

City of Gulf Shores, Alabama

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For Fiscal Year Ending December 31, 2023

Prepared by: Financial Services Department



Gulf Shores Public Beach



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, Alabama's Annual Comprehensive Financial Report for Fiscal Year Ended December 31, 2023

CITY OF GULF SHORES, ALABAMA
 FINANCIAL STATEMENTS
 DECEMBER 31, 2023

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INTRODUCTORY SECTION



July 15, 2024

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, Inc. The City of Gulf Shores issues the annual comprehensive financial report of the City for the fiscal year ended December 31, 2023.

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, Inc., 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, 2023 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 Shores' financial statements for the fiscal year ended December 31, 2023, 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 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 Gulf Shores International 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

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

In 2023 the Public Park and Recreation Board issued debt for a Multisport Facility.

2023 taxable revenue bonds of \$8.265 million at 6.375% through November 2053

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 2024. 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 \$5,249,030 on investments for the year ended December 31, 2023. 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, 2022. This represented the twelfth 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, 2023. 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.

City of Gulf Shores
Transmittal Letter – continued

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

The City submitted a Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2022 and received the Award for Outstanding Achievement in Popular Annual Financial Reporting for the third time.

In addition, the City also received for the fourteenth time the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2024 for fiscal year 2024. 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,



Anna Franklin, Director
Financial Services

City Employees

319 Full Time Employees
34 Part Time Employees
44 Seasonal Employees



City of Gulf Shores Citizens

Contractors

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

Airport
(3 FTE)

Municipal
Judge
Prosecutor



Mayor and Council

City Attorney

Human
Resources
(3 FTE)

City Administrator
City Clerk
Mayor's Assistant
Environmental/Grants
Coordinator
Economic Development
Coordinator
Public Engagement
Manager
(9 FTE)

Planning
& Zoning
(6 FTE)

Building
(6 FTE)

Recreation
& Cultural
Affairs
Parks and
Recreation
Special
Events
Library
Museum
City Store
(55 FTE)

Financial
Services
Accounting
Revenue
Procurement
(11 FTE)

Finance &
Administrative
Services
Information
Technology
(7 FTE)

Public Works
Custodial
Maintenance
Streets
Recycling
Landscape
(55 FTE)

Engineering
&
Construction
(5 FTE)

Fire/
EMS
(73 FTE)

Police
(81 FTE)

Court
(5 FTE)

Gulf Shores Boards & Commissions

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

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

CITY OF GULF SHORES, ALABAMA

LIST OF PRINCIPAL OFFICIALS

December 31, 2023

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/ Jonathan Walker
City Clerk	Wanda Parris
City Engineer	Mark Acreman/ Clint Colvin
Building Official	Brandan Franklin
Finance and Administration Director	Cynthia A. King
Financial Services Director	Anna Franklin
Fire Chief	Mark Sealy
Municipal Court Clerk	Ken McKenzie
Planning and Zoning Director	Lee Jones
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, 2022

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION



MATTHEW R. TAYLOR, CPA
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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, 2023, 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, 2023.

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, 2023, 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 Auditors' 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 80 through 82 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 84 and 85, 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 July 12, 2024, on our consideration of the City of Gulf Shores, Alabama’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gulf Shores, Alabama’s internal control over financial reporting and compliance.



Grant, Sanders, & Taylor, Inc.
Gulf Shores, Alabama
July 12, 2024

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, 2023. 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 2023 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 as it is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources rather than merely the difference between assets and liabilities. At December 31, 2023, the City of Gulf Shores' Net Position was \$182,364,837, an increase of \$32,699,139 from 2022 primarily due to an increase in local tax revenue and receiving FEMA reimbursements for Hurricanes Nate and Sally as well as RESTORE grant funding. 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 \$5,363,353 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 \$22,375,908 reflecting an increase in use of bank lines of credit for capital projects as well as a bond issuance through the Public Park and Recreation Board to construct a multi-sport facility. Deferred Inflow of Resources decreased \$3,929,351 due to a decrease of \$3,355,851 for deferred employer pension contributions reflecting a one-time advance payment credit in a prior year and a public-private partnership infrastructure contribution. As of December 31, 2023, 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 \$32,572,631 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, 2023, 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
	2023	2022	2023	2022	2023	2022	2023	2022
Current & Other Assets	\$ 252,381,387	\$ 235,545,195	\$ 23,094,383	\$ 7,907,581	\$ 275,475,770	\$ 243,452,776	\$ 24,424,426	\$ 22,976,682
Capital Assets	182,000,473	153,054,322	12,111,787	11,771,255	194,112,260	164,825,577	77,369,708	67,295,887
Total Assets	\$ 434,381,860	\$ 388,599,517	\$ 35,206,170	\$ 19,678,836	\$ 469,588,030	\$ 408,278,353	\$ 101,794,134	\$ 90,272,569
Deferred charge on refunding	345,702	416,889	-	-	345,702	416,889	-	-
Deferred OPEB charges	-	-	-	-	-	-	12,083,248	12,576,936
Deferred pension charges	10,379,578	4,945,038	-	-	10,379,578	4,945,038	18,667,548	15,455,616
Total Deferred Outflow of Resources	\$ 10,725,280	\$ 5,361,927	\$ -	\$ -	\$ 10,725,280	\$ 5,361,927	\$ 30,750,796	\$ 28,032,552
Long-term Liabilities	\$ 230,342,947	\$ 233,927,349	\$ 18,401,794	\$ 9,828,966	\$ 248,300,507	\$ 243,756,315	\$ 59,679,040	\$ 55,870,520
Other Liabilities	30,922,562	4,962,252	409,350	205,424	31,776,147	5,167,676	4,325,765	3,402,425
Total Liabilities	\$ 261,265,509	\$ 238,889,601	\$ 18,811,145	\$ 10,034,390	\$ 280,076,654	\$ 248,923,991	\$ 64,004,805	\$ 59,272,945
Deferred Revenue	867,276	1,440,776	-	-	867,276	1,440,776	-	-
Deferred OPEB related items	-	-	-	-	-	-	11,610,589	6,563,947
Deferred pension inflows	609,518	3,965,369	-	-	609,518	3,965,369	728,000	4,975,000
Deferred lease inflows	-	-	14,451,754	7,574,667	14,451,754	7,574,667	6,026,805	6,049,010
Total Deferred Inflow of Resources	\$ 1,476,794	\$ 5,406,145	\$ 14,451,754	\$ 7,574,667	\$ 15,928,548	\$ 12,980,812	\$ 18,365,394	\$ 17,587,957
Net Position	\$ 182,364,837	\$ 149,665,698	\$ 1,943,271	\$ 2,069,779	\$ 184,308,108	\$ 151,735,477	\$ 50,174,731	\$ 41,444,219
Net Invested in Capital Assets	\$ 96,674,991	\$ 88,386,182	\$ 1,945,674	\$ 1,939,290	\$ 98,620,665	\$ 90,325,472	\$ 50,489,918	\$ 31,264,972
Restricted	15,893,229	3,449,657	133,370	329,799	16,026,599	3,779,456	2,854,776	993,412
Unrestricted	69,796,617	57,829,859	(135,773)	(199,310)	69,660,844	57,630,549	(3,169,963)	9,185,835
Total Net Position	\$ 182,364,837	\$ 149,665,698	\$ 1,943,271	\$ 2,069,779	\$ 184,308,108	\$ 151,735,477	\$ 50,174,731	\$ 41,444,219

Government-wide Financial Analysis (continued)

Table 2 below represents the City’s Condensed Statement of Activities for the year ending December 31, 2023, and is derived from the **Government-wide Statement of Activities** on Page 31.

	Governmental		Business-Type		Total			
	Activities		Activities		Primary Government		Component Units	
	2023	2022	2023	2022	2023	2022	2023	2022
PRIMARY GOVERNMENT:								
Revenues:								
Charges for Services	\$ 14,054,599	\$ 11,442,377	\$ 609,850	\$ 610,850	\$ 14,664,449	\$ 12,053,227	\$ 2,970,344	\$ 3,389,447
Operating grants and Contributions	19,133,257	4,156,705	-	-	19,133,257	4,156,705	15,012,177	12,353,318
Capital grants and Contributions	6,814,447	1,550,194	-	-	6,814,447	1,550,194	1,877,179	1,784,429
General Revenues:								
Property Taxes	6,176,986	4,700,493	-	-	6,176,986	4,700,493	8,299,876	5,863,254
Local Taxes	60,061,548	53,027,051	-	-	60,061,548	53,027,051	9,910,228	10,985,300
Franchise Taxes	2,160,719	2,127,095	-	-	2,160,719	2,127,095	-	-
Interest income	5,249,030	2,560,003	6,001	1,018	5,255,031	2,561,021	125,420	2,387
Net increase (decrease) in the fair value of investments	2,454,479	(5,206,397)	-	-	2,454,479	(5,206,397)	-	-
Miscellaneous income	980,253	684,157	-	52	980,253	684,209	12,871,760	3,761,561
Gain on disposal of assets	78,884	-	-	-	78,884	-	-	-
Gain on nonmonetary donations of capital assets	1,522,016	966,700	-	-	1,522,016	966,700	-	53,700
Total Revenues	118,686,217	76,008,378	\$ 615,851	\$ 611,920	\$ 119,302,069	\$ 76,620,298	\$ 51,066,984	\$ 38,193,396
Expenses:								
Executive	7,751,804	6,651,238	-	-	7,751,804	6,651,238	-	-
Municipal Court	558,798	497,479	-	-	558,798	497,479	-	-
Police	10,083,453	8,650,957	-	-	10,083,453	8,650,957	-	-
Fire	9,799,109	7,725,480	-	-	9,799,109	7,725,480	-	-
Community and Economic Affairs	19,426,161	11,910,783	-	-	19,426,161	11,910,783	-	-
Public Works	29,895,179	11,749,132	-	-	29,895,179	11,749,132	-	-
Loss on Disposal of Assets	-	3,105,321	-	-	-	3,105,321	-	-
Interest on Long-Term Debt	5,833,600	6,282,906	-	-	5,833,600	6,282,906	-	-
Public Education Building Authority	-	-	603,466	609,466	603,466	609,466	-	-
Public Parks and Recreation Board	-	-	138,893	-	138,893	-	-	-
Total Expenses	83,348,104	56,573,296	742,359	609,466	84,090,463	57,182,762	-	-
COMPONENT UNITS:								
Expenses:								
Gulf Shores City School System	-	-	-	-	-	-	42,884,234	34,964,371
Airport Authority	-	-	-	-	-	-	1,704,422	1,528,112
Total Expenses	-	-	-	-	-	-	44,588,656	36,492,483
Change in Net Position	35,338,114	19,435,082	(126,508)	2,454	35,211,606	19,437,536	6,478,328	1,700,913
Net Position - Beginning	149,665,698	130,230,616	2,069,779	2,067,325	151,735,477	132,297,941	41,444,219	39,743,306
Prior Period Adjustment	(2,638,975)	-	-	-	(2,638,975)	-	2,252,184	-
Net Position - Ending	\$ 182,364,837	\$ 149,665,698	\$ 1,943,271	\$ 2,069,779	\$ 184,308,108	\$ 151,735,477	\$ 50,174,731	\$ 41,444,219

Overall Analysis

Financial highlights for the City of Gulf Shores as a whole during the fiscal year ended December 31, 2023, 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 \$182,364,837 for Governmental Activities and decreased to \$1,943,271 for Business-type Activities of the primary government. The total primary government’s net position is \$184,308,108 as of December 31, 2023, up from \$151,735,477. For the year ended December 31, 2023, there was an \$8,400,760 increase in unrestricted funds due to an increase in our Lodging Tax

rate. Business-type activities assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$1,943,271 as of December 31, 2023 a decrease of \$126,508 from 2022 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 \$234,283,233 with \$189,337,638 designated as committed, \$26,760,415 unassigned, \$743,406 assigned, \$15,893,229 restricted and \$1,548,545 non-spendable. The unassigned amount of \$26,760,415 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, 2023, totaled \$71,479,549, an increase of \$8,919,182 from the fund balance at December 31, 2022, which was \$62,560,367. The increase in Fund Balance for Fiscal Year 2023 is attributable to conservative spending practices resulted in positive income from operations of \$36,243,537.

Debt Service Fund

The fund balance increased \$479 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 to \$142,606,443 from 2022 primarily due to funds borrowed for school construction.

Storm Damage Fund

The fund balance decreased by \$2,773,169 as a result of beginning our Category G beach renourishment project following Hurricanes Nate and Sally in prior years. These expenses are funded by federal and state grant reimbursements as well as a city match paid for from reserves. As part of our approved project the city had to invest "betterment" in addition to restoring the beaches to their state pre-hurricanes.

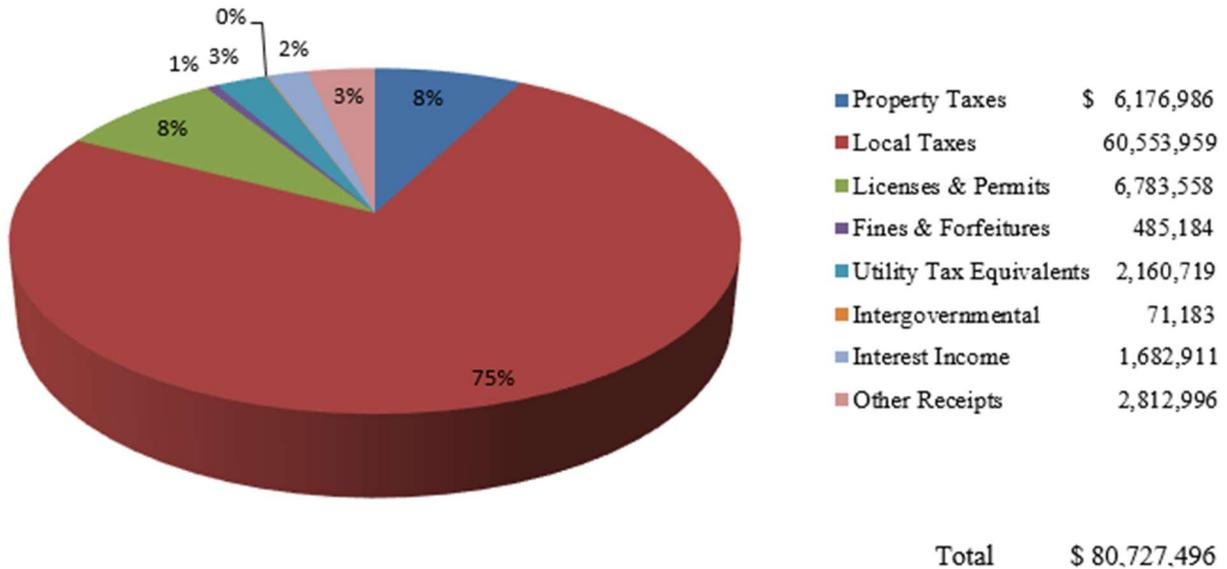
Taxable Warrant Fund

This fund balance increased by \$9,717,735 as a result of monies received for multiple federally-funded grants. The city was awarded RESTORE grants for multiple projects including the Gulf Coast Center for Ecotourism construction, the ALDOT Capacity expansion, a Little Lagoon restoration initiative and other grant-funded projects. The Taxable warrants are used to cover the expenses while awaiting reimbursements since we borrowed at a fixed rate of 1.98%

2018-A & B GO Warrant Fund

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 improve traffic flow in and around the City. The 2018-B GO Warrant Fund is 15 year term debt used to pay down the 2014 and 2016-B GO Warrant Funds. The remainder will be used for various economic development projects.

Exhibit 1: Governmental Revenue Sources for Fiscal Year 2023



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 \$4,681,532 collection more than budget:

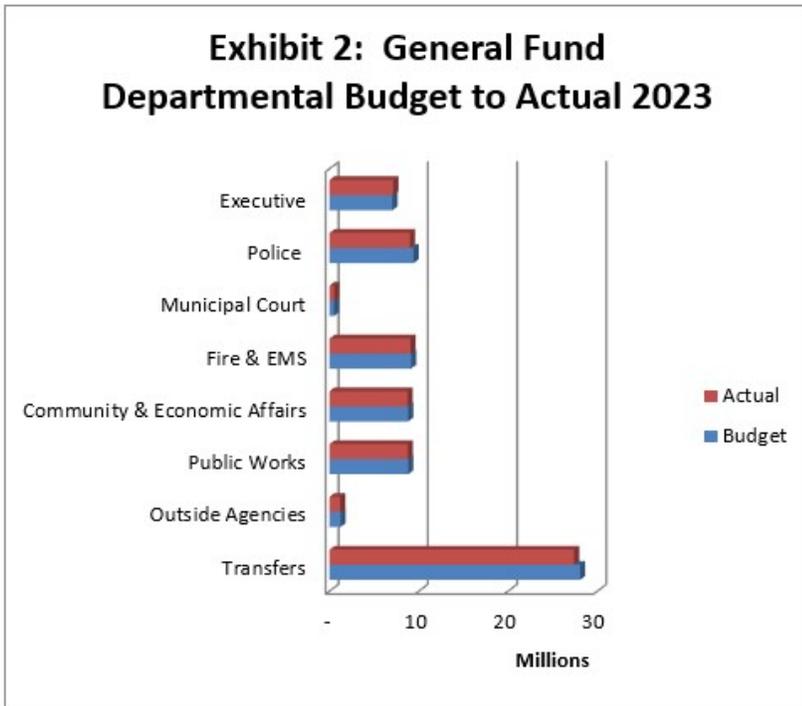
- Property Taxes - \$1,232,986 more due to county property value assessments on new construction
- Local Taxes - \$968,144 more from increased rates by property owners, increased tourism and Lodging Tax increase
- Licenses and Permits - \$479,558 more than budget due to increased commercial and residential construction
- Fines and Forfeitures - \$14,816 less due to fewer arrests and citations, largely in part to our Spring Break Alcohol ban
- Utility Tax Collections - \$229,649 more due to Baldwin EMC consumption related to tourism
- Federal and State transfers - \$112,098 more than budgeted due to increase in state grants
- Income on investments \$1,282,911 more than budgeted due to long term investments when rates were higher
- Other - \$391,002 more than budget due to more accurate coding of revenue sources.

