

City of Gulf Shores, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ending December 31, 2016

Prepared by: Finance and Administrative Services Department



Gulf State Park Pier



www.gulfshoresal.gov

THE CITY OF GULF SHORES, ALABAMA
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INTRODUCTORY SECTION



April 18, 2017

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, 2016.

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, 2016 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, 2016, 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 requires 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 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. The City's Financial Policies are updated annually and recommend an increase to reserves of 5% each year until 100% fund balance is reached. 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 entered a public-private partnership with Pelican Place developers in 2008 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 in January 2013. Local jobs related to the dry dock basin have added value to the economy.

The City issued in 2016 a Line of Credit for \$13.5 million to reconstruct Gulf Place boardwalk, add parking, a Public Safety Building on the beach and redo an existing bathhouse. This project will yield a sense of place to our beach front and provide green space for community activities.

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 35 per cent with an additional 30 percent reserved for Beach Renourishment resulting in a combined fund balance target of 65 percent for 2017. 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

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

City of Gulf Shores

Transmittal Letter – continued

interest revenue of \$40,345 on investments for the year ended December 31, 2016. 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.

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, 2015. This represented the sixth 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 sixth time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2016 for fiscal year 2016. 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.

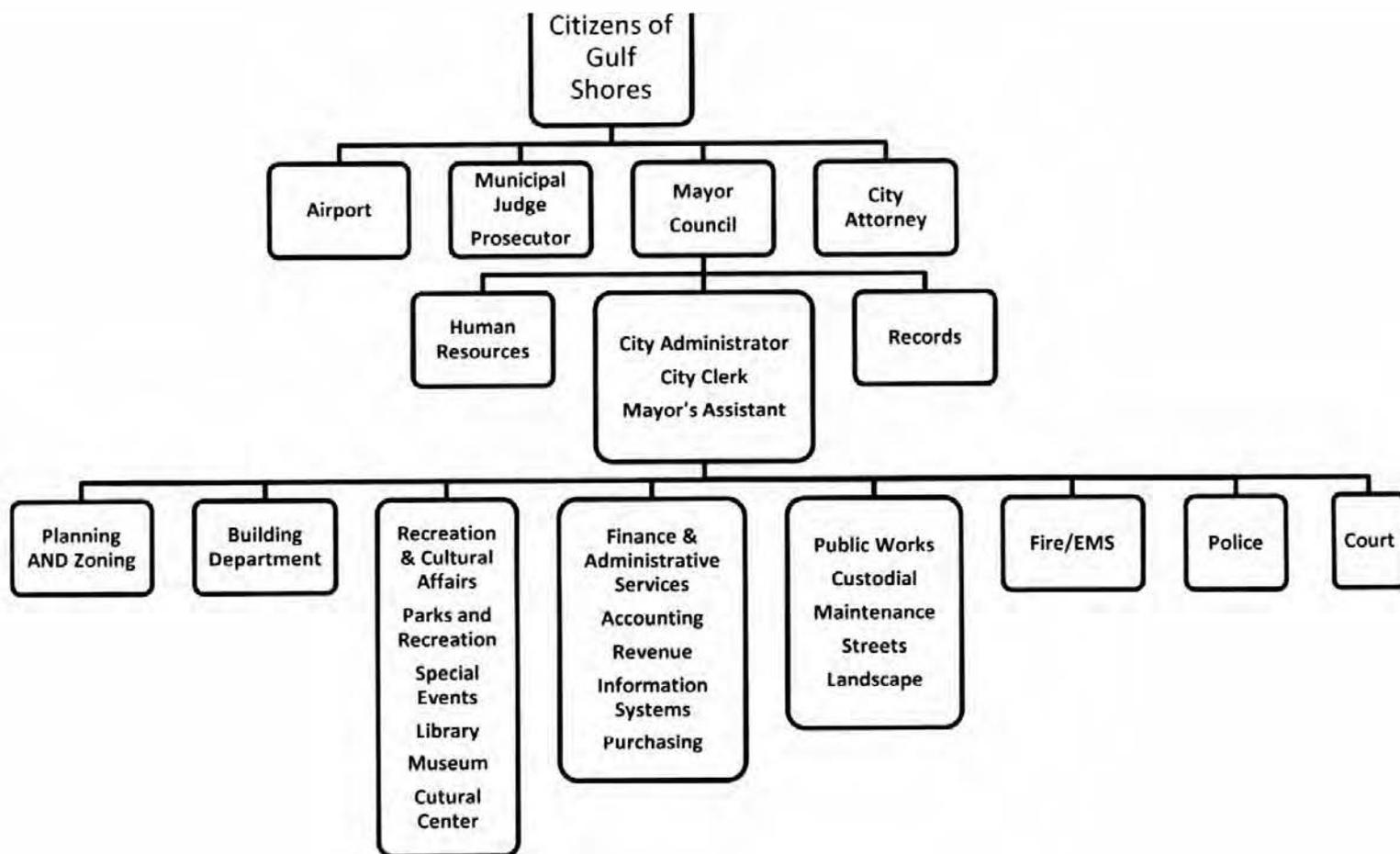
Acknowledgements

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,



Robert Craft,
Mayor



CITY OF GULF SHORES, ALABAMA

LIST OF PRINCIPAL OFFICIALS

December 31, 2016

Legislative Branch

Mayor	Robert Craft
Council Member	Joe Garris
Council Member	Gary Sinak
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, 2015

Executive Director/CEO

FINANCIAL SECTION

GRANT, SANDERS & TAYLOR, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Members
American Institute of Certified
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, 2016, 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, 2016.

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, 2016, 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 66 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

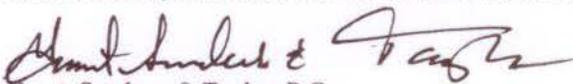
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Shores, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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, budgetary comparison schedules, 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 section, budgetary comparison schedules, 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 April 18, 2017 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 control 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

April 18, 2017

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, 2016. 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 position. The Municipality's net position can be thought of as one way to measure its financial position or health. Over time, increases or decreases in net position 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 position 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.

Proprietary Funds

The City of Gulf Shores reports one enterprise fund and two proprietary fund type 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 2016 comparative statements are presented for Governmental Activities, Business-Type Activities and Component Units.

Overview of the Financial Statements (continued)

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 Position may serve as a useful indicator of a government's financial condition. At December 31, 2016, the City of Gulf Shores' assets exceeded its liabilities by \$68,499,421, an increase of \$398,121 from 2015 due to an increase in Beach Restoration funds. The largest portion of the City's net position 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, 2016, the City of Gulf Shores is able to report a positive balance in the governmental category of total net position.

Table 1 below represents the City's Condensed Statement of Net Position as of December 31, 2016 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		Business-Type		Total		Component	Component
	Activities		Activities		Primary Government		Units	Units
	2016	2015	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 3,157,468	\$ 3,107,805	\$ 3,727	\$ 3,725	\$ 3,152,195	\$ 3,117,530	\$ 2,060,348	\$ 2,159,602
Capital Assets	80,371,003	85,006,739	1,935,155	1,962,276	82,306,258	86,969,015	18,524,678	14,267,089
Total Assets	\$ 118,888,571	\$ 116,174,544	\$ 1,938,882	\$ 1,966,001	\$ 113,827,453	\$ 118,140,545	\$ 20,585,026	\$ 16,426,691
Defeasance cost, net	2,278,458	2,420,815	-	-	2,278,458	2,420,815	-	-
Deferred pension contributions	2,493,343	799,225	-	-	2,493,343	799,225	-	-
Total Deferred Outflow of Resources	\$ 4,771,801	\$ 3,220,040	\$ -	\$ -	\$ 4,771,801	\$ 3,220,040	\$ -	\$ -
Long-term Liabilities	\$ 44,191,691	\$ 50,839,316	\$ -	\$ -	\$ 44,191,691	\$ 50,839,316	\$ -	\$ 50,000
Other Liabilities	5,262,166	1,873,016	-	-	5,262,166	1,873,016	225,444	1,276
Total Liabilities	\$ 49,453,857	\$ 52,712,332	\$ -	\$ -	\$ 49,453,857	\$ 52,712,332	\$ 225,444	\$ 51,276
Deferred Revenue	418,861	319,838	-	-	418,861	319,838	-	-
Deferred pension contributions	227,115	227,115	-	-	227,115	227,115	-	-
Total Deferred Inflow of Resources	\$ 645,976	\$ 546,953	\$ -	\$ -	\$ 645,976	\$ 546,953	\$ -	\$ -
Net Position	\$ 66,560,539	\$ 66,135,299	\$ 1,938,882	\$ 1,966,001	\$ 68,499,421	\$ 68,101,300	\$ 20,359,582	\$ 16,375,415
Net Invested in Capital Assets	\$ 45,289,955	\$ 45,722,455	\$ 1,935,155	\$ 1,962,276	\$ 47,225,110	\$ 47,684,731	\$ 18,299,872	\$ 14,217,089
Restricted	1,603,565	4,454,624	-	-	1,603,565	4,454,624	-	-
Unrestricted	19,667,019	15,958,220	3,727	3,725	19,670,746	15,961,945	2,059,710	2,158,326
Total Net Position	\$ 66,560,539	\$ 66,135,299	\$ 1,938,882	\$ 1,966,001	\$ 68,499,421	\$ 68,101,300	\$ 20,359,582	\$ 16,375,415

Government-wide Financial Analysis (continued)

Table 2 below represents the City's Condensed Statement of Activities for the year ending December 31, 2016, and is derived from the **Government-wide Statement of Activities** on Page 28.

	Governmental		Business-Type		Total		Component Units	
	Activities		Activities		Primary Government			
	2016	2015	2016	2015	2016	2015	2016	2015
PRIMARY GOVERNMENT:								
Revenues:								
Charges for Services	\$ 6,923,750	\$ 5,940,060	\$ -	\$ -	\$ 6,923,750	\$ 5,940,060	\$ 479,634	\$ 427,327
Operating grants and Contributions	123,150	755,096	-	-	123,150	755,096	35,000	67,549
Capital grants and Contributions	2,326,999	-	-	-	2,326,999	-	4,664,388	37,009
General Revenues:								
Property Taxes	2,871,351	2,715,667	-	-	2,871,351	2,715,667	-	-
Local Taxes	24,313,543	22,565,403	-	-	24,313,543	22,565,403	-	-
Franchise Taxes	1,221,712	1,244,634	-	-	1,221,712	1,244,634	-	-
State Taxes	477,632	379,494	-	-	477,632	379,494	-	-
Interest income	40,343	33,835	2	2	40,345	33,837	2,333	1,440
Miscellaneous income	495,604	100,376	-	-	495,604	100,376	-	-
Gain (loss) on asset sale	(1,703)	34,369	-	-	(1,703)	34,369	-	148,100
Total Revenues	\$ 39,882,381	\$ 33,778,934	\$ 2	\$ 2	\$ 39,882,383	\$ 33,778,936	\$ 5,181,355	\$ 2,014,325
Expenses:								
Executive	4,657,072	4,674,520	-	-	4,657,072	4,674,520	-	-
Municipal Court	433,826	360,707	-	-	433,826	360,707	-	-
Police	5,656,457	4,960,912	-	-	5,656,457	4,960,912	-	-
Fire	3,408,579	4,843,162	-	-	3,408,579	4,843,162	-	-
Community and Economic Affairs	7,637,148	7,212,912	-	-	7,637,148	7,212,912	-	-
Public Works	7,608,894	7,053,798	-	-	7,608,894	7,053,798	-	-
Interest on Long-Term Debt	1,107,600	1,199,615	-	-	1,107,600	1,199,615	-	-
Public Education Building Authority	-	-	27,121	27,121	27,121	27,121	-	-
Total Expenses	30,509,576	30,305,626	27,121	27,121	30,536,697	30,332,747	-	-
COMPONENT UNITS:								
Expenses:								
Jack Edwards Airport	-	-	-	-	-	-	800,430	841,092
Airport Authority	-	-	-	-	-	-	396,758	369,873
Total Expenses	-	-	-	-	-	-	1,197,188	1,210,965
Increase (Decrease) in Net Position								
Before Transfers	9,372,805	3,473,308	(27,119)	(27,119)	9,345,686	3,446,189	3,984,167	803,360
Transfers	-	-	-	-	-	-	-	-
Change in Net Position	9,372,805	3,473,308	(27,119)	(27,119)	9,345,686	3,446,189	3,984,167	803,360
Net Position - Beginning	66,135,299	62,661,991	1,966,001	1,993,120	68,101,300	64,655,111	16,375,415	15,572,055
Prior Period Adjustment	(8,947,565)	-	-	-	(8,947,565)	-	-	-
Net Position - Ending	\$ 66,560,539	\$ 66,135,299	\$ 1,938,882	\$ 1,966,001	\$ 68,499,421	\$ 68,101,300	\$ 20,359,582	\$ 16,375,415

Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2016 include the following:

The assets of the City exceeded its liabilities (Net Position) at the close of the fiscal year by \$66,560,539 for Governmental Activities and by \$1,938,882 for Business-type Activities of the primary government. The total primary government's net position is \$68,499,421 as of December 31, 2016, up from \$68,101,300. For the year ended December 31, 2016 there was a \$425,240 increase in Beach Restoration and Unrestricted funds. Business-type activities net position was \$1,938,882 as of December 31, 2016 a decrease of \$27,119 from 2015 reflecting decreased 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 \$28,803,126 with \$9,145,756 designated as committed, \$17,858,265 unassigned, \$1,255,929 restricted and \$543,176 nonspendable. The unassigned amount of \$17,858,265 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, 2016, totaled \$26,455,361, an increase of \$2,437,649 from the restated fund balance at December 31, 2015, which was \$24,017,712. The increase in Fund Balance for Fiscal Year 2016 is attributable to conservative spending practices resulted in positive income from operations of \$5,231,594.

Debt Service Fund

The fund balance decreased \$2,447,790 as a result of increased bond 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.

Capital Improvements Fund

This fund shows the City's practice of loaning money to this fund from other funds (usually the General Fund) to finance grant-funded projects and assessment projects. The interfund loans are repaid when grant funds and assessment principal and interest payments are received. The Capital Improvements fund was established by City management to record capital expenditures with funding from one or more of the following sources: Federal and State grants, property owner assessments, property owner or developer contributions, and/or transfers from other funds.

