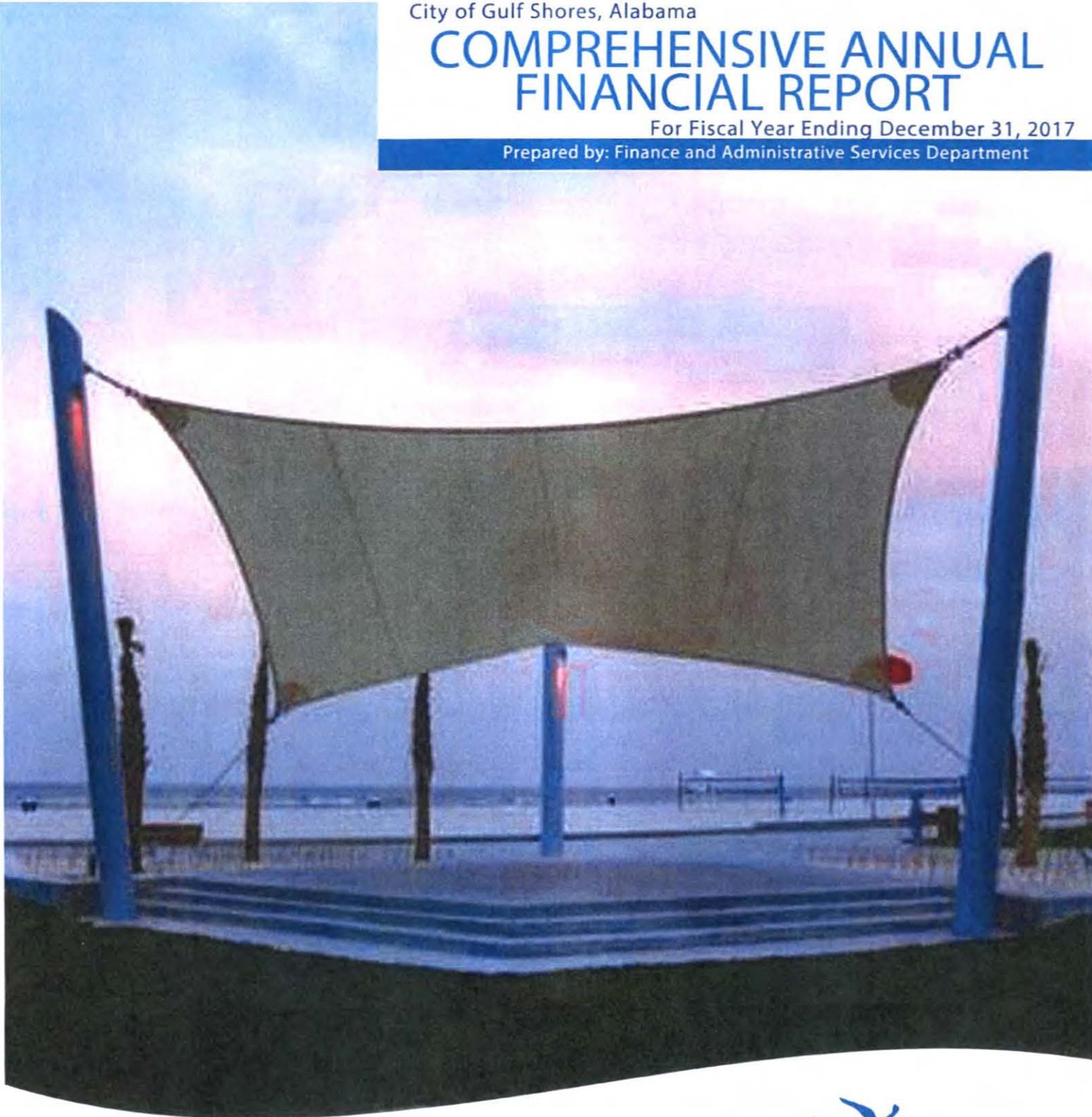


City of Gulf Shores, Alabama

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ending December 31, 2017

Prepared by: Finance and Administrative Services Department



*Photos courtesy of  
Councilman Steve Jones  
Gulf Shores Public Beach at Gulf Place*



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

THE CITY OF GULF SHORES, ALABAMA  
 FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

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## INTRODUCTORY SECTION



April 19, 2018

*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, 2017.

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, 2017 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, 2017, 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.

City of Gulf Shores

Transmittal Letter – continued

### **Profile of the Government**

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

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

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

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

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

### **Factors Affecting Financial Condition**

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

**Long-term financial planning**

The City and the surrounding Gulf Coast area suffered significant damages as a result of Hurricane Ivan in September 2004. During August 2005, the Gulf Coast area was also impacted by Hurricane Katrina. Following an audit of the Office of Inspector General (OIG), Department of Homeland Security an estimated overpayment of \$9,892,337 was recorded in the 2008 Financial Statement Notes. The City successfully appealed the findings of the OIG audits with a net repayment to the Federal Emergency Management Agency (FEMA) of \$1,364,427 for uncontested overpayments following the close of the Fiscal Year 2009. The City adopted formal Financial Policies in 2010 which provide for operating and stabilization reserve funds in the event of another major disaster or economic downturn. The City's Financial Policies are updated annually and recommend an increase to reserves of 5% each year until 70% fund balance is reached. Included in the City's Financial Policies is the establishment of a Beach Renourishment Fund to provide match funds for FEMA authorized future beach repairs due to storms occurring in 2008 and 2009 as well as for future storms. In April 2010 the BP Oil Spill, a spill of national significance occurred 100 miles in the Gulf of Mexico south of Gulf Shores. The City suffered substantial economic losses from the BP Oil Spill and is still recovering economically.

**Major Initiatives**

The City entered a public-private partnership with Pelican Place developers in 2008 for an outdoor shopping center that includes a major department store retail chain, movie-theater, book store and other stores. A Publix grocery store was opened in the spring of 2010 and is part of the Pelican Place development. The development has been a tremendous asset to the city promoting job growth and keeping dollars spent locally.

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

The City issued in 2016 a Line of Credit for \$13.5 million to reconstruct Gulf Place boardwalk, add parking, a Public Safety Building on the beach and redo an existing bathhouse. This project will yield a sense of place to our beach front and provide green space for community activities. In 2017 the City refinanced a total of \$7.5 million in outstanding 2008 warrants and a portion of the Series 2014 Warrants which was a nontaxable bank line of credit used primarily for transportation projects.

**Current Economic Condition**

The City is sound financially. A target fund balance is commonly considered to be between 5 to 15 percent of expenditures; the City's General Fund balance is 35 percent with an additional 35 percent reserved for Beach Renourishment resulting in a combined fund balance target of 70 percent for 2018. 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 \$46,475 on investments for the year ended December 31, 2017. The City of Gulf Shores considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Shores for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016. This represented the seventh 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.

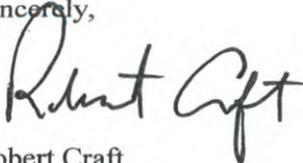
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received for the seventh time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2017 for fiscal year 2017. 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.

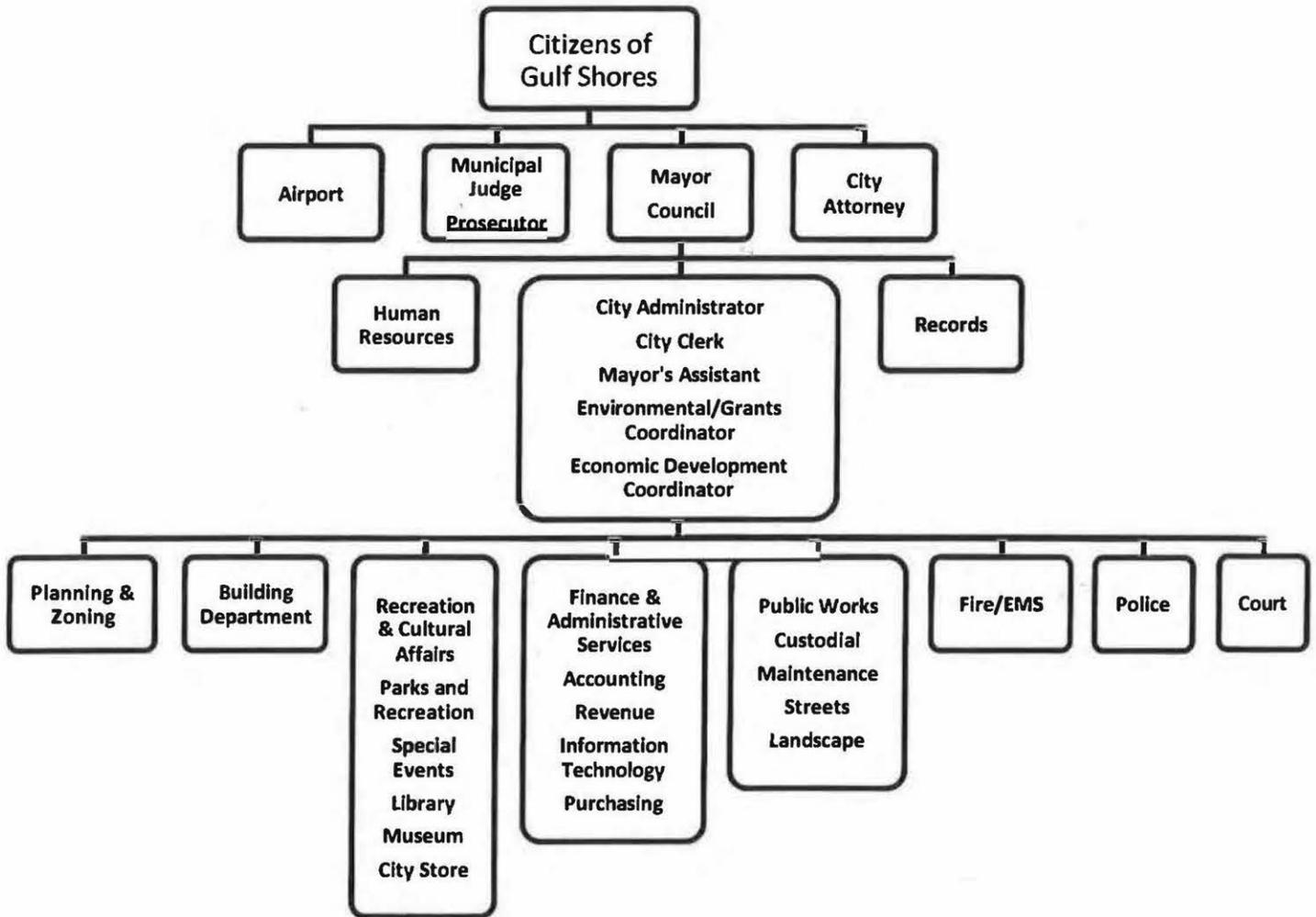
***Acknowledgements***

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, 2017

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Legislative Branch

Mayor	Robert Craft
Council Member	Joe Garris
Council Member	Gary Sinak
Council Member	Philip Harris
Council Member	Jason Dyken
Council Member	Stephen E. Jones

Management Staff

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



Government Finance Officers Association

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

Presented to

**City of Gulf Shores  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

## FINANCIAL SECTION

# GRANT, SANDERS & TAYLOR, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BERTRAM L. SANDERS, II, CPA  
MATTHEW R. TAYLOR, CPA  
JASON B. JACKSON, CPA

1530 W. 2ND STREET  
POST OFFICE BOX 2109  
GULF SHORES, ALABAMA 36547-2109  
TELEPHONE 251.968.2727  
FACSIMILE 251.968.7430  
WWW.GRANTSANDERSTAYLOR.COM

Members  
American Institute of Certified  
Public Accountants  
Alabama Society of Certified  
Public Accountants  
Florida Institute of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Gulf Shores, Alabama, as of and for the year ended December 31, 2017, 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, 2017.

### **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, 2017, 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 67 through 69 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 basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the budgetary comparison schedules 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2018 on our consideration of the City of Gulf Shores, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gulf Shores, Alabama's internal control over financial reporting and compliance.



Grant, Sanders, & Taylor, P.C  
Gulf Shores, Alabama  
April 19, 2018

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, 2017. Please read it in conjunction with the financial statements which follow this section.

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

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

The basic financial statements also contain other supplementary information.

#### **Government-wide Financial Statements**

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

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

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

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

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

#### **Proprietary Funds**

The City of Gulf Shores reports one enterprise fund and two proprietary fund type discretely presented component units: Jack Edwards Airport Fund, Airport Authority Fund, and the Public Education Building Authority Fund. The Jack Edwards Airport Fund and Airport Authority are discretely presented component units of the primary government of the City of Gulf Shores. For 2017 comparative statements are presented for Governmental Activities, Business-Type Activities and Component Units.

**Overview of the Financial Statements (continued)**

**Notes to the Basic Financial Statements**

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

**Government-wide Financial Analysis**

As previously noted, over time, Net Position may serve as a useful indicator of a government's financial condition. At December 31, 2017, the City of Gulf Shores' assets exceeded its liabilities by \$83,246,254, an increase of \$14,746,833 from 2016 primarily due to an increase in borrowed funds and capital assets. The largest portion of the City's net position reflects its investment in capital assets (property, plant and equipment), less debt outstanding that was used for acquisition. These assets are used to provide services to the citizens and are not available for future spending. Since the capital assets cannot be used to liquidate the outstanding debt, resources needed to repay the debt must be provided from other sources. As of December 31, 2017, the City of Gulf Shores is able to report a positive balance in the governmental category of total net position. The net position of the primary government increased \$14,746,833 as a result of increased borrowing and land acquisition.

**Table 1** below represents the City's Condensed Statement of Net Position as of December 31, 2017 and is derived from the Government-wide Statement of Net Position. For more detailed information, see the **Statement of Net Position** on Page 27.

**Table 1 - Condensed Statement of Net Position**

	Governmental		Business-Type		Total		Component	Component
	Activities		Activities		Primary Government		Units	Units
	2017	2016	2017	2016	2017	2016	2017	2016
Current & Other Assets	\$ 34,555,132	\$ 31,517,468	\$ 6,656,752	\$ 3,727	\$ 41,211,884	\$ 31,521,195	\$ 1,903,475	\$ 2,060,348
Capital Assets	94,589,730	80,371,103	6,772,994	1,935,155	101,362,724	82,306,258	17,456,621	18,524,678
Total Assets	<u>\$ 129,144,862</u>	<u>\$ 111,888,571</u>	<u>\$ 13,429,746</u>	<u>\$ 1,938,882</u>	<u>\$ 142,574,608</u>	<u>\$ 113,827,453</u>	<u>\$ 19,360,096</u>	<u>\$ 20,585,026</u>
Defeasance cost, net	2,135,569	2,278,458	-	-	2,135,569	2,278,458	-	-
Deferred pension contributions	3,146,268	2,493,343	-	-	3,146,268	2,493,343	-	-
Total Deferred Outflow of Resources	<u>\$ 5,281,837</u>	<u>\$ 4,771,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,281,837</u>	<u>\$ 4,771,801</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term Liabilities	\$ 46,410,913	\$ 44,191,691	\$ 10,749,358	\$ -	\$ 57,160,271	\$ 44,191,691	\$ -	\$ -
Other Liabilities	5,182,591	5,262,166	1,058,938	-	6,241,529	5,262,166	12,452	225,444
Total Liabilities	<u>\$ 51,593,504</u>	<u>\$ 49,453,857</u>	<u>\$ 11,808,296</u>	<u>\$ -</u>	<u>\$ 63,401,800</u>	<u>\$ 49,453,857</u>	<u>\$ 12,452</u>	<u>\$ 225,444</u>
Deferred Revenue	273,410	418,861	-	-	273,410	418,861	-	-
Deferred pension contributions	934,981	227,115	-	-	934,981	227,115	-	-
Total Deferred Inflow of Resources	<u>\$ 1,208,391</u>	<u>\$ 645,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,208,391</u>	<u>\$ 645,976</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position	<u>\$ 81,624,804</u>	<u>\$ 66,560,539</u>	<u>\$ 1,621,450</u>	<u>\$ 1,938,882</u>	<u>\$ 83,246,254</u>	<u>\$ 68,499,421</u>	<u>\$ 19,347,644</u>	<u>\$ 20,359,582</u>
Net Invested in Capital Assets	\$ 57,682,765	\$ 45,289,955	\$ 6,772,994	\$ 1,935,155	\$ 64,455,759	\$ 47,225,110	\$ 18,325,117	\$ 18,299,872
Restricted	2,113,341	1,603,565	-	-	2,113,341	1,603,565	-	-
Unrestricted	21,828,698	19,667,019	(5,151,544)	3,727	16,677,154	19,670,746	1,022,527	2,059,710
Total Net Position	<u>\$ 81,624,804</u>	<u>\$ 66,560,539</u>	<u>\$ 1,621,450</u>	<u>\$ 1,938,882</u>	<u>\$ 83,246,254</u>	<u>\$ 68,499,421</u>	<u>\$ 19,347,644</u>	<u>\$ 20,359,582</u>

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

**Table 2** below represents the City's Condensed Statement of Activities for the year ending December 31, 2017, and is derived from the **Government-wide Statement of Activities** on Page 28.

