

THE CITY OF ORANGE BEACH, ALABAMA
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Orange Beach, 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, each major fund, and the aggregate remaining fund information of the City of Orange Beach, Alabama, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Orange Beach, Alabama's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the City of Orange Beach, Alabama, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Orange Beach, 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 Orange Beach, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Orange Beach, Alabama’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 of Orange Beach, Alabama’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, budgetary comparison information, schedule of employer contributions, and schedule of changes in the net pension liability on 3 through 9 and 46 through 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Orange Beach, Alabama’s basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023, on our consideration of the City of Orange Beach, 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 solely 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 the effectiveness of the City of Orange Beach, Alabama’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Orange Beach, Alabama’s internal control over financial reporting and compliance.

Jackson & Smith CPA Group, PC
 Orange Beach, Alabama
 March 3, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Management's Discussion and Analysis

Overview of the Financial Statements

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

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

This Financial Report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The Government-wide financial statements provide a broad overview of the City of Orange Beach's finances. The presentation is in a manner similar to a private sector business.

The Statement of Net Position provides information on all the City's assets and liabilities. The difference between the two is reported as net position. Over time, changes (increases or decreases) in net position may provide a useful indicator of the City's overall financial condition.

The Statement of Activities 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. The City of Orange Beach 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 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. 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 Orange Beach maintains five enterprise funds: Refuse Fund, Sewer Fund, Event Center Fund, Arts Center Fund, and the Baldwin County Bridge Company Fund. Enterprise funds report the same functions presented in business-type activities in the Government-wide financial statements.

Notes to the Basic Financial Statements

The notes provide additional information and are essential to the full understanding of the data in the Government-wide and Fund Financial Statements.

Government-wide Financial Analysis

As previously noted, over time net position may serve as a useful indicator of a government's financial condition. At the close of Fiscal Year 2021 on December 31, 2021, the City of Orange Beach's assets exceeded its liabilities by \$186,955,635 whereas at the close of Fiscal Year 2020 on December 31, 2020, the City of Orange Beach's assets exceeded its liabilities by \$162,408,949. The largest portion of the City's net position reflects its investment in capital assets (property, plant, and equipment), less debt outstanding that was used for acquisition. These assets are used to provide services to the citizens and are not available for future spending. Since the capital assets cannot be used to liquidate the outstanding debt, resources needed to repay the debt must be provided from other sources.

Overall Analysis

Table 1 below presents the City's Condensed Statement of Net Position as of December 31, 2021 and December 31, 2020 and is derived from the Government-wide Statement of Net Position. Table 2 below presents the City's Condensed Statement of Activities as of December 31, 2021 and December 31, 2020 and is derived from the Statement of Activities.

Table 1 - Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 61,205,778	\$ 114,359,593	\$ 8,023,151	\$ 6,669,516	\$ 69,228,929	\$ 121,029,109
Capital assets	97,998,845	115,021,119	25,620,145	24,800,444	123,618,990	139,821,563
Total assets	<u>159,204,623</u>	<u>229,380,712</u>	<u>33,643,296</u>	<u>31,469,960</u>	<u>192,847,919</u>	<u>260,850,672</u>
Deferred outflows of resources	<u>3,883,517</u>	<u>5,240,021</u>	<u>1,438,948</u>	<u>1,157,528</u>	<u>5,322,465</u>	<u>6,397,549</u>
Other liabilities	6,871,833	2,575,546	2,046,668	211,316	8,918,501	2,786,862
Long-term liabilities	<u>8,259,404</u>	<u>55,749,020</u>	<u>17,354,649</u>	<u>17,277,430</u>	<u>25,614,053</u>	<u>73,026,450</u>
Total liabilities	<u>15,131,237</u>	<u>58,324,566</u>	<u>19,401,317</u>	<u>17,488,746</u>	<u>34,532,554</u>	<u>75,813,312</u>
Deferred inflows of resources	<u>1,174,412</u>	<u>4,423,902</u>	<u>54,469</u>	<u>53,372</u>	<u>1,228,881</u>	<u>4,477,274</u>
Invested in capital assets						
Net of related debt	94,956,825	63,515,950	6,829,131	7,639,937	101,785,956	71,155,887
Restricted	15,530,581	37,935,506	7,099,739	6,090,771	22,630,320	44,026,277
Unrestricted	<u>36,295,085</u>	<u>70,420,809</u>	<u>1,697,588</u>	<u>1,352,662</u>	<u>37,992,673</u>	<u>71,773,471</u>
Total net position	<u>\$ 146,782,491</u>	<u>\$ 171,872,265</u>	<u>\$ 15,626,458</u>	<u>\$ 15,083,370</u>	<u>\$ 162,408,949</u>	<u>\$ 186,955,635</u>

Financial highlights for the City of Orange Beach as a whole as they relate to the Statement of Net Position for the fiscal year ended December 31, 2021 and December 31, 2020 include the following:

The assets of the City exceeded its liabilities (net assets) at the close of the fiscal year ended December 31, 2021 by \$171,872,265 and at the close of the fiscal year ended December 31, 2020 by \$146,782,491 for Governmental Activities and by \$15,083,370 and \$15,626,458 (respectively for each year end) for Business-Type Activities. Net capital assets increased by \$17,022,274 from 2020 to 2021 for Governmental Activities and decreased by \$819,701 from 2020 to 2021 for Business-Type Activities. Long-term liabilities increased from 2020 to 2021 for Governmental Activities by \$47,489,616 and decreased by \$77,219 for Business-Type Activities. Unrestricted net position increased from 2020 to 2021 by \$34,125,724 and decreased by \$344,926 for Governmental Activities and Business-Type Activities, respectively. Restricted net position increased by 22,404,925 and decreased by \$1,008,967 from 2020 to 2021 for Governmental Activities and Business-Type Activities, respectively.

Overall Analysis (continued)

Table 2 - Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
PRIMARY GOVERNMENT:						
Revenues						
Charges for services	\$ 8,639,351	\$ 9,830,085	\$ 11,794,200	\$ 12,454,644	\$ 20,433,551	\$ 22,284,729
Operating grants and contributions	11,406,630	6,423,109	-	-	11,406,630	6,423,109
Capital grants and contributions	54,813	57,584	-	7,100	54,813	64,684
General revenues					-	-
Taxes	41,241,236	58,490,606	-	-	41,241,236	58,490,606
Investment earnings	388,437	151,449	164,131	83,633	552,568	235,082
Reimbursed expenses	222,276	185,759	-	-	222,276	185,759
Miscellaneous	653,401	1,164,028	29,406	17,191	682,807	1,181,219
Gain on disposal of assets	2,448	279,813	-	-	2,448	279,813
Total revenues	<u>62,608,592</u>	<u>76,582,433</u>	<u>11,987,737</u>	<u>12,562,568</u>	<u>74,596,329</u>	<u>89,145,001</u>
Expenses						
General government	22,426,516	16,623,587	-	-	22,426,516	16,623,587
Municipal court	482,490	494,362	-	-	482,490	494,362
Finance	992,168	1,064,602	-	-	992,168	1,064,602
Police	6,971,818	6,733,146	-	-	6,971,818	6,733,146
Corrections	692,536	770,277	-	-	692,536	770,277
Communications	636,753	604,017	-	-	636,753	604,017
Fire	8,397,235	9,253,074	-	-	8,397,235	9,253,074
Public works	3,741,668	3,919,995	-	-	3,741,668	3,919,995
Landscape	1,805,717	1,829,510	-	-	1,805,717	1,829,510
Parks & recreation	3,006,335	2,321,437	-	-	3,006,335	2,321,437
Library	762,880	694,196	-	-	762,880	694,196
Community development	1,786,407	1,585,316	-	-	1,786,407	1,585,316
Coastal resources	2,257,430	3,019,963	-	-	2,257,430	3,019,963
Recreation center	16,907	954,885	-	-	16,907	954,885
Expect Excellence	1,196,072	2,037,144	-	-	1,196,072	2,037,144
Interest on long-term debt	78,519	1,925,469	-	-	78,519	1,925,469
Sewer fund	-	-	7,028,325	5,967,933	7,028,325	5,967,933
Refuse fund	-	-	3,044,339	3,270,197	3,044,339	3,270,197
Events Center fund	-	-	568,007	568,896	568,007	568,896
Baldwin County Bridge fund	-	-	-	-	-	-
Arts Center fund	-	-	835,411	960,309	835,411	960,309
Total expenses	<u>55,251,451</u>	<u>53,830,980</u>	<u>11,476,082</u>	<u>10,767,335</u>	<u>66,727,533</u>	<u>64,598,315</u>
Increase (decrease) in net position						
before transfers	7,357,141	22,751,453	511,655	1,795,233	7,868,796	24,546,686
Transfers	<u>1,080,000</u>	<u>2,338,321</u>	<u>(1,080,000)</u>	<u>(2,338,321)</u>	-	-
Change in net position	8,437,141	25,089,774	(568,345)	(543,088)	7,868,796	24,546,686
Net position - beginning	<u>138,345,350</u>	<u>146,782,491</u>	<u>16,194,803</u>	<u>15,626,458</u>	<u>154,540,153</u>	<u>162,408,949</u>
Net position - ending	<u>\$ 146,782,491</u>	<u>\$ 171,872,265</u>	<u>\$ 15,626,458</u>	<u>\$ 15,083,370</u>	<u>\$ 162,408,949</u>	<u>\$ 186,955,635</u>

Financial highlights for the City of Orange Beach as a whole as they relate to the Statement of Activities for the fiscal year ended December 31, 2021 and December 31, 2020 include the following:

The City's total net position increased during the current year by \$25,546,683 and during the previous year by \$7,868,796. Net position of Governmental Activities increased during the current year by \$25,089,771 and during the previous year by \$8,437,141. Net position of Business-Type Activities decreased during the current year by \$543,088 and decreased in the previous year by \$568,345.

Financial Analysis of the Government's Funds

The City of Orange Beach 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 current year, the City's Governmental Funds showed a combined ending fund balance of \$112,280,597 as compared to \$55,579,807 at the end of the previous fiscal year with \$71,146,310 unassigned compared to \$38,562,209 reported as unassigned fund balance in the prior year. The remaining reserved amount of \$41,134,287 for fiscal year end 2021 is \$232,508 nonspendable, \$37,936,121 restricted, \$2,660,828 committed, and \$304,830 assigned as compared to the fiscal year ended 2020 reserved amount of \$17,017,598, \$991,947 nonspendable, \$13,086,603 restricted, \$2,653,456 committed, and \$285,592 assigned.

Proprietary Funds

As of the close of the current fiscal year the City's Proprietary Funds reported total net position of \$15,083,370 compared to \$15,626,458 at the end of fiscal year 2020.

Budget Variances in the General Fund

The City Council did not revise the original adopted General Fund budget. The actual expenditures of the General Fund were \$4,441,103 over the budgeted amounts. This mainly resulted from unforeseen expenses related to Hurricane Sally cleanup. Actual revenues were \$23,386,155 over the budgeted amounts. Local taxes exceeded budget by \$19,637,655 as the Council continued to budget conservatively, yet tourist numbers continued to exceed expectations. Refer to the budgetary comparison schedule for the General Fund in the other RSI section of the Financial Report.

Capital Asset Activity

At December 31, 2021, the City of Orange Beach reported net capital assets of \$115,021,119 and \$24,800,444 from Governmental Activities and Business-Type Activities, respectively. At December 31, 2020, the City of Orange Beach reported net capital assets of \$97,998,845 and \$25,620,145 from Governmental Activities and Business-Type Activities, respectively.

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ending September 30, 2003. Infrastructure assets include roads, bridges, underground pipes (other than utilities), traffic signals, etc. The City's capitalization threshold for infrastructure is \$500,000. The City of Orange Beach does not have infrastructure that exceeds the capitalization threshold.

Refer to **Note 10** to the financial statements for additional information on capital assets.

Long-Term Debt Activity

At December 31, 2021, the City of Orange Beach reported long-term debt of \$55,749,020 and \$17,277,430 from Governmental Activities and Business-Type Activities, respectively. At December 31, 2020, the City of Orange Beach reported long-term debt of \$8,259,404 and \$17,354,649 from Governmental Activities and Business-Type Activities, respectively.

Refer to **Note 5** to the financial statements for additional information on long-term debt activity.

Future Events Impacting the City's Financial Condition

The City of Orange Beach faces several factors that will impact the City's financial and fiscal condition next year and beyond:

- 1) The City has entered into a 30-year option to purchase the Foley Beach Express Bridge. The City made annual \$1.2 million payments to the bridge company from 2003-2013. The 2013 payment ended the 10-year outlay. In exchange, the City receives a per car royalty for 30 years. If the City does not exercise the option to purchase in year 30, the per car royalty payment extends for a second 30-year period.

In 2004, the City entered into a 15-year agreement with AIG Baker for the development of "The Wharf," a mixed-use commercial development on Canal Road. The City has committed one-half of the sales and lodging taxes collected from the project for public improvements associated with the project. The tax reimbursement portion of the agreement began in 2011; however, the City renegotiated a \$1 million escrow account to build up before any tax payments are shared. Along with this renegotiation the City acquired a one-acre tract of land on a prime corner lot. In 2012, The Wharf came into new ownership that is aggressively attracting new investment. A Springhill Suites by Marriott opened in 2016 with 132 rooms along with a restaurant adjacent to the city-owned Orange Beach Event Center.

