

City of Gulf Shores, Alabama

ANNUAL FINANCIAL REPORT

For Fiscal Year Ending December 31, 2020

Prepared by: Finance and Administrative Services Department

*Gulf Shores Public Beach
Sunrise at Gulf Place
Photo by Cindy King
September 30, 2021*



www.gulfshoresal.gov

CITY OF GULF SHORES, ALABAMA
 FINANCIAL STATEMENTS
 DECEMBER 31, 2020

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INTRODUCTORY SECTION



October 25, 2021

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 annual financial report of the City for the fiscal year ended December 31, 2020.

The 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, 2020 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, 2020, are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

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

The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Gulf Shores, Alabama as legally defined), as well as the discretely presented component units of the Jack Edwards Airport, 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. Hurricane Sally hit in September, 2020 causing approximately \$15 million in damages. The City is still awaiting reimbursement from FEMA for the bulk of the Sally expenses.

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 2020. 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 \$493,942 on investments for the year ended December 31, 2020. 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 Annual Financial Report for the fiscal year ended December 31, 2018. This represented the ninth year the City achieved this prestigious award. The City of Gulf Shores was not awarded a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended December 31, 2019. The City will apply for the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended December 31, 2020. 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 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 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.

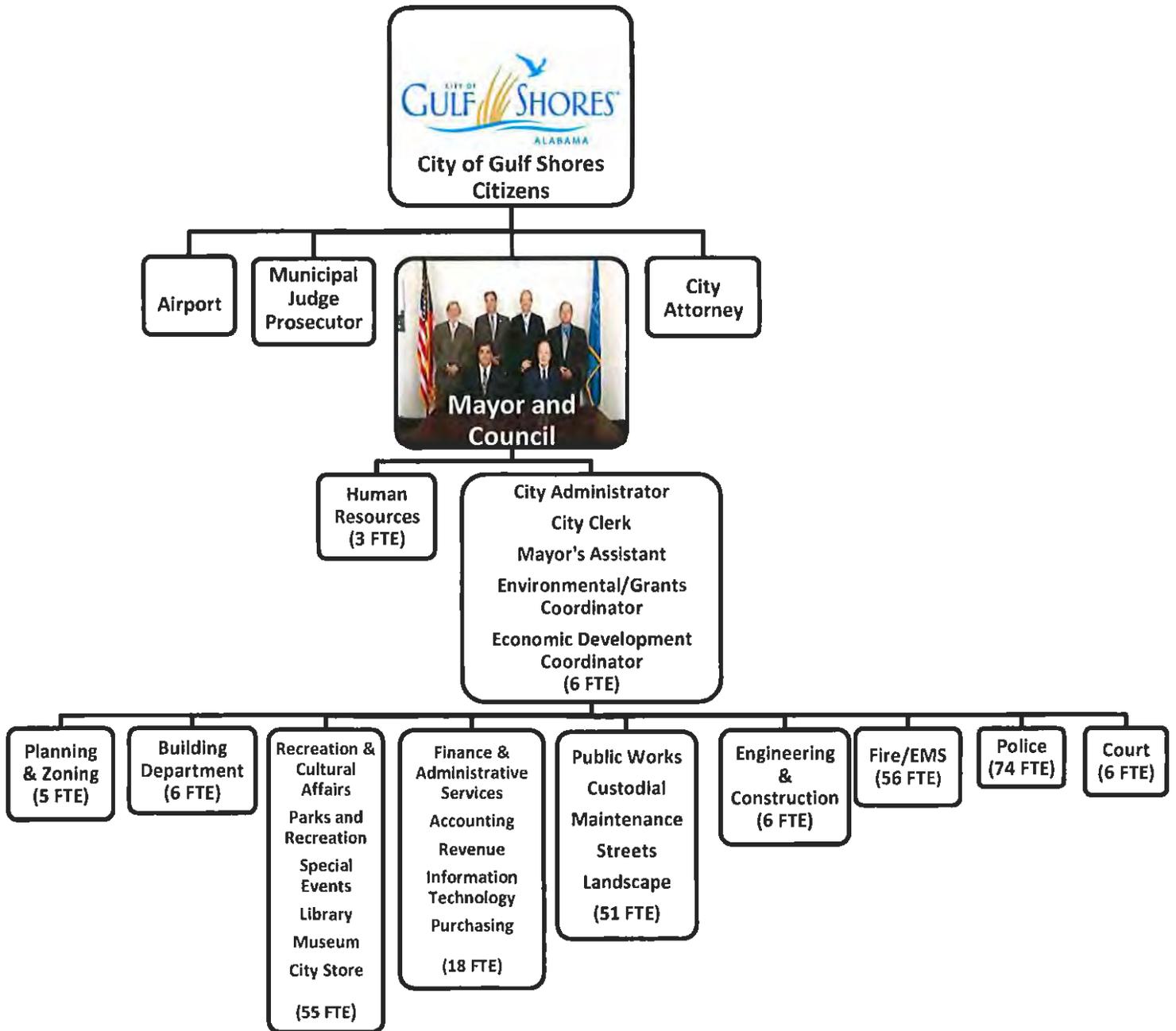
In addition, the City also received for the tenth time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2020 for fiscal year 2020. In order to qualify for the Distinguished Budget Presentation Award, the government’s budget document was judged to 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, 2020

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
City Engineer	Mark Acreman
Building Official	Brandan Franklin
Finance and Administration Director	Cynthia A. King
Fire Chief	Mark Sealy
Municipal Court Clerk	Ken McKenzie
Planning and Community Development Director	Lee Jones
Police Chief	Ed Delmore
Public Works Director	Noel Hand
Recreation and Cultural Affairs Director	Grant Brown

FINANCIAL SECTION

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GRANT, SANDERS & TAYLOR, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BERTRAM L. SANDERS, II, CPA
MATTHEW R. TAYLOR, CPA
CHAD E. LIPSCOMB, CPA

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

AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
ALABAMA SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS
FLORIDA INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2020, 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 and the Airport Authority of the City of Gulf Shores, Alabama for the year ended September 30, 2020.

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.

Auditors' 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, 2020, 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, on pages 16 through 25, the schedule of employer contributions, schedule of changes in net pension liability and budgetary comparison information on pages 72 through 75 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

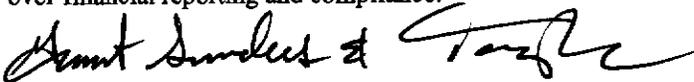
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Shores, Alabama basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, the schedule of expenditures of federal awards, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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 October 12, 2021 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
October 12, 2021

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, 2020. 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 Fund

The City of Gulf Shores reports one enterprise fund, the Public Education Building Authority Fund.

Component Units

The City of Gulf Shores reports two component units, the Airport Authority of the City of Gulf Shores and the Gulf Shores City Schools Board of Education (the School Board). The Airport Authority is a proprietary fund and the School Board is a governmental fund. Both component units have a September 30, 2020 year-end.

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, 2020, the City of Gulf Shores' assets exceeded its liabilities by \$107,976,449, an increase of \$4,692,730 from 2019 primarily due to an increase in capital assets due to the extension of Commerce Drive and the improvements to West Lagoon Avenue. 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 increased by \$4,154,272 primarily due to an advance payment toward pension contributions that was made to reduce the pension liability expense in future years. Total Liabilities increased \$21,424,654 reflecting an increase in bond debt for capital assets acquisition. Deferred Inflow of Resources decreased \$1,027,185 due to a decrease of \$4,958 in deferred Revenue and a decrease of \$1,022,227 for deferred employer pension contributions. As of December 31, 2020, 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 \$4,797,280 as a result of additional transportation improvements.

Table 1 below represents the City's Condensed Statement of Net Position as of December 31, 2020 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
	2020	2019	2020	2019	2020	2019	2020	2019
Current & Other Assets	\$ 81,707,175	\$ 71,131,770	\$ 337,671	\$ 511,194	\$ 82,044,846	\$ 71,642,964	\$ 7,730,549	\$ 4,024,695
Capital Assets	135,741,168	125,380,646	12,229,444	12,278,505	147,970,612	137,659,151	45,480,228	43,713,951
Total Assets	\$ 217,448,343	\$ 196,512,416	\$ 12,567,115	\$ 12,789,699	\$ 230,015,458	\$ 209,302,115	\$ 53,210,777	\$ 47,738,646
Deferred charge on refunding	1,709,257	1,852,684	-	-	1,709,257	1,852,684	-	-
Deferred OP EB outflows	-	-	-	-	-	-	1,946,609	544,781
Deferred pension charges	6,897,878	2,600,179	-	-	6,897,878	2,600,179	3,707,291	-
Total Deferred Outflow of Resources	\$ 8,607,135	\$ 4,452,863	\$ -	\$ -	\$ 8,607,135	\$ 4,452,863	\$ 3,707,291	\$ 544,781
Long-term Liabilities	\$ 108,999,693	\$ 91,213,984	\$ 10,283,922	\$ 10,503,401	\$ 119,283,615	\$ 101,717,385	\$ 20,465,819	\$ 13,889,817
Other Liabilities	7,402,027	3,763,082	207,796	314,451	7,609,823	4,077,533	2,558,543	484,832
Total Liabilities	\$ 116,401,720	\$ 94,977,066	\$ 10,491,718	\$ 10,817,852	\$ 126,893,438	\$ 105,794,918	\$ 23,024,362	\$ 14,374,649
Deferred Revenue	512,999	517,957	-	-	512,999	517,957	-	23,152
Deferred OP EB related items	-	-	-	-	-	-	998,700	-
Deferred pension inflows	1,164,310	2,186,537	-	-	1,164,310	2,186,537	94,000	-
Total Deferred Inflow of Resources	\$ 1,677,309	\$ 2,704,494	\$ -	\$ -	\$ 1,677,309	\$ 2,704,494	\$ 1,092,700	\$ 23,152
Net Position	\$ 107,976,449	\$ 103,283,719	\$ 2,075,397	\$ 1,971,847	\$ 110,051,846	\$ 105,255,566	\$ 32,801,006	\$ 33,885,626
Net Invested in Capital Assets	\$ 64,803,007	\$ 52,309,319	\$ 1,738,726	\$ 1,460,653	\$ 66,541,733	\$ 53,769,972	\$ 28,923,611	\$ 29,953,908
Restricted	4,256,377	3,011,050	334,569	508,414	4,590,946	3,519,464	1,428,646	-
Unrestricted	38,917,065	47,963,350	3,102	2,780	38,920,167	47,966,130	4,395,358	3,931,718
Total Net Position	\$ 107,976,449	\$ 103,283,719	\$ 2,076,397	\$ 1,971,847	\$ 110,052,846	\$ 105,255,566	\$ 34,747,615	\$ 33,885,626

Government-wide Financial Analysis (continued)

Table 2 below represents the City's Condensed Statement of Activities for the year ending December 31, 2020, and is derived from the Government-wide Statement of Activities on Page 29.

	Governmental		Business-Type		Total		Component Units	
	Activities		Activities		Primary Government			
	2020	2019	2020	2019	2020	2019	2020	2019
PRIMARY GOVERNMENT:								
Revenues:								
Charges for Services	\$ 8,205,330	\$ 8,585,325	\$ 610,350	\$ 609,050	\$ 8,815,680	\$ 9,194,375	\$ 1,876,902	\$ 1,249,321
Operating grants and Contributions	9,397,880	7,539,992	-	-	9,397,880	7,539,992	9,804,173	282,507
Capital grants and Contributions	882,061	-	-	-	882,061	-	1,402,277	154,033
General Revenues:								
Property Taxes	3,807,136	3,521,657	-	-	3,807,136	3,521,657	5,295,139	-
Local Taxes	34,353,515	34,127,612	-	-	34,353,515	34,127,612	6,452,553	-
Franchise Taxes	1,442,306	1,756,512	-	-	1,442,306	1,756,512	-	-
Interest income	493,942	472,515	964	36,559	494,906	509,074	15,551	8,297
Miscellaneous income	644,389	143,677	-	-	644,389	143,677	2,909,113	20,048,968
Gain (loss) on asset sales	19,466	(1,824,088)	-	-	19,466	(1,824,088)	-	-
Total Revenues	\$ 59,246,025	\$ 54,323,202	\$ 611,314	\$ 645,609	\$ 59,857,339	\$ 54,968,811	\$ 27,755,708	\$ 21,743,126
Expenses:								
Executive	5,586,234	5,516,039	-	-	5,586,234	5,516,039	-	-
Municipal Court	471,958	463,210	-	-	471,958	463,210	-	-
Police	7,821,554	6,977,146	-	-	7,821,554	6,977,146	-	-
Fire	6,179,670	6,069,504	-	-	6,179,670	6,069,504	-	-
Community and Economic Affairs	10,619,654	11,814,216	-	-	10,619,654	11,814,216	-	-
Public Works	20,839,816	9,299,293	-	-	20,839,816	9,299,293	-	-
Interest on Long-Term Debt	2,877,819	2,593,443	-	-	2,877,819	2,593,443	-	-
Public Education Building Authority	-	-	610,990	549,754	610,990	549,754	-	-
Total Expenses	54,396,705	42,732,851	610,990	549,754	55,007,695	43,282,605	-	-
COMPONENT UNITS:								
Expenses:								
Gulf Shores City School System	-	-	-	-	-	-	23,960,182	5,318,117
Airport Authority	-	-	-	-	-	-	1,250,972	1,291,761
Total Expenses	-	-	-	-	-	-	25,211,154	6,609,878
Change in Net Position	4,849,320	11,590,351	324	95,855	4,849,644	11,686,206	2,544,554	15,133,248
Net Position - Beginning	103,283,719	91,693,368	1,971,847	1,875,992	105,255,566	93,569,360	33,885,626	18,752,378
Prior Period Adjustment	(156,590)	-	104,226	-	(52,364)	-	(1,682,565)	-
Net Position - Ending	\$ 107,976,449	\$ 103,283,719	\$ 2,076,397	\$ 1,971,847	\$ 110,052,846	\$ 105,255,566	\$ 34,747,615	\$ 33,885,626

Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2020, include the following:

The assets of the City exceeded its liabilities (Net Position) at the close of the fiscal year by \$107,976,449 for Governmental Activities and by \$2,076,397 for Business-type Activities of the primary government. The total primary government's net position is \$110,052,846 as of December 31, 2020, up from \$105,255,566. For the year ended December 31, 2020 there was a \$8,731,512 increase in Unrestricted funds. Business-type activities net position was \$2,076,397 as of December 31, 2020 an increase of \$104,550 from 2019 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 \$73,908,708 with \$35,689,264 designated as committed, \$33,459,402 unassigned, \$22,876 assigned, \$4,256,377 restricted and \$480,789 nonspendable. The unassigned amount of \$33,459,402 is designated by the Council for emergencies and transportation projects and is funded by Certificates of Deposit and Money Market funds.

General Fund

The fund balance at December 31, 2020, totaled \$51,693,606 an increase of \$12,040,205 from the fund balance at December 31, 2019, which was \$39,653,401. The increase in Fund Balance for Fiscal Year 2020 is attributable to conservative spending practices resulted in positive income from operations of \$8,117,374.

Debt Service Fund

The fund balance decreased \$642 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.

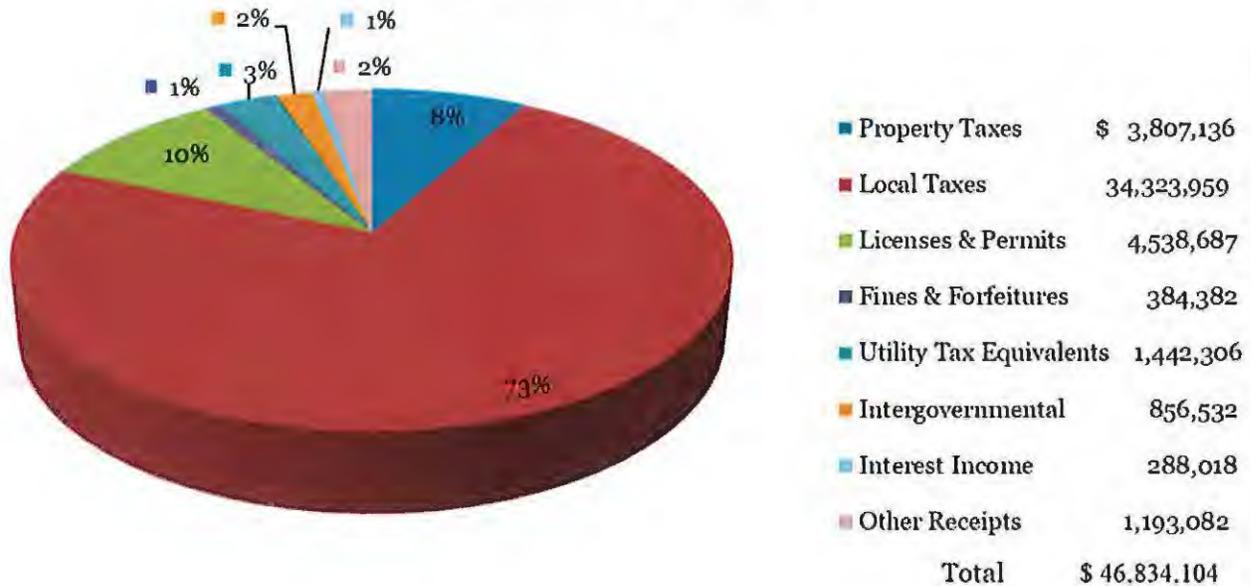
Capital Improvements Fund

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.

