\$23,092,192	\$27,718,754
Restricted**	-	-	-	-	-
Unrestricted	3,444,156	2,029,950	2,312,622	(6,785,381)	(6,934,917)
Total governmental activities net assets	<u>11,012,792</u>	<u>14,259,247</u>	<u>16,704,609</u>	<u>16,306,811</u>	<u>20,783,837</u>
Business-type activities					
Invested in capital assets, net of related debt	15,218,754	15,158,543	14,463,612	14,036,604	2,152,122
Unrestricted	-	577,388	809,706	1,762,474	26,188
Total business-type activities net assets	<u>15,218,754</u>	<u>15,735,931</u>	<u>15,273,318</u>	<u>15,799,078</u>	<u>2,178,310</u>
Primary government					
Invested in capital assets, net of related debt	22,787,390	27,387,840	28,855,599	37,128,796	29,870,876
Restricted**	-	-	-	-	-
Unrestricted	3,444,156	2,607,338	3,122,328	(5,022,907)	(6,908,729)
Total primary government net assets	<u>\$26,231,546</u>	<u>\$29,995,178</u>	<u>\$31,977,927</u>	<u>\$32,105,889</u>	<u>\$22,962,147</u>

*The City Fiscal Year was changed in 2008 from an October 1 start date to January 1; Fiscal Year 2008 is for 15 months of data

Schedule 1
City of Gulf Shores
Net Assets by Component
Last Ten Fiscal Years

	Fiscal Year				
	2009	2010	2011**	2012	2013
Governmental Activities					
Invested in capital assets, net of related debt	\$26,875,334	\$32,443,514	\$25,129,660	\$32,112,143	\$40,137,805
Restricted**	-	-	4,674,869	18,604,002	3,899,134
Unrestricted	9,411,377	9,765,391	22,442,057	9,466,004	20,552,615
Total governmental activities net assets	36,286,711	42,208,905	52,246,586	60,182,149	64,589,554
Business-type activities					
Invested in capital assets, net of related debt	2,097,342	2,097,881	2,097,881	2,043,639	2,016,518
Unrestricted	96,815	69,694	42,737	38,534	31,060
Total business-type activities net assets	2,194,157	2,167,575	2,140,618	2,082,173	2,047,578
Primary government					
Invested in capital assets, net of related debt	28,972,676	34,541,395	27,227,541	30,068,504	38,121,287
Restricted**	-	-	4,674,869	18,604,002	3,899,134
Unrestricted	9,508,192	9,835,085	22,484,794	9,427,471	20,521,155
Total primary government net assets	\$38,480,868	\$44,376,480	\$54,387,204	\$58,099,977	\$62,541,576

