

**THE CITY OF ORANGE BEACH, ALABAMA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**

THE CITY OF ORANGE BEACH, ALABAMA  
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# Byers, Byers, and Associates P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

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

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Orange Beach, Alabama, as of and for the year ended December 31, 2024, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Orange Beach, Alabama, as of December 31, 2024, 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. 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 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 pages 3 through 9 and 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 February 26, 2026, 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

*Byers, Byers & Associates, P.C.*

Byers, Byers & Associates P.C.  
Daphne, Alabama  
February 26, 2026

## 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, Alabama 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.

### **Discretely Presented Component Units**

The Orange Beach Board of Education is a discretely presented component unit of the primary government of the City of Orange Beach, Alabama.

### **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 2024 on December 31, 2024, the City of Orange Beach's assets exceeded its liabilities by \$193,022,552 whereas at the close of Fiscal Year 2023 on December 31, 2023, the City of Orange Beach's assets exceeded its liabilities by \$184,819,690. A 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023 and is derived from the Statement of Activities.

**Table 1 - Condensed Statement of Net Position**

	Governmental		Business-Type		Total		Total
	Activities		Activities		Primary Government		Component Units
	2024	2023	2024	2023	2024	2023	2024
Current and other assets	\$ 151,183,198	\$ 154,196,550	\$ 3,220,027	\$ 4,014,101	\$ 154,403,225	\$ 158,210,651	\$ 9,707,854
Capital assets	158,731,545	137,523,892	26,912,444	27,906,646	185,643,989	165,430,538	97,391,615
Total assets	<u>309,914,743</u>	<u>291,720,442</u>	<u>30,132,471</u>	<u>31,920,747</u>	<u>340,047,214</u>	<u>323,641,189</u>	<u>107,099,469</u>
Deferred outflows of resources	6,470,289	9,450,076	657,080	766,594	7,127,369	10,216,670	19,280,239
Other liabilities	12,489,395	9,279,627	156,162	2,102,574	12,645,557	11,382,201	1,631,508
Long-term liabilities	125,005,705	125,359,044	11,678,135	11,586,336	136,683,840	136,945,380	21,494,438
Total liabilities	<u>137,495,100</u>	<u>134,638,671</u>	<u>11,834,297</u>	<u>13,688,910</u>	<u>149,329,397</u>	<u>148,327,581</u>	<u>23,125,946</u>
Deferred inflows of resources	4,771,106	661,669	51,528	48,919	4,822,634	710,588	5,234,636
Invested in capital assets							
Net of related debt	43,715,686	24,635,694	16,039,524	14,521,646	59,755,210	39,157,340	97,391,615
Restricted	45,530,313	36,477,095	-	-	45,530,313	36,477,095	1,727,445
Unrestricted	84,872,827	104,757,389	2,864,202	4,427,866	87,737,029	109,185,255	(1,099,934)
Total net position	<u>\$ 174,118,826</u>	<u>\$ 165,870,178</u>	<u>\$ 18,903,726</u>	<u>\$ 18,949,512</u>	<u>\$ 193,022,552</u>	<u>\$ 184,819,690</u>	<u>\$ 98,019,126</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, 2024 and December 31, 2023 include the following:

The assets of the City exceeded its liabilities (net assets) at the close of the fiscal year ended December 31, 2024 by \$174,118,826 and at the close of the fiscal year ended December 31, 2023 by \$165,870,178 for Governmental Activities and by \$18,903,726 and \$18,949,512 (respectively for each year end) for Business-Type Activities. Net capital assets increased by \$21,207,653 from 2023 to 2024 for Governmental Activities and decreased by \$994,202 from 2023 to 2024 for Business-Type Activities. Long-term liabilities decreased from 2023 to 2024 for Governmental Activities by \$353,339 and decreased by \$91,799 for Business-Type Activities. Unrestricted net position decreased from 2023 to 2024 by \$19,884,562 and decreased by \$1,563,664 for Governmental Activities and Business-Type Activities, respectively. Restricted net position increased by \$9,053,218 from 2023 to 2024 for Governmental Activities.

**Overall Analysis (continued)**

**Table 2 - Condensed Statement of Activities**

	Governmental		Business-Type		Total		Total
	Activities		Activities		Primary Government		Component Units
	2024	2023	2024	2023	2024	2023	2024
<b>PRIMARY GOVERNMENT:</b>							
Revenues							
Charges for services	\$ 11,736,923	\$ 9,726,417	\$ 12,194,981	\$ 13,076,779	\$ 23,931,904	\$ 22,803,196	\$ 2,915,115
Operating grants and contributions	3,362,791	310,214	-	-	3,362,791	310,214	4,895,174
Capital grants and contributions	7,509,932	5,161,908	2,600	343,796	7,512,532	5,505,704	338,092
General revenues							
Taxes	76,840,960	71,975,233	-	-	76,840,960	71,975,233	13,045,493
Investment earnings (losses)	4,504,665	3,002,764	261,890	224,299	4,766,555	3,227,063	-
Reimbursed expenses	247,476	212,114	-	-	247,476	212,114	-
Miscellaneous	930,204	627,460	28,873	22,045	959,077	649,505	39,677
Gain on disposal of assets	32,629	76,671	-	-	32,629	76,671	-
Appropriations from the City	-	-	-	-	-	-	23,818,404
Donated assets	-	-	-	-	-	-	-
Total revenues	<u>105,165,580</u>	<u>91,092,781</u>	<u>12,488,344</u>	<u>13,666,919</u>	<u>117,653,924</u>	<u>104,759,700</u>	<u>45,051,955</u>
Expenses							
General government	45,786,832	22,016,748	-	-	45,786,832	22,016,748	-
Municipal court	487,470	539,247	-	-	487,470	539,247	-
Finance	1,342,765	1,232,490	-	-	1,342,765	1,232,490	-
Police	10,020,994	10,055,176	-	-	10,020,994	10,055,176	-
Corrections	926,145	887,473	-	-	926,145	887,473	-
Communications	748,282	826,116	-	-	748,282	826,116	-
Fire	12,248,412	11,912,134	-	-	12,248,412	11,912,134	-
Public works	4,953,259	4,975,596	-	-	4,953,259	4,975,596	-
Landscape	1,760,607	2,208,382	-	-	1,760,607	2,208,382	-
Parks & recreation	5,184,762	5,578,525	-	-	5,184,762	5,578,525	-
Library	828,141	735,728	-	-	828,141	735,728	-
Community development	1,663,675	1,633,841	-	-	1,663,675	1,633,841	-
Coastal resources	3,055,361	2,605,757	-	-	3,055,361	2,605,757	-
Recreation center	1,195,021	1,319,996	-	-	1,195,021	1,319,996	-
Performing arts	577,902	497,198	-	-	577,902	497,198	-
Expect Excellence	2,346,253	2,349,151	-	-	2,346,253	2,349,151	-
Interest on long-term debt	3,364,010	3,412,236	-	-	3,364,010	3,412,236	-
Sewer fund	-	-	7,114,457	6,541,752	7,114,457	6,541,752	-
Refuse fund	-	-	3,874,011	3,723,156	3,874,011	3,723,156	-
Events Center fund	-	-	734,633	745,996	734,633	745,996	-
Arts Center fund	-	-	1,238,070	1,073,384	1,238,070	1,073,384	-
Total expenses	<u>96,489,891</u>	<u>72,785,794</u>	<u>12,961,171</u>	<u>12,084,288</u>	<u>109,451,062</u>	<u>84,870,082</u>	<u>-</u>
<b>COMPONENT UNIT:</b>							
Expenses							
Orange Beach Board of Education	-	-	-	-	-	-	31,195,308
Increase (decrease) in net position							
before transfers	8,675,689	18,306,987	(472,827)	1,582,631	8,202,862	19,889,618	13,856,647
Transfers	(427,041)	1,611,482	427,041	(1,611,482)	-	-	-
Change in net position	8,248,648	19,918,469	(45,786)	(28,851)	8,202,862	19,889,618	13,856,647
Net position - beginning	<u>165,870,178</u>	<u>145,951,709</u>	<u>18,949,512</u>	<u>18,978,363</u>	<u>184,819,690</u>	<u>164,930,072</u>	<u>84,162,479</u>
Net position - ending	<u>\$ 174,118,826</u>	<u>\$ 165,870,178</u>	<u>\$ 18,903,726</u>	<u>\$ 18,949,512</u>	<u>\$ 193,022,552</u>	<u>\$ 184,819,690</u>	<u>\$ 98,019,126</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, 2024 and December 31, 2023 include the following:

The City's total net position increased during the current year by \$8,202,862 and increased during the previous year by \$19,889,618. Net position of Governmental Activities increased during the current year by \$8,248,648 and increased during the previous year by \$19,918,469. Net position of Business-Type Activities decreased during the current year by \$45,786 and decreased in the previous year by \$28,851.