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 2020 and future years and significantly improve traffic flow in and around the City. The 2018-B GO Warrant Fund is 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.

Exhibit 1: Governmental Revenue Sources for Fiscal Year 2020



Budget Variances in the General Fund

A schedule of General Fund Revenues, Expenditures and Changes in Fund Balances can be found on page 73. Revenues were more than the Budget in the following major categories with an overall \$3,034,790 collection more than budget:

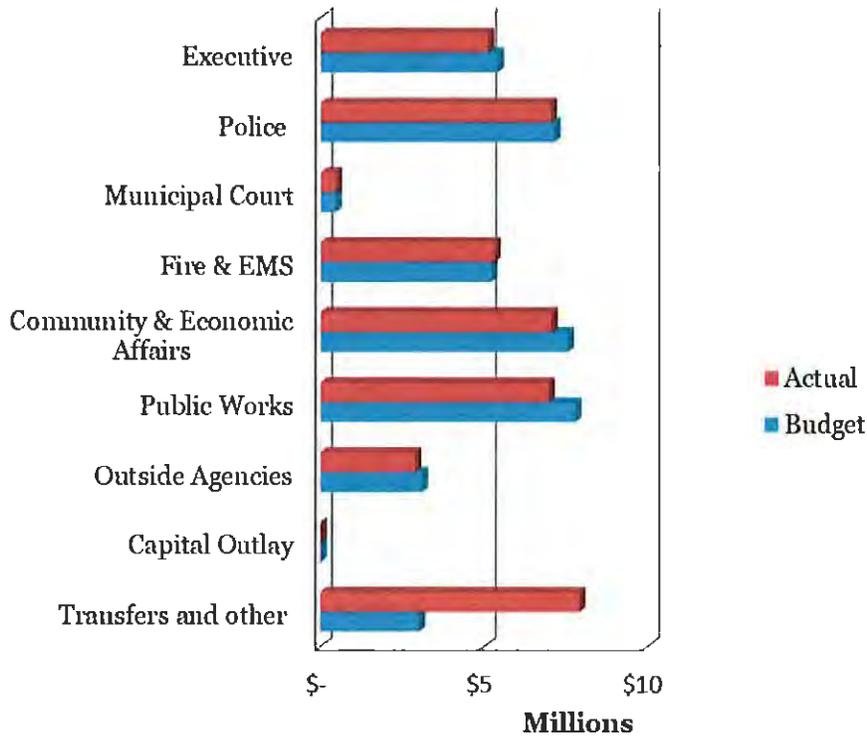
- Property Taxes - \$239,187 more due to county property value assessments on new construction
- Local Taxes - \$1,000,459 more due to increased rates by property owners and increased tourism
- Licenses and Permits - \$1,002,687 more than budget due to increased commercial and residential construction
- Fines and Forfeitures - \$115,618 less due to fewer spring breakers and Hangout Music Festival cancellation
- Utility Tax Collections - \$307,694 less due to Baldwin EMC decreased consumption related to tourism
- Federal and State transfers - \$10,708 less than budgeted due to decrease in federal grants
- Income on investments \$24,768 more than budgeted due to long term investments when rates were higher
- Other - \$632,963 less than budget due to more accurate coding of revenue sources.

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

- Executive Department - \$297,502 less than budget due to departmental cost savings measures
- Municipal Court - \$4,898 more due to court personnel expense more than the amended budget
- Police Department - \$98,790 less due to increased overtime expenses
- Fire and Emergency Services - \$96,822 more due to additional overtime expenses
- Community and Economic Affairs - \$505,274 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 - \$816,182 expenses less due to unfilled positions/personnel, vehicle and equipment savings
- Appropriations - \$216,144 less due to funds budgeted for the NCAA Volleyball tournament not used
- Capital Outlay - \$2,500 less than budget due to savings on equipment purchases by using state cooperative purchasing agreements.

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, 2020.

Exhibit 2: General Fund Departmental Budget to Actual 2020



General Fund Departmental Budget to Actual 2020

	<u>Budget</u>	<u>Actual</u>	<u>% of total expenses</u>
Transfers and other	\$ 3,000,924	\$ 7,897,026	19%
Capital Outlay	10,000	7,500	0%
Outside Agencies	3,097,481	2,881,337	7%
Public Works	7,764,377	6,948,195	16%
Community & Economic Affairs	7,541,668	7,036,394	17%
Fire & EMS	5,200,384	5,297,206	12%
Municipal Court	452,108	457,006	1%
Police	7,119,647	7,020,857	16%
Executive	5,391,540	5,094,038	12%
Total	\$ 39,578,129	\$ 42,639,559	100%

Financial Analysis of the Government's Funds (Continued)

Capital Asset and Long-term Debt Activity

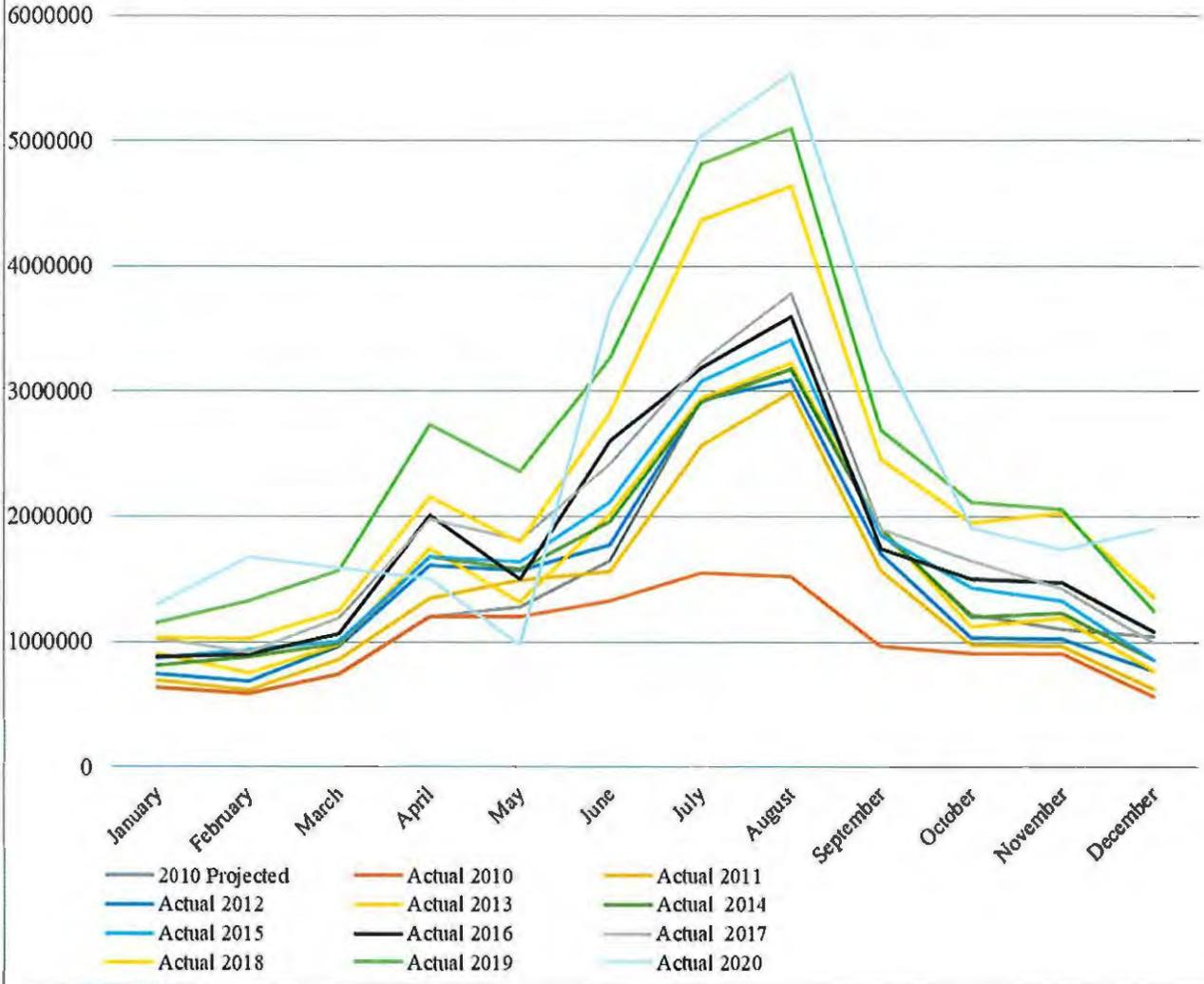
Capital Asset Activity

At December 31, 2020, the City of Gulf Shores reported net capital position of \$135,741,168 from governmental activities, an increase of \$10,516,891 from the adjusted governmental activities capital assets net for December 31, 2019. Net capital position from business-type activities is reported as \$12,229,444 which is an increase of \$49,061 from December 31, 2019. Refer to Note 6 in the financial statements for additional information on capital assets.

Long-term Debt Activity

As of year-end, the City had \$108,999,693 in debt outstanding (which includes long term compensated absences of \$1,912,310) compared to \$91,213,984 for the prior year. All debt service payments were made timely. Refer to Note 7 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 2020 with revenues continuing to exceed 2010 BP Oil Spill revenue projection levels due additional tourism in the area as well as rate increases by rental property owners. Collections in 2021 to date show continued strong tourist Sales and Lodging Tax revenue. Exhibit 3 also shows the economic impact of the Hangout Music Festival ticket sales leading up to the May event. National Sand Volleyball competitions that began to be held in April 2014 also contribute to the increase revenues during the spring. More state sports competitions have also begun to be held in Gulf Shores, increasing Sales and Lodging Tax Revenues as well.

New businesses continue to locate in the Waterway Village area, revitalizing the Intracoastal Canal waterfront. Waterway Village revenue grew from \$22.4 million in 2011 to \$36.9 million in 2020, an increase of \$14.3 million, correlating to a \$433,972 increase in Sales/Use Tax growth.

South Baldwin Hospital opened a new Freestanding Emergency Department (FED) off Highway 59 at the Airport in May 2021. The FED provides emergency and outpatient services. A helicopter landing pad is located on site for medical transports to other medical centers.

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.

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.

2020 was a challenging year for the Authority as well as all of aviation due to Covid-19. While many facilities saw a drop in traffic of 80 to 90 %, because of its location, second home nature of the community, and military training requirements, JKA did not experience a decline in traffic. Results were mixed among commercial tenants with some reporting record sales, and others seeing drops of 50%. The airport had one tenant experience bankruptcy in Hertz Rent A Car. Hertz continues to operate, and the Authority expects them to recover.

Residential Housing single family permits issued in 2020 were 321 with a valuation of \$88,490,255. Gulf Shores Commercial Construction Building Permit Valuation increased from \$10.6 million in 2016, to \$27 million in 2020.

The US Census Bureau shows Gulf Shores with 54% growth since 2010 with total population growth of 5,273.

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

CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Gulf Shores City School System	Airport Authority
ASSETS					
Cash and Cash Equivalents	\$ 26,035,042	\$ 3,102	\$ 26,038,144	\$ 3,961,989	\$ 763,464
Reserve Current Cash and Cash Equivalents	15,836,577	-	15,836,577	-	-
Receivables	4,918,630	-	4,918,630	1,440,454	13,654
Due from other governments	8,862,548	-	8,862,548	-	551,114
Inventories	97,582	-	97,582	71,744	718,623
Prepays and Other Assets	383,207	-	383,207	-	9,370
Restricted Assets:					
Cash and Cash Equivalents	14,495,428	334,569	14,829,997	-	200,137
Due from component units	11,078,161	-	11,078,161	-	-
Capital Assets:					
Non - Depreciable	73,413,422	3,792,843	77,206,265	5,611,217	7,026,109
Depreciable (Net)	62,327,746	8,436,601	70,764,347	23,621,033	9,221,869
Total Assets	217,448,343	12,567,115	230,015,458	34,706,437	18,504,340
DEFERRED OUTFLOW OF RESOURCES					
Deferred charge on refunding	1,709,257	-	1,709,257	-	-
Deferred OPEB outflows	-	-	-	1,946,609	-
Deferred charges related to pension	6,897,878	-	6,897,878	3,707,291	-
Total Deferred Outflow of Resources	8,607,135	-	8,607,135	5,653,900	-
LIABILITIES					
Accounts Payable	\$ 5,971,208	\$ -	\$ 5,971,208	\$ 977,187	\$ 41,228
Accrued and Other Liabilities	1,314,260	-	1,314,260	1,535,773	4,355
Accrued Interest Payable	116,559	207,796	324,355	-	-
Non - Current Liabilities					
Due Within One Year:					
Compensated absences	91,542	-	91,542	21,754	-
Bonds, Lease and Note Payable	5,473,839	190,000	5,663,839	520,111	-
Due In More than One Year:					
Compensated absences	1,820,768	-	1,820,768	195,782	-
Proportionate share of OPEB liability	-	-	-	845,666	-
Net Pension Liability	8,339,965	-	8,339,965	2,846,000	-
Due to City of Gulf Shores	-	-	-	9,269,730	-
Bonds, Lease and Note Payable	93,273,579	10,092,922	103,366,501	6,766,776	-
Total Liabilities	116,401,720	10,490,718	126,892,438	22,978,779	45,583
DEFERRED INFLOW OF RESOURCES					
Deferred Revenue	512,999	-	512,999	-	-
Deferred OPEB related items	-	-	-	998,700	-
Deferred inflows related to pension	1,164,310	-	1,164,310	94,000	-
Total Deferred Inflow of Resources	1,677,309	-	1,677,309	1,092,700	-
NET POSITION:					
Net Investment in Capital Assets	64,803,007	1,738,726	66,541,733	12,675,633	16,247,978
Restricted for:					
Debt service	9	334,569	334,578	-	-
Capital Improvements	4,146,918	-	4,146,918	-	-
Other	109,450	-	109,450	-	-
Airport improvements	-	-	-	-	1,428,646
Unrestricted	38,917,065	3,102	38,920,167	3,613,225	782,133
Total Net Position	\$ 107,976,449	\$ 2,076,397	\$ 110,052,846	\$ 16,288,858	\$ 18,458,757

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

CITY OF GULF SHORES, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

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	Airport Authority
PRIMARY GOVERNMENT:									
Governmental Activities:									
Executive	\$ 5,586,234	\$ 9,270	\$ -	\$ -	\$ (5,576,964)	\$ -	\$ (5,576,964)		
Municipal Court	471,958	538,415	-	-	66,457	-	66,457		
Police	7,821,554	105,751	28,579	-	(7,687,224)	-	(7,687,224)		
Fire	6,179,670	140,144	211,394	332,451	(5,495,681)	-	(5,495,681)		
Community and Economic Affairs	10,619,654	6,004,459	161,327	519,610	(3,934,258)	-	(3,934,258)		
Public Works	20,839,816	1,407,291	8,996,580	30,000	(10,405,945)	-	(10,405,945)		
Interest on Long - Term Debt	2,877,819	-	-	-	(2,877,819)	-	(2,877,819)		
Total governmental activities	54,396,705	8,205,330	9,397,880	882,061	(35,911,434)	-	(35,911,434)		
Business-type activities:									
Public Education Building Authority	610,990	610,350	-	-	-	(640)	(640)		
Total primary government	55,007,695	8,815,680	9,397,880	882,061	(35,911,434)	(640)	(35,912,074)		
COMPONENT UNITS:									
Gulf Shores City School System	\$ 23,960,182	\$ 1,333,765	\$ 9,769,173	\$ 424,580			\$ (12,432,664)	\$ -	
Airport Authority	1,250,972	543,137	35,000	977,697			-	304,862	
Total component units	\$ 25,211,154	\$ 1,876,902	\$ 9,804,173	\$ 1,402,277			\$ (12,432,664)	\$ 304,862	
General revenues:									
Property Taxes					\$ 3,807,136	\$ -	\$ 3,807,136	\$ 5,295,139	\$ -
Local Taxes:									
Sales taxes					16,518,877	-	16,518,877	6,337,768	-
Lodging taxes					13,852,865	-	13,852,865	-	-
Other taxes					3,981,773	-	3,981,773	114,785	-
Franchise Taxes					1,442,306	-	1,442,306	-	-
Interest Income					493,942	964	494,906	12,667	2,884
Miscellaneous					644,389	-	644,389	2,909,113	-
Gain on Disposal of Assets					19,466	-	19,466	-	-
Total general revenues					40,760,754	964	40,761,718	14,669,472	2,884
Change in net position					4,849,320	324	4,849,644	2,236,808	307,746
Net position - beginning (restated)					103,127,129	2,076,073	105,203,202	14,052,050	18,151,011
Net position - ending					\$ 107,976,449	\$ 2,076,397	\$ 110,052,846	\$ 16,288,858	\$ 18,458,757

