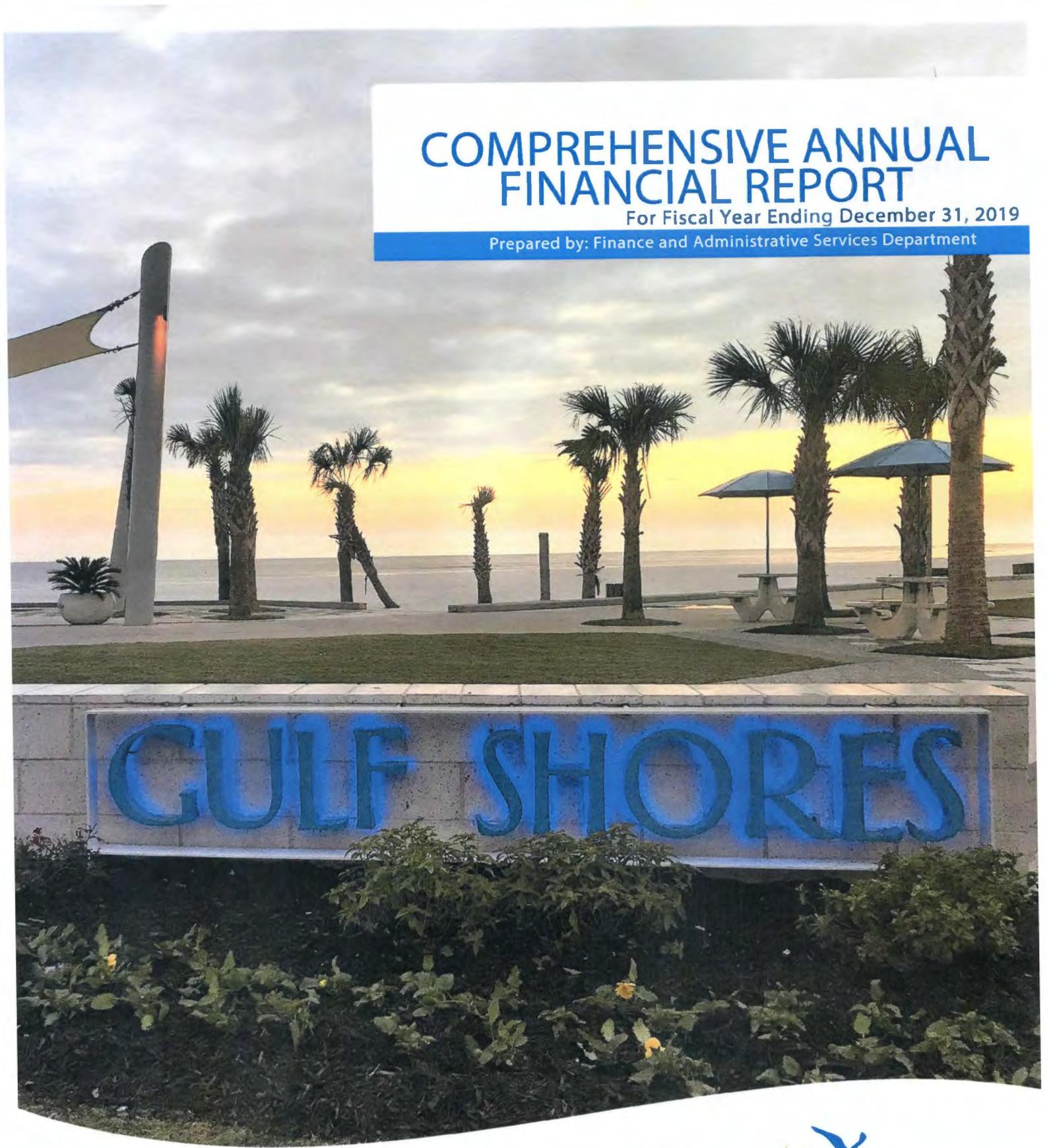


COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ending December 31, 2019

Prepared by: Finance and Administrative Services Department



GULF SHORES

*Gulf Place
Gulf Shores Public Beach*



www.gulfshoresal.gov

THE CITY OF GULF SHORES, ALABAMA
 FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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INTRODUCTORY SECTION



May 15, 2020

To the 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, 2019.

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, 2019 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 unmodified opinion that the City of Gulf Shore's financial statements for the fiscal year ended December 31, 2019, 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, the Airport Authority and the City School System 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 reserves of 70% fund balance are maintained. 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 yields a sense of place to our beach front and provide green space for community activities. In 2018 the City issued \$40 million in warrants of which \$25 million nontaxable debt was for public transportation projects (refinancing \$7 million of transportation projects done since 2018 and \$18 million for ongoing transportation projects through 2022) and \$15 million in taxable debt to refinance line of credit debt for improvements at Gulf Place.

Current Economic Condition

The City is sound financially. A target fund balance is commonly considered to be between 5 to 15 percent of expenditures; the City's General Fund balance is 35 per cent with an additional 35 percent reserved for Beach Renourishment resulting in a combined fund balance target of 70 percent for 2019. 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.

City of Gulf Shores
Transmittal Letter – continued

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 \$472,516 on investments for the year ended December 31, 2019. 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, 2018. This represented the ninth 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.

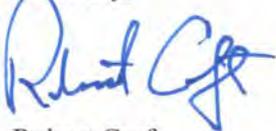
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received for the ninth time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2019 for fiscal year 2019. 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.

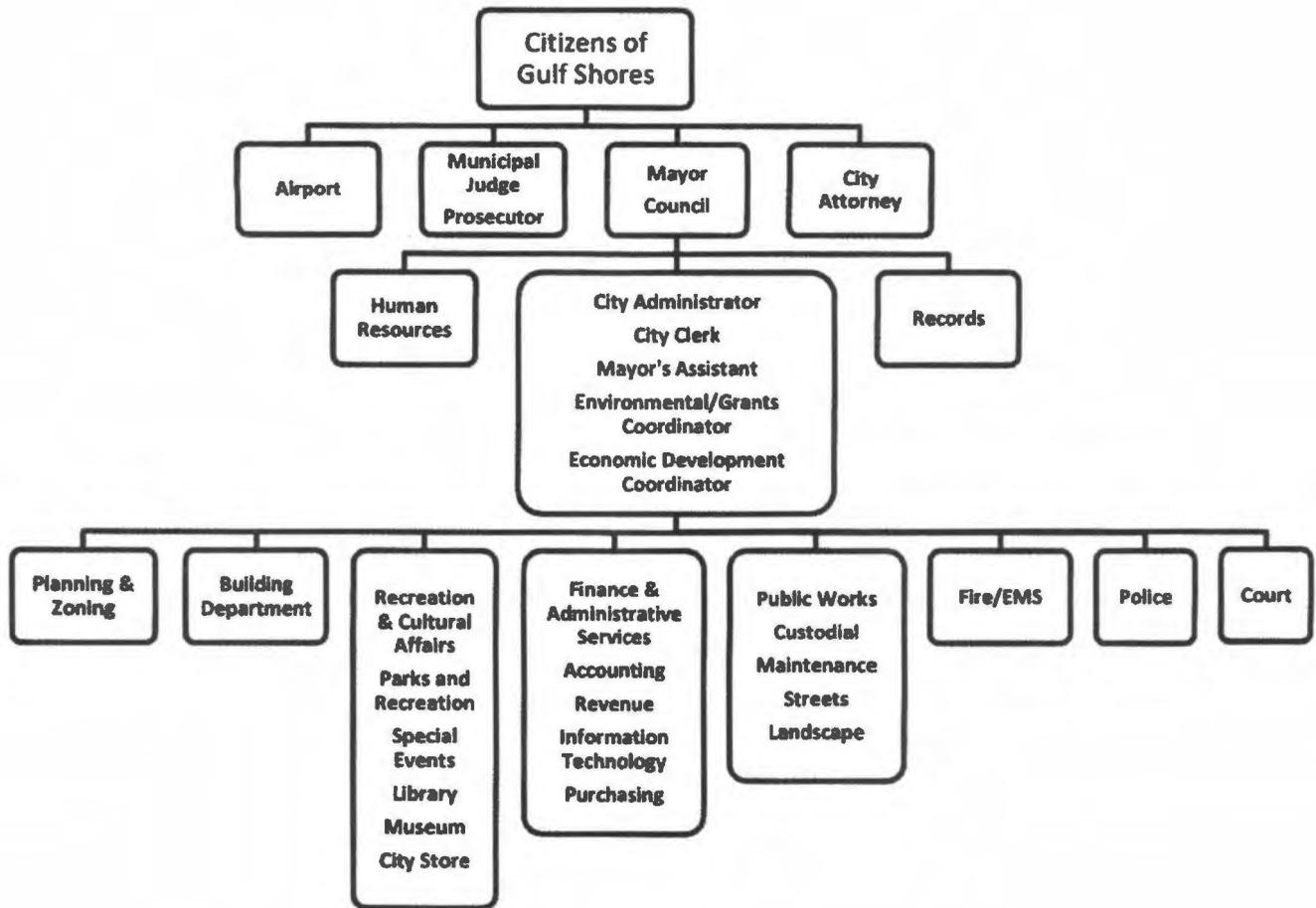
Acknowledgements

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, 2019

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, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2019, 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 components units of the City- Gulf Shores City School Board of Education, The Jack Edwards Airport Proprietary Fund and Airport Authority of the City of Gulf Shores, Alabama for the year ended September 30, 2019.

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, 2019, 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 17 through 25 and 74 through 76 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

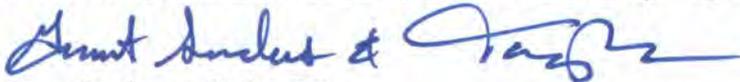
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Shores, Alabama basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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 May 15, 2020 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
May 15, 2020

**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, 2019. 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 three proprietary fund type discretely presented component units: Jack Edwards Airport Fund, Airport Authority Fund, the Public Education Building Authority Fund and the Gulf Shores City School System. The Jack Edwards Airport Fund, the Airport Authority and the Gulf Shores City School System are discretely presented component units of the primary government of the City of Gulf Shores. For 2019 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, 2019, the City of Gulf Shores' assets exceeded its liabilities by \$103,283,719, an increase of \$11,590,351 from 2018 primarily due to an increase in capital assets due to land acquisition for Gulf Place and a future medical center. 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. The Deferred Outflow of Resources decreased by \$836,237 primarily due to a decrease of pension contributions since the pension investments performance improved. Total Liabilities increased \$13,127,714 reflecting an increase in bond debt for capital assets acquisition. Deferred Inflow of Resources increased \$933,818 due to an increase of \$256,735 in deferred Revenue and an increase of \$677,083 for deferred employer pension contributions. As of December 31, 2019, 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 \$11,686,206 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, 2019 and is derived from the Government-wide Statement of Net Position. For more detailed information see the **Statement of Net Position** on Page 28.

	Governmental		Business-Type		Total		Component	Component
	Activities		Activities		Primary Government		Units	Units
	2019	2018	2019	2018	2019	2018	2019	2018
Current & Other Assets	\$ 71,131,770	\$ 62,564,457	\$ 511,194	\$ 813,178	\$ 71,642,964	\$ 63,377,635	\$ 4,024,695	\$ 2,054,117
Capital Assets	125,380,646	107,459,840	12,278,005	12,230,846	137,658,651	119,690,686	43,713,951	16,736,065
Total Assets	\$ 196,512,416	\$ 170,024,297	\$ 12,789,199	\$ 13,044,024	\$ 209,301,615	\$ 183,068,321	\$ 47,738,646	\$ 18,790,182
Defeasance cost, net	1,852,684	1,994,127	-	-	1,852,684	1,994,127	-	-
Deferred OP EB contributions	-	-	-	-	-	-	544,781	-
Deferred pension contributions	2,600,179	3,294,973	-	-	2,600,179	3,294,973	453,161	-
Total Deferred Outflow of Resources	\$ 4,452,863	\$ 5,289,100	\$ -	\$ -	\$ 4,452,863	\$ 5,289,100	\$ 997,942	\$ -
Long-term Liabilities	\$ 84,562,308	\$ 75,818,016	\$ 10,313,401	\$ 10,533,880	\$ 94,875,709	\$ 86,351,896	\$ 14,152,817	\$ -
Other Liabilities	10,414,758	6,031,336	504,451	634,153	10,919,209	6,665,489	484,832	37,804
Total Liabilities	\$ 94,977,066	\$ 81,849,352	\$ 10,817,852	\$ 11,168,033	\$ 105,794,918	\$ 93,017,385	\$ 14,637,649	\$ 37,804
Deferred Revenue	517,958	261,223	-	-	517,958	261,223	23,152	-
Deferred pension contributions	2,186,537	1,509,454	-	-	2,186,537	1,509,454	28,000	-
Total Deferred Inflow of Resources	\$ 2,704,495	\$ 1,770,677	\$ -	\$ -	\$ 2,704,495	\$ 1,770,677	\$ 51,152	\$ -
Net Position	\$ 103,283,718	\$ 91,693,368	\$ 1,971,347	\$ 1,875,991	\$ 105,255,065	\$ 93,569,359	\$ 34,047,787	\$ 18,752,378
Net Invested in Capital Assets	\$ 31,547,784	\$ 39,025,026	\$ 2,283,518	\$ 1,872,966	\$ 33,831,302	\$ 40,897,992	\$ 29,953,908	\$ 16,736,066
Restricted	3,011,050	2,266,096	-	-	3,011,050	2,266,096	-	-
Unrestricted	68,724,885	50,402,246	(311,671)	3,026	68,413,214	50,405,272	4,093,879	2,016,312
Total Net Position	\$ 103,283,719	\$ 91,693,368	\$ 1,971,847	\$ 1,875,992	\$ 105,255,566	\$ 93,569,360	\$ 34,047,787	\$ 18,752,378

Government-wide Financial Analysis (continued)

Table 2 below represents the City's Condensed Statement of Activities for the year ending December 31, 2019, and is derived from the **Government-wide Statement of Activities** on Page 29.

Table 2 - Condensed Statement of Activities

	Governmental		Business-Type		Total		Component Units	
	Activities		Activities		Primary Government			
	2019	2018	2019	2018	2019	2018	2019	2018
PRIMARY GOVERNMENT:								
Revenues:								
Charges for Services	\$ 8,585,325	\$ 7,642,272	\$ 609,050	\$ 606,464	\$ 9,194,375	\$ 8,248,736	\$ 1,249,321	\$ 558,179
Operating grants and Contributions	7,539,992	1,738,549	-	-	7,539,992	1,738,549	282,507	35,000
Capital grants and Contributions	-	30,000	-	-	-	30,000	154,033	309,498
General Revenues:								
Property Taxes	3,521,657	3,387,950	-	-	3,521,657	3,387,950	-	-
Local Taxes	34,127,612	30,073,209	-	-	34,127,612	30,073,209	-	-
Franchise Taxes	1,756,512	1,560,508	-	-	1,756,512	1,560,508	-	-
State Taxes	-	753,830	-	-	-	753,830	-	-
Interest income	472,515	169,941	36,559	66,663	509,074	236,604	8,298	4,223
Miscellaneous income	143,677	128,663	-	-	143,677	128,663	20,048,968	-
Gain (loss) on asset sales	(1,824,088)	59,649	-	-	(1,824,088)	59,649	-	-
Total Revenues	\$ 54,323,202	\$ 45,544,571	\$ 645,609	\$ 673,127	\$ 54,968,811	\$ 46,217,698	\$ 21,743,127	\$ 906,900
Expenses:								
Executive	5,516,039	3,839,222	-	-	5,516,039	3,839,222	-	-
Municipal Court	463,210	415,069	-	-	463,210	415,069	-	-
Police	6,977,146	6,882,556	-	-	6,977,146	6,882,556	-	-
Fire	6,069,504	4,225,805	-	-	6,069,504	4,225,805	-	-
Community and Economic Affairs	11,814,216	7,914,734	-	-	11,814,216	7,914,734	-	-
Public Works	9,299,293	9,204,974	-	-	9,299,293	9,204,974	-	-
Bond cost	-	445,785	-	-	-	445,785	-	-
Interest on Long-Term Debt	2,593,443	2,025,430	-	-	2,593,443	2,025,430	-	-
Public Education Building Authority	-	-	549,754	418,585	549,754	418,585	-	-
Total Expenses	42,732,851	34,953,575	549,754	418,585	43,282,605	35,372,160	-	-
COMPONENT UNITS:								
Expenses:								
Gulf Shores City School System	-	-	-	-	-	-	5,155,956	454,871
Jack Edwards Airport	-	-	-	-	-	-	802,379	1,028,000
Airport Authority	-	-	-	-	-	-	489,382	541,727
Total Expenses	-	-	-	-	-	-	6,447,717	2,024,598
Increase (Decrease) in Net Position								
Before Transfers	11,590,351	10,590,996	95,855	254,542	11,686,206	10,845,538	15,295,410	(1,117,698)
Transfers	-	(522,432)	-	-	-	(522,432)	-	522,432
Change in Net Position	11,590,351	10,068,564	95,855	254,542	11,686,206	10,323,106	15,295,410	(595,266)
Net Position - Beginning	91,693,368	81,624,804	1,875,992	1,621,450	93,569,360	83,246,254	18,752,378	19,347,644
Prior Period Adjustment	-	-	-	-	-	-	-	-
Net Position - Ending	\$ 103,283,719	\$ 91,693,368	\$ 1,971,847	\$ 1,875,992	\$ 105,255,566	\$ 93,569,360	\$ 34,047,788	\$ 18,752,378

Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2019 include the following:

The assets of the City exceeded its liabilities (Net Position) at the close of the fiscal year by \$103,283,719 for Governmental Activities and by \$1,971,847 for Business-type Activities of the primary government. The total primary government's net position is \$105,255,566 as of December 31, 2019, up from \$93,569,360. For the year ended December 31, 2019 there was a \$745,563 increase in Beach Restoration and \$18,007,942 increase in Unrestricted funds. Business-type activities net position was \$1,971,847 as of December 31, 2019 an increase of \$95,855 from 2018 reflecting decreased 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:

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 \$66,934,566 with \$21,814,841 designated as committed, \$19,860,313 unassigned, \$24,784,415 restricted and \$474,997 nonspendable.

