

City of Gulf Shores, Alabama

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ending December 31, 2022

Prepared by: Finance and Administrative Services Department



Wade Ward Nature Park
Gulf Shores, Alabama



www.gulfshoresal.gov

Title Page

**The Financial Services Department and the Finance and Administration
Department are responsible for the preparation of the City of Gulf Shores
2022 Annual Comprehensive Financial Report**

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INTRODUCTORY SECTION



June 29, 2023

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

The City of Gulf Shores financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants: Grant, Sanders and Taylor, P.C. The City of Gulf Shores issues the annual comprehensive financial report of the City for the fiscal year ended December 31, 2022.

The annual comprehensive 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, 2022 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, 2022, 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. A 100 Acre Sports Complex provides championship quality fields and facilities that support the Gulf Shores City Schools and a successful sports tourism economy. Sports venues include football, track, baseball, softball, and soccer, as well as twelve lighted pickleball courts to accommodate this fast growing sport.

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. 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

City of Gulf Shores
Transmittal Letter – continued

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

In 2022 the City issued the following for school debt, a Justice Center, Coastal Gateway Park and Fire Station Improvements as well as a training tower. School debt is 2022 A and the rest are 2022 B issue:

2022 A \$150 million school debt at 2.34% for 20 years
2022 B \$47 million at 2.4% interest for 20 year, the first 2 years interest only on outstanding principal

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 2023. 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 \$2,560,003 on investments for the year ended December 31, 2022. The City of Gulf Shores considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gulf Shores for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2021. This represented the eleventh 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, 2022. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting from the GFOA a governmental unit must publish an easily readable and efficiently organized annual comprehensive 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.

City of Gulf Shores
Transmittal Letter – continued

The City submitted a Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2021 and received the Award for Outstanding Achievement in Popular Annual Financial Reporting for the second time.

In addition, the City also received for the thirteenth time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2023 for fiscal year 2023. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Accounting Division of the Financial Services Department, the Finance & Administration Department, and all city employees. Each member of the departments 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,



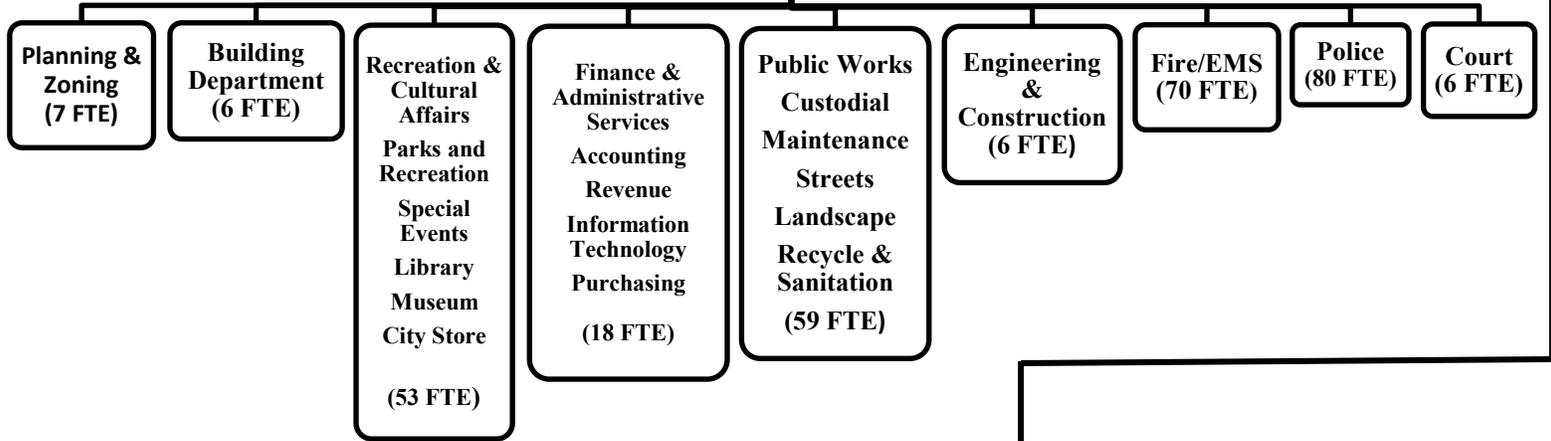
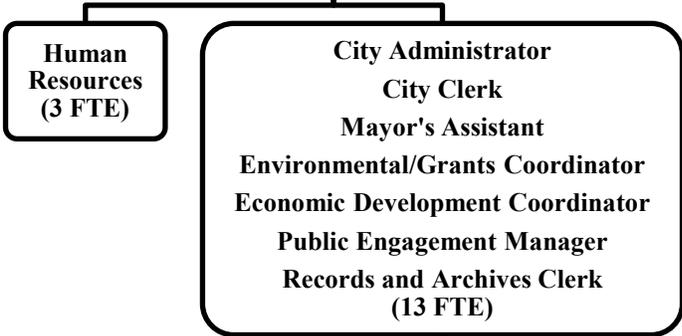
Cynthia King, Director
Finance & Administration

City Employees

324 Full Time Employees
 43 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 OF GULF SHORES, ALABAMA

LIST OF PRINCIPAL OFFICIALS

December 31, 2022

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, 2021

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
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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, 2022, 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, 2022.

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, 2022, 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.

Auditors' 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 75 through 78 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 79 and 80, 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 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 June 29, 2023, 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.

A handwritten signature in blue ink that reads "Grant Sanders & Taylor". The signature is written in a cursive, flowing style.

Grant, Sanders, & Taylor, P.C
Gulf Shores, Alabama
June 29, 2023

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, 2022. 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. The Statement of Net position indicates assets and deferred outflows exceed liabilities and deferred inflows. The Statement of Net Position and the Statement of Activities 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 shows when assets and deferred outflows exceed liabilities and deferred inflows. The Municipality's net position can be thought of as one way to measure its financial position or health. Over time, increases or decreases in net position are one indicator of whether the Municipality's financial health is improving or deteriorating. Other non-financial factors, for example, changes in sales tax base and the condition of infrastructure need to be considered to assess the overall health of the Municipality.

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

The City of Gulf Shores reports one enterprise fund and three proprietary fund type discretely presented component units: Jack Edwards Airport Fund, Airport Authority Fund, the Public Education Building Authority Fund and the Gulf Shores City School System. The Jack Edwards Airport Fund, the Airport Authority and the Gulf Shores City School System are discretely presented component units of the primary government of the City of Gulf Shores. For 2022 comparative statements are presented for Governmental Activities, Business-Type Activities and Component Units.

Notes to the Basic Financial Statements

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

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, 2022, the City of Gulf Shores' assets exceeded its liabilities by \$149,665,698, an increase of \$19,435,082 from 2021 primarily due to an increase in Current & Other Assets for school construction funds invested in Treasury bills. The largest portion of the City's net position or assets and deferred outflows exceeding liabilities and inflows is due to the Treasury bills investment to offset interest expense during the high school construction. Since the capital assets cannot be used to liquidate the outstanding debt, resources needed to repay the debt must be provided from other sources. The Deferred Outflow of Resources increased by \$1,129,196 primarily due to a reduction in deferred pension charges due to an advance payment toward pension contributions that was made to reduce the pension liability expense in future years. Total Liabilities increased \$141,898,801 reflecting an increase in bank debt for the high school construction. Deferred Inflow of Resources decreased \$3,979,084 due to an increase of \$1,079,271 in deferred Revenue for parking spaces for the Embassy Suites Hotel and an increase of \$2,899,813 for deferred employer pension contributions. As of December 31, 2022, the City of Gulf Shores is able to report a positive balance in the governmental category of total net position. The net position or assets and deferred outflows exceeding liabilities and inflows of the primary government increased \$19,437,536 as a result of the Treasury bills purchase for the high school and existing campus improvements.

Table 1 below represents the City's Condensed Statement of Net Position as of December 31, 2022, 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
	2022	2021	2022	2021	2022	2021	2022	2021
Current & Other Assets	\$ 235,545,195	\$ 74,522,524	\$ 7,907,581	\$ 8,452,243	\$ 243,452,776	\$ 82,974,767	\$ 22,976,682	\$ 11,138,197
Capital Assets	153,054,322	149,893,222	11,771,255	12,000,350	164,825,577	161,893,572	67,295,887	58,031,873
Total Assets	\$ 388,599,517	\$ 224,415,746	\$ 19,678,836	\$ 20,452,593	\$ 408,278,353	\$ 244,868,339	\$ 90,272,569	\$ 69,170,070
Deferred charge on refunding	416,889	489,210	-	-	416,889	489,210	-	-
Deferred OPEB charges	-	-	-	-	-	-	12,576,936	14,004,146
Deferred pension charges	4,945,038	3,743,521	-	-	4,945,038	3,743,521	15,455,616	17,558,408
Total Deferred Outflow of Resources	\$ 5,361,927	\$ 4,232,731	\$ -	\$ -	\$ 5,361,927	\$ 4,232,731	\$ 28,032,552	\$ 31,562,554
Long-term Liabilities	\$ 233,927,349	\$ 92,758,034	\$ 9,828,966	\$ 10,062,444	\$ 243,756,315	\$ 102,820,478	\$ 55,870,520	\$ 52,544,287
Other Liabilities	4,962,252	4,232,766	205,424	205,424	5,167,676	4,438,190	3,402,425	2,626,359
Total Liabilities	\$ 238,889,601	\$ 96,990,800	\$ 10,034,390	\$ 10,267,868	\$ 248,923,991	\$ 107,258,668	\$ 59,272,945	\$ 55,170,646
Deferred Revenue	1,440,776	361,505	-	-	1,440,776	361,505	-	61,706
Deferred OPEB related items	-	-	-	-	-	-	6,563,947	5,403,966
Deferred pension inflows	3,965,369	1,065,556	-	-	3,965,369	1,065,556	4,975,000	353,000
Deferred lease inflows	-	-	7,574,667	8,117,400	7,574,667	8,117,400	6,049,010	-
Total Deferred Inflow of Resources	\$ 5,406,145	\$ 1,427,061	\$ 7,574,667	\$ 8,117,400	\$ 12,980,812	\$ 9,544,461	\$ 17,587,957	\$ 5,818,672
Net Position	\$ 149,665,698	\$ 130,230,616	\$ 2,069,779	\$ 2,067,325	\$ 151,735,477	\$ 132,297,941	\$ 41,444,219	\$ 39,743,306
Net Invested in Capital Assets	\$ 88,386,182	\$ 81,711,353	\$ 1,939,290	\$ 1,937,906	\$ 90,325,472	\$ 83,649,259	\$ 31,264,972	\$ 36,108,050
Restricted	3,449,657	4,092,962	329,799	331,731	3,779,456	4,424,693	993,412	1,296,780
Unrestricted	57,829,859	44,426,301	(199,310)	(202,312)	57,630,549	44,223,989	9,185,835	2,338,476
Total Net Position	\$ 149,665,698	\$ 130,230,616	\$ 2,069,779	\$ 2,067,325	\$ 151,735,477	\$ 132,297,941	\$ 41,444,219	\$ 39,743,306

Government-wide Financial Analysis (continued)

Table 2 below represents the City's Condensed Statement of Activities for the year ending December 31, 2022, and is derived from the **Government-wide Statement of Activities** on Page 31.

	Governmental		Business-Type		Total		Component Units		
	Activities		Activities		Primary Government				
	2022	2021	2022	2021	2022	2021	2022	2021	
PRIMARY GOVERNMENT:									
Revenues:									
Charges for Services	\$ 11,442,377	\$ 10,064,991	\$ 610,850	\$ 606,550	\$ 12,053,227	\$ 10,671,541	\$ 3,389,447	\$ 2,593,914	
Operating grants and Contributions	4,156,705	3,433,535	-	-	4,156,705	3,433,535	12,353,318	11,378,97	
Capital grants and Contributions	1,550,194	2,337,887	-	-	1,550,194	2,337,887	1,784,429	8,012,460	
General Revenues:									
Property Taxes	4,700,493	3,853,824	-	-	4,700,493	3,853,824	5,863,254	5,531,042	
Local Taxes	53,027,051	48,241,430	-	-	53,027,051	48,241,430	10,985,300	8,495,465	
Franchise Taxes	2,127,095	1,579,748	-	-	2,127,095	1,579,748	-	-	
Interest income	2,560,003	165,155	1,018	22	2,561,021	165,177	2,387	9,402	
Net increase (decrease) in the fair value of investments	(5,206,397)	-	-	-	(5,206,397)	-	-	-	
Miscellaneous income	684,157	636,286	52	-	684,209	636,286	3,761,561	2,229,091	
Gain on nonmonetary donations of capital assets	966,700	-	-	-	966,700	-	53,700	-	
Total Revenues	76,008,378	\$ 70,312,856	\$ 611,920	\$ 606,572	\$ 76,620,298	\$ 70,919,428	\$ 38,193,396	\$ 38,250,345	
Expenses:									
Executive	6,651,238	5,980,880	-	-	6,651,238	5,980,880	-	-	
Municipal Court	497,479	504,757	-	-	497,479	504,757	-	-	
Police	8,650,957	8,112,613	-	-	8,650,957	8,112,613	-	-	
Fire	7,725,480	6,485,696	-	-	7,725,480	6,485,696	-	-	
Community and Economic Affairs	11,910,783	11,327,101	-	-	11,910,783	11,327,101	-	-	
Public Works	11,749,132	11,713,518	-	-	11,749,132	11,713,518	-	-	
Loss on Disposal of Assets	3,105,321	71,411	-	-	3,105,321	71,411	-	-	
Interest on Long-Term Debt	6,282,906	2,993,947	-	-	6,282,906	2,993,947	-	-	
Public Education Building Authority	-	-	609,466	615,644	609,466	615,644	-	-	
Total Expenses	56,573,296	47,189,923	609,466	615,644	57,182,762	47,805,567	-	-	
COMPONENT UNITS:									
Expenses:									
Gulf Shores City School System	-	-	-	-	-	-	34,964,371	31,794,840	
Airport Authority	-	-	-	-	-	-	1,528,112	1,459,814	
Total Expenses	-	-	-	-	-	-	36,492,483	33,254,654	
Change in Net Position	19,435,082	23,122,933	2,454	(9,072)	19,437,536	23,113,861	1,700,913	4,995,691	
Net Position - Beginning	130,230,616	107,976,449	2,067,325	2,076,397	132,297,941	110,052,846	39,743,306	34,747,615	
Prior Period Adjustment	-	(868,766)	-	-	-	(868,766)	-	-	
Net Position - Ending	\$ 149,665,698	\$ 130,230,616	\$ 2,069,779	\$ 2,067,325	\$ 151,735,477	\$ 132,297,941	\$ 41,444,219	\$ 39,743,306	

Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2022, include the following:

The assets and deferred outflows exceeded liabilities and deferred inflows of the City (Net Position) at the close of the fiscal year by \$149,665,698 for Governmental Activities and by \$2,069,779 for Business-type Activities of the primary government. The total primary government's net position is \$151,735,477 as of December 31, 2022, up from \$132,297,941. For the year ended December 31, 2022, there was a \$13,406,560 increase in Unrestricted funds. Business-type activities assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$2,069,779 as of December 31, 2022, an increase of \$2,454 from 2021 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 \$230,268,768 with \$176,627,746 designated as committed, \$49,602,236 unassigned, \$22,897 assigned, \$3,449,657 restricted and \$566,232 non-spendable. The unassigned amount of \$49,602,236 is designated by the Council for emergencies and transportation projects and is funded by Certificates of Deposit and Money Market funds.

General Fund

The fund balance at December 31, 2022, totaled \$62,560,370, an increase of \$16,110,205 from the fund balance at December 31, 2021, which was \$46,450,165. The increase in Fund Balance for Fiscal Year 2022 is attributable to conservative spending practices resulted in positive income from operations of \$29,594,027.