GOVERNMENT FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Debt Service Fund	Capital Improvements Fund	Storm Damage Fund	2018B GO Warrant Fund	Other Governmental Funds	Total
ASSETS							
Cash and Equivalents	\$ 22,911,780	\$ -	\$ -	\$ -	\$ -	\$ 3,123,262	\$ 26,035,042
Reserved Cash and Equivalents	15,836,577	-	-	-	-	-	15,836,577
Restricted Cash and Equivalents	109,450	9	7,070,357	1,839,596	3,790,708	1,685,308	14,495,428
Receivables (Net)							
Accounts	201,835	-	11,913	-	-	380,943	594,691
Taxes	4,323,939	-	-	-	-	-	4,323,939
Due From Other Funds	9,383,181	-	-	-	115,944	262,750	9,761,875
Due From Other Governments	223,486	-	-	8,455,457	183,605	-	8,862,548
Due From Component Units	26,426	-	11,051,735	-	-	-	11,078,161
Prepays	383,207	-	-	-	-	-	383,207
Inventory	97,582	-	-	-	-	-	97,582
Total Assets	53,497,463	9	18,134,005	10,295,053	4,090,257	5,452,263	91,469,050
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 573,305	\$ -	\$ 920,532	\$ 2,226,354	\$ 1,435,068	\$ 815,949	\$ 5,971,208
Payroll taxes & benefits payable	139,375	-	-	-	-	42,976	182,351
Accrued wages	288,030	-	-	-	-	-	288,030
Other liabilities	368,690	-	223,485	215,585	-	36,119	843,879
Due to other funds	262,750	-	5,597	9,126,118	-	367,410	9,761,875
Total Liabilities	1,632,150	-	1,149,614	11,568,057	1,435,068	1,262,454	17,047,343
DEFERRED INFLOW OF RESOURCES							
Deferred revenue	171,707	-	147,073	-	194,219	-	512,999
Fund Balances:							
Nonspendable							
Inventory	97,582	-	-	-	-	-	97,582
Prepays	383,207	-	-	-	-	-	383,207
Restricted							
Debt Service	-	9	-	-	-	-	9
Capital Improvements	-	-	-	-	2,460,970	1,685,948	4,146,918
Other	109,450	-	-	-	-	-	109,450
Committed							
Council approved emergencies	15,836,577	-	-	-	-	-	15,836,577
Beach Restoration	-	-	-	-	-	3,015,369	3,015,369
Education and public works	-	-	16,837,318	-	-	-	16,837,318
Assigned	-	-	-	-	-	22,876	22,876
Unassigned	35,266,790	-	-	(1,273,004)	-	(534,384)	33,459,402
Total Fund Balances (Deficit)	51,693,606	9	16,837,318	(1,273,004)	2,460,970	4,189,809	73,908,708
Total Liabilities, Deferred Inflows and Fund Balance	\$ 53,497,463	\$ 9	\$ 18,134,005	\$ 10,295,053	\$ 4,090,257	\$ 5,452,263	\$ 91,469,050

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

CITY OF GULF SHORES, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Fund balances - total governmental funds \$ 73,908,708

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	\$ 172,095,869	
Less accumulated depreciation	<u>(36,354,701)</u>	135,741,168

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	6,897,878	
Loss on advance refunding	2,828,845	
Less accumulated amortization	<u>(1,119,588)</u>	8,607,135

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, net of premiums and discounts	(98,646,690)	
Note and lease payable	(100,728)	
Net pension liability	(8,339,965)	
Compensated absences	<u>(1,912,310)</u>	(108,999,693)

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>(1,164,310)</u>
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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>(116,559)</u>
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Net position of governmental activities \$ 107,976,449

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Debt Service Fund	Capital Improvements Fund	Storm Damage Fund	2018B GO Warrant Fund	Other Governmental Funds	Total
REVENUES							
Property taxes	\$ 3,807,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,807,136
Local taxes	30,349,762	-	-	-	-	4,333,531	34,683,293
Licenses and permits	4,538,687	-	-	-	-	-	4,538,687
Fines and forfeitures	384,382	-	-	-	-	-	384,382
Utility tax equivalents	1,442,306	-	-	-	-	-	1,442,306
Intergovernmental:							
State of Alabama taxes	458,257	-	-	-	-	248,808	707,065
Federal and State grants	398,277	-	-	7,938,266	185,353	397,136	8,919,032
Interest income	288,018	822	15,120	-	175,462	14,520	493,942
Impact fees	-	-	-	-	-	1,575,778	1,575,778
Other receipts	1,193,082	-	30,200	837,176	-	614,498	2,674,956
Total Revenues	42,859,907	822	45,320	8,775,442	360,815	7,184,271	59,226,577
EXPENDITURES							
Current Operating:							
Executive Department	5,094,038	-	-	-	-	-	5,094,038
Municipal Court	457,006	-	-	-	-	-	457,006
Police Department	7,020,857	-	-	-	-	450,181	7,471,038
Fire and Emergency Services	5,297,206	-	-	-	-	196,486	5,493,692
Community and Eco. Affairs	7,036,394	-	-	-	-	848,017	7,884,411
Public Works	6,948,195	-	-	11,614,929	-	1,649,256	20,212,380
Appropriations - Outside agencies	1,552,925	-	-	-	-	3,000,000	4,552,925
Appropriations - Gulf Shores City Schools	1,328,412	362,808	-	-	-	-	1,691,220
Capital outlay	7,500	-	-	-	9,895,969	2,368,620	12,272,089
Debt Service							
Principal	-	4,299,917	-	-	-	-	4,299,917
Interest	-	2,565,537	-	-	-	-	2,565,537
Miscellaneous	-	3,468	15	-	-	34,622	38,105
Total Expenditures	34,742,533	7,231,730	15	11,614,929	9,895,969	8,547,182	72,032,358
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,117,374	(7,230,908)	45,305	(2,839,487)	\$ (9,535,154)	\$ (1,362,911)	(12,805,781)
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt	-	19,000,000	17,040,000	-	-	10,410,000	46,450,000
Current refunding of debt	-	(26,698,823)	-	-	-	-	(26,698,823)
Proceeds from sale of capital assets	28,937	-	-	-	-	-	28,937
Transfers In	14,662,896	17,834,793	-	1,668,030	-	3,555,534	37,721,253
Transfers Out	(10,769,002)	(2,905,704)	(8,691,320)	-	(179,501)	(15,175,726)	(37,721,253)
Total Other Financing Sources and (Uses)	3,922,831	7,230,266	8,348,680	1,668,030	(179,501)	(1,210,192)	19,780,114
Net Change in Fund Balance	12,040,205	(642)	8,393,985	(1,171,457)	(9,714,655)	(2,573,103)	6,974,333
Fund Balances - Beginning	39,653,401	651	8,443,333	(101,547)	12,175,625	6,762,912	66,934,375
Fund Balances (Deficit) - Ending	\$ 51,693,606	\$ 9	\$ 16,837,318	\$ (1,273,004)	\$ 2,460,970	\$ 4,189,809	\$ 73,908,708

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

CITY OF GULF SHORES, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances \$ 6,974,333

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	14,538,127	
Less current year depreciation	<u>(4,011,735)</u>	10,526,392

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	(28,937)	
Gain on disposal of assets	<u>19,466</u>	(9,471)

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	(46,450,000)	
Principal payments on bonds, loans & leases	<u>30,998,740</u>	(15,451,260)

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	(32,725)	
Amortization of current year bond premiums	236,529	
Amortization of current year bond discounts	(9,852)	
Amortization of loss on refunding	(143,425)	
Pension expense	3,156,851	
Increase in compensated absences	<u>(398,052)</u>	<u>2,809,326</u>

Change in net position of governmental activities \$ 4,849,320

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2020

	Business-type Activities Enterprise Fund
	Public Education Building Authority
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,102
Restricted cash and cash equivalents	334,569
Total Current Assets	337,671
Capital Assets:	
Land	3,792,843
Land improvements	203,087
Buildings	9,346,798
Furniture and equipment	261,893
Less: accumulated depreciation	(1,375,177)
Total Non-Current Assets	12,229,444
Total Assets	\$ 12,567,115
LIABILITIES	
Current Liabilities:	
Bonds payable	\$ 190,000
Accrued interest payable	207,796
Total Current Liabilities	397,796
Non-Current Liabilities:	
Bonds payable	10,092,922
Total Liabilities	10,490,718
NET POSITION	
Net Investment in Capital Assets	1,738,726
Restricted	
Debt service	334,569
Unrestricted	3,102
Total Net Position	\$ 2,076,397

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities Enterprise Fund
	Public Education Building Authority
Operating Revenues	
Auburn rent	\$ 610,350
Operating Expenses	
Depreciation	221,205
Total Operating Expenses	221,205
Operating Income (Loss)	389,145
Non-Operating Revenues (Expenses)	
Interest & dividend income	964
Interest expense	(389,785)
Total Non-Operating Expenses	(388,821)
Change in Net Position	324
Net Position (Restated) - Beginning	2,076,073
Net Position - Ending	\$ 2,076,397

CITY OF GULF SHORES, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities Enterprise Fund
	Public Education Building Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from leases and other operating activities	\$ 610,350
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(172,144)
Change in accrued interest payable	(2,429)
Principal payment	(190,000)
Interest paid on long-term debt	(420,264)
Net cash provided (used) by financing activities	(784,837)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments received	964
Increase (decrease) in cash and cash equivalents	(173,523)
Cash balance - beginning of year	511,194
Cash balance - end of year	\$ 337,671
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 389,145
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	221,205
Net cash provided (used) by operating activities	\$ 610,350

Noncash Investing, Capital and Financing Activities:

Amortization of bond premium charged to interest expense was \$30,479 for the year ended December 31, 2020

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020.

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.

Component Units

The Airport Authority of the City of Gulf Shores, Alabama, (Airport Authority) and the Gulf Shores City Schools Board of Education (School Board) 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 School Board do not have substantially the same governing body as the City. Both component units 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 two 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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. C. BASIS OF PRESENTATION (CONTINUED)

Capital Project Funds

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

Enterprise Funds

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

The City reports the following major funds:

Governmental Funds:

General Fund

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

Debt Service Funds

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

Capital Improvements Capital Projects Fund

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

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.

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:

The Airport Authority of the City of Gulf Shores Alabama

Accounts for all operations 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. The vast majority of the governing board is not the same as the City.

Gulf Shores City Schools Board of Education

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. C. BASIS OF PRESENTATION (CONTINUED)

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

Governmental Funds:

Special Revenue Funds

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

Beach Restoration Capital Projects Fund

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

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.

2020 E GO Warrant Capital Projects Fund

This fund is used to account for financial resources from the 2020 E GO Warrant issuance. Previously this fund accounted for the 2016 B GO Warrant issue however during 2020 the 2016 B Warrants were modified and replaced with the 2020 E Warrant issue. The 2016 B proceeds were used to fund the Gulf Place Redesign Project and purchase of medical building. The 2020 E proceeds were primarily used for the Hurricane Sally related expenses.

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.

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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 Airport Authority; are lease and rental income, Industrial Park lot sales, and some miscellaneous income. Operating expenses for the 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. Certificates of deposits are stated at cost plus accrued interest which approximates fair value. The balance in the certificates of deposit at December 31, 2020 at the financial institutions is \$3,066,806 at CenterState Bank and \$13,208,541 at Centennial Bank.

Reserve cash and equivalents

General Fund cash and certificates of deposit totaling \$15,836,577 were designated as reserve by the City Council. The CDs and money market funds are to be used to fund a reserve for emergencies.

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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 include 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 19 for more information on the early retirement sick leave benefit.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 \$1,912,310. \$91,542 is deemed the current portion on the government wide full accrual basis.

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 2020 expenses of \$34,742,533 the 15% minimum would be \$5,211,380 and the 35% target would be \$12,159,887.

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

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 budget was not legally adopted for the Library Board special revenue fund.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 – 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, 2020, the carrying amount of the City’s total deposits was \$61,842,517. 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.

NOTE 4 – RECEIVABLES

Receivables as December 31, 2020 for the City’s individual major, and total non-major governmental funds in the aggregate, net of applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Storm Damage Fund</u>	<u>2018B GO Warrant Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Taxes	\$4,323,939	\$ -	\$ -	\$ -	\$ -	\$ 4,323,939
Accounts receivable	201,835	11,913	-	-	380,943	594,691
Due from other governments	223,486	-	8,455,457	183,605	-	8,862,548
Total Receivables	<u>\$4,749,260</u>	<u>\$ 11,913</u>	<u>\$ 8,455,457</u>	<u>\$ 183,605</u>	<u>\$ 380,943</u>	<u>\$ 13,781,178</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at December 31, 2020 consisted of the following:

	<u>Due From (Interfund Payable)</u>				
	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Storm Damage Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 5,597	\$ 9,010,174	\$ 367,410	\$9,383,181
2018B GO Warrant Fund	-	-	115,944	-	115,944
Nonmajor Governmental Funds	262,750	-	-	-	262,750
Total	<u>\$ 262,750</u>	<u>\$ 5,597</u>	<u>\$ 9,126,118</u>	<u>\$ 367,410</u>	<u>\$9,761,875</u>

For Other Governmental Funds, the Beach Restoration Fund owes \$367,410 to the General Fund for operating and payroll expenses. The General Fund owes Nonmajor Governmental Funds \$262,750, of which \$252,000 to the 2% Lodgings Tax Fund and \$10,750 to the Municipal Court Fund due to the timing of monthly transfers. The Storm Damage Fund owes \$9,010,174 to the General Fund for Hurricane Sally expenses; primarily debris removal and \$115,944 to the 2018B GO Warrant Fund for Coastal Gateway Boulevard invoices that were incorrectly coded to the Storm Damage Fund instead of the 2018B GO Warrant Fund.

