

City of Gulf Shores, Alabama

2014 COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDING DECEMBER 31, 2014

Prepared by: Finance and Administrative Services Department

*Gulf Shores Public Beach*



[www.gulfshoresal.gov](http://www.gulfshoresal.gov)

THE CITY OF GULF SHORES, ALABAMA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014

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## INTRODUCTORY SECTION



February 26, 2015

*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, 2014.

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, 2014 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, 2014, 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 parttime 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 updated the Financial Policies with the adoption of the 2015 budget to include an increase to reserves of 5% annually. Included in the City's Financial Policies is the establishment of a Beach Renourishment Fund to provide match funds for FEMA authorized future beach repairs due to storms occurring in 2008 and 2009 as well as for future storms. In April 2010 the BP Oil Spill, a spill of National Significance occurred 100 miles in the Gulf of Mexico south of Gulf Shores. The City suffered substantial economic losses from the BP Oil Spill and is still recovering economically.

### **Major Initiatives**

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

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

### **Current Economic Condition**

The City is sound financially. A target fund balance is commonly considered to be between 5 to 15 percent of expenditures; the City's General Fund balance is 30 per cent with an additional 25 percent reserved for Beach Renourishment resulting in a combined fund balance target of 55 percent for 2015. The City's adopted Financial Policies are consistent with sound financial management enabling it to maintain current operations in the event of economic downturns or natural disasters.

### **Cash Management Policies and Practices**

Cash temporarily idle during the year was invested in demand deposits, savings accounts, certificates of deposit, and short term investments with maturities of three months or less. The Governmental funds earned interest revenue of \$22,351 on investments for the year ended December 31, 2014. The City of Gulf Shores considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

City of Gulf Shores  
Transmittal Letter – continued

*Awards*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Shores for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. This represented the fourth 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.

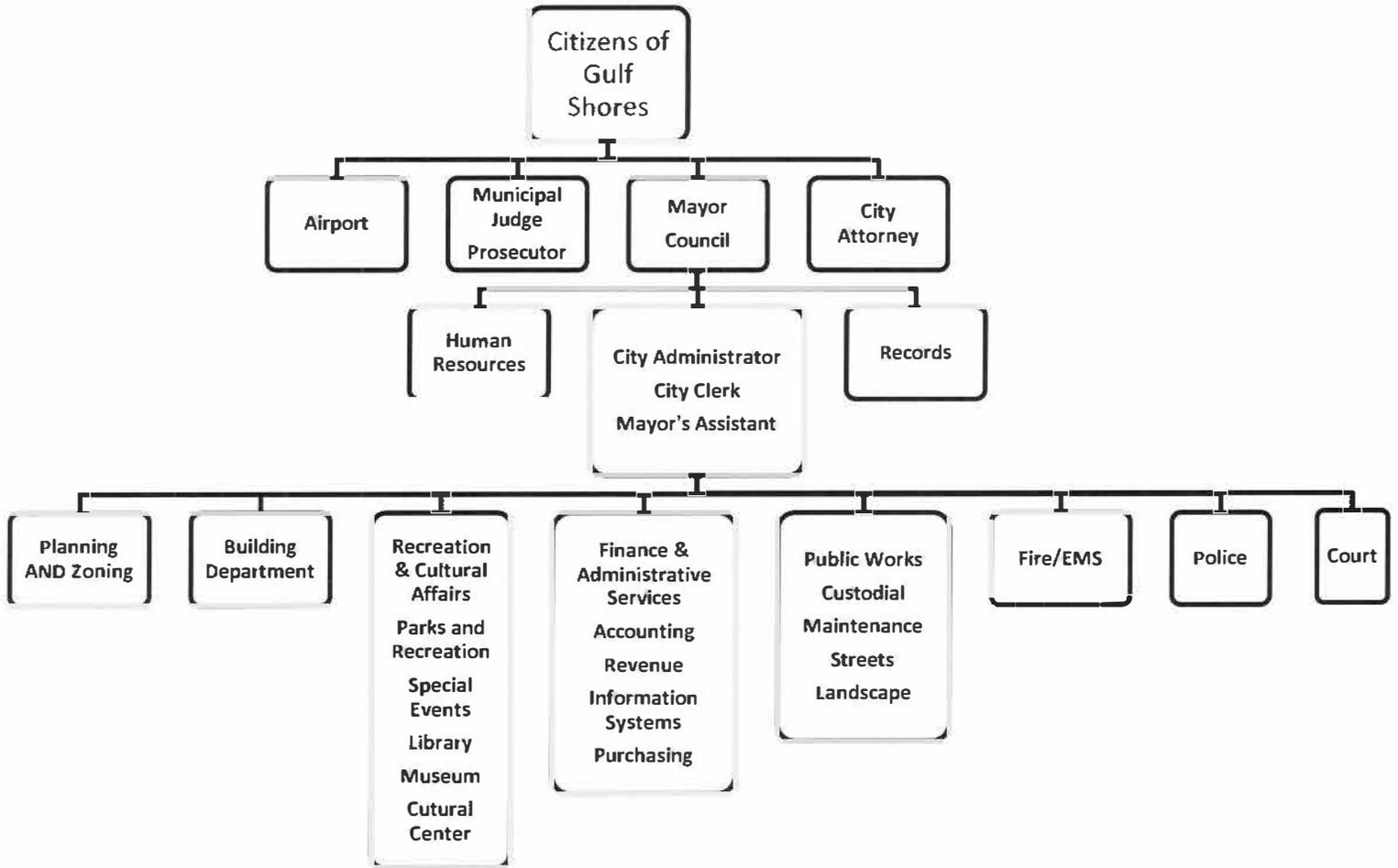
In addition, the City also received for the fourth time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2014 for fiscal year 2014. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged 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, 2014

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Legislative Branch

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

Management Staff

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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Gulf Shores  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

## FINANCIAL SECTION

**GRANT,  
& SANDERS  
& TAYLOR, P.C.**  
(CERTIFIED PUBLIC ACCOUNTANTS)

ROBERT E. GRANT, JR., CPA  
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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. 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, 2014.

**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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 16 through 24 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Shores, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015, 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  
February 26, 2015

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, 2014. 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) Governmentwide 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 Governmentwide 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.

## Overview of the Financial Statements (continued)

### Proprietary Funds

The City of Gulf Shores reports one enterprise fund and two proprietary fund types discretely presented component units: Jack Edwards Airport Fund, Airport Authority Fund, and the Public Education Building Authority Fund. The Jack Edwards Airport Fund and Airport Authority are discretely presented component units of the primary government of the City of Gulf Shores which issue their own financial statements made available to the public. For 2014 comparative statements are presented for Governmental Activities, Business-Type Activities and Component Units.

### 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.

### Governmentwide Financial Analysis

As previously noted, over time, net position may serve as a useful indicator of a government's financial condition. At December 31, 2014, the City of Gulf Shores' assets exceeded its liabilities by \$71,425,890, an increase of \$6,836,336 from 2013 due to reduction of long term debt. The largest portion of the City's net assets reflects its investment in capital assets (property, plant and equipment), less debt outstanding that was used for acquisition. These assets are used to provide services to the citizens and are not available for future spending. Since the capital assets cannot be used to liquidate the outstanding debt, resources needed to repay the debt must be provided from other sources. As of December 31, 2014, the City of Gulf Shores is able to report a positive balance in the governmental category of total net assets. The net position of the primary government increased \$6,836,336 as a result of payment of outstanding debt.

**Table 1** below represents the City's Condensed Statement of Net Position as of December 31, 2014 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<br>Activities |                       | Business-Type<br>Activities |                     | Total<br>Primary Government |                       | Component<br>Units   | Component<br>Units   |
|--|----------------------------|-----------------------|-----------------------------|---------------------|-----------------------------|-----------------------|----------------------|----------------------|
|  | 2014                       | 2013                  | 2014                        | 2013                | 2014                        | 2013                  | 2014                 | 2013                 |
|  |                            |                       |                             |                     |                             |                       |                      |                      |
| Current & Other Assets                         | \$ 28,445,256              | \$ 27,746,704         | \$ 3,723                    | \$ 31,060           | \$ 28,448,979               | \$ 27,777,764         | \$ 1,348,418         | \$ 1,316,012         |
| Capital Assets                                 | 80,399,801                 | 78,678,013            | 1,989,397                   | 2,016,518           | 82,389,198                  | 80,694,531            | 15,081,882           | 15,534,146           |
| <b>Total Assets</b>                            | <b>\$ 108,845,057</b>      | <b>\$ 106,424,717</b> | <b>\$ 1,993,120</b>         | <b>\$ 2,047,578</b> | <b>\$ 110,838,177</b>       | <b>\$ 108,472,295</b> | <b>\$ 16,430,300</b> | <b>\$ 16,850,158</b> |
| Deferred asset cost, net                       | 1,640,154                  | 1,737,658             | -                           | -                   | 1,640,154                   | 1,737,658             | -                    | -                    |
| <b>Total Deferred Outflow<br/>of Resources</b> | <b>\$ 1,640,154</b>        | <b>\$ 1,737,658</b>   | <b>\$ -</b>                 | <b>\$ -</b>         | <b>\$ 1,640,154</b>         | <b>\$ 1,737,658</b>   | <b>\$ -</b>          | <b>\$ -</b>          |
| Long-term Liabilities                          | \$ 39,055,341              | \$ 42,249,384         | \$ -                        | \$ -                | \$ 39,055,341               | \$ 42,249,384         | \$ 75,000            | \$ 75,000            |
| Other Liabilities                              | 1,675,480                  | 2,714,724             | -                           | -                   | 1,675,480                   | 2,714,724             | 791,106              | 848,548              |
| <b>Total Liabilities</b>                       | <b>\$ 40,730,821</b>       | <b>\$ 44,964,108</b>  | <b>\$ -</b>                 | <b>\$ -</b>         | <b>\$ 40,730,821</b>        | <b>\$ 44,964,108</b>  | <b>\$ 866,106</b>    | <b>\$ 923,548</b>    |
| Deferred Revenue                               | 321,620                    | 656,291               | -                           | -                   | 321,620                     | 656,291               | 32,549               | -                    |
| <b>Total Deferred Inflow<br/>of Resources</b>  | <b>\$ 321,620</b>          | <b>\$ 656,291</b>     | <b>\$ -</b>                 | <b>\$ -</b>         | <b>\$ 321,620</b>           | <b>\$ 656,291</b>     | <b>\$ 32,549</b>     | <b>\$ -</b>          |
| <b>Net Position</b>                            | <b>\$ 69,432,770</b>       | <b>\$ 62,541,976</b>  | <b>\$ 1,993,120</b>         | <b>\$ 2,047,578</b> | <b>\$ 71,425,890</b>        | <b>\$ 64,589,554</b>  | <b>\$ 15,531,645</b> | <b>\$ 15,926,610</b> |
| Invested in Capital Assets:                    |                            |                       |                             |                     |                             |                       |                      |                      |
| Net of Related Debt                            | \$ 42,984,614              | \$ 38,121,287         | \$ 1,989,397                | \$ 2,016,518        | \$ 44,974,011               | \$ 40,137,805         | \$ 15,006,882        | \$ 15,481,831        |
| Restricted                                     | 4,512,902                  | 3,899,134             | -                           | -                   | 4,512,902                   | 3,899,134             | -                    | -                    |
| Unrestricted                                   | 21,935,254                 | 20,521,555            | 3,723                       | 31,060              | 21,938,977                  | 20,552,615            | 524,763              | 444,779              |
| <b>Total Net Position</b>                      | <b>\$ 69,432,770</b>       | <b>\$ 62,541,976</b>  | <b>\$ 1,993,120</b>         | <b>\$ 2,047,578</b> | <b>\$ 71,425,890</b>        | <b>\$ 64,589,554</b>  | <b>\$ 15,531,645</b> | <b>\$ 15,926,610</b> |

**Government-wide Financial Analysis (continued)**

**Table 2** below represents the City's Condensed Statement of Activities for the year ending December 31, 2014, and is derived from the **Government-wide Statement of Activities** on Page 28.

|                                     | Governmental         |                      | Business-Type       |                     | Total                |                      | Component Units      |                      |
|-------------------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | Activities           |                      | Activities          |                     | Primary Government   |                      |                      |                      |
|                                     | 2014                 | 2013                 | 2014                | 2013                | 2014                 | 2013                 | 2014                 | 2013                 |
| <b>PRIMARY GOVERNMENT:</b>          |                      |                      |                     |                     |                      |                      |                      |                      |
| Revenues:                           |                      |                      |                     |                     |                      |                      |                      |                      |
| Charges for Services                | \$ 5,890,900         | \$ 5,105,388         | \$ 120,138          | \$ 164,728          | \$ 6,011,038         | \$ 5,270,116         | \$ 424,870           | \$ 457,575           |
| Operating grants and Contributions  | 1,553,425            | 1,433,071            | -                   | -                   | 1,553,425            | 1,433,071            | -                    | -                    |
| Capital grants and Contributions    | 1,287,091            | 2,964,418            | -                   | -                   | 1,287,091            | 2,964,418            | 261,316              | 582,146              |
| General Revenues:                   |                      |                      |                     |                     |                      |                      |                      |                      |
| Property Taxes                      | 2,556,551            | 2,402,380            | -                   | -                   | 2,556,551            | 2,402,380            | -                    | -                    |
| Local Taxes                         | 21,387,762           | 20,798,896           | -                   | -                   | 21,387,762           | 20,798,896           | -                    | -                    |
| Franchise Taxes                     | 1,253,354            | 1,151,859            | -                   | -                   | 1,253,354            | 1,151,859            | -                    | -                    |
| State Taxes                         | 402,057              | 492,085              | -                   | -                   | 402,057              | 492,085              | -                    | -                    |
| Interest income                     | 22,341               | 20,397               | 10                  | 17                  | 22,351               | 20,414               | 557                  | 1,212                |
| Miscellaneous income                | 84,412               | 50,208               | -                   | -                   | 84,412               | 50,208               | -                    | -                    |
| Gain (loss) on asset sales          | (53,563)             | (60,212)             | -                   | -                   | (53,563)             | (60,212)             | -                    | -                    |
| <b>Total Revenues</b>               | <b>\$ 34,384,330</b> | <b>\$ 34,358,490</b> | <b>\$ 120,148</b>   | <b>\$ 164,745</b>   | <b>\$ 34,504,478</b> | <b>\$ 34,523,235</b> | <b>\$ 686,743</b>    | <b>\$ 1,040,933</b>  |
| Expenses:                           |                      |                      |                     |                     |                      |                      |                      |                      |
| Executive                           | 3,872,284            | 3,644,562            | -                   | -                   | 3,872,284            | 3,644,562            | -                    | -                    |
| Municipal Court                     | 299,305              | 307,308              | -                   | -                   | 299,305              | 307,308              | -                    | -                    |
| Police                              | 4,711,188            | 5,060,640            | -                   | -                   | 4,711,188            | 5,060,640            | -                    | -                    |
| Fire                                | 3,665,512            | 3,583,029            | -                   | -                   | 3,665,512            | 3,583,029            | -                    | -                    |
| Community and Economic Affairs      | 7,182,958            | 6,748,057            | -                   | -                   | 7,182,958            | 6,748,057            | -                    | -                    |
| Public Works                        | 6,388,214            | 8,939,249            | -                   | -                   | 6,388,214            | 8,939,249            | -                    | -                    |
| Interest on Long-Term Debt          | 1,401,422            | 1,536,803            | -                   | -                   | 1,401,422            | 1,536,803            | -                    | -                    |
| Public Education Building Authority | -                    | -                    | 147,259             | 199,339             | 147,259              | 199,339              | -                    | -                    |
| <b>Total Expenses</b>               | <b>27,520,883</b>    | <b>29,819,648</b>    | <b>147,259</b>      | <b>199,339</b>      | <b>27,668,142</b>    | <b>30,018,987</b>    | <b>-</b>             | <b>-</b>             |
| <b>COMPONENT UNITS:</b>             |                      |                      |                     |                     |                      |                      |                      |                      |
| Expenses:                           |                      |                      |                     |                     |                      |                      |                      |                      |
| Jack Edwards Airport                | -                    | -                    | -                   | -                   | -                    | -                    | 797,643              | 828,299              |
| Airport Authority                   | -                    | -                    | -                   | -                   | -                    | -                    | 391,459              | 383,301              |
| <b>Total Expenses</b>               | <b>-</b>             | <b>-</b>             | <b>-</b>            | <b>-</b>            | <b>-</b>             | <b>-</b>             | <b>1,189,102</b>     | <b>1,211,600</b>     |
| Increase (Decrease) in Net Position |                      |                      |                     |                     |                      |                      |                      |                      |
| Before Transfers                    | 6,863,447            | 4,538,842            | (27,111)            | (34,594)            | 6,836,336            | 4,504,248            | (502,359)            | (170,667)            |
| Transfers                           | 27,347               | (96,843)             | (27,347)            | -                   | -                    | (96,843)             | 107,394              | 96,000               |
| <b>Change in Net Position</b>       | <b>6,890,794</b>     | <b>4,441,999</b>     | <b>(54,458)</b>     | <b>(34,594)</b>     | <b>6,836,336</b>     | <b>4,407,405</b>     | <b>(394,965)</b>     | <b>(74,667)</b>      |
| Net Position - Beginning            | 62,541,976           | 58,099,977           | 2,047,578           | 2,082,172           | 64,589,554           | 60,182,149           | 15,926,610           | 16,001,277           |
| Prior Period Adjustment             | -                    | -                    | -                   | -                   | -                    | -                    | -                    | -                    |
| <b>Net Position - Ending</b>        | <b>\$ 69,432,770</b> | <b>\$ 62,541,976</b> | <b>\$ 1,993,120</b> | <b>\$ 2,047,578</b> | <b>\$ 71,425,890</b> | <b>\$ 64,589,554</b> | <b>\$ 15,531,645</b> | <b>\$ 15,926,610</b> |

## Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2014 include the following:

The assets of the City exceeded its liabilities (net assets) at the close of the fiscal year by \$69,432,770 for Governmental Activities and by \$1,993,120 for Business-type Activities of the primary government. The total primary government's net assets are \$71,425,890 as of December 31, 2014, up from \$64,589,554. For the year ended December 31, 2014 there was a \$6,836,336 increase in the net assets for governmental activities due to payment of bond debt. Business-type activities net assets were \$1,993,120 as of December 31, 2014 a decrease of \$54,458 from 2013 reflecting increased depreciation expense of the Public Education Building Authority. (See Table 2-Condensed Statement of Activities)

### Financial Analysis of the Government's Funds

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

#### **Governmental Funds**

At the close of the fiscal year, the City's Governmental Funds showed a combined ending fund balance of \$26,504,363 with \$7,647,344 designated as committed, \$13,819,071 unassigned, \$4,512,902 restricted and \$525,046 nonspendable. The unassigned amount of \$13,819,071 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, 2014, totaled \$22,399,384 an increase of \$1,405,334 from the fund balance at December 31, 2013, which was \$20,994,052. The increase in Fund Balance for Fiscal Year 2014 is attributable to conservative spending practices resulted in positive income from operations of \$1,731,770.

#### **Debt Service Fund**

The fund balance increased \$88,539 as a result of transfers exceeding debt service payments during the fiscal year.

#### **2008 A GO Warrant Fund**

This fund (referred to as the Building Fund) was established in Fiscal Year 2007 for recording the proceeds, issuance costs, and capital expenditures for a new bond issue. With reimbursement resolutions adopted, the General Fund made interfund loans to the fund for priority projects until the issue was closed in April, 2008. Upon receipt of the proceeds, the interfund loans from the General Fund were repaid. At the close of Fiscal Year 2014, most projects had been completed; only two Alabama Department of Transportation (ALDOT) projects remained in progress. The ALDOT projects funded from the 2008 A GO Warrant funds were the Multi-Use Trail and Roadway and Signal Improvements.

The purchase and renovation of the City Hall Annex was funded by the proceeds of the 2008 A Warrant issue. The Annex is located on Clubhouse Drive across the street from the existing City Hall. The Annex provided much needed additional space for the Municipal Court offices and court chambers, administrative offices for the Police Department, and offices for the Community Development and Building Departments.

Additional projects completed with the 2008 A Warrant proceeds were: the Adult Activities Center Renovation, Fire Station 1 and Fire Station 3; Meyer Park Improvements; and various other capital expenditures to renovate and improve existing City assets.

In addition to providing funds for capital projects, the 2008A issue refunded two existing bond issues: the unrefunded portion of the 1996 G. O. Warrant and the 1998-C G. O. Warrant. The refunding of these two issues resulted in a substantial interest savings to the City. The 2008 A GO Fund is shown in the audit with the Nonmajor Governmental Funds.

**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.

**Storm Damage Fund**

The fund balance increased \$115,895 during 2014. The Storm Damage Fund is used to record costs incurred by the City for storm damage and BP grant related expenditures. These costs may or may not be eligible for reimbursement by FEMA and/or the State of Alabama and/or BP. In the past, expenditures have been funded in two different ways. One option is by interfund loans from the General Fund. After Hurricanes Ivan and Katrina, bond proceeds for the specific purpose of beach restoration were on deposit to pay for these costs as the project progressed. After Hurricane Ivan, the beach restoration project came to an immediate halt.