2014 GO Warrant Fund

This fund is a short-term 4 year line of credit established in Fiscal Year 2014 for recording the proceeds, issuance costs, and capital expenditures for a new bond issue. The General Fund transfers to the Debt Service fund for payment on the 2014 GO Warrant and any other debt. The following items were paid for with proceeds from the 2014 GO Warrant Fund during Fiscal Year 2016:

- Branding/Wayfinding Signage
- Match funds for ALDOT Sidewalk and Adaptive Signals projects, ADECA Recreation Trail Fort Morgan Highway
- Match funds for ADCNR West 10th Street Public Access Bath House
- Land Acquisitions

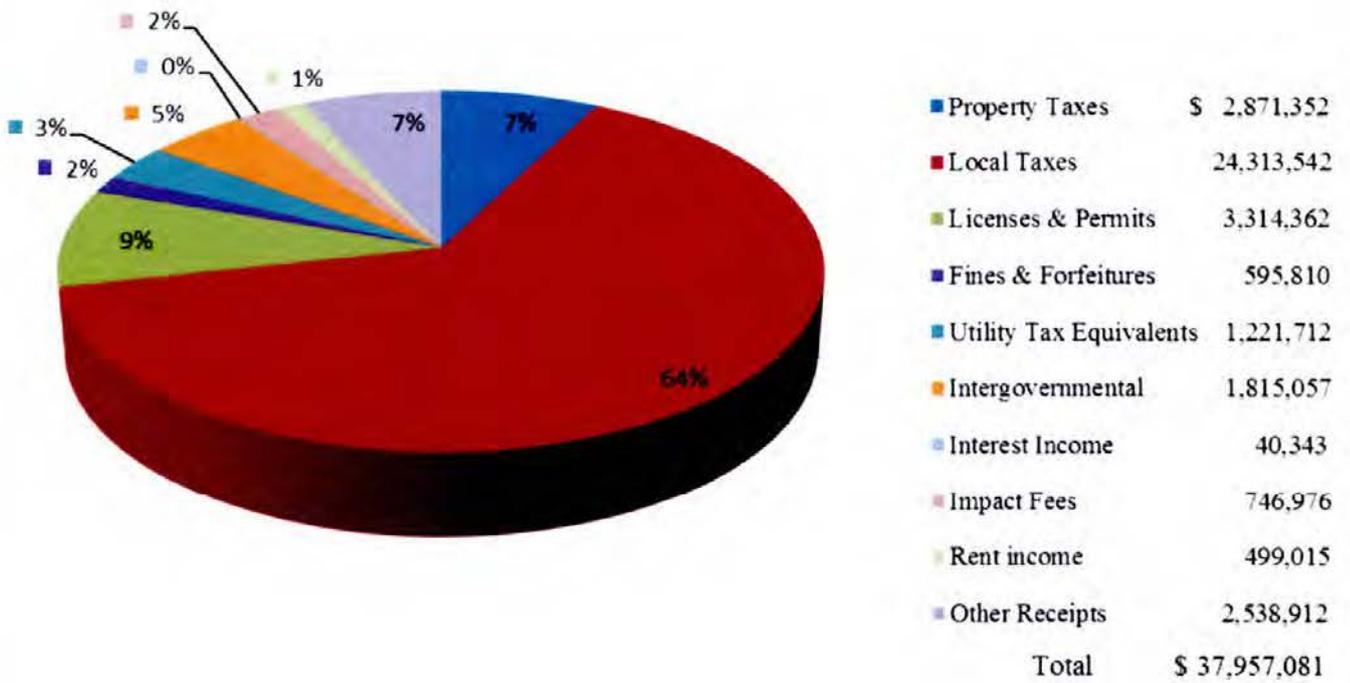
Advance debt payments were made in 2016 for some items acquired in 2015 and 2016 with the short term 2014 GO Warrant Fund proceeds.

Financial Analysis of the Government's Funds (Continued)

Capital Improvements Fund

This fund shows the City's practice of loaning money to this fund from other funds (usually the General Fund) to finance grant-funded projects and assessment projects. The interfund loans are repaid when grant funds and assessment principal and interest payments are received. The Capital Improvements fund was established by City management to record capital expenditures with funding from one or more of the following sources: Federal and State grants, property owner assessments, property owner or developer contributions, and/or transfers from other funds.

Exhibit 1: Governmental Revenue Sources for Fiscal Year 2016



Budget Variances in the General Fund

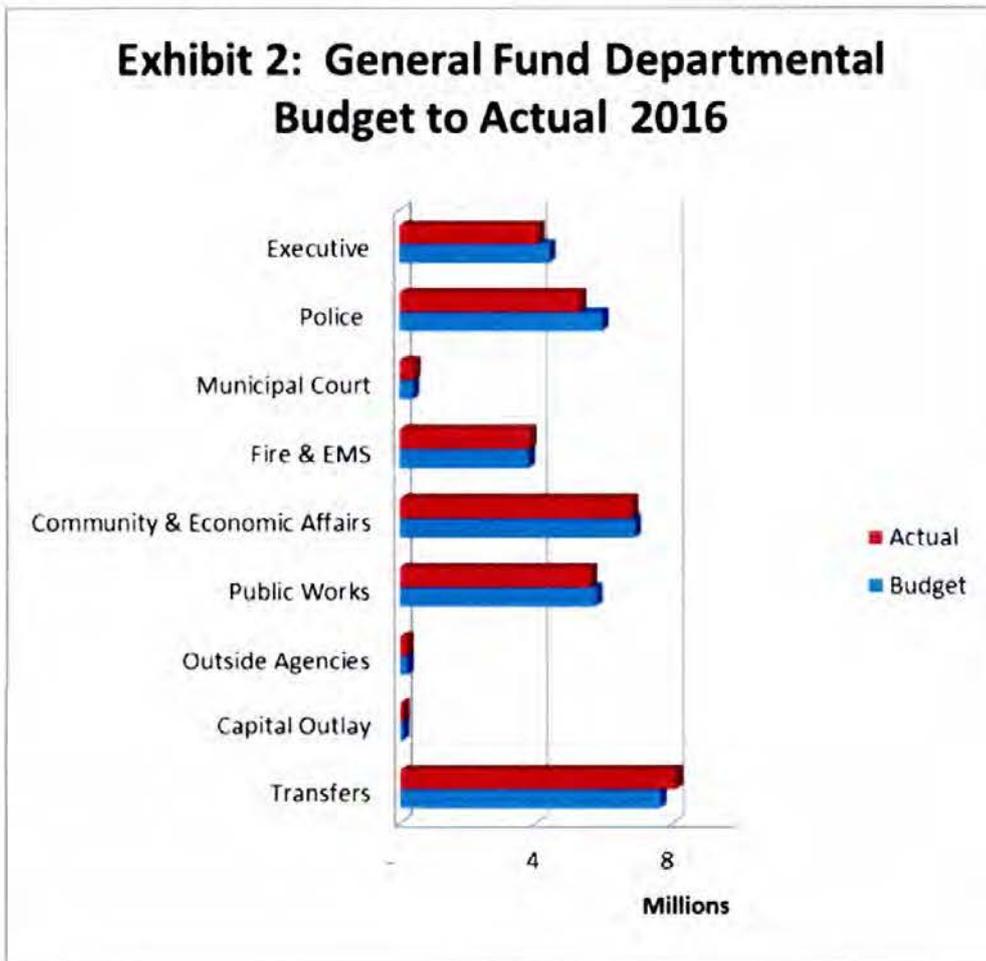
A schedule of General Fund Revenues, Expenditures and Changes in Fund Balances can be found on page 66. Revenues were more than the Budget in the following major categories with an overall \$3,237,252 collection more than budget:

- Property Taxes - \$149,506 more due to county property value assessments increase
- Local Taxes - \$2,667,892 more due to increased tourism resulting in more Lodging Taxes and Sales Taxes
- Licenses and Permits - \$468,362 more than budget due to increased commercial and residential construction
- Fines and Forfeitures - \$145,810 more due to enhanced enforcement efforts related to Beach activities
- Utility Tax Collections - \$20,712 more due to Baldwin EMC increased consumption related to tourism
- Federal and State transfers - \$75,928 more than budgeted due to increased State of Alabama taxes
- Income on investments \$16,195 more than budgeted due to investment rates increase and more investments
- Other - \$307,153 less than budget.

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

- Executive Department - \$331,134 less than budget due to departmental cost savings measures
- Municipal Court - \$32,638 more due to court personnel expense more than the amended budget
- Police Department - \$652,666 less due to equipment lease items going from an expense to a balance sheet account
- Fire and Emergency Services - \$41,901 more due to insurance expenses over budget
- Community and Economic Affairs - \$88,367 under budget to Planning and Zoning, Building, Recreation and Cultural Affairs, Programs & Events, Sportsplex, Beach and Cultural Center operating within budgets
- Public Works - \$168,366 expenses less due to unfilled positions/personnel, vehicle and street resurfacing savings
- Capital Outlay - \$592 less than budget due to equipment purchases under budget

The City Council approved revisions to the original adopted General Fund budget three times during the fiscal year prior to the fiscal year end on December 31, 2016.



General Fund Departmental Budget to Actual 2016

	<u>Budget</u>	<u>Actual</u>	<u>% of total expenses</u>
Transfers	7,653,798	8,126,026	23%
Capital Outlay	85,000	84,408	0%
Outside Agencies	227,500	220,233	1%
Public Works	5,789,299	5,620,933	16%
Community & Economic Affairs	6,922,513	6,834,146	20%
Fire & EMS	3,806,449	3,848,350	11%
Municipal Court	400,702	433,340	1%
Police	5,976,355	5,323,689	15%
Executive	4,421,075	4,089,941	12%
Total	<u>35,282,691</u>	<u>34,581,066</u>	100%

Capital Asset and Long-term Debt Activity

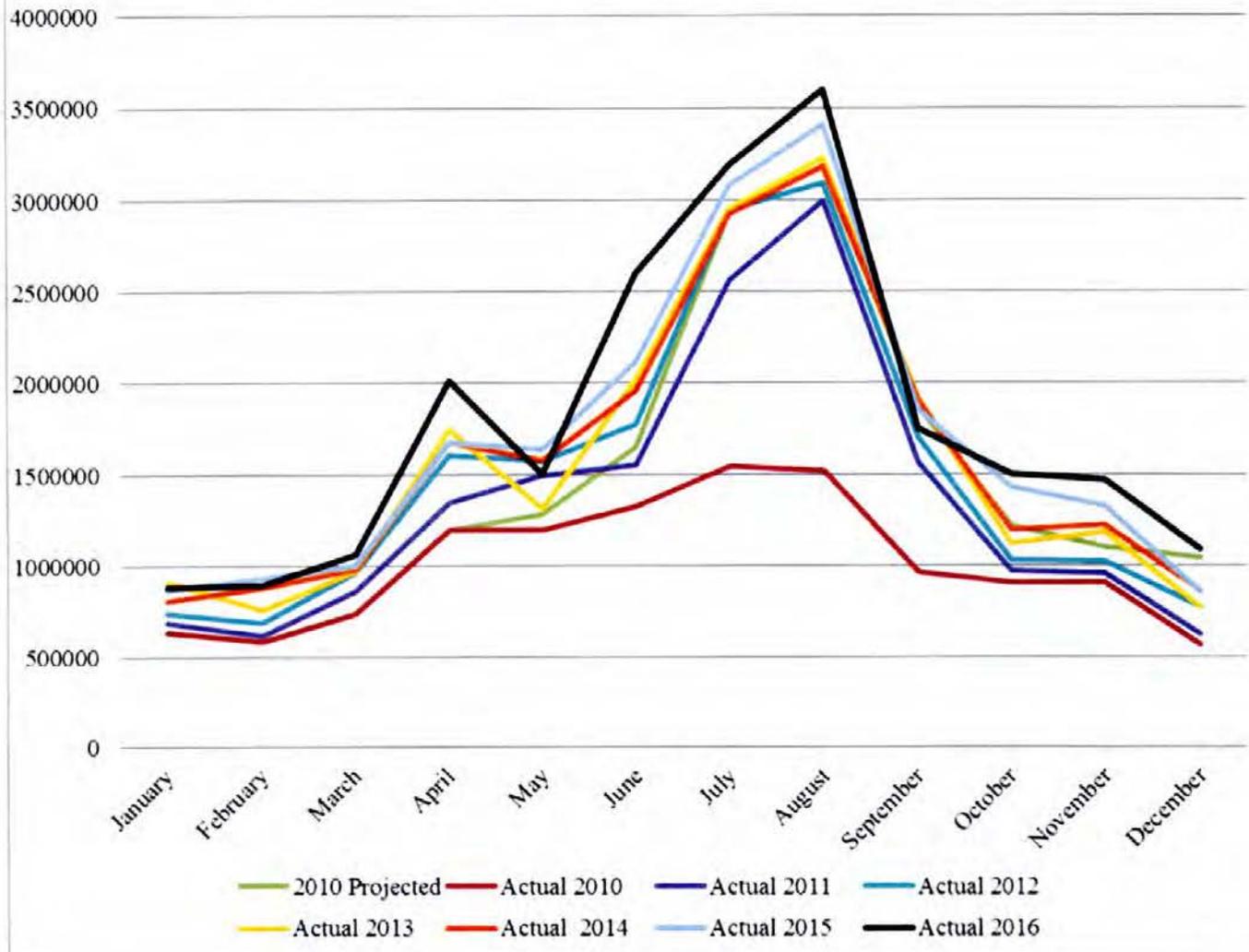
Capital Asset Activity

At December 31, 2016, the City of Gulf Shores reported investment in capital assets of \$80,371,103 (net of accumulated depreciation) from governmental activities, an decrease of \$4,635,636 from December 31, 2015. Net capital position from business-type activities is reported as \$1,935,155 which is a decrease of \$27,121 from December 31, 2015. Refer to **Note 3.D.** in the financial statements for additional information on capital assets.