Interfund transfers for the year ended December 31, 2020, consisted of the following:

	<u>Transfers out (Other Financing Use)</u>					
	<u>General</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>2018 GO Warrant Fund</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ 190	\$ 30,000	\$107,000	\$ 14,525,706	\$14,662,896
Debt Service Fund	9,100,972	-	8,661,320	72,501	-	17,834,793
Storm Damage Fund	1,668,030	-	-	-	-	1,668,030
Other Governmental Funds	-	2,905,514	-	-	650,000	3,555,514
Total Transfers	<u>\$10,769,002</u>	<u>\$ 2,905,704</u>	<u>\$ 8,691,320</u>	<u>\$179,501</u>	<u>\$ 15,175,706</u>	<u>\$37,721,233</u>

Transfers totaled 14,525,706 from Nonmajor Governmental Funds to the General Fund. Of this amount, the 2% Lodging Tax Fund transferred \$3,322,408 to reimburse the General Fund for beach expenses. Transfers of \$9,370,198 from the 2020E GO Warrant Fund to the General Fund was for transferring draws on the line of credit to fund Hurricane Sally expenses. Transfers of \$1,279,100 from the 2014 GO Warrant Fund to the General Fund to transfer a 2019 ALDOT receivable. Special Funds transferred \$554,000 to the General Fund for expenditures incurred in the General Fund that met the criteria for expenditure of special revenues. Transfers of \$2,905,704 from the Debt Service Fund to the 2020E GO Warrant Fund to pay down the 2016-B Warrant line of credit from 2020-C Warrant proceeds. Transfers of \$650,020 from the 2% Lodging Fund to the Beach Restoration Fund were for beach restoration payroll and operations. Transfers from the General Fund of \$9,100,972 to the Debt Service Fund were to cover the annual debt service payments. Transfers from the Capital Improvement Fund of \$8,661,320 to the Debt Service Fund were to pay down the 2019-C line of credit. The General Fund transferred \$1,668,030 to the Storm Damage Fund for storm damages. The 2018 GO Warrant Fund transferred \$107,000 to the General Fund for interest earned on investment CD's. and \$72,501 to the Debt Service Fund for debt service payments.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2020, was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 52,411,569	\$ -	\$ -	\$ -	\$ 52,411,569
Construction in Progress	<u>11,755,282</u>	<u>12,724,907</u>	<u>-</u>	<u>(3,478,336)</u>	<u>21,001,853</u>
Total capital assets not being depreciated	<u>64,166,851</u>	<u>12,724,907</u>	<u>-</u>	<u>(3,478,336)</u>	<u>73,413,422</u>
Other capital assets					
Buildings, parks facilities, & improvements	50,706,258	-	-	623,165	51,329,423
Motor vehicles and equipment	15,572,848	1,813,220	(232,846)	-	17,153,222
Infrastructure	<u>27,344,631</u>	<u>-</u>	<u>-</u>	<u>2,855,171</u>	<u>30,199,802</u>
Total other capital assets at historical cost	<u>93,623,737</u>	<u>1,813,220</u>	<u>(232,846)</u>	<u>3,478,336</u>	<u>98,682,447</u>
Less accumulated depreciation for:					
Buildings and improvements	18,568,510	1,447,596	-	-	20,016,106
Motor vehicles and equipment	9,920,510	1,603,046	(223,345)	-	11,300,211
Infrastructure	<u>4,077,291</u>	<u>961,093</u>	<u>-</u>	<u>-</u>	<u>5,038,384</u>
Total accumulated depreciation	<u>32,566,311</u>	<u>4,011,735</u>	<u>(223,345)</u>	<u>-</u>	<u>36,354,701</u>
Governmental activities					
other capital assets, net	<u>\$ 125,224,277</u>	<u>\$ 10,526,392</u>	<u>\$ (9,501)</u>	<u>\$ -</u>	<u>\$ 135,741,168</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 589,992
Police	447,052
Fire	561,810
Public Works	1,388,450
Community and Economic Affairs	<u>1,024,431</u>
Total depreciation for governmental activities	<u>\$ 4,011,735</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2020, was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 3,792,843	\$ -	\$ -	\$ -	\$ 3,792,843
Other Capital Assets					
Land improvements	203,087	-	-	-	203,087
Buildings	9,174,654	172,144	-	-	9,346,798
Equipment	261,893	-	-	-	261,893
Total other capital assets at historical cost	<u>9,639,634</u>	<u>172,144</u>	<u>-</u>	<u>-</u>	<u>9,811,778</u>
Less accumulated depreciation for:					
Land improvements	203,146	-	-	-	203,146
Buildings	688,933	221,205	-	-	910,138
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	<u>1,153,972</u>	<u>221,205</u>	<u>-</u>	<u>-</u>	<u>1,375,177</u>
Other Capital Assets, net	<u>8,485,662</u>	<u>(49,061)</u>	<u>-</u>	<u>-</u>	<u>8,436,601</u>
Business-type activities capital assets, net	<u>\$ 12,278,505</u>	<u>\$ (49,061)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,229,444</u>

Component Units

Capital asset activity for the discretely presented component unit, the Airport Authority for the year ended September 30, 2020 is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets not being depreciated					
Land	\$ 6,440,329	\$ -	\$ -	\$ -	\$ 6,440,329
Construction in progress	198,522	444,246	56,988	-	585,779
Total capital Assets not being depreciated	<u>6,638,851</u>	<u>444,246</u>	<u>56,988</u>	<u>-</u>	<u>7,026,108</u>
Other Capital Assets					
Runways, taxiways, and improvements	24,516,834	433,391	-	-	24,950,225
Buildings and improvements	2,683,252	-	-	-	2,683,252
Furniture and equipment	159,550	-	-	-	159,550
Total other capital assets at historical cost	<u>27,359,636</u>	<u>433,391</u>	<u>-</u>	<u>-</u>	<u>27,793,027</u>
Less accumulated depreciation for:					
Runways, taxiways, and improvements	16,448,401	763,287	-	-	17,211,688
Buildings and improvements	1,139,504	60,457	-	-	1,199,961
Furniture and equipment	159,509	-	-	-	159,509
Total accumulated depreciation	<u>17,747,414</u>	<u>823,744</u>	<u>-</u>	<u>-</u>	<u>18,571,158</u>
Other Capital Assets, net	<u>9,612,222</u>	<u>(390,353)</u>	<u>-</u>	<u>-</u>	<u>9,221,869</u>
Business-type activities capital assets, net	<u>\$ 16,251,073</u>	<u>\$ 53,893</u>	<u>\$ 56,988</u>	<u>\$ -</u>	<u>\$ 16,247,977</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Component Units (Continued)

Capital asset activity for the discretely presented component unit, the School Board for the year ended September 30, 2020 is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets not being depreciated					
Land	\$ 5,013,900	\$ -	\$ -	\$ -	\$ 5,013,900
Construction in progress	-	597,317	-	-	597,317
Total capital Assets not being depreciated	<u>5,013,900</u>	<u>597,317</u>	<u>-</u>	<u>-</u>	<u>5,611,217</u>
Other Capital Assets					
Land Improvements	1,068,922	-	-	-	1,068,922
Building	16,936,852	-	-	-	16,936,852
Building Improvement	3,481,495	1,804,661	-	-	5,286,156
Equipment	903,002	10,000	-	-	913,002
Vehicles	293,000	253,755	-	-	546,755
Total other capital assets at historical cost	<u>22,683,271</u>	<u>2,068,416</u>	<u>-</u>	<u>-</u>	<u>24,751,687</u>
Less accumulated depreciation for:					
Land Improvements	3,469	21,379	-	-	24,848
Building	195,551	586,650	-	-	782,201
Building Improvement	9,671	161,166	-	-	170,837
Equipment	11,301	68,260	-	-	79,561
Vehicles	14,300	58,907	-	-	73,207
Total accumulated depreciation	<u>234,292</u>	<u>896,362</u>	<u>-</u>	<u>-</u>	<u>1,130,654</u>
Other Capital Assets, net	<u>22,448,979</u>	<u>1,172,054</u>	<u>-</u>	<u>-</u>	<u>23,621,033</u>
Governmental activities capital assets, net	<u>\$ 27,462,879</u>	<u>\$ 1,769,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,232,250</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in long-term liabilities for governmental and business-type activities for the year ended December 31, 2020:

<u>Governmental Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation warrants, loan and lease payable	\$ 79,654,712	\$ 46,450,000	\$ (30,998,740)	\$ 95,105,972	\$ 5,473,839
Plus bond premiums/discounts	<u>3,868,123</u>	<u>-</u>	<u>(226,677)</u>	<u>3,641,446</u>	<u>-</u>
Total warrants, loans, and lease payable	<u>83,522,835</u>	<u>46,450,000</u>	<u>(31,225,417)</u>	<u>98,747,418</u>	<u>5,473,839</u>
Other liabilities:					
Compensated Absences	1,514,258	398,052	-	1,912,310	91,542
Net pension liability	<u>6,176,891</u>	<u>2,163,074</u>	<u>-</u>	<u>8,339,965</u>	<u>-</u>
Total other liabilities	<u>7,691,149</u>	<u>2,561,126</u>	<u>-</u>	<u>10,252,275</u>	<u>91,542</u>
Governmental activities long term liabilities	<u>\$ 91,213,984</u>	<u>\$ 49,011,126</u>	<u>\$ (31,225,417)</u>	<u>\$ 108,999,693</u>	<u>\$ 5,565,381</u>

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

<u>Business-Type Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 9,650,000	\$ -	\$ 190,000	\$ 9,460,000	\$ 190,000
Plus bond premiums/discounts	<u>853,401</u>	<u>-</u>	<u>30,479</u>	<u>822,922</u>	<u>-</u>
Business-type activities long term liabilities	<u>\$ 10,503,401</u>	<u>\$ -</u>	<u>\$ 220,479</u>	<u>\$ 10,282,922</u>	<u>\$ 190,000</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2020, the governmental long-term debt consisted of the following:

General Obligation Warrants:

<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 2.00% to 2.45% per annum payable June 15 and December 15, first payment due December 15, 2012 and last December 15, 2021. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	<p>\$ 1,910,000</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 2.00% to 4.00% per annum payable June 15 and December 15, first payment due December 15, 2015 and last December 15, 2028. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	<p>8,470,000</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. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	<p>5,460,243</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. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	<p>20,460,000</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 on December 15, 2018, final payment due December 15, 2033. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	<p>13,605,000</p>
<p>\$9,000,000, Series 2020-A General Obligation Warrants, dated April 10, 2020 due in biannual installments of interest accrued on the outstanding principal balance. Interest is a fixed 1.57% per annum payable on the 15th of June and December beginning on June 15, 2020, final payment due December 15, 2025. Warrant issued to refund construction related debt.</p>	<p>9,000,000</p>
<p>\$17,000,000, Series 2020-B General Obligation School Warrants, dated April 10, 2020 due in biannual installments of interest accrued on the outstanding principal balance. Interest is a fixed 2.21% per annum payable on the 15th of June and December beginning on June 15, 2020, final payment due December 15, 2040. Warrant issued to refund school construction related debt and for the construction of certain school related capital improvements.</p>	<p>17,000,000</p>
<p>\$10,000,000, Series 2020-C General Obligation Warrants, dated April 10, 2020 due in biannual installments of interest accrued on the outstanding principal balance. Interest is a fixed 2.79% per annum payable on the 15th of June and December beginning on June 15, 2020, final payment due December 15, 2040. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	<p>10,000,000</p>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – LONG-TERM DEBT (CONTINUED)

\$13,500,000, Series 2020-E General Obligation Warrants, dated November 13, 2020 due in quarterly installments of interest only accrued on the outstanding principal balance. Interest is a fixed 1.98% per annum payable on the 15th of March, June, September and December beginning on March 15, 2021. The outstanding principal balance is due on June 15, 2026. Warrant issued for expenses related to Hurricane Sally and other Council approved expenditures.	9,100,000
\$103,538 of capital lease for computer equipment payable in annual installments of \$36,405 beginning January 2019	30,728
\$190,000 land purchase payable in annual installments of \$50,000 beginning March 2019	70,000
Total Unamortized General Obligation Warrant Issue Premiums	<u>3,641,446</u>
Total Long-Term Debt	<u>\$98,747,417</u>

As of December 31, 2020, 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. Warrant issued for construction of building and improvements.	\$ 9,460,000
Total Unamortized Revenue Bond Premiums	<u>822,922</u>
Total Long-Term Debt	<u>\$10,282,922</u>

Annual debt service requirements to maturity, including principal and interest, for the governmental activities and business-type activities long-term debt as of December 31, 2020, 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>
2021	\$ 5,473,839	\$ 2,985,150	\$ 190,000	\$ 416,550
2022	5,883,672	2,812,964	200,000	410,850
2023	6,040,410	2,662,585	205,000	404,850
2024	6,218,360	2,507,694	210,000	398,700
2025	6,402,547	2,228,894	220,000	390,300
2026-2030	34,993,123	7,796,439	1,245,000	1,798,250
2031-2035	17,322,000	3,972,027	1,580,000	1,457,500
2036-2040	12,772,020	1,059,769	1,970,000	1,067,100
2041-2045	-	-	2,490,000	551,450
2046-2047	-	-	1,150,000	69,400
Total	<u>\$95,105,971</u>	<u>\$26,025,522</u>	<u>\$9,460,000</u>	<u>\$6,964,950</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – LONG-TERM DEBT (CONTINUED)

In April 2020, the City approved the issuance of General Obligation School Warrant Series 2020-B for \$17,000,000. The proceeds from this issuance were used to refund Series 2019-C School Warrant and for the construction and general improvements for the Gulf Shores City Schools Board of Education, a component unit of the City. All underlying assets are property of the School Board. It is the City's intention for the School Board to eventually pay back or assume this issuance and as such, the School Board has included the borrowing in long-term debt as Due to the City of Gulf Shores. The City reports the amount as Due from Component Unit in the Capital Improvement Fund.

As noted in the table on page 57, in November 2020, the City approved the issuance of the General Obligation Warrant Series 2020-E for \$13,500,000. The Series 2020-E is structured similar to a line of credit whereby the City advances funds as needed. As of December 31, 2020, the Series 2020-E has an outstanding balance of \$9,100,000.

In October 2020, the City approved the issuance of General Obligation Warrant Series 2020-D for \$9,800,000 with a fixed interest rate of 1.99%. The Series 2020-D is structured similar to a line of credit whereby the City advances funds as needed. There were no advances taken on the Series 2020-D during 2020.

In December 2020, the City approved the issuance of General Obligation Warrant Series 2020-F for \$15,000,000 with a fixed interest rate of 1.95%. The Series 2020-F is structured similar to a line of credit whereby the City advances funds as needed. There were no advances taken on the Series 2020-F during 2020.

Component Unit

The following is a summary of changes in long-term liabilities for the School Board for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within one Year
Warrants, Capital Lease and Note Payable:					
BCBE- PSCA Series 2009D	\$ 53,014	\$ -	\$ (7,573)	\$ 45,441	\$ 7,573 *
BCBE PSCA Series 2011A	141,161	-	(20,166)	120,995	20,166 *
BCBE- 2017 Warrant	6,731,023	-	(237,337)	6,493,686	247,656 *
Bus Loan	-	160,050	(14,742)	145,308	14,050
Total Warrants, Capital Lease and Note Payable	6,925,198	160,050	(279,818)	6,805,430	289,445
Other Liabilities:					
Long term line of credit - City of Gulf Shores	6,834,845	3,017,364	(582,479)	9,269,730	-
Capital Lease	-	691,156	(209,699)	481,457	230,666
Compensated absences	85,406	132,130	-	217,536	21,754
Net Pension Liability	263,000	2,583,000	-	2,846,000	-
Net OPEB Liability	129,774	715,892	-	845,666	-
Total Other Liabilities	7,313,025	7,139,542	(792,178)	13,660,389	252,420
Governmental activities long-term liabilities	\$ 14,238,223	\$ 7,299,592	\$ (1,071,996)	\$ 20,465,819	\$ 541,865

*Baldwin County Board of Education will pay debt service until June 1, 2024.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Component Unit (Continued)

Annual debt service requirements to maturity, including principal and interest for the School Board for the year ended September 30, 2020:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	289,446	300,500
2022	300,871	288,213
2023	313,529	274,418
2024	328,329	259,991
2025	343,756	245,187
2026-2030	1,845,172	958,125
2031-2035	2,288,087	491,466
2036-2037	<u>1,096,240</u>	<u>66,236</u>
	<u>\$ 6,805,430</u>	<u>\$ 2,884,136</u>

Annual debt service requirements for capital lease payable for the School Board for the year ended September 30, 2020:

For the year ending September 30,	
2021	\$ 230,773
2022	230,773
2023	<u>21,074</u>
	482,620
Less amount representing interest	<u>1,163</u>
Present value of net minimum lease payments	<u>\$ 481,457</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 – DEBT REFUNDINGS

As a result of refunding debts in prior years, the City recorded deferred charges in the Government-wide Statement of Net Position. These charges represent the difference between the reacquisition price and the net carrying amounts of the refunded warrants. These costs are being amortized over the shorter of the life of the refunded or refunding debt. The unamortized portion of these costs as of December 31, 2020 was \$1,709,257

The Series 2020-A GO Warrants were issued on April 10, 2020, for the purpose of a current funding of the Series 2012-C GO Warrants. The Series 2020-A was issued for \$9,000,000 which was used to refund the Series 2012-C outstanding balance of \$9,000,000. The applicable interest rate on the Series 2012-C ranged from 2.00% - 2.45% whereas the Series 2020-A has a fixed interest rate of 1.57%. The City will see a decrease in cash flows required to service debt of \$369,867 over the life of the new bonds.

The Series 2020-B GO School Warrants were issued on April 10, 2020, for the purpose of a current funding of the Series 2019-C GO School Warrants. The Series 2020-B was issued for \$17,000,000 which was used to refund the Series 2019-C outstanding balance of \$8,638,823, with the remaining proceeds used for improvements to the City's school system. The Series 2019-C was approved for a total issuance of \$15,000,000 and was structured as a line of credit and as such interest was calculated on the outstanding principal balance on a quarterly basis. At the time of refunding, the underlying construction project was ongoing and the City had only utilized a portion of the total approved amount of Series 2019-C. This refunding allowed the City to lower its borrowing rate from a fixed 3.75% interest rate to a fixed 2.21% interest rate.

The Series 2020-C GO Warrants were issued on April 10, 2020, for the purpose of a current funding of the Series 2016-B GO Warrants. The Series 2020-C was issued for \$10,000,000 which was used to refund the Series 2016-B outstanding balance of \$7,080,000, with the remaining proceeds used City infrastructure and to acquire certain real property for development. This refunding allowed the City to lower its borrowing rate from a 2.85% fixed interest rate to a 2.79% fixed interest rate.