**2011 Restricted designation based on Governmental Accounting Standards Board Statement 54

Schedule 2
City of Gulf Shores
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008*
Expenses					
Governmental activities:					
Executive	\$ 1,904,853	\$ 2,248,096	\$ 2,330,383	\$ 3,118,424	\$ 3,876,306
Municipal Court	196,349	225,855	260,332	256,691	350,461
Police	2,442,142	2,691,472	3,078,638	3,868,179	5,590,850
Fire	1,295,357	1,620,814	1,806,966	2,010,918	4,154,573
Public Works	4,466,661	33,565,952	21,287,453	5,574,241	6,875,071
Community and Economic Affairs	2,545,954	2,705,503	3,731,930	5,233,237	6,234,581
Other	3,134,047	7,498	5,690	234,914	8,706
Total governmental activities expenses	<u>15,985,363</u>	<u>43,065,190</u>	<u>32,501,392</u>	<u>20,296,604</u>	<u>27,090,548</u>
Business-type activities:					
Public Education Authority	217,845	220,382	193,967	193,282	198,674
Total business-type activities expenses	<u>217,845</u>	<u>220,382</u>	<u>193,967</u>	<u>193,282</u>	<u>198,674</u>
Total primary government expenses	<u>16,203,208</u>	<u>43,285,572</u>	<u>32,695,359</u>	<u>20,489,886</u>	<u>27,289,222</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	69,979	11,361	14,572	7,224	9,405
Municipal Court	244,799	310,157	368,833	412,609	443,103
Police	2,165	2,270	2,657	3,542	21,125
Fire	-	-	-	1,596	33,189
Community and Economic Affairs	3,157,082	4,650,195	5,141,249	430,164	3,882,347
Public Works	41,147	168,385	112,050	4,589,675	2,425,557
Operating Grants and Contributions	55,920	81,543	376,503	707,337	690,116
Capital Grants and Contributions	2,070,099	25,173,774	10,099,423	388,028	997,050
Total governmental activities program revenues	<u>5,641,191</u>	<u>30,397,685</u>	<u>16,115,287</u>	<u>6,540,175</u>	<u>8,501,892</u>
Business-type activities					
Charges for services					
Public Education Building Authority	165,255	205,240	-	204,045	242,844
Total business-type activities program revenues	<u>165,255</u>	<u>205,240</u>	<u>-</u>	<u>204,045</u>	<u>242,844</u>
Total primary government program revenues	<u>\$ 5,806,446</u>	<u>\$ 30,602,925</u>	<u>\$ 16,115,287</u>	<u>\$ 6,744,220</u>	<u>\$ 8,744,736</u>
Net (Expense)/Revenue					
Governmental activities	\$ (10,344,172)	\$ (12,667,505)	\$ (16,386,105)	\$ (13,756,429)	\$ (18,588,656)
Business-type activities	(52,590)	(15,142)	(193,967)	10,763	44,170
Total primary government net expense	<u>(10,396,762)</u>	<u>(12,682,647)</u>	<u>(16,580,072)</u>	<u>(13,745,666)</u>	<u>(18,544,486)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	1,647,890	1,675,718	2,257,901	3,002,915	4,055,825
Local taxes	12,233,350	13,724,852	16,283,821	17,229,278	19,124,991
Franchise taxes	681,462	642,003	689,245	922,973	1,358,036
State taxes	339,395	364,712	509,960	572,822	376,213
Investment earnings	231,761	365,030	1,075,784	1,334,581	999,710
Miscellaneous	315,750	78,627	122,637	117,782	683,025
Contributions	-	-	-	2,150,000	-
Gain/(Loss) on Disposal of Assets	(39,086)	47,271	43,172	(6,826)	5,158
Transfers	(44,615)	(66,434)	(54,303)	(101,951)	(147,969)
Total governmental activities	<u>15,365,907</u>	<u>16,831,779</u>	<u>20,928,217</u>	<u>25,221,574</u>	<u>26,454,989</u>
Business-type activities:					
Investment earnings	279	1,824	8,605	13,581	1,143
Miscellaneous	-	-	-	-	-
Transfers	-	66,434	54,303	101,951	-
Total business-type activities	<u>279</u>	<u>68,258</u>	<u>62,908</u>	<u>115,532</u>	<u>1,143</u>
Total primary government	<u>15,366,186</u>	<u>16,900,037</u>	<u>20,991,125</u>	<u>25,337,106</u>	<u>26,456,132</u>
Changes in Net Assets					
Governmental activities	3,697,516	2,949,852	2,453,103	9,123,986	4,477,026
Business-type activities	(52,311)	517,177	(462,613)	525,759	45,313
Total primary government	<u>\$ 3,645,205</u>	<u>\$ 3,467,029</u>	<u>\$ 1,990,490</u>	<u>\$ 9,649,745</u>	<u>\$ 4,522,339</u>

*The City Fiscal Year was changed in 2008 from an October 1 start date to January 1;
Fiscal Year 2008 represents 15 months of data

Schedule 2
City of Gulf Shores
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)

	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
Executive	\$ 3,337,227	\$ 3,557,756	\$ 3,646,526	\$ 3,492,747	\$ 3,644,562
Municipal Court	264,323	315,489	320,136	324,188	307,308
Police	3,610,001	3,961,753	4,542,844	4,301,242	5,060,640
Fire	3,031,788	3,158,784	3,545,999	3,397,974	3,583,029
Public Works	4,553,330	5,796,817	4,948,565	12,468,191	8,956,092
Community and Economic Affairs	4,836,883	5,203,873	5,904,452	7,354,432	6,748,057
Other	5,676	-	-	1,675,013	1,536,803
Total governmental activities expenses	19,639,228	21,994,472	22,908,522	33,013,787	29,836,491
Business-type activities:					
Public Education Authority	190,751	191,366	188,686	221,980	199,339
Total business-type activities expenses	190,751	191,366	188,686	221,980	199,339
Total primary government expenses	19,829,979	22,185,838	23,097,208	33,235,767	30,035,830
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	1,039	20,975	5,456	15,208	49,600
Municipal Court	364,946	381,667	398,801	456,488	545,389
Police	16,688	5,426	8,273	19,949	21,181
Fire	22,885	7,442	7,468	25,493	27,524
Community and Economic Affairs	3,187,112	3,120,094	3,559,168	4,006,776	4,130,862
Public Works	161,962	92,807	117,280	262,635	330,832
Operating Grants and Contributions	332,825	1,355,967	659,443	348,819	1,433,071
Capital Grants and Contributions	93,976	806,079	2,992,714	8,965,656	2,964,418
Total governmental activities program revenues	4,181,433	5,790,457	7,748,603	14,101,024	9,502,877
Business-type activities					
Charges for services					
Public Education Building Authority	161,230	164,245	161,565	164,745	163,503
Total business-type activities program revenues	161,230	164,245	161,565	164,745	163,503
Total primary government program revenues	\$ 4,342,663	\$ 5,954,702	\$ 7,910,168	\$ 14,265,769	\$ 9,666,380
Net (Expense)/Revenue					
Governmental activities	\$ (15,457,795)	\$ (16,204,015)	\$ (15,159,919)	\$ (18,912,763)	\$ (20,333,614)
Business-type activities	(29,521)	(27,121)	(27,121)	(57,235)	(35,836)
Total primary government net expense	(15,487,316)	(16,231,136)	(15,187,040)	(18,969,998)	(20,369,450)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	4,829,741	2,874,858	3,444,058	2,500,195	1,402,380
Local taxes	16,099,252	14,090,126	18,385,150	19,962,896	20,798,896
Franchise taxes	1,173,166	1,135,118	1,172,815	1,162,351	1,151,859
State taxes	507,597	296,473	321,933	329,770	729,085
Investment earnings	415,465	300,395	91,545	37,187	20,397
Miscellaneous	341,266	369,997	278,677	145,782	145,782
Contributions/BP Settlement	-	5,476,579	6,402,323	1,336	1,336
Gain/(Loss) on Disposal of Assets	(28,116)	8,803	28,342	13,615	13,615
Transfers	(96,000)	(96,000)	(96,000)	(96,000)	(80,000)
Total governmental activities	23,242,371	24,456,349	30,028,843	24,057,132	24,183,350
Business-type activities:					
Investment earnings	228	539	164	32	17
Miscellaneous	61,709	-	-	-	-
Transfers	102,000	-	-	-	-
Total business-type activities	163,937	539	164	32	17
Total primary government	23,406,308	24,456,888	30,029,007	24,057,164	24,183,367
Changes in Net Assets					
Governmental activities	5,454,367	5,922,194	10,037,681	5,144,369	4,441,999
Business-type activities	1,769,133	(26,582)	(26,957)	(58,445)	(34,594)
Total primary government	\$ 7,223,500	\$ 5,895,612	\$ 10,010,724	\$ 5,085,924	\$ 4,407,405