Long-term Debt Activity

As of year-end, the City had \$44,191,691 in debt outstanding (which includes long term compensated absences and net pension liability) compared to \$50,839,316 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 2016 with revenues almost on target with pre 2010 BP Oil Spill revenue projection levels. The first three months of 2017 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 began to be held in April 2014 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 businesses continue to locate in the Waterway Village area, revitalizing the Intracoastal Canal waterfront. Also, a grant approved in early 2010 for a public private partnership - Saunders Gulf Shores Drydock Basin Project expanded 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 provides much needed high skill high wage jobs.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Jack Edwards Airport	Airport Authority
ASSETS					
Current Cash and Cash Equivalents	\$ 16,159,254	\$ 3,727	\$ 16,162,981	\$ -	\$ 496,437
Reserve Current Cash and Cash Equivalents	7,624,851	-	7,624,851	-	-
Receivables (Net)	3,809,307	-	3,809,307	183,422	4,074
Due from component units	11,864	-	11,864	-	-
Inventories	94,397	-	94,397	718,622	-
Prepays and Other Assets	468,779	-	468,779	-	4,531
Restricted Assets:					
Cash and Cash Equivalents	3,349,016	-	3,349,016	653,262	-
Capital Assets:					
Non - Depreciable	30,845,886	1,650,000	32,495,886	6,346,391	93,938
Depreciable (Net)	49,525,217	285,155	49,810,372	12,003,649	80,700
Total Assets	<u>111,888,571</u>	<u>1,938,882</u>	<u>113,827,453</u>	<u>19,905,346</u>	<u>679,680</u>
DEFERRED OUTFLOW OF RESOURCES					
Defeasance cost, net	2,278,458	-	2,278,458	-	-
Deferred employer pension contributions	2,493,343	-	2,493,343	-	-
Total Deferred Outflow of Resources	<u>4,771,801</u>	<u>-</u>	<u>4,771,801</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts Payable	\$ 1,031,707	\$ -	\$ 1,031,707	\$ 199,806	\$ -
Accrued Liabilities	1,263,770	-	1,263,770	-	-
Accrued Interest Payable	37,196	-	37,196	-	638
Non - Current Liabilities					
Due Within One Year:					
Compensated absences	95,339	-	95,339	-	-
Bonds Payable	2,630,000	-	2,630,000	-	25,000
Lease Payable	204,154	-	204,154	-	-
Due In More than One Year:					
Compensated absences	1,038,645	-	1,038,645	-	-
Net Pension Liability	8,219,286	-	8,219,286	-	-
Bonds Payable	34,729,606	-	34,729,606	-	-
Lease Payable	204,154	-	204,154	-	-
Total Liabilities	<u>49,453,857</u>	<u>-</u>	<u>49,453,857</u>	<u>199,806</u>	<u>25,638</u>
DEFERRED INFLOW OF RESOURCES					
Deferred Revenue	418,861	-	418,861	-	-
Deferred employer pension contributions	227,115	-	227,115	-	-
Total Deferred Inflow of Resources	<u>645,976</u>	<u>-</u>	<u>645,976</u>	<u>-</u>	<u>-</u>
NET POSITION:					
Net Investment in Capital Assets	45,289,955	1,935,155	47,225,110	18,150,234	149,638
Restricted for:					
Debt service	2,618	-	2,618	-	-
Beach restoration	1,600,947	-	1,600,947	-	-
Unrestricted	19,667,019	3,727	19,670,746	1,555,306	504,404
Total Net Position	<u>\$ 66,560,539</u>	<u>\$ 1,938,882</u>	<u>\$ 68,499,421</u>	<u>\$ 19,705,540</u>	<u>\$ 654,042</u>

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

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

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	\$ 4,657,072	\$ 11,934	\$ -	\$ -	\$ (4,645,138)	\$ -	\$ (4,645,138)		
Municipal Court	433,826	791,319	-	-	357,493	-	357,493		
Police	5,656,457	46,172	88,403	-	(5,521,882)	-	(5,521,882)		
Fire	3,408,579	56,285	-	-	(3,352,294)	-	(3,352,294)		
Community and Economic Affairs	7,637,148	5,322,428	117,110	2,326,999	129,389	-	129,389		
Public Works	7,608,894	695,612	1,007,637	-	(5,905,645)	-	(5,905,645)		
Interest on Long - Term Debt	1,107,600	-	-	-	(1,107,600)	-	(1,107,600)		
Total governmental activities	<u>30,509,576</u>	<u>6,923,750</u>	<u>1,213,150</u>	<u>2,326,999</u>	<u>(20,045,677)</u>	<u>-</u>	<u>(20,045,677)</u>		
Business-type activities:									
Public Education Building Authority	27,121	-	-	-	-	(27,121)	(27,121)		
Total primary government	<u>\$ 30,536,697</u>	<u>\$ 6,923,750</u>	<u>\$ 1,213,150</u>	<u>\$ 2,326,999</u>	<u>\$ (20,045,677)</u>	<u>\$ (27,121)</u>	<u>\$(20,072,798)</u>		
COMPONENT UNITS:									
Jack Edwards Airport	\$ 800,430	\$ -	\$ -	\$ 4,664,388				\$ 3,863,958	\$ -
Airport Authority	396,758	479,634	35,000	-				-	117,876
Total component units	<u>\$ 1,197,188</u>	<u>\$ 479,634</u>	<u>\$ 35,000</u>	<u>\$ 4,664,388</u>				<u>\$ 3,863,958</u>	<u>\$ 117,876</u>
General revenues (expenses):									
Property Taxes					\$ 2,871,351	\$ -	\$ 2,871,351	\$ -	\$ -
Local Taxes:									
Sales taxes					14,279,458	-	14,279,458	-	-
Lodging taxes					7,275,475	-	7,275,475	-	-
Other local taxes					2,758,610	-	2,758,610	-	-
Franchise Taxes					1,221,712	-	1,221,712	-	-
State Taxes					477,632	-	477,632	-	-
Interest Income					40,343	2	40,345	1,188	1,145
Miscellaneous					495,604	-	495,604	-	-
Loss on Disposal of Assets					(1,703)	-	(1,703)	-	-
Transfers					-	-	-	243,619	(243,619)
Total general revenues, special items and transfers					<u>29,418,482</u>	<u>2</u>	<u>29,418,484</u>	<u>244,807</u>	<u>(242,474)</u>
Change in net position					9,372,805	(27,119)	9,345,686	4,108,765	(124,598)
Net position - beginning (restated)					57,187,734	1,966,001	59,153,735	15,596,775	778,640
Net position - ending					<u>\$ 66,560,539</u>	<u>\$ 1,938,882</u>	<u>\$ 68,499,421</u>	<u>\$ 19,705,540</u>	<u>\$ 654,042</u>

GOVERNMENT FUND FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>2014 GO Warrant Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Current Cash and Equivalents	\$ 16,159,254	\$ -	\$ -	\$ -	\$ -	\$ 16,159,254
Reserved Cash and Equivalents	7,624,851	-	-	-	-	7,624,851
Restricted Cash and Equivalents	110,863	2,618	203,129	134,948	2,897,455	3,349,013
Receivables (Net)						
Accounts	415,554	-	16,412	302,370	-	734,336
Taxes	3,043,688	-	-	-	-	3,043,688
Due From Other Funds	412,298	-	-	-	140,362	552,660
Due From Other Governments	31,282	-	-	-	-	31,282
Due From Component Units	11,864	-	-	-	-	11,864
Prepays and Other Assets	448,779	-	-	-	20,000	468,779
Inventories	94,397	-	-	-	-	94,397
	<u>\$ 28,352,830</u>	<u>\$ 2,618</u>	<u>\$ 219,541</u>	<u>\$ 437,318</u>	<u>\$ 3,057,817</u>	<u>\$ 32,070,124</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 427,682	\$ -	\$ -	\$ 373,315	\$ 230,710	\$ 1,031,707
Payroll taxes & benefits payable	126,296	-	-	-	9,896	136,192
Accrued wages	525,971	-	-	-	-	525,971
Other liabilities	406,607	-	195,000	-	-	601,607
Due to other funds	140,362	-	10,094	-	402,204	552,660
Total Liabilities	<u>1,626,918</u>	<u>-</u>	<u>205,094</u>	<u>373,315</u>	<u>642,810</u>	<u>2,848,137</u>
Deferred Inflows of Resources						
Deferred revenue	270,551	-	148,310	-	-	418,861
Fund Balances						
Nonspendable	543,176	-	-	-	-	543,176
Spendable:						
Restricted	142,145	2,618	-	64,003	1,047,163	1,255,929
Committed	7,624,851	-	-	-	1,520,905	9,145,756
Unassigned	18,145,189	-	(133,863)	-	(153,061)	17,858,265
Total Fund Balances	<u>26,455,361</u>	<u>2,618</u>	<u>(133,863)</u>	<u>64,003</u>	<u>2,415,007</u>	<u>28,803,126</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 28,352,830</u>	<u>\$ 2,618</u>	<u>\$ 219,541</u>	<u>\$ 437,318</u>	<u>\$ 3,057,817</u>	<u>\$ 32,070,124</u>

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

**The City of Gulf Shores, Alabama
Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Funds
December 31, 2016**

Fund balances - total governmental funds \$ 28,803,126

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 107,175,070	
Less accumulated depreciation	<u>(26,803,967)</u>	80,371,103

Deferred outflows of resources used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Deferred employer pension contributions	2,493,343	
Loss on advance refunding	2,847,154	
Less accumulated amortization	<u>(568,696)</u>	4,771,801

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(36,830,041)	
Discounts on bond issue	177,015	
Premiums on bond issues	(1,296,398)	
Accumulated amortization	181,514	
Net pension liability	(8,219,286)	
Compensated absences	<u>(1,133,984)</u>	(47,121,180)

Deferred inflows of resources used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Deferred employer pension contributions	<u>(227,115)</u>	(227,115)
---	------------------	-----------

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.

Accrued interest payable	<u>(37,196)</u>	<u>(37,196)</u>
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Net position of governmental activities \$ 66,560,539

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, 2016

	General Fund	Debt Service Fund	Capital Improvements Fund	2014 GO Warrant Fund	Other Governmental Funds	Total
REVENUES						
Property taxes	\$ 2,842,586	\$ 28,766	\$ -	\$ -	\$ -	\$ 2,871,352
Local taxes	20,875,285	504,548	-	-	2,933,709	24,313,542
Licenses and permits	3,314,362	-	-	-	-	3,314,362
Fines and forfeitures	595,810	-	-	-	-	595,810
Utility tax equivalents	1,221,712	-	-	-	-	1,221,712
Intergovernmental:						
State of Alabama taxes	145,301	-	-	-	512,843	658,144
Federal and State grants	150,682	-	-	779,629	226,602	1,156,913
Interest income	36,195	703	325	-	3,120	40,343
Impact fees	-	-	-	-	746,976	746,976
BP Proceeds	271,582	-	-	-	-	271,582
Rent Income	-	499,015	-	-	-	499,015
Other receipts	2,233,117	-	1,800	-	32,413	2,267,330
Total Revenues	<u>31,686,632</u>	<u>1,033,032</u>	<u>2,125</u>	<u>779,629</u>	<u>4,455,663</u>	<u>37,957,081</u>
EXPENDITURES						
Current Operating:						
Executive Department	4,089,939	-	-	-	-	4,089,939
Municipal Court	433,340	-	-	-	-	433,340
Police Department	5,323,689	-	-	-	181,125	5,504,814
Fire and Emergency Services	3,848,350	-	-	-	33,616	3,881,966
Community and Eco. Affairs	6,834,146	-	-	-	-	6,834,146
Public Works	5,620,933	-	-	3,511,759	1,431,203	10,563,895
Appropriations	220,233	-	-	-	-	220,233
Capital outlay	84,408	-	-	20,014	968,994	1,073,416
Beach restoration	-	-	-	-	52,800	52,800
Miscellaneous	-	4,332	-	97	44,361	48,790
Debt Service:						
Principal and interest	-	9,123,022	-	-	-	9,123,022
Total Expenditures	<u>26,455,038</u>	<u>9,127,354</u>	<u>-</u>	<u>3,531,870</u>	<u>2,712,099</u>	<u>41,826,361</u>
Excess (Deficiency) of revenues Over Expenditures	\$ 5,231,594	\$ (8,094,322)	\$ 2,125	\$ (2,752,241)	\$ 1,743,564	\$ (3,869,280)
OTHER FINANCING SOURCES (USES)						
Issuance of Debt	20,000	-	-	1,715,000	1,775,000	3,510,000
Proceeds from sale of capital assets	134,640	-	-	-	-	134,640
Transfers In	3,752,612	6,678,119	-	-	754,160	11,184,891
Transfers Out	(6,701,197)	(1,031,587)	(154)	-	(3,451,953)	(11,184,891)
Total Other Financing Sources and (Uses)	<u>(2,793,945)</u>	<u>5,646,532</u>	<u>(154)</u>	<u>1,715,000</u>	<u>(922,793)</u>	<u>3,644,640</u>
Net Change in Fund Balance	2,437,649	(2,447,790)	1,971	(1,037,241)	820,771	(224,640)
Fund Balances - Beginning (restated)	<u>24,017,712</u>	<u>2,450,408</u>	<u>(135,834)</u>	<u>1,101,244</u>	<u>1,594,236</u>	<u>29,027,766</u>
Fund Balances - Ending	<u>\$ 26,455,361</u>	<u>\$ 2,618</u>	<u>\$ (133,863)</u>	<u>\$ 64,003</u>	<u>\$ 2,415,007</u>	<u>\$ 28,803,126</u>

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

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, 2016

Net change in fund balances \$ (224,640)

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	8,730,456	
Less current year depreciation	<u>(2,829,706)</u>	5,900,750

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	(529,173)	
Loss on disposal of assets	<u>(7,169)</u>	(536,342)

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 position. This is the amount by which proceeds exceeded repayments.

Proceeds from bond	(3,510,000)	
Increase in capital leases	(612,462)	
Principal payments on bonds and loans	<u>8,007,570</u>	3,885,108

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	7,853	
Amortization of current year bond premiums	57,527	
Amortization of current year bond discounts	(5,450)	
Amortization of loss on advanced refunding	(142,358)	
Increase in deferred employer pension contributions	649,409	
Increase in compensated absences	<u>(219,052)</u>	<u>347,929</u>

Change in net position of governmental activities \$ 9,372,805

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, 2016

	Business-type Activities
	Enterprise Funds
	Primary Government
	Non-major Fund
	Public Education
	Building Authority
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,727
Capital Assets:	
Land	1,650,000
Land improvements	203,087
Buildings	898,425
Furniture and equipment	261,893
Less: accumulated depreciation	(1,078,250)
Total Non-Current Assets	1,935,155
Total Assets	\$ 1,938,882
LIABILITIES	
NET POSITION	
Net Position,	1,935,155
investment in capital assets	
Unrestricted	3,727
Total Net Position	\$ 1,938,882

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

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, 2016

	Business-type Activities Enterprise Funds
	Primary Government Non-major Fund
	Public Education Building Authority
Operating Revenues	
FSCC Rent	\$ -
Operating Expenses	
Depreciation	27,121
Operating Income (Loss)	(27,121)
Non-Operating Revenues (Expenses)	
Interest income	2
Income (Loss) before Contributions and Transfers	(27,119)
Change in Net Position	(27,119)
Net Position - Beginning	1,966,001
Net Position - Ending	\$ 1,938,882

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

THE CITY OF GULF SHORES, ALABAMA
 ALL PROPRIETARY FUND TYPES
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	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	\$ -
Other operating expenses	-
Net cash provided (used) by operating activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer to debt service	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments received	2
Net increase (decrease) in cash and cash equivalents	2
Cash balance - beginning of year	3,725
Cash balance - end of year	\$ 3,727
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (27,121)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	27,121
Net cash provided (used) by operating activities	\$ -

Noncash Investing, Capital and Financing Activities: None

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

NOTES TO BASIC FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016.

I. 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. 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, 2016

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 are 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, 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, 2016

1. 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.

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).

2014 GO Warrant Fund

This fund is used to account for financial resources from the 2014 GO Warrant issue. The proceeds will be used to purchase land and construct an education complex.

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 is not the same.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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. The Special Revenues funds include the 2% Lodgings Tax Fund, Designated Taxes Fund, Impact Fees Fund, and Library Board Fund.

Beach Restoration Capital Projects Fund

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

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.

2016 B GO Warrant Capital Projects Fund

This fund is used to account for financial resources from the 2016 B GO Warrant issue. The proceeds are being used to fund the Gulf Place Redesign Project.

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 position 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, 2016

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. 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, LIABILITIES, 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, 2016 at the financial institutions is \$15,000 at BBVA Compass Bank.