- 2) In 2005, the City purchased 80 acres of land north of the Intracoastal Waterway on the Beach Express for the development of the Orange Beach Commerce Park. The City sold 20 acres to Baldwin Electric Membership Cooperative, 20.42 acres to Columbia Southern University, and an approximate 3 acres to VDL Holdings, LLC. Approximately 17 acres consists of undevelopable wetlands. The City has listed the remaining 19+ acres for sale or lease.
- 3) In May 2009, the Governor of Alabama signed legislation that allowed the construction of the Gulf State Park's Hotel and Conference Center in Gulf Shores. This addition to the Gulf State Park will generate revenue for the entire Alabama State Park System and will have a positive economic impact across the Alabama Gulf Coast including Orange Beach. Construction of the 350-room "The Lodge at Gulf State Park, a Hilton Hotel," began in spring of 2016 and opened in fall of 2018. Gulf State Park has made significant improvements over its 6,150 acres including the expansion of its trails system to more than 30 miles and the addition of two pedestrian overpasses crossing the busy beach highway; upgrades to its fishing pier, beach pavilion and campground; the opening of the new Interpretive Center, which was certified as a Living Building of which there are less than 20 in the world; the cottages on Lake Shelby are part of the National Geographic's Unique Lodges of the World program; and a new learning campus opened in the summer of 2020.
- 4) The City continues to explore the feasibility of the Wolf Bay Bridge Project. In 2011, the City paid off a loan for \$3.45 million and now holds title to several acres of property, which will serve as the southern landing for a future bridge at the intersection of State Highways 161 and 180. In 2018, the City Council authorized task orders to begin the design and permitting process for the new span over Wolf Bay, which continued in 2020. The future bridge will aid in evacuations during tropical events, the improvement of public safety and introduce positive economic development opportunities for long-term financial stability beyond the City's vulnerable coastline opening up thousands of undeveloped acres for new economic impact.
- 5) In 2017, the City Council approved a 2% lodging tax increase, effective May 1, 2018, with revenue specifically funding infrastructure projects, including construction of the proposed Wolf Bay Bridge.
- 6) The City maintains a permanent reserve fund for the general fund and the sewer utility fund. The City continues to add to the balance annually with a goal of maintaining close to one year general fund operations.
- 7) In June 2021, a groundbreaking ceremony was held for a South Baldwin Regional Medical Center freestanding emergency department in Gulf Shores, just north of Jack Edwards Airport on Hwy. 59. The \$15 million freestanding ER will be located on 11 acres owned by the City of Gulf Shores. The new emergency medical facility is expected to be open and ready for patient by May 2021. The City of Orange Beach worked in partnership with the City of Gulf Shores on this regional freestanding ER along with goals of regional healthcare improvements through the Gulf Coast Healthcare Authority, as well as locally through the Orange Beach Healthcare Authority.
- 8) The Council continues to be conservative in its budgeting, spending, and debt management. These conservative philosophies resulted in Moody's upgrading the bond rating for the City of Orange Beach to Aa1 in Spring of 2018. In September of 2021, S&P Global Ratings reaffirmed the City of Orange Beach's AA+ bond rating.

- 9) On April 20, 2010, the BP/Deepwater Horizon oil derrick explosion occurred in the Gulf of Mexico. The well continued to uncontrollably leak oil for approximately 90 days. National media coverage of the unprecedented man-made disaster and its potential to harm the Gulf Coast environment, negatively impacted tourism for the summer of 2010. A final settlement for lost revenues was reached with BP in 2016, resulting in a net payment to the City of \$10 million. In June of 2012, the U.S. Congress passed the RESTORE Act that directs fines and penalties directly attributed to the quantity of oil spilled into the Gulf of Mexico. The RESTORE Act specifically directs 80% of these fines to go to the five Gulf States. Alabama and its two coastal counties were estimated to receive, at minimum, \$1 billion to be reinvested in environmental and economic restoration projects such as infrastructure. In 2016, the Alabama Legislature under the guidance of then Governor Robert Bentley “reallocated” the majority of restoration funds to statewide general fund shortfalls instead of investing as planned in future infrastructure in Mobile and Baldwin Counties. Orange Beach is currently included in remaining funds allocated to Baldwin County highway projects that will increase capacity by adding an additional lane on Canal Road from Highway 161 to the western city limits at Gulf Shores. Other projects being funded by BP-related penalties include upgrading the City’s northern sewer main, widening and improving capacity on Canal Road East, filtration and water quality improvements to various canals and channels near Cotton Bayou, the construction of a Gulf Coast Engineering Research Station (in partnership with Auburn University), expansion of the Orange Beach Wildlife Rehabilitation Center and essential repairs to the Alabama Point seawall. The funding for the majority of the City’s RESTORE projects has been approved and will be allocated at the time of each grant initiation.
- 10) A 2005 warrant issue used for the last comprehensive beach renourishment project, and a 2007A issue used to establish the City’s permanent reserve fund were scheduled to be paid off in 2016; however, the council structured the new issues to pay off in 2021 and to pay interest only until 2015. During 2005, an additional 1 cent sales tax was instituted to essentially provide for the 2005 issue’s debt service payments. It was also to pay for needed drainage projects and to provide for reserve funds. The 1 cent tax was scheduled to end in 2015; however, the Council extended the 1 cent sales tax for 10 years until March 31, 2025.
- 11) Wharf built and opened a 28,000-square-foot conference center in 2008. In April 2011, the City purchased the Wharf Conference Center for \$1.6 million, gaining immediate equity in the asset. Renamed the Orange Beach Event Center at The Wharf, the City is aggressively recruiting trade shows, conferences, meetings, concerts and more to bring attendees to town to fill room nights in the City. The new 132-room Marriott Springhill Suites hotel on The Wharf site has increased usage at the Event Center, which is adjacent to the hotel. Rentals continue to be strong and growing annually in the facility.
- 12) In April 2012, the Baldwin County Commission purchased approximately 2,400 acres, known as the South Alabama Mega Site, close to Interstate 65 to market to potential industrial prospects. Baldwin County’s megasite is one of the last certified sites in the Southeast and continues to hold great potential for jobs and should generate great economic benefits to the area, including Orange Beach. Various large prospects continue to explore relocation to the site which would produce large employment demand and new job investments for Baldwin County.
- 13) The Alabama Gulf Coast Reef and Restoration Foundation successfully sank a 271-foot retired coastal freighter “The LuLu” 17 nautical miles off the coast of Orange Beach in May 2013 and additional underwater structures and near-shore reefs have been created for scuba-diving enthusiasts since that time. In June 2018, another 250 foot vessel named “The New Venture” was sunk about 20 nautical miles south of Orange Beach. These new underwater attractions are a boon for the Alabama Gulf Coast tourism industry and tap into the lucrative scuba-diving destination market. Understanding the potential, the City helped sponsor a community-driven project that added structures to a near-shore reef and continues to support the creation of new reefs in Alabama waters. The “Southern Heritage” a 50 foot shrimp boat was sunk in May 2021 as an Eagle Scout project led by Garrett Ard with the city funding \$10,000 of the total \$25,000 project costs continuing in reef development and investment.
- 14) The City has recently welcomed the opening of several new properties that added over 300 rooms along with several new retail and restaurant operations. Additionally, the City has two high-rise condominiums – one opened in 2020 and one to open in early 2021 - that will add 312 condo units to the market. Overall, commercial and residential construction permits continue to rise substantially. Assessed property value in the City of Orange Beach now exceeds \$1 billion based on Baldwin County data.

- 15) Diversification of the tourism market continues as more sporting events such as youth baseball/softball tournaments, marathons, soccer and volleyball come to the area. These athletic-oriented events documented over 117,000 room nights on the entire Gulf Coast in 2020 with an estimated economic impact of \$121.4 million. These events are building on off-season months in attracting visitors. The City Council approved hosting the Southeastern Conference Women's Soccer Championship through 2021 which airs nationally on the SEC Network, ESPN broadcasts, providing local exposure. The City continues to invest in its sports facilities to attract and retain events, such as upgraded baseball/softball fields for USSSA tournaments and new sand volleyball courts.
- 16) The City of Foley issued a \$25 million bond issue to construct 16 soccer fields along with a 90,000 square foot indoor competition facility, which opened in late 2017 and is anchored by a hotel and a major entertainment/amusement park complex located on the Beach Express known as OWA. This entire complex is attracting visitors year round and hosting new sporting events that cannot currently be held in south Baldwin County due to the lack of flat fields such as lacrosse, field hockey, and large soccer tournaments, etc. This activity is expected to continue to generate new room nights for visitors who will choose to stay in Orange Beach just 9 miles south.
- 17) The Poarch Band of Creek Indians has constructed the OWA development, an initial investment of \$260 million. OWA, stands for "Big Water" in the Creek Indians language. It is located along the Foley Beach Express at County Road 20, just 9 miles from Orange Beach. While the Alabama Gulf Coast already hosts 6.5 million visitors each year, OWA is expected to bring in an additional 1 million visitors annually once the project is built out. Phase 1 of OWA, includes a 150-room hotel, retail and dining spaces, amusement park and lake, which opened in late Summer 2017. In 2020, Phase II began as a \$100 million investment of an indoor waterpark, which is under construction, a 200 room hotel, a condominium complex and a resort level RV park. When complete, total investment in the development is projected to top \$500 million. The 520-acre OWA development is adjacent to the City of Foley's \$40 million sports tourism complex. When completed, the OWA development is expected to generate close to 3,500 jobs.
- 18) The Baldwin County Board of Education's \$26 million Orange Beach Middle/High School opened in August 2021. The City donated 40 acres of prime real estate for the school. The City has committed to fund a Performing Arts Center and an athletic training complex as part of the school's campus, estimated investment of around \$16 million in the two facilities. As anticipated, the opening of the City's first-ever middle/high school resulted in an influx of new families and a rise in property values. The Performing Arts Center will be a state-of-the-art facility with 710 seats and is scheduled to open in the summer of 2021. The facility will serve as a hallmark venue for performing arts on the Gulf Coast.
- 19) The City made a few key property acquisitions in 2020, totaling \$2.9 million, related to future expansion of city services and public safety improvements. Acquiring necessary parcels of land with buildable, dry acreage is key in securing such land for future public facilities and growth.
- 20) Recent Quality of Life investments:
 - a. Opening of the new Coastal Arts Center of Orange Beach - \$2.5 million includes a new 10,000-square-foot two story art gallery, children's studio, Hot Shop, Clay Studio and campus improvements that upgraded parking and driveways.
 - b. Orange Beach Seawall Park at Alabama Point – Over \$500,000 invested to reopen a popular fishing spot for residents and visitors located on state property adjacent to Perdido Pass Bridge.
 - c. Sidewalk investments – Over \$1 million invested in recent years to improve neighborhood connectivity, recreational opportunities, and connection through Gulf State Park to the City of Gulf Shores. Funds used in matching of trail and sidewalk grants where available.
- 21) Impactful economic event- Pandemic: On March 19, 2021 Alabama Governor Kay Ivey closed all public and private beaches in the State of Alabama due to the coronavirus pandemic concerns. This closure continued through the month of April essentially stopping tourism for the one and a half months. The local economy rebounded once beaches reopened with restrictions and mandates in place such as social distancing and Orange Beach saw a banner summer season.
- 22) Impactful economic event – Hurricane Sally: On September 16, 2021, Hurricane Sally made a direct impact on Orange Beach, Alabama at almost Category 3 strength. The storm grew in intensity in its final hours of approach which had caused no mandatory evacuation. Moving at only 1mph, Sally deposited 30" of rainfall along with sustained winds near 110mph for hours. The damage and devastation was broad with severe impacts on marine related structures such as docks and marinas, vessels and the charter fishing and tour boat industry based in Orange Beach. Flooding was severe throughout the city. The city set very aggressive goals of cleanup and restoration which by end of the calendar year 2021 was met and by spring break of the following tourist season around 90% operation was back in force.