Schedule 3
City of Gulf Shores
Fund Balances, Governmental Funds
Past Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008*
General Fund					
Reserved	\$ 1,584,260	\$ 1,632,455	\$ 1,600,000	\$ 1,750,000	\$ 6,069,660
Unreserved	6,120,341	10,183,539	9,315,082	138,260	(7,566,741)
Total general fund	<u>7,704,601</u>	<u>11,815,994</u>	<u>10,915,082</u>	<u>1,888,260</u>	<u>(1,497,081)</u>
Other Governmental Funds					
Reserved	-	-	-	-	-
Unreserved, reported in:					
Storm Damage Fund	-	(781,825)	-	-	-
Debt Service fund	10,533	10,245	2,492,601	2,654,399	2,726,194
Capital Projects funds	7,253,155	1,700,747	14,999,644	7,121,853	8,053,171
Special Revenue funds	581,283	264,624	121,405	426,661	1,516,194
Total - governmental funds	<u>\$ 15,549,572</u>	<u>\$ 13,009,785</u>	<u>\$ 28,528,732</u>	<u>\$ 12,091,173</u>	<u>\$ 10,798,478</u>

* The Fiscal Year changed in 2008 from a September 30 year end, to December 31 year end.

Schedule 3
City of Gulf Shores
Fund Balances, Governmental Funds
Past Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011**	2012	2013
General Fund					
Reserved	\$ 5,587,449	\$ 4,947,340			
Unreserved	7,996,836	8,787,729			
Nonspendable**			300,707	1,351,138	358,728
Spendable:**					
Restricted**			488,283	120,285	184,255
Committed**			8,307,075	7,108,782	7,213,450
Unassigned**			8,587,555	10,024,404	13,237,619
Total general fund	<u>13,584,285</u>	<u>13,735,069</u>	<u>17,683,620</u>	<u>18,604,609</u>	<u>20,994,052</u>
Other Governmental Funds					
Reserved	-	-			
Unreserved, reported in:					
Storm Damage Fund	-	-			
Debt Service fund	2,401,966	2,266,764			
Capital Projects funds	7,470,961	6,451,384			
Special Revenue funds	1,516,019	1,142,547			
Nonspendable**			-	-	-
Spendable:**					
Restricted**			4,186,586	4,264,615	3,714,879
Committed** 2008A GO			5,456,776	5,871,635	64,344
Unassigned**			(8,168)	(5,844)	(285,723)
Total - governmental funds	<u>\$ 24,973,231</u>	<u>\$ 23,595,764</u>	<u>\$ 27,318,814</u>	<u>\$ 28,735,015</u>	<u>\$ 24,487,552</u>