NOTE 9 – UNEARNED REVENUE

The City has unearned revenues of \$6,145 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 \$163,320 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 2021 merchandise sales at the City Store.

As of December 31, 2020, the City has unearned revenues of \$147,073 reported in the Capital Improvements Fund from sidewalk and paving assessments which has been deferred, and will be recognized when the receivables become available. As of December 31, 2020, the City has unearned revenues of \$194,219 reported in the 2018B GO Warrant Fund from construction assessments which has been deferred, and will be recognized when the receivables become available.

NOTE 10 – ACCUMULATED DEFICIT AND COMMITTED FUND BALANCE

At December 31, 2020, the Beach Restoration Fund, 2020E GO Warrant Fund, and Storm Damage Fund of the City of Gulf Shores had accumulated total fund balance deficit of \$194,424, \$339,960, and \$1,273,004, respectively. It is anticipated that these deficits will be eliminated by future excess revenues over expenses.

There is \$15,836,577 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 \$15,836,577, as reflected in reserved cash and cash equivalents of the General Fund.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 – 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 October 1, 2020, was \$790,117,460 resulting in a debt limit of \$158,023,492. 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 three-and one-half percent lodgings tax outside the corporate limits.

NOTE 12 – 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 Annual Financial Report.

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the Plan is to provide 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 the Plan is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36-Chapter 27* 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.

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the Plan is to provide 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 the Plan is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36-Chapter 27* 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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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 the *Code of Alabama 1975, § 36-27-6*.

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method 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. 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.

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 12 – RETIREMENT PLAN (CONTINUED)

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, the City’s membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	36
Vested inactive member	7
Non-vested inactive members	50
Active members	338
Post-DROP retired members still in active service	<u>1</u>
Total	<u>432</u>

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

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

The 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 preretirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2020, the City’s active employee contribution rate was 6.04% of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 6.62% of pensionable payroll.

The City’s contractually required contribution rate for the year ended September 30, 2020 was 7.74% of pensionable pay for Tier 1 employees, and 4.58% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, 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. The contribution rates effective beginning October 1, 2020 is 8.18% for Tier 1 and 5.87% for Tier 2. Total employer contributions to the pension plan from the City were \$4,664,384 for the year ended December 31, 2020. Included in this amount is a one-time \$3,500,000 contribution.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12 – RETIREMENT PLAN (CONTINUED)

Net Pension Liability: The City’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

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

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2018	\$ 32,029,241	\$ 32,984,055
(b) Discount rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019	1,257,424	1,257,424
(d) Transfers Among Employers	-	(3,588)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019	<u>(1,037,176)</u>	<u>(1,037,176)</u>
(f) TPL as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 34,675,809</u>	<u>\$ 35,700,556</u>
(g) Difference between Expected and Actual:		\$ 1,024,747
(h) Less Liability Transferred for Immediate Recognition:		<u>(3,588)</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 1,028,335</u>

Actuarial assumptions: The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below.

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

Mortality rates were based on the sex distinct 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 ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 – RETIREMENT PLAN (CONTINUED)

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	3.0%	1.5%
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, 7.70%. 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, 2018	\$ 32,029,241	\$ 25,852,350	\$ 6,176,891
Changes for the year:			
Service cost	1,257,424	-	1,257,424
Interest	2,426,320	-	2,426,320
Changes of assumptions	-	-	-
Difference between expected and actual experience	1,028,335	-	1,028,335
Contributions - employer	-	972,694	(972,694)
Contributions - employee	-	901,767	(901,767)
Net investment income	-	674,544	(674,544)
Benefit payments, including refunds of employee contributions	(1,037,176)	(1,037,176)	-
Administrative expense	-	-	-
Transfers among employers	(3,588)	(3,588)	-
Net changes	<u>3,671,315</u>	<u>1,508,241</u>	<u>2,163,074</u>
Balance at September 30, 2019	<u>\$ 35,700,556</u>	<u>\$ 27,360,591</u>	<u>\$ 8,339,965</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the City’s net pension liability calculated using the discount rate of 7.70%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.70%)	Current Discount (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability	\$ 13,304,587	\$ 8,339,965	\$ 4,212,326

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Financial Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended December 31, 2020, the City recognized pension expense of \$1,164,384 in the fund level financial statements. At September 30, 2020, 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	\$ 1,060,561	\$ 1,164,310
Changes of assumptions	790,730	-
Net difference between projected and actual earnings on plan investments	382,203	-
Employer contributions subsequent to the Measurement Date	4,664,384	-
Total	\$ 6,897,878	\$ 1,164,310

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

Year Ended September 30		
2021	\$	7,464
2022		85,813
2023		289,665
2024		368,606
2025		115,901
Thereafter		201,735

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 – COMMITMENTS AND 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.

Construction Commitments

Construction, engineering, and design contracts for material public works project commitments at December 31, 2020, 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 the Beach Walking District Improvements	6204-19	\$ 424,754	\$ 236,686	\$ 188,068
McElhenney Construction	Beach Walking District - Phase I	6330-20	\$ 5,310,000	\$ 357,266	\$ 4,952,734
Volkert, Inc.	Professional Services to Develop Corridor Study for the Restore ALDOT Capacity Project	6099-19	\$ 284,692	\$ 226,004	\$ 58,688
Fabre Engineering & Surveying	Professional Services for Improvements to West Lagoon Avenue	6134-19	\$ 130,735	\$ 109,320	\$ 21,415
Architecture Works LLP	Professional Services for the Gulf Coast Center for Ecotourism and Sustainability Design Services	6195-19, 6315-20	\$ 1,014,320	\$ 334,258	\$ 680,063
Adams Stewart Architects, LLC	Professional Services for Oyster Bay Fire Station Renovations	6172-19	\$ 35,000	\$ 23,400	\$ 11,600
Goodwyn Mills Cawood	Professional Services for Laguna Cove Little Lagoon Natural Resource Protection Project	6267-20	\$ 130,000	\$ 10,650	\$ 119,350
Civil Southeast	Professional Services for Fort Morgan Trail Resurfacing Project	6262-20	\$ 43,700	\$ 4,370	\$ 39,330
Asphalt Services, Inc.	Fort Morgan Rd Trail Improvements	6309-20	\$ 449,211	\$ 155,601	\$ 293,610
McElhenney Construction	Medical Village Access Improvements Phase I	6312-20	\$ 2,918,963	\$ 1,157,228	\$ 1,761,735
Volkert, Inc.	Professional Services for BUILD and RESTORE Transportation Projects	6239-20	\$ 7,846,338	\$ 1,177,721	\$ 6,668,617
Goodwyn Mills Cawood	Professional Services Related to Little Lagoon Pass Park Improvements	6219-19	\$ 22,700	\$ 20,700	\$ 2,000
Blade Construction	Little Lagoon Pass Park Improvements Project	6317-20	\$ 150,000	\$ 143,768	\$ 6,232
Skipper Consulting, Inc.	Professional Services for East 2nd St and Hwy 182 Traffic Signal Design	6261-20	\$ 16,000	\$ 10,100	\$ 5,900
Containment Systems, LLC	Installation of New Backstop Netting and Poles at Sportsplex Baseball/Softball Fields	6331-20	\$ 55,000	\$ -	\$ 55,000
McElhenney Construction	Frame Supported Shade Structures at Sportsplex Bleachers	6321-20	\$ 96,058	\$ -	\$ 96,058
Double AA Construction Company	Cultural Center Hurricane Sally Roof & Structure Repairs	6358-20	\$ 480,000	\$ -	\$ 480,000
Asphalt Services, Inc.	Fort Morgan Road (SR 180) Improvements	6354-20	\$ 270,000	\$ -	\$ 270,000
Thompson Engineering	Debris Monitoring (Hurricane Sally)	6337-20, 6359-20, 6435-21	\$ 905,171	\$ 743,131	\$ 162,041
Hagerty	Disaster Recovery and Emergency Response Grant Services (Hurricane Sally)	6338-20, 6360-20, 6409-21	\$ 450,000	\$ 99,835	\$ 350,165

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

NOTE 14 – OPERATING LEASES

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 2020, rentals approximated \$68,695 for such leases. Approximately \$84,396 in minimum rental payments are due in 2021. These leases are primarily supported by the governmental fund activities.

NOTE 15 – AIRPORT LEASES

The Airport Authority's, a component unit of the primary government, investment in property on operating leases as of September 30, 2020 is as follows:

Land	\$ 93,938
Buildings	540,578
Equipment	77,070
Runway, taxiway & improvements	<u>16,195</u>
Total	727,781
Less accumulated depreciation	(593,763)
Net investment in operating leases	<u>\$ 134,018</u>

In addition to the above lease terms, the lease agreements call for non-cancelable lease payments through December 31, 2020, as follows:

Year	Payment
2021	\$ 431,908
2022	433,409
2023	433,975
2024	445,275
2025	452,586
Thereafter	<u>11,276,379</u>
Total	<u>\$ 13,473,532</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 \$121,072 in 2020.

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 16 – GROUND LEASE

In November 2019, the City entered into an agreement with Foley Hospital Corporation (the Tenant) whereby the Tenant leases a parcel of property from the City that is to be used for a stand-alone emergency and diagnostic medical facility. The Tenant is responsible for construction and operation of the facility. The City is responsible for roadway access improvements of which the Tenant will pay the lesser of 50% of construction costs or \$500,000 when the improvements are completed. As of December 31, 2020, construction of the roadway access improvements is still in progress. For 2020, the City has spent \$1,654,638 on the roadway access improvement project.

The lease begins on November 18, 2019 and expires on June 30, 2050. The Tenant has the option to extend the lease term by one (1) additional period of ten (10) years provided the Tenant provides written notice no later than 180 days before expiration. The annual rent is \$10 per year, for a total of \$310 during the original term of the lease. The lease is what is commonly called a “triple net lease”. Upon termination or expiration of the lease, title to the improvements will pass to the City without payment to the Tenant.

NOTE 17 – 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.

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 7) 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
2021	606,550
2022	610,850
2023	609,850
2024	608,700
2025	610,300
Thereafter	13,378,700
Total	\$ 16,424,950

NOTE 18 – 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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 19 – 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, 2020 is \$1,003,246 at a 4.0% assumed annual investment. Subsequent to completion of the actuarial report, \$75,938 compensated absences were paid out, leaving an unfunded balance of \$927,308 at December 31, 2020.

The gross annual required contribution (current liability) assumed payable is \$140,272, which consists of an annual normal cost assumed payable of \$82,254, plus a 30-year actuarial accrued liability amortization contribution of \$58,018. 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 2020 there was no early retirement sick leave paid out by the City to eligible retirees.

NOTE 20 – 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.

NOTE 21 – 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 22 – UNCERTAINTIES WITH REGARD TO COVID-19

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern”. On March 11, 2020, it was declared to be a pandemic. The spread of the virus has and continues to cause business disruption. Actions taken to mitigate the spread include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. While it is unknown how long these conditions will last and what complete financial effect this will have on the City, the City has taken action to mitigate this risk and does not expect a significant decline in revenue.

NOTE 23 – PRIOR PERIOD ADJUSTMENTS

During the fiscal year ending December 31, 2021, the City recorded a \$156,590 adjustment to the governmental activities of government-wide financial statements for the accumulation of project costs recorded in construction in progress that when finished failed to meet the City’s capitalization threshold. The effect of this adjustment was a decrease in net position at the beginning of the year. In addition to the previously referenced adjustment to the governmental activities, an adjustment of \$104,226 was made to the business type activities for the overstatement of the accrued interest payable balance. The effect of this adjustment was an increase in net position at the beginning of the year.

NOTE 24 – EFFECT OF NEW PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for financial statements whose fiscal year begins after December 15, 2019. The City currently does not have any fiduciary activities.

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for financial statements whose fiscal year begins after June 15, 2021. The City is currently evaluating the impact of this standard may have on its financial statements.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 24 – EFFECT OF NEW PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of the construction period. The requirements of this statement are effective for financial statements whose fiscal year begins after December 15, 2020. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interest*, was issued to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for financial statements whose fiscal year begins after December 15, 2019. This statement has no effect on the City's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, was issued to provide a single method of reporting conduit debt obligation by issuers and eliminate diversity in practice associated with (1) commitments extended by users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for financial statements whose fiscal year begins after December 15, 2021. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 92, *Omnibus 2020*, was issued to enhance comparability and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Standards. The requirements of this statement are effective for financial statements whose fiscal year begins after June 15, 2021. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued to address accounting and financial reporting implications that result from the replacement of IROB and clarifies the definition of reference rate as it is used in Standard No. 53. The requirements of this statement are effective for financial statements whose fiscal year begins after December 31, 2021. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement are effective for financial statements whose fiscal year begins after June 15, 2022. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This standard delayed the effective dates of certain provisions.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement are effective for financial statements whose fiscal year begins after June 15, 2022. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria and Accounting for Financial Report for Internal Revenue Code Section 457 Deferred Compensation Plans*, was issued to increase consistency in financial reporting of defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, while mitigating the cost association with reprinting those plans. The requirements of this statement are effective for financial statements whose fiscal year begins after June 15, 2021. The City is currently evaluating the impact this standard may have on its financial statements.

NOTE 25 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through October 12, 2021, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 3,567,949	\$ 3,567,949	\$ 3,807,136	\$ 239,187
Local Taxes	31,120,000	33,323,500	34,323,959	1,000,459
Licenses and Permits	3,536,000	3,536,000	4,538,687	1,002,687
Fines and Forfeitures	500,000	500,000	384,382	(115,618)
Utility Tax Equivalents	1,750,000	1,750,000	1,442,306	(307,694)
Intergovernmental:				
Federal and State Grants	817,842	817,842	398,277	(419,565)
State of Alabama - Taxes	549,400	49,400	458,257	408,857
Interest income	263,250	263,250	288,018	24,768
Other receipts	2,241,005	1,826,045	1,193,082	(632,963)
Total Revenues	<u>44,345,446</u>	<u>45,633,986</u>	<u>46,834,104</u>	<u>1,200,118</u>
EXPENDITURES				
Executive Department	5,609,043	5,391,540	5,094,038	(297,502)
Municipal Court	452,108	452,108	457,006	4,898
Police Department	7,153,535	7,119,647	7,020,857	(98,790)
Fire and Emergency Services	5,192,384	5,200,384	5,297,206	96,822
Community and Economic Affairs	7,814,378	7,541,668	7,036,394	(505,274)
Public Works	7,594,012	7,764,377	6,948,195	(816,182)
Appropriations	2,234,481	3,097,481	2,881,337	(216,144)
Capital Outlay	1,100,000	10,000	7,500	(2,500)
Total Expenditures	<u>37,149,942</u>	<u>36,577,205</u>	<u>34,742,533</u>	<u>(1,834,672)</u>
Excess of revenues over expenditures	<u>7,195,504</u>	<u>9,056,781</u>	<u>12,091,571</u>	<u>3,034,790</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	28,937	28,937
Transfers from Other Funds	3,737,000	17,723,633	14,662,896	(3,060,737)
Transfer to Other Funds	(10,624,883)	(14,722,709)	(6,794,807)	7,927,902
Total Other Financing Uses	<u>(6,887,883)</u>	<u>3,000,924</u>	<u>7,897,026</u>	<u>4,896,102</u>
Net Change in Fund Balances	<u>\$ 307,621</u>	<u>12,057,705</u>	<u>\$ 19,988,597</u>	<u>\$ 7,930,892</u>

Note to Budgetary Comparison Schedule:

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

The basis of budgeting is the same as GAAP.

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

	2020	2019	2018	2017	2016
Actuarially determined contribution*	\$ 1,164,384	\$ 1,962,442	\$ 2,185,992	\$ 1,960,245	\$ 1,681,939
Contributions in relation to the actuarially determined contribution	<u>1,164,384</u>	<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>				
Covered payroll**	\$ 17,597,695	\$ 15,887,074	\$ 14,565,997	\$ 13,993,238	\$ 13,724,493
Contributions as a percentage of covered payroll	6.62%	12.35%	15.01%	14.01%	12.26%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. This schedule is based on the 12 month period of the underlying financial statements.

**Employer's covered payroll for FY2020 is the total covered payroll for the 12 month period of the underlying financial statements.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	21 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25-5.00% including inflation
Investment rate of return	7.75%, 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.

