

City of Gulf Shores, Alabama

ANNUAL FINANCIAL REPORT

For Fiscal Year Ending December 31, 2021

Prepared by: Finance and Administrative Services Department

*Sunrise at Gulf Shores Public Beach
E 4th Street
Photo By: Steve Jones
July 9, 2022 5:54 AM*



www.gulfshoresal.gov

THIS PAGE LEFT INTENTIONALLY BLANK

CITY OF GULF SHORES, ALABAMA
 FINANCIAL STATEMENTS
 DECEMBER 31, 2021

TABLE OF CONTENTS

	Page
I. INTRODUCTORY SECTION	
Letter of Transmittal	7-11
Organizational Chart	12
List of Principal Officials	13
Certificate of Achievement for Excellence in Financial Reporting	14
II. FINANCIAL SECTION	15
Independent Auditors' Report	16-18
Management's Discussion and Analysis	19-27
Basic Financial Statements:	28
Government –Wide Financial Statements:	29
Statement of Net Position	30
Statement of Activities	31
Fund Financial Statements:	
Governmental Fund Financial Statements:	32
Balance Sheet	33
Reconciliation of the Balance Sheet to the Statement of Net Position	34
Statement of Revenues, Expenditures and Changes in Fund Balance	35
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	36
Proprietary Fund Financial Statements:	37
Statement of Net Position	38
Statement of Revenues, Expenses and Changes in Net Position	39
Statement of Cash Flows	40
Notes to the Basic Financial Statements	41-73
III. REQUIRED SUPPLEMENTARY INFORMATION	74
Budgetary Comparison Schedule – General Fund	75
Schedule of Employer Contributions	76
Schedule of Changes in the Net Pension Liability	77

CITY OF GULF SHORES, ALABAMA
FINANCIAL STATEMENTS
DECEMBER 31, 2021

TABLE OF CONTENTS

IV. SUPPLEMENTARY INFORMATION	78
Combining Balance Sheet – Nonmajor Governmental Funds	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Nonmajor Governmental Funds	80
V. OTHER INFORMATION	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual- Lodging Tax Special Revenue Fund	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual- Designated Taxes Special Revenue Fund	83
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual- Impact Fees Special Revenue Fund	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual- Beach Restoration Capital Projects Fund	85
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual- Grants Capital Improvements Fund	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual- Debt Service Fund	87
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual- Storm Damage Capital Project Fund	88
Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual – Taxable Warrant Fund	89
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual - 2018 GO Warrant Capital Improvements Fund	90

CITY OF GULF SHORES, ALABAMA
 FINANCIAL STATEMENTS
 DECEMBER 31, 2021

TABLE OF CONTENTS

VI. STATISTICAL SECTION		91
Statistical section narrative		92
Schedule 1 – Net Position by Component		93-94
Schedule 2 – Change in Net Position		95-96
Schedule 3 – Fund Balances, Governmental Funds		97-98
Schedule 4 – Changes in Fund Balances, Governmental Funds		99-100
Schedule 5 – Assessed Value and Estimated Actual Value of Taxable Property		101
Schedule 6 – Property Tax Levies and Assessed Valuation		102
Schedule 7 – Principal Property Tax Payers		103
Schedule 8 – Principal Sales Tax Returns		104
Schedule 9 – Direct and Overlapping Sales Tax Rates		105
Schedule 10 – Direct and Overlapping Debt		106
Schedule 11 – Ratios of Outstanding Debt by Type		107
Schedule 12 – Ratios of General Bonded Debt Outstanding		108
Schedule 13 – Full Time Equivalent City Government Employees by Function/Program		109
Schedule 14 – Operating Indicators by Function/Program		110
Schedule 15 – Capital Assets Statistics by Function/Program		111
Schedules 16 and 17 – Population and Unemployment Rates		112
VII. COMPLIANCE AND INTERNAL CONTROL SECTION		113
Independent Auditor’s Report on Compliance and on Internal Control and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		115-116
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance		117-118
Schedule of Expenditures of Federal Awards		119
Notes to Schedule of Expenditures of Federal Awards		120
Schedule of Findings and Questioned Costs		121

INTRODUCTORY SECTION



July 25, 2022

To the members of the City Council and the Citizens of Gulf Shores:

The City of Gulf Shores financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants: Grant, Sanders and Taylor, P.C. The City of Gulf Shores issues the comprehensive annual financial report of the City for the fiscal year ended December 31, 2021.

The comprehensive annual financial report consists of management's representations concerning the finances of the City of Gulf Shores. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Gulf Shores has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Gulf Shores' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City of Gulf Shores' framework of internal controls provides reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Gulf Shores' financial statements have been audited by Grant, Sanders and Taylor, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Gulf Shores for the fiscal year ended December 31, 2021 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, 2021, 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 September 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 2017 and 2020 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 has received from FEMA 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. In 2020 the City issued 5 debt obligations for the following:

2020 A refinance callable 2012 C debt at 1.57% to 2025

2020 B nontaxable GO debt of \$17 million at 2.21% for 20 years for existing school upgrades

2020 C taxable GO debt of \$10 million at 2.79% for 20 years to refinance completed projects completed with the 2016 Line of Credit

2020 D nontaxable Line of Credit of \$9.8 million at 1.99% through October 2025 (better interest rate)

2020 E taxable Line of Credit for \$13.5 million at 1.98% through June 2026 (better interest rate) – replaced the 2016 Line of Credit

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.

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 \$165,156 on investments for the year ended December 31, 2021. The City of Gulf Shores considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Shores for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020. This represented the tenth year the City achieved this prestigious award. The City will apply for the Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended December 31, 2021. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting from the GFOA a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current 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.

The City submitted a Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2020 and received the Award for Outstanding Achievement in Popular Annual Financial Reporting for the first time.

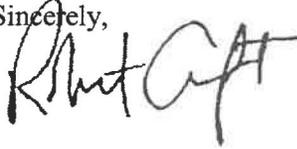
In addition, the City also received for the twelfth time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2022 for fiscal year 2022. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

City of Gulf Shores
Transmittal Letter – continued

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,

A handwritten signature in black ink, appearing to read "Robert Craft". The signature is written in a cursive, somewhat stylized font.

Robert Craft,
Mayor

City Employees

323 Full Time Employees
41 Part Time Employees
34 Seasonal Employees

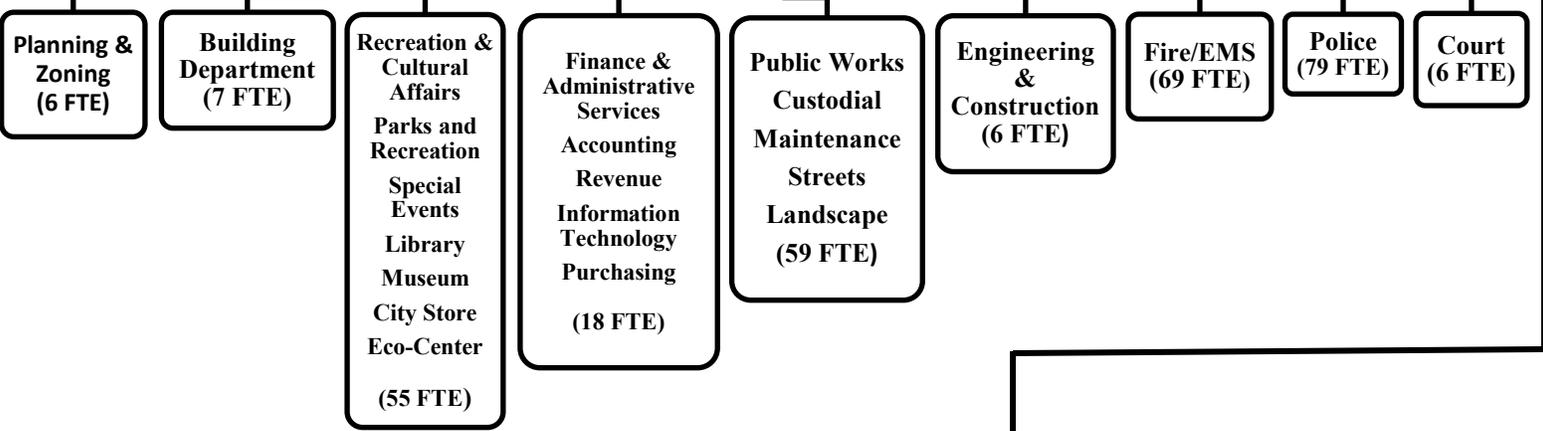
Contractors

Long's
Premiere Staffing
Loxley CWC Inmates
Youth Sports Officials
Aerobics Instructors
SPARC Counselors
Baldwin County Sheriff's
Interns



City Administrator
City Clerk
Mayor's Assistant
Environmental/Grants Coordinator
Economic Development Coordinator
Public Engagement Manager
Records and Archives Clerk
(13 FTE)

Human Resources
(3 FTE)



Gulf Shores Boards & Commissions

Beautification Board
Bicycle and Pedestrian Advisory Committee
Board of Zoning Adjustments
Building Board of Adjustments and Appeals
Alabama Gulf Coast Chamber of Commerce
Gulf Shores Orange Beach Tourism Board
Library Advisory Board

Board of Education
Personnel Board
Planning Commission
Public Education Building Authority
Public Parks and Recreation Board
Gulf Shores Utilities Board
Gulf Shores Health Advisory Committee

CITY OF GULF SHORES, ALABAMA

LIST OF PRINCIPAL OFFICIALS

December 31, 2021

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 Zoning Director	Andy Bauer
Police Chief	Ed Delmore
Public Works Director	Noel Hand
Recreation and Cultural Affairs Director	Grant Brown



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Gulf Shores
Alabama**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

GRANT, SANDERS & TAYLOR, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

BERTRAM L. SANDERS, II, CPA
MATTHEW R. TAYLOR, CPA
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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have audited the discretely presented component units of the City- the Gulf Shores City School Board of Education and the Airport Authority of the City of Gulf Shores, Alabama for the year ended September 30, 2021.

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, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Gulf Shores, Alabama and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Gulf Shores, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is

a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 19 through 27, the schedule of employer contributions, schedule of changes in net pension liability and budgetary comparison - General Fund information on pages 74 through 77 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gulf Shores, Alabama's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, on pages 78 through 80 and schedule of expenditures of federal awards, on page 119, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, budgetary comparison schedules and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2022 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
July 25, 2022

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, 2021. Please read it in conjunction with the financial statements which follow this section.

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

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

The basic financial statements also contain other supplementary information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

The City of Gulf Shores reports one enterprise fund, 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, 2021 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, 2021, the City of Gulf Shores' assets exceeded its liabilities by \$132,297,941, an increase of \$22,245,095 from 2020 primarily due to an increase in capital assets due to pay off of borrowed funds used for Hurricane Sally expenses. The largest portion of the City's net position reflects its investment in capital assets (Coastal Gateway & Blackwell property purchases for park use). These assets are used to provide services to the citizens and are not available for future spending. Since the capital assets cannot be used to liquidate the outstanding debt, resources needed to repay the debt must be provided from other sources. The Deferred Outflow of Resources decreased by \$4,374,404 primarily due to \$3,154,357 for deferred pension charges related to advance pension liability payments made in 2020 and savings related to debt restructuring. Total Liabilities decreased \$19,633,770 reflecting a reduction in bond debt of \$13,432,519 for capital assets including a Firetruck purchase and Beach Walking District improvements as well as paying off the line of credit used for Hurricane Sally repairs. Deferred Inflow of Resources decreased \$250,248 due to a decrease of \$151,494 in deferred revenue and a decrease of \$98,754 for deferred employer pension contributions. As of December 31, 2021, 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 \$22,245,095 as a result of debt payoffs and additional infrastructure improvements noted above.

Table 1 below represents the City's Condensed Statement of Net Position as of December 31, 2021 and is derived from the Government-wide Statement of Net Position. For more detailed information see the **Statement of Net Position** on Page 30.

	Governmental		Business-Type		Total		Component	Component
	Activities		Activities		Primary Government		Units	Units
	2021	2020	2021	2020	2021	2020	2021	2020
Current & Other Assets	\$ 74,522,524	\$ 81,707,175	\$ 334,843	\$ 337,671	\$ 74,857,367	\$ 82,044,846	\$ 11,138,197	\$ 7,730,549
Capital Assets	149,893,222	135,741,168	12,000,350	12,229,444	161,893,572	147,970,612	58,031,873	45,480,228
Total Assets	\$ 224,415,746	\$ 217,448,343	\$ 12,335,193	\$ 12,567,115	\$ 236,750,939	\$ 230,015,458	\$ 69,170,070	\$ 53,210,777
Deferred charge on refunding	489,210	1,709,257	-	-	489,210	1,709,257	-	-
Deferred OPEB charges	-	-	-	-	-	-	14,004,146	1,946,609
Deferred pension charges	3,743,521	6,897,878	-	-	3,743,521	6,897,878	17,558,408	3,707,291
Total Deferred Outflow of Resources	\$ 4,232,731	\$ 8,607,135	\$ -	\$ -	\$ 4,232,731	\$ 8,607,135	\$ 31,562,554	\$ 5,653,900
Long-term Liabilities	\$ 92,758,034	\$ 108,999,693	\$ 10,062,444	\$ 10,282,922	\$ 102,820,478	\$ 119,282,615	\$ 52,544,287	\$ 20,465,819
Other Liabilities	4,232,766	7,402,027	205,424	207,796	4,438,190	7,609,823	2,626,359	2,558,543
Total Liabilities	\$ 96,990,800	\$ 116,401,720	\$ 10,267,868	\$ 10,490,718	\$ 107,258,668	\$ 126,892,438	\$ 55,170,646	\$ 23,024,362
Deferred Revenue	361,505	512,999	-	-	361,505	512,999	61,706	-
Deferred OPEB related items	-	-	-	-	-	-	5,403,966	998,700
Deferred pension inflows	1,065,556	1,164,310	-	-	1,065,556	1,164,310	353,000	94,000
Total Deferred Inflow of Resources	\$ 1,427,061	\$ 1,677,309	\$ -	\$ -	\$ 1,427,061	\$ 1,677,309	\$ 5,818,672	\$ 1,092,700
Net Position	\$ 130,230,616	\$ 107,976,449	\$ 2,067,325	\$ 2,076,397	\$ 132,297,941	\$ 110,052,846	\$ 39,743,306	\$ 34,747,615
Net Invested in Capital Assets	\$ 81,711,353	\$ 64,803,007	\$ 1,937,906	\$ 1,946,522	\$ 83,649,259	\$ 66,749,529	\$ 36,108,050	\$ 28,923,611
Restricted	4,092,962	4,256,377	331,731	334,569	4,424,693	4,590,946	1,296,780	1,428,646
Unrestricted	44,426,301	38,917,065	(202,312)	(204,694)	44,223,989	38,712,371	2,338,476	4,395,358
Total Net Position	\$ 130,230,616	\$ 107,976,449	\$ 2,067,325	\$ 2,076,397	\$ 132,297,941	\$ 110,052,846	\$ 39,743,306	\$ 34,747,615

Government-wide Financial Analysis (continued)

Table 2 below represents the City's Condensed Statement of Activities for the year ending December 31, 2021, and is derived from the **Government-wide Statement of Activities** on Page 31.