Debt Service Fund

The fund balance increased \$776 as a result of increased debt issuance during the fiscal year. The Debt Service Fund is used to record principal and interest payments on debt which include bond issues, general obligation warrants with banks, notes payable, and lease/purchases. The expense for Fiscal Agent Fees for bond issues is also recorded in this fund. Funding for most payments is provided by a transfer from the General Fund.

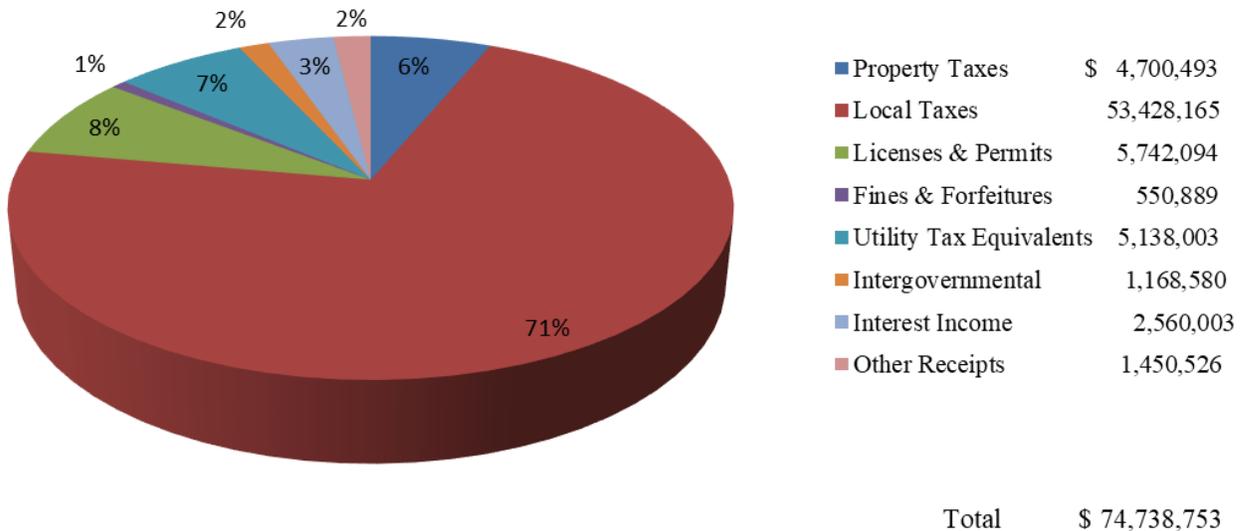
Capital Improvements Fund

This fund shows the City's practice of loaning money to this fund from other funds (usually the General Fund) to finance grant-funded projects and assessment projects. The interfund loans are repaid when grant funds and assessment principal and interest payments are received. The Capital Improvements fund was established by City management to record capital expenditures with funding from one or more of the following sources: Federal and State grants, property owner assessments, property owner or developer contributions, and/or transfers from other funds. The Capital Improvements Fund total liabilities, deferred inflows and fund balance increased by \$141,123,507 from 2021 primarily due to funds borrowed for school construction.

2018-A & B GO WARRANT FUNDS

The 2018-A GO Warrant is 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 reduced the operational costs for repair and maintenance and significantly improved traffic flow in and around the City. The 2018-B GO Warrant Fund is 15-year term debt used to pay down the 2014 and 2016-B GO Warrant Funds. The remainder will be used for various economic development projects.

Exhibit 1: Governmental Revenue Sources for Fiscal Year 2022



Budget Variances in the General Fund

A schedule of General Fund Revenues, Expenditures and Changes in Fund Balances can be found on page 35. Revenues were more than the Budget in the following major categories with an overall \$3,034,790 collection more than budget:

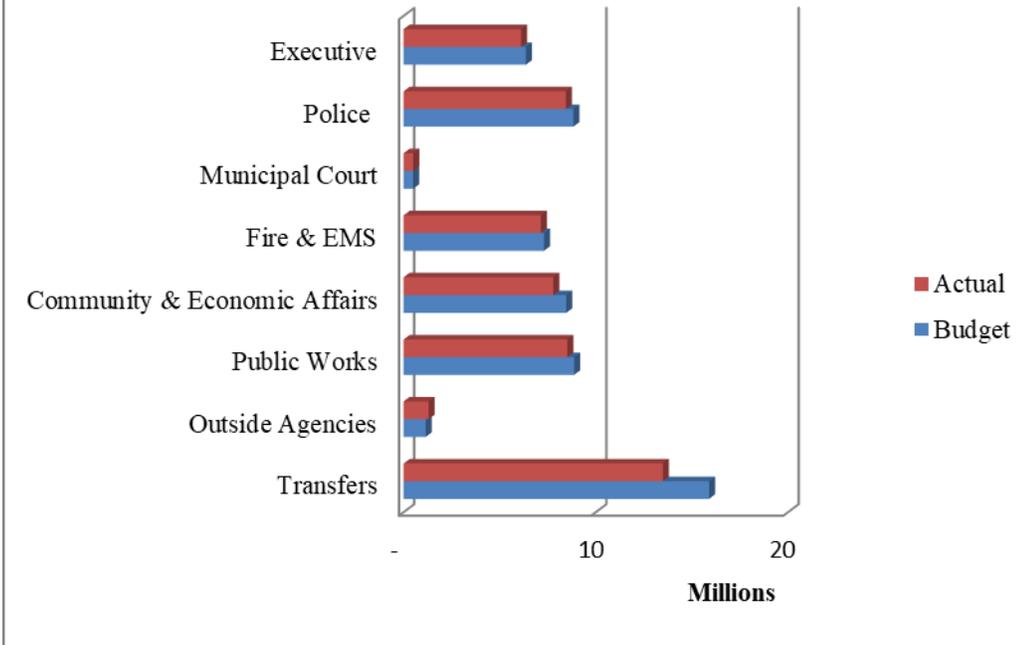
- Property Taxes - \$729,293 more due to county property value assessments on new construction
- Local Taxes - \$5,515,594 more from increased rates by property owners, increased tourism and Lodging Tax increase
- Licenses and Permits - \$1,037,094 more than budget due to increased commercial and residential construction
- Fines and Forfeitures - \$50,889 more due to more spring breakers and Hangout Music Festival
- Utility Tax Collections - \$365,095 more due to Baldwin EMC consumption related to tourism
- Federal and State transfers - \$232,054 more than budgeted due to increase in state grants
- Income on investments \$174,786 more than budgeted due to long term investments when rates were higher
- Other - \$341,650 more than budget due to more accurate coding of revenue sources.

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

- Executive Department - \$251,637 less due to reduction in professional services and public relations expense
- Municipal Court - \$6,008 more due to court personnel expense more than the amended budget
- Police Department - \$385,621 less due to lag in hiring, contract labor and equipment expense savings
- Fire and Emergency Services - \$161,452 less due to equipment supply chain delays
- Community and Economic Affairs - \$673,288 under budget due to Planning and Zoning, Building, Recreation and Cultural Affairs Programs & Events, Library, Bodenhamer, Sportsplex, Parks and City Store operating within budgets
- Public Works - \$354,346 expenses less due to unfilled positions/personnel and equipment savings
- Appropriations - \$148,679 more due to NCAA Volleyball tournament and Coastal Alabama Chamber donation

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, 2022.

Exhibit 2: General Fund Departmental Budget to Actual 2022



General Fund Departmental Budget to Actual 2022

	<u>Budget</u>	<u>Actual</u>	<u>% of total expenses</u>
Transfers	15,890,357	13,483,822	25%
Outside Agencies	1,152,152	1,300,831	2%
Public Works	8,875,607	8,521,261	16%
Community & Economic Affairs	8,459,508	7,786,220	15%
Fire & EMS	7,304,382	7,142,930	13%
Municipal Court	498,774	504,782	1%
Police	8,832,141	8,446,520	16%
Executive	<u>6,362,334</u>	<u>6,110,697</u>	11%
Total	<u>57,375,255</u>	<u>53,297,063</u>	100%

Capital Asset and Long-term Debt Activity

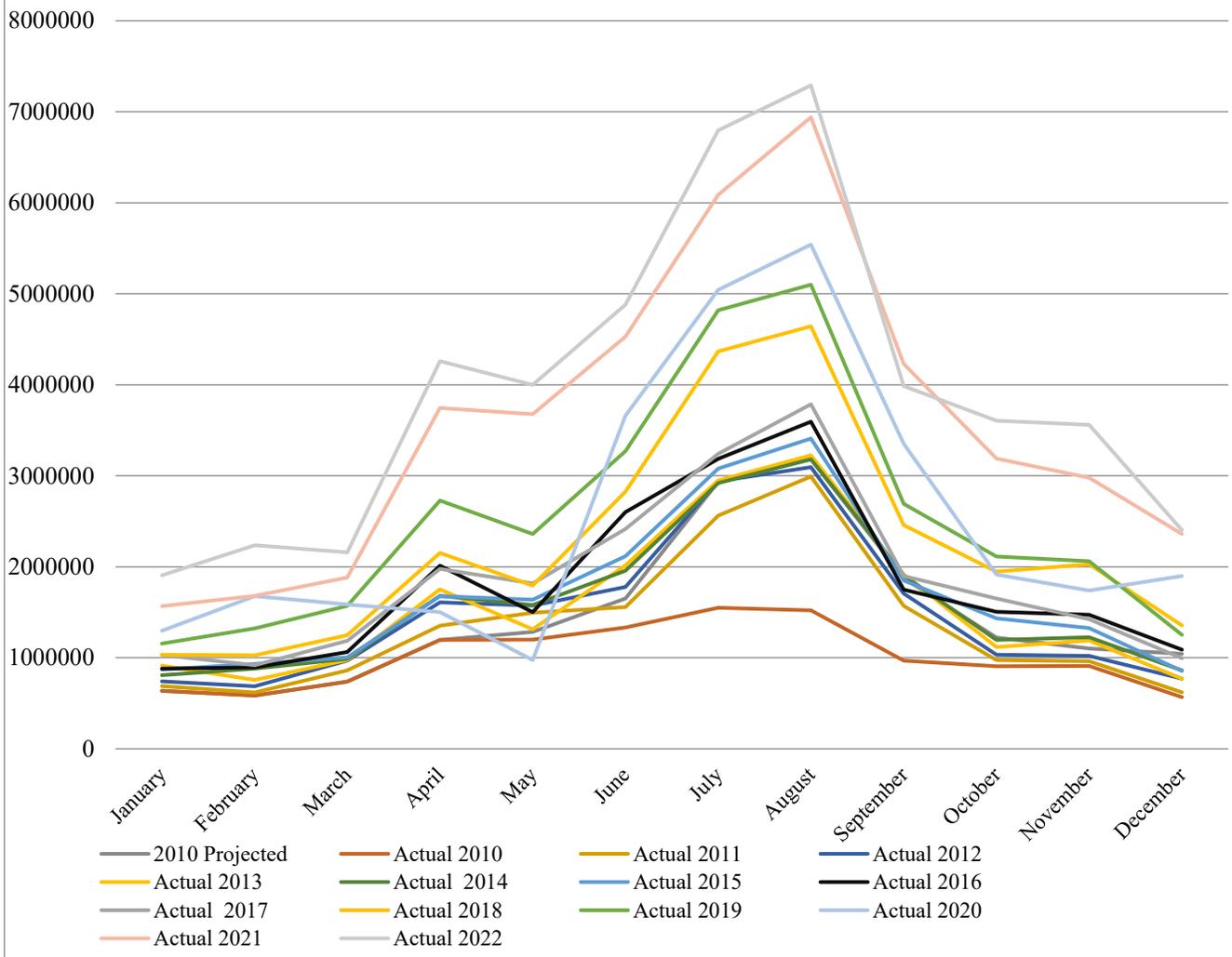
Capital Asset Activity

At December 31, 2022, the City of Gulf Shores reported net capital position of \$153,054,322 from governmental activities, an increase of \$3,161,100 from the adjusted governmental activities capital assets net for December 31, 2021. Net capital position from business-type activities is reported as \$11,771,207 which is a decrease of \$229,095 from December 31, 2021. 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 \$233,927,349 in debt outstanding (which includes long term compensated absences of \$2,182,101) compared to \$92,758,033 for the prior year. All debt service payments were made timely. Refer to **Note 7** of the financial statements for additional information on long-term debt activity.

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



Future Events Impacting the City’s Financial Condition

The City of Gulf Shores’ business community recovered in 2022 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 2023 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 \$25.1 million in 2013 to \$53.4 million in 2022, an increase of \$28.4 million, correlating to a \$850,916 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 City bought an ambulance in 2022 to assist with patient transport services.

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.

The Gulf Shores International Airport opened a long-awaited Traffic Control Tower in November 2021. The Airport worked with a private partner on plans to build a new terminal in 2022.

Residential Housing single family permits issued in 2022 were 502 with a valuation of \$176,163,501. Gulf Shores Commercial construction Building Permit Valuation issued in 2022 was \$4,794,746.

The US Census Bureau shows Gulf Shores with 66% growth since 2010 with total population growth of 6,452.

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, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Gulf Shores City School System	Airport Authority
ASSETS					
Cash and Cash Equivalents	\$ 46,753,730	\$ 3,115	\$ 46,756,845	\$ 12,512,056	\$ 953,510
Reserve Current Cash and Cash Equivalents	18,519,551	-	18,519,551		
Receivables	6,896,246	-	6,896,246	2,279,047	19,112
Due from other governments	642,043	-	642,043	-	56,061
Lease receivable	-	7,574,667	7,574,667	-	6,049,010
Inventories	118,293	-	118,293	69,788	772,323
Prepays and Other Assets	447,939	-	447,939	-	12,964
Restricted Assets:					
Cash and Cash Equivalents	143,837,892	329,799	144,167,691	-	252,811
Due from component units	18,329,501	-	18,329,501	-	-
Capital Assets:					
Non - Depreciable	82,422,044	3,792,843	86,214,887	14,132,196	6,858,280
Depreciable (Net)	70,632,278	7,978,412	78,610,690	31,629,731	14,675,680
Total Assets	388,599,517	19,678,836	408,278,353	60,622,818	29,649,751
DEFERRED OUTFLOW OF RESOURCES					
Deferred charge on refunding	416,889	-	416,889	-	-
Deferred charges related to OPEB	-	-	-	12,576,936	-
Deferred charges related to pension	4,945,038	-	4,945,038	15,455,616	-
Total Deferred Outflow of Resources	5,361,927	-	5,361,927	28,032,552	-
LIABILITIES					
Accounts Payable	\$ 2,803,965	\$ -	\$ 2,803,965	\$ 1,125,759	\$ 95,792
Accrued and Other Liabilities	1,031,686	-	1,031,686	2,175,896	4,978
Accrued Interest Payable	1,126,601	202,425	1,329,026	-	-
Non - Current Liabilities					
Due Within One Year:					
Compensated absences	123,621	-	123,621	42,236	-
Bonds, Lease and Note Payable	12,725,860	205,000	12,930,860	666,571	-
Due In More than One Year:					
Compensated absences	2,058,480	-	2,058,480	380,124	-
Proportionate share of OPEB liability	-	-	-	8,561,255	-
Net Pension Liability	3,215,150	-	3,215,150	16,905,000	-
Due to City of Gulf Shores	-	-	-	17,866,742	-
Bonds, Lease and Note Payable	215,804,238	9,626,965	225,431,203	11,448,592	-
Total Liabilities	238,889,601	10,034,390	248,923,991	59,172,175	100,770
DEFERRED INFLOW OF RESOURCES					
Deferred Revenue	1,440,776	-	1,440,776	-	-
Deferred OPEB related items	-	-	-	6,563,947	-
Deferred inflows related to pension	3,965,369	-	3,965,369	4,975,000	-
Deferred lease inflows	-	7,574,667	7,574,667	-	6,049,010
Total Deferred Inflow of Resources	5,406,145	7,574,667	12,980,812	11,538,947	6,049,010
NET POSITION:					
Net Investment in Capital Assets	88,386,182	1,939,290	90,325,472	15,780,022	15,484,950
Restricted for:					
Debt service	776	329,799	330,575	-	-
Capital Improvements	3,257,275	-	3,257,275	-	-
Other	191,606	-	191,606	-	-
Airport improvements	-	-	-	-	993,412
Unrestricted	57,829,859	(199,310)	57,630,549	2,164,226	7,021,609
Total Net Position	\$ 149,665,698	\$ 2,069,779	\$ 151,735,477	\$ 17,944,248	\$ 23,499,971