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

- Executive Department - \$106,775 more due to an increase in professional services and public relations expense
- Municipal Court - \$24,956 more due to court personnel expense more than the amended budget
- Police Department - \$414,919 less due to lag in hiring, contract labor and equipment expense savings
- Fire and Emergency Services - \$87,901 less due to equipment supply chain delays
- Community and Economic Affairs - \$60,447 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 - \$48,019 expenses less due to unfilled positions/personnel and equipment savings
- Appropriations - \$32,423 less due to a reduced NCAA Volleyball tournament and Coastal Alabama Chamber donation

The City Council approved revisions to the original adopted General Fund budget three times during the fiscal year prior to the fiscal year end on December 31, 2023.

Exhibit 2: General Fund Departmental Budget to Actual 2023



General Fund Departmental Budget to Actual 2023

	<u>Budget</u>	<u>Actual</u>	<u>% of total expenses</u>
Transfers	28,071,345	27,403,239	31%
Outside Agencies	1,233,378	1,200,955	1%
Public Works	8,822,256	8,774,237	15%
Community & Economic Affairs	8,815,166	8,754,720	17%
Fire & EMS	9,152,105	9,064,204	9%
Municipal Court	512,929	537,884	1%
Police	9,420,526	9,005,607	13%
Executive	7,039,578	7,146,353	11%
Total	<u><u>73,067,283</u></u>	<u><u>71,887,199</u></u>	100%

Capital Asset and Long-term Debt Activity

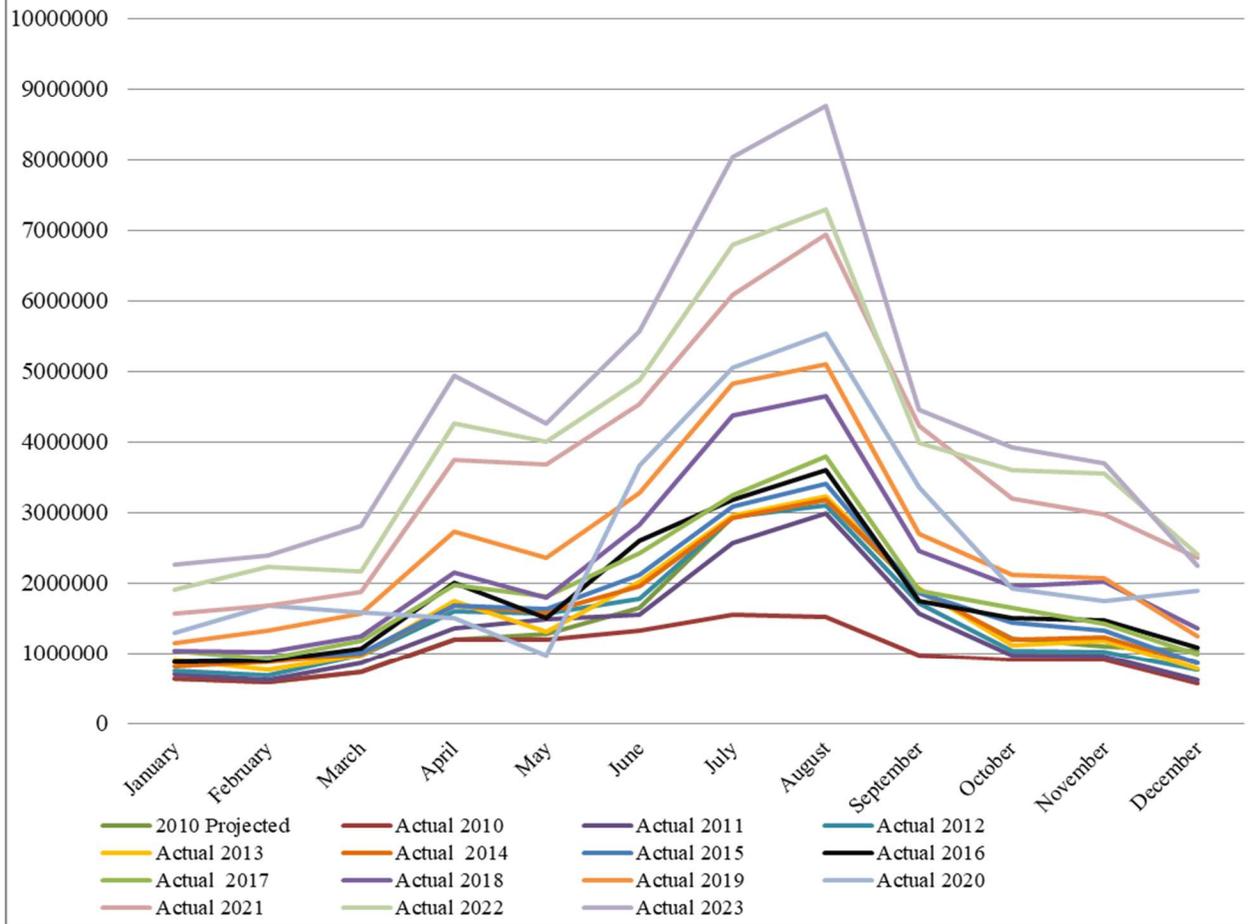
Capital Asset Activity

At December 31, 2023, the City of Gulf Shores reported net capital position of \$182,000,473 from governmental activities, an increase of \$28,946,151 from the adjusted governmental activities capital assets net for December 31, 2022. Net capital position from business-type activities is reported as \$12,111,787 which is an increase of \$340,532 from December 31, 2022. 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 \$242,928,167 in debt outstanding (which includes long term compensated absences of \$2,180,763) compared to \$233,927,349 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 2023 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 2024 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 \$52.5 million in 2023, an increase of \$27.4 million, correlating to a \$822,200 million increase in Sales/Use and now Lodging 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. In 2022 and 2023 permits were issued for a new full-service hotel with conference room space to be built on Beach Boulevard. Situated directly across the street from the public beach, this 231,000

square foot hotel will boast 257 guest rooms, a 10,000 square foot indoor/outdoor restaurant and lounge space, a 7,800 square foot ballroom and an elevated pool deck overlooking Gulf Place with an event lawn.

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 2023 were 412 with a valuation of \$157,518,467.29. Gulf Shores Commercial construction Building Permit Valuation issued in 2023 were \$215,404,944.70.

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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Gulf Shores City School System	Airport Authority
ASSETS					
Cash and Cash Equivalents	\$ 28,734,731	\$ 3,120	\$ 28,737,851	\$ 13,698,450	\$ 636,201
Reserve Current Cash and Cash Equivalents	43,616,119		43,616,119		
Receivables	6,340,774	-	6,340,774	2,561,338	26,649
Due from other governments	22,983,775	-	22,983,775	-	503,578
Lease receivable	-	14,451,754	14,451,754	-	6,026,805
Inventories	149,541	-	149,541	41,409	772,323
Prepays and Other Assets	1,399,004	-	1,399,004	-	12,964
Capitalized interest	-	925,076	925,076	-	-
Restricted Assets:					
Cash and Cash Equivalents	134,212,178	7,714,432	141,926,610	-	144,709
Due from component units	14,945,265	-	14,945,265	-	-
Capital Assets:					
Non - Depreciable	112,456,559	3,792,843	116,249,402	5,685,474	8,348,627
Depreciable (Net)	69,543,914	8,318,944	77,862,858	49,626,641	13,708,966
Total Assets	434,381,860	35,206,169	469,588,029	71,613,312	30,180,822
DEFERRED OUTFLOW OF RESOURCES					
Deferred charge on refunding	345,702	-	345,702	-	-
Deferred charges related to OPEB	-	-	-	12,083,248	-
Deferred charges related to pension	10,379,578	-	10,379,578	18,667,548	-
Total Deferred Outflow of Resources	10,725,280	-	10,725,280	30,750,796	-
LIABILITIES					
Accounts Payable	\$ 15,281,679	\$ -	\$ 15,281,679	\$ 616,952	\$ 96,174
Accrued and Other Liabilities	1,949,199	-	1,949,199	2,521,173	96,551
Accrued Interest Payable	1,106,464	199,350	1,305,814	-	-
Non - Current Liabilities					
Due Within One Year:					
Compensated absences	145,410	-	145,410	43,837	-
Bonds, Lease and Note Payable	12,439,810	210,000	12,649,810	951,078	-
Due In More than One Year:					
Compensated absences	2,035,353	-	2,035,353	394,532	-
Proportionate share of OPEB liability	-	-	-	3,338,796	-
Net Pension Liability	13,191,643	-	13,191,643	30,017,000	-
Due to City of Gulf Shores	-	-	-	14,898,790	-
Bonds, Lease and Note Payable	215,115,951	18,401,794	233,517,745	11,029,922	-
Total Liabilities	261,265,509	18,811,144	280,076,653	63,812,080	192,725
DEFERRED INFLOW OF RESOURCES					
Deferred Revenue	867,276	-	867,276	-	-
Deferred OPEB related items	-	-	-	11,610,589	-
Deferred inflows related to pension	609,518	-	609,518	728,000	-
Deferred lease inflows	-	14,451,754	14,451,754	-	6,026,805
Total Deferred Inflow of Resources	1,476,794	14,451,754	15,928,548	12,338,589	6,026,805
NET POSITION:					
Net Investment in Capital Assets	96,674,991	1,945,674	98,620,665	28,432,325	22,057,593
Restricted for:					
Debt service	1,256	133,370	134,626	-	-
Capital Improvements	15,731,101	-	15,731,101	-	-
Other	160,872	-	160,872	-	-
Education	-	-	-	1,559,841	-
Airport improvements	-	-	-	-	1,294,935
Unrestricted	69,796,617	(135,773)	69,660,844	(3,778,727)	608,764
Total Net Position	\$ 182,364,837	\$ 1,943,271	\$ 184,308,108	\$ 26,213,439	\$ 23,961,292

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, 2023

Functions/Programs	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total	Gulf Shores City School System	Airport Authority
PRIMARY GOVERNMENT:									
Governmental Activities:									
Executive	\$ 7,751,804	\$ 20,250	\$ -	\$ 1,488,768	\$ (6,242,786)	\$ -	\$ (6,242,786)		
Municipal Court	558,798	808,687	-	-	249,889	-	249,889		
Police	10,083,453	160,840	349,426	-	(9,573,187)	-	(9,573,187)		
Fire	9,799,109	254,611	341,039	-	(9,203,459)	-	(9,203,459)		
Community and Economic Affairs	19,426,161	10,294,521	9,106,406	5,325,679	5,300,445	-	5,300,445		
Public Works	29,895,179	2,515,690	9,336,386	-	(18,043,103)	-	(18,043,103)		
Interest on Long - Term Debt	5,833,600	-	-	-	(5,833,600)	-	(5,833,600)		
Total governmental activities	83,348,104	14,054,599	19,133,257	6,814,447	(43,345,801)	-	(43,345,801)		
Business-type activities:									
Public Education Building Authority	603,466	609,850	-	-	-	6,384	6,384		
Public Parks and Recreation Board	138,893	-	-	-	-	(138,893)	(138,893)		
Total governmental activities	742,359	609,850	-	-	-	(132,509)	(132,509)		
Total primary government	84,090,463	14,664,449	19,133,257	6,814,447	(43,345,801)	(132,509)	(43,478,310)		
COMPONENT UNITS:									
Gulf Shores City School System	\$ 42,884,234	\$ 2,263,540	\$ 15,012,177	\$ 501,065			\$ (25,107,452)	\$ -	
Airport Authority	1,704,422	706,804	-	1,376,114			-	378,496	
Total component units	\$ 44,588,656	\$ 2,970,344	\$ 15,012,177	\$ 1,877,179			\$ (25,107,452)	\$ 378,496	
General revenues:									
Property Taxes					\$ 6,176,986	\$ -	\$ 6,176,986	\$ 8,299,876	\$ -
Local Taxes:									
Sales taxes					23,293,945	-	23,293,945	9,799,612	-
Lodging taxes					30,220,751	-	30,220,751	-	-
Other taxes					6,546,852	-	6,546,852	110,616	-
Franchise Taxes					2,160,719	-	2,160,719	-	-
Investment Income:									
Interest Income					5,249,030	6,001	5,255,031	117,595	7,825
Net increase (decrease) in the fair value of investments					2,454,479	-	2,454,479	-	-
Miscellaneous					980,253	-	980,253	12,796,760	75,000
Gain on disposal of assets					78,884	-	78,884	-	-
Gain on nonmonetary donations of capital assets					1,522,016	-	1,522,016	-	-
Total general revenues					78,683,915	6,001	78,689,916	31,124,459	82,825
Change in net position					35,338,114	(126,508)	35,211,606	6,017,007	461,321
Net position - beginning (restated)					147,026,723	2,069,779	149,096,502	20,196,432	23,499,971
Net position - ending					\$ 182,364,837	\$ 1,943,271	\$ 184,308,108	\$ 26,213,439	\$ 23,961,292

GOVERNMENT FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Debt Service Fund	Capital Improvements Fund	Storm Damage Fund	Taxable Warrant Fund	Other Governmental Funds	Total
ASSETS							
Cash and Equivalents	\$ 23,503,948	\$ -	\$ -	\$ -	\$ 399,844	\$ 4,830,939	\$ 28,734,731
Reserved Cash and Equivalents	43,544,397	-	-	71,722	-	-	43,616,119
Restricted Cash and Equivalents	160,872	1,256	127,695,530	-	-	6,354,520	134,212,178
Receivables (Net)							
Accounts	267,123	-	11,913	-	-	26,878	305,914
Taxes	6,034,860	-	-	-	-	-	6,034,860
Due From Other Funds	234,813	-	-	-	-	15,221	250,034
Due From Other Governments	8,428	-	-	10,324,972	12,650,375	-	22,983,775
Due From Component Units	46,265	-	14,899,000	-	-	-	14,945,265
Prepays	480,436	-	-	-	-	918,568	1,399,004
Inventory	149,541	-	-	-	-	-	149,541
Total Assets	\$ 74,430,683	\$ 1,256	\$ 142,606,443	\$ 10,396,694	\$ 13,050,219	\$ 12,146,126	\$ 252,631,421
LIABILITIES							
Accounts payable	\$ 1,910,129	\$ -	\$ 611,962	\$ 10,097,596	\$ 2,402,010	\$ 259,982	\$ 15,281,679
Payroll taxes & benefits payable	148,448	-	-	-	-	37,100	185,548
Accrued wages	553,137	-	-	-	-	-	553,137
Retainage payable	-	-	-	453,770	389,950	-	843,720
Other liabilities	215,078	-	125,000	-	-	26,716	366,794
Due to other funds	15,221	-	5,597	229,216	-	-	250,034
Total Liabilities	2,842,013	-	742,559	10,780,582	2,791,960	323,798	17,480,912
DEFERRED INFLOW OF RESOURCES							
Deferred revenue	109,121	-	114,922	-	643,233	-	867,276
FUND BALANCE							
Nonspendable							
Inventory	149,541	-	-	-	-	-	149,541
Prepays	480,436	-	-	-	-	918,568	1,399,004
Restricted							
Debt Service	-	1,256	-	-	-	-	1,256
Capital Improvements	-	-	-	-	9,615,026	6,116,075	15,731,101
Other	160,872	-	-	-	-	-	160,872
Committed							
Council approved emergencies	43,544,397	-	-	-	-	-	43,544,397
Beach Restoration	-	-	-	-	-	4,044,279	4,044,279
Education and public works	-	-	141,748,962	-	-	-	141,748,962
Assigned	-	-	-	-	-	743,406	743,406
Unassigned	27,144,303	-	-	(383,888)	-	-	26,760,415
Total Fund Balances (Deficit)	71,479,549	1,256	141,748,962	(383,888)	9,615,026	11,822,328	234,283,233
Total Liabilities, Deferred Inflows and Fund Balance	\$ 74,430,683	\$ 1,256	\$ 142,606,443	\$ 10,396,694	\$ 13,050,219	\$ 12,146,126	\$ 252,631,421

CITY OF GULF SHORES, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Fund balances - total governmental funds \$ 234,283,233

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	\$ 229,314,443	
Less accumulated depreciation	<u>(47,313,970)</u>	182,000,473

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	10,379,578	
Loss on advance refunding	982,911	
Less accumulated amortization	<u>(637,209)</u>	10,725,280

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	(227,555,761)	
Net pension liability	(13,191,643)	
Compensated absences	<u>(2,180,763)</u>	(242,928,167)

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>(609,518)</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>(1,106,464)</u>
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Net position of governmental activities \$ 182,364,837