**Table 2 - Condensed Statement of Activities**

	Governmental		Business-Type		Total		Component Units	
	Activities		Activities		Primary Government			
	2017	2016	2017	2016	2017	2016	2017	2016
<b>PRIMARY GOVERNMENT:</b>								
Revenues:								
Charges for Services	\$ 7,335,114	\$ 6,923,750	\$ 177,289	\$ -	\$ 7,512,403	\$ 6,923,750	\$ 535,543	\$ 479,634
Operating grants and Contributions	8,306,995	1,213,150	-	-	8,306,995	1,213,150	35,000	35,000
Capital grants and Contributions	215,684	2,326,999	-	-	215,684	2,326,999	56,121	4,664,388
General Revenues:								
Property Taxes	3,064,738	2,871,351	-	-	3,064,738	2,871,351	-	-
Local Taxes	25,461,563	24,313,543	-	-	25,461,563	24,313,543	-	-
Franchise Taxes	1,410,132	1,221,712	-	-	1,410,132	1,221,712	-	-
State Taxes	624,254	477,632	-	-	624,254	477,632	-	-
Interest income	46,475	40,343	12,613	2	59,088	40,345	2,940	2,333
Miscellaneous income	139,353	495,604	-	-	139,353	495,604	-	-
Gain (loss) on asset sales	420,927	(1,703)	-	-	420,927	(1,703)	-	-
<b>Total Revenues</b>	<b>\$ 47,025,235</b>	<b>\$ 39,882,381</b>	<b>\$ 189,902</b>	<b>\$ 2</b>	<b>\$ 47,215,137</b>	<b>\$ 39,882,383</b>	<b>\$ 629,604</b>	<b>\$ 5,181,355</b>
Expenses:								
Executive	4,889,329	4,566,791	-	-	4,889,329	4,566,791	-	-
Municipal Court	471,390	433,826	-	-	471,390	433,826	-	-
Police	5,788,741	5,656,457	-	-	5,788,741	5,656,457	-	-
Fire	4,018,363	3,408,579	-	-	4,018,363	3,408,579	-	-
Community and Economic Affairs	8,181,961	7,637,148	-	-	8,181,961	7,637,148	-	-
Public Works	7,360,994	7,608,894	-	-	7,360,994	7,608,894	-	-
Bond cost	106,337	90,281	-	-	106,337	90,281	-	-
Interest on Long-Term Debt	1,113,565	1,107,600	-	-	1,113,565	1,107,600	-	-
Public Education Building Authority	-	-	507,334	27,121	507,334	27,121	-	-
<b>Total Expenses</b>	<b>31,930,680</b>	<b>30,509,576</b>	<b>507,334</b>	<b>27,121</b>	<b>32,438,014</b>	<b>30,536,697</b>	<b>-</b>	<b>-</b>
<b>COMPONENT UNITS:</b>								
Expenses:								
Jack Edwards Airport	-	-	-	-	-	-	1,129,814	800,430
Airport Authority	-	-	-	-	-	-	511,728	396,758
<b>Total Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,641,542</b>	<b>1,197,188</b>
Increase (Decrease) in Net Position								
Before Transfers	15,094,555	9,372,805	(317,432)	(27,119)	14,777,123	9,345,686	(1,011,938)	3,984,167
Transfers	-	-	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>15,094,555</b>	<b>9,372,805</b>	<b>(317,432)</b>	<b>(27,119)</b>	<b>14,777,123</b>	<b>9,345,686</b>	<b>(1,011,938)</b>	<b>3,984,167</b>
Net Position - Beginning	66,560,539	66,135,299	1,938,882	1,966,001	68,499,421	68,101,300	20,359,582	16,375,415
Prior Period Adjustment	(30,290)	(8,947,565)	-	-	(30,290)	(8,947,565)	-	-
<b>Net Position - Ending</b>	<b>\$ 81,624,804</b>	<b>\$ 66,560,539</b>	<b>\$ 1,621,450</b>	<b>\$ 1,938,882</b>	<b>\$ 83,246,254</b>	<b>\$ 68,499,421</b>	<b>\$ 19,347,644</b>	<b>\$ 20,359,582</b>

## Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2017 include the following:

The assets of the City exceeded its liabilities (Net Position) at the close of the fiscal year by \$81,624,804 for Governmental Activities and by \$1,621,450 for Business-type Activities of the primary government. The total primary government's net position is \$83,246,254 as of December 31, 2017, up from \$68,499,421. For the year ended December 31, 2017 there was a \$508,947 increase in Beach Restoration and \$2,161,679 increase in Unrestricted funds. Business-type activities net position was \$1,621,450 as of December 31, 2017 a decrease of \$317,432 from 2016 reflecting increased debt 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 \$31,151,603 with \$9,738,558 designated as committed, \$19,550,332 unassigned, \$1,318,642 restricted and \$544,071 nonspendable. The unassigned amount of \$19,550,332 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, 2017, totaled \$29,169,601, an increase of \$2,714,238 from the fund balance at December 31, 2016, which was \$26,455,363. The increase in Fund Balance for Fiscal Year 2017 is attributable to conservative spending practices resulted in positive income from operations of \$6,549,253.

### **Debt Service Fund**

The fund balance increased \$829 as a result of increased debt issuance during the fiscal year. The Debt Service Fund is used to record principal and interest payments on debt which include bond issues, general obligation warrants with banks, notes payable, and lease/purchases. The expense for Fiscal Agent Fees for bond issues is also recorded in this fund. Funding for most payments is provided by a transfer from the General Fund.

### **Capital Improvements Fund**

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

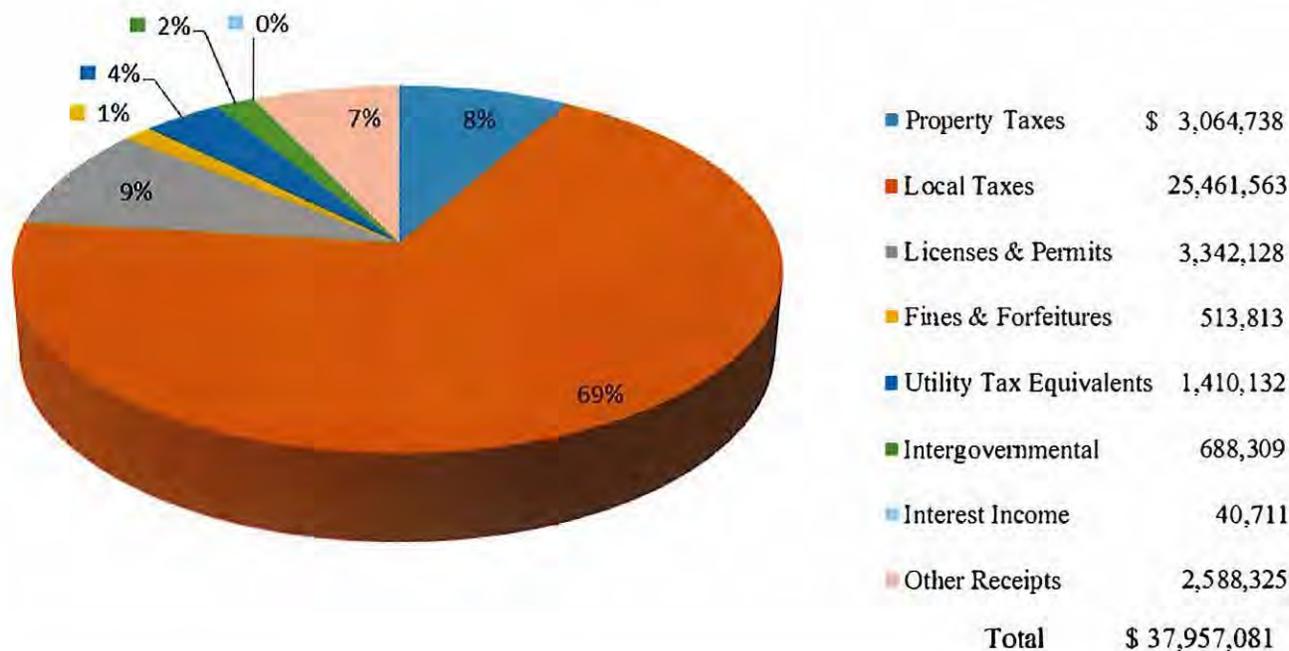
### **2014 GO Warrant Fund**

This fund is a short-term 4 year line of credit established in Fiscal Year 2014 for recording the proceeds, issuance costs, and capital expenditures for a new bond issue. The General Fund transfers to the Debt Service fund for payment on the 2014 GO Warrant and any other debt. The following items were paid for with proceeds from the 2014 GO Warrant Fund during Fiscal Year 2017:

- Bodenhamer Improvements
- County Roads 6 and 8 Improvements
- Match funds for ALDOT Sidewalk and Bayou Village Bridge Widening Projects
- Match funds for Adaptive Signals projects and ADECA Recreation Trail Fort Morgan Highway
- Highway 182 Improvements
- Land Acquisition expense

Two advance debt payments were made in 2017 on the 2016 B Line of Credit for Gulf Place Improvements.

## Exhibit 1: Governmental Revenue Sources for Fiscal Year 2017



### Budget Variances in the General Fund

A schedule of General Fund Revenues, Expenditures and Changes in Fund Balances can be found on page 67. Revenues were more

than the Budget in the following major categories with an overall \$5,655,474 collection more than budget:

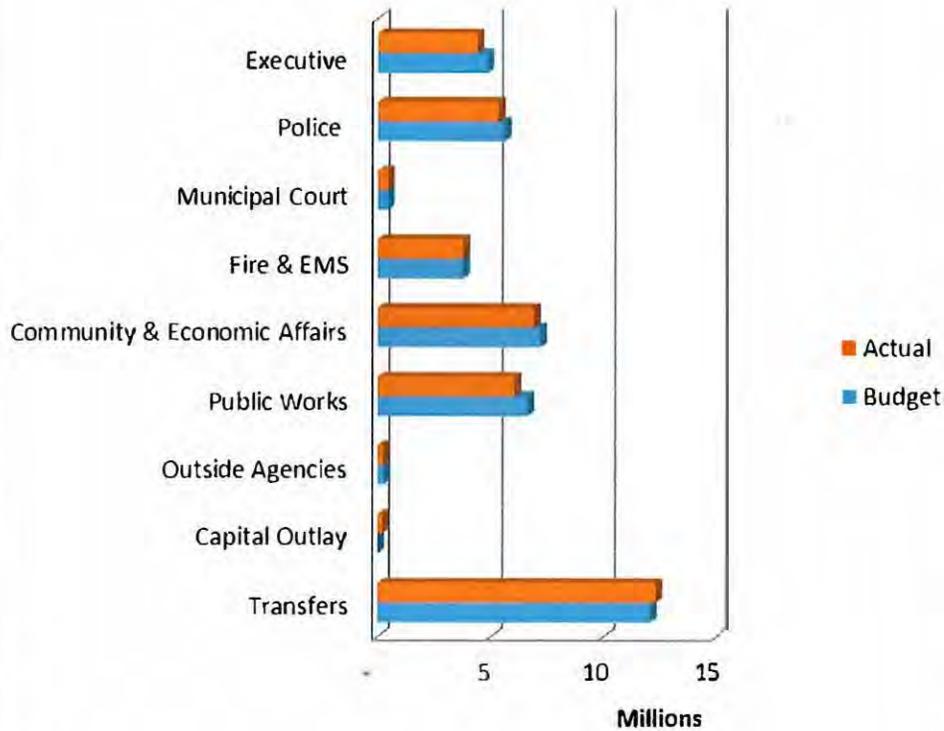
- Property Taxes - \$193,738 more due to county property value assessments on new construction
- Local Taxes - \$3,018,563 more due to increased tourism resulting in more Lodging Taxes and Sales Taxes
- Licenses and Permits - \$230,128 more than budget due to increased commercial and residential construction
- Fines and Forfeitures - \$63,813 more due to enhanced enforcement efforts related to Beach activities
- Utility Tax Collections - \$65,996 more due to Baldwin EMC increased consumption related to tourism
- Federal and State transfers - \$395,274 more than budgeted due to increased State of Alabama taxes
- Income on investments \$20,711 more than budgeted due to investment rates increase and more investments
- Other - \$358,986 more than budget.

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

- Executive Department - \$445,496 less than budget due to departmental cost savings measures
- Municipal Court - \$15,848 more due to court personnel expense more than the amended budget
- Police Department - \$266,503 less due to equipment lease items going from an expense to a balance sheet account
- Fire and Emergency Services - \$9,095 more due to insurance expenses over budget
- Community and Economic Affairs - \$269,783 under budget to Planning and Zoning, Building, Recreation and Cultural Affairs, Programs & Events, Sportsplex, Beach and Cultural Center operating within budgets
- Public Works - \$565,727 expenses less due to unfilled positions/personnel, vehicle and street resurfacing savings
- Capital Outlay - \$217,034 more than budget due to equipment purchases

The City Council approved revisions to the original adopted General Fund budget three times during the fiscal year prior to the fiscal year end on December 31, 2017.

## Exhibit 2: General Fund Departmental Budget to Actual 2017



General Fund Departmental Budget to Actual 2017

	<u>Budget</u>	<u>Actual</u>	<u>% of total expenses</u>
Transfers	12,082,307	12,332,559	31%
Capital Outlay	-	217,034	1%
Outside Agencies	257,500	254,767	1%
Public Works	6,623,864	6,058,137	15%
Community & Economic Affairs	7,203,680	6,933,897	17%
Fire & EMS	3,773,124	3,782,219	9%
Municipal Court	454,291	470,139	1%
Police	5,616,121	5,349,618	13%
Executive	4,862,253	4,416,757	11%
<b>Total</b>	<u>40,873,140</u>	<u>39,815,127</u>	100%

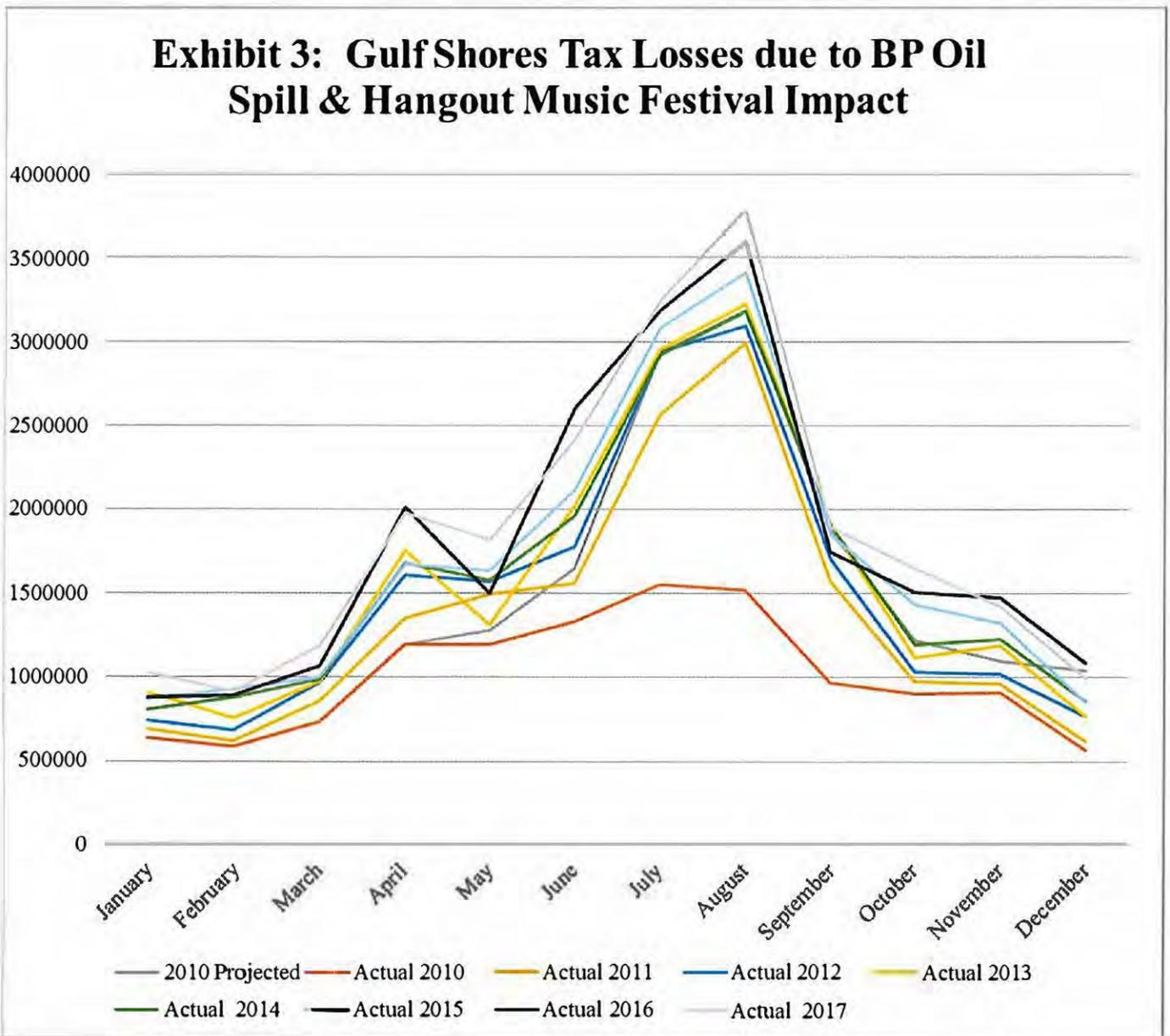
**Capital Asset and Long-term Debt Activity**

**Capital Asset Activity**

At December 31, 2017, the City of Gulf Shores reported investment in capital assets of \$94,589,730 (net of accumulated depreciation) from governmental activities, an increase of \$14,218,627 from December 31, 2016. Net capital position from business-type activities is reported as \$6,772,994 which is an increase of \$4,837,839 from December 31, 2016. Refer to Note 3.D. in the financial statements for additional information on capital assets.

**Long-term Debt Activity**

As of year-end, the City had \$48,436,127 in debt outstanding (which includes long term compensated absences and net pension liability) compared to \$47,121,184 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.



### **Future Events Impacting the City's Financial Condition**

The City of Gulf Shores' business community recovered in 2017 with revenues almost on target with pre 2010 BP Oil Spill revenue projection levels. The first three months of 2017 show continued strong tourist Sales and Lodging Tax revenue. Exhibit 3 also shows the economic impact of the Hangout Music Festival ticket sales leading up to the May event. National Sand Volleyball competitions that began to be held in April 2014 also contribute to the increase revenues during the spring. More state sports competitions have also begun to be held in Gulf Shores, increasing Sales and Lodging Tax Revenues as well.