Reserve cash and equivalents

General fund cash and certificates of deposit totaling \$7,624,851 were designated as reserve by the City Council. The CDs 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, 2016

I. 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 and Prepaid Items

The cost is recorded as an 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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, capital 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.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Capital Assets (continued)

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 Position. 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:

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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital 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 depreciate 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.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Compensated Absences (continued)

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 \$1,133,984. \$95,339 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, 2016.

Equity Classifications

Government Wide Level Financial Statements

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

- a. Net Invested in capital assets—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 position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position—All other net position 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, as 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 2016 expenses of \$26,455,038 the 15% minimum would be \$3,968,256 and the 25% target would be \$6,613,760.

The City does not have an established policy regarding use of unrestricted fund balance, when both restricted and unrestricted fund balances 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, 2016

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

A schedule of fund balances is as follows:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Improvements Fund</u>	<u>2014 GO Warrant Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:						
Nonspendable:						
Inventories	\$ 94,397	\$ -	\$ -	\$ -	\$ -	\$ 94,397
Prepaid items	448,779	-	-	-	-	448,779
Restricted for:						
Grants	31,282	-	-	302,370	-	333,652
Municipal Court	104,782	-	-	-	-	104,782
Environment Study	6,081	-	-	-	-	6,081
Debt service	-	2,618	-	-	-	2,618
Capital outlay	-	-	-	-	1,047,163	1,047,163
Beach restoration	-	-	-	(238,367)	-	(238,367)
Committed to:						
Emergencies	7,624,851	-	-	-	-	7,624,851
Capital outlay	-	-	-	-	1,520,905	1,520,905
Assigned to:						
Unassigned:	18,145,189	-	(133,863)	-	(153,061)	17,858,265
Total Fund Balance	<u>\$ 26,455,361</u>	<u>\$ 2,618</u>	<u>\$ (133,863)</u>	<u>\$ 64,003</u>	<u>\$ 2,415,007</u>	<u>\$ 28,803,126</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.

1. 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 Lodging 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, 2016

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 can be amended, provided adequate funds are 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, 2016

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, 2016, the carrying amount of the City’s total deposits was \$27,699,424. 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	Capital Improvements Fund	2014 GO Warrant Fund	Total
Taxes	\$ 3,043,688	\$ -	\$ -	\$ 3,043,688
Accounts receivable	415,554	16,412	302,370	734,337
Due from other governments	31,282	-	-	31,282
Total Receivables	<u>\$ 3,490,524</u>	<u>\$ 16,412</u>	<u>\$ 302,370</u>	<u>\$ 3,809,307</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

3. C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at December 31, 2016 consisted of the following:

Due To (Interfund Receivable)	Due From (Interfund Payable)				Total
	General	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 412,298	\$ 412,298
Nonmajor Governmental Funds	140,362	-	-	-	140,362
Total Receivables	\$ 140,362	\$ -	\$ -	\$ 412,298	\$ 552,660

Capital Improvements loan from General of \$10,094 was for paving, drainage, and sidewalk projects for new developments. For Other Governmental Funds, the Storm Damage fund owes \$402,204 for the BP oil spill. The General Fund owes Nonmajor Governmental funds \$131,917 to Lodging Taxes \$129,823, and \$10,539 to Municipal Court due to the timing of monthly transfers.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfers To (Other Financing Source)	Transfers From (Other Financing Use)				Total
	General	Capital Improvements Fund	2014 GO Warrant Fund	Other Governmental Funds	
General Fund	\$ -	\$ 116,025	\$ -	\$ 3,636,587	\$ 3,752,612
Debt Service Fund	6,678,119	-	-	-	6,678,119
Capital Improvements Fund	731,082	-	-	-	731,082
Other Governmental Funds	23,078	-	-	-	23,078
Total Transfers	\$ 7,432,279	\$ 116,025	\$ -	\$ 3,636,587	\$ 11,184,891

Transfers from Capital Improvements Fund of \$116,025 were to reimburse the General Fund for expenses related to ALDOT projects. Transfers total \$2,605,040 from the 2% Lodging of \$1.9 million to reimburse the General Fund for beach expenses, \$705,040 from other Special Revenue Funds to reimburse General Funds for expenses related to various state grants. Transfers from the General Fund of \$6,678,119 to Debt Service were to cover the annual debt payments. Transfer of \$23,078 from General to Storm Damage Fund for storm damages. Transfer of \$1,031,546 from the Debt Service Fund to the General Fund to transfer taxes and sales proceeds upon the sale of the Pinnacle property (see note 4.L.). Transfer of \$731,082 from the 2% Lodging to Beach Restoration Fund to the Beach Restoration Fund for beach restoration projects.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

3. D. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2016, was as follows:

<u>Description</u>	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>ifications</u>	<u>Balance</u>
Governmental Activities					
Non-Depreciable Assets:					
Land	\$ 28,499,048	\$ 2,346,838	\$ -	\$ -	\$ 30,845,886
Depreciable Assets:					
Buildings, parks facilities, & improvements	47,163,409	2,851,411	645,438	1,771,491	51,140,873
Motor vehicles and equipment	12,223,948	2,402,114	697,514	-	13,928,548
Infrastructure	11,900,847	1,130,049	-	(1,771,491)	11,259,405
Totals at historical cost	<u>99,787,252</u>	<u>8,730,412</u>	<u>1,342,952</u>	<u>-</u>	<u>107,174,712</u>
Less accumulated depreciation for:					
Buildings and improvements	13,407,288	1,304,421	115,640	-	14,596,069
Motor vehicles and equipment	9,657,513	1,011,373	690,970	-	9,977,916
Infrastructure	1,715,712	513,912	-	-	2,229,624
Total accumulated depreciation	<u>24,780,513</u>	<u>2,829,706</u>	<u>806,610</u>	<u>-</u>	<u>26,803,609</u>
Governmental activities capital assets, net	<u>\$ 75,006,739</u>				<u>\$ 80,371,103</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 492,663
Police	258,710
Fire	355,835
Public Works	872,412
Community and Economic Affairs	850,086
Total depreciation for governmental activities	<u>\$ 2,829,706</u>

<NOTE> Beginning balance reflects prior period adjustment discussed in Note 4.L.

<NOTE> Construction in progress is classified as infrastructure until it is reclassified upon completion.

Capital asset activity for the business-type activities of the primary government for the year ended December 31, 2016 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	203,087	-	-	-	203,087
Buildings	898,425	-	-	-	898,425
Equipment	261,893	-	-	-	261,893
Totals at historical cost	<u>3,013,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,013,405</u>
Less accumulated depreciation for:					
Land improvements	154,570	13,539	-	-	168,109
Buildings	634,666	13,582	-	-	648,248
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	<u>1,051,129</u>	<u>27,121</u>	<u>-</u>	<u>-</u>	<u>1,078,250</u>
Business-type activities capital assets, net	<u>\$ 1,962,276</u>				<u>\$ 1,935,155</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	Reclas- ifications	Ending Balance
Non-Depreciable Assets:					
Land	\$ 6,440,329	\$ -	\$ -	\$ -	\$ 6,440,329
Construction in progress	8,563	-	8,563	-	-
Depreciable Assets					
Runways, taxiways, and improvements	18,915,041	5,070,449	-	-	23,985,490
Buildings and improvements	2,683,252	-	-	-	2,683,252
Motor vehicles and equipment	159,511	-	-	-	159,511
Totals at historical cost	<u>28,206,696</u>	<u>5,070,449</u>	<u>8,563</u>	<u>-</u>	<u>33,268,582</u>
Less accumulated depreciation for:					
Runways, taxiways, and improvements	12,914,056	734,832	-	-	13,648,888
Buildings and improvements	889,950	61,858	-	-	951,808
Motor vehicles and equipment	135,601	7,607	-	-	143,208
Total accumulated depreciation	<u>13,939,607</u>	<u>804,297</u>	<u>-</u>	<u>-</u>	<u>14,743,904</u>
Business-type activities capital assets, net	<u>\$ 14,267,089</u>				<u>\$ 18,524,678</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	\$ 40,715,149	\$ 4,122,462	\$ 8,007,570	\$ 36,830,041	\$ 2,834,154
less premiums/discounts					
Plus bond premiums/discounts	989,950	-	52,077	937,873	-
Total bonds, loans, and leases payable	<u>41,705,099</u>	<u>4,122,462</u>	<u>8,059,647</u>	<u>37,767,914</u>	<u>2,834,154</u>
Other liabilities:					
Compensated Absences	914,931	219,053	-	1,133,984	95,339
Net pension liability	8,219,286	-	-	8,219,286	-
Total other liabilities	<u>9,134,217</u>	<u>219,053</u>	<u>-</u>	<u>9,353,270</u>	<u>95,339</u>
Governmental activities long term liabilities	<u>\$ 50,839,316</u>	<u>\$ 4,341,515</u>	<u>\$ 8,059,647</u>	<u>\$ 47,121,184</u>	<u>\$ 2,929,493</u>

The primary government had no business activity long-term debt as of December 31, 2016. The general fund has been used in prior years to liquidate the liability for compensated absences.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Business-type activities long term liabilities	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

As of December 31, 2016 the governmental long term debt consisted of the following:

\$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.	4,445,000
\$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.	7,605,000
\$9,000,000, Series 2014 General Obligation Warrants, dated Decembert 19, 2014 due in quarterly installments of interest accrued on the outstanding principal balance. Interest of 2.09% per annum payable on the 15th of March, June, September, and December, beginning in March 2015, final payment due December 15, 2018.	4,946,733
\$8,830,000, Series 2015 General Obligation Warrants, dated March 1, 2015 due in annual principal installments of \$135,000 increasing to \$2,580,000 beginning on December 15, 2015, with a final payment due December 15, 2028. Interest varying from of 2.00% to 4.00% per annum payable June 15 and December 15, first payment due December 15, 2015 and last December 15, 2028.	8,650,000
\$13,500,000, Series 2016-B General Obligation Warrants, dated June 15, 2016 due in quarterly installments of interest accrued on the outstanding principal balance. Interest of 2.85% per annum payable on the 15th of March, June, September, and December, beginning in September 2016, final payment due June 15, 2026.	1,775,000
\$612,462 of Capital Leases for Motorola Police Radios, payable in annual installments of \$204,154, beginning in 2016 with the final installment due in 2017.	408,308
Total Unamortized General Obligation Warrant Issue Premiums	<u>937,873</u>
Total Long Term Debt	<u>\$ 37,767,914</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

3. E. LONG-TERM DEBT (CONTINUED)

As of December 31, 2016 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. \$ 25,000

Annual debt service requirements to maturity, including principle and interest, for the governmental activities long-term debt as of December 31, 2016, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,834,154	\$ 891,808
2018	7,290,887	822,008
2019	2,215,000	750,868
2020	2,285,000	674,588
2021	2,575,000	618,648
2022-2026	14,285,000	2,177,402
2027-2028	5,345,000	324,950
Total	<u>\$ 36,830,041</u>	<u>\$ 6,260,272</u>

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:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	<u>25,000</u>	<u>766</u>
Total	<u>\$ 25,000</u>	<u>\$ 766</u>

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.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

3. F. UNEARNED REVENUE

The City has unearned revenues of \$6,081 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. Additionally, the City has unearned revenues of \$219,613 in the general fund from receiving advance funds from Acme Oyster House for the right to use public parking spaces located in the Waterway Village District. Additionally, the City deferred grant proceeds of \$37,490 for the BP Promotional Fund grant that will be spent in 2017. The remaining \$80 and \$2,515 is derived from gift certificates that have been purchased to the Bodenhamer Center and cash collected for 2017 merchandise sales at the City Store, respectively.

As of December 31, 2016 the City has unearned revenues of \$10,306 reported in the Capital Improvements Fund from Emfinger Paving assessments which has been deferred, and will be recognized when the receivables become available.

The remaining \$138,004 is derived from various sundry assessments for capital projects which are deferred, and will be recognized 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, 2016, the Storm Damage fund of the City of Gulf Shores had an accumulated total fund balance deficit of \$153,061. At December 31, 2016, the Capital Improvements fund of the City of Gulf Shores had an accumulated total fund balance deficit of \$133,863. At December 31, 2016, the 2016 GO Warrant Fund had an accumulated total fund balance deficit of \$80,042. It is anticipated that these deficits will be eliminated by future excess revenues over expenses.

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, 2016, was \$567,427,420 resulting in a debt limit of \$113,485,484. 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

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method. Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life.

Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement. The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2016, the City's membership consisted of:

Retired member or their beneficiaries currently receiving benefits	31
Vested inactive member	5
Non-vested inactive members	15
Active members	263
Post-DROP retired members still in active service	<u>1</u>
Total	<u><u>315</u></u>

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

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2016 (or other year-end if not September), the City's active employee contribution rate was 6.63 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 6.63 percent of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 8.21% of pensionable pay for Tier 1 employees, and 5.36% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,010,172 for the year ended December 31, 2016.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2014	\$ 24,603,926	\$ 24,366,325
(b) Entry Age Normal Cost for the period October 1, 2014 - September 30, 2015	1,039,908	1,039,908
(c) Actual Benefit Payments and Refunds for the period October 1, 2014 - September 30, 2015	(1,409,513)	(1,409,513)
(d) TPL as of September 30, 2015 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 26,146,255	\$ 25,889,645

Actuarial assumptions: The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2016 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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

*Includes assumed rate of inflation of 2.50%.

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at September 30, 2014	\$ 24,603,926	\$ 17,537,277	\$ 7,066,649
Change for the year:			
Service cost	1,039,908	-	1,039,908
Interest	1,911,934	-	1,911,934
Changes of assumptions			
Difference between expected and actual experience	(256,610)		(256,610)
Contributions-employer	-	952,313	(952,313)
Contributions - employee	-	643,754	(643,754)
Net investment income	-	207,616	(207,616)
Benefit payments, including refunds of employee contributions	(1,409,513)	(1,409,513)	-
Administrative expense	-	-	-
Transfers among employers	-	(261,088)	261,088
Net changes	<u>1,285,719</u>	<u>133,082</u>	<u>1,152,637</u>
Balance at September 30, 2015	<u>\$ 25,889,645</u>	<u>\$ 17,670,359</u>	<u>\$ 8,219,286</u>

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

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

1% Decrease (7%)	Current Discount (8%)	1% Increase (9%)
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Plan's Net Pension Liability (Asset)	\$ 11,771,064	\$ 8,219,286	\$ 5,280,401
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Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended December 31, 2016, the City recognized pension expense of \$1,010,721. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 227,115
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	582,532	-
Employer contributions subsequent to the Measurement Date	1,910,811	-
Total	\$ 2,493,343	\$ 227,115

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

Year Ended September 30	
2017	\$ 85,190
2018	85,190
2019	85,190
2020	208,982
2021	(29,495)
Thereafter	(79,640)

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 were used to 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, 2016 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).

In March 2016 the City issued \$8,830,000 Series 2016 General Obligation Warrants, which was used to partially advance refund the Series 2008 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 2016 Warrants into and 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 March 12, 2016 the City's General Obligation Warrants, Series 2008.

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 \$886,923 (\$13,725,748-12,838,825) 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 \$705,237 (PV of savings from cash flows \$702,754 plus cash refunding on hand \$2,483).