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Debt Service Fund	Capital Improvements Fund	Storm Damage Fund	Taxable Warrant Fund	Other Governmental Funds	Total
REVENUES							
Property taxes	\$ 6,176,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,176,986
Local taxes	60,013,144	-	-	-	-	557,876	60,571,020
Licenses and permits	6,783,558	-	-	-	-	-	6,783,558
Fines and forfeitures	485,184	-	-	-	-	-	485,184
Utility tax equivalents	2,160,719	-	-	-	-	-	2,160,719
Intergovernmental:							
State of Alabama taxes	540,815	-	-	1,488,768	-	668,485	2,698,068
Federal and State grants	71,183	-	-	8,666,737	12,905,483	350,000	21,993,403
Investment income							
Interest income	1,682,911	2,472	3,276,855	-	-	286,792	5,249,030
Net increase (decrease) in the fair value of investments	-	-	2,454,479	-	-	-	2,454,479
Impact fees	-	-	-	-	-	2,813,483	2,813,483
Other receipts	2,812,996	-	-	-	1,386,849	1,500,290	5,700,135
Total Revenues	<u>80,727,496</u>	<u>2,472</u>	<u>5,731,334</u>	<u>10,155,505</u>	<u>14,292,332</u>	<u>6,176,926</u>	<u>117,086,065</u>
EXPENDITURES							
Current Operating:							
Executive Department	7,146,353	-	-	-	-	-	7,146,353
Municipal Court	537,884	-	-	-	-	-	537,884
Police Department	9,005,607	-	-	-	-	729,762	9,735,369
Fire and Emergency Services	9,064,204	-	-	-	-	130,376	9,194,580
Community and Eco. Affairs	8,754,720	-	-	-	300,042	651,850	9,706,612
Public Works	8,774,236	-	-	16,621,380	-	2,274,280	27,669,896
Appropriations - Outside agencies	279,970	-	-	-	-	-	279,970
Appropriations - Gulf Shores City Schools	920,985	-	7,739,716	-	-	-	8,660,701
Capital outlay	-	-	11,193,042	-	16,800,562	2,778,358	30,771,962
Debt Service							
Principal	-	18,226,410	-	-	-	-	18,226,410
Interest	-	6,001,011	-	-	-	-	6,001,011
Miscellaneous	-	9,060	45	701	-	70,953	80,759
Total Expenditures	<u>44,483,959</u>	<u>24,236,481</u>	<u>18,932,803</u>	<u>16,622,081</u>	<u>17,100,604</u>	<u>6,635,579</u>	<u>128,011,507</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>36,243,537</u>	<u>(24,234,009)</u>	<u>(13,201,469)</u>	<u>(6,466,576)</u>	<u>(2,808,272)</u>	<u>(458,653)</u>	<u>(10,925,442)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from issuance of debt	-	-	-	-	12,600,000	4,900,000	17,500,000
Proceeds from sale of capital assets	78,884	-	-	-	-	-	78,884
Transfers In	771,727	24,234,488	-	3,693,407	-	1,073,993	29,773,615
Transfers Out	(28,174,966)	-	(33,282)	-	(73,993)	(1,491,374)	(29,773,615)
Total Other Financing Sources and (Uses)	<u>(27,324,355)</u>	<u>24,234,488</u>	<u>(33,282)</u>	<u>3,693,407</u>	<u>12,526,007</u>	<u>4,482,619</u>	<u>17,578,884</u>
Net Change in Fund Balance	8,919,182	479	(13,234,751)	(2,773,169)	9,717,735	4,023,966	6,653,442
Fund Balances - Beginning (Restated)	<u>62,560,367</u>	<u>777</u>	<u>154,983,713</u>	<u>2,389,281</u>	<u>(102,709)</u>	<u>7,798,362</u>	<u>227,629,791</u>
Fund Balances (Deficit) - Ending	<u>\$ 71,479,549</u>	<u>\$ 1,256</u>	<u>\$ 141,748,962</u>	<u>\$ (383,888)</u>	<u>\$ 9,615,026</u>	<u>\$ 11,822,328</u>	<u>\$ 234,283,233</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, 2023

Net change in fund balances \$ 6,653,442

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	32,227,630	
Gain on nonmonetary donations of capital assets	1,522,016	
Less current year depreciation	<u>(4,774,027)</u>	28,975,619

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	(78,884)	
Gain on disposal of assets	<u>78,884</u>	-

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

Proceeds from bond	(17,500,000)	
Principal payments on bonds, loans & leases	<u>18,226,410</u>	726,410

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	(9,333)	
Amortization of current year bond premiums	252,867	
Amortization of current year bond discounts	(4,940)	
Amortization of loss on refunding	(71,187)	
Pension expense	(1,186,103)	
Increase in compensated absences	<u>1,339</u>	<u>(1,017,357)</u>

Change in net position of governmental activities \$ 35,338,114

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-type Activities Enterprise Funds		
	Public Education Building Authority	Public Parks and Recreational Board	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,120	\$ -	\$ 3,120
Restricted cash and cash equivalents	332,720	7,381,712	7,714,432
Total Current Assets	335,840	7,381,712	7,717,552
Capital Assets:			
Land	3,792,843	-	3,792,843
Construction in progress	-	569,627	569,627
Land improvements	203,087	-	203,087
Buildings	9,346,798	-	9,346,798
Furniture and equipment	261,893	-	261,893
Less: accumulated depreciation	(2,062,461)	-	(2,062,461)
Total Non-Current Assets	11,542,160	569,627	12,111,787
Other Assets:			
Capitalized interest	-	925,076	925,076
Lease receivable	7,048,605	7,403,149	14,451,754
Total Other Assets	7,048,605	8,328,225	15,376,830
Total Assets	\$ 18,926,605	\$ 16,279,564	\$ 35,206,169
LIABILITIES			
Current Liabilities:			
Bonds payable	\$ 210,000	\$ -	210,000
Accrued interest payable	199,350	-	199,350
Total Current Liabilities	409,350	-	409,350
Non-Current Liabilities:			
Bonds payable	9,386,486	9,015,308	18,401,794
Total Liabilities	9,795,836	9,015,308	18,811,144
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of lease income	7,048,605	7,403,149	14,451,754
NET POSITION			
Net Investment in Capital Assets	1,945,674	-	1,945,674
Restricted			
Debt service	133,370	-	133,370
Unrestricted	3,120	(138,893)	(135,773)
Total Net Position	\$ 2,082,164	\$ (138,893)	\$ 1,943,271

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities Enterprise Funds		
	Public Education Building Authority	Public Parks and Recreational Board	Total
Operating Revenues			
Rent	\$ 609,850	\$ -	\$ 609,850
Operating Expenses			
Depreciation	229,095	-	229,095
Operating Income (Loss)	380,755	-	380,755
Non-Operating Revenues (Expenses)			
Interest and dividend income	6,001	-	6,001
Interest expense	(374,371)	(23,653)	(398,024)
Bond issue costs	-	(115,240)	(115,240)
Total Non-Operating Expenses	(368,370)	(138,893)	(507,263)
Change in Net Position	12,385	(138,893)	(126,508)
Net Position - Beginning	2,069,779	-	2,069,779
Net Position - Ending	\$ 2,082,164	\$ (138,893)	\$ 1,943,271

CITY OF GULF SHORES, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Business-type Activities		
	Enterprise Funds		
	Public Education Building Authority	Public Parks and Recreational Board	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments from leases and other operating activities	\$ 609,850	\$ -	\$ 609,850
Net cash provided (used) by operating activities	609,850	-	609,850
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(569,627)	(569,627)
Change in accrued interest payable	(3,075)	-	(3,075)
Principal payment	(205,000)	-	(205,000)
Interest paid on long-term debt	(404,850)	-	(404,850)
Proceeds received on long-term debt	-	7,951,339	7,951,339
Net cash provided (used) by financing activities	(612,925)	7,381,712	6,768,787
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest payments received	6,001	-	6,001
Increase (decrease) in cash and cash equivalents	2,926	7,381,712	7,384,638
Cash balance - beginning of year	332,914	-	332,914
Cash balance - end of year	\$ 335,840	\$ 7,381,712	\$ 7,717,552
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 380,755	\$ -	380,755
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	229,095	-	229,095
Net cash provided (used) by operating activities	\$ 609,850	\$ -	\$ 609,850

Noncash Investing, Capital and Financing Activities:

Amortization of bond premium charged to interest expense was \$30,479 for the year ended December 31, 2023.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023.

1. A. REPORTING ENTITY

The City of Gulf Shores, Alabama (the “City”) was incorporated on February 5, 1957. The City operates under a Mayor-Council form of government with a City Council consisting of six council members including the mayor, elected at large by the qualified voters of the City for a four-year term. The Council has full legislative authority for the operations of the City.

For financial reporting purposes and in conformance with the criteria set forth by the Government Accounting Standards Board, Statement 14, *Defining the Governmental Reporting Entity*, the City includes those funds, agencies, boards, commissions and authorities for which the City provides financial and managerial assistance, which influence operations and tend to indicate control by or dependence on the City. Control by or dependence on the City is evidenced through budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, responsibility for the funding of any operating deficits that may occur and the scope of services provided to the City. Based on these criteria, this report includes financial statements of the funds required to account for those financial activities for which the City has the ability to influence and control through its legislative processes.

Component Units

The Airport Authority of the City of Gulf Shores, Alabama, (Airport Authority) and the Gulf Shores City Schools Board of Education (School Board) are separate legal entities that are included as component units in the financial reporting entity. They are included as a result of being financially accountable and fiscally dependent. The entities do not provide services entirely or almost entirely to the City, nor do they exclusively benefit the City, therefore they do not meet the criterion for blending, and must be discretely presented in the basic financial statements of the primary government. The Airport Authority and the School Board do not have substantially the same governing body as the City. Both component units have elected to continue to report on a September 30th year end, whereas the City reports on December 31st year end. Generally accepted accounting principles allow the presentation of these component units as part of the reporting entity if the component unit’s year end falls within the year end of the primary government. Significant interfund transfers and borrowings between the City and the component units that occur from October 1 to December 31 each year will be disclosed in a later note. Separately issued audited financial statements of the two component units can be obtained from the legislative Boards.

Excluded from the financial statements is the following board for which a lack of influence, control and dependency exist: The Utilities Board of the City of Gulf Shores, Alabama. This board is governed by its own board of directors, prepares and adopts an annual operating budget which is not influenced by the City, has the authority to issue debt securities which are not an obligation of the City and are not secured by City revenues, has responsibilities for any operating deficits which may occur and must fund such deficits through prior year surplus or other financial sources. These financial statements do not include other boards, agencies and authorities that operate within the boundaries of the City and Baldwin County. The establishment of these boards, agencies and authorities is provided in the statutes and codes of the State of Alabama.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 GASB 34 model sets forth minimum criteria (percentage of the assets liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

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

1. C. BASIS OF PRESENTATION

The funds of the financial reporting entity are described below:

General Fund

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

Debt Service Funds

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

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

Public Parks and Recreation Board Enterprise Fund

Accounts for acquiring, purchasing, servicing the related debt, constructing, remodeling, altering, operating, maintaining, equipping and furnishing of public parks and recreation facilities, as provided in Chapter 86 of Title 11 of the Code of Alabama 1975.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. C. BASIS OF PRESENTATION (CONTINUED)

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.

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principle ongoing operations. The principle operating revenues of the 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 total balance of certificates of deposit at December 31, 2023, is \$40,872,500. This balance includes multiple certificates of deposits held at various financial institutions.

Reserve cash and equivalents

General Fund cash and certificates of deposit totaling \$43,544,397 were designated as reserve by the City Council. The CDs and money market funds are to be used to fund a reserve for emergencies.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Restricted Assets

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the fund level Balance Sheets, on Government – wide Statement of Net Position and the Business Activity Statement of Net Position.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “interfund receivables and payable.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, local taxes, franchise taxes, and grants. There are no noted receivables in the proprietary funds in the current year.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues that are usually both measurable and available. Nonexchange transactions collectible but not available are not deferred in the fund financial statements in accordance with modified accrual but are deferred in the government-wide statements in accordance with accrual basis. The interest earnings are recorded when earned, only if paid within 60 days since they would be considered both measurable and available.

Inventories and Prepaid Items

The cost is recorded as an expenditure at the time the individual items are used (consumption method). Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government wide or fund financial statements.

Government-wide Statement

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

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

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

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Compensated Absences (continued)

During the 2023 fiscal year, the City implemented a Sick Leave Bank to provide a mechanism to assist employees with special needs once regular paid leave is exhausted. Employees can voluntarily become a member of the Bank. Once membership is established, employees who are working full-time or part-time 20 or more hours a week (other than firefighters) must contribute 8 hours of accrued sick leave initially and contribute an additional 8 hours of sick leave each subsequent year in January. For firefighters, their requirement is to contribute 10.6 hours initially and annually. Only members of the Bank are eligible to make requests for leave from the Bank. A request for leave must be for an accident or illness that requires an employee to be absent from work for more than 10 consecutive days. The Sick Leave Bank Board has discretion based on predetermined guidelines to approve or deny requests.

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 \$2,180,762. \$145,410 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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Equity Classifications (Continued)

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 2023, expenses of \$44,483,959 the 15% minimum would be \$6,682,594 and the 35% target would be \$15,569,386.

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.

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.

Leases

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.

1. F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

All ad valorem taxes levied by the state, county and any municipality in Baldwin County are assessed by the Tax Assessor and collected by the Tax Collector of Baldwin County. The Baldwin County property tax calendar requires the Tax Assessor to assess and attach taxes as enforceable liens on property as of September 30, and taxes are due October 1 through December 31 of the subsequent year. Property taxes that have not been paid by January 1 are considered delinquent. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent, they are collected within 60 days of year-end. Due to the immaterial amount of any additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements. All amounts paid to the City within the bill paying period are included in revenues. The Council has the authority to increase property taxes at its discretion, within certain statutory limits.

Sales, Use, and Lodging Taxes

The City, through its revenue department collects sales, use and lodging taxes monthly. Under this arrangement, revenues from sales, use and lodging taxes are recognized when they become susceptible to accrual.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Funds - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before November 1, Department heads update in the City's software system proposed operational budgets along with requested capital purchases for the fiscal year commencing the following January 1 for review by the City Administrator and Finance and Administration Director.
2. The City Administrator and Finance and Administration Director make appropriate revisions and prepare the General Fund Operating Budget, Debt Service and Appropriations Budgets, which include proposed expenditures and the means of financing them.
3. Prior to January 1, the budget is legally enacted through passage of a resolution by the City Council.
4. The City Administrator and Finance and Administration Director are authorized to transfer budgeted amounts within operating departments within any fund; however, any revisions that alter the total expenditures of a fund must be formally approved by the Mayor and City Council.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds. Budgets for the City of Gulf Shores are adopted on a basis consistent with generally accepted accounting principles.
6. Each department of the City of Gulf Shores is funded through allocations provided by the adopted General Fund Budget. Total appropriations may not exceed current year's cash surplus and projected revenues. The budget for the current year can be amended, provided adequate funds are available at the time of the amendment, as needed throughout the year by the City Council.
7. All unused appropriations automatically lapse at year-end.
8. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, the carrying amount of the City’s total deposits was \$102,719,806. 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, law enforcement training, equipment, detention facilities and drug education and awareness programs; Parking Ordinance Funds, which are restricted to upgrading, improving, or increasing public parking areas; Library Advisory Funds, which are restricted to upgrading or improving 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, 2023, 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	\$6,034,860	\$ -	\$ -	\$ -	\$ -	\$ 6,034,860
Accounts receivable	267,123	11,913	-	-	26,878	305,914
Due from other governments	8,428	-	10,324,972	12,650,375	-	22,983,775
Total Receivables	<u>\$6,310,411</u>	<u>\$ 11,913</u>	<u>\$ 10,324,972</u>	<u>\$ 12,650,375</u>	<u>\$ 26,878</u>	<u>\$29,324,549</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at December 31, 2023, consisted of the following:

Due To (Interfund Receivable)	Due From (Interfund Payable)			
	General	Capital Improvement Fund	Storm Damage Fund	Total
General Fund	\$ -	\$ 5,597	\$ 229,216	\$ 234,813
Nonmajor Governmental Funds	15,221	-	-	15,221
Total	\$ 15,221	\$ 5,597	\$ 229,216	\$ 250,034

Interfund transfers for the year ended December 31, 2023, consisted of the following:

Transfers In (Other Financing Source)	Transfers out (Other Financing Use)				
	General	Capital Improvements Fund	Taxable Warrant Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ -	\$ -	\$ 771,727	\$ 771,727
Debt Service Fund	24,191,203	33,282	-	10,003	24,234,488
Storm Damage Fund	2,983,763	-	-	709,644	3,693,407
Taxable Warrant Fund	-	-	-	-	-
Other Governmental Funds	1,000,000	-	73,993	-	1,073,993
Total Transfers	\$ 28,174,966	\$ 33,282	\$ 73,993	\$ 1,491,374	\$ 29,773,615

Transfers from the General Fund of \$24,191,203 to the Debt Service Fund were to cover the annual debt service payments. Transfers totaled \$1,000,000 from the General Fund to Nonmajor Governmental Funds. The General Fund transferred \$1,000,000 to the Beach Restoration Fund for beach services including payroll. Transfers totaled \$771,727 from Nonmajor Governmental Funds to the General Fund. Special Funds transferred \$771,727 to the General Fund for expenditures incurred in the General Fund that met the criteria for expenditure of special revenues. The General Fund, 2% Lodgings Tax Fund, and 2018B GO Warrant Fund transferred \$2,983,763, \$450,000 and \$259,644, respectively, to the Storm Damage Fund for the beach renourishment project.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2023, was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 53,618,190	\$ 1,522,016	\$ -	\$ -	\$ 55,140,206
Construction in Progress	<u>28,774,653</u>	<u>29,973,868</u>	<u>-</u>	<u>(1,432,168)</u>	<u>57,316,353</u>
Total capital assets not being depreciated	<u>82,392,843</u>	<u>31,495,884</u>	<u>-</u>	<u>(1,432,168)</u>	<u>112,456,559</u>
Other capital assets					
Buildings, parks facilities, & improvements	52,222,507	1,357,195	-	-	53,579,702
Motor vehicles and equipment	19,856,106	2,328,735	(393,539)	-	21,791,302
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>113,565,493</u>	<u>3,685,930</u>	<u>(393,539)</u>	<u>-</u>	<u>116,857,884</u>
Less accumulated depreciation for:					
Buildings and improvements	22,975,945	1,440,679	-	-	24,416,624
Motor vehicles and equipment	12,500,538	2,174,096	(393,539)	-	14,281,095
Infrastructure	<u>7,456,999</u>	<u>1,159,252</u>	<u>-</u>	<u>-</u>	<u>8,616,251</u>
Total accumulated depreciation	<u>42,933,482</u>	<u>4,774,027</u>	<u>(393,539)</u>	<u>-</u>	<u>47,313,970</u>
Governmental activities other capital assets, net	<u>\$ 153,024,854</u>	<u>\$ 30,407,787</u>	<u>\$ -</u>	<u>\$ (1,432,168)</u>	<u>\$182,000,473</u>