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, 2022

	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	\$ 6,651,238	\$ 14,299	\$ -	\$ 24,480	\$ (6,612,459)	\$ -	\$ (6,612,459)		
Municipal Court	497,479	891,516	-	-	394,038	-	394,038		
Police	8,650,957	119,485	113,985	-	(8,417,487)	-	(8,417,487)		
Fire	7,725,480	165,941	233,485	-	(7,326,052)	-	(7,326,052)		
Community and Economic Affairs	11,910,783	8,432,868	236,585	1,285,714	(1,955,617)	-	(1,955,617)		
Public Works	11,749,132	1,818,268	3,572,650	240,000	(6,118,214)	-	(6,118,214)		
Loss on disposal of assets	3,105,321	-	-	-	(3,105,321)	-	(3,105,321)		
Interest on Long - Term Debt	6,282,906	-	-	-	(6,282,906)	-	(6,282,906)		
Total governmental activities	56,573,297	11,442,377	4,156,705	1,550,194	(39,424,020)	-	(39,424,019)		
Business-type activities:									
Public Education Building Authority	609,466	610,850	-	-	-	1,384	1,384		
Total primary government	57,182,763	12,053,227	4,156,705	1,550,194	(39,424,020)	1,384	(39,422,635)		
COMPONENT UNITS:									
Gulf Shores City School System	\$ 34,964,371	\$ 2,674,137	\$ 12,353,318	\$ 443,853				\$ (19,493,063)	\$ -
Airport Authority	1,528,112	715,310	-	1,340,576				-	527,774
Total component units	\$ 36,492,483	\$ 3,389,447	\$ 12,353,318	\$ 1,784,429				\$ (19,493,063)	\$ 527,774
General revenues:									
Property Taxes					\$ 4,700,493	\$ -	\$ 4,700,493	\$ 5,863,254	\$ -
Local Taxes:									
Sales taxes					23,237,835	-	23,237,835	10,880,541	-
Lodging taxes					24,093,471	-	24,093,471	-	-
Other taxes					5,695,745	-	5,695,745	104,759	-
Franchise Taxes					2,127,095	-	2,127,095	-	-
Investment Income:									
Interest Income					2,560,003	1,018	2,561,021	1,832	555
Net increase (decrease) in the fair value of investments					(5,206,397)	-	(5,206,397)	-	-
Miscellaneous					684,157	52	684,209	3,726,561	35,000
Gain on disposal of assets					-	-	-	-	53,700
Gain on nonmonetary donations of capital assets					966,700	-	966,700	-	-
Total general revenues					58,859,102	1,070	58,860,172	20,576,947	89,255
Change in net position					19,435,082	2,454	19,437,536	1,083,884	617,029
Net position - beginning (restated)					130,230,616	2,067,325	132,297,941	16,860,364	22,882,942
Net position - ending					\$ 149,665,698	\$ 2,069,779	\$ 151,735,477	\$ 17,944,248	\$ 23,499,971

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

GOVERNMENT FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Storm Damage Fund</u>	<u>Taxable Warrant Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS							
Cash and Equivalents	\$ 41,341,287	\$ -	\$ -	\$ -	\$ 792,724	\$ 4,619,719	\$ 46,753,730
Reserved Cash and Equivalents	14,735,708	-	-	3,783,843	-	-	18,519,551
Restricted Cash and Equivalents	191,606	776	139,866,260	-	-	3,779,250	143,837,892
Receivables (Net)							
Accounts	331,050	-	11,913	-	384,918	946	728,827
Taxes	6,167,419	-	-	-	-	-	6,167,419
Due From Other Funds	1,969,615	-	-	-	-	11,791	1,981,406
Due From Other Governments	3,795	-	-	588,248	-	50,000	642,043
Due From Component Units	75,526	-	18,253,975	-	-	-	18,329,501
Prepays	447,939	-	-	-	-	-	447,939
Inventory	118,293	-	-	-	-	-	118,293
Total Assets	<u>\$ 65,382,238</u>	<u>\$ 776</u>	<u>\$ 158,132,148</u>	<u>\$ 4,372,091</u>	<u>\$ 1,177,642</u>	<u>\$ 8,461,706</u>	<u>\$ 237,526,601</u>
LIABILITIES							
Accounts payable	\$ 1,838,180	\$ -	\$ 259,412	\$ 18,792	\$ 56,531	\$ 631,050	\$ 2,803,965
Payroll taxes & benefits payable	169,351	-	-	-	-	27,781	197,132
Accrued wages	453,102	-	-	-	-	-	453,102
Other liabilities	220,515	-	132,604	-	23,819	4,514	381,452
Due to other funds	11,791	-	5,597	1,964,018	-	-	1,981,406
Total Liabilities	<u>2,692,939</u>	<u>-</u>	<u>397,613</u>	<u>1,982,810</u>	<u>80,350</u>	<u>663,345</u>	<u>5,817,057</u>
DEFERRED INFLOW OF RESOURCES							
Deferred revenue	128,929	-	111,847	-	1,200,000	-	1,440,776
FUND BALANCE							
Nonspendable							
Inventory	118,293	-	-	-	-	-	118,293
Prepays	447,939	-	-	-	-	-	447,939
Restricted							
Debt Service	-	776	-	-	-	-	776
Capital Improvements	-	-	-	-	-	3,257,275	3,257,275
Other	191,606	-	-	-	-	-	191,606
Committed							
Council approved emergencies	14,735,708	-	-	-	-	-	14,735,708
Beach Restoration	-	-	-	-	-	4,269,350	4,269,350
Education and public works	-	-	157,622,688	-	-	-	157,622,688
Assigned	-	-	-	-	-	22,897	22,897
Unassigned	47,066,824	-	-	2,389,281	(102,708)	248,839	49,602,236
Total Fund Balances (Deficit)	<u>62,560,370</u>	<u>776</u>	<u>157,622,688</u>	<u>2,389,281</u>	<u>(102,708)</u>	<u>7,798,361</u>	<u>230,268,768</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 65,382,238</u>	<u>\$ 776</u>	<u>\$ 158,132,148</u>	<u>\$ 4,372,091</u>	<u>\$ 1,177,642</u>	<u>\$ 8,461,706</u>	<u>\$ 237,526,601</u>

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

CITY OF GULF SHORES, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Fund balances - total governmental funds \$ 230,268,768

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	\$ 195,987,804	
Less accumulated depreciation	<u>(42,933,482)</u>	153,054,322

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	4,945,038	
Loss on advance refunding	982,911	
Less accumulated amortization	<u>(566,022)</u>	5,361,927

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	(228,530,098)	
Net pension liability	(3,215,150)	
Compensated absences	<u>(2,182,101)</u>	(233,927,349)

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>(3,965,369)</u>
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Accrued interest payable on debt and the current portion of accrued compensated absences in the governmental funds are susceptible to full accrual on the entity wide basis.

Accrued interest payable		<u>(1,126,601)</u>
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Net position of governmental activities \$ 149,665,698

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Improvements Fund	Storm Damage Fund	Taxable Warrant Fund	Other Governmental Funds	Total
REVENUES							
Property taxes	\$ 4,700,493	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,700,493
Local taxes	52,984,404	-	-	-	-	443,761	53,428,165
Licenses and permits	5,742,094	-	-	-	-	-	5,742,094
Fines and forfeitures	550,889	-	-	-	-	-	550,889
Utility tax equivalents	2,127,095	-	-	3,010,908	-	-	5,138,003
Intergovernmental:							
State of Alabama taxes	550,422	-	-	-	-	430,093	980,515
Federal and State grants	70,471	-	-	-	67,594	50,000	188,065
Investment income							
Interest income	185,046	834	2,296,176	-	-	77,947	2,560,003
Net increase (decrease) in the fair value of investments	-	-	(5,206,397)	-	-	-	(5,206,397)
Impact fees	-	-	-	-	-	2,005,544	2,005,544
Other receipts	2,496,354	-	240,000	244,950	844,279	825,796	4,651,379
Total Revenues	<u>69,407,268</u>	<u>834</u>	<u>(2,670,221)</u>	<u>3,255,858</u>	<u>911,873</u>	<u>3,833,141</u>	<u>74,738,753</u>
EXPENDITURES							
Current Operating:							
Executive Department	6,110,697	-	-	-	-	-	6,110,697
Municipal Court	504,782	-	-	-	-	-	504,782
Police Department	8,446,520	-	-	-	-	529,830	8,976,350
Fire and Emergency Services	7,142,930	-	-	-	-	136,416	7,279,346
Community and Eco. Affairs	7,786,220	-	-	-	300,056	1,006,579	9,092,855
Public Works	8,521,261	-	-	218,763	-	2,190,003	10,930,027
Appropriations - Outside agencies	330,939	-	-	-	-	-	330,939
Appropriations - Gulf Shores City Schools	969,892	-	700,000	-	-	-	1,669,892
Capital outlay	-	-	2,400,832	-	3,907,975	2,008,199	8,317,006
Debt Service							
Principal	-	10,959,552	-	-	-	-	10,959,552
Interest	-	5,447,252	-	-	-	-	5,447,252
Miscellaneous	-	2,560	88,075	-	-	128,801	219,436
Total Expenditures	<u>39,813,241</u>	<u>16,409,364</u>	<u>3,188,907</u>	<u>218,763</u>	<u>4,208,031</u>	<u>5,999,828</u>	<u>69,838,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>29,594,027</u>	<u>(16,408,530)</u>	<u>(5,859,128)</u>	<u>3,037,095</u>	<u>(3,296,158)</u>	<u>(2,166,687)</u>	<u>4,900,619</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt	346,351	-	150,000,000	-	3,350,000	1,060,500	154,756,851
Proceeds from sale of capital assets	182,358	-	-	-	-	-	182,358
Contribution from ALGCCVB	-	-	-	-	-	391,000	391,000
Transfers In	3,127,749	16,409,310	-	21,155	240,000	1,810,000	21,608,214
Transfers Out	(17,140,280)	(35)	(2,676,873)	-	-	(1,791,026)	(21,608,214)
Total Other Financing Sources and (Uses)	<u>(13,483,822)</u>	<u>16,409,275</u>	<u>147,323,127</u>	<u>21,155</u>	<u>3,590,000</u>	<u>1,470,474</u>	<u>155,330,209</u>
Net Change in Fund Balance	16,110,205	745	141,463,999	3,058,250	293,842	(696,213)	160,230,828
Fund Balances - Beginning	46,450,165	31	16,158,689	(668,969)	(396,550)	8,494,574	70,037,940
Fund Balances (Deficit) - Ending	<u>\$ 62,560,370</u>	<u>\$ 776</u>	<u>\$ 157,622,688</u>	<u>\$ 2,389,281</u>	<u>\$ (102,708)</u>	<u>\$ 7,798,361</u>	<u>\$ 230,268,768</u>

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, 2022

Net change in fund balances \$ 160,230,828

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	10,226,241	
Gain on nonmonetary donations of capital assets	966,700	
Less current year depreciation	<u>(4,744,461)</u>	6,448,480

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	(182,358)	
Loss on disposal of assets	<u>(3,105,321)</u>	(3,287,679)

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	(154,756,851)	
Principal payments on bonds, loans & leases	<u>10,959,552</u>	(143,797,299)

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

Increase in interest accrued on long term debt	(1,016,613)	
Amortization of current year bond premiums	258,219	
Amortization of current year bond discounts	(4,940)	
Amortization of loss on refunding	(72,321)	
Pension expense	1,095,905	
Increase in compensated absences	<u>(419,498)</u>	<u>(159,248)</u>

Change in net position of governmental activities \$ 19,435,082

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2022

	Business-type Activities Enterprise Fund
	Public Education Building Authority
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,115
Restricted cash and cash equivalents	329,799
Total Current Assets	332,914
Capital Assets:	
Land	3,792,843
Land improvements	203,087
Buildings	9,346,798
Furniture and equipment	261,893
Less: accumulated depreciation	(1,833,366)
Total Non-Current Assets	11,771,255
Other Assets:	
Lease Receivable	7,574,667
Total Assets	\$ 19,678,836
LIABILITIES	
Current Liabilities:	
Bonds payable	\$ 205,000
Accrued interest payable	202,425
Total Current Liabilities	407,425
Non-Current Liabilities:	
Bonds payable	9,626,965
Total Liabilities	10,034,390
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of lease income	7,574,667
NET POSITION	
Net Investment in Capital Assets	1,939,290
Restricted	
Debt service	329,799
Unrestricted	(199,310)
Total Net Position	\$ 2,069,779

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities Enterprise Fund
	Public Education Building Authority
Operating Revenues	
Auburn rent	\$ 610,850
Miscellaneous	52
Total Operating Revenue	610,902
Operating Expenses	
Depreciation	229,095
Operating Income (Loss)	381,807
Non-Operating Revenues (Expenses)	
Interest & dividend income	1,018
Interest expense	(380,371)
Total Non-Operating Expenses	(379,353)
Change in Net Position	2,454
Net Position (Restated) - Beginning	2,067,325
Net Position - Ending	\$ 2,069,779

CITY OF GULF SHORES, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities Enterprise Fund
	Public Education Building Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments from leases and other operating activities	\$ 610,850
Payments for miscellaneous revenue	52
Net cash provided (used) by operating activities	610,902
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Change in accrued interest payable	(2,999)
Principal payment	(200,000)
Interest paid on long-term debt	(410,850)
Net cash provided (used) by financing activities	(613,849)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest payments received	1,018
Increase (decrease) in cash and cash equivalents	(1,929)
Cash balance - beginning of year	334,843
Cash balance - end of year	\$ 332,914
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 381,807
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	229,095
Net cash provided (used) by operating activities	\$ 610,902

Noncash Investing, Capital and Financing Activities:

Amortization of bond premium charged to interest expense was \$30,479 for the year ended December 31, 2022

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2022.

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.

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.

1. C. BASIS OF PRESENTATION (CONTINUED)

Capital Project Funds

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

Enterprise Funds

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

The City reports the following major funds:

Governmental Funds:

General Fund

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

Debt Service Funds

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

Capital Improvements Capital Projects Fund

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

Storm Damage Capital Projects Fund

This fund is used to account for financial resources, such as Federal Emergency Management Agency and Alabama Emergency Management Agency grants, to be used for the beach restoration, debris removal, protective measure costs, and repairs/restoration of damaged roads, bridges, buildings, equipment, and parks associated with the aftermath of storms and the BP Horizon oil spill.

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 2022 the proceeds were used for various capital projects.

Proprietary Funds:

Public Education Building Authority Enterprise Fund

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

Discretely Presented Component Units:

The Airport Authority of the City of Gulf Shores Alabama

Accounts for all operations of the Gulf Shores International 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.

1. C. BASIS OF PRESENTATION (CONTINUED)

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.

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.

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.

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 consist 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, 2022, at the financial institutions is \$12,000,000 at Hancock Whitney Bank and \$10,414 at Centennial Bank.

Reserve cash and equivalents

General Fund cash and certificates of deposit totaling \$14,735,708 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.