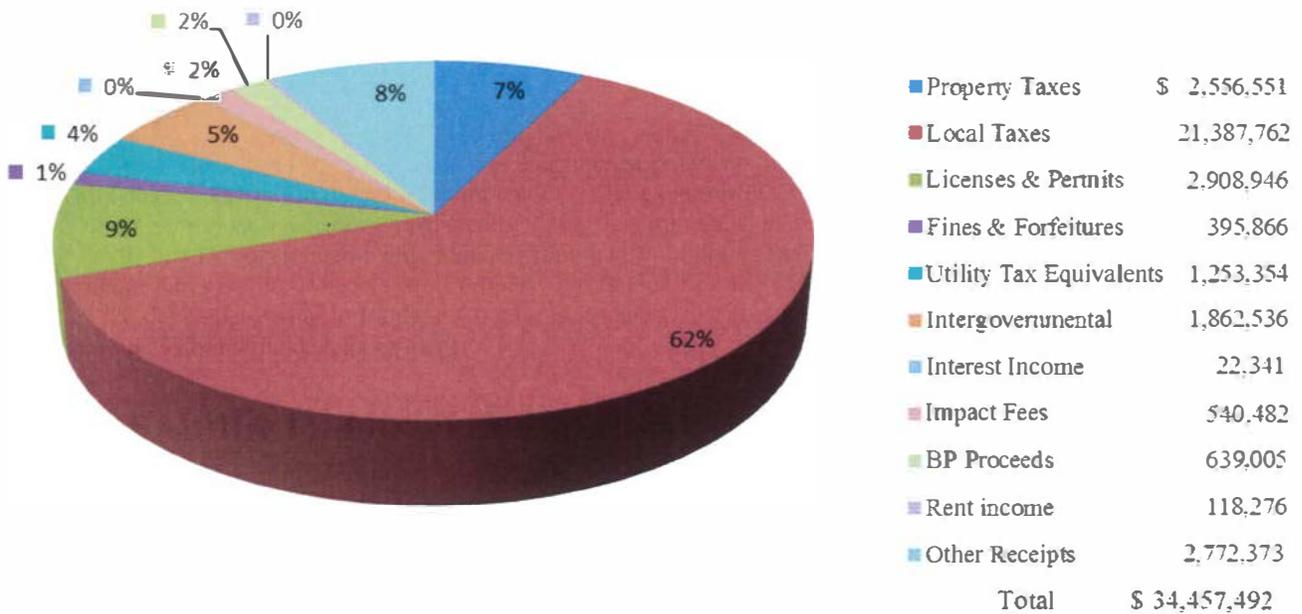
Because Gulf Shores was in a declared disaster area and was operating in an emergency situation, the City was allowed to "borrow" from the bond proceeds on deposit to fund hurricane damage expenditures until FEMA reimbursement funds were received. Upon receipt of FEMA funds, loans from the bond issue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

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

**Debt Service Fund**

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

**Exhibit 1: Governmental Revenue Sources for Fiscal Year 2014**



**Budget Variances in the General Fund**

A schedule of General Fund Revenues, Expenditures and Changes in Fund Balances can be found on page 65. Revenues were more than the Budget in the following major categories with overall \$965,017 collections more than budget:

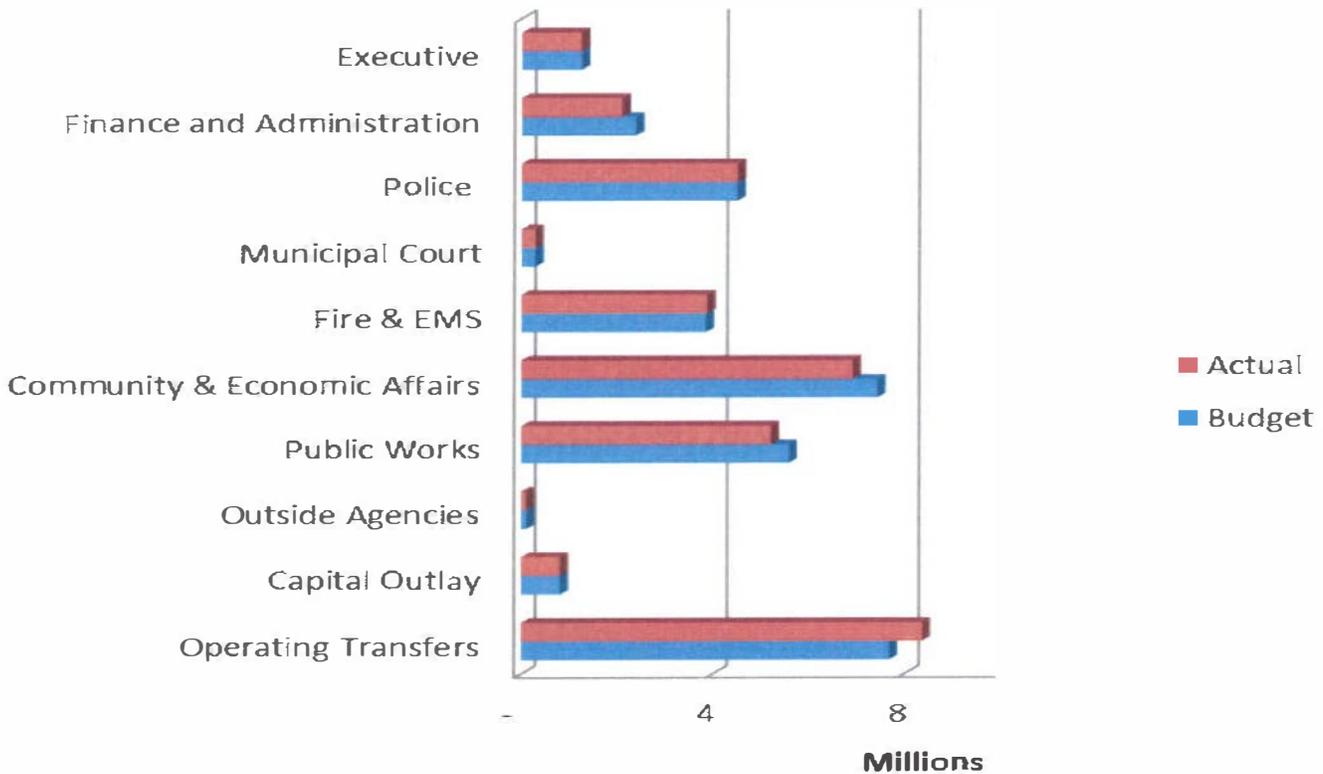
- Property Taxes - \$116,025 less due to county collection timing
- Local Taxes - \$797,763 more due to increased collections for Sales Taxes
- Licenses and Permits - \$367,946 more than budget due to a change in the license fee schedule
- Fines and Forfeitures - \$55,864 more due to enhanced enforcement efforts
- Utility Tax Collections - \$81,254 increased collections Baldwin EMC due to increased consumption
- Federal and State transfers - \$55,819 more than budgeted due to increased federal transfers
- Income on investments \$4,189 more than budgeted due to increased investments
- Other - \$281,793 less than budget due to tax refunds for de-annexed areas.

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

- Executive Department - \$276,451 less due to budget in excess of expenses for personnel and software expense
- Municipal Court - \$1,771 more than the amended budget
- Police Department - \$9,659 more due to overtime, health insurance, and increased insurance expense in excess of budget
- Community and Economic Affairs - \$513,350 less due to engineering/consulting, Special Events, Library, Bodenhamer Center, Sportsplex and Parks budgets in excess of expenses
- Public Works - \$369,818 expenses less due to unfilled positions/personnel savings.

The City Council approved revisions to the original adopted General Fund budget four times during the fiscal year prior to the fiscal year end on December 31, 2014.

**Exhibit 2: General Fund Departmental Budget to Actual 2014**



General Fund Departmental Budget to Actual 2014

|                              | Budget            | Actual            | % of total expenses |
|------------------------------|-------------------|-------------------|---------------------|
| Operating Transfers          | 7,677,857         | 8,369,476         | 25%                 |
| Capital Outlay               | 817,500           | 817,500           | 2%                  |
| Outside Agencies             | 113,150           | 105,221           | 0%                  |
| Public Works                 | 5,586,701         | 5,216,883         | 16%                 |
| Community & Economic Affairs | 7,432,016         | 6,918,666         | 21%                 |
| Fire & EMS                   | 3,859,180         | 3,889,208         | 12%                 |
| Municipal Court              | 297,533           | 299,304           | 1%                  |
| Police                       | 4,509,998         | 4,519,657         | 13%                 |
| Finance and Administration   | 2,391,265         | 2,109,668         | 6%                  |
| Executive                    | 1,251,607         | 1,256,750         | 4%                  |
| <b>Total</b>                 | <b>33,936,807</b> | <b>33,502,333</b> | <b>100%</b>         |

**Capital Asset and Long-term Debt Activity**

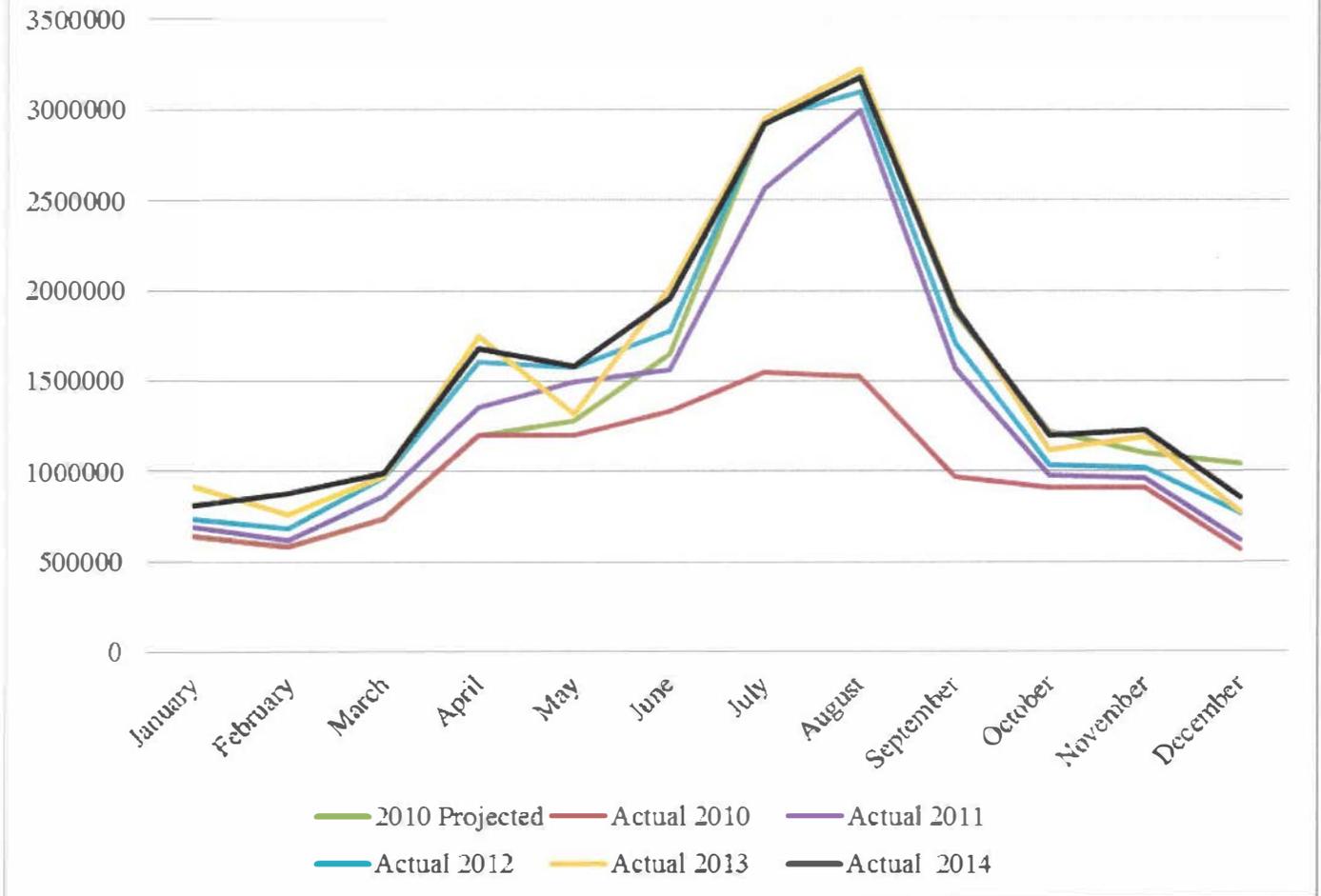
**Capital Asset Activity**

At December 31, 2014, the City of Gulf Shores reported net capital assets of \$80,399,801 from governmental activities, an increase of \$1,721,788 from December 31, 2013. Net capital assets from business-type activities are reported as \$1,989,397 which is a decrease of \$27,121 from December 31, 2013. Refer to **Note 3.D.** to the financial statements for additional information on capital assets.

**Long-term Debt Activity**

As of year-end, the City had \$39,055,341 in debt outstanding (which includes long term compensated absences) compared to \$42,294,384 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 2014 with revenues almost on target with pre 2010 BP Oil Spill revenue projection levels. The first three months of 2015 show continued strong tourist Sales and Lodging Tax revenue. Exhibit 3 also shows the economic impact of the Hangout Music Festival ticket sales leading up to the May event. National Sand Volleyball competitions that have begun to be held in April also contribute to the increase revenues during the spring. More state sports competitions have also begun to be held in Gulf Shores, increasing Sales and Lodging Tax Revenues as well.

New stores continue to open in the Pelican Place Mall resulting in greater economic activity in the City. Also, a grant 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, 2014

|   | Primary Government         |                             |                      | Component Units            |                      |
|---|----------------------------|-----------------------------|----------------------|----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Jack<br>Edwards<br>Airport | Airport<br>Authority |
| <b>ASSETS</b>   |                            |                             |                      |                            |                      |
| Current Cash and Cash Equivalents                     | \$ 10,159,592              | \$ 3,723                    | \$ 10,163,315        | \$ -                       | \$ 568,995           |
| Reserve Current Cash and Cash Equivalents             | 7,617,230                  | -                           | 7,617,230            | -                          | -                    |
| Receivables (Net)                                     | 3,530,967                  | -                           | 3,530,967            | 8,926                      | 9,097                |
| Due from component units                              | 779,274                    | -                           | 779,274              | -                          | -                    |
| Inventories   | 47,224                     | -                           | 47,224               | 718,623                    | -                    |
| Prepays and Other Assets                              | 477,822                    | -                           | 477,822              | -                          | 4,531                |
| Restricted Assets:                                    |                            |                             |                      |                            |                      |
| Cash and Cash Equivalents                             | 5,833,147                  | -                           | 5,833,147            | 5,697                      | 32,549               |
| Capital Assets:                                       |                            |                             |                      |                            |                      |
| Non - Depreciable                                     | 34,302,662                 | 1,650,000                   | 35,952,662           | 6,346,391                  | 93,938               |
| Depreciable (Net)                                     | 46,097,139                 | 339,397                     | 46,436,536           | 8,522,207                  | 119,346              |
| <b>Total Assets</b>                                   | <b>108,845,057</b>         | <b>1,993,120</b>            | <b>110,838,177</b>   | <b>15,601,844</b>          | <b>828,456</b>       |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                  |                            |                             |                      |                            |                      |
| Defeasance cost, net                                  | 1,640,154                  | -                           | 1,640,154            | -                          | -                    |
| <b>LIABILITIES</b>                                    |                            |                             |                      |                            |                      |
| Accounts Payable                                      | \$ 493,528                 | \$ -                        | \$ 493,528           | \$ 9,918                   | \$ -                 |
| Accrued Liabilities                                   | 1,125,745                  | -                           | 1,125,745            | -                          | -                    |
| Accrued Interest Payable                              | 56,207                     | -                           | 56,207               | -                          | 1,914                |
| Due to primary government                             | -                          | -                           | -                    | -                          | 779,274              |
| Non - Current Liabilities                             |                            |                             |                      |                            |                      |
| Due Within One Year:                                  |                            |                             |                      |                            |                      |
| Compensated absences                                  | 77,899                     | -                           | 77,899               | -                          | -                    |
| Bonds Payable   | 3,211,645                  | -                           | 3,211,645            | -                          | 25,000               |
| Due In More than One Year:                            |                            |                             |                      |                            |                      |
| Compensated absences                                  | 840,960                    | -                           | 840,960              | -                          | -                    |
| Bonds Payable   | 34,924,837                 | -                           | 34,924,837           | -                          | 50,000               |
| <b>Total Liabilities</b>                              | <b>40,730,821</b>          | <b>-</b>                    | <b>40,730,821</b>    | <b>9,918</b>               | <b>856,188</b>       |
| <b>DEFERRED INFLOW OF RESOURCES</b>                   |                            |                             |                      |                            |                      |
| Unearned Revenue                                      | 321,620                    | -                           | 321,620              | -                          | 32,549               |
| <b>NET POSITION:</b>                                  |                            |                             |                      |                            |                      |
| Investment in Capital Assets<br>(net of related debt) | 42,984,614                 | 1,989,397                   | 44,974,011           | 14,868,598                 | 138,284              |
| Restricted for:                                       |                            |                             |                      |                            |                      |
| Grants  | 34,339                     | -                           | 34,339               | -                          | -                    |
| Municipal Court                                       | 93,524                     | -                           | 93,524               | -                          | -                    |
| Environment Study                                     | 6,076                      | -                           | 6,076                | -                          | -                    |
| Debt service  | 2,336,175                  | -                           | 2,336,175            | -                          | -                    |
| Capital outlay  | 402,867                    | -                           | 402,867              | -                          | -                    |
| Beach restoration                                     | 1,639,921                  | -                           | 1,639,921            | -                          | -                    |
| Unrestricted  | 21,935,254                 | 3,723                       | 21,938,977           | 723,328                    | (198,565)            |
| <b>Total Net Position</b>                             | <b>\$ 69,432,770</b>       | <b>\$ 1,993,120</b>         | <b>\$ 71,425,890</b> | <b>\$ 15,591,926</b>       | <b>\$ (60,281)</b>   |

THE CITY OF GULF SHORES, ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

| 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  |
| <b>PRIMARY GOVERNMENT:</b>                          |                      |                      |                                    |                                  |                         |                          |                        |                      |                    |
| Governmental Activities:                            |                      |                      |                                    |                                  |                         |                          |                        |                      |                    |
| Executive   | \$ 3,872,284         | \$ (103,078)         | \$ -                               | \$ -                             | \$ (3,975,362)          | \$ -                     | \$ (3,975,362)         |                      |                    |
| Municipal Court                                     | 299,305              | 544,119              | -                                  | -                                | 244,814                 | -                        | 244,814                |                      |                    |
| Police  | 4,711,188            | 35,044               | 124,978                            | -                                | (4,551,166)             | -                        | (4,551,166)            |                      |                    |
| Fire  | 3,665,512            | 44,389               | -                                  | -                                | (3,621,123)             | -                        | (3,621,123)            |                      |                    |
| Community and Economic Affairs                      | 7,182,958            | 4,797,510            | 913,170                            | -                                | (1,472,278)             | -                        | (1,472,278)            |                      |                    |
| Public Works  | 6,388,214            | 572,916              | 515,277                            | 1,287,091                        | (4,012,930)             | -                        | (4,012,930)            |                      |                    |
| Interest on Long - Term Debt                        | 1,401,422            | -                    | -                                  | -                                | (1,401,422)             | -                        | (1,401,422)            |                      |                    |
| Total governmental activities                       | <u>27,520,883</u>    | <u>5,890,900</u>     | <u>1,553,425</u>                   | <u>1,287,091</u>                 | <u>(18,789,467)</u>     | <u>-</u>                 | <u>(18,789,467)</u>    |                      |                    |
| Business-type activities:                           |                      |                      |                                    |                                  |                         |                          |                        |                      |                    |
| Public Education Building Authority                 | 147,259              | 120,138              | -                                  | -                                | -                       | (27,121)                 | (27,121)               |                      |                    |
| Total primary government                            | <u>\$ 27,668,142</u> | <u>\$ 6,011,038</u>  | <u>\$ 1,553,425</u>                | <u>\$ 1,287,091</u>              | <u>\$ (18,789,467)</u>  | <u>\$ (27,121)</u>       | <u>\$ (18,816,588)</u> |                      |                    |
| <b>COMPONENT UNITS:</b>                             |                      |                      |                                    |                                  |                         |                          |                        |                      |                    |
| Jack Edwards Airport                                | \$ 797,643           | \$ -                 | \$ -                               | \$ 261,316                       |                         |                          | \$ (536,327)           | \$ -                 |                    |
| Airport Authority                                   | 391,459              | 424,870              | 107,394                            | -                                |                         |                          | -                      | 140,805              |                    |
| Total component units                               | <u>\$ 1,189,102</u>  | <u>\$ 424,870</u>    | <u>\$ 107,394</u>                  | <u>\$ 261,316</u>                |                         |                          | <u>\$ (536,327)</u>    | <u>\$ 140,805</u>    |                    |
| General revenues (expenses):                        |                      |                      |                                    |                                  |                         |                          |                        |                      |                    |
| Property Taxes                                      |                      |                      |                                    |                                  | \$ 2,556,551            | \$ -                     | \$ 2,556,551           | \$ -                 | \$ -               |
| Local Taxes:  |                      |                      |                                    |                                  |                         |                          |                        |                      |                    |
| Sales taxes   |                      |                      |                                    |                                  | 12,812,528              | -                        | 12,812,528             | -                    | -                  |
| Lodging taxes                                       |                      |                      |                                    |                                  | 6,382,291               | -                        | 6,382,291              | -                    | -                  |
| Other local taxes                                   |                      |                      |                                    |                                  | 2,192,943               | -                        | 2,192,943              | -                    | -                  |
| Franchise Taxes                                     |                      |                      |                                    |                                  | 1,253,354               | -                        | 1,253,354              | -                    | -                  |
| State Taxes   |                      |                      |                                    |                                  | 402,057                 | -                        | 402,057                | -                    | -                  |
| Interest Income                                     |                      |                      |                                    |                                  | 22,341                  | 10                       | 22,351                 | -                    | 557                |
| Miscellaneous                                       |                      |                      |                                    |                                  | 84,412                  | -                        | 84,412                 | -                    | -                  |
| Loss on Disposal of Assets                          |                      |                      |                                    |                                  | (53,563)                | -                        | (53,563)               | -                    | -                  |
| Transfers   |                      |                      |                                    |                                  | 27,347                  | (27,347)                 | -                      | -                    | -                  |
| Total general revenues, special items and transfers |                      |                      |                                    |                                  | <u>25,680,261</u>       | <u>(27,337)</u>          | <u>25,652,924</u>      | <u>-</u>             | <u>557</u>         |
| Change in net position                              |                      |                      |                                    |                                  | 6,890,794               | (54,458)                 | 6,836,336              | (536,327)            | 141,362            |
| Net position - beginning                            |                      |                      |                                    |                                  | 62,541,976              | 2,047,578                | 64,589,554             | 16,128,253           | (201,643)          |
| Net position - ending                               |                      |                      |                                    |                                  | <u>\$ 69,432,770</u>    | <u>\$ 1,993,120</u>      | <u>\$ 71,425,890</u>   | <u>\$ 15,591,926</u> | <u>\$ (60,281)</u> |