BASIC FINANCIAL STATEMENTS

GOVERNMENT – WIDE FINANCIAL STATEMENTS

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 61,716,216	\$ 6,663,172	\$ 68,379,388
Accounts receivable - net	15,089,809	101,089	15,190,898
Internal balances	6,189,205	(6,189,205)	-
Inventories	14,462	-	14,462
Prepays	218,046	3,689	221,735
Restricted assets:			
Cash and cash equivalents	31,131,855	6,090,771	37,222,626
Capital assets:			
Non-depreciable	78,882,706	1,505,769	80,388,475
Depreciable (net)	36,138,413	23,294,675	59,433,088
TOTAL ASSETS	<u>229,380,712</u>	<u>31,469,960</u>	<u>260,850,672</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	566,045	-	566,045
Deferred pension losses	4,186,169	-	4,186,169
Defeasance cost (net)	487,807	1,157,528	1,645,335
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,240,021</u>	<u>1,157,528</u>	<u>6,397,549</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 641,636	\$ 91,681	\$ 733,317
Accrued expenses	1,250,989	65,925	1,316,914
Accrued interest payable	682,921	53,710	736,631
Long-term liabilities:			
Due within one year:			
Compensated absences	471,974	78,288	550,262
Bonds payable	2,855,000	1,770,000	4,625,000
Due in more than one year:			
Net pension liability	3,533,356	-	3,533,356
Compensated absences	238,521	38,635	277,156
Bonds payable	48,650,169	15,390,507	64,040,676
TOTAL LIABILITIES	<u>58,324,566</u>	<u>17,488,746</u>	<u>75,813,312</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension gains	4,237,531	-	4,237,531
Unearned revenue	186,371	55,372	241,743
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,423,902</u>	<u>55,372</u>	<u>4,479,274</u>
NET POSITION			
Invested in capital assets, net of related debt	63,515,950	7,639,937	71,155,887
Restricted:			
Capital projects	35,274,678	-	35,274,678
Emergencies	2,660,828	6,090,771	8,751,599
Unrestricted	70,420,809	1,352,662	71,773,471
TOTAL NET POSITION	<u>\$ 171,872,265</u>	<u>\$ 15,083,370</u>	<u>\$ 186,955,635</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 16,623,587	\$ 406,132	\$ 3,614,449	\$ -	\$ (12,603,006)		\$ (12,603,006)
Court	494,362	81,225	-	-	(413,137)		(413,137)
Finance	1,064,602	2,969,381	-	-	1,904,779		1,904,779
Police	6,733,146	468,640	-	-	(6,264,506)		(6,264,506)
Corrections	770,277	-	-	-	(770,277)		(770,277)
Communications	604,017	-	-	-	(604,017)		(604,017)
Fire	9,253,074	2,755,666	-	-	(6,497,408)		(6,497,408)
Public works	3,919,995	-	-	57,584	(3,862,411)		(3,862,411)
Landscape	1,829,510	-	-	-	(1,829,510)		(1,829,510)
Parks and recreation	2,321,437	1,577,504	-	-	(743,933)		(743,933)
Library	694,196	36,050	7,028	-	(651,118)		(651,118)
Community development	1,585,316	1,535,487	34,500	-	(15,329)		(15,329)
Coastal resources	3,019,963	-	2,767,132	-	(252,831)		(252,831)
Recreation center	954,885	-	-	-	(954,885)		(954,885)
Expect Excellence	2,037,144	-	-	-	(2,037,144)		(2,037,144)
Interest on long-term debt	1,925,469	-	-	-	(1,925,469)		(1,925,469)
Total governmental activities (See Note 1)	<u>53,830,980</u>	<u>9,830,085</u>	<u>6,423,109</u>	<u>57,584</u>	<u>(37,520,202)</u>		<u>(37,520,202)</u>
Business-type activities:							
Sewer	5,967,933	7,386,965	-	-	-	1,419,032	1,419,032
Refuse	3,270,197	2,731,546	-	-	-	(538,651)	(538,651)
Events Center	568,896	106,196	-	-	-	(462,700)	(462,700)
Baldwin County Bridge Company (BCBC)	-	1,621,431	-	-	-	1,621,431	1,621,431
Arts Center	960,309	608,506	-	7,100	-	(344,703)	(344,703)
Total business-type activities	<u>10,767,335</u>	<u>12,454,644</u>	<u>-</u>	<u>7,100</u>	<u>-</u>	<u>1,694,409</u>	<u>1,694,409</u>
Total primary government	<u>\$ 64,598,315</u>	<u>\$ 22,284,729</u>	<u>\$ 6,423,109</u>	<u>\$ 64,684</u>	<u>\$ (37,520,202)</u>	<u>\$ 1,694,409</u>	<u>\$ (35,825,793)</u>
General revenues:							
Property taxes					4,593,413	-	4,593,413
Local taxes					30,540,408	-	30,540,408
Franchise taxes					1,505,032	-	1,505,032
State taxes					839,538	-	839,538
Sales taxes					21,012,215	-	21,012,215
Unrestricted investment earnings					151,449	83,633	235,082
Reimbursed expenses					185,759	-	185,759
Miscellaneous					1,164,028	17,191	1,181,219
Gain on disposal of assets					279,813	-	279,813
Transfers					2,338,321	(2,338,321)	-
Total general revenues, special items and transfers					<u>62,609,976</u>	<u>(2,237,497)</u>	<u>60,372,479</u>
Change in net position					25,089,774	(543,088)	24,546,686
Net position - beginning					146,782,491	15,626,458	162,408,949
Net position - ending					<u>\$ 171,872,265</u>	<u>\$ 15,083,370</u>	<u>\$ 186,955,635</u>

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

FUND FINANCIAL STATEMENTS

THE CITY OF ORANGE BEACH, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 61,392,607	\$ 323,609	\$ 61,716,216
Restricted cash and cash equivalents	28,418,386	2,713,469	31,131,855
Accounts receivable - net	14,983,936	105,873	15,089,809
Due from other funds	6,350,463	-	6,350,463
Inventory	14,462	-	14,462
Prepaid expenses	218,046	-	218,046
TOTAL ASSETS	\$ 111,377,900	\$ 3,142,951	\$ 114,520,851
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	641,636	-	641,636
Due to other funds	-	161,258	161,258
Accrued expenses	1,110,423	15,419	1,125,842
Appearance bonds	60,967	-	60,967
Performance bonds	33,545	-	33,545
Communications tower escrow funds	30,635	-	30,635
Total liabilities	1,877,206	176,677	2,053,883
 Deferred inflows of resources:			
Unearned revenue	186,371	-	186,371
 Fund balances:			
Nonspendable	232,508	-	232,508
Spendable:			
Restricted	35,274,677	2,661,444	37,936,121
Committed	2,660,828	-	2,660,828
Assigned	-	304,830	304,830
Unassigned	71,146,310	-	71,146,310
Total fund balances	109,314,323	2,966,274	112,280,597
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 111,377,900	\$ 3,142,951	\$ 114,520,851

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

THE CITY OF ORANGE BEACH, ALABAMA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Fund balances - total governmental funds \$ 112,280,597

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	144,975,776	
Less: accumulated depreciation	<u>(29,954,657)</u>	115,021,119

Certain 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	566,045	
Deferred pension losses	4,186,169	
Loss on advance refunding	880,250	
Less: accumulated amortization	<u>(392,443)</u>	5,240,021

Certain deferred inflows of resources used in governmental activities are not financial uses and therefore are not reported in the governmental funds.

Deferred pension gains	<u>(4,237,531)</u>	(4,237,531)
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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	(42,845,000)	
Premium on bonds issued	(9,860,675)	
Discount on bonds issued	42,033	
Accumulated amortization of premium/discount	1,158,473	
Net pension liability	(3,533,356)	
Compensated absences	<u>(710,495)</u>	(55,749,020)

Accrued interest payable on debt in the governmental funds is susceptible to full accrual on the entity wide basis.

Accrued interest payable		<u>(682,921)</u>
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Net position of governmental activities \$ 171,872,265

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 4,593,413	\$ -	\$ 4,593,413
Intergovernmental:			
State tax	198,186	552,032	750,218
Local tax	53,057,655	-	53,057,655
Grants	6,416,081	7,028	6,423,109
Personnel service reimbursement	185,759	-	185,759
Other licenses, permits and fees	5,182,603	2,828	5,185,431
Fines and forfeitures	436,150	37,687	473,837
Charges for services	1,604,985	-	1,604,985
Rent	171,139	-	171,139
Investment earnings	137,917	13,532	151,449
Insurance proceeds	768,144	-	768,144
Contracts	2,298,679	-	2,298,679
Miscellaneous	499,559	197,591	697,150
TOTAL REVENUES	<u>75,550,270</u>	<u>810,698</u>	<u>76,360,968</u>
EXPENDITURES			
General government	10,293,841	-	10,293,841
Coastal resources	2,369,619	-	2,369,619
Court	494,225	-	494,225
Finance	1,062,053	-	1,062,053
Police	6,954,845	-	6,954,845
Corrections	769,979	-	769,979
Community development	1,523,572	-	1,523,572
Communications	603,636	-	603,636
Fire	8,043,878	-	8,043,878
Public works	3,160,982	-	3,160,982
Landscape	1,829,324	-	1,829,324
Parks and recreation	1,525,262	-	1,525,262
Recreation center	954,819	-	954,819
Expect Excellence	2,036,454	-	2,036,454
Library	-	660,329	660,329
Capital improvements	27,720,171	-	27,720,171
Securities lending:			
Fiscal agent fees	-	1,632	1,632
Debt service:			
Principal payments	-	2,195,271	2,195,271
Interest and other	-	41,425	41,425
TOTAL EXPENDITURES	<u>69,342,660</u>	<u>2,898,657</u>	<u>72,241,317</u>
Excess (deficiency) of revenues over expenditures	<u>6,207,610</u>	<u>(2,087,959)</u>	<u>4,119,651</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from disposal of assets	242,818	-	242,818
Proceeds from debt issue	50,433,145	-	50,433,145
Cost of debt issue	(433,145)	-	(433,145)
Transfers in	2,944,097	4,172,992	7,117,089
Transfers out	(4,172,992)	(605,776)	(4,778,768)
TOTAL OTHER FINANCING SOURCES (USES)	<u>49,013,923</u>	<u>3,567,216</u>	<u>52,581,139</u>
NET CHANGE IN FUND BALANCES	<u>55,221,533</u>	<u>1,479,257</u>	<u>56,700,790</u>
FUND BALANCES - BEGINNING	<u>54,092,790</u>	<u>1,487,017</u>	<u>55,579,807</u>
FUND BALANCES - ENDING	<u>\$ 109,314,323</u>	<u>\$ 2,966,274</u>	<u>\$ 112,280,597</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL ACTIVITIES
TO THE CHANGES IN NET POSITION ON THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2021

Net change in fund balances \$ 56,700,790

Governmental funds report capital improvements as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	19,943,803	
Less: current year depreciation	(2,900,175)	
Less: book value of disposed assets	<u>(21,353)</u>	17,022,275

Bond proceeds provide current financial resources to governmental funds, but issuing debt increase 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.

Proceeds of 2021 GO Debt issue	(50,433,145)	
Bond premium/discount amortization	549,996	
Principal payments	<u>1,420,000</u>	(48,463,149)

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.

Amortization of loss on refunding	(44,012)	
Increase in interest accrued on long term debt	(673,996)	
Increase in compensated absences	(13,515)	
Decrease in deferred employer pension contributions	(1,373)	
Increase in deferred pension losses	1,401,889	
Increase in deferred pension gains	(3,729,785)	
Decrease in net pension liability	<u>2,890,650</u>	<u>(170,142)</u>

Change in net position of governmental activities \$ 25,089,774

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Sewer	Other Proprietary Funds	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,565,462	\$ 97,710	\$ 6,663,172
Restricted cash and cash equivalents	6,090,771	-	6,090,771
Accounts receivable - net	75,663	25,426	101,089
Due from other funds	-	1,287	1,287
Prepaid expenses	3,689	-	3,689
Total current assets	<u>\$12,735,585</u>	<u>\$ 124,423</u>	<u>\$12,860,008</u>
Noncurrent assets			
Capital assets:			
Land	343,588	158,648	502,236
Buildings	-	3,820,516	3,820,516
Sewer plant	29,767,289	-	29,767,289
Vehicles and equipment	3,157,051	1,629,120	4,786,171
Distribution and collection system	13,763,412	-	13,763,412
Less: Accumulated depreciation	<u>(25,824,803)</u>	<u>(2,014,377)</u>	<u>(27,839,180)</u>
Total noncurrent assets	<u>21,206,537</u>	<u>3,593,907</u>	<u>24,800,444</u>
TOTAL ASSETS	<u>33,942,122</u>	<u>3,718,330</u>	<u>37,660,452</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding - net	<u>1,157,528</u>	<u>-</u>	<u>1,157,528</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 68,555	\$ 23,126	\$ 91,681
Due to other funds	1,247,414	4,943,078	6,190,492
Accrued expenses	39,391	26,534	65,925
Accrued compensated absences	46,830	31,458	78,288
Accrued interest payable	53,710	-	53,710
Current portion of bonds payable	<u>1,770,000</u>	<u>-</u>	<u>1,770,000</u>
Total current liabilities	<u>3,225,900</u>	<u>5,024,196</u>	<u>8,250,096</u>
Noncurrent liabilities			
Accrued compensated absences	30,803	7,832	38,635
Series 2020 G.O. Sewer Warrant - net	14,115,000	-	14,115,000
Series 2012 G.O. Sewer Warrant - net	<u>1,275,507</u>	<u>-</u>	<u>1,275,507</u>
Total noncurrent liabilities	<u>15,421,310</u>	<u>7,832</u>	<u>15,429,142</u>
TOTAL LIABILITIES	<u>18,647,210</u>	<u>5,032,028</u>	<u>23,679,238</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	<u>55,372</u>	<u>-</u>	<u>55,372</u>
NET POSITION			
Invested in capital assets, net of related debt	4,046,029	3,593,907	7,639,936
Unrestricted	<u>12,351,039</u>	<u>(4,907,605)</u>	<u>7,443,434</u>
TOTAL NET POSITION	<u>\$16,397,068</u>	<u>\$ (1,313,698)</u>	<u>\$15,083,370</u>