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. C. COMMITMENTS AND CONTINGENCIES

Construction, engineering, and design contracts for material public works project commitments at December 31, 2016 are as follows:

Contractor/Engineer	Construction/Professional Services Project	Resolution No.	Contract Amount Including Change Orders	Approximate Expenditures Incurred To Date	Approximate Balance of Contract
Thompson Engineering	Engineering - HWY 59 Sidewalks from 182 to 180	5440-14	\$ 172,375	\$ 145,283	\$ 27,093
DMD Engineers, Inc.	CE&I Materials Testing for Hwy 59 Sidewalks	5632-16	123,400	120,887	2,513
C. Thornton, Inc.	Construction of 8' Sidewalks - Hwy 59 from 182 to 180	5603-16	950,000	596,554	353,446
Pope Contracting, Inc.	Construction of Sidewalk and Bridge Improvements - Hwy 59 over Little Lagoon	5724-16	970,000	140,134	829,866
DMD Engineers, Inc.	Design of Hwy 59 Sidewalks from 180 to 20th Ave	5674-16	62,000	55,800	6,200
C. Thornton, Inc.	Construction of 8' Sidewalks - Hwy 59 from 180 to 20th Ave	5767-16	600,000	-	600,000
Dewberry Engineers, Inc.	Professional Services for Ft. Morgan Road Trail Improvements	5719-16	10,032	2,800	7,232
American Tennis Courts, Inc.	Construction of Sims Park Tennis Court Conversion	5706-16	280,526	217,262	63,265
Volkert & Associates	Prof. Serv. for NEPA Process for Beach Express Extension to Waterway East	5633-16	250,000	149,319	100,681
Volkert & Associates	Prof. Serv. to Improve Beach Blvd from Gulf State Park to West Lagoon Ave	5732-16	907,200	82,535	824,665
Hutchinson, Moore, & Rauch LL	Prof. Serv. for Little Lagoon Pass Pier	5740-16	17,730	15,105	2,625

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, and American United Life insurance company.

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 2016, rentals approximated \$35,667 for such leases. Approximately \$35,667, in minimum rental payments are due in 2016. 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	540,578
Equipment	77,031
	<u>711,547</u>
Less accumulated depreciation	(536,909)
Net investment in operating leases	<u>\$ 174,638</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

4. E. AIRPORT LEASES

In addition to the above lease terms, the lease agreements call for non-cancelable lease payments through December 31, 2050 as follows:

Year	Payment
2017	431,542
2018	434,538
2019	435,836
2020	445,678
Thereafter	15,192,418
Total	<u>\$ 16,940,012</u>

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 \$108,198 in 2016.

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 objective 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.

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 \$10,230. 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 two 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, 2016 is \$580,594 at a 4.0% assumed annual investment.

The gross annual required contribution (current liability) assumed payable is \$86,951, which consists of an annual normal cost assumed payable of \$53,377, plus a 30 year actuarial accrued liability amortization contribution of \$33,574. 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 2016 there was \$4,143 in early retirement sick leave paid out by the City to eligible retirees.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 \$7,624,851 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 \$7,624,851, 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. During the year, Colonial Realty Limited Partnership exercised a bargain purchase option to purchase the property for \$400,000. As a result, a prior period adjustment was made to the government wide financial statements of \$10,000,000 to remove the property from the City's fixed assets as it was a capital lease.

NOTE 5 – PRIOR PERIOD ADJUSTMENTS

In addition to the government wide prior period adjustment described in note 4.L, the general fund financial statements reflect a prior period adjustment in the amount of \$12,080. This amount represents temporary performance bonds coded to revenue in prior periods. The impact fees fund financial statements reflect a prior period adjustment in the amount of \$4,314. This amount represents a current year reimbursement of impact fees collected in prior years.

NOTE 6 – PENDING LITIGATION

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 provision for loss contingencies that may result from these proceedings.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated from January 1, 2017 through the financial statement issuance date April 18, 2017.

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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 2,721,845	\$ 2,721,845	\$ 2,871,351	\$ 149,506
Local Taxes	21,645,650	21,645,650	24,313,542	2,667,892
Licenses and Permits	2,846,000	2,846,000	3,314,362	468,362
Fines and Forfeitures	450,000	450,000	595,810	145,810
Utility Tax Equivalents	1,201,000	1,201,000	1,221,712	20,712
Intergovernmental:				
Federal and State Grants	152,355	152,355	150,682	(1,673)
State of Alabama - Taxes	67,700	67,700	145,301	77,601
Income on Investments	20,000	20,000	36,195	16,195
BP Proceeds	-	271,582	271,582	-
Other	2,988,900	2,540,271	2,233,118	(307,153)
Total Revenues	<u>32,093,450</u>	<u>31,916,403</u>	<u>35,153,655</u>	<u>3,237,252</u>
EXPENDITURES				
Executive Department	4,159,264	4,421,075	4,089,941	331,134
Municipal Court	364,702	400,702	433,340	(32,638)
Police Department	5,363,355	5,976,355	5,323,689	652,666
Fire and Emergency Services	3,842,449	3,806,449	3,848,350	(41,901)
Community and Economic Affairs	6,966,093	6,922,513	6,834,146	88,367
Public Works	5,814,499	5,789,299	5,620,933	168,366
Appropriations	277,500	227,500	220,233	7,267
Capital Outlay	301,100	85,000	84,408	592
Total Expenditures	<u>27,088,962</u>	<u>27,628,893</u>	<u>26,455,040</u>	<u>1,173,853</u>
Excess of revenues over expenditures	<u>5,004,488</u>	<u>4,287,510</u>	<u>8,698,615</u>	<u>4,411,105</u>
OTHER FINANCING SOURCES (USES)				
Bond issue proceeds	-	633,000	20,000	(613,000)
Proceeds from the sale of capital assets	20,000	120,000	134,640	14,640
Transfers from Other Funds	2,397,000	3,758,817	3,752,613	(6,204)
Transfer to Other Funds	(7,006,378)	(9,347,280)	(10,168,220)	(820,940)
Total Other Financing Uses	<u>(4,589,378)</u>	<u>(4,835,463)</u>	<u>(6,260,967)</u>	<u>(1,425,504)</u>
Net Change in Fund Balances	<u>\$ 415,110</u>	<u>\$ (547,953)</u>	<u>\$ 2,437,648</u>	<u>\$ 2,985,601</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.

THE CITY OF GULF SHORES
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Actuarially determined contribution	\$ 1,681,939	\$ 1,635,919
Contributions in relation to the actuarially determined contribution	1,681,939	1,635,919
Contribution deficiency (excess)	\$ -	\$ -
 Covered-employee payroll	 \$ 13,724,493	 \$ 11,761,236
Contributions as a percentage of covered-employee payroll	12.26%	13.91%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

THE CITY OF GULF SHORES, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2016

Total pension liability	2015	2014
Service Cost	\$ 1,039,908	\$ 984,884
Interest	1,911,934	1,786,919
Changes of benefit terms	-	-
Differences between expected and actual experience	(256,610)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,409,513)	(1,008,738)
Net change in total pension liability	1,285,719	1,763,065
Total pension liability-beginning	24,603,926	22,840,861
Total pension liability-ending (a)	<u>\$ 25,889,645</u>	<u>\$ 24,603,926</u>
Plan fiduciary net position		
Contributions - employer	\$ 952,313	\$ 959,691
Contributions - member	643,754	626,907
Net investment income	207,616	1,857,305
Benefit payments, including refunds of employee contributions	(1,409,513)	(1,008,738)
Transfers among employers	(261,088)	(176,551)
Net change in plan fiduciary net position	133,082	2,258,614
Plan net position - beginning	17,537,277	15,278,663
Plan net position - ending (b)	<u>\$ 17,670,359</u>	<u>\$ 17,537,277</u>
Net pension liability (asset) - ending	\$ 8,219,286	\$ 7,066,649
Plan fiduciary net position as a percentage of the total pension liability	68.25%	71.28%
Covered-employee payroll	\$ 11,761,236	\$ 11,761,236
Net pension liability (asset) as a percentage of covered-employee payroll	70%	60%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

**COMBINING FUND FINANCIAL
STATEMENTS AND SCHEDULES**

THE CITY OF GULF SHORES, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	<u>Special Revenue Funds</u>				<u>Capital Projects Funds</u>			Total Nonmajor Governmental Funds
	2% Lodgings Tax Fund	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	Storm Damage Fund	2016B GO Warrant Fund	
ASSETS								
Restricted cash and cash equivalents	\$ 1,471,124	\$ 240,267	\$ 669,260	\$ 21,810	\$ 150,415	\$ 249,143	\$ 95,436	\$ 2,897,455
Due from other funds	129,823	10,539	-	-	-	-	-	140,362
Prepaid and other assets	-	-	-	-	-	-	20,000	20,000
Total Assets	<u>\$ 1,600,947</u>	<u>\$ 250,806</u>	<u>\$ 669,260</u>	<u>\$ 21,810</u>	<u>\$ 150,415</u>	<u>\$ 249,143</u>	<u>\$ 115,436</u>	<u>\$ 3,057,817</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	1,195	9,094	-	24,943	-	195,478	230,710
Payroll taxes & benefits payable	-	-	-	-	9,896	-	-	9,896
Due to other funds	-	-	-	-	-	402,204	-	402,204
Total Liabilities	<u>-</u>	<u>1,195</u>	<u>9,094</u>	<u>-</u>	<u>34,839</u>	<u>402,204</u>	<u>195,478</u>	<u>642,810</u>
Deferred Inflow of Resources:								
Unearned revenue	-	-	-	-	-	-	-	-
Fund Balances:								
Spendable:								
Restricted	-	249,611	660,166	21,810	115,576	-	-	1,047,163
Committed	1,600,947	-	-	-	-	-	(80,042)	1,520,905
Unassigned	-	-	-	-	-	(153,061)	-	(153,061)
Total Fund Balances	<u>1,600,947</u>	<u>249,611</u>	<u>660,166</u>	<u>21,810</u>	<u>115,576</u>	<u>(153,061)</u>	<u>(80,042)</u>	<u>2,415,007</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 1,600,947</u>	<u>\$ 250,806</u>	<u>\$ 669,260</u>	<u>\$ 21,810</u>	<u>\$ 150,415</u>	<u>\$ 249,143</u>	<u>\$ 115,436</u>	<u>\$ 3,057,817</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
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	2% Lodgings Tax Fund	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	Storm Damage Fund	2016B GO Warrant Fund	
REVENUES								
Local taxes	\$ 2,933,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,933,709
Intergovernmental:								
State of Alabama taxes	-	512,843	-	-	-	-	-	512,843
Federal and State grants	-	-	-	-	226,602	-	-	226,602
Interest income	1,416	449	971	14	264	6	-	3,120
Impact fees	-	-	746,976	-	-	-	-	746,976
Other receipts	-	-	-	-	32,413	-	-	32,413
Total Revenues	<u>2,935,125</u>	<u>513,292</u>	<u>747,947</u>	<u>14</u>	<u>259,279</u>	<u>6</u>	<u>-</u>	<u>4,455,663</u>
EXPENDITURES								
Current Operating:								
Police	-	-	-	-	181,125	-	-	181,125
Fire	-	-	33,616	-	-	-	-	33,616
Public Works	-	-	-	-	661,026	-	770,177	1,431,203
Capital Outlay	-	-	-	-	-	-	968,994	968,994
Beach Restoration	-	-	-	-	52,800	-	-	52,800
Miscellaneous	-	44,391	-	-	(30)	-	-	44,361
Total Expenditures	<u>-</u>	<u>44,391</u>	<u>33,616</u>	<u>-</u>	<u>894,921</u>	<u>-</u>	<u>1,739,171</u>	<u>2,712,099</u>
Excess (Deficiency) of revenues Over Expenditures	<u>2,935,125</u>	<u>468,901</u>	<u>714,331</u>	<u>14</u>	<u>(635,642)</u>	<u>6</u>	<u>(1,739,171)</u>	<u>1,743,564</u>
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	-	-	-	1,775,000	1,775,000
Transfers In	-	-	-	-	731,082	23,078	-	754,160
Transfers Out	(2,631,082)	(373,000)	(332,000)	-	-	-	(115,871)	(3,451,953)
Total Other Financing Sources (Uses)	<u>(2,631,082)</u>	<u>(373,000)</u>	<u>(332,000)</u>	<u>-</u>	<u>731,082</u>	<u>23,078</u>	<u>1,659,129</u>	<u>(922,793)</u>
Net Change in Fund Balance	304,043	95,901	382,331	14	95,440	23,084	(80,042)	820,771
Fund Balances - Beginning	<u>1,296,904</u>	<u>153,710</u>	<u>277,835</u>	<u>21,796</u>	<u>20,136</u>	<u>(176,145)</u>	<u>-</u>	<u>1,594,236</u>
Fund Balances - Ending	<u>\$ 1,600,947</u>	<u>\$ 249,611</u>	<u>\$660,166</u>	<u>\$ 21,810</u>	<u>\$ 115,576</u>	<u>\$(153,061)</u>	<u>\$ (80,042)</u>	<u>\$ 2,415,007</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, 2016

	<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	\$ 1,416	\$ 416
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>1,416</u>	<u>416</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>1,416</u>	<u>416</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	2,640,000	2,640,000	2,933,709	293,709
Transfer to Other Funds	(2,431,082)	(2,631,082)	(2,631,082)	-
Total Other Financing Uses	<u>208,918</u>	<u>8,918</u>	<u>302,627</u>	<u>293,709</u>
Net Change in Fund Balances	209,918	9,918	304,043	294,125
Fund Balance, beginning	<u>1,296,904</u>	<u>1,296,904</u>	<u>1,296,904</u>	<u>-</u>
Fund Balance, ending	<u>\$ 1,506,822</u>	<u>\$ 1,306,822</u>	<u>\$ 1,600,947</u>	<u>\$ 294,125</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 basis of budgeting is the same as GAAP.