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service Cost	\$ 1,257,424	\$ 1,152,025	\$ 1,160,777	\$ 1,042,057	\$ 1,039,908	\$ 984,884
Interest	2,426,320	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	1,028,335	(776,281)	234,639	(830,698)	(256,610)	-
Changes of assumptions	-	195,924	-	1,162,166	-	-
Benefit payments, including refunds of employee contributions	(1,037,176)	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	(3,588)	92,942	(438,378)	(130,057)	-	-
Net change in total pension liability	<u>3,671,315</u>	<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>32,029,241</u>	<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>\$ 35,700,556</u>	<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	\$ 972,694	\$ 940,350	\$ 936,184	\$ 1,012,511	\$ 952,313	\$ 959,691
Contributions - member	901,767	844,796	770,689	769,340	643,754	626,907
Net investment income	674,544	2,155,583	2,582,212	1,826,701	207,616	1,857,305
Benefit payments, including refunds of employee contributions	(1,037,176)	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	(3,588)	92,942	(438,378)	(130,057)	(261,088)	(176,551)
Net change in plan fiduciary net position	<u>1,508,241</u>	<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>25,852,350</u>	<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>\$ 27,360,591</u>	<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	\$ 8,339,965	\$ 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	76.64%	80.71%	75.94%	71.43%	68.25%	71.28%
Covered payroll*	\$ 15,887,074	\$ 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	52%	42%	54%	57%	70%	60%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2020 the measurement period is January 1, 2019 - December 31, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF GULF SHORES, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2020

	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		2020E GO Warrant Fund
ASSETS							
Cash and Cash Equivalents	\$ 2,763,369	\$ -	\$ -	\$ 22,876	\$ 227,072	\$ 109,945	\$ 3,123,262
Restricted Cash and Cash Equivalents	-	263,868	1,421,440	-	-	-	1,685,308
Accounts Receivable	-	-	-	-	-	380,943	380,943
Due From Other Funds	252,000	10,750	-	-	-	-	262,750
Due From Other Governments	-	-	-	-	-	-	-
Due From Component Units	-	-	-	-	-	-	-
Prepays and Other Assets	-	-	-	-	-	-	-
Total Assets	\$ 3,015,369	\$ 274,618	\$ 1,421,440	\$ 22,876	\$ 227,072	\$ 490,888	\$ 5,452,263
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	-	-	10,110	-	11,110	794,729	815,949
Payroll taxes & benefits payable	-	-	-	-	42,976	-	42,976
Other liabilities	-	-	-	-	-	36,119	36,119
Due to other funds	-	-	-	-	367,410	-	367,410
Total Liabilities	-	-	10,110	-	421,496	830,848	1,262,454
DEFERRED INFLOW OF RESOURCES							
Deferred revenue	-	-	-	-	-	-	-
Fund Balances:							
Spendable:							
Restricted:							
Capital Improvements	-	274,618	1,411,330	-	-	-	1,685,948
Other	-	-	-	-	-	-	-
Committed:							
Beach Restoration	3,015,369	-	-	-	-	-	3,015,369
Assigned	-	-	-	22,876	-	-	22,876
Unassigned	-	-	-	-	(194,424)	(339,960)	(534,384)
Total Fund Balances	3,015,369	274,618	1,411,330	22,876	(194,424)	(339,960)	4,189,809
Total Liabilities, Deferred Inflow of Resources and Fund Balance	\$ 3,015,369	\$ 274,618	\$ 1,421,440	\$ 22,876	\$ 227,072	\$ 490,888	\$ 5,452,263

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

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	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	2014B GO Warrant Fund	2020E GO Warrant Fund	
REVENUES								
Local taxes	\$ 3,974,195	\$ 359,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,333,531
Intergovernmental:								
State of Alabama taxes	-	248,808	-	-	-	-	-	248,808
Federal and State grants	-	-	-	-	-	-	397,136	397,136
Interest income	3,203	606	4,038	379	413	-	5,881	14,520
Impact fees	-	-	1,575,778	-	-	-	-	1,575,778
Other receipts	-	-	-	-	614,498	-	-	614,498
Total Revenues	3,977,398	608,750	1,579,816	379	614,911	-	403,017	7,184,271
EXPENDITURES								
Current Operating:								
Police	-	-	81,702	-	368,479	-	-	450,181
Fire	-	-	196,486	-	-	-	-	196,486
Community and Economic Affairs	-	-	663,544	-	-	-	184,473	848,017
Public Works	-	-	649,978	-	999,278	-	-	1,649,256
Appropriations - Outside agencies	-	-	-	-	-	-	3,000,000	3,000,000
Capital Outlay	-	-	-	-	-	-	2,368,620	2,368,620
Miscellaneous	-	34,552	-	-	70	-	-	34,622
Total Expenditures	-	34,552	1,591,710	-	1,367,827	-	5,553,093	8,547,182
Excess (Deficiency) of revenues Over Expenditures	3,977,398	574,198	(11,894)	379	(752,916)	-	(5,150,076)	(1,362,911)
OTHER FINANCING SOURCES (USES)								
Bond Proceeds	-	-	-	-	-	-	10,410,000	10,410,000
Transfers In	-	-	-	-	650,020	-	2,905,514	3,555,534
Transfers Out	(3,972,428)	(554,000)	-	-	-	(1,279,100)	(9,370,198)	(15,175,726)
Total Other Financing Sources (Uses)	(3,972,428)	(554,000)	-	-	650,020	(1,279,100)	3,945,316	(1,210,192)
Net Change in Fund Balance	4,970	20,198	(11,894)	379	(102,896)	(1,279,100)	(1,204,760)	(2,573,103)
Fund Balances (Deficit) - Beginning	3,010,399	254,420	1,423,224	22,497	(91,528)	1,279,100	864,800	6,762,912
Fund Balances (Deficit) - Ending	\$ 3,015,369	\$ 274,618	\$ 1,411,330	\$ 22,876	\$ (194,424)	\$ -	\$ (339,960)	\$ 4,189,809

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, 2020

	<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	\$ 3,203	\$ 2,203
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>3,203</u>	<u>2,203</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>3,203</u>	<u>2,203</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,571,428	3,971,428	3,974,196	2,768
Transfers Out	<u>(3,572,428)</u>	<u>(3,972,428)</u>	<u>(3,972,428)</u>	-
Total Other Financing Uses	<u>(1,000)</u>	<u>(1,000)</u>	<u>1,768</u>	<u>2,768</u>
Net Change in Fund Balances	-	-	4,971	4,971
Fund Balance, beginning	<u>3,010,399</u>	<u>3,010,399</u>	<u>3,010,399</u>	-
Fund Balance, ending	<u>\$ 3,010,399</u>	<u>\$ 3,010,399</u>	<u>\$ 3,015,370</u>	<u>\$ 4,971</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.

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, 2020

	<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	\$ 211,394	\$ 46,394
Law Enforcement:				
Federal Equity Sharing	-	-	21,537	21,537
State, Local & Other	10,000	10,000	7,041	(2,959)
Alabama Gasoline Excise Tax				
Four per Gallon	16,000	16,000	15,849	(151)
Five per Gallon	7,000	7,000	7,814	814
Seven per Gallon	27,000	27,000	27,349	349
Ten per Gallon	47,000	47,000	67,341	20,341
Petroleum Inspection Fees	4,000	4,000	4,383	383
Motor Fuel Distribution	1,000	1,000	1,338	338
State Shared Capital Improvement Fund	85,000	85,000	96,156	11,156
Corrections Fund	105,000	105,000	115,994	10,994
Municipal Court Judicial Administrative Fund	45,000	45,000	31,948	(13,052)
Interest income	-	-	606	606
Total Revenues	<u>512,000</u>	<u>512,000</u>	<u>608,750</u>	<u>96,750</u>
EXPENDITURES				
Account Administration	55,000	55,000	34,552	(20,448)
Total Expenditures	<u>55,000</u>	<u>55,000</u>	<u>34,552</u>	<u>(20,448)</u>
Excess of revenues over expenditures	<u>457,000</u>	<u>457,000</u>	<u>574,198</u>	<u>117,198</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund:				
Corrections	(105,000)	(105,000)	(110,000)	(5,000)
Firefighters Ad Valorem	(165,000)	(165,000)	(225,000)	(60,000)
Alabama Gasoline Excise Tax	(102,000)	(102,000)	(119,000)	(17,000)
State Capital Improvements	(85,000)	(85,000)	(100,000)	(15,000)
Total Other Financing Uses	<u>(457,000)</u>	<u>(457,000)</u>	<u>(554,000)</u>	<u>(97,000)</u>
Net Change in Fund Balances	-	-	20,198	20,198
Fund Balance, beginning	<u>254,420</u>	<u>254,420</u>	<u>254,420</u>	<u>-</u>
Fund Balance, ending	<u>\$ 254,420</u>	<u>\$ 254,420</u>	<u>\$ 274,618</u>	<u>\$ 20,198</u>

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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Parks & Recreation	\$ 615,000	\$ 675,000	\$ 696,786	\$ 21,786
Fire	198,500	198,500	140,144	(58,356)
Police	94,400	94,400	97,051	2,651
Public Works	650,000	650,000	641,797	(8,203)
Interest Income	1,500	1,500	4,038	2,538
Total Revenues	<u>1,559,400</u>	<u>1,619,400</u>	<u>1,579,816</u>	<u>(39,584)</u>
EXPENDITURES				
Current				
Fire	200,000	200,000	196,486	(3,514)
Recreation	615,000	675,000	663,544	(11,456)
Public Works	650,000	650,000	649,978	(22)
Police	94,400	94,400	81,702	(12,698)
Total Expenditures	<u>1,559,400</u>	<u>1,619,400</u>	<u>1,591,710</u>	<u>(27,690)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(11,894)</u>	<u>(11,894)</u>
Net Change in Fund Balances	-	-	(11,894)	(11,894)
Fund Balance, beginning	<u>1,423,224</u>	<u>1,423,224</u>	<u>1,423,224</u>	<u>-</u>
Fund Balance, ending	<u>\$ 1,423,224</u>	<u>\$ 1,423,224</u>	<u>\$ 1,411,330</u>	<u>\$ (11,894)</u>

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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 413	\$ 413
Federal and State Grants	-	-	-	-
Other	646,495	676,495	614,498	(61,997)
Total Revenues	<u>646,495</u>	<u>676,495</u>	<u>614,911</u>	<u>(61,584)</u>
EXPENDITURES				
Police	308,170	308,170	368,479	60,309
Public Works	914,982	1,018,345	999,278	(19,067)
Miscellaneous	-	-	70	70
Beach Restoration	-	-	-	-
Total Expenditures	<u>1,223,152</u>	<u>1,326,515</u>	<u>1,367,827</u>	<u>41,312</u>
Excess (deficiency) of revenues over expenditures	<u>(576,657)</u>	<u>(650,020)</u>	<u>(752,916)</u>	<u>(102,896)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	572,428	650,020	650,020	-
Total Other Financing Uses	<u>572,428</u>	<u>650,020</u>	<u>650,020</u>	<u>-</u>
Net Change in Fund Balances	(4,229)	-	(102,896)	(102,896)
Fund Balance, beginning	<u>(91,528)</u>	<u>(91,528)</u>	<u>(91,528)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (95,757)</u>	<u>\$ (91,528)</u>	<u>\$ (194,424)</u>	<u>\$ (102,896)</u>

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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 15,120	\$ 15,120
Other	30,000	30,000	30,200	200
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>45,320</u>	<u>15,320</u>
EXPENDITURES				
Miscellaneous	-	-	15	15
Total Expenditures	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>
Excess of revenues over expenditures	<u>30,000</u>	<u>30,000</u>	<u>45,305</u>	<u>15,305</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long Term Debt	6,200,000	17,040,000	17,040,000	-
Transfers Out	(30,000)	(8,691,320)	(8,691,320)	-
Total Other Financing Uses	<u>6,170,000</u>	<u>8,348,680</u>	<u>8,348,680</u>	<u>-</u>
Net Change in Fund Balances	6,200,000	8,378,680	8,393,985	15,305
Fund Balance, beginning	<u>8,443,333</u>	<u>8,443,333</u>	<u>8,443,333</u>	<u>-</u>
Fund Balance, ending	<u>\$ 14,643,333</u>	<u>\$ 16,822,013</u>	<u>\$ 16,837,318</u>	<u>\$ 15,305</u>

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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 822	\$ 822
Total Revenues	<u>-</u>	<u>-</u>	<u>822</u>	<u>822</u>
EXPENDITURES				
Appropriations	330,000	359,728	362,808	3,080
Miscellaneous	3,075	3,075	3,468	393
Principal	4,228,970	30,997,793	30,998,740	947
Interest	2,468,332	2,546,537	2,565,537	19,000
Total Expenditures	<u>6,700,377</u>	<u>33,907,133</u>	<u>33,930,553</u>	<u>23,420</u>
Excess (deficiency) of revenues over expenditures	<u>(6,700,377)</u>	<u>(33,907,133)</u>	<u>(33,929,731)</u>	<u>(22,598)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	19,000,000	19,000,000	-
Transfer to Other Funds	7,030,377	17,812,648	17,834,793	(22,145)
Transfers In	-	(2,905,515)	(2,905,704)	189
Total Other Financing Uses	<u>7,030,377</u>	<u>33,907,133</u>	<u>33,929,089</u>	<u>(21,956)</u>
Net Change in Fund Balances	330,000	-	(642)	(642)
Fund Balance, Beginning	<u>651</u>	<u>651</u>	<u>651</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 330,651</u>	<u>\$ 651</u>	<u>\$ 9</u>	<u>\$ (642)</u>

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, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants	\$ -	\$ 12,075,683	\$ 7,938,266	\$ (4,137,417)
Interest income	-	-	-	-
Other receipts	-	-	837,176	837,176
Total Revenues	<u>-</u>	<u>12,075,683</u>	<u>8,775,442</u>	<u>(3,300,241)</u>
EXPENDITURES				
Public works	55,000	55,000	11,614,929	11,559,929
Storm damage	-	13,722,558	-	(13,722,558)
Total Expenditures	<u>55,000</u>	<u>13,777,558</u>	<u>11,614,929</u>	<u>(2,162,629)</u>
Excess (deficiency) of revenues over expenditures	<u>(55,000)</u>	<u>(1,701,875)</u>	<u>(2,839,487)</u>	<u>(1,137,612)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	23,078	1,669,953	1,668,030	(1,923)
Total Other Financing Uses	<u>23,078</u>	<u>1,669,953</u>	<u>1,668,030</u>	<u>(1,923)</u>
Net Change in Fund Balances	(31,922)	(31,922)	(1,171,457)	(1,139,535)
Fund Balance, beginning	<u>(101,547)</u>	<u>(101,547)</u>	<u>(101,547)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (133,469)</u>	<u>\$ (133,469)</u>	<u>\$ (1,273,004)</u>	<u>\$ (1,139,535)</u>

CITY OF GULF SHORES, ALABAMA
2020E WARRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants	\$ 2,204,167	\$ 1,330,000	\$ 397,136	\$ (932,864)
Interest	-	-	5,881	5,881
Other receipts	948,125	-	-	-
Total Revenues	<u>3,152,292</u>	<u>1,330,000</u>	<u>403,017</u>	<u>(926,983)</u>
EXPENDITURES				
Public Works	180,000	193,000	184,473	(8,527)
Appropriations	-	3,000,000	3,000,000	-
Capital Outlay	4,987,083	3,645,100	2,368,620	(1,276,480)
Total Expenditures	<u>5,167,083</u>	<u>6,838,100</u>	<u>5,553,093</u>	<u>(1,285,007)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,014,791)</u>	<u>(5,508,100)</u>	<u>(5,150,076)</u>	<u>358,024</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	2,014,791	14,987,711	10,410,000	(4,577,711)
Transfers Out	-	(12,385,125)	(9,370,198)	3,014,927
Transfers In	-	2,905,514	2,905,514	-
Total Other Financing Uses	<u>2,014,791</u>	<u>5,508,100</u>	<u>3,945,316</u>	<u>(1,562,784)</u>
Net Change in Fund Balances	-	-	(1,204,760)	(1,204,760)
Fund Balance, Beginning	<u>864,800</u>	<u>864,800</u>	<u>864,800</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 864,800</u>	<u>\$ 864,800</u>	<u>\$ (339,960)</u>	<u>\$ (1,204,760)</u>

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, 2020

	<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	\$ 770,000	\$ 770,000	\$ 185,353	\$ (584,647)
Other	194,220	194,220	-	(194,220)
Interest Income	250,000	250,000	175,462	(74,538)
Total Revenues	<u>1,214,220</u>	<u>1,214,220</u>	<u>360,815</u>	<u>(853,405)</u>
EXPENDITURES				
Capital Outlay	<u>10,907,000</u>	<u>12,832,500</u>	<u>9,895,969</u>	<u>(2,936,531)</u>
Excess (deficiency) of revenues over expenditures	<u>(9,692,780)</u>	<u>(11,618,280)</u>	<u>(9,535,154)</u>	<u>2,083,126</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	9,942,780	11,938,280	-	(11,938,280)
Transfers In	(250,000)	(320,000)	(179,501)	140,499
Transfers Out	-	-	-	-
Total Other Financing Sources and (Uses)	<u>9,692,780</u>	<u>11,618,280</u>	<u>(179,501)</u>	<u>(11,797,781)</u>
Net Change in Fund Balance	-	-	(9,714,655)	(9,714,655)
Fund Balances - Beginning	<u>12,175,625</u>	<u>12,175,625</u>	<u>12,175,625</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 12,175,625</u>	<u>\$ 12,175,625</u>	<u>\$ 2,460,970</u>	<u>\$ (9,714,655)</u>

STATISTICAL SECTION

CITY OF GULF SHORES, ALABAMA
STATISTICAL SECTION
DECEMBER 31, 2020

This part of the City of Gulf Shores' 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's financial performance and well-being have changed over time.