General Fund

The fund balance at December 31, 2019, totaled \$39,653,592 an increase of \$3,028,947 from the fund balance at December 31, 2018, which was \$36,624,645. The increase in Fund Balance for Fiscal Year 2019 is attributable to conservative spending practices resulted in positive income from operations of \$7,902,363.

Debt Service Fund

The fund balance decreased \$609 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. Two fire trucks were paid for with proceeds from the 2014 GO Warrant Fund during Fiscal Year 2019.

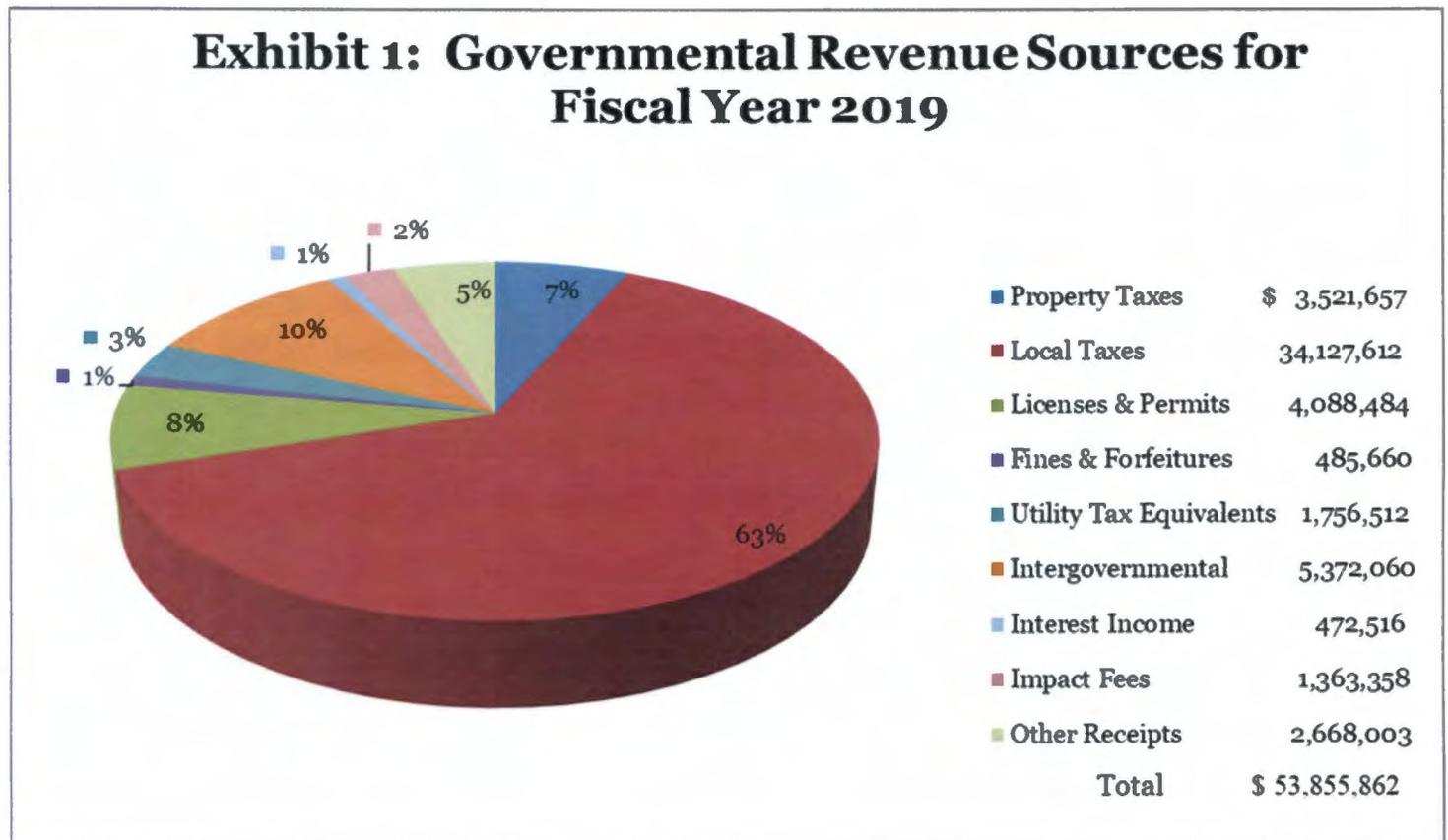
Financial Analysis of the Government's Funds (Continued)

2016-B GO WARRANT FUND

The 2016-B GO Warrant Fund is 10-year term debt primarily used for the acquisition and construction of the Gulf Place Revitalization Project. These investments aim to increase public access and pedestrian safety along Highway 59 and Beach Boulevard.

2018-A & B GO WARRANT FUNDS

The 2018-A GO Warrant is a 20 year term debt used to pay down the 2014 GO Warrant Fund, purchase capital equipment and fund improvements to road infrastructure throughout the City. Capital improvements funds are used for projects such as state transportation projects that require a City match. These improvements should reduce the operational costs for repair and maintenance in 2019 and future years and significantly improve traffic flow in and around the City. The 2018-B GO Warrant Fund is a 15 year term debt used to pay down the 2014 and 2016-B GO Warrant Funds. The remainder will be used for various economic development projects.



Budget Variances in the General Fund

A schedule of General Fund Revenues, Expenditures and Changes in Fund Balances can be found on page 74. Revenues were more than the Budget in the following major categories with an overall \$3,651,521 collection more than budget:

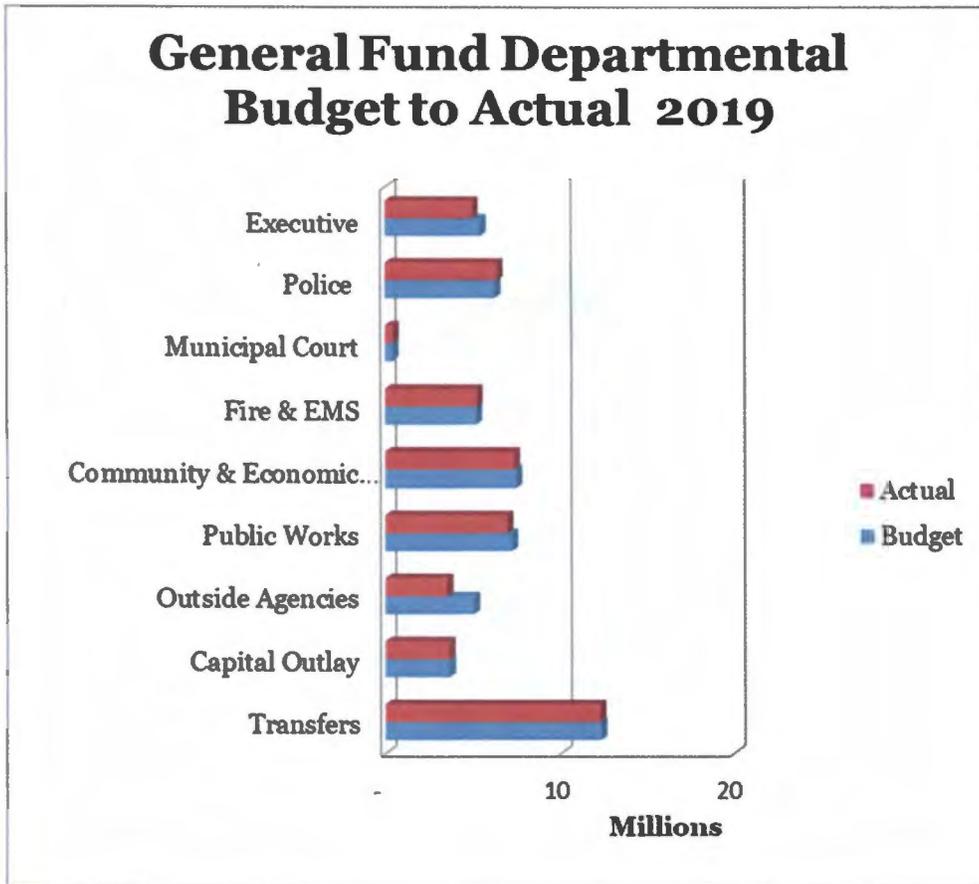
- Property Taxes - \$141,657 more due to county property value assessments on new construction
- Local Taxes - \$757,612 more due to full year of increased tourism and a 40% Lodging Tax increase – from 5% to 7%
- Licenses and Permits - \$247,484 more than budget due to increased commercial and residential construction
- Fines and Forfeitures - \$14,340 less due to enhanced enforcement efforts related to Beach activities
- Utility Tax Collections - \$16,512 more due to Baldwin EMC increased consumption related to tourism
- Federal and State transfers - \$47,961 more than budgeted due to increased State of Alabama tax collections
- Income on investments \$216,910 more than budgeted due to investment rates increase and more investments
- Other - \$54,080 more than budget.

Financial Analysis of the Government's Funds (Continued)

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

- Executive Department - \$470,257 less than budget due to departmental cost savings measures
- Municipal Court - \$26,717 more due to court personnel expense more than the amended budget
- Police Department - \$129,862 more due to increased overtime expenses
- Fire and Emergency Services - \$40,520 more due to additional overtime expenses
- Community and Economic Affairs - \$111,151 under budget due to Planning and Zoning, Building, Recreation and Cultural Affairs Programs & Events, Library, Bodenhamer, Sportsplex, Parks and City Store operating within budgets
- Public Works - \$265,083 expenses less due to unfilled positions/personnel, vehicle and equipment savings
- Appropriations - \$1,506,332 less due to funds budgeted for Zoo and advance pension liability payment not used
- Capital Outlay - \$27,923 less than budget due to savings on equipment purchases

The City Council approved revisions to the original adopted General Fund budget four times during the fiscal year prior to the fiscal year end on December 31, 2019.



Financial Analysis of the Government's Funds (Continued)

General Fund Departmental Budget to Actual 2019

	<u>Budget</u>	<u>Actual</u>	<u>% of total Expenses</u>
Transfers	12,296,078	12,226,197	24%
Capital Outlay	3,672,144	3,644,221	7%
Outside Agencies	5,054,906	3,548,574	7%
Public Works	7,224,849	6,959,766	14%
Community & Economic Affairs	7,453,286	7,342,135	14%
Fire & EMS	5,175,662	5,216,182	10%
Municipal Court	435,402	462,119	1%
Police	6,241,526	6,371,388	13%
Executive	<u>5,427,275</u>	<u>4,957,018</u>	10%
Total	\$ 52,981,128	\$ 50,727,600	100%

Capital Asset and Long-term Debt Activity

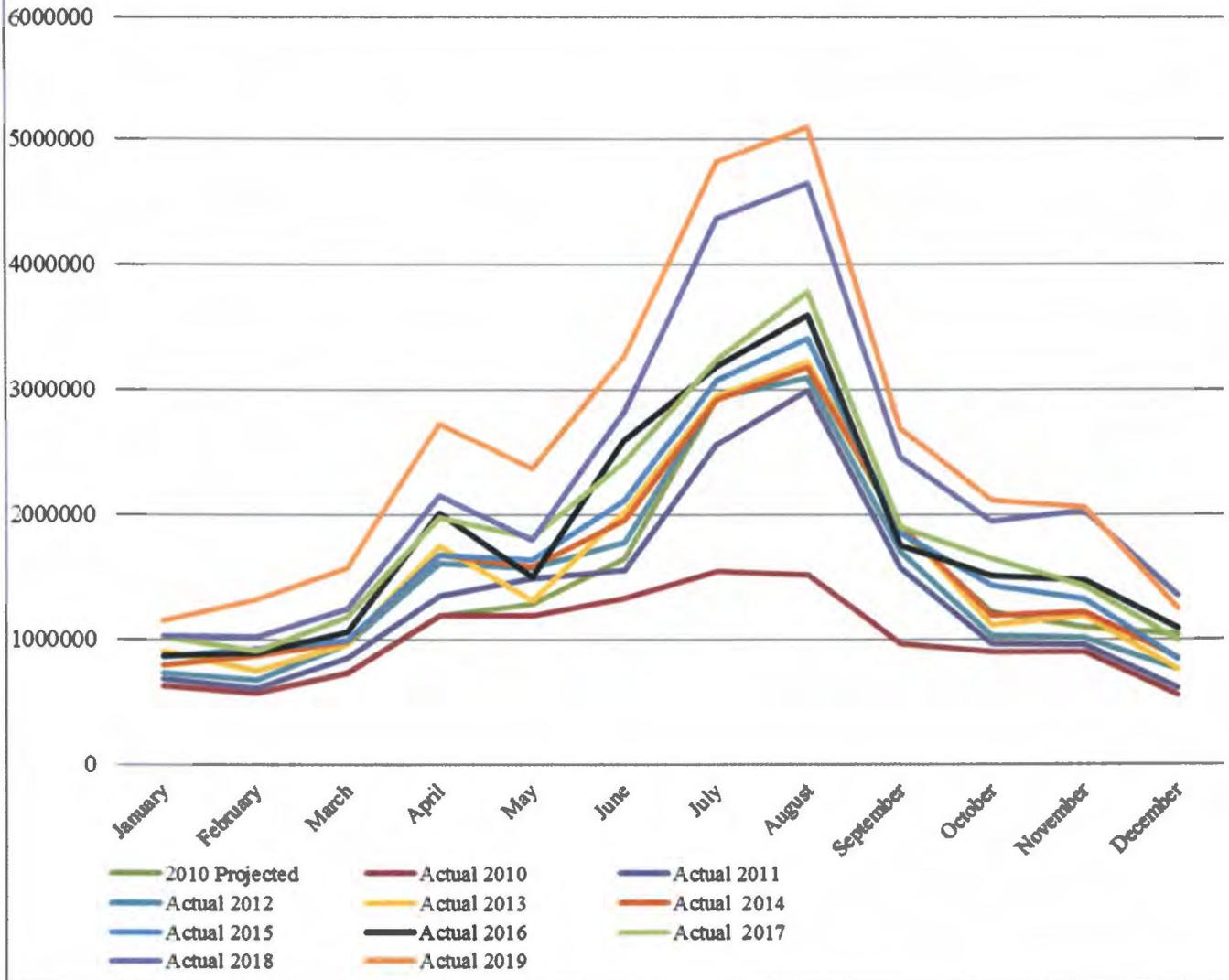
Capital Asset Activity

At December 31, 2019, the City of Gulf Shores reported net capital position of \$125,380,646 from governmental activities, an increase of \$17,920,806 from the adjusted governmental activities capital assets net for December 31, 2018. Net capital position from business-type activities is reported as \$12,278,505 which is an increase of \$47,659 from December 31, 2018. 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 \$91,213,984 in debt outstanding (which includes long term compensated absences of \$1,514,258) compared to \$79,148,733 for the prior year. All debt service payments were made timely. Refer to Note 3.E. to the financial statements for additional information on long-term debt activity.

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



Future Events Impacting the City's Financial Condition

The City of Gulf Shores' business community recovered in 2019 with revenues exceeding 2010 BP Oil Spill revenue projection levels due to a 40% increase in the Lodging Tax – from 5% to 7%. The first two months of 2020 show continued strong tourist Sales and Lodging Tax revenue while March and April declined due to COVID-19 related closures. 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. Waterway Village revenue grew from \$22.4 million in 2011 to \$38.35 million in 2019, an increase of \$15.94 million, correlating to a \$478,254 increase in Sales/Use Tax growth.