New businesses continue to locate in the Waterway Village area, revitalizing the Intracoastal Canal waterfront. Also, a grant approved in early 2010 for a public private partnership - Saunders Gulf Shores Drydock Basin Project expanded an existing dry dock basin for maintenance of ocean going vessels on the IntraCoastal Waterway. Construction on the project began in 2011 and was completed by first quarter 2013. This project provides much needed high skill high wage jobs.

## BASIC FINANCIAL STATEMENTS

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

THE CITY OF GULF SHORES, ALABAMA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Jack Edwards Airport</u>	<u>Airport Authority</u>
<b>ASSETS</b>					
Current Cash and Cash Equivalents	\$ 18,221,003	\$ 2,960	\$ 18,223,963	\$ -	\$ 523,053
Reserve Current Cash and Cash Equivalents	7,628,664	-	7,628,664	-	-
Receivables (Net)	4,327,857	-	4,327,857	-	4,101
Due from component units	6,871	-	6,871	-	-
Inventories	93,721	-	93,721	718,623	-
Prepays and Other Assets	454,750	-	454,750	-	5,201
Restricted Assets:					
Cash and Cash Equivalents	3,822,266	6,653,792	10,476,058	652,497	-
Capital Assets:					
Non - Depreciable	38,485,819	3,792,843	42,278,662	6,346,391	93,938
Depreciable (Net)	56,103,911	2,980,151	59,084,062	10,935,347	80,945
Total Assets	<u>129,144,862</u>	<u>13,429,746</u>	<u>142,574,608</u>	<u>18,652,858</u>	<u>707,238</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Defeasance cost, net	2,135,569	-	2,135,569	-	-
Deferred employer pension contributions	3,146,268	-	3,146,268	-	-
Total Deferred Outflow of Resources	<u>5,281,837</u>	<u>-</u>	<u>5,281,837</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 2,241,508	\$ 561,283	\$ 2,802,791	\$ -	\$ 12,452
Accrued Liabilities	888,611	105,144	993,755	-	-
Accrued Interest Payable	27,258	177,511	204,769	-	-
Non - Current Liabilities					
Due Within One Year:					
Compensated absences	99,566	-	99,566	-	-
Bonds Payable	1,721,494	215,000	1,936,494	-	-
Lease Payable	204,154	-	204,154	-	-
Due In More than One Year:					
Compensated absences	1,079,205	-	1,079,205	-	-
Net Pension Liability	8,010,668	-	8,010,668	-	-
Bonds Payable	37,321,040	10,749,358	48,070,398	-	-
Total Liabilities	<u>51,593,504</u>	<u>11,808,296</u>	<u>63,401,800</u>	<u>-</u>	<u>12,452</u>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Deferred Revenue	273,410	-	273,410	-	-
Deferred employer pension contributions	934,981	-	934,981	-	-
Total Deferred Inflow of Resources	<u>1,208,391</u>	<u>-</u>	<u>1,208,391</u>	<u>-</u>	<u>-</u>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	57,682,765	6,772,994	64,455,759	18,150,234	174,883
Restricted for:					
Debt service	3,447	-	3,447	-	-
Beach restoration	2,109,894	-	2,109,894	-	-
Unrestricted	21,828,698	(5,151,544)	16,677,154	502,624	519,903
Total Net Position	<u>\$ 81,624,804</u>	<u>\$ 1,621,450</u>	<u>\$ 83,246,254</u>	<u>\$ 18,652,858</u>	<u>\$ 694,786</u>

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

THE CITY OF GULF SHORES, ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

Expenses	Program Revenues		Primary Government			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total	Jack Edwards Airport	Airport Authority
<b>Functions/Programs</b>								
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
Executive	\$ 4,889,329	\$ 27,800	\$ -	\$ -	\$ (4,861,529)	\$ -	\$ (4,861,529)	
Municipal Court	471,390	677,852	-	-	206,462	-	206,462	
Police	5,788,741	54,513	70,719	-	(5,663,509)	-	(5,663,509)	
Fire	4,018,363	69,919	-	-	(3,948,444)	-	(3,948,444)	
Community and Economic Affairs	8,181,961	5,675,171	7,789,811	-	5,283,021	-	5,283,021	
Public Works	7,360,994	829,859	446,465	215,684	(5,868,986)	-	(5,868,986)	
Bond premium amortization	106,337	-	-	-	(106,337)	-	(106,337)	
Interest on Long - Term Debt	1,113,565	-	-	-	(1,113,565)	-	(1,113,565)	
Total governmental activities	<u>31,930,680</u>	<u>7,335,114</u>	<u>8,306,995</u>	<u>215,684</u>	<u>(16,072,887)</u>	<u>-</u>	<u>(16,072,887)</u>	
Business-type activities:								
Public Education Building Authority	507,334	177,289	-	-	-	(330,045)	(330,045)	
Total primary government	<u>\$ 32,438,014</u>	<u>\$ 7,512,403</u>	<u>\$ 8,306,995</u>	<u>\$ 215,684</u>	<u>\$ (16,072,887)</u>	<u>\$ (330,045)</u>	<u>\$(16,402,932)</u>	
<b>COMPONENT UNITS:</b>								
Jack Edwards Airport	\$ 1,129,814	\$ -	\$ -	\$ 56,121			\$ (1,073,693)	\$ -
Airport Authority	511,728	535,543	35,000	-			-	58,815
Total component units	<u>\$ 1,641,542</u>	<u>\$ 535,543</u>	<u>\$ 35,000</u>	<u>\$ 56,121</u>			<u>\$ (1,073,693)</u>	<u>\$ 58,815</u>
General revenues (expenses):								
Property Taxes					\$ 3,064,738	\$ -	\$ 3,064,738	\$ -
Local Taxes:								
Sales taxes					14,588,992	-	14,588,992	-
Lodging taxes					7,763,827	-	7,763,827	-
Other local taxes					3,108,744	-	3,108,744	-
Franchise Taxes					1,410,132	-	1,410,132	-
State Taxes					624,254	-	624,254	-
Interest Income					46,475	12,613	59,088	2,021
Miscellaneous					139,353	-	139,353	-
Gain on Disposal of Assets					420,927	-	420,927	-
Transfers					-	-	-	18,990
Total general revenues, special items and transfers					<u>31,167,442</u>	<u>12,613</u>	<u>31,180,055</u>	<u>21,011</u>
Change in net position					15,094,555	(317,432)	14,777,123	(1,052,682)
Net position - beginning (restated)					66,530,249	1,938,882	68,469,131	19,705,540
Net position - ending					<u>\$ 81,624,804</u>	<u>\$ 1,621,450</u>	<u>\$ 83,246,254</u>	<u>\$ 18,652,858</u>

**GOVERNMENT FUND FINANCIAL STATEMENTS**

THE CITY OF GULF SHORES, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	General Fund	Debt Service Fund	2016B GO Warrant Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Current Cash and Equivalents	\$ 18,221,003	\$ -	\$ -	\$ -	\$ 18,221,003
Reserved Cash and Equivalents	7,628,664	-	-	-	7,628,664
Restricted Cash and Equivalents	129,865	3,447	36,177	3,652,776	3,822,265
Receivables (Net)					
Accounts	625,284	-	-	-	625,284
Taxes	3,587,744	-	-	-	3,587,744
Due From Other Funds	388,420	-	-	136,225	524,645
Due From Other Governments	4,039	-	-	110,791	114,830
Due From Component Units	6,871	-	-	-	6,871
Prepays and Other Assets	425,350	-	25,000	4,400	454,750
Inventories	93,721	-	-	-	93,721
<b>Total Assets</b>	<b>\$ 31,110,961</b>	<b>\$ 3,447</b>	<b>\$ 61,177</b>	<b>\$ 3,904,192</b>	<b>\$ 35,079,777</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 899,485	\$ -	\$ 636,058	\$ 705,965	\$ 2,241,508
Payroll taxes & benefits payable	199,610	-	-	6,546	206,156
Accrued wages	78,108	-	-	-	78,108
Other liabilities	409,347	-	-	195,000	604,347
Due to other funds	136,225	-	-	388,420	524,645
<b>Total Liabilities</b>	<b>1,722,775</b>	<b>-</b>	<b>636,058</b>	<b>1,295,931</b>	<b>3,654,764</b>
<b>Deferred Inflows of Resources</b>					
Deferred revenue	218,585	-	-	54,825	273,410
<b>Fund Balances</b>					
Nonspendable	519,071	-	25,000	-	544,071
Spendable:					
Restricted	133,904	3,447	-	1,181,291	1,318,642
Committed	7,628,664	-	-	2,109,894	9,738,558
Unassigned	20,887,962	-	(599,881)	(737,749)	19,550,332
<b>Total Fund Balances</b>	<b>29,169,601</b>	<b>3,447</b>	<b>(574,881)</b>	<b>2,553,436</b>	<b>31,151,603</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 31,110,961</b>	<b>\$ 3,447</b>	<b>\$ 61,177</b>	<b>\$ 3,904,192</b>	<b>\$ 35,079,777</b>

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

**The City of Gulf Shores, Alabama  
Reconciliation of the Balance Sheet  
To the Statement of Net Position  
Governmental Funds  
December 31, 2017**

Fund balances - total governmental funds \$ 31,151,603

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	\$ 123,962,186	
Less accumulated depreciation	<u>(29,372,456)</u>	94,589,730

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

Deferred employer pension contributions	3,146,268	
Loss on advance refunding	2,828,847	
Less accumulated amortization	<u>(693,277)</u>	5,281,838

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	(38,390,463)	
Discounts on bond issue	177,009	
Premiums on bond issues	(1,238,331)	
Accumulated amortization	205,096	
Net pension liability	(8,010,668)	
Compensated absences	<u>(1,178,771)</u>	(48,436,128)

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

Deferred employer pension contributions	<u>(934,981)</u>	(934,981)
---	------------------	-----------

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>(27,258)</u>	<u>(27,258)</u>
--------------------------	-----------------	-----------------

Net position of governmental activities \$ 81,624,804

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, 2017

	General Fund	Debt Service Fund	2016B GO Warrant Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Property taxes	\$ 3,064,738	\$ -	\$ -	\$ -	\$ 3,064,738
Local taxes	22,383,665	-	-	3,077,899	25,461,564
Licenses and permits	3,342,128	-	-	-	3,342,128
Fines and forfeitures	513,813	-	-	-	513,813
Utility tax equivalents	1,410,132	-	-	-	1,410,132
Intergovernmental:					
State of Alabama taxes	342,790	-	-	508,862	851,652
Federal and State grants	345,519	-	-	244,420	589,939
Interest income	40,711	1,023	-	4,741	46,475
Impact fees	-	-	-	893,495	893,495
Other receipts	2,588,325	-	-	179,500	2,767,825
Total Revenues	<u>34,031,821</u>	<u>1,023</u>	<u>-</u>	<u>4,908,917</u>	<u>38,941,761</u>
<b>EXPENDITURES</b>					
Current Operating:					
Executive Department	4,416,757	-	-	-	4,416,757
Municipal Court	470,139	-	-	-	470,139
Police Department	5,349,618	-	-	213,329	5,562,947
Fire and Emergency Services	3,782,219	-	-	52,359	3,834,578
Community and Eco. Affairs	6,933,897	-	-	-	6,933,897
Public Works	6,058,137	-	866,648	3,617,834	10,542,619
Appropriations	254,767	-	-	-	254,767
Capital outlay	217,034	-	5,038,192	22,387	5,277,613
Beach restoration	-	-	-	47,700	47,700
Miscellaneous	-	-	-	35,851	35,851
Debt Service:					
Principal and interest	-	16,700,327	-	-	16,700,327
Bond Issuance costs	-	27,850	-	-	27,850
Miscellaneous	-	3,599	-	-	3,599
Total Expenditures	<u>27,482,568</u>	<u>16,731,776</u>	<u>5,904,840</u>	<u>3,989,460</u>	<u>54,108,644</u>
Excess (Deficiency) of revenues					
Over Expenditures	<u>\$ 6,549,253</u>	<u>\$ (16,730,753)</u>	<u>\$ (5,904,840)</u>	<u>\$ 919,457</u>	<u>\$ (15,166,883)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	7,500,000	7,610,000	2,010,000	17,120,000
Proceeds from sale of capital assets	425,645	-	-	-	425,645
Transfers In	4,994,000	9,231,582	-	818,409	15,043,991
Transfers Out	<u>(9,254,660)</u>	<u>-</u>	<u>(2,200,000)</u>	<u>(3,589,331)</u>	<u>(15,043,991)</u>
Total Other Financing Sources and (Uses)	<u>(3,835,015)</u>	<u>16,731,582</u>	<u>5,410,000</u>	<u>(760,922)</u>	<u>17,545,645</u>
Net Change in Fund Balance	2,714,238	829	(494,840)	158,535	2,378,762
Fund Balances - Beginning (restated)	<u>26,455,363</u>	<u>2,618</u>	<u>(80,041)</u>	<u>2,394,901</u>	<u>28,772,841</u>
Fund Balances - Ending	<u>\$ 29,169,601</u>	<u>\$ 3,447</u>	<u>\$ (574,881)</u>	<u>\$ 2,553,436</u>	<u>\$ 31,151,603</u>

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

**The City of Gulf Shores, Alabama**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Activities**  
**For the Year Ended December 31, 2017**

Net change in fund balances \$ 2,378,762

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	17,325,854	
Less current year depreciation	<u>(3,102,508)</u>	14,223,346

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	(59,884)	
Gain on disposal of assets	<u>55,166</u>	(4,718)

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

Proceeds from bond	(17,120,000)	
Principal payments on bonds, loans & leases	<u>15,559,577</u>	(1,560,423)

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	9,938	
Amortization of current year bond premiums	86,561	
Amortization of current year bond discounts	(4,912)	
Amortization of loss on advanced refunding	(160,136)	
Increase in advanced refunding	17,247	
Increase in deferred employer pension contributions	153,677	
Increase in compensated absences	<u>(44,787)</u>	<u>57,588</u>

Change in net position of governmental activities \$ 15,094,555

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, 2017

	<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>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 2,960
Restricted cash and cash equivalents	6,653,792
<b>Total Current Assets</b>	<b>6,656,752</b>
Capital Assets:	
Land	3,792,843
Land improvements	203,087
Buildings	898,425
Furniture and equipment	261,893
Construction in progress	2,722,117
Less: accumulated depreciation	(1,105,371)
<b>Total Non-Current Assets</b>	<b>6,772,994</b>
<b>Total Assets</b>	<b>13,429,746</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	561,283
Retainage payable	105,144
Accrued interest payable	177,511
<b>Total Current Liabilities</b>	<b>843,938</b>
Non-Current Liabilities:	
Due within one year:	
Bonds payable	215,000
Due in more than one year:	
Bonds payable	10,749,358
<b>Total Non-Current Liabilities</b>	<b>10,964,358</b>
<b>Total Liabilities</b>	<b>11,808,296</b>
<b>NET POSITION</b>	
Net Position, investment in capital assets	6,772,994
Restricted	6,653,792
Unrestricted	(11,805,336)
<b>Total Net Position</b>	<b>\$ 1,621,450</b>

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

THE CITY OF GULF SHORES, ALABAMA  
 ALL PROPRIETARY FUND TYPES  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<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>Operating Revenues</b>	
Auburn Rent	\$ 177,289
<b>Operating Expenses</b>	
Depreciation	27,121
Miscellaneous	35
<b>Total Operating Expenses</b>	27,156
<b>Operating Income (Loss)</b>	150,133
<b>Non-Operating Revenues (Expenses)</b>	
Interest & dividend income	12,613
Interest expense	(177,511)
Bond issue costs	(302,667)
<b>Total Non-Operating Expenses</b>	(467,565)
<b>Change in Net Position</b>	(317,432)
<b>Net Position - Beginning</b>	1,938,882
<b>Net Position - Ending</b>	\$ 1,621,450

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

THE CITY OF GULF SHORES, ALABAMA  
 ALL PROPRIETARY FUND TYPES  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<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	\$ 177,289
Other operating expenses	(35)
Net cash provided by operating activities	177,254
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Bond proceeds	10,878,934
Bond issue costs	(217,242)
Net cash provided by capital and related financing activities	10,661,692
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest & dividend payments received	12,613
Acquisition of land	(2,142,844)
Construction expenditures	(2,055,690)
Increase in restricted funds	(6,653,792)
Net cash provided by investing activities	(10,839,713)
Net increase (decrease) in cash and cash equivalents	(767)
Cash balance - beginning of year	3,727
Cash balance - end of year	\$ 2,960
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 150,133
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	27,121
Net cash provided (used) by operating activities	\$ 177,254

Noncash Investing, Capital and Financing Activities: None

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

## NOTES TO BASIC FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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.

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, 2017.

**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. 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, whereas 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, 2017

**1. B. BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

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

**1. C. BASIS OF PRESENTATION**

The funds of the financial reporting entity are described below:

General Fund

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

Debt Service Funds

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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.

2016 B GO Warrant Capital Projects Fund

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

Major Proprietary Funds of Primary Government:

The primary government does not have any major proprietary funds.

Discretely Presented Component Units which are Major Proprietary Funds:

Jack Edwards Airport Enterprise Fund

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

Airport Authority Enterprise Fund

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**1. C. BASIS OF PRESENTATION (CONTINUED)**

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

*Governmental Funds:*

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenues funds include the 2% Lodgings Tax Fund, Designated Taxes Fund, Impact Fees Fund, and Library Board Fund.

Beach Restoration Capital Projects Fund

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

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).

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.

2014 GO Warrant Fund

This fund is used to account for financial resources from the 2014 GO Warrant issue. The proceeds were used to purchase land, improve City facilities and for transportation projects.