Revenue Capacity

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

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's 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's 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 annual financial report for the relevant year.

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental Activities					
Net Investment in capital assets	\$ 25,129,660	\$ 30,068,504	\$ 38,121,287	\$ 42,984,614	\$ 45,722,455
Restricted**	4,674,869	18,604,002	3,899,134	4,512,902	4,454,624
Unrestricted	22,442,057	10,030,325	20,521,555	21,935,254	15,958,220
Total governmental activities Net Position	52,246,586	58,702,831	62,541,976	69,432,770	66,135,299
Business-type activities					
Net Investment in capital assets	2,070,760	2,043,639	2,016,518	1,989,397	1,962,276
Restricted	-	-	-	-	-
Unrestricted	69,858	38,534	31,060	3,723	3,725
Total business-type activities Net Position	2,140,618	2,082,173	2,047,578	1,993,120	1,966,001
Primary government					
Net Investment in capital assets	27,200,420	32,112,143	40,137,805	44,974,011	47,684,731
Restricted**	4,674,869	18,604,002	3,899,134	4,512,902	4,454,624
Unrestricted	22,511,915	10,068,859	20,552,615	21,938,977	15,961,945
Total primary government Net Position	\$ 54,387,204	\$ 60,785,004	\$ 64,589,554	\$ 71,425,890	\$ 68,101,300

**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				
	2016	2017	2018	2019	2020
Governmental Activities					
Net Investment in capital assets	\$ 45,289,955	\$ 57,682,765	\$ 39,025,026	\$ 52,309,319	\$ 64,803,007
Restricted**	1,603,565	2,113,341	2,266,096	3,011,050	4,256,377
Unrestricted	19,667,019	21,828,698	50,402,246	47,963,350	38,917,065
Total governmental activities Net Position	66,560,539	81,624,804	91,693,368	103,283,719	107,976,449
Business-type activities					
Net Investment in capital assets	1,935,155	6,772,994	1,872,966	1,460,653	1,738,726
Restricted	-	-	-	508,414	334,569
Unrestricted	3,727	(5,151,544)	3,026	2,780	3,102
Total business-type activities Net Position	1,938,882	1,621,450	1,875,992	1,971,847	2,076,397
Primary government					
Net Investment in capital assets	47,225,110	64,455,759	40,897,992	53,769,972	66,541,733
Restricted**	1,603,565	2,113,341	2,266,096	3,519,464	4,590,946
Unrestricted	19,670,746	16,677,154	50,405,272	47,966,130	38,920,167
Total primary government Net Position	\$ 68,499,421	\$ 83,246,254	\$ 93,569,360	\$ 105,255,566	\$ 110,052,846

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

	Fiscal Year				
	2011	2012	2013	2014	2015
Expenses					
Governmental activities:					
Executive	\$ 3,646,526	\$ 3,492,747	\$ 3,644,562	\$ 3,872,284	\$ 4,459,113
Municipal Court	320,136	324,188	307,308	299,305	360,707
Police	4,542,844	4,301,242	5,060,640	4,711,188	4,960,912
Fire	3,545,999	3,397,974	3,583,029	3,665,512	4,843,162
Public Works	5,044,565	12,044,437	9,036,092	6,388,214	7,053,798
Community and Economic Affairs	5,904,452	7,354,432	6,748,057	7,182,958	7,212,912
Other	6,016,243	2,166,635	1,536,803	1,401,422	1,415,022
Total governmental activities expenses	29,020,765	33,081,655	29,916,491	27,520,883	30,305,626
Business-type activities:					
Public Education Authority	188,686	221,980	199,339	147,259	27,121
Total business-type activities expenses	188,686	221,980	199,339	147,259	27,121
Total primary government expenses	29,209,451	33,303,635	30,115,830	27,668,142	30,332,747
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	5,456	15,208	49,600	(103,078)	11,843
Municipal Court	398,801	456,488	545,389	544,119	619,101
Police	8,273	19,949	21,181	35,044	38,188
Fire	7,468	25,493	27,524	44,389	31,520
Community and Economic Affairs	3,559,168	4,006,776	4,130,862	4,797,510	4,845,158
Public Works	117,280	262,635	330,832	572,916	394,250
Operating Grants and Contributions	659,443	348,819	1,433,071	1,553,425	755,096
Capital Grants and Contributions	2,992,714	8,965,656	2,964,418	1,287,091	-
Total governmental activities program revenues	7,748,603	14,101,024	9,502,877	8,731,416	6,695,156
Business-type activities					
Charges for services					
Public Education Building Authority	161,565	163,503	164,728	120,138	-
Airport Authority	-	-	-	-	-
Total business-type activities program revenues	161,565	163,503	164,728	120,138	-
Total primary government program revenues	\$ 7,910,168	\$ 14,264,527	\$ 9,667,605	\$ 8,851,554	\$ 6,695,156
Net (Expense)/Revenue					
Governmental activities	\$ (21,272,162)	\$ (18,980,631)	\$ (20,413,614)	\$ (18,789,467)	\$ (23,610,470)
Business-type activities	(27,121)	(58,477)	(34,611)	(27,121)	(27,121)
Total primary government net expense	(21,299,283)	(19,039,108)	(20,448,225)	(18,816,588)	(23,637,591)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	3,444,058	2,500,195	2,402,380	2,556,551	2,715,667
Local taxes	18,385,150	19,962,896	20,798,896	21,387,762	22,565,403
Franchise taxes	1,172,815	1,162,351	1,151,859	1,253,354	1,244,634
State taxes	321,933	329,770	492,085	402,057	379,494
Investment earnings	91,545	37,187	20,397	22,341	33,835
Miscellaneous	278,677	145,782	50,208	84,407	110,376
Contributions	6,402,323	1,336	-	-	-
Gain/(Loss) on Disposal of Assets	28,342	(14,517)	(60,212)	(53,563)	34,369
Transfers	-	-	-	27,347	-
Total governmental activities	30,124,843	24,125,000	24,855,613	25,680,256	27,083,778
Business-type activities:					
Investment earnings	164	32	17	10	2
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	(27,347)	-
Total business-type activities	164	32	17	(27,337)	2
Total primary government	30,125,007	24,125,032	24,855,630	25,652,919	27,083,780
Changes in Net Position					
Governmental activities	8,852,681	5,144,369	4,441,999	6,890,789	3,473,308
Business-type activities	(26,957)	(58,445)	(34,594)	(54,458)	(27,119)
Total primary government	\$ 8,825,724	\$ 5,085,924	\$ 4,407,405	\$ 6,836,331	\$ 3,446,189

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Expenses					
Governmental activities:					
Executive	\$ 4,657,072	\$ 4,889,329	\$ 3,839,222	\$ 5,516,039	\$ 5,586,234
Municipal Court	433,826	471,390	415,069	463,210	471,958
Police	5,656,457	5,788,741	6,882,556	6,977,146	7,821,554
Fire	3,408,579	4,018,363	4,225,805	6,069,504	6,179,670
Public Works	7,637,148	7,360,994	9,204,974	9,299,293	20,839,816
Community and Economic Affairs	7,608,894	8,181,961	7,914,734	11,814,216	10,619,654
Other	1,107,600	1,219,902	2,471,215	2,593,443	2,877,819
Total governmental activities expenses	<u>30,509,576</u>	<u>31,930,680</u>	<u>34,953,575</u>	<u>42,732,851</u>	<u>54,396,705</u>
Business-type activities:					
Public Education Authority	27,121	507,334	418,585	549,754	610,990
Total business-type activities expenses	<u>27,121</u>	<u>507,334</u>	<u>418,585</u>	<u>549,754</u>	<u>610,990</u>
Total primary government expenses	<u>30,536,697</u>	<u>32,438,014</u>	<u>35,372,160</u>	<u>43,282,605</u>	<u>55,007,695</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	11,934	27,800	27,600	21,350	9,270
Municipal Court	791,319	677,852	841,030	675,712	538,415
Police	46,172	54,513	61,206	83,898	105,751
Fire	56,285	69,919	78,525	106,012	140,144
Community and Economic Affairs	5,322,428	5,675,171	5,816,368	6,455,422	6,004,459
Public Works	695,612	829,859	817,543	1,242,931	1,407,291
Operating Grants and Contributions	1,213,150	8,306,995	1,738,549	7,539,992	9,397,880
Capital Grants and Contributions	2,326,999	215,684	30,000	-	882,061
Total governmental activities program revenues	<u>10,463,899</u>	<u>15,857,793</u>	<u>9,410,821</u>	<u>16,125,317</u>	<u>18,485,271</u>
Business-type activities					
Charges for services					
Public Education Building Authority	-	177,289	606,464	609,050	610,350
Total business-type activities program revenues	<u>-</u>	<u>177,289</u>	<u>606,464</u>	<u>609,050</u>	<u>610,350</u>
Total primary government program revenues	<u>\$ 10,463,899</u>	<u>\$ 16,035,082</u>	<u>\$ 10,017,285</u>	<u>\$ 16,734,367</u>	<u>\$ 19,095,621</u>
Net (Expense)/Revenue					
Governmental activities	<u>\$ (20,045,677)</u>	<u>\$ (16,072,887)</u>	<u>\$ (25,542,754)</u>	<u>\$ (26,607,534)</u>	<u>\$ (35,911,434)</u>
Business-type activities	<u>(27,121)</u>	<u>(330,045)</u>	<u>187,879</u>	<u>59,296</u>	<u>(640)</u>
Total primary government net expense	<u>(20,072,798)</u>	<u>(16,402,932)</u>	<u>(25,354,875)</u>	<u>(26,548,238)</u>	<u>(35,912,074)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	2,871,351	3,064,738	3,387,950	3,521,657	3,807,136
Local taxes	24,313,543	25,461,563	30,073,209	34,127,612	34,353,515
Franchise taxes	1,221,712	1,410,132	1,560,508	1,756,512	1,442,306
State taxes	477,632	624,254	753,830	-	-
Investment earnings	40,343	46,475	169,941	472,515	493,942
Miscellaneous	495,604	139,353	128,663	143,677	644,389
Contributions/BP Settlement	-	-	-	-	-
Gain/(Loss) on Disposal of Assets	(1,703)	420,927	59,649	(1,824,088)	19,466
Transfers	-	-	(522,432)	-	-
Total governmental activities	<u>29,418,482</u>	<u>31,167,442</u>	<u>35,611,318</u>	<u>38,197,885</u>	<u>40,760,754</u>
Business-type activities:					
Investment earnings	2	12,613	66,663	36,559	964
Miscellaneous	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>2</u>	<u>12,613</u>	<u>66,663</u>	<u>36,559</u>	<u>964</u>
Total primary government	<u>29,418,484</u>	<u>31,180,055</u>	<u>35,677,981</u>	<u>38,234,444</u>	<u>40,761,718</u>
Changes in Net Position					
Governmental activities	9,372,805	15,094,555	10,068,564	11,590,351	4,849,320
Business-type activities	(27,119)	(317,432)	254,542	95,855	324
Total primary government	<u>\$ 9,345,686</u>	<u>\$ 14,777,123</u>	<u>\$ 10,323,106</u>	<u>\$ 11,686,206</u>	<u>\$ 4,849,644</u>

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

	Fiscal Year				
	2011**	2012	2013	2014	2015
General Fund					
Nonspendable**	300,707	1,351,138	358,728	525,046	447,410
Spendable:**					
Restricted**	488,283	120,285	184,255	133,939	111,473
Committed**	8,307,075	7,108,782	7,213,450	7,617,230	7,621,040
Unassigned**	8,587,555	10,024,404	13,237,619	14,123,171	15,825,708
Total general fund	<u>17,683,620</u>	<u>18,604,609</u>	<u>20,994,052</u>	<u>22,399,386</u>	<u>24,005,631</u>
Other Governmental Funds					
Nonspendable**	-	-	-	-	811,678
Spendable:**					
Restricted**	4,186,586	4,264,615	3,714,879	4,378,963	3,217,766
Committed**	5,456,776	5,871,635	64,344	30,114	1,296,904
Assigned**	-	-	-	-	-
Unassigned**	(8,168)	(5,844)	(285,723)	(304,098)	(311,979)
Total - governmental funds	<u>\$ 27,318,814</u>	<u>\$ 28,735,015</u>	<u>\$ 24,487,552</u>	<u>\$ 26,504,365</u>	<u>\$ 29,020,000</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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund					
Nonspendable**	543,176	519,071	358,728	474,997	480,789
Spendable:**					
Restricted**	142,145	133,904	184,255	320,765	109,450
Committed**	7,624,851	7,628,664	7,213,450	18,804,442	15,836,577
Unassigned**	18,145,189	20,887,962	28,868,213	20,053,388	35,266,790
Total general fund	<u>26,455,361</u>	<u>29,169,601</u>	<u>36,624,646</u>	<u>39,653,592</u>	<u>51,693,606</u>
Other Governmental Funds					
Nonspendable**	-	25,000	-	-	-
Spendable:**					
Restricted**	1,113,784	584,857	3,550,057	16,020,317	4,146,927
Committed**	1,520,905	1,372,145	(225,158)	3,010,399	19,852,687
Assigned**	-	-	-	-	22,876
Unassigned**	(286,924)	-	19,733,095	(335,841)	(1,807,388)
Total - governmental funds	<u>\$ 28,803,126</u>	<u>\$ 31,151,603</u>	<u>\$ 59,682,640</u>	<u>\$ 58,348,467</u>	<u>\$ 73,908,708</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				
	2011	2012	2013	2014	2015
Revenues					
Taxes					
Property	\$ 3,444,058	\$ 2,500,194	\$ 2,402,381	\$ 2,556,551	\$ 2,715,667
Local	18,385,151	19,962,896	20,798,897	21,387,763	22,565,403
Licenses, fees and permits	1,885,421	2,229,453	2,374,442	2,908,946	2,854,090
Fines and forfeitures	309,520	338,470	387,739	395,866	470,778
Utility tax equivalents	1,172,815	1,162,351	1,151,859	1,253,354	1,244,634
Intergovernmental	3,498,398	9,084,912	3,893,517	1,862,536	1,203,998
Investment earnings	91,545	37,185	20,398	22,342	33,836
Impact fees	96,108	280,032	307,242	540,482	415,941
BP lost revenues	6,402,323	1,336	360,995	639,005	-
Assessments/Rental Income	323,746	218,977	120,822	118,276	35,276
Other revenues	2,276,277	2,421,992	2,654,341	2,772,373	2,205,074
Total Revenues	37,885,362	38,237,798	34,472,633	34,457,494	33,744,697
Expenditures					
General government	3,245,746	3,207,917	3,332,695	3,665,722	4,322,578
Police	3,817,726	4,141,692	5,140,408	4,551,402	4,992,638
Fire	3,364,846	3,246,080	3,336,121	3,939,208	3,639,166
Community and Economic Affairs	4,813,793	5,542,994	5,557,550	7,116,128	6,564,129
Public Works	4,398,046	11,627,419	8,149,913	7,021,734	8,308,196
Appropriations	137,974	1,148,747	279,758	105,221	113,027
Capital outlay	4,347,906	6,588,871	6,298,088	3,965,171	7,014,879
Non capitalized equipment**	1,023,381	-	-	-	-
Beach restoration	37,688	57,095	-	62,700	61,212
Principal	4,039,926	23,667,897	4,665,150	4,185,512	12,396,644
Interest	2,215,788	1,786,635	1,536,803	1,412,075	1,210,773
Miscellaneous	27,889	8,015	14,243	57,095	187,064
Litigation Settlement	3,800,455	15,374	-	-	-
Total Expenditures	35,271,164	61,038,736	38,310,729	36,081,968	48,810,306
Excess(Deficiency) of revenues over (under) expenditures	2,614,198	(22,800,938)	(3,838,096)	(1,624,474)	(15,065,609)
Other Financing Sources (Uses)					
Bond Issue Proceeds	1,204,825	22,871,761	-	890,000	15,152,340
Transfers In	4,662,044	26,061,441	7,110,115	6,459,306	7,444,384
Transfers Out	(4,758,044)	(26,061,441)	(7,110,115)	(6,431,958)	(7,444,384)
Total Other Financing Sources and (Uses)	1,108,825	22,871,761	-	917,348	15,152,340
Net change in Fund Balance	\$ 3,723,023	\$ 70,823	\$ (3,838,096)	\$ (707,126)	\$ 86,731
Prior Period Adjustment	-	\$ 1,311,876	-	-	-
Debt service as a percentage of noncapital expenditures	20%	47%	19%	17%	33%