The Lodge at Gulf State Park was rebuilt and opened in 2018 after being irreparably damaged by Hurricane Ivan in 2004. The new facility is a model of resilient, environmentally-friendly coastal development with a focus on sustainability. With direct access to Gulf Shores' beaches and natural beauty of Gulf State Park's 6,150 acres, it also offers 350 guestrooms and suites, 5 innovative dining options and over 40,000 square feet of indoor and outdoor meeting space. The Lodge at Gulf State park is the first full service hotel to open in the area in 20 years.

Auburn University substantially completed a new 24,000 square foot Educational Complex in Gulf Shores in 2018. The Auburn University Educational Complex offers veterinary care, aviation instruction, research administration and Alabama Extension support for the citizens of South Alabama and the Gulf Coast.

Alabama Gulf Coast Zoo constructed a new facility on a higher elevation location in Gulf Shores. The \$16 million construction project tripled the size of the current zoo to 25 acres which allowed for more space for the zoo's collection of more than 600 animals and introduced new event venues, on-site dining, expanded retail and educational programs. Construction on the Zoo was completed in the spring of 2020.

Resicum International (military) and AeroPro (civilian) relocated their United States operations to Gulf Shores in 2019. With a focus on aerospace and defense, Resicum provides government services in aviation maintenance, information services, and maritime activities. In the first two years of operations, the company will create new aerospace jobs in Gulf Shores, bringing more than \$1.1 million in new payroll to the area. The companies are currently located in an existing hangar facility at Jack Edwards National Airport, with plans underway to construct a new facility to be completed by 2021. Other improvements at the Airport in 2019 were the completion of Gulf Shores Power Sports new 9,600 square foot facility; Jewinds, LLC new 11,000 square foot facility and a new lease with Allen Air of a 10,000 square foot facility.

Residential Housing permits issued in 2019 were 116. Gulf Shores Commercial construction Building Permit Valuation increased from \$10.6 million in 2016, to \$33.6 million in 2018 and was \$61 million in 2019.

The US Census Bureau shows Gulf Shores with 28% growth since 2010 with total population growth estimated at 2,776.

Gulf Shores beautiful white sandy beaches, low crime rate and business opportunities offer an unsurpassed quality of life and is a wonderful place to live.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Gulf Shores City School System	Jack Edwards Airport	Airport Authority
ASSETS						
Current Cash and Cash Equivalents	\$ 16,818,633	\$ 2,780	\$ 16,821,413	\$ 1,782,624	\$ -	\$ 538,846
Reserve Current Cash and Cash Equivalents	18,804,442	-	18,804,442	-	-	-
Receivables (Net)	4,982,966	-	4,982,966	246,068	54,465	17,344
Due from component units	10,049,218	-	10,049,218	-	-	-
Inventories	101,395	-	101,395	40,488	718,623	-
Prepays and Other Assets	476,965	-	476,965	-	-	5,201
Restricted Assets:						
Cash and Cash Equivalents	19,898,151	508,414	20,406,565	-	621,036	-
Capital Assets:						
Non - Depreciable	52,971,569	3,792,843	56,764,412	6,079,354	6,346,391	93,938
Depreciable (Net)	72,409,077	8,485,662	80,894,739	21,383,525	9,759,927	50,817
Total Assets	196,512,416	12,789,699	209,302,115	29,532,059	17,500,442	706,146
DEFERRED OUTFLOW OF RESOURCES						
Defeasance cost, net	1,852,684	-	1,852,684	-	-	-
Deferred OPEB outflows	-	-	-	544,781	-	-
Deferred employer pension contributions	2,600,179	-	2,600,179	453,161	-	-
Total Deferred Outflow of Resources	4,452,863	-	4,452,863	997,942	-	-
LIABILITIES						
Accounts Payable	\$ 2,187,111	\$ 52	\$ 2,187,163	\$ 429,274	\$ 55,558	\$ -
Accrued Liabilities	1,492,137	-	1,492,137	-	-	-
Accrued Interest Payable	83,834	314,399	398,233	-	-	-
Non - Current Liabilities						
Due Within One Year:						
Compensated absences	89,716	-	89,716	-	-	-
Bonds Payable	6,455,555	190,000	6,645,555	-	-	-
Lease payable	106,405	-	106,405	-	-	-
Due In More than One Year:						
Compensated absences	1,424,542	-	1,424,542	-	-	-
Proportionate share of OPEB liability	-	-	-	129,774	-	-
Lease payable	100,728	-	100,728	-	-	-
Net Pension Liability	6,176,891	-	6,176,891	263,000	-	-
Long- term payable	-	-	-	6,834,845	-	-
Bonds Payable	76,860,147	10,313,401	87,173,548	6,925,198	-	-
Total Liabilities	94,977,066	10,817,852	105,794,918	14,582,091	55,558	-
DEFERRED INFLOW OF RESOURCES						
Deferred Revenue	517,957	-	517,957	16,136	-	-
Proportionate share of collective inflows related to OPEB liability	-	-	-	7,016	-	-
Deferred employer pension contributions	2,186,537	-	2,186,537	28,000	-	-
Total Deferred Inflow of Resources	2,704,494	-	2,704,494	51,152	-	-
NET POSITION:						
Net Investment in Capital Assets	31,547,784	2,283,518	33,831,302	13,702,836	16,106,318	144,755
Restricted for:						
Debt service	651	-	651	-	-	-
Beach restoration	3,010,399	-	3,010,399	-	-	-
Unrestricted	68,724,885	(311,671)	68,413,214	2,193,922	1,338,566	561,391
Total Net Position	\$ 103,283,719	\$ 1,971,847	\$ 105,255,566	\$ 15,896,758	\$ 17,444,884	\$ 706,146

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, 2019

Functions/Programs	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total	Gulf Shores City School System	Jack Edwards Airport	Airport Authority
PRIMARY GOVERNMENT:										
Governmental Activities:										
Executive	\$ 5,516,039	\$ 21,350	\$ 265,147	\$ -	\$ (5,229,542)	\$ -	\$ (5,229,542)			
Municipal Court	463,210	675,712	-	-	212,502	-	212,502			
Police	6,977,146	83,898	51,028	-	(6,842,220)	-	(6,842,220)			
Fire	6,069,504	106,012	386,334	-	(5,577,158)	-	(5,577,158)			
Community and Economic Affairs	11,814,216	6,455,422	2,465,257	-	(2,893,537)	-	(2,893,537)			
Public Works	9,299,293	1,242,931	4,372,226	-	(3,684,136)	-	(3,684,136)			
Interest on Long - Term Debt	2,593,443	-	-	-	(2,593,443)	-	(2,593,443)			
Total governmental activities	42,732,851	8,585,325	7,539,992	-	(26,607,534)	-	(26,607,534)			
Business-type activities:										
Public Education Building Authority	549,754	609,050	-	-	-	59,296	59,296			
Total primary government	43,282,605	9,194,375	7,539,992	-	(26,607,534)	59,296	(26,548,238)			
COMPONENT UNITS:										
Gulf Shores City School System	\$ 5,155,956	\$ 685,260	\$ 247,507	\$ -			\$ (4,223,189)	\$ -	\$ -	
Jack Edwards Airport	802,379	-	-	154,033			-	(648,346)	-	
Airport Authority	489,382	564,061	35,000	-			-	-	109,679	
Total component units	\$ 6,447,717	\$ 1,249,321	\$ 282,507	\$ 154,033			\$ (4,223,189)	\$ (648,346)	\$ 109,679	
General revenues:										
Property Taxes					\$ 3,521,657	\$ -	\$ 3,521,657	\$ -	\$ -	\$ -
Local Taxes:										
Sales taxes					16,390,420	-	16,390,420	-	-	-
Lodging taxes					14,198,621	-	14,198,621	-	-	-
Other local taxes					3,538,571	-	3,538,571	-	-	-
Franchise Taxes					1,756,512	-	1,756,512	-	-	-
Interest Income					472,515	36,559	509,074	3,210	4,055	1,033
Miscellaneous					143,677	-	143,677	20,048,968	-	-
Loss on Disposal of Assets					(1,824,088)	-	(1,824,088)	-	-	-
Transfers					-	-	-	-	145,129	(145,129)
Total general revenues, special items and transfers					38,197,885	36,559	38,234,444	20,052,178	149,184	(144,096)
Change in net position					11,590,351	95,855	11,686,206	15,828,989	(499,162)	(34,417)
Net position - beginning (restated)					91,693,368	1,875,992	93,569,360	67,769	17,944,046	740,563
Net position - ending					\$ 103,283,719	\$ 1,971,847	\$ 105,255,566	\$ 15,896,758	\$ 17,444,884	\$ 706,146

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

GOVERNMENT FUND FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General Fund	Debt Service Fund	2014B GO Warrant Fund	2016B GO Warrant Fund	2018B GO Warrant Fund	Other Governmental Funds	Total
ASSETS							
Current Cash and Equivalents	\$ 16,818,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,818,633
Reserved Cash and Equivalents	18,804,442	-	-	-	-	-	18,804,442
Restricted Cash and Equivalents	92,726	651	826,308	983	13,586,018	5,391,466	19,898,152
Receivables (Net)							
Accounts	344,015	-	-	-	-	-	344,015
Taxes	3,814,237	-	-	-	-	-	3,814,237
Due From Other Funds	693,894	-	-	-	-	185,461	879,355
Due From Other Governments	325,106	-	452,792	-	-	46,817	824,715
Due From Component Units	599,302	-	-	863,817	-	8,586,099	10,049,218
Prepays and Other Assets	373,602	-	-	-	-	103,363	476,965
Inventories	101,395	-	-	-	-	-	101,395
Total Assets	41,967,352	651	1,279,100	864,800	13,586,018	14,313,206	72,011,127
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 652,086	\$ -	\$ -	\$ -	\$ 1,216,174	\$ 318,852	\$ 2,187,112
Payroll taxes & benefits payable	335,403	-	-	-	-	27,492	362,895
Accrued wages	604,139	-	-	-	-	-	604,139
Other liabilities	350,103	-	-	-	-	175,000	525,103
Due to other funds	185,461	-	-	-	-	693,893	879,354
Total Liabilities	2,127,192	-	-	-	1,216,174	1,215,237	4,558,603
DEFERRED INFLOW OF RESOURCES							
Deferred revenue	186,568	-	-	-	194,219	137,171	517,958
Fund Balances:							
Nonspendable	474,997	-	-	-	-	-	474,997
Spendable:							
Restricted	320,765	651	1,279,100	864,800	12,175,625	10,143,474	24,784,415
Committed	18,804,442	-	-	-	-	3,010,399	21,814,841
Unassigned	20,053,388	-	-	-	-	(193,075)	19,860,313
Total Fund Balances	39,653,592	651	1,279,100	864,800	12,175,625	12,960,798	66,934,566
Total Liabilities, Deferred Outflows and Fund Balance	\$ 41,967,352	\$ 651	\$ 1,279,100	\$ 864,800	\$13,586,018	\$ 14,313,206	\$ 72,011,127

**The City of Gulf Shores, Alabama
Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Funds
December 31, 2019**

Fund balances - total governmental funds \$ 66,934,566

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	\$ 157,946,957	
Less accumulated depreciation	<u>(32,566,311)</u>	125,380,646

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

Deferred employer pension contributions	2,600,179	
Loss on advance refunding	2,828,847	
Less accumulated amortization	<u>(976,161)</u>	4,452,865

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	(79,654,711)	
Discounts on bond issue	251,113	
Premiums on bond issues	(4,689,123)	
Accumulated amortization	569,883	
Net pension liability	(6,176,891)	
Compensated absences	<u>(1,514,258)</u>	(91,213,987)

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>(2,186,537)</u>	(2,186,537)
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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>(83,834)</u>	<u>(83,834)</u>
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Net position of governmental activities	<u>\$ 103,283,719</u>
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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, 2019

	General Fund	Debt Service Fund	2014B GO Warrant Fund	2016B GO Warrant Fund	2018B GO Warrant Fund	Other Governmental Funds	Total
REVENUES							
Property taxes	\$ 3,521,657	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,521,657
Local taxes	30,094,696	-	-	-	-	4,032,916	34,127,612
Licenses and permits	4,088,484	-	-	-	-	-	4,088,484
Fines and forfeitures	485,660	-	-	-	-	-	485,660
Utility tax equivalents	1,756,512	-	-	-	-	-	1,756,512
Intergovernmental:							
State of Alabama taxes	3,677,291	-	-	-	-	566,771	4,244,062
Federal and State grants	484,356	-	452,792	-	54,367	136,484	1,127,999
Interest income	296,910	1,384	-	-	158,034	16,188	472,516
Impact fees	-	-	-	-	-	1,363,358	1,363,358
Other receipts	1,998,199	-	-	-	-	669,804	2,668,003
Total Revenues	46,403,765	1,384	452,792	-	212,401	6,785,521	53,855,863
EXPENDITURES							
Current Operating:							
Executive Department	4,957,019	-	-	-	-	-	4,957,019
Municipal Court	462,119	-	-	-	-	-	462,119
Police Department	6,371,388	-	-	-	-	394,985	6,766,373
Fire and Emergency Services	5,216,182	-	-	-	-	94,157	5,310,339
Community and Eco. Affairs	7,342,135	-	-	-	-	334,145	7,676,280
Public Works	6,832,540	-	-	95,275	-	1,424,204	8,352,019
Appropriations - Outside agencies	201,298	-	-	-	-	-	201,298
Appropriations - Gulf Shores City Schools	3,474,502	-	-	-	-	-	3,474,502
Capital outlay	3,644,219	-	862,048	9,215,536	5,902,993	275	19,625,071
Transportation improvements	-	-	-	-	-	-	-
Principal and interest	-	8,170,792	-	-	-	-	8,170,792
Bond Issuance costs	-	-	-	-	-	-	-
Miscellaneous	-	4,099	79	-	-	288,218	292,396
Total Expenditures	38,501,402	8,174,891	862,127	9,310,811	5,902,993	2,535,984	65,288,208
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,902,363	(8,173,507)	\$ (409,335)	\$ (9,310,811)	\$ (5,690,592)	\$ 4,249,537	(11,432,345)
OTHER FINANCING SOURCES (USES)							
Issuance of Debt	-	-	-	10,000,000	-	8,598,823	18,598,823
Proceeds from sale of capital assets	85,449	-	-	-	-	-	85,449
Transfers In	3,234,416	8,172,898	450,677	308,767	-	598,850	12,765,608
Transfers Out	(8,193,281)	-	-	-	(762,277)	(3,810,050)	(12,765,608)
Total Other Financing Sources and (Uses)	(4,873,416)	8,172,898	450,677	10,308,767	(762,277)	5,387,623	18,684,272
Net Change In Fund Balance	3,028,947	(609)	41,342	997,956	(6,452,869)	9,637,160	7,251,927
Fund Balances - Beginning	36,624,645	1,260	1,237,758	(133,156)	18,628,494	3,323,638	59,682,639
Fund Balances - Ending	39,653,592	651	1,279,100	864,800	12,175,625	12,960,798	66,934,566

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, 2019

Net change in fund balances \$ 7,251,927

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	22,876,408	
Less current year depreciation	<u>(3,339,603)</u>	19,536,805

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	(74,561)	
Gain on disposal of assets	<u>(1,834,976)</u>	(1,909,537)

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	(18,598,823)	
Principal payments on bonds, loans & leases	<u>5,581,156</u>	(13,017,667)

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.

Increase in interest accrued on long term debt	(3,807)	
Amortization of current year bond premiums	227,157	
Amortization of current year bond discounts	(9,852)	
Amortization of loss on advanced refunding	(141,442)	
Decrease in deferred employer pension contributions	(297,146)	
Increase in compensated absences	<u>(46,087)</u>	<u>(271,177)</u>

Change in net position of governmental activities \$ 11,590,351

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, 2019

	Business-type Activities
	Enterprise Funds
	Primary Government
	Non-major Fund
	Public Education
	Building Authority
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,780
Restricted cash and cash equivalents	508,414
Total Current Assets	511,194
Capital Assets:	
Land	3,792,843
Land improvements	203,087
Buildings	9,174,654
Furniture and equipment	261,893
Construction in progress	-
Less: accumulated depreciation	(1,153,972)
Total Non-Current Assets	12,278,505
Total Assets	\$ 12,789,699
LIABILITIES	
Current Liabilities:	
Construction cost payable	\$ 52
Bonds payable	190,000
Accrued interest payable	314,399
Total Current Liabilities	504,451
Non-Current Liabilities:	
Due within one year:	
Bonds payable	10,313,401
Total Liabilities	10,817,852
NET POSITION	
Net Investment in Capital Assets	2,283,518
Restricted	-
Unrestricted	(311,670)
Total Net Position	\$ 1,971,848

THE CITY OF GULF SHORES, ALABAMA
 ALL PROPRIETARY FUND TYPES
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities Enterprise Funds
	Primary Government Non-major Fund
	Public Education Building Authority
Operating Revenues	
Auburn rent	\$ 609,050
Operating Expenses	
Depreciation	21,480
Operating Income (Loss)	587,570
Non-Operating Revenues (Expenses)	
Interest & dividend income	6,080
Amortization of bond premium	30,479
Interest expense	(528,274)
Total Non-Operating Expenses	(491,715)
Change in Net Position	95,855
Net Position - Beginning	1,875,993
Net Position - Ending	\$ 1,971,848

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, 2019

	Business-type Activities
	Enterprise Funds
	Primary Government
	Non-major Fund
	Public Education
	Building Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from leases and other operating activities	\$ 609,050
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(69,139)
Construction cost payable	(237,075)
Decrease in restricted bond funds	301,739
Principal payment	(185,000)
Accrued interest	(425,900)
Net cash provided (used) by financing activities	(615,375)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments received	6,080
Net cash provided (used) by investing activities	6,080
Net increase (decrease) in cash and cash equivalents	(245)
Cash balance - beginning of year	3,025
Cash balance - end of year	\$ 2,780
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 587,570
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	21,480
Net cash provided (used) by operating activities	\$ 609,050

Noncash Investing, Capital and Financing Activities: None

NOTES TO BASIC FINANCIAL STATEMENTS

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019.