**2011 Fund Balance designations based on Governmental Accounting Standards Board Statement 54

Schedule 4
City of Gulf Shores
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008*
Revenues					
Taxes					
Property	\$ 1,647,890	\$ 1,675,718	\$ 2,257,901	\$ 3,002,915	\$ 4,055,825
Local	12,355,908	13,724,852	16,283,821	17,229,278	19,124,991
Licenses, fees and permits	2,180,492	3,788,460	3,848,980	3,254,980	2,282,137
Fines and forfeitures	236,513	262,380	317,114	357,709	339,901
Utility tax equivalents	556,659	642,417	689,245	922,973	1,358,036
Intergovernmental	2,465,414	25,715,862	11,022,349	1,760,784	2,175,825
Investment earnings	231,761	365,030	1,143,670	1,286,450	972,545
Impact fees	-	83,259	-	21,789	274,998
BP lost revenues	-	-	-	-	-
Assessments/Rental Income	28,668	222,368	-	249,646	2,138,702
Other revenues	1,405,840	1,064,469	1,541,924	1,658,320	2,417,430
Total Revenues	21,109,145	47,544,815	37,105,004	29,744,844	35,140,390
Expenditures					
General government	1,810,077	2,035,079	2,108,493	3,013,172	3,843,238
Police	2,508,781	2,777,054	3,116,044	3,647,436	5,163,685
Fire	1,184,439	1,284,497	1,548,227	2,277,696	3,737,052
Community and Economic Affairs	2,269,784	2,621,001	11,964,474	11,481,639	12,039,585
Public Works	2,662,113	3,032,286	3,995,690	5,923,290	9,251,581
Appropriations	33,294	39,720	64,095	117,962	203,569
Hurricane damage	1,566,615	25,619,481	15,025,803	-	-
Capital outlay	4,329,807	8,492,074	5,348,064	2,307,074	4,981,553
Non capitalized equipment	-	-	-	-	-
Beach restoration	-	-	778,563	129,365	97,439
Principal	6,280,727	2,909,701	3,148,961	2,848,471	10,448,915
Interest	1,336,595	1,199,714	1,655,566	2,601,500	3,473,511
Miscellaneous	370,131	7,497	14,492	268,054	409,503
Litigation Settlement	-	-	-	-	-
Total Expenditures	24,352,363	50,018,104	48,768,472	34,615,659	53,649,631
Excess(Deficiency) of revenues over (under) expenditures	(3,243,218)	(2,473,289)	(11,663,468)	(4,870,815)	(18,509,241)
Other Financing Sources (Uses)					
Bond Issue Proceeds	4,151,526	-	27,236,717	316,984	17,364,514
Transfers In	5,625,507	5,492,424	11,503,560	18,315,874	15,690,435
Transfers Out	(5,670,122)	(5,558,858)	(11,557,863)	(18,417,825)	(15,838,404)
Total Other Financing Sources and (Uses)	4,106,911	(66,434)	27,182,414	215,033	17,216,545
Net change in Fund Balance	\$ 863,693	\$ (2,539,723)	\$ 15,518,946	\$ (4,655,782)	\$ (1,292,696)
Prior Period Adjustment					
Debt service as a percentage of noncapital expenditures	38%	10%	11%	17%	29%

*The City Fiscal Year was changed in 2008 from an October 1 start date to January 1;
Fiscal Year 2008 represents 15 months of data

Schedule 4
City of Gulf Shores
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Taxes					
Property	\$ 4,829,741	\$ 2,874,858	\$ 3,444,058	\$ 2,500,194	\$ 2,402,381
Local	16,099,252	14,090,126	18,385,151	19,962,896	20,798,897
Licenses, fees and permits	1,774,814	1,793,733	1,885,421	2,229,453	2,374,442
Fines and forfeitures	283,025	287,012	309,520	338,470	387,739
Utility tax equivalents	1,173,166	1,135,118	1,172,815	1,162,351	1,151,859
Intergovernmental	1,002,180	1,354,240	3,498,398	9,084,912	3,893,517
Investment earnings	415,242	300,394	91,545	37,185	20,398
Impact fees	171,943	59,313	96,108	280,032	307,242
BP lost revenues/settlements	-	5,476,579	6,402,323	1,336	360,995
Assessments/Rental Income	461,372	477,759	323,746	218,977	120,822
Other revenues	1,397,759	1,422,399	2,276,277	2,421,992	2,654,341
Total Revenues	27,608,494	29,271,531	37,885,362	38,237,798	34,472,633
Expenditures					
General government	3,047,993	3,484,930	3,245,746	3,207,917	3,332,695
Police	3,707,762	3,737,845	3,817,726	4,141,692	5,140,408
Fire	2,812,995	4,140,832	3,364,846	3,246,080	3,336,121
Community and Economic Affairs	4,119,314	4,465,315	4,813,793	5,542,994	5,557,550
Public Works	4,098,407	4,708,135	4,398,046	11,627,419	8,149,913
Appropriations	61,000	57,000	137,974	1,148,747	279,758
Hurricane damage	-	-	-	-	-
Capital outlay	286,290	3,845,653	4,347,906	6,555,369	6,707,464
Non capitalized equipment**	-	-	1,023,381	-	-
Beach restoration	69,576	83,028	37,688	57,095	-
Principal	3,745,338	3,684,476	4,039,926	23,667,897	4,665,150
Interest	2,335,885	2,330,140	2,215,788	1,786,635	1,536,803
Miscellaneous	5,666	8,988	27,889	8,015	14,243
Litigation Settlement	-	-	3,800,455	15,374	-
Total Expenditures	24,290,226	30,546,342	35,271,164	61,005,234	38,720,105
Excess(Deficiency) of revenues over (under) expenditures	3,318,268	(1,274,811)	2,614,198	(22,767,436)	(4,247,472)
Other Financing Sources (Uses)					
Bond Issue/Loan Proceeds	-	-	1,204,825	22,871,761	-
Transfers In	16,164,963	4,574,279	4,662,044	26,061,441	7,110,115
Transfers Out	(16,260,399)	(4,670,279)	(4,758,044)	(26,061,441)	(7,110,115)
Total Other Financing Sources and (Uses)	(95,436)	(96,000)	1,108,825	22,871,761	-
Net change in Fund Balance	\$ 3,222,832	\$ (1,370,811)	\$ 3,723,023	\$ 104,325	\$ (4,247,472)
Prior Period Adjustment				\$ 1,311,876	
Debt service as a percentage of noncapital expenditures	25%	23%	20%	47%	19%