### **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 \$151,349,959 as compared to \$149,509,755 at the end of the previous fiscal year with \$90,516,513 unassigned compared to \$110,089,887 reported as unassigned fund balance in the prior year. The remaining reserved amount of \$48,761,412 for fiscal year end 2024 is \$312,077 nonspendable, \$45,358,770 restricted, \$2,760,899 committed, and \$329,666 assigned as compared to the fiscal year ended 2022 reserved amount of \$39,419,868, \$312,067 nonspendable, \$36,072,213 restricted, \$2,708,912 committed, and \$326,676 assigned.

#### **Proprietary Funds**

As of the close of the current fiscal year the City's Proprietary Funds reported total net position of \$18,909,726 compared to \$18,949,512 at the end of fiscal year 2023.

### **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 \$10,461,390 under the budgeted amounts. This mainly resulted from budgeted capital projects that did not commence during the year. Actual revenues were \$25,252,120 over the budgeted amounts. Local taxes exceeded budget by \$11,120,196 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, 2024, the City of Orange Beach reported net capital assets of \$158,731,545 and \$26,912,444 from Governmental Activities and Business-Type Activities, respectively. At December 31, 2023, the City of Orange Beach reported net capital assets of \$137,523,892 and \$27,906,646 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, 2024, the City of Orange Beach reported long-term debt of \$125,005,705 and \$11,678,135 from Governmental Activities and Business-Type Activities, respectively. At December 31, 2023, the City of Orange Beach reported long-term debt of \$125,359,044 and \$11,586,336 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) 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 and aggressively attracted 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. In 2019, the City swapped land with the Wharf obtaining land next to the Art Center and the Public Library for a corner piece of land at the Wharf. The City also extended original term of the Wharf Warrant for 10 years to December 31, 2035.
- 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) 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 eventually 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 2019. 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. As of year-end 2022, the city's consultant was still awaiting the U.S. Army Corps of Engineers permit for the Wolf Bay Bridge project. At present, the city has no immediate plans to construct the bridge but the permits will be good for up to 10 years.
- 4) In March 2022, the Orange Beach City Council made the bold leap to begin the process of forming the city's own school system, breaking away from the Baldwin County School System. Thanks to the drive and determination of city officials and the community, the State of Alabama's newest independent city school system was established on July 1, 2022. Going from one of many cities in a 32,000-student county system to a locally operated city system with about 1,100 students, the opportunity to create excellence became a reality. With a local school board appointed by the city, the control, mission, vision and daily operation now best fits the personality of the community. Residents will receive top quality education and extracurricular activities for minimum tax investment due to a strong tourism economy driving much of the funding via lodging and sales tax. The split from the county system came on the heels of the completion of the \$26 million Orange Beach Middle/High School, which opened in August 2020 and is housed on 40 acres of prime real estate the City donated. The City also committed to fund a Performing Arts Center, which opened in the fall of 2021 with 710 seats holding numerous performances and meetings. The facility now serves as a hallmark venue for performing arts on the Gulf Coast. As part of the formation of the city system, the city had to purchase all school buildings in the city from the county system. As anticipated, the opening of the City's first-ever middle/high school and then the formation of a City School System resulted in an influx of new families and a rise in property values.
- 5) In April 2022, the City Council approved a 3% lodging tax increase with 2% effective on May 1, 2023 and 1% effective on Sept. 1, 2023. The increase is expected to bring in \$12 million in additional annual revenue. Part of the revenue will go toward funding the new Orange Beach City School System and the remainder is designated for capital improvements in the city.
- 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. The reserve fund was utilized and depleted down related to expenses of Hurricane Sally cleanup and operations. With FEMA reimbursement the funds are being replenished as such reimbursement is received. The city continues to work to get maximum reimbursement of approved cleanup costs.

- 7) In May 2021, the South Baldwin Regional Medical Center freestanding emergency department opened in Gulf Shores on Hwy. 59. The \$15 million freestanding ER is located on 11 acres owned by the City of Gulf Shores. 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. In its first years of operation the 14,000-square-foot emergency medical facility provided substantial relief to the SBRMC emergency room in Foley and saw strong usage in its 7 day per week operation with patients and cases.
- 8) In 2022, the City Council moved ahead with a plan to upgrade and lease the City of Orange Beach Medical Arts Building to Southern Rapid Care to further improve medical services in the city.
- 9) 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 2020, S&P Global Ratings reaffirmed the City of Orange Beach's AA+ bond rating, which remains.
- 10) In February 2021, a 2021 warrant issue of \$50 million was approved by the City Council to go toward capital projects throughout the City. In March of 2022, the City approved an additional \$50 million warrant for expenses related to the new school system. A 2022 warrant of \$25 million was approved to be used on an as-needed basis for capital projects in the City. The City has the ability to borrow upwards of \$300 million and still be in excellent standing.
- 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. Since opening in 2016, the 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 in the facility.
- 12) The City recently saw the opening of several properties including Phoenix Orange Beach and Phoenix Orange Beach 2, which added near 300 units. Phoenix Gulf Towers I and II will be Orange Beach's newest resort development with the first tower opening in 2023. Each tower offers 112 units. Overall, commercial and residential construction permits continue to rise substantially. Assessed property value in the City of Orange Beach now exceeds \$1.4 billion leading the Baldwin County Tax Assessor data.
- 13) 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 133,000 room nights on the entire Gulf Coast in 2023 with an estimated economic impact of \$93 million. These events are building on off-season months in attracting visitors. The City continues to invest in its sports facilities to attract and retain events, such as upgraded baseball/softball fields for USSSA tournaments, new sand volleyball courts, and vastly upgraded baseball and softball fields for Orange Beach High School to seat hundreds of spectators each. The City also hosts the NAIA Women's National Soccer Championship in December annually providing a strong off-season economic impact.
- 14) The Poarch Band of Creek Indians has constructed the OWA development and started with 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. While the Alabama Gulf Coast already hosts 8 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 and is now called Tropical Falls. In 2019, Phase II began as a \$100 million investment of an indoor waterpark and outdoor wave pool, which opened in late 2022, a 200-room hotel, a condominium complex, and a resort level RV park, which is under construction. 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. Overall, the OWA development is expected to generate close to 3,500 jobs.

- 15) The City continues to make key property acquisitions 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.
- 16) Impactful economic event – Hurricane Sally: On September 16, 2020, 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 inches 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 2020 was met and by spring break of the following tourist season around 90% operation was back in force.
- 17) Recent Quality of Life investments:
  - a. Opening of the Coastal Arts Center of Orange Beach - \$2.5 million includes a 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.
  - d. The City of Orange Beach purchased near 4 acres of beachfront property with approximately 400 linear feet along the Gulf of Mexico with usage of 800 linear feet total by the adjacent development of CoastAL restaurant for a public citizen beach. The City investment of \$13 million provides the first-ever, city-owned citizen beach access with parking in the city’s history. The first phase of the restaurant, as well as city beach parking, opened in December 2022.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT – WIDE FINANCIAL STATEMENTS