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, Airport Authority of the City of Gulf Shores, Alabama, and the Gulf Shores City School 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 entities 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 and the City School system do 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 31st year end. Generally accepted accounting principles allow the presentation of these component units as part of the reporting entity if the component unit's year end falls within the year end of the primary government. Significant interfund transfers and borrowings between the City and the component units that occur from October 1 to December 31 each year will be disclosed in a later note. Separately issued audited financial statements of the three component units can be obtained from the legislative Boards.

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, 2019

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, 2019

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.

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.

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 and purchase of medical building.

2018 GO Warrant Capital Projects Fund

The proceeds are being used to refund a portion of the 2016-B and 2014 series warrants and to fund transportation enhancement projects throughout the City.

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, 2019

1. C. BASIS OF PRESENTATION (CONTINUED)

Gulf Shores City School System

This fund accounts for all operating revenues and expenditures of the Gulf Shores City School System. This governmental fund does not provide services entirely or almost entirely to the primary government, nor does it primarily benefit the primary government. The governing board is not the same. During the year, the School system change the accounting year to September 30. Therefore, the financial statements are for a nine month period.

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.

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, 2019

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 revenues consists of rental income. All revenues and expenses not meeting this definition, most notably grants, interest expense and interest income, are reported as non-operating revenues and expenses.

1. E. ASSETS, LIABILITES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand deposits, savings accounts, certificates of deposit, and short term investments with original or remaining maturities of three months or less when purchased. For purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, certificates of deposit, and short term investments with an original maturity of three months or less. Certificates of deposits are not considered investments. Investments are stated at fair value. The balance in the certificates of deposit at December 31, 2019 at the financial institutions is \$20,000 at Hancock Bank and \$23,000,000 at CenterState Bank

Reserve cash and equivalents

General Fund cash and certificates of deposit totaling \$18,804,442 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, 2019

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, 2019

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 principal and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Accounting for the proprietary fund is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences

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

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

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 \$1,514,258. \$89,716 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, 2019.

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 2019 expenses of \$38,501,402 the 15% minimum would be \$5,775,210 and the 35% target would be \$13,475,491.

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, 2019

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

A schedule of fund balances is as follows:

	<u>General</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>2014 GO</u> <u>Warrant</u> <u>Fund</u>	<u>2016B GO</u> <u>Warrant</u> <u>Fund</u>	<u>2018 GO</u> <u>Warrant</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Fund Balances:							
Nonspendable:							
Inventories	\$ 101,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,395
Prepaid items	373,602	-	-	-	-	-	373,602
Restricted for:							
Grants	228,040	-	-	-	-	-	228,040
Municipal Court	86,588	-	-	-	-	-	86,588
Environment Study	6,138	-	-	-	-	-	6,138
Debt service	-	651	-	-	-	-	651
Capital outlay	-	-	1,279,100	864,800	12,175,625	10,143,474	24,462,999
Committed to:							
Emergencies	18,804,442	-	-	-	-	-	18,804,442
Capital outlay	-	-	-	-	-	3,010,399	3,010,399
Assigned to:							
Unassigned:	<u>20,053,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(193,075)</u>	<u>19,860,313</u>
Total Fund Balance	<u>\$ 39,653,593</u>	<u>\$ 651</u>	<u>\$ 1,279,100</u>	<u>\$ 864,800</u>	<u>\$ 12,175,625</u>	<u>\$ 12,960,798</u>	<u>\$ 66,934,566</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, 2019

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, 2019

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, 2019, the carrying amount of the City's total deposits was \$55,785,055. 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	2014B GO Warrant Fund	Other Governmental Fund	Total
Taxes	\$ 3,814,237	\$ -	\$ -	\$ 3,814,237
Accounts receivable	344,015	-	-	344,015
Due from other governments	325,106	452,792	46,816	824,714
Total Receivables	<u>\$ 4,483,358</u>	<u>\$ 452,792</u>	<u>\$ 46,816</u>	<u>\$ 4,982,966</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at December 31, 2019 consisted of the following:

<u>Due To (Interfund Receivable)</u>	Other Governmental		Total
	General	Funds	
General Fund	\$ -	\$ 693,894	\$ 693,894
Nonmajor Governmental Funds	185,461	-	185,461
Total Receivables	\$ 185,461	\$ 693,894	\$ 879,355

For Other Governmental Funds, the Storm Damage Fund owes \$321,529 to the General Fund for the BP oil spill, the Capital Projects fund owes the General Fund \$5,797 for various capital projects and the Beach Restoration fund owes the General Fund \$366,568 for payroll and operations. The General Fund owes Nonmajor Governmental Funds \$185,461, of which \$175,000 to the 2% Lodging Tax Fund and \$10,461 to the Municipal Court Fund due to the timing of monthly transfers.

Interfund transfers for the year ended December 31, 2019, consisted of the following:

<u>Transfers To (Other Financing Source)</u>	Transfers From (Other Financing Use)			Total
	General	2018 GO Warrant Fund	Other Governmental Funds	
General Fund	\$ -	\$ 138	\$ 3,234,278	\$ 3,234,416
Debt Service Fund	8,170,203	2,695	-	8,172,898
2014 GO Warrant Fund	-	450,677	-	450,677
2016B GO Warrant Fund	-	308,767	-	308,767
Other Governmental Funds	23,078	-	575,772	598,850
Total Transfers	\$ 8,193,281	\$ 762,277	\$ 3,810,050	\$ 12,765,608

Transfers totaled \$3,234,278 from Special Revenue Funds to the General Fund. Of this amount, the 2% Lodging Tax Fund transferred \$2.715 million to reimburse the General Fund for beach expenses. Other Special Revenue Funds transferred \$520,000 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 \$8,170,203 to Debt Service were to cover the annual debt service payments. Transfer from the 2018 GO Warrant of \$2695 to the Debt Service Fund were to cover the refunding of the 2014 GO and 2016 GO Warrants. The General Fund transferred \$23,078 to the Storm Damage Fund for storm damages. Transfers to the 2014 GO Warrant Fund in the amount of \$450,676 were to cover transportation expenses from the 2018GO Warrants. Transfers to the 2016 GO Warrant Fund in the amount of \$308,767 were to cover Gulf Place improvement expenses from the 2018GO Warrants. Transfers of \$575,772 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, 2019

3. D. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2019, was as follows:

Description	Beginning Balance	Additions	Retirements	Reclas- sifications	Ending Balance
Governmental Activities					
Non-Depreciable Assets:					
Land	\$ 40,324,275	\$ 12,647,294	\$ -	\$ -	\$ 52,971,569
Depreciable Assets:					
Buildings, parks facilities, & improvements	54,420,079	6,757,280	3,329,480	-	57,847,879
Motor vehicles and equipment	14,277,697	2,020,667	725,716	-	15,572,648
Infrastructure	29,810,153	1,744,708	-	-	31,554,861
Totals at historical cost	<u>138,832,204</u>	<u>23,169,949</u>	<u>4,055,196</u>	<u>-</u>	<u>157,946,957</u>
Less accumulated depreciation for:					
Buildings and improvements	17,286,221	1,282,289	-	-	18,568,510
Motor vehicles and equipment	10,678,021	1,388,146	2,145,657	-	9,920,510
Infrastructure	3,408,122	669,169	-	-	4,077,291
Total accumulated depreciation	<u>31,372,364</u>	<u>3,339,604</u>	<u>2,145,657</u>	<u>-</u>	<u>32,566,311</u>
Governmental activities capital assets, net	<u>\$ 107,459,840</u>				<u>\$ 125,380,646</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 543,756
Police	413,834
Fire	451,502
Public Works	1,169,398
Community and Economic Affairs	761,114
Total depreciation for governmental activities	<u>\$ 3,339,604</u>

Capital asset activity for the business-type activities of the primary government for the year ended December 31, 2019 is as follows:

Description	Beginning Balance	Additions	Retirements	Reclas- sifications	Ending Balance
Non-Depreciable Assets:					
Land	\$ 3,792,843	\$ -	\$ -	\$ -	\$ 3,792,843
Construction in progress	8,207,090	69,139	8,276,229	-	-
Depreciable Assets					
Land improvements	203,087	-	-	-	203,087
Buildings	898,425	8,276,229	-	-	9,174,654
Equipment	261,893	-	-	-	261,893
Totals at historical cost	<u>13,363,338</u>	<u>8,345,368</u>	<u>8,276,229</u>	<u>-</u>	<u>13,432,477</u>
Less accumulated depreciation for:					
Land improvements	195,187	7,959	-	-	203,146
Buildings	675,412	13,521	-	-	688,933
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	<u>1,132,492</u>	<u>21,480</u>	<u>-</u>	<u>-</u>	<u>1,153,972</u>
Business-type activities capital assets, net	<u>\$ 12,230,846</u>				<u>\$ 12,278,505</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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	38,372	198,227	38,076	-	198,522
Depreciable Assets					
Runways, taxiways, and improvements	24,347,814	169,020	-	-	24,516,834
Buildings and improvements	2,683,252	-	-	-	2,683,252
Motor vehicles and equipment	159,511	39	-	-	159,550
Totals at historical cost	<u>33,669,278</u>	<u>367,286</u>	<u>38,076</u>	<u>-</u>	<u>33,998,487</u>
Less accumulated depreciation for:					
Runways, taxiways, and improvements	15,699,278	749,123	-	-	16,448,401
Buildings and improvements	1,075,512	63,992	-	-	1,139,504
Motor vehicles and equipment	158,422	1,087	-	-	159,509
Total accumulated depreciation	<u>16,933,212</u>	<u>814,202</u>	<u>-</u>	<u>-</u>	<u>17,747,414</u>
Business-type activities capital assets, net	<u>\$ 16,736,066</u>				<u>\$ 16,251,073</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	\$ 66,343,507	\$ 18,892,361	\$ 5,581,156	\$ 79,654,712	\$ 6,561,960
Plus bond premiums/discounts	4,085,434	-	217,311	3,868,123	-
Total bonds, loans, and leases payable	<u>70,428,941</u>	<u>18,892,361</u>	<u>5,798,467</u>	<u>83,522,835</u>	<u>6,561,960</u>
Other liabilities:					
Compensated Absences	1,468,171	879,365	833,278	1,514,258	89,716
Net pension liability	7,251,621	-	1,074,730	6,176,891	-
Total other liabilities	<u>8,719,792</u>	<u>879,365</u>	<u>1,908,008</u>	<u>7,691,149</u>	<u>89,716</u>
Governmental activities long term liabilities	<u>\$ 79,148,733</u>	<u>\$ 19,771,726</u>	<u>\$ 7,706,475</u>	<u>\$ 91,213,984</u>	<u>\$ 6,651,676</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, 2019

3. E. LONG-TERM DEBT (CONTINUED)

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
Bonds payable:					
Revenue bonds	\$ 9,835,000	\$ -	\$ 185,000	\$ 9,650,000	\$ 190,000
Plus bond premiums/discounts	<u>883,880</u>	<u>-</u>	<u>30,479</u>	<u>853,401</u>	<u>-</u>
Total bonds, loans, and leases payable	<u>10,718,880</u>	<u>-</u>	<u>215,479</u>	<u>10,503,401</u>	<u>190,000</u>
Business-type activities long term liabilities	<u>\$ 10,718,880</u>	<u>\$ -</u>	<u>\$ 215,479</u>	<u>\$ 10,503,401</u>	<u>\$ 190,000</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, 2019, are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 6,561,960	\$ 2,691,432	\$ 190,000	\$ 420,350
2021	6,573,211	2,672,240	190,000	416,550
2022	7,023,775	2,469,527	200,000	410,850
2023	7,228,743	2,258,362	205,000	404,850
2024	7,456,809	2,037,216	210,000	398,700
2025-2029	27,550,214	6,615,001	1,190,000	1,853,300
2030-2034	11,055,000	3,465,618	1,505,000	1,532,750
2035-2038	6,205,000	1,173,250	5,960,000	1,947,950
Total	<u>\$ 79,654,712</u>	<u>\$ 23,382,646</u>	<u>\$ 9,650,000</u>	<u>\$ 7,385,300</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. E. LONG-TERM DEBT (CONTINUED)

As of December 31, 2019 the governmental long term debt consisted of the following:

General Obligation Warrants:

<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>3,830,000</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>8,515,000</p>
<p>\$10,000,000, 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, final payment due June 15, 2026.</p>	<p>7,750,000</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>6,158,755</p>
<p>\$21,820,000, Series 2018-A General Obligation Warrants, dated April 26, 2018 due in annual principal installments of \$665,000 increasing to \$1,665,000 beginning on December 15, 2019, with a final payment due December 15, 2038. Interest varying from 3% to 5% per annum payable June 15 and December 15, first payment due December 15, 2018 and last December 15, 2038.</p>	<p>21,155,000</p>
<p>\$15,260,000, Series 2018-B General Obligation Warrants, dated April 26, 2018 due in biannual installments of interest accrued on the outstanding principal balance. Interest varying from 3% to 3.65% per annum payable on the 15th of June and December beginning in December 15, 2018, final payment due December 15, 2033.</p>	<p>14,440,000</p>
<p>\$15,00,000, Series 2019-C General Obligation Warrants, dated April 5, 2019 due in quarterly installments of interest accrued on the outstanding principal balance. Interest is 3.75% payable on the 15th of March, June, September and December beginning in June 15, 2019, final principal payment is due March 15, 2026.</p>	<p>8,598,824</p>
<p>\$103,538 of capital lease for computer equipment payable in annual installments of \$36,405 beginning January 2019</p>	<p>67,133</p>
<p>\$190,000 land purchase payable in annual installments of \$50,000 beginning March 2019</p>	<p>140,000</p>
<p>Total Unamortized General Obligation Warrant Issue Premiums</p>	<p><u>3,868,123</u></p>
<p>Total Long Term Debt</p>	<p><u>\$ 83,522,835</u></p>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. E. LONG-TERM DEBT (CONTINUED)

As of December 31, 2019 the business-type long term debt consisted of the following:

\$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.	\$ 9,650,000
Total Unamortized Revenue Bond Premiums	<u>853,401</u>
Total Long Term Debt	<u>\$ 10,503,401</u>

3. F. UNEARNED REVENUE

The City has unearned revenues of \$6,138 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 \$178,187 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 \$2,242 is derived from cash collected for 2020 merchandise sales at the City Store.

As of December 31, 2019 the City has unearned revenues of \$7,945 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 \$323,644 is derived from various sundry assessments for capital projects from developers, which are deferred, and will be recognized when the expenses is incurred.

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, 2019, the Beach Restoration Fund and Storm Damage Fund of the City of Gulf Shores had accumulated total fund balance deficit of \$91,528 and \$101,547, 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, 2019, was \$734,155,980 resulting in a debt limit of \$146,831,196. 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 seven-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
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION

4. A. RETIREMENT PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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. Under the formula method for 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. For Tier 2 members, the retirement benefit cannot exceed 80% of the Average Final Salary. Tier 2 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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. These participating employers include 297 cities, 65 counties, and 520 other public entities. The ERS membership includes approximately 88,517 participants. As of September 30, 2018 the City’s membership consisted of:

Retired member or their beneficiaries currently receiving benefits	33
Vested inactive member	4
Non-vested inactive members	34
Active members	284
Post-DROP retired members still in active service	1
Total	356

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

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2018, the City's active employee contribution rate was 5.33% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 5.7% of covered employee payroll.