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.

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 18 for more information on the early retirement sick leave benefit.

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 \$2,182,101. \$123,621 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 nor 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 the 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 2022, expenses of \$39,813,241 the 15% minimum would be \$5,971,986 and the 35% target would be \$13,934,634.

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 is only to be used in the event of a named tropical storm event.

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.

Change in Accounting Principles

In the 2022 fiscal year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements but had no effect on the beginning net position of the Public Education Building Authority Enterprise Fund since the lease receivable equals the amount of the deferred inflows.

The implementation of GASB Statement No. 87 had the following effect on net position as reported December 31, 2021:

	Public Education <u>Building Authority</u>
Net Position December 31, 2021	\$ 2,067,325
Adjustments:	
Lease Receivable	8,117,400
Deferred inflows of lease income	<u>(8,117,400)</u>
Restated Net Position December 31, 2021	<u>\$ 2,067,325</u>

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.

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.

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, 2022, the carrying amount of the City’s total deposits was \$77,613,809. 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, 2022, for the City’s individual major, and total non-major governmental funds in the aggregate, net of applicable allowances for uncollectible accounts, are as follows:

	General	Capital Improvement Fund	Storm Damage Fund	Taxable Warrant Fund	Nonmajor Governmental Funds	Total
Taxes	\$ 6,167,419	\$ -	\$ -	\$ -	\$ -	\$ 6,167,419
Accounts receivable	331,050	11,913	-	384,918	946	728,827
Due from other governments	3,795	-	588,248	-	50,000	642,043
Total Receivables	<u>\$ 6,502,264</u>	<u>\$ 11,913</u>	<u>\$ 588,248</u>	<u>\$ 384,918</u>	<u>\$ 50,946</u>	<u>\$ 7,538,289</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at December 31, 2022, consisted of the following:

Due To (Interfund Receivable)	Due From (Interfund Payable)				
	General	Capital Improvement Fund	Storm Damage Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 5,597	\$ 1,964,018	\$ -	\$ 1,969,615
Nonmajor Governmental Funds	11,791	-	-	-	11,791
Total	\$ 11,791	\$ 5,597	\$ 1,964,018	\$ -	\$ 1,981,406

For Nonmajor Governmental Funds, the Storm Damage Fund owes \$1,964,018 to the General Fund for damages related to Hurricane Sally. The remaining interfund balances are immaterial.

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Transfers In (Other Financing Source)	Transfers out (Other Financing Use)				
	General	Debt Service Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 35	\$ 2,436,873	\$ 690,841	\$ 3,127,749
Debt Service Fund	16,409,125	-	-	185	16,409,310
Storm Damage Fund	21,155	-	-	-	21,155
Taxable Warrant Fund	-	-	240,000	-	240,000
Other Governmental Funds	710,000	-	-	1,100,000	1,810,000
Total Transfers	\$ 17,140,280	\$ 35	\$ 2,676,873	\$ 1,791,026	\$ 21,608,214

Transfers from the General Fund of \$16,409,125 to the Debt Service Fund were to cover the annual debt service payments. Transfers totaled \$710,000 from the General Fund to Nonmajor Governmental Funds. The General Fund transferred \$710,000 to the Beach Restoration Fund for beach services including payroll. Transfers totaled \$690,841 from Nonmajor Governmental Funds to the General Fund. Special Funds transferred \$690,841 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 \$900,000 to the Nontaxable Warrant Fund for various capital outlays including the design of the Justice Center and improvements to infrastructure. The 2% Lodgings Tax Fund transferred \$200,000 to the Beach Restoration Fund for beach services including payroll.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2022, was as follows:

Description	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 54,955,426	\$ 1,916,931	\$ (3,254,166)	\$ -	\$ 53,618,191
Construction in Progress	<u>21,465,307</u>	<u>7,338,546</u>	<u>-</u>	<u>-</u>	<u>28,803,853</u>
Total capital assets not being depreciated	<u>76,420,733</u>	<u>9,255,477</u>	<u>(3,254,166)</u>	<u>-</u>	<u>82,422,044</u>
Other capital assets					
Buildings, parks facilities, & improvements	52,222,507	-	-	-	52,222,507
Motor vehicles and equipment	19,072,580	1,937,463	(1,153,670)	-	19,856,373
Infrastructure	<u>41,486,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,486,880</u>
Total other capital assets at historical cost	<u>112,781,967</u>	<u>1,937,463</u>	<u>(1,153,670)</u>	<u>-</u>	<u>113,565,760</u>
Less accumulated depreciation for:					
Buildings and improvements	21,485,546	1,490,399	-	-	22,975,945
Motor vehicles and equipment	11,681,698	1,939,297	(1,120,457)	-	12,500,538
Infrastructure	<u>6,142,234</u>	<u>1,314,765</u>	<u>-</u>	<u>-</u>	<u>7,456,999</u>
Total accumulated depreciation	<u>39,309,478</u>	<u>4,744,461</u>	<u>(1,120,457)</u>	<u>-</u>	<u>42,933,482</u>
Governmental activities other capital assets, net	<u>\$ 149,893,222</u>	<u>\$ 6,448,479</u>	<u>\$ (3,287,379)</u>	<u>\$ -</u>	<u>\$ 153,054,322</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 598,787
Police	372,702
Fire	765,741
Public Works	1,876,328
Community and Economic Affairs	<u>1,130,903</u>
Total depreciation for governmental activities	<u>\$ 4,744,461</u>

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2022, 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	1,139,339	229,095	-	-	1,368,434
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	1,604,319	229,095	-	-	1,833,414
Other Capital Assets, net	8,207,459	(229,095)	-	-	7,978,364
Business-type activities capital assets, net	\$ 12,000,302	\$ (229,095)	\$ -	\$ -	\$ 11,771,207

Component Units

Capital asset activity for the discretely presented component unit, the Airport Authority for the year ended September 30, 2022, 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	5,849,255	1,693,185	-	(7,124,489)	417,951
Total capital Assets not being depreciated	12,289,584	1,693,185	-	(7,124,489)	6,858,280
Other Capital Assets					
Runways, taxiways, and improvements	24,950,225	330,151	-	-	25,280,376
Buildings and improvements	1,720,055	-	-	-	1,720,055
Control Tower	-	6,794,338	-	-	6,794,338
Hanger	963,197	-	-	-	963,197
Furniture and equipment	159,550	-	-	-	159,550
Total other capital assets at historical cost	27,793,027	7,124,489	-	-	34,917,516
Less accumulated depreciation for:					
Runways, taxiways, and improvements	18,660,936	718,558	-	-	19,379,494
Buildings and improvements	527,430	175,362	-	-	702,792
Furniture and equipment	159,550	-	-	-	159,550
Total accumulated depreciation	19,347,916	893,920	-	-	20,241,836
Other Capital Assets, net	8,445,111	6,230,569	-	-	14,675,680
Business-type activities capital assets, net	\$ 20,734,695	\$ 7,923,754	\$ -	\$ (7,124,489)	\$ 21,533,960

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, 2022, is as follows:

Description	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets not being depreciated					
Land	\$ 5,090,165	\$ 10,000	\$ -	\$ -	\$ 5,100,165
Construction in progress	4,507,035	9,169,985	-	(4,634,989)	9,042,031
Total capital Assets not being depreciated	<u>9,597,200</u>	<u>9,179,985</u>	<u>-</u>	<u>(4,634,989)</u>	<u>14,142,196</u>
Other Capital Assets					
Land Improvements	1,068,922	-	-	-	1,068,922
Building	21,907,764	4,634,989	-	-	26,542,753
Building Improvement	5,286,156	-	-	-	5,286,156
Equipment	935,582	143,278	-	-	1,078,860
Vehicles	586,481	285,045	-	-	871,526
Total other capital assets at historical cost	<u>29,784,905</u>	<u>5,063,312</u>	<u>-</u>	<u>-</u>	<u>34,848,217</u>
Less accumulated depreciation for:					
Land Improvements	46,226	21,379	-	-	67,605
Building	1,396,470	767,826	-	-	2,164,296
Building Improvement	347,042	176,205	-	-	523,247
Equipment	149,202	76,480	-	-	225,682
Vehicles	145,987	101,670	-	-	247,657
Total accumulated depreciation	<u>2,084,927</u>	<u>1,143,560</u>	<u>-</u>	<u>-</u>	<u>3,228,487</u>
Other Capital Assets, net	<u>27,699,978</u>	<u>3,919,752</u>	<u>-</u>	<u>-</u>	<u>31,619,730</u>
Governmental activities capital assets, net	<u>\$ 37,297,178</u>	<u>\$ 13,099,737</u>	<u>\$ -</u>	<u>\$ (4,634,989)</u>	<u>\$ 45,761,926</u>

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, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation warrants, loan and lease payable	\$ 81,682,452	\$ 154,756,851	\$ (10,959,552)	\$ 225,479,751	\$ 12,725,860
Plus bond premiums/discounts	<u>3,303,626</u>	<u>-</u>	<u>(253,279)</u>	<u>3,050,347</u>	<u>-</u>
Total warrants, loans, and lease payable	<u>84,986,078</u>	<u>154,756,851</u>	<u>(11,212,831)</u>	<u>228,530,098</u>	<u>12,725,860</u>
Other liabilities:					
Compensated Absences	1,762,604	1,715,624	(1,296,127)	2,182,101	176,260
Net pension liability	<u>6,009,351</u>	<u>-</u>	<u>(2,794,201)</u>	<u>3,215,150</u>	<u>-</u>
Total other liabilities	<u>7,771,955</u>	<u>1,715,624</u>	<u>(4,090,328)</u>	<u>5,397,251</u>	<u>176,260</u>
Governmental activities long term liabilities	<u>\$ 92,758,033</u>	<u>\$ 156,472,475</u>	<u>\$ (15,303,159)</u>	<u>\$ 233,927,349</u>	<u>\$ 12,902,120</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Revenue bonds	\$ 9,270,000	\$ -	\$ (200,000)	\$ 9,070,000	\$ 205,000
Plus bond premiums/discounts	<u>792,444</u>	<u>-</u>	<u>(30,479)</u>	<u>761,965</u>	<u>-</u>
Business-type activities long term liabilities	<u>\$ 10,062,444</u>	<u>\$ -</u>	<u>\$ (230,479)</u>	<u>\$ 9,831,965</u>	<u>\$ 205,000</u>

NOTE 7 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2022, the governmental long-term debt consisted of the following:

General Obligation Warrants:

\$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.	\$ 8,190,000
\$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.	4,004,850
\$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.	18,970,000
\$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.	11,855,000
\$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.	6,785,000
\$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.	15,615,000
\$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.	9,229,000
\$150,000,000, Series 2022-A General Obligation School Warrants, dated March 15, 2022 due in annual principal installments of \$5,970,000 increasing to \$9,260,000 beginning March 15, 2023, with a final payment due March 15, 2042. Interest is a fixed 2.34% per annum payable on the 15th of March and September beginning on September 15, 2022, until maturity. Warrant issued for the construction of a new high school.	150,000,000
\$47,000,000, Series 2022-B General Obligation Warrants, dated March 15, 2022 due in biannual installments of interest only accrued on the outstanding principal balance. Interest is a fixed 2.40% per annum payable on the 15th of March and September beginning on September 15, 2022. The outstanding principal balance is due on March 15, 2042. Warrant issued for the construction of various public improvement and transportation projects.	600,000
\$346,351 purchase of information technology switches payable in annual installments of \$115,450 beginning June 1, 2023	230,901
Total Unamortized General Obligation Warrant Issue Premiums	<u>3,050,347</u>
Total Long-Term Debt	<u>\$ 228,530,098</u>

NOTE 7 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2022, the business-type long term debt consisted of the following:

Revenue Bonds (Proprietary Fund):

\$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.	\$ 9,070,000
Total Unamortized Revenue Bond Premiums	<u>761,965</u>
Total Long-Term Debt	<u>\$ 9,831,965</u>

Annual debt service requirements to maturity, including principal and interest, for the governmental activities and business-type activities long-term debt as of December 31, 2022, are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 12,725,860	\$ 5,992,108	\$ 205,000	\$ 404,850
2024	12,438,810	5,697,519	210,000	398,700
2025	12,652,547	5,275,862	220,000	390,300
2026	12,722,997	4,967,945	225,000	381,500
2027	13,109,756	4,704,001	235,000	372,500
2028-2032	55,674,480	18,329,829	1,370,000	1,673,000
2033-2037	55,335,850	10,713,711	1,735,000	1,306,150
2038-2042	50,819,450	3,459,710	2,160,000	876,750
2043-2047	-	-	2,710,000	333,800
Total	<u>\$ 225,479,750</u>	<u>\$ 59,140,685</u>	<u>\$ 9,070,000</u>	<u>\$ 6,137,550</u>

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.

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. For the year ending December 31, 2022, the City advanced and repaid funds in the amount of \$3,350,000 and \$4,500,000, respectively. As of December 31, 2022, the Series 2020-E has no outstanding balance.

As noted in the table on page 58, in March 2022, the City approved the issuance of the General Obligation Warrant Series 2022-B for \$47,000,000. Series 2022-B is structured similar to a line of credit whereby the City advances funds as needed. For the year ending December 31, 2022, the City advanced and repaid funds in the amount of \$1,060,500 and \$460,500, respectively. As of December 31, 2022, the Series 2022-B has an outstanding balance of \$600,000.

Component Unit

The following is a summary of changes in long-term liabilities for the School Board for the year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within one Year
Warrants, Capital Lease and Note Payable:					
BCBE- PSCA Series 2009D	\$ 37,868	\$ -	\$ (7,573)	\$ 30,295	\$ 7,573
BCBE PSCA Series 2011A	100,829	-	(20,166)	80,663	20,166
BCBE- 2017 Warrant	6,246,030	-	(258,582)	5,987,448	270,722
Bus Loan	131,287	-	(14,531)	116,756	15,067
Energy Savings Project Loan	-	5,900,000	-	5,900,000	353,043
Total Warrants, Capital Lease and Note Payable	<u>6,516,014</u>	<u>5,900,000</u>	<u>(300,852)</u>	<u>12,115,162</u>	<u>666,571</u>
Other Liabilities:					
Long term line of credit - City of Gulf Shores	15,157,017	3,394,877	(685,150)	17,866,744	700,280
Capital Lease	250,792	-	(250,792)	-	-
Compensated absences	341,603	80,756	-	422,359	42,236
Net Pension Liability	20,368,000	-	(3,463,000)	16,905,000	-
Net OPEB Liability	9,910,861	-	(1,349,606)	8,561,255	-
Total Other Liabilities	<u>46,028,273</u>	<u>3,475,633</u>	<u>(5,748,548)</u>	<u>43,755,358</u>	<u>742,516</u>
Governmental activities long-term liabilities	<u>\$ 52,544,287</u>	<u>\$ 9,375,633</u>	<u>\$ (6,049,400)</u>	<u>\$ 55,870,520</u>	<u>\$ 1,409,087</u>

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

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, 2022:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 666,571	\$ 381,911
2024	675,506	373,704
2025	698,050	351,783
2026	721,670	326,917
2027	718,630	301,199
2028-2032	3,925,710	1,116,113
2033-2037	<u>4,709,025</u>	<u>439,380</u>
	<u>\$ 12,115,162</u>	<u>\$ 3,291,007</u>

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, 2022, was \$416,889.

NOTE 9 – UNEARNED REVENUE

The City has unearned revenues of \$128,929 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.

As of December 31, 2022, the City has unearned revenues of \$111,847 reported in the Capital Improvements Fund from sidewalk and paving assessments which have been deferred and will be recognized when the receivables become available.

The City has unearned revenues of \$1,200,000 in the Taxable Warrant Fund from receiving advance funds from DD Partners, LLC, for the City to construct public parking in the Gulf Beach District.