**GOVERNMENT FUND FINANCIAL STATEMENTS**

THE CITY OF GULF SHORES, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

|   | General<br>Fund      | Debt<br>Service<br>Fund | Capital<br>Improvements<br>Fund | 2% Lodging<br>Tax<br>Fund | Other<br>Governmental<br>Funds | Total                |
|---|----------------------|-------------------------|---------------------------------|---------------------------|--------------------------------|----------------------|
| <b>ASSETS</b>   |                      |                         |                                 |                           |                                |                      |
| Current Cash and Equivalents                                    | \$ 10,159,592        | \$ -                    | \$ -                            | \$ -                      | \$ -                           | \$ 10,159,592        |
| Reserved Cash and Equivalents                                   | 7,617,230            | -                       | -                               | -                         | -                              | 7,617,230            |
| Restricted Cash and Equivalents                                 | 99,600               | 2,770,175               | 127,785                         | 1,524,631                 | 1,310,955                      | 5,833,146            |
| Receivables (Net)   |                      |                         |                                 |                           |                                |                      |
| Accounts  | 630,015              | 12,306                  | 8,836                           | -                         | -                              | 651,157              |
| Taxes   | 2,808,880            | -                       | -                               | -                         | -                              | 2,808,880            |
| Due From Other Funds  | 1,527,622            | -                       | 193,564                         | 115,290                   | 10,033                         | 1,846,509            |
| Due From Other Governments                                      | 34,339               | -                       | -                               | -                         | 36,591                         | 70,930               |
| Due From Component Units  | 779,274              | -                       | -                               | -                         | -                              | 779,274              |
| Prepays and Other Assets  | 477,822              | -                       | -                               | -                         | -                              | 477,822              |
| Inventories   | 47,224               | -                       | -                               | -                         | -                              | 47,224               |
| <b>Total Assets</b>   | <b>\$ 24,181,598</b> | <b>\$ 2,782,481</b>     | <b>\$ 330,185</b>               | <b>\$ 1,639,921</b>       | <b>\$ 1,357,579</b>            | <b>\$ 30,291,764</b> |
| <b>LIABILITIES AND FUND BALANCES</b>                            |                      |                         |                                 |                           |                                |                      |
| Liabilities:  |                      |                         |                                 |                           |                                |                      |
| Accounts payable  | \$ 431,914           | \$ -                    | \$ 22,650                       | \$ -                      | \$ 38,964                      | \$ 493,528           |
| Payroll taxes & benefits payable                                | 94,373               | -                       | -                               | -                         | -                              | 94,373               |
| Accrued wages   | 408,926              | -                       | -                               | -                         | -                              | 408,926              |
| Other liabilities   | 467,446              | -                       | 155,000                         | -                         | -                              | 622,446              |
| Due to other funds  | 130,408              | 434,000                 | 212,594                         | -                         | 1,069,507                      | 1,846,509            |
| <b>Total Liabilities</b>  | <b>1,533,067</b>     | <b>434,000</b>          | <b>390,244</b>                  | <b>-</b>                  | <b>1,108,471</b>               | <b>3,465,782</b>     |
| <b>DEFERRED INFLOW OF RESOURCES</b>                             |                      |                         |                                 |                           |                                |                      |
| Unearned revenue  | 249,147              | 12,306                  | 60,166                          | -                         | -                              | 321,619              |
| Fund Balances:  |                      |                         |                                 |                           |                                |                      |
| Nonspendable  | 525,046              | -                       | -                               | -                         | -                              | 525,046              |
| Spendable:  |                      |                         |                                 |                           |                                |                      |
| Restricted  | 133,939              | 2,336,175               | -                               | 1,639,921                 | 402,867                        | 4,512,902            |
| Committed   | 7,617,230            | -                       | -                               | -                         | 30,114                         | 7,647,344            |
| Unassigned  | 14,123,169           | -                       | (120,225)                       | -                         | (183,873)                      | 13,819,071           |
| <b>Total Fund Balances</b>                                      | <b>22,399,384</b>    | <b>2,336,175</b>        | <b>(120,225)</b>                | <b>1,639,921</b>          | <b>249,108</b>                 | <b>26,504,363</b>    |
| <b>Total Liabilities, Deferred Inflows<br/>and Fund Balance</b> | <b>\$ 24,181,598</b> | <b>\$ 2,782,481</b>     | <b>\$ 330,185</b>               | <b>\$ 1,639,921</b>       | <b>\$ 1,357,579</b>            | <b>\$ 30,291,764</b> |

**The City of Gulf Shores, Alabama**  
**Reconciliation of the Balance Sheet**  
**To the Statement of Net Position**  
**Governmental Funds**  
**December 31, 2014**

Fund balances - total governmental funds \$ 26,504,363

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   | \$ 103,493,294      |            |
| Less accumulated depreciation | <u>(23,093,493)</u> | 80,399,801 |

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

|                               |                  |           |
|-------------------------------|------------------|-----------|
| Loss on advance refunding     | 1,950,098        |           |
| Less accumulated amortization | <u>(309,944)</u> | 1,640,154 |

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 | (38,067,645)     |              |
| Discounts on bond issue    | 177,011          |              |
| Premiums on bond issues    | (368,469)        |              |
| Accumulated amortization   | 122,621          |              |
| Compensated absences       | <u>(918,859)</u> | (39,055,341) |

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>(56,207)</u> | (56,207) |
|--------------------------|-----------------|----------|

Net position of governmental activities \$ 69,432,770

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, 2014

|  | General<br>Fund      | Debt<br>Service<br>Fund | Capital<br>Improvements<br>Fund | 2% Lodging<br>Tax<br>Fund | Other<br>Governmental<br>Funds | Total                |
|--|----------------------|-------------------------|---------------------------------|---------------------------|--------------------------------|----------------------|
| <b>REVENUES</b>  |                      |                         |                                 |                           |                                |                      |
| Property taxes   | \$ 2,525,504         | \$ 31,047               | \$ -                            | \$ -                      | \$ -                           | \$ 2,556,551         |
| Local taxes  | 16,938,612           | 1,861,676               | -                               | 2,587,475                 | -                              | 21,387,763           |
| Licenses and permits   | 2,908,946            | -                       | -                               | -                         | -                              | 2,908,946            |
| Fines and forfeitures  | 395,864              | -                       | -                               | -                         | -                              | 395,864              |
| Utility tax equivalents                                      | 1,253,354            | -                       | -                               | -                         | -                              | 1,253,354            |
| Intergovernmental:   |                      |                         |                                 |                           |                                |                      |
| State of Alabama taxes                                       | 67,904               | -                       | -                               | -                         | 462,474                        | 530,378              |
| Federal and State grants                                     | 169,815              | -                       | 188,479                         | -                         | 973,864                        | 1,332,158            |
| Interest income  | 19,189               | 858                     | 150                             | 1,402                     | 743                            | 22,342               |
| Impact fees  | -                    | -                       | -                               | -                         | 540,482                        | 540,482              |
| BP Proceeds  | -                    | -                       | -                               | -                         | 639,005                        | 639,005              |
| Rent Income  | -                    | 118,276                 | -                               | -                         | -                              | 118,276              |
| Other receipts   | 2,706,873            | -                       | 65,500                          | -                         | -                              | 2,772,373            |
| <b>Total Revenues</b>  | <u>26,986,061</u>    | <u>2,011,857</u>        | <u>254,129</u>                  | <u>2,588,877</u>          | <u>2,616,568</u>               | <u>34,457,492</u>    |
| <b>EXPENDITURES</b>  |                      |                         |                                 |                           |                                |                      |
| Current Operating:   |                      |                         |                                 |                           |                                |                      |
| Executive Department   | 3,366,421            | -                       | -                               | -                         | -                              | 3,366,421            |
| Municipal Court  | 299,304              | -                       | -                               | -                         | -                              | 299,304              |
| Police Department  | 4,519,657            | -                       | -                               | -                         | 31,745                         | 4,551,402            |
| Fire and Emergency Services                                  | 3,889,208            | -                       | -                               | -                         | 50,000                         | 3,939,208            |
| Community and Eco. Affairs                                   | 6,918,666            | -                       | -                               | -                         | 197,462                        | 7,116,128            |
| Public Works   | 5,216,883            | -                       | 474,785                         | -                         | 1,208,634                      | 6,900,302            |
| Appropriations   | 226,652              | -                       | -                               | -                         | -                              | 226,652              |
| Capital outlay   | 817,500              | -                       | -                               | -                         | 423,734                        | 1,241,234            |
| Beach restoration  | -                    | -                       | -                               | -                         | 62,700                         | 62,700               |
| Principal and interest                                       | -                    | 5,597,587               | -                               | -                         | -                              | 5,597,587            |
| Miscellaneous  | -                    | 3,519                   | 106                             | -                         | 53,470                         | 57,095               |
| <b>Total Expenditures</b>                                    | <u>25,254,291</u>    | <u>5,601,106</u>        | <u>474,891</u>                  | <u>-</u>                  | <u>2,027,745</u>               | <u>33,358,033</u>    |
| <b>Excess (Deficiency) of revenues<br/>Over Expenditures</b> | <u>\$ 1,731,770</u>  | <u>\$ (3,589,249)</u>   | <u>\$ (220,762)</u>             | <u>\$ 2,588,877</u>       | <u>\$ 588,823</u>              | <u>\$ 1,099,459</u>  |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>                    |                      |                         |                                 |                           |                                |                      |
| Bond Proceeds  | 840,000              | -                       | -                               | -                         | 50,000                         | 890,000              |
| Transfers In   | 2,601,409            | 3,677,788               | 100,000                         | -                         | 80,109                         | 6,459,306            |
| Transfers Out  | (3,767,847)          | -                       | -                               | (1,862,700)               | (801,411)                      | (6,431,958)          |
| <b>Total Other Financing<br/>Sources and (Uses)</b>          | <u>(326,438)</u>     | <u>3,677,788</u>        | <u>100,000</u>                  | <u>(1,862,700)</u>        | <u>(671,302)</u>               | <u>917,348</u>       |
| <b>Net Change in Fund Balance</b>                            | 1,405,332            | 88,539                  | (120,762)                       | 726,177                   | (82,479)                       | 2,016,807            |
| <b>Fund Balances - Beginning</b>                             | 20,994,052           | 2,247,636               | 537                             | 913,744                   | 331,587                        | 24,487,556           |
| <b>Fund Balances - Ending</b>                                | <u>\$ 22,399,384</u> | <u>\$ 2,336,175</u>     | <u>\$ (120,225)</u>             | <u>\$ 1,639,921</u>       | <u>\$ 249,108</u>              | <u>\$ 26,504,363</u> |

**The City of Gulf Shores, Alabama**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Activities**  
**For the Year Ended December 31, 2014**

Net change in fund balances \$ 2,016,807

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 | 3,965,171          |           |
| Less current year depreciation  | <u>(2,170,213)</u> | 1,794,958 |

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 | (19,604)        |          |
| Loss on disposal of assets           | <u>(53,563)</u> | (73,167) |

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

|                                       |                  |           |
|---------------------------------------|------------------|-----------|
| Proceeds from Bond                    | (890,000)        |           |
| Principal payments on bonds and loans | <u>4,185,512</u> | 3,295,512 |

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   | 10,652          |                  |
| Amortization of current year bond issue premiums | 11,150          |                  |
| Amortization of current year bond discounts      | (12,789)        |                  |
| Amortization of loss on advanced refunding       | (97,519)        |                  |
| Increase in compensated absences                 | <u>(54,810)</u> | <u>(143,316)</u> |

Change in net position of governmental activities \$ 6,890,794

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, 2014

|                                 | <b>Business Activities<br/>Enterprise Funds</b> |
|---------------------------------|---|
|                                 | <b>Primary Government<br/>Non-major Fund</b>    |
|                                 | <b>Public Education<br/>Building Authority</b>  |
| <b>ASSETS</b>                   |   |
| Current Assets:                 |   |
| Cash and cash equivalents       | \$ 3,723  |
| Capital Assets:                 |   |
| Land                            | 1,650,000                                       |
| Land improvements               | 203,088   |
| Buildings                       | 898,425   |
| Furniture and equipment         | 261,893   |
| Less: accumulated depreciation  | (1,024,009)                                     |
| <b>Total Non-Current Assets</b> | <b>1,989,397</b>                                |
| <b>Total Assets</b>             | <b>\$ 1,993,120</b>                             |
| <b>LIABILITIES</b>              |   |
| <b>NET POSITION</b>             |   |
| Net Position,                   | 1,989,397                                       |
| investment in capital assets    |   |
| Unrestricted                    | 3,723   |
| <b>Total Net Position</b>       | <b>\$ 1,993,120</b>                             |

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, 2014

|   | Business-type Activities<br>Enterprise Funds |
|---|--|
|   | Primary Government<br>Non-major Fund         |
|   | Public Education<br>Building Authority       |
| <b>Operating Revenues</b>                                   |  |
| FSCC Rent   | \$ 120,138                                   |
| <b>Operating Expenses</b>                                   |  |
| Depreciation  | 27,121                                       |
| Miscellaneous   | -  |
| Rent  | 120,138                                      |
| <b>Total Operating Expenses</b>                             | 147,259                                      |
| <b>Operating Income (Loss)</b>                              | (27,121)                                     |
| <b>Non-Operating Revenues (Expenses)</b>                    |  |
| Interest income   | 10   |
| <b>Income (Loss) before Contributions<br/>and Transfers</b> | (27,111)                                     |
| <b>Contributions and Transfer</b>                           |  |
| Transfer to Debt Service Fund                               | (27,347)                                     |
| <b>Change in Net Position</b>                               | (54,458)                                     |
| <b>Net Position - Beginning</b>                             | 2,047,578                                    |
| <b>Net Position - Ending</b>                                | \$ 1,993,120                                 |

THE CITY OF GULF SHORES, ALABAMA  
 ALL PROPRIETARY FUND TYPES  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

|  | <b>Business-type Activities</b> |
|--|---------------------------------|
|  | <b>Enterprise Funds</b>         |
|  | <b>Primary Government</b>       |
|  | <b>Non-major Fund</b>           |
|  | <b>Public Education</b>         |
|  | <b>Building Authority</b>       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                 |
| Payments from leases and other operating activities  | \$ 120,138                      |
| Other operating expenses   | (120,138)                       |
| Net cash provided (used) by operating activities   | -                               |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                      |                                 |
| Transfer to debt service   | (27,347)                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                 |
| Interest payments received   | 10                              |
| Net increase (decrease) in cash and cash equivalents   | (27,337)                        |
| Cash balance - beginning of year   | 31,060                          |
| Cash balance - end of year   | \$ 3,723                        |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                                 |
| 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

## NOTES TO BASIC FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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, 2014.

**1. A. REPORTING ENTITY**

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

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

The Jack Edwards Airport and Airport Authority of the City of Gulf Shores, Alabama, are separate legal entities that are included as component units in the financial reporting entity. They are included as a result of being financially accountable and fiscally dependent. They receive an annual appropriation equal to the payroll and benefit obligations annually. Without this appropriation they would not meet their operating budget. The Jack Edwards Airport and Airport Authority of the City of Gulf Shores, Alabama, do not provide services entirely or almost entirely to the City, nor do they exclusively benefit the City, therefore they do not meet the criterion for blending, and must be discretely presented in the basic financial statements of the primary government. The Airport Authority does not have substantially the same governing body as the City. The Jack Edwards Airport and Airport Authority of the City of Gulf Shores, Alabama have elected to continue to report on a September 30th year end, where as the City reports on December 31<sup>st</sup> 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, 2014

## 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.

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

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

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

## 1. C. BASIS OF PRESENTATION

The funds of the financial reporting entity are described below:

### General Fund

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

### Debt Service Funds

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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).

2 % Lodging Tax Fund

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

Major Proprietary Funds of Primary Government:

The primary government does not have any major proprietary funds.

Discretely Presented Component Units which are Major Proprietary Funds:

Jack Edwards Airport Enterprise Fund

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

Airport Authority Enterprise Fund

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**1. C. BASIS OF PRESENTATION (CONTINUED)**

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

*Governmental Funds:*

Special Revenue Funds

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

Beach Restoration Capital Projects Fund

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

2008 A GO Warrant Building Capital Projects Fund

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

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.

2012 D GO Warrant Building Capital Projects Fund

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

2014 GO Warrant Building Capital Projects 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.

*Proprietary Funds:*

Public Education Building Authority Enterprise Fund

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

**1. D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

THE CITY OF GULF SHORES, ALABAMA  
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**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 governmentwide presentation. This reconciliation is part of the financial statements.

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

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

**1. E. ASSETS, 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, 2014 at the financial institutions is \$5,000 at BBVA Compass Bank.

**Reserve cash and equivalents**

General fund cash and certificates of deposit totaling \$7,617,230 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, 2014

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

**Restricted Assets**

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

**Interfund Receivables and Payables**

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

**Receivables**

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

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

**Inventories 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.

*Governmentwide Statement*

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

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

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

THE CITY OF GULF SHORES, ALABAMA  
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**1.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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

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

*Fund Financial Statements:*

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

GASB No.34 required the City to report and 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 31<sup>st</sup>, unless extended by the Mayor to March 31<sup>st</sup> 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, 2014

**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 \$918,859. \$77,899 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, 2014.

**Equity Classifications**

*Government Wide Level Financial Statements*

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

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

*Fund Level Financial Statements*

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

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

The City commits fund balance through council action, the government’s highest level of decision-making authority. Formal Council action in a form of a resolution is required to establish, modify, or rescind a fund balance commitment, 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 2014 expenses of \$25,254,291, the 15% minimum would be \$3,788,143 and the 25% target would be \$6,313,572.

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, 2014

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

A schedule of fund balances is as follows:

|                           | General<br>Fund      | Debt<br>Service     | Capital<br>Improvements<br>Fund | 2 % Lodging<br>Tax<br>Fund | Other<br>Governmental<br>Funds | Total                |
|---------------------------|----------------------|---------------------|---------------------------------|----------------------------|--------------------------------|----------------------|
| <b>Fund Balances:</b>     |                      |                     |                                 |                            |                                |                      |
| <b>Nonspendable:</b>      |                      |                     |                                 |                            |                                |                      |
| Inventories               | \$ 47,224            | \$ -                | \$ -                            | \$ -                       | \$ -                           | \$ 47,224            |
| Prepaid expenses          | 477,822              | -                   | -                               | -                          | -                              | 477,822              |
| <b>Restricted for:</b>    |                      |                     |                                 |                            |                                |                      |
| Grants                    | 34,339               | -                   | -                               | -                          | -                              | 34,339               |
| Municipal Court           | 93,524               | -                   | -                               | -                          | -                              | 93,524               |
| Environment Study         | 6,076                | -                   | -                               | -                          | -                              | 6,076                |
| Debt service              | -                    | 2,336,175           | -                               | -                          | -                              | 2,336,175            |
| Capital outlay            | -                    | -                   | -                               | -                          | 402,867                        | 402,867              |
| Beach restoration         | -                    | -                   | -                               | 1,639,921                  | -                              | 1,639,921            |
| <b>Committed to:</b>      |                      |                     |                                 |                            |                                |                      |
| Emergencies               | 7,617,230            | -                   | -                               | -                          | -                              | 7,617,230            |
| Capital outlay            | -                    | -                   | -                               | -                          | 30,114                         | 30,114               |
| <b>Assigned to:</b>       |                      |                     |                                 |                            |                                |                      |
| Unassigned:               | 14,123,169           | -                   | (120,225)                       | -                          | (183,873)                      | 13,819,071           |
| <b>Total Fund Balance</b> | <u>\$ 22,399,384</u> | <u>\$ 2,336,175</u> | <u>\$ (120,225)</u>             | <u>\$ 1,639,921</u>        | <u>\$ 249,108</u>              | <u>\$ 26,504,363</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, 2014

**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, 2014

**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, 2014, the carrying amount of the City’s total deposits was \$23,825,983. 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:

|                            | <u>General</u>      | <u>Debt<br/>Service<br/>Fund</u> | <u>Capital<br/>Improvements<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|----------------------------|---------------------|----------------------------------|--|---|---------------------|
| Taxes                      | \$ 2,808,880        | \$ -                             | \$ -                                     | \$ -                                    | \$ 2,808,880        |
| Accounts receivable        | 630,015             | 12,306                           | 8,836                                    | -                                       | 651,157             |
| Due from other governments | 34,339              | -                                | -  | 36,591                                  | 70,930              |
| Total Receivables          | <u>\$ 3,473,234</u> | <u>\$ 12,306</u>                 | <u>\$ 8,836</u>                          | <u>\$ 36,591</u>                        | <u>\$ 3,530,967</u> |

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivable and payable balances at December 31, 2014 consisted of the following:

| <b>Due To (Interfund Receivable)</b> | <b>Due From (Interfund Payable)</b> |                          |                                  |                                 | <b>Total</b>        |
|--------------------------------------|-------------------------------------|--------------------------|----------------------------------|---------------------------------|---------------------|
|                                      | <b>General</b>                      | <b>Debt Service Fund</b> | <b>Capital Improvements Fund</b> | <b>Other Governmental Funds</b> |                     |
| General Fund                         | \$ -                                | \$ 434,000               | \$ 212,594                       | \$ 881,028                      | \$ 1,527,622        |
| Capital Improvements Fund            | -                                   | -                        | -                                | 188,479                         | 188,479             |
| Nonmajor Governmental Funds          | 130,408                             | -                        | -                                | -                               | 130,408             |
| <b>Total Receivables</b>             | <b>\$ 130,408</b>                   | <b>\$ 434,000</b>        | <b>\$ 212,594</b>                | <b>\$ 1,069,507</b>             | <b>\$ 1,846,509</b> |

The purpose of the interfund loan of \$434,000 from the General to Debt Service Fund was to cover Pelican Place debt service payments until enough sales tax could be generated to support the debt service payments. Capital Improvements loan from General of \$200,000 was for ALDOT Adaptive Signals Projects and \$12,594 from the General to Capital Improvements was for paving, drainage, and sidewalk projects for new developments. For Other Governmental Funds, the Airport Authority owes the City \$779,272 for operational loans and \$101,756 is owed from Alabama Department of Transportation (ALDOT) for road and trail construction projects. Capital Improvements fund \$188,479 is owed for ALDOT Adaptive Signals Grant. The General Fund owes Nonmajor Governmental funds \$130,408 to Lodging Taxes \$115,290, Municipal Court \$8,968 and \$1,065 to Special Revenues due to the timing of monthly transfers. The General Fund also owes \$5,085 held for a paving assessment.

Interfund transfers for the year ended December 31, 2014, consisted of the following:

| <b>Transfers To (Other Financing Source)</b> | <b>Transfers From (Other Financing Use)</b> |                            |                                 |   | <b>Total</b>        |
|--|---|----------------------------|---------------------------------|---|---------------------|
|  | <b>General</b>                              | <b>2% Lodging Tax Fund</b> | <b>Other Governmental Funds</b> | <b>Public Education Building Authority Fund</b> |                     |
| General Fund                                 | \$ -  | \$ 1,800,000               | \$ 801,409                      | \$ -  | \$ 2,601,409        |
| Debt Service Fund                            | 3,650,438                                   | -                          | -                               | 27,350  | 3,677,788           |
| Capital Improvements Fund                    | 100,000                                     | -                          | -                               | -   | 100,000             |
| Other Governmental Funds                     | 17,409                                      | 62,700                     | -                               | -   | 80,109              |
| <b>Total Transfers</b>                       | <b>\$ 3,767,847</b>                         | <b>\$ 1,862,700</b>        | <b>\$ 801,409</b>               | <b>\$ 27,350</b>                                | <b>\$ 6,459,306</b> |

Transfers from 2% Lodging of \$1.8 million is to reimburse the General Fund for beach expenses. Transfers total \$801,409 from Special Revenue Funds for \$474,437 to reimburse General Funds for expenses related to various state grants and \$326,972 for Impact Fees transfers for Recreation improvements and Public Works paving projects. Transfer from the Public Education Building Authority (PEBA) of \$27,350 for Debt Service payment on a Faulkner State College Building. Transfers of \$3,650,438 to Debt Service to cover annual debt payments. Transfer from General to Capital Improvements Fund \$100K for match funds for ALDOT projects. Transfer of \$17,409 from General to Storm Damage Fund for \$17,309 reimbursed proceeds for Waterway Village parking project and \$100 to establish the 2014 GO Warrant Account. Transfer of \$62,700 from 2% Lodging to Beach Fund for beach monitoring annual expense.