The City's contractually required contribution rate for the year ended December 30, 2018 was 7.74% of pensionable pay for Tier 1 employees, and 5.33% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016 a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,010,593 for the year ended December 31, 2019.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Schedule of Roll-Forward of the Total Pension Liability (TPL)

	<u>Expected</u>	<u>Actual</u>	<u>Actual</u>
(a) TPL as of September 30, 2017	\$ 30,138,233	\$ 29,417,787	\$ 29,603,856
(b) Discount rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	1,152,025	1,152,025	1,161,994
(d) Transfers Among Employers	-	92,942	92,942
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	<u>(1,067,933)</u>	<u>(1,067,933)</u>	<u>(1,067,933)</u>
(f) TPL as of September 30, 2018 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 32,516,656</u>	<u>\$ 31,833,317</u>	<u>\$ 32,029,240</u>
(g) Difference between Expected and Actual:		\$ (683,339)	
(h) Less Liability Transferred for Immediate Recognition:		<u>92,942</u>	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (776,281)</u>	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain/ Loss) =			\$ 195,923

Actuarial assumptions: The total pension liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.875%
Salary increases	3.375% - 5.125%
Investment rate of return*	7.875%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Retiree Mortality Table with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, 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, 2016. The Board of Control accepted and approved these changes in September 2017, which became effective at the beginning of fiscal year 2017.

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:

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

	Target Allocation	Long-Term Expected Rate of Return*
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%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%.

Discount rate: The discount rate used to measure the total pension liability was the long term rate of return, 7.875%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at September 30, 2017	\$ 30,138,233	\$ 22,886,612	\$ 7,251,621
Change for the year:			
Service cost	1,152,025		1,152,025
Interest	2,294,331		2,294,331
Changes of assumptions	195,924		195,924
Difference between expected and actual experience	(776,281)		(776,281)
Contributions - employer	-	940,350	(940,350)
Contributions - employee	-	844,796	(844,796)
Net investment income	-	2,155,583	(2,155,583)
Benefit payments, including refunds of employee contributions	(1,067,933)	(1,067,933)	-
Administrative expense	-	-	-
Transfers among employers	92,942	92,942	-
Net changes	<u>1,891,008</u>	<u>2,965,738</u>	<u>(1,074,730)</u>
Balance at September 30, 2018	<u>\$ 32,029,241</u>	<u>\$ 25,852,350</u>	<u>\$ 6,176,891</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the City’s net pension liability (asset) calculated using the discount rate of 7.75%, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability (Asset)	\$ 10,605,601	\$ 6,176,891	\$ 2,500,956

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor’s report dated January 31, 2019 on the Schedule of Changes in Fiduciary Net Position and accompanying notes and other financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the City recognized pension expense of \$1,078,144. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

Summary of Deferred Inflows and Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 181,311	\$ 1,376,370
Changes of assumptions	943,830	-
Net difference between projected and actual earnings on plan investments	-	810,167
Employer contributions subsequent to the Measurement Date	1,475,039	-
Total	\$ 2,600,180	\$ 2,186,537

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

Schedule of Amortization of Deferred Inflows and Outflows of Resources

Year Ended September 30		
2020	\$	(146,119)
2021		(384,594)
2022		(306,245)
2023		(102,393)
2024		(23,451)
Thereafter		(98,594)

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Details of the deferred inflows and outflows of resources are displayed in the following three tables:

Collective Deferred Outflows and Inflows between Expected and Actual Experience

Year	<u>Beginning Balance</u>									<u>Ending Balance</u>	
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amort- ization Period	Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows	Amounts Recognize d in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Deferred Outflows	Deferred Inflows
			(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)	
2018	\$ -	\$ 776,281	8.7	\$ -	\$ -	\$ -	\$ 776,281	\$ -	\$ 89,228	\$ -	\$ 687,053
2017	\$ 234,639	\$ -	8.8	\$ 207,975	\$ -	\$ -	\$ -	\$ 26,664	\$ -	\$ 181,311	\$ -
2016	\$ -	\$ 830,698	8.9	\$ -	\$ 644,024	\$ -	\$ -	\$ -	\$ 93,337	\$ -	\$ 550,687
2015	\$ -	\$ 256,610	8.7	\$ -	\$ 168,125	\$ -	\$ -	\$ -	\$ 29,495	\$ -	\$ 138,630
Total				<u>\$ 207,975</u>	<u>\$ 812,149</u>	<u>\$ -</u>	<u>\$ 776,281</u>			<u>\$ 181,311</u>	<u>\$ 1,376,370</u>

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Collective Deferred Outflows and Inflows for Differences from Assumption Change

Year			<u>Beginning Balance</u>							<u>Ending Balance</u>	
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amort- ization Period	Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows	Amounts Recognize d in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2018	\$ 195,924	\$ -	8.7	\$ -	\$ -	\$ 195,924	\$ -	\$ 22,520	\$ -	\$ 173,404	\$ -
2017	\$ -	\$ -	8.8	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 1,162,166	\$ -	8.9	\$ 901,006	\$ -	\$ -	\$ -	\$ 130,580	\$ -	\$ 770,426	\$ -
2015	\$ -	\$ -	8.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total				<u>\$ 901,006</u>	<u>\$ -</u>	<u>\$ 195,924</u>	<u>\$ -</u>			<u>\$ 943,830</u>	<u>\$ -</u>

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Collective Deferred Outflows and Inflows for Differences in Investment Experience

Year	Beginning Balance		Amortization Period					Amounts Recognized		Ending Balance	
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred		Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows	d in Pension Expense /	Recognized in Pension Expense / Deferred	Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
			(a)	(b)	(c)	(d)	(e)	(f)			
2018	\$ -	\$ 350,477	5	\$ -	\$ -	\$ -	\$ 350,477	\$ -	\$ 70,095	\$ -	\$ 280,382
2017	\$ -	\$ 1,019,262	5	\$ -	\$ 815,410	\$ -	\$ -	\$ -	\$ 203,852	\$ -	\$ 611,558
2016	\$ -	\$ 391,763	5	\$ -	\$ 235,057	\$ -	\$ -	\$ -	\$ 78,353	\$ -	\$ 156,704
2015	\$ 1,192,385	\$ -	5	\$ 476,954	\$ -	\$ -	\$ -	\$ 238,477	\$ -	\$ 238,477	\$ -
2014	\$ -	\$ 618,960	5	\$ -	\$ 123,792	\$ -	\$ -	\$ -	\$ 123,792	\$ -	\$ -
Total				<u>\$ 476,954</u>	<u>\$ 1,174,259</u>	<u>\$ -</u>	<u>\$ 350,477</u>			<u>\$ 238,477</u>	<u>\$ 1,048,643</u>
Net difference between projected and actual earnings on investments										\$	810,166

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

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

Summary of Deferred Outflows and Inflows of Resources

Amort. Year	Actual & Expected Experience				Assumption Changes		Investment Gains/ Losses				Total
	2015	2016	2017	2018	2016	2018	2015	2016	2017	2018	
2020	(29,495)	(93,337)	26,664	(89,228)	130,580	22,520	238,477	(78,353)	(203,852)	(70,095)	(146,119)
2021	(29,495)	(93,337)	26,664	89,228	130,580	22,520	-	(78,531)	(203,852)	(70,095)	(206,318)
2022	(29,495)	(93,337)	26,664	(89,228)	130,580	22,520	-	-	(203,854)	(70,095)	(306,245)
2023	(29,495)	(93,337)	26,664	(89,228)	130,580	22,520	-	-	-	(70,097)	(102,393)
2024	(20,650)	(93,337)	26,664	(89,228)	130,580	22,520	-	-	-	-	(23,451)
Thereafter	-	(84,002)	47,991	(419,369)	117,526	60,804	-	-	-	-	(277,050)
Total	\$ (138,630)	\$ (550,687)	\$ 181,311	\$ (687,053)	\$ 770,426	\$ 173,404	\$ 238,477	\$ (156,884)	\$ (611,558)	\$ (280,382)	\$ (1,061,576)

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. A. RETIREMENT PLAN (CONTINUED)

Pension expense (income) for Fiscal year ending December 31, 2019 was calculated as follows:

Service Cost	\$ 1,152,025
Interest on the total pension liability	2,294,331
Current- period benefit changes	-
Expensed portion of current- period differences between expected and actual experience in total pension liability	(89,228)
Expensed portion of current period changes of assumptions	22,520
Member contributions	(844,796)
Projected earnings on plan investments	(1,805,106)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(70,095)
Transfers among employers	-
Recognition of beginning outflows of resources as pension expense	157,244
Recognition of beginning inflows of resources as pension expense	<u>(290,352)</u>
Pension Expense (Income)	<u>\$ 526,543</u>

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, 2018 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 CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

4. B. DEFEASED DEBT (CONTINUED)

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).

4. C. COMMITMENTS AND CONTINGENCIES

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.

The Zoo Foundation

The City approved a one-time grant to the Zoo Foundation in the amount of \$1,000,000. The grant is contingent on the following factors: 1.) the completion of construction of the new facility in Gulf Shores by May 5, 2020. 2.) evidence of the Zoo's request from the City of applicable construction permits within six months of the date hereof. The grant funds will be held by a trustee escrow fund once requested and will be used for the payment of operating expenses only when the company has no other reasonably available funds to make such payment and such fact is certified in writing by the Zoo to the Bond Issuer and Trustee.

Unused Line of Credit

In January 2019, the City obtained a five year line of credit with Bancorp South in the amount of \$9,800,000 with a 4.54% interest rate. There was no outstanding balance on the line of credit as of December 31, 2019.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. C. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction, engineering, and design contracts for material public works project commitments at December 31, 2019 are as follows:

Contractor/Engineer	Construction/Professional Services Project	Resolution Number	Contract Amount Including Change Orders	Approximate Expenditures Incurred To Date	Approximate Balance of Contract
Volkert & Associates	Professional Services for CR8 Widening and Signal Improvements	5880-17 & 6014-18	954,757	733,615	221,142
H.O. Weaver & Sons, Inc.	Coastal Gateway Boulevard (Formerly CR8) Widening and Signal Improvements	6057-18	9,200,000	3,113,508	6,086,492
Volkert & Associates	Professional Services for the Beach Walking District Improvements	6204-19	424,754	39,500	385,254
Asphalt Services, Inc.	Street Widening/Bike Lanes and Resurfacing	6197-19	740,000	646,465	93,535
Skipper Consulting, Inc.	Professional Services for Canal Road Realignment Traffic Circulation Study	6203-19	31,800	9,585	22,215
Volkert, Inc.	Professional Services to Develop Corridor Study for the Restore ALDOT Capacity Project	6099-19	284,692	156,590	128,102
Cunningham DeLaney, LLC	Project	6173-19	1,255,349	1,100,551	154,798
Volkert, Inc.	Professional Services for School Zone Improvements	6123-19	118,900	90,474	28,426
Fabre Engineering & Surveying	Professional Services for Improvements to West Lagoon Avenue	6134-19	130,735	106,420	24,315
Architecture Works LLP	Professional Services for the Gulf Coast Center for Ecotourism and Sustainability Design Services	6195-19	950,000	-	950,000
Matrix Consulting Group	Perform a Space Needs and Projecting Building Program Analysis for Multiple City Owned Facilities	6196-19	100,000	39,135	60,865
Adams Stewart Architects, LLC	Professional Services for Oyster Bay Fire Station Renovations	6172-19	35,000	-	35,000
Civil Southeast	Professional Services for Preliminary Design for Fort Morgan Trail Resurfacing Project	6220-19	36,700	5,000	31,700
Smith Clark & Associates	Professional Services Related to Medical Village Access Improvements Project	6222-19	12,950	-	12,950
Bhate Geosciences Corporation	Professional Services Related to Medical Village Access Improvements Project	6221-19	8,860	-	8,860
Goodwyn Mills Cawood	Professional Services Related to Little Lagoon Pass Park Improvements	6219-19	22,700	2,070	20,630

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 2019, rentals approximated \$105,910 for such leases. Approximately \$105,910 in minimum rental payments are due in 2019. 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>(583,026)</u>
Net investment in operating leases	<u>\$ 144,716</u>

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

Year	Payment
2020	432,608
2021	435,085
2022	445,065
2023	446,566
Thereafter	<u>16,433,968</u>
Total	<u>\$ 18,193,292</u>

Minimum Future lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments only occur if sales and activities of the lessee exceed certain levels. Contingent rentals were \$125,213 in 2019.

THE CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

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
2020	610,350
2021	606,550
2022	610,850
2023	609,850
2024	608,700
Thereafter	13,989,000
Total	\$ 17,035,300

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.

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, 2018 is \$818,838 at a 4.0% assumed annual investment. Subsequent to completion of the actuarial report, \$40,073 compensated absences were paid out, leaving an unfunded balance of \$778,765 at December 31, 2019.

The gross annual required contribution (current liability) assumed payable is \$89,715, which consists of an annual normal cost assumed payable of \$68,406, plus a 30 year actuarial accrued liability amortization contribution of \$21,309. 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 2019 there was no early retirement sick leave paid out by the City to eligible retirees.

THE CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – OTHER INFORMATION (CONTINUED)

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 \$18,804,442 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 \$18,804,442, as reflected in reserved cash and cash equivalents of the General Fund.

NOTE 5 – 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 6 – SUBSEQUENT EVENTS

Subsequent events were evaluated from January 1, 2020 through the financial statement issuance date May 15, 2020.

As a result of the spread of COVID19 coronavirus, economic uncertainties have arisen which are likely to negatively impact tax revenues. Other financial impacts could occur though such potential impacts are unknown at this time.

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, 2019

	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 3,380,000	\$ 3,380,000	\$ 3,521,657	\$ 141,657
Local Taxes	28,490,000	33,370,000	34,127,612	757,612
Licenses and Permits	3,391,000	3,841,000	4,088,484	247,484
Fines and Forfeitures	500,000	500,000	485,660	(14,340)
Utility Tax Equivalents	1,640,000	1,740,000	1,756,512	16,512
Intergovernmental:				
Federal and State Grants	525,842	555,842	484,356	(71,486)
State of Alabama - Taxes	145,700	3,557,844	3,677,291	119,447
Income on Investments	80,000	80,000	296,910	216,910
Other	1,924,119	1,944,119	1,998,199	54,080
Total Revenues	<u>40,076,661</u>	<u>48,968,805</u>	<u>50,436,681</u>	<u>1,467,876</u>
EXPENDITURES				
Executive Department	5,219,019	5,427,275	4,957,019	470,256
Municipal Court	410,402	435,402	462,119	(26,717)
Police Department	6,224,531	6,241,526	6,371,388	(129,862)
Fire and Emergency Services	4,657,047	5,175,662	5,216,182	(40,520)
Community and Economic Affairs	7,324,624	7,453,286	7,342,135	111,151
Public Works	7,189,849	7,224,849	6,959,766	265,083
Appropriations	2,260,000	5,054,906	3,548,574	1,506,332
Capital Outlay	200,000	3,672,144	3,644,219	27,925
Total Expenditures	<u>33,485,472</u>	<u>40,685,050</u>	<u>38,501,402</u>	<u>2,183,648</u>
Excess of Revenues over Expenditures	<u>6,591,189</u>	<u>8,283,755</u>	<u>11,935,279</u>	<u>3,651,524</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Capital Assets	50,000	50,000	85,449	35,449
Transfers In	3,184,278	4,084,278	3,234,417	(849,861)
Transfers Out	(9,162,078)	(12,296,078)	(12,226,197)	69,881
Total Other Financing Uses	<u>(5,927,800)</u>	<u>(8,161,800)</u>	<u>(8,906,331)</u>	<u>(744,531)</u>
Net Change in Fund Balances	<u>\$ 663,389</u>	<u>\$ 121,955</u>	<u>\$ 3,028,948</u>	<u>\$ 2,906,993</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.