THE CITY OF ORANGE BEACH, ALABAMA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Orange Beach Board of Education
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 88,529,608	\$ 5,318,329	\$ 93,847,937	\$ 4,765,518
Accounts Receivable	12,755,104	82,649	12,837,753	4,904,586
Internal Balances	7,155,313	(7,155,313)	-	-
Prepaid Expenses	312,077		312,077	-
Inventories	-	-	-	37,750
Restricted Cash	42,431,096	4,974,362	47,405,458	-
Capital assets:				
Non-depreciable	96,023,814	502,236	96,526,050	19,394,937
Depreciable (Net)	62,707,731	26,410,208	89,117,939	77,996,678
<b>Total assets</b>	<u>309,914,743</u>	<u>30,132,471</u>	<u>340,047,214</u>	<u>107,099,469</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Employer Pension Contributions	832,622	-	832,622	1,341,162
Deferred Pension Losses	5,281,896	-	5,281,896	11,040,000
Deferred OPEB losses and employer contributions	-	-	-	6,899,077
Defeasance Cost (NET)	355,771	657,080	1,012,851	-
<b>Total Deferred Outflows of Resources</b>	<u>6,470,289</u>	<u>657,080</u>	<u>7,127,369</u>	<u>19,280,239</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	9,778,813	3,832	9,782,645	408,182
Accrued expenses	1,921,106	99,642	2,020,748	1,223,326
Accrued interest payable	789,476	52,688	842,164	-
Long-term liabilities:				
Due within one year:				
Compensated Absences	607,815	91,966	699,781	29,096
Bonds Payable - Current	5,008,337	1,865,000	6,873,337	-
Due in More than One Year:				
Bonds Payable - Non Current	110,007,522	9,665,000	119,672,522	-
Compensated Absences	283,919	56,169	340,088	-
Net pension liability	9,098,112	-	9,098,112	21,465,342
<b>Total Liabilities</b>	<u>137,495,100</u>	<u>11,834,297</u>	<u>149,329,397</u>	<u>23,125,946</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Gains	4,565,753	-	4,565,753	262,000
Deferred OPEB Gains	-	-	-	4,972,636
Unearned Revenue	205,353	51,528	256,881	-
	<u>4,771,106</u>	<u>51,528</u>	<u>4,822,634</u>	<u>5,234,636</u>
<b>NET POSITION</b>				
Investment in Capital Assets				
Net of Related Debt	43,715,686	16,039,524	59,755,210	97,391,615
Restricted for:				
Capital Projects	42,769,414	-	42,769,414	921,224
Educator	-	-	-	806,221
Emergencies	2,760,899	-	2,760,899	
Unrestricted	84,872,827	2,864,202	87,737,029	(1,099,934)
<b>Total Net Position</b>	<u>\$ 174,118,826</u>	<u>\$ 18,903,726</u>	<u>193,022,552</u>	<u>\$ 98,019,126</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, 2024

Function / Programs	Net (Expense) Revenue and Changes in Net Position										Component Unit Orange Beach Board of Education	
	Program Revenues					Primary Government						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Totals					
<b>Primary Government</b>												
Governmental Activities:												
General Government	\$ 45,786,832	\$ 605,580	\$ 3,000,000	\$ 6,321,672	\$ (35,859,580)	\$ -	\$ (35,859,580)					
Court	487,470	57,184	-	-	(430,286)	-	(430,286)					
Finance	1,342,765	3,943,618	-	-	2,600,853	-	2,600,853					
Police	10,020,994	464,458	-	-	(9,556,536)	-	(9,556,536)					
Corrections	926,145	-	-	-	(926,145)	-	(926,145)					
Communications	748,282	-	-	-	(748,282)	-	(748,282)					
Fire	12,248,412	1,701,463	-	-	(10,546,949)	-	(10,546,949)					
Public Works	4,953,259	-	-	1,188,260	(3,764,999)	-	(3,764,999)					
Landscape	1,760,607	-	-	-	(1,760,607)	-	(1,760,607)					
Parks and Recreation	5,184,762	2,370,651	-	-	(2,814,111)	-	(2,814,111)					
Library	828,141	44,734	34,859	-	(748,548)	-	(748,548)					
Community Development	1,663,675	2,349,235	37,950	-	723,510	-	723,510					
Coastal Resources	3,055,361	-	289,982	-	(2,765,379)	-	(2,765,379)					
Recreation Center	1,195,021	-	-	-	(1,195,021)	-	(1,195,021)					
Performing Arts	577,902	200,000	-	-	(377,902)	-	(377,902)					
Expect Excellence	2,346,253	-	-	-	(2,346,253)	-	(2,346,253)					
Interest on Long-term Debt	3,364,010	-	-	-	(3,364,010)	-	(3,364,010)					
Total Governmental activities	96,489,891	11,736,923	3,362,791	7,509,932	(73,880,245)	-	(73,880,245)					
<b>Business-Type Activities</b>												
Sewer	7,114,457	7,776,226	-	-	-	661,769	661,769					
Refuse	3,874,011	2,940,935	-	-	-	(933,076)	(933,076)					
Events Center	734,633	189,966	-	-	-	(544,667)	(544,667)					
Baldwin County Bridge Company (BCBC)	-	710,377	-	-	-	710,377	710,377					
Arts Center	1,238,070	577,477	2,600	-	-	(657,993)	(657,993)					
Total Business-Type Activities	12,961,171	12,194,981	2,600	-	-	(763,590)	(763,590)					
Total Primary Government	\$ 109,451,062	\$ 23,931,904	\$ 3,365,391	\$ 7,509,932	\$ (73,880,245)	\$ (763,590)	\$ (74,643,835)					
<b>Component Unit</b>												
Orange Beach Board of Education	\$ 31,195,308	\$ 2,915,115	\$ 4,895,174	\$ 338,092								\$ (23,046,927)
<b>General Revenues:</b>												
Property Taxes					\$ 7,834,846		\$ 7,834,846					\$ 8,073,283
Local Taxes					43,937,310		43,937,310					-
Franchise Taxes					1,843,624		1,843,624					-
State Taxes					985,918		985,918					-
Sales Taxes					22,239,262		22,239,262					4,971,713
Unrestricted Investment Earnings (Losses)					4,504,665		4,504,665					-
Reimbursed Expenses					247,476		247,476					-
Miscellaneous					930,204		930,204					39,677
Gain (Loss) on disposal of capital assets					32,629		32,629					-
Appropriations from the City of Orange Beach					(427,041)		(427,041)					23,818,404
Transfers, Net					82,128,893		82,128,893					36,903,077
Total General Revenues and Transfers					8,248,648		8,248,648					13,856,150
Change in Net Position					165,870,178		165,870,178					84,162,479
Net Position - Beginning of the Year					174,118,826		174,118,826					\$ 193,022,552
Net Position - End of the Year												\$ 98,018,629

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, 2024

	General	Other Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 88,183,325	\$ 346,283	\$ 88,529,608
Restricted cash and cash equivalents	39,841,740	2,589,356	42,431,096
Accounts Receivable, Net	12,588,342	166,762	12,755,104
Due From Other Funds	7,322,074	-	7,322,074
Prepaid expenses	312,077	-	312,077
Total assets	\$ 148,247,558	\$ 3,102,401	\$ 151,349,959
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 9,762,196	\$ 16,617	\$ 9,778,813
Due to other funds	-	166,762	166,762
Accrued expenses	1,840,636	-	1,840,636
Appearance bonds	39,895	-	39,895
Performance bonds	33,545	-	33,545
Communication tower escrow funds	7,030	-	7,030
Total Liabilities	11,683,302	183,379	11,866,681
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	205,353	-	205,353
 Fund Balances:			
Non-Spendable Fund Balance	312,077	-	312,077
Spendable:			
Restricted	42,769,414	2,589,356	45,358,770
Committed	2,760,899	-	2,760,899
Assigned	-	329,666	329,666
Unassigned	90,516,513	-	90,516,513
Total Fund Balances	136,358,903	2,919,022	139,277,925
 Total Liabilities and Fund Balances	 \$ 148,247,558	 \$ 3,102,401	 \$ 151,349,959

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, 2024

Fund Balances - Total Governmental Funds \$ 139,277,925

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	200,936,809	
Less: accumulated depreciation	<u>(42,205,264)</u>	158,731,545

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		
Deferred pension losses	6,114,518	
Loss on advance refunding	880,250	
Less: accumulated amortization	<u>(524,479)</u>	6,470,289

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>(4,565,753)</u>	(4,565,753)

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	(107,699,265)	
Premium on bonds issued	(9,860,674)	
Accumulated amortization of premium/discount	2,544,081	
Net pension liability	(9,098,112)	
Compensated absences	<u>(891,734)</u>	(125,005,704)

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

Accrued interest payable		<u>(789,476)</u>
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Net position of governmental activities \$ 174,118,826