	Governmental		Business-Type		Total		Component Units	
	Activities		Activities		Primary Government		Component Units	
	2021	2020	2021	2020	2021	2020	2021	2020
PRIMARY GOVERNMENT:								
Revenues:								
Charges for Services	\$ 10,064,991	\$ 8,205,330	\$ 606,550	\$ 610,350	\$ 10,671,541	\$ 8,815,680	\$ 2,593,914	\$ 1,876,902
Operating grants and Contributions	3,433,535	9,397,880	-	-	3,433,535	9,397,880	11,378,971	9,804,173
Capital grants and Contributions	2,337,887	882,061	-	-	2,337,887	882,061	8,012,460	1,402,277
General Revenues:								
Property Taxes	3,853,824	3,807,136	-	-	3,853,824	3,807,136	5,531,042	5,295,139
Local Taxes	48,241,430	34,353,515	-	-	48,241,430	34,353,515	8,495,465	6,452,553
Franchise Taxes	1,579,748	1,442,306	-	-	1,579,748	1,442,306	-	-
Interest income	165,155	493,942	22	964	165,177	494,906	9,402	15,551
Miscellaneous income	636,286	644,389	-	-	636,286	644,389	2,229,091	2,909,113
Gain (loss) on asset sales	(71,411)	19,466	-	-	(71,411)	19,466	-	-
Total Revenues	\$ 70,241,445	\$ 59,246,025	\$ 606,572	\$ 611,314	\$ 70,848,017	\$ 59,857,339	\$ 38,250,345	\$ 27,755,708
Expenses:								
Executive	5,980,880	5,586,234	-	-	5,980,880	5,586,234	-	-
Municipal Court	504,757	471,958	-	-	504,757	471,958	-	-
Police	8,112,613	7,821,554	-	-	8,112,613	7,821,554	-	-
Fire	6,485,696	6,179,670	-	-	6,485,696	6,179,670	-	-
Community and Economic Affairs	11,327,101	10,619,654	-	-	11,327,101	10,619,654	-	-
Public Works	11,713,518	20,839,816	-	-	11,713,518	20,839,816	-	-
Interest on Long-Term Debt	2,993,947	2,877,819	-	-	2,993,947	2,877,819	-	-
Public Education Building Authority	-	-	615,644	610,990	615,644	610,990	-	-
Total Expenses	47,118,512	54,396,705	615,644	610,990	47,734,156	55,007,695	-	-
COMPONENT UNITS:								
Expenses:								
Gulf Shores City School System	-	-	-	-	-	-	31,794,840	23,960,182
Airport Authority	-	-	-	-	-	-	1,459,814	1,250,972
Total Expenses	-	-	-	-	-	-	33,254,654	25,211,154
Change in Net Position	23,122,933	4,849,320	(9,072)	324	23,113,861	4,849,644	4,995,691	2,544,554
Net Position - Beginning	107,976,449	103,283,719	2,076,397	1,971,847	110,052,846	105,255,566	34,747,615	33,885,626
Prior Period Adjustment	(868,766)	(156,590)	-	104,226	(868,766)	(52,364)	-	(1,682,565)
Net Position - Ending	\$ 130,230,616	\$ 107,976,449	\$ 2,067,325	\$ 2,076,397	\$ 132,297,941	\$ 110,052,846	\$ 39,743,306	\$ 34,747,615

Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2021 include the following:

The assets of the City exceeded its liabilities (Net Position) at the close of the fiscal year by \$130,230,616 for Governmental Activities and by \$2,067,325 for Business-type Activities of the primary government. The total primary government's net position is \$132,297,941 as of December 31, 2021, up from \$110,052,846. For the year ended December 31, 2021, there was a \$166,253 decrease in restricted funds. Business-type activities net position was \$2,067,325 as of December 31, 2021 a decrease of \$9,072 from 2020 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:

Governmental Funds

At the close of the fiscal year, the City's Governmental Funds showed a combined ending fund balance of \$70,037,940 with \$36,327,348 designated as committed, \$29,062,874 unassigned, \$22,891 assigned, \$4,092,962 restricted and \$531,865 nonspendable. The unassigned amount of \$29,062,874 is designated by the Council for emergencies and transportation projects and is funded by Certificates of Deposit and Money Market funds. Local taxes were the leading fund type and increased \$13.7 million due to rising room rates; charges for services increased \$1.8 million due to return to more normal operations from COVID. Contributions revenue and Public Works expense decreased in 2021 due to Hurricane Sally 2020 expense.

General Fund

The fund balance at December 31, 2021, totaled \$46,450,165 a decrease of \$5,243,442 from the fund balance at December 31, 2020, which was \$51,693,607. The decrease in Fund Balance for Fiscal Year 2021 is attributable to use of funds in excess of reserve targets to pay down lines of credit used for transportation improvements. Positive income from operations of \$21,004,065 due to conservative spending.

Debt Service Fund

The fund balance decreased \$22 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.

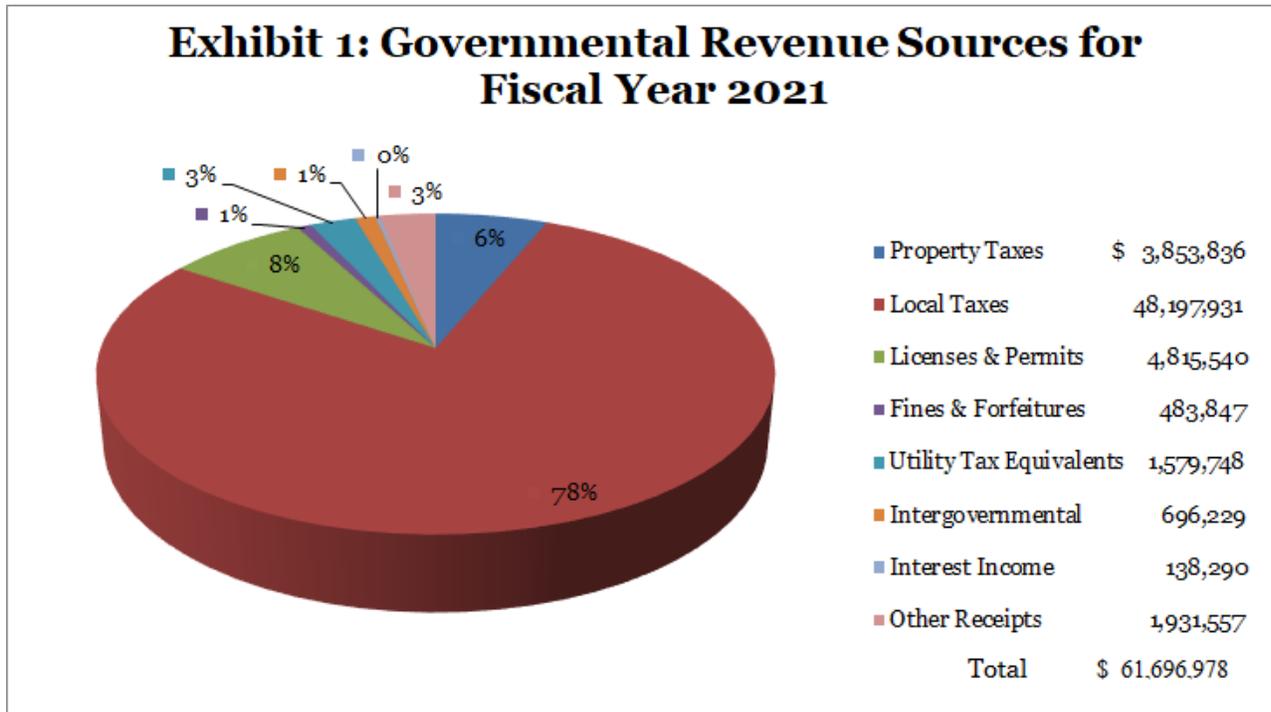
Capital Improvements Fund

This fund shows the City's practice of loaning money to this fund from other funds (usually the General Fund) or to component units to finance infrastructure 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. The decrease in fund balance to \$16,158,689 is due to school improvements construction. The Storm Damage Fund shows a reduction in fund balance of \$678,629 due to completion of Public Works Hurricane Sally debris removal.

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 2021 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. The 2018 Warrant fund balance decreased in 2021 by \$1,376,055 due to completion of capital outlay projects.

Financial Analysis of the Government's Funds (Continued)



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 \$173,714 collection more than budget:

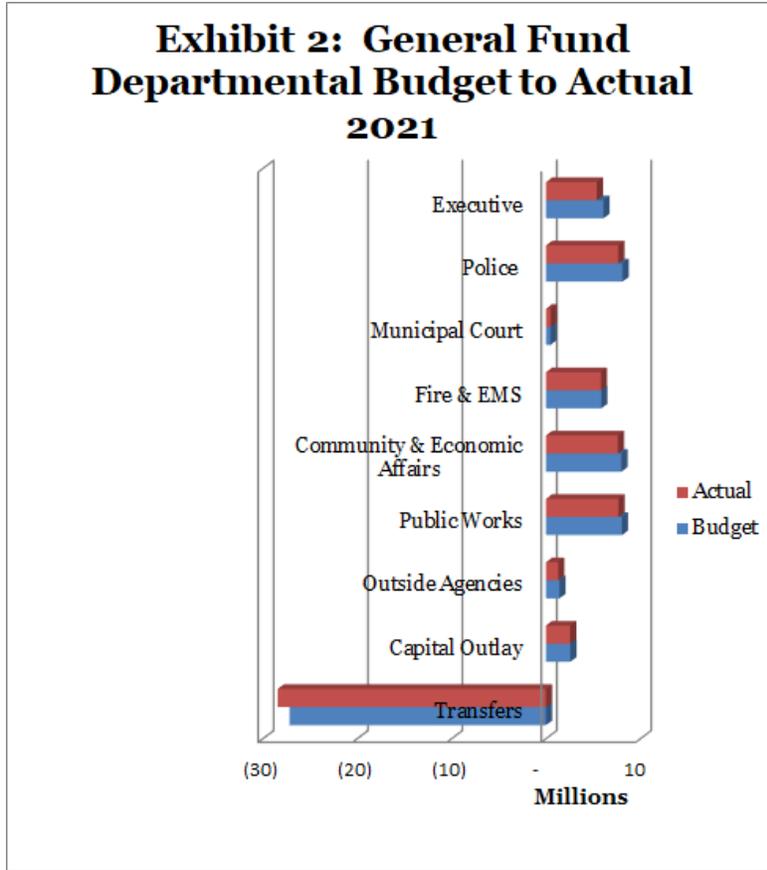
- Property Taxes - \$9,836 more due to county property value assessments on new construction
- Local Taxes - \$147,069 less due to year end collections less due to fall tourism less than estimated
- Licenses and Permits - \$422,540 more than budget due to increased commercial and residential construction
- Fines and Forfeitures - \$16,153 less due to Hangout Music Festival cancellation
- Utility Tax Collections - \$117,748 more due to Baldwin EMC increased consumption related to tourism
- Federal and State transfers - \$28,764 less than budgeted due to decrease in federal grants
- Income on investments - \$6,960 less than budgeted due to lower rates of return
- Other - \$177,465 less than budget due to more accurate coding of revenue sources.

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

- Executive Department - \$701,938 less than budget due to departmental cost savings measures
- Municipal Court - \$23,412 more due to court personnel expense more than estimates
- Police Department - \$451,776 less due to capital expenditure delays due to vehicles not being available
- Fire and Emergency Services - \$47,930 less than budget due to delay in hiring personnel and less training expenses
- Community and Economic Affairs - \$373,644 under budget due to Planning and Zoning, Building, Recreation and Cultural Affairs Programs & Events, Library, Bodenhamer, Sportsplex, and Parks operating within budgets
- Public Works - \$370,272 expenses less due to unfilled positions/personnel and equipment savings
- Appropriations - \$124,581 less due NCAA Volleyball tournament and City School System expenses less than budget
- Capital Outlay - \$22,085 less than budget due to savings on delayed equipment purchases due to not being available.

The City Council approved revisions to the original adopted General Fund budget two times during the fiscal year prior to the fiscal year end on December 31, 2021.

Financial Analysis of the Government's Funds (Continued)



General Fund Departmental Budget to Actual 2021

	<u>Budget</u>	<u>Actual</u>	<u>% of total expenses</u>
Transfers	(27,177,707)	(28,429,282)	-282%
Capital Outlay	2,579,000	2,556,915	25%
Outside Agencies	1,422,471	1,297,890	13%
Public Works	8,046,279	7,676,007	76%
Community & Economic Affairs	7,995,101	7,621,457	76%
Fire & EMS	5,861,766	5,813,836	58%
Municipal Court	473,220	496,632	5%
Police	8,112,451	7,660,675	76%
Executive	6,089,664	5,387,726	53%
Total	<u><u>13,402,245</u></u>	<u><u>10,081,856</u></u>	100%

Financial Analysis of the Government's Funds (Continued)

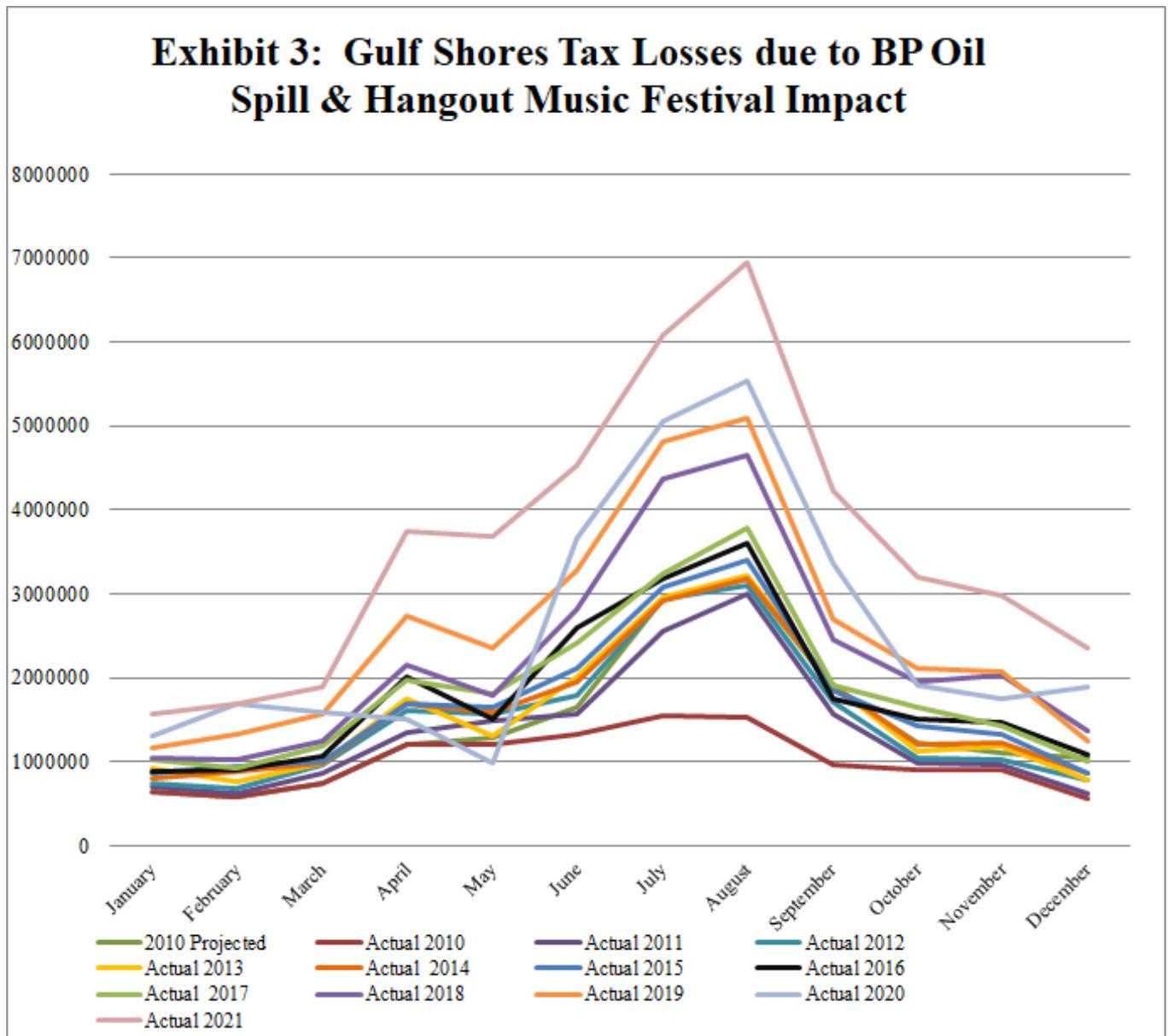
Capital Asset and Long-term Debt Activity