Depreciation expense was charged to governmental functions as follows:

Executive Offices	\$ 611,278
Police	442,460
Fire	851,600
Public Works	1,773,494
Community and Economic Affairs	<u>1,095,195</u>
Total depreciation for governmental activities	<u>\$ 4,774,027</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2023, was as follows:

Public Education Building Authority Enterprise Fund

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 3,792,843	\$ -	\$ -	\$ -	\$ 3,792,843
Other Capital Assets					
Land improvements	203,087	-	-	-	203,087
Buildings	9,346,798	-	-	-	9,346,798
Equipment	261,893	-	-	-	261,893
Total other capital assets at historical cost	<u>9,811,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,811,778</u>
Less accumulated depreciation for:					
Land improvements	203,087	-	-	-	203,087
Buildings	1,368,386	229,095	-	-	1,597,481
Equipment	261,893	-	-	-	261,893
Total accumulated depreciation	<u>1,833,366</u>	<u>229,095</u>	<u>-</u>	<u>-</u>	<u>2,062,461</u>
Other Capital Assets, net	<u>7,978,412</u>	<u>(229,095)</u>	<u>-</u>	<u>-</u>	<u>7,749,317</u>
Business-type activities capital assets, net	<u>\$ 11,771,255</u>	<u>\$ (229,095)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,542,160</u>

Public Parks and Recreation Board Enterprise Fund

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Construction in progress	\$ -	\$ 569,627	\$ -	\$ -	\$ 569,627

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Component Units

Capital asset activity for the discretely presented component unit, the Airport Authority for the year ended September 30, 2023, is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets not being depreciated					
Land	\$ 6,440,329	\$ -	\$ -	\$ -	\$ 6,440,329
Construction in progress	417,951	1,490,347	-	-	1,908,298
Total capital Assets not being depreciated	<u>6,858,280</u>	<u>1,490,347</u>	<u>-</u>	<u>-</u>	<u>8,348,627</u>
Other Capital Assets					
Runways, taxiways, and improvements	25,280,376	-	-	-	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	<u>34,917,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,917,516</u>
Less accumulated depreciation for:					
Runways, taxiways, and improvements	18,649,708	733,898	-	-	19,383,606
Buildings and improvements	975,618	36,024	-	-	1,011,642
Control Tower	114,905	172,358	-	-	287,263
Hanger	342,094	24,434	-	-	366,528
Furniture and equipment	159,511	-	-	-	159,511
Total accumulated depreciation	<u>20,241,836</u>	<u>966,714</u>	<u>-</u>	<u>-</u>	<u>21,208,550</u>
Other Capital Assets, net	<u>14,675,680</u>	<u>(966,714)</u>	<u>-</u>	<u>-</u>	<u>13,708,966</u>
Business-type activities capital assets, net	<u>\$ 21,533,960</u>	<u>\$ 523,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,057,593</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, is as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets not being depreciated					
Land	\$ 5,100,165	\$ 585,309	\$ -	\$ -	\$ 5,685,474
Construction in progress	<u>9,042,031</u>	<u>1,048,985</u>	<u>-</u>	<u>(10,091,016)</u>	<u>-</u>
Total capital Assets not being depreciated	<u>14,142,196</u>	<u>1,634,294</u>	<u>-</u>	<u>(10,091,016)</u>	<u>5,685,474</u>
Other Capital Assets					
Land Improvements	1,068,922	-	-	-	1,068,922
Building	26,542,753	4,737,482	-	-	31,280,235
Building Improvement	5,286,156	13,754,942	-	-	19,041,098
Equipment	1,078,860	164,646	-	-	1,243,506
Vehicles	871,526	225,441	-	-	1,096,967
Leased Right-of-Use Asset - MacBook Air	<u>-</u>	<u>866,655</u>	<u>-</u>	<u>-</u>	<u>866,655</u>
Total other capital assets at historical cost	<u>34,848,217</u>	<u>19,749,166</u>	<u>-</u>	<u>-</u>	<u>54,597,383</u>
Less accumulated depreciation for:					
Land Improvements	67,605	21,379	-	-	88,984
Building	2,164,296	891,906	-	-	3,056,202
Building Improvement	523,247	326,317	-	-	849,564
Equipment	225,682	94,892	-	-	320,574
Vehicles	247,657	118,876	-	-	366,533
Leased Right-of-Use Asset - MacBook Air	<u>-</u>	<u>288,885</u>	<u>-</u>	<u>-</u>	<u>288,885</u>
Total accumulated depreciation/amortization	<u>3,228,487</u>	<u>1,742,255</u>	<u>-</u>	<u>-</u>	<u>4,970,742</u>
Other Capital Assets, net	<u>31,619,730</u>	<u>18,006,911</u>	<u>-</u>	<u>-</u>	<u>49,626,641</u>
Governmental activities capital assets, net	<u>\$ 45,761,926</u>	<u>\$ 19,641,205</u>	<u>\$ -</u>	<u>\$ (10,091,016)</u>	<u>\$ 55,312,115</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023:

<u>Governmental Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation warrants, loan and lease payable	\$ 225,479,751	\$ 17,500,000	\$ (18,226,410)	\$ 224,753,341	\$ 12,438,810
Plus bond premiums/discounts	<u>3,050,347</u>	<u>-</u>	<u>(247,927)</u>	<u>2,802,420</u>	<u>-</u>
Total warrants, loans, and lease payable	<u>228,530,098</u>	<u>17,500,000</u>	<u>(18,474,337)</u>	<u>227,555,761</u>	<u>12,438,810</u>
Other liabilities:					
Compensated Absences	2,182,102	-	(1,339)	2,180,763	145,410
Net pension liability	<u>3,215,150</u>	<u>9,976,493</u>	<u>-</u>	<u>13,191,643</u>	<u>-</u>
Total other liabilities	<u>5,397,251</u>	<u>9,976,493</u>	<u>(1,339)</u>	<u>15,372,406</u>	<u>145,410</u>
Governmental activities long term liabilities	<u>\$ 233,927,349</u>	<u>\$ 27,476,493</u>	<u>\$ (18,475,676)</u>	<u>\$ 242,928,167</u>	<u>\$ 12,584,220</u>

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

<u>Business-Type Activities:</u>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 9,070,000	\$ 8,265,000	\$ (205,000)	\$ 17,130,000	\$ 210,000
Plus bond premiums/discounts	<u>761,965</u>	<u>-</u>	<u>(228,900)</u>	<u>533,065</u>	<u>-</u>
Business-type activities long term liabilities	<u>\$ 9,831,965</u>	<u>\$ 8,265,000</u>	<u>\$ (433,900)</u>	<u>\$ 17,663,065</u>	<u>\$ 210,000</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – LONG-TERM DEBT (CONTINUED)

As of December 31, 2023, the governmental long-term debt consisted of the following:

General Obligation Warrants:

<p>\$8,830,000, Series 2015 General Obligation Warrants, dated March 1, 2015 due in annual principal installments of \$135,000 increasing to \$2,580,000 beginning on December 15, 2015, with a final payment due December 15, 2028. Interest varying from 2.00% to 4.00% per annum payable June 15 and December 15, first payment due December 15, 2015 and last December 15, 2028. Warrant issued to refund construction-related debt and for the construction of certain capital improvements.</p>	\$ 7,950,000
<p>\$7,500,000, Series 2017-A General Obligation Warrants, dated December 22, 2017, due in biannual installments of interest accrued on the outstanding principal balance. Interest of 2.76% per annum payable on the 15th of June and December beginning in June 2018, with final payment due December 15, 2027. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	3,246,891
<p>\$21,820,000, Series 2018-A General Obligation Warrants, dated April 26, 2018 due in annual principal installments of \$665,000 increasing to \$1,665,000 beginning on December 15, 2019, with a final payment due December 15, 2038. Interest varying from 3% to 5% per annum payable June 15 and December 15, first payment due December 15, 2018 and last December 15, 2038. Warrant issued to refund construction-related debt and for the construction of certain capital improvements.</p>	18,170,000
<p>\$15,260,000, Series 2018-B General Obligation Warrants, dated April 26, 2018 due in biannual installments of interest accrued on the outstanding principal balance. Interest varies from 3% to 3.65% per annum payable on the 15th of June and December beginning on December 15, 2018, with a final payment due December 15, 2033. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	10,940,000
<p>\$9,000,000, Series 2020-A General Obligation Warrants, dated April 10, 2020 due in biannual installments of interest accrued on the outstanding principal balance. Interest is a fixed 1.57% per annum payable on the 15th of June and December beginning on June 15, 2020, final payment due December 15, 2025. Warrant issued to refund construction-related debt.</p>	4,575,000
<p>\$17,000,000, Series 2020-B General Obligation School Warrants, dated April 10, 2020 due in biannual installments of interest accrued on the outstanding principal balance. Interest is a fixed 2.21% per annum payable on the 15th of June and December beginning on June 15, 2020, final payment due December 15, 2040. Warrant issued to refund school construction-related debt and for the construction of certain school related capital improvements.</p>	14,899,000
<p>\$10,000,000, Series 2020-C General Obligation Warrants, dated April 10, 2020 due in biannual installments of interest accrued on the outstanding principal balance. Interest is a fixed 2.79% per annum payable on the 15th of June and December beginning on June 15, 2020, with final payment due December 15, 2040. Warrant issued to refund construction related debt and for the construction of certain capital improvements.</p>	8,827,000
<p>\$9,800,000, Series 2020-D General Obligation Warrants, dated October 15, 2020 due in quarterly installments of interest only accrued on the outstanding principal balance. Interest is a fixed 1.99% per annum payable on the last day of January, April, July and October beginning on October 31, 2020. The outstanding principal balance is due on October 31, 2025. Warrant issued for expenses related to capital public and municipal purposes within the City.</p>	1,000,000
<p>\$13,500,000, Series 2020-E General Obligation Warrants, dated November 13, 2020, due in quarterly installments of interest only accrued on the outstanding principal balance. Interest is a fixed 1.98% per annum payable on the 15th of March, June, September and December beginning on March 15, 2021. The outstanding principal balance is due on June 15, 2026. Warrant issued for expenses related to Hurricane Sally and other Council-approved expenditures.</p>	6,500,000

(Continued on Next Page)

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – LONG-TERM DEBT (CONTINUED)

General Obligation Warrants (Continued):

<p>\$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.</p>	144,030,000
<p>\$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.</p>	4,500,000
<p>\$346,351 purchase of information technology switches payable in annual installments of \$115,450 beginning June 1, 2023</p>	115,450
<p>Total Unamortized General Obligation Warrant Issue Premiums</p>	<u>2,802,420</u>
<p>Total Long-Term Debt</p>	<u>\$ 227,555,761</u>

As of December 31, 2023, the business-type long term debt consisted of the following:

Revenue Bonds (Proprietary Fund):

<p>\$10,050,000, Series 2017 Lease Revenue Bonds, dated August 2, 2017 due in variable annual principal installments with a final payment due July 1, 2047. Interest varying from 2.00% to 5% per annum payable every July 1, first payment due July 1, 2018 and last July 1, 2047. Warrant issued for construction of building and improvements.</p>	\$ 8,865,000
<p>\$8,265,000, Series 2017 Taxable Revenue Bonds, dated December 14, 2023 due in variable annual principal installments with a final payment due November 1, 2053. Interest varying from 5.125% to 6.375% per annum payable every November 1, first payment due May 1, 2024 and last November 1, 2053. Warrant issued for construction of multisport facility.</p>	\$ 8,265,000
<p>Total Unamortized Revenue Bond Premiums and Discounts</p>	<u>533,065</u>
<p>Total Long-Term Debt</p>	<u>\$ 17,663,065</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – LONG-TERM DEBT (CONTINUED)

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, 2023, are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 12,590,108	\$ 5,996,063	\$ 210,000	\$ 842,935
2025	13,858,557	5,554,187	220,000	894,794
2026	19,434,006	5,143,214	350,000	885,994
2027	13,325,885	4,795,994	365,000	870,588
2028	12,855,743	4,402,389	390,000	852,013
2029-2033	55,744,778	17,112,563	2,245,000	3,940,944
2034-2038	56,873,411	9,402,702	2,880,000	3,308,088
2039-2043	40,070,853	2,260,778	3,705,000	2,482,031
2044-2048	-	-	4,145,000	1,438,025
2050-2053	-	-	2,620,000	521,794
Total	<u>\$ 224,753,341</u>	<u>\$ 54,667,890</u>	<u>\$ 17,130,000</u>	<u>\$ 16,037,204</u>

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 October 2020, the City approved the issuance of the General Obligation Warrant Series 2020-D for \$9,800,000. The Series 2020-D is structured similar to a line of credit whereby the City advances funds as needed. For the year ending December 31, 2023, the City advanced funds in the amount of \$1,000,000. As of December 31, 2023, the Series 2020-D has an outstanding balance of \$1,000,000.

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, 2023, the City advanced and repaid funds in the amount of \$12,600,000 and \$6,100,000, respectively. As of December 31, 2023, the Series 2020-E has an outstanding balance of \$6,500,000.

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, 2023, the City advanced funds in the amount of \$3,900,000. As of December 31, 2023, the Series 2022-B has an outstanding balance of \$4,500,000.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Component Unit

The following is a summary of changes in long-term liabilities for the School Board for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within one Year
Warrants, Capital Lease and Note Payable:					
BCBE- PSCA Series 2009D	\$ 30,295	\$ -	\$ (7,573)	\$ 22,722	\$ 7,574 *
BCBE PSCA Series 2011A	80,663	-	(20,166)	60,497	20,166 *
BCBE- 2017 Warrant	5,987,448	-	(270,722)	5,716,726	284,986 *
Bus Loan	116,756	-	(15,056)	101,700	15,603
Energy Savings Project Loan	<u>5,900,000</u>	<u>-</u>	<u>(359,090)</u>	<u>5,540,910</u>	<u>347,177</u>
Total Warrants, Capital Lease and Note Payable	<u>12,115,162</u>	<u>-</u>	<u>(672,607)</u>	<u>11,442,555</u>	<u>675,506</u>
Other Liabilities:					
Long term line of credit - City of Gulf Shores (Restated)	15,614,560	-	(715,770)	14,898,790	731,590
Capital Lease	-	866,655	(288,885)	577,770	288,885
Compensated absences	422,359	16,009	-	438,368	43,837
Net Pension Liability	16,905,000	13,112,000	-	30,017,000	-
Net OPEB Liability	<u>8,561,255</u>	<u>-</u>	<u>(5,222,459)</u>	<u>3,338,796</u>	<u>-</u>
Total Other Liabilities	<u>41,503,174</u>	<u>13,994,664</u>	<u>(6,227,114)</u>	<u>49,270,724</u>	<u>1,064,312</u>
Governmental activities long-term liabilities	<u>\$ 53,618,336</u>	<u>\$ 13,994,664</u>	<u>\$ (6,899,721)</u>	<u>\$ 60,713,279</u>	<u>\$ 1,739,818</u>

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

Component Unit (Continued)

Annual debt service requirements to maturity, including principal and interest for the School Board for the year ended September 30, 2023:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	675,506	373,704
2025	698,050	351,783
2026	721,670	326,916
2027	718,630	301,199
2028	743,199	276,402
2029-2033	4,046,671	978,433
2034-2037	<u>3,838,829</u>	<u>300,657</u>
	<u>\$ 11,442,555</u>	<u>\$ 2,909,094</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, was \$345,702.

NOTE 9 – UNEARNED REVENUE

The City has unearned revenues of \$109,121 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, 2023, the City has unearned revenues of \$114,922 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 \$643,233 in the Taxable Warrant Fund from receiving advance funds from Coastal Resort Properties, LP, for reimbursing the City for 50% of the soft costs of the Waterway East Boulevard construction project.

NOTE 10 – ACCUMULATED DEFICIT AND COMMITTED FUND BALANCE

At December 31, 2023, the Storm Damage Fund of the City of Gulf Shores had accumulated total fund balance deficit of \$383,888. It is anticipated that these deficits will be eliminated by future excess revenues over expenses.

There is \$43,544,397 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 \$43,544,397, 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, 2023, was \$1,282,492,340 resulting in a debt limit of \$256,498,468 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 ten-percent lodging tax within Corporate Limits of the Municipality, and a five-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

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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 vested active employee of a participating municipality or city in ERS pursuant of the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active 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*.

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.

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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 608 employers adopted Act 2019-132 as of September 30, 2022.

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 886 local participating employees. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, the City’s membership consisted of:

Retirees and beneficiaries	
currently receiving benefits	49
Vested inactive member	7
Non-vested inactive members	67
Active members	315
Post-DROP retired members still in active service	-
Total	<u>438</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.

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, 2023, the City’s active employee contribution rate was 6.83% of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 5.50% of pensionable payroll.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 – RETIREMENT PLAN (CONTINUED)

The City’s contractually required contribution rate for the year ended September 30, 2023, 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, 2020, 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 \$1,137,709 for the year ended December 31, 2023.

Net Pension Liability: The City’s net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, rolled forward to September 30, 2022, 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 Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) TPL as of September 30, 2021	\$ 45,318,284	\$ 47,216,796	\$ 47,257,280
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	1,881,574	1,881,574	1,883,110
(d) Transfers Among Employers	-	(261,398)	(261,398)
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	<u>(1,519,089)</u>	<u>(1,519,089)</u>	<u>(1,519,089)</u>
(f) TPL as of September 30, 2022 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))	<u>\$ 49,000,395</u>	<u>\$ 50,778,948</u>	<u>\$ 50,823,985</u>
(g) Difference between Expected and Actual:		\$ 1,778,553	
(h) Less Liability Transferred for Immediate Recognition:		\$ (261,398)	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 2,039,951	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 45,037

Actuarial assumptions: The total pension liability as of September 30, 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. 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

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 – RETIREMENT PLAN (CONTINUED)

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, 2021, 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:

	Target Allocation	Long-Term Expected Rate of Return*
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%.