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 BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 7,834,846	\$ -	\$ 7,834,846
Intergovernmental:			
State tax	178,893	681,212	860,105
Local tax	68,020,196	-	68,020,196
Grants	10,811,885	24,476	10,836,361
Reimbursements	247,476		247,476
Other licenses, permits and fees	7,205,091	2,291	7,207,382
Fines and forfeitures	416,499	-	416,499
Charges for services	2,886,796	-	2,886,796
Rental Income	193,996	-	193,996
Investment earnings	4,420,595	84,070	4,504,665
Contracts	967,345	-	967,345
Miscellaneous	930,202	227,080	1,157,282
<b>Total revenues</b>	<b>104,113,820</b>	<b>1,019,129</b>	<b>105,132,949</b>
<b>EXPENDITURES</b>			
Current			
General government	17,881,126	-	17,881,126
Coastal resources	2,928,734	-	2,928,734
Court	487,577	-	487,577
Finance	1,341,773	-	1,341,773
Police	8,991,032	-	8,991,032
Corrections	926,419	-	926,419
Community development	1,737,035	-	1,737,035
Communications	748,799	-	748,799
Fire	11,041,760	-	11,041,760
Public works	3,549,667	-	3,549,667
Landscape	1,760,808	-	1,760,808
Parks and recreation	3,072,274	-	3,072,274
Performing arts	578,178	-	578,178
Recreation center	1,195,058	-	1,195,058
Expect Excellence	2,347,727	-	2,347,727
Library	-	797,150	797,150
Interest Expense	-	3,674,520	3,674,520
Debt Service	-	3,691,951	3,691,951
Capital Purchases	54,468,779	-	54,468,779
<b>Total expenditures</b>	<b>113,056,746</b>	<b>8,163,621</b>	<b>121,220,367</b>
(Deficiency) of revenues over expenditures	(8,942,926)	(7,144,492)	(16,087,418)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of Bond Issue	6,250,000	-	6,250,000
Proceeds from disposal of assets	32,629	-	32,629
Transfers In	2,893,881	8,116,312	11,010,193
Transfers (Out)	(10,753,730)	(683,504)	(11,437,234)
<b>Total other financing sources (uses)</b>	<b>(1,577,220)</b>	<b>7,432,808</b>	<b>5,855,588</b>
Net change in fund balances	(10,520,146)	288,316	(10,231,830)
Fund balances - beginning	146,879,049	2,630,706	149,509,755
Fund balances - ending	\$ 136,358,903	\$ 2,919,022	\$ 139,277,925

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 OF THE STATEMENT OF ACTIVITIES  
FOR THE PERIOD ENDED DECEMBER 31, 2024

Net Change in Fund Balances - Total Governmental Funds \$ (10,231,830)

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	25,370,785	
Less: current year depreciation	<u>(4,163,131)</u>	21,207,654

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 2022B GO Debt issue	(6,250,000)	
Bond premium/discount amortization	430,388	
Principal payments	<u>3,691,951</u>	(2,127,661)

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	(88,024)	
Decrease in interest accrued on long term debt	(31,854)	
Decrease in compensated absences	18,395	
Decrease in deferred pension losses	(2,891,763)	
Decrease in deferred pension gains	(4,361,271)	
Decrease in net pension liability	<u>6,755,002</u>	<u>(599,515)</u>

Change in Net Position of Governmental Activities \$ 8,248,648

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, 2024

	Sewer	Events Center	Other Proprietary Funds	Total Proprietary Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,970,225	\$ -	\$ 348,104	\$ 5,318,329
Restricted Cash and Cash Equivalents	4,974,362	-	-	4,974,362
Accounts receivable - net	66,648	-	16,001	82,649
Due from other funds	-	-	389,189	389,189
Capital Assets:				
Non-depreciable Assets - Land	343,588	158,648	-	502,236
Buildings	1,712,671	2,153,718	2,152,541	6,018,930
Sewer Plant	28,763,756	-	-	28,763,756
Vehicles and equipment	4,153,273	76,104	1,561,124	5,790,501
Distribution and collection system	19,826,467	-	-	19,826,467
Less: Accumulated Depreciation	<u>(31,254,356)</u>	<u>(835,405)</u>	<u>(1,899,685)</u>	<u>(33,989,446)</u>
<b>Total assets</b>	<u>33,556,634</u>	<u>1,553,065</u>	<u>2,567,274</u>	<u>37,676,973</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding - net	<u>657,080</u>	<u>-</u>	<u>-</u>	<u>657,080</u>
Total Deferred Outflows of Resources	<u>657,080</u>	<u>-</u>	<u>-</u>	<u>657,080</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,872	56	1,904	3,832
Due to other funds	3,837,518	1,898,566	1,808,418	7,544,502
Accrued expenses	60,777	9,936	28,929	99,642
Accrued compensated absences	54,892	9,565	27,509	91,966
Accrued interest payable	52,688	-	-	52,688
Current Maturities of Revenue Bonds	1,865,000	-	-	1,865,000
Non-current Liabilities				
Accrued compensated absences	38,990	5,241	11,938	56,169
Series 2020 G.O. Sewer Warrant - net	<u>9,665,000</u>	<u>-</u>	<u>-</u>	<u>9,665,000</u>
<b>Total liabilities</b>	<u>15,576,737</u>	<u>1,923,364</u>	<u>1,878,698</u>	<u>19,378,799</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	<u>51,528</u>	<u>-</u>	<u>-</u>	<u>51,528</u>
Total Deferred Inflows of Resources	<u>51,528</u>	<u>-</u>	<u>-</u>	<u>51,528</u>
<b>NET POSITION</b>				
Investment in Capital Assets net of related debt	12,672,479	1,553,065	1,813,980	16,039,524
Unrestricted Net Assets	<u>5,912,970</u>	<u>(1,923,364)</u>	<u>(1,125,404)</u>	<u>2,864,202</u>
<b>Total Net Position</b>	<u>\$ 18,585,449</u>	<u>\$ (370,299)</u>	<u>\$ 688,576</u>	<u>\$ 18,903,726</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 NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Sewer	Events Center	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues				
Charges for services	\$ 7,776,226	\$ 189,966	\$ 4,106,457	\$ 12,072,649
Miscellaneous income	3,388	-	25,485	28,873
Merchandise sales	-	-	313,204	313,204
Total Operating Revenues	<u>7,779,614</u>	<u>189,966</u>	<u>4,445,146</u>	<u>12,414,726</u>
Cost of Good sold	-	-	190,872	190,872
Gross Profit	<u>7,779,614</u>	<u>189,966</u>	<u>4,254,274</u>	<u>12,223,854</u>
Operating Expenses				
Salaries and Wages	2,440,784	422,246	1,297,140	4,160,170
Contractual services	91,293	701	3,002,342	3,094,336
Utilities	1,137,957	84,242	60,667	1,282,866
Repairs and Maintenance	697,318	133,015	419,295	1,249,628
Other supplies and expenses	482,927	32,083	197,354	712,364
Bond premium amortization	109,513	-	-	109,513
Depreciation	2,010,632	62,346	135,283	2,208,261
Total Operating Expenses	<u>6,970,424</u>	<u>734,633</u>	<u>5,112,081</u>	<u>12,817,138</u>
Operating Income (Loss)	<u>809,190</u>	<u>(544,667)</u>	<u>(857,807)</u>	<u>(593,284)</u>
Non-Operating Revenues (Expenses)				
Interest Income	259,008	-	2,882	261,890
Capital Grants	-	-	2,600	2,600
Interest Expense	(144,033)	-	-	(144,033)
Total Non-Operating (Revenues) Expenses	<u>114,975</u>	<u>-</u>	<u>5,482</u>	<u>120,457</u>
Income (Loss) Before Transfers	924,165	(544,667)	(852,325)	(472,827)
Transfers in (out)	<u>(1,500,000)</u>	<u>923,701</u>	<u>1,003,340</u>	<u>427,041</u>
Change in Net Position	(575,835)	379,034	151,015	(45,786)
Related Net Position - Beginning of Year	<u>19,161,284</u>	<u>(749,333)</u>	<u>537,561</u>	<u>18,949,512</u>
<b>Net Position - End of Year</b>	<u>\$ 18,585,449</u>	<u>\$ (370,299)</u>	<u>\$ 688,576</u>	<u>\$ 18,903,726</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, 2024