NOTE 10 – ACCUMULATED DEFICIT AND COMMITTED FUND BALANCE

At December 31, 2022, the Taxable Warrant Fund (formerly the 2020E GO Warrant Fund) and the Nontaxable Warrant Fund (formerly the 2014 GO Warrant Fund) of the City of Gulf Shores had accumulated total fund balance deficit of \$102,708 and \$46,889, respectively. It is anticipated that these deficits will be eliminated by future excess revenues over expenses.

There is \$14,735,708 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 \$14,735,708, 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, 2022, was \$1,020,593,160 resulting in a debt limit of \$204,118,632, 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 nine-percent lodging tax within Corporate Limits of the Municipality, and a four-and one-half percent lodgings tax outside the corporate limits.

NOTE 12 – RETIREMENT PLAN

Summary of Significant Accounting Policies

The Employees' Retirement System of Alabama (the Plan or ERS) 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 Comprehensive Financial Report.

General Information about the Pension Plan

Plan description. The ERS, 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 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. 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 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant of the *Code of Alabama 1975, Section 36-27-6*.
 - d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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. 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 up to 80% of their average final compensation. 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. A total of 590 employers adopted Act 2019-132.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 879 local participating employees. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, the City’s membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	46
Vested inactive member	6
Non-vested inactive members	50
Active members	306
Post-DROP retired members still in active service	-
Total	<u>408</u>

Contributions: Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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 but 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 certified law enforcement, correctional officers', and firefighters' member contributions rates increased from 6% to 8.5% of earnable compensation.

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, 2022, the City's active employee contribution rate was 5.81% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 5.77% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2022, was 6.78% of pensionable pay for Tier 1 employees, and 4.80% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$1,296,408 for the year ended December 31, 2022.

Net Pension Liability: The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, rolled forward to September 30, 2021, 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>	<u>Actual After 2020 Experience Study</u>
(a) TPL as of September 30, 2020	\$ 39,686,924	\$ 40,046,485	\$ 40,046,485	\$ 42,171,291
(b) Discount rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021	1,552,031	1,552,031	1,552,031	1,715,107
(d) Transfers Among Employers	-	(76,204)	(76,204)	(76,204)
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021	<u>(1,575,003)</u>	<u>(1,575,003)</u>	<u>(1,575,003)</u>	<u>(1,575,003)</u>
(f) TPL as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 42,659,208</u>	<u>\$ 42,970,251</u>	<u>\$ 42,970,251</u>	<u>\$ 45,318,283</u>
(g) Difference between Expected and Actual:		\$ 311,042		
(h) Less Liability Transferred for Immediate Recognition:		\$ (76,204)		
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 387,246		
(j) Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			\$ -	
(k) Difference between Actual TPL Before and After 2020 Experience Study - Assumption Change (Gain)/Loss				\$ 2,348,034

NOTE 12 – RETIREMENT PLAN (CONTINUED)

Actuarial assumptions: The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below.

Inflation	2.50%
Project Salary Increases	3.25% - 6.00% for State and Local Employees and 4.00% - 7.75% for State Police, including inflation
Investment Rate of Return	7.45%, including inflation

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

Group	Membership Table	Set Forward (+) / Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: None	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: None	None

The actuarial assumptions used in the September 30, 2020, were based on the results of an actuarial experience study the period October 1, 2015 – September 30, 2020.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.8%
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%	9.0%
Real Estate	10.0%	6.5%
Cash	5.0%	1.5%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.00%.

NOTE 12 – RETIREMENT PLAN (CONTINUED)

Discount rate: The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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 plan 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, 2020	\$ 39,686,924	\$ 33,677,573	\$ 6,009,351
Changes for the year:			
Service cost	1,552,031	-	1,552,031
Interest	2,995,256	-	2,995,256
Changes of benefit terms	-	-	-
Changes of assumptions	2,348,034	-	2,348,034
Difference between expected and actual experience	387,246	-	387,246
Contributions - employer	-	1,219,317	(1,219,317)
Contributions - employee	-	1,284,189	(1,284,189)
Net investment income	-	7,573,262	(7,573,262)
Benefit payments, including refunds of employee contributions	(1,575,003)	(1,575,003)	-
Administrative expense	-	-	-
Transfers among employers	(76,204)	(76,204)	-
Net changes	5,631,360	8,425,561	(2,794,201)
Balance at September 30, 2021	\$ 45,318,284	\$ 42,103,134	\$ 3,215,150

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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Discount (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability (Asset)	\$ 9,828,389	\$3,215,150	\$(2,253,920)

Plan's Net Pension Liability (Asset) \$ 9,828,389 \$3,215,150 \$(2,253,920)

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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

For the year ended December 31, 2022, the City recognized pension expense of \$1,296,408 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	\$ 1,102,412	\$ 837,537
Changes of assumptions	2,546,218	-
Net difference between projected and actual earnings on plan investments	-	3,127,832
Employer contributions subsequent to the Measurement Date	1,296,408 *	-
Total	<u>\$ 4,945,038</u>	<u>\$ 3,965,369</u>

Fiscal year employer contributions subsequent to the measurement date (see amount * above) reported as deferred 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, 2023. 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	
2023	\$ (261,907)
2024	(182,966)
2025	(435,672)
2026	(594,803)
2027	393,340
Thereafter	765,269

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, 2022, are as follows:

Contractor/Engineer	Construction/Professional Services Project	Resolution Number	Contract Amount Including Change Orders	Approximate Expenditures Incurred To Date	Approximate Balance of Contract
Volkert & Associates	Professional Services for the Beach Walking District Improvements	6204-19, 6418-21	\$ 588,205	\$ 582,498	\$ 5,707
Volkert & Associates	Professional Services for the Beach Walking District - Phase 2	6618-22	337,306	-	337,306
McElhenney Construction	Beach Walking District - Phase I	6330-20	5,310,000	5,131,257	178,743
McElhenney Construction	Beach Walking District - TAP Project	6391-21	952,761	952,761	-
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	120,209	9,791
Volkert, Inc.	Professional Services for BUILD and RESTORE Transportation Projects	6239-20	7,846,338	4,429,343	3,416,995
Fabre Engineering & Surveying	Professional Services for Regency Road / Clubhouse Drive Roundabout Project	6417-21	48,250	44,450	3,800
Jade Consulting LLC	Professional Services for West 4th Street Bridge	6379-21	15,000	10,000	5,000
McKee & Associates Architecture	Professional Services for Pickleball Courts	6442-21	42,000	40,529	1,471
American Tennis Courts	Construction of Pickleball Courts	6551-22	744,369	740,174	4,195
Volkert & Associates	Program Management for Justice Center	6548-22	910,000	199,063	710,938
Police Facility Design Group	Professional Services for Justice Center	6549-22	2,058,260	483,048	1,575,212
Barge Design Solutions	Professional Services for Waterway West Preliminary Design	6538-22	22,500	18,000	4,500
Asphalt Services, Inc.	Construction of Clubhouse Dr / Regency Rd Roundabout	6528-22	545,000	92,549	452,451
Sawgrass Consulting, LLC	Professional Services for Fire Training	6521-22	72,185	38,475	33,710
Engineering Design Group	Professional Services for North-South Collector Rd	6550-22	70,895	41,315	29,580
McElhenney Construction	West 6th St Beach Access Improvements	6599-22	425,000	180,550	244,450
Olsen & Associates	Professional Services for Engineered Beaches	6527-22	54,400	52,485	1,915
Asphalt Services, Inc.	Waterway East Improvements Project	6607-22	19,203,060	-	19,203,060
John G. Walton Construction Co.	SR 59 Widening & Access Management Improvement Project	6619-22	\$ 10,386,561	\$ -	\$ 10,386,561

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 – AIRPORT LEASES

The Airport Authority's, a component unit of the primary government, investment in property on capital leases as of September 30, 2022, is described below.

The Authority has entered into multiple agreements with Saunders Engine and Equipment Company, Inc. for the use of certain Airport property. These leases commenced on March 15, 2005, with a term of 50 years, with three options to renew for additional ten-year terms. The lease agreements provide for an adjustment of the payment amounts at every five-year interval. The adjustment increases the annual payment amount by either the greater of 2%, compounded annually from the beginning of the initial five-year period or the product of five multiplied by the average of the Consumer Price Index over the then immediately preceding five-year period. The total payments to the Airport for the year ending September 30, 2022, was \$113,109. In January 2006, the agreements were amended to extend the leases to 2104. Then, in August 2013, the agreements were amended to extend the leases to June 30, 2107.

The Authority has entered into multiple agreements with Gulf Air Center, Inc., to operate an aviation fixed-based operation and for the use of multiple hangars. These leases commenced from 2012 through 2015, with terms ranging from 15 to 40 years. The lease agreements provide for an adjustment of the payment amounts at every five-year interval. The adjustment increase the annual payment amount by either the greater of the amount obtained by multiplication of the rent payable per year for the then immediately preceding five-year period by the average annual Consumer Price Index for the preceding five years or the amount obtained by multiplication of the rent payable per year for the then immediately preceding five-year rental period by 3.0% compounded annually. The total payments to the Airport for the year ending September 30, 2022, was \$198,940.

In addition to the leases previously mentioned, the Authority has entered into several agreements with various companies for the use of certain Airport property. These leases commenced from 1997 through 2022, with terms ranging from 28 to 40 years. The lease agreements provide for an adjustment of the payment amounts at every five-year interval. The adjustment increase the annual payment amount by either the greater of the amount obtained by multiplication of the rent payable per year for the then immediately preceding five-year period by the average annual Consumer Price Index for the preceding five years, the amount obtained by multiplication of the rent payable per year for the then immediately preceding five-year rental period by 3.0% or 12.5% compounded annually, or an amount equal to 3% of gross income from operations at the Airport. The total payments to the Airport for the year ending September 30, 2022, was \$137,804.

The Airport implemented GASBS No. 87 for the year ended September 30, 2022. The lease receivable for each lease was discounted to a net present value at the commencement date, using a 4% interest rate, the weighted average of prime rate for the 2022 fiscal year.

	Lease Receivable as of	
	<u>September 30, 2022</u>	
Saunders Engine and Equipment Company, Inc.	\$	1,486,019
Gulf Air Center, Inc.		2,565,193
Other Leases		<u>1,997,798</u>
Total	\$	<u><u>6,049,010</u></u>

NOTE 14 – AIRPORT LEASES (CONTINUED)

For the year ended September 30, 2022, the Airport received \$313,481 in lease revenue and \$136,373 in lease interest revenues. Minimum future lease payments due to the Authority under non-cancelable agreements are as follows for the years ending September 30:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2023	\$ 303,275	\$ 167,729	\$ 471,004
2024	295,186	181,799	476,985
2025	285,932	195,243	481,175
2026	277,416	208,783	486,200
2027	265,838	216,716	482,554
2028-2032	1,156,710	1,197,731	2,354,441
2033-2037	951,102	1,387,973	2,339,075
2038-2042	728,848	1,410,356	2,139,203
2043-2047	598,138	1,529,113	2,127,251
2048-2052	498,001	1,655,836	2,153,838
2053-2057	264,047	1,123,683	1,387,730
2058-2062	129,203	780,782	909,985
2063-2067	60,946	608,528	669,474
2068-2072	50,913	631,950	682,863
2073-2077	42,532	653,989	696,521
2078-2082	35,531	674,921	710,451
2083-2087	29,682	694,979	721,660
2088-2092	24,795	714,358	739,153
2093-2097	20,714	733,223	753,936
2098-2102	17,304	751,711	769,015
2103-2107	12,897	679,108	692,008
Total minimum lease rentals	<u>\$ 6,049,010</u>	<u>\$ 16,198,511</u>	<u>\$ 22,244,522</u>

Minimum future lease payments do not include contingent rentals or other escalations, 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.

NOTE 15 – 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, 2022, 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 16 – 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.

The City implemented GASBS No. 87 for the year ended December 31, 2022. The lease receivable for the lease was discounted to a net present value at the commencement date, using various interest rates ranging from 2-5%.

For the year ended December 31, 2022, the City received \$542,732 in lease revenue and \$68,118 in lease interest income. Minimum future lease payments due to the City under non-cancelable agreements are as follows for the years ending December 31:

<u>Fiscal Year Ending December 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2023	\$ 526,062	\$ 83,788	\$ 609,850
2024	481,064	127,635	608,700
2025	463,778	146,522	610,300
2026	443,164	163,336	606,500
2027	391,600	215,900	607,500
2028-2032	1,698,731	1,344,269	3,043,000
2033-2037	1,472,530	1,568,620	3,041,150
2038-2042	1,040,509	1,996,241	3,036,750
2043-2047	<u>1,057,229</u>	<u>1,986,572</u>	<u>3,043,800</u>
Total minimum lease rentals	<u>\$ 7,574,667</u>	<u>\$ 7,632,883</u>	<u>\$ 15,207,550</u>

NOTE 17 – POST-EMPLOYMENT HEALTH CARE BENEFITS

The City has a one-time closed group of retirees covered under the employer’s health benefits program. The City has two employees covered who are required to pay 100% of the blended premium and are only covered until age 65. No other employees are eligible for coverage in the future. This does not meet the definition of an Other Post Employment Benefit and therefore constitutes 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.

NOTE 18 – 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, 2022, is \$1,341,894 at a 4.0% assumed annual investment. Subsequent to completion of the actuarial report, \$175,421 compensated absences were paid out, leaving an unfunded balance of \$1,166,473 at December 31, 2022.

The gross annual required contribution (current liability) assumed payable is \$182,311, which consists of an annual normal cost assumed payable of \$104,708, plus a 30-year actuarial accrued liability amortization contribution of \$77,603. 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 2022, there was no early retirement sick leave paid out by the City to eligible retirees.

NOTE 19 – 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 20 – PENDING LITIGATION

The City is a defendant to a lawsuit due to an incident that occurred during a parade in February 2017. A 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 City has reached a settlement as to the Plaintiff's remaining claims. The City is protected by a municipal limitation statute which is a post-judgement limitation on collecting a judgment to \$300,000. These claims are covered by Alabama Municipal Insurance Corporation.

In 2022, a lawsuit was filed against the City regarding the imposition of "impact fees" on new development for governmental infrastructure purposes. The impact fee is designed to account for the financial impact of the City caused by new development, whether that development is residential or commercial. There are numerous requirements for imposing the fee, including a cap on the amount that can be charged at 1% of the value of the land and structure. This lawsuit has the potential to become a class action, so an evidentiary hearing on the class certification was set to commence in June 2023 but was postponed allowing parties to pursue settlement. If the class is certified, damages could include impact fees collected by the City from the date of a judgement dating back, according to the applicable statute of limitations. The statute of limitations could be either 2, 4, 6 or 10 years depending on the success of the Plaintiff's argument for any of those years. Depending on which statute of limitations the court will apply, the potential amount to be recovered ranges from \$7,658,082 to \$13,091,583. Given the lawsuit is in the class certification phase, 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 21 – EFFECT OF NEW PRONOUNCEMENTS

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 statement has no effect on the City's financial statements.

NOTE 21 – 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 has implemented the requirement regarding GASBS No. 87, but the remaining requirements have no effect on the City's 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 statement has no effect on the City's 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 statement has no effect on the City's financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, was issued to establish the term annual comprehensive financial report and its acronym ACRF. That new term and acronym replaces the 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. The City chose to implement the standard in 2021.

GASB Statement No. 99, *Omnibus 2022*, was issued to enhance comparability in accounting 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 and accounting and financial reporting for financial guarantees. The requirements of this statement are effective for fiscal years 2022, 2023, 2024. The requirement effective for 2022 has no effect on the City's financial statements. As for the remaining requirements, City is currently evaluating the impact these standards may have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This standard is effective for fiscal year 2024. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This standard is effective for fiscal year 2024. The City is currently evaluating the impact this standard may have on its financial statements.