THE CITY OF GULF SHORES, ALABAMA  
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**3. D. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2014, was as follows:

| <u>Description</u>                          | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Reclass-<br/>ifications</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|--------------------|--------------------------------|---------------------------|
| Governmental Activities                     |                              |                  |                    |                                |                           |
| Non-Depreciable Assets:                     |                              |                  |                    |                                |                           |
| Land  | \$ 33,465,162                | \$ 837,500       | \$ -               | \$ -                           | \$ 34,302,662             |
| Depreciable Assets:                         |                              |                  |                    |                                |                           |
| Buildings, parks facilities, & improvements | 47,211,347                   | 2,466,443        | 144,962            | (2,691,550)                    | 46,841,278                |
| Motor vehicles and equipment                | 11,181,907                   | 661,228          | 134,279            | -                              | 11,708,856                |
| Infrastructure                              | 7,948,950                    | -                | -                  | 2,691,550                      | 10,640,500                |
| Totals at historical cost                   | <u>99,807,366</u>            | <u>3,965,171</u> | <u>279,241</u>     | <u>-</u>                       | <u>103,493,296</u>        |
| Less accumulated depreciation for:          |                              |                  |                    |                                |                           |
| Buildings and improvements                  | 10,978,034                   | 1,264,046        | 119,999            | -                              | 12,122,081                |
| Motor vehicles and equipment                | 9,004,755                    | 691,127          | 86,075             | -                              | 9,609,807                 |
| Infrastructure                              | 1,146,567                    | 215,040          | -                  | -                              | 1,361,607                 |
| Total accumulated depreciation              | <u>21,129,356</u>            | <u>2,170,213</u> | <u>206,074</u>     | <u>-</u>                       | <u>23,093,495</u>         |
| Governmental activities capital assets, net | <u>\$ 78,678,010</u>         |                  |                    |                                | <u>\$ 80,399,801</u>      |

Depreciation expense was charged to governmental functions as follows:

|  |                     |
|--|---------------------|
| Executive Offices                              | \$ 552,097          |
| Police   | 199,236             |
| Fire   | 201,887             |
| Public Works                                   | 426,019             |
| Community and Economic Affairs                 | 790,974             |
| Total depreciation for governmental activities | <u>\$ 2,170,213</u> |

Capital asset activity for the business-type activities of the primary government for the year ended December 31, 2014 is as follows:

| <u>Description</u>                           | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Reclass-<br/>ifications</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|--------------------|--------------------------------|---------------------------|
| Non-Depreciable Assets:                      |                              |                  |                    |                                |                           |
| Land   | \$ 1,650,000                 | \$ -             | \$ -               | \$ -                           | \$ 1,650,000              |
| Depreciable Assets                           |                              |                  |                    |                                |                           |
| Land improvements                            | 203,088                      | -                | -                  | -                              | 203,088                   |
| Buildings                                    | 898,425                      | -                | -                  | -                              | 898,425                   |
| Equipment                                    | 261,893                      | -                | -                  | -                              | 261,893                   |
| Totals at historical cost                    | <u>3,013,406</u>             | <u>-</u>         | <u>-</u>           | <u>-</u>                       | <u>3,013,406</u>          |
| Less accumulated depreciation for:           |                              |                  |                    |                                |                           |
| Land improvements                            | 127,493                      | 13,539           | -                  | -                              | 141,032                   |
| Buildings                                    | 607,502                      | 13,582           | -                  | -                              | 621,084                   |
| Equipment                                    | 261,893                      | -                | -                  | -                              | 261,893                   |
| Total accumulated depreciation               | <u>996,888</u>               | <u>27,121</u>    | <u>-</u>           | <u>-</u>                       | <u>1,024,009</u>          |
| Business-type activities capital assets, net | <u>\$ 2,016,518</u>          |                  |                    |                                | <u>\$ 1,989,397</u>       |

THE CITY OF GULF SHORES, ALABAMA  
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**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:

| <b>Description</b>                           | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Retirements</b> | <b>Reclass-<br/>ifications</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|--------------------|--------------------------------|---------------------------|
| Non-Depreciable Assets:                      |                              |                  |                    |                                |                           |
| Land   | \$ 6,440,329                 | \$ -             | \$ -               | \$ -                           | \$ 6,440,329              |
| Depreciable Assets                           |                              |                  |                    |                                |                           |
| Runways, taxiways, and improvements          | 18,630,186                   | 284,854          | -                  | -                              | 18,915,040                |
| Buildings and improvements                   | 2,683,252                    | 38,038           | -                  | -                              | 2,721,290                 |
| Motor vehicles and equipment                 | 121,474                      | -                | -                  | -                              | 121,474                   |
| Totals at historical cost                    | <u>27,875,241</u>            | <u>322,892</u>   | <u>-</u>           | <u>-</u>                       | <u>28,198,133</u>         |
| Less accumulated depreciation for:           |                              |                  |                    |                                |                           |
| Runways, taxiways, and improvements          | 11,366,189                   | 743,284          | -                  | -                              | 12,109,473                |
| Buildings and improvements                   | 808,663                      | 76,641           | -                  | -                              | 885,304                   |
| Motor vehicles and equipment                 | 118,558                      | 2,916            | -                  | -                              | 121,474                   |
| Total accumulated depreciation               | <u>12,293,410</u>            | <u>822,841</u>   | <u>-</u>           | <u>-</u>                       | <u>13,116,251</u>         |
| Business-type activities capital assets, net | <u>\$ 15,581,831</u>         |                  |                    |                                | <u>\$ 15,081,882</u>      |

**3. E. LONG-TERM DEBT**

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

|   | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|---|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities:                                  |                              |                   |                     |                           |                                |
| Bonds, loans, and leases payable:                         |                              |                   |                     |                           |                                |
| General obligation bonds                                  | \$ 41,364,055                | \$ 890,000        | \$ 4,185,512        | \$ 38,068,543             | \$ 3,211,645                   |
| Total bonds, loans and leases,<br>less premiums/discounts | <u>41,364,055</u>            | <u>890,000</u>    | <u>4,185,512</u>    | <u>38,068,543</u>         | <u>3,211,645</u>               |
| Plus bond premiums/discounts                              | <u>66,280</u>                | <u>1,659</u>      | <u>-</u>            | <u>67,939</u>             | <u>-</u>                       |
| Total bonds, loans, and leases payable                    | 41,430,335                   | 891,659           | 4,185,512           | 38,136,482                | 3,211,645                      |
| Other liabilities: Compensated Absences                   |                              |                   |                     |                           |                                |
| Absences  | <u>864,049</u>               | <u>54,810</u>     | <u>-</u>            | <u>918,859</u>            | <u>77,899</u>                  |
| Governmental activities long term liabilities             | <u>\$ 42,294,384</u>         | <u>\$ 946,469</u> | <u>\$ 4,185,512</u> | <u>\$ 39,055,341</u>      | <u>\$ 3,289,544</u>            |

The primary government had no business activity long-term debt as of December 31, 2014. The general fund has been used in prior years to liquidate the liability for compensated absences.

THE CITY OF GULF SHORES, ALABAMA  
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**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<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Discretely Presented Component Units           |                              |                  |                   |                           |                                |
| Bonds and loans payable:                       |                              |                  |                   |                           |                                |
| 1996 B Airport Authority Bond                  | \$ 100,000                   | \$ -             | \$ 25,000         | \$ 75,000                 | \$ 25,000                      |
| Business-type activities long term liabilities | <u>\$ 100,000</u>            | <u>\$ -</u>      | <u>\$ 25,000</u>  | <u>\$ 75,000</u>          | <u>\$ 25,000</u>               |

As of December 31, 2014 the governmental long term debt consisted of the following:

|   |              |
|---|--------------|
| \$11,560,000, Series 2005-C General Obligation Warrants, dated December 15, 2006 due in annual installments from \$1,210,000 to 1,705,000 beginning on December 15, 2008, with a final payment due December 15, 2016. Interest varying from 4.80% to 5.05% per annum payable June 15 and December 15, first payment June 15, 2006 and last payment December 15, 2015.               | \$ 1,705,000 |
| \$2,465,000, Series 2006-A General Obligation Warrants, dated February 1, 2006 due in 2 annual installments. The first on \$1,215,000 on December 15, 2016, with a final payment due December 15, 2017 of \$1,250,000. Beginning June 15, 2006 interest varying from 5.10% to 5.15% per annum payable on June 15 and December 15, with a final payment due December 15, 2017.       | 2,465,000    |
| \$17,050,000, Series 2008-A General Obligation Warrants, dated April 1, 2008 due in annual principal installments of \$100,000 increasing to \$2,890,000 beginning on December 15, 2008, with a final payment due December 15, 2028. Interest varying from 3.00% to 4.5% per annum payable June 15 and December 15, first payment due December 15, 2008 and last December 15, 2028. | 14,780,000   |
| \$738,283, Series 2012 General Obligation Warrants, dated April 2, 2012 due in annual installments of \$189,981 plus interest varying of 1.95% per annum payable on April 9th of each year, beginning in July 2012, final payment due April 9, 2015.  | 186,318      |
| \$4,000,000, Series 2012-A General Obligation Warrants, dated July 13, 2012 and matures four years for the date of delivery. Interest only quarterly payments bear a fixed rate of 2.83% are due January 15, April 15, July 15 and October 15, first payment due October 15, 2012 and last December July 13, 2016.  | 1,000        |
| \$800,000, Series 2012B General Obligation Warrants, dated August 16, 2012 due in monthly installments of \$22,649 including interest of 1.22% per annum payable on the 16th of each month, beginning in September 2012, final payment due August 16, 2015.   | 181,225      |

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. E. LONGTERM DEBT (CONTINUED)**

|  |                      |
|--|----------------------|
| <p>\$9,000,000, Series 2012C 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.</p>   | 9,000,000            |
| <p>\$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.</p> | 9,700,000            |
| <p>\$9,000,000, Series 2014 General Obligation Warrants, dated December 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.</p>  | 50,000               |
| <p>Total Unamortized General Obligation Warrant Issue Premiums</p>   | 67,939               |
| <p>Total Long Term Debt</p>  | <u>\$ 38,136,482</u> |

As of December 31, 2014 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:**

|   |           |
|---|-----------|
| <p>\$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.</p> | \$ 75,000 |
|---|-----------|

Annual debt service requirements to maturity, including principle and interest, for the governmental activities long-term debt as of December 31, 2014, are as follows:

| Year Ending<br>December 31, | Principal     | Interest     |
|-----------------------------|---------------|--------------|
| 2015                        | \$ 3,211,645  | \$ 1,279,944 |
| 2016                        | 3,755,000     | 1,149,010    |
| 2017                        | 3,835,000     | 1,024,905    |
| 2018                        | 2,145,000     | 891,630      |
| 2019                        | 2,170,000     | 821,390      |
| 2020-2024                   | 12,090,000    | 3,126,774    |
| 2025-2028                   | 10,861,898    | 1,198,668    |
| Total                       | \$ 38,068,543 | \$ 9,492,321 |

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

THE CITY OF GULF SHORES, ALABAMA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**3. E. LONG-TERM DEBT (CONTINUED)**

| <u>Year Ending</u><br><u>September 30,</u> | <u>Principal</u> | <u>Interest</u> |
|--|------------------|-----------------|
| 2015                                       | 25,000           | 3,828           |
| 2016                                       | 25,000           | 2,297           |
| 2017                                       | 25,000           | 766             |
| Total                                      | \$ 75,000        | \$ 6,891        |

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

**3. F. UNEARNED REVENUE**

The City has unearned revenues of \$6,076 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 \$242,691 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. The remaining \$380 is derived from gift certificates that have been purchased to the Bodenhamer Center. These revenues will be recognized as the City incurs these expenditures.

As of December 31, 2014 the City has unearned revenues of \$12,306 reported in the Debt Service Fund from Emfinger Paving assessments which has been deferred, and will be recognized when the receivables become available.

The remaining \$60,167 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, 2014, the Storm Damage fund of the City of Gulf Shores had an accumulated total fund balance deficit of \$169,829. At December 31, 2014, the 2008 A GO Building fund of the City of Gulf Shores had an accumulated total fund balance deficit of \$14,044. At December 31, 2014, the Capital Improvements fund of the City of Gulf Shores had an accumulated total fund balance deficit of \$120,225. It is anticipated that these deficits will be eliminated by future excess revenues over expenses. The Airport Authority of the City of Gulf Shores, a component unit of the primary government, had an accumulated total net position deficit of \$60,281 at September 30, 2014.

**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, 2014, was \$499,994,940 resulting in a debt limit of \$99,998,988. 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.

THE CITY OF GULF SHORES, ALABAMA  
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**3. J. CONTINGENCIES**

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

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

**NOTE 4 – OTHER INFORMATION**

**4. A. RETIREMENT PLAN**

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

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

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

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

The following is information taken from the Employees' Retirement System of Alabama, Actuarial Valuation Summary as of September 30, 2013; the latest date for which a valuation was available. The valuation sets the rate for the period beginning October 1, 2015.

Summary of Employee Census Data

|  | <u>Tier 1</u>   | <u>DROP</u>       | <u>Tier 2</u> | <u>Total</u>  |
|--|-----------------|-------------------|---------------|---------------|
| Number of active members:                    | 217             | 2                 | 20            | 239           |
| Annual compensation:                         | \$ 10,047,674   | \$ 165,808        | \$ 600,980    | \$ 10,814,462 |
|  | <u>Retirees</u> | <u>DROP</u>       |               | <u>Total</u>  |
| Number of retired members and beneficiaries: | 24              | 2                 |               | 26            |
| Annual retirement allowances:                | \$ 718,415      | \$ 88,101         |               | \$ 806,516    |
|  | <u>Vested</u>   | <u>Non-vested</u> |               | <u>Total</u>  |
| Number of inactive members:                  | 4               | 10                |               | 14            |
| Annual contributions with interest:          | \$ 281,075      | \$ 81,879         |               | \$ 362,954    |

THE CITY OF GULF SHORES, ALABAMA  
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**NOTE 4 – OTHER INFORMATION**

**4. A. RETIREMENT PLAN (CONTINUED)**

| Required Employer Contribution Rates  | Retain<br>Current Member<br>Contribution Rates | Elect to Increase Member<br>Contribution Rates<br>Under Act 2011-676 |
|---|--|--|
| <b>Tier 1 Employees (Applies to all members hired before January 1, 2013)</b> |  |  |
| Normal cost   | 3.47%  | 1.26%  |
| Accrued Liability   | 4.78%  | 4.87%  |
| Pre-retirement death benefit  | 0.02%  | 0.02%  |
| Administrative expense  | 0.35%  | 0.35%  |
| <b>Total Employer Contribution Rate</b>                                       | <b>8.62%</b>                                   | <b>6.50%</b>   |
| 5% Employer contribution factor ( 8.62%/5% )                                  | 1.724000%                                      |  |
| 6% Employer contribution factor ( 8.62%/6% )                                  | 1.436667%                                      |  |
| 7.5% Employer contribution factor ( 6.50%/7.5% )                              |  | 0.866667%  |
| 8.5% Employer contribution factor ( 6.50%/8.5% )                              |  | 0.764706%  |

**Tier 2 Employees (Applies to all members hired on or after January 1, 2013)**

Note: These rate apply regardless of Tier I member contribution rate election

|  |              |
|--|--------------|
| Normal cost                                  | 0.89%        |
| Accrued Liability                            | 4.78%        |
| Pre-retirement death benefit                 | 0.02%        |
| Administrative expense                       | 0.35%        |
| <b>Total Employer Contribution Rate</b>      | <b>6.04%</b> |
| 6% Employer contribution factor ( 6.04%/6% ) | 1.006667%    |
| 7% Employer contribution factor ( 6.04%/7% ) | 0.862857%    |

Comments on Employer Contribution Rates:

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

**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets * | Accrued<br>Act. Liability<br>Entry Age | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as %<br>of Covered<br>Payroll |
|--------------------------------|-----------------------------------|--|---------------------------|-----------------|--------------------|------------------------------------|
| Date                           | (a)                               | (b) <sub>1</sub>                       | (b-a)                     | (a/b)           | ( c )              | ((b-a)/c)                          |
| 9/30/2008                      | \$ 10,382,700                     | \$ 14,712,754                          | \$ 4,330,054              | 70.6%           | \$ 9,871,622       | 43.9%                              |
| 9/30/2009                      | \$ 10,944,617                     | \$ 16,360,595                          | \$ 5,415,978              | 66.9%           | \$ 9,319,904       | 58.1%                              |
| 9/30/2010 <sub>2</sub>         | \$ 11,654,622                     | \$ 18,981,372                          | \$ 7,326,750              | 61.4%           | \$ 9,237,271       | 79.3%                              |
| 9/30/2011 <sub>4</sub>         | \$ 12,339,073                     | \$ 20,398,217                          | \$ 8,059,144              | 60.5%           | \$ 10,376,800      | 77.7%                              |
| 9/30/2012 <sub>5</sub>         | \$ 12,861,294                     | \$ 19,705,804                          | \$ 6,844,510              | 65.3%           | \$ 9,674,297       | 70.7%                              |
| 9/30/2013 <sub>6</sub>         | \$ 14,592,408                     | \$ 21,874,539                          | \$ 7,282,131              | 66.7%           | \$ 10,814,462      | 67.3%                              |
| 9/30/2013 <sub>3,6</sub>       | \$ 14,592,408                     | \$ 22,004,134                          | \$ 7,411,726              | 66.3%           | \$ 10,814,462      | 68.5%                              |

THE CITY OF GULF SHORES, ALABAMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2014

**NOTE 4 – OTHER INFORMATION (CONTINUED)**

**4. A. RETIREMENT PLAN (CONTINUED)**

- 1 Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
  - 2 Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011
  - 3 Reflects the impact of Act 2011-676 as well as Act 2011-26, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012
  - 4 Reflects changes in actuarial assumption.
  - 5 Reflects changes to interest smoothing methodology.
  - 6 Reflects implementation of Board Funding Policy.
- \* The Actuarial value of assets was set equal to the market value of assets as of September 30 2012.  
 Market Value of Assets as of September 30, 2013: \$15,274,446

|  |                        |
|--|------------------------|
| Valuation date                                       | 9/30/2013              |
| Actuarial cost method                                | Entry Age              |
| Amortization method                                  | Level percent open     |
| Remaining amortization period                        | 22 years               |
| Asset valuation method                               | 5-year smoothed market |
| Actuarial assumptions:                               |                        |
| Ultimate Investment rate of return (discount rate)** | 8.00%                  |
| Projected salary increases**                         | 3.75 - 7.25%           |
| **Includes inflation at                              | 3.00%                  |
| Cost-of-living adjustments                           | None                   |

| Trend Information  |                           |                               |                              |
|--------------------|---------------------------|-------------------------------|------------------------------|
| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (NPO) |
| 9/30/2011          | \$ 909,040                | 100%                          | \$ -                         |
| 9/30/2012          | \$ 831,250                | 100%                          | \$ -                         |
| 9/30/2013          | \$ 918,403                | 100%                          | \$ -                         |

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**NOTE 4 – OTHER INFORMATION (CONTINUED)**

**4. B. DEFEASED DEBT**

In April, 2008 the City issued \$17,050,000 Series 2008 A General Obligation Warrants, which were used to advance refund the Series 1996 and 1998 C General Obligation Warrants, acquire the 200 Clubhouse Drive land and building, and to construct various capital projects. In accordance with the refunding agreement, the City deposited with Regions Bank funds from the Series 2008 A Warrants into two escrow accounts which along with the earnings there from, are sufficient to pay the principal and interest of the bonds. These escrowed funds 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, 2015 the City's General Obligation Warrants, Series 2006B.

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

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**4. C. COMMITMENTS AND CONTINGENCIES**

Construction, engineering, and design contracts for material public works project commitments at December 31, 2014 are as follows:

| <u>Contractor/Engineer</u>    | <u>Construction/Professional Services Project</u>  | <u>Resolution No.</u> | <u>Contract Amount Including Change Orders</u> | <u>Approximate Expenditures Incurred To Date</u> | <u>Approximate Balance of Contract</u> |
|-------------------------------|--|-----------------------|--|--|--|
| Thompson Engineering          | East 20th Avenue Extension                         | 5207-13               | \$ 265,000                                     | \$ 50,403  | \$ 214,598                             |
| JADE Consulting               | Cultural Center Parking Lot (Design)               | 5631-14               | \$ 31,380                                      | \$ 30,363  | \$ 1,017                               |
| John G. Walton                | Cultural Center Parking Lot (Construction)         | 5375-14               | \$ 275,000                                     | \$ 187,109                                       | \$ 87,891                              |
| Thompson Engineering          | Engineering - HWY 59 Sidewalks from 182 to 180     | 5440-14               | \$ 172,375                                     | \$ 37,550  | \$ 134,825                             |
| Skipper Consulting            | Adaptive Signal Upgrades (Design)                  | 5375-14               | \$ 76,200                                      | \$ 8,382   | \$ 67,818                              |
| John G. Walton                | 2014 Resurfacing                                   | 5431-14               | \$ 325,000                                     | \$ 126,374                                       | \$ 198,626                             |
| Asphalt Services              | Fort Morgan Road Trail Improvements - Construction | 5462-14               | \$ 170,000                                     | -  | \$ 170,000                             |
| Adams Stewart Architects, LLC | West 10th Street Beach Access - Design             | 5404-14               | \$ 25,000                                      | -  | \$ 25,000                              |
| Carlton McCurry               | Sportsplex Storage Building - Design               | 5460-14               | \$ 6,400                                       | -  | \$ 6,400                               |

**Health Self Insurance Plan**

Beginning October 1, 2009 the City changed Blue Cross Blue Shield health insurance coverage from a fully insured plan to a self insured plan up to \$1,700,000. The self insurance policy is administered through Occidental, an American United Life insurance company.

**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 2014, rentals approximated \$50,795 for such leases. Approximately \$48,818, in minimum rental payments are due in 2015. 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                          | <u>77,031</u>     |
|                                    | 711,547           |
| Less accumulated depreciation      | <u>(498,263)</u>  |
| Net investment in operating leases | <u>\$ 213,284</u> |

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**4. E. AIRPORT LEASES (CONTINUED)**

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

| Year       | Payment       |
|------------|---------------|
| 2015       | 339,353       |
| 2016       | 346,396       |
| 2017       | 347,956       |
| 2018       | 348,167       |
| 2019       | 349,950       |
| Thereafter | 10,110,536    |
| Total      | \$ 11,842,358 |

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 \$105,780 in 2014.

**4. F. PUBLIC EDUCATION BUILDING AUTHORITY**

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

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

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

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**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, 2014 is \$442,201 at a 4.0% assumed annual investment.

The gross annual required contribution (current liability) assumed payable is \$69,323, which consists of an annual normal cost assumed payable of \$43,761, plus a 30 year actuarial accrued liability amortization contribution of \$25,562. 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 2014 there was \$26,506 in early retirement sick leave paid out by the City to eligible retirees.

**4. J. CAFETERIA PLAN**

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

**4. K. FUND BALANCE – COMMITTED**

There is \$7,617,230 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 \$7,617,230, as reflected in reserved cash and cash equivalents of the General fund.