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

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

	Sewer	Other Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	\$ 7,386,965	\$ 4,800,114	\$12,187,079
Miscellaneous income	2,580	31,006	33,586
Merchandise sales	-	284,525	284,525
TOTAL OPERATING REVENUES	<u>7,389,545</u>	<u>5,115,645</u>	<u>12,505,190</u>
COST OF GOODS SOLD	<u>-</u>	<u>166,476</u>	<u>166,476</u>
GROSS PROFIT	<u>7,389,545</u>	<u>4,949,169</u>	<u>12,338,714</u>
OPERATING EXPENSES			
Salaries, wages and employee benefits	2,094,597	1,393,463	3,488,060
Contractual services	224,809	2,429,463	2,654,272
Utilities	1,073,616	122,812	1,196,428
Repairs and maintenance	286,834	225,811	512,645
Other supplies and expenses	373,143	216,117	589,260
Bad debt expense	6,474	-	6,474
Bond premium amortization	125,913	-	125,913
Depreciation	1,631,927	271,515	1,903,442
TOTAL OPERATING EXPENSES	<u>5,817,313</u>	<u>4,659,181</u>	<u>10,476,494</u>
OPERATING INCOME (LOSS)	<u>1,572,232</u>	<u>289,988</u>	<u>1,862,220</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	83,600	33	83,633
Interest expense	(150,620)	-	(150,620)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(67,020)</u>	<u>33</u>	<u>(66,987)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,505,212</u>	<u>290,021</u>	<u>1,795,233</u>
TRANSFERS IN (OUT)	<u>(820,000)</u>	<u>(1,518,321)</u>	<u>(2,338,321)</u>
CHANGE IN NET POSITION	<u>685,212</u>	<u>(1,228,300)</u>	<u>(543,088)</u>
NET POSITION - BEGINNING	<u>15,711,856</u>	<u>(85,398)</u>	<u>15,626,458</u>
NET POSITION - ENDING	<u>\$16,397,068</u>	<u>\$ (1,313,698)</u>	<u>\$15,083,370</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Sewer	Other Proprietary Funds	Total Proprietary Funds
CASH FLOWS FROM			
OPERATING ACTIVITIES			
Receipts from customers	\$ 7,386,212	\$ 5,116,932	\$12,503,144
Payments to employees for services	(2,158,019)	(1,434,365)	(3,592,384)
Payments to suppliers of goods & services	(2,039,479)	(3,178,639)	(5,218,118)
Payments from (to) other funds	<u>1,128,874</u>	<u>1,049,144</u>	<u>2,178,018</u>
NET CASH PROVIDED (USED)			
BY OPERATING ACTIVITIES	<u>4,317,588</u>	<u>1,553,072</u>	<u>5,870,660</u>
CASH FLOWS FROM NONCAPITAL			
FINANCING ACTIVITIES			
Transfers to other funds	<u>(820,000)</u>	<u>(1,518,321)</u>	<u>(2,338,321)</u>
CASH FLOWS FROM CAPITAL AND			
RELATED FINANCING ACTIVITIES			
Interest income	83,600	35	83,635
Increase in restricted cash	1,008,968	-	1,008,968
Principal repayments for capital purposes	(1,630,508)	-	(1,630,508)
Interest paid on capital debt	(73,816)	-	(73,816)
Acquisition of property and equipment	<u>(1,083,742)</u>	<u>-</u>	<u>(1,083,742)</u>
NET CASH (USED) BY CAPITAL AND			
RELATED FINANCING ACTIVITIES	<u>(1,695,498)</u>	<u>35</u>	<u>(1,695,463)</u>
NET INCREASE (DECREASE) IN CASH	1,802,090	34,786	1,836,876
CASH & EQUIVALENTS - BEG. OF YEAR	<u>4,763,372</u>	<u>62,924</u>	<u>4,826,296</u>
CASH & EQUIVALENTS - END OF YEAR	<u>\$ 6,565,462</u>	<u>\$ 97,710</u>	<u>\$ 6,663,172</u>
Operating income (loss)	<u>\$ 1,572,232</u>	<u>\$ 289,988</u>	<u>\$ 1,862,220</u>
Adjustments to reconcile operating income to			
net cash provided (used) by operating activities			
Depreciation	1,631,927	271,515	1,903,442
Amortization	125,913	-	125,913
(Increase) decrease in:			
Accounts receivable	2,238	1,289	3,527
Due to other funds	1,128,874	1,049,144	2,178,018
Increase (decrease) in:			
Accounts payable	(81,078)	(17,962)	(99,040)
Accrued payroll	(63,421)	(40,902)	(104,323)
Deferred revenue	<u>903</u>	<u>-</u>	<u>903</u>
Total adjustments	<u>2,745,356</u>	<u>1,263,084</u>	<u>4,008,440</u>
Net cash provided (used) by operating activities	<u>\$ 4,317,588</u>	<u>\$ 1,553,072</u>	<u>\$ 5,870,660</u>

Supplemental Disclosures

Noncash Investing and Financing Activities: NONE

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

NOTES TO THE FINANCIAL STATEMENTS

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL STATEMENT

The City of Orange Beach, Alabama, (the "City"), was incorporated on August 1, 1984, under the applicable laws of the State of Alabama. The City operates under a Mayor-Council form of government and provides the following services to its citizens: Police, Fire and Paramedic services, Street maintenance, Culture-Recreation, Public Improvements, Planning and Zoning, Building Inspection and other general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally Accepted Accounting Principles (GAAP) for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

B. FINANCIAL REPORTING ENTITY

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on 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.

Excluded from the financial statements of the City are the following boards or agencies for which a lack of influence, dependency and control exist: The Business and Industrial Development Board of the City of Orange Beach, Alabama, the Orange Beach Water, Sewer and Fire Protection Authority and the Orange Beach Volunteer Fire Department. These boards and agencies are governed by their own Boards of Directors, prepare and adopt an annual operating budget which is not influenced by the City, have the authority to issue debt which is not an obligation of the City and are not secured by City revenues, have responsibility for any operating deficits which they may incur and must fund any deficits through prior years' surplus or other financing sources.

C. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are 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.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund -

The General Fund is the main operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Sewer Utility System -

Sewer Utility System Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS (continued)

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 principal ongoing operations.

Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City's non-major funds are:

Governmental Funds:

Special Revenue Funds -

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Library Fund -

The Library fund is used to record the daily operating functions of the library. The library fund is a component unit of the city presented with the other governmental funds since its revenue primarily consists of appropriations from the city's general fund.

Debt Service Fund -

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Proprietary Funds:

Events Center Fund -

Events Center Fund is used to account for the operations of the events center operation. All costs are financed through charges to customers.

Arts Center Fund -

Arts Center Fund is used to account for the operations of the coastal arts center. All costs are financed through charges to customers.

Refuse Collection -

Refuse Collection Fund is used to account for operations of solid waste collection and disposal services. All costs are financed through charges to refuse customers.

Baldwin County Bridge Company (BCBC) Fund -

BCBC Fund is used to account for the transactions between the City and American Roads as described in Note 12.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/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 accrual basis of accounting. The economic resources measurement focus means all assets, liabilities (whether current or non-current), deferred inflows of resources, and deferred outflows of resources are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the 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 susceptible to accrual, i.e., 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. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, charges for services, interest income and intergovernmental revenues. Taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

E. BUDGETARY CONTROL

As set forth in the City Charter, the City of Orange Beach, Alabama, adopts an annual budget for the General Fund, Special Revenue Fund, Refuse Fund (an Enterprise Fund), and the Sewer System Utility Fund (an Enterprise Fund). The annual budget for the funds is prepared on the cash and expenditure/encumbrances basis. Revenues and expenditures are budgeted in the year receipt and payment is expected. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget to actual comparison in the general purpose financial statements is presented on this basis. The City may transfer budgeted amounts between line items with the approval of the City Council. The City Council can amend the budget during the year as needed to reflect any changes in its programs or services arising during the budget period. The Enterprise funds do not require a budget comparison. All annual appropriations lapse at year-end except for on-going projects which are budgeted for the following fiscal year.

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

1. During the months of October and November, the Mayor and City Administrator meet with the Department heads to discuss a proposed budget for that department for the coming year commencing January 1st.
2. The Mayor then drafts a budget for all funds, which include proposed expenditures and the proposed means for financing them.
3. On or about December 1st, the Mayor presents to the Council the proposed budget. Prior to January 1st, the budget is legally enacted through passage of a resolution.
4. The City Council may amend the budget through resolutions as needed, provided adequate funds are available at the time of amendment. The City reviews its budget at mid-year and at other times as needs and circumstances dictate.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY CONTROL (continued)

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

F. CASH AND INVESTMENTS

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand deposits, savings accounts, and short-term investments with original or remaining maturities of three months or less when purchased. For purposes of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and short-term investments with an original maturity of three months or less.

The City has \$19,322,732 invested in the JP Morgan 100% U.S. Treasury Securities Money Market Fund #677 as of December 31, 2021. The fund invests solely in debt securities of the U.S. Treasury, including Treasury bills, bonds and notes. These investments carry different interest rates, maturities and issue dates.

G. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances for the governmental activities include property taxes, local taxes and franchise taxes. Major proprietary receivables include amounts due on the Baldwin County Bridge agreement and sewer fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as franchise tax, grants and other similar intergovernmental revenue 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 earned is recorded when earned, only if paid within 60 days since they would be considered both measurable and available.

H. PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

I. INVENTORY

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of gasoline and diesel fuel and merchandise held in the general fund.

J. INTERFUND RECEIVABLES AND PAYABLES

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

K. TRANSACTIONS BETWEEN FUNDS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

THE CITY OF ORANGE BEACH, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

GASB No 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ending September 30, 2003. Infrastructure assets include roads, bridges, underground pipes (other than utilities), traffic signals, etc. The City's capitalization threshold for infrastructure is \$500,000. During 2007, the City assessed the condition of the roads, sidewalk, and other infrastructure. The City of Orange Beach, Alabama does not have infrastructure that exceeds the capitalization threshold.

Assets capitalized, not including infrastructure assets, have varying capitalization thresholds depending on the asset type. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives and capitalization thresholds are as follows:

	Useful Life	Capitalization Threshold Before 2/5/19	Capitalization Threshold After 2/5/19
Buildings	35-50 years	\$ 100,000	\$ 100,000
Building improvements	20-30 years	100,000	100,000
Machinery, vehicles and equipment	5-15 years	7,500	15,000
Furniture and fixtures	3-15 years	7,500	15,000
Land	n/a	7,500	10,000

Sewer Utility System Fund

During 2007, The City began constructing a new wastewater treatment plant. The new plant was completed and put on-line on April 8, 2011. The final cost of the project was \$28,071,590. The costs of the various items of land, buildings, plant, collection system and other equipment and vehicles were allocated based on actual costs of the various components of the system. Additions to the system during the year are recorded at cost or, if contributed property, at the estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to operations.

Refuse Collection Fund, Arts Center Fund, Events Center Fund

Additions to the fund during the year are recorded at cost or, if contributed property, at the estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to operations.

N. ACCUMULATED COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation which will be paid to City workers when they terminate employment or will be used in future years by the employees. In governmental funds and enterprise funds, the cost of this leave time is recognized based on the Administration's estimate of the total value which will be taken in the coming fiscal period and is recorded as a liability in the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. PROPERTY TAXES

All ad valorem taxes levied by the State, County and the City are assessed and collected by the Tax Collector of Baldwin County, Alabama. The Baldwin County 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 each year. Property taxes not paid by January 1, are considered as delinquent. Tax collections received by the County Tax Collector are remitted to the City on a monthly basis. All amounts paid to the City within the bill paying period are included in revenues. The City currently assesses 4 mills on property within the City Limits. The Council has the authority to increase property taxes at its discretion, within certain statutory limits.

P. NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCE

Government Wide Level Financial Statements

Equity is classified as net position and displayed in three components:

- Invested in capital assets, net of related debt 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.
- 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.
- Unrestricted net position consists of 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 Accounts Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Bureau classifies governmental fund balance as follows:

- a) 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.
- b) 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.
- c) 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.
- d) 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 for the Finance Committee to approve, followed by Council action to accept and the Mayor's signature to authorize.
- e) Unassigned - includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City commits fund balance through council action, the government highest level of decision-making authority. Formal Council action in a form of a resolution is required to establish, modify, or rescind a fund balance commitment is needed.

The City does not have an established policy regarding use of unrestricted fund balance when both restricted and unrestricted fund balance are available. However, the City does consider committed amount would be reduced first, followed by any assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the City's unrestricted fund balance classifications are used.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCE (continued)

A schedule of fund balances is as follows:

	General Fund	Debt Service Fund	Special Revenue Fund	Library Fund	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventories	\$ 14,462	\$ -	\$ -	\$ -	\$ 14,462
Prepaid expenses	218,046	-	-	-	218,046
Restricted for:					
Grants	10,177,190	-	-	-	10,177,190
Municipal court	61,449	-	-	-	61,449
Debt service	25,036,038	2,109,504	-	-	27,145,542
Capital outlay	-	-	551,940	-	551,940
Committed to:					
Emergencies	2,660,828	-	-	-	2,660,828
Assigned to:					
Library	-	-	-	304,830	304,830
Unassigned:	<u>71,146,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,146,310</u>
Total Fund Balance:	<u>\$ 109,314,323</u>	<u>\$ 2,109,504</u>	<u>\$ 551,940</u>	<u>\$ 304,830</u>	<u>\$ 112,280,597</u>

Q. CAPITALIZED INTEREST

Interest costs on debt are capitalized when incurred by proprietary funds where the proceeds are used to finance the construction of assets.