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, 2019

	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,962,442	\$ 2,185,992	\$ 1,960,245	\$ 1,681,939
Contributions in relation to the actuarially determined contribution	<u>1,962,442</u>	<u>2,185,992</u>	<u>1,960,245</u>	<u>1,681,939</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,887,074	\$ 14,565,997	\$ 13,993,238	\$ 13,724,493
Contributions as a percentage of covered payroll	12.35%	15.01%	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 2019 were based on the September 30, 2016 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, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service Cost	\$ 1,152,025	\$ 1,160,777	\$ 1,042,057	\$ 1,039,908	\$ 984,884
Interest	2,294,331	2,134,622	2,026,409	1,911,934	1,786,919
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(776,281)	234,639	(830,698)	(256,610)	-
Changes of assumptions	195,924	-	1,162,166	-	-
Benefit payments, including refunds of employee contributions	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	92,942	(438,378)	(130,057)	-	-
Net change in total pension liability	<u>1,891,008</u>	<u>2,097,777</u>	<u>2,150,811</u>	<u>1,285,719</u>	<u>1,763,065</u>
Total pension liability-beginning	<u>30,138,233</u>	<u>28,040,456</u>	<u>25,889,645</u>	<u>24,603,926</u>	<u>22,840,861</u>
Total pension liability-ending (a)	<u>\$ 32,029,241</u>	<u>\$ 30,138,233</u>	<u>\$ 28,040,456</u>	<u>\$ 25,889,645</u>	<u>\$ 24,603,926</u>
Plan fiduciary net position					
Contributions - employer	\$ 940,350	\$ 936,184	\$ 1,012,511	\$ 952,313	\$ 959,691
Contributions - member	844,796	770,689	769,340	643,754	626,907
Net investment income	2,155,583	2,582,212	1,826,701	207,616	1,857,305
Benefit payments, including refunds of employee contributions	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	92,942	(438,378)	(130,057)	(261,088)	(176,551)
Net change in plan fiduciary net position	<u>2,965,738</u>	<u>2,856,824</u>	<u>2,359,429</u>	<u>133,082</u>	<u>2,258,614</u>
Plan net position - beginning	<u>22,886,612</u>	<u>20,029,788</u>	<u>17,670,359</u>	<u>17,537,277</u>	<u>15,278,663</u>
Plan net position - ending (b)	<u>\$ 25,852,350</u>	<u>\$ 22,886,612</u>	<u>\$ 20,029,788</u>	<u>\$ 17,670,359</u>	<u>\$ 17,537,277</u>
Net pension liability (asset) - ending	\$ 6,176,891	\$ 7,251,621	\$ 8,010,668	\$ 8,219,286	\$ 7,066,649
Plan fiduciary net position as a percentage of the total pension liability	80.71%	75.94%	71.43%	68.25%	71.28%
Covered payroll	\$ 14,565,997	\$ 13,494,552	\$ 13,993,238	\$ 11,761,236	\$ 11,761,236
Net pension liability (asset) as a percentage of covered payroll	42%	54%	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, 2019

	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	
ASSETS								
Restricted Cash and Cash Equivalents	\$ 2,835,399	\$ 243,959	\$ 1,693,651	\$ 22,497	\$ 239,230	\$ 171,451	\$ 185,279	\$ 5,391,466
Due From Other Funds	175,000	10,461	-	-	-	-	-	185,461
Due From Other Governments	-	-	-	-	-	12,114	34,703	46,817
Due From Component Units	-	-	-	-	-	8,586,099	-	8,586,099
Prepays and Other Assets	-	-	-	-	103,363	-	-	103,363
Total Assets	\$ 3,010,399	\$ 254,420	\$ 1,693,651	\$ 22,497	\$ 342,593	\$ 8,769,664	\$ 219,982	\$ 14,313,206
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 270,427	\$ -	\$ 40,062	\$ 8,363	\$ -	\$ 318,852
Payroll taxes & benefits payable	-	-	-	-	27,492	-	-	27,492
Other liabilities	-	-	-	-	-	175,000	-	175,000
Due to other funds	-	-	-	-	366,567	5,797	321,529	693,893
Total Liabilities	-	-	270,427	-	434,121	189,160	321,529	1,215,237
DEFERRED INFLOW OF RESOURCES								
Deferred revenue	-	-	-	-	-	137,171	-	137,171
Fund Balances:								
Spendable:								
Restricted	-	254,420	1,423,224	22,497	-	8,443,333	-	10,143,474
Committed	3,010,399	-	-	-	-	-	-	3,010,399
Unassigned	-	-	-	-	(91,528)	-	(101,547)	(193,075)
Total Fund Balances	3,010,399	254,420	1,423,224	22,497	(91,528)	8,443,333	(101,547)	12,960,798
Total Liabilities, Deferred Inflow of Resources and Fund Balance	\$ 3,010,399	\$ 254,420	\$ 1,693,651	\$ 22,497	\$ 342,593	\$ 8,769,664	\$ 219,982	\$ 14,313,206

THE CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	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	
REVENUES								
Local taxes	\$ 4,032,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,032,916
Intergovernmental:								
State of Alabama taxes	-	566,771	-	-	-	-	-	566,771
Federal and State grants	-	-	-	-	136,484	-	-	136,484
Interest income	2,697	1,480	7,815	345	410	3,441	-	16,188
Impact fees	-	-	1,363,358	-	-	-	-	1,363,358
Other receipts	-	-	-	-	669,604	200	-	669,804
Total Revenues	<u>4,035,613</u>	<u>568,251</u>	<u>1,371,173</u>	<u>345</u>	<u>806,498</u>	<u>3,641</u>	<u>-</u>	<u>6,785,521</u>
EXPENDITURES								
Current Operating:								
Police	-	-	91,752	-	303,233	-	-	394,985
Fire	-	-	94,157	-	-	-	-	94,157
Community and Economic Affairs	-	-	334,145	-	-	-	-	334,145
Public Works	-	-	300,000	-	1,095,606	-	28,598	1,424,204
Capital Outlay	-	-	-	-	275	-	-	275
Miscellaneous	-	288,148	-	-	70	-	-	288,218
Total Expenditures	<u>-</u>	<u>288,148</u>	<u>820,054</u>	<u>-</u>	<u>1,399,184</u>	<u>-</u>	<u>28,598</u>	<u>2,535,984</u>
Excess (Deficiency) of revenues Over Expenditures	<u>4,035,613</u>	<u>280,103</u>	<u>551,119</u>	<u>345</u>	<u>(592,686)</u>	<u>3,641</u>	<u>(28,598)</u>	<u>4,249,537</u>
OTHER FINANCING SOURCES (USES)								
Bond Proceeds	-	-	-	-	-	8,598,823	-	8,598,823
Transfers In	-	-	-	-	575,772	-	23,078	598,850
Transfers Out	(3,290,050)	(490,000)	-	-	-	(30,000)	-	(3,810,050)
Total Other Financing Sources (Uses)	<u>(3,290,050)</u>	<u>(490,000)</u>	<u>-</u>	<u>-</u>	<u>575,772</u>	<u>8,568,823</u>	<u>23,078</u>	<u>5,387,623</u>
Net Change in Fund Balance	745,563	(209,897)	551,119	345	(16,914)	8,572,464	(5,520)	9,637,160
Fund Balances - Beginning	<u>2,264,836</u>	<u>464,317</u>	<u>872,105</u>	<u>22,152</u>	<u>(74,614)</u>	<u>(129,131)</u>	<u>(96,027)</u>	<u>3,323,638</u>
Fund Balances - Ending	<u>\$ 3,010,399</u>	<u>\$ 254,420</u>	<u>\$ 1,423,224</u>	<u>\$ 22,497</u>	<u>\$ (91,528)</u>	<u>\$ 8,443,333</u>	<u>\$ (101,547)</u>	<u>\$ 12,960,798</u>

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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Interest Income	\$ 1,000	\$ 1,000	\$ 2,697	\$ 1,697
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>2,697</u>	<u>1,697</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Total General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>1,000</u>	<u>1,000</u>	<u>2,697</u>	<u>1,697</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,289,000	3,289,000	4,032,916	743,916
Transfers Out	(3,290,000)	(3,290,000)	(3,290,050)	(50)
Total Other Financing Uses	<u>(1,000)</u>	<u>(1,000)</u>	<u>742,866</u>	<u>743,866</u>
Net Change in Fund Balances	-	-	745,563	745,563
Fund Balance, beginning	<u>2,264,836</u>	<u>2,264,836</u>	<u>2,264,836</u>	<u>-</u>
Fund Balance, ending	<u>\$ 2,264,836</u>	<u>\$ 2,264,836</u>	<u>\$ 3,010,399</u>	<u>\$ 745,563</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

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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Firefighters Ad Valorem	\$ 165,000	\$ 165,000	\$ 194,851	\$ 29,851
Law Enforcement:				
Federal Equity Sharing	-	-	39,226	39,226
State, Local & Other	10,000	10,000	2,908	(7,092)
Alabama Gasoline Excise Tax				
Four per Gallon	16,000	16,000	17,106	1,106
Five per Gallon	7,000	7,000	8,422	1,422
Seven per Gallon	27,000	27,000	29,475	2,475
Petroleum Inspection Fees	4,000	4,000	4,694	694
Motor Fuel Distribution	1,000	1,000	1,325	325
State Shared Capital Improvement Fund	85,000	85,000	89,697	4,697
Corrections Fund	105,000	105,000	141,565	36,565
Municipal Court Judicial Administrative Fund	45,000	105,000	37,502	(67,498)
Interest income	-	-	1,480	1,480
Total Revenues	<u>465,000</u>	<u>525,000</u>	<u>568,251</u>	<u>43,251</u>
EXPENDITURES				
Account Administration	<u>45,000</u>	<u>105,000</u>	<u>288,148</u>	<u>183,148</u>
Total Expenditures	<u>45,000</u>	<u>105,000</u>	<u>288,148</u>	<u>183,148</u>
Excess of revenues over expenditures	<u>420,000</u>	<u>420,000</u>	<u>280,103</u>	<u>226,399</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund:				
Corrections	(150,000)	(150,000)	(155,000)	(5,000)
Firefighters Ad Valorem	(165,000)	(165,000)	(182,000)	(17,000)
Alabama Gasoline Excise Tax	(65,000)	(65,000)	(63,000)	2,000
State Capital Improvements	(90,000)	(90,000)	(90,000)	-
Total Other Financing Uses	<u>(470,000)</u>	<u>(470,000)</u>	<u>(490,000)</u>	<u>(20,000)</u>
Net Change in Fund Balances	(50,000)	(50,000)	(209,897)	206,399
Fund Balance, beginning	<u>464,317</u>	<u>464,317</u>	<u>464,317</u>	<u>-</u>
Fund Balance, ending	<u>\$ 414,317</u>	<u>\$ 414,317</u>	<u>\$ 254,420</u>	<u>\$ 206,399</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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Parks & Recreation	\$ 440,000	\$ 495,000	\$ 679,622	\$ 184,622
Fire	95,000	95,000	106,012	11,012
Police	95,450	95,450	77,508	(17,942)
Public Works	300,000	300,000	500,216	200,216
Interest Income	1,500	1,500	7,815	6,315
Total Revenues	<u>931,950</u>	<u>986,950</u>	<u>1,371,173</u>	<u>384,223</u>
EXPENDITURES				
Current				
Fire	95,000	95,000	94,157	(843)
Recreation	440,000	495,000	334,145	(160,855)
Public Works	300,000	300,000	300,000	-
Police	95,450	95,450	91,752	(3,698)
Total Expenditures	<u>930,450</u>	<u>985,450</u>	<u>820,054</u>	<u>(165,396)</u>
Excess of revenues over expenditures	<u>1,500</u>	<u>1,500</u>	<u>551,119</u>	<u>549,619</u>
Net Change in Fund Balances	1,500	1,500	551,119	549,619
Fund Balance, beginning	<u>872,105</u>	<u>872,105</u>	<u>872,105</u>	<u>-</u>
Fund Balance, ending	<u>\$ 873,605</u>	<u>\$ 873,605</u>	<u>\$ 1,423,224</u>	<u>\$ 549,619</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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 345	\$ 345
Total Revenues	<u>-</u>	<u>-</u>	<u>345</u>	<u>345</u>
Net Change in Fund Balances	-	-	345	345
Fund Balance, beginning	<u>22,152</u>	<u>22,152</u>	<u>22,152</u>	<u>-</u>
Fund Balance, ending	<u>\$ 22,152</u>	<u>\$ 22,152</u>	<u>\$ 22,497</u>	<u>\$ 345</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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 410	\$ 410
Federal and State Grants	178,604	178,604	136,484	(42,120)
Other	685,000	685,000	669,604	(15,396)
Total Revenues	<u>863,604</u>	<u>863,604</u>	<u>806,498</u>	<u>(57,106)</u>
EXPENDITURES				
Police	363,758	368,758	303,233	(65,525)
Public Works	1,131,068	1,131,068	1,095,606	(35,462)
Miscellaneous	-	-	70	70
Beach Restoration	23,000	23,000	275	(22,725)
Total Expenditures	<u>1,517,826</u>	<u>1,522,826</u>	<u>1,399,184</u>	<u>(123,642)</u>
Excess of revenues over expenditures	<u>(654,222)</u>	<u>(659,222)</u>	<u>(592,686)</u>	<u>(180,748)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	575,722	575,722	575,772	50
Total Other Financing Uses	<u>575,722</u>	<u>575,722</u>	<u>575,772</u>	<u>50</u>
Net Change in Fund Balances	(78,500)	(83,500)	(16,914)	(180,698)
Fund Balance, beginning	<u>(74,614)</u>	<u>(74,614)</u>	<u>(74,614)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (153,114)</u>	<u>\$ (158,114)</u>	<u>\$ (91,528)</u>	<u>\$ (180,698)</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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 3,441	\$ 3,441
Other	30,000	30,000	200	(29,800)
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>3,641</u>	<u>(26,359)</u>
EXPENDITURES				
City School Improvements	-	8,800,000	-	(8,800,000)
Total Expenditures	<u>-</u>	<u>8,800,000</u>	<u>-</u>	<u>(8,800,000)</u>
Excess of revenues over expenditures	<u>30,000</u>	<u>(8,770,000)</u>	<u>3,641</u>	<u>8,773,641</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long Term Debt	-	8,800,000	8,598,823	(201,177)
Transfers Out	(30,000)	(30,000)	(30,000)	-
Total Other Financing Uses	<u>(30,000)</u>	<u>8,770,000</u>	<u>8,568,823</u>	<u>(201,177)</u>
Net Change in Fund Balances	-	-	8,572,464	8,974,818
Fund Balance, beginning	<u>(129,131)</u>	<u>(129,131)</u>	<u>(129,131)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (129,131)</u>	<u>\$ (129,131)</u>	<u>\$ 8,443,333</u>	<u>\$ 8,974,818</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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 1,384	\$ 1,384
Total Revenues	<u>-</u>	<u>-</u>	<u>1,384</u>	<u>1,384</u>
EXPENDITURES				
Miscellaneous	3,075	3,075	4,099	1,024
Principal	3,376,153	6,490,153	5,581,156	2,205,003
Interest	2,470,772	2,490,772	2,589,636	98,864
Total Expenditures	<u>5,850,000</u>	<u>8,984,000</u>	<u>8,174,891</u>	<u>2,304,891</u>
Excess of revenues over expenditures	<u>(5,850,000)</u>	<u>(8,984,000)</u>	<u>(8,173,507)</u>	<u>(2,303,507)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	5,850,000	8,984,000	8,172,898	811,102
Total Other Financing Uses	<u>5,850,000</u>	<u>8,984,000</u>	<u>8,172,898</u>	<u>811,102</u>
Net Change in Fund Balances	-	-	(609)	(3,114,609)
Fund Balance, Beginning	<u>1,260</u>	<u>1,260</u>	<u>1,260</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,260</u>	<u>\$ 1,260</u>	<u>\$ 651</u>	<u>\$ (3,114,609)</u>

THE CITY OF GULF SHORES, ALABAMA
 STORM DAMAGE CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES				
Public Works	53,000	53,000	28,598	(24,402)
Total Expenditures	<u>53,000</u>	<u>53,000</u>	<u>28,598</u>	<u>(24,402)</u>
Excess of revenues over expenditures	<u>(53,000)</u>	<u>(53,000)</u>	<u>(28,598)</u>	<u>24,402</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	23,078	23,078	23,078	-
Total Other Financing Uses	<u>23,078</u>	<u>23,078</u>	<u>23,078</u>	<u>-</u>
Net Change in Fund Balances	(29,922)	(29,922)	(5,520)	24,402
Fund Balance, beginning	<u>(96,027)</u>	<u>(96,027)</u>	<u>(96,027)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (125,949)</u>	<u>\$ (125,949)</u>	<u>\$ (101,547)</u>	<u>\$ 24,402</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, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Federal and State Grants	-	-	452,792	452,792
Total Revenues	<u>-</u>	<u>-</u>	<u>452,792</u>	<u>452,792</u>
EXPENDITURES				
Capital Outlay	900,000	900,000	862,048	(37,952)
Miscellaneous	-	-	79	79
Total Expenditures	<u>900,000</u>	<u>900,000</u>	<u>862,127</u>	<u>(37,873)</u>
Excess of Revenues Over Expenditures	<u>(900,000)</u>	<u>(900,000)</u>	<u>(409,335)</u>	<u>490,665</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	451,000	450,677	(323)
Total Other Financing Uses	<u>-</u>	<u>451,000</u>	<u>450,677</u>	<u>(323)</u>
Net Change in Fund Balances	(900,000)	(449,000)	41,342	490,342
Fund Balance, Beginning	<u>1,237,758</u>	<u>1,237,758</u>	<u>1,237,758</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 337,758</u>	<u>\$ 788,758</u>	<u>\$ 1,279,100</u>	<u>\$ 490,342</u>