**4. L. COLONIAL PINNACLE AT CRAFT FARMS PROJECT**

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014

**4. M. SUBSEQUENT EVENTS**

The City purchased 115 acres of land for approximately \$1,725,000 located on the Foley Beach Express and the corner of Baldwin County 8.

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, 2014

|   | Original           | Final              | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|--------------------|-------------------------------------|---|
| <b>REVENUES</b>                                 |                    |                    |                                     |   |
| Property Taxes                                  | \$ 2,672,576       | \$ 2,672,576       | \$ 2,556,551                        | \$ (116,025)  |
| Local Taxes                                     | 20,590,000         | 20,590,000         | 21,387,763                          | 797,763   |
| Licenses and Permits                            | 2,541,000          | 2,541,000          | 2,908,946                           | 367,946   |
| Fines and Forfeitures                           | 340,000            | 340,000            | 395,864                             | 55,864  |
| Utility Tax Equivalents                         | 1,172,100          | 1,172,100          | 1,253,354                           | 81,254  |
| Intergovernmental:                              |                    |                    |                                     |   |
| Federal and State Grants                        | 115,500            | 115,500            | 169,815                             | 54,315  |
| State of Alabama - Taxes                        | 66,400             | 66,400             | 67,904                              | 1,504   |
| Income on Investments                           | 15,000             | 15,000             | 19,189                              | 4,189   |
| Other   | 2,171,166          | 2,988,666          | 2,706,873                           | (281,793)   |
| <b>Total Revenues</b>                           | <u>29,683,742</u>  | <u>30,501,242</u>  | <u>31,466,259</u>                   | <u>965,017</u>  |
| <b>EXPENDITURES</b>                             |                    |                    |                                     |   |
| Executive Department                            | 3,542,349          | 3,642,872          | 3,366,421                           | (276,451)   |
| Municipal Court                                 | 298,533            | 297,533            | 299,304                             | 1,771   |
| Police Department                               | 4,591,798          | 4,509,998          | 4,519,657                           | 9,659   |
| Fire and Emergency Services                     | 3,962,280          | 3,859,180          | 3,889,208                           | 30,028  |
| Community and Economic Affairs                  | 6,400,168          | 7,432,016          | 6,918,666                           | (513,350)   |
| Public Works                                    | 4,933,574          | 5,586,701          | 5,216,883                           | (369,818)   |
| Appropriations                                  | 145,000            | 113,150            | 105,221                             | (7,929)   |
| Capital Outlay                                  | -                  | 817,500            | 817,500                             | -   |
| <b>Total Expenditures</b>                       | <u>23,873,702</u>  | <u>26,258,950</u>  | <u>25,132,860</u>                   | <u>(1,126,090)</u>                                      |
| <b>Excess of revenues<br/>over expenditures</b> | <u>5,810,040</u>   | <u>4,242,292</u>   | <u>6,333,399</u>                    | <u>2,091,107</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                    |                                     |   |
| Bond issue proceeds                             | -                  | 840,000            | 840,000                             | -   |
| Transfers from Other Funds                      | 2,269,000          | 2,595,972          | 2,601,409                           | 5,437   |
| Transfer to Other Funds                         | (7,886,039)        | (7,677,857)        | (8,369,476)                         | (691,619)   |
| <b>Total Other Financing Uses</b>               | <u>(5,617,039)</u> | <u>(4,241,885)</u> | <u>(4,928,067)</u>                  | <u>(686,182)</u>  |
| <b>Net Change in Fund Balances</b>              | <u>\$ 193,001</u>  | <u>\$ 407</u>      | <u>\$ 1,405,332</u>                 | <u>\$ 1,404,925</u>                                     |

*Note to Budgetary Comparison Schedule:*

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

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

The basis of budgeting is the same as GAAP.

## OTHER SUPPLEMENTARY INFORMATION

THE CITY OF GULF SHORES, ALABAMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

|   | Special Revenue Funds       |                        |                          | Capital Projects Funds       |                               |                         |                            | Total<br>Nonmajor<br>Governmental<br>Funds |                                  |
|---|-----------------------------|------------------------|--------------------------|------------------------------|-------------------------------|-------------------------|----------------------------|--|----------------------------------|
|   | Designated<br>Taxes<br>Fund | Impact<br>Fees<br>Fund | Library<br>Board<br>Fund | Beach<br>Restoration<br>Fund | 2008 A GO<br>Building<br>Fund | Storm<br>Damage<br>Fund | 2014 GO<br>Warrant<br>Fund |  | 2012 C & D GO<br>Warrant<br>Fund |
| <b>ASSETS</b>   |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Restricted Cash and Cash Equivalents  | \$ 136,334                  | \$ 252,492             | \$ 21,831                | \$ 1,141                     | \$ 527,575                    | \$ 321,468              | \$ 50,105                  | \$ 9                                       | \$ 1,310,955                     |
| Receivable (Net)  | -                           | -                      | -                        | -                            | -                             | -                       | -                          | -  | -                                |
| Due From Other Funds  | 10,033                      | -                      | -                        | -                            | -                             | -                       | -                          | -  | 10,033                           |
| Due From Other Governments  | -                           | -                      | -                        | -                            | 36,591                        | -                       | -                          | -  | 36,591                           |
| <b>Total Assets</b>   | <b>146,367</b>              | <b>252,492</b>         | <b>21,831</b>            | <b>1,141</b>                 | <b>564,166</b>                | <b>321,468</b>          | <b>50,105</b>              | <b>9</b>                                   | <b>1,357,579</b>                 |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>     |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Liabilities:  |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Accounts payable  | -                           | 18,964                 | -                        | -                            | -                             | -                       | 20,000                     | -  | 38,964                           |
| Due to Other Funds  | -                           | -                      | -                        | -                            | 578,210                       | 491,297                 | -                          | -  | 1,069,507                        |
| <b>Total Liabilities</b>  | <b>-</b>                    | <b>18,964</b>          | <b>-</b>                 | <b>-</b>                     | <b>578,210</b>                | <b>491,297</b>          | <b>20,000</b>              | <b>-</b>                                   | <b>1,108,471</b>                 |
| <b>DEFERRED INFLOW OF RESOURCES</b>   |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Unearned revenue  | -                           | -                      | -                        | -                            | -                             | -                       | -                          | -  | -                                |
| Fund Balances:  |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Spendable:  |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Restricted  | 146,367                     | 233,528                | 21,831                   | 1,141                        | -                             | -                       | -                          | -  | 402,867                          |
| Committed   | -                           | -                      | -                        | -                            | -                             | -                       | 30,105                     | 9  | 30,114                           |
| Unassigned  | -                           | -                      | -                        | -                            | (14,044)                      | (169,829)               | -                          | -  | (183,873)                        |
| <b>Total Fund Balances</b>  | <b>146,367</b>              | <b>233,528</b>         | <b>21,831</b>            | <b>1,141</b>                 | <b>(14,044)</b>               | <b>(169,829)</b>        | <b>30,105</b>              | <b>9</b>                                   | <b>249,108</b>                   |
| <b>Total Liabilities, Deferred Inflow of<br/>Resources and Fund Balance</b> | <b>\$ 146,367</b>           | <b>\$ 252,492</b>      | <b>\$ 21,831</b>         | <b>\$ 1,141</b>              | <b>\$ 564,166</b>             | <b>\$ 321,468</b>       | <b>\$ 50,105</b>           | <b>\$ 9</b>                                | <b>\$ 1,357,579</b>              |

**COMBINING FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

THE CITY OF GULF SHORES, ALABAMA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

|  | Special Revenue Funds       |                        |                          | Capital Projects Funds       |                               |                         |                            | Total<br>Nonmajor<br>Governmental<br>Funds |                                  |
|--|-----------------------------|------------------------|--------------------------|------------------------------|-------------------------------|-------------------------|----------------------------|--|----------------------------------|
|  | Designated<br>Taxes<br>Fund | Impact<br>Fees<br>Fund | Library<br>Board<br>Fund | Beach<br>Restoration<br>Fund | 2008 A GO<br>Building<br>Fund | Storm<br>Damage<br>Fund | 2014 GO<br>Warrant<br>Fund |  | 2012 C & D GO<br>Warrant<br>Fund |
| <b>REVENUES</b>  |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Intergovernmental:   |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| State of Alabama taxes                                       | \$ 462,474                  | \$ -                   | \$ -                     | \$ -                         | \$ -                          | \$ -                    | \$ -                       | \$ -                                       | \$ 462,474                       |
| Federal and State grants                                     | -                           | -                      | -                        | -                            | 325,778                       | 648,086                 | -                          | -  | 973,864                          |
| Interest income  | 218                         | 190                    | 12                       | 13                           | 115                           | 189                     | 5                          | 1  | 743                              |
| Impact fees  | -                           | 540,482                | -                        | -                            | -                             | -                       | -                          | -  | 540,482                          |
| BP Proceeds  | -                           | -                      | -                        | -                            | -                             | 639,005                 | -                          | -  | 639,005                          |
| Other receipts   | -                           | -                      | -                        | -                            | -                             | -                       | -                          | -  | -                                |
| <b>Total Revenues</b>  | <u>462,692</u>              | <u>540,672</u>         | <u>12</u>                | <u>13</u>                    | <u>325,893</u>                | <u>1,287,280</u>        | <u>5</u>                   | <u>1</u>                                   | <u>2,616,568</u>                 |
| <b>EXPENDITURES</b>  |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Current Operating:   |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Police   | -                           | 31,745                 | -                        | -                            | -                             | -                       | -                          | -  | 31,745                           |
| Fire   | -                           | 50,000                 | -                        | -                            | -                             | -                       | -                          | -  | 50,000                           |
| Community and Economic Affairs                               | -                           | 197,462                | -                        | -                            | -                             | -                       | -                          | -  | 197,462                          |
| Public Works   | -                           | 63,152                 | -                        | -                            | -                             | 1,145,482               | -                          | -  | 1,208,634                        |
| Capital Outlay   | -                           | -                      | -                        | -                            | 403,734                       | -                       | 20,000                     | -  | 423,734                          |
| Beach Restoration  | -                           | -                      | -                        | 62,700                       | -                             | -                       | -                          | -  | 62,700                           |
| Miscellaneous  | 53,662                      | 54                     | (660)                    | 139                          | -                             | 275                     | -                          | -  | 53,470                           |
| <b>Total Expenditures</b>                                    | <u>53,662</u>               | <u>342,413</u>         | <u>(660)</u>             | <u>62,839</u>                | <u>403,734</u>                | <u>1,145,757</u>        | <u>20,000</u>              | <u>-</u>                                   | <u>2,027,745</u>                 |
| <b>Excess (Deficiency) of revenues<br/>Over Expenditures</b> | <u>409,030</u>              | <u>198,259</u>         | <u>672</u>               | <u>(62,826)</u>              | <u>(77,841)</u>               | <u>141,523</u>          | <u>(19,995)</u>            | <u>1</u>                                   | <u>588,823</u>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |                        |                          |                              |                               |                         |                            |  |                                  |
| Bond Proceeds  | -                           | -                      | -                        | -                            | -                             | -                       | 50,000                     | -  | 50,000                           |
| Transfers In   | -                           | -                      | -                        | 62,700                       | -                             | 17,309                  | 100                        | -  | 80,109                           |
| Transfers Out  | (431,500)                   | (326,972)              | -                        | -                            | -                             | (42,937)                | -                          | (2)  | (801,411)                        |
| <b>Total Other Financing Sources (Uses)</b>                  | <u>(431,500)</u>            | <u>(326,972)</u>       | <u>-</u>                 | <u>62,700</u>                | <u>-</u>                      | <u>(25,628)</u>         | <u>50,100</u>              | <u>(2)</u>                                 | <u>(671,302)</u>                 |
| <b>Net Change in Fund Balance</b>                            | <u>(22,470)</u>             | <u>(128,713)</u>       | <u>672</u>               | <u>(126)</u>                 | <u>(77,841)</u>               | <u>115,895</u>          | <u>30,105</u>              | <u>(1)</u>                                 | <u>(82,479)</u>                  |
| <b>Fund Balances - Beginning</b>                             | <u>168,837</u>              | <u>362,241</u>         | <u>21,159</u>            | <u>1,267</u>                 | <u>63,797</u>                 | <u>(285,724)</u>        | <u>-</u>                   | <u>10</u>                                  | <u>331,587</u>                   |
| <b>Fund Balances - Ending</b>                                | <u>\$ 146,367</u>           | <u>\$ 233,528</u>      | <u>\$ 21,831</u>         | <u>\$ 1,141</u>              | <u>\$ (14,044)</u>            | <u>\$ (169,829)</u>     | <u>\$ 30,105</u>           | <u>\$ 9</u>                                | <u>\$ 249,108</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, 2014

|   | <u>Original</u>    | <u>Final</u>       | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|--------------------|--------------------|---|---|
| <b>REVENUES</b>                                     |                    |                    |   |   |
| Taxes:  |                    |                    |   |   |
| Interest income                                     | \$ 1,000           | \$ 1,000           | \$ 1,402                                    | \$ 402  |
| <b>Total Revenues</b>                               | <u>1,000</u>       | <u>1,000</u>       | <u>1,402</u>                                | <u>402</u>  |
| <b>EXPENDITURES</b>                                 |                    |                    |   |   |
| Current:  |                    |                    |   |   |
| General government                                  | -                  | -                  | -   | -   |
| <b>Total General government</b>                     | <u>-</u>           | <u>-</u>           | <u>-</u>                                    | <u>-</u>  |
| <b>Excess of revenues<br/>    over expenditures</b> | 1,000              | 1,000              | 1,402                                       | 402   |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                    |                    |   |   |
| Transfer from Other Funds                           | 2,600,000          | 2,600,000          | 2,587,475                                   | (12,525)  |
| Transfer to Other Funds                             | <u>(2,601,000)</u> | <u>(2,601,000)</u> | <u>(1,862,700)</u>                          | <u>738,300</u>  |
| <b>Total Other Financing Uses</b>                   | <u>(1,000)</u>     | <u>(1,000)</u>     | <u>724,775</u>                              | <u>725,775</u>  |
| <b>Net Change in Fund Balances</b>                  | -                  | -                  | 726,177                                     | 726,177   |
| <b>Fund Balance, beginning</b>                      | <u>913,744</u>     | <u>913,744</u>     | <u>913,744</u>                              | <u>-</u>  |
| <b>Fund Balance, ending</b>                         | <u>\$ 913,744</u>  | <u>\$ 913,744</u>  | <u>\$ 1,639,921</u>                         | <u>\$ 726,177</u>   |

THE CITY OF GULF SHORES, ALABAMA  
DESIGNATED TAXES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014

|  | <u>Original</u>   | <u>Final</u>      | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|-------------------|-------------------|---|---|
| <b>REVENUES</b>                              |                   |                   |   |   |
| Taxes:                                       |                   |                   |   |   |
| Firefighters Ad Valorem                      | \$ 110,000        | \$ 110,000        | \$ 178,400                                  | \$ 68,400   |
| Law Enforcement:                             |                   |                   |   |   |
| Federal Equity Sharing                       | 1,000             | 1,000             | 6,972                                       | 5,972   |
| State, Local & Other                         | 5,000             | 5,000             | 7,730                                       | 2,730   |
| Alabama Gasoline Excise Tax                  |                   |                   |   |   |
| Four per gallon                              | 10,000            | 10,000            | 15,657                                      | 5,657   |
| Five per gallon                              | 7,000             | 7,000             | 7,707                                       | 707   |
| Seven per gallon                             | 26,000            | 26,000            | 26,973                                      | 973   |
| Petroleum Inspection Fees                    | 4,000             | 4,000             | 4,532                                       | 532   |
| Motor Fuel Distribution                      | 1,000             | 1,000             | 1,196                                       | 196   |
| State Shared Capital Improvement Fund        | 150,000           | 150,000           | 84,986                                      | (65,014)  |
| Corrections Fund                             | 85,000            | 85,000            | 91,494                                      | 6,494   |
| Municipal Court Judicial Administrative Fund | 35,000            | 35,000            | 36,827                                      | 1,827   |
| Interest income                              | -                 | -                 | 218   | 218   |
| <b>Total Revenues</b>                        | <u>434,000</u>    | <u>434,000</u>    | <u>462,692</u>                              | <u>28,692</u>   |
| <b>EXPENDITURES</b>                          |                   |                   |   |   |
| Account Administration                       | 35,000            | 35,000            | 53,662                                      | (18,662)  |
| <b>Total Expenditures</b>                    | <u>35,000</u>     | <u>35,000</u>     | <u>53,662</u>                               | <u>(18,662)</u>   |
| <b>Excess of revenues over expenditures</b>  | <u>399,000</u>    | <u>399,000</u>    | <u>409,030</u>                              | <u>10,030</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                   |                   |   |   |
| Transfer to General Fund                     |                   |                   |   |   |
| Corrections                                  | (85,000)          | (85,000)          | (108,000)                                   | (23,000)  |
| Firefighters Ad Valorem                      | (110,000)         | (110,000)         | (161,000)                                   | (51,000)  |
| Law Enforcement Federal                      | (1,000)           | (1,000)           | -   | 1,000   |
| Law Enforcement State, Local & Other         | (5,000)           | (5,000)           | (8,500)                                     | (3,500)   |
| Alabama Gasoline Excise Tax                  | (48,000)          | (48,000)          | (69,000)                                    | (21,000)  |
| State Capital Improvements                   | (150,000)         | (150,000)         | (85,000)                                    | 65,000  |
| <b>Total Other Financing Uses</b>            | <u>(399,000)</u>  | <u>(399,000)</u>  | <u>(431,500)</u>                            | <u>(32,500)</u>   |
| <b>Net Change in Fund Balances</b>           | -                 | -                 | (22,470)                                    | (22,470)  |
| <b>Fund Balance, beginning</b>               | <u>168,837</u>    | <u>168,837</u>    | <u>168,837</u>                              | -   |
| <b>Fund Balance, ending</b>                  | <u>\$ 168,837</u> | <u>\$ 168,837</u> | <u>\$ 146,367</u>                           | <u>\$ (22,470)</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, 2014

|   | <u>Original</u>   | <u>Final</u>      | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------|-------------------|---|---|
| <b>REVENUES</b>                             |                   |                   |   |   |
| Parks & Recreation                          | \$ 326,272        | \$ 249,300        | \$ 260,423                                  | \$ 11,123   |
| Fire  | 50,000            | 50,000            | 44,389                                      | (5,611)   |
| Police                                      | 33,000            | 33,000            | 31,302                                      | (1,698)   |
| Public Works                                | 500,000           | 250,000           | 204,368                                     | (45,632)  |
| Interest income                             | -                 | -                 | 190   | 190   |
| <b>Total Revenues</b>                       | <u>909,272</u>    | <u>582,300</u>    | <u>540,672</u>                              | <u>(41,629)</u>   |
| <b>EXPENDITURES</b>                         |                   |                   |   |   |
| Current                                     |                   |                   |   |   |
| Fire  | 50,000            | 50,000            | 50,000                                      | -   |
| Recreation                                  | 326,272           | 249,300           | 197,462                                     | (51,838)  |
| Public Works                                | 500,000           | 250,000           | 63,152                                      | (186,848)   |
| Police                                      | 33,000            | 33,000            | 31,745                                      | (1,255)   |
| Miscellaneous                               | -                 | -                 | 54  | 54  |
| <b>Total Expenditures</b>                   | <u>909,272</u>    | <u>582,300</u>    | <u>342,413</u>                              | <u>(239,887)</u>  |
| <b>Excess of revenues over expenditures</b> | <u>-</u>          | <u>-</u>          | 198,259                                     | 198,258   |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                   |                   |   |   |
| Transfer to Other Funds                     | -                 | -                 | 326,972                                     | 326,972   |
| <b>Total Other Financing Uses</b>           | <u>-</u>          | <u>-</u>          | <u>326,972</u>                              | <u>326,972</u>  |
| <b>Net Change in Fund Balances</b>          | -                 | -                 | (128,713)                                   | (128,714)   |
| <b>Fund Balance, beginning</b>              | <u>362,241</u>    | <u>362,241</u>    | <u>362,241</u>                              | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ 362,241</u> | <u>\$ 362,241</u> | <u>\$ 233,528</u>                           | <u>\$ (128,714)</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, 2014

|   | Original         | Final            | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|-------------------------------------|---|
| <b>REVENUES</b>                             |                  |                  |                                     |   |
| Interest income                             | \$ -             | \$ -             | \$ 12                               | \$ 12   |
| <b>Total Revenues</b>                       | <u>-</u>         | <u>-</u>         | <u>12</u>                           | <u>12</u>   |
| <b>EXPENDITURES</b>                         |                  |                  |                                     |   |
| Account Administration                      | -                | -                | (660)                               | 660   |
| <b>Total Expenditures</b>                   | <u>-</u>         | <u>-</u>         | <u>(660)</u>                        | <u>660</u>  |
| <b>Excess of revenues over expenditures</b> | <u>-</u>         | <u>-</u>         | <u>672</u>                          | <u>672</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                  |                  |                                     |   |
| Transfer to Other Funds                     | -                | -                | -                                   | -   |
| <b>Total Other Financing Uses</b>           | <u>-</u>         | <u>-</u>         | <u>-</u>                            | <u>-</u>  |
| <b>Net Change in Fund Balances</b>          | -                | -                | 672                                 | 672   |
| <b>Fund Balance, beginning</b>              | <u>21,159</u>    | <u>21,159</u>    | <u>21,159</u>                       | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ 21,159</u> | <u>\$ 21,159</u> | <u>\$ 21,831</u>                    | <u>\$ 672</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, 2014

|   | <u>Original</u> | <u>Final</u>    | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-----------------|-----------------|---|---|
| <b>REVENUES</b>                             |                 |                 |   |   |
| Interest income                             | \$ -            | \$ -            | \$ 13                                       | \$ 13   |
| <b>Total Revenues</b>                       | <u>-</u>        | <u>-</u>        | <u>13</u>                                   | <u>13</u>   |
| <b>EXPENDITURES</b>                         |                 |                 |   |   |
| Miscellaneous                               | -               | -               | 139   | 139   |
| Beach Restoration                           | -               | 70,000          | 62,700                                      | (7,300)   |
| <b>Total Expenditures</b>                   | <u>-</u>        | <u>70,000</u>   | <u>62,839</u>                               | <u>(7,161)</u>  |
| <b>Excess of revenues over expenditures</b> | -               | (70,000)        | (62,826)                                    | 7,174   |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                 |                 |   |   |
| Transfer from Other Funds                   | -               | 70,000          | 62,700                                      | (7,300)   |
| <b>Total Other Financing Uses</b>           | <u>-</u>        | <u>70,000</u>   | <u>62,700</u>                               | <u>(7,300)</u>  |
| <b>Net Change in Fund Balances</b>          | -               | -               | (126)                                       | (126)   |
| <b>Fund Balance, beginning</b>              | <u>1,267</u>    | <u>1,267</u>    | <u>1,267</u>                                | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ 1,267</u> | <u>\$ 1,267</u> | <u>\$ 1,141</u>                             | <u>\$ (126)</u>   |