**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)

	2016	2017	2018	2019	2020
Revenues					
Taxes					
Property	\$ 2,871,352	\$ 3,064,738	\$ 3,387,950	\$ 3,521,657	\$ 3,807,136
Local	24,313,542	25,461,564	30,073,209	34,127,612	34,683,293
Licenses, fees and permits	3,314,362	3,342,128	3,482,009	4,088,484	4,538,687
Fines and forfeitures	595,810	513,813	595,069	485,660	384,382
Utility tax equivalents	1,221,712	1,410,132	1,560,508	1,756,512	1,442,306
Intergovernmental	1,815,057	1,441,591	2,533,742	5,372,060	9,626,097
Investment earnings	40,343	46,475	169,941	472,516	493,942
Impact fees	746,976	893,495	870,345	1,363,358	1,575,778
BP lost revenues/settlements	271,582	-	-	-	-
Assessments/Rental Income	499,015	-	-	-	-
Other revenues	2,267,330	2,767,825	2,692,149	2,668,003	2,674,956
Total Revenues	37,957,081	38,941,761	45,364,922	53,855,862	59,226,577
Expenditures					
General government	1,721,831	4,886,896	5,227,506	4,957,019	5,094,038
Police	5,130,530	5,562,947	6,701,010	7,228,492	7,928,044
Fire	2,886,570	3,834,578	4,176,099	5,310,339	5,493,692
Community and Economic Affairs	4,893,969	6,933,897	7,024,825	7,676,280	7,884,411
Public Works	9,018,160	10,542,619	8,857,930	8,479,245	20,212,380
Appropriations	220,233	254,767	780,818	3,548,574	6,244,145
Capital outlay	8,730,456	17,325,854	16,091,600	19,625,071	12,272,089
Non capitalized equipment**	-	-	-	-	-
Beach restoration	52,800	47,700	-	-	-
Principal	8,007,570	15,559,577	18,305,287	5,581,156	4,299,917
Interest	1,115,452	1,140,750	1,972,662	2,589,636	2,565,537
Miscellaneous	48,790	39,450	80,746	292,396	38,105
Bond Issuance Costs	-	27,850	451,821	-	-
Total Expenditures	41,826,361	66,156,885	69,670,304	65,288,208	72,032,358
Excess(Deficiency) of revenues over (under) expenditures	(3,869,280)	(27,215,124)	(24,305,382)	(11,432,346)	(12,805,781)
Other Financing Sources (Uses)					
Bond Issue/Loan Proceeds/CapASale	3,644,640	17,545,645	49,740,305	18,684,272	19,780,114
Transfers In	11,184,891	15,043,991	29,140,443	12,765,608	37,721,253
Transfers Out	(11,184,891)	(15,043,991)	(29,140,443)	(12,765,607)	(37,721,253)
Total Other Financing Sources and (Uses)	3,644,640	17,545,645	49,740,305	18,684,273	19,780,114
Net change in Fund Balance	\$ (224,640)	\$ (9,669,479)	\$ 25,434,923	\$ 7,251,927	\$ 6,974,333
Prior Period Adjustment	-	-	-	-	-
Debt service as a percentage of noncapital expenditures	28%	34%	38%	18%	11%

**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
2020	7,634,540	718,215,680	194,400,160	130,360,220	789,890,160	4.80	\$ 5,560,528,467	14.21%
2019	7,634,540	671,084,200	178,417,080	123,009,200	734,126,620	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%

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

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

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

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Year</u>	<u>Taxable Property Assessed Valuation</u>	<u>Current Collections</u>	<u>Subsequent Collections</u>	<u>Total Collections</u>	<u>Percent Parcels Paid</u>
2020	3,931,508	790,117,460	3,930,206	-	3,930,206	99.76%
2019	3,658,541	734,155,980	3,652,684	3,970	3,656,654	99.82%
2018	3,327,805	668,109,200	3,326,030	171	3,326,201	99.90%
2017	3,074,056	616,090,320	3,071,391	1,596	3,072,987	99.84%
2016	2,822,072	566,085,720	2,820,939	380	2,821,319	99.84%
2015	2,666,050	534,967,860	2,664,330	466	2,664,796	99.75%
2014	2,491,031	499,994,940	2,487,820	1,389	2,489,209	99.72%
2013	2,390,195	478,341,860	2,385,827	1,288	2,387,115	99.66%
2012	2,335,949	468,268,740	2,330,828	1,173	2,332,001	99.72%
2011	2,443,936	487,433,360	2,432,011	4,275	2,436,286	99.44%

	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>	<u>2020</u>			<u>2010</u>		
	<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	\$ 9,095,560	1	1.15%			
Mid America Apartments LP	7,166,000	2	0.91%			
Baldwin Co Electric	6,004,820	3	0.76%	4,303,000	3	
RCG-Gulf Shores LLC	5,065,660	4	0.64%			
Villas at Bon Secour	3,675,580	5	0.47%			
21300 Sweetwater LLC	3,621,660	6	0.46%			
Howard Resort Inns Inc	2,975,520	7	0.38%	2,174,580	9	
Walmart Real Estate Business Trust	2,802,980	8	0.35%	3,079,220	6	
Beach Place Development LLC	2,490,000	9	0.32%	2,254,480	7	
Waterville USA Inc	2,480,860	10	0.31%			
Seawind Development Co LLC				13,328,080	1	2.54%
The Links at Gulf Shores				5,596,860	2	1.07%
The Links at Gulf Shores LP				4,127,120	4	0.79%
TA Colonial Traditions LLC				3,080,680	5	0.59%
Gulf Shores Multi Family Partners				2,245,520	8	0.43%
Target Corporation				1,979,260	10	0.38%
Total Assessment (All GS)	\$ 790,117,460		5.74%	\$ 524,154,540		5.79%

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	2020			2010		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 2,550,648	1	15.61%	\$ 1,933,173	1	22.23%
Accommodation & Food Services	1,518,502	2	9.29%			
Accommodation & Food Services	1,265,888	3	7.75%	660,011	2	7.59%
Accommodation & Food Services	1,097,705	4	6.72%			
Retail Trade	989,149	5	6.05%	597,119	3	6.87%
Retail Trade	932,549	6	5.71%	276,277	6	
Retail Trade	832,219	7	5.09%			
Accommodation & Food Services	670,558	8	4.10%	167,126		
Accommodation & Food Services	480,035	9	2.94%			0.00%
Accommodation & Food Services	469,862	10	2.88%	222,575	8	2.56%
Accommodation & Food Services	-		-	379,567	4	4.37%
Retail Trade	-		-	287,806	5	3.31%
Retail Trade	-		-	227,873	7	2.62%
Accommodation & Food Services	-		-	227,333	9	2.61%
Retail Trade	-		-	212,257	10	2.44%
Total Sales Tax	\$ 16,341,629		66.13%	\$ 8,695,558		54.60%

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

Fiscal Year	City Direct Rate	Baldwin County
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%
2020 *	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, 2020**

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt(1)
Direct General Obligation Debt:			
City of Gulf Shores Warrants	95,105,972		
Plus: Unamortized Premium	3,641,446		
Total Gulf Shores Warrants	98,747,418	100.00%	\$ 98,747,418
Overlapping General Obligation Debt:			
Baldwin County Warrants	59,294,145		
Less: Unamortized Discount	(162,498)		
Plus: Unamortized Premium	5,202,959		
Total Baldwin County Warrants	64,334,606	15.27%	9,824,320
Baldwin County Board of Education Unamortized Amounts:	180,197,256		
Add: Unamortized Premium	15,156,725		
Total Baldwin Board of Education Warrants	195,353,981	14.90%	29,108,690
Total Overlapping General Obligation Debt	259,688,587		38,933,011
Total Direct and Overlapping General Obligation Debt			<u>137,680,429</u>
Overlapping Guaranteed Revenue Debt			
Public Education Building Authority Bonds	9,460,000		
Add: Unamortized Premium	822,922		
Total Overlapping Guaranteed Revenue Debt	10,282,922	100%	<u>10,282,922</u>
Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			<u>\$ 147,963,351</u>
Debt per Capita			
Direct General Obligation Debt			\$ 6,577.02
Overlapping General Obligation Debt			2,593.11
Overlapping Guaranteed Revenue Debt			684.89
			<u>\$ 9,855.03</u>

Source: Baldwin County 2020 Audit, Baldwin County Board of Education 2019 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	Unamortized Premiums	PEBA Auburn Bonds	Unamortized Premiums			
2011	44,642,180	240,395	-	-	44,882,575	15.2%	4,496
2012	45,990,442	64,621	-	-	46,055,063	18.3%	4,552
2013	41,364,055	66,280	-	-	41,430,335	14.3%	3,849
2014	38,068,543	67,939	-	-	38,136,482	10.9%	3,479
2015	40,715,149	989,950	-	-	41,705,099	12.0%	3,747
2016	36,830,041	937,873	-	-	37,767,914	10.7%	3,231
2017	38,390,463	856,225	10,050,000	914,358	50,211,046	13.5%	4,252
2018	66,340,507	4,085,434	9,835,000	883,880	81,144,821	18.5%	6,483
2019	79,654,712	3,868,123	9,650,000	853,401	94,026,236	20.2%	7,371
2020	95,105,972	3,641,446	9,460,000	822,922	109,030,340	19.6%	7,262

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>Plus Unamortized Premiums</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>
2011	44,642,180	240,395	2,448,952	42,433,623	0.86%	4,356
2012	45,990,442	64,621	2,448,952	43,606,111	0.92%	4,368
2013	41,364,055	66,280	2,448,952	38,981,383	0.81%	3,853
2014	38,068,543	67,939	2,448,952	35,687,530	0.93%	3,315
2015	40,715,149	989,950	2,448,965 *	39,256,134	1.02%	3,581
2016	36,830,041	937,873	-	37,767,914	0.93%	3,393
2017	38,390,463	856,225	-	39,246,688	0.90%	3,358
2018	66,340,507	4,085,434	-	70,425,941	1.49%	5,964
2019	79,654,712	3,868,123	-	83,522,835	1.62%	6,673
2020	95,105,972	3,641,446	-	98,747,418	1.78%	6,577

*2015 Escrow included

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

	<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>	<u>2020</u>
General Government										
City Hall	20	20	22	22	24	24	25	26	33	33
Community Development/ Building	4	4	4	4	4	4	4	4	5	5
Court	3	3	3	3	4	4	4	4	6	6
Police	54	58	60	60	63	69	69	72	71	72
Fire	43	43	43	43	43	46	46	48	55	55
Public Works	51	51	50	52	56	57	57	57	58	53
Engineering	0	0	0	0	0	0	0	0	0	6
Recreation	35	37	37	45	45	46	50	49	51	54
Airport	0	0	2	2	2	2	2	2	2	2
Total	<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>288</u>	<u>293</u>

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Building permits issued	566	589	657	610	586	782	896	1,295	998	1,879
Building inspections conducted	1,263	1,570	1,951	2,172	2,337	3,098	3,914	6,246	7,602	5,783
Business Licenses issued	10,016	10,281	10,562	7,164	7,551	7,974	8,392	8,555	8,658	8,741
Police										
Physical arrests	1,527	1,387	1,602	1,280	1,510	2,048	1,879	1,831	970	994
Traffic violations	1,641	1,824	1,997	1,500	1,595	2,029	2,058	2,124	1,539	1,021
Officers	41	43	43	43	45	47	47	50	50	51
Fire										
Emergency responses	2,790	2,785	2,972	2,903	3,073	3,146	3,149	3,297	3,090	3,335
Fires extinguished	70	92	92	64	72	83	54	63	72	71
Inspections*	920	1,071	1,200	1,800	1,800	1,975	1,950	1,650	2,110	1,160
Full time staff	43	43	43	43	43	44	46	48	55	56
Seasonal Lifeguards / Rangers	0	0	0	0	0	0	0	0	34	34
Volunteer Firefighters	8	8	8	8	8	10	4	0	0	0
Engineering										
Street resurfacing (linear feet)	-	-	10,560	3,455	12,270	8,200	8,100	5,510	8,960	31,500
Sidewalks (linear feet)						1,600	10,760	3,265	4,950	267
Bike Lanes (linear feet)**						780	2,800	40,800	11,800	19,200

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

**2018 includes improved bike lanes on Beach Boulevard; 2020 includes Coastal Gateway Blvd, West Lagoon Ave and West 2nd Street

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Stations	1	1	1	1	1	1	1	1	1	2
Fire Stations	4	4	4	4	4	4	4	5	5	5
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	3	3	5	5	5	5	5
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	2	2	2	2	2	2	2	2
Transit - minibusses	5	5	5	5	5	5	5	3	3	3
Public Works										
Maintained Streets (miles)	67.22	69.27	69.27	74.00	74.00	75.67	84.22	84.22	85.78	89.90
Traffic Signals	24	24	24	24	24	24	24	25	25	27
Streetlights	2,234	2,234	2,234	2,234	2,234	2,403	2,403	2,449	2,422	2,617

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
2019	12,757
2020	15,014

Per Capita Income

	<u>1979</u>	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2019</u>
Gulf Shores	7,761	17,414	24,356	28,522	37,108
State of Alabama	5,894	11,486	18,189	22,984	27,928

Median Family Income

	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2019</u>
Gulf Shores	34,257	51,862	45,801	53,476
State of Alabama	28,688	41,657	42,081	50,536

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>2020</u>
Baldwin County	5.80%	6.10%	5.40%	3.60%	5.60%
Alabama	6.44%	6.80%	5.98%	3.90%	6.00%

Source: Alabama Department of Labor - data not available for the City of Gulf Shores, only Baldwin County
Average unemployment estimates for 2020

COMPLIANCE AND INTERNAL CONTROL

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

BERTRAM L. SANDERS, II, CPA
MATTHEW R. TAYLOR, CPA
CHAD E. LIPSCOMB, CPA

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

AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
ALABAMA SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS
FLORIDA INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Gulf Shores, Alabama, as of and for the year ended December 31, 2020, 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 October 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the 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.

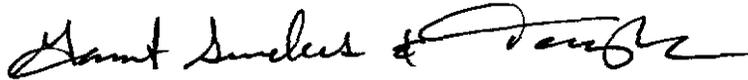
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Grant, Sanders, & Taylor, P.C.
Gulf Shores, Alabama
October 12, 2021

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

BERTRAM L. SANDERS, II, CPA
MATTHEW R. TAYLOR, CPA
CHAD E. LIPSCOMB, CPA

1530 W. 2ND STREET
POST OFFICE BOX 2109
GULF SHORES, ALABAMA 36547-2109
TELEPHONE 251.968.2727
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FLORIDA INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Gulf Shores Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Gulf Shores Alabama's major federal programs for the year ended December 31, 2020. The City of Gulf Shores Alabama's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Gulf Shores Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Gulf Shores Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Gulf Shores, Alabama, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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



Grant, Sanders & Taylor P.C.
Gulf Shores, Alabama
October 12, 2021

CITY OF GULF SHORES, ALABAMA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Homeland Security FEMA		
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	\$ 10,785,919
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	332,451
Total U.S. Department of Homeland Security FEMA		<u>11,118,370</u>
U.S. Department of the Treasury		
CARES Act	21.019	627,210
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (RESTORE)	21.015	334,258
Total U.S. Department of the Treasury		<u>961,468</u>
U.S. Department of Commerce (NOAA)		
Coastal Zone Management Administration Awards	11.419	<u>115,826</u>
U.S. Department of Transportation		
Passed Through ADECA		
Recreational Trails Program	20.219	<u>135,353</u>
Total U.S. Department of Transportation		<u>135,353</u>
Total Federal Awards		<u>\$ 12,331,017</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Schedule of Federal Awards is presented based on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. The City has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs.

CITY OF GULF SHORES, ALABAMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I- SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued: Unmodified Opinion	Unmodified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes <u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes <u>X</u> None reported
Type of auditors' report issued on compliance for major program:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516 (a)?	___ Yes <u>X</u> No

Identification of Major Programs

Federal CFDA Number	Federal Program or Cluster
97.036	Disaster Grants- Public Assistance

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	___ Yes <u>X</u> No

SECTION II- FINANCIAL STATEMENT FINDINGS:

No matters were reportable

SECTION III- FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS:

No matters were reportable