NOTE 22 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through June 29, 2023, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GULF SHORES, ALABAMA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 3,971,200	\$ 3,971,200	\$ 4,700,493	\$ 729,293
Local Taxes	38,668,810	47,468,810	52,984,404	5,515,594
Licenses and Permits	4,181,000	4,705,000	5,742,094	1,037,094
Fines and Forfeitures	500,000	500,000	550,889	50,889
Utility Tax Equivalents	1,762,000	1,762,000	2,127,095	365,095
Intergovernmental:				
Federal and State Grants	142,500	166,980	70,471	(96,509)
State of Alabama - Taxes	49,400	221,859	550,422	328,563
Interest income	12,260	12,260	185,046	172,786
Other receipts	2,011,704	2,154,704	2,496,354	341,650
Total Revenues	<u>51,298,874</u>	<u>60,962,813</u>	<u>69,407,268</u>	<u>8,444,455</u>
EXPENDITURES				
Executive Department	6,232,334	6,362,334	6,110,697	(251,637)
Municipal Court	498,774	498,774	504,782	6,008
Police Department	8,822,141	8,832,141	8,446,520	(385,621)
Fire and Emergency Services	7,312,382	7,304,382	7,142,930	(161,452)
Community and Economic Affairs	8,274,443	8,459,508	7,786,220	(673,288)
Public Works	8,487,107	8,875,607	8,521,261	(354,346)
Appropriations	1,157,652	1,152,152	1,300,831	148,679
Capital Outlay	-	-	-	-
Total Expenditures	<u>40,784,834</u>	<u>41,484,899</u>	<u>39,813,241</u>	<u>(1,671,658)</u>
Excess of revenues over expenditures	<u>10,514,041</u>	<u>19,477,915</u>	<u>29,594,027</u>	<u>10,116,112</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	346,351	346,351
Proceeds from the sale of capital assets	-	-	182,358	182,358
Transfers from Other Funds	567,000	2,963,873	3,127,749	163,876
Transfer to Other Funds	(9,649,230)	(18,854,230)	(17,140,280)	1,713,950
Total Other Financing Uses	<u>(9,082,230)</u>	<u>(15,890,357)</u>	<u>(13,483,822)</u>	<u>2,406,535</u>
Net Change in Fund Balances	<u>\$ 1,431,810</u>	<u>3,587,557</u>	<u>\$ 16,110,205</u>	<u>\$ 12,522,648</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

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

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 1,296,408	\$ 1,248,468	\$ 1,164,384	\$ 1,962,442	\$ 2,185,992	\$ 1,960,245	\$ 1,681,939	\$ 1,635,919
Contributions in relation to the actuarially determined contribution	<u>1,296,408</u>	<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>	<u>1,635,919</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Covered payroll**	\$ 17,893,337	\$ 17,594,393	\$ 17,597,695	\$ 15,887,074	\$ 14,565,997	\$ 13,993,238	\$ 13,724,493	\$ 11,761,236
Contributions as a percentage of covered payroll	7.25%	7.10%	6.62%	12.35%	15.01%	14.01%	12.26%	13.91%

*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 FY2022 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 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022*:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	20.4 years
Asset valuation method	Five year smoothed fair value
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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service Cost	\$ 1,552,031	\$ 1,309,597	\$ 1,257,424	\$ 1,152,025	\$ 1,160,777	\$ 1,042,057	\$ 1,039,908	\$ 984,884
Interest	2,995,256	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	387,246	(129,265)	1,028,335	(776,281)	234,639	(830,698)	(256,610)	-
Changes of assumptions	2,348,034	-	-	195,924	-	1,162,166	-	-
Benefit payments, including refunds of employee contributions	(1,575,003)	(1,028,261)	(1,037,176)	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	(76,204)	1,596	(3,588)	92,942	(438,378)	(130,057)	-	-
Net change in total pension liability	<u>5,631,360</u>	<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>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>	<u>22,840,861</u>
Total pension liability-ending (a)	<u>\$ 45,318,284</u>	<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	\$ 1,219,317	\$ 4,513,972	\$ 972,694	\$ 940,350	\$ 936,184	\$ 1,012,511	\$ 952,313	\$ 959,691
Contributions - member	1,284,189	1,145,886	901,767	844,796	770,689	769,340	643,754	626,907
Net investment income	7,573,262	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	(1,575,003)	(1,028,261)	(1,037,176)	(1,067,933)	(993,883)	(1,119,066)	(1,409,513)	(1,008,738)
Transfers among employers	(76,204)	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>8,425,561</u>	<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>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>	<u>15,278,663</u>
Plan net position - ending (b)	<u>\$ 42,103,134</u>	<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	\$ 3,215,150	\$ 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	92.91%	84.86%	76.64%	80.71%	75.94%	71.43%	68.25%	71.28%
Covered payroll*	\$ 17,594,393	\$ 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	18%	34%	52%	42%	54%	57%	70%	60%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2022 the measurement period is October 1, 2020 - September 30, 2021. 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, 2022

	Special Revenue Funds			Capital Projects Funds			Total	
	2% Lodgings Tax Fund	Designated Taxes Fund	Impact Fees Fund	Library Board Fund	Beach Restoration Fund	Nontaxable Warrant Fund	2018B GO Warrant Fund	Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 4,269,350	\$ -	\$ -	\$ 22,897	\$ 327,472	\$ -	\$ -	\$ 4,619,719
Restricted cash and cash equivalents	-	555,530	2,822,505	-	-	110,289	290,926	3,779,250
Accounts receivable	-	-	-	-	946	-	-	946
Due from oher funds	-	11,791	-	-	-	-	-	11,791
Due from other governments	-	-	-	-	-	50,000	-	50,000
Due from component units	-	-	-	-	-	-	-	-
Prepays and other assets	-	-	-	-	-	-	-	-
Total Assets	\$ 4,269,350	\$ 567,321	\$ 2,822,505	\$ 22,897	\$ 328,418	\$ 160,289	\$ 290,926	\$ 8,461,706
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 323,535	\$ -	\$ 4,909	\$ 202,664	\$ 99,942	\$ 631,050
Payroll taxes and benefits payable	-	-	-	-	27,781	-	-	27,781
Other liabilities	-	-	-	-	-	4,514	-	4,514
Due to other funds	-	-	-	-	-	-	-	-
Total Liabilities	-	-	323,535	-	32,690	207,178	99,942	663,345
DEFERRED INFLOW OF RESOURCES								
Deferred revenue	-	-	-	-	-	-	-	-
FUND BALANCE								
Restricted								
Capital Improvements	-	567,321	2,498,970	-	-	-	190,984	3,257,275
Committed								
Beach Restoration	4,269,350	-	-	-	-	-	-	4,269,350
Assigned	-	-	-	22,897	-	-	-	22,897
Unassigned	-	-	-	-	295,728	(46,889)	-	248,839
Total Fund Balances	4,269,350	567,321	2,498,970	22,897	295,728	(46,889)	190,984	7,798,361
Total Liabilities, Deferred Inflow of Resources and Fund Balance	\$ 4,269,350	\$ 567,321	\$ 2,822,505	\$ 22,897	\$ 328,418	\$ 160,289	\$ 290,926	\$ 8,461,706

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	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	Nontaxable Warrant Fund	2018B GO Warrant Fund	
REVENUES								
Local taxes	\$ -	\$ 443,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 443,761
Intergovernmental:								
State of Alabama taxes	-	430,093	-	-	-	-	-	430,093
Federal and State grants	-	-	-	-	-	50,000	-	50,000
Interest income	67,879	851	1,335	6	744	225	6,907	77,947
Impact fees	-	-	2,005,544	-	-	-	-	2,005,544
Other receipts	-	-	-	-	825,796	-	-	825,796
Total Revenues	<u>67,879</u>	<u>874,705</u>	<u>2,006,879</u>	<u>6</u>	<u>826,540</u>	<u>50,225</u>	<u>6,907</u>	<u>3,833,141</u>
EXPENDITURES								
Current Operating:								
Police	-	-	106,461	-	423,369	-	-	529,830
Fire	-	-	136,416	-	-	-	-	136,416
Community and Economic Affairs	-	-	1,006,579	-	-	-	-	1,006,579
Public Works	-	-	991,756	-	1,198,247	-	-	2,190,003
Appropriations - outside agencies	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	2,008,199	-	2,008,199
Miscellaneous	-	63,088	-	-	15,546	49,515	652	128,801
Total Expenditures	<u>-</u>	<u>63,088</u>	<u>2,241,212</u>	<u>-</u>	<u>1,637,162</u>	<u>2,057,714</u>	<u>652</u>	<u>5,999,828</u>
Excess (Deficiency) of revenues Over Expenditures	<u>67,879</u>	<u>811,617</u>	<u>(234,333)</u>	<u>6</u>	<u>(810,622)</u>	<u>(2,007,489)</u>	<u>6,255</u>	<u>(2,166,687)</u>
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	-	-	1,060,500	-	1,060,500
Contribution from ALGCCVB	-	-	391,000	-	-	-	-	391,000
Transfers in	-	-	-	-	910,000	900,000	-	1,810,000
Transfers out	(200,000)	(690,841)	-	-	-	-	(900,185)	(1,791,026)
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(690,841)</u>	<u>391,000</u>	<u>-</u>	<u>910,000</u>	<u>1,960,500</u>	<u>(900,185)</u>	<u>1,470,474</u>
Net Change in Fund Balance	(132,121)	120,776	156,667	6	99,378	(46,989)	(893,930)	(696,213)
Fund Balances (Deficit) - Beginning	<u>4,401,471</u>	<u>446,545</u>	<u>2,342,303</u>	<u>22,891</u>	<u>196,350</u>	<u>100</u>	<u>1,084,914</u>	<u>8,494,574</u>
Fund Balances (Deficit) - Ending	<u>\$ 4,269,350</u>	<u>\$ 567,321</u>	<u>\$ 2,498,970</u>	<u>\$ 22,897</u>	<u>\$ 295,728</u>	<u>\$ (46,889)</u>	<u>\$ 190,984</u>	<u>\$ 7,798,361</u>