**Equipment purchases less than threshold

Schedule 5
City of Gulf Shores
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Class I Utility Property	Class II Commercial	Class III Residential	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2013	\$ 6,360,120	\$ 736,139,900	\$111,381,940	\$368,701,460	485,180,500	4.93	\$ 4,815,719,300	10.07%
2012	7,072,560	731,499,600	107,914,580	371,593,860	474,892,880	4.93	\$ 4,760,219,000	9.98%
2011	6,541,220	770,319,340	107,113,420	396,846,640	487,127,340	5.00	\$ 4,944,534,967	9.85%
2010	6,645,900	811,758,280	114,403,860	408,995,140	523,812,900	5.00	\$ 5,224,983,000	10.03%
2009	8,227,000	904,067,980	132,666,200	409,919,100	635,042,080	5.00	\$ 5,874,425,233	10.81%
2008	6,549,040	1,032,675,040	167,018,680	451,824,920	754,417,840	5.00	\$ 6,855,392,133	11.00%
2007	11,591,860	1,142,992,256	193,938,160	482,282,280	866,239,996	5.00	\$ 7,692,982,413	11.26%
2006	9,609,660	830,292,100	120,871,280	333,735,340	627,037,700	5.00	\$ 5,392,205,500	11.63%
2005	8,570,220	644,187,540	90,022,040	264,608,520	478,171,280	4.87	\$ 4,149,725,500	11.52%
2004	8,678,300	435,375,041	71,969,940	182,186,100	333,837,181	4.71	\$ 2,925,502,272	11.41%

Source: State of Alabama - Abstract of Assessment, Exemptions and Ad Valorem Taxes.

Notes: The county assesses property at 30 percent of actual value for utility property and 10 percent for residential property. All other property, including commercial is assessed at 20%.

Schedule 6
City of Gulf Shores
Property Tax Levies and Collections (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Year	Taxable Property Assessed Valuation*
2004	1,669,678	333,935,681
2005	2,391,170	478,235,060
2006	3,135,189	627,037,700
2007	4,331,916	866,383,116
2008	3,773,216	754,643,100
2009	3,176,680	635,336,040
2010	2,620,773	524,154,540
2011	2,437,167	487,433,360
2012	2,341,344	468,268,740
2013	2,391,709	478,341,860
State of Alabama		Levy Rate 6.5 mills
City of Gulf Shores		5 mills
Baldwin County:		
General		5 mills
Schools		9 mills
Roads and Bridges		2.5 mills
Special School District		3 mills
Fire		1.5 mills
Health		.5 mills
Total		33 Mills

*4% Decline in property tax base due to County adjusted valuations.

Property taxes are collected by Baldwin County. As of publication date, information for collections, subsequent years adjustments, and total collections to date requested but not yet received from Baldwin County

**Schedule 7
City of Gulf Shores
Principal Property Tax Payers
Current Year and Ten Years Ago**

<u>Taxpayer</u>	2013			2003		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
The Links at Gulf Shores	\$ 4,594,360	1	17.67%			
Baldwin Co Electric	4,341,940	2	16.70%	5,803,200	1	19.34%
Colonial Realty Limited Partnership	3,230,580	3	12.43%			
Wal-Mart Real Estate Business	2,746,420	4	10.56%			
Beach Place Development LLC	2,253,600	5	8.67%			
Target Corporation	2,076,900	6	7.99%			
Gulf Shores Riviera LLC	1,773,260	7	6.82%			
Seawind Development Co. LLC	1,666,820	8	6.41%			
Gulf Telephone Company	1,733,200	9	6.67%			
Waterville USA, Inc	1,580,420	10	6.08%			
Lighthouse Motel Inc	-		-	5,690,300	2	18.96%
Inn at Gulf Shores Ltd.	-		-	3,718,280	3	12.39%
Howard Resort Inns, Inc.	-		-	2,835,960	4	9.45%
Craft Development Corporation	-		-	2,328,920	5	7.76%
Youngs Ltd	-		-	2,120,060	6	7.06%
E & J Realty Co.	-		-	2,072,280	7	6.91%
Pinehurst Development	-		-	1,996,460	8	6.65%
Honours-Peninsula Golf Club LLC	-		-	1,852,460	9	6.17%
Eagles Landing IV Inc	-		-	1,591,820	10	5.30%
Total	<u>\$ 25,997,500</u>		<u>100.00%</u>	<u>\$ 30,009,740</u>		<u>100.00%</u>

Source: Baldwin County Revenue Commissioner's Office.