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 – RETIREMENT PLAN (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at September 30, 2021	\$ 45,318,284	\$ 42,103,134	\$ 3,215,150
Changes for the year:			
Service cost	1,881,574	-	1,881,574
Interest	3,319,626	-	3,319,626
Changes of benefit terms	45,037	-	45,037
Changes of assumptions	-	-	-
Difference between expected and actual experience	2,039,951	-	2,039,951
Contributions - employer	-	1,325,403	(1,325,403)
Contributions - employee	-	1,431,254	(1,431,254)
Net investment income	-	(5,446,962)	5,446,962
Benefit payments, including refunds of employee contributions	(1,519,089)	(1,519,089)	-
Administrative expense	-	-	-
Transfers among employers	(261,398)	(261,398)	-
Net changes	<u>5,505,701</u>	<u>-</u>	<u>9,976,493</u>
Balance at September 30, 2022	<u>\$ 50,823,985</u>	<u>\$ 42,103,134</u>	<u>\$ 13,191,643</u>

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)	\$ 20,639,514	\$ 13,191,643	\$ 7,034,191

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. 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/>.

CITY OF GULF SHORES, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2023

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, 2023, the City recognized pension expense of \$1,137,709 in the fund level financial statements. At September 30, 2023, 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	\$ 2,697,278	\$ 609,518
Changes of assumptions	2,106,772	-
Net difference between projected and actual earnings on plan investments	4,437,818	-
Employer contributions subsequent to the Measurement Date	1,137,709 *	-
Total	\$ 10,379,577	\$ 609,518

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, 2024. 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		
2024	\$	1,789,811
2025		1,537,105
2026		1,377,974
2027		2,366,115
2028		615,354
Thereafter		945,991

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, 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 - Phase 2	6618-22	\$ 337,306	\$ 157,458	\$ 179,848
McElhenney Construction	Beach Walking District - Phase II	6723-23	3,540,662	544,358	2,996,304
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	5,534,778	2,311,560
Jade Consulting LLC	Professional Services for West 4th Street Bridge (Prelim Design)	6379-21	15,000	11,500	3,500
Jade Consulting LLC	Professional Services for West 4th Street / Windmill Ridge Rd Improvements	6734-23	289,950	33,875	256,075
Volkert & Associates	Program Management for Justice Center	6548-22	910,000	540,313	369,688
Police Facility Design Group	Professional Services for Justice Center	6549-22	2,058,260	1,545,255	513,005
Engineering Design Group, LLC	Professional Services for Medical Village Stormwater Detention	6729-23	18,000	3,600	14,400
Barge Design Solutions	Professional Services for Waterway West Preliminary Design	6538-22	22,500	18,000	4,500
Sawgrass Consulting, LLC	Professional Services for Fire Training Center (Design)	6521-22	72,185	66,580	5,605
Sawgrass Consulting, LLC	Professional Services for Fire Training Center (CEI)	6764-23	74,770	9,175	65,595
Asphalt Services, Inc.	Fire Training Center - Civil Package	6749-23	1,864,277	-	1,864,277
Engineering Design Group, LLC	Professional Services for North-South Collector Rd (Oak Rd E Extension)	6550-22	\$ 70,895	\$ 66,263	\$ 4,633

(Continued)

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contractor/Engineer	Construction/Professional Services Project	Resolution Number	Contract Amount Including Change Orders	Approximate Expenditures Incurred To Date	Approximate Balance of Contract
(Continued)					
Asphalt Services, Inc.	Oak Rd E Extension	6721-23	\$ 1,133,788	\$ 26,210	\$ 1,107,578
McElhenney Construction	West 6th St Beach Access Improvements	6599-22	425,000	348,658	76,342
Asphalt Services, Inc.	Waterway East Improvements Project	6607-22	19,203,060	6,619,670	12,583,390
John G. Walton Construction Co.	SR 59 Widening & Access Management Improvement Project	6619-22	10,386,561	2,565,768	7,820,793
John G. Walton Construction Co.	Hwy 59 Alleyway Project	6722-23	399,157	25,230	373,927
Architecture Works LLP	Professional Services for the Gulf Coast Center for Ecotourism & Sustainability	6195-19, 6315-20, 6576-22	1,610,507	1,324,343	286,164
Green-Simmons Company, Inc.	Gulf Coast Center for Ecotourism & Sustainability	6662-23	11,429,194	2,476,888	8,952,306
McElhenney Construction	Traffic Signal at W 2nd St & Hwy 180	6642-23	538,319	117,908	420,411
Dix.Hite + Partners	Coastal Gateway Community Park & North/South Connector Road	6738-23	1,649,000	453,071	1,195,929
Olsen and Associates	Professional Services for Engineered Beach	6581-22	282,590	128,743	153,847
Great Lakes Dredge and Docking, LLC	Beach Renourishment Dredge Contractor	6731-23	18,200,000	16,341,584	1,858,416
Goodwyn, Mills and Volkert & Associates	Architect Services for Highschool Building	6583-22	7,898,093	5,660,392	2,237,701
	High School Program Management	6584-22	4,406,800	2,733,750	1,673,050
Cunningham Delaney	High School Site Work Package	6633-23	7,463,456	6,824,386	290,394
Dell Consulting	FS1 HVAC	6746-23	43,270.00	33,928	9,342
Volkert & Associates	Program Management 200/300 Renovations	6584-22	314,770	192,359	122,411
RH DEAS	200 and 300 Elementary Renovation General Contractor	6690-23	1,748,861	1,661,898	86,963
Stantec Consulting Services	Little Lagoon Restoration Project -	6696-23	424,000	137,707	286,293
Auburn University	Little Lagoon Restoration Project -	6675-23	882,584	2,515	880,069
RH DEAS	200 and 300 Elementary Renovation General Contractor	6690-23	1,748,861	1,661,898	86,963
Stantec Consulting Services	Little Lagoon Restoration Project -	6696-23	424,000	137,707	286,293
Auburn University	Little Lagoon Restoration Project - RESTORE	6675-23	\$ 882,584	\$ 2,515	\$ 880,069

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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, 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, 2023, 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, 2023, was \$230,599.

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, 2023, was \$111,643.

The Airport implemented GASBS No. 87 for the year ended September 30, 2022. The lease receivable for leases effective during implementation period was discounted to a net present value at the commencement date, using a 4% interest rate, the weighted average of the prime rate for the 2022 fiscal year. The lease receivable for leases effective during the 2023 fiscal year was discounted to a net present value at the commencement date, using an 8% interest rate, the weighted average of the prime rate for the 2023 fiscal year.

	Lease Receivable as of September 30, 2023
Saunders Engine and Equipment Company, Inc.	\$ 1,430,985
Gulf Air Center, Inc.	2,427,945
Other Leases	<u>2,167,875</u>
Total	<u><u>\$ 6,026,805</u></u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 14 – AIRPORT LEASES (CONTINUED)

For the year ended September 30, 2023, the Airport received \$319,587 in lease revenue and \$149,152 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:

Fiscal Year Ending September 30,	Principal	Interest	Payment
2024	\$ 314,766	\$ 182,326	\$ 497,092
2025	304,138	197,145	501,283
2026	294,346	211,962	506,308
2027	281,583	221,078	502,661
2028	260,862	223,234	484,096
2029-2033	1,177,715	1,287,611	2,465,326
2034-2038	954,084	1,475,205	2,429,289
2039-2043	723,639	1,492,242	2,215,881
2044-2048	599,354	1,643,229	2,242,583
2049-2053	498,271	1,783,587	2,281,858
2054-2058	222,272	1,064,730	1,287,002
2059-2063	113,514	821,533	935,047
2064-2068	58,797	613,327	672,124
2069-2073	49,118	636,449	685,567
2074-2078	41,032	658,246	699,278
2079-2083	34,278	678,986	713,264
2084-2088	28,635	698,894	727,529
2089-2093	23,921	718,158	742,079
2094-2098	19,983	736,938	756,921
2099-2103	16,694	755,366	772,060
2104-2107	9,802	526,930	536,732
Total minimum lease rentals	<u>\$ 6,026,804</u>	<u>\$ 16,627,176</u>	<u>\$ 22,653,980</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 – SCHOOL BOARD LEASE

The School Board, a component unit of the primary government, entered into a 3-year lease agreement, effective October 15, 2022, with Apple Inc. The Board, as lessee, agrees to certain conditions for the use of 900 laptops at a total cost of \$866,655. Per the agreement, the Board is to pay three annual installments of \$288,885 which includes interest. For the year ended September 30, 2023, the annual expense for this lease was \$288,885.

The Board used the Original Issue Discount for federal income tax purposes per the agreement to discount the annual lease payment to recognize a right of use asset and lease liability as of September 30, 2023. The discount rate is 4.83% per annum.

Annual requirements to amortize this lease liability and related interest are as follows:

For the year ending September 30,	Principal	Interest	Total
2024	\$ 275,572	\$ 13,313	\$ 288,885
2025	<u>262,873</u>	<u>26,012</u>	<u>288,885</u>
	<u>\$ 538,445</u>	<u>\$ 39,325</u>	<u>\$ 577,770</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 16 – GROUND LEASE

In November 2019, the City entered into an agreement with Foley Hospital Corporation (the Tenant) whereby the Tenant leases a parcel of property from the City that is to be used for a stand-alone emergency and diagnostic medical facility. The Tenant is responsible for construction and operation of the facility. The City is responsible for roadway access improvements of which the Tenant will pay the lesser of 50% of construction costs or \$500,000. During 2021, the City received \$500,000 from the Tenant toward construction costs. As of December 31, 2023, construction of the roadway access improvements is still in progress.

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

NOTE 17 – PUBLIC EDUCATION BUILDING AUTHORITY

On October 5, 1992, the City Council of the City of Gulf Shores, Alabama approved the Certificate of Incorporation establishing The Public Education Building Authority of the City of Gulf Shores, Alabama (PEBA). The objective for which the corporation was organized are to acquire, purchase, construct, remodel, alter, operate, maintain, equip and furnish public educational buildings and related facilities, as provided in Chapter 18 of Title 16 of the Code of Alabama 1975. The Public Education Building Authority of the City of Gulf Shores, Alabama has been reflected as a proprietary fund of the City of Gulf Shores, Alabama.

In 2017, the PEBA entered into a lease agreement with Auburn University whereby the PEBA issued \$10,050,000 of lease revenue bonds (see Note 7) to finance the purchase of real property and the construction and equipping of an educational complex. The lease agreement calls for Auburn University to make lease payments on or before five business days prior to any interest or principal payments due on the bonds until the debt service has been paid in full. Therefore, the lease agreement calls for non-cancelable lease payments through July 1, 2047.

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, 2023, the City received \$526,062 in lease revenue and \$80,713 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:

Fiscal Year Ending December 30,	Principal	Interest	Payment
2024	\$ 481,064	\$ 127,635	\$ 608,699
2025	463,778	146,522	610,300
2026	443,164	163,336	606,500
2027	391,600	215,900	607,500
2028	374,948	235,802	610,750
2029-2033	1,615,881	1,423,619	3,039,500
2034-2038	1,408,978	1,631,322	3,040,300
2039-2043	1,040,184	1,998,566	3,038,750
2044-2047	829,008	1,606,392	2,435,400
Total minimum lease payments	<u>\$ 7,048,605</u>	<u>\$ 7,549,094</u>	<u>\$ 14,597,699</u>

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 18 – PUBLIC PARKS AND RECREATION BOARD

On February 16, 2011, the City Council of the City of Gulf Shores, Alabama approved the Certificate of Incorporation establishing the Public Parks and Recreation Board of the City of Gulf Shores, Alabama (PPRB). The PPRB is responsible for the direction, supervision and promotion of such recreation programs as will contribute to the general welfare of the residents of the City, as provided in Chapter 86 of Title 11 of the Code of Alabama 1975. The Public Parks and Recreation Board of the City of Gulf Shores, Alabama has been reflected as a proprietary fund of the City of Gulf Shores, Alabama.

In 2023, the PPRB entered into a lease agreement with Alabama Gulf Coast Sports Center, LLC (Lessee) whereby the PPRB issued \$8,265,000 of taxable revenue bonds (see Note 7) to finance the construction of an approximately 40,000 square foot multisport facility. The lease agreement calls for Alabama Gulf Coast Sports Center, LLC to make lease payments on or before the 10th business day of each month, beginning November 10, 2025. The lessee shall make 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 November 1, 2053.

The lease receivable for the lease was discounted to a net present value at the commencement date, using the average coupon rate per the bond issue of 6.22%. Minimum future lease payments due to the City under non-cancelable agreements are as follows for the years ending December 31:

Fiscal Year Ending December 31,	Principal	Interest	Payment
2024	\$ -	\$ -	\$ -
2025	92,434	12,482	104,916
2026	534,782	94,477	629,259
2027	502,084	126,533	628,617
2028	473,591	157,280	630,871
2029-2034	2,294,213	1,481,872	3,776,085
2035-2039	1,357,604	1,791,300	3,148,904
2040-2044	994,735	2,151,217	3,145,952
2045-2049	729,522	2,416,497	3,146,019
2050-2053	424,184	2,485,166	2,909,350
Total minimum lease payments	<u>\$ 7,403,149</u>	<u>\$ 10,716,824</u>	<u>\$ 18,119,973</u>

NOTE 19 – 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.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 20 – 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, \$325,283 compensated absences were paid out, leaving an unfunded balance of \$1,016,611 at December 31, 2023.

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 2023, there was \$149,862 of early retirement sick leave paid out by the City to eligible retirees.

NOTE 21 – 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 22 – LITIGATION

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. The class action lawsuit was settled in 2023. The City agreed to pay the sum of \$3,900,000 that would be apportioned among the Class Representatives and Counsel and various capital improvements. Of the settled amount, \$3,300,00 would fund capital improvements of at least a \$1,000,000 for City schools and the remainder for County Road 6 and Highway 59 widening and expansion and public beach parking.

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 23 – PRIOR PERIOD ADJUSTMENT

In fiscal year 2023, the City reclassified \$2,638,975 from account “Due From Component Units” to the Government-Wide Net Position. This amount represents total expenditures in excess of the General Obligation School Warrant Series 2020-B principal balance of \$17 million. This debt was issued by the City of Gulf Shores; additional information of the debt issue is presented in Note 7. The City of Gulf Shores used the debt proceeds to fund several construction projects at the existing school campus of the Gulf Shores City School Board of Education. The total cost of all projects exceeded the \$17 million budget, thus creating an excess that the City of Gulf Shores would appropriate to the school system. The change to the Government-Wide Net Position balance is presented below:

	Government-Wide Net Position as of December 31, 2023
Previously Reported Net Position	\$ 149,665,698
Prior Period Adjustment	(2,638,975)
Restated Net Position	\$ 147,026,723

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 24 – EFFECT OF NEW PRONOUNCEMENTS

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

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 fiscal 2022 has no effect on the City's financial statements. Regarding the requirements effective for fiscal year 2023, the City has implemented the leasing requirement and deemed the other requirements to have no effect on the City's financial statements. As for the requirements effective for the 2024 fiscal year, 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 25 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through July 12, 2024, the date these financial statements were available to be issued.

In January 2024, the City awarded a bid to Asphalt Services, Inc. for the construction of the Waterway Village Pedestrian Bridge Detour. The contract amount is not to exceed \$1,800,000.

In February 2024, the City award a bid to Rabren Construction for the construction of a new Gulf Shores High School campus. Construction costs are not to exceed \$131,000,000. As of the date of the Auditors' Report, the City had incurred costs of approximately \$4,835,579. In July 2024, the City amended the contract with Rabren Construction for additional construction of a covered practice pavilion to be located at the new campus. The cost of this change order is not to exceed \$6,817,304.

In March 2024, the City authorized a second amendment to the contract with Goodwyn, Mills & Cawood, Inc. (GMC) The initial contract was approved during the 2022 fiscal year, and GMC. was to prepare design, construction and bid document for the new high school campus. The original contract amount was \$6,490,300. The amendment adjusts the fee for GMC based upon the total construction value of both site work and the building, plus 75% of the anticipated cost of the covered practice pavilion. The amendment increases the contract amount by \$1,407,793.

In March 2024, the City accepted a proposal by Police Facility Design Group (PFDG) to perform professional services for the Gulf Shores Justice Center. The contract amount is not to exceed \$1,474,580.

The City authorized a reimbursement agreement between the City and the Gulf Shores Utilities Board for the relocation of utilities required for the Hwy 59 Widening project. The first agreement was approved in April 2024 for an amount of \$3,551,746, and the second agreement was approved in May 2024 for an amount of \$287,060.

CITY OF GULF SHORES, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 23 – SUBSEQUENT EVENTS (CONTINUED)

In May 2024, the City authorized an amendment to the Master Agreement with Volkert, Inc. The Master Agreement was initially approved during the 2020 fiscal year, and Volkert, Inc. was to provide professional services for several transportation projects. The original contract amount was \$3,787,404. The amendment increases the contract amount to \$5,006,757.