	Sewer	Events Center	Other Proprietary Funds	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 8,133,385	\$ 189,966	\$ 4,448,072	\$ 12,771,423
Payments to Suppliers	(2,404,226)	(249,022)	(3,874,158)	(6,527,406)
Payments to Employees for Wages and Benefits	(2,443,725)	(421,211)	(1,295,440)	(4,160,376)
Payments from (to) other funds	(1,090,870)	42,308	(110,650)	(1,159,212)
Net Cash Provided (Used) by Operating Activities	2,194,564	(437,959)	(832,176)	924,429
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other fund	(1,500,000)	923,701	1,003,340	427,041
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Increase in restricted cash	(52,832)	-	-	(52,832)
Capital grants			2,600	2,600
Principal Paid on Capital Debt	(1,855,000)	-	-	(1,855,000)
Interest Paid on Capital Debt	(146,100)	-	-	(146,100)
Acquisition of Capital Assets	(711,362)	(485,742)	(16,958)	(1,214,062)
Net Cash Provided by Capital and Related Financing Activities	(2,765,294)	(485,742)	(14,358)	(3,265,394)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Receipts	259,008	-	2,882	261,890
Net Cash Provided by Investing Activities	259,008	-	2,882	261,890
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(1,811,722)	-	159,688	(1,652,034)
<b>Cash and Cash Equivalents - Beginning of Year</b>	6,781,947	-	188,416	6,970,363
<b>Cash and Cash Equivalents - End of Year</b>	\$ 4,970,225	\$ -	\$ 348,104	\$ 5,318,329
<b>SUPPLEMENTARY INFORMATION:</b>				
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 809,190	\$ (544,667)	\$ (857,807)	(593,284)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	2,010,632	62,346	135,283	2,208,261
Amortization expense	109,513	-	-	109,513
(Increase) Decrease In:				
Accounts Receivable	351,162	-	2,926	354,088
Due to other funds	(1,090,870)	42,308	(110,650)	(1,159,212)
Increase (Decrease) In:				
Accounts Payable	(6,669)	(1,083)	(11,283)	(19,035)
Accrued expenses	11,938	2,102	7,655	21,695
Accrued compensated absences	(2,941)	1,035	1,700	
Deferred revenue	2,609	-	-	2,609
Net Cash Provided (Used) by Operating Activities	\$ 2,194,564	\$ (437,959)	\$ (832,176)	\$ 924,635

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, 2024

**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.

Component Units

The Orange Beach Board of Education is a separate legal entity that is included as a component unit in the financial reporting entity. It is included as a result of being financially accountable and fiscally dependent. The entity does not provide services entirely or almost entirely to the City, nor does it exclusively benefit the City, therefore they do not meet the criterion for blending, and must be discretely presented in the basic financial statements of the primary government. The Orange Beach Board of Education does not have substantially the same governing body as the City. The component unit has elected to report on a September 30<sup>th</sup> year end, whereas the City reports on a December 31<sup>st</sup> year end. Generally accepted accounting principles allow the presentation of these component units as part of the reporting entity if the component unit's year end falls within the year end of the primary government. Significant interfund transfers and borrowing between the City and the component units that occur from October 1 to December 31 each year will be disclosed in a note, if applicable. Separately issued audited financial statements of the Orange Beach Board of Education can be obtained from the Board.

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.

THE CITY OF ORANGE BEACH, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 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.

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.

THE CITY OF ORANGE BEACH, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. BASIS OF PRESENTATION (continued)**

**FUND FINANCIAL STATEMENTS (continued)**

The following discretely presented component unit is presented as a major fund:

**Orange Beach Board of Education -**

This fund accounts for all operating revenues and expenditures of the Orange Beach Board School System. This governmental fund does not provide services entirely to the primary government, nor does it primarily benefit the primary government. The governing board is not the same as the City.

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:*

**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.

**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.

**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, 2024

**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, 2024

**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 \$48,509,584 invested in the JP Morgan 100% U.S. Treasury Securities Money Market Fund #677 as of December 31, 2024. 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, 2024

**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.

THE CITY OF ORANGE BEACH, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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, 2024

**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
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepaid expenses	\$ 312,077	\$ -	\$ -	\$ -	\$ 312,077
<b>Restricted for:</b>					
Grants	6,376,395	-	-	-	6,376,395
Municipal court	426,106	-	-	-	426,106
Debt service	4,175	1,393,099	-	-	1,397,274
Capital outlay	35,962,738	-	1,196,257	-	37,158,995
<b>Committed to:</b>					
Emergencies	2,760,899	-	-	-	2,760,899
<b>Assigned to:</b>					
Library	-	-	-	329,666	329,666
<b>Unassigned:</b>	<u>90,516,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,516,513</u>
<b>Total Fund Balance:</b>	<u>\$ 136,358,903</u>	<u>\$ 1,393,099</u>	<u>\$ 1,196,257</u>	<u>\$ 329,666</u>	<u>\$ 139,277,925</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, 2024, the Events Center Fund had accumulated deficit of \$370,299. It is anticipated that the Events Center Fund 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, 2024

**NOTE 2 – CASH AND RESTRICTED CASH**

A detail of cash as of December 31, 2024 is as follows:

	Governmental-type Funds	Business-type Funds
Cash on hand	\$ 3,905	\$ 100
Cash in banks		
Operations	88,307,101	5,318,330
Reserved- Disaster	2,760,899	118,581
Reserved- Capital projects	36,789,302	2,977,242
Reserved- Special revenues	1,196,257	-
Reserved- Debt service	1,397,274	1,878,540
	\$ 130,454,738	\$ 10,292,793

**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, 2024 the carrying amount of the City's deposits, including Certificates of Deposit, was \$141,249,716 and the bank balance was \$144,639,032. 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 or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

**B. GENERAL INFORMATION ABOUT THE PENSION PLAN**

*Plan description.* The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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**NOTE 4 – RETIREMENT PLAN (continued)**

**B. GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)**

The ERS Board of Control consists of 15 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. 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 up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2023.

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

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**NOTE 4 – RETIREMENT PLAN (continued)**

**B. GENERAL INFORMATION ABOUT THE PENSION PLAN (continued)**

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 113,079 participants. As of September 30, 2024, the City's membership consisted of:

Retired and beneficiaries	
currently receiving benefits	85
Vested Inactive Members	11
Non-vested Inactive Members	91
Active Members	474
Post-DRDP Retired Members Still in Active Service	<u>          -</u>
 Total	 <u><u>        661</u></u>

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

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended December 31, 2024, 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, 2024 was 9.40% of pensionable pay for Tier 1 employees, and 7.89% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2024, 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 \$1,564,632 for the year ended December 31, 2024.

**C. NET PENSION LIABILITY**

The City's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 rolled forward to September 30, 2024 using standard roll-forward techniques as shown in the following table:

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**NOTE 4 – RETIREMENT PLAN (continued)**

**C. NET PENSION LIABILITY (continued)**

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2023	\$ 70,059,092	\$ 70,306,736	\$ 70,306,736
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2023 to September 30, 2024	2,627,113	2,627,113	2,627,113
(d) Transfers Among Employers	-	(377,275)	(377,275)
(e) Actual Benefit Payments and Refunds for the period October 1, 2023 to September 30, 2024	<u>(2,242,041)</u>	<u>(2,242,041)</u>	<u>(2,242,041)</u>
(f) Total Pension Liability as of September 30, 2024 = [(a) x (1+b)] + (c) + (d) - [(e) x (1 + 0.5*(b))]	<u>\$ 75,580,050</u>	<u>\$ 75,468,869</u>	<u>\$ 75,468,869</u>
(g) Difference between Expected and Actual		\$ (111,181)	
(h) Less Liability Transferred for Immediate Recognition		(377,275)	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ 266,094	
(j) Difference between Actual TPL Before and After Plan Changes - benefit Change (Gain)/Loss			\$ -

*Actuarial assumptions:* The total pension liability as of September 30, 2024 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.25%-6.00%
Investment rate of return*	7.45%, including inflation

\* Net of pension plan investment expense

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

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

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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

THE CITY OF ORANGE BEACH, ALABAMA  
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**NOTE 4 – RETIREMENT PLAN (continued)**

**C. NET PENSION LIABILITY (continued)**

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.00%	2.80%
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%	9.00%
Real estate	10.00%	6.50%
Cash equivalents	5.00%	1.50%
Total	<u>100.00%</u>	

\* Includes assumed rate of inflation of 2.00%.