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, 2016

	<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	\$ 145,000	\$ 145,000	\$ 168,780	\$ 23,780
Law Enforcement:				
Federal Equity Sharing	-	-	-	-
State, Local & Other	5,000	5,000	16,309	11,309
Alabama Gasoline Excise Tax				
Four per gallon	16,000	16,000	16,809	809
Five per gallon	7,000	7,000	8,284	1,284
Seven per gallon	27,000	27,000	28,995	1,995
Petroleum Inspection Fees	4,000	4,000	4,703	703
Motor Fuel Distribution	1,000	1,000	1,241	241
State Shared Capital Improvement Fund	80,000	80,000	87,210	7,210
Corrections Fund	85,000	85,000	129,113	44,113
Municipal Court Judicial Administrative Fund	45,000	35,000	51,399	16,399
Interest income	-	-	449	449
Total Revenues	<u>415,000</u>	<u>405,000</u>	<u>513,292</u>	<u>108,292</u>
EXPENDITURES				
Account Administration	40,000	50,000	44,391	5,609
Total Expenditures	<u>40,000</u>	<u>50,000</u>	<u>44,391</u>	<u>5,609</u>
Excess of revenues over expenditures	<u>375,000</u>	<u>355,000</u>	<u>468,901</u>	<u>113,901</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund				
Corrections	(85,000)	(85,000)	(100,000)	(15,000)
Firefighters Ad Valorem	(145,000)	(145,000)	(139,000)	6,000
Law Enforcement Federal	-	-	-	-
Law Enforcement State, Local & Other	-	-	-	-
Alabama Gasoline Excise Tax	(55,000)	(55,000)	(54,000)	1,000
State Capital Improvements	(80,000)	(80,000)	(80,000)	-
Total Other Financing Uses	<u>(365,000)</u>	<u>(365,000)</u>	<u>(373,000)</u>	<u>(8,000)</u>
Net Change in Fund Balances	10,000	(10,000)	95,901	105,901
Fund Balance, beginning	<u>153,710</u>	<u>153,710</u>	<u>153,710</u>	<u>-</u>
Fund Balance, ending	<u>\$ 163,710</u>	<u>\$ 143,710</u>	<u>\$ 249,611</u>	<u>\$ 105,901</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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Parks & Recreation	\$ 212,000	\$ 212,000	\$ 363,841	\$ 151,841
Fire	40,000	40,000	56,285	16,285
Police	29,500	29,500	41,220	11,720
Public Works	120,000	120,000	285,655	165,655
Interest income	-	-	971	971
Other	-	-	(25)	(25)
Total Revenues	<u>401,500</u>	<u>401,500</u>	<u>747,947</u>	<u>346,447</u>
EXPENDITURES				
Current				
Fire	40,000	40,000	33,616	6,384
Recreation	-	-	-	-
Public Works	-	-	-	-
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>33,616</u>	<u>6,384</u>
Excess of revenues over expenditures	<u>361,500</u>	<u>361,500</u>	<u>714,331</u>	<u>352,831</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	332,000	332,000	332,000	-
Total Other Financing Uses	<u>332,000</u>	<u>332,000</u>	<u>332,000</u>	<u>-</u>
Net Change in Fund Balances	29,500	29,500	382,331	352,831
Fund Balance, beginning	<u>277,835</u>	<u>277,835</u>	<u>277,835</u>	<u>-</u>
Fund Balance, ending	<u>\$ 307,335</u>	<u>\$ 307,335</u>	<u>\$ 660,166</u>	<u>\$ 352,831</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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 14	\$ 14
Total Revenues	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
EXPENDITURES				
Account Administration	-	-	-	-
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 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>14</u>	<u>14</u>
Fund Balance, beginning	<u>21,796</u>	<u>21,796</u>	<u>21,796</u>	<u>-</u>
Fund Balance, ending	<u>\$ 21,796</u>	<u>\$ 21,796</u>	<u>\$ 21,810</u>	<u>\$ 14</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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 264	\$ 264
Federal and State grants	113,302	197,278	226,602	29,324
Other	-	-	32,413	32,413
Total Revenues	<u>113,302</u>	<u>197,278</u>	<u>259,279</u>	<u>62,001</u>
EXPENDITURES				
Police	211,664	199,664	181,125	18,539
Public Works	574,720	658,696	661,026	(2,330)
Capital Outlay	70,000	70,000	52,800	17,200
Beach Restoration	-	-	-	-
Miscellaneous	-	-	(30)	30
Total Expenditures	<u>856,384</u>	<u>928,360</u>	<u>894,921</u>	<u>33,439</u>
Excess of revenues over expenditures	<u>(743,082)</u>	<u>(731,082)</u>	<u>(635,642)</u>	<u>95,440</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	731,082	731,082	731,082	-
Transfer to Other Funds	-	-	-	-
Total Other Financing Uses	<u>731,082</u>	<u>731,082</u>	<u>731,082</u>	<u>-</u>
Net Change in Fund Balances	(12,000)	-	95,440	95,440
Fund Balance, beginning	<u>20,136</u>	<u>20,136</u>	<u>20,136</u>	<u>-</u>
Fund Balance, ending	<u>\$ 8,136</u>	<u>\$ 20,136</u>	<u>\$ 115,576</u>	<u>\$ 95,440</u>

THE CITY OF GULF SHORES, ALABAMA
2016 B WARRANT PROCEEDS CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Public Works	-	1,077,070	770,177	(306,893)
Capital Outlay	-	1,807,059	968,994	(838,065)
Total Expenditures	<u>-</u>	<u>2,884,129</u>	<u>1,739,171</u>	<u>(1,144,958)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(2,884,129)</u>	<u>(1,739,171)</u>	<u>(1,144,958)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,000,000	1,775,000	(1,225,000)
Transfers Out	-	(115,871)	(115,871)	-
Total Other Financing Uses	<u>-</u>	<u>2,884,129</u>	<u>1,659,129</u>	<u>(1,225,000)</u>
Net Change in Fund Balances	<u>-</u>	<u>(5,768,258)</u>	<u>(80,042)</u>	<u>80,042</u>
Fund Balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ (5,768,258)</u>	<u>\$ (80,042)</u>	<u>\$ 80,042</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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 325	\$ 325
Other	-	-	1,800	1,800
Total Revenues	<u>-</u>	<u>-</u>	<u>2,125</u>	<u>2,125</u>
EXPENDITURES				
West 10th Street Public Access	-	-	-	-
East Beach Boulevard Bypass	-	-	-	-
Grant Match				
ALDOT - Adaptive Signals	-	-	-	-
ALDOT - Sidewalk Handicap Access	-	-	-	-
ALDOT - Sidewalks Widening	-	-	-	-
ADECA -Fort Morgan Trail	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,125</u>	<u>2,125</u>
OTHER FINANCING SOURCES (USES)				
Transfer From Other Funds	-	-	-	-
Transfer to Other Funds	-	-	(154)	154
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(154)</u>	<u>154</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>1,971</u>	<u>1,971</u>
Fund Balance, beginning	<u>(135,834)</u>	<u>(135,834)</u>	<u>(135,834)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (135,834)</u>	<u>\$ (135,834)</u>	<u>\$ (133,863)</u>	<u>\$ 1,971</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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Rent Income	\$ -	\$ 499,015	\$ 499,015	\$ -
Interest income	-	499,015	703	(498,312)
Total Revenues	<u>-</u>	<u>998,030</u>	<u>499,718</u>	<u>(498,312)</u>
EXPENDITURES				
Miscellaneous	4,250	4,250	4,332	(82)
Principal	2,799,612	8,007,570	8,007,570	-
Interest	1,328,463	1,122,088	1,115,452	6,636
Total Expenditures	<u>4,132,325</u>	<u>9,133,908</u>	<u>9,127,354</u>	<u>6,554</u>
Excess of revenues over expenditures	<u>(4,132,325)</u>	<u>(8,135,878)</u>	<u>(8,627,636)</u>	<u>(491,758)</u>
OTHER FINANCING SOURCES (USES)				
Bond issue proceeds	-	-	-	-
Bond Premium, net	-	-	-	-
Loss on bond refunding	-	-	-	-
Transfer from Other Funds	4,369,111	7,216,595	7,211,433	(5,162)
Total Other Financing Uses	<u>4,369,111</u>	<u>7,216,595</u>	<u>7,211,433</u>	<u>(5,162)</u>
Net Change in Fund Balances	236,786	(919,283)	(1,416,203)	(496,920)
Fund Balance, beginning	<u>2,450,408</u>	<u>2,450,408</u>	<u>2,450,408</u>	<u>-</u>
Fund Balance, ending	<u>\$ 2,687,194</u>	<u>\$ 1,531,125</u>	<u>\$ 1,034,205</u>	<u>\$ (496,920)</u>

Note to Budgetary Comparison 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.

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, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 6	\$ 6
Total Revenues	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
EXPENDITURES				
Parks, Recreation & Other	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	24,000	23,078	-
Total Other Financing Uses	<u>-</u>	<u>24,000</u>	<u>23,078</u>	<u>-</u>
Net Change in Fund Balances	-	(24,000)	23,084	6
Fund Balance, beginning	<u>(176,145)</u>	<u>(176,145)</u>	<u>(176,145)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (176,145)</u>	<u>\$ (200,145)</u>	<u>\$ (153,061)</u>	<u>\$ 6</u>

THE CITY OF GULF SHORES, ALABAMA
2014 GO WARRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Federal and State Grants	\$ 113,302	\$ 1,251,504	\$ 779,629	\$ (471,875)
Interest income	-	-	-	-
Total Revenues	<u>113,302</u>	<u>1,251,504</u>	<u>779,629</u>	<u>(471,875)</u>
EXPENDITURES				
Public Works	2,891,688	4,725,835	3,511,759	1,214,076
Capital outlay	-	20,000	20,014	(14)
Miscellaneous	-	-	97	(97)
Total Expenditures	<u>2,891,688</u>	<u>4,745,835</u>	<u>3,531,870</u>	<u>1,213,965</u>
Excess of revenues over expenditures	<u>(2,778,386)</u>	<u>(3,494,331)</u>	<u>(2,752,241)</u>	<u>742,090</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,890,184	2,682,653	1,715,000	(967,653)
Transfer to Other Funds	-	-	-	-
Total Other Financing Uses	<u>1,890,184</u>	<u>2,682,653</u>	<u>1,715,000</u>	<u>(967,653)</u>
Net Change in Fund Balances	(888,202)	(811,678)	(1,037,241)	(225,563)
Fund Balance, beginning	<u>1,101,244</u>	<u>1,101,244</u>	<u>1,101,244</u>	<u>-</u>
Fund Balance, ending	<u>\$ 213,042</u>	<u>\$ 289,566</u>	<u>\$ 64,003</u>	<u>\$ (225,563)</u>

THE CITY OF GULF SHORES, ALABAMA
STATISTICAL SECTION
DECEMBER 31, 2016

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 other wise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

STATISTICAL SECTION

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

	<u>2007</u>	<u>2008*</u>	<u>Fiscal Year 2009</u>	<u>2010</u>	<u>2011**</u>
Governmental Activities					
Net Investment in capital assets	\$ 23,092,192	\$ 27,718,754	\$ 26,875,334	\$ 32,443,514	\$ 25,129,660
Restricted**	-	-	-	-	4,674,869
Unrestricted	(6,785,381)	(6,934,917)	9,411,377	9,765,391	22,442,057
Total governmental activities Net Position	<u>16,306,811</u>	<u>20,783,837</u>	<u>36,286,711</u>	<u>42,208,905</u>	<u>52,246,586</u>
Business-type activities					
Net Investment in capital assets	14,036,604	2,152,122	17,377,364	2,097,881	2,070,760
Unrestricted	1,762,474	26,188	133,349	69,694	69,858
Total business-type activities Net Position	<u>15,799,078</u>	<u>2,178,310</u>	<u>17,510,713</u>	<u>2,167,575</u>	<u>2,140,618</u>
Primary government					
Net Investment in capital assets	37,128,796	29,870,876	44,252,698	34,541,395	27,200,420
Restricted**	-	-	-	-	4,674,869
Unrestricted	(5,022,907)	(6,908,729)	9,544,726	9,835,085	22,511,915
Total primary government Net Position	<u>\$ 32,105,889</u>	<u>\$ 22,962,147</u>	<u>\$ 53,797,424</u>	<u>\$ 44,376,480</u>	<u>\$ 54,387,204</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

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

Schedule I
City of Gulf Shores
Net Position by Component
Last Ten Fiscal Years

	2012	2013	Fiscal Year 2014	2015	2016
Governmental Activities					
Net Investment in capital assets	\$ 30,068,504	\$ 38,121,287	\$ 42,984,614	\$ 45,722,455	\$ 45,289,955
Restricted**	18,604,002	3,899,134	4,512,902	4,454,624	1,603,565
Unrestricted	10,030,325	20,521,555	21,935,254	15,958,220	19,667,019
Total governmental activities Net Position	58,702,831	62,541,976	69,432,770	66,135,299	66,560,539
Business-type activities					
Net Investment in capital assets	2,043,639	2,016,518	1,989,397	1,962,276	1,935,155
Unrestricted	38,534	31,060	3,723	3,725	3,727
Total business-type activities Net Position	2,082,173	2,047,578	1,993,120	1,966,001	1,938,882
Primary government					
Net Investment in capital assets	32,112,143	40,137,805	44,974,011	47,684,731	47,225,110
Restricted**	18,604,002	3,899,134	4,512,902	4,454,624	1,603,565
Unrestricted	10,068,859	20,552,615	21,938,977	15,961,945	19,670,746
Total primary government Net Position	\$ 60,785,004	\$ 64,589,554	\$ 71,425,890	\$ 68,101,300	\$ 68,499,421