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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 4,944,000	\$ 4,944,000	\$ 6,176,986	\$ 1,232,986
Local Taxes	47,245,000	59,045,000	60,013,144	968,144
Licenses and Permits	4,794,000	6,304,000	6,783,558	479,558
Fines and Forfeitures	500,000	500,000	485,184	(14,816)
Utility Tax Equivalents	1,762,000	1,931,070	2,160,719	229,649
Intergovernmental:				
Federal and State Grants	60,500	60,500	71,183	10,683
State of Alabama - Taxes	439,400	439,400	540,815	101,415
Interest income	400,000	400,000	1,682,911	1,282,911
Other receipts	2,271,994	2,421,994	2,812,996	391,002
Total Revenues	<u>62,416,894</u>	<u>76,045,964</u>	<u>80,727,496</u>	<u>4,681,532</u>
EXPENDITURES				
Executive Department	6,760,879	7,039,578	7,146,353	106,775
Municipal Court	547,321	512,929	537,884	24,955
Police Department	9,514,290	9,420,526	9,005,607	(414,919)
Fire and Emergency Services	8,661,565	9,152,105	9,064,204	(87,901)
Community and Economic Affairs	8,573,076	8,815,166	8,754,720	(60,446)
Public Works	8,394,592	8,822,256	8,774,237	(48,019)
Appropriations	1,198,148	1,233,378	1,200,955	(32,423)
Total Expenditures	<u>43,649,871</u>	<u>44,995,938</u>	<u>44,483,960</u>	<u>(511,978)</u>
Excess of revenues over expenditures	<u>18,767,023</u>	<u>31,050,026</u>	<u>36,243,536</u>	<u>5,193,510</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of capital assets	-	-	78,884	78,884
Transfers from Other Funds	3,309,844	555,000	771,727	216,727
Transfer to Other Funds	(19,277,583)	(28,626,345)	(28,174,966)	451,379
Total Other Financing Uses	<u>(15,967,739)</u>	<u>(28,071,345)</u>	<u>(27,324,355)</u>	<u>746,990</u>
Net Change in Fund Balances	<u>\$ 2,799,284</u>	<u>2,978,681</u>	<u>\$ 8,919,181</u>	<u>\$ 5,940,500</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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 1,137,709	\$ 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>1,137,709</u>	<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**	\$ 21,222,147	\$ 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	5.36%	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 FY2023 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 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023*:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	18.3 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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 1,881,574	\$ 1,552,031	\$ 1,309,597	\$ 1,257,424	\$ 1,152,025	\$ 1,160,777	\$ 1,042,057	\$ 1,039,908	\$ 984,884
Interest	3,319,626	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	45,037	-	1,123,346	-	-	-	-	-	-
Differences between expected and actual experience	2,039,951	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	(1,519,089)	(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	(261,398)	(76,204)	1,596	(3,588)	92,942	(438,378)	(130,057)	-	-
Net change in total pension liability	5,505,701	5,631,360	3,986,368	3,671,315	1,891,008	2,097,777	2,150,811	1,285,719	1,763,065
Total pension liability-beginning	45,318,284	39,686,924	35,700,556	32,029,241	30,138,233	28,040,456	25,889,645	24,603,926	22,840,861
Total pension liability-ending (a)	\$ 50,823,985	\$ 45,318,284	\$ 39,686,924	\$ 35,700,556	\$ 32,029,241	\$ 30,138,233	\$ 28,040,456	\$ 25,889,645	\$ 24,603,926
Plan fiduciary net position									
Contributions - employer	\$ 1,325,403	\$ 1,219,317	\$ 4,513,972	\$ 972,694	\$ 940,350	\$ 936,184	\$ 1,012,511	\$ 952,313	\$ 959,691
Contributions - member	1,431,254	1,284,189	1,145,886	901,767	844,796	770,689	769,340	643,754	626,907
Net investment income	(5,446,962)	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	(1,519,089)	(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	(261,398)	(76,204)	1,596	(3,588)	92,942	(438,378)	(130,057)	(261,088)	(176,551)
Administrative expense	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(4,470,792)	8,425,561	6,316,982	1,508,241	2,965,738	2,856,824	2,359,429	133,082	2,258,614
Plan net position - beginning	42,103,134	33,677,573	27,360,591	25,852,350	22,886,612	20,029,788	17,670,359	17,537,277	15,278,663
Plan net position - ending (b)	\$ 37,632,342	\$ 42,103,134	\$ 33,677,573	\$ 27,360,591	\$ 25,852,350	\$ 22,886,612	\$ 20,029,788	\$ 17,670,359	\$ 17,537,277
Net pension liability (asset) - ending	\$ 13,191,643	\$ 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	74.04%	92.91%	84.86%	76.64%	80.71%	75.94%	71.43%	68.25%	71.28%
Covered payroll*	\$ 17,893,337	\$ 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	74%	18%	34%	52%	42%	54%	57%	70%	60%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2023 the measurement period is October 1, 2021 - September 30, 2022. 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, 2023

	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
ASSETS								
Cash and cash equivalents	\$ 4,044,279	\$ -	\$ -	\$ 28,698	\$ 757,962	\$ -	\$ -	\$ 4,830,939
Restricted cash and cash equivalents	-	959,262	4,034,550	-	-	1,348,243	12,465	6,354,520
Accounts receivable	-	-	-	-	26,878	-	-	26,878
Due from oher funds	-	15,221	-	-	-	-	-	15,221
Due from other governments	-	-	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-	-
Prepays and other assets	-	-	-	-	-	918,568	-	918,568
Total Assets	\$ 4,044,279	\$ 974,483	\$ 4,034,550	\$ 28,698	\$ 784,840	\$ 2,266,811	\$ 12,465	\$ 12,146,126
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 82,874	\$ -	\$ 15,032	\$ 162,076	\$ -	\$ 259,982
Payroll taxes and benefits payable	-	-	-	-	37,100	-	-	37,100
Other liabilities	-	-	-	-	18,000	8,716	-	26,716
Due to other funds	-	-	-	-	-	-	-	-
Total Liabilities	-	-	82,874	-	70,132	170,792	-	323,798
FUND BALANCE								
Nonspendable								
Prepays	-	-	-	-	-	918,568	-	918,568
Restricted								
Capital Improvements	-	974,483	3,951,676	-	-	1,177,451	12,465	6,116,075
Committed								
Beach Restoration	4,044,279	-	-	-	-	-	-	4,044,279
Assigned	-	-	-	28,698	714,708	-	-	743,406
Total Fund Balances	4,044,279	974,483	3,951,676	28,698	714,708	2,096,019	12,465	11,822,328
Total Liabilities, Deferred Inflow of Resources and Fund Balance	\$ 4,044,279	\$ 974,483	\$ 4,034,550	\$ 28,698	\$ 784,840	\$ 2,266,811	\$ 12,465	\$ 12,146,126

CITY OF GULF SHORES, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	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	\$ -	\$ 557,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 557,876
Intergovernmental:								
State of Alabama taxes	-	668,485	-	-	-	-	-	668,485
Federal and State grants	-	-	-	-	350,000	-	-	350,000
Interest income	224,929	5,891	31,802	536	3,234	3,266	17,134	286,792
Impact fees	-	-	2,813,483	-	-	-	-	2,813,483
Other receipts	-	-	-	5,265	1,495,025	-	-	1,500,290
Total Revenues	<u>224,929</u>	<u>1,232,252</u>	<u>2,845,285</u>	<u>5,801</u>	<u>1,848,259</u>	<u>3,266</u>	<u>17,134</u>	<u>6,176,926</u>
EXPENDITURES								
Current Operating:								
Police	-	-	104,856	-	624,906	-	-	729,762
Fire	-	-	130,376	-	-	-	-	130,376
Community and Economic Affairs	-	-	651,850	-	-	-	-	651,850
Public Works	-	-	505,497	-	1,768,783	-	-	2,274,280
Capital outlay	-	-	-	-	18,000	2,760,358	-	2,778,358
Miscellaneous	-	53,363	-	-	17,590	-	-	70,953
Total Expenditures	<u>-</u>	<u>53,363</u>	<u>1,392,579</u>	<u>-</u>	<u>2,429,279</u>	<u>2,760,358</u>	<u>-</u>	<u>6,635,579</u>
Excess (Deficiency) of revenues Over Expenditures	<u>224,929</u>	<u>1,178,889</u>	<u>1,452,706</u>	<u>5,801</u>	<u>(581,020)</u>	<u>(2,757,092)</u>	<u>17,134</u>	<u>(458,653)</u>
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	-	-	4,900,000	-	4,900,000
Transfers in	-	-	-	-	1,000,000	-	73,993	1,073,993
Transfers out	(450,000)	(771,727)	-	-	-	-	(269,647)	(1,491,374)
Total Other Financing Sources (Uses)	<u>(450,000)</u>	<u>(771,727)</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>4,900,000</u>	<u>(195,654)</u>	<u>4,482,619</u>
Net Change in Fund Balance	<u>(225,071)</u>	<u>407,162</u>	<u>1,452,706</u>	<u>5,801</u>	<u>418,980</u>	<u>2,142,908</u>	<u>(178,520)</u>	<u>4,023,966</u>
Fund Balances (Deficit) - Beginning	<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>190,985</u>	<u>7,798,362</u>
Fund Balances (Deficit) - Ending	<u>\$ 4,044,279</u>	<u>\$ 974,483</u>	<u>\$ 3,951,676</u>	<u>\$ 28,698</u>	<u>\$ 714,708</u>	<u>\$ 2,096,019</u>	<u>\$ 12,465</u>	<u>\$ 11,822,328</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Interest income	\$ -	\$ -	\$ 224,929	\$ 224,929
Total Revenues	<u>-</u>	<u>-</u>	<u>224,929</u>	<u>224,929</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>224,929</u>	<u>224,929</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	4,454,804	-	(4,454,804)
Transfer to Other Funds	<u>-</u>	<u>(4,454,804)</u>	<u>(450,000)</u>	<u>4,004,804</u>
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(450,000)</u>	<u>(450,000)</u>
Net Change in Fund Balances	-	-	(225,071)	(225,071)
Fund Balance, beginning	<u>4,269,350</u>	<u>4,269,350</u>	<u>4,269,350</u>	<u>-</u>
Fund Balance, ending	<u>\$ 4,269,350</u>	<u>\$ 4,269,350</u>	<u>\$ 4,044,279</u>	<u>\$ (225,071)</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, 2023

	<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	\$ 341,039	\$ 126,039
Law Enforcement:				-
Federal Equity Sharing	-	-	341,956	341,956
State, Local & Other	-	-	7,470	7,470
Alabama Gasoline Excise Tax				
Four per gallon	12,000	12,000	21,512	9,512
Five per gallon	8,000	8,000	10,617	2,617
Seven per gallon	25,000	25,000	37,161	12,161
Ten per gallon	70,000	70,000	101,960	31,960
Petroleum Inspection Fees	4,000	4,000	5,863	1,863
Motor Fuel Distribution	1,000	1,000	1,882	882
State Shared Capital Improvement Fund	125,000	125,000	140,064	15,064
Corrections Fund	100,000	100,000	159,148	59,148
Municipal Court Judicial Administrative Fund	35,000	35,000	57,689	22,689
Interest income	-	-	5,891	5,891
Total Revenues	<u>595,000</u>	<u>595,000</u>	<u>1,232,252</u>	<u>637,252</u>
EXPENDITURES				
Account Administration	35,000	35,000	53,363	18,363
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>53,363</u>	<u>18,363</u>
Excess of revenues over expenditures	<u>560,000</u>	<u>560,000</u>	<u>1,178,889</u>	<u>655,615</u>
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund				
Corrections	(100,000)	(100,000)	(150,000)	(50,000)
Firefighters Ad Valorem	(215,000)	(215,000)	(275,000)	(60,000)
Law Enforcement	-	-	(1,727)	(1,727)
Alabama Gasoline Excise Tax	(115,000)	(115,000)	(205,000)	(90,000)
State Capital Improvements	(125,000)	(125,000)	(140,000)	(15,000)
Total Other Financing Uses	<u>(555,000)</u>	<u>(555,000)</u>	<u>(771,727)</u>	<u>(216,727)</u>
Net Change in Fund Balances	5,000	5,000	407,162	438,888
Fund Balance, beginning	<u>567,321</u>	<u>567,321</u>	<u>567,321</u>	<u>-</u>
Fund Balance, ending	<u>\$ 572,321</u>	<u>\$ 572,321</u>	<u>\$ 974,483</u>	<u>\$ 438,888</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Parks & Recreation	\$ 527,215	\$ 588,930	\$ 1,445,104	\$ 856,174
Fire	137,000	137,000	223,114	86,114
Police	129,000	153,000	148,925	(4,075)
Public Works	750,000	750,000	996,340	246,340
Interest income	7,785	7,785	31,802	24,017
Total Revenues	<u>1,551,000</u>	<u>1,636,715</u>	<u>2,845,285</u>	<u>1,208,570</u>
EXPENDITURES				
Current				
Fire	137,000	137,000	130,376	(6,624)
Recreation	535,000	596,715	651,850	55,135
Public Works	750,000	505,500	505,497	(3)
Police	129,000	153,000	104,856	(48,144)
Total Expenditures	<u>1,551,000</u>	<u>1,392,215</u>	<u>1,392,579</u>	<u>364</u>
Net Change in Fund Balances	-	244,500	1,452,706	1,208,206
Fund Balance, beginning	<u>2,498,970</u>	<u>2,498,970</u>	<u>2,498,970</u>	-
Fund Balance, ending	<u>\$ 2,498,970</u>	<u>\$ 2,743,470</u>	<u>\$ 3,951,676</u>	<u>\$ 1,208,206</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	\$ -	\$ 3,234	\$ 3,234
Federal and State grants	-	350,000	350,000	-
Other	685,020	1,483,020	1,495,025	12,005
Total Revenues	<u>685,020</u>	<u>1,833,020</u>	<u>1,848,259</u>	<u>15,239</u>
EXPENDITURES				
Police	388,135	636,610	624,906	11,704
Public Works	1,177,957	1,769,997	1,768,783	1,214
Miscellaneous	12,000	12,000	17,590	
Beach Restoration	3,000	18,000	18,000	-
Total Expenditures	<u>1,581,092</u>	<u>2,436,607</u>	<u>2,429,279</u>	<u>12,918</u>
Excess of revenues over expenditures	<u>(896,072)</u>	<u>(603,587)</u>	<u>(581,020)</u>	<u>2,321</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	710,000	1,000,000	1,000,000	-
Total Other Financing Uses	<u>710,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Net Change in Fund Balances	(186,072)	396,413	418,980	2,321
Fund Balance, beginning	<u>295,728</u>	<u>295,728</u>	<u>295,728</u>	<u>-</u>
Fund Balance, ending	<u>\$ 109,656</u>	<u>\$ 692,141</u>	<u>\$ 714,708</u>	<u>\$ 2,321</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 2,754,844	\$ 2,754,844	\$ 3,276,855	\$ 522,011
Net increase (decrease) in the fair value of investments	-	-	2,454,479	2,454,479
Total Revenues	<u>2,754,844</u>	<u>2,754,844</u>	<u>5,731,334</u>	<u>2,976,490</u>
EXPENDITURES				
Appropriation	-	30,459,181	7,739,716	(22,719,465)
City School Improvements	30,459,181	-	11,193,042	11,193,042
Miscellaneous	-	-	45	45
Total Expenditures	<u>30,459,181</u>	<u>30,459,181</u>	<u>18,932,803</u>	<u>(11,526,378)</u>
Excess of revenues over expenditures	<u>(27,704,337)</u>	<u>(27,704,337)</u>	<u>(13,201,469)</u>	<u>14,502,868</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt	30,459,181	30,459,181	-	(30,459,181)
Transfer From Other Funds	-	2,754,844	-	(2,754,844)
Transfer to Other Funds	<u>(2,754,844)</u>	<u>(2,754,844)</u>	<u>(33,282)</u>	<u>2,721,562</u>
Total Other Financing Uses	<u>27,704,337</u>	<u>30,459,181</u>	<u>(33,282)</u>	<u>(30,492,463)</u>
Net Change in Fund Balances	-	2,754,844	(13,234,751)	44,995,331
Fund Balance, beginning	<u>154,983,713</u>	<u>154,983,713</u>	<u>154,983,713</u>	<u>-</u>
Fund Balance, ending	<u>\$154,983,713</u>	<u>\$ 157,738,557</u>	<u>\$ 141,748,962</u>	<u>\$ 44,995,331</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	\$ -	\$ 2,472	\$ 2,472
Total Revenues	<u>-</u>	<u>-</u>	<u>2,472</u>	<u>2,472</u>
EXPENDITURES				
Miscellaneous	8,000	8,000	9,060	1,060
Principal	12,125,860	18,225,860	18,226,410	550
Interest	6,410,645	6,410,645	6,001,011	(409,634)
Total Expenditures	<u>18,544,505</u>	<u>24,644,505</u>	<u>24,236,481</u>	<u>(408,024)</u>
Excess of revenues over expenditures	<u>(18,544,505)</u>	<u>(24,644,505)</u>	<u>(24,234,009)</u>	<u>410,496</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	18,544,505	24,644,505	24,234,488	410,017
Total Other Financing Uses	<u>18,544,505</u>	<u>24,644,505</u>	<u>24,234,488</u>	<u>410,017</u>
Net Change in Fund Balances	-	-	479	479
Fund Balance, beginning	<u>777</u>	<u>777</u>	<u>777</u>	<u>-</u>
Fund Balance, ending	<u>\$ 777</u>	<u>\$ 777</u>	<u>\$ 1,256</u>	<u>\$ 479</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal and State Grants	\$ 3,892,076	\$ 10,942,297	\$ 8,666,737	\$ (2,275,560)
State of Alabama - Taxes	-	-	1,488,768	1,488,768
Total Revenues	<u>3,892,076</u>	<u>10,942,297</u>	<u>10,155,505</u>	<u>(2,275,560)</u>
EXPENDITURES				
Public Works	-	-	16,621,380	16,621,380
Storm damage	6,277,027	18,638,076	-	(18,638,076)
Miscellaneous	-	-	701	701
Total Expenditures	<u>6,277,027</u>	<u>18,638,076</u>	<u>16,622,081</u>	<u>(2,015,995)</u>
Excess of revenues over expenditures	<u>(2,384,950)</u>	<u>(7,695,778)</u>	<u>(6,466,576)</u>	<u>(259,566)</u>
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	23,078	3,240,975	3,693,407	452,432
Total Other Financing Uses	<u>23,078</u>	<u>3,240,975</u>	<u>3,693,407</u>	<u>452,432</u>
Net Change in Fund Balances	(2,361,872)	(4,454,803)	(2,773,169)	192,866
Fund Balance, beginning	<u>2,389,281</u>	<u>2,389,281</u>	<u>2,389,281</u>	<u>-</u>
Fund Balance, ending	<u>\$ 27,409</u>	<u>\$ (2,065,522)</u>	<u>\$ (383,888)</u>	<u>\$ 192,866</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Grants	\$ 31,475,681	\$ 31,475,681	\$ 12,905,483	\$(18,570,198)
Other receipts	1,442,105	1,442,105	1,386,849	(55,256)
Total Revenues	<u>32,917,786</u>	<u>32,917,786</u>	<u>14,292,332</u>	<u>(18,625,454)</u>
EXPENDITURES				
Public Works	300,000	300,000	300,042	42
Capital Outlay	47,816,434	47,816,434	16,800,562	(31,015,872)
Total Expenditures	<u>48,116,434</u>	<u>48,116,434</u>	<u>17,100,604</u>	<u>(31,015,830)</u>
Excess of revenues over expenditures	<u>(15,198,648)</u>	<u>(15,198,648)</u>	<u>(2,808,272)</u>	<u>12,390,376</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	15,198,648	15,198,648	12,600,000	(2,598,648)
Transfers out to other funds	-	-	(73,993)	73,993
Total Other Financing Uses	<u>15,198,648</u>	<u>15,198,648</u>	<u>12,526,007</u>	<u>(2,524,655)</u>
Net Change in Fund Balances	-	-	9,717,735	14,915,031
Fund Balance, beginning	<u>(102,709)</u>	<u>(102,709)</u>	<u>(102,709)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (102,709)</u>	<u>\$ (102,709)</u>	<u>\$ 9,615,026</u>	<u>\$ 14,915,031</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Federal and State Grants	\$ 50,000	\$ (50,000)	\$ -	\$ 50,000
Interest income	-	-	3,266	3,266
Total Revenues	<u>50,000</u>	<u>(50,000)</u>	<u>3,266</u>	<u>50,000</u>
EXPENDITURES				
Capital outlay	7,764,548	7,914,548	2,760,358	(5,154,190)
Total Expenditures	<u>7,764,548</u>	<u>7,914,548</u>	<u>2,760,358</u>	<u>(5,154,190)</u>
Excess of revenues over expenditures	<u>(7,714,548)</u>	<u>(7,964,548)</u>	<u>(2,757,092)</u>	<u>5,204,190</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	7,714,548	7,864,548	4,900,000	(2,964,548)
Total Other Financing Uses	<u>7,714,548</u>	<u>7,864,548</u>	<u>4,900,000</u>	<u>(2,964,548)</u>
Net Change in Fund Balances	-	(100,000)	2,142,908	2,239,642
Fund Balance, beginning	<u>(46,889)</u>	<u>(46,889)</u>	<u>(46,889)</u>	<u>-</u>
Fund Balance, ending	<u>\$ (46,889)</u>	<u>\$ (146,889)</u>	<u>\$ 2,096,019</u>	<u>\$ 2,239,642</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, 2023