R. ACCUMULATED DEFICIT

At December 31, 2021, the Events Center Fund and Refuse Fund had accumulated deficits of \$515,703 and \$1,620,658, respectively. It is anticipated that the Events Center Fund and Refuse Fund deficits will continue to be financed by the General Fund.

S. NET POSITION

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – CASH AND RESTRICTED CASH

A detail of cash as of December 31, 2021 is as follows:

	Governmental-type Funds	Business-type Funds
Cash on hand	\$ 3,905	\$ 100
Cash in banks		
Operations	61,712,311	6,663,072
Reserved- Disaster	3,320,899	4,253,763
Reserved- Capital projects	25,097,487	-
Reserved- Special revenues	472,435	-
Reserved- Debt service	2,241,034	1,837,008
	<u>\$ 92,848,071</u>	<u>\$ 12,753,943</u>

NOTE 3 – CREDIT RISK

The City's deposits at year end were held by facial 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 the collateral pool administered by the Alabama State Treasurer's Office under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

At December 31, 2021 the carrying amount of the City's deposits, including Certificates of Deposit, was \$105,598,114 and the bank balance was \$121,807,051. These deposits are held in accounts insured by the Federal Deposit Insurance Corporation, FDIC. Amounts in excess of FDIC coverage are further secured by a pledge of securities from various institutions to the Alabama State Treasurer Office in accordance with the Security for Alabama Funds Enhancement, SAFE, Act.

NOTE 4 – RETIREMENT PLAN

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. GENERAL INFORMATION ABOUT THE PENSION PLAN

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

THE CITY OF ORANGE BEACH, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

B. GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)

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

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method. Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life.

Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement. The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2020, the City's membership consisted of:

Retired members or their beneficiaries currently receiving benefits	66
Vested inactive members	13
Non-vested inactive members	73
Active members	414
Post-DRDP retired members still in active service	-
Total	566

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

B. GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2021, the City's active employee contribution rate was 5.15% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.85% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2021 was 6.23% of pensionable pay for Tier 1 employees, and 3.27% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 201, 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 \$1,156,216 for the year ended December 31, 2021.

C. NET PENSION LIABILITY

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) TPL as of September 30, 2020	\$ 49,051,891	\$ 50,052,118	\$ 50,052,118	\$ 52,350,282
(b) Discount rate	7.70%	7.70%	7.70%	7.45%
(c) Entry age normal cost for the period October 1, 2020 - September 30, 2021	1,786,762	1,786,762	1,786,762	1,977,944
(d) Transfers among employees	-	239,995	239,995	239,995
(e) Actual benefit payments and refunds for the period October 1 2020 -September 30, 2021	(1,717,068)	(1,717,068)	(1,717,068)	(1,717,068)
(f) TPL as of September 30, 2021 = [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	<u>\$ 52,832,473</u>	<u>\$ 54,149,713</u>	<u>\$ 54,149,713</u>	<u>\$ 56,687,288</u>
(g) Difference between expected and actual		\$ 1,317,239		
(h) Less liability transferred for immediate recognition		239,995		
(i) Difference between Expected and Actual - Experience (gain) / loss = (g) - (h)		<u>\$ 1,077,244</u>		
(j) Difference between Actual TPL Before and After Act 2019-132 benefit change (gain) / loss			<u>\$ -</u>	
(k) Difference between Actual TPL Before and After 2020 Experience Study - Assumption Change (gain) / loss				<u>\$ 2,537,575</u>

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

C. NET PENSION LIABILITY (continued)

Actuarial assumptions: The total pension liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 5.0%
Investment rate of return*	7.70%

* Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2019. The Board of Control accepted and approved these changes in September 2019, which became effective at the beginning of fiscal year 2019.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stock	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternative	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
Total	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%.

Discount rate: The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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 pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

C. NET PENSION LIABILITY (continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at September 30, 2020	\$ 49,051,891	\$ 42,627,885	\$ 6,424,006
Changes for the year:			
Service cost	1,786,762	-	1,786,762
Interest	3,710,888	-	3,710,888
Changes of benefit terms	-	-	-
Changes of assumptions	2,537,576	-	2,537,576
Difference between expected and actual experience	1,077,245	-	1,077,245
Contributions - employer	-	1,089,725	(1,089,725)
Contributions - employee	-	1,341,292	(1,341,292)
Net investment income	-	9,572,104	(9,572,104)
Benefit payments, including refunds of employee contributions	(1,717,068)	(1,717,068)	-
Administrative expense	-	-	-
Transfers among employees	239,995	239,995	-
Net changes	7,635,398	10,526,048	(2,890,650)
Balance at September 30, 2021	\$ 56,687,289	\$ 53,153,933	\$ 3,533,356

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:

	1% Decrease (6.45%)	Current Discount (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability	\$ 11,482,410	\$ 3,533,356	\$ (3,033,031)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated August 19, 2022 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2021, the City recognized pension expense of \$1,156,216. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,419,119	\$ 406,658
Changes of assumptions	2,767,050	-
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions subsequent to the measurement date	<u>566,045</u>	<u>3,830,873</u>
 Total	 <u>\$ 4,752,214</u>	 <u>\$ 4,237,531</u>

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

Year Ended December 31:		
2023	\$	(5,080)
2024		10,300
2025		(569,375)
2026		(712,770)
2027		446,921
Thereafter		778,642

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

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Collective Deferred Outflows and Inflows between Expected and Actual Experience

Year	Beginning Balance		Amort. Period	Beginning Balance				Amounts Recog. In Pension Expense / Deferred Outflow	Amounts Recog. In Pension Expense / Deferred Inflow	Ending Balance	
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow		Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows			Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(e)	(b) + (d) - (f)
2021	\$ 1,077,245	\$ -	7.7	\$ -	\$ -	\$1,077,245	\$ -	\$ 139,902	\$ -	\$ 937,343	\$ -
2020	-	291,520	7.5	-	252,651	-	-	-	38,869	-	213,782
2019	130,650	-	8.0	97,988	-	-	-	16,331	-	81,657	-
2018	518,534	-	8.0	324,083	-	-	-	64,817	-	259,266	-
2017	-	503,971	8.1	-	255,095	-	-	-	62,219	-	192,876
2016	23,081	-	8.2	9,006	-	-	-	2,815	-	6,191	-
2015	920,209	-	8.2	246,883	-	-	-	112,221	-	134,662	-
Total				<u>\$ 677,960</u>	<u>\$ 507,746</u>	<u>\$1,077,245</u>	<u>\$ -</u>			<u>\$ 1,419,119</u>	<u>\$ 406,658</u>

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Collective Deferred Outflows and Inflows for Differences from Assumption Changes											
Year	Beginning Balance		Amort. Period					Amounts Recog. In Pension Expense / Deferred Outflow	Amounts Recog. In Pension Expense / Deferred Inflow	Ending Balance	
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow		Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
				(a)	(b)	(c)	(d)	(e)	(f)	(e)	(b) + (d) - (f)
2021	\$ 1,077,245	\$ -	7.7	\$ -	\$ -	\$1,077,245	\$ -	\$ 139,902	\$ -	\$ 937,343	\$ -
2020	-	291,520	7.5	-	252,651	-	-	-	38,869	-	213,782
2019	130,650	-	8.0	97,988	-	-	-	16,331	-	81,657	-
2018	518,534	-	8.0	324,083	-	-	-	64,817	-	259,266	-
2017	-	503,971	8.1	-	255,095	-	-	-	62,219	-	192,876
2016	23,081	-	8.2	9,006	-	-	-	2,815	-	6,191	-
2015	920,209	-	8.2	<u>246,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	112,221	-	<u>134,662</u>	<u>-</u>
Total				<u>\$ 677,960</u>	<u>\$ 507,746</u>	<u>\$1,077,245</u>	<u>\$ -</u>			<u>\$ 1,419,119</u>	<u>\$ 406,658</u>

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 – RETIREMENT PLAN (continued)

D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Collective Deferred Outflows and Inflows for Differences in Investment Experience

Year	Beginning Balance		Amort. Period					Amounts	Amounts	Ending Balance	
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow		Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows	Expense / Deferred Outflow	Expense / Deferred Inflow	Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
	(a)	(b)		(c)	(d)	(e)	(f)	(e)	(b) + (d) - (f)		
2021	\$ -	\$ 6,253,030	5.0	\$ -	\$ -	\$ -	\$ 6,253,030	\$ -	\$ 1,250,606	\$ -	\$ 5,002,424
2020	798,809	-	5.0	639,047	-	-	-	159,762	-	479,285	-
2019	1,993,569	-	5.0	1,196,141	-	-	-	398,714	-	797,427	-
2018	-	525,801	5.0	-	210,321	-	-	-	105,160	-	105,161
2017	-	1,526,162	5.0	-	305,234	-	-	-	305,234	-	-
Total				<u>\$ 1,835,188</u>	<u>\$ 515,555</u>	<u>\$ -</u>	<u>\$ 6,253,030</u>			<u>\$ 1,276,712</u>	<u>\$ 5,107,585</u>
											<u>\$ 3,830,873</u>

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – LONG TERM DEBT

General Fund

General Obligation Warrants

At December 31, 2021, governmental long-term debt consisted of the following individual issues:

On February 1, 2013, the City issued a General Obligation Warrant, in the amount of \$9,780,000 to Bank of New York for the refunding of General Obligation Issue 2007B. The Warrant is payable in annual installments varying from \$151,858 to \$1,465,950 principal plus interest from 0.55% - 3.00% beginning May 1, 2013 with a final payment on May 1, 2022.

On February 1, 2021, the City issued a General Obligation Warrant, in the amount of 41,395,000 to Bank of New York. The Warrant is payable in annual installments varying from \$117,000 to \$1,641,750 principal plus interest with an average coupon of 3.996% beginning February 1, 2022 with a final payment on August 1, 2041.

Sewer Fund

General Obligation Warrants

At December 31, 2021, the long-term debt for the proprietary fund consisted of the following individual issues:

On October 1, 2012, the City issued \$22,975,000 of its Series 2012 General Obligation Sewer Warrants for the refunding of the previous 2006 Sewer Revenue Issue. The warrant is payable in annual installments varying from \$75,000 to \$2,070,000 principal plus interest from 2.00% - 5.00% beginning February 1, 2013 with a final payment on February 1, 2030. The City issued warrants in 2020, partially refunding the Series 2012 General Obligation Sewer Warrants. The remaining warrants are payable in annual installments with a final payment on February 1, 2022.

On October 17, 2020, the City issued \$15,660,000 of its Series 2020 General Obligation Sewer Warrants for the partial refunding of the previous Series 2012 General Obligation Sewer Warrants. The warrant is payable in annual installments varying from \$100,000 to \$1,990,000 principal plus interest from .235% - 1.564% beginning February 1, 2021 with a final payment on February 1, 2030.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – LONG TERM DEBT (continued)

General Obligation Warrants for governmental activities of the City were comprised of the following at December 31, 2021:

\$9,780,000 General Obligation Warrants Series 2013 dated February 1, 2013, principal and interest due in annual installments varying from \$151,858 to \$1,465,950 through May 1, 2022; variable interest rate from .55% - 3.00%	\$ 1,450,000
\$41,395,000 General Obligation Warrants Series 2021 dated February 1, 2021, principal and interest due in annual installments varying from \$117,000 to \$1,641,750 through August 1, 2041; variable interest rate with average coupon of 3.996%.	41,395,000
Unamortized bond premium/ discount (net)	<u>8,660,169</u>
TOTAL WARRANTS AND NOTES OUTSTANDING	51,505,169
Compensated absences	710,495
Net pension liability	<u>3,533,356</u>
TOTAL GENERAL LONG-TERM DEBT	<u>\$ 55,749,020</u>

General Obligation and Revenue Warrants for business-type activities of the City were comprised of the following at December 31, 2021:

\$22,975,000 General Obligations Sewer Warrants Series 2012 dated October 1, 2012, principal and interest due in annual installments varying from \$1,305,000 to \$1,445,000 through February 1, 2022; variable interest rate from 2.00% - 5.00%; partially refunded in 2020	\$ 1,445,000
\$15,660,000 General Obligations Sewer Warrants Series 2020 dated October 17, 2020, principal and interest due in annual installments varying from \$100,000 to \$1,990,000 through February 1, 2030; variable interest rate from .235% to 1.564%; issued in 2020 to partially refund the 2012 Warrants	15,560,000
Unamortized bond premium/ discount (net)	<u>155,507</u>
TOTAL WARRANTS AND NOTES OUTSTANDING	17,160,507
Compensated absences	<u>116,923</u>
TOTAL BUSINESS-TYPE ACTIVITY DEBT	<u>\$ 17,277,430</u>

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – LONG TERM DEBT (continued)