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

	<u>2007</u>	<u>2008*</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses					
Governmental activities:					
Executive	\$ 3,118,424	\$ 3,876,306	\$ 3,337,227	\$ 3,557,756	\$ 3,646,526
Municipal Court	256,691	350,461	264,323	315,489	320,136
Police	3,868,179	5,590,850	3,610,001	3,961,753	4,542,844
Fire	2,010,918	4,154,573	3,031,788	3,158,784	3,545,999
Public Works	5,574,241	6,875,071	4,553,330	5,796,817	5,044,565
Community and Economic Affairs	5,233,237	6,234,581	4,836,883	5,203,873	5,904,452
Other	2,576,073	3,398,013	2,335,885	2,330,140	6,016,243
Total governmental activities expenses	<u>22,637,763</u>	<u>30,479,855</u>	<u>21,969,437</u>	<u>24,324,612</u>	<u>29,020,765</u>
Business-type activities:					
Jack Edwards Airport, Airport Authority	1,008,237		898,944		
Public Education Authority	193,282	198,674	190,751	191,366	188,686
Total business-type activities expenses	<u>1,201,519</u>	<u>198,674</u>	<u>1,089,695</u>	<u>191,366</u>	<u>188,686</u>
Total primary government expenses	<u>23,839,282</u>	<u>30,678,529</u>	<u>23,059,132</u>	<u>24,515,978</u>	<u>29,209,451</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	7,224	9,405	1,039	20,975	5,456
Municipal Court	412,609	443,103	364,946	381,667	398,801
Police	3,542	21,125	16,688	5,426	8,273
Fire	1,596	33,189	22,885	7,442	7,468
Community and Economic Affairs	430,164	3,882,347	3,187,112	3,120,094	3,559,168
Public Works	4,589,675	2,425,557	161,962	92,807	117,280
Operating Grants and Contributions	707,337	690,116	332,825	1,355,967	659,443
Capital Grants and Contributions	388,028	997,050	93,976	806,079	2,992,714
Total governmental activities program revenues	<u>6,540,175</u>	<u>8,501,892</u>	<u>4,181,433</u>	<u>5,790,457</u>	<u>7,748,603</u>
Business-type activities					
Charges for services					
Public Education Building Authority	204,045	242,844	161,230	164,245	161,565
Airport Authority	1,407,701		2,533,661		
Total business-type activities program revenues	<u>1,611,746</u>	<u>242,844</u>	<u>2,694,891</u>	<u>164,245</u>	<u>161,565</u>
Total primary government program revenues	<u>\$ 8,151,921</u>	<u>\$ 8,744,736</u>	<u>\$ 6,876,324</u>	<u>\$ 5,954,702</u>	<u>\$ 7,910,168</u>
Net (Expense)/Revenue					
Governmental activities	\$ (16,097,588)	\$ (21,977,963)	\$ (17,788,004)	\$ (18,534,155)	\$ (21,272,162)
Business-type activities	410,227	44,170	1,605,196	(27,121)	(27,121)
Total primary government net expense	<u>(15,687,361)</u>	<u>(21,933,793)</u>	<u>(16,182,808)</u>	<u>(18,561,276)</u>	<u>(21,299,283)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	3,002,915	4,055,825	4,829,741	2,874,858	3,444,058
Local taxes	17,229,278	19,124,991	16,099,252	14,090,126	18,385,150
Franchise taxes	922,973	1,358,036	1,173,166	1,135,118	1,172,815
State taxes	572,822	376,213	507,597	296,473	321,933
Investment earnings	1,334,581	999,710	415,465	300,395	91,545
Miscellaneous	117,782	683,025	341,266	369,997	278,677
Contributions	2,150,000	-	-	5,476,579	6,402,323
Gain/(Loss) on Disposal of Assets	(6,826)	5,158	(28,116)	8,803	28,342
Transfers	(101,951)	(147,969)	(96,000)	(96,000)	
Total governmental activities	<u>25,221,574</u>	<u>26,454,989</u>	<u>23,242,371</u>	<u>24,456,349</u>	<u>30,124,843</u>
Business-type activities:					
Investment earnings	13,581	1,143	228	539	164
Miscellaneous	-	-	61,709	-	-
Transfers	101,951	-	102,000	-	-
Total business-type activities	<u>115,532</u>	<u>1,143</u>	<u>163,937</u>	<u>539</u>	<u>164</u>
Total primary government	<u>25,337,106</u>	<u>26,456,132</u>	<u>23,406,308</u>	<u>24,456,888</u>	<u>30,125,007</u>
Changes in Net Position					
Governmental activities	9,123,986	4,477,026	5,454,367	5,922,194	8,852,681
Business-type activities	525,759	45,313	1,769,133	(26,582)	(26,957)
Total primary government	<u>\$ 9,649,745</u>	<u>\$ 4,522,339</u>	<u>\$ 7,223,500</u>	<u>\$ 5,895,612</u>	<u>\$ 8,825,724</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 Position, Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses					
Governmental activities:					
Executive	\$ 3,492,747	\$ 3,644,562	\$ 3,872,284	\$ 4,459,113	\$ 4,657,072
Municipal Court	324,188	307,308	299,305	360,707	433,826
Police	4,301,242	5,060,640	4,711,188	4,960,912	5,656,457
Fire	3,397,974	3,583,029	3,665,512	4,843,162	3,408,579
Public Works	12,044,437	9,036,092	6,388,214	7,053,798	7,637,148
Community and Economic Affairs	7,354,432	6,748,057	7,182,958	7,212,912	7,608,894
Other	2,166,635	1,536,803	1,401,422	1,415,022	1,107,600
Total governmental activities expenses	<u>33,081,655</u>	<u>29,916,491</u>	<u>27,520,883</u>	<u>30,305,626</u>	<u>30,509,576</u>
Business-type activities:					
Public Education Authority	221,980	199,339	147,259	27,121	27,121
Total business-type activities expenses	<u>221,980</u>	<u>199,339</u>	<u>147,259</u>	<u>27,121</u>	<u>27,121</u>
Total primary government expenses	<u>33,303,635</u>	<u>30,115,830</u>	<u>27,668,142</u>	<u>30,332,747</u>	<u>30,536,697</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	15,208	49,600	(103,078)	11,843	11,934
Municipal Court	456,488	545,389	544,119	619,101	791,319
Police	19,949	21,181	35,044	38,188	46,172
Fire	25,493	27,524	44,389	31,520	56,285
Community and Economic Affairs	4,006,776	4,130,862	4,797,510	4,845,158	5,322,428
Public Works	262,635	330,832	572,916	394,250	695,612
Operating Grants and Contributions	348,819	1,433,071	1,553,425	755,096	1,213,150
Capital Grants and Contributions	8,965,656	2,964,418	1,287,091	-	2,326,999
Total governmental activities program revenues	<u>14,101,024</u>	<u>9,502,877</u>	<u>8,731,416</u>	<u>6,695,156</u>	<u>10,463,899</u>
Business-type activities					
Charges for services					
Public Education Building Authority	163,503	164,728	120,138	-	-
Total business-type activities program revenues	<u>163,503</u>	<u>164,728</u>	<u>120,138</u>	<u>-</u>	<u>-</u>
Total primary government program revenues	<u>\$ 14,264,527</u>	<u>\$ 9,667,605</u>	<u>\$ 8,851,554</u>	<u>\$ 6,695,156</u>	<u>\$ 10,463,899</u>
Net (Expense)/Revenue					
Governmental activities	<u>\$ (18,980,631)</u>	<u>\$ (20,413,614)</u>	<u>\$ (18,789,467)</u>	<u>\$ (23,610,470)</u>	<u>\$ (20,045,677)</u>
Business-type activities	<u>(58,477)</u>	<u>(34,611)</u>	<u>(27,121)</u>	<u>(27,121)</u>	<u>(27,121)</u>
Total primary government net expense	<u>(19,039,108)</u>	<u>(20,448,225)</u>	<u>(18,816,588)</u>	<u>(23,637,591)</u>	<u>(20,072,798)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	2,500,195	2,402,380	2,556,551	2,715,667	2,871,351
Local taxes	19,962,896	20,798,896	21,387,762	22,565,403	24,313,543
Franchise taxes	1,162,351	1,151,859	1,253,354	1,244,634	1,221,712
State taxes	329,770	492,085	402,057	379,494	477,632
Investment earnings	37,187	20,397	22,341	33,835	40,343
Miscellaneous	145,782	50,208	84,407	110,376	495,604
Contributions/BP Settlement	1,336	-	-	-	-
Gain/(Loss) on Disposal of Assets	(14,517)	(60,212)	(53,563)	34,369	(1,703)
Transfers	-	-	27,347	-	-
Total governmental activities	<u>24,125,000</u>	<u>24,855,613</u>	<u>25,680,256</u>	<u>27,083,778</u>	<u>29,418,482</u>
Business-type activities:					
Investment earnings	32	17	10	2	2
Miscellaneous	-	-	-	-	-
Transfers	-	-	(27,347)	-	-
Total business-type activities	<u>32</u>	<u>17</u>	<u>(27,337)</u>	<u>2</u>	<u>2</u>
Total primary government	<u>24,125,032</u>	<u>24,855,630</u>	<u>25,652,919</u>	<u>27,083,780</u>	<u>29,418,484</u>
Changes in Net Position					
Governmental activities	<u>5,144,369</u>	<u>4,441,999</u>	<u>6,890,789</u>	<u>3,473,308</u>	<u>9,372,805</u>
Business-type activities	<u>(58,445)</u>	<u>(34,594)</u>	<u>(54,458)</u>	<u>(27,119)</u>	<u>(27,119)</u>
Total primary government	<u>\$ 5,085,924</u>	<u>\$ 4,407,405</u>	<u>\$ 6,836,331</u>	<u>\$ 3,446,189</u>	<u>\$ 9,345,686</u>

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

	Fiscal Year				
	2007	2008*	2009	2010	2011**
General Fund					
Reserved	\$ 1,750,000	\$ 6,069,660	\$ 5,587,449	\$ 4,947,340	
Unreserved	138,260	(7,566,741)	7,996,836	8,787,729	
					300,707
					488,283
					8,307,075
					8,587,555
Total general fund	<u>1,888,260</u>	<u>(1,497,081)</u>	<u>13,584,285</u>	<u>13,735,069</u>	<u>17,683,620</u>
Other Governmental Funds					
Reserved	-	-	-	-	
Unreserved, reported in:					
Storm Damage Fund	-	-	-	-	
Debt Service fund	2,654,399	2,726,194	2,401,966	2,266,764	
Capital Projects funds	7,121,853	8,053,171	7,470,961	6,451,384	
Special Revenue funds	426,661	1,516,194	1,516,019	1,142,547	
					-
					4,186,586
					5,456,776
					(8,168)
Total - governmental funds	<u>\$ 12,091,173</u>	<u>\$ 10,798,478</u>	<u>\$ 24,973,231</u>	<u>\$ 23,595,764</u>	<u>\$ 27,318,814</u>

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

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

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

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund					
Reserved					
Unreserved					
Nonspendable**	1,351,138	358,728	525,046	447,410	543,176
Spendable:**					
Restricted**	120,285	184,255	133,939	111,473	142,145
Committed**	7,108,782	7,213,450	7,617,230	7,621,040	7,624,851
Unassigned**	10,024,404	13,237,619	14,123,171	15,825,708	18,145,189
Total general fund	<u>18,604,609</u>	<u>20,994,052</u>	<u>22,399,386</u>	<u>24,005,631</u>	<u>26,455,361</u>
Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Storm Damage Fund					
Debt Service fund					
Capital Projects funds					
Special Revenue funds					
Nonspendable**	-	-	-	811,678	-
Spendable:**					
Restricted**	4,264,615	3,714,879	4,378,963	3,217,766	1,113,784
Committed**	5,871,635	64,344	30,114	1,296,904	1,520,905
Unassigned**	(5,844)	(285,723)	(304,098)	(311,979)	(286,924)
Total - governmental funds	<u>\$ 28,735,015</u>	<u>\$ 24,487,552</u>	<u>\$ 26,504,365</u>	<u>\$ 29,020,000</u>	<u>\$ 28,803,126</u>

** 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				
	2007	2008*	2009	2010	2011
Revenues					
Taxes					
Property	\$ 3,002,915	\$ 4,055,825	\$ 4,829,741	\$ 2,874,858	\$ 3,444,058
Local	17,229,278	19,124,991	16,099,252	14,090,126	18,385,151
Licenses, fees and permits	3,254,980	2,282,137	1,774,814	1,793,733	1,885,421
Fines and forfeitures	357,709	339,901	283,025	287,012	309,520
Utility tax equivalents	922,973	1,358,036	1,173,166	1,135,118	1,172,815
Intergovernmental	1,760,784	2,175,825	1,002,180	1,354,240	3,498,398
Investment earnings	1,286,450	972,545	415,242	300,394	91,545
Impact fees	21,789	274,998	171,943	59,313	96,108
BP lost revenues	-	-	-	5,476,579	6,402,323
Assessments/Rental Income	249,646	2,138,702	461,372	477,759	323,746
Other revenues	1,658,320	2,417,430	1,397,759	1,422,399	2,276,277
Total Revenues	29,744,844	35,140,390	27,608,494	29,271,531	37,885,362
Expenditures					
General government	3,013,172	3,843,238	3,047,993	3,484,930	3,245,746
Police	3,647,436	5,163,685	3,707,762	3,737,845	3,817,726
Fire	2,277,696	3,737,052	2,812,995	4,140,832	3,364,846
Community and Economic Affairs	11,481,639	12,039,585	4,119,314	4,465,315	4,813,793
Public Works	5,923,290	9,251,581	4,098,407	4,708,135	4,398,046
Appropriations	117,962	203,569	61,000	57,000	137,974
Hurricane damage	-	-	-	-	-
Capital outlay	2,307,074	4,981,553	286,290	3,845,653	4,347,906
Non capitalized equipment	-	-	-	-	1,023,381
Beach restoration	129,365	97,439	69,576	83,028	37,688
Principal	2,848,471	10,448,915	3,745,338	3,684,476	4,039,926
Interest	2,601,500	3,473,511	2,335,885	2,330,140	2,215,788
Miscellaneous	268,054	409,503	5,666	8,988	27,889
Litigation Settlement	-	-	-	-	3,800,455
Total Expenditures	34,615,659	53,649,631	24,290,226	30,546,342	35,271,164
Excess(Deficiency) of revenues over (under) expenditures	(4,870,815)	(18,509,241)	3,318,268	(1,274,811)	2,614,198
Other Financing Sources (Uses)					
Bond Issue Proceeds	316,984	17,364,514	-	-	1,204,825
Transfers In	18,315,874	15,690,435	16,164,963	4,574,279	4,662,044
Transfers Out	(18,417,825)	(15,838,404)	(16,260,399)	(4,670,279)	(4,758,044)
Total Other Financing Sources and (Uses)	215,033	17,216,545	(95,436)	(96,000)	1,108,825
Net change in Fund Balance	\$ (4,655,782)	\$ (1,292,696)	\$ 3,222,832	\$ (1,370,811)	\$ 3,723,023
Prior Period Adjustment					
Debt service as a percentage of noncapital expenditures	17%	29%	25%	23%	20%

*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				
	2012	2013	2014	2015	2016
Revenues					
Taxes					
Property	\$ 2,500,194	\$ 2,402,381	\$ 2,556,551	\$ 2,715,667	\$ 2,871,352
Local	19,962,896	20,798,897	21,387,763	22,565,403	24,313,542
Licenses, fees and permits	2,229,453	2,374,442	2,908,946	2,854,090	3,314,362
Fines and forfeitures	338,470	387,739	395,866	470,778	595,810
Utility tax equivalents	1,162,351	1,151,859	1,253,354	1,244,634	1,221,712
Intergovernmental	9,084,912	3,893,517	1,862,536	1,203,998	1,815,057
Investment earnings	37,185	20,398	22,342	33,836	40,343
Impact fees	280,032	307,242	540,482	415,941	746,976
BP lost revenues/settlements	1,336	360,995	639,005	-	271,582
Assessments/Rental Income	218,977	120,822	118,276	35,276	499,015
Other revenues	2,421,992	2,654,341	2,772,373	2,205,074	2,267,330
Total Revenues	38,237,798	34,472,633	34,457,494	33,744,697	37,957,081
Expenditures					
General government	3,207,917	3,332,695	3,665,722	4,322,578	1,721,831
Police	4,141,692	5,140,408	4,551,402	4,992,638	5,130,530
Fire	3,246,080	3,336,121	3,939,208	3,639,166	2,886,570
Community and Economic Affairs	5,542,994	5,557,550	7,116,128	6,564,129	4,893,969
Public Works	11,627,419	8,149,913	7,021,734	8,308,196	9,018,160
Appropriations	1,148,747	279,758	105,221	113,027	220,233
Hurricane damage	-	-	-	-	-
Capital outlay	6,555,369	6,707,464	1,794,958	4,417,702	8,730,456
Non capitalized equipment**	-	-	-	-	-
Beach restoration	57,095	-	62,700	61,212	52,800
Principal	23,667,897	4,665,150	4,185,512	12,396,644	8,007,570
Interest	1,786,635	1,536,803	1,412,075	1,210,773	1,115,452
Miscellaneous	8,015	14,243	57,095	187,064	48,790
Litigation Settlement	15,374	-	-	-	-
Total Expenditures	61,005,234	38,720,105	33,911,755	46,213,129	41,826,361
Excess(Deficiency) of revenues over (under) expenditures	(22,767,436)	(4,247,472)	545,739	(12,468,432)	(3,869,280)
Other Financing Sources (Uses)					
Bond Issue/Loan Proceeds/CapASale	22,871,761	-	890,000	15,152,340	3,644,640
Transfers In	26,061,441	7,110,115	6,459,306	7,444,384	11,184,891
Transfers Out	(26,061,441)	(7,110,115)	(6,431,958)	(7,444,384)	(11,184,891)
Total Other Financing	22,871,761	-	917,348	15,152,340	3,644,640
Sources and (Uses)					
Net change in Fund Balance	\$ 104,325	\$ (4,247,472)	\$ 1,463,087	\$ 2,683,908	\$ (224,640)
Prior Period Adjustment	\$ 1,311,876				
Debt service as a percentage of noncapital expenditures	47%	19%	17%	33%	28%

**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
2016	8,649,240	537,851,520	133,328,920	113,846,360	566,085,720	5.00	\$ 4,051,377,600	13.97%
2015	8,608,400	512,195,700	125,447,700	111,452,940	534,798,860	5.00	\$ 3,844,150,167	13.91%
2014	7,050,020	529,539,560	117,188,520	146,793,660	506,984,440	4.93	\$ 3,843,083,067	13.19%
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	4.92	\$ 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%

Source: Baldwin County Revenue Commissioner 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%.