THE CITY OF GULF SHORES, ALABAMA  
2008 A WARRANT PROCEEDS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2014

|  | <u>Original</u>  | <u>Final</u>     | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|------------------|------------------|---|---|
| <b>REVENUES</b>  |                  |                  |   |   |
| Grants requiring matching funds                            |                  |                  |   |   |
| ALDOT Multi-Use Trail                                      | \$ -             | \$ -             | \$ 8,152                                    | \$ 8,152  |
| ALDOT ATRIP County Road 4<br>Roadway & Signal Improvements | -                | 330,000          | 311,159                                     | (18,841)  |
| Interest income  | -                | 20,400           | 6,467                                       | (13,933)  |
| Bond Issue Proceeds  | -                | -                | 115   | 115   |
| <b>Total Revenues</b>                                      | <u>-</u>         | <u>405,359</u>   | <u>325,893</u>                              | <u>(79,466)</u>   |
| <b>EXPENDITURES</b>  |                  |                  |   |   |
| Capital Outlay Projects                                    |                  |                  |   |   |
| Grant Match  |                  |                  |   |   |
| ALDOT - Multi-Use Trail                                    | -                | 40,859           | 42,971                                      | 2,112   |
| ALDOT - Roadway & Signal Improvements                      | -                | 34,500           | 29,365                                      | (5,135)   |
| ATRIP - County Road 4                                      | -                | 330,000          | 331,398                                     | 1,398   |
| <b>Total Expenditures</b>                                  | <u>-</u>         | <u>405,359</u>   | <u>403,734</u>                              | <u>(1,625)</u>  |
| <b>Excess of revenues over expenditures</b>                | <u>-</u>         | <u>-</u>         | <u>(77,841)</u>                             | <u>(81,091)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                      |                  |                  |   |   |
| Transfer from Other Funds                                  | -                | -                | -   | -   |
| <b>Total Other Financing Uses</b>                          | <u>-</u>         | <u>-</u>         | <u>-</u>                                    | <u>-</u>  |
| <b>Net Change in Fund Balances</b>                         | <u>-</u>         | <u>-</u>         | <u>(77,841)</u>                             | <u>(81,091)</u>   |
| <b>Fund Balance, beginning</b>                             | <u>63,797</u>    | <u>63,797</u>    | <u>63,797</u>                               | <u>-</u>  |
| <b>Fund Balance, ending</b>                                | <u>\$ 63,797</u> | <u>\$ 63,797</u> | <u>\$ (14,044)</u>                          | <u>\$ (81,091)</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, 2014

|   | <u>Original</u>  | <u>Final</u>     | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|------------------|------------------|---|---|
| <b>REVENUES</b>                             |                  |                  |   |   |
| Grants                                      |                  |                  |   |   |
| ALDOT - Adaptive Signals                    | \$ 565,000       | \$ 565,000       | \$ 188,479                                  | \$ (376,521)  |
| ALDOT - Sidewalk Handicap Access            | 160,000          | 160,000          | -   | (160,000)   |
| ALDOT - West 4th Street Bridge              | 152,000          | 152,000          | -   | (152,000)   |
| ALDOT - Sidewalk Widening                   | 400,000          | 400,000          | -   | (400,000)   |
| ADECA -Fort Morgan Trail                    | -                | 100,000          | -   | (100,000)   |
| ADECA - Little Lagoon                       | -                | 45,500           | -   | (45,500)  |
| Contributions                               | -                | -                | 65,500                                      | 65,500  |
| Interest income                             | -                | -                | 150   | 150   |
| <b>Total Revenues</b>                       | <u>1,277,000</u> | <u>1,422,500</u> | <u>254,129</u>                              | <u>(1,168,371)</u>  |
| <b>EXPENDITURES</b>                         |                  |                  |   |   |
| Administrative                              | -                | -                | 106   | 106   |
| West 10th Street Public Access              | -                | 25,000           | -   | (25,000)  |
| Craft Farms North Roadway Repairs           | -                | -                | 65,500                                      | 65,500  |
| Grant Match                                 |                  |                  |   |   |
| ALDOT - Adaptive Signals                    | 940,000          | 940,000          | 326,323                                     | (613,677)   |
| ALDOT - Sidewalk Handicap Access            | 210,000          | 210,000          | -   | (210,000)   |
| ALDOT - West 4th Street Bridge              | 190,000          | 190,000          | -   | (190,000)   |
| ALDOT - Sidewalks Widening                  | 610,000          | 564,500          | 69,550                                      | (494,950)   |
| ADECA -Fort Morgan Trail                    | -                | 140,000          | 13,412                                      | (126,588)   |
| ADECA - Little Lagoon                       | -                | 91,000           | -   | (91,000)  |
| <b>Total Expenditures</b>                   | <u>1,950,000</u> | <u>2,160,500</u> | <u>474,891</u>                              | <u>(1,685,609)</u>  |
| <b>Excess of revenues over expenditures</b> | <u>(673,000)</u> | <u>(738,000)</u> | <u>(220,762)</u>                            | <u>517,238</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                  |                  |   |   |
| Transfer From Other Funds                   | 673,000          | 738,000          | 100,000                                     | 638,000   |
| <b>Total Other Financing Uses</b>           | <u>673,000</u>   | <u>738,000</u>   | <u>100,000</u>                              | <u>638,000</u>  |
| <b>Net Change in Fund Balances</b>          | -                | -                | (120,762)                                   | (120,762)   |
| <b>Fund Balance, beginning</b>              | <u>537</u>       | <u>537</u>       | <u>537</u>                                  | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ 537</u>    | <u>\$ 537</u>    | <u>\$ (120,225)</u>                         | <u>\$ (120,762)</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, 2014

|   | Original            | Final               | Actual Amounts<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|-------------------------------------|---|
| <b>REVENUES</b>                             |                     |                     |                                     |   |
| Rent Income                                 | \$ 120,000          | \$ 120,000          | \$ 118,276                          | \$ (1,724)  |
| Interest income                             | -                   | -                   | 858                                 | 858   |
| <b>Total Revenues</b>                       | <u>120,000</u>      | <u>120,000</u>      | <u>119,134</u>                      | <u>(866)</u>  |
| <b>EXPENDITURES</b>                         |                     |                     |                                     |   |
| Miscellaneous                               | 4,500               | 4,500               | 3,519                               | (981)   |
| Principal                                   | 3,345,512           | 3,345,512           | 4,185,512                           | 840,000   |
| Interest                                    | 1,447,000           | 1,447,000           | 1,412,075                           | (34,925)  |
| <b>Total Expenditures</b>                   | <u>4,797,012</u>    | <u>4,797,012</u>    | <u>5,601,106</u>                    | <u>804,094</u>  |
| <b>Excess of revenues over expenditures</b> | (4,677,012)         | (4,677,012)         | (5,481,972)                         | (804,960)   |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                     |                     |                                     |   |
| Transfer from Other Funds                   | 4,677,012           | 4,677,012           | 5,570,511                           | (893,499)   |
| <b>Total Other Financing Uses</b>           | <u>4,677,012</u>    | <u>4,677,012</u>    | <u>5,570,511</u>                    | <u>(893,499)</u>  |
| <b>Net Change in Fund Balances</b>          | -                   | -                   | 88,539                              | 88,539  |
| <b>Fund Balance, beginning</b>              | <u>2,247,636</u>    | <u>2,247,636</u>    | <u>2,247,636</u>                    | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ 2,247,636</u> | <u>\$ 2,247,636</u> | <u>\$ 2,336,175</u>                 | <u>\$ 88,539</u>  |

THE CITY OF GULF SHORES, ALABAMA  
 STORM DAMAGE CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2014

|   | <u>Original</u>     | <u>Final</u>        | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|---------------------|---------------------|---|---|
| <b>REVENUES</b>                             |                     |                     |   |   |
| Grants                                      |                     |                     |   |   |
| April Flooding                              | \$ -                | \$ -                | \$ 101,749                                  | \$ 101,749  |
| BP Oil Spill                                | -                   | -                   | 546,337                                     | 546,337   |
| Interest income                             | -                   | -                   | 189   | 189   |
| BP Proceeds                                 | 888,554             | 588,554             | 639,005                                     | 50,451  |
| <b>Total Revenues</b>                       | <u>888,554</u>      | <u>588,554</u>      | <u>1,287,280</u>                            | <u>698,726</u>  |
| <b>EXPENDITURES</b>                         |                     |                     |   |   |
| Waterway District Development               | 500,000             | 1,040,000           | 1,044,565                                   | 4,565   |
| Parks, Recreation & Other                   | -                   | -                   | 14,088                                      | 14,088  |
| Buildings & Equipment                       | 388,554             | 388,554             | 87,104                                      | (301,450)   |
| <b>Total Expenditures</b>                   | <u>888,554</u>      | <u>1,428,554</u>    | <u>1,145,757</u>                            | <u>(282,797)</u>  |
| <b>Excess of revenues over expenditures</b> | <u>-</u>            | <u>(840,000)</u>    | <u>141,523</u>                              | <u>981,523</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                     |                     |   |   |
| Transfer from Other Funds                   | -                   | 840,000             | 17,309                                      | -   |
| Transfer to Other Funds                     | -                   | -                   | (42,937)                                    | 42,937  |
| <b>Total Other Financing Uses</b>           | <u>-</u>            | <u>840,000</u>      | <u>(25,628)</u>                             | <u>42,937</u>   |
| <b>Net Change in Fund Balances</b>          | -                   | -                   | 115,895                                     | 938,586   |
| <b>Fund Balance, beginning</b>              | <u>(285,724)</u>    | <u>(285,724)</u>    | <u>(285,724)</u>                            | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ (285,724)</u> | <u>\$ (285,724)</u> | <u>\$ (169,829)</u>                         | <u>\$ 938,586</u>   |

THE CITY OF GULF SHORES, ALABAMA  
 2012 D GO WARRANT CAPITAL IMPROVEMENTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2014

|   | <u>Original</u> | <u>Final</u> | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-----------------|--------------|---|---|
| <b>REVENUES</b>                             |                 |              |   |   |
| Interest income                             | \$ -            | \$ -         | \$ 1  | \$ 1  |
| <b>Total Revenues</b>                       | <u>-</u>        | <u>-</u>     | <u>1</u>                                    | <u>1</u>  |
| <b>EXPENDITURES</b>                         |                 |              |   |   |
| Property purchases                          | -               | -            | -   | -   |
| <b>Total Expenditures</b>                   | <u>-</u>        | <u>-</u>     | <u>-</u>                                    | <u>-</u>  |
| <b>Excess of revenues over expenditures</b> | <u>-</u>        | <u>-</u>     | <u>1</u>                                    | <u>1</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                 |              |   |   |
| Transfer to Other Funds                     | -               | -            | (2)   | (2)   |
| <b>Net Change in Fund Balances</b>          | <u>-</u>        | <u>-</u>     | <u>(1)</u>                                  | <u>(1)</u>  |
| <b>Fund Balance, beginning</b>              | <u>10</u>       | <u>10</u>    | <u>10</u>                                   | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ 10</u>    | <u>\$ 10</u> | <u>\$ 9</u>                                 | <u>\$ (1)</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, 2014

|   | <u>Original</u> | <u>Final</u> | <u>Actual Amounts<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-----------------|--------------|---|---|
| <b>REVENUES</b>                             |                 |              |   |   |
| Interest income                             | \$ -            | \$ -         | \$ 5  | \$ 5  |
| <b>Total Revenues</b>                       | <u>-</u>        | <u>-</u>     | <u>5</u>                                    | <u>5</u>  |
| <b>EXPENDITURES</b>                         |                 |              |   |   |
| Capital outlay                              | -               | -            | 20,000                                      | 20,000  |
| <b>Total Expenditures</b>                   | <u>-</u>        | <u>-</u>     | <u>20,000</u>                               | <u>20,000</u>   |
| <b>Excess of revenues over expenditures</b> | <u>-</u>        | <u>-</u>     | <u>(19,995)</u>                             | <u>(19,995)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                 |              |   |   |
| Bond proceeds                               | -               | -            | 50,000                                      | 50,000  |
| Transfer from Other Funds                   | -               | -            | 100   | 100   |
| <b>Total Other Financing Uses</b>           | <u>-</u>        | <u>-</u>     | <u>50,100</u>                               | <u>50,100</u>   |
| <b>Net Change in Fund Balances</b>          | -               | -            | 30,105                                      | 30,105  |
| <b>Fund Balance, beginning</b>              | <u>-</u>        | <u>-</u>     | <u>-</u>                                    | <u>-</u>  |
| <b>Fund Balance, ending</b>                 | <u>\$ -</u>     | <u>\$ -</u>  | <u>\$ 30,105</u>                            | <u>\$ 30,105</u>  |

## STATISTICAL SECTION

THE CITY OF GULF SHORES, ALABAMA  
STATISTICAL SECTION  
DECEMBER 31, 2014

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

**Contents**

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

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

|  | <b>2005</b>         | <b>2006</b>         | <b>Fiscal Year<br/>2007</b> | <b>2008*</b>        | <b>2009</b>         |
|--|---------------------|---------------------|-----------------------------|---------------------|---------------------|
| <b>Governmental Activities</b>                   |                     |                     |                             |                     |                     |
| Invested in capital assets, net of related debt  | \$12,229,297        | \$14,391,987        | \$23,092,192                | \$27,718,754        | \$26,875,334        |
| Restricted**                                     | -                   | -                   | -                           | -                   | -                   |
| Unrestricted                                     | 2,029,950           | 2,312,622           | (6,785,381)                 | (6,934,917)         | 9,411,377           |
| <b>Total governmental activities net assets</b>  | <b>14,259,247</b>   | <b>16,704,609</b>   | <b>16,306,811</b>           | <b>20,783,837</b>   | <b>36,286,711</b>   |
| <b>Business-type activities</b>                  |                     |                     |                             |                     |                     |
| Invested in capital assets, net of related debt  | 15,158,543          | 14,463,612          | 14,036,604                  | 2,152,122           | 2,097,342           |
| Unrestricted                                     | 577,388             | 809,706             | 1,762,474                   | 26,188              | 96,815              |
| <b>Total business-type activities net assets</b> | <b>15,735,931</b>   | <b>15,273,318</b>   | <b>15,799,078</b>           | <b>2,178,310</b>    | <b>2,194,157</b>    |
| <b>Primary government</b>                        |                     |                     |                             |                     |                     |
| Invested in capital assets, net of related debt  | 27,387,840          | 28,855,599          | 37,128,796                  | 29,870,876          | 28,972,676          |
| Restricted**                                     | -                   | -                   | -                           | -                   | -                   |
| Unrestricted                                     | 2,607,338           | 3,122,328           | (5,022,907)                 | (6,908,729)         | 9,508,192           |
| <b>Total primary government net assets</b>       | <b>\$29,995,178</b> | <b>\$31,977,927</b> | <b>\$32,105,889</b>         | <b>\$22,962,147</b> | <b>\$38,480,868</b> |

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

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

|  | Fiscal Year         |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2010                | 2011**              | 2012                | 2013                | 2014                |
| <b>Governmental Activities</b>                   |                     |                     |                     |                     |                     |
| Invested in capital assets, net of related debt  | \$32,443,514        | \$25,129,660        | \$32,112,143        | \$40,137,805        | \$42,984,614        |
| Restricted**                                     | -                   | 4,674,869           | 18,604,002          | 3,899,134           | 4,512,902           |
| Unrestricted                                     | 9,765,391           | 22,442,057          | 9,466,004           | 20,552,615          | 21,935,254          |
| <b>Total governmental activities net assets</b>  | <u>42,208,905</u>   | <u>52,246,586</u>   | <u>60,182,149</u>   | <u>64,589,554</u>   | <u>69,432,770</u>   |
| <b>Business-type activities</b>                  |                     |                     |                     |                     |                     |
| Invested in capital assets, net of related debt  | 2,097,881           | 2,097,881           | 2,043,639           | 2,016,518           | 1,989,397           |
| Unrestricted                                     | 69,694              | 42,737              | 38,534              | 31,060              | 3,723               |
| <b>Total business-type activities net assets</b> | <u>2,167,575</u>    | <u>2,140,618</u>    | <u>2,082,173</u>    | <u>2,047,578</u>    | <u>1,993,120</u>    |
| <b>Primary government</b>                        |                     |                     |                     |                     |                     |
| Invested in capital assets, net of related debt  | 34,541,395          | 27,227,541          | 30,068,504          | 38,121,287          | 44,974,011          |
| Restricted**                                     | -                   | 4,674,869           | 18,604,002          | 3,899,134           | 4,512,902           |
| Unrestricted                                     | 9,835,085           | 22,484,794          | 9,427,471           | 20,521,155          | 21,938,977          |
| <b>Total primary government net assets</b>       | <u>\$44,376,480</u> | <u>\$54,387,204</u> | <u>\$58,099,977</u> | <u>\$62,541,576</u> | <u>\$71,425,890</u> |

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

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

| Expenses  | 2005                 | 2006                 | 2007                | 2008*               | 2009                |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|
| <b>Governmental activities:</b>                         |                      |                      |                     |                     |                     |
| Executive   | \$ 2,248,096         | \$ 2,330,383         | \$ 3,118,424        | \$ 3,876,306        | \$ 3,337,227        |
| Municipal Court   | 225,855              | 260,332              | 256,691             | 350,461             | 264,323             |
| Police  | 2,691,472            | 3,078,638            | 3,868,179           | 5,590,850           | 3,610,001           |
| Fire  | 1,620,814            | 1,806,966            | 2,010,918           | 4,154,573           | 3,031,788           |
| Public Works  | 33,565,952           | 21,287,453           | 5,574,241           | 6,875,071           | 4,553,330           |
| Community and Economic Affairs                          | 2,705,503            | 3,731,930            | 5,233,237           | 6,234,581           | 4,836,883           |
| Other   | 7,498                | 5,690                | 234,914             | 3,398,013           | 5,676               |
| <b>Total governmental activities expenses</b>           | <b>43,065,190</b>    | <b>32,501,392</b>    | <b>20,296,604</b>   | <b>30,479,855</b>   | <b>19,639,228</b>   |
| <b>Business-type activities:</b>                        |                      |                      |                     |                     |                     |
| Public Education Authority                              | 220,382              | 193,967              | 193,282             | 198,674             | 190,751             |
| <b>Total business-type activities expenses</b>          | <b>220,382</b>       | <b>193,967</b>       | <b>193,282</b>      | <b>198,674</b>      | <b>190,751</b>      |
| <b>Total primary government expenses</b>                | <b>43,285,572</b>    | <b>32,695,359</b>    | <b>20,489,886</b>   | <b>30,678,529</b>   | <b>19,829,979</b>   |
| <b>Program Revenues</b>                                 |                      |                      |                     |                     |                     |
| <b>Governmental activities:</b>                         |                      |                      |                     |                     |                     |
| Charges for services:                                   |                      |                      |                     |                     |                     |
| Executive   | 11,361               | 14,572               | 7,224               | 9,405               | 1,039               |
| Municipal Court   | 310,157              | 368,833              | 412,609             | 443,103             | 364,946             |
| Police  | 2,270                | 2,657                | 3,542               | 21,125              | 16,688              |
| Fire  | -                    | -                    | 1,596               | 33,189              | 22,885              |
| Community and Economic Affairs                          | 4,650,195            | 5,141,249            | 430,164             | 3,882,347           | 3,187,112           |
| Public Works  | 168,385              | 112,050              | 4,589,675           | 2,425,557           | 161,962             |
| Operating Grants and Contributions                      | 81,543               | 376,503              | 707,337             | 690,116             | 332,825             |
| Capital Grants and Contributions                        | 25,173,774           | 10,099,423           | 388,028             | 997,050             | 93,976              |
| <b>Total governmental activities program revenues</b>   | <b>30,397,685</b>    | <b>16,115,287</b>    | <b>6,540,175</b>    | <b>8,501,892</b>    | <b>4,181,433</b>    |
| <b>Business-type activities</b>                         |                      |                      |                     |                     |                     |
| Charges for services                                    |                      |                      |                     |                     |                     |
| Public Education Building Authority                     | 205,240              | -                    | 204,045             | 242,844             | 161,230             |
| <b>Total business-type activities program revenues</b>  | <b>205,240</b>       | <b>-</b>             | <b>204,045</b>      | <b>242,844</b>      | <b>161,230</b>      |
| <b>Total primary government program revenues</b>        | <b>\$ 30,602,925</b> | <b>\$ 16,115,287</b> | <b>\$ 6,744,220</b> | <b>\$ 8,744,736</b> | <b>\$ 4,342,663</b> |
| <b>Net (Expense)/Revenue</b>                            |                      |                      |                     |                     |                     |
| Governmental activities                                 | \$ (12,667,505)      | \$ (16,386,105)      | \$ (13,756,429)     | \$ (21,977,963)     | \$ (15,457,795)     |
| Business-type activities                                | (15,142)             | (193,967)            | 10,763              | 44,170              | (29,521)            |
| <b>Total primary government net expense</b>             | <b>(12,682,647)</b>  | <b>(16,580,072)</b>  | <b>(13,745,666)</b> | <b>(21,933,793)</b> | <b>(15,487,316)</b> |
| <b>General Revenues and Other Changes in Net Assets</b> |                      |                      |                     |                     |                     |
| <b>Governmental activities:</b>                         |                      |                      |                     |                     |                     |
| Taxes   |                      |                      |                     |                     |                     |
| Property taxes  | 1,675,718            | 2,257,901            | 3,002,915           | 4,055,825           | 4,829,741           |
| Local taxes   | 13,724,852           | 16,283,821           | 17,229,278          | 19,124,991          | 16,099,252          |
| Franchise taxes   | 642,003              | 689,245              | 922,973             | 1,358,036           | 1,173,166           |
| State taxes   | 364,712              | 509,960              | 572,822             | 376,213             | 507,597             |
| Investment earnings                                     | 365,030              | 1,075,784            | 1,334,581           | 999,710             | 415,465             |
| Miscellaneous   | 78,627               | 122,637              | 117,782             | 683,025             | 341,266             |
| Contributions   | -                    | -                    | 2,150,000           | -                   | -                   |
| Gain/(Loss) on Disposal of Assets                       | 47,271               | 43,172               | (6,826)             | 5,158               | (28,116)            |
| Transfers   | (66,434)             | (54,303)             | (101,951)           | (147,969)           | (96,000)            |
| <b>Total governmental activities</b>                    | <b>16,831,779</b>    | <b>20,928,217</b>    | <b>25,221,574</b>   | <b>26,454,989</b>   | <b>23,242,371</b>   |
| <b>Business-type activities:</b>                        |                      |                      |                     |                     |                     |
| Investment earnings                                     | 1,824                | 8,605                | 13,581              | 1,143               | 228                 |
| Miscellaneous   | -                    | -                    | -                   | -                   | 61,709              |
| Transfers   | 66,434               | 54,303               | 101,951             | -                   | 102,000             |
| <b>Total business-type activities</b>                   | <b>68,258</b>        | <b>62,908</b>        | <b>115,532</b>      | <b>1,143</b>        | <b>163,937</b>      |
| <b>Total primary government</b>                         | <b>16,900,037</b>    | <b>20,991,125</b>    | <b>25,337,106</b>   | <b>26,456,132</b>   | <b>23,406,308</b>   |
| <b>Changes in Net Assets</b>                            |                      |                      |                     |                     |                     |
| Governmental activities                                 | 2,949,852            | 2,453,103            | 9,123,986           | 4,477,026           | 5,454,367           |
| Business-type activities                                | 517,177              | (462,613)            | 525,759             | 45,313              | 1,769,133           |
| <b>Total primary government</b>                         | <b>\$ 3,467,029</b>  | <b>\$ 1,990,490</b>  | <b>\$ 9,649,745</b> | <b>\$ 4,522,339</b> | <b>\$ 7,223,500</b> |