Capital Asset Activity

At December 31, 2021, the City of Gulf Shores reported net capital position of \$149,893,222 from governmental activities, an increase of \$14,152,054 from the adjusted governmental activities capital assets net for December 31, 2020. Net capital position from business-type activities is reported as \$12,000,350 which is a decrease of \$229,094 from December 31, 2020. 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 \$92,758,034 in debt outstanding for governmental activities (which includes long term compensated absences of \$1,762,604) compared to \$108,999,693 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.



Financial Analysis of the Government's Funds (Continued)

Future Events Impacting the City's Financial Condition

The City of Gulf Shores' business community recovered in 2021 with revenues continuing to exceed 2010 BP Oil Spill revenue projection levels due to additional tourism in the area as well as rate increases by rental property owners. Collections in 2022 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 \$23.9 million in 2012 to \$53.5 million in 2021, an increase of \$29.6 million, correlating to a \$887,510 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.

In November 2021, the Jack Edwards National Airport long-awaited Traffic Control Tower was opened.

Residential Housing single family permits issued in 2021 were 467 units with a valuation of \$137,743,808. Gulf Shores Commercial Construction Building Permit valuation increased from \$10.6 million in 2016 to \$44,367,805 in 2021.

The US Census Bureau shows Gulf Shores with 50% growth since 2011 with total population growth of 5,032.

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, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Gulf Shores City School System	Airport Authority
ASSETS					
Cash and Cash Equivalents	\$ 29,584,227	\$ 3,112	\$ 29,587,339	\$ 6,146,494	\$ 873,731
Reserve Current Cash and Cash Equivalents	15,767,188	-	15,767,188		
Receivables	5,133,553	-	5,133,553	2,093,561	38,924
Due from other governments	466,455	-	466,455	-	685,925
Inventories	104,660	-	104,660	37,818	718,623
Prepays and Other Assets	427,205	-	427,205	-	12,964
Restricted Assets:					
Cash and Cash Equivalents	6,966,041	331,731	7,297,772	-	530,157
Due from component units	16,073,195	-	16,073,195	-	-
Capital Assets:					
Non - Depreciable	76,420,733	3,792,843	80,213,576	9,597,200	12,289,584
Depreciable (Net)	73,472,489	8,207,507	81,679,996	27,699,978	8,445,111
Total Assets	224,415,746	12,335,193	236,750,939	45,575,051	23,595,019
DEFERRED OUTFLOW OF RESOURCES					
Deferred charge on refunding	489,210	-	489,210	-	-
Deferred charges related to OPEB	-	-	-	14,004,146	-
Deferred charges related to pension	3,743,521	-	3,743,521	17,558,408	-
Total Deferred Outflow of Resources	4,232,731	-	4,232,731	31,562,554	-
LIABILITIES					
Accounts Payable	\$ 2,730,998	\$ -	\$ 2,730,998	\$ 407,192	\$ 429,166
Accrued and Other Liabilities	1,392,081	-	1,392,081	1,568,796	221,205
Accrued Interest Payable	109,687	205,424	315,111	-	-
Non - Current Liabilities					
Due Within One Year:					
Compensated absences	176,260	-	176,260	34,160	-
Bonds, Lease and Note Payable	5,883,672	200,000	6,083,672	530,942	-
Due In More than One Year:					
Compensated absences	1,586,344	-	1,586,344	307,443	-
Proportionate share of OPEB liability	-	-	-	9,910,861	-
Net Pension Liability	6,009,351	-	6,009,351	20,368,000	-
Due to City of Gulf Shores	-	-	-	15,157,017	-
Bonds, Lease and Note Payable	79,102,407	9,862,444	88,964,851	6,235,864	-
Total Liabilities	96,990,800	10,267,868	107,258,668	54,520,275	650,371
DEFERRED INFLOW OF RESOURCES					
Deferred Revenue	361,505	-	361,505	-	61,706
Deferred OPEB related items	-	-	-	5,403,966	-
Deferred inflows related to pension	1,065,556	-	1,065,556	353,000	-
Total Deferred Inflow of Resources	1,427,061	-	1,427,061	5,756,966	61,706
NET POSITION:					
Net Investment in Capital Assets	81,711,353	1,937,906	83,649,259	15,373,355	20,734,695
Restricted for:					
Debt service	31	331,731	331,762	-	-
Capital Improvements	3,873,762	-	3,873,762	-	-
Other	219,169	-	219,169	-	-
Airport improvements	-	-	-	-	1,296,780
Unrestricted	44,426,301	(202,312)	44,223,989	1,487,009	851,467
Total Net Position	\$ 130,230,616	\$ 2,067,325	\$ 132,297,941	\$ 16,860,364	\$ 22,882,942

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, 2021

	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
Functions/Programs									
PRIMARY GOVERNMENT:									
Governmental Activities:									
Executive	\$ 5,980,880	\$ 19,000	\$ -	\$ -	\$ (5,961,880)	\$ -	\$ (5,961,880)		
Municipal Court	504,757	690,377	-	-	185,620	-	185,620		
Police	8,112,613	122,304	40,894	-	(7,949,415)	-	(7,949,415)		
Fire	6,485,696	152,846	222,486	119,057	(5,991,307)	-	(5,991,307)		
Community and Economic Affairs	11,327,101	7,289,869	224,373	2,218,830	(1,594,029)	-	(1,594,029)		
Public Works	11,713,518	1,790,595	2,945,782	-	(6,977,141)	-	(6,977,141)		
Interest on Long - Term Debt	2,993,947	-	-	-	(2,993,947)	-	(2,993,947)		
Total governmental activities	47,118,512	10,064,991	3,433,535	2,337,887	(31,282,099)	-	(31,282,098)		
Business-type activities:									
Public Education Building Authority	615,644	606,550	-	-	-	(9,094)	(9,094)		
Total primary government	47,734,156	10,671,541	3,433,535	2,337,887	(31,282,099)	(9,094)	(31,291,192)		
COMPONENT UNITS:									
Gulf Shores City School System	\$ 31,794,840	\$ 1,975,889	\$ 11,378,971	\$ 2,782,610			\$ (15,657,370)	\$ -	
Airport Authority	1,459,814	618,025	-	5,229,850			-	4,388,061	
Total component units	\$ 33,254,654	\$ 2,593,914	\$ 11,378,971	\$ 8,012,460			\$ (15,657,370)	\$ 4,388,061	
General revenues:									
Property Taxes					\$ 3,853,824	\$ -	\$ 3,853,824	\$ 5,531,042	\$ -
Local Taxes:									
Sales taxes					21,392,413	-	21,392,413	8,392,074	-
Lodging taxes					21,691,007	-	21,691,007	-	-
Other taxes					5,158,010	-	5,158,010	103,391	-
Franchise Taxes					1,579,748	-	1,579,748	-	-
Interest Income					165,155	22	165,177	8,278	1,124
Miscellaneous					636,286	-	636,286	2,194,091	35,000
Gain (Loss) on Disposal of Assets					(71,411)	-	(71,411)	-	-
Total general revenues					54,405,032	22	54,405,053	16,228,876	36,124
Change in net position					23,122,933	(9,072)	23,113,861	571,506	4,424,185
Net position - beginning (restated)					107,107,683	2,076,397	109,184,080	16,288,858	18,458,757
Net position - ending					\$ 130,230,616	\$ 2,067,325	\$ 132,297,941	\$ 16,860,364	\$ 22,882,942

GOVERNMENT FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total
ASSETS					
Cash and Equivalents	\$ 24,873,967	\$ -	\$ -	\$ 4,710,260	\$ 29,584,227
Reserved Cash and Equivalents	15,767,188	-	-	-	15,767,188
Restricted Cash and Equivalents	219,169	31	948,588	5,798,253	6,966,041
Receivables (Net)					
Accounts	284,793	-	11,913	11,426	308,132
Taxes	4,825,421	-	-	-	4,825,421
Due From Other Funds	1,990,770	-	-	250,423	2,241,193
Due From Other Governments	150,525	-	-	315,930	466,455
Due From Component Units	25,055	-	16,048,140	-	16,073,195
Prepays	427,205	-	-	-	427,205
Inventory	104,660	-	-	-	104,660
Total Assets	\$ 48,668,753	\$ 31	\$ 17,008,641	\$ 11,086,292	\$ 76,763,717
LIABILITIES					
Accounts payable	\$ 1,163,294	\$ -	\$ 281,079	\$ 1,286,625	\$ 2,730,998
Payroll taxes & benefits payable	157,262	-	-	24,015	181,277
Accrued wages	345,262	-	-	-	345,262
Other liabilities	387,976	-	353,323	124,243	865,542
Due to other funds	13,242	-	5,597	2,222,354	2,241,193
Total Liabilities	2,067,036	-	639,999	3,657,237	6,364,272
DEFERRED INFLOW OF RESOURCES					
Deferred revenue	151,552	-	209,953	-	361,505
FUND BALANCE					
Nonspendable					
Inventory	104,660	-	-	-	104,660
Prepays	427,205	-	-	-	427,205
Restricted					
Debt Service	-	31	-	-	31
Capital Improvements	-	-	-	3,873,762	3,873,762
Other	219,169	-	-	-	219,169
Committed					
Council approved emergencies	15,767,188	-	-	-	15,767,188
Beach Restoration	-	-	-	4,401,471	4,401,471
Education and public works	-	-	16,158,689	-	16,158,689
Assigned	-	-	-	22,891	22,891
Unassigned	29,931,943	-	-	(869,069)	29,062,874
Total Fund Balances (Deficit)	46,450,165	31	16,158,689	7,429,055	70,037,940
Total Liabilities, Deferred Inflows and Fund Balance	\$ 48,668,753	\$ 31	\$ 17,008,641	\$ 11,086,292	\$ 76,763,717

CITY OF GULF SHORES, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Fund balances - total governmental funds \$ 70,037,940

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	\$ 189,202,700	
Less accumulated depreciation	<u>(39,309,478)</u>	149,893,222

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

Deferred employer pension contributions	3,743,521	
Loss on advance refunding	2,828,845	
Less accumulated amortization	<u>(2,339,635)</u>	4,232,731

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	(84,986,079)	
Net pension liability	(6,009,351)	
Compensated absences	<u>(1,762,604)</u>	(92,758,034)

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>(1,065,556)</u>
---	--	--------------------

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>(109,687)</u>
--------------------------	--	------------------

Net position of governmental activities \$ 130,230,616

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total
REVENUES					
Property taxes	\$ 3,853,836	\$ -	\$ -	\$ -	\$ 3,853,836
Local taxes	46,016,156	-	-	2,604,542	48,620,698
Licenses and permits	4,815,540	-	-	-	4,815,540
Fines and forfeitures	483,847	-	-	-	483,847
Utility tax equivalents	1,579,748	-	-	-	1,579,748
Intergovernmental:					
State of Alabama taxes	501,972	-	-	285,838	787,810
Federal and State grants	194,257	-	-	3,297,014	3,491,271
Interest income	138,290	42	6,371	20,452	165,155
Impact fees	-	-	-	1,985,359	1,985,359
Other receipts	1,931,557	-	-	2,598,050	4,529,607
Total Revenues	59,515,203	42	6,371	10,791,255	70,312,871
EXPENDITURES					
Current Operating:					
Executive Department	5,387,726	-	-	-	5,387,726
Municipal Court	496,632	-	-	-	496,632
Police Department	7,660,675	-	-	545,642	8,206,317
Fire and Emergency Services	5,813,836	-	-	76,157	5,889,993
Community and Eco. Affairs	7,621,457	-	-	814,932	8,436,389
Public Works	7,676,007	-	-	3,467,882	11,143,889
Appropriations - Outside agencies	190,926	-	-	-	190,926
Appropriations - Gulf Shores City Schools	1,106,964	-	685,000	-	1,791,964
Capital outlay	2,556,915	-	-	13,823,411	16,380,326
Debt Service					
Principal	-	20,393,519	-	-	20,393,519
Interest	-	2,987,360	-	-	2,987,360
Miscellaneous	-	2,673	-	-	2,673
Total Expenditures	38,511,138	23,383,552	685,000	18,728,024	81,307,714
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,004,065	(23,383,510)	(678,629)	\$ (7,936,769)	(10,994,843)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of debt	-	-	-	6,970,000	6,970,000
Proceeds from sale of capital assets	154,073	-	-	-	154,073
Transfers In	1,537,000	23,383,532	-	5,423,121	30,343,653
Transfers Out	(27,938,580)	-	-	(2,405,073)	(30,343,653)
Total Other Financing Sources and (Uses)	(26,247,507)	23,383,532	-	9,988,048	7,124,073
Net Change in Fund Balance	(5,243,442)	22	(678,629)	2,051,279	(3,870,770)
Fund Balances - Beginning	51,693,607	9	16,837,318	5,377,776	73,908,710
Fund Balances (Deficit) - Ending	\$ 46,450,165	\$ 31	\$ 16,158,689	\$ 7,429,055	\$ 70,037,940

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, 2021

Net change in fund balances \$ (3,870,770)

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	18,546,748	
Less current year depreciation	<u>(4,169,209)</u>	14,377,539

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	(154,073)	
Loss on disposal of assets	<u>(71,411)</u>	(225,484)

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	(6,970,000)	
Principal payments on bonds, loans & leases	<u>20,393,519</u>	13,423,519