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

OTHER INFORMATION

THE CITY OF GULF SHORES, ALABAMA
 LODGING TAX SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Interest income	\$ -	\$ -	\$ 67,879	\$ 67,879
Total Revenues	<u>-</u>	<u>-</u>	<u>67,879</u>	<u>67,879</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Total General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>67,879</u>	<u>67,879</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	-	-	-
Transfer to Other Funds	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Total Other Financing Uses	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net Change in Fund Balances	-	(200,000)	(132,121)	67,879
Fund Balance, beginning	<u>4,401,471</u>	<u>4,401,471</u>	<u>4,401,471</u>	<u>-</u>
Fund Balance, ending	<u>\$ 4,401,471</u>	<u>\$ 4,201,471</u>	<u>\$ 4,269,350</u>	<u>\$ 67,879</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
DESIGNATED TAXES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Firefighters Ad Valorem	\$ 215,000	\$ 215,000	\$ 233,485	\$ 18,485
Law Enforcement:				-
Federal Equity Sharing	-	-	110,228	110,228
State, Local & Other	-	-	3,757	3,757
Alabama Gasoline Excise Tax				
Four per gallon	15,000	15,000	21,276	6,276
Five per gallon	7,000	7,000	10,490	3,490
Seven per gallon	25,000	25,000	36,717	11,717
Ten per gallon	65,000	65,000	100,662	35,662
Petroleum Inspection Fees	4,000	4,000	5,872	1,872
Motor Fuel Distribution	1,000	1,000	1,921	921
State Shared Capital Improvement Fund	100,000	100,000	139,170	39,170
Corrections Fund	100,000	100,000	151,331	51,331
Municipal Court Judicial Administrative Fund	35,000	35,000	58,945	23,945
Interest income	-	-	851	851
Total Revenues	<u>567,000</u>	<u>567,000</u>	<u>874,705</u>	<u>307,705</u>
EXPENDITURES				
Account Administration	<u>35,000</u>	<u>35,000</u>	<u>63,088</u>	<u>28,088</u>
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>63,088</u>	<u>28,088</u>
Excess of revenues over expenditures	<u>532,000</u>	<u>532,000</u>	<u>811,617</u>	<u>335,793</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund				
Corrections	(100,000)	(100,000)	(160,000)	(60,000)
Firefighters Ad Valorem	(215,000)	(215,000)	(228,841)	(13,841)
Alabama Gasoline Excise Tax	(112,000)	(112,000)	(157,000)	(45,000)
State Capital Improvements	(100,000)	(100,000)	(145,000)	(45,000)
Total Other Financing Uses	<u>(527,000)</u>	<u>(527,000)</u>	<u>(690,841)</u>	<u>(163,841)</u>
Net Change in Fund Balances	5,000	5,000	120,776	171,952
Fund Balance, beginning	<u>446,545</u>	<u>446,545</u>	<u>446,545</u>	<u>-</u>
Fund Balance, ending	<u>\$ 451,545</u>	<u>\$ 451,545</u>	<u>\$ 567,321</u>	<u>\$ 171,952</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
IMPACT FEES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Parks & Recreation	\$ 642,100	\$ 733,100	\$ 976,850	\$ 243,750
Fire	100,000	135,000	152,020	17,020
Police	106,400	106,400	111,149	4,749
Public Works	750,000	1,309,500	765,525	(543,975)
Interest income	900	900	1,335	435
Other	-	391,000	391,000	-
Total Revenues	<u>1,599,400</u>	<u>2,675,900</u>	<u>2,397,879</u>	<u>(278,021)</u>
EXPENDITURES				
Current				
Fire	100,000	135,000	136,416	1,416
Recreation	643,000	1,125,000	1,006,579	(118,421)
Public Works	750,000	1,309,500	991,756	(317,744)
Police	106,400	106,400	106,461	61
Miscellaneous	-	-	-	-
Total Expenditures	<u>1,599,400</u>	<u>2,675,900</u>	<u>2,241,212</u>	<u>(434,688)</u>
Net Change in Fund Balances	-	-	156,667	156,667
Fund Balance, beginning	<u>2,342,303</u>	<u>2,342,303</u>	<u>2,342,303</u>	-
Fund Balance, ending	<u>\$ 2,342,303</u>	<u>\$ 2,342,303</u>	<u>\$ 2,498,970</u>	<u>\$ 156,667</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
 BEACH RESTORATION CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	\$ -	\$ 744	\$ 744
Federal and State grants	-	-	-	-
Other	670,020	670,020	825,796	155,776
Total Revenues	<u>670,020</u>	<u>670,020</u>	<u>826,540</u>	<u>156,520</u>
EXPENDITURES				
Police	455,576	470,576	423,369	47,207
Public Works	1,215,953	1,236,953	1,198,247	38,706
Miscellaneous	12,000	12,000	15,546	
Beach Restoration	3,000	3,000	-	3,000
Total Expenditures	<u>1,686,529</u>	<u>1,722,529</u>	<u>1,637,162</u>	<u>88,913</u>
Excess of revenues over expenditures	<u>(1,016,509)</u>	<u>(1,052,509)</u>	<u>(810,622)</u>	<u>67,607</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	710,000	910,000	910,000	-
Total Other Financing Uses	<u>710,000</u>	<u>910,000</u>	<u>910,000</u>	<u>-</u>
Net Change in Fund Balances	(306,509)	(142,509)	99,378	67,607
Fund Balance, beginning	<u>196,350</u>	<u>196,350</u>	<u>196,350</u>	<u>-</u>
Fund Balance, ending	<u>\$ (110,159)</u>	<u>\$ 53,841</u>	<u>\$ 295,728</u>	<u>\$ 67,607</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
 GRANTS CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ -	\$ 2,436,873	\$ 2,296,176	\$ (140,697)
Net increase (decrease) in the fair value of investments	-	-	(5,206,397)	(5,206,397)
Other	40,000	40,000	240,000	200,000
Total Revenues	<u>40,000</u>	<u>2,476,873</u>	<u>(2,670,221)</u>	<u>(5,147,094)</u>
EXPENDITURES				
Appropriation	-	10,550,912	700,000	(9,850,912)
City School Improvements	4,200,000	700,290	2,400,832	1,700,542
Miscellaneous	-	88,000	88,075	75
Total Expenditures	<u>4,200,000</u>	<u>11,339,202</u>	<u>3,188,907</u>	<u>(8,150,295)</u>
Excess of revenues over expenditures	<u>(4,160,000)</u>	<u>(8,862,329)</u>	<u>(5,859,128)</u>	<u>3,003,201</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt	4,200,000	150,775,694	150,000,000	(775,694)
Transfer From Other Funds	-	240,000	-	(240,000)
Transfer to Other Funds	(40,000)	(2,436,873)	(2,676,873)	(240,000)
Total Other Financing Uses	<u>4,160,000</u>	<u>148,578,821</u>	<u>147,323,127</u>	<u>(1,255,694)</u>
Net Change in Fund Balances	-	139,716,492	141,463,999	4,258,895
Fund Balance, beginning	<u>16,158,689</u>	<u>16,158,689</u>	<u>16,158,689</u>	<u>-</u>
Fund Balance, ending	<u>\$ 16,158,689</u>	<u>\$ 155,875,181</u>	<u>\$ 157,622,688</u>	<u>\$ 4,258,895</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	\$ -	\$ 834	\$ 834
Total Revenues	<u>-</u>	<u>-</u>	<u>834</u>	<u>834</u>
EXPENDITURES				
Appropriations	-	-	-	-
Miscellaneous	2,325	2,325	2,560	235
Principal	5,883,672	13,333,672	10,959,552	(2,374,120)
Interest	3,030,155	4,785,155	5,447,252	662,097
Total Expenditures	<u>8,916,152</u>	<u>18,121,152</u>	<u>16,409,364</u>	<u>(1,711,788)</u>
Excess of revenues over expenditures	<u>(8,916,152)</u>	<u>(18,121,152)</u>	<u>(16,408,530)</u>	<u>1,712,622</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issues	-	-	-	-
Transfer to Other Funds	8,916,152	18,121,152	16,409,310	1,711,842
Transfer from Other Funds	-	-	(35)	35
Total Other Financing Uses	<u>8,916,152</u>	<u>18,121,152</u>	<u>16,409,275</u>	<u>1,711,877</u>
Net Change in Fund Balances	-	-	745	745
Fund Balance, beginning	<u>31</u>	<u>31</u>	<u>31</u>	<u>-</u>
Fund Balance, ending	<u>\$ 31</u>	<u>\$ 31</u>	<u>\$ 776</u>	<u>\$ 745</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
 STORM DAMAGE CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Grants	\$ 4,643,508	\$ 4,643,508	\$ 3,010,908	\$ (1,632,600)
Interest income	0.00	0.00	0.00	-
Other receipts	0.00	0.00	244,950.00	244,950
Total Revenues	<u>4,643,508</u>	<u>4,643,508</u>	<u>3,255,858</u>	<u>(1,632,600)</u>
EXPENDITURES				
Public Works	-	-	218,763	218,763
Storm damage	5,418,000	5,418,000	-	(5,418,000)
Total Expenditures	<u>5,418,000</u>	<u>5,418,000</u>	<u>218,763</u>	<u>(5,199,237)</u>
Excess of revenues over expenditures	<u>(774,492)</u>	<u>(774,492)</u>	<u>3,037,095</u>	<u>3,566,637</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	23,078	23,078	21,155	(1,923)
Total Other Financing Uses	<u>23,078</u>	<u>23,078</u>	<u>21,155</u>	<u>(1,923)</u>
Net Change in Fund Balances	(751,414)	(751,414)	3,058,250	3,564,714
Fund Balance, beginning	<u>(668,969)</u>	<u>(668,969)</u>	<u>(668,969)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (1,420,383)</u>	<u>\$ (1,420,383)</u>	<u>\$ 2,389,281</u>	<u>\$ 3,564,714</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE 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, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Grants	\$ 21,885,783	\$ 21,885,783	\$ 67,594	\$(21,818,189)
Interest	-	-	-	-
Other receipts	2,221,154	2,221,154	844,279	(1,376,875)
Total Revenues	<u>24,106,937</u>	<u>24,106,937</u>	<u>911,873</u>	<u>(23,195,064)</u>
EXPENDITURES				
Public Works	-	300,000	300,056	56
Appropriations	-	-	-	-
Capital Outlay	31,529,989	31,411,989	3,907,975	(27,504,014)
Total Expenditures	<u>31,529,989</u>	<u>31,711,989</u>	<u>4,208,031</u>	<u>(27,503,958)</u>
Excess of revenues over expenditures	<u>(7,423,052)</u>	<u>(7,605,052)</u>	<u>(3,296,158)</u>	<u>4,308,894</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	7,423,052	7,605,052	3,350,000	(4,255,052)
Transfers out to other funds	-	-	-	-
Transfer from other funds	-	240,000	240,000	-
Total Other Financing Uses	<u>7,423,052</u>	<u>7,845,052</u>	<u>3,590,000</u>	<u>(4,255,052)</u>
Net Change in Fund Balances	-	240,000	293,842	8,563,946
Fund Balance, beginning	<u>(396,550)</u>	<u>(396,550)</u>	<u>(396,550)</u>	-
Fund Balance, ending	<u>\$ (396,550)</u>	<u>\$ (156,550)</u>	<u>\$ (102,708)</u>	<u>\$ 8,563,946</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
NONTAXABLE WARRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Federal and State Grants	\$ -	\$ -	\$ 50,000	\$ 50,000
Interest Income	-	-	225	225
Total Revenues	<u>-</u>	<u>-</u>	<u>50,225</u>	<u>50,000</u>
EXPENDITURES				
Capital outlay	6,380,000	5,510,000	2,008,199	(3,501,801)
Miscellaneous	-	50,000	49,515	(485)
Total Expenditures	<u>6,380,000</u>	<u>5,560,000</u>	<u>2,057,714</u>	<u>(3,502,286)</u>
Excess of revenues over expenditures	<u>(6,380,000)</u>	<u>(5,560,000)</u>	<u>(2,007,489)</u>	<u>3,552,286</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	4,610,000	4,660,000	1,060,500	(3,599,500)
Transfer from Other Funds	-	900,000	900,000	-
Total Other Financing Uses	<u>4,610,000</u>	<u>5,560,000</u>	<u>1,960,500</u>	<u>(3,599,500)</u>
Net Change in Fund Balances	(1,770,000)	-	(46,989)	(47,214)
Fund Balance, beginning	<u>100</u>	<u>100</u>	<u>100</u>	<u>-</u>
Fund Balance, ending	<u>\$ (1,769,900)</u>	<u>\$ 100</u>	<u>\$ (46,889)</u>	<u>\$ (47,214)</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

THE CITY OF GULF SHORES, ALABAMA
2018 GO WARRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	\$ -	\$ 6,907	\$ 6,907
Total Revenues	<u>-</u>	<u>-</u>	<u>6,907</u>	<u>6,907</u>
EXPENDITURES				
Current Operating:				
Miscellaneous	-	-	652	652
Total Expenditures	<u>-</u>	<u>-</u>	<u>652</u>	<u>652</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>6,255</u>	<u>6,255</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(900,000)	(900,185)	900,185
Total Other Financing Sources and (Uses)	<u>-</u>	<u>(900,000)</u>	<u>(900,185)</u>	<u>900,185</u>
Net Change in Fund Balance	-	(900,000)	(893,930)	906,440
Fund Balances - Beginning	<u>1,084,914</u>	<u>1,084,914</u>	<u>1,084,914</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,084,914</u>	<u>\$ 184,914</u>	<u>\$ 190,984</u>	<u>\$ 906,440</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

STATISTICAL SECTION

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

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

	Fiscal Year				
	2018	2019	2020	2021	2022
Governmental Activities					
Net Investment in capital assets	\$ 39,025,026	\$ 52,309,319	\$ 64,803,007	81,711,353	88,386,182
Restricted	2,266,096	3,011,050	4,256,377	4,092,962	3,449,657
Unrestricted	50,402,246	47,963,350	38,917,065	44,426,301	57,829,859
Total governmental activities Net Position	91,693,368	103,283,719	107,976,449	130,230,616	149,665,698
Business-type activities					
Net Investment in capital assets	1,872,966	1,460,653	1,738,726	1,937,906	1,939,290
Restricted		508,414	334,569	331,731	329,799
Unrestricted	3,026	2,780	3,102	(202,312)	(199,310)
Total business-type activities Net Position	1,875,992	1,463,433	2,076,397	2,067,325	2,069,779
Primary government					
Net Investment in capital assets	40,897,992	53,769,972	66,541,733	83,649,259	90,325,472
Restricted	2,266,096	3,519,464	4,590,946	4,424,693	3,779,456
Unrestricted	50,405,272	47,966,130	38,920,167	44,223,989	57,630,549
Total primary government Net Position	\$ 93,569,360	\$ 105,255,566	\$ 110,052,846	\$ 132,297,941	\$ 151,735,477

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

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses					
Governmental activities:					
Executive	\$ 3,839,222	\$ 5,516,039	\$ 5,586,234	5,980,880	6,651,238
Municipal Court	415,069	463,210	471,958	504,757	497,479
Police	6,882,556	6,977,146	7,821,554	8,112,613	8,650,957
Fire	4,225,805	6,069,504	6,179,670	6,485,696	7,725,480
Public Works	9,204,974	9,299,293	20,839,816	11,713,518	11,910,783
Community and Economic Affairs	7,914,734	11,814,216	10,619,654	11,327,101	11,749,132
Other	2,471,215	2,593,443	2,877,819	2,993,947	9,388,228
Total governmental activities expenses	<u>34,953,575</u>	<u>42,732,851</u>	<u>54,396,705</u>	<u>47,118,512</u>	<u>56,573,297</u>
Business-type activities:					
Public Education Authority	418,585	549,754	610,990	615,644	609,466
Total business-type activities expenses	<u>418,585</u>	<u>549,754</u>	<u>610,990</u>	<u>615,644</u>	<u>609,466</u>
Total primary government expenses	<u>35,372,160</u>	<u>43,282,605</u>	<u>55,007,695</u>	<u>47,734,156</u>	<u>57,182,763</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	27,600	21,350	9,270	19,000	14,299
Municipal Court	841,030	675,712	538,415	690,377	891,516
Police	61,206	83,898	105,751	122,304	119,485
Fire	78,525	106,012	140,144	152,846	165,941
Community and Economic Affairs	5,816,368	6,455,422	6,004,459	7,289,869	8,432,868
Public Works	817,543	1,242,931	1,407,291	1,790,595	1,818,268
Operating Grants and Contributions	1,738,549	7,539,992	9,397,880	3,433,535	4,156,705
Capital Grants and Contributions	30,000	-	882,061	2,337,887	1,550,194
Total governmental activities program revenues	<u>9,410,821</u>	<u>16,125,317</u>	<u>18,485,271</u>	<u>15,836,413</u>	<u>17,149,276</u>
Business-type activities					
Charges for services					
Public Education Building Authority	606,464	609,050	610,350	606,550	610,850
Airport Authority	-	564,061	543,137	618,025	715,310
Total business-type activities program revenues	<u>606,464</u>	<u>609,050</u>	<u>610,350</u>	<u>606,550</u>	<u>610,850</u>
Total primary government program revenues	<u>\$ 10,017,285</u>	<u>\$ 16,734,367</u>	<u>\$ 19,095,621</u>	<u>\$ 16,442,963</u>	<u>\$ 17,760,126</u>
Net (Expense)/Revenue					
Governmental activities	\$ (25,542,754)	\$ (26,607,534)	\$ (35,911,434)	\$ (31,282,099)	\$ (39,424,021)
Business-type activities	187,879	59,296	(640)	(9,094)	1,384
Total primary government net expense	<u>(25,354,875)</u>	<u>(26,548,238)</u>	<u>(35,912,074)</u>	<u>(31,291,193)</u>	<u>(39,422,637)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	3,387,950	3,521,657	3,807,136	3,853,824	4,700,493
Local taxes	30,073,209	34,127,612	34,353,515	48,241,430	53,027,051
Franchise taxes	1,560,508	1,756,512	1,442,306	1,579,748	2,127,095
State taxes	753,830	-	-	-	-
Investment earnings	169,941	472,515	493,942	165,155	2,560,003
Miscellaneous	128,663	143,677	644,389	636,286	684,157
Net increase(decrease) in fair value of investments	-	-	-	-	(5,206,397)
Gain/(Loss) on Disposal of Assets	59,649	(1,824,088)	19,466	(71,411)	966,700
Transfers	(522,432)	-	-	-	-
Total governmental activities	<u>35,611,318</u>	<u>38,197,885</u>	<u>40,760,754</u>	<u>54,405,032</u>	<u>58,859,102</u>
Business-type activities:					
Investment earnings	66,663	36,559	964	22	1,018
Miscellaneous	-	-	-	-	52
Transfers	-	-	-	-	-
Total business-type activities	<u>66,663</u>	<u>36,559</u>	<u>964</u>	<u>22</u>	<u>1,070</u>
Total primary government	<u>35,677,981</u>	<u>38,234,444</u>	<u>40,761,718</u>	<u>54,405,054</u>	<u>58,860,172</u>
Changes in Net Position					
Governmental activities	10,068,564	11,590,351	4,849,320	23,122,933	19,435,081
Business-type activities	254,542	95,855	324	(9,072)	2,454
Total primary government	<u>\$ 10,323,106</u>	<u>\$ 11,686,206</u>	<u>\$ 4,849,644</u>	<u>\$ 23,113,861</u>	<u>\$ 19,437,535</u>

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

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

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

	2018	2019	2020	2021	2022
General Fund					
Reserved					
Unreserved					
Nonspendable	358,728	474,997	480,789	531,865	566,232
Spendable:					
Restricted	184,255	320,765	109,450	219,169	191,606
Committed	7,213,450	18,804,442	15,836,577	15,767,188	14,735,708
Assigned	-	-	-	-	-
Unassigned	28,868,213	20,053,388	35,266,790	29,931,943	47,066,824
Total general fund	<u>36,624,646</u>	<u>39,653,592</u>	<u>51,693,606</u>	<u>46,450,165</u>	<u>62,560,370</u>
Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Storm Damage Fund					
Debt Service fund					
Capital Projects funds					
Special Revenue funds					
Nonspendable	-	-	-	-	-
Spendable:					
Restricted	3,550,057	16,020,317	4,146,927	3,873,793	3,258,051
Committed	(225,158)	3,010,399	19,852,687	20,560,160	161,892,038
Assigned			22,876	22,891	22,897
Unassigned	19,733,095	(335,841)	(1,807,388)	(869,069)	2,535,412
Total - governmental funds	<u>\$ 59,682,640</u>	<u>\$ 58,348,467</u>	<u>\$ 73,908,708</u>	<u>\$ 70,037,940</u>	<u>\$ 230,268,768</u>