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

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

| Expenses  | 2010                | 2011                 | 2012                 | 2013                | 2014                |
|---|---------------------|----------------------|----------------------|---------------------|---------------------|
| <b>Governmental activities:</b>                         |                     |                      |                      |                     |                     |
| Executive   | \$ 3,557,756        | \$ 3,646,526         | \$ 3,492,747         | \$ 3,644,562        | \$ 3,872,284        |
| Municipal Court   | 315,489             | 320,136              | 324,188              | 307,308             | 299,305             |
| Police  | 3,961,753           | 4,542,844            | 4,301,242            | 5,060,640           | 4,711,188           |
| Fire  | 3,158,784           | 3,545,999            | 3,397,974            | 3,583,029           | 3,665,512           |
| Public Works  | 5,796,817           | 4,948,565            | 12,468,191           | 8,956,092           | 6,388,214           |
| Community and Economic Affairs                          | 5,203,873           | 5,904,452            | 7,354,432            | 6,748,057           | 7,182,958           |
| Other   | -                   | -                    | 1,675,013            | 1,536,803           | 1,401,422           |
| <b>Total governmental activities expenses</b>           | <b>21,994,472</b>   | <b>22,908,522</b>    | <b>33,013,787</b>    | <b>29,836,491</b>   | <b>27,520,883</b>   |
| <b>Business-type activities:</b>                        |                     |                      |                      |                     |                     |
| Public Education Authority                              | 191,366             | 188,686              | 221,980              | 199,339             | 147,259             |
| <b>Total business-type activities expenses</b>          | <b>191,366</b>      | <b>188,686</b>       | <b>221,980</b>       | <b>199,339</b>      | <b>147,259</b>      |
| <b>Total primary government expenses</b>                | <b>22,185,838</b>   | <b>23,097,208</b>    | <b>33,235,767</b>    | <b>30,035,830</b>   | <b>27,668,142</b>   |
| <b>Program Revenues</b>                                 |                     |                      |                      |                     |                     |
| <b>Governmental activities:</b>                         |                     |                      |                      |                     |                     |
| Charges for services:                                   |                     |                      |                      |                     |                     |
| Executive   | 20,975              | 5,456                | 15,208               | 49,600              | (103,078)           |
| Municipal Court   | 381,667             | 398,801              | 456,488              | 545,389             | 544,119             |
| Police  | 5,426               | 8,273                | 19,949               | 21,181              | 35,044              |
| Fire  | 7,442               | 7,468                | 25,493               | 27,524              | 44,389              |
| Community and Economic Affairs                          | 3,120,094           | 3,559,168            | 4,006,776            | 4,130,862           | 4,797,510           |
| Public Works  | 92,807              | 117,280              | 262,635              | 330,832             | 572,916             |
| Operating Grants and Contributions                      | 1,355,967           | 659,443              | 348,819              | 1,433,071           | 1,553,425           |
| Capital Grants and Contributions                        | 806,079             | 2,992,714            | 8,965,656            | 2,964,418           | 1,287,091           |
| <b>Total governmental activities program revenues</b>   | <b>5,790,457</b>    | <b>7,748,603</b>     | <b>14,101,024</b>    | <b>9,502,877</b>    | <b>8,731,416</b>    |
| <b>Business-type activities</b>                         |                     |                      |                      |                     |                     |
| Charges for services                                    |                     |                      |                      |                     |                     |
| Public Education Building Authority                     | 164,245             | 161,565              | 164,745              | 163,503             | 120,138             |
| <b>Total business-type activities program revenues</b>  | <b>164,245</b>      | <b>161,565</b>       | <b>164,745</b>       | <b>163,503</b>      | <b>120,138</b>      |
| <b>Total primary government program revenues</b>        | <b>\$ 5,954,702</b> | <b>\$ 7,910,168</b>  | <b>\$ 14,265,769</b> | <b>\$ 9,666,380</b> | <b>\$ 8,851,554</b> |
| <b>Net (Expense)/Revenue</b>                            |                     |                      |                      |                     |                     |
| Governmental activities                                 | \$ (16,204,015)     | \$ (15,159,919)      | \$ (18,912,763)      | \$ (20,333,614)     | \$ (18,789,467)     |
| Business-type activities                                | (27,121)            | (27,121)             | (57,235)             | (35,836)            | (27,121)            |
| <b>Total primary government net expense</b>             | <b>(16,231,136)</b> | <b>(15,187,040)</b>  | <b>(18,969,998)</b>  | <b>(20,369,450)</b> | <b>(18,816,588)</b> |
| <b>General Revenues and Other Changes in Net Assets</b> |                     |                      |                      |                     |                     |
| <b>Governmental activities:</b>                         |                     |                      |                      |                     |                     |
| Taxes   |                     |                      |                      |                     |                     |
| Property taxes  | 2,874,858           | 3,444,058            | 2,500,195            | 1,402,380           | 2,556,551           |
| Local taxes   | 14,090,126          | 18,385,150           | 19,962,896           | 20,798,896          | 21,387,762          |
| Franchise taxes   | 1,135,118           | 1,172,815            | 1,162,351            | 1,151,859           | 1,253,354           |
| State taxes   | 296,473             | 321,933              | 329,770              | 729,085             | 402,057             |
| Investment earnings                                     | 300,395             | 91,545               | 37,187               | 20,397              | 22,341              |
| Miscellaneous   | 369,997             | 278,677              | 145,782              | 145,782             | 84,407              |
| Contributions/BP Settlement                             | 5,476,579           | 6,402,323            | 1,336                | 1,336               | -                   |
| Gain/(Loss) on Disposal of Assets                       | 8,803               | 28,342               | 13,615               | 13,615              | (53,563)            |
| Transfers   | (96,000)            | (96,000)             | (96,000)             | (80,000)            | 27,347              |
| <b>Total governmental activities</b>                    | <b>24,456,349</b>   | <b>30,028,843</b>    | <b>24,057,132</b>    | <b>24,183,350</b>   | <b>25,680,256</b>   |
| <b>Business-type activities:</b>                        |                     |                      |                      |                     |                     |
| Investment earnings                                     | 539                 | 164                  | 32                   | 17                  | 10                  |
| Miscellaneous   | -                   | -                    | -                    | -                   | -                   |
| Transfers   | -                   | -                    | -                    | -                   | (27,347)            |
| <b>Total business-type activities</b>                   | <b>539</b>          | <b>164</b>           | <b>32</b>            | <b>17</b>           | <b>(27,337)</b>     |
| <b>Total primary government</b>                         | <b>24,456,888</b>   | <b>30,029,007</b>    | <b>24,057,164</b>    | <b>24,183,367</b>   | <b>25,652,919</b>   |
| <b>Changes in Net Assets</b>                            |                     |                      |                      |                     |                     |
| Governmental activities                                 | 5,922,194           | 10,037,681           | 5,144,369            | 4,441,999           | 6,890,789           |
| Business-type activities                                | (26,582)            | (26,957)             | (58,445)             | (34,594)            | (54,458)            |
| <b>Total primary government</b>                         | <b>\$ 5,895,612</b> | <b>\$ 10,010,724</b> | <b>\$ 5,085,924</b>  | <b>\$ 4,407,405</b> | <b>\$ 6,836,331</b> |

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

|                            | Fiscal Year          |                      |                      |                      |                      |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                            | 2005                 | 2006                 | 2007                 | 2008*                | 2009                 |
| General Fund               |                      |                      |                      |                      |                      |
| Reserved                   | \$ 1,632,455         | \$ 1,600,000         | \$ 1,750,000         | \$ 6,069,660         | \$ 5,587,449         |
| Unreserved                 | 10,183,539           | 9,315,082            | 138,260              | (7,566,741)          | 7,996,836            |
| <br>                       |                      |                      |                      |                      |                      |
| Total general fund         | <u>11,815,994</u>    | <u>10,915,082</u>    | <u>1,888,260</u>     | <u>(1,497,081)</u>   | <u>13,584,285</u>    |
| <br>                       |                      |                      |                      |                      |                      |
| Other Governmental Funds   |                      |                      |                      |                      |                      |
| Reserved                   | -                    | -                    | -                    | -                    | -                    |
| Unreserved, reported in:   |                      |                      |                      |                      |                      |
| Storm Damage Fund          | (781,825)            | -                    | -                    | -                    | -                    |
| Debt Service fund          | 10,245               | 2,492,601            | 2,654,399            | 2,726,194            | 2,401,966            |
| Capital Projects funds     | 1,700,747            | 14,999,644           | 7,121,853            | 8,053,171            | 7,470,961            |
| Special Revenue funds      | 264,624              | 121,405              | 426,661              | 1,516,194            | 1,516,019            |
| <br>                       |                      |                      |                      |                      |                      |
| Total - governmental funds | <u>\$ 13,009,785</u> | <u>\$ 28,528,732</u> | <u>\$ 12,091,173</u> | <u>\$ 10,798,478</u> | <u>\$ 24,973,231</u> |

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

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

|                            | Fiscal Year          |                      |                      |                      |                      |
|----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                            | 2010                 | 2011**               | 2012                 | 2013                 | 2014                 |
| General Fund               |                      |                      |                      |                      |                      |
| Reserved                   | \$ 4,947,340         |                      |                      |                      |                      |
| Unreserved                 | 8,787,729            |                      |                      |                      |                      |
| Nonspendable**             |                      | 300,707              | 1,351,138            | 358,728              | 525,046              |
| Spendable:**               |                      |                      |                      |                      |                      |
| Restricted**               |                      | 488,283              | 120,285              | 184,255              | 133,939              |
| Committed**                |                      | 8,307,075            | 7,108,782            | 7,213,450            | 7,617,230            |
| Unassigned**               |                      | 8,587,555            | 10,024,404           | 13,237,619           | 14,123,169           |
| Total general fund         | <u>13,735,069</u>    | <u>17,683,620</u>    | <u>18,604,609</u>    | <u>20,994,052</u>    | <u>22,399,384</u>    |
| Other Governmental Funds   |                      |                      |                      |                      |                      |
| Reserved                   | -                    |                      |                      |                      |                      |
| Unreserved, reported in:   |                      |                      |                      |                      |                      |
| Storm Damage Fund          | -                    |                      |                      |                      |                      |
| Debt Service fund          | 2,266,764            |                      |                      |                      |                      |
| Capital Projects funds     | 6,451,384            |                      |                      |                      |                      |
| Special Revenue funds      | 1,142,547            |                      |                      |                      |                      |
| Nonspendable**             |                      | -                    | -                    | -                    | -                    |
| Spendable:**               |                      |                      |                      |                      |                      |
| Restricted**               |                      | 4,186,586            | 4,264,615            | 3,714,879            | 4,378,963            |
| Committed** 2008A GO       |                      | 5,456,776            | 5,871,635            | 64,344               | -                    |
| Unassigned**               |                      | (8,168)              | (5,844)              | (285,723)            | (273,984)            |
| Total - governmental funds | <u>\$ 23,595,764</u> | <u>\$ 27,318,814</u> | <u>\$ 28,735,015</u> | <u>\$ 24,487,552</u> | <u>\$ 26,504,363</u> |

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

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

|   | Fiscal Year        |                     |                    |                     |                   |
|---|--------------------|---------------------|--------------------|---------------------|-------------------|
|   | 2005               | 2006                | 2007               | 2008*               | 2009              |
| Revenues  |                    |                     |                    |                     |                   |
| Taxes   |                    |                     |                    |                     |                   |
| Property  | \$ 1,675,718       | \$ 2,257,901        | \$ 3,002,915       | \$ 4,055,825        | \$ 4,829,741      |
| Local   | 13,724,852         | 16,283,821          | 17,229,278         | 19,124,991          | 16,099,252        |
| Licenses, fees and permits                                  | 3,788,460          | 3,848,980           | 3,254,980          | 2,282,137           | 1,774,814         |
| Fines and forfeitures                                       | 262,380            | 317,114             | 357,709            | 339,901             | 283,025           |
| Utility tax equivalents                                     | 642,417            | 689,245             | 922,973            | 1,358,036           | 1,173,166         |
| Intergovernmental   | 25,715,862         | 11,022,349          | 1,760,784          | 2,175,825           | 1,002,180         |
| Investment earnings   | 365,030            | 1,143,670           | 1,286,450          | 972,545             | 415,242           |
| Impact fees   | 83,259             | -                   | 21,789             | 274,998             | 171,943           |
| BP lost revenues  | -                  | -                   | -                  | -                   | -                 |
| Assessments/Rental Income                                   | 222,368            | -                   | 249,646            | 2,138,702           | 461,372           |
| Other revenues  | 1,064,469          | 1,541,924           | 1,658,320          | 2,417,430           | 1,397,759         |
| <b>Total Revenues</b>                                       | <b>47,544,815</b>  | <b>37,105,004</b>   | <b>29,744,844</b>  | <b>35,140,390</b>   | <b>27,608,494</b> |
| Expenditures  |                    |                     |                    |                     |                   |
| General government  | 2,035,079          | 2,108,493           | 3,013,172          | 3,843,238           | 3,047,993         |
| Police  | 2,777,054          | 3,116,044           | 3,647,436          | 5,163,685           | 3,707,762         |
| Fire  | 1,284,497          | 1,548,227           | 2,277,696          | 3,737,052           | 2,812,995         |
| Community and Economic Affairs                              | 2,621,001          | 11,964,474          | 11,481,639         | 12,039,585          | 4,119,314         |
| Public Works  | 3,032,286          | 3,995,690           | 5,923,290          | 9,251,581           | 4,098,407         |
| Appropriations  | 39,720             | 64,095              | 117,962            | 203,569             | 61,000            |
| Hurricane damage  | 25,619,481         | 15,025,803          | -                  | -                   | -                 |
| Capital outlay  | 8,492,074          | 5,348,064           | 2,307,074          | 4,981,553           | 286,290           |
| Non capitalized equipment                                   | -                  | -                   | -                  | -                   | -                 |
| Beach restoration   | -                  | 778,563             | 129,365            | 97,439              | 69,576            |
| Principal   | 2,909,701          | 3,148,961           | 2,848,471          | 10,448,915          | 3,745,338         |
| Interest  | 1,199,714          | 1,655,566           | 2,601,500          | 3,473,511           | 2,335,885         |
| Miscellaneous   | 7,497              | 14,492              | 268,054            | 409,503             | 5,666             |
| Litigation Settlement                                       | -                  | -                   | -                  | -                   | -                 |
| <b>Total Expenditures</b>                                   | <b>50,018,104</b>  | <b>48,768,472</b>   | <b>34,615,659</b>  | <b>53,649,631</b>   | <b>24,290,226</b> |
| Excess(Deficiency) of revenues<br>over (under) expenditures | <b>(2,473,289)</b> | <b>(11,663,468)</b> | <b>(4,870,815)</b> | <b>(18,509,241)</b> | <b>3,318,268</b>  |
| Other Financing Sources (Uses)                              |                    |                     |                    |                     |                   |
| Bond Issue Proceeds   | -                  | 27,236,717          | 316,984            | 17,364,514          | -                 |
| Transfers In  | 5,492,424          | 11,503,560          | 18,315,874         | 15,690,435          | 16,164,963        |
| Transfers Out   | (5,558,858)        | (11,557,863)        | (18,417,825)       | (15,838,404)        | (16,260,399)      |
| <b>Total Other Financing<br/>Sources and (Uses)</b>         | <b>(66,434)</b>    | <b>27,182,414</b>   | <b>215,033</b>     | <b>17,216,545</b>   | <b>(95,436)</b>   |
| Net change in Fund Balance                                  | \$ (2,539,723)     | \$ 15,518,946       | \$ (4,655,782)     | \$(1,292,696)       | \$ 3,222,832      |
| Prior Period Adjustment                                     |                    |                     |                    |                     |                   |
| Debt service as a percentage of<br>noncapital expenditures  | 10%                | 11%                 | 17%                | 29%                 | 25%               |

\*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       |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2010              | 2011              | 2012              | 2013              | 2014              |
| <b>Revenues</b>  |                   |                   |                   |                   |                   |
| <b>Taxes</b>   |                   |                   |                   |                   |                   |
| Property   | \$ 2,874,858      | \$ 3,444,058      | \$ 2,500,194      | \$ 2,402,381      | \$ 2,556,551      |
| Local  | 14,090,126        | 18,385,151        | 19,962,896        | 20,798,897        | 21,387,763        |
| Licenses, fees and permits                               | 1,793,733         | 1,885,421         | 2,229,453         | 2,374,442         | 2,908,946         |
| Fines and forfeitures                                    | 287,012           | 309,520           | 338,470           | 387,739           | 395,866           |
| Utility tax equivalents                                  | 1,135,118         | 1,172,815         | 1,162,351         | 1,151,859         | 1,253,354         |
| Intergovernmental  | 1,354,240         | 3,498,398         | 9,084,912         | 3,893,517         | 1,862,536         |
| Investment earnings                                      | 300,394           | 91,545            | 37,185            | 20,398            | 22,342            |
| Impact fees  | 59,313            | 96,108            | 280,032           | 307,242           | 540,482           |
| BP lost revenues/settlements                             | 5,476,579         | 6,402,323         | 1,336             | 360,995           | 639,005           |
| Assessments/Rental Income                                | 477,759           | 323,746           | 218,977           | 120,822           | 118,276           |
| Other revenues   | 1,422,399         | 2,276,277         | 2,421,992         | 2,654,341         | 2,772,373         |
| <b>Total Revenues</b>                                    | <b>29,271,531</b> | <b>37,885,362</b> | <b>38,237,798</b> | <b>34,472,633</b> | <b>34,457,494</b> |
| <b>Expenditures</b>                                      |                   |                   |                   |                   |                   |
| General government                                       | 3,484,930         | 3,245,746         | 3,207,917         | 3,332,695         | 3,665,722         |
| Police   | 3,737,845         | 3,817,726         | 4,141,692         | 5,140,408         | 4,551,402         |
| Fire   | 4,140,832         | 3,364,846         | 3,246,080         | 3,336,121         | 3,939,208         |
| Community and Economic Affairs                           | 4,465,315         | 4,813,793         | 5,542,994         | 5,557,550         | 7,116,128         |
| Public Works   | 4,708,135         | 4,398,046         | 11,627,419        | 8,149,913         | 7,021,734         |
| Appropriations   | 57,000            | 137,974           | 1,148,747         | 279,758           | 105,221           |
| Hurricane damage   | -                 | -                 | -                 | -                 | -                 |
| Capital outlay   | 3,845,653         | 4,347,906         | 6,555,369         | 6,707,464         | 1,241,234         |
| Non capitalized equipment**                              | -                 | 1,023,381         | -                 | -                 | -                 |
| Beach restoration  | 83,028            | 37,688            | 57,095            | -                 | 62,700            |
| Principal  | 3,684,476         | 4,039,926         | 23,667,897        | 4,665,150         | 4,185,512         |
| Interest   | 2,330,140         | 2,215,788         | 1,786,635         | 1,536,803         | 1,412,075         |
| Miscellaneous  | 8,988             | 27,889            | 8,015             | 14,243            | 57,095            |
| Litigation Settlement                                    | -                 | 3,800,455         | 15,374            | -                 | -                 |
| <b>Total Expenditures</b>                                | <b>30,546,342</b> | <b>35,271,164</b> | <b>61,005,234</b> | <b>38,720,105</b> | <b>33,358,031</b> |
| Excess(Deficiency) of revenues over (under) expenditures | (1,274,811)       | 2,614,198         | (22,767,436)      | (4,247,472)       | 1,099,463         |
| <b>Other Financing Sources (Uses)</b>                    |                   |                   |                   |                   |                   |
| Bond Issue/Loan Proceeds                                 | -                 | 1,204,825         | 22,871,761        | -                 | 890,000           |
| Transfers In   | 4,574,279         | 4,662,044         | 26,061,441        | 7,110,115         | 6,459,306         |
| Transfers Out  | (4,670,279)       | (4,758,044)       | (26,061,441)      | (7,110,115)       | (6,431,958)       |
| <b>Total Other Financing Sources and (Uses)</b>          | <b>(96,000)</b>   | <b>1,108,825</b>  | <b>22,871,761</b> | <b>-</b>          | <b>917,348</b>    |
| Net change in Fund Balance                               | \$ (1,370,811)    | \$ 3,723,023      | \$ 104,325        | \$ (4,247,472)    | \$ 2,016,811      |
| Prior Period Adjustment                                  |                   |                   | \$ 1,311,876      |                   |                   |
| Debt service as a percentage of noncapital expenditures  | 23%               | 20%               | 47%               | 19%               | 17%               |

\*\*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<br>Utility Property | Class II<br>Commercial | Class III<br>Residential | Less<br>Tax-Exempt<br>Property | Total Taxable<br>Assessed<br>Value | Total<br>Direct<br>Tax<br>Rate | Estimated<br>Actual<br>Taxable<br>Value | Taxable Assessed<br>Value as a<br>Percentage of<br>Actual Taxable Value |
|-------------|-----------------------------|------------------------|--------------------------|--------------------------------|------------------------------------|--------------------------------|---|---|
| 2014        | \$ 7,050,020                | \$ 529,539,560         | \$117,188,520            | \$146,793,660                  | 506,984,440                        | 4.62                           | \$ 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                        | 4.93                           | \$ 4,760,219,000                        | 9.98%   |
| 2011        | 6,541,220                   | 770,319,340            | 107,113,420              | 396,846,640                    | 487,127,340                        | 5.00                           | \$ 4,944,534,967                        | 9.85%   |
| 2010        | 6,645,900                   | 811,758,280            | 114,403,860              | 408,995,140                    | 523,812,900                        | 5.00                           | \$ 5,224,983,000                        | 10.03%  |
| 2009        | 8,227,000                   | 904,067,980            | 132,666,200              | 409,919,100                    | 635,042,080                        | 5.00                           | \$ 5,874,425,233                        | 10.81%  |
| 2008        | 6,549,040                   | 1,032,675,040          | 167,018,680              | 451,824,920                    | 754,417,840                        | 5.00                           | \$ 6,855,392,133                        | 11.00%  |
| 2007        | 11,591,860                  | 1,142,992,256          | 193,938,160              | 482,282,280                    | 866,239,996                        | 5.00                           | \$ 7,692,982,413                        | 11.26%  |
| 2006        | 9,609,660                   | 830,292,100            | 120,871,280              | 333,735,340                    | 627,037,700                        | 5.00                           | \$ 5,392,205,500                        | 11.63%  |
| 2005        | 8,570,220                   | 644,187,540            | 90,022,040               | 264,608,520                    | 478,171,280                        | 4.87                           | \$ 4,149,725,500                        | 11.52%  |