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	\$ -	\$ 17,134	\$ 17,134
Total Revenues	<u>-</u>	<u>-</u>	<u>17,134</u>	<u>17,134</u>
EXPENDITURES				
Current Operating:				
Miscellaneous	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>17,134</u>	<u>17,134</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	259,135	-	(259,135)
Transfers In	-	-	73,993	(73,993)
Transfers Out	-	(259,135)	(269,647)	269,647
Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>(195,654)</u>	<u>(63,481)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(178,520)</u>	<u>(46,347)</u>
Fund Balances - Beginning	<u>190,985</u>	<u>190,985</u>	<u>190,985</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 190,985</u>	<u>\$ 190,985</u>	<u>\$ 12,465</u>	<u>\$ (46,347)</u>

Note to Budgetary Comparison Schedule:

The basis of budgeting is the same as GAAP.

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STATISTICAL SECTION

CITY OF GULF SHORES, ALABAMA
STATISTICAL SECTION
DECEMBER 31, 2023

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				
	2014	2015	2016	2017	2018
Governmental Activities					
Net Investment in capital assets	\$ 42,984,614	\$ 45,722,455	\$ 45,289,955	\$ 57,682,765	\$ 39,025,026
Restricted	4,512,902	4,454,624	1,603,565	2,113,341	2,266,096
Unrestricted	21,935,254	15,958,220	19,667,019	21,828,698	50,402,246
Total governmental activities Net Position	<u>69,432,770</u>	<u>66,135,299</u>	<u>66,560,539</u>	<u>81,624,804</u>	<u>91,693,368</u>
Business-type activities					
Net Investment in capital assets	1,989,397	1,962,276	1,935,155	6,772,994	1,872,966
Unrestricted	3,723	3,725	3,727	(5,151,544)	3,026
Total business-type activities Net Position	<u>1,993,120</u>	<u>1,966,001</u>	<u>1,938,882</u>	<u>1,621,450</u>	<u>1,875,992</u>
Primary government					
Net Investment in capital assets	44,974,011	47,684,731	47,225,110	64,455,759	40,897,992
Restricted**	4,512,902	4,454,624	1,603,565	2,113,341	2,266,096
Unrestricted	21,938,977	15,961,945	19,670,746	16,677,154	50,405,272
Total primary government Net Position	<u>\$ 71,425,890</u>	<u>\$ 68,101,300</u>	<u>\$ 68,499,421</u>	<u>\$ 83,246,254</u>	<u>\$ 93,569,360</u>

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Governmental Activities					
Net Investment in capital assets	\$ 52,309,319	\$ 64,803,007	81,711,353	88,386,182	96,674,991
Restricted	3,011,050	4,256,377	4,092,962	3,449,657	15,893,229
Unrestricted	47,963,350	38,917,065	44,426,301	57,829,859	69,796,617
Total governmental activities Net Position	<u>103,283,719</u>	<u>107,976,449</u>	<u>130,230,616</u>	<u>149,665,698</u>	<u>182,364,837</u>
Business-type activities					
Net Investment in capital assets	1,460,653	1,738,726	1,937,906	1,939,290	1,945,674
Restricted	508,414	334,569	331,731	329,799	133,370
Unrestricted	2,780	3,102	(202,312)	(199,310)	(135,773)
Total business-type activities Net Position	<u>1,463,433</u>	<u>2,076,397</u>	<u>2,067,325</u>	<u>2,069,779</u>	<u>1,943,271</u>
Primary government					
Net Investment in capital assets	53,769,972	66,541,733	83,649,259	90,325,472	98,620,665
Restricted	3,519,464	4,590,946	4,424,693	3,779,456	16,026,599
Unrestricted	47,966,130	38,920,167	44,223,989	57,630,549	69,660,844
Total primary government Net Position	<u>\$ 105,255,566</u>	<u>\$ 110,052,846</u>	<u>\$ 132,297,941</u>	<u>\$ 151,735,477</u>	<u>\$ 184,308,108</u>

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
Executive	\$ 3,872,284	\$ 4,459,113	\$ 4,657,072	\$ 4,889,329	\$ 3,839,222
Municipal Court	299,305	360,707	433,826	471,390	415,069
Police	4,711,188	4,960,912	5,656,457	5,788,741	6,882,556
Fire	3,665,512	4,843,162	3,408,579	4,018,363	4,225,805
Public Works	6,388,214	7,053,798	7,637,148	7,360,994	9,204,974
Community and Economic Affairs	7,182,958	7,212,912	7,608,894	8,181,961	7,914,734
Other	1,401,422	1,415,022	1,107,600	1,219,902	2,471,215
Total governmental activities expenses	27,520,883	30,305,626	30,509,576	31,930,680	34,953,575
Business-type activities:					
Jack Edwards Airport, Airport Authority					
Public Education Authority	147,259	27,121	27,121	507,334	418,585
Total business-type activities expenses	147,259	27,121	27,121	507,334	418,585
Total primary government expenses	27,668,142	30,332,747	30,536,697	32,438,014	35,372,160
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	(103,078)	11,843	11,934	27,800	27,600
Municipal Court	544,119	619,101	791,319	677,852	841,030
Police	35,044	38,188	46,172	54,513	61,206
Fire	44,389	31,520	56,285	69,919	78,525
Community and Economic Affairs	4,797,510	4,845,158	5,322,428	5,675,171	5,816,368
Public Works	572,916	394,250	695,612	829,859	817,543
Operating Grants and Contributions	1,553,425	755,096	1,213,150	8,306,995	1,738,549
Capital Grants and Contributions	1,287,091	-	2,326,999	215,684	30,000
Total governmental activities program revenues	8,731,416	6,695,156	10,463,899	15,857,793	9,410,821
Business-type activities					
Charges for services					
Public Education Building Authority	120,138	-	-	177,289	606,464
Airport Authority					
Total business-type activities program revenues	120,138	-	-	177,289	606,464
Total primary government program revenues	\$ 8,851,554	\$ 6,695,156	\$ 10,463,899	\$ 16,035,082	\$ 10,017,285
Net (Expense)/Revenue					
Governmental activities	\$ (18,789,467)	\$ (23,610,470)	\$ (20,045,677)	\$ (16,072,887)	\$ (25,542,754)
Business-type activities	(27,121)	(27,121)	(27,121)	(330,045)	187,879
Total primary government net expense	(18,816,588)	(23,637,591)	(20,072,798)	(16,402,932)	(25,354,875)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	2,556,551	2,715,667	2,871,351	3,064,738	3,387,950
Local taxes	21,387,762	22,565,403	24,313,543	25,461,563	30,073,209
Franchise taxes	1,253,354	1,244,634	1,221,712	1,410,132	1,560,508
State taxes	402,057	379,494	477,632	624,254	753,830
Investment earnings	22,341	33,835	40,343	46,475	169,941
Miscellaneous	84,407	110,376	495,604	139,353	128,663
Net increase(decrease) in fair value of investments					
Gain/(Loss) on Disposal of Assets	(53,563)	34,369	(1,703)	420,927	59,649
Transfers	27,347				(522,432)
Total governmental activities	25,680,256	27,083,778	29,418,482	31,167,442	35,611,318
Business-type activities:					
Investment earnings	10	2	2	12,613	66,663
Miscellaneous					
Transfers	(27,347)				
Total business-type activities	(27,337)	2	2	12,613	66,663
Total primary government	25,652,919	27,083,780	29,418,484	31,180,055	35,677,981
Changes in Net Position					
Governmental activities	6,890,789	3,473,308	9,372,805	15,094,555	10,068,564
Business-type activities	(54,458)	(27,119)	(27,119)	(317,432)	254,542
Total primary government	\$ 6,836,331	\$ 3,446,189	\$ 9,345,686	\$ 14,777,123	\$ 10,323,106

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Expenses					
Governmental activities:					
Executive	\$ 5,516,039	\$ 5,586,234	5,980,880	6,651,238	7,751,803
Municipal Court	463,210	471,958	504,757	497,479	558,798
Police	6,977,146	7,821,554	8,112,613	8,650,957	10,083,453
Fire	6,069,504	6,179,670	6,485,696	7,725,480	9,799,109
Public Works	9,299,293	20,839,816	11,713,518	11,910,783	29,895,179
Community and Economic Affairs	11,814,216	10,619,654	11,327,101	11,749,132	19,426,161
Other	2,593,443	2,877,819	2,993,947	9,388,228	5,833,600
Total governmental activities expenses	<u>42,732,851</u>	<u>54,396,705</u>	<u>47,118,512</u>	<u>56,573,297</u>	<u>83,348,103</u>
Business-type activities:					
Public Education Auth & Public Park & Rec Board	549,754	610,990	615,644	609,466	742,359
Total business-type activities expenses	<u>549,754</u>	<u>610,990</u>	<u>615,644</u>	<u>609,466</u>	<u>742,359</u>
Total primary government expenses	<u>43,282,605</u>	<u>55,007,695</u>	<u>47,734,156</u>	<u>57,182,763</u>	<u>84,090,462</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Executive	21,350	9,270	19,000	14,299	20,250
Municipal Court	675,712	538,415	690,377	891,516	808,687
Police	83,898	105,751	122,304	119,485	160,840
Fire	106,012	140,144	152,846	165,941	254,611
Community and Economic Affairs	6,455,422	6,004,459	7,289,869	8,432,868	10,294,521
Public Works	1,242,931	1,407,291	1,790,595	1,818,268	2,515,690
Operating Grants and Contributions	7,539,992	9,397,880	3,433,535	4,156,705	19,133,257
Capital Grants and Contributions	-	882,061	2,337,887	1,550,194	6,814,447
Total governmental activities program revenues	<u>16,125,317</u>	<u>18,485,271</u>	<u>15,836,413</u>	<u>17,149,276</u>	<u>40,002,303</u>
Business-type activities					
Charges for services					
Public Education Auth & Public Park & Rec Board	609,050	610,350	606,550	610,850	609,850
Airport Authority	564,061	543,137	618,025	715,310	706,804
Total business-type activities program revenues	<u>609,050</u>	<u>610,350</u>	<u>606,550</u>	<u>610,850</u>	<u>609,850</u>
Total primary government program revenues	<u>\$ 16,734,367</u>	<u>\$ 19,095,621</u>	<u>\$ 16,442,963</u>	<u>\$ 17,760,126</u>	<u>\$ 40,612,153</u>
Net (Expense)/Revenue					
Governmental activities	\$ (26,607,534)	\$ (35,911,434)	\$ (31,282,099)	\$ (39,424,021)	\$ (43,345,800)
Business-type activities	59,296	(640)	(9,094)	1,384	(132,509)
Total primary government net expense	<u>(26,548,238)</u>	<u>(35,912,074)</u>	<u>(31,291,193)</u>	<u>(39,422,637)</u>	<u>(43,478,309)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	3,521,657	3,807,136	3,853,824	4,700,493	6,176,986
Local taxes	34,127,612	34,353,515	48,241,430	53,027,051	60,061,548
Franchise taxes	1,756,512	1,442,306	1,579,748	2,127,095	2,160,719
State taxes	-	-	-	-	-
Investment earnings	472,515	493,942	165,155	2,560,003	5,249,030
Miscellaneous	143,677	644,389	636,286	684,157	980,252
Net increase(decrease) in fair value of investments				(5,206,397)	2,454,479
Gain/(Loss) on Disposal of Assets	(1,824,088)	19,466	(71,411)	966,700	1,600,900
Transfers					
Total governmental activities	<u>38,197,885</u>	<u>40,760,754</u>	<u>54,405,032</u>	<u>58,859,102</u>	<u>78,683,914</u>
Business-type activities:					
Investment earnings	36,559	964	22	1,018	6,001
Miscellaneous				52	-
Transfers					
Total business-type activities	<u>36,559</u>	<u>964</u>	<u>22</u>	<u>1,070</u>	<u>6,001</u>
Total primary government	<u>38,234,444</u>	<u>40,761,718</u>	<u>54,405,054</u>	<u>58,860,172</u>	<u>78,689,915</u>
Changes in Net Position					
Governmental activities	11,590,351	4,849,320	23,122,933	19,435,081	35,338,114
Business-type activities	95,855	324	(9,072)	2,454	(126,508)
Total primary government	<u>\$ 11,686,206</u>	<u>\$ 4,849,644</u>	<u>\$ 23,113,861</u>	<u>\$ 19,437,535</u>	<u>\$ 35,211,606</u>

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

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund					
Reserved					
Unreserved					
Nonspendable	525,046	447,410	543,176	519,071	358,728
Spendable:					
Restricted	133,939	111,473	142,145	133,904	184,255
Committed	7,617,230	7,621,040	7,624,851	7,628,664	7,213,450
Assigned					
Unassigned	14,123,171	15,825,708	18,145,189	20,887,962	28,868,213
Total general fund	<u>22,399,386</u>	<u>24,005,631</u>	<u>26,455,361</u>	<u>29,169,601</u>	<u>36,624,646</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	4,378,963	3,217,766	1,113,784	584,857	3,550,057
Committed	30,114	1,296,904	1,520,905	1,372,145	(225,158)
Unassigned	(304,098)	(311,979)	(286,924)	-	19,733,095
Total - governmental funds	<u>\$ 26,504,365</u>	<u>\$ 29,020,000</u>	<u>\$ 28,803,126</u>	<u>\$ 31,151,603</u>	<u>\$ 59,682,640</u>

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

	Fiscal Year				
	2019	2020	2021	2022	2023
General Fund					
Reserved					
Unreserved					
Nonspendable	474,997	480,789	531,865	566,232	629,977
Spendable:					
Restricted	320,765	109,450	219,169	191,606	160,872
Committed	18,804,442	15,836,577	15,767,188	14,735,708	43,544,397
Assigned					
Unassigned	20,053,388	35,266,790	29,931,943	47,066,824	27,144,303
Total general fund	<u>39,653,592</u>	<u>51,693,606</u>	<u>46,450,165</u>	<u>62,560,370</u>	<u>71,479,549</u>
Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Storm Damage Fund					
Debt Service fund					
Capital Projects funds					
Special Revenue funds					
Nonspendable					918,568
Spendable:					
Restricted	16,020,317	4,146,927	3,873,793	3,258,051	15,732,357
Committed	3,010,399	19,852,687	20,560,160	161,892,038	145,793,241
Assigned		22,876	22,891	22,897	743,406
Unassigned	(335,841)	(1,807,388)	(869,069)	2,535,412	(383,888)
Total - governmental funds	<u>\$ 58,348,467</u>	<u>\$ 73,908,708</u>	<u>\$ 70,037,940</u>	<u>\$ 230,268,768</u>	<u>\$ 234,283,233</u>