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in interest accrued on long term debt	6,872	
Amortization of current year bond premiums	258,219	
Amortization of current year bond discounts	(14,764)	
Amortization of loss on refunding	(256,915)	
Pension expense	(724,989)	
Decrease in compensated absences	<u>149,706</u>	<u>(581,871)</u>

Change in net position of governmental activities \$ 23,122,933

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2021

	Business-type Activities Enterprise Fund
	Public Education Building Authority
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,112
Restricted cash and cash equivalents	331,731
Total Current Assets	334,843
Capital Assets:	
Land	3,792,843
Land improvements	203,087
Buildings	9,346,798
Furniture and equipment	261,893
Less: accumulated depreciation	(1,604,271)
Total Non-Current Assets	12,000,350
Total Assets	\$ 12,335,193
LIABILITIES	
Current Liabilities:	
Bonds payable	\$ 200,000
Accrued interest payable	205,424
Total Current Liabilities	405,424
Non-Current Liabilities:	
Bonds payable	9,862,444
Total Liabilities	10,267,868
NET POSITION	
Net Investment in Capital Assets	1,937,906
Restricted	
Debt service	331,731
Unrestricted	(202,312)
Total Net Position	\$ 2,067,325

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities Enterprise Fund
	Public Education Building Authority
Operating Revenues	
Auburn rent	\$ 606,550
Operating Expenses	
Depreciation	229,095
Miscellaneous	478
Total Operating Expenses	229,573
Operating Income (Loss)	376,977
Non-Operating Revenues (Expenses)	
Interest & dividend income	22
Interest expense	(386,071)
Total Non-Operating Expenses	(386,049)
Change in Net Position	(9,072)
Net Position (Restated) - Beginning	2,076,397
Net Position - Ending	\$ 2,067,325

CITY OF GULF SHORES, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities Enterprise Fund
	Public Education Building Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from leases and other operating activities	\$ 606,550
Payments for miscellaneous expenses	(478)
Net cash provided (used) by operating activities	606,072
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Change in accrued interest payable	(2,371)
Principal payment	(190,000)
Interest paid on long-term debt	(416,550)
Net cash provided (used) by financing activities	(608,921)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments received	22
Increase (decrease) in cash and cash equivalents	(2,827)
Cash balance - beginning of year	337,670
Cash balance - end of year	\$ 334,843
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 376,977
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	229,095
Net cash provided (used) by operating activities	\$ 606,072

Noncash Investing, Capital and Financing Activities:

Amortization of bond premium charged to interest expense was \$30,479 for the year ended December 31, 2021

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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, 2021

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).

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.

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, 2021

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.

Nontaxable Warrant Fund

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

Taxable Warrant Fund

This fund, formerly called the 2020 E GO Warrant Capital Projects Fund, is used to account for financial resources from the 2020 E GO Warrant issuance. The 2020 E proceeds were primarily used for the Hurricane Sally related expenses, however during 2021 the proceeds were used for various capital projects.

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.

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, 2021

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, 2021 at the financial institutions is \$11,053,944 at BancorpSouth Bank and \$2,078,801 at Centennial Bank.

Reserve cash and equivalents

General Fund cash and certificates of deposit totaling \$15,767,188 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, 2021

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, 2021

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, 2021

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 \$1,762,604. \$176,260 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 2021 expenses of \$39,156,902 the 15% minimum would be \$5,873,535 and the 35% target would be \$13,704,916.

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, 2021

1. E. ASSETS, LIABILITES, 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, 2021

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, 2021

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, 2021, the carrying amount of the City’s total deposits was \$53,400,724. 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, 2021 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:

	Capital Improvement	Nonmajor Governmental	
	Fund	Funds	Total
	General		
Taxes	\$ 4,825,421	\$ -	\$ 4,825,421
Accounts receivable	284,793	11,913	308,132
Due from other governments	150,525	-	466,455
Total Receivables	<u>\$ 5,260,739</u>	<u>\$ 11,913</u>	<u>\$ 5,600,008</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at December 31, 2021 consisted of the following:

Due To (Interfund Receivable)	Due From (Interfund Payable)			
	General	Capital	Nonmajor	Total
		Improvement	Governmental	
	Fund	Funds		
General Fund	\$ -	\$ 5,597	\$ 1,985,173	\$ 1,990,770
Nonmajor Governmental Funds	13,242	-	237,181	250,423
Total	<u>\$ 13,242</u>	<u>\$ 5,597</u>	<u>\$ 2,222,354</u>	<u>\$ 2,241,193</u>

For Nonmajor Governmental Funds, the Storm Damage Fund owes \$1,985,173 to the General Fund for damages related to Hurricane Sally and \$237,181 to the 2018B GO Warrant Fund for Beach Walking District improvements. The remaining interfund balances are immaterial.

Interfund transfers for the year ended December 31, 2021, consisted of the following:

Transfers In (Other Financing Source)	Transfers out (Other Financing Use)		
	General	Nonmajor	Total
		Governmental	
	Funds		
General Fund	\$ -	\$ 1,537,000	\$ 1,537,000
Debt Service Fund	23,313,479	70,053	23,383,532
Other Governmental Funds	4,625,101	798,020	5,423,121
Total Transfers	<u>\$ 27,938,580</u>	<u>\$ 2,405,073</u>	<u>\$ 30,343,653</u>

Transfers from the General Fund of \$23,313,479 to the Debt Service Fund were to cover the annual debt service payments. Transfers totaled \$4,625,101 from the General Fund to Nonmajor Governmental Funds. Of this amount, the General Fund transferred \$4,300,000 to the 2018B GO Warrant Fund for various capital outlays including the beach walking district and for the purchase of equipment. The General Fund transferred \$300,000 to the Beach Restoration Fund for beach services including payroll and \$25,001 to the Storm Damage Fund for various Hurricane Sally expenses. The General Fund transferred \$100 to the Nontaxable Warrant Fund to open a bank account. Transfers totaled \$1,537,000 from Nonmajor Governmental Funds to the General Fund. Of this amount \$1,000,000 was transferred from the Taxable Warrant Fund for Hurricane Sally match expenses. Special Funds transferred \$537,000 to the General Fund for expenditures incurred in the General Fund that met the criteria for expenditure of special revenues. The 2018B GO Warrant Fund transferred \$70,053 to the Debt Service Fund for annual debt service payments. The 2% Lodgings Tax Fund transferred \$798,020 to the Beach Restoration Fund for beach services including payroll.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2021, 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	\$ 52,411,568	\$ 2,543,858	\$ -	\$ -	\$ 54,955,426
Construction in Progress	<u>21,001,854</u>	<u>12,170,115</u>	<u>-</u>	<u>(11,706,662)</u>	<u>21,465,307</u>
Total capital assets not being depreciated	<u>73,413,422</u>	<u>14,713,973</u>	<u>-</u>	<u>(11,706,662)</u>	<u>76,420,733</u>
Other capital assets					
Buildings, parks facilities, & improvements	51,329,423	893,084	-	-	52,222,507
Motor vehicles and equipment	17,153,222	3,359,275	(1,439,917)	-	19,072,580
Infrastructure	<u>30,199,802</u>	<u>11,287,078</u>	<u>-</u>	<u>-</u>	<u>41,486,880</u>
Total other capital assets at historical cost	<u>98,682,447</u>	<u>15,539,437</u>	<u>(1,439,917)</u>	<u>-</u>	<u>112,781,967</u>
Less accumulated depreciation for:					
Buildings and improvements	20,016,106	1,469,440	-	-	21,485,546
Motor vehicles and equipment	11,300,212	1,595,918	(1,214,432)	-	11,681,698
Infrastructure	<u>5,038,383</u>	<u>1,103,851</u>	<u>-</u>	<u>-</u>	<u>6,142,234</u>
Total accumulated depreciation	<u>36,354,701</u>	<u>4,169,209</u>	<u>(1,214,432)</u>	<u>-</u>	<u>39,309,478</u>
Governmental activities other capital assets, net	<u>\$ 135,741,168</u>	<u>\$ 26,084,201</u>	<u>\$ (225,485)</u>	<u>\$ (11,706,662)</u>	<u>\$ 149,893,222</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 605,295
Police	384,902
Fire	544,867
Public Works	1,534,643
Community and Economic Affairs	<u>1,099,501</u>
Total depreciation for governmental activities	<u>\$ 4,169,208</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2021, was as follows:

Description	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated					
Land	\$ 3,792,843	\$ -	\$ -	\$ -	\$ 3,792,843
Other Capital Assets					
Land improvements	203,087	-	-	-	203,087
Buildings	9,346,798	-	-	-	9,346,798
Equipment	261,893	-	-	-	261,893
Total other capital assets at historical cost	9,811,778	-	-	-	9,811,778
Less accumulated depreciation for:					
Land improvements	203,087	-	-	-	203,087
Buildings	910,244	229,095	-	-	1,139,339
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	1,375,224	229,095	-	-	1,604,319
Other Capital Assets, net	8,436,554	(229,095)	-	-	8,207,459
Business-type activities capital assets, net	<u>\$ 12,229,397</u>	<u>\$ (229,095)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,000,302</u>

Component Units

Capital asset activity for the discretely presented component unit, the Airport Authority for the year ended September 30, 2021 is as follows:

Description	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets not being depreciated					
Land	\$ 6,440,329	\$ -	\$ -	\$ -	\$ 6,440,329
Construction in progress	585,780	5,263,475	-	-	5,849,255
Total capital Assets not being depreciated	7,026,109	5,263,475	-	-	12,289,584
Other Capital Assets					
Runways, taxiways, and improvements	24,950,225	-	-	-	24,950,225
Buildings and improvements	1,720,055	-	-	-	1,720,055
Hanger	963,197	-	-	-	963,197
Furniture and equipment	159,550	-	-	-	159,550
Total other capital assets at historical cost	27,793,027	-	-	-	27,793,027
Less accumulated depreciation for:					
Runways, taxiways, and improvements	17,894,915	766,021	-	-	18,660,936
Buildings and improvements	516,693	10,737	-	-	527,430
Furniture and equipment	159,550	-	-	-	159,550
Total accumulated depreciation	18,571,158	776,758	-	-	19,347,916
Other Capital Assets, net	9,221,869	(776,758)	-	-	8,445,111
Business-type activities capital assets, net	<u>\$ 16,247,978</u>	<u>\$ 4,486,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,734,695</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021 is as follows:

Description	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets not being depreciated					
Land	\$ 5,013,900	\$ 76,265	\$ -	\$ -	\$ 5,090,165
Construction in progress	597,317	3,909,718	-	-	4,507,035
Total capital Assets not being depreciated	<u>5,611,217</u>	<u>3,985,983</u>	<u>-</u>	<u>-</u>	<u>9,597,200</u>
Other Capital Assets					
Land Improvements	1,068,922	-	-	-	1,068,922
Building	16,936,852	4,970,912	-	-	21,907,764
Building Improvement	5,286,156	-	-	-	5,286,156
Equipment	913,002	22,580	-	-	935,582
Vehicles	546,755	39,725	-	-	586,480
Total other capital assets at historical cost	<u>24,751,687</u>	<u>5,033,217</u>	<u>-</u>	<u>-</u>	<u>29,784,904</u>
Less accumulated depreciation for:					
Land Improvements	24,848	21,379	-	-	46,227
Building	782,201	614,267	-	-	1,396,468
Building Improvement	170,837	176,205	-	-	347,042
Equipment	79,561	69,641	-	-	149,202
Vehicles	73,207	72,780	-	-	145,987
Total accumulated depreciation	<u>1,130,654</u>	<u>954,272</u>	<u>-</u>	<u>-</u>	<u>2,084,926</u>
Other Capital Assets, net	<u>23,621,033</u>	<u>4,078,945</u>	<u>-</u>	<u>-</u>	<u>27,699,978</u>
Governmental activities capital assets, net	<u>\$ 29,232,250</u>	<u>\$ 8,064,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,297,178</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021:

<u>Governmental Activities:</u>	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
General obligation warrants, loan and lease payable	\$ 95,105,972	\$ 6,970,000	\$ (20,393,519)	\$ 81,682,453	\$ 5,883,672
Plus bond premiums/discounts	<u>3,547,081</u>	<u>-</u>	<u>(243,455)</u>	<u>3,303,626</u>	<u>-</u>
Total warrants, loans, and lease payable	<u>98,653,053</u>	<u>6,970,000</u>	<u>(20,636,974)</u>	<u>84,986,079</u>	<u>5,883,672</u>
Other liabilities:					
Compensated Absences	1,912,310	1,151,357	(1,301,063)	1,762,604	176,260
Net pension liability	<u>8,339,965</u>	<u>-</u>	<u>(2,330,614)</u>	<u>6,009,351</u>	<u>-</u>
Total other liabilities	<u>10,252,275</u>	<u>1,151,357</u>	<u>(3,631,677)</u>	<u>7,771,955</u>	<u>176,260</u>
Governmental activities long term liabilities	<u>\$ 108,905,328</u>	<u>\$ 8,121,357</u>	<u>\$ (24,268,651)</u>	<u>\$ 92,758,034</u>	<u>\$ 6,059,932</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			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Revenue bonds	\$ 9,460,000	\$ -	\$ 190,000	\$ 9,270,000	\$ 200,000
Plus bond premiums/discounts	<u>822,922</u>	<u>-</u>	<u>30,479</u>	<u>792,443</u>	<u>-</u>
Business-type activities long term liabilities	<u>\$ 10,282,922</u>	<u>\$ -</u>	<u>\$ 220,479</u>	<u>\$ 10,062,443</u>	<u>\$ 200,000</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2021, the governmental long-term debt consisted of the following:

General Obligation Warrants:

<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>	\$ 8,425,000
<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>	4,742,452
<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>	19,735,000
<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>	12,745,000
<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>	8,950,000
<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>	16,315,000
<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>	9,620,000
<p>\$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.</p>	1,150,000
<p>Total Unamortized General Obligation Warrant Issue Premiums</p>	3,303,626
<p>Total Long-Term Debt</p>	<u>\$ 84,986,078</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2021, 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.	\$ 9,270,000
Total Unamortized Revenue Bond Premiums	792,443
Total Long-Term Debt	\$ 10,062,443

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, 2021, 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>
2022	\$ 5,883,672	\$ 2,655,257	\$ 200,000	\$ 410,850
2023	6,040,410	2,504,878	205,000	404,850
2024	6,218,360	2,349,987	210,000	398,700
2025	6,402,547	2,071,187	220,000	390,300
2026	7,477,997	1,898,135	225,000	381,500
2027-2031	23,283,276	6,884,169	1,305,000	1,738,250
2032-2036	16,639,310	3,340,126	1,660,000	1,382,000
2037-2041	9,736,880	626,951	2,060,000	976,000
2042-2046	-	-	2,600,000	442,550
2047	-	-	585,000	23,400
Total	\$ 81,682,452	\$ 22,330,690	\$ 9,270,000	\$ 6,548,400

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 58, 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, 2021, the Series 2020-E has an outstanding balance of \$1,150,000.

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 2021.

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 2021.