*Proprietary Funds:*

Public Education Building Authority Enterprise Fund

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

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

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

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

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

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

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

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

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

**1. E. ASSETS, LIABILITIES, AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand deposits, savings accounts, certificates of deposit, and short term investments with original or remaining maturities of three months or less when purchased. For purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, certificates of deposit, and short term investments with an original maturity of three months or less. Certificates of deposits are not considered investments. Investments are stated at fair value. The balance in the certificates of deposit at December 31, 2017 at the financial institutions is \$5,000 at BBVA Compass Bank and \$10,000 at Hancock Bank.

**Reserve cash and equivalents**

General Fund cash and certificates of deposit totaling \$7,628,664 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, 2017

**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.

*Government-wide Statement*

In the government-wide financial statements, capital assets that exceed the City’s capitalization threshold by asset type are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, works of art, and similar items, which are recorded at acquisition value.

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

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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 Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

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

*Fund Financial Statements:*

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

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

**Long-Term Debt**

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

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, 2017

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

**Compensated Absences (continued)**

All vested compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total compensated absences liability for the governmental activities is \$1,178,771. \$99,566 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, 2017.

**Equity Classifications**

*Government Wide Level Financial Statements*

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

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

*Fund Level Financial Statements*

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

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

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

The City’s General Fund Reserve policy is to maintain a minimum of 15% with a target of 35% of General Fund Expenditures. For 2017 expenses of \$27,482,568 the 15% minimum would be \$4,122,385 and the 35% target would be \$9,618,899.

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, 2017

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

A schedule of fund balances is as follows:

	<u>General</u>	<u>Debt</u>	<u>2016B GO</u>	<u>Other</u>	
	<u>Fund</u>	<u>Service</u>	<u>Warrant</u>	<u>Governmental</u>	
			<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventories	\$ 93,721	\$ -	\$ -	\$ -	\$ 93,721
Prepaid items	425,350	-	25,000	-	450,350
<b>Restricted for:</b>					
Grants	4,039	-	-	-	4,039
Municipal Court	123,769	-	-	-	123,769
Environment Study	6,096	-	-	-	6,096
Debt service	-	3,447	-	-	3,447
Capital outlay	-	-	-	1,181,291	1,181,291
<b>Committed to:</b>					
Emergencies	7,628,664	-	-	-	7,628,664
Capital outlay	-	-	-	2,109,894	2,109,894
<b>Assigned to:</b>					
	-	-	-	-	-
<b>Unassigned:</b>	<u>20,887,962</u>	<u>-</u>	<u>(599,881)</u>	<u>(737,749)</u>	<u>19,550,332</u>
<b>Total Fund Balance</b>	<u>\$ 29,169,601</u>	<u>\$ 3,447</u>	<u>\$ (574,881)</u>	<u>\$ 2,553,436</u>	<u>\$ 31,151,603</u>

<NOTE> Fund balance committed for emergencies are only to be used in the event of a named tropical storm event.

**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, 2017

**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 and Administration 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, 2017

**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 (although still subject to credit risk, concentration risk, and custodial credit 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, 2017, the carrying amount of the City’s total deposits was \$36,328,685. Amounts in excess of FDIC coverage of \$250,000 of each financial institution are further secured by a pledge of securities from various institutions to the Alabama State Treasurer’s Office in accordance with the Security for Alabama Funds Enhancement (SAFE) Act.

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

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

**3. B. RECEIVABLES**

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

	General	2% Lodgings Tax Fund	Designated Taxes Fund	Total
Taxes	\$ 3,587,744	\$ -	\$ -	\$ 3,587,744
Accounts receivable	625,284	-	-	625,284
Due from other governments	388,420	124,363	11,862	524,645
<b>Total Receivables</b>	<b>\$ 4,601,448</b>	<b>\$ 124,363</b>	<b>\$ 11,862</b>	<b>\$ 4,737,673</b>

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**3. C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivable and payable balances at December 31, 2017 consisted of the following:

<u>Due To (Interfund Receivable)</u>	<u>Due From (Interfund Payable)</u>		
	General	Other Governmental Funds	Total
General Fund	\$ -	\$ 388,420	\$ 388,420
Nonmajor Governmental Funds	136,225	-	136,225
Total Receivables	<u>\$ 136,225</u>	<u>\$ 388,420</u>	<u>\$ 524,645</u>

For Other Governmental Funds, the Storm Damage Fund owes \$379,126 to the General Fund for the BP oil spill, and the Capital Projects fund owes the General Fund \$9,294 for various capital projects. The General Fund owes Nonmajor Governmental Funds \$136,225, of which \$124,363 to the 2% Lodging Tax Fund and \$11,862 to the Municipal Court Fund due to the timing of monthly transfers.

Interfund transfers for the year ended December 31, 2017, consisted of the following:

<u>Transfers To (Other Financing Source)</u>	<u>Transfers From (Other Financing Use)</u>			
	General	2016B GO Warrant Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 2,200,000	\$ 2,794,000	\$ 4,994,000
Debt Service Fund	9,231,582	-	-	9,231,582
2016B GO Warrant Fund	-	-	-	-
Other Governmental Funds	23,078	-	795,331	818,409
Total Transfers	<u>\$ 9,254,660</u>	<u>\$ 2,200,000</u>	<u>\$ 3,589,331</u>	<u>\$ 15,043,991</u>

The transfer from the 2016B GO Warrant Fund of \$2,200,000 to the General Fund was to reimburse the General Fund for land that was purchased for the Auburn Veterinary project. Transfers totaled \$2,794,000 from Special Revenue Funds to the General Fund. Of this amount, the 2% Lodging Tax Fund transferred \$1.9 million to reimburse the General Fund for beach expenses. Other Special Revenue Funds transferred \$894,000 to the General Fund for expenditures incurred in the General Fund that met the criteria for expenditure of the special revenues. Transfers from the General Fund of \$9,231,582 to Debt Service were to cover the annual debt service payments. The General Fund transferred \$23,078 to the Storm Damage Fund for storm damages. Transfers of \$670,651 from the 2% Lodging to Beach Restoration Fund to the Beach Restoration Fund were for beach restoration projects.

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**3. D. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2017, was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Non-Depreciable Assets:					
Land	\$ 30,845,886	\$ 7,639,933	\$ -	\$ -	\$ 38,485,819
Depreciable Assets:					
Buildings, parks facilities, & improvements	51,140,873	-	-	302,599	51,443,472
Motor vehicles and equipment	13,928,548	760,142	538,381	-	14,150,309
Infrastructure	11,259,405	8,925,780	-	(302,599)	19,882,586
Totals at historical cost	<u>107,174,712</u>	<u>17,325,855</u>	<u>538,381</u>	<u>-</u>	<u>123,962,186</u>
Less accumulated depreciation for:					
Buildings and improvements	14,596,069	1,344,196	-	-	15,940,265
Motor vehicles and equipment	9,977,916	1,169,063	533,661	-	10,613,318
Infrastructure	2,229,624	589,249	-	-	2,818,873
Total accumulated depreciation	<u>26,803,609</u>	<u>3,102,508</u>	<u>533,661</u>	<u>-</u>	<u>29,372,456</u>
Governmental activities capital assets, net	<u>\$ 80,371,103</u>				<u>\$ 94,589,730</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 448,633
Police	391,129
Fire	360,451
Public Works	988,434
Community and Economic Affairs	913,861
Total depreciation for governmental activities	<u>\$ 3,102,508</u>

Capital asset activity for the business-type activities of the primary government for the year ended December 31, 2017 is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
Non-Depreciable Assets:					
Land	\$ 1,650,000	\$ 2,142,843	\$ -	\$ -	\$ 3,792,843
Construction in progress	-	2,722,117	-	-	2,722,117
Depreciable Assets					
Land improvements	203,087	-	-	-	203,087
Buildings	898,425	-	-	-	898,425
Equipment	261,893	-	-	-	261,893
Totals at historical cost	<u>3,013,405</u>	<u>4,864,960</u>	<u>-</u>	<u>-</u>	<u>7,878,365</u>
Less accumulated depreciation for:					
Land improvements	168,109	13,539	-	-	181,648
Buildings	648,248	13,582	-	-	661,830
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	<u>1,078,250</u>	<u>27,121</u>	<u>-</u>	<u>-</u>	<u>1,105,371</u>
Business-type activities capital assets, net	<u>\$ 1,935,155</u>				<u>\$ 6,772,994</u>

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**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:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass- ifications</u>	<u>Ending Balance</u>
Non-Depreciable Assets:					
Land	\$ 6,440,329	\$ -	\$ -	\$ -	\$ 6,440,329
Construction in progress	-	58,712	-	-	58,712
Depreciable Assets					
Runways, taxiways, and improvements	23,985,490	16,195	-	-	24,001,685
Buildings and improvements	2,683,252	-	-	-	2,683,252
Motor vehicles and equipment	159,511	-	-	-	159,511
Totals at historical cost	<u>33,268,582</u>	<u>74,907</u>	<u>-</u>	<u>-</u>	<u>33,343,489</u>
Less accumulated depreciation for:					
Runways, taxiways, and improvements	13,648,888	1,073,505	-	-	14,722,393
Buildings and improvements	951,808	61,852	-	-	1,013,660
Motor vehicles and equipment	143,208	7,607	-	-	150,815
Total accumulated depreciation	<u>14,743,904</u>	<u>1,142,964</u>	<u>-</u>	<u>-</u>	<u>15,886,868</u>
Business-type activities capital assets, net	<u>\$ 18,524,678</u>				<u>\$ 17,456,621</u>

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

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds, loans, and leases payable:					
General obligation bonds	\$ 36,830,041	\$ 17,120,000	\$ 15,559,577	\$ 38,390,464	\$ 1,925,648
Plus bond premiums/discounts	937,873	-	81,649	856,224	-
Total bonds, loans, and leases payable	<u>37,767,914</u>	<u>17,120,000</u>	<u>15,641,226</u>	<u>39,246,688</u>	<u>1,925,648</u>
Other liabilities:					
Compensated Absences	1,133,984	44,787	-	1,178,771	99,566
Net pension liability	8,219,286	-	208,618	8,010,668	-
Total other liabilities	<u>9,353,270</u>	<u>44,787</u>	<u>208,618</u>	<u>9,189,439</u>	<u>99,566</u>
Governmental activities long term liabilities	<u>\$ 47,121,184</u>	<u>\$ 17,164,787</u>	<u>\$ 15,849,844</u>	<u>\$ 48,436,127</u>	<u>\$ 2,025,214</u>

The General Fund has been used in prior years to liquidate the liability for compensated absences and pension liabilities.

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**3. E. LONG-TERM DEBT (CONTINUED)**

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

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Business-Type Activities:					
Bonds payable:					
Revenue bonds	\$ <u>          -</u>	\$ <u>10,050,000</u>	\$ <u>          -</u>	\$ <u>10,050,000</u>	\$ <u>215,000</u>
Plus bond premiums/discounts	<u>          -</u>	<u>914,358</u>	<u>          -</u>	<u>914,358</u>	<u>          -</u>
Total bonds, loans, and leases payable	<u>          -</u>	<u>10,964,358</u>	<u>          -</u>	<u>10,964,358</u>	<u>215,000</u>
Business-type activities long term liabilities	<u>\$ <u>          -</u></u>	<u>\$ <u>          -</u></u>	<u>\$ <u>          -</u></u>	<u>\$ <u>10,964,358</u></u>	<u>\$ <u>215,000</u></u>

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:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Discretely Presented Component Units					
Bonds and loans payable:					
1996 B Airport Authority Bond	\$ <u>25,000</u>	\$ <u>          -</u>	\$ <u>25,000</u>	\$ <u>          -</u>	\$ <u>          -</u>
Business-type activities long term liabilities	<u>\$ <u>25,000</u></u>	<u>\$ <u>          -</u></u>	<u>\$ <u>25,000</u></u>	<u>\$ <u>          -</u></u>	<u>\$ <u>          -</u></u>

Annual debt service requirements to maturity, including principle and interest, for the governmental activities and business-type activities long-term debt as of December 31, 2017, are as follows:

<b><u>Year Ending December 31,</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2018	\$ 1,925,648	\$ 861,200	\$ 215,000	\$ 391,464
2019	4,846,580	825,802	185,000	424,050
2020	2,663,512	787,512	190,000	420,350
2021	2,722,791	725,092	190,000	416,550
2022	3,137,602	656,587	200,000	410,850
2023-2027	20,514,330	2,090,782	1,095,000	1,947,850
2028-2047	<u>2,580,000</u>	<u>103,200</u>	<u>7,975,000</u>	<u>4,189,700</u>
Total	<u>\$ 38,390,463</u>	<u>\$ 6,050,175</u>	<u>\$ 10,050,000</u>	<u>\$ 8,200,814</u>

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

As of December 31, 2017 the governmental long term debt consisted of the following:

<p>\$9,000,000, Series 2012-C General Obligation Warrants, dated October 1, 2012 due in annual principal installments of \$500,000 increasing to \$2,315,000 beginning on December 15, 2021, with a final payment due December 15, 2025. Interest varying from 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>	<p>\$ 9,000,000</p>
<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>	<p>5,880,000</p>
<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>	<p>3,086,829</p>
<p>\$8,830,000, Series 2015 General Obligation Warrants, dated March 1, 2015 due in annual principal installments of \$135,000 increasing to \$2,580,000 beginning on December 15, 2015, with a final payment due December 15, 2028. Interest varying from of 2.00% to 4.00% per annum payable June 15 and December 15, first payment due December 15, 2015 and last December 15, 2028.</p>	<p>8,605,000</p>
<p>\$13,500,000, Series 2016-B General Obligation Warrants, dated June 15, 2016 due in quarterly installments of interest accrued on the outstanding principal balance. Interest of 2.85% per annum payable on the 15th of March, June, September, and December, beginning in September 2016, final payment due June 15, 2026.</p>	<p>4,114,480</p>
<p>\$7,500,000, Series 2017-A General Obligation Warrants, dated December 22, 2017 due in biannual installments of interest accrued on the outstanding principal balance. Interest of 2.76% per annum payable on the 15th of June and December beginning in June 2018, final payment due December 15, 2027.</p>	<p>7,500,000</p>
<p>\$612,462 of Capital Leases for Motorola Police Radios, payable in annual installments of \$204,154, beginning in 2016 with the final installment due in 2018.</p>	<p>204,154</p>
<p>Total Unamortized General Obligation Warrant Issue Premiums</p>	<p><u>856,225</u></p>
<p>Total Long Term Debt</p>	<p><u>\$ 39,246,688</u></p>

As of December 31, 2017 the business-type long term debt consisted of the following:

<p>\$10,050,000, Series 2017 Lease Revenue Bonds, dated August 2, 2017 due in variable annual principal installments with a final payment due July 1, 2047. Interest varying from 2.00% to 5% per annum payable every July 1, first payment due July 1, 2018 and last July 1, 2047.</p>	<p>\$ 10,050,000</p>
<p>Total Unamortized Revenue Bond Premiums</p>	<p><u>914,358</u></p>
<p>Total Long Term Debt</p>	<p><u>\$ 10,964,358</u></p>

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**3. F. UNEARNED REVENUE**

The City has unearned revenues of \$6,096 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 \$210,020 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 \$2,469 is derived from cash collected for 2018 merchandise sales at the City Store.

As of December 31, 2017 the City has unearned revenues of \$9,506 reported in the Capital Improvements Fund from Emfinger Paving assessments which has been deferred, and will be recognized when the receivables become available.

The remaining \$45,319 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, 2017, the Storm Damage Fund, Capital Improvements Fund, 2016B GO Warrant Fund, and the 2014 GO Warrant Fund of the City of Gulf Shores had accumulated total fund balance deficit of \$52,159, \$132,840, \$574,881 and \$552,750, respectively. It is anticipated that these deficits will be eliminated by future excess revenues over expenses.

**3. I. DEBT LIMIT AND TAXING AUTHORITY**

According to the Baldwin County Revenue Commissioner's Office, the total aggregate assessed valuation of the property in the City as of December 31, 2017, was \$616,090,320 resulting in a debt limit of \$110,740,620. The City Council has the authority to raise sales, use and lodgings taxes at its discretion. The City currently imposes a three-percent sales tax, a five-percent lodging tax within Corporate Limits of the Municipality, and a two and one half percent lodgings tax outside the corporate limits.

**3. J. CONTINGENCIES**

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

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

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

**4. A. RETIREMENT PLAN**

***Summary of Significant Accounting Policies***

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

***General Information about the Pension Plan***

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

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

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

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

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

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

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member’s age, service credit, employment status and eligibility for retirement. The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, the City’s membership consisted of:

Retired member or their beneficiaries currently receiving benefits	31
Vested inactive member	4
Non-vested inactive members	25
Active members	267
Post-DROP retired members still in active service	<u>1</u>
Total	<u>328</u>

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

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 – OTHER INFORMATION (CONTINUED)**

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2017, the City's active employee contribution rate was 7.98% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 7.56% of covered employee payroll.

The City's contractually required contribution rate for the year ended December 30, 2017 was 8.21% of pensionable pay for Tier 1 employees, and 5.36% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated July 27, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$982,688 for the year ended December 31, 2017.