Schedule 8
City of Gulf Shores
Principal Sales Tax Remitters
Current Year and Ten Years Ago

Tax Remitter Classification	2013			2003		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 2,103,821	1	38.85%	\$ -		
Retail Trade	694,739	2	12.83%	-		-
Retail Trade	627,310	3	11.58%			
Accommodation & Food Services	463,882	4	8.57%			
Accommodation & Food Services	352,930	5	6.52%	-		-
Art, Entertainment, & Recreation	271,244	6	5.01%	-		-
Retail Trade	240,648	7	4.44%	505,243	1	27.83%
Retail Trade	228,420	8	4.22%	275,944	2	15.20%
Accommodation & Food Services	218,569	9	4.04%	146,568	5	8.07%
Retail Trade	213,438	10	3.94%	156,945	3	8.65%
Retail Trade	-		-	148,318	4	8.17%
Retail Trade	-		-	128,934	6	7.10%
Art, Entertainment, & Recreation	-		-	122,955	7	6.77%
Retail Trade	-		-	104,738	9	5.77%
Art, Entertainment, & Recreation	-		-	122,332	8	6.74%
Art, Entertainment, & Recreation	-		-			
Retail Trade				103,448	10	5.70%
Total	<u>\$ 5,415,002</u>		<u>100.00%</u>	<u>\$ 1,815,426</u>		<u>100.00%</u>
(sales quarterly, festival, vending)						

Schedule 9
City of Gulf Shores
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	Baldwin County
2004	3.00%	2.00%
2005	3.00%	2.00%
2006	3.00%	2.00%
2007	3.00%	2.00%
2008	3.00%	2.00%
2009	3.00%	2.00%
2010	3.00%	2.00%
2011 *	3.00%	3.00%
2012 *	3.00%	3.00%
2013 *	3.00%	3.00%

Source: Alabama Department of Revenue, www.revenue.alabama.gov

* Includes 1% Sales & Use Tax for Schools

Schedule 10
City of Gulf Shores
Direct and Overlapping Debt
As of December 31, 2013

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt(1)
Direct General Obligation Debt	\$ 41,430,335	100.00%	\$ 41,430,335
Overlapping General Obligation Debt:			
Airport Authority General Obligation Warrants:	100,000	100.00%	100,000
Baldwin County Warrants	127,863,518	5.55%	7,098,033
Total Overlapping General Obligation Debt			7,198,033
Total Direct and Overlapping General Obligation Debt			48,628,368
Overlapping Guaranteed Revenue Debt			
Airport Revenue Bonds*	0	100%	0
Total Overlapping Guaranteed Revenue Debt			0
Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			\$ 48,628,368
Debt per Capita			
Direct General Obligation Debt			\$ 4,094.72
Overlapping General Obligation Debt			711.41
Overlapping Guaranteed Revenue Debt			0
			\$ 4,806.12

Source: Baldwin County 2012 Audit

(1) Calculation of the Overlapping debt was determined by allocating the percentage of Net Assessments for the city versus the total for the county.

*Debt retired in 2013

Schedule 11
City of Gulf Shores
Ratios of Outstanding Debt by Type (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Airport Revenue Bonds*	Terminal Building Lease				
2004	29,623,444	143,037	250,000		30,016,481	24.4%	5,951
2005	26,936,111	126,033	235,000		27,297,144	22.2%	5,412
2006	51,103,389	109,029	220,000		51,432,418	20.0%	5,693
2007	48,232,336	92,025	205,000		48,529,361	18.8%	5,371
2008	55,118,237	75,021	190,000		55,383,258	21.5%	6,130
2009	51,425,824	58,017	175,000		51,658,841	20.0%	5,718
2010	47,830,566	41,282	160,000		48,031,848	17.3%	4,931
2011	44,882,575	25,695	140,000		45,048,270	16.2%	4,625
2012	46,055,063	7,005	120,000		46,182,068	18.3%	4,564
2013	41,430,335	0	100,000		41,530,335	16.5%	4,105

*Airport Revenue Bond debt retired in 2013

Schedule 12
City of Gulf Shores
Ratios of General Bonded Debt Outstanding (Unaudited)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2004	29,623,444	-	29,623,444	1.01%	5,873
2005	26,936,111	-	26,936,111	0.65%	5,340
2006	51,103,389	2,448,952	48,654,437	0.90%	5,385
2007	48,232,336	2,448,952	45,783,384	0.60%	5,067
2008	55,118,237	2,448,952	52,669,285	0.77%	5,829
2009	51,425,824	2,448,952	48,976,872	0.83%	5,421
2010	47,830,566	2,448,952	45,381,614	0.87%	4,659
2011	44,882,575	2,448,952	42,433,623	0.86%	4,356
2012	46,921,372	2,448,952	44,472,420	0.93%	4,395
2013	41,430,335	2,448,952	38,981,383	0.81%	3,853