The annual aggregate maturities, including principal and interest, for the years subsequent to December 31, 2021, are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 2,855,000	\$ 1,656,250	\$ 4,511,250	\$ 1,770,000	\$ 161,130	\$ 1,931,130
2023	1,445,000	1,599,600	3,044,600	1,850,000	160,204	2,010,204
2024	1,505,000	1,541,800	3,046,800	1,855,000	152,082	2,007,082
2025	1,565,000	1,481,600	3,046,600	1,865,000	140,117	2,005,117
2026	1,625,000	1,419,000	3,044,000	1,885,000	126,037	2,011,037
2027 and thereafter	33,850,000	11,816,000	45,666,000	7,780,000	284,992	8,064,992
Unamortized bond discount / premium	<u>8,660,169</u>	<u>-</u>	<u>8,660,169</u>	<u>155,507</u>	<u>-</u>	<u>155,507</u>
Total	<u>\$ 51,505,169</u>	<u>\$ 19,514,250</u>	<u>\$ 71,019,419</u>	<u>\$ 17,160,507</u>	<u>\$ 1,024,562</u>	<u>\$ 18,185,069</u>

Changes in General Long-Term Debt during the year were as follows:

Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
February 1, 2013, G.O. Warrants, Series 2013	\$ 2,870,000	\$ -	\$ (1,420,000)	\$ 1,450,000	\$ 1,450,000
February 1, 2021, G.O. Warrants, Series 2021	-	41,395,000	-	41,395,000	1,405,000
Unamortized bond premium/ discount (net)	<u>172,020</u>	<u>9,038,145</u>	<u>(549,996)</u>	<u>8,660,169</u>	<u>-</u>
Total bonds payable	3,042,020	50,433,145	(1,969,996)	51,505,169	2,855,000
Other long-term liabilities:					
Compensated absences	696,981	-	13,514	710,495	471,974
Net pension liability	<u>6,424,006</u>	<u>-</u>	<u>(2,890,650)</u>	<u>3,533,356</u>	<u>-</u>
Total other long-term liabilities	<u>7,120,987</u>	<u>-</u>	<u>(2,877,136)</u>	<u>4,243,851</u>	<u>471,974</u>
Governmental activities long-term liabilities	<u>\$ 10,163,007</u>	<u>\$ 50,433,145</u>	<u>\$ (4,847,132)</u>	<u>\$ 55,749,020</u>	<u>\$ 3,326,974</u>

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 – LONG TERM DEBT (continued)

Changes in Business-Type Long Term Debt during the year were as follows:

Obligation	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-type activities:					
Bonds payable:					
October 1, 2012 G.O. Sewer Warrants, Series 2012	\$ 2,820,000	\$ -	\$ (1,375,000)	\$ 1,445,000	\$ 1,445,000
October 17, 2020 G.O. Sewer Warrants, Series 2020	15,660,000	-	(100,000)	15,560,000	325,000
Unamortized bond premium/ discount (net)	<u>311,014</u>	<u>-</u>	<u>(155,507)</u>	<u>155,507</u>	<u>-</u>
Total bonds payable	18,791,014	-	(1,630,507)	17,160,507	1,770,000
Other long-term liabilities:					
Compensated absences	<u>123,439</u>	<u>-</u>	<u>(6,516)</u>	<u>116,923</u>	<u>78,288</u>
Total other long-term liabilities	<u>123,439</u>	<u>-</u>	<u>(6,516)</u>	<u>116,923</u>	<u>78,288</u>
Business-type activities long-term liabilities	<u>\$ 18,914,453</u>	<u>\$ -</u>	<u>\$ (1,637,023)</u>	<u>\$ 17,277,430</u>	<u>\$ 1,848,288</u>

NOTE 6 – DEFEASANCE OF DEBT

On February 1, 2013, \$9,780,000 million in general obligation bonds with an average interest rate of 2.11% were issued to advance refund \$9,105,000 of outstanding bonds with an average interest rate of 4.22%. The net proceeds of \$10,032,143 (after payment of \$142,030 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds and loans. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 11 years by almost \$611,228 resulting in an economic gain (difference between the present values of the debt services payments on the old and new debt and cash exchanged) of \$500,454.

On October 27, 2020, \$15,660,000 million in Sewer Fund general obligation bonds with an average interest rate of 1.20% were issued to advance refund \$14,430,000 of outstanding bonds with an average interest rate of 3.87%. The net proceeds of \$15,451,767 (after payment of \$208,233 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds and loans. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 10 years by \$1,049,838 resulting in an economic gain (difference between the present values of the debt services payments on the old and new debt and cash exchanged) of 996,504.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 – OPERATING LEASES

Post Office Lease

On August 26, 1994, the City entered into a 20-year operating lease with the United States Postal Service, USPS. USPS is leasing the building constructed by the City which was designed for use as a post office. The lease has no purchase options, no residual value and maintenance lies with the USPS. The following schedule details the lease revenues accruing to the City during the initial lease period and the renewal periods outlined in the lease document:

<u>Term</u>	<u>Monthly Rental</u>	<u>Yearly Rental</u>
4/20/15 - 4/19/20	\$ 1,667	\$ 20,000
4/20/20 - 4/19/25	1,667	20,000

Medical Arts Building

The City entered into an agreement with various doctors and medical facilities to rent space in the Medical Arts Building. The following schedule details the lease revenues accruing to the City outlined in the lease documents:

<u>Year</u>	<u>Yearly Rental Revenue</u>
2020	\$ 52,424
2021	47,424
Thereafter	-

NOTE 8 – BRETT ROBINSON AGREEMENT

On January 27, 2014, the City signed a release and settlement agreement with Brett Real Estate, Robinson Development Co., Inc., Phoenix West II LLC., and Brett/Robinson Gulf Corporation (collectively referred to as the BR Parties) regarding impact fees for the development of Phoenix West II Condominium Association, Inc. that were never paid. The BR Parties entered into a promissory note with the City for \$1,532,242 to be paid in 120 monthly installments of \$15,239 beginning in March of 2015 with interest thereon of 3% per annum in lieu of the impact fees.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is detail of the interfund receivables and payables on the combined balance sheet of the City as of December 31, 2021:

Due From	Due To	
	General Fund	Refuse Fund
General Fund	\$ -	\$ -
Special Revenue Fund	26,368	-
Debt Service Fund	131,530	-
Refuse Fund	2,014,972	-
BCBC Fund	-	-
Sewer Fund	1,246,127	1,287
Event Center Fund	1,742,665	-
Library Fund	3,360	-
Art Center Fund	1,185,441	-
Total	\$ 6,350,463	\$ 1,287

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers during the year ended December 31, 2021 were as follows:

Transfers Out	Transfers In						Total
	General Fund	Arts Center Fund	Events Center Fund	Library Fund	Debt Service Fund	Sewer Fund	
General Fund	\$ -	\$ -	\$ -	\$ 659,577	\$ 3,513,415	\$ -	\$ 4,172,992
BCBC Fund	1,518,321	-	-	-	-	-	1,518,321
Special Revenue Fund	605,776	-	-	-	-	-	605,776
Sewer Fund	820,000	-	-	-	-	-	820,000
Total	\$ 2,944,097	\$ -	\$ -	\$ 659,577	\$ 3,513,415	\$ -	\$ 7,117,089

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Disposals & Reclassifications	Ending Balance
Governmental activities:				
Non depreciable assets:				
Land & improvements	\$ 58,561,867	\$ 10,189,782	\$ -	\$ 68,751,649
Construction in progress	16,519,994	5,873,504	(12,262,441)	10,131,057
Depreciable assets:				
Buildings & improvements	20,632,475	12,262,441	-	32,894,916
Infrastructure	12,178,169	-	-	12,178,169
Equipment & vehicles	17,927,443	3,880,515	(639,377)	21,168,581
Total historical cost of assets:	125,819,948	32,206,242	(12,901,818)	145,124,372
Less accumulated depreciation for:				
Buildings & improvements	12,432,920	843,523	-	13,276,443
Infrastructure	2,507,910	71,367	-	2,579,277
Equipment & vehicles	12,880,270	1,985,286	(618,023)	14,247,533
Total accumulated depreciation:	27,821,100	2,900,176	(618,023)	30,103,253
Governmental activities capital assets, net:	<u>\$ 97,998,848</u>	<u>\$ 29,306,066</u>	<u>\$ (12,283,795)</u>	<u>\$ 115,021,119</u>

Depreciation expense was charged
to governmental functions as follows:

Administration	\$ 155,384
Police	2,322
Communications	415,269
Fire	1,118,188
Public works	418,048
Parks & recreation	683,371
Library	33,867
Community development	73,727
Total depreciation expense:	<u>\$ 2,900,176</u>

	Beginning Balance	Additions	Disposals & Reclassifications	Ending Balance
Business-type activities:				
Non depreciable assets:				
Land & improvements	\$ 502,236	\$ -	\$ -	\$ 502,236
Construction in progress	532,474	471,059	-	1,003,533
Depreciable assets:				
Buildings & improvements	32,824,417	-	-	32,824,417
Equipment	1,909,800	548,320	(6,565)	2,451,555
Vehicles	2,030,108	64,364	-	2,094,472
Distribution & collection systems	13,763,412	-	-	13,763,412
Total historical cost of assets:	51,562,447	1,083,743	(6,565)	52,639,625
Less accumulated depreciation for:				
Buildings & improvements	11,476,913	102,787	-	11,579,700
Equipment	1,492,796	233,656	(6,565)	1,719,887
Vehicles	1,490,709	137,058	-	1,627,767
Distribution & collection systems	11,481,884	1,429,943	-	12,911,827
Total accumulated depreciation:	25,942,302	1,903,444	(6,565)	27,839,181
Business-type activities capital assets, net:	<u>\$ 25,620,145</u>	<u>\$ (819,701)</u>	<u>\$ -</u>	<u>\$ 24,800,444</u>

THE CITY OF ORANGE BEACH, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2021

NOTE 11 – THE BALDWIN COUNTY BRIDGE COMPANY PROJECT

On April 15, 2004, the City of Orange Beach (City) entered into the "Bridge Option, Easement and Annexation Agreement" with The Baldwin County Bridge Company, LLC (BCBC). BCBC owns and operates a toll bridge, toll facility and related roadways which span the Intracoastal Waterway within and near the current corporate limits of the City. BCBC has agreed to grant the City an option to purchase the Bridge, to grant the City an easement for the usage of the Bridge for certain limited purposes, to petition for annexation of the BCBC property into the City, to make a per vehicle payment to the City, to grant the City an option to purchase various parcels of real estate located adjacent to the Bridge, and to expand the Bridge under certain circumstances. The City has agreed to annex the BCBC property into the City, to execute certain access restrictions on the City Property, to become bound by an Access Management Plan, and to make ten annual installment advances to the BCBC in the amount of \$1,200,000 for a total of \$12,000,000. The first advance of \$1,200,000 was made on April 21, 2004 and the final advance was made in 2013.

The BCBC will repay the above amount monthly based on a Variable Traffic Fee formula as described in the following table:

Annual Car Count	Rate per Vehicle
0 - 2,000,000	\$ 0.10
2,000,001 - 3,000,000	0.21
3,000,001 - 4,000,000	0.36
4,000,000 +	0.46

Based on the above payments from the City and the above repayment schedule from BCBC, the BCBC shall never be obligated to pay Variable Traffic Fees in a cumulative amount to exceed \$12,000,000. If at any time during the term of the agreement, BCBC shall have paid Traffic Fees equal to the \$12,000,000, or if, prior to January 1, 2015, BCBC shall pay to the City an amount equal to the difference between the Traffic Fees paid to the City and \$12,000,000, then the payment obligations of the BCBC under the above mentioned agreement shall immediately terminate (the "Termination Event").

Upon the first to occur of (i) the Termination Event, or (ii) January 1, 2015 and continuing through December 31, 2033, the BCBC shall pay to the City Fixed Traffic Fees in the amount of \$0.30 per Vehicle Usage.

Real Estate Option:

The City shall be entitled to exercise an option to purchase land adjacent to the Bridge any time between January 1, 2015 and March 31, 2015 for \$1,000 provided, however, the Real Estate Option shall automatically terminate if the above mentioned Termination Event occurs prior to the commencement of the option period. This provision has been amended in the subsequent period by The Wharf Agreement.

On April 4, 2010, the City amended the Wharf Development Agreement. The new agreement stated that once the \$25,000,000 warrants have been issued to AIG Baker ("the Developer"), AIG Baker is required to set up an escrow in the amount of \$1,000,000. The escrow account will be funded by ½ of all tax revenues (defined as sales tax or lodging tax). In the event the City has not received Traffic fees of at least \$12,000,000 on or before December 31, 2013, the Escrow agent shall pay to the City from the Escrow Funds, an amount equal to the Bridge Security Amount. The Bridge Security amount means an amount equal to the lesser of the required escrow amount or the Traffic Fee Shortfall. If the Escrow Funds are sufficient to satisfy in full the Bridge Security Amount, any escrow remaining in the Escrow Account shall be disbursed to the Developer, and the escrow shall be terminated. If the escrow Funds are not sufficient to satisfy the Bridge Security amount in full, the Developer shall be liable for and shall pay any such deficiency amount upon the City's written demand, and the City shall additionally be entitled to withhold payments and setoff against future payments under the warrants such amounts necessary to eliminate such deficiency, such that the City is paid the entire Bridge Security Amount.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 11 – THE BALDWIN COUNTY BRIDGE COMPANY PROJECT (continued)

Bridge Option:

The City shall be entitled to exercise the option to purchase the Bridge at any time between January 1, 2033 and December 31, 2033 for the sum equal to ten (10) multiplied by the revenue produced by toll-charges paid for usage of the Bridge for the highest of the previous three (3) full calendar years preceding the date of the commencement of the option term. There are allowances for Force Majeure events. If the City declines the Bridge Option, the \$.30 fixed traffic fees will automatically be extended for an additional thirty years.