***Net Pension Liability***

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual-2015 Valuation Assumptions</u>	<u>Actual-2016 Valuation Assumptions</u>
(a) TPL as of September 30, 2015	\$ 25,889,645	\$ 25,120,480	\$ 26,254,755
(b) Discount rate	8.00%	8.00%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2015 - September 30, 2016	1,042,057	1,042,057	1,043,444
(d) Transfers Among Employers		(130,057)	(130,057)
(e) Actual Benefit Payments and Refunds for the period October 1, 2015 - September 30, 2016	<u>(1,119,066)</u>	<u>(1,119,066)</u>	<u>(1,119,066)</u>
(f) TPL as of September 30, 2016 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 27,839,045</u>	<u>\$ 26,878,290</u>	<u>\$ 28,040,456</u>
(g) Difference between Expected and Actual:		\$ (960,755)	
(h) Less Liability Transferred for Immediate Recognition:		<u>(130,057)</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (830,698)</u>	
(j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss			<u>\$ 1,162,166</u>

THE CITY OF GULF SHORES, ALABAMA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 – OTHER INFORMATION (CONTINUED)**

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

*Actuarial assumptions:* The total pension liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

\*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2017 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

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

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	3.0%	1.5%
<b>Total</b>	<b><u>100.00%</u></b>	

\*Includes assumed rate of inflation of 2.50%.

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

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 – OTHER INFORMATION (CONTINUED)**

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at September 30, 2015	\$ 25,889,645	\$ 17,670,359	\$ 8,219,286
Change for the year:			
Service cost	1,042,057		1,042,057
Interest	2,026,409		2,026,409
Changes of assumptions	1,162,166		1,162,166
Difference between expected and actual experience	(830,698)		(830,698)
Contributions - employer	-	1,012,511	(1,012,511)
Contributions - employee	-	769,340	(769,340)
Net investment income	-	1,826,701	(1,826,701)
Benefit payments, including refunds of employee contributions	(1,119,066)	(1,119,066)	-
Administrative expense	-	-	-
Transfers among employers	(130,057)	(130,057)	-
Net changes	2,150,811	2,359,429	(208,618)
Balance at September 30, 2016	\$ 28,040,456	\$ 20,029,788	\$ 8,010,668

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

	1% Decrease (7%)	Current Discount (8%)	1% Increase (9%)
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Plan's Net Pension Liability (Asset)	\$ 11,824,075	\$ 8,010,668	\$ 4,856,084
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*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

THE CITY OF GULF SHORES, ALABAMA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 – OTHER INFORMATION (CONTINUED)**

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

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

For the year ended December 31, 2017, the City recognized pension expense of \$1,010,721. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 934,981
Changes of assumptions	1,031,586	-
Net difference between projected and actual earnings on plan investments	154,437	-
Employer contributions subsequent to the Measurement Date	1,960,245	-
Total	\$ 3,146,268	\$ 934,981

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

Year Ended September 30	
2018	\$ 44,080
2019	44,080
2020	167,872
2021	(70,603)
2022	7,748
Thereafter	57,865

THE CITY OF GULF SHORES, ALABAMA  
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**4. B. DEFEASED DEBT**

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, 2017 the City's General Obligation Warrants, Series 2006B.

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

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

In March 2015 the City issued \$8,830,000 Series 2015 General Obligation Warrants, which was used to partially advance refund the Series 2008 General Obligation Warrants, constructing certain capital improvements within the City and paying issuance expense. In accordance with the refunding agreement, the City deposited with Regions Bank funds from the Series 2015 Warrants into and escrow accounts which along with the earnings there from, are sufficient to pay the principal and interest of the bonds. A portion of these escrowed funds were used to currently refund on March 12, 2015 the City's General Obligation Warrants, Series 2008.

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

The advance refunding has decreased debt service payments relative to the refunded debt by \$886,923 (\$13,725,748-12,838,825) over the next 14 years and resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$705,237 (PV of savings from cash flows \$702,754 plus cash refunding on hand \$2,483).

In December 2017 the City issued \$7,500,000 Series 2017-A General Obligation Warrants, which was used to advance refund the remaining Series 2008 General Obligation Warrants and partially refund the Series 2014 General Obligation Warrants and pay issuance expense. In accordance with the refunding agreement, the City deposited with Regions Bank funds from the Series 2017 Warrants into and escrow accounts which along with the earnings there from, are sufficient to pay the principal and interest of the bonds. A portion of these escrowed funds were used to currently refund the City's General Obligation Warrants, Series 2008.

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

The advance refunding has decreased debt service payments relative to the refunded debt by \$97,807 (\$4,088,223-\$4,186,030) over the next 10 years and resulted in an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$152,271 (PV of savings from cash flows \$149,941 plus cash refunding on hand \$2,331).

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**4. C. COMMITMENTS AND CONTINGENCIES**

Construction, engineering, and design contracts for material public works project commitments at December 31, 2017 are as follows:

<u>Contractor/Engineer</u>	<u>Construction/Professional Services Project</u>	<u>Resolution Number</u>	<u>Contract Amount Including Change Orders</u>	<u>Approximate Expenditures Incurred To Date</u>	<u>Approximate Balance of Contract</u>
Pope Contracting, Inc.	Construction of Sidewalk and Bridge Improvements - Hwy 59 over Little Lagoon	5724-16	\$ 970,000	\$ 929,592	\$ 340,408
Volkert & Associates	Professional Services to Improve Beach Blvd from Gulf State Park to West Lagoon Ave	5732-16	907,200	505,605	401,595
Cunningham DeLauey	Beach Blvd Streetscape Grading, Median, and Sidewalk Improvements	5860-17	2,520,063	792,825	1,727,238
Bagby & Russell	Beach Blvd Traffic Signal Improvements	5867-17	1,550,000	-	1,550,000
Hutchinson, Moore, & Rauch LLC	Professional Services for Little Lagoon Pass Pier	5740-16	17,730	15,105	2,625
Volkert & Associates	Professional Services for CR6 & Hwy 59 Intersection Improvements	5796-17	98,140	73,868	24,272
McElhenney Construction	CR6 & Hwy 59 Intersection Improvements	5906-17	630,000	99,848	530,152
Fabre Engineering	Professional Services for Streets Resurfacing and Improvements	5822-17	45,527	43,827	1,700
John G. Walton Construction Company, Inc.	Streets Resurfacing, Widening, and Stormwater Improvements	5885-17	620,000	239,773	380,227
Volkert & Associates	Professional Services for Windmill Ridge Road Bridge	5816-17	11,500	10,430	1,070
Pope Contracting, Inc.	Windmill Ridge Road Bridge Deck Replacement	5868-17	65,000	-	65,000
Metal Roofing Solutions, Inc.	Annex Buildings Re-Roof Project	5881-17	325,000	181,155	143,845
Volkert & Associates	Professional Services for CR8 Widening and Signal Improvements	5880-17	731,396	91,700	639,696

**Health Self Insurance Plan**

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

**4. D. LEASE OBLIGATIONS**

The City is obligated under certain leases accounted for as operating leases. The City entered into various agreements for the lease of copiers and other equipment that are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the City's debt. For 2017, rentals approximated \$35,667 for such leases. Approximately \$35,667, in minimum rental payments are due in 2017. These leases are primarily supported by the governmental fund activities.

**4. E. AIRPORT LEASES**

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

Land	\$ 93,938
Buildings	540,578
Equipment	77,031
Runway, taxiway & improvements	<u>16,195</u>
	727,742
Less accumulated depreciation	<u>(552,859)</u>
Net investment in operating leases	<u>\$ 174,883</u>

THE CITY OF GULF SHORES, ALABAMA  
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**4. E. AIRPORT LEASES**

In addition to the above lease terms, the lease agreements call for non-cancelable lease payments through December 31, 2054 as follows:

Year	Payment
2018	434,538
2019	435,836
2020	445,678
2021	457,581
Thereafter	14,783,810
Total	\$ 16,557,443

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 \$119,349 in 2017.

**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 (PEBA). The objective for which the corporation was organized are to acquire, purchase, construct, remodel, alter, operate, maintain, equip and furnish public educational buildings and related facilities, as provided in Chapter 18 of Title 16 of the Code of Alabama 1975. The Public Education Building Authority of the City of Gulf Shores, Alabama has been reflected as a proprietary fund of the City of Gulf Shores, Alabama.

The 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.

In 2017, the PEBA entered into a lease agreement with Auburn University whereby the PEBA issued \$10,050,000 of lease revenue bonds (see note 3.E.) to finance the purchase of real property and the construction and equipping of an educational complex. The lease agreement calls for Auburn University to make lease payments on or before five business days prior to any interest or principal payments due on the bonds until the debt service has been paid in full. Therefore, the lease agreement calls for non-cancelable lease payments through July 1, 2047 as follows:

Year	Payment
2018	\$ 606,464
2019	609,050
2020	610,350
2021	606,550
2022	610,850
Thereafter	15,207,550
Total	\$ 18,250,814

The facility is classified as construction in progress as of December 31, 2017.

**4. G. 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.

THE CITY OF GULF SHORES, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**4. H. POST RETIREMENT EMPLOYEE BENEFITS**

A sick leave policy placed into effect in fiscal year 2006 allows an employee to accumulate and use up to 960 hours of sick leave toward an early retirement service credit once the employee reaches retirement eligibility. An employee is eligible when they reach 10 years of service and attains age 60, or 25 years of service with no age requirement. The total actuarial accrued and unfunded liability according to Rebowe & Fontenot, LLC as of January 1, 2016 is \$580,594 at a 4.0% assumed annual investment. Subsequent to completion of the actuarial report, \$3,049 of compensated absences were paid out, leaving an unfunded balance of \$577,545 at December 31, 2017.

The gross annual required contribution (current liability) assumed payable is \$86,951, which consists of an annual normal cost assumed payable of \$53,377, plus a 30 year actuarial accrued liability amortization contribution of \$33,574. The City has not funded this future liability, and plans to pay the early service retirement credit as an employee becomes eligible and utilizes the benefit. In 2017 there was \$3,049 in early retirement sick leave paid out by the City to eligible retirees.

**4. I. 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. J. FUND BALANCE – COMMITTED**

There is \$7,628,664 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 \$7,628,664, as reflected in reserved cash and cash equivalents of the General Fund.

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

In 2005, the City entered into a Lease and Development Agreement and a Repurchase and Sale Agreement with Colonial Realty Limited Partnership. The agreement involved 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. In 2016, Colonial Realty Limited Partnership exercised a bargain purchase option to purchase the property for \$400,000. Per the terms agreement, the first \$210,000 of local and property taxes generated from the development every year is remitted to Colonial Realty Limited Partnership.

**NOTE 5 – PRIOR PERIOD ADJUSTMENTS**

The 2014 GO Warrant Fund financial statements reflect a prior period adjustment in the amount of \$30,288. The fund reimbursed the State of Alabama for ineligible grant expenses for which it had received payment for in a prior period. The net effect was a reduction in beginning fund balance of \$30,288.

**NOTE 6 – PENDING LITIGATION**

The City is party to various other legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings.

**NOTE 7 – SUBSEQUENT EVENTS**

Subsequent events were evaluated from January 1, 2018 through the financial statement issuance date April 19, 2018.

**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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property Taxes	\$ 2,871,000	\$ 2,871,000	\$ 3,064,738	\$ 193,738
Local Taxes	22,443,000	22,443,000	25,461,563	3,018,563
Licenses and Permits	3,091,000	3,112,000	3,342,128	230,128
Fines and Forfeitures	450,000	450,000	513,813	63,813
Utility Tax Equivalents	1,218,000	1,344,136	1,410,132	65,996
Intergovernmental:				
Federal and State Grants	152,355	152,355	345,519	193,164
State of Alabama - Taxes	140,680	140,680	342,790	202,110
Income on Investments	20,000	20,000	40,711	20,711
Other	2,433,808	2,229,339	2,588,325	358,986
<b>Total Revenues</b>	<u>32,819,843</u>	<u>32,762,510</u>	<u>37,109,719</u>	<u>4,347,209</u>
<b>EXPENDITURES</b>				
Executive Department	4,776,453	4,862,253	4,416,757	445,496
Municipal Court	384,291	454,291	470,139	(15,848)
Police Department	5,820,275	5,616,121	5,349,618	266,503
Fire and Emergency Services	3,848,124	3,773,124	3,782,219	(9,095)
Community and Economic Affairs	7,195,480	7,203,680	6,933,897	269,783
Public Works	6,145,864	6,623,864	6,058,137	565,727
Appropriations	247,500	257,500	254,767	2,733
Capital Outlay	-	-	217,034	(217,034)
<b>Total Expenditures</b>	<u>28,417,987</u>	<u>28,790,833</u>	<u>27,482,568</u>	<u>1,308,265</u>
<b>Excess of revenues over expenditures</b>	<u>4,401,856</u>	<u>3,971,677</u>	<u>9,627,151</u>	<u>5,655,474</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of capital assets	30,000	30,000	425,645	395,645
Transfers from Other Funds	2,490,000	4,941,000	4,994,001	53,001
Transfer to Other Funds	<u>(7,041,795)</u>	<u>(12,082,307)</u>	<u>(12,332,559)</u>	<u>(250,252)</u>
<b>Total Other Financing Uses</b>	<u>(4,521,795)</u>	<u>(7,111,307)</u>	<u>(6,912,913)</u>	<u>198,394</u>
<b>Net Change in Fund Balances</b>	<u>\$ (119,939)</u>	<u>\$ (3,139,630)</u>	<u>\$ 2,714,238</u>	<u>\$ 5,853,868</u>

*Note to Budgetary Comparison Schedule:*

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

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

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,960,245	\$ 1,681,939
Contributions in relation to the actuarially determined contribution	<u>1,960,245</u>	<u>1,681,939</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,993,238	\$ 13,724,493
Contributions as a percentage of covered-employee payroll	14.01%	12.26%

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

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

	2016	2015	2014
<b>Total pension liability</b>			
Service Cost	\$ 1,042,057	\$ 1,039,908	\$ 984,884
Interest	2,026,409	1,911,934	1,786,919
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(830,698)	(256,610)	-
Changes of assumptions	1,162,166	-	-
Benefit payments, including refunds of employee contributions	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	(130,057)	-	-
<b>Net change in total pension liability</b>	<u>2,150,811</u>	<u>1,285,719</u>	<u>1,763,065</u>
<b>Total pension liability-beginning</b>	<u>25,889,645</u>	<u>24,603,926</u>	<u>22,840,861</u>
<b>Total pension liability-ending (a)</b>	<u>\$ 28,040,456</u>	<u>\$ 25,889,645</u>	<u>\$ 24,603,926</u>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,012,511	\$ 952,313	\$ 959,691
Contributions - member	769,340	643,754	626,907
Net investment income	1,826,701	207,616	1,857,305
Benefit payments, including refunds of employee contributions	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	(130,057)	(261,088)	(176,551)
<b>Net change in plan fiduciary net position</b>	<u>2,359,429</u>	<u>133,082</u>	<u>2,258,614</u>
<b>Plan net position - beginning</b>	<u>17,670,359</u>	<u>17,537,277</u>	<u>15,278,663</u>
<b>Plan net position - ending (b)</b>	<u>\$ 20,029,788</u>	<u>\$ 17,670,359</u>	<u>\$ 17,537,277</u>
 <b>Net pension liability (asset) - ending</b>	<u>\$ 8,010,668</u>	<u>\$ 8,219,286</u>	<u>\$ 7,066,649</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.43%	68.25%	71.28%
 <b>Covered-employee payroll</b>	<u>\$ 13,993,238</u>	<u>\$ 11,761,236</u>	<u>\$ 11,761,236</u>
 <b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	57%	70%	60%

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

**OTHER SUPPLEMENTARY INFORMATION**

**COMBINING FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

THE CITY OF GULF SHORES, ALABAMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds	
	2% Lodgings Tax Fund	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	Capital Improvements Fund	Storm Damage Fund		2014 GO Warrant Fund
<b>ASSETS</b>									
Restricted cash and cash equivalents	\$ 1,985,531	\$ 268,515	\$ 760,687	\$ 22,046	\$ 186,405	\$ 110,667	\$ 235,963	\$ 82,962	\$ 3,652,776
Due from other funds	124,363	11,862	-	-	-	-	-	-	136,225
Due from other governments	-	-	-	-	-	15,612	91,004	4,175	110,791
Prepaid and other assets	-	-	-	-	4,400	-	-	-	4,400
<b>Total Assets</b>	<b>\$ 2,109,894</b>	<b>\$ 280,377</b>	<b>\$ 760,687</b>	<b>\$ 22,046</b>	<b>\$ 190,805</b>	<b>\$ 126,279</b>	<b>\$ 326,967</b>	<b>\$ 87,137</b>	<b>\$ 3,904,192</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	-	-	28,202	-	37,876	-	-	639,887	705,965
Payroll taxes & benefits payable	-	-	-	-	6,546	-	-	-	6,546
Other liabilities	-	-	-	-	-	195,000	-	-	195,000
Due to other funds	-	-	-	-	-	9,294	379,126	-	388,420
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>28,202</b>	<b>-</b>	<b>44,422</b>	<b>204,294</b>	<b>379,126</b>	<b>639,887</b>	<b>1,295,931</b>
<b>Deferred Inflow of Resources:</b>									
Unearned revenue	-	-	-	-	-	54,825	-	-	54,825
<b>Fund Balances:</b>									
<b>Spendable:</b>									
Restricted	-	280,377	732,485	22,046	146,383	-	-	-	1,181,291
Committed	2,109,894	-	-	-	-	-	-	-	2,109,894
Unassigned	-	-	-	-	-	(132,840)	(52,159)	(552,750)	(737,749)
<b>Total Fund Balances</b>	<b>2,109,894</b>	<b>280,377</b>	<b>732,485</b>	<b>22,046</b>	<b>146,383</b>	<b>(132,840)</b>	<b>(52,159)</b>	<b>(552,750)</b>	<b>2,553,436</b>
<b>Total Liabilities, Deferred Inflow of Resources and Fund Balance</b>	<b>\$ 2,109,894</b>	<b>\$ 280,377</b>	<b>\$ 760,687</b>	<b>\$ 22,046</b>	<b>\$ 190,805</b>	<b>\$ 126,279</b>	<b>\$ 326,967</b>	<b>\$ 87,137</b>	<b>\$ 3,904,192</b>