THE CITY OF GULF SHORES, ALABAMA
2016 A WARRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants	\$ -	\$ 500,000	\$ -	\$ (500,000)
Total Revenues	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
EXPENDITURES				
Public Works	150,000	4,050,000	95,275	(3,954,725)
Capital Outlay	2,995,000	9,080,000	9,215,536	135,536
Total Expenditures	<u>3,145,000</u>	<u>13,130,000</u>	<u>9,310,811</u>	<u>(3,819,189)</u>
Excess of revenues over expenditures	<u>(3,145,000)</u>	<u>(13,130,000)</u>	<u>(9,310,811)</u>	<u>(3,819,189)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	3,145,000	14,500,000	10,000,000	(4,500,000)
Transfers Out	-	(870,000)	-	(870,000)
Transfers In	-	308,767	308,767	-
Total Other Financing Uses	<u>3,145,000</u>	<u>13,938,767</u>	<u>10,308,767</u>	<u>(5,370,000)</u>
Net Change in Fund Balances	-	808,767	997,956	1,550,811
Fund Balance, Beginning	<u>(133,156)</u>	<u>(133,156)</u>	<u>(133,156)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (133,156)</u>	<u>\$ 675,611</u>	<u>\$ 864,800</u>	<u>\$ 1,550,811</u>

THE CITY OF GULF SHORES, ALABAMA
2018 GO WARRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Federal and State Grants	\$ 1,859,849	\$ 1,540,000	\$ 54,366	\$ (1,485,634)
Other	1,275,000	1,275,000	-	(1,275,000)
Interest Income	46,000	46,000	158,034	112,034
Total Revenues	<u>3,180,849</u>	<u>2,861,000</u>	<u>212,400</u>	<u>(2,648,600)</u>
EXPENDITURES				
Current Operating:				
Capital Outlay	<u>11,298,562</u>	<u>10,781,895</u>	<u>5,902,993</u>	<u>(4,878,902)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,117,713)</u>	<u>(7,920,895)</u>	<u>(5,690,593)</u>	<u>2,230,302</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	8,047,713	8,680,662	-	(8,680,662)
Transfers In	30,000	-	-	792,276
Transfers Out	-	(759,767)	(762,276)	762,276
Total Other Financing Sources and (Uses)	<u>8,077,713</u>	<u>7,920,895</u>	<u>(762,276)</u>	<u>(7,126,110)</u>
Net Change in Fund Balance	(40,000)	-	(6,452,869)	(4,895,808)
Fund Balances - Beginning	<u>18,628,494</u>	<u>18,628,494</u>	<u>18,628,494</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 18,588,494</u>	<u>\$ 18,628,494</u>	<u>\$ 12,175,625</u>	<u>\$ (4,895,808)</u>

STATISTICAL SECTION

THE CITY OF GULF SHORES, ALABAMA
STATISTICAL SECTION
DECEMBER 31, 2019

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year				
	2010	2011**	2012	2013	2014
Governmental Activities					
Net Investment in capital assets	\$ 32,443,514	\$ 25,129,660	\$ 30,068,504	\$ 38,121,287	\$ 42,984,614
Restricted**	-	4,674,869	18,604,002	3,899,134	4,512,902
Unrestricted	9,765,391	22,442,057	10,030,325	20,521,555	21,935,254
Total governmental activities Net Position	<u>42,208,905</u>	<u>52,246,586</u>	<u>58,702,831</u>	<u>62,541,976</u>	<u>69,432,770</u>
Business-type activities					
Net Investment in capital assets	2,097,881	2,070,760	2,043,639	2,016,518	1,989,397
Unrestricted	69,694	69,858	38,534	31,060	3,723
Total business-type activities Net Position	<u>2,167,575</u>	<u>2,140,618</u>	<u>2,082,173</u>	<u>2,047,578</u>	<u>1,993,120</u>
Primary government					
Net Investment in capital assets	34,541,395	27,200,420	32,112,143	40,137,805	44,974,011
Restricted**	-	4,674,869	18,604,002	3,899,134	4,512,902
Unrestricted	9,835,085	22,511,915	10,068,859	20,552,615	21,938,977
Total primary government Net Position	<u>\$ 44,376,480</u>	<u>\$ 54,387,204</u>	<u>\$ 60,785,004</u>	<u>\$ 64,589,554</u>	<u>\$ 71,425,890</u>

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

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

	Fiscal Year				
	2015	2016	2017	2018	2019
Governmental Activities					
Net Investment in capital assets	\$ 45,722,455	\$ 45,289,955	\$ 57,682,765	\$ 39,025,026	\$ 31,547,784
Restricted**	4,454,624	1,603,565	2,113,341	2,266,096	3,011,050
Unrestricted	15,958,220	19,667,019	21,828,698	50,402,246	68,724,885
Total governmental activities Net Position	66,135,299	66,560,539	81,624,804	91,693,368	103,283,719
Business-type activities					
Net Investment in capital assets	1,962,276	1,935,155	6,772,994	1,872,966	2,283,518
Unrestricted	3,725	3,727	(5,151,544)	3,026	(311,671)
Total business-type activities Net Position	1,966,001	1,938,882	1,621,450	1,875,992	1,971,847
Primary government					
Net Investment in capital assets	47,684,731	47,225,110	64,455,759	40,897,992	33,831,302
Restricted**	4,454,624	1,603,565	2,113,341	2,266,096	3,011,050
Unrestricted	15,961,945	19,670,746	16,677,154	50,405,272	68,413,214
Total primary government Net Position	\$ 68,101,300	\$ 68,499,421	\$ 83,246,254	\$ 93,569,360	\$ 105,255,566

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses					
Governmental activities:					
Executive	\$ 3,557,756	\$ 3,646,526	\$ 3,492,747	\$ 3,644,562	\$ 3,872,284
Municipal Court	315,489	320,136	324,188	307,308	299,305
Police	3,961,753	4,542,844	4,301,242	5,060,640	4,711,188
Fire	3,158,784	3,545,999	3,397,974	3,583,029	3,665,512
Public Works	5,796,817	5,044,565	12,044,437	9,036,092	6,388,214
Community and Economic Affairs	5,203,873	5,904,452	7,354,432	6,748,057	7,182,958
Other	2,330,140	6,016,243	2,166,635	1,536,803	1,401,422
Total governmental activities expenses	24,324,612	29,020,765	33,081,655	29,916,491	27,520,883
Business-type activities:					
Jack Edwards Airport, Airport Authority					
Public Education Authority	191,366	188,686	221,980	199,339	147,259
Total business-type activities expenses	191,366	188,686	221,980	199,339	147,259
Total primary government expenses	24,515,978	29,209,451	33,303,635	30,115,830	27,668,142
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	20,975	5,456	15,208	49,600	(103,078)
Municipal Court	381,667	398,801	456,488	545,389	544,119
Police	5,426	8,273	19,949	21,181	35,044
Fire	7,442	7,468	25,493	27,524	44,389
Community and Economic Affairs	3,120,094	3,559,168	4,006,776	4,130,862	4,797,510
Public Works	92,807	117,280	262,635	330,832	572,916
Operating Grants and Contributions	1,355,967	659,443	348,819	1,433,071	1,553,425
Capital Grants and Contributions	806,079	2,992,714	8,965,656	2,964,418	1,287,091
Total governmental activities program revenues	5,790,457	7,748,603	14,101,024	9,502,877	8,731,416
Business-type activities					
Charges for services					
Public Education Building Authority	164,245	161,565	163,503	164,728	120,138
Total business-type activities program revenues	164,245	161,565	163,503	164,728	120,138
Total primary government program revenues	\$ 5,954,702	\$ 7,910,168	\$ 14,264,527	\$ 9,667,605	\$ 8,851,554
Net (Expense)/Revenue					
Governmental activities	\$ (18,534,155)	\$ (21,272,162)	\$ (18,980,631)	\$ (20,413,614)	\$ (18,789,467)
Business-type activities	(27,121)	(27,121)	(58,477)	(34,611)	(27,121)
Total primary government net expense	(18,561,276)	(21,299,283)	(19,039,108)	(20,448,225)	(18,816,588)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	2,874,858	3,444,058	2,500,195	2,402,380	2,556,551
Local taxes	14,090,126	18,385,150	19,962,896	20,798,896	21,387,762
Franchise taxes	1,135,118	1,172,815	1,162,351	1,151,859	1,253,354
State taxes	296,473	321,933	329,770	492,085	402,057
Investment earnings	300,395	91,545	37,187	20,397	22,341
Miscellaneous	369,997	278,677	145,782	50,208	84,407
Contributions	5,476,579	6,402,323	1,336	-	-
Gain/(Loss) on Disposal of Assets	8,803	28,342	(14,517)	(60,212)	(53,563)
Transfers	(96,000)	-	-	-	27,347
Total governmental activities	24,456,349	30,124,843	24,125,000	24,855,613	25,680,256
Business-type activities:					
Investment earnings	539	164	32	17	10
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	(27,347)
Total business-type activities	539	164	32	17	(27,337)
Total primary government	24,456,888	30,125,007	24,125,032	24,855,630	25,652,919
Changes in Net Position					
Governmental activities	5,922,194	8,852,681	5,144,369	4,441,999	6,890,789
Business-type activities	(26,582)	(26,957)	(58,445)	(34,594)	(54,458)
Total primary government	\$ 5,895,612	\$ 8,825,724	\$ 5,085,924	\$ 4,407,405	\$ 6,836,331

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Expenses					
Governmental activities:					
Executive	\$ 4,459,113	\$ 4,657,072	\$ 4,889,329	\$ 3,839,222	\$ 5,516,039
Municipal Court	360,707	433,826	471,390	415,069	463,210
Police	4,960,912	5,656,457	5,788,741	6,882,556	6,977,146
Fire	4,843,162	3,408,579	4,018,363	4,225,805	6,069,504
Public Works	7,053,798	7,637,148	7,360,994	9,204,974	9,299,293
Community and Economic Affairs	7,212,912	7,608,894	8,181,961	7,914,734	11,814,216
Other	1,415,022	1,107,600	1,219,902	2,471,215	2,593,443
Total governmental activities expenses	<u>30,305,626</u>	<u>30,509,576</u>	<u>31,930,680</u>	<u>34,953,575</u>	<u>42,732,851</u>
Business-type activities:					
Public Education Authority	27,121	27,121	507,334	418,585	549,754
Total business-type activities expenses	<u>27,121</u>	<u>27,121</u>	<u>507,334</u>	<u>418,585</u>	<u>549,754</u>
Total primary government expenses	<u>30,332,747</u>	<u>30,536,697</u>	<u>32,438,014</u>	<u>35,372,160</u>	<u>43,282,605</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	11,843	11,934	27,800	27,600	21,350
Municipal Court	619,101	791,319	677,852	841,030	675,712
Police	38,188	46,172	54,513	61,206	83,898
Fire	31,520	56,285	69,919	78,525	106,012
Community and Economic Affairs	4,845,158	5,322,428	5,675,171	5,816,368	6,455,422
Public Works	394,250	695,612	829,859	817,543	1,242,931
Operating Grants and Contributions	755,096	1,213,150	8,306,995	1,738,549	7,539,992
Capital Grants and Contributions	-	2,326,999	215,684	30,000	-
Total governmental activities program revenues	<u>6,695,156</u>	<u>10,463,899</u>	<u>15,857,793</u>	<u>9,410,821</u>	<u>16,125,317</u>
Business-type activities					
Charges for services					
Public Education Building Authority	-	-	177,289	606,464	609,050
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>177,289</u>	<u>606,464</u>	<u>609,050</u>
Total primary government program revenues	<u>\$ 6,695,156</u>	<u>\$ 10,463,899</u>	<u>\$ 16,035,082</u>	<u>\$ 10,017,285</u>	<u>\$ 16,734,367</u>
Net (Expense)/Revenue					
Governmental activities	<u>\$ (23,610,470)</u>	<u>\$ (20,045,677)</u>	<u>\$ (16,072,887)</u>	<u>\$ (25,542,754)</u>	<u>\$ (26,607,534)</u>
Business-type activities	<u>(27,121)</u>	<u>(27,121)</u>	<u>(330,045)</u>	<u>187,879</u>	<u>59,296</u>
Total primary government net expense	<u>(23,637,591)</u>	<u>(20,072,798)</u>	<u>(16,402,932)</u>	<u>(25,354,875)</u>	<u>(26,548,238)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	2,715,667	2,871,351	3,064,738	3,387,950	3,521,657
Local taxes	22,565,403	24,313,543	25,461,563	30,073,209	34,127,612
Franchise taxes	1,244,634	1,221,712	1,410,132	1,560,508	1,756,512
State taxes	379,494	477,632	624,254	753,830	-
Investment earnings	33,835	40,343	46,475	169,941	472,515
Miscellaneous	110,376	495,604	139,353	128,663	143,677
Contributions/BP Settlement	-	-	-	-	-
Gain/(Loss) on Disposal of Assets	34,369	(1,703)	420,927	59,649	(1,824,088)
Transfers	-	-	-	(522,432)	-
Total governmental activities	<u>27,083,778</u>	<u>29,418,482</u>	<u>31,167,442</u>	<u>35,611,318</u>	<u>38,197,885</u>
Business-type activities:					
Investment earnings	2	2	12,613	66,663	36,559
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>2</u>	<u>2</u>	<u>12,613</u>	<u>66,663</u>	<u>36,559</u>
Total primary government	<u>27,083,780</u>	<u>29,418,484</u>	<u>31,180,055</u>	<u>35,677,981</u>	<u>38,234,444</u>
Changes in Net Position					
Governmental activities	<u>3,473,308</u>	<u>9,372,805</u>	<u>15,094,555</u>	<u>10,068,564</u>	<u>11,590,351</u>
Business-type activities	<u>(27,119)</u>	<u>(27,119)</u>	<u>(317,432)</u>	<u>254,542</u>	<u>95,855</u>
Total primary government	<u>\$ 3,446,189</u>	<u>\$ 9,345,686</u>	<u>\$ 14,777,123</u>	<u>\$ 10,323,106</u>	<u>\$ 11,686,206</u>

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

	Fiscal Year				
	2010	2011**	2012	2013	2014
General Fund					
Reserved	\$ 4,947,340				
Unreserved	8,787,729				
Nonspendable**		300,707	1,351,138	358,728	525,046
Spendable:**					
Restricted**		488,283	120,285	184,255	133,939
Committed**		8,307,075	7,108,782	7,213,450	7,617,230
Unassigned**		8,587,555	10,024,404	13,237,619	14,123,171
Total general fund	<u>13,735,069</u>	<u>17,683,620</u>	<u>18,604,609</u>	<u>20,994,052</u>	<u>22,399,386</u>
Other Governmental Funds					
Reserved	-				
Unreserved, reported in:					
Storm Damage Fund	-				
Debt Service fund	2,266,764				
Capital Projects funds	6,451,384				
Special Revenue funds	1,142,547				
Nonspendable**		-	-	-	-
Spendable:**					
Restricted**		4,186,586	4,264,615	3,714,879	4,378,963
Committed**		5,456,776	5,871,635	64,344	30,114
Unassigned**		(8,168)	(5,844)	(285,723)	(304,098)
Total - governmental funds	<u>\$ 23,595,764</u>	<u>\$ 27,318,814</u>	<u>\$ 28,735,015</u>	<u>\$ 24,487,552</u>	<u>\$ 26,504,365</u>