Component Unit

The following is a summary of changes in long-term liabilities for the School Board for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within one Year
Warrants, Capital Lease and Note Payable:					
BCBE- PSCA Series 2009D	\$ 45,441	\$ -	\$ (7,573)	\$ 37,868	\$ 7,573 *
BCBE PSCA Series 2011A	120,995	-	(20,166)	100,829	20,166 *
BCBE- 2017 Warrant	6,493,686	-	(247,656)	6,246,030	258,582 *
Bus Loan	<u>145,308</u>	<u>-</u>	<u>(14,021)</u>	<u>131,287</u>	<u>14,550</u>
Total Warrants, Capital Lease and Note Payable	<u>6,805,430</u>	<u>-</u>	<u>(289,416)</u>	<u>6,516,014</u>	<u>300,871</u>
Other Liabilities:					
Long term line of credit - City of Gulf Shores	9,269,730	5,887,287	-	15,157,017	-
Capital Lease	481,457	-	(230,665)	250,792	230,071
Compensated absences	217,536	124,067	-	341,603	34,160
Net Pension Liability	2,846,000	17,522,000	-	20,368,000	-
Net OPEB Liability	<u>845,666</u>	<u>9,065,195</u>	<u>-</u>	<u>9,910,861</u>	<u>-</u>
Total Other Liabilities	<u>13,660,389</u>	<u>32,598,549</u>	<u>(230,665)</u>	<u>46,028,273</u>	<u>264,231</u>
Governmental activities long-term liabilities	<u>\$ 20,465,819</u>	<u>\$ 32,598,549</u>	<u>\$ (520,081)</u>	<u>\$ 52,544,287</u>	<u>\$ 565,102</u>

*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, 2021

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, 2021:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	300,871	287,510
2023	313,529	274,063
2024	328,329	259,991
2025	343,756	245,187
2026	360,112	227,187
2026-2031	1,888,714	866,560
2032-2036	2,421,020	399,297
2037	<u>559,683</u>	<u>22,386</u>
	<u>\$ 6,516,014</u>	<u>\$ 2,582,181</u>

Annual debt service requirements for capital lease payable for the School Board for the year ended September 30, 2021:

For the year ending September 30,	
2022	230,773
2023	<u>21,074</u>
	251,847
Less amount representing interest	<u>1,055</u>
Present value of net minimum lease payments	<u>\$ 250,792</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021 was \$489,210.

NOTE 9 – UNEARNED REVENUE

The City has unearned revenues of \$6,148 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 \$145,033 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 \$371 is derived from cash collected for 2021 merchandise sales at the City Store.

As of December 31, 2021, the City has unearned revenues of \$209,953 reported in the Capital Improvements Fund from sidewalk and paving 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, 2021, the Taxable Warrant Fund (formerly the 2020E GO Warrant Fund) and the Storm Damage Fund of the City of Gulf Shores had accumulated total fund balance deficit of \$396,550 and \$668,969, respectively. It is anticipated that these deficits will be eliminated by future excess revenues over expenses.

There is \$15,767,188 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 \$15,767,188, as reflected in reserved cash and cash equivalents of the General Fund.

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, 2021, was \$818,167,820 resulting in a debt limit of \$163,633,564, excluding debt issued on behalf of local school system. 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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composure of representatives with the ERS Board of Control. 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.

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*.

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% of firefighters and law enforcement officers.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2020, the City’s membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	38
Vested inactive member	9
Non-vested inactive members	45
Active members	296
Post-DROP retired members still in active service	1
Total	389

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.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contributions rates were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% of 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the preretirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2021, the City's active employee contribution rate was 6.56% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 7.10% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2021 was 8.18% of pensionable pay for Tier 1 employees, and 5.87% 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, 2021 is 8.10% for Tier 1 and 5.99% for Tier 2. Total employer contributions to the pension plan from the City were \$1,248,468 for the year ended December 31, 2021.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 – RETIREMENT PLAN (CONTINUED)

Net Pension Liability: The City’s net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 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 Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>
(a) TPL as of September 30, 2019	\$ 35,700,556	\$ 35,580,533	\$ 36,470,559
(b) Discount rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2019 - September 30, 2020	1,309,597	1,309,597	1,474,385
(d) Transfers Among Employers	-	1,596	1,596
(e) Actual Benefit Payments and Refunds for the period October 1, 2019 - September 30, 2020	<u>(1,028,261)</u>	<u>(1,028,261)</u>	<u>(1,028,261)</u>
(f) TPL as of September 30, 2020 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 38,691,247</u>	<u>\$ 38,563,578</u>	<u>\$ 39,686,924</u>
(g) Difference between Expected and Actual:		\$ (127,669)	
(h) Less Liability Transferred for Immediate Recognition:		\$ 1,596	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ (129,265)	
(j) Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			\$ 1,123,346

Actuarial assumptions: The total pension liability as of September 30, 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below.

Inflation	2.75%
Projected 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, 2018, 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, 2021

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:

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

*Includes assumed rate of inflation of 2.50%.

Discount rate: The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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, 2019	\$ 35,700,556	\$ 27,360,591	\$ 8,339,965
Changes for the year:			
Service cost	1,309,597	-	1,309,597
Interest	2,709,355	-	2,709,355
Changes of benefit terms	1,123,346	-	1,123,346
Changes of assumptions	-	-	-
Difference between expected and actual experience	(129,265)	-	(129,265)
Contributions - employer	-	4,513,972	(4,513,972)
Contributions - employee	-	1,145,886	(1,145,886)
Net investment income	-	1,683,789	(1,683,789)
Benefit payments, including refunds of employee contributions	(1,028,261)	(1,028,261)	-
Administrative expense	-	-	-
Transfers among employers	1,596	1,596	-
Net changes	<u>3,986,368</u>	<u>6,316,982</u>	<u>(2,330,614)</u>
Balance at September 30, 2020	<u>\$ 39,686,924</u>	<u>\$ 33,677,573</u>	<u>\$ 6,009,351</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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	\$ 11,534,488	\$ 6,009,351	\$ 1,420,064

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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor’s report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <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, 2021, the City recognized pension expense of \$1,248,468 in the fund level financial statements. At September 30, 2021, 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	\$ 911,476	\$ 1,065,556
Changes of assumptions	637,630	-
Net difference between projected and actual earnings on plan investments	945,947	-
Employer contributions subsequent to the Measurement Date	1,248,468 *	-
Total	\$ 3,743,521	\$ 1,065,556

Fiscal year employer contributions subsequent to the measurement date (see amount * above) reported as defined outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30		
2022	\$	190,125
2023		393,977
2024		472,918
2025		220,212
2026		61,081
Thereafter		91,184

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, are as follows:

<u>Contractor/Engineer</u>	<u>Construction/Professional Services Project</u>	<u>Resolution</u>	<u>Contract Amount Including Change Orders</u>	<u>Approximate Expenditures Incurred To Date</u>	<u>Approximate Balance of Contract</u>
Volkert & Associates	Professional Services for the Beach Walking District Improvements	6204-19	424,754	415,761	8,993
Volkert & Associates	Professional Services for the Beach Walking District - TAP Project	6418-21	84,863	68,951	15,912
McElhenney Construction	Beach Walking District - Phase I	6330-20	5,310,000	3,571,821	1,738,179
McElhenney Construction	Beach Walking District - TAP Project	6391-21	949,489	413,640	535,849
Volkert, Inc.	Professional Services to Develop Corridor Study for the Restore ALDOT Capacity Project	6099-19	284,692	233,704	50,988
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	88,825	41,175
McElhenney Construction	Medical Village Access Improvements Phase 1a	6312-20	2,918,963	2,732,944	186,019
McElhenney Construction	Medical Village Access Improvements Phase 1b	6390-21	1,837,190	1,951,467	(114,276)
Volkert, Inc.	Professional Services for BUILD and RESTORE Transportation Projects	6239-20	7,846,338	3,652,263	4,194,075
Skipper Consulting, Inc.	Professional Services for East 2nd St. and Hwy. 182 Traffic Signal Design	6261-20	16,000	11,900	4,100
Asphalt Services Inc.	Streets Resurfacing	6445-21	529,977	373,228	156,749
Fabre Engineering & Surveying	Professional Services for Regency Road / Clubhouse Drive Roundabout Project	6417-21	48,250	28,243	20,008
SEMCO S.E. Inc.	Civic Center Parking Lot Lighting	6473-21	70,400	63,360	7,040
Jade Consulting LLC	Professional Services for West 4th Street Bridge	6379-21	15,000	3,500	11,500
McKee & Associates Architecture	Professional Services for Pickleball Courts	6442-21	42,000	10,000	32,000

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021

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 2021, rentals approximated \$116,752 for such leases. Approximately \$84,855 in minimum rental payments are due in 2022. 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, 2021 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	(604,499)
Net investment in operating leases	<u>\$ 123,282</u>

In addition to the above lease terms, the lease agreements call for non-cancelable lease payments through September 30, 2021, as follows:

Year	Payment
2022	\$ 453,123
2023	453,320
2024	474,822
2025	475,837
2026	477,254
Thereafter	<u>11,486,153</u>
Total	<u>\$ 13,820,509</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 \$154,903 in 2021.

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021

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. During 2021, the City received \$500,000 from the Tenant toward construction costs. As of December 31, 2021, construction of the roadway access improvements is still in progress.

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
2022	610,850
2023	609,850
2024	608,700
2025	610,300
2026	606,500
Thereafter	12,772,200
Total	\$ 15,818,400

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 one employee covered who is 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, 2021

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, \$101,393 compensated absences were paid out, leaving an unfunded balance of \$901,853 at December 31, 2021.

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 2021 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 a defendant to a lawsuit due to an incident that occurred during a parade in February 2017. As of the date of these financial statements a substantial amount of discovery has been performed, and summary judgment was filed on behalf of the individually named defendants and was granted as to the claims asserted against one City employee. The City has filed a Writ of Mandamus as to the denial of summary judgment as it concerns a second City employee. As of the date of these financial statements, the Court has not issued any type of ruling on the Writ and trial has been set for April 2023. The City is protected by a municipal limitation statute which is a post-judgement limitation on collecting a judgment to \$300,000. Should a judgment be entered in April 2023, the City has an option to appeal. Based on the City's right to appeal a future judgement, no loss contingency has been recorded in these financial statements.

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 – PRIOR PERIOD ADJUSTMENTS

During the fiscal year ending December 31, 2021, the City recorded a \$94,366 adjustment to the government-wide financial statements to correct the balance of net bond premiums. In addition, the City recorded a \$963,132 adjustment to the government-wide financial statements to correct the balance of the deferred loss on refunding. The net effect of these adjustments was a \$868,766 decrease in net position at the beginning of the year.

NOTE 23 – EFFECT OF NEW PRONOUNCEMENTS

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 fiscal year 2022. The City is currently evaluating the impact of this standard may have on its 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 fiscal year 2022. The City is currently evaluating the impact this standard may have on its financial statements.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 23 – EFFECT OF NEW PRONOUNCEMENTS (CONTINUED)

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 fiscal year 2022. 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 fiscal year 2022. 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 fiscal year 2023. The City is currently evaluating the impact this standard may have on its financial statements.

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 fiscal year 2023. 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 fiscal year 2022. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued establish the term annual comprehensive financial report and its acronym ACRF. That new term and acronym replaces instance of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local government. This standard is effective for fiscal year 2022 but the city has chosen to early implement.

NOTE 24 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through July 25, 2022, the date these financial statements were available to be issued.

In March 2022, the City issued General Obligation School Warrant Series 2022-A for \$150,000,000 to be used for the construction of a new high school and other school related improvements. The Series 2022-A accrues interest at a fixed rate of 2.34% with interest payable in March and September of each year and principal due each March. The first interest payment is due September 2022 and the first principal payment is due March 2023. The Series 2022-A matures in March 2042. The issuance of School warrants is not included in the City's constitutional debt limit.

In March 2022, the City issued General Obligation Warrant Series 2022-B for \$47,000,000 to be used for various infrastructure projects. The Series 2022-B accrues interest at a fixed rate of 2.40% with interest payable in March and September of each year. The Series 2022-B matures in March 2042. The Series 2022-B is structured like a line of credit and as such the City accrues interest only on the amount outstanding.

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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property Taxes	\$ 3,844,000	\$ 3,844,000	\$ 3,853,836	\$ 9,836
Local Taxes	33,720,000	48,345,000	48,197,931	(147,069)
Licenses and Permits	3,793,000	4,393,000	4,815,540	422,540
Fines and Forfeitures	500,000	500,000	483,847	(16,153)
Utility Tax Equivalents	1,762,000	1,462,000	1,579,748	117,748
Intergovernmental:				
Federal and State Grants	230,593	230,593	194,257	(36,336)
State of Alabama - Taxes	49,400	494,400	501,972	7,572
Interest income	145,250	145,250	138,290	(6,960)
Other receipts	1,803,711	2,109,022	1,931,557	(177,465)
Total Revenues	<u>45,847,954</u>	<u>61,523,265</u>	<u>61,696,978</u>	<u>173,713</u>
EXPENDITURES				
Executive Department	5,977,064	6,089,664	5,387,726	(701,938)
Municipal Court	473,220	473,220	496,632	23,412
Police Department	7,949,897	8,112,451	7,660,675	(451,776)
Fire and Emergency Services	5,763,450	5,861,766	5,813,836	(47,930)
Community and Economic Affairs	7,651,501	7,995,101	7,621,457	(373,644)
Public Works	7,691,899	8,046,279	7,676,007	(370,272)
Appropriations	1,198,288	1,422,471	1,297,890	(124,581)
Capital Outlay	-	2,579,000	2,556,915	(22,085)
Total Expenditures	<u>36,705,320</u>	<u>40,579,953</u>	<u>38,511,138</u>	<u>(2,068,815)</u>
Excess of revenues over expenditures	<u>9,142,634</u>	<u>20,943,312</u>	<u>23,185,840</u>	<u>2,242,527</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	154,073	154,073
Transfers from Other Funds	3,834,408	3,068,000	1,537,000	(1,531,000)
Transfer to Other Funds	(12,499,392)	(30,245,707)	(30,120,355)	125,352
Total Other Financing Uses	<u>(8,664,984)</u>	<u>(27,177,707)</u>	<u>(28,429,282)</u>	<u>(1,251,575)</u>
Net Change in Fund Balances	<u>\$ 477,650</u>	<u>(6,234,395)</u>	<u>\$ (5,243,442)</u>	<u>\$ 990,953</u>

Note to Budgetary Comparison Schedule:

The 2% lodgings tax revenue is budgeted in the general fund, in addition to the transfers to the corresponding 2% lodgings tax special revenue fund. The 2% lodgings tax revenue is presented for financial statement purposes in the 2% special revenue fund as local tax revenue. For budget to actual comparison purposes the 2% lodgings tax revenue will be included in the actual general fund local tax revenues and transfers out on this schedule. For the year ended December 31, 2021, the 2% lodgings tax revenue was \$2,181,775.

The basis of budgeting is the same as GAAP.