THE CITY OF GULF SHORES, ALABAMA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	2% Lodgings Tax Fund	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	Capital Improvements Fund	Storm Damage Fund	2014 GO Warrant Fund	
<b>REVENUES</b>									
Local taxes	\$ 3,077,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,077,899
Intergovernmental:									
State of Alabama taxes	-	508,862	-	-	-	-	-	-	508,862
Federal and State grants	-	-	-	-	-	-	91,004	153,416	244,420
Interest income	1,699	563	1,653	236	361	223	6	-	4,741
Impact fees	-	-	893,495	-	-	-	-	-	893,495
Other receipts	-	-	-	-	54,020	125,480	-	-	179,500
<b>Total Revenues</b>	<b>3,079,598</b>	<b>509,425</b>	<b>895,148</b>	<b>236</b>	<b>54,381</b>	<b>125,703</b>	<b>91,010</b>	<b>153,416</b>	<b>4,908,917</b>
<b>EXPENDITURES</b>									
Current Operating:									
Police	-	-	21,150	-	192,179	-	-	-	213,329
Fire	-	-	52,359	-	-	-	-	-	52,359
Public Works	-	-	298,320	-	454,346	-	13,186	2,851,982	3,617,834
Capital Outlay	-	-	-	-	-	-	-	22,387	22,387
Beach Restoration	-	-	-	-	47,700	-	-	-	47,700
Miscellaneous	-	35,658	-	-	-	-	-	193	35,851
<b>Total Expenditures</b>	<b>-</b>	<b>35,658</b>	<b>371,829</b>	<b>-</b>	<b>694,225</b>	<b>-</b>	<b>13,186</b>	<b>2,874,562</b>	<b>3,989,460</b>
Excess (Deficiency) of revenues									
Over Expenditures	3,079,598	473,767	523,319	236	(639,844)	125,703	77,824	(2,721,146)	919,457
<b>OTHER FINANCING SOURCES (USES)</b>									
Bond proceeds	-	-	-	-	-	-	-	2,010,000	2,010,000
Transfers In	-	-	-	-	670,651	-	23,078	124,680	818,409
Transfers Out	(2,570,651)	(443,000)	(451,000)	-	-	(124,680)	-	-	(3,589,331)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,570,651)</b>	<b>(443,000)</b>	<b>(451,000)</b>	<b>-</b>	<b>670,651</b>	<b>(124,680)</b>	<b>23,078</b>	<b>2,134,680</b>	<b>(760,922)</b>
Net Change in Fund Balance	508,947	30,767	72,319	236	30,807	1,023	100,902	(586,466)	158,535
<b>Fund Balances - Beginning, Restated</b>	<b>1,600,947</b>	<b>249,610</b>	<b>660,166</b>	<b>21,810</b>	<b>115,576</b>	<b>(133,863)</b>	<b>(153,061)</b>	<b>33,716</b>	<b>2,394,901</b>
<b>Fund Balances - Ending</b>	<b>\$ 2,109,894</b>	<b>\$ 280,377</b>	<b>\$ 732,485</b>	<b>\$ 22,046</b>	<b>\$ 146,383</b>	<b>\$ (132,840)</b>	<b>\$ (52,159)</b>	<b>\$ (552,750)</b>	<b>\$ 2,553,436</b>

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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Interest income	\$ 1,000	\$ 1,000	\$ 1,699	\$ 699
<b>Total Revenues</b>	<u>1,000</u>	<u>1,000</u>	<u>1,699</u>	<u>699</u>
<b>EXPENDITURES</b>	-	-	-	-
<b>Excess of revenues     over expenditures</b>	<u>1,000</u>	<u>1,000</u>	<u>1,699</u>	<u>699</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Other Funds	2,760,000	2,760,000	3,077,899	317,899
Transfer to Other Funds	<u>(2,520,651)</u>	<u>(2,570,651)</u>	<u>(2,570,651)</u>	<u>-</u>
<b>Total Other Financing Uses</b>	<u>239,349</u>	<u>189,349</u>	<u>507,248</u>	<u>317,899</u>
<b>Net Change in Fund Balances</b>	240,349	190,349	508,947	318,598
<b>Fund Balance, beginning</b>	<u>1,600,947</u>	<u>1,600,947</u>	<u>1,600,947</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 1,841,296</u>	<u>\$ 1,791,296</u>	<u>\$ 2,109,894</u>	<u>\$ 318,598</u>

*Note to Budgetary Comparison Schedule:*

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

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA  
DESIGNATED TAXES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Firefighters Ad Valorem	\$ 150,000	\$ 150,000	\$ 152,558	\$ 2,558
Law Enforcement:				
Federal Equity Sharing	-	-	45,344	45,344
State, Local & Other	10,000	10,000	13,672	3,672
Alabama Gasoline Excise Tax				
Four per gallon	16,000	16,000	16,820	820
Five per gallon	7,000	7,000	8,288	1,288
Seven per gallon	27,000	27,000	29,008	2,008
Petroleum Inspection Fees	4,000	4,000	4,610	610
Motor Fuel Distribution	1,000	1,000	1,269	269
State Shared Capital Improvement Fund	85,000	85,000	84,874	(126)
Corrections Fund	100,000	100,000	109,576	9,576
Municipal Court Judicial Administrative Fund	35,000	35,000	42,843	7,843
Interest income	-	-	563	563
<b>Total Revenues</b>	<u>435,000</u>	<u>435,000</u>	<u>509,425</u>	<u>74,425</u>
<b>EXPENDITURES</b>				
Account Administration	45,000	45,000	35,658	9,342
<b>Total Expenditures</b>	<u>45,000</u>	<u>45,000</u>	<u>35,658</u>	<u>9,342</u>
<b>Excess of revenues over expenditures</b>	<u>390,000</u>	<u>390,000</u>	<u>473,767</u>	<u>83,767</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to General Fund				
Corrections	(100,000)	(100,000)	(120,000)	(20,000)
Firefighters Ad Valorem	(150,000)	(150,000)	(180,000)	(30,000)
Alabama Gasoline Excise Tax	(55,000)	(55,000)	(58,000)	(3,000)
State Capital Improvements	(85,000)	(85,000)	(85,000)	-
<b>Total Other Financing Uses</b>	<u>(390,000)</u>	<u>(390,000)</u>	<u>(443,000)</u>	<u>(53,000)</u>
<b>Net Change in Fund Balances</b>	-	-	30,767	30,767
<b>Fund Balance, beginning</b>	<u>249,610</u>	<u>249,610</u>	<u>249,610</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 249,610</u>	<u>\$ 249,610</u>	<u>\$ 280,377</u>	<u>\$ 30,767</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Parks & Recreation	\$ 305,000	\$ 305,000	\$ 445,697	\$ 140,697
Fire	62,000	62,000	69,919	7,919
Police	75,000	75,000	48,252	(26,748)
Public Works	200,000	451,000	329,627	(121,373)
Interest income	-	-	1,653	1,653
<b>Total Revenues</b>	<u>642,000</u>	<u>893,000</u>	<u>895,148</u>	<u>2,148</u>
<b>EXPENDITURES</b>				
Current				
Fire	62,000	62,000	52,359	9,641
Recreation	305,000	305,000	298,320	(6,680)
Police	-	-	21,150	21,150
<b>Total Expenditures</b>	<u>367,000</u>	<u>367,000</u>	<u>371,829</u>	<u>24,111</u>
<b>Excess of revenues over expenditures</b>	<u>275,000</u>	<u>526,000</u>	<u>523,319</u>	<u>26,259</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Other Funds	200,000	451,000	451,000	-
<b>Total Other Financing Uses</b>	<u>200,000</u>	<u>451,000</u>	<u>451,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	75,000	75,000	72,319	26,259
<b>Fund Balance, beginning</b>	<u>660,166</u>	<u>660,166</u>	<u>660,166</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 735,166</u>	<u>\$ 735,166</u>	<u>\$ 732,485</u>	<u>\$ 26,259</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 236	\$ 236
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>236</u>	<u>236</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>236</u>	<u>236</u>
<b>Net Change in Fund Balances</b>	-	-	236	236
<b>Fund Balance, beginning</b>	<u>21,810</u>	<u>21,810</u>	<u>21,810</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 21,810</u>	<u>\$ 21,810</u>	<u>\$ 22,046</u>	<u>\$ 236</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 361	\$ 361
Other	26,000	26,000	54,020	28,020
<b>Total Revenues</b>	<u>26,000</u>	<u>26,000</u>	<u>54,381</u>	<u>28,381</u>
<b>EXPENDITURES</b>				
Police	195,200	195,200	192,179	3,021
Public Works	381,451	431,451	454,346	(22,895)
Capital Outlay	70,000	70,000	47,700	22,300
<b>Total Expenditures</b>	<u>646,651</u>	<u>696,651</u>	<u>694,225</u>	<u>2,426</u>
<b>Excess of revenues over expenditures</b>	<u>(620,651)</u>	<u>(670,651)</u>	<u>(639,844)</u>	<u>30,807</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Other Funds	620,651	670,651	670,651	-
<b>Total Other Financing Uses</b>	<u>620,651</u>	<u>670,651</u>	<u>670,651</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	30,807	30,807
<b>Fund Balance, beginning</b>	<u>115,576</u>	<u>115,576</u>	<u>115,576</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 115,576</u>	<u>\$ 115,576</u>	<u>\$ 146,383</u>	<u>\$ 30,807</u>

THE CITY OF GULF SHORES, ALABAMA  
 2016 B WARRANT PROCEEDS CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Public Works	883,608	883,608	866,648	16,960
Capital Outlay	5,588,038	5,588,038	5,038,192	549,846
<b>Total Expenditures</b>	<u>6,471,646</u>	<u>6,471,646</u>	<u>5,904,840</u>	<u>566,806</u>
<b>Excess of revenues over expenditures</b>	<u>(6,471,646)</u>	<u>(6,471,646)</u>	<u>(5,904,840)</u>	<u>566,806</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	6,471,646	6,471,646	7,610,000	1,138,354
Transfers Out	-	(2,200,000)	(2,200,000)	-
<b>Total Other Financing Uses</b>	<u>6,471,646</u>	<u>4,271,646</u>	<u>5,410,000</u>	<u>1,138,354</u>
<b>Net Change in Fund Balances</b>	-	(2,200,000)	(494,840)	1,705,160
<b>Fund Balance, beginning</b>	<u>(80,041)</u>	<u>(80,041)</u>	<u>(80,041)</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ (80,041)</u>	<u>\$ (2,280,041)</u>	<u>\$ (574,881)</u>	<u>\$ 1,705,160</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 223	\$ 223
Other	-	-	125,480	125,480
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>125,703</u>	<u>125,703</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>125,703</u>	<u>125,703</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Other Funds	-	(124,680)	(124,680)	-
<b>Total Other Financing Uses</b>	<u>-</u>	<u>(124,680)</u>	<u>(124,680)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	(124,680)	1,023	125,703
<b>Fund Balance, beginning</b>	<u>(133,863)</u>	<u>(133,863)</u>	<u>(133,863)</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ (133,863)</u>	<u>\$ (258,543)</u>	<u>\$ (132,840)</u>	<u>\$ 125,703</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 1,023	\$ 1,023
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>1,023</u>	<u>1,023</u>
<b>EXPENDITURES</b>				
Miscellaneous	4,825	4,825	3,599	1,226
Bond issuance costs	-	-	27,850	(27,850)
Principal	2,834,154	8,104,674	15,559,577	(7,454,903)
Interest	1,212,808	1,212,808	1,140,750	72,058
<b>Total Expenditures</b>	<u>4,051,787</u>	<u>9,322,307</u>	<u>16,731,776</u>	<u>(7,409,469)</u>
<b>Excess of revenues over expenditures</b>	<u>(4,051,787)</u>	<u>(9,322,307)</u>	<u>(16,730,753)</u>	<u>(7,408,446)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issue proceeds	-	-	7,500,000	7,500,000
Transfer from Other Funds	4,051,787	9,322,307	9,231,582	(90,725)
<b>Total Other Financing Uses</b>	<u>4,051,787</u>	<u>9,322,307</u>	<u>16,731,582</u>	<u>7,409,275</u>
<b>Net Change in Fund Balances</b>	-	-	829	829
<b>Fund Balance, beginning</b>	<u>2,618</u>	<u>2,618</u>	<u>2,618</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 2,618</u>	<u>\$ 2,618</u>	<u>\$ 3,447</u>	<u>\$ 829</u>

*Note to Budgetary Comparison Schedule:*

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

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA  
 STORM DAMAGE CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Grants	\$ -	\$ -	\$ 91,004	\$ 91,004
Interest income	-	-	6	6
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>91,010</u>	<u>91,010</u>
<b>EXPENDITURES</b>				
Public Works	-	-	13,186	13,186
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>13,186</u>	<u>13,186</u>
<b>Excess of revenues over expenditures</b>	<u>-</u>	<u>-</u>	<u>77,824</u>	<u>77,824</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Other Funds	230,008	-	23,078	-
<b>Total Other Financing Uses</b>	<u>230,008</u>	<u>-</u>	<u>23,078</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(230,008)	-	100,902	77,824
<b>Fund Balance, beginning</b>	<u>(153,061)</u>	<u>(153,061)</u>	<u>(153,061)</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ (383,069)</u>	<u>\$ (153,061)</u>	<u>\$ (52,159)</u>	<u>\$ 77,824</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Federal and State Grants	\$ 1,050,000	\$ 1,210,680	\$ 153,416	\$ (1,057,264)
Interest income	-	-	-	-
<b>Total Revenues</b>	<u>1,050,000</u>	<u>1,210,680</u>	<u>153,416</u>	<u>(1,057,264)</u>
<b>EXPENDITURES</b>				
Public Works	4,543,000	4,399,480	2,851,982	1,547,498
Capital outlay	-	47,500	22,387	25,113
Miscellaneous	-	-	193	(193)
<b>Total Expenditures</b>	<u>4,543,000</u>	<u>4,446,980</u>	<u>2,874,562</u>	<u>1,572,418</u>
<b>Excess of revenues over expenditures</b>	<u>(3,493,000)</u>	<u>(3,236,300)</u>	<u>(2,721,146)</u>	<u>515,154</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	3,493,000	3,111,620	2,010,000	(1,101,620)
Transfer to Other Funds	-	124,680	124,680	-
<b>Total Other Financing Uses</b>	<u>3,493,000</u>	<u>3,236,300</u>	<u>2,134,680</u>	<u>(1,101,620)</u>
<b>Net Change in Fund Balances</b>	-	-	(586,466)	(586,466)
<b>Fund Balance, beginning</b>	<u>33,716</u>	<u>33,716</u>	<u>33,716</u>	<u>-</u>
<b>Fund Balance, ending</b>	<u>\$ 33,716</u>	<u>\$ 33,716</u>	<u>\$ (552,750)</u>	<u>\$ (586,466)</u>

**STATISTICAL SECTION**

THE CITY OF GULF SHORES, ALABAMA  
STATISTICAL SECTION  
DECEMBER 31, 2017

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

**Contents**

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

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

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

	Fiscal Year				
	2008*	2009	2010	2011**	2012
<b>Governmental Activities</b>					
Net Investment in capital assets	\$ 27,718,754	\$ 26,875,334	\$ 32,443,514	\$ 25,129,660	\$ 30,068,504
Restricted**	-	-	-	4,674,869	18,604,002
Unrestricted	(6,934,917)	9,411,377	9,765,391	22,442,057	10,030,325
<b>Total governmental activities Net Position</b>	<u>20,783,837</u>	<u>36,286,711</u>	<u>42,208,905</u>	<u>52,246,586</u>	<u>58,702,831</u>
<b>Business-type activities</b>					
Net Investment in capital assets	2,152,122	17,377,364	2,097,881	2,070,760	2,043,639
Unrestricted	26,188	133,349	69,694	69,858	38,534
<b>Total business-type activities Net Position</b>	<u>2,178,310</u>	<u>17,510,713</u>	<u>2,167,575</u>	<u>2,140,618</u>	<u>2,082,173</u>
<b>Primary government</b>					
Net Investment in capital assets	29,870,876	44,252,698	34,541,395	27,200,420	32,112,143
Restricted**	-	-	-	4,674,869	18,604,002
Unrestricted	(6,908,729)	9,544,726	9,835,085	22,511,915	10,068,859
<b>Total primary government Net Position</b>	<u>\$ 22,962,147</u>	<u>\$ 53,797,424</u>	<u>\$ 44,376,480</u>	<u>\$ 54,387,204</u>	<u>\$ 60,785,004</u>

\*The City Fiscal Year was changed in 2008 from an October 1 start date to January 1; Fiscal Year 2008 is for 15 months of data  
\*\*2011 Restricted designation based on Governmental Accounting Standards Board Statement 54

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

	<u>2013</u>	<u>2014</u>	<u>Fiscal Year 2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental Activities</b>					
Net Investment in capital assets	\$ 38,121,287	\$ 42,984,614	\$ 45,722,455	\$ 45,289,955	\$ 57,682,765
Restricted**	3,899,134	4,512,902	4,454,624	1,603,565	2,113,341
Unrestricted	<u>20,521,555</u>	<u>21,935,254</u>	<u>15,958,220</u>	<u>19,667,019</u>	<u>21,828,698</u>
Total governmental activities Net Position	<u>62,541,976</u>	<u>69,432,770</u>	<u>66,135,299</u>	<u>66,560,539</u>	<u>81,624,804</u>
<b>Business-type activities</b>					
Net Investment in capital assets	2,016,518	1,989,397	1,962,276	1,935,155	6,772,994
Unrestricted	<u>31,060</u>	<u>3,723</u>	<u>3,725</u>	<u>3,727</u>	<u>(5,151,544)</u>
Total business-type activities Net Position	<u>2,047,578</u>	<u>1,993,120</u>	<u>1,966,001</u>	<u>1,938,882</u>	<u>1,621,450</u>
<b>Primary government</b>					
Net Investment in capital assets	40,137,805	44,974,011	47,684,731	47,225,110	64,455,759
Restricted**	3,899,134	4,512,902	4,454,624	1,603,565	2,113,341
Unrestricted	<u>20,552,615</u>	<u>21,938,977</u>	<u>15,961,945</u>	<u>19,670,746</u>	<u>16,677,154</u>
Total primary government Net Position	<u>\$ 64,589,554</u>	<u>\$ 71,425,890</u>	<u>\$ 68,101,300</u>	<u>\$ 68,499,421</u>	<u>\$ 83,246,254</u>