**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)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund					
Reserved					
Unreserved					
Nonspendable**	447,410	543,176	519,071	358,728	474,997
Spendable:**					
Restricted**	111,473	142,145	133,904	184,255	320,765
Committed**	7,621,040	7,624,851	7,628,664	7,213,450	18,804,442
Unassigned**	<u>15,825,708</u>	<u>18,145,189</u>	<u>20,887,962</u>	<u>28,868,213</u>	<u>20,053,388</u>
Total general fund	<u>24,005,631</u>	<u>26,455,361</u>	<u>29,169,601</u>	<u>36,624,646</u>	<u>39,653,592</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**	3,217,766	1,113,784	584,857	3,550,057	24,463,650
Committed**	1,296,904	1,520,905	1,372,145	(225,158)	3,010,399
Unassigned**	<u>(311,979)</u>	<u>(286,924)</u>	<u>-</u>	<u>19,733,095</u>	<u>(193,075)</u>
Total - governmental funds	<u>\$ 29,020,000</u>	<u>\$ 28,803,126</u>	<u>\$ 31,151,603</u>	<u>\$ 59,682,640</u>	<u>\$ 66,934,566</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				
	2010	2011	2012	2013	2014
Revenues					
Taxes					
Property	\$ 2,874,858	\$ 3,444,058	\$ 2,500,194	\$ 2,402,381	\$ 2,556,551
Local	14,090,126	18,385,151	19,962,896	20,798,897	21,387,763
Licenses, fees and permits	1,793,733	1,885,421	2,229,453	2,374,442	2,908,946
Fines and forfeitures	287,012	309,520	338,470	387,739	395,866
Utility tax equivalents	1,135,118	1,172,815	1,162,351	1,151,859	1,253,354
Intergovernmental	1,354,240	3,498,398	9,084,912	3,893,517	1,862,536
Investment earnings	300,394	91,545	37,185	20,398	22,342
Impact fees	59,313	96,108	280,032	307,242	540,482
BP lost revenues	5,476,579	6,402,323	1,336	360,995	639,005
Assessments/Rental Income	477,759	323,746	218,977	120,822	118,276
Other revenues	1,422,399	2,276,277	2,421,992	2,654,341	2,772,373
Total Revenues	<u>29,271,531</u>	<u>37,885,362</u>	<u>38,237,798</u>	<u>34,472,633</u>	<u>34,457,494</u>
Expenditures					
General government	3,484,930	3,245,746	3,207,917	3,332,695	3,665,722
Police	3,737,845	3,817,726	4,141,692	5,140,408	4,551,402
Fire	4,140,832	3,364,846	3,246,080	3,336,121	3,939,208
Community and Economic Affairs	4,465,315	4,813,793	5,542,994	5,557,550	7,116,128
Public Works	4,708,135	4,398,046	11,627,419	8,149,913	7,021,734
Appropriations	57,000	137,974	1,148,747	279,758	105,221
Capital outlay	5,913,071	4,347,906	6,588,871	6,298,088	3,965,171
Non capitalized equipment**	-	1,023,381	-	-	-
Beach restoration	83,028	37,688	57,095	-	62,700
Principal	3,684,476	4,039,926	23,667,897	4,665,150	4,185,512
Interest	2,330,140	2,215,788	1,786,635	1,536,803	1,412,075
Miscellaneous	8,988	27,889	8,015	14,243	57,095
Litigation Settlement	-	3,800,455	15,374	-	-
Total Expenditures	<u>32,613,760</u>	<u>35,271,164</u>	<u>61,038,736</u>	<u>38,310,729</u>	<u>36,081,968</u>
Excess(Deficiency) of revenues over (under) expenditures	<u>(3,342,229)</u>	<u>2,614,198</u>	<u>(22,800,938)</u>	<u>(3,838,096)</u>	<u>(1,624,474)</u>
Other Financing Sources (Uses)					
Bond Issue Proceeds	-	1,204,825	22,871,761	-	890,000
Transfers In	4,574,279	4,662,044	26,061,441	7,110,115	6,459,306
Transfers Out	(4,670,279)	(4,758,044)	(26,061,441)	(7,110,115)	(6,431,958)
Total Other Financing Sources and (Uses)	<u>(96,000)</u>	<u>1,108,825</u>	<u>22,871,761</u>	<u>-</u>	<u>917,348</u>
Net change in Fund Balance	\$ (3,438,229)	\$ 3,723,023	\$ 70,823	\$ (3,838,096)	\$ (707,126)
Prior Period Adjustment			\$ 1,311,876		
Debt service as a percentage of noncapital expenditures	23%	20%	47%	19%	17%

**Equipment purchases less than threshold

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

	2015	2016	2017	2018	2019
Revenues					
Taxes					
Property	\$ 2,715,667	\$ 2,871,352	\$ 3,064,738	\$ 3,387,950	\$ 3,521,657
Local	22,565,403	24,313,542	25,461,564	30,073,209	34,127,612
Licenses, fees and permits	2,854,090	3,314,362	3,342,128	3,482,009	4,088,484
Fines and forfeitures	470,778	595,810	513,813	595,069	485,660
Utility tax equivalents	1,244,634	1,221,712	1,410,132	1,560,508	1,756,512
Intergovernmental	1,203,998	1,815,057	1,441,591	2,533,742	5,372,060
Investment earnings	33,836	40,343	46,475	169,941	472,516
Impact fees	415,941	746,976	893,495	870,345	1,363,358
BP lost revenues/settlements		271,582			
Assessments/Rental Income	35,276	499,015			
Other revenues	2,205,074	2,267,330	2,767,825	2,692,149	2,668,003
Total Revenues	<u>33,744,697</u>	<u>37,957,081</u>	<u>38,941,761</u>	<u>45,364,922</u>	<u>53,855,862</u>
Expenditures					
General government	4,322,578	1,721,831	4,886,896	5,227,506	4,957,019
Police	4,992,638	5,130,530	5,562,947	6,701,010	7,228,492
Fire	3,639,166	2,886,570	3,834,578	4,176,099	5,310,339
Community and Economic Affairs	6,564,129	4,893,969	6,933,897	7,024,825	7,676,280
Public Works	8,308,196	9,018,160	10,542,619	8,857,930	8,479,245
Appropriations	113,027	220,233	254,767	780,818	3,548,574
Capital outlay	7,014,879	8,730,456	17,325,854	16,091,600	19,625,071
Non capitalized equipment**					
Beach restoration	61,212	52,800	47,700	-	
Principal	12,396,644	8,007,570	15,559,577	18,305,287	5,581,156
Interest	1,210,773	1,115,452	1,140,750	1,972,662	2,589,636
Miscellaneous	187,064	48,790	39,450	80,746	292,396
Bond Issuance Costs	-		27,850	451,821	-
Total Expenditures	<u>48,810,306</u>	<u>41,826,361</u>	<u>66,156,885</u>	<u>69,670,304</u>	<u>65,288,208</u>
Excess(Deficiency) of revenues over (under) expenditures	<u>(15,065,609)</u>	<u>(3,869,280)</u>	<u>(27,215,124)</u>	<u>(24,305,382)</u>	<u>(11,432,346)</u>
Other Financing Sources (Uses)					
Bond Issue/Loan Proceeds/CapASa	15,152,340	3,644,640	17,545,645	49,740,305	18,684,272
Transfers In	7,444,384	11,184,891	15,043,991	29,140,443	12,765,608
Transfers Out	(7,444,384)	(11,184,891)	(15,043,991)	(29,140,443)	(12,765,607)
Total Other Financing Sources and (Uses)	<u>15,152,340</u>	<u>3,644,640</u>	<u>17,545,645</u>	<u>49,740,305</u>	<u>18,684,273</u>
Net change in Fund Balance	\$ 86,731	\$ (224,640)	\$ (9,669,479)	\$ 25,434,923	\$ 7,251,927
Prior Period Adjustment					
Debt service as a percentage of noncapital expenditures	33%	28%	34%	38%	18%

**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
2019	7,634,540	671,084,200	178,417,080	123,009,200	734,155,980	4.98	\$ 5,165,040,267	14.21%
2018	7,477,200	614,995,460	161,236,600	115,640,840	668,068,420	4.98	\$ 4,712,267,300	14.18%
2017	8,097,500	572,756,300	145,944,220	110,740,620	616,057,400	4.99	\$ 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%

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

Fiscal Year	Taxes Levied for the Year	Taxable Property Assessed Valuation	Current Collections	Subsequent Collections	Total Collections	Percent Parcels Paid
2019	3,653,718	734,155,980	3,524,790	-	3,524,790	96.47%
2018	3,327,805	668,109,200	3,326,030	166	3,326,196	99.95%
2017	3,074,056	616,090,320	3,071,391	1,591	3,072,982	99.97%
2016	2,822,072	566,085,720	2,820,939	380	2,821,319	99.97%
2015	2,666,050	534,967,860	2,664,330	466	2,664,796	99.95%
2014	2,491,031	499,994,940	2,487,820	1,388	2,489,208	99.93%
2013	2,390,195	478,341,860	2,385,827	1,288	2,387,115	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	4,275	2,436,286	99.69%
2010	2,672,688	524,154,540	2,650,756	10,815	2,661,571	99.58%

	Levy Rate
State of Alabama	6.5 mills
City of Gulf Shores	5 mills
Baldwin County:	
General	5 mills
Schools	9 mills
Roads and Bridges	2.5 mills
Special School District	3 mills
Fire	1.5 mills
Health	.5 mills
Total	33 Mills

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

<u>Taxpayer</u>	2019			2009		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
100 Emerald Greens LLC UC Funds	\$ 9,198,400	1	1.25%			
Mid America Apartments LP	6,670,720	2	0.91%			
Baldwin Co Electric	6,004,820	3	0.82%	5,829,680	4	
RCG-Gulf Shores LLC	4,444,660	4	0.61%			
21300 Sweetwater LLC	3,136,880	5	0.43%			
Howard Resort Inns Inc	3,105,700	6	0.42%	2,307,780	10	
Villas at Bon Secour	2,901,060	7	0.40%			
Walmart Real Estate Business Trust	2,743,180	8	0.37%	3,154,960	7	
Waterville USA Inc	2,529,820	9	0.34%			
Beach Place Development LLC	2,518,820	10	0.34%			
The Links at Gulf Shores				7,620,120	1	
The Links at Gulf Shores LP				6,835,720	2	
San Carlos Condo Company LLC	-		-	6,067,320	3	0.95%
Seawind Development Co LLC	-		-	14,766,840	5	2.32%
SDC Eagles LLC				9,794,100		1.54%
Bon Secour Development LLC	-		-	2,348,260	8	0.37%
TA Colonial Traditions LLC				3,240,760	6	0.51%
Crystal Tower LLC				13,096,000		2.06%
Beach Place Development LLC				2,315,680	9	0.36%
						0.00%
						0.00%
Total Assessment (All GS)	\$ 734,155,980		5.89%	\$ 635,336,040		8.13%

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	2019			2009		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 2,761,594	1	16.85%	\$ 2,136,557	1	22.85%
Retail Trade	846,613	2	5.17%			
Retail Trade	795,153	3	4.85%	587,082	2	6.28%
Retail Trade	701,571	4	4.28%			
Accomodation & Food Services	479,776	5	2.93%	394,780	3	4.22%
Accomodation & Food Services	476,045	6	2.90%	189,396	7	
Retail Trade	347,140	7	2.12%	173,870	8	
Arts, Entertainment, Recreation	331,816	8	2.02%	167,126		
Accomodation & Food Services	256,639	9	1.57%	201,929	6	2.16%
Retail Trade	240,666	10	1.47%	150,024	9	1.60%
Retail Trade	-		-	373,733	4	4.00%
Retail Trade	-		-	253,932	5	2.72%
Arts, Entertainment, Recreation	-		-	134,905	10	1.44%
Total Sales Tax	\$ 16,390,420		44.15%	\$ 9,349,574		45.27%

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

Fiscal Year	City Direct Rate	Baldwin County
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%
2018 *	3.00%	3.00%
2019 *	3.00%	3.00%

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

* Includes 1% Sales & Use Tax for Schools

**Schedule 10
City of Gulf Shores
Direct and Overlapping Debt
As of December 31, 2019**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt(1)</u>
Direct General Obligation Debt:			
City of Gulf Shores Warrants	79,654,712		
Plus: Unamortized Premium	3,868,123		
Total Gulf Shores Warrants	83,522,835	100.00%	<u>\$ 83,522,835</u>
Overlapping General Obligation Debt:			
Baldwin County Warrants	69,131,147		
Less: Unamortized Discount	(179,603)		
Plus: Unamortized Premium	5,614,684		
Total Baldwin County Warrants	74,566,228	15.11%	11,268,091
Baldwin County Board of Education	182,745,415		
Unamortized Amounts:			
Add: Unamortized Premium	16,508,515		
Total Baldwin Board of Education Warrants	199,253,930	14.76%	29,416,893
Total Overlapping General Obligation Debt	273,820,158		40,684,984
Total Direct and Overlapping General Obligation Debt			<u><u>124,207,819</u></u>
Overlapping Guaranteed Revenue Debt			
Public Education Building Authority Bonds	9,650,000		
Add: Unamortized Premium	853,401		
Total Overlapping Guaranteed Revenue Debt	10,503,401	100%	<u>10,503,401</u>
Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			<u><u>\$ 134,711,220</u></u>
Debt per Capita			
Direct General Obligation Debt			\$ 6,672.75
Overlapping General Obligation Debt			3,250.38
Overlapping Guaranteed Revenue Debt			839.13
			<u><u>\$ 10,762.26</u></u>

Source: Baldwin County 2018 Audit, Baldwin County Board of Education 2018 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			
2010	47,830,566	-	47,830,566	17.2%	4,910
2011	44,882,575	-	44,882,575	15.2%	4,496
2012	46,055,063	-	46,055,063	18.3%	4,552
2013	41,430,335	-	41,430,335	14.3%	3,849
2014	38,136,482	-	38,136,482	10.9%	3,479
2015	41,705,149	-	41,705,149	12.0%	3,747
2016	37,767,914	-	37,767,914	10.7%	3,231
2017	39,246,688	10,964,358	50,211,046	13.5%	4,252
2018	70,423,940	10,718,880	81,142,820	18.8%	6,483
2019	83,522,835	10,503,401	94,026,236	20.5%	7,512

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>
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
2018	70,423,940	-	70,423,940	1.49%	5,964
2019	83,522,835	-	83,522,835	1.62%	6,673

*2015 Escrow included

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Government										
City Hall	20	20	20	22	22	24	24	25	26	27
Community Development/ Building	4	4	4	4	4	4	4	4	4	5
Court	3	3	3	3	3	4	4	4	4	4
Police	53	54	58	60	60	63	69	69	72	71
Fire	42	43	43	43	43	43	46	46	48	55
Public Works	51	51	51	50	52	56	57	57	57	58
Recreation	33	35	37	37	45	45	46	50	49	51
Airport	0	0	0	2	2	2	2	2	2	2
Total	<u>210</u>	<u>214</u>	<u>220</u>	<u>225</u>	<u>237</u>	<u>246</u>	<u>258</u>	<u>263</u>	<u>268</u>	<u>280</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Building permits issued	385	566	589	657	610	586	782	896	1,295	998
Building inspections conducted	1,016	1,263	1,570	1,951	2,172	2,337	3,098	3,914	6,246	7,602
Business Licenses issued	7,554	10,016	10,281	10,562	7,164	7,551	7,974	8,392	8,555	8,658
Police										
Physical arrests	1,394	1,527	1,387	1,602	1,280	1,510	2,048	1,879	1,831	970
Traffic violations	1,484	1,641	1,824	1,997	1,500	1,595	2,029	2,058	2,124	1,539
Officers	39	41	43	43	43	45	47	47	50	20
Fire										
Emergency responses	2,307	2,790	2,785	2,972	2,903	3,073	3,146	3,149	3,297	3,090
Fires extinguished	30	70	92	92	64	72	83	54	63	72
Inspections*	467	920	1,071	1,200	1,800	1,800	1,975	1,950	1,650	2,110
Full time staff	42	43	43	43	43	43	44	46	48	55
Seasonal Lifeguards / Rangers	0	0	0	0	0	0	0	0	0	34
Volunteer Firefighters	8	8	8	8	8	8	10	4	0	0
Engineering										
Street resurfacing (linear feet)	19,380	-	-	10,560	3,455	12,270	8,200	8,100	5,510	8,960
Sidewalks (linear feet)							1,600	10,760	3,265	4,950
Bike Lanes (linear feet)**							780	2,800	40,800	11,800

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

**2018 includes improved bike lanes on Beach Boulevard

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	3	3	5	5	5	5
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	2	2	2	2	2	2	2
Transit - minibusses	5	5	5	5	5	5	5	5	3	3
Public Works										
Maintained Streets (miles)	65.05	67.22	69.27	69.27	74	74	75.67	84.22	84.22	85.78
Traffic Signals	24	24	24	24	24	24	24	24	25	25
Streetlights	2,234	2,234	2,234	2,234	2,234	2,234	2,403	2,403	2,449	2422 *

*Note: The number is down since we replaced old lights with newer, taller lights along Hwy 182.

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
2017	11,809
2018	12,517

Per Capita Income

	1979	1989	1999	2010	2018
Gulf Shores	7,761	17,414	24,356	28,522	36,603
State of Alabama	5,894	11,486	18,189	22,984	26,846

Median Family Income

	1989	1999	2010	2018
Gulf Shores	34,257	51,862	45,801	50,306
State of Alabama	28,688	41,657	42,081	48,486

Source: United States Bureau of the Census Quick Facts

Schedule 17
Unemployment Rates

	<u>2013</u>	<u>2014</u>	<u>2016</u>	<u>2018</u>	<u>2019</u>
Baldwin County	5.80%	6.10%	5.40%	3.60%	2.80%
Alabama	6.44%	6.80%	5.98%	3.90%	3.10%

Source: Alabama Department of Labor - data not available for the City of Gulf Shores, only Baldwin County
Average unemployment estimates for 2019

COMPLIANCE AND INTERNAL CONTROL

**GRANT,
SANDERS
& TAYLOR, P.C.**
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Gulf Shores, Alabama, as of and for the year ended December 31, 2019, 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 May 15, 2020.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Grant, Sanders, & Taylor, P.C.
Gulf Shores, Alabama
May 15, 2020