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

	2021	2020	2019	2018	2017	2016
Actuarially determined contribution*	\$ 1,248,468	\$ 1,164,384	\$ 1,962,442	\$ 2,185,992	\$ 1,960,245	\$ 1,681,939
Contributions in relation to the actuarially determined contribution	<u>1,248,468</u>	<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**	\$ 17,594,393	\$ 17,597,695	\$ 15,887,074	\$ 14,565,997	\$ 13,993,238	\$ 13,724,493
Contributions as a percentage of covered payroll	7.10%	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 FY2021 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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021*:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	21.1 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25-5.00% including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service Cost	\$ 1,309,597	\$ 1,257,424	\$ 1,152,025	\$ 1,160,777	\$ 1,042,057	\$ 1,039,908	\$ 984,884
Interest	2,709,355	2,426,320	2,294,331	2,134,622	2,026,409	1,911,934	1,786,919
Changes of benefit terms	1,123,346	-	-	-	-	-	-
Differences between expected and actual experience	(129,265)	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	(1,028,261)	(1,037,176)	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	1,596	(3,588)	92,942	(438,378)	(130,057)	-	-
Net change in total pension liability	<u>3,986,368</u>	<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>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>	<u>22,840,861</u>
Total pension liability-ending (a)	<u>\$ 39,686,924</u>	<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	\$ 4,513,972	\$ 972,694	\$ 940,350	\$ 936,184	\$ 1,012,511	\$ 952,313	\$ 959,691
Contributions - member	1,145,886	901,767	844,796	770,689	769,340	643,754	626,907
Net investment income	1,683,789	674,544	2,155,583	2,582,212	1,826,701	207,616	1,857,305
Benefit payments, including refunds of employee contributions	(1,028,261)	(1,037,176)	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	1,596	(3,588)	92,942	(438,378)	(130,057)	(261,088)	(176,551)
Administrative expense	-	(3,588)	92,942	(438,378)	(130,057)	(261,088)	(176,551)
Net change in plan fiduciary net position	<u>6,316,982</u>	<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>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>	<u>15,278,663</u>
Plan net position - ending (b)	<u>\$ 33,677,573</u>	<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	\$ 6,009,351	\$ 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	84.86%	76.64%	80.71%	75.94%	71.43%	68.25%	71.28%
Covered payroll*	\$ 17,597,695	\$ 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	34%	52%	42%	54%	57%	70%	60%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2021 the measurement period is October 1, 2019 - September 30, 2020. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY2017.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

CITY OF GULF SHORES, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds	
	2% Lodgings Tax Fund	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	Storm Damage Fund	Nontaxable Warrant Fund	2018B GO Warrant Fund		Taxable Warrant Fund
ASSETS										
Cash and Cash Equivalents	\$ 4,401,471	\$ -	\$ -	\$ 22,891	\$ 237,430	\$ -	\$ -	\$ -	\$ 48,468	\$ 4,710,260
Restricted Cash and Cash Equivalents	-	433,303	2,517,477	-	-	1,489,078	100	1,358,295	-	5,798,253
Accounts Receivable	-	-	-	-	9,776	-	-	-	1,650	11,426
Due From Other Funds	-	13,242	-	-	-	-	-	237,181	-	250,423
Due From Other Governments	-	-	-	-	-	137,615	-	178,315	-	315,930
Due From Component Units	-	-	-	-	-	-	-	-	-	-
Prepays and Other Assets	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 4,401,471</u>	<u>\$ 446,545</u>	<u>\$ 2,517,477</u>	<u>\$ 22,891</u>	<u>\$ 247,206</u>	<u>\$ 1,626,693</u>	<u>\$ 100</u>	<u>\$ 1,773,791</u>	<u>\$ 50,118</u>	<u>\$ 11,086,292</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 175,174	\$ -	\$ 26,841	\$ 64,759	\$ -	\$ 688,877	\$ 330,974	\$ 1,286,625
Payroll taxes & benefits payable	-	-	-	-	24,015	-	-	-	-	24,015
Other liabilities	-	-	-	-	-	8,549	-	-	115,694	124,243
Due to other funds	-	-	-	-	-	2,222,354	-	-	-	2,222,354
Total Liabilities	<u>-</u>	<u>-</u>	<u>175,174</u>	<u>-</u>	<u>50,856</u>	<u>2,295,662</u>	<u>-</u>	<u>688,877</u>	<u>446,668</u>	<u>3,657,237</u>
DEFERRED INFLOW OF RESOURCES										
Deferred revenue	-	-	-	-	-	-	-	-	-	-
FUND BALANCE										
Restricted										
Capital Improvements	-	446,545	2,342,303	-	-	-	-	1,084,914	-	3,873,762
Committed										
Beach Restoration	4,401,471	-	-	-	-	-	-	-	-	4,401,471
Assigned	-	-	-	22,891	-	-	-	-	-	22,891
Unassigned	-	-	-	-	196,350	(668,969)	100	-	(396,550)	(869,069)
Total Fund Balances	<u>4,401,471</u>	<u>446,545</u>	<u>2,342,303</u>	<u>22,891</u>	<u>196,350</u>	<u>(668,969)</u>	<u>100</u>	<u>1,084,914</u>	<u>(396,550)</u>	<u>7,429,055</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balance	<u>\$ 4,401,471</u>	<u>\$ 446,545</u>	<u>\$ 2,517,477</u>	<u>\$ 22,891</u>	<u>\$ 247,206</u>	<u>\$ 1,626,693</u>	<u>\$ 100</u>	<u>\$ 1,773,791</u>	<u>\$ 50,118</u>	<u>\$ 11,086,292</u>

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds	
	2% Lodgings Tax Fund	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	Storm Damage Fund	Nontaxable Warrant Fund	2018B GO Warrant Fund		Taxable Warrant Fund
REVENUES										
Local taxes	\$ 2,181,775	\$ 422,767	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,604,542
Intergovernmental:										
State of Alabama taxes	-	285,838	-	-	-	-	-	-	-	285,838
Federal and State grants	-	-	-	-	-	1,868,230	-	644,549	784,235	3,297,014
Interest income	2,347	322	1,890	15	229	-	-	15,649	-	20,452
Impact fees	-	-	1,985,359	-	-	-	-	-	-	1,985,359
Other receipts	-	-	-	-	871,804	832,027	-	194,219	700,000	2,598,050
Total Revenues	<u>2,184,122</u>	<u>708,927</u>	<u>1,987,249</u>	<u>15</u>	<u>872,033</u>	<u>2,700,257</u>	<u>-</u>	<u>854,417</u>	<u>1,484,235</u>	<u>10,791,255</u>
EXPENDITURES										
Current Operating:										
Police	-	-	102,504	-	443,138	-	-	-	-	545,642
Fire	-	-	76,157	-	-	-	-	-	-	76,157
Community and Economic Affairs	-	-	667,098	-	-	-	-	-	147,834	814,932
Public Works	-	-	210,517	-	1,136,141	2,121,224	-	-	-	3,467,882
Appropriations - Outside agencies	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	6,460,419	7,362,992	13,823,411
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,056,276</u>	<u>-</u>	<u>1,579,279</u>	<u>2,121,224</u>	<u>-</u>	<u>6,460,419</u>	<u>7,510,826</u>	<u>18,728,024</u>
Excess (Deficiency) of revenues Over Expenditures	<u>2,184,122</u>	<u>708,927</u>	<u>930,973</u>	<u>15</u>	<u>(707,246)</u>	<u>579,033</u>	<u>-</u>	<u>(5,606,002)</u>	<u>(6,026,591)</u>	<u>(7,936,769)</u>
OTHER FINANCING SOURCES (USES)										
Bond Proceeds	-	-	-	-	-	-	-	-	6,970,000	6,970,000
Transfers In	-	-	-	-	1,098,020	25,001	100	4,300,000	-	5,423,121
Transfers Out	(798,020)	(537,000)	-	-	-	-	-	(70,053)	(1,000,000)	(2,405,073)
Total Other Financing Sources (Uses)	<u>(798,020)</u>	<u>(537,000)</u>	<u>-</u>	<u>-</u>	<u>1,098,020</u>	<u>25,001</u>	<u>100</u>	<u>4,229,947</u>	<u>5,970,000</u>	<u>9,988,048</u>
Net Change in Fund Balance	<u>1,386,102</u>	<u>171,927</u>	<u>930,973</u>	<u>15</u>	<u>390,774</u>	<u>604,034</u>	<u>100</u>	<u>(1,376,055)</u>	<u>(56,591)</u>	<u>2,051,279</u>
Fund Balances (Deficit) - Beginning	<u>3,015,369</u>	<u>274,618</u>	<u>1,411,330</u>	<u>22,876</u>	<u>(194,424)</u>	<u>(1,273,003)</u>	<u>-</u>	<u>2,460,969</u>	<u>(339,959)</u>	<u>5,377,776</u>
Fund Balances (Deficit) - Ending	<u>\$ 4,401,471</u>	<u>\$ 446,545</u>	<u>\$ 2,342,303</u>	<u>\$ 22,891</u>	<u>\$ 196,350</u>	<u>\$ (668,969)</u>	<u>\$ 100</u>	<u>\$ 1,084,914</u>	<u>\$ (396,550)</u>	<u>\$ 7,429,055</u>

OTHER INFORMATION

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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes:				
Interest Income	\$ 2,500	\$ 2,500	\$ 2,347	\$ (153)
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>2,347</u>	<u>(153)</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Total General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>2,500</u>	<u>2,500</u>	<u>2,347</u>	<u>(153)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,004,000	2,181,775	2,181,775	-
Transfers Out	<u>(4,032,428)</u>	<u>(798,020)</u>	<u>(798,020)</u>	<u>-</u>
Total Other Financing Uses	<u>(28,428)</u>	<u>1,383,755</u>	<u>1,383,755</u>	<u>-</u>
Net Change in Fund Balances	(25,928)	1,386,255	1,386,102	(153)
Fund Balance, beginning	<u>3,015,369</u>	<u>3,015,369</u>	<u>3,015,369</u>	<u>-</u>
Fund Balance, ending	<u>\$ 2,989,441</u>	<u>\$ 4,401,624</u>	<u>\$ 4,401,471</u>	<u>\$ (153)</u>

Note to Budgetary Comparison Schedule:

The 2% lodgings tax revenue is budgeted in the general fund, in addition to the transfers to the corresponding 2% lodgings tax special revenue fund. The 2% lodgings tax revenue is presented for financial statement purposes in the 2% special revenue fund as local tax revenue. For budget to actual comparison purposes the 2% lodgings tax revenue will be included in the actual general fund local tax revenues and transfers out on this schedule. For the year ended December 31, 2021, the 2% lodgings tax revenue was \$2,181,775 and is presented above as "Transfers In".

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, 2021

	<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	\$ 195,000	\$ 195,000	\$ 222,486	\$ 27,486
Law Enforcement:				
Federal Equity Sharing	-	-	22,597	22,597
State, Local & Other	10,000	10,000	18,297	8,297
Alabama Gasoline Excise Tax				
Four per Gallon	15,000	15,000	17,446	2,446
Five per Gallon	7,000	7,000	8,604	1,604
Seven per Gallon	25,000	25,000	30,113	5,113
Ten per Gallon	50,000	50,000	81,366	31,366
Petroleum Inspection Fees	4,000	4,000	4,781	781
Motor Fuel Distribution	1,000	1,000	1,516	516
State Shared Capital Improvement Fund	95,000	95,000	101,118	6,118
Corrections Fund	95,000	95,000	143,480	48,480
Municipal Court Judicial Administrative Fund	24,000	24,000	56,801	32,801
Interest income	-	-	322	322
Total Revenues	<u>521,000</u>	<u>521,000</u>	<u>708,927</u>	<u>187,927</u>
EXPENDITURES				
Account Administration	34,000	34,000	-	(34,000)
Total Expenditures	<u>34,000</u>	<u>34,000</u>	<u>-</u>	<u>(34,000)</u>
Excess of revenues over expenditures	<u>487,000</u>	<u>487,000</u>	<u>708,927</u>	<u>221,927</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund:				
Corrections	(95,000)	(95,000)	(130,000)	(35,000)
Firefighters Ad Valorem	(195,000)	(195,000)	(185,000)	10,000
Alabama Gasoline Excise Tax	(102,000)	(102,000)	(127,000)	(25,000)
State Capital Improvements	(95,000)	(95,000)	(95,000)	-
Total Other Financing Uses	<u>(487,000)</u>	<u>(487,000)</u>	<u>(537,000)</u>	<u>(50,000)</u>
Net Change in Fund Balances	-	-	171,927	171,927
Fund Balance, beginning	<u>274,618</u>	<u>274,618</u>	<u>274,618</u>	<u>-</u>
Fund Balance, ending	<u>\$ 274,618</u>	<u>\$ 274,618</u>	<u>\$ 446,545</u>	<u>\$ 171,927</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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Parks & Recreation	\$ 702,000	\$ 727,000	\$ 977,878	\$ 250,878
Fire	113,000	113,000	152,846	39,846
Police	103,600	103,600	111,688	8,088
Public Works	770,000	810,000	742,947	(67,053)
Interest Income	4,500	4,500	1,890	(2,610)
Total Revenues	<u>1,693,100</u>	<u>1,758,100</u>	<u>1,987,249</u>	<u>229,149</u>
EXPENDITURES				
Current				
Fire	113,000	113,000	76,157	(36,843)
Recreation	702,000	727,000	667,098	(59,902)
Public Works	770,000	810,000	210,517	(599,483)
Police	103,600	103,600	102,504	(1,096)
Total Expenditures	<u>1,688,600</u>	<u>1,753,600</u>	<u>1,056,276</u>	<u>(697,324)</u>
Excess (deficiency) of revenues over expenditures	<u>4,500</u>	<u>4,500</u>	<u>930,973</u>	<u>926,473</u>
Net Change in Fund Balances	4,500	4,500	930,973	926,473
Fund Balance, beginning	<u>1,411,330</u>	<u>1,411,330</u>	<u>1,411,330</u>	<u>-</u>
Fund Balance, ending	<u>\$ 1,415,830</u>	<u>\$ 1,415,830</u>	<u>\$ 2,342,303</u>	<u>\$ 926,473</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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 229	\$ 229
Federal and State Grants	-	-	-	-
Other	670,000	670,000	871,804	201,804
Total Revenues	<u>670,000</u>	<u>670,000</u>	<u>872,033</u>	<u>202,033</u>
EXPENDITURES				
Police	415,096	415,096	443,138	28,042
Public Works	1,136,602	1,157,367	1,136,141	(21,226)
Miscellaneous	-	-	-	-
Beach Restoration	3,000	3,000	-	(3,000)
Total Expenditures	<u>1,554,698</u>	<u>1,575,463</u>	<u>1,579,279</u>	<u>3,816</u>
Excess (deficiency) of revenues over expenditures	<u>(884,698)</u>	<u>(905,463)</u>	<u>(707,246)</u>	<u>198,217</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	710,020	1,098,020	1,098,020	-
Total Other Financing Uses	<u>710,020</u>	<u>1,098,020</u>	<u>1,098,020</u>	<u>-</u>
Net Change in Fund Balances	(174,678)	192,557	390,774	198,217
Fund Balance, beginning	<u>(194,424)</u>	<u>(194,424)</u>	<u>(194,424)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (369,102)</u>	<u>\$ (1,867)</u>	<u>\$ 196,350</u>	<u>\$ 198,217</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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 6,371	\$ 6,371
Other	30,000	30,000	-	(30,000)
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>6,371</u>	<u>(23,629)</u>
EXPENDITURES				
City School Improvements	2,500,000	4,200,000	685,000	(3,515,000)
Miscellaneous	-	-	-	-
Total Expenditures	<u>2,500,000</u>	<u>4,200,000</u>	<u>685,000</u>	<u>(3,515,000)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,470,000)</u>	<u>(4,170,000)</u>	<u>(678,629)</u>	<u>3,491,371</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Long Term Debt	2,500,000	3,100,000	-	(3,100,000)
Transfer From Other Funds	-	-	-	-
Transfers Out	(30,000)	(30,000)	-	30,000
Total Other Financing Uses	<u>2,470,000</u>	<u>3,070,000</u>	<u>-</u>	<u>(3,070,000)</u>
Net Change in Fund Balances	-	(1,100,000)	(678,629)	6,561,371
Fund Balance, beginning	<u>16,837,318</u>	<u>16,837,318</u>	<u>16,837,318</u>	<u>-</u>
Fund Balance, ending	<u>\$ 16,837,318</u>	<u>\$ 15,737,318</u>	<u>\$ 16,158,689</u>	<u>\$ 6,561,371</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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest Income	\$ -	\$ -	\$ 42	\$ 42
Total Revenues	<u>-</u>	<u>-</u>	<u>42</u>	<u>42</u>
EXPENDITURES				
Appropriations	-	-	-	-
Miscellaneous	7,075	7,075	2,673	(4,402)
Principal	5,458,569	20,398,569	20,393,519	(5,050)
Interest	3,006,670	2,965,210	2,987,360	22,150
Total Expenditures	<u>8,472,314</u>	<u>23,370,854</u>	<u>23,383,552</u>	<u>12,698</u>
Excess (deficiency) of revenues over expenditures	<u>(8,472,314)</u>	<u>(23,370,854)</u>	<u>(23,383,510)</u>	<u>(12,656)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	-	-
Transfer to Other Funds	8,472,314	23,510,854	23,383,532	127,322
Transfers In	-	-	-	-
Total Other Financing Uses	<u>8,472,314</u>	<u>23,510,854</u>	<u>23,383,532</u>	<u>127,322</u>
Net Change in Fund Balances	-	140,000	22	(139,978)
Fund Balance, Beginning	<u>9</u>	<u>9</u>	<u>9</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 9</u>	<u>\$ 140,009</u>	<u>\$ 31</u>	<u>\$ (139,978)</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, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants	\$ -	\$ 51,000	\$ 1,868,230	\$ 1,817,230
Interest income	-	-	-	-
Other receipts	-	500,000	832,027	332,027
Total Revenues	<u>-</u>	<u>551,000</u>	<u>2,700,257</u>	<u>2,149,257</u>
EXPENDITURES				
Public works	-	-	2,121,224	2,121,224
Storm damage	-	3,030,000	-	(3,030,000)
Total Expenditures	<u>-</u>	<u>3,030,000</u>	<u>2,121,224</u>	<u>(908,776)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2,479,000)</u>	<u>579,033</u>	<u>3,058,033</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	23,078	23,078	25,001	1,923
Total Other Financing Uses	<u>23,078</u>	<u>23,078</u>	<u>25,001</u>	<u>1,923</u>
Net Change in Fund Balances	23,078	(2,455,922)	604,034	3,059,956
Fund Balance, beginning	<u>(1,273,003)</u>	<u>(1,273,003)</u>	<u>(1,273,003)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (1,249,925)</u>	<u>\$ (3,728,925)</u>	<u>\$ (668,969)</u>	<u>\$ 3,059,956</u>