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

	2008*	2009	2010	2011	2012
<b>Expenses</b>					
<b>Governmental activities:</b>					
Executive	\$ 3,876,306	\$ 3,337,227	\$ 3,557,756	\$ 3,646,526	\$ 3,492,747
Municipal Court	350,461	264,323	315,489	320,136	324,188
Police	5,590,850	3,610,001	3,961,753	4,542,844	4,301,242
Fire	4,154,573	3,031,788	3,158,784	3,545,999	3,397,974
Public Works	6,875,071	4,553,330	5,796,817	5,044,565	12,044,437
Community and Economic Affairs	6,234,581	4,836,883	5,203,873	5,904,452	7,354,432
Other	3,398,013	2,335,885	2,330,140	6,016,243	2,166,635
<b>Total governmental activities expenses</b>	<b>30,479,855</b>	<b>21,969,437</b>	<b>24,324,612</b>	<b>29,020,765</b>	<b>33,081,655</b>
<b>Business-type activities:</b>					
Jack Edwards Airport, Airport Authority		898,944			
Public Education Authority	198,674	190,751	191,366	188,686	221,980
<b>Total business-type activities expenses</b>	<b>198,674</b>	<b>1,089,695</b>	<b>191,366</b>	<b>188,686</b>	<b>221,980</b>
<b>Total primary government expenses</b>	<b>30,678,529</b>	<b>23,059,132</b>	<b>24,515,978</b>	<b>29,209,451</b>	<b>33,303,635</b>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
Executive	9,405	1,039	20,975	5,456	15,208
Municipal Court	443,103	364,946	381,667	398,801	456,488
Police	21,125	16,688	5,426	8,273	19,949
Fire	33,189	22,885	7,442	7,468	25,493
Community and Economic Affairs	3,882,347	3,187,112	3,120,094	3,559,168	4,006,776
Public Works	2,425,557	161,962	92,807	117,280	262,635
Operating Grants and Contributions	690,116	332,825	1,355,967	659,443	348,819
Capital Grants and Contributions	997,050	93,976	806,079	2,992,714	8,965,656
<b>Total governmental activities program revenues</b>	<b>8,501,892</b>	<b>4,181,433</b>	<b>5,790,457</b>	<b>7,748,603</b>	<b>14,101,024</b>
<b>Business-type activities</b>					
<b>Charges for services</b>					
Public Education Building Authority	242,844	161,230	164,245	161,565	163,503
Airport Authority		2,533,661			
<b>Total business-type activities program revenues</b>	<b>242,844</b>	<b>2,694,891</b>	<b>164,245</b>	<b>161,565</b>	<b>163,503</b>
<b>Total primary government program revenues</b>	<b>\$ 8,744,736</b>	<b>\$ 6,876,324</b>	<b>\$ 5,954,702</b>	<b>\$ 7,910,168</b>	<b>\$ 14,264,527</b>
<b>Net (Expense)/Revenue</b>					
<b>Governmental activities</b>	<b>\$ (21,977,963)</b>	<b>\$ (17,788,004)</b>	<b>\$ (18,534,155)</b>	<b>\$ (21,272,162)</b>	<b>\$ (18,980,631)</b>
<b>Business-type activities</b>	<b>44,170</b>	<b>1,605,196</b>	<b>(27,121)</b>	<b>(27,121)</b>	<b>(58,477)</b>
<b>Total primary government net expense</b>	<b>(21,933,793)</b>	<b>(16,182,808)</b>	<b>(18,561,276)</b>	<b>(21,299,283)</b>	<b>(19,039,108)</b>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
<b>Taxes</b>					
Property taxes	4,055,825	4,829,741	2,874,858	3,444,058	2,500,195
Local taxes	19,124,991	16,099,252	14,090,126	18,385,150	19,962,896
Franchise taxes	1,358,036	1,173,166	1,135,118	1,172,815	1,162,351
State taxes	376,213	507,597	296,473	321,933	329,770
Investment earnings	999,710	415,465	300,395	91,545	37,187
Miscellaneous	683,025	341,266	369,997	278,677	145,782
Contributions	-	-	5,476,579	6,402,323	1,336
Gain/(Loss) on Disposal of Assets	5,158	(28,116)	8,803	28,342	(14,517)
Transfers	(147,969)	(96,000)	(96,000)		
<b>Total governmental activities</b>	<b>26,454,989</b>	<b>23,242,371</b>	<b>24,456,349</b>	<b>30,124,843</b>	<b>24,125,000</b>
<b>Business-type activities:</b>					
Investment earnings	1,143	228	539	164	32
Miscellaneous	-	61,709	-	-	-
Transfers	-	102,000	-	-	-
<b>Total business-type activities</b>	<b>1,143</b>	<b>163,937</b>	<b>539</b>	<b>164</b>	<b>32</b>
<b>Total primary government</b>	<b>26,456,132</b>	<b>23,406,308</b>	<b>24,456,888</b>	<b>30,125,007</b>	<b>24,125,032</b>
<b>Changes in Net Position</b>					
<b>Governmental activities</b>	<b>4,477,026</b>	<b>5,454,367</b>	<b>5,922,194</b>	<b>8,852,681</b>	<b>5,144,369</b>
<b>Business-type activities</b>	<b>45,313</b>	<b>1,769,133</b>	<b>(26,582)</b>	<b>(26,957)</b>	<b>(58,445)</b>
<b>Total primary government</b>	<b>\$ 4,522,339</b>	<b>\$ 7,223,500</b>	<b>\$ 5,895,612</b>	<b>\$ 8,825,724</b>	<b>\$ 5,085,924</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 Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	2013	2014	2015	2016	2017
<b>Expenses</b>					
<b>Governmental activities:</b>					
Executive	\$ 3,644,562	\$ 3,872,284	\$ 4,459,113	\$ 4,657,072	\$ 4,889,329
Municipal Court	307,308	299,305	360,707	433,826	471,390
Police	5,060,640	4,711,188	4,960,912	5,656,457	5,788,741
Fire	3,583,029	3,665,512	4,843,162	3,408,579	4,018,363
Public Works	9,036,092	6,388,214	7,053,798	7,637,148	7,360,994
Community and Economic Affairs	6,748,057	7,182,958	7,212,912	7,608,894	8,181,961
Other	1,536,803	1,401,422	1,415,022	1,107,600	1,219,902
<b>Total governmental activities expenses</b>	<b>29,916,491</b>	<b>27,520,883</b>	<b>30,305,626</b>	<b>30,509,576</b>	<b>31,930,680</b>
<b>Business-type activities:</b>					
Public Education Authority	199,339	147,259	27,121	27,121	507,334
<b>Total business-type activities expenses</b>	<b>199,339</b>	<b>147,259</b>	<b>27,121</b>	<b>27,121</b>	<b>507,334</b>
<b>Total primary government expenses</b>	<b>30,115,830</b>	<b>27,668,142</b>	<b>30,332,747</b>	<b>30,536,697</b>	<b>32,438,014</b>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
Executive	49,600	(103,078)	11,843	11,934	27,800
Municipal Court	545,389	544,119	619,101	791,319	677,852
Police	21,181	35,044	38,188	46,172	54,513
Fire	27,524	44,389	31,520	56,285	69,919
Community and Economic Affairs	4,130,862	4,797,510	4,845,158	5,322,428	5,675,171
Public Works	330,832	572,916	394,250	695,612	829,859
Operating Grants and Contributions	1,433,071	1,553,425	755,096	1,213,150	8,306,995
Capital Grants and Contributions	2,964,418	1,287,091	-	2,326,999	215,684
<b>Total governmental activities program revenues</b>	<b>9,502,877</b>	<b>8,731,416</b>	<b>6,695,156</b>	<b>10,463,899</b>	<b>15,857,793</b>
<b>Business-type activities</b>					
<b>Charges for services</b>					
Public Education Building Authority	164,728	120,138	-	-	177,289
<b>Total business-type activities program revenues</b>	<b>164,728</b>	<b>120,138</b>	<b>-</b>	<b>-</b>	<b>177,289</b>
<b>Total primary government program revenues</b>	<b>\$ 9,667,605</b>	<b>\$ 8,851,554</b>	<b>\$ 6,695,156</b>	<b>\$ 10,463,899</b>	<b>\$ 16,035,082</b>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (20,413,614)	\$ (18,789,467)	\$ (23,610,470)	\$ (20,045,677)	\$ (16,072,887)
Business-type activities	(34,611)	(27,121)	(27,121)	(27,121)	(330,045)
<b>Total primary government net expense</b>	<b>(20,448,225)</b>	<b>(18,816,588)</b>	<b>(23,637,591)</b>	<b>(20,072,798)</b>	<b>(16,402,932)</b>
<b>General Revenues and Other Changes in Net Position</b>					
<b>Governmental activities:</b>					
<b>Taxes</b>					
Property taxes	2,402,380	2,556,551	2,715,667	2,871,351	3,064,738
Local taxes	20,798,896	21,387,762	22,565,403	24,313,543	25,461,563
Franchise taxes	1,151,859	1,253,354	1,244,634	1,221,712	1,410,132
State taxes	492,085	402,057	379,494	477,632	624,254
Investment earnings	20,397	22,341	33,835	40,343	46,475
Miscellaneous	50,208	84,407	110,376	495,604	139,353
Contributions/BP Settlement	-	-	-	-	-
Gain/(Loss) on Disposal of Assets	(60,212)	(53,563)	34,369	(1,703)	420,927
Transfers	-	27,347	-	-	-
<b>Total governmental activities</b>	<b>24,855,613</b>	<b>25,680,256</b>	<b>27,083,778</b>	<b>29,418,482</b>	<b>31,167,442</b>
<b>Business-type activities:</b>					
Investment earnings	17	10	2	2	12,613
Miscellaneous	-	-	-	-	-
Transfers	-	(27,347)	-	-	-
<b>Total business-type activities</b>	<b>17</b>	<b>(27,337)</b>	<b>2</b>	<b>2</b>	<b>12,613</b>
<b>Total primary government</b>	<b>24,855,630</b>	<b>25,652,919</b>	<b>27,083,780</b>	<b>29,418,484</b>	<b>31,180,055</b>
<b>Changes in Net Position</b>					
Governmental activities	4,441,999	6,890,789	3,473,308	9,372,805	15,094,555
Business-type activities	(34,594)	(54,458)	(27,119)	(27,119)	(317,432)
<b>Total primary government</b>	<b>\$ 4,407,405</b>	<b>\$ 6,836,331</b>	<b>\$ 3,446,189</b>	<b>\$ 9,345,686</b>	<b>\$ 14,777,123</b>

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

	Fiscal Year				
	2008*	2009	2010	2011**	2012
General Fund					
Reserved	\$ 6,069,660	\$ 5,587,449	\$ 4,947,340		
Unreserved	(7,566,741)	7,996,836	8,787,729		
				300,707	1,351,138
				488,283	120,285
				8,307,075	7,108,782
				8,587,555	10,024,404
Total general fund	<u>(1,497,081)</u>	<u>13,584,285</u>	<u>13,735,069</u>	<u>17,683,620</u>	<u>18,604,609</u>
Other Governmental Funds					
Reserved	-	-	-		
Unreserved, reported in:					
Storm Damage Fund	-	-	-		
Debt Service fund	2,726,194	2,401,966	2,266,764		
Capital Projects funds	8,053,171	7,470,961	6,451,384		
Special Revenue funds	1,516,194	1,516,019	1,142,547		
Nonspendable**				-	-
Spendable:**					
Restricted**				4,186,586	4,264,615
Committed**				5,456,776	5,871,635
Unassigned**				(8,168)	(5,844)
Total - governmental funds	<u>\$ 10,798,478</u>	<u>\$ 24,973,231</u>	<u>\$ 23,595,764</u>	<u>\$ 27,318,814</u>	<u>\$ 28,735,015</u>

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

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

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

	Fiscal Year				
	2013	2014	2015	2016	2017
General Fund					
Reserved					
Unreserved					
Nonspendable**	358,728	525,046	447,410	543,176	519,071
Spendable:**					
Restricted**	184,255	133,939	111,473	142,145	133,904
Committed**	7,213,450	7,617,230	7,621,040	7,624,851	7,628,664
Unassigned**	13,237,619	14,123,171	15,825,708	18,145,189	20,887,962
Total general fund	<u>20,994,052</u>	<u>22,399,386</u>	<u>24,005,631</u>	<u>26,455,361</u>	<u>29,169,601</u>
Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Storm Damage Fund					
Debt Service fund					
Capital Projects funds					
Special Revenue funds					
Nonspendable**	-	-	811,678	-	25,000
Spendable:**					
Restricted**	3,714,879	4,378,963	3,217,766	1,113,784	584,857
Committed**	64,344	30,114	1,296,904	1,520,905	1,372,145
Unassigned**	(285,723)	(304,098)	(311,979)	(286,924)	-
Total - governmental funds	<u>\$ 24,487,552</u>	<u>\$ 26,504,365</u>	<u>\$ 29,020,000</u>	<u>\$ 28,803,126</u>	<u>\$ 31,151,603</u>

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

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

	Fiscal Year				
	2008*	2009	2010	2011	2012
<b>Revenues</b>					
<b>Taxes</b>					
Property	\$ 4,055,825	\$ 4,829,741	\$ 2,874,858	\$ 3,444,058	\$ 2,500,194
Local	19,124,991	16,099,252	14,090,126	18,385,151	19,962,896
Licenses, fees and permits	2,282,137	1,774,814	1,793,733	1,885,421	2,229,453
Fines and forfeitures	339,901	283,025	287,012	309,520	338,470
Utility tax equivalents	1,358,036	1,173,166	1,135,118	1,172,815	1,162,351
Intergovernmental	2,175,825	1,002,180	1,354,240	3,498,398	9,084,912
Investment earnings	972,545	415,242	300,394	91,545	37,185
Impact fees	274,998	171,943	59,313	96,108	280,032
BP lost revenues	-	-	5,476,579	6,402,323	1,336
Assessments/Rental Income	2,138,702	461,372	477,759	323,746	218,977
Other revenues	2,417,430	1,397,759	1,422,399	2,276,277	2,421,992
<b>Total Revenues</b>	<b>35,140,390</b>	<b>27,608,494</b>	<b>29,271,531</b>	<b>37,885,362</b>	<b>38,237,798</b>
<b>Expenditures</b>					
General government	3,843,238	3,047,993	3,484,930	3,245,746	3,207,917
Police	5,163,685	3,707,762	3,737,845	3,817,726	4,141,692
Fire	3,737,052	2,812,995	4,140,832	3,364,846	3,246,080
Community and Economic Affairs	12,039,585	4,119,314	4,465,315	4,813,793	5,542,994
Public Works	9,251,581	4,098,407	4,708,135	4,398,046	11,627,419
Appropriations	203,569	61,000	57,000	137,974	1,148,747
Hurricane damage	-	-	-	-	-
Capital outlay	4,981,553	286,290	3,845,653	4,347,906	6,555,369
Non capitalized equipment	-	-	-	1,023,381	-
Beach restoration	97,439	69,576	83,028	37,688	57,095
Principal	10,448,915	3,745,338	3,684,476	4,039,926	23,667,897
Interest	3,473,511	2,335,885	2,330,140	2,215,788	1,786,635
Miscellaneous	409,503	5,666	8,988	27,889	8,015
Litigation Settlement	-	-	-	3,800,455	15,374
<b>Total Expenditures</b>	<b>53,649,631</b>	<b>24,290,226</b>	<b>30,546,342</b>	<b>35,271,164</b>	<b>61,005,234</b>
Excess(Deficiency) of revenues over (under) expenditures	(18,509,241)	3,318,268	(1,274,811)	2,614,198	(22,767,436)
<b>Other Financing Sources (Uses)</b>					
Bond Issue Proceeds	17,364,514	-	-	1,204,825	22,871,761
Transfers In	15,690,435	16,164,963	4,574,279	4,662,044	26,061,441
Transfers Out	(15,838,404)	(16,260,399)	(4,670,279)	(4,758,044)	(26,061,441)
<b>Total Other Financing Sources and (Uses)</b>	<b>17,216,545</b>	<b>(95,436)</b>	<b>(96,000)</b>	<b>1,108,825</b>	<b>22,871,761</b>
<b>Net change in Fund Balance</b>	<b>\$ (1,292,696)</b>	<b>\$ 3,222,832</b>	<b>\$ (1,370,811)</b>	<b>\$ 3,723,023</b>	<b>\$ 104,325</b>
Prior Period Adjustment					\$ 1,311,876
Debt service as a percentage of noncapital expenditures	29%	25%	23%	20%	47%