During 2007, The Baldwin County Bridge Company, LLC was sold to American Roads. For the year ended December 31, 2021, the City received payments from American Roads totaling \$1,621,431 for the twelve months the agreement was in effect, based on fixed fee of \$.30 per vehicle.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

On July 12, 2004, the City of Orange Beach entered into a Development Agreement known as "The Wharf" with AIG Baker Development, LLC. The purpose of the agreement is to develop seven tracts of real property that Baker has under contract for long-term leasehold interests. The property will be developed conceptually in two distinct manners, the Commercial Development and the Public Land. During 2012, "The Wharf" was purchased by Wharf Retail Properties LLC.

The City will issue non-recourse limited-obligation warrant to AIG Baker in the amount of \$25,000,000 bearing an interest rate of 3.5%, or the rate at which AIG Baker is able to obtain for its construction financing, for the purchase of the Public Land. This amount will be amortized over 15 years and will be paid monthly. The funds to pay the warrant will be provided exclusively by ½ of all tax revenues (defined as sales tax or lodging tax) levied by the City on the businesses. AIG Baker will remit sales and lodging tax to the City. The developer will also make payments-in-lieu of taxes for the amounts that would have been assessed on the property. The commencement date of this transaction shall be the date upon which the Deed and the Assignment of Leasehold Interest are executed and delivered. The agreement was amended on April 10, 2010 requiring that AIG Baker to set up an escrow account to satisfy the Bridge Security Agreement. See note 12 for more information.

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from municipal insurance companies and effectively manages risk through various employee education and prevention programs. The policy premiums are based on estimated annual payroll. The premiums are adjusted retrospectively based on actual annual payroll.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements by the grantor agency for expenditures disallowed under the terms of the grant. The City is currently not under audit by any grantor agencies.

The City is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Construction, engineering, and design contracts for material commitments at December 31, 2021 are as follows:

Contractor/Engineer	Project	Resolution Number	Contract Amount Including Change Orders	Approximate Expenditures Incurred To Date	Approximate Balance of Contract
Burk-Kleinpter, Inc.	Wolf Bay Bridge	18-095	\$ 3,120,433	\$ 3,099,794	\$ 20,639
Playworld Preferred, Inc.	Kids Park Playground	21-082	409,924	-	409,924
Sawgrass Consulting, LLC	Fire Station No. 3	21-130	71,500	24,000	47,500
McCullough Architecture, Inc.	Fire Station No. 3	21-038	84,000	42,000	42,000
Sawgrass Consulting, LLC	Rosemary Trail Cabins	21-154	45,000	3,750	41,250
Asphalt Services, Inc.	Coastal Resources Site Work	19-244	694,696	591,640	103,056
Baldwin County Board of Education	Performing Arts Center / Blackbox Theater	20-117	2,346,570	2,223,989	122,581

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated from January 1, 2022 through the financial statement issuance date, March 3, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF ORANGE BEACH, ALABAMA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With
	Original	Final		Final Budget Over/(Under)
RESOURCES (INFLOWS)				
Property taxes	\$ 4,585,213	\$ 4,585,213	\$ 4,593,413	\$ 8,200
Intergovernmental:				
State tax	86,000	86,000	198,186	112,186
Local tax	33,420,000	33,420,000	53,057,655	19,637,655
Grants	6,604,002	6,604,002	6,416,081	(187,921)
Personnel service reimbursement	120,000	120,000	185,759	65,759
Other licenses, permits and fees	4,501,000	4,501,000	5,182,603	681,603
Fines and forfeitures	511,000	511,000	436,150	(74,850)
Charges for services	585,000	585,000	1,604,985	1,019,985
Rent	150,000	150,000	171,139	21,139
Investment earnings	450,000	450,000	137,917	(312,083)
Insurance proceeds	-	-	768,144	768,144
Contracts	859,000	859,000	2,298,679	1,439,679
Miscellaneous	292,900	292,900	499,559	206,659
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>52,164,115</u>	<u>52,164,115</u>	<u>75,550,270</u>	<u>23,386,155</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)				
General government	9,105,141	9,105,141	10,293,841	1,188,700
Coastal resources	2,364,597	2,364,597	2,369,619	5,022
Court	594,160	594,160	494,225	(99,935)
Finance	1,009,530	1,009,530	1,062,053	52,523
Police	7,070,791	7,070,791	6,954,845	(115,946)
Corrections	888,351	888,351	769,979	(118,372)
Community development	1,614,045	1,614,045	1,523,572	(90,473)
Communications	732,267	732,267	603,636	(128,631)
Fire	7,513,790	7,513,790	8,043,878	530,088
Public works	3,289,350	3,289,350	3,160,982	(128,368)
Landscape	2,017,750	2,017,750	1,829,324	(188,426)
Parks and recreation	1,606,100	1,606,100	1,525,262	(80,838)
Recreation center	1,145,975	1,145,975	954,819	(191,156)
Expect Excellence	2,115,041	2,115,041	2,036,454	(78,587)
Capital improvements	23,834,669	23,834,669	27,720,171	3,885,502
TOTAL CHARGES TO APPROPRIATIONS	<u>64,901,557</u>	<u>64,901,557</u>	<u>69,342,660</u>	<u>4,441,103</u>
EXCESS OF AMOUNTS AVAILABLE FOR OVER CHARGES TO APPROPRIATIONS	<u>(12,737,442)</u>	<u>(12,737,442)</u>	<u>6,207,610</u>	<u>18,945,052</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from disposal of assets	50,000	50,000	242,818	192,818
Proceeds from debt issue	-	-	50,433,145	50,433,145
Cost of debt issue	-	-	(433,145)	(433,145)
Transfers in	1,362,000	1,362,000	2,944,097	1,582,097
Transfers out	(2,770,732)	(2,770,732)	(4,172,992)	(1,402,260)
TOTAL OTHER FINANCING (USES)	<u>(1,358,732)</u>	<u>(1,358,732)</u>	<u>49,013,923</u>	<u>50,372,655</u>
STATUTORY REVENUE REDUCTION	<u>(5,307,236)</u>	<u>(5,307,236)</u>	<u>-</u>	<u>5,307,236</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>(19,403,410)</u>	<u>(19,403,410)</u>	<u>55,221,533</u>	<u>74,624,943</u>
FUND BALANCES - BEGINNING	<u>54,092,790</u>	<u>54,092,790</u>	<u>54,092,790</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$34,689,380</u>	<u>\$34,689,380</u>	<u>\$ 109,314,323</u>	<u>\$ 74,624,943</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
SEWER FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original	Final	Actual Amounts (Budgetary Basis)	Variance With Final Budget Over/(Under)
OPERATING REVENUES				
Charges for services	\$ 6,900,000	\$ 6,900,000	\$ 7,386,965	\$ 486,965
Miscellaneous income	<u>5,000</u>	<u>5,000</u>	<u>2,580</u>	<u>(2,420)</u>
TOTAL OPERATING REVENUES	<u>6,905,000</u>	<u>6,905,000</u>	<u>7,389,545</u>	<u>484,545</u>
OPERATING EXPENSES				
Salaries, wages and employee benefits	1,872,500	1,872,500	2,094,597	222,097
Contractual services	300,000	300,000	224,809	(75,191)
Utilities	986,000	986,000	1,073,616	87,616
Repairs and maintenance	330,000	330,000	286,833	(43,167)
Other supplies and expenses	409,000	409,000	373,143	(35,857)
Bad debt expense	-	-	6,474	6,474
Bond premium amortization	-	-	125,913	125,913
Depreciation	<u>-</u>	<u>-</u>	<u>1,631,927</u>	<u>1,631,927</u>
TOTAL OPERATING EXPENSES	<u>3,897,500</u>	<u>3,897,500</u>	<u>5,817,312</u>	<u>1,919,812</u>
OPERATING INCOME (LOSS)	<u>3,007,500</u>	<u>3,007,500</u>	<u>1,572,233</u>	<u>(1,435,267)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	100,000	100,000	83,600	(16,400)
Interest expense	<u>(710,213)</u>	<u>(710,213)</u>	<u>(150,620)</u>	<u>559,593</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(610,213)</u>	<u>(610,213)</u>	<u>(67,020)</u>	<u>543,193</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>2,397,288</u>	<u>2,397,288</u>	<u>1,505,213</u>	<u>(892,075)</u>
TRANSFERS IN (OUT)	<u>(820,000)</u>	<u>(820,000)</u>	<u>(820,000)</u>	<u>-</u>
CHANGE IN NET POSITION	<u>1,577,288</u>	<u>1,577,288</u>	<u>685,213</u>	<u>(892,075)</u>
NET POSITION - BEGINNING	<u>15,711,855</u>	<u>15,711,855</u>	<u>15,711,855</u>	<u>-</u>
NET POSITION - ENDING	<u>\$17,289,143</u>	<u>\$17,289,143</u>	<u>\$ 16,397,068</u>	<u>\$ (892,075)</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE RETIREMENT SYSTEMS OF ALABAMA
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 1,084,916	\$ 1,007,589	\$ 912,787	\$ 860,452	\$ 746,774	\$ 850,584	\$ 800,331
Contributions in relation to the actuarially determined contribution	<u>1,084,916</u>	<u>1,007,589</u>	<u>912,787</u>	<u>860,452</u>	<u>746,774</u>	<u>850,584</u>	<u>800,331</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 20,401,716	 19,671,177	 17,379,983	 15,958,994	 14,999,922	 14,393,677	 13,508,477
Contributions as a percentage of covered payroll	5.32%	5.12%	5.25%	5.39%	4.98%	5.91%	5.92%

Notes to Schedule

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

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

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	15 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% - 5.0% including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to December 31, 2021:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	14 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% - 5.0% including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

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

THE CITY OF ORANGE BEACH, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 1,786,762	\$ 1,469,240	\$ 1,425,842	\$ 1,317,681	\$ 1,245,314	\$ 1,213,069	\$ 1,168,947	\$ 1,090,244
Interest	3,710,888	3,418,855	3,155,678	2,877,895	2,676,913	2,401,553	2,113,138	1,915,434
Changes of benefit terms	-	1,243,089	-	-	-	-	-	-
Difference between expected and actual experience	1,077,245	(291,520)	130,650	518,534	(503,971)	23,081	920,209	-
Changes of assumptions	2,537,576	-	-	258,582	-	1,601,749	-	-
Benefit payments, including refunds of employee contributions	(1,717,068)	(1,343,369)	(1,337,845)	(1,160,003)	(853,462)	(641,884)	(552,344)	(516,402)
Transfers among employers	239,995	(516,798)	46,310	124,934	181,799	29,622	-	-
Net change in total pension liability	7,635,398	3,979,497	3,420,635	3,937,623	2,746,593	4,627,190	3,649,950	2,489,276
Total pension liability - beginning	49,051,891	45,072,394	41,651,759	37,714,136	34,967,543	30,340,353	26,690,403	24,201,127
Total pension liability - ending (a)	<u>\$56,687,289</u>	<u>\$49,051,891</u>	<u>\$45,072,394</u>	<u>\$41,651,759</u>	<u>\$37,714,136</u>	<u>\$34,967,543</u>	<u>\$30,340,353</u>	<u>\$26,690,403</u>
Plan fiduciary net position								
Contributions - employer	\$ 1,089,725	\$ 921,337	\$ 849,129	\$ 786,837	\$ 804,848	\$ 806,700	\$ 801,525	\$ 782,020
Contributions - member	1,341,292	1,141,547	1,011,541	1,013,613	862,030	773,424	728,225	703,936
Net investment income	9,572,104	2,298,731	997,451	3,233,903	3,866,396	2,700,298	297,551	2,552,678
Benefit payments, including refunds of employee contributions	(1,717,068)	(1,343,369)	(1,337,845)	(1,160,003)	(853,462)	(641,884)	(552,344)	(516,402)
Transfers among employers	239,995	(516,798)	46,310	124,934	181,799	29,622	327,982	231,356
Net change in plan fiduciary net position	10,526,048	2,501,448	1,566,586	3,999,284	4,861,611	3,668,160	1,602,939	3,753,588
Plan net position - beginning	42,627,885	40,126,437	38,559,851	34,560,567	29,698,956	26,030,796	24,427,857	20,674,269
Plan net position - ending (b)	<u>\$53,153,933</u>	<u>\$42,627,885</u>	<u>\$40,126,437</u>	<u>\$38,559,851</u>	<u>\$34,560,567</u>	<u>\$29,698,956</u>	<u>\$26,030,796</u>	<u>\$24,427,857</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,533,356</u>	<u>\$ 6,424,006</u>	<u>\$ 4,945,957</u>	<u>\$ 3,091,908</u>	<u>\$ 3,153,569</u>	<u>\$ 5,268,587</u>	<u>\$ 4,309,557</u>	<u>\$ 2,262,546</u>
Plan fiduciary net position as a percentage of the total pension liability	93.77%	86.90%	89.03%	92.58%	91.64%	84.93%	85.80%	91.52%
Covered payroll	20,401,716	19,671,177	17,379,983	15,958,994	14,999,922	14,393,677	13,508,477	13,175,276
Net pension liability as a percentage of covered payroll	17.32%	32.66%	28.46%	19.37%	21.02%	36.60%	31.90%	17.17%