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

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

\*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**

| Fiscal<br>Year          | Taxes Levied<br>for the<br>Year | Taxable Property<br>Assessed<br>Valuation |
|-------------------------|---------------------------------|---|
| 2005                    | 2,391,170                       | 478,235,060                               |
| 2006                    | 3,135,189                       | 627,037,700                               |
| 2007                    | 4,331,916                       | 866,383,116                               |
| 2008                    | 3,773,216                       | 754,643,100                               |
| 2009                    | 3,176,680                       | 635,336,040                               |
| 2010                    | 2,620,773                       | 524,154,540                               |
| 2011                    | 2,437,167                       | 487,433,360                               |
| 2012                    | 2,341,344                       | 468,268,740                               |
| 2013                    | 2,391,709                       | 478,341,860                               |
| 2014                    | 2,499,975                       | 499,994,940                               |
|                         |                                 | <b>Levy Rate</b>                          |
| 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                                  |
|                         | <b>Total</b>                    | <b>33 Mills</b>                           |

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

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

| Taxpayer                            | 2014                   |      |   | 2004                   |      |   |
|-------------------------------------|------------------------|------|---|------------------------|------|---|
|                                     | 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                 | \$ 5,110,300           | 1    | 18.72%  | \$ 6,833,980           | 1    | 23.88%  |
| The Links at Gulf Shores            | 4,459,420              | 2    | 16.34%  |                        |      |   |
| Colonial Realty Limited Partnership | 3,881,280              | 3    | 14.22%  |                        |      |   |
| Wal-Mart Real Estate Business       | 2,627,480              | 4    | 9.63%   |                        |      |   |
| Beach Place Development LLC         | 2,254,760              | 5    | 8.26%   |                        |      |   |
| Target Corporation                  | 2,066,200              | 6    | 7.57%   |                        |      |   |
| 21300 Sweetwater LLC                | 1,814,160              | 7    | 6.65%   |                        |      |   |
| Gulf Shores Riviera LLC             | 1,749,680              | 8    | 6.41%   |                        |      |   |
| Seawind Development Co. LLC         | 1,676,440              | 9    | 6.14%   |                        |      |   |
| Waterville USA, Inc                 | 1,652,220              | 10   | 6.05%   |                        |      |   |
| East Beach Development              | -                      |      | -   | 3,430,400              | 2    | 11.98%  |
| Inn at Gulf Shores Ltd.             | -                      |      | -   | 3,060,860              | 3    | 10.69%  |
| Crystal Shores LLC                  | -                      |      | -   | 2,818,000              | 4    | 9.85%   |
| Howard Resort Inns, Inc             | -                      |      | -   | 2,806,900              | 5    | 9.81%   |
| Youngs Ltd                          | -                      |      | -   | 2,353,780              | 6    | 8.22%   |
| Craft Development Corp.             | -                      |      | -   | 2,263,060              | 7    | 7.91%   |
| Honours-Peninsula Golf Club LLC     | -                      |      | -   | 1,852,460              | 8    | 6.47%   |
| Meyer Properties, LLC               | -                      |      | -   | 1,606,440              | 9    | 5.61%   |
| Waterville USA, Inc                 | -                      |      | -   | 1,596,840              | 10   | 5.58%   |
| <b>Total</b>                        | <b>\$ 27,291,940</b>   |      | <b>100.00%</b>                                  | <b>\$ 28,622,720</b>   |      | <b>100.00%</b>                                  |

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<br>Classification       | 2014                |      |                        | 2004                |      |                        |
|--------------------------------------|---------------------|------|------------------------|---------------------|------|------------------------|
|                                      | Tax<br>Liability    | Rank | Percentage<br>of Total | Tax<br>Liability    | Rank | Percentage<br>of Total |
| Retail Trade                         | \$ 2,120,967        | 1    | 36.61%                 | \$ -                |      |                        |
| Retail Trade                         | 679,737             | 2    | 11.73%                 | -                   |      | -                      |
| Retail Trade                         | 656,374             | 3    | 11.33%                 | -                   |      | -                      |
| Retail Trade                         | 496,007             | 4    | 8.56%                  | 560,713             | 1    | 28.45%                 |
| Accommodation & Food Services        | 445,101             | 5    | 7.68%                  | 186,325             | 3    | 9.46%                  |
| Art, Entertainment, & Recreation     | 379,512             | 6    | 6.55%                  | -                   |      | -                      |
| Accommodation & Food Services        | 363,679             | 7    | 6.28%                  | 145,819             | 6    | 7.40%                  |
| Retail Trade                         | 235,598             | 8    | 4.07%                  | 245,867             | 2    | 12.48%                 |
| Accommodation & Food Services        | 211,921             | 9    | 3.66%                  | -                   |      | -                      |
| Retail Trade                         | 204,259             | 10   | 3.53%                  | 165,357             | 4    | 8.39%                  |
| Retail Trade                         | -                   |      | -                      | 156,102             | 5    | 7.92%                  |
| Retail Trade                         | -                   |      | -                      | 138,825             | 7    | 7.04%                  |
| Art, Entertainment, & Recreation     | -                   |      | -                      | 137,962             | 8    | 7.00%                  |
| Retail Trade                         | -                   |      | -                      | 121,706             | 9    | 6.18%                  |
| Art, Entertainment, & Recreation     | -                   |      | -                      | -                   |      | -                      |
| Art, Entertainment, & Recreation     | -                   |      | -                      | -                   |      | -                      |
| Retail Trade                         | -                   |      | -                      | 111,926             | 10   | 5.68%                  |
| <b>Total</b>                         | <b>\$ 5,793,155</b> |      | <b>100.00%</b>         | <b>\$ 1,970,602</b> |      | <b>100.00%</b>         |
| (sales quarterly, festival, vending) |                     |      |                        |                     |      |                        |

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

| Fiscal<br>Year | City<br>Direct<br>Rate | Baldwin<br>County |
|----------------|------------------------|-------------------|
| 2005           | 3.00%                  | 2.00%             |
| 2006           | 3.00%                  | 2.00%             |
| 2007           | 3.00%                  | 2.00%             |
| 2008           | 3.00%                  | 2.00%             |
| 2009           | 3.00%                  | 2.00%             |
| 2010           | 3.00%                  | 2.00%             |
| 2011 *         | 3.00%                  | 3.00%             |
| 2012 *         | 3.00%                  | 3.00%             |
| 2013 *         | 3.00%                  | 3.00%             |
| 2014 *         | 3.00%                  | 3.00%             |

Source: Alabama Department of Revenue, [www.revenue.alabama.gov](http://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, 2014**

|  | Debt<br><u>Outstanding</u> | Estimated<br>Percentage<br>Applicable | Estimated<br>Share of<br>Overlapping<br>Debt(1)<br><u>Debt(1)</u> |
|--|----------------------------|---------------------------------------|---|
| Direct General Obligation Debt                                       | \$ 38,171,730              | 100.00%                               | \$ 38,171,730   |
| Overlapping General Obligation Debt:                                 |                            |                                       |   |
| Airport Authority General Obligation Warrants:                       | 75,000                     | 100.00%                               | 75,000  |
| Baldwin County Warrants  | 120,460,024                | 12.73%                                | 15,336,640  |
| Baldwin County Board of Education                                    | 197,115,215                | 12.73%                                | 25,096,169  |
| Total Overlapping General Obligation Debt                            |                            |                                       | <u>40,507,809</u>   |
| Total Direct and Overlapping General Obligation Debt                 |                            |                                       | <u><u>78,679,539</u></u>  |
| Overlapping Guaranteed Revenue Debt                                  |                            |                                       |   |
| Airport Revenue Bonds*   | -                          | 100%                                  | -   |
| Total Overlapping Guaranteed Revenue Debt                            |                            |                                       | <u>-</u>  |
| Total Direct, Overlapping and Overlapping<br>Guaranteed Revenue Debt |                            |                                       | <u><u>\$ 78,679,539</u></u>                                       |
| Debt per Capita  |                            |                                       |   |
| Direct General Obligation Debt                                       |                            |                                       | \$ 3,546  |
| Overlapping General Obligation Debt                                  |                            |                                       | <u>3,763</u>  |
| Overlapping Guaranteed Revenue Debt                                  |                            |                                       | -   |
|  |                            |                                       | <u><u>\$ 7,309</u></u>  |

Source: Baldwin County 2012 Audit

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

\*Debt retired in 2013

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

| Fiscal Year | Governmental Activities  | Business Type Activities |                         | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|--------------------------|-------------------------|--------------------------|-------------------------------|------------|
|             | General Obligation Bonds | Airport Revenue Bonds*   | Terminal Building Lease |                          |                               |            |
| 2005        | 26,936,111               | 126,033                  | 235,000                 | 27,297,144               | 22.2%                         | 5,412      |
| 2006        | 51,103,389               | 109,029                  | 220,000                 | 51,432,418               | 20.0%                         | 5,693      |
| 2007        | 48,232,336               | 92,025                   | 205,000                 | 48,529,361               | 18.8%                         | 5,371      |
| 2008        | 55,118,237               | 75,021                   | 190,000                 | 55,383,258               | 21.5%                         | 6,130      |
| 2009        | 51,425,824               | 58,017                   | 175,000                 | 51,658,841               | 20.0%                         | 5,718      |
| 2010        | 47,830,566               | 41,282                   | 160,000                 | 48,031,848               | 17.3%                         | 4,931      |
| 2011        | 44,882,575               | 25,695                   | 140,000                 | 45,048,270               | 16.2%                         | 4,625      |
| 2012        | 46,055,063               | 7,005                    | 120,000                 | 46,182,068               | 17.2%                         | 4,627      |
| 2013        | 41,430,335               | -                        | 100,000                 | 41,530,335               | 17.3%                         | 4,105      |
| 2014        | 38,171,730               | -                        | 75,000                  | 38,246,730               | 15.0%                         | 3,553      |

\*Airport Revenue Bond debt retired in 2013

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

| <u>Fiscal<br/>Year</u> | <u>General<br/>Obligation<br/>Bonds</u> | <u>Less: Amounts<br/>Available in Debt<br/>Service Fund</u> | <u>Total</u> | <u>% of<br/>Actual Taxable<br/>Value of<br/>Property</u> | <u>Per<br/>Capita</u> |
|------------------------|---|---|--------------|--|-----------------------|
| 2005                   | 26,936,111                              | -   | 26,936,111   | 0.65%  | 5,340                 |
| 2006                   | 51,103,389                              | 2,448,952   | 48,654,437   | 0.90%  | 5,385                 |
| 2007                   | 48,232,336                              | 2,448,952   | 45,783,384   | 0.60%  | 5,067                 |
| 2008                   | 55,118,237                              | 2,448,952   | 52,669,285   | 0.77%  | 5,829                 |
| 2009                   | 51,425,824                              | 2,448,952   | 48,976,872   | 0.83%  | 5,421                 |
| 2010                   | 47,830,566                              | 2,448,952   | 45,381,614   | 0.87%  | 4,659                 |
| 2011                   | 44,882,575                              | 2,448,952   | 42,433,623   | 0.86%  | 4,356                 |
| 2012                   | 46,921,372                              | 2,448,952   | 44,472,420   | 0.93%  | 4,455                 |
| 2013                   | 41,430,335                              | 2,448,952   | 38,981,383   | 0.81%  | 3,905                 |
| 2014                   | 38,171,730                              | 2,448,952   | 35,722,778   | 0.93%  | 3,531                 |

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

|                                     | Full-Time Equivalent by Year |            |            |            |            |            |            |            |            |            |
|-------------------------------------|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                     | 2005                         | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       | 2013       | 2014       |
| General Government                  |                              |            |            |            |            |            |            |            |            |            |
| City Hall                           | 17                           | 19         | 21         | 25         | 20         | 20         | 20         | 20         | 22         | 22         |
| Community Development/<br>Building* | 9                            | 11         | 12         | 4          | 4          | 4          | 4          | 4          | 4          | 4          |
| Court                               | 3                            | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 3          |
| Police                              | 40                           | 53         | 52         | 54         | 51         | 53         | 54         | 58         | 60         | 60         |
| Fire                                | 17                           | 24         | 36         | 47         | 40         | 42         | 43         | 43         | 43         | 43         |
| Public Works                        | 44                           | 45         | 63         | 59         | 51         | 51         | 51         | 51         | 50         | 52         |
| Recreation                          | 16                           | 20         | 23         | 37         | 33         | 33         | 35         | 37         | 37         | 45         |
| Airport                             | 0                            | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 2          | 2          |
| <b>Total</b>                        | <b>146</b>                   | <b>175</b> | <b>210</b> | <b>234</b> | <b>207</b> | <b>210</b> | <b>214</b> | <b>220</b> | <b>225</b> | <b>237</b> |

\*Community Development and Building combined count until 2008

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

|                                  | 2005  | 2006   | 2007  | 2008   | 2009  | 2010   | 2011   | 2012   | 2013   | 2014  |
|----------------------------------|-------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| <b>General government</b>        |       |        |       |        |       |        |        |        |        |       |
| Building permits issued          | 1,771 | 872    | 572   | 459    | 422   | 385    | 566    | 589    | 657    | 610   |
| Building inspections conducted   | 9,902 | 8,222  | 3,172 | 1,763  | 1,065 | 1,016  | 1,263  | 1,570  | 1,951  | 2,172 |
| Business Licenses issued*        | 3,901 | 8,677  | 7,566 | 7,083  | 7,491 | 7,554  | 10,016 | 10,281 | 10,562 | 7,164 |
| <b>Police</b>                    |       |        |       |        |       |        |        |        |        |       |
| Physical arrests                 | 1,249 | 1,529  | 1,558 | 1,604  | 1,423 | 1,394  | 1,527  | 1,387  | 1,602  | 1,280 |
| Traffic violations               | 1,603 | 1,726  | 2,008 | 1,858  | 1,268 | 1,484  | 1,641  | 1,824  | 1,997  | 1,500 |
| Officers                         | 32    | 36     | 35    | 40     | 39    | 39     | 41     | 43     | 43     | 43    |
| <b>Fire</b>                      |       |        |       |        |       |        |        |        |        |       |
| Emergency responses*             | -     | -      | -     | 2,108  | 2,280 | 2,307  | 2,790  | 2,785  | 2,972  | 2,903 |
| Fires extinguished*              | -     | -      | -     | 59     | 52    | 30     | 70     | 92     | 92     | 64    |
| Inspections**                    | -     | -      | -     | 413    | 335   | 467    | 920    | 1,071  | 1,200  | 1,800 |
| Full time staff*                 | 17    | 24     | 36    | 48     | 39    | 42     | 43     | 43     | 43     | 43    |
| Part time staff*                 | -     | -      | -     | 6      | -     | -      | -      | -      | -      | -     |
| Volunteer Firefighters*          | -     | -      | -     | 17     | 17    | 8      | 8      | 8      | 8      | 8     |
| <b>Public Works</b>              |       |        |       |        |       |        |        |        |        |       |
| Street resurfacing (linear feet) | -     | 50,020 | -     | 12,491 | -     | 19,380 | -      | -      | 10,560 | 3,455 |

\*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             | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Police</b>                |       |       |       |       |       |       |       |       |       |       |
| Stations                     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Fire Stations                | 3     | 3     | 4     | 4     | 4     | 4     | 4     | 4     | 4     |       |
| <b>Parks and recreation*</b> |       |       |       |       |       |       |       |       |       |       |
| Football/Track Stadium       |       |       |       | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Softball/Baseball fields     |       |       |       | 15    | 15    | 15    | 15    | 15    | 15    | 15    |
| Soccer field                 |       |       |       | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Parks                        |       |       |       | 8     | 8     | 8     | 8     | 8     | 8     | 8     |
| Tennis Courts                |       |       |       | 18    | 18    | 18    | 18    | 18    | 18    | 18    |
| Basketball Courts            |       |       |       | 2     | 2     | 2     | 2     | 2     | 2     | 3     |
| Swimming Pool                |       |       |       | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Gymnasium                    |       |       |       | 1     | 1     | 1     | 1     | 1     | 2     | 2     |
| Transit - minibusses         |       |       |       | 5     | 5     | 5     | 5     | 5     | 5     | 5     |
| <b>Public Works</b>          |       |       |       |       |       |       |       |       |       |       |
| Maintained Streets (miles)   | 60.75 | 61.88 | 62.89 | 63    | 64    | 65.05 | 67.22 | 69.27 | 69.27 | 74    |
| Traffic Signals*             |       |       |       | 24    | 24    | 24    | 24    | 24    | 24    | 24    |
| Streetlights*                |       |       |       | 2,201 | 2,201 | 2,234 | 2,234 | 2,234 | 2,234 | 2,234 |

\*Information not available for the prior years

**Schedule 16**  
**City of Gulf Shores**  
**Population**

| Census<br>Year | City of<br>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                 |

**Per Capita Income**

|                  | 1979  | 1989   | 1999   | 2010   | 2013   |
|------------------|-------|--------|--------|--------|--------|
| Gulf Shores      | 7,761 | 17,414 | 24,356 | 28,522 | 26,853 |
| State of Alabama | 5,894 | 11,486 | 18,189 | 22,984 | 23,680 |

**Median Family Income**

|                  | 1989   | 1999   | 2010   | 2013   |
|------------------|--------|--------|--------|--------|
| Gulf Shores      | 34,257 | 51,862 | 45,801 | 48,181 |
| State of Alabama | 28,688 | 41,657 | 42,081 | 43,253 |

Source: United States Bureau of the Census Quick Facts

**Schedule 17**  
**Unemployment Rates**

|                | 2014  |
|----------------|-------|
| Baldwin County | 4.90% |
| Alabama        | 5.70% |

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

COMPLIANCE AND INTERNAL CONTROL SECTION

THE CITY OF GULF SHORES, ALABAMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 DECEMBER 31, 2014

| Federal Grantor/Pass-through<br>Grantor Program Title                          | Federal<br>CFDA<br>Number (1) | Pass-through<br>Grantors<br>Number       | Expenditures<br>of Federal<br>Awards |
|--|-------------------------------|--|--------------------------------------|
| DEPARTMENT OF HOMELAND SECURITY<br>Public Assistance Grants                    | 97.036                        | FEMA-4176-DR-AL                          | 101,749                              |
| U.S. DEPARTMENT OF TRANSPORTATION<br>MultiUse Trail                            | 20.205                        | STPTE-TE09(972)                          | 8,153                                |
| U.S. DEPARTMENT OF TRANSPORTATION<br>Airport Improvement Grants                | 20.106                        | 3-01-0090-028-2014<br>3-01-0090-027-2013 | 232,203                              |
| U.S. DEPARTMENT OF JUSTICE<br>Public Safety Partnership and Community Policing | 16.710                        | -  | 113,847                              |
| DEPARTMENT OF COMMERCE<br>Coastal Management                                   | 11.419                        | 13NOS4190116                             | 55,967                               |
| Total Expenditures of Federal Awards   |                               |  | <u>\$ 511,919</u>                    |

(1) Catalog of Federal Domestic Assistance Number

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Gulf Shores, Alabama under programs of the federal government for the year ended December 31, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Gulf Shores, Alabama, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Gulf Shores, Alabama.

**NOTE 2 – Summary of Significant Accounting Policies**

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

**NOTE 3 – Noncash Assistance**

The City of Gulf Shores, Alabama did not receive any federal noncash assistance for the fiscal year ending December 31, 2014.

THE CITY OF GULF SHORES, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2014

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Gulf Shores, Alabama.
2. There were no material weaknesses related to the audit of the basic financial statements which would be reported in the REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.
3. There were no instances of noncompliance material to the financial statements of the City of Gulf Shores, Alabama which would be required to be reported in accordance with *Governmental Auditing Standards*.
4. There was one matter reported during the audit of internal control over the major federal award program.
5. The auditor's report on compliance for the major federal award programs for the City of Gulf Shores, Alabama expresses an unqualified opinion on the major federal award programs.
6. There were no audit findings relative to the major federal award programs for the City of Gulf Shores, Alabama required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were the Department of Justice COPS Grant - CFDA 16.710 and Department of Transportation Airport Improvement Grant -CFDA No. 20.106
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Gulf Shores, Alabama is a high-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

- No matters were reported in the current year.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

2014-1

*Condition:* Lack of controls over the request for reimbursement. During our initial audit procedures, we noted that there were no supporting documents for the figures requested for reimbursement. In addition, reimbursement requests were not reviewed before the request was sent to the granting agency. Supporting reports for the request for reimbursement should be reviewed to ensure compliance with grant budgets.

*Criteria:* Internal controls should be in place to ensure that eligible costs are requested for reimbursement.

*Effect:* Human Resources recreated the report within an immaterial amount, but there were no controls in place for a portion of the year to ensure that allowable costs reimbursement request were submitted.

THE CITY OF GULF SHORES, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2014

*Recommendations:* Human Resources and the Finance department should establish internal controls surrounding grant reimbursement. Reimbursement reports should be reviewed and approved by the payroll officer before they are sent to the Accounting division. The Accounting division should reconcile supporting documents to the request for reimbursement and the approved budgets before they are submitted to the granting agency.

*View of responsible officials and planned corrective actions:* The City implemented the following internal controls for the 4<sup>th</sup> quarter reimbursement. The payroll clerk will run a pay history report in the payroll system and will create a spreadsheet showing the breakdown and calculations for all fringe benefits. These figures will be approved by the payroll supervisor before submission to Accounting. Upon receipt, the grant administrator will once again check the figures for accuracy. The grant administrator will keep a copy of the fulltime entry-level sworn officer base salary information to check for allowed fringe benefit limits and will keep a spreadsheet with totals to ensure that we do not exceed the allowed limits on the final funding memo.

#### SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

##### 2013-1

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

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

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

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

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

THE CITY OF GULF SHORES, ALABAMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2014

2013-2

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

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

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

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

**GRANT,  
SANDERS  
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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, 2014, 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 February 26, 2015

**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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned cost as items [2014-1].

### **City of Gulf Shores, Alabama's Response to Findings**

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

### **Purpose of this Report**

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



Grant, Sanders, & Taylor, P.C.  
Gulf Shores, Alabama  
February 26, 2015

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

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Gulf Shores, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Gulf Shores, Alabama's major federal programs for the year ended December 31, 2014. City of Gulf Shores, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, City of Gulf Shores, Alabama, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [2014-1]. Our opinion on each major federal program is not modified with respect to these matters.

City of Gulf Shores, Alabama's response to the noncompliance 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.

### **Report on Internal Control Over Compliance**

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

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

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

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

A handwritten signature in blue ink, appearing to read "Grant Sanders & Taylor". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Grant, Sanders, & Taylor, P.C.  
Gulf Shores, Alabama  
February 26, 2015