Schedule 13
City of Gulf Shores
Full-time Equivalent City Government Employees by Function/Program
Past Ten Years

	Full-Time Equivalent by Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
City Hall	19	17	19	21	25	20	20	20	20	22
Community Development/ Building*	8	9	11	12	4	4	4	4	4	4
Court	3	3	3	3	3	3	3	3	3	3
Police	41	40	53	52	54	51	53	54	58	60
Fire	17	17	24	36	47	40	42	43	43	43
Public Works	44	44	45	63	59	51	51	51	51	50
Recreation	15	16	20	23	37	33	33	35	37	37
Airport	0	0	0	0	0	0	0	0	0	2
Total	147	146	175	210	234	207	210	214	220	225

*Community Development and Building combined count until 2008

Schedule 14
City of Gulf Shores
Operating Indicators by Function/Program
Past Ten Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Building permits issued	1,984	1,771	872	572	459	422	385	566	589	657
Building inspections conducted	8,774	9,902	8,222	3,172	1,763	1,065	1,016	1,263	1,570	1,951
Business Licenses issued*	-	3,901	8,677	7,566	7,083	7,491	7,554	10,016	10,281	10,562
Police										
Physical arrests	1,092	1,249	1,529	1,558	1,604	1,423	1,394	1,527	1,387	1,602
Traffic violations	2,180	1,603	1,726	2,008	1,858	1,268	1,484	1,641	1,824	1,997
Officers	30	32	36	35	40	39	39	41	43	43
Fire										
Emergency responses*	-	-	-	-	2,108	2,280	2,307	2,790	2,785	2,972
Fires extinguished*	-	-	-	-	59	52	30	70	92	92
Inspections*	-	-	-	-	413	335	467	920	1,071	1,200
Full time staff*	17	17	24	36	48	39	42	43	43	43
Part time staff*	-	-	-	-	6	-	-	-	-	-
Volunteer Firefighters*	-	-	-	-	17	17	8	8	8	8
Public Works										
Street resurfacing (linear feet)	17,779	-	50,020	-	12,491	-	19,380	-	-	10,560

*Information not available for prior years

Schedule 15
City of Gulf Shores
Capital Asset Statistics by Function/Program
Past Ten Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	4	4	4	4	4	4	4
Parks and recreation*										
Football/Track Stadium					1	1	1	1	1	1
Softball/Baseball fields					15	15	15	15	15	15
Soccer field					1	1	1	1	1	1
Parks					8	8	8	8	8	8
Tennis Courts					18	18	18	18	18	18
Basketball Courts					2	2	2	2	2	2
Swimming Pool					1	1	1	1	1	1
Gymnasium					1	1	1	1	1	2
Transit - minibusses					5	5	5	5	5	5
Public Works										
Maintained Streets (miles)	58.78	60.75	61.88	62.89	63	64	65.05	67.22	69.27	69.27
Traffic Signals*					24	24	24	24	24	24
Streetlights*					2,201	2,201	2,234	2,234	2,234	2,234

*Information not available for the prior years

Schedule 16
City of Gulf Shores
Population

Census Year	City of Gulf Shores
1960	356
1970	909
1980	1,349
1990	3,261
2000	5,044
2010	9,741
2012	10,118

Per Capita Income

	1979	1989	1999	2010	2012
Gulf Shores	7,761	17,414	24,356	28,522	24,919
State of Alabama	5,894	11,486	18,189	22,984	23,587

Median Family Income

	1989	1999	2010	2012
Gulf Shores	34,257	51,862	45,801	47,635
State of Alabama	28,688	41,657	42,081	43,160

Source: United States Bureau of the Census Quick Facts

Schedule 17
Unemployment Rates

	2013
Baldwin County	5.40%
Alabama	6.10%

Source: Alabama Department of Industrial Relations - data not available for the City of Gulf Shores, only Baldwin County

COMPLIANCE AND INTERNAL CONTROL SECTION

THE CITY OF GULF SHORES, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number (1)	Pass-through Grantors Number	Expenditures of Federal Awards
DEPARTMENT OF HOMELAND SECURITY Public Assistance Grants	97.036	-	1,677,530
U.S. DEPARTMENT OF TRANSPORTATION Multi-Use Trail	20.205	-	435,186
U.S. DEPARTMENT OF JUSTICE Public Safety Partnership and Community Policing	16.710	-	104,114
U.S. DEPARTMENT OF COMMERCE Investment for Public Works and Economic Development Facilities	11.300	-	1,168
DEPARTMENT OF COMMERCE Coastal Management	11.419	-	<u>143,926</u>
Total Expenditures of Federal Awards			<u>\$ 2,361,924</u>

(1) Catalog of Federal Domestic Assistance Number

NOTES TO 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 Gulf Shores, Alabama under programs of the federal government for the year ended December 31, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Gulf Shores, Alabama, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Gulf Shores, Alabama.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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.