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues					
Taxes					
Property	\$ 2,402,381	\$ 2,556,551	\$ 2,715,667	\$ 2,871,352	\$ 3,064,738
Local	20,798,897	21,387,763	22,565,403	24,313,542	25,461,564
Licenses, fees and permits	2,374,442	2,908,946	2,854,090	3,314,362	3,342,128
Fines and forfeitures	387,739	395,866	470,778	595,810	513,813
Utility tax equivalents	1,151,859	1,253,354	1,244,634	1,221,712	1,410,132
Intergovernmental	3,893,517	1,862,536	1,203,998	1,815,057	1,441,591
Investment earnings	20,398	22,342	33,836	40,343	46,475
Impact fees	307,242	540,482	415,941	746,976	893,495
BP lost revenues	360,995	639,005	-	271,582	-
Assessments/Rental Income	120,822	118,276	35,276	499,015	-
Other revenues	2,654,341	2,772,373	2,205,074	2,267,330	2,767,825
Total Revenues	<u>34,472,633</u>	<u>34,457,494</u>	<u>33,744,697</u>	<u>37,957,081</u>	<u>38,941,761</u>
Expenditures					
General government	3,332,695	3,665,722	4,322,578	1,721,831	4,886,896
Police	5,140,408	4,551,402	4,992,638	5,130,530	5,562,947
Fire	3,336,121	3,939,208	3,639,166	2,886,570	3,834,578
Community and Economic Affairs	5,557,550	7,116,128	6,564,129	4,893,969	6,933,897
Public Works	8,149,913	7,021,734	8,308,196	9,018,160	10,542,619
Appropriations	279,758	105,221	113,027	220,233	254,767
Capital outlay	6,298,088	3,965,171	7,014,879	8,730,456	17,325,854
Beach restoration	-	62,700	61,212	52,800	47,700
Principal	4,665,150	4,185,512	12,396,644	8,007,570	15,559,577
Interest	1,536,803	1,412,075	1,210,773	1,115,452	1,140,750
Miscellaneous	14,243	57,095	187,064	48,790	39,450
Litigation Settlement	-	-	-	-	27,850
Total Expenditures	<u>38,310,729</u>	<u>36,081,968</u>	<u>48,810,306</u>	<u>41,826,361</u>	<u>66,156,885</u>
Excess(Deficiency) of revenues over (under) expenditures	<u>(3,838,096)</u>	<u>(1,624,474)</u>	<u>(15,065,609)</u>	<u>(3,869,280)</u>	<u>(27,215,124)</u>
Other Financing Sources (Uses)					
Bond Issue Proceeds	-	890,000	15,152,340	3,644,640	17,545,645
Transfers In	7,110,115	6,459,306	7,444,384	11,184,891	15,043,991
Transfers Out	(7,110,115)	(6,431,958)	(7,444,384)	(11,184,891)	(15,043,991)
Total Other Financing Sources and (Uses)	<u>-</u>	<u>917,348</u>	<u>15,152,340</u>	<u>3,644,640</u>	<u>17,545,645</u>
Net change in Fund Balance	\$ (3,838,096)	\$ (707,126)	\$ 86,731	\$ (224,640)	\$ (9,669,479)
Debt service as a percentage of noncapital expenditures	19%	17%	33%	28%	34%

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

	2018	2019	2020	2021	2022
Revenues					
Taxes					
Property	\$ 3,387,950	\$ 3,521,657	\$ 3,807,136	3,853,836	4,700,493
Local	30,073,209	34,127,612	34,683,293	48,620,698	53,428,165
Licenses, fees and permits	3,482,009	4,088,484	4,538,687	4,815,540	5,742,094
Fines and forfeitures	595,069	485,660	384,382	483,847	550,889
Utility tax equivalents	1,560,508	1,756,512	1,442,306	1,579,748	5,138,003
Intergovernmental	2,533,742	5,372,060	9,626,097	4,279,081	1,168,580
Investment earnings	169,941	472,516	493,942	165,156	2,560,003
Impact fees	870,345	1,363,358	1,575,778	1,985,359	2,005,544
Net increase(decrease)investments*	-				(5,206,397)
Assessments/Rental Income	-				
Other revenues	2,692,149	2,668,003	2,674,956	4,529,607	4,651,379
Total Revenues	45,364,922	53,855,862	59,226,577	70,312,872	74,738,753
Expenditures					
General government	5,227,506	4,957,019	5,094,038	5,387,726	6,110,697
Police	6,701,010	7,228,492	7,928,044	8,702,949	9,481,132
Fire	4,176,099	5,310,339	5,493,692	5,889,993	7,279,346
Community and Economic Affairs	7,024,825	7,676,280	7,884,411	8,436,389	9,092,855
Public Works	8,857,930	8,479,245	20,212,380	11,143,889	10,930,027
Appropriations	780,818	3,548,574	6,244,145	1,982,890	2,000,831
Capital outlay	16,091,600	19,625,071	14,538,127	16,380,326	8,317,006
Beach restoration	-				
Principal	18,305,287	5,581,156	4,299,917	20,393,519	10,959,552
Interest	1,972,662	2,589,636	2,565,537	2,987,360	5,447,252
Miscellaneous	80,746	292,396	38,105	2,673	219,436
Bond Issuance Costs	451,821	-			
Total Expenditures	69,670,304	65,288,208	74,298,396	81,307,714	69,838,134
Excess(Deficiency) of revenues over (under) expenditures	(24,305,382)	(11,432,346)	(15,071,819)	(10,994,842)	4,900,619
Other Financing Sources (Uses)					
Bond Issue/Loan Proceeds/CapASale	49,740,305	18,684,272	19,780,114	7,124,073	155,330,209
Transfers In	29,140,443	12,765,608	37,721,253	30,343,653	20,708,214
Transfers Out	(29,140,443)	(12,765,607)	(37,721,253)	(30,343,653)	(20,708,214)
Total Other Financing	49,740,305	18,684,273	19,780,114	7,124,073	155,330,209
Sources and (Uses)					
Net change in Fund Balance	\$ 25,434,923	\$ 7,251,927	\$ 4,708,295	\$ (3,870,769)	\$ 160,230,828
Debt service as a percentage of noncapital expenditures	38%	18%	11%	36%	27%

*Loss on investments new 2022

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
2022	8,126,960	922,548,920	248,151,260	158,561,460	1,020,265,680	4.80	\$ 7,121,347,067	14.33%
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%

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
2022	4,898,847	1,020,593,160			-	
2021	4,077,122	818,167,820	4,074,468	0	4,074,468	99.93%
2020	3,931,508	790,117,460	3,930,206	97	3,930,303	99.96%
2019	3,658,541	734,155,980	3,652,684	3,992	3,656,676	99.83%
2018	3,327,805	668,109,200	3,326,030	339	3,326,369	99.94%
2017	3,074,056	616,090,320	3,071,391	1,606	3,072,997	99.91%
2016	2,822,072	566,085,720	2,820,939	380	2,821,319	99.95%
2015	2,666,050	534,967,860	2,664,330	466	2,664,796	99.93%
2014	2,491,031	499,994,940	2,487,820	1,389	2,489,209	99.87%
2013	2,390,195	478,341,860	2,385,827	1,288	2,387,115	99.81%

	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>	2022			2012		
	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	\$ 9,374,840	1	1.28%			
Mid America Apartments LP	8,899,760	2	1.21%			
Baldwin Co Electric	6,737,480	3	0.92%	4,991,640	2	0.79%
Regency Place LLC	6,486,560	4	0.88%			
21300 Sweetwater LLC	4,889,880	5	0.67%			
Villas at Bon Secour	4,661,520	6	0.63%			
BFG SRID Gulf Shores Propco IV LLC	4,292,520	7	0.58%			
Summer Trace Gulf Shores LLC	3,273,540	8	0.45%			
RCG-Gulf Shores LLC	3,072,600	9	0.42%			
East Beach Partners LLC	3,048,180	10	0.42%	-		0.00%
The Links at Gulf Shores				4,624,560	3	0.73%
The Links at Gulf Shores LP				4,004,180	4	0.63%
Colonial Realty Limited Partnership				3,209,780	5	0.51%
Walmart Real Estate Business Trust				2,773,760	6	0.44%
Target Corporation				2,396,580	7	0.38%
Beach Place Development LLC				2,253,940	8	0.35%
Howard Resort Inns Inc				2,034,140	9	0.32%
Alcurt Gulf Shores LLC				1,831,360	10	0.29%
Seawind Development Co LLC				11,909,700	1	1.87%
Total Assessment (All GS)	\$ 734,155,980		7.46%	\$ 635,336,040		6.30%

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	2022			2012		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 3,023,283	1	32.30%	\$ 2,083,767	1	39.72%
Retail Trade	1,122,958	2	12.00%	665,501	2	12.69%
Retail Trade	1,095,368	3	11.70%	554,958	3	10.58%
Retail Trade	940,330	4	10.05%	-		
Retail Trade	672,234	5	7.18%	-		0.00%
Accomodation & Food Services	671,726	6	7.18%	475,563	4	9.07%
Retail Trade	537,227	7	5.74%	-		0.00%
Accomodation & Food Services	529,476	8	5.66%	341,710	5	6.51%
Retail Trade	411,511	9	4.40%			
Retail Trade	356,545	10	3.81%	-		
Arts, Entertainment & Recreation	-		-	285,079	6	5.43%
Retail Trade	-		-	218,272	7	4.16%
	-		-	216,857	8	4.13%
Accomodation & Food Services	-		-	212,239	9	4.05%
Retail Trade	-		-	191,837	10	3.66%
Total Sales Tax	<u>\$ 9,360,659</u>		<u>100.00%</u>	<u>\$ 5,245,783</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
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%
2022 *	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, 2022

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt(1)
Direct General Obligation Debt:			
City of Gulf Shores Warrants	225,479,751		
Plus: Unamortized Premium	3,050,347		
Total Gulf Shores Warrants	228,530,098	100.00%	\$ 228,530,098
Overlapping General Obligation Debt:			
Baldwin County Warrants	70,701,780		
Less: Unamortized Discount	(30,928)		
Plus: Unamortized Premium	2,785,718		
Total Baldwin County Warrants	73,456,570	15.57%	11,434,843
Baldwin County Board of Education Unamortized Amounts:	220,282,444		
Add: Unamortized Premium	20,539,507		
Total Baldwin Board of Education Warrants	240,821,951	15.24%	36,698,003
Total Overlapping General Obligation Debt	314,278,521		48,132,846
Total Direct and Overlapping General Obligation Debt			276,662,944
Overlapping Guaranteed Revenue Debt			
Public Education Building Authority Bonds	9,070,000		
Add: Unamortized Premium	761,965		
Total Overlapping Guaranteed Revenue Debt	9,831,965	100%	9,831,965
Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			\$ 286,494,909
Debt per Capita			
Direct General Obligation Debt			\$ 14,112.89
Overlapping General Obligation Debt			2,972.45
Overlapping Guaranteed Revenue Debt			607.17
			\$ 17,692.52

Source: Baldwin County 2021 Audit, Baldwin County Board of Education 2021 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			
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	81,682,452	3,303,626	9,270,000	792,443	95,048,521	17.4%	6,040
2022	225,479,751	3,050,347	9,070,000	761,965	238,362,063	40.9%	14,720

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
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
2022	225,479,751	3,050,347	-	228,530,098	3.21%	14,113

*2015 Escrow included

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

	<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>	<u>2022</u>
General Government										
City Hall	22	22	24	24	25	26	33	33	34	32
Community Development/ Building	4	4	4	4	4	4	5	5	5	5
Court	3	3	4	4	4	4	6	6	6	6
Police	60	60	63	69	69	72	71	72	76	65
Fire	43	43	43	46	46	48	55	55	59	67
Public Works	50	52	56	57	57	57	58	53	56	50
Engineering	0	0	0	0	0	0	0	6	6	6
Recreation	37	45	45	46	50	49	51	54	54	49
Airport	2	2	2	2	2	2	2	2	2	3
Total	<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>	<u>289</u>

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government										
Building permits issued	657	610	586	782	896	1,295	998	1,879	2,131	1,477
Building inspections conducted	1,951	2,172	2,337	3,098	3,914	6,246	7,602	5,783	7,590	8,071
Business Licenses issued	10,562	7,164	7,551	7,974	8,392	8,555	8,658	8,741	9,175	9,443
Police										
Physical arrests	1,602	1,280	1,510	2,048	1,879	1,831	970	994	1,455	1,652
Traffic violations	1,997	1,500	1,595	2,029	2,058	2,124	1,539	1,021	1,652	1,367
Officers	43	43	45	47	47	50	50	51	52	52
Fire										
Emergency responses	2,972	2,903	3,073	3,146	3,149	3,297	3,090	3,335	4,195	3,811
Fires extinguished	92	64	72	83	54	63	72	71	77	74
Community Risk Reduction*	1,200	1,800	1,800	1,975	1,950	1,650	2,110	1,160	2,098	3,265
Full time staff	43	43	43	44	46	48	55	56	56	66
Seasonal Lifeguards / Rangers	0	0	0	0	0	0	34	34	34	34
Part-time Firefighters	8	8	8	10	4	0	0	0	0	7
Engineering										
Street resurfacing (linear feet)	10,560	3,455	12,270	8,200	8,100	5,510	8,960	31,500	12,550	26,256
Sidewalks (linear feet)				1,600	10,760	3,265	4,950	267	4,467	3,403
Bike Lanes (linear feet)**				780	2,800	40,800	11,800	19,200	9,420	7,200
Multi-use path resurfacing									17,700	0

*2014 increase due to better data collection and the 2014 Inspection Ordinance. Community Risk Reduction includes the following: All inspections (Fire Code, New Construction, and Building Inspections, Business License renewal, Fire & Life Safety Education, ARFF/Airport Safety, Plans review. Fire & Life Safety Education includes: Beach Safe, Fire Prevention Week at the schools, Harvest Festival, Day Cares facilities, SPARC Summer Camp, and Home Safety Visits/Smoke Alarm installations.

**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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	2	2	2
Fire Stations	4	4	4	4	4	5	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
Pickleball Courts	0	0	0	0	0	0	0	0	0	12
Basketball Courts	2	3	3	5	5	5	5	5	5	5
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Gymnasium	2	2	2	2	2	2	2	2	2	2
Transit - minibusses	5	5	5	5	5	3	3	3	3	3
Public Works										
Maintained Streets (miles)	69.27	74	74	75.67	84.22	84.22	85.78	89.9	90.5	90.6
Traffic Signals	24	24	24	24	24	25	25	27	27	27
Streetlights	2,234	2,234	2,234	2,403	2,403	2,449	2,422	2,617	2,670	2,558

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
2022	16,193

Per Capita Income

	<u>1979</u>	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2019</u>	<u>2020</u>	<u>2022</u>
Gulf Shores	7,761	17,414	24,356	28,522	37,108	34,792	36,020
State of Alabama	5,894	11,486	18,189	22,984	27,928	28,934	30,458

Median Family Income

	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2019</u>	<u>2020</u>	<u>2022</u>
Gulf Shores	34,257	51,862	45,801	53,476	53,209	53,048
State of Alabama	28,688	41,657	42,081	50,536	52,035	54,943

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>	<u>2022</u>
Baldwin County	5.80%	6.10%	5.40%	3.60%	5.60%	2.70%	2.40%
Alabama	6.44%	6.80%	5.98%	3.90%	6.00%	3.10%	2.58%

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

**Schedule 18
City of Gulf Shores
Principal Employers**

Top Ten		<u>Total</u>	<u>Full-Time</u>	<u>Part-Time</u>
<u>Rank</u>	<u>Employer</u>	<u>Employees</u>		
1	The Lodge at Gulf State Park	600	275	325
2	The Hangout	538	294	244
3	City of Gulf Shores	318	289	29
3	Wal-Mart	313	250	63
4	Gulf Shores City Schools	305	35	270
5	Lulu's Gulf Shores	267	155	112
6	Waterville	215	12	203
8	Rouse's Enterprises	210	85	125
9	Publix Alabama	158	95	63
10	Gulf State Park	96	85	11

*Employee numbers as reported on City business licenses, and City of Gulf Shores and City Schools from respective HR departments.

COMPLIANCE AND INTERNAL CONTROL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Gulf Shores, Alabama, as of and for the year ended December 31, 2022, 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 June 29, 2023.

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
June 29, 2023