*2014 Commercial Value decline due to county adjustment of valuation of condominium projects to stop "double counting" the value of the condominiums per Walt Lindsey, Chief Appraiser, Baldwin County.

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Year</u>	<u>Taxable Property Assessed Valuation</u>	<u>Current Collections</u>	<u>Subsequent Collections</u>	<u>Total Collections</u>	<u>Percent Parcels Paid</u>
2016	2,823,961	566,085,720	2,795,538	-	2,795,538	98.99%
2015	2,666,050	534,967,860	2,664,330	313	2,664,643	99.95%
2014	2,491,031	499,994,940	2,487,820	1,251	2,489,071	99.92%
2013	2,390,195	478,341,860	2,385,827	1,201	2,387,028	99.87%
2012	2,335,949	468,268,740	2,330,828	1,173	2,332,001	99.83%
2011	2,443,936	487,433,360	2,432,011	4,158	2,436,169	99.68%
2010	2,672,688	524,154,540	2,650,756	10,723	2,661,479	99.58%
2009	3,083,761	635,336,040	3,032,936	15,607	3,048,543	98.86%
2008	3,606,988	754,643,100	3,306,982	201,831	3,508,813	97.28%
2007	3,946,991	866,383,116	3,769,358	129,550	3,898,908	98.78%
2006	3,045,347	627,037,700	3,039,580	2,400	3,041,980	99.89%

	Levy Rate
State of Alabama	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

Schedule 7
City of Gulf Shores
Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	2016			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Baldwin Co Electric	\$ 6,842,300	1	1.21%	\$ 6,878,100	4	1.10%
Mid America Apartments LP fka Colonial	5,690,780	2	1.01%			
The Links at Gulf Shores	4,412,260	3	0.78%			
The Links at Gulf Shores, LP	4,212,660	4	0.74%			
Villas at Bon Secour Owner LLC	3,125,320	5	0.55%			
Wal-Mart Real Estate Business	2,711,220	6	0.48%	4,642,120	7	0.74%
21300 Sweetwater LLC	2,617,080	7	0.46%			
Phoenix Gulf Shores LLC	2,588,800	8	0.46%			
Beach Place Development LLC	2,508,260	9	0.44%			
Howard Resort Inns, Inc	2,158,940	10	0.38%	5,121,220	6	0.82%
East Beach Development	-		-	14,162,780	1	2.26%
Holiday Development LLC	-		-	7,992,620	2	1.27%
Seawind Development Co LLC				7,725,140	3	1.23%
Crystal Shores West LLC	-		-	5,880,000	5	0.94%
JCL Investments LLC				4,242,920	8	0.68%
Colonial Properties Services Inc				3,719,640	9	0.59%
Brett Robinson	-		-	3,471,000	10	0.55%
Total Assessment (All GS)	\$ 566,085,720		6.51%	\$ 627,037,700		10.18%

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	2016			2006		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 2,259,443	1	15.82%	\$ 2,162,385	1	20.08%
Retail Trade	755,134	2	5.29%			
Retail Trade	667,955	3	4.68%	211,429	6	
Retail Trade	557,675	4	3.91%			
Arts, Entertainment, Recreation	416,059	5	2.91%			
Accomodation & Food Services	411,195	6	2.88%	228,060		2.12%
Accomodation & Food Services	325,032	7	2.28%	318,878	4	2.96%
Retail Trade	259,289	8	1.82%	144,651		1.34%
Retail Trade	224,208	9	1.57%	221,599	5	2.06%
Accomodation & Food Services	211,910	10	1.48%	180,994	8	1.68%
Retail Trade	-		-	362,142	2	3.36%
Retail Trade	-		-	352,209	3	3.27%
Retail Trade	-		-	185,641	7	1.72%
Retail Trade	-		-	150,061	9	1.39%
Retail Trade	-		-	143,938	10	1.34%
Total	<u>\$ 14,279,458</u>		<u>42.63%</u>	<u>\$ 10,770,683</u>		<u>41.32%</u>

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

Fiscal Year	City Direct Rate	Baldwin County
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%
2014 *	3.00%	3.00%
2015 *	3.00%	3.00%
2016 *	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, 2016

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt(1)
Direct General Obligation Debt	37,359,606	100.00%	\$ 37,359,606
Overlapping General Obligation Debt:			
Airport Authority General Obligation Warrants:	25,000	100.00%	25,000
Baldwin County Warrants	133,015,433	14.26%	18,965,591
Baldwin County Board of Education	412,686,477	14.26%	58,841,616
Total Overlapping General Obligation Debt			77,832,207
 Total Direct and Overlapping General Obligation Debt			 115,191,813
Overlapping Guaranteed Revenue Debt			
Airport Revenue Bonds	0	100%	0
Total Overlapping Guaranteed Revenue Debt			0
 Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			 \$ 115,191,813
 Debt per Capita			
Direct General Obligation Debt			\$ 3,356.36
Overlapping General Obligation Debt			6,992.38
Overlapping Guaranteed Revenue Debt			-
			\$ 10,348.74

Source: Baldwin County 2015 Audit, Baldwin County Board of Education 2015 Audit

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

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			
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	15.3%	4,625
2012	46,055,063	7,005	120,000	46,182,068	18.3%	4,627
2013	41,430,335	-	100,000	41,530,335	14.4%	4,105
2014	38,171,730	-	75,000	38,246,730	10.9%	3,553
2015	40,715,148	-	50,000	40,765,148	11.7%	3,718
2016	37,359,606	-	25,000	37,384,606	10.5%	3,359

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	% of Actual Taxable Value of Property	Per Capita
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%	4.455
2013	41,430,335	2,448,952	38,981,383	0.81%	3.853
2014	38,171,730	2,448,952	35,722,778	0.93%	3.318
2015	40,715,148	2,448,965 *	38,266,183	1.00%	3.490
2016	37,359,606	-	37,359,606	0.92%	3.356

*2015 Escrow included

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
City Hall	21	25	20	20	20	20	22	22	24	24
Community Development/ Building*	12	4	4	4	4	4	4	4	4	4
Court	3	3	3	3	3	3	3	3	4	4
Police	52	54	51	53	54	58	60	60	63	69
Fire	36	47	40	42	43	43	43	43	43	46
Public Works	63	59	51	51	51	51	50	52	56	57
Recreation	23	37	33	33	35	37	37	45	45	46
Airport	0	0	0	0	0	0	2	2	2	2
Total	<u>210</u>	<u>234</u>	<u>207</u>	<u>210</u>	<u>214</u>	<u>220</u>	<u>225</u>	<u>237</u>	<u>246</u>	<u>258</u>

*Community Development and Building combined count until 2008

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Building permits issued	572	459	422	385	566	589	657	610	586	782
Building inspections conducted	3,172	1,763	1,065	1,016	1,263	1,570	1,951	2,172	2,337	2,537
Business Licenses issued*	7,566	7,083	7,491	7,554	10,016	10,281	10,562	7,164	7,551	7,974
Police										
Physical arrests	1,558	1,604	1,423	1,394	1,527	1,387	1,602	1,280	1,510	2,048
Traffic violations	2,008	1,858	1,268	1,484	1,641	1,824	1,997	1,500	1,595	2,029
Officers	35	40	39	39	41	43	43	43	45	47
Fire										
Emergency responses*	-	2,108	2,280	2,307	2,790	2,785	2,972	2,903	3,073	3,146
Fires extinguished*	-	59	52	30	70	92	92	64	72	83
Inspections**	-	413	335	467	920	1,071	1,200	1,800	1,800	1,975
Full time staff*	36	48	39	42	43	43	43	43	43	44
Part time staff*	-	6	-	-	-	-	-	-	-	-
Volunteer Firefighters*	-	17	17	8	8	8	8	8	8	10
Public Works										
Street resurfacing (linear feet)	-	12,491	-	19,380	-	-	10,560	3,455	12,270	8,200
Sidewalks (linear feet)*										1,600
Bike Lanes (linear feet)*										780

*Information not available for prior years

**2014 increase due to better data collection and the 2014 Inspection Ordinance

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	4	4	4	4	4	4	4	4	4	4
Parks and recreation*										
Football/Track Stadium		1	1	1	1	1	1	1	1	1
Softball/Baseball fields		15	15	15	15	15	15	15	15	15
Soccer field		1	1	1	1	1	1	1	1	1
Parks		8	8	8	8	8	8	8	8	8
Tennis Courts		18	18	18	18	18	18	18	18	18
Basketball Courts		2	2	2	2	2	2	3	3	5
Swimming Pool		1	1	1	1	1	1	1	1	1
Gymnasium		1	1	1	1	1	2	2	2	2
Transit - minibusses		5	5	5	5	5	5	5	5	5
Public Works										
Maintained Streets (miles)	62.89	63	64	65.05	67.22	69.27	69.27	74	74	75.67
Traffic Signals*		24	24	24	24	24	24	24	24	24
Streetlights*		2,201	2,201	2,234	2,234	2,234	2,234	2,234	2,234	2,403

*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
2011	9,982
2012	10,118
2013	10,765
2014	10,963
2015	11,131

Per Capita Income

	1979	1989	1999	2010	2015
Gulf Shores	7,761	17,414	24,356	28,522	31,877
State of Alabama	5,894	11,486	18,189	22,984	24,091

Median Family Income

	1989	1999	2010	2015
Gulf Shores	34,257	51,862	45,801	47,662
State of Alabama	28,688	41,657	42,081	43,623

Source: United States Bureau of the Census Quick Facts

**Schedule 17
Unemployment Rates**

	2016
Baldwin County	5.60%
Alabama	5.90%

Source: Alabama Department of Labor - data not available for the City of Gulf Shores, only Baldwin County State rate seasonally adjusted is 6.2%.

COMPLIANCE AND INTERNAL CONTROL SECTION

THE CITY OF GULF SHORES, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2016

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number (1)	ID Number	Expenditures of Federal Awards
U.S. DEPARTMENT OF TRANSPORTATION			
FAA-Airport Improvement Program	20.106	AIP 3-01-0090-028-2014	\$ 9,712
FAA-Airport Improvement Program	20.106	AIP 3-01-0090-029-2015	4,563,404
DOJ-Public Safety Partnership & Community Policing	16.710	2015-UM-WX-0003	88,403
NOAA-Coastal Zone Management Program	11.419	C60590034	62,279
NOAA-Coastal Zone Management Program	11.419	C70591036	44,074
DOT-Transportation Alternative Program	20.205	100064550	244,879
DOT-Transportation Alternative Program	20.205	100064550	49,269
DOT-Transportation Alternative Program	20.205	100064550	<u>310,092</u>
Total Expenditures of Federal Awards			<u>\$ 5,372,112</u>

(1) Catalog of Federal Domestic Assistance Number

NOTES TO SCHEDULE

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, 2016. The information in the 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 selected portions of the operations of the City of Gulf Shores, Alabama, it is not intended to and does not present the financial position, change in net assets, or cash flows of Jack Edwards Airport Proprietary Fund and Airport Authority General Fund of the City of Gulf Shores, Alabama.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – NONCASH ASSISTANCE

The City of Gulf Shores, Alabama did not receive any federal noncash assistance for the fiscal year ending December 31, 2016.

THE CITY OF GULF SHORES, ALABAMA
SUMMARY OF AUDIT FINDINGS
DECEMBER 31, 2016

SUMMARY OF AUDIT FINDINGS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Gulf Shores, Alabama.
2. There was one significant control deficiency related to the audit of the basic financial statements which is 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. 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.
4. The program tested as a major program was the Department of Transportation-FAA- Special Federal Airport Allocation Grant Programs, CFDA No. 20.106.
5. The threshold for distinguishing Type A and B programs was \$750,000.
6. The City of Gulf Shores, Alabama is a high-risk auditee for the year ended December 31, 2016.

FINDING – INTERNAL CONTROL OVER FINANCIAL REPORTING – COMPONENT UNIT

Significant control deficiencies in internal control reportable under *Generally Accepted Auditing Standards* that were reported to the City of Gulf Shores, Alabama's component unit, the Jack Edwards Airport Proprietary and Airport Authority General Funds.

2016-1

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 receivable and payable was not properly recorded. AIP 29 was completed before year end, but the final pay request and reimbursement were not accrued, resulting in an understatement of receivables and revenue of \$183,422 and payables and expense of \$199,806.

Recommendations: The Airport Authority should include posting non routine accruals in the year end closing process.

Views of responsible officials and planned corrective action plan: The Airport Authority will establish procedures over non recurring transactions.

GRANT, SANDERS & TAYLOR, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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 April 18, 2017.

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.

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

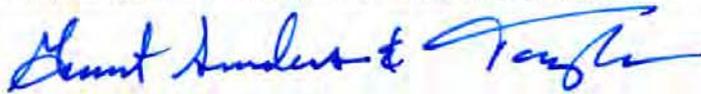
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "Grant Sanders & Taylor".

Grant, Sanders, & Taylor, P.C.
Gulf Shores, Alabama
April 18, 2017

GRANT, SANDERS & TAYLOR, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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 the City of Gulf Shores, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Gulf Shores, Alabama's major federal programs for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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 the City of Gulf Shores, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control over Compliance

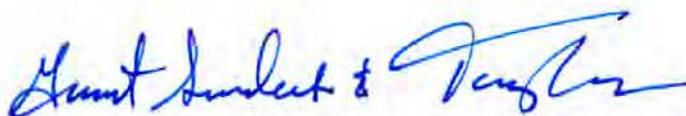
Management of the City of Gulf Shores, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Gulf Shores, Alabama's internal 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-1 component unit Grant AIP-3-01-0090-029-2015, that we consider to be material weaknesses.

City of Gulf Shores, Alabama's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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



Grant, Sanders, & Taylor, P.C.
Gulf Shores, Alabama
April 18, 2017