*Discount rate:* The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in Net Pension Liability*

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2023	\$ 70,059,092	\$ 54,205,978	\$ 15,853,114
Changes for the year:			
Service cost	2,627,113	-	2,627,113
Interest	5,135,886	-	5,135,886
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	266,094	-	266,094
Contributions - employer		1,430,470	(1,430,470)
Contributions - employees		1,838,024	(1,838,024)
Net investment income		11,515,601	(11,515,601)
Benefit payments, including refunds of employee contributions	(2,242,041)	(2,242,041)	-
Administrative expense	-	-	-
Transfer among Employers	(377,275)	(377,275)	-
Net change	5,409,777	12,164,779	(6,755,002)
Balance at September 30, 2024	<u>\$ 75,468,869</u>	<u>\$ 66,370,757</u>	<u>\$ 9,098,112</u>

*Sensitivity of the net pension liability to changes in the discount rate:* The following table presents the City's net pension liability calculated using the discount rate of 7.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

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**NOTE 4 – RETIREMENT PLAN (continued)**

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

	1% Decrease (6.45%)		Current Rate (7.45%)		1% Increase (8.45%)
City's Net Pension Liability (Asset)	\$ 19,705,655	\$	9,098,112	\$	332,401

*Pension plan fiduciary net position:* Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2023. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

For the year ended December 31, 2024, the City recognized pension expense of \$2,066,393. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,030,219		\$ 103,394
Changes of assumptions	133,385		-
Net difference between projected and actual earnings on plan investments	-		4,462,359
Employer contributions subsequent to the Measurement Date	1,950,914		-
Total	\$ 6,114,518		\$ 4,565,753

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

Fiscal Year Ending September 30:	
2026	\$ 60,550
2027	1,220,242
2028	(939,877)
2029	(536,031)
2030	597,891
Thereafter	313,368

THE CITY OF ORANGE BEACH, ALABAMA  
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**NOTE 5 – LONG TERM DEBT**

General Fund

General Obligation Warrants

At December 31, 2024, governmental long-term debt consisted of the following individual issues:

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.

On June 1, 2022, the City issued a General Obligation Warrant in the amount of \$50,000,000 to Regions Capital Advantage, Inc. The Warrant is payable in annual installments varying from \$44,343 to \$3,660,615 principal plus interest with an average coupon of 3.080% beginning June 1, 2023 with a final payment on June 1, 2042.

On June 1, 2022, the City issued a General Obligation Warrant B in the amount of \$25,000,000 to Regions Capital Advantage, Inc. The City is making monthly principal draws of \$1,041,667 beginning July 1, 2022 and ending June 1, 2024, with principal drawn not to exceed \$25,000,000. Interest only installments due until June 1, 2025, at which time principal and interest due in annual installments through June 1, 2042. Variable interest with average coupon of 2.990%.

Sewer Fund

General Obligation Warrants

At December 31, 2024, the long-term debt for the proprietary fund consisted of the following individual issues:

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.

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**NOTE 5 – LONG TERM DEBT (continued)**

General Obligation Warrants for governmental activities of the City were comprised of the following at December 31, 2024:

\$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%.	\$ 37,040,000
\$50,000,000 General Obligation Warrants Series 2022 A dated June 1, 2022, principal and interest due in annual installments varying from \$44,343 to \$3,660,615 through June 1, 2042; variable interest rate with average coupon of 3.080%.	45,659,266
\$25,000,000 General Obligation Warrants Series 2022 B dated June 1, 2022, with the City making monthly principal draws of \$1,041,667 beginning July 1, 2022 and ending June 1, 2024, with principal drawn not to exceed \$25,000,000 aggregate. Interest only installments due until June 1, 2025, at which time principal and interest due in annual installments through June 1, 2042. Variable interest with average coupon of 2.990%.	25,000,000
Unamortized bond premium / discount (net)	<u>7,316,593</u>
<b>TOTAL WARRANTS AND NOTES OUTSTANDING</b>	<b>115,015,859</b>
Compensated absences	891,734
Net pension liability	<u>9,098,112</u>
<b>TOTAL GENERAL LONG-TERM DEBT</b>	<b><u>\$ 125,005,705</u></b>

General Obligation and Revenue Warrants for business-type activities of the City were comprised of the following at December 31, 2024:

\$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.	\$ <u>11,530,000</u>
<b>TOTAL WARRANTS AND NOTES OUTSTANDING</b>	<b>11,530,000</b>
Compensated absences	<u>148,315</u>
<b>TOTAL BUSINESS-TYPE ACTIVITY DEBT</b>	<b><u>\$ 11,678,315</u></b>

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**NOTE 5 – LONG TERM DEBT (continued)**

The annual aggregate maturities, including principal and interest, for the years subsequent to December 31, 2024, are as follows:

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 5,006,311	\$ 3,582,959	\$ 8,589,270	\$ 1,865,000	\$ 140,117	\$ 2,005,117
2026	5,118,757	3,414,666	8,533,423	1,885,000	126,037	2,011,037
2027	5,237,004	3,242,362	8,479,366	1,905,000	108,054	2,013,054
2028	5,361,062	3,065,821	8,426,883	1,930,000	86,070	2,016,070
2029	5,485,944	2,884,820	8,370,764	1,955,000	59,745	2,014,745
2030 and thereafter	81,490,187	18,786,201	100,276,388	1,990,000	31,124	2,021,124
Unamortized bond discount / premium	7,316,593	-	7,316,593	-	-	-
Total	<u>\$ 115,015,858</u>	<u>\$ 34,976,829</u>	<u>\$ 149,992,687</u>	<u>\$ 11,530,000</u>	<u>\$ 551,147</u>	<u>\$ 12,081,147</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, 2021, G.O. Warrants, Series 2021	\$ 38,545,000	\$ -	\$ (1,505,000)	\$ 37,040,000	\$ 1,565,000
June 1, 2022, G.O. Warrants, Series 2022 A	47,846,217	-	(2,186,951)	45,659,266	2,220,631
June 1, 2022, G.O. Warrants, Series 2022 B	18,750,000	6,250,000	-	25,000,000	1,220,680
Unamortized bond premium / discount (net)	<u>7,746,981</u>	<u>-</u>	<u>(430,388)</u>	<u>7,316,593</u>	<u>-</u>
Total bonds payable	112,888,198	6,250,000	(4,122,339)	115,015,859	5,006,311
Other long-term liabilities:					
Compensated absences	910,129	-	(18,395)	891,734	607,815
Net pension liability	<u>15,853,114</u>	<u>-</u>	<u>(6,755,002)</u>	<u>9,098,112</u>	<u>-</u>
Total other long-term liabilities	<u>16,763,243</u>	<u>-</u>	<u>(6,773,397)</u>	<u>9,989,846</u>	<u>607,815</u>
Governmental activities long-term liabilities	<u>\$ 129,651,441</u>	<u>\$ 6,250,000</u>	<u>\$ (10,895,736)</u>	<u>\$ 125,005,705</u>	<u>\$ 5,614,126</u>

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**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 17, 2020 G.O. Sewer Warrants, Series 2020	\$ 13,385,000	\$ -	\$ (1,855,000)	\$ 11,530,000	\$ 1,865,000
Unamortized bond premium/ discount (net)	-	-	-	-	-
Total bonds payable	13,385,000	-	(1,855,000)	11,530,000	1,865,000
Other long-term liabilities:					
Compensated absences	148,341	-	(26)	148,315	91,966
Total other long-term liabilities	148,341	-	(26)	148,315	91,966
Business-type activities long-term liabilities	<u>\$ 13,533,341</u>	<u>\$ -</u>	<u>\$ (1,855,026)</u>	<u>\$ 11,678,315</u>	<u>\$ 1,956,966</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.

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**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>Term</u>	<u>Monthly Rental</u>	<u>Yearly Rental</u>
1/1/23 - 1/1/32	\$ 10,000	\$ 120,000

**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, 2024

**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, 2024:

Due From	Due To	
	General Fund	Refuse Fund
General Fund	\$ -	\$ 386,316
Special Revenue Fund	166,762	-
Sewer Fund	3,834,640	2,878
Event Center Fund	1,898,566	-
Art Center Fund	1,808,418	-
<b>Total</b>	<b>\$ 7,708,386</b>	<b>\$ 389,194</b>

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, 2024 were as follows:

Transfers Out	Transfers In						Total
	General Fund	Library Fund	Events Center Fund	Arts Center Fund	Refuse Fund	Debt Service Fund	
General Fund	\$ -	\$ 749,974	\$ 923,701	\$ 443,717	\$ 1,270,000	\$ 7,366,338	\$ 10,753,730
BCBC Fund	710,377	-	-	-	-	-	710,377
Special Revenue Fund	683,504	-	-	-	-	-	683,504
Sewer Fund	1,500,000	-	-	-	-	-	1,500,000
<b>Total</b>	<b>\$ 2,893,881</b>	<b>\$ 749,974</b>	<b>\$ 923,701</b>	<b>\$ 443,717</b>	<b>\$ 1,270,000</b>	<b>\$ 7,366,338</b>	<b>\$ 13,647,611</b>