\*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				
	2013	2014	2015	2016	2017
<b>Revenues</b>					
<b>Taxes</b>					
Property	\$ 2,402,381	\$ 2,556,551	\$ 2,715,667	\$ 2,871,352	\$ 3,064,738
Local	20,798,897	21,387,763	22,565,403	24,313,542	25,461,564
Licenses, fees and permits	2,374,442	2,908,946	2,854,090	3,314,362	3,342,128
Fines and forfeitures	387,739	395,866	470,778	595,810	513,813
Utility tax equivalents	1,151,859	1,253,354	1,244,634	1,221,712	1,410,132
Intergovernmental	3,893,517	1,862,536	1,203,998	1,815,057	1,441,591
Investment earnings	20,398	22,342	33,836	40,343	46,475
Impact fees	307,242	540,482	415,941	746,976	893,495
BP lost revenues/settlements	360,995	639,005	-	271,582	-
Assessments/Rental Income	120,822	118,276	35,276	499,015	-
Other revenues	2,654,341	2,772,373	2,205,074	2,267,330	2,767,825
<b>Total Revenues</b>	<u>34,472,633</u>	<u>34,457,494</u>	<u>33,744,697</u>	<u>37,957,081</u>	<u>38,941,761</u>
<b>Expenditures</b>					
General government	3,332,695	3,665,722	4,322,578	1,721,831	4,886,896
Police	5,140,408	4,551,402	4,992,638	5,130,530	5,562,947
Fire	3,336,121	3,939,208	3,639,166	2,886,570	3,834,578
Community and Economic Affairs	5,557,550	7,116,128	6,564,129	4,893,969	6,933,897
Public Works	8,149,913	7,021,734	8,308,196	9,018,160	10,542,619
Appropriations	279,758	105,221	113,027	220,233	254,767
Hurricane damage	-	-	-	-	-
Capital outlay	6,707,464	1,794,958	4,417,702	8,730,456	5,277,613
Non capitalized equipment**	-	-	-	-	-
Beach restoration	-	62,700	61,212	52,800	47,700
Principal	4,665,150	4,185,512	12,396,644	8,007,570	15,559,577
Interest	1,536,803	1,412,075	1,210,773	1,115,452	1,140,750
Miscellaneous	14,243	57,095	187,064	48,790	39,450
Bond Issuance Costs	-	-	-	-	27,850
<b>Total Expenditures</b>	<u>38,720,105</u>	<u>33,911,755</u>	<u>46,213,129</u>	<u>41,826,361</u>	<u>54,108,644</u>
Excess(Deficiency) of revenues over (under) expenditures	<u>(4,247,472)</u>	<u>545,739</u>	<u>(12,468,432)</u>	<u>(3,869,280)</u>	<u>(15,166,883)</u>
<b>Other Financing Sources (Uses)</b>					
Bond Issue/Loan Proceeds/CapASale	-	890,000	15,152,340	3,644,640	17,545,645
Transfers In	7,110,115	6,459,306	7,444,384	11,184,891	15,043,991
Transfers Out	<u>(7,110,115)</u>	<u>(6,431,958)</u>	<u>(7,444,384)</u>	<u>(11,184,891)</u>	<u>(15,043,991)</u>
<b>Total Other Financing Sources and (Uses)</b>	<u>-</u>	<u>917,348</u>	<u>15,152,340</u>	<u>3,644,640</u>	<u>17,545,645</u>
<b>Net change in Fund Balance</b>	<b>\$ (4,247,472)</b>	<b>\$ 1,463,087</b>	<b>\$ 2,683,908</b>	<b>\$ (224,640)</b>	<b>\$ 2,378,762</b>
Prior Period Adjustment					
Debt service as a percentage of noncapital expenditures	19%	17%	33%	28%	34%

\*\*Equipment purchases less than threshold

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

Fiscal Year	Class I Utility Property	Class II Commercial*	Class III Residential	Less Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value*	Taxable Assessed Value as a Percentage of Actual Taxable Value
2017	8,097,500	572,756,300	145,944,220	110,740,620	616,057,400	5.00	\$ 4,350,215,367	14.16%
2016	8,649,240	537,851,520	133,328,920	113,846,360	565,983,320	4.99	\$ 4,051,377,600	13.97%
2015	8,608,400	512,195,700	125,447,700	111,452,940	534,798,860	4.99	\$ 3,844,150,167	13.91%
2014	7,050,020	529,539,560	117,188,520	146,793,660	506,984,440	4.91	\$ 3,843,083,067	13.19%
2013	6,360,120	736,139,900	111,381,940	368,701,460	485,180,500	4.93	\$ 4,815,719,300	10.07%
2012	7,072,560	731,499,600	107,914,580	371,593,860	474,892,880	4.92	\$ 4,760,219,000	9.98%
2011	6,541,220	770,319,340	107,113,420	396,846,640	487,127,340	5.00	\$ 4,944,534,967	9.85%
2010	6,645,900	811,758,280	114,403,860	408,995,140	523,812,900	5.00	\$ 5,224,983,000	10.03%
2009	8,227,000	904,067,980	132,666,200	409,919,100	635,042,080	5.00	\$ 5,874,425,233	10.81%
2008	6,549,040	1,032,675,040	167,018,680	451,824,920	754,417,840	5.00	\$ 6,855,392,133	11.00%

Source: Baldwin County Revenue Commissioner State of Alabama - Abstract of Assessment, Exemptions and Ad Valorem Taxes.

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

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

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Year</u>	<u>Taxable Property Assessed Valuation</u>	<u>Current Collections</u>	<u>Subsequent Collections</u>	<u>Total Collections</u>	<u>Percent Parcels Paid</u>
2017	3,077,766	616,090,320	3,010,074	-	3,010,074	97.80%
2016	2,822,072	566,085,720	2,820,939	196	2,821,135	99.97%
2015	2,666,050	534,967,860	2,664,330	362	2,664,692	99.95%
2014	2,491,031	499,994,940	2,487,820	1,281	2,489,101	99.92%
2013	2,390,195	478,341,860	2,385,827	1,201	2,387,028	99.87%
2012	2,335,949	468,268,740	2,330,828	1,173	2,332,001	99.83%
2011	2,443,936	487,433,360	2,432,011	4,246	2,436,257	99.69%
2010	2,672,688	524,154,540	2,650,756	10,784	2,661,540	99.58%
2009	3,083,761	635,336,040	3,032,936	15,632	3,048,568	98.86%
2008	3,606,988	754,643,100	3,306,982	201,861	3,508,843	97.28%

	<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>

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

Taxpayer	2017			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
100 Emerald Greens LLC	\$ 8,468,740	1	1.37%			
Baldwin Co Electric	6,319,840	2	1.03%	8,805,120	6	1.02%
Mid America Apartments LP	6,084,440	3	0.99%			
Phoenix Gulf Shores LLC	5,306,400	4	0.86%			
Villas at Bon Secour	3,102,040	5	0.50%			
RCG-Gulf Shores LLC	3,067,660	6	0.50%			
21300 Sweetwater LLC	2,949,540	7	0.48%			
Walmart Real Estate Business Trust	2,870,480	8	0.47%			
Beach Place Development LLC	2,507,720	9	0.41%			
Waterville USA Inc	2,392,280	10	0.39%			
East Beach Development	-		-	27,935,720	3	3.22%
Holiday Development LLC	-		-	39,172,040	1	4.52%
Seawind Development Co LLC	-		-	32,809,700	2	3.79%
Crystal Tower LLC	-		-	24,889,180	4	2.87%
SDC Eagles LLC	-		-	12,872,960	5	1.49%
Bon Secour Village LLC	-		-	6,474,360	7	0.75%
Sanibel Development	-		-	4,249,800	8	0.49%
Oceania Condominium LLC	-		-	3,840,000	9	0.44%
Howard Resort Inns Inc	-		-	3,558,740	10	0.41%
<b>Total Assessment (All GS )</b>	<b>\$ 616,090,320</b>		<b>6.99%</b>	<b>\$ 866,383,116</b>		<b>19.00%</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 Classification	2017			2007		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 2,432,042	1	16.67%	\$ 2,189,712	1	21.31%
Retail Trade	800,039	2	5.48%			
Retail Trade	705,214	3	4.83%	605,884	2	5.90%
Retail Trade	594,811	4	4.08%			
Accomodation & Food Services	444,505	5	3.05%	368,899	4	3.59%
Accomodation & Food Services	415,753	6	2.85%			
Arts, Entertainment, Recreation	409,949	7	2.81%			
Retail Trade	253,180	8	1.74%			
Retail Trade	238,544	9	1.64%	170,657	9	1.66%
Accomodation & Food Services	237,101	10	1.63%	201,080	6	1.96%
Retail Trade	-		-	422,564	3	4.11%
Retail Trade	-		-	238,618	5	2.32%
Retail Trade	-		-	184,727	7	1.80%
Retail Trade	-		-	172,159	8	1.68%
Retail Trade	-		-	159,288	10	1.55%
<b>Total</b>	<b>\$ 14,588,992</b>		<b>44.77%</b>	<b>\$ 10,274,977</b>		<b>45.87%</b>

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

Fiscal Year	City Direct Rate	Baldwin County
2007	3.00%	2.00%
2008	3.00%	2.00%
2009	3.00%	2.00%
2010	3.00%	2.00%
2011 *	3.00%	3.00%
2012 *	3.00%	3.00%
2013 *	3.00%	3.00%
2014 *	3.00%	3.00%
2015 *	3.00%	3.00%
2016 *	3.00%	3.00%
2017 *	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, 2017**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt(1)</u>
Direct General Obligation Debt	39,246,688	100.00%	<u>\$ 39,246,688</u>
Overlapping General Obligation Debt:			
Baldwin County Warrants	130,059,713	14.31%	18,612,192
Baldwin County Board of Education	166,029,655	14.31%	<u>23,759,669</u>
Total Overlapping General Obligation Debt			<u>42,371,861</u>
Total Direct and Overlapping General Obligation Debt			<u>81,618,549</u>
Overlapping Guaranteed Revenue Debt			
Public Education Building Authority Bonds	10,050,000.00	100%	10,050,000
Airport Revenue Bonds	-	100%	-
Total Overlapping Guaranteed Revenue Debt			<u>10,050,000</u>
Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			<u>\$ 91,668,549</u>
 Debt per Capita			
Direct General Obligation Debt			\$ 3,357.57
Overlapping General Obligation Debt			3,624.93
Overlapping Guaranteed Revenue Debt			<u>1,006.81</u>
			<u>\$ 7,989.32</u>

Source: Baldwin County 2017, Baldwin County Board of Education 2016 Audit

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

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

Fiscal Year	Governmental Activities	Business Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	PEBA Auburn Bonds			
2008	55,118,237	-	55,118,237	21.4%	6,101
2009	51,425,824	-	51,425,824	20.0%	5,692
2010	47,830,566	-	47,830,566	17.2%	4,910
2011	44,882,575	-	44,882,575	15.2%	4,608
2012	46,055,063	-	46,055,063	18.3%	4,614
2013	41,430,335	-	41,430,335	14.3%	4,095
2014	38,136,482	-	38,136,482	10.9%	3,543
2015	41,705,149	-	41,705,149	12.0%	3,804
2016	37,767,914	-	37,767,914	10.7%	3,393
2017	39,246,688	10,964,358	50,211,046	13.5%	4,296

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>% of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2008	55,118,237	2,448,952	52,669,285	0.77%	5,829
2009	51,425,824	2,448,952	48,976,872	0.83%	5,421
2010	47,830,566	2,448,952	45,381,614	0.87%	4,659
2011	44,882,575	2,448,952	42,433,623	0.86%	4,356
2012	46,921,372	2,448,952	44,472,420	0.93%	4,455
2013	41,430,335	2,448,952	38,981,383	0.81%	3,853
2014	38,136,482	2,448,952	35,687,530	0.93%	3,315
2015	41,705,149	2,448,965 *	39,256,184	1.02%	3,581
2016	37,767,914	-	37,767,914	0.93%	3,393
2017	39,246,688	-	39,246,688	0.90%	3,358

\*2015 Escrow included

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
City Hall	25	20	20	20	20	22	22	24	24	25
Community Development/ Building	4	4	4	4	4	4	4	4	4	4
Building	5	5	4	4	4	4	6	5	6	6
Court	3	3	3	3	3	3	3	4	4	4
Police	54	51	53	54	58	60	60	63	69	69
Fire	47	40	42	43	43	43	43	43	46	46
Public Works	59	51	51	51	51	50	52	56	57	57
Recreation	37	33	33	35	37	37	45	45	46	50
Airport	0	0	0	0	0	2	2	2	2	2
<b>Total</b>	<b><u>234</u></b>	<b><u>207</u></b>	<b><u>210</u></b>	<b><u>214</u></b>	<b><u>220</u></b>	<b><u>225</u></b>	<b><u>237</u></b>	<b><u>246</u></b>	<b><u>258</u></b>	<b><u>263</u></b>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General government</b>										
Building permits issued	459	422	385	566	589	657	610	586	782	896
Building inspections conducted	1,763	1,065	1,016	1,263	1,570	1,951	2,172	2,337	3,098	3,914
Business Licenses issued	7,083	7,491	7,554	10,016	10,281	10,562	7,164	7,551	7,974	8,392
<b>Police</b>										
Physical arrests	1,604	1,423	1,394	1,527	1,387	1,602	1,280	1,510	2,048	1,879
Traffic violations	1,858	1,268	1,484	1,641	1,824	1,997	1,500	1,595	2,029	2,058
Officers	40	39	39	41	43	43	43	45	47	47
<b>Fire</b>										
Emergency responses	2,108	2,280	2,307	2,790	2,785	2,972	2,903	3,073	3,146	3,149
Fires extinguished	59	52	30	70	92	92	64	72	83	54
Inspections*	413	335	467	920	1,071	1,200	1,800	1,800	1,975	1,950
Full time staff	48	39	42	43	43	43	43	43	44	46
Part time staff	6	-	-	-	-	-	-	-	-	-
Volunteer Firefighters	17	17	8	8	8	8	8	8	10	4
<b>Public Works</b>										
Street resurfacing (linear feet)	12,491	-	19,380	-	-	10,560	3,455	12,270	8,200	8,100
Sidewalks (linear feet)									1,600	10,760
Bike Lanes (linear feet)									780	2,800

\*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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	4	4	4	4	4	4	4	4	4	4
Parks and recreation*										
Football/Track Stadium	1	1	1	1	1	1	1	1	1	1
Softball/Baseball fields	15	15	15	15	15	15	15	15	15	15
Soccer field	1	1	1	1	1	1	1	1	1	1
Parks	8	8	8	8	8	8	8	8	8	8
Tennis Courts	18	18	18	18	18	18	18	18	18	18
Basketball Courts	2	2	2	2	2	2	3	3	5	5
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	2	2	2	2	2
Transit - minibusses	5	5	5	5	5	5	5	5	5	5
Public Works										
Maintained Streets (miles)	63	64	65.05	67.22	69.27	69.27	74	74	75.67	84.22
Traffic Signals*	24	24	24	24	24	24	24	24	24	24
Streetlights*	2,201	2,201	2,234	2,234	2,234	2,234	2,234	2,234	2,403	2,403

\*Information not available for the prior years

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

Census Year	City of Gulf Shores
1960	356
1970	909
1980	1,349
1990	3,261
2000	5,044
2010	9,741
2011	9,982
2012	10,118
2013	10,765
2014	10,963
2015	11,131
2016	11,689

**Per Capita Income**

	1979	1989	1999	2010	2016
Gulf Shores	7,761	17,414	24,356	28,522	31,814
State of Alabama	5,894	11,486	18,189	22,984	24,736

**Median Family Income**

	1989	1999	2010	2016
Gulf Shores	34,257	51,862	45,801	50,814
State of Alabama	28,688	41,657	42,081	44,758

Source: United States Bureau of the Census Quick Facts

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

	2016
Baldwin County	5.40%
Alabama	5.98%

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

## COMPLIANCE AND INTERNAL CONTROL

THE CITY OF GULF SHORES, ALABAMA  
SUMMARY OF AUDIT FINDINGS  
DECEMBER 31, 2017

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

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

**2016-1**

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

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

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

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

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

# GRANT, SANDERS & TAYLOR, P.C.

(CERTIFIED PUBLIC ACCOUNTANTS)

BERTRAM L. SANDERS, II, CPA  
MATTHEW R. TAYLOR, CPA  
JASON B. JACKSON, CPA

1530 W. 2ND STREET  
POST OFFICE BOX 2109  
GULF SHORES, ALABAMA 36547-2109  
TELEPHONE 251.968.2727  
FACSIMILE 251.968.7430  
WWW.GRANTSANDERSTAYLOR.COM

Members  
American Institute of Certified  
Public Accountants  
Alabama Society of Certified  
Public Accountants  
Florida Institute of  
Certified Public Accountants

## 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, 2017, and the related notes to the financial statements, which collectively comprise City of Gulf Shores, Alabama's basic financial statements, and have issued our report thereon dated April 19, 2018.

### **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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2017-1].

### **Compliance and Other Matters**

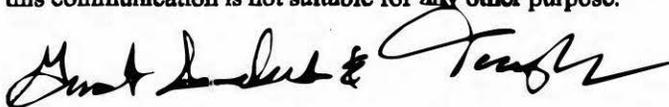
As part of obtaining reasonable assurance about whether City of Gulf Shores, Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

### **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  
April 19, 2018

## **FINDING – INTERNAL CONTROL OVER FINANCIAL REPORTING**

A significant control deficiency in internal control reportable under *Generally Accepted Auditing Standards*, which is a significant deficiency:

### **2017-1**

**Condition:** Lack of controls over cash including receipt of monthly bank statements and monthly bank reconciliations.

**Criteria:** Internal controls should be in place to provide reasonable assurance that all transactions are properly recorded and all bank accounts are reconciled to the general ledger monthly.

**Effect:** During the year, the City issued bonds for a construction project. The proceeds were held in a project fund and the debt service was to be held in a separate bond fund. A 3<sup>rd</sup> party was to make the debt service payments in lieu of rent paid to the City. The City did not receive bank statements for either account, resulting in an understatement of cash of \$209,254, an understatement of revenue of \$189,847, and an overstatement of bond issue costs of \$19,407.

**Recommendations:** The finance department should request bank statements for all accounts held by the City and reconcile each account to the general ledger monthly.

**Views of responsible officials and planned corrective action plan:** The City has requested bank statements for the construction and bond accounts and begun reconciling the accounts to the general ledger monthly.