CITY OF GULF SHORES, ALABAMA
TAXABLE WARRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants	\$ 7,132,719	\$ 5,332,719	\$ 784,235	\$ (4,548,484)
Interest	-	-	-	-
Other receipts	1,715,000	1,715,000	700,000	(1,015,000)
Total Revenues	<u>8,847,719</u>	<u>7,047,719</u>	<u>1,484,235</u>	<u>(5,563,484)</u>
EXPENDITURES				
Public Works	180,000	192,000	147,834	(44,166)
Appropriations	-	-	-	-
Capital Outlay	13,652,279	12,852,279	7,362,992	(5,489,287)
Total Expenditures	<u>13,832,279</u>	<u>13,044,279</u>	<u>7,510,826</u>	<u>(5,533,453)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,984,560)</u>	<u>(5,996,560)</u>	<u>(6,026,591)</u>	<u>(30,031)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	4,984,560	11,605,560	6,970,000	(4,635,560)
Transfers Out	-	(2,479,000)	(1,000,000)	1,479,000
Transfers In	-	-	-	-
Total Other Financing Uses	<u>4,984,560</u>	<u>9,126,560</u>	<u>5,970,000</u>	<u>(3,156,560)</u>
Net Change in Fund Balances	-	3,130,000	(56,591)	(3,186,591)
Fund Balance, Beginning	<u>(339,959)</u>	<u>(339,959)</u>	<u>(339,959)</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (339,959)</u>	<u>\$ 2,790,041</u>	<u>\$ (396,550)</u>	<u>\$ (3,186,591)</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, 2021

	<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	\$ 640,000	\$ 895,376	\$ 644,549	\$ (250,827)
Other	-	194,219	194,219	-
Interest Income	95,000	95,000	15,649	(79,351)
Total Revenues	<u>735,000</u>	<u>1,184,595</u>	<u>854,417</u>	<u>(330,178)</u>
EXPENDITURES				
Capital Outlay	<u>8,046,566</u>	<u>9,431,566</u>	<u>6,460,419</u>	<u>(2,971,147)</u>
Excess (deficiency) of revenues over expenditures	<u>(7,311,566)</u>	<u>(8,246,971)</u>	<u>(5,606,002)</u>	<u>2,640,969</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	7,311,566	7,311,566	-	(7,311,566)
Transfers In	-	4,300,000	4,300,000	-
Transfers Out	-	(70,000)	(70,053)	53
Total Other Financing Sources and (Uses)	<u>7,311,566</u>	<u>11,541,566</u>	<u>4,229,947</u>	<u>(7,311,513)</u>
Net Change in Fund Balance	-	3,294,595	(1,376,055)	(4,670,544)
Fund Balances - Beginning	<u>2,460,969</u>	<u>2,460,969</u>	<u>2,460,969</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,460,969</u>	<u>\$ 5,755,564</u>	<u>\$ 1,084,914</u>	<u>\$ (4,670,544)</u>

STATISTICAL SECTION

CITY OF GULF SHORES, ALABAMA
STATISTICAL SECTION
DECEMBER 31, 2021

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

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

	Fiscal Year				
	2017	2018	2019	2020	2021
Governmental Activities					
Net Investment in capital assets	\$ 57,682,765	\$ 39,025,026	\$ 52,309,319	\$ 64,803,007	81,711,353
Restricted	2,113,341	2,266,096	3,011,050	4,256,377	4,092,962
Unrestricted	21,828,698	50,402,246	47,963,350	38,917,065	43,780,538
Total governmental activities Net Position	<u>81,624,804</u>	<u>91,693,368</u>	<u>103,283,719</u>	<u>107,976,449</u>	<u>129,584,853</u>
Business-type activities					
Net Investment in capital assets	6,772,994	1,872,966	1,460,653	1,946,522	1,937,906
Restricted			508,414	334,569	331,731
Unrestricted	(5,151,544)	3,026	2,780	(204,694)	(202,312)
Total business-type activities Net Position	<u>1,621,450</u>	<u>1,875,992</u>	<u>1,463,433</u>	<u>2,076,397</u>	<u>2,067,325</u>
Primary government					
Net Investment in capital assets	64,455,759	40,897,992	53,769,972	66,749,529	83,649,259
Restricted	2,113,341	2,266,096	3,519,464	4,590,946	4,424,693
Unrestricted	16,677,154	50,405,272	47,966,130	38,712,371	43,578,226
Total primary government Net Position	<u>\$ 83,246,254</u>	<u>\$ 93,569,360</u>	<u>\$ 105,255,566</u>	<u>\$ 110,052,846</u>	<u>\$ 131,652,178</u>

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

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

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

	Fiscal Year				
	2017	2018	2019	2020	2021
Expenses					
Governmental activities:					
Executive	\$ 4,889,329	\$ 3,839,222	\$ 5,516,039	\$ 5,586,234	5,980,880
Municipal Court	471,390	415,069	463,210	471,958	504,757
Police	5,788,741	6,882,556	6,977,146	7,821,554	8,112,613
Fire	4,018,363	4,225,805	6,069,504	6,179,670	7,131,459
Public Works	7,360,994	9,204,974	9,299,293	20,839,816	11,713,518
Community and Economic Affairs	8,181,961	7,914,734	11,814,216	10,619,654	11,327,101
Other	1,219,902	2,471,215	2,593,443	2,877,819	2,993,947
Total governmental activities expenses	31,930,680	34,953,575	42,732,851	54,396,705	47,764,275
Business-type activities:					
Public Education Authority	507,334	418,585	549,754	610,990	615,644
Total business-type activities expenses	507,334	418,585	549,754	610,990	615,644
Total primary government expenses	32,438,014	35,372,160	43,282,605	55,007,695	48,379,919
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	27,800	27,600	21,350	9,270	19,000
Municipal Court	677,852	841,030	675,712	538,415	690,377
Police	54,513	61,206	83,898	105,751	122,304
Fire	69,919	78,525	106,012	140,144	152,846
Community and Economic Affairs	5,675,171	5,816,368	6,455,422	6,004,459	7,289,869
Public Works	829,859	817,543	1,242,931	1,407,291	1,790,595
Operating Grants and Contributions	8,306,995	1,738,549	7,539,992	9,397,880	3,433,535
Capital Grants and Contributions	215,684	30,000	-	882,061	2,337,887
Total governmental activities program revenues	15,857,793	9,410,821	16,125,317	18,485,271	15,836,413
Business-type activities					
Charges for services					
Public Education Building Authority	177,289	606,464	609,050	610,350	606,550
Total business-type activities program revenues	177,289	606,464	609,050	610,350	606,550
Total primary government program revenues	\$ 16,035,082	\$ 10,017,285	\$ 16,734,367	\$ 19,095,621	\$ 16,442,963
Net (Expense)/Revenue					
Governmental activities	\$ (16,072,887)	\$ (25,542,754)	\$ (26,607,534)	\$ (35,911,434)	\$ (31,927,862)
Business-type activities	(330,045)	187,879	59,296	(640)	(9,094)
Total primary government net expense	(16,402,932)	(25,354,875)	(26,548,238)	(35,912,074)	(31,936,956)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	3,064,738	3,387,950	3,521,657	3,807,136	3,853,824
Local taxes	25,461,563	30,073,209	34,127,612	34,353,515	48,241,430
Franchise taxes	1,410,132	1,560,508	1,756,512	1,442,306	1,579,748
State taxes	624,254	753,830	-	-	-
Investment earnings	46,475	169,941	472,515	493,942	165,156
Miscellaneous	139,353	128,663	143,677	644,389	636,286
Contributions/BP Settlement					
Gain/(Loss) on Disposal of Assets	420,927	59,649	(1,824,088)	19,466	(71,411)
Transfers		(522,432)			
Total governmental activities	31,167,442	35,611,318	38,197,885	40,760,754	54,405,033
Business-type activities:					
Investment earnings	12,613	66,663	36,559	964	22
Miscellaneous					
Transfers					
Total business-type activities	12,613	66,663	36,559	964	22
Total primary government	31,180,055	35,677,981	38,234,444	40,761,718	54,405,055
Changes in Net Position					
Governmental activities	15,094,555	10,068,564	11,590,351	4,849,320	22,477,171
Business-type activities	(317,432)	254,542	95,855	324	(9,072)
Total primary government	\$ 14,777,123	\$ 10,323,106	\$ 11,686,206	\$ 4,849,644	\$ 22,468,099

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

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

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

	Fiscal Year				
	2017	2018	2019	2020	2021
General Fund					
Nonspendable	519,071	358,728	474,997	480,789	368,067
Spendable:					
Restricted	133,904	184,255	320,765	109,450	219,169
Committed	7,628,664	7,213,450	18,804,442	15,836,577	15,767,188
Unassigned	20,887,962	28,868,213	20,053,388	35,266,790	29,449,978
Total general fund	<u>29,169,601</u>	<u>36,624,646</u>	<u>39,653,592</u>	<u>51,693,606</u>	<u>45,804,402</u>
Other Governmental Funds					
Nonspendable	25,000	-	-	-	-
Spendable:					
Restricted	584,857	3,550,057	16,020,317	4,146,927	3,873,793
Committed	1,372,145	(225,158)	3,010,399	19,852,687	20,560,160
Assigned	-	-	-	22,876	22,891
Unassigned	-	19,733,095	(335,841)	(1,807,388)	(869,069)
Total - governmental funds	<u>\$ 31,151,603</u>	<u>\$ 59,682,640</u>	<u>\$ 58,348,467</u>	<u>\$ 73,908,708</u>	<u>\$ 69,392,177</u>

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Revenues					
Taxes					
Property	\$ 2,500,194	\$ 2,402,381	\$ 2,556,551	\$ 2,715,667	\$ 2,871,352
Local	19,962,896	20,798,897	21,387,763	22,565,403	24,313,542
Licenses, fees and permits	2,229,453	2,374,442	2,908,946	2,854,090	3,314,362
Fines and forfeitures	338,470	387,739	395,866	470,778	595,810
Utility tax equivalents	1,162,351	1,151,859	1,253,354	1,244,634	1,221,712
Intergovernmental	9,084,912	3,893,517	1,862,536	1,203,998	1,815,057
Investment earnings	37,185	20,398	22,342	33,836	40,343
Impact fees	280,032	307,242	540,482	415,941	746,976
BP lost revenues	1,336	360,995	639,005	-	271,582
Assessments/Rental Income	218,977	120,822	118,276	35,276	499,015
Other revenues	2,421,992	2,654,341	2,772,373	2,205,074	2,267,330
Total Revenues	38,237,798	34,472,633	34,457,494	33,744,697	37,957,081
Expenditures					
General government	3,207,917	3,332,695	3,665,722	4,322,578	1,721,831
Police	4,141,692	5,140,408	4,551,402	4,992,638	5,130,530
Fire	3,246,080	3,336,121	3,939,208	3,639,166	2,886,570
Community and Economic Affairs	5,542,994	5,557,550	7,116,128	6,564,129	4,893,969
Public Works	11,627,419	8,149,913	7,021,734	8,308,196	9,018,160
Appropriations	1,148,747	279,758	105,221	113,027	220,233
Capital outlay	6,588,871	6,298,088	3,965,171	7,014,879	8,730,456
Beach restoration	57,095	-	62,700	61,212	52,800
Principal	23,667,897	4,665,150	4,185,512	12,396,644	8,007,570
Interest	1,786,635	1,536,803	1,412,075	1,210,773	1,115,452
Miscellaneous	8,015	14,243	57,095	187,064	48,790
Litigation Settlement	15,374	-	-	-	-
Total Expenditures	61,038,736	38,310,729	36,081,968	48,810,306	41,826,361
Excess(Deficiency) of revenues over (under) expenditures	(22,800,938)	(3,838,096)	(1,624,474)	(15,065,609)	(3,869,280)
Other Financing Sources (Uses)					
Bond Issue Proceeds	22,871,761	-	890,000	15,152,340	3,644,640
Transfers In	26,061,441	7,110,115	6,459,306	7,444,384	11,184,891
Transfers Out	(26,061,441)	(7,110,115)	(6,431,958)	(7,444,384)	(11,184,891)
Total Other Financing Sources and (Uses)	22,871,761	-	917,348	15,152,340	3,644,640
Net change in Fund Balance	\$ 70,823	\$ (3,838,096)	\$ (707,126)	\$ 86,731	\$ (224,640)
Prior Period Adjustment	\$ 1,311,876				
Debt service as a percentage of noncapital expenditures	47%	19%	17%	33%	28%