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

OTHER SUPPLEMENTARY INFORMATION

THE CITY OF ORANGE BEACH, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021

	Special Revenues	Debt Service	Library	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 323,609	\$ 323,609
Restricted cash and cash equivalents	472,435	2,241,034	-	2,713,469
Accounts receivable - net	105,873	-	-	105,873
TOTAL ASSETS	\$ 578,308	\$ 2,241,034	\$ 323,609	\$ 3,142,951
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Due to other funds	26,368	131,530	3,360	161,258
Accrued expenses	-	-	15,419	15,419
Total liabilities	26,368	131,530	18,779	176,677
 Fund balances:				
Nonspendable	-	-	-	-
Spendable:				
Restricted	551,940	2,109,504	-	2,661,444
Committed	-	-	-	-
Assigned	-	-	304,830	304,830
Unassigned	-	-	-	-
Total fund balances	551,940	2,109,504	304,830	2,966,274
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 578,308	\$ 2,241,034	\$ 323,609	\$ 3,142,951

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Special Revenues</u>	<u>Debt Service</u>	<u>Library</u>	<u>Total Governmental Funds</u>
REVENUES				
Intergovernmental:				
State tax	\$ 552,032	-	\$ -	\$ 552,032
Grants	-	-	7,028	7,028
Other licenses, permits and fees	2,828	-	-	2,828
Fines and forfeitures	37,687	-	-	37,687
Investment earnings	282	10,264	2,986	13,532
Miscellaneous	<u>187,614</u>	<u>-</u>	<u>9,977</u>	<u>197,591</u>
TOTAL REVENUES	<u>780,443</u>	<u>10,264</u>	<u>19,991</u>	<u>810,698</u>
EXPENDITURES				
Library	-	-	660,329	660,329
Securities lending:				
Fiscal agent fees	-	1,632	-	1,632
Debt service:				
Principal payments	-	2,195,271	-	2,195,271
Interest and other	<u>-</u>	<u>41,425</u>	<u>-</u>	<u>41,425</u>
TOTAL EXPENDITURES	<u>-</u>	<u>2,238,328</u>	<u>660,329</u>	<u>2,898,657</u>
Excess (deficiency) of revenues over expenditures	<u>780,443</u>	<u>(2,228,064)</u>	<u>(640,338)</u>	<u>(2,087,959)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,513,415	659,577	4,172,992
Transfers out	<u>(605,776)</u>	<u>-</u>	<u>-</u>	<u>(605,776)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(605,776)</u>	<u>3,513,415</u>	<u>659,577</u>	<u>3,567,216</u>
NET CHANGE IN FUND BALANCES	174,667	1,285,351	19,239	1,479,257
FUND BALANCES - BEGINNING	<u>377,273</u>	<u>824,153</u>	<u>285,591</u>	<u>1,487,017</u>
FUND BALANCES - ENDING	<u>\$ 551,940</u>	<u>\$ 2,109,504</u>	<u>\$ 304,830</u>	<u>\$ 2,966,274</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2021

	Events Center	Refuse	BCBC	Arts Center	Total Nonmajor Proprietary Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 97,710	\$ 97,710
Accounts receivable - net	-	25,426	-	-	25,426
Due from other funds	-	1,287	-	-	1,287
Total current assets	<u>\$ -</u>	<u>\$ 26,713</u>	<u>\$ -</u>	<u>\$ 97,710</u>	<u>\$ 124,423</u>
Noncurrent assets					
Capital assets:					
Land	158,648	-	-	-	158,648
Buildings	1,667,975	-	-	2,152,541	3,820,516
Vehicles and equipment	76,104	1,471,386	-	81,630	1,629,120
Less: Accumulated depreciation	<u>(656,341)</u>	<u>(1,067,669)</u>	<u>-</u>	<u>(290,367)</u>	<u>(2,014,377)</u>
Total noncurrent assets	<u>1,246,386</u>	<u>403,717</u>	<u>-</u>	<u>1,943,804</u>	<u>3,593,907</u>
TOTAL ASSETS	<u>1,246,386</u>	<u>430,430</u>	<u>-</u>	<u>2,041,514</u>	<u>3,718,330</u>
LIABILITIES					
Current liabilities					
Accounts payable	66	7,823	-	15,237	23,126
Due to other funds	1,742,665	2,014,972	-	1,185,441	4,943,078
Accrued expenses	6,197	10,087	-	10,250	26,534
Accrued compensated absences	9,375	14,733	-	7,350	31,458
Total current liabilities	<u>1,758,303</u>	<u>2,047,615</u>	<u>-</u>	<u>1,218,278</u>	<u>5,024,196</u>
Noncurrent liabilities					
Accrued compensated absences	<u>3,786</u>	<u>3,473</u>	<u>-</u>	<u>573</u>	<u>7,832</u>
TOTAL LIABILITIES	<u>1,762,089</u>	<u>2,051,088</u>	<u>-</u>	<u>1,218,851</u>	<u>5,032,028</u>
NET POSITION					
Invested in capital assets, net of related debt	1,246,386	403,717	-	1,943,804	3,593,907
Unrestricted	<u>(1,762,089)</u>	<u>(2,024,375)</u>	<u>-</u>	<u>(1,121,141)</u>	<u>(4,907,605)</u>
TOTAL NET POSITION	<u>\$ (515,703)</u>	<u>\$ (1,620,658)</u>	<u>\$ -</u>	<u>\$ 822,663</u>	<u>\$ (1,313,698)</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Events Center	Refuse	BCBC	Arts Center	Total Nonmajor Proprietary Funds
OPERATING REVENUES					
Charges for services	\$ 106,196	\$ 2,731,546	\$ 1,621,431	\$ 340,941	\$ 4,800,114
Miscellaneous income	-	14,611	-	16,395	31,006
Merchandise sales	-	-	-	284,525	284,525
TOTAL OPERATING REVENUES	<u>106,196</u>	<u>2,746,157</u>	<u>1,621,431</u>	<u>641,861</u>	<u>5,115,645</u>
COST OF GOODS SOLD	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,476</u>	<u>166,476</u>
GROSS PROFIT	<u>106,196</u>	<u>2,746,157</u>	<u>1,621,431</u>	<u>475,385</u>	<u>4,949,169</u>
OPERATING EXPENSES					
Salaries, wages and employee benefits	336,503	537,272	-	519,688	1,393,463
Contractual services	1,540	2,377,571	-	50,352	2,429,463
Utilities	68,370	7,052	-	47,390	122,812
Repairs and maintenance	64,197	99,923	-	61,691	225,811
Other supplies and expenses	37,956	106,770	-	71,391	216,117
Depreciation	60,330	141,609	-	69,576	271,515
TOTAL OPERATING EXPENSES	<u>568,896</u>	<u>3,270,197</u>	<u>-</u>	<u>820,088</u>	<u>4,659,181</u>
OPERATING INCOME (LOSS)	<u>(462,700)</u>	<u>(524,040)</u>	<u>1,621,431</u>	<u>(344,703)</u>	<u>289,988</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	-	-	-	33	33
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(462,700)</u>	<u>(524,040)</u>	<u>1,621,431</u>	<u>(344,670)</u>	<u>290,021</u>
TRANSFERS IN (OUT)	<u>-</u>	<u>-</u>	<u>(1,518,321)</u>	<u>-</u>	<u>(1,518,321)</u>
CHANGE IN NET POSITION	<u>(462,700)</u>	<u>(524,040)</u>	<u>103,110</u>	<u>(344,670)</u>	<u>(1,228,300)</u>
NET POSITION - BEGINNING	<u>(53,003)</u>	<u>(1,096,618)</u>	<u>(103,110)</u>	<u>1,167,333</u>	<u>(85,398)</u>
NET POSITION - ENDING	<u>\$ (515,703)</u>	<u>\$ (1,620,658)</u>	<u>\$ -</u>	<u>\$ 822,663</u>	<u>\$ (1,313,698)</u>

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

THE CITY OF ORANGE BEACH, ALABAMA
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

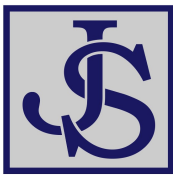
	Events Center	Refuse	BCBC	Arts Center	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 106,196	\$ 2,747,444	\$ 1,621,431	\$ 641,861	\$ 5,116,932
Payments to employees for services	(347,813)	(552,108)	-	(534,444)	(1,434,365)
Payments to suppliers of goods & services	(174,790)	(2,600,893)	-	(402,956)	(3,178,639)
Payments from (to) other funds	416,407	405,557	(103,110)	330,290	1,049,144
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>-</u>	<u>-</u>	<u>1,518,321</u>	<u>34,751</u>	<u>1,553,072</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest income	-	-	-	35	35
Increase in restricted cash	-	-	-	-	-
Principal repayments for capital purposes	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-
Acquisition of property and equipment	-	-	-	-	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>35</u>
NET (DECREASE) IN CASH	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,786</u>	<u>34,786</u>
CASH & EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,924</u>	<u>62,924</u>
CASH & EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,710</u>	<u>\$ 97,710</u>
Operating income (loss)	<u>\$ (462,700)</u>	<u>\$ (524,040)</u>	<u>\$ 1,621,431</u>	<u>\$ (344,703)</u>	<u>\$ 289,988</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	60,330	141,609	-	69,576	271,515
(Increase) decrease in:					
Accounts receivable	-	1,289	-	-	1,289
Due to other funds	416,407	405,557	(103,110)	330,290	1,049,144
Increase (decrease) in:					
Accounts payable	(2,727)	(9,579)	-	(5,656)	(17,962)
Accrued payroll	(11,310)	(14,836)	-	(14,756)	(40,902)
Total adjustments	<u>462,700</u>	<u>524,040</u>	<u>(103,110)</u>	<u>379,454</u>	<u>1,263,084</u>
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,321</u>	<u>\$ 34,751</u>	<u>\$ 1,553,072</u>

Supplemental Disclosures

Noncash Investing and Financing Activities: NONE

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

COMPLIANCE AND INTERNAL CONTROL SECTION



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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
City of Orange Beach, 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, each major fund, and the aggregate remaining fund information of the City of Orange Beach, Alabama, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Orange Beach, Alabama's basic financial statements and have issued our report thereon dated March 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Orange Beach, 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 Orange Beach, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Orange Beach, 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orange Beach, 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 that reads "Jackson & Smith". The signature is written in a cursive, flowing style.

Jackson & Smith CPA Group, PC
Orange Beach, Alabama
March 3, 2023



Jackson & Smith
CPA Group, PC

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

To the Honorable Mayor and Members of the City Council
City of Orange Beach, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Orange Beach, 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 Orange Beach, Alabama's major federal programs for the year ended December 31, 2021. The City of Orange Beach, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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 the City of Orange Beach, 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 the City of Orange Beach, 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 the City of Orange Beach, Alabama's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Orange Beach, 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 the City of Orange Beach, 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 the City of Orange Beach, 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 the City of Orange Beach, 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 the City of Orange Beach, 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.



Jackson & Smith CPA Group, PC
Orange Beach, Alabama
March 3, 2023

THE CITY OF ORANGE BEACH, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 6,113,111
Port Security Grant	97.056	<u>748,901</u>
Total U.S. Department of Homeland Security		6,862,012
U.S. Department of the Treasury		
State and Local Fiscal Recovery Fund	21.027	<u>740,351</u>
Total U.S. Department of the Treasury		740,351
U.S. Department of the Interior		
GoMESA	15.435	<u>306,980</u>
Total U.S. Department of the Interior		306,980
U.S. Department of Commerce		
Habitat Conservation	11.463	<u>262,390</u>
Total U.S. Department of Commerce		262,390
Gulf Coast Ecosystem Restoration Council (RESTORE Council)		
Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	87.051	<u>175,264</u>
Total Gulf Coast Ecosystem Restoration Council (RESTORE Council)		<u>175,264</u>
Total Federal Awards		<u>\$ 8,346,997</u>

THE CITY OF ORANGE BEACH, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying schedule of Federal Awards is presented based on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of such revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the 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.

NOTE 2 – EXPENDITURES INCLUDED ON SEFA INCURRED IN PRIOR PERIOD

In accordance with the guidance included in the 2021 Compliance Supplement for CFDA 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters), grant expenditures are recorded on the SEFA when 1) FEMA has approved the entity’s Project Worksheet and 2) the eligible expenditures have been incurred. See reconciliation below of grant expenditures recorded on financial statements to the amount recorded on the SEFA.

Expended in 2020	\$ 5,155,084
Expended in 2021	<u>958,027</u>
Total Reported on SEFA	<u><u>\$ 6,113,111</u></u>

THE CITY OF ORANGE BEACH, ALABAMA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS:

Financial Statements

Type of auditors' report issued:		Unmodified Opinion		
Internal control over financial reporting:				
Material weakness(es) identified?	_____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	X	No
Noncompliance material to financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over major program:		Unmodified Opinion		
Material weakness(es) identified?	_____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	X	No
Type of auditors' report issued on compliance for major program:				
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)?	_____	Yes	X	No

Identification of Major Programs

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS:

No matters were reportable.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS:

No matters were reportable.