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, 2024

**NOTE 11 – CAPITAL ASSETS**

Capital asset activity for governmental and business-type activities for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Disposals & Reclassifications	Ending Balance
Governmental activities:				
Non depreciable assets:				
Land & improvements	\$ 70,681,007	\$ 1,998,782	\$ -	\$ 72,679,789
Construction in progress	28,732,966	20,527,781	(25,916,726)	23,344,021
Depreciable assets:				
Buildings & improvements	35,926,956	3,774,635	-	39,701,591
Infrastructure	15,178,169	22,141,791	-	37,319,960
Equipment & vehicles	24,993,556	2,901,393	(100,882)	27,794,067
Total historical cost of assets:	175,512,654	51,344,382	(26,017,608)	200,839,428
Less accumulated depreciation for:				
Buildings & improvements	15,935,522	1,204,153	-	17,139,675
Infrastructure	3,074,775	530,618	-	3,605,393
Equipment & vehicles	19,035,337	2,428,360	(100,882)	21,362,815
Total accumulated depreciation:	38,045,634	4,163,131	(100,882)	42,107,883
Governmental activities capital assets, net:	<u>\$ 137,467,020</u>	<u>\$ 47,181,251</u>	<u>\$ (25,916,726)</u>	<u>\$ 158,731,545</u>
Depreciation expense was charged to governmental functions as follows:				
Administration				\$ 254,276
Finance				2,322
Police				830,105
Fire				1,145,151
Public works				495,220
Parks & recreation				1,380,460
Library				30,991
Community development				24,606
Total depreciation expense:				<u>\$ 4,163,131</u>
Business-type activities:				
Non depreciable assets:				
Land & improvements	\$ 502,236	\$ -	\$ -	\$ 502,236
Construction in progress	-	-	-	-
Depreciable assets:				
Buildings & improvements	34,782,686	-	-	34,782,686
Equipment	2,676,717	93,521	-	2,770,238
Vehicles	2,385,465	634,798	-	3,020,263
Distribution & collection systems	19,826,467	-	-	19,826,467
Total historical cost of assets:	60,173,571	728,319	-	60,901,890
Less accumulated depreciation for:				
Buildings & improvements	11,851,158	174,629	-	12,025,787
Equipment	2,277,575	269,360	-	2,546,935
Vehicles	1,952,721	173,182	-	2,125,903
Distribution & collection systems	15,736,968	1,553,853	-	17,290,821
Total accumulated depreciation:	31,818,422	2,171,024	-	33,989,446
Business-type activities capital assets, net:	<u>\$ 28,355,149</u>	<u>\$ (1,442,705)</u>	<u>\$ -</u>	<u>\$ 26,912,444</u>

THE CITY OF ORANGE BEACH, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 11 – CAPITAL ASSETS (continued)**

Capital asset activity for the discretely presented component unit, the Orange Beach Board of Education for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Disposals & Reclassifications	Ending Balance
Governmental activities:				
Non depreciable assets:				
Construction in progress	\$ 8,235,620	\$ 19,076,819	\$ (7,917,502)	\$ 19,394,937
Depreciable assets:				
Buildings & improvements	63,620,356	8,253,735	-	71,874,091
Equipment	17,539,241	296,988	-	17,836,229
Total historical cost of assets:	89,395,217	27,627,542	(7,917,502)	109,105,257
Less accumulated depreciation for:				
Buildings & improvements	2,040,742	1,904,948	-	3,945,690
Equipment	4,265,320	3,502,632	-	7,767,952
Total accumulated depreciation:	6,306,062	5,407,580	-	11,713,642
Governmental activities capital assets, net:	<u>\$ 83,089,155</u>	<u>\$ 22,219,962</u>	<u>\$ (7,917,502)</u>	<u>\$ 97,391,615</u>

**NOTE 12 – 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

THE CITY OF ORANGE BEACH, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 12 – THE BALDWIN COUNTY BRIDGE COMPANY PROJECT (continued)**

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.

For the year ended December 31, 2024, the City received payments from American Roads totaling \$710,377 for the twelve months the agreement was in effect, based on fixed fee of \$.30 per vehicle.

On Thursday April, 18, 2024, Governor Kay Ivey, Orange Beach Mayor Tony Kennon and the Baldwin County Bridge Company on Wednesday announced the signing of an agreement for the state to purchase the Foley Beach Express Bridge in Orange Beach. When the transaction is finalized, the Alabama Department of Transportation (ALDOT) will operate the Beach Express Bridge toll free, initially carrying southbound and northbound traffic. ALDOT's construction of the Intracoastal Waterway Bridge will continue, with completion expected in Spring or early Summer 2026. Upon completion, the Beach Express Bridge will be converted to carry northbound traffic and the new ALDOT bridge will carry southbound traffic – creating "one-way pairs," parallel paired bridges to move traffic more efficiently to and from Alabama's beaches. Under the terms reached by the parties, ALDOT will pay \$57 million to Baldwin County Bridge Company for the bridge and \$3 million to the City of Orange Beach for local road improvements. In addition, ALDOT will commit to pursue widening Canal Road to five lanes between the new parallel bridges and an intersection improvement at the State Route 161/180 intersection in Orange Beach. Both projects were already included in the ALDOT's State Transportation Improvement Program for 2024-2027. These agreements will terminate Baldwin County Bridge Company's contract with the City of Orange Beach.

**NOTE 13 – 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.

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 OF ORANGE BEACH, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)**

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.

Construction, engineering, and design contracts for material commitments at December 31, 2024 are as follows:

Contractor/Engineer	Project	Resolution Number	Contract Amount Including Change Orders	Approximate Expenditures Incurred To Date	Approximate Balance of Contract
John G. Walton	Canal Road Improvements	22-134	\$ 7,603,690	\$ 7,075,961	\$ 527,729
The Green-Simmons Company	Justice Center Roof and Fascia Replacement	24-121	1,499,667	1,224,001	275,666

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events were evaluated from January 1, 2024 through the financial statement issuance date, February 26, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF ORANGE BEACH, ALABAMA  
GENERAL FUND  
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>RESOURCES (INFLOWS)</b>				
Property taxes	\$ 5,500,000	\$ 5,500,000	\$ 7,834,846	\$ 2,334,846
Intergovernmental:				
State tax	106,000	106,000	178,893	72,893
Local tax	56,900,000	56,900,000	68,020,196	11,120,196
Grants	5,877,300	5,877,300	10,811,885	4,934,585
Reimbursements	141,000	141,000	247,476	106,476
Other licenses, permits and fees	4,493,000	4,493,000	7,205,091	2,712,091
Fines and forfeitures	511,000	511,000	416,499	(94,501)
Charges for services	1,956,500	1,956,500	2,886,796	930,296
Rental Income	150,000	150,000	193,996	43,996
Investment earnings	2,000,000	2,000,000	4,420,595	2,420,595
Contracts	855,000	855,000	967,345	112,345
Miscellaneous	371,900	371,900	930,202	558,302
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>78,861,700</u>	<u>78,861,700</u>	<u>104,113,820</u>	<u>25,252,120</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
General government	14,531,751	14,531,751	17,881,126	(3,349,375)
Coastal resources	2,759,197	2,759,197	2,928,734	(169,537)
Court	474,353	474,353	487,577	(13,224)
Finance	1,296,848	1,296,848	1,341,773	(44,925)
Police	8,760,115	8,760,115	8,991,032	(230,917)
Corrections	857,294	857,294	926,419	(69,125)
Community development	1,667,448	1,667,448	1,737,035	(69,587)
Communications	760,335	760,335	748,799	11,536
Fire	9,501,582	9,501,582	11,041,760	(1,540,178)
Public works	3,365,275	3,365,275	3,549,667	(184,392)
Landscape	2,362,715	2,362,715	1,760,808	601,907
Parks and recreation	2,831,464	2,831,464	3,072,274	(240,810)
Performing arts	641,254	641,254	578,178	63,076
Recreation center	1,308,088	1,308,088	1,195,058	113,030
Expect Excellence	2,609,730	2,609,730	2,347,727	262,003
Capital Purchases	69,790,687	69,790,687	54,468,779	15,321,908
TOTAL CHARGES TO APPROPRIATIONS	<u>123,518,136</u>	<u>123,518,136</u>	<u>113,056,746</u>	<u>10,461,390</u>
EXCESS OF AMOUNTS AVAILABLE FOR OVER CHARGES TO APPROPRIATIONS	<u>(44,656,436)</u>	<u>(44,656,436)</u>	<u>(8,942,926)</u>	<u>35,713,510</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Bond Issue	4,166,668	4,166,668	-	(4,166,668)
Proceeds from disposal of assets	50,000	50,000	32,629	(17,371)
Transfers In	3,351,000	3,351,000	2,893,881	(457,119)
Transfers (Out)	(12,732,195)	(12,732,195)	(10,753,730)	1,978,465
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,164,527)</u>	<u>(5,164,527)</u>	<u>(7,827,220)</u>	<u>(2,662,693)</u>
STATUTORY REVENUE REDUCTION	<u>(7,097,553)</u>	<u>(7,097,553)</u>	<u>-</u>	<u>7,097,553</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>(56,918,516)</u>	<u>(56,918,516)</u>	<u>(16,770,146)</u>	<u>40,148,370</u>
FUND BALANCES - BEGINNING	<u>146,879,048</u>	<u>146,879,048</u>	<u>146,879,048</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 89,960,532</u>	<u>\$ 89,960,532</u>	<u>\$ 130,108,902</u>	<u>\$ 40,148,370</u>