THE CITY OF GULF SHORES, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Gulf Shores, Alabama.
2. There was one material weaknesses related to the audit of the basic financial statements which are reported in the 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*.
3. There was one instance of noncompliance material to the financial statements of the City of Gulf Shores, Alabama which would be required to be reported in accordance with *Governmental Auditing Standards* were disclosed during the audit.
4. No matters were reported during the audit of internal control over the major federal award program.
5. The auditor's report on compliance for the major federal award programs for the City of Gulf Shores, Alabama expresses an unqualified opinion on the major federal award program.
6. There were no audit findings relative to the major federal award programs for the City of Gulf Shores, Alabama required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major programs were the Department of Homeland Security Public Assistance Grant - CFDA 97.036 and Department of Transportation Multi -Use Trail Grant -CFDA No. 20.205
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Gulf Shores, Alabama qualifies as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2013-1

Condition: Lack of controls over the period-end financial reporting process over nonrecurring transactions, including initiation, authorization, recording and processing of journal entries into the general ledger; and recording nonrecurring adjustments to the financial statements.

Criteria: Internal controls should be in place to provide reasonable assurance that non-routine payables, receivables and deferrals are correctly recorded.

Effect: A material payable was not properly recorded to accrue expenditures for the Waterway Entertainment Village. The total payable not accrued equaled \$325,669. As a result of the incorrect posting, payables and expenditures were understated by \$325,669.

THE CITY OF GULF SHORES, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013

Recommendations: The finance department should include posting non routine accrual in the monthly end closing process. The finance department should have contact with all department heads and grant administrators on all open invoices and request for reimbursement to ensure that all material payables and receivables have been recorded. Interfund accounts should be reconciled on a monthly basis to ensure all interfund activity has been recorded between funds. All contract invoices should be reviewed to ensure retainage is properly recorded.

View of responsible officials and planned corrective actions: The Finance and Administration Department will include posting of non-routine accruals and reconcile interfund accounts on a routine basis. All contract invoices will be reviewed to ensure retainage is properly recorded. The Finance and Administration Department will stay in better verbal contact with all department heads and grant administrators regarding open invoices and requests for reimbursements to prevent future incidences from happening.

2013-2

Condition: The Code of Alabama 1975 Article 2- State Bid laws requires all contracts for the purchase or lease of materials, equipment, supplies, other personal property or other nonprofessional services involving \$15,000 or more shall be competitive sealed bid.

Effect: The City did not bid out the purchase of a flatbed trailer. The City received three quotes in the amount of \$18,400, \$19,850 & \$20,350. The trailer was purchased from the lowest quote.

Recommendations: The Procurement officer should closely monitor purchases to ensure the procurement policy is followed in all instances.

View of responsible officials and planned corrective actions: The Procurement Officer will work through a checklist for each requisition to review quotes, delivery method, bid threshold, and fixed asset threshold to ensure the procurement policy is followed in all instances.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

- No matters were reported in the current year.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

- No matters were reported in the prior year.

GRANT, & SANDERS & TAYLOR, P.C.

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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 Honorable Mayor and Members of the
City Council of Gulf Shores, 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 Gulf Shores, Alabama, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Gulf Shores, Alabama's basic financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Gulf Shores, 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 Gulf Shores, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Gulf Shores, Alabama's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be material weakness.

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. We consider the [2013-1] described in the accompanying schedule of findings and questioned costs to be a material weakness. 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.

Compliance and Other Matters

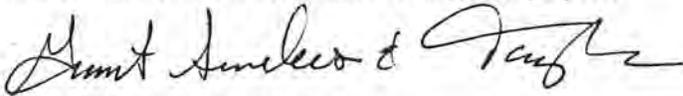
As part of obtaining reasonable assurance about whether City of Gulf Shores, Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned cost as items [2013-2].

City of Gulf Shores, Alabama's Response to Findings

City of Gulf Shores, Alabama's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Gulf Shores, Alabama's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Grant, Sanders, & Taylor, P.C.
Gulf Shores, Alabama
March 25, 2014

GRANT, & SANDERS & TAYLOR, P.C.

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

To the Honorable Mayor and Members of the
City Council of Gulf Shores, Alabama

Report on Compliance for Each Major Federal Program

We have audited City of Gulf Shores, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Gulf Shores, Alabama's major federal programs for the year ended December 31, 2013. City of Gulf Shores, 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 Gulf Shores, 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 Gulf Shores, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Gulf Shores, Alabama, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

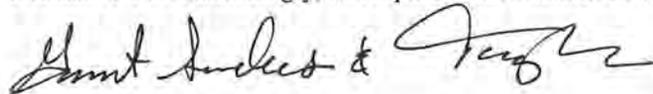
Report on Internal Control Over Compliance

Management of City of Gulf Shores, 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 Gulf Shores, 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 Gulf Shores, Alabama's internal control over compliance.

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

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

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



Grant, Sanders, & Taylor, P.C.
Gulf Shores, Alabama
March 25, 2014