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues					
Taxes					
Property	\$ 2,556,551	\$ 2,715,667	\$ 2,871,352	\$ 3,064,738	\$ 3,387,950
Local	21,387,763	22,565,403	24,313,542	25,461,564	30,073,209
Licenses, fees and permits	2,908,946	2,854,090	3,314,362	3,342,128	3,482,009
Fines and forfeitures	395,866	470,778	595,810	513,813	595,069
Utility tax equivalents	1,253,354	1,244,634	1,221,712	1,410,132	1,560,508
Intergovernmental	1,862,536	1,203,998	1,815,057	1,441,591	2,533,742
Investment earnings	22,342	33,836	40,343	46,475	169,941
Impact fees	540,482	415,941	746,976	893,495	870,345
BP lost revenues	639,005	-	271,582	-	-
Assessments/Rental Income	118,276	35,276	499,015	-	-
Other revenues	2,772,373	2,205,074	2,267,330	2,767,825	2,692,149
Total Revenues	34,457,494	33,744,697	37,957,081	38,941,761	45,364,922
Expenditures					
General government	3,665,722	4,322,578	1,721,831	4,886,896	5,227,506
Police	4,551,402	4,992,638	5,130,530	5,562,947	6,701,010
Fire	3,939,208	3,639,166	2,886,570	3,834,578	4,176,099
Community and Economic Affairs	7,116,128	6,564,129	4,893,969	6,933,897	7,024,825
Public Works	7,021,734	8,308,196	9,018,160	10,542,619	8,857,930
Appropriations	105,221	113,027	220,233	254,767	780,818
Capital outlay	3,965,171	7,014,879	8,730,456	17,325,854	16,091,600
Beach restoration	62,700	61,212	52,800	47,700	-
Principal	4,185,512	12,396,644	8,007,570	15,559,577	18,305,287
Interest	1,412,075	1,210,773	1,115,452	1,140,750	1,972,662
Miscellaneous	57,095	187,064	48,790	39,450	80,746
Litigation Settlement	-	-	-	27,850	451,821
Total Expenditures	36,081,968	48,810,306	41,826,361	66,156,885	69,670,304
Excess(Deficiency) of revenues over (under) expenditures	(1,624,474)	(15,065,609)	(3,869,280)	(27,215,124)	(24,305,382)
Other Financing Sources (Uses)					
Bond Issue Proceeds	890,000	15,152,340	3,644,640	17,545,645	49,740,305
Transfers In	6,459,306	7,444,384	11,184,891	15,043,991	29,140,443
Transfers Out	(6,431,958)	(7,444,384)	(11,184,891)	(15,043,991)	(29,140,443)
Total Other Financing Sources and (Uses)	917,348	15,152,340	3,644,640	17,545,645	49,740,305
Net change in Fund Balance	\$ (707,126)	\$ 86,731	\$ (224,640)	\$ (9,669,479)	\$ 25,434,923
Debt service as a percentage of noncapital expenditures	17%	33%	28%	34%	38%

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

	Fiscal Year				
	2019	2020	2021	2022	2023
Revenues					
Taxes					
Property	\$ 3,521,657	\$ 3,807,136	3,853,836	4,700,493	6,176,986
Local	34,127,612	34,683,293	48,620,698	53,428,165	60,571,020
Licenses, fees and permits	4,088,484	4,538,687	4,815,540	5,742,094	6,783,558
Fines and forfeitures	485,660	384,382	483,847	550,889	485,184
Utility tax equivalents	1,756,512	1,442,306	1,579,748	5,138,003	2,160,719
Intergovernmental	5,372,060	9,626,097	4,279,081	1,168,580	24,691,471
Investment earnings	472,516	493,942	165,156	2,560,003	5,249,030
Impact fees	1,363,358	1,575,778	1,985,359	2,005,544	2,813,483
Net increase(decrease)investments*				(5,206,397)	2,454,479
Assessments/Rental Income					
Other revenues	2,668,003	2,674,956	4,529,607	4,651,379	5,700,135
Total Revenues	53,855,862	59,226,577	70,312,872	74,738,753	117,086,065
Expenditures					
General government	4,957,019	5,094,038	5,387,726	6,110,697	7,146,353
Police	7,228,492	7,928,044	8,702,949	9,481,132	10,273,253
Fire	5,310,339	5,493,692	5,889,993	7,279,346	9,194,580
Community and Economic Affairs	7,676,280	7,884,411	8,436,389	9,092,855	9,706,612
Public Works	8,479,245	20,212,380	11,143,889	10,930,027	27,669,896
Appropriations	3,548,574	6,244,145	1,982,890	2,000,831	8,940,671
Capital outlay	19,625,071	14,538,127	16,380,326	8,317,006	30,771,962
Beach restoration					
Principal	5,581,156	4,299,917	20,393,519	10,959,552	18,226,410
Interest	2,589,636	2,565,537	2,987,360	5,447,252	6,001,011
Miscellaneous	292,396	38,105	2,673	219,436	80,759
Bond Issuance Costs	-				
Total Expenditures	65,288,208	74,298,396	81,307,714	69,838,134	128,011,507
Excess(Deficiency) of revenues over (under) expenditures	(11,432,346)	(15,071,819)	(10,994,842)	4,900,619	(10,925,442)
Other Financing Sources (Uses)					
Bond Issue/Loan Proceeds/CapASale	18,684,272	19,780,114	7,124,073	155,330,209	17,578,884
Transfers In	12,765,608	37,721,253	30,343,653	20,708,214	29,773,615
Transfers Out	(12,765,607)	(37,721,253)	(30,343,653)	(20,708,214)	(29,773,615)
Total Other Financing Sources and (Uses)	18,684,273	19,780,114	7,124,073	155,330,209	17,578,884
Net change in Fund Balance	\$ 7,251,927	\$ 4,708,295	\$ (3,870,769)	\$ 160,230,828	\$ 6,653,442
Debt service as a percentage of noncapital expenditures	18%	11%	36%	27%	25%

*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
2023	8,361,020	1,133,665,880	312,762,240	172,792,860	1,281,996,280	4.95	\$ 8,823,821,867	14.53%
2022	8,126,960	922,548,920	248,151,260	158,561,460	1,020,265,680	4.98	\$ 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%

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%.

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
2023	6,351,223	1,293,320,740	6,347,610	0	6,347,610	99.53%
2022	5,082,027	1,020,593,160	5,079,431	-448.4	5,078,982	99.84%
2021	4,073,801	818,167,820	4,073,713	-2,805	4,070,908	99.39%
2020	3,930,996	790,117,460	3,924,775	1,520	3,926,295	99.35%
2019	3,650,681	734,155,980	3,635,767	10,378	3,646,145	99.37%
2018	3,328,239	668,109,200	3,325,733	603	3,326,336	99.38%
2017	3,067,911	616,090,320	3,059,101	6,249	3,065,350	99.29%
2016	2,825,116	566,085,720	2,818,862	3,255	2,822,117	98.94%
2015	2,665,339	534,967,860	2,661,867	1,604	2,663,471	99.11%
2014	2,491,473	499,994,940	2,484,639	4,193	2,488,832	99.30%

	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>	2023			2013		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Mid America Apartments LP	9,600,020	1	0.74%			
100 Emerald Greens LLC UC Funds	\$ 8,998,420	2	0.70%			
Regency Place LLC	7,151,220	3	0.55%			
Baldwin Co Electric	7,443,800	4	0.58%	4,341,940	2	0.91%
Terry Elkins	6,708,200	5	0.52%			
21300 Sweetwater LLC	5,258,960	6	0.41%			
Villas at Bon Secour	4,894,460	7	0.38%			
100 Emerald Greens LLC	3,915,100	8	0.30%			
Weir LLC	3,725,640	9	0.29%			
East Beach Partners LLC	3,675,820	10	0.28%			
The Links at Gulf Shores				4,594,360	1	0.96%
The Links at Gulf Shores LP				3,897,200	3	0.81%
Colonial Realty Limited Partnership				3,230,580	4	0.68%
Walmart Real Estate Business Trust				2,746,420	5	0.57%
Beach Place Development LLC				2,253,600	6	0.47%
Target Corporation				2,076,900	7	0.43%
Gulf Shores Riviera LLC				1,773,260	8	0.37%
Seawind Development Co LLC				1,666,820	9	0.35%
Gulf Telephone Company				1,733,200	10	0.36%
Total Assessment (All GS)	<u>\$ 1,293,320,740</u>		<u>4.00%</u>	<u>\$ 478,341,860</u>		<u>5.92%</u>

Source: Baldwin County Revenue Commissioner's Office.

Schedule 8
City of Gulf Shores
Principal Sales Tax Remitters
Current Year and Ten Years Ago

Tax Remitter Classification	2023			2013		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Retail Trade	\$ 3,221,999	1	35.91%	\$ 2,103,821	1	38.85%
Retail Trade	1,086,243	2	12.11%	694,739	2	12.83%
Retail Trade	995,324	3	11.09%	627,310	3	11.58%
Retail Trade	945,498	4	10.54%	-		
Accommodation & Food Services	687,192	5	7.66%	463,882	4	8.57%
Retail Trade	541,929	6	6.04%	-		0.00%
Retail Trade	517,354	7	5.77%	-		0.00%
Accommodation & Food Services	508,090	8	5.66%	352,930	5	6.52%
Retail Trade	429,475	9	4.79%			
Accommodation & Food Services	38,753	10	0.43%	271,244	6	
Arts, Entertainment & Recreation	-		-	-		0.00%
Retail Trade	-		-	240,648	7	4.44%
Retail Trade	-		-	228,420	8	4.22%
Accommodation & Food Services	-		-	218,569	9	4.04%
Retail Trade	-		-	213,438	10	3.94%
Total Sales Tax	<u>\$ 8,971,857</u>		<u>100.00%</u>	<u>\$ 5,415,002</u>		<u>94.99%</u>

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

Fiscal Year	City Direct Rate	Baldwin County
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%
2023 *	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, 2023

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt(1)
Direct General Obligation Debt:			
City of Gulf Shores Warrants	224,753,341		
Plus: Unamortized Premium	2,802,420		
Total Gulf Shores Warrants	227,555,761	100.00%	\$ 227,555,761
Overlapping General Obligation Debt:			
Baldwin County Warrants	47,565,000		
Less: Unamortized Discount	(23,196)		
Plus: Unamortized Premium	1,797,814		
Total Baldwin County Warrants	49,339,618	16.01%	7,897,997
Baldwin County Board of Education	175,266,586		
Unamortized Amounts:			
Add: Unamortized Premium	17,013,587		
Total Baldwin Board of Education Warrants	192,280,173	15.72%	30,217,999
Total Overlapping General Obligation Debt	241,619,791		38,115,996
Total Direct and Overlapping General Obligation Debt			265,671,757
Overlapping Guaranteed Revenue Debt			
Public Education Building Authority & Parks Bonds	17,130,000		
Add: Unamortized Premium	533,065		
Total Overlapping Guaranteed Revenue Debt	17,663,065	100%	17,663,065
Total Direct, Overlapping and Overlapping Guaranteed Revenue Debt			\$ 283,334,822
Debt per Capita			
Direct General Obligation Debt			\$ 13,504.79
Overlapping General Obligation Debt			2,262.08
Overlapping Guaranteed Revenue Debt			1,048.25
			\$ 16,815.12

Source: Baldwin County 2022 Audit, Baldwin County Board of Education 2023 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 PPRB Bonds	Unamortized Premiums			
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
2023	224,753,341	2,802,420	17,130,000	533,065	245,218,826	35.1%	14,553

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
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
2023	224,753,341	2,802,420	-	227,555,761	2.58%	13,505

*2015 Escrow included

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

	<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>	<u>2023</u>
General Government										
City Hall	22	24	24	25	26	33	33	34	32	30
Community Development/ Building	4	4	4	4	4	5	5	5	5	6
Court	3	4	4	4	4	6	6	6	6	5
Police	60	63	69	69	72	71	72	76	65	81
Fire	43	43	46	46	48	55	55	59	67	73
Public Works	52	56	57	57	57	58	53	56	50	55
Engineering	0	0	0	0	0	0	6	6	6	5
Recreation	45	45	46	50	49	51	54	54	49	55
Airport	2	2	2	2	2	2	2	2	3	3
Total	<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>	<u>319</u>

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
Building permits issued	610	586	782	896	1,295	998	1,879	2,131	1,477	1,317
Building inspections conducted	2,172	2,337	3,098	3,914	6,246	7,602	5,783	7,590	8,107	10,481
Business Licenses issued	7,164	7,551	7,974	8,392	8,555	8,658	8,741	9,175	9,443	9,958
Police										
Physical arrests	1,280	1,510	2,048	1,879	1,831	970	994	1,455	1,652	1,198
Traffic violations	1,500	1,595	2,029	2,058	2,124	1,539	1,021	1,652	1,367	1,904
Officers	43	45	47	47	50	50	51	52	52	57
Fire										
Emergency responses	2,903	3,073	3,146	3,149	3,297	3,090	3,335	4,195	3,811	4,250
Fires extinguished	64	72	83	54	63	72	71	77	74	44
Community Risk Reduction*	1,800	1,800	1,975	1,950	1,650	2,110	1,160	2,098	3,265	2,943
Full time staff	43	43	44	46	48	55	56	56	66	72
Seasonal Lifeguards / Rangers	0	0	0	0	0	34	34	34	34	37
Part-time Firefighters	8	8	10	4	0	0	0	0	7	9
Engineering										
Street resurfacing (linear feet)	3,455	12,270	8,200	8,100	5,510	8,960	31,500	12,550	26,256	17,005
Sidewalks (linear feet)			1,600	10,760	3,265	4,950	267	4,467	3,403	510
Bike Lanes (linear feet)**			780	2,800	40,800	11,800	19,200	9,420	7,200	0
Multi-use path resurfacing							17,700	0	0	0

*Community Risk Reduction includes:

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	2	2	2	2
Fire Stations	4	4	4	4	5	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	12	12
Basketball Courts	3	3	5	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 - (vans)	5	5	5	5	3	3	3	3	3	3
Public Works										
Maintained Streets (miles)	74	74	75.67	84.22	84.22	85.78	89.9	90.5	90.6	90.3
Traffic Signals	24	24	24	24	25	25	27	27	27	30
Streetlights	2,234	2,234	2,403	2,403	2,449	2,422	2,617	2,670	2,558	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
2023	16,850

Per Capita Income

	<u>1979</u>	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2020</u>	<u>2022</u>	<u>2023</u>
Gulf Shores	7,761	17,414	24,356	28,522	34,792	36,020	41,513
State of Alabama	5,894	11,486	18,189	22,984	28,934	30,458	33,344

Median Family Income

	<u>1989</u>	<u>1999</u>	<u>2010</u>	<u>2020</u>	<u>2022</u>	<u>2023</u>
Gulf Shores	34,257	51,862	45,801	53,209	53,048	62,021
State of Alabama	28,688	41,657	42,081	52,035	54,943	59,609

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>2022</u>	<u>2023</u>
Baldwin County	5.80%	6.10%	5.40%	3.60%	5.60%	2.40%	2.30%
Alabama	6.44%	6.80%	5.98%	3.90%	6.00%	2.58%	2.49%

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
Current Year and Ten Years Ago

<u>Taxpayer</u>	2023			2013		
	<u>Total Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Total Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
City of Gulf Shores	399	1	5.64%	269	4	5.95%
Gulf Shores City Schools	307	2	4.34%	n/a	n/a	n/a
The Lodge of Gulf State Park	306	3	4.32%	n/a	n/a	n/a
Walmart	299	4	4.22%	238	6	5.26%
The Hangout	266	5	3.76%	664	1	14.69%
Waterville	240	6	3.39%	315	3	6.97%
Lulu's Gulf Shores	237	7	3.35%	465	2	10.29%
Publix	138	8	1.95%	131	9	2.90%
Gulf State Park	113	9	1.60%	n/a	n/a	n/a
Rouses Enterprises	105	10	1.48%	145	7	3.21%
Gulf Shores Public Schools	n/a	n/a	n/a	241	5	5.33%
McDonalds	n/a	n/a	n/a	140	8	3.10%
Original Oyster House	n/a	n/a	n/a	120	10	2.65%

Source: Employee numbers as reported on City business licenses, and City of Gulf Shores and City Schools from respective HR departments. Total Employment from US Census Bureau.

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, 2023, and the related notes to the financial statements, which collectively comprise City of Gulf Shores, Alabama's basic financial statements, and have issued our report thereon dated July 12, 2024.

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.

A handwritten signature in blue ink, appearing to read "Grant Sanders & Taylor", is written over the printed name of the firm.

Grant, Sanders, & Taylor, Inc.
Gulf Shores, Alabama
July 12, 2024



MATTHEW R. TAYLOR, CPA
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Gulf Shores Alabama's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Gulf Shores Alabama's major federal programs for the year ended December 31, 2023. The City of Gulf Shores Alabama's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Gulf Shores, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Gulf Shores, Alabama and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Gulf Shores, Alabama's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Gulf Shores, Alabama's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Gulf Shores, Alabama's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Gulf Shores, Alabama's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in blue ink, appearing to read "Grant Sanders & Taylor", is written over a faint, illegible printed name.

Grant, Sanders & Taylor Inc.
Gulf Shores, Alabama
July 12, 2024

CITY OF GULF SHORES, ALABAMA
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Treasury		
Passed Through State Department of Conservation and Natural Resources		
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	\$ 11,170,107
U.S. Department of Transportation		
National Infrastructure Investments	20.933	2,510,752
U.S. Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>10,806,713</u>
Total Federal Awards		<u><u>\$ 24,487,572</u></u>

CITY OF GULF SHORES, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF GULF SHORES, ALABAMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I- SUMMARY OF AUDITORS' RESULTS:

Financial Statements

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

Federal Awards

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

Identification of Major Programs

Federal CFDA Number	Federal Program or Cluster
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States
20.933	National Infrastructure Investments
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

SECTION II- FINANCIAL STATEMENT FINDINGS:

No matters were reportable

SECTION III- FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS:

No matters were reportable