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

	Fiscal Year				
	2017	2018	2019	2020	2021
Revenues					
Taxes					
Property	\$ 3,064,738	\$ 3,387,950	\$ 3,521,657	\$ 3,807,136	3,853,836
Local	25,461,564	30,073,209	34,127,612	34,683,293	48,620,698
Licenses, fees and permits	3,342,128	3,482,009	4,088,484	4,538,687	4,815,540
Fines and forfeitures	513,813	595,069	485,660	384,382	483,847
Utility tax equivalents	1,410,132	1,560,508	1,756,512	1,442,306	1,579,748
Intergovernmental	1,441,591	2,533,742	5,372,060	9,626,097	4,279,081
Investment earnings	46,475	169,941	472,516	493,942	165,156
Impact fees	893,495	870,345	1,363,358	1,575,778	1,985,359
BP lost revenues/settlements	-	-			
Assessments/Rental Income	-	-			
Other revenues	2,767,825	2,692,149	2,668,003	2,674,956	4,529,607
Total Revenues	38,941,761	45,364,922	53,855,862	59,226,577	70,312,872
Expenditures					
General government	4,886,896	5,227,506	4,957,019	5,094,038	5,387,726
Police	5,562,947	6,701,010	7,228,492	7,928,044	8,702,949
Fire	3,834,578	4,176,099	5,310,339	5,493,692	5,889,993
Community and Economic Affairs	6,933,897	7,024,825	7,676,280	7,884,411	8,436,389
Public Works	10,542,619	8,857,930	8,479,245	20,212,380	11,143,889
Appropriations	254,767	780,818	3,548,574	6,244,145	1,982,890
Capital outlay	17,325,854	16,091,600	19,625,071	14,538,127	18,546,748
Beach restoration	47,700	-			
Principal	15,559,577	18,305,287	5,581,156	4,299,917	20,393,519
Interest	1,140,750	1,972,662	2,589,636	2,565,537	2,987,360
Miscellaneous	39,450	80,746	292,396	38,105	2,673
Bond Issuance Costs	27,850	451,821	-	-	-
Total Expenditures	66,156,885	69,670,304	65,288,208	74,298,396	83,474,136
Excess(Deficiency) of revenues over (under) expenditures	(27,215,124)	(24,305,382)	(11,432,346)	(15,071,819)	(13,161,264)
Other Financing Sources (Uses)					
Bond Issue/Loan Proceeds/CapASale	17,545,645	49,740,305	18,684,272	19,780,114	7,124,073
Transfers In	15,043,991	29,140,443	12,765,608	37,721,253	30,343,653
Transfers Out	(15,043,991)	(29,140,443)	(12,765,607)	(37,721,253)	(30,343,653)
Total Other Financing Sources and (Uses)	17,545,645	49,740,305	18,684,273	19,780,114	7,124,073
Net change in Fund Balance	\$ (9,669,479)	\$ 25,434,923	\$ 7,251,927	\$ 4,708,295	\$ (6,037,191)
Prior Period Adjustment					
Debt service as a percentage of noncapital expenditures	34%	38%	18%	11%	36%

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
2021	8,007,700	743,590,900	202,824,720	136,488,380	817,934,940	4.98	\$5,772,894,033	14.17%
2020	7,634,540	718,215,680	194,400,160	130,360,220	789,890,160	4.98	\$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%

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

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

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

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

Fiscal Year	Taxes Levied for the Year	Taxable Property Assessed Valuation	Current Collections	Subsequent Collections	Total Collections	Percent Parcels Paid
2021	4,077,256	790,117,460	4,042,137	0	4,042,137	99.76%
2020	3,931,508	818,167,820	3,930,206	0	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%

	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>	2021			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
100 Emerald Greens LLC UC Funds	\$ 9,006,780	1	1.10%			
Mid America Apartments LP	6,774,760	2	0.83%			
Baldwin Co Electric	6,488,960	3	0.79%	4,316,100	3	0.89%
Villas at Bon Secour	3,675,580	4	0.45%			
21300 Sweetwater LLC	3,621,660	5	0.44%			
BFG SRID Gulf Shores Propco IV LL	3,171,500	6	0.39%			
RCG-Gulf Shores LLC	3,110,840	7	0.38%			
Walmart Real Estate Business Trust	2,942,920	8	0.36%	2,865,260	6	0.59%
Regency Place LLC	2,717,920	9	0.33%			
Beach Place Development LLC	2,639,120	10	0.32%	2,251,580	7	0.46%
Gulf Shores Multi Family Partners				6,145,260	1	1.26%
The Links at Gulf Shores				4,583,680	2	0.94%
The Links at Gulf Shores LP				4,029,540	4	0.83%
TA Colonial Traditions LLC				3,075,920	5	0.63%
Howard Resort Inns Inc				2,041,460	8	0.42%
Gulf Telephone Company				1,957,100	9	0.40%
Vision Bank				1,896,840	10	0.39%
Total Assessment (All GS)	<u>\$ 818,167,820</u>		<u>5.40%</u>	<u>\$ 487,433,360</u>		<u>6.80%</u>

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	2021			2011		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 2,776,447	1	31.68%	\$ 2,103,957	1	40.37%
Retail Trade	1,092,992	2	12.47%	643,217	2	12.34%
Retail Trade	1,044,408	3	11.92%	495,144	3	9.50%
Retail Trade	909,590	4	10.38%	-		
Accomodation & Food Services	637,031	5	7.27%	283,475	6	5.44%
Retail Trade	550,794	6	6.28%	215,639	9	4.14%
Retail Trade	541,457	7	6.18%			
Accomodation & Food Services	521,618	8	5.95%	463,422	4	8.89%
Retail Trade	347,336	9	3.96%			
Retail Trade	343,220	10	3.92%	-		
Retail Trade	-		-	351,257	5	6.74%
Arts, Entertainment & Recreation	-		-	244,504	7	4.69%
Accomodation & Food Services	-		-	220,827	8	4.24%
Retail Trade	-		-	190,861	10	3.66%
	-		-	-		
Total Sales Tax	<u>\$ 8,764,894</u>		<u>100.00%</u>	<u>\$ 5,212,302</u>		<u>100.00%</u>

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

Fiscal Year	City Direct Rate	Baldwin County
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%
2021 *	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, 2021

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt(1)</u>
Direct General Obligation Debt:			
City of Gulf Shores Warrants	81,682,453		
Plus: Unamortized Premium	3,303,626		
Total Gulf Shores Warrants	84,986,079	100.00%	<u>\$ 84,986,079</u>
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	15.02%	9,664,959
Baldwin County Board of Education	164,610,961		
Unamortized Amounts:			
Add: Unamortized Premium	13,804,936		
Total Baldwin Board of Education Warrants	178,415,897	14.66%	26,164,244
Total Overlapping General Obligation Debt	242,750,503		35,829,203
Total Direct and Overlapping General Obligation Debt			<u>120,815,282</u>
Overlapping Guaranteed Revenue Debt			
Public Education Building Authority Bonds	9,270,000		
Add: Unamortized Premium	792,444		
Total Overlapping Guaranteed Revenue Debt	10,062,444	100%	<u>10,062,444</u>
Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			<u>\$ 130,877,726</u>
Debt per Capita			
Direct General Obligation Debt			\$ 5,400.74
Overlapping General Obligation Debt			2,276.89
Overlapping Guaranteed Revenue Debt			639.45
			<u>\$ 8,317.09</u>

Source: Baldwin County 2020 Audit, Baldwin County Board of Education 2020 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			
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	19.9%	7,371
2020	95,105,972	3,641,446	9,460,000	822,922	109,030,340	20.9%	7,262
2021	\$ 81,862,453	\$ 3,303,626	\$ 9,270,000	\$ 792,443	\$ 95,228,522	17.4%	6,052

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

Fiscal Year	General Obligation Bonds	Plus Unamortized Premiums	Less: Amounts Available in Debt Service Fund	Total	% of Actual Taxable Value of Property	Per Capita
2012	\$ 45,990,442	\$ 64,621	\$ 2,448,952	\$ 43,606,111	0.92%	4,310
2013	41,364,055	66,280	2,448,952	38,981,383	0.81%	3,621
2014	38,068,543	67,939	2,448,952	35,687,530	0.93%	3,255
2015	40,715,149	989,950	2,448,965 *	39,256,134	1.02%	3,527
2016	36,830,041	937,873	-	37,767,914	0.93%	3,231
2017	38,390,463	856,225	-	39,246,688	0.90%	3,323
2018	66,340,507	4,085,434	-	70,425,941	1.49%	5,626
2019	79,654,712	3,868,123	-	83,522,835	1.62%	6,547
2020	95,105,972	3,641,446	-	98,747,418	1.78%	6,577
2021	\$ 81,682,452	\$ 3,303,626	\$ -	\$ 84,986,078	1.47%	5,401

*2015 Escrow included

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

	<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>	<u>2021</u>
General Government										
City Hall	20	22	22	24	24	25	26	33	33	34
Community Development/ Building	4	4	4	4	4	4	4	5	5	5
Court	3	3	3	4	4	4	4	6	6	6
Police	58	60	60	63	69	69	72	71	72	76
Fire	43	43	43	43	46	46	48	55	55	59
Public Works	51	50	52	56	57	57	57	58	53	56
Engineering	0	0	0	0	0	0	0	0	6	6
Recreation	37	37	45	45	46	50	49	51	54	54
Airport	0	2	2	2	2	2	2	2	2	2
Total	<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>	<u>304</u>

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government										
Building permits issued	589	657	610	586	782	896	1,295	998	1,879	2,131
Building inspections conducted	1,570	1,951	2,172	2,337	3,098	3,914	6,246	7,602	5,783	7,590
Business Licenses issued	10,281	10,562	7,164	7,551	7,974	8,392	8,555	8,658	8,741	9,175
Police										
Physical arrests	1,387	1,602	1,280	1,510	2,048	1,879	1,831	970	994	1,455
Traffic violations	1,824	1,997	1,500	1,595	2,029	2,058	2,124	1,539	1,021	1,652
Officers	43	43	43	45	47	47	50	50	51	52
Fire										
Emergency responses	2,785	2,972	2,903	3,073	3,146	3,149	3,297	3,090	3,335	3,357
Fires extinguished	92	92	64	72	83	54	63	72	71	78
Inspections*	1,071	1,200	1,800	1,800	1,975	1,950	1,650	2,110	1,160	681
Full time staff	43	43	43	43	44	46	48	55	56	58
Seasonal Lifeguards / Rangers	0	0	0	0	0	0	0	34	34	34
Volunteer Firefighters	8	8	8	8	10	4	0	0	0	0
Engineering										
Street resurfacing (linear feet)	-	10,560	3,455	12,270	8,200	8,100	5,510	8,960	31,500	9,500
Sidewalks (linear feet)					1,600	10,760	3,265	4,950	267	4,030
Bike Lanes (linear feet)**					780	2,800	40,800	11,800	19,200	6,100

*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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Stations	1	1	1	1	1	1	1	1	2	2
Fire Stations	4	4	4	4	4	4	5	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	3	3	5	5	5	5	5	5
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	2	2	2	2	2	2	2	2	2
Transit - minibusses	5	5	5	5	5	5	3	3	3	3
Public Works										
Maintained Streets (miles)	69.27	69.27	74	74	75.67	84.22	84.22	85.78	89.9	90.5
Traffic Signals	24	24	24	24	24	24	25	25	27	27
Streetlights	2,234	2,234	2,234	2,234	2,403	2,403	2,449	2,422	2,617	2,670

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
2021	15,736

Per Capita Income

	<u>1979</u>	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2019</u>	<u>2020</u>
Gulf Shores	7,761	17,414	24,356	28,522	37,108	34,792
State of Alabama	5,894	11,486	18,189	22,984	27,928	28,934

Median Family Income

	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2019</u>	<u>2020</u>
Gulf Shores	34,257	51,862	45,801	53,476	53,209
State of Alabama	28,688	41,657	42,081	50,536	52,035

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>	<u>2021</u>
Baldwin County	5.80%	6.10%	5.40%	3.60%	5.60%	2.70%
Alabama	6.44%	6.80%	5.98%	3.90%	6.00%	3.10%

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

THIS PAGE LEFT INTENTIONALLY BLANK

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 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, 2021, 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 July 25, 2022.

Report on 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.

Report on 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
July 25, 2022

**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 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

Opinion on Each Major Federal Program

We have audited City of Gulf Shores Alabama's compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, City of Gulf Shores, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Gulf Shore's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Gulf Shores, Alabama's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Gulf Shores, Alabama's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Gulf Shores, Alabama's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Gulf Shores, Alabama's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Gulf Shores, Alabama's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
July 25, 2022

CITY OF GULF SHORES, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

<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	\$ 335,433
Staffing for Adequate Fire and Emergency Response (SAFER) Grant	97.083	119,057
Total U.S. Department of Homeland Security FEMA		<u>454,490</u>
U.S. Department of the Treasury		
State and Local Fiscal Recovery Fund	21.027	629,879
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (RESTORE)	21.015	680,063
Total U.S. Department of the Treasury		<u>1,309,942</u>
U.S. Department of Commerce (NOAA)		
Passed Through ADCNR- State Lands Division		
Coastal Zone Management Administration Awards	11.419	75,200
U.S. Department of Transportation		
Passed Through ALDOT		
Transportation Alternatives Program (TAP)	20.205	380,368
Passed Through ADECA		
Recreational Trails Program	20.219	264,181
Total U.S. Department of Transportation		<u>644,549</u>
Total Federal Awards		<u>\$ 2,484,181</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

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, 2021

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 X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X 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 X No

Identification of Major Programs

Federal CFDA Number	Federal Program or Cluster
21.015	RESTORE
20.205	Transportation Alternatives Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II- FINANCIAL STATEMENT FINDINGS:

No matters were reportable

SECTION III- FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS:

No matters were reportable