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

THE CITY OF ORANGE BEACH, ALABAMA

SEWER FUND

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,350,000	\$ 7,350,000	\$ 7,776,226	\$ 426,226
Miscellaneous	5,000	5,000	3,390	(1,610)
TOTAL OPERATING REVENUES	<u>7,355,000</u>	<u>7,355,000</u>	<u>7,779,616</u>	<u>424,616</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	1,960,518	1,960,518	2,440,784	(480,266)
Contractual services	75,000	75,000	91,293	(16,293)
Utilities	1,086,000	1,086,000	1,137,957	(51,957)
Repairs and Maintenance	1,523,000	1,523,000	697,318	825,682
Other supplies and expenses	534,000	534,000	482,927	51,073
Bad debt expense	-	-	-	-
Bond premium amortization	-	-	109,513	(109,513)
Depreciation	-	-	2,010,632	(2,010,632)
TOTAL OPERATING EXPENSES	<u>5,178,518</u>	<u>5,178,518</u>	<u>6,970,424</u>	<u>(1,791,906)</u>
OPERATING INCOME (LOSS)	<u>2,176,482</u>	<u>2,176,482</u>	<u>809,192</u>	<u>(1,367,290)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	100,000	100,000	259,008	(159,008)
Capital Grants	-	-	-	-
Interest Expense	(152,082)	(152,082)	(144,033)	8,049
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(52,082)</u>	<u>(52,082)</u>	<u>114,975</u>	<u>(150,959)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>2,124,400</u>	<u>2,124,400</u>	<u>924,167</u>	<u>(1,518,249)</u>
TRANSFERS IN (OUT)	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
CHANGE IN NET POSITION	624,400	624,400	(575,833)	(1,518,249)
NET POSITION - BEGINNING	<u>19,161,284</u>	<u>19,161,284</u>	<u>19,161,284</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 19,785,684</u>	<u>\$ 19,785,684</u>	<u>\$ 18,585,451</u>	<u>\$ (1,518,249)</u>

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

THE CITY OF ORANGE BEACH, ALABAMA  
EVENTS CENTER FUND

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 142,000	\$ 142,000	\$ 189,966	\$ 47,966
Miscellaneous	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>142,000</u>	<u>142,000</u>	<u>189,966</u>	<u>47,966</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	336,786	336,786	422,246	(85,460)
Contractual services	2,000	2,000	701	1,299
Utilities	75,000	75,000	84,242	(9,242)
Repairs and Maintenance	629,000	629,000	133,015	495,985
Other supplies and expenses	54,900	54,900	32,083	22,817
Bad debt expense	-	-	-	-
Bond premium amortization	-	-	-	-
Depreciation	-	-	62,346	(62,346)
<b>TOTAL OPERATING EXPENSES</b>	<u>1,097,686</u>	<u>1,097,686</u>	<u>734,633</u>	<u>363,053</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(955,686)</u>	<u>(955,686)</u>	<u>(544,667)</u>	<u>411,019</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Income	-	-	-	-
Capital Grants	-	-	-	-
Interest Expense	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(955,686)</u>	<u>(955,686)</u>	<u>(544,667)</u>	<u>411,019</u>
<b>TRANSFERS IN (OUT)</b>	<u>923,701</u>	<u>923,701</u>	<u>923,701</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>(31,985)</u>	<u>(31,985)</u>	<u>379,034</u>	<u>411,019</u>
<b>NET POSITION - BEGINNING</b>	<u>(749,333)</u>	<u>(749,333)</u>	<u>(749,333)</u>	<u>-</u>
<b>NET POSITION - ENDING</b>	<u>\$ (781,318)</u>	<u>\$ (781,318)</u>	<u>\$ (370,299)</u>	<u>\$ 411,019</u>

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>										
Service Cost	\$ 2,627,113	\$ 2,411,821	\$ 2,080,539	\$ 1,786,762	\$ 1,469,240	\$ 1,425,842	\$ 1,317,681	\$ 1,245,314	\$ 1,213,069	\$ 1,168,947
Interest	5,135,886	4,482,969	4,144,028	3,710,888	3,418,855	3,155,678	2,877,895	2,676,913	2,401,553	2,113,138
Change of benefit terms	-	-	53,157	-	1,243,089	-	-	-	-	-
Difference between expected and actual experience	266,094	3,902,248	533,386	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	(2,242,041)	(2,148,481)	(2,125,506)	(1,717,068)	(1,343,369)	(1,337,845)	(1,160,003)	(853,462)	(641,884)	(552,344)
Transfers among employers	(377,275)	162,208	(124,566)	239,995	(516,798)	46,310	124,934	181,799	29,622	-
<b>Net change in total pension liability</b>	5,409,777	8,810,765	4,561,038	7,635,398	3,979,497	3,420,635	3,937,623	2,746,593	4,627,190	3,649,950
<b>Total pension liability - beginning</b>	70,059,092	61,248,327	56,687,289	49,051,891	45,072,394	41,651,759	37,714,136	34,967,543	30,340,353	26,690,403
<b>Total pension liability - ending (a)</b>	<u>\$75,468,869</u>	<u>\$70,059,092</u>	<u>\$61,248,327</u>	<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>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 1,430,470	\$ 1,311,868	\$ 1,199,000	\$ 1,089,725	\$ 921,337	\$ 849,129	\$ 786,837	\$ 804,848	\$ 806,700	\$ 801,525
Contributions - member	1,838,024	1,822,435	1,627,070	1,341,292	1,141,547	1,011,541	1,013,613	862,030	773,424	728,225
Net investment income	11,515,601	6,162,669	(6,834,652)	9,572,104	2,298,731	997,451	3,233,903	3,866,396	2,700,298	297,551
Benefit payments, including refunds of employee contributions	(2,242,041)	(2,148,481)	(2,125,506)	(1,717,068)	(1,343,369)	(1,337,845)	(1,160,003)	(853,462)	(641,884)	(552,344)
Transfers among employers	(377,275)	162,208	(124,566)	239,995	(516,798)	46,310	124,934	181,799	29,622	327,982
<b>Net change in plan fiduciary net position</b>	12,164,779	7,310,699	(6,258,654)	10,526,048	2,501,448	1,566,586	3,999,284	4,861,611	3,668,160	1,602,939
<b>Total net position - beginning</b>	54,205,978	46,895,279	53,153,933	42,627,885	40,126,437	38,559,851	34,560,567	29,698,956	26,030,796	24,427,857
<b>Total net position - ending (b)</b>	<u>\$66,370,757</u>	<u>\$54,205,978</u>	<u>\$46,895,279</u>	<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>
<b>Net pension liability - ending (a) - (b)</b>	\$ 9,098,112	\$15,853,114	\$14,353,048	\$ 3,533,356	\$ 6,424,006	\$ 4,945,957	\$ 3,091,908	\$ 3,153,569	\$ 5,268,587	\$ 4,309,557
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	87.94%	77.37%	76.57%	93.77%	86.90%	89.03%	92.58%	91.64%	84.93%	85.80%
<b>Covered payroll</b>	\$24,948,919	\$26,700,542	\$23,825,603	\$21,843,594	\$20,898,846	\$18,487,298	\$17,100,269	\$14,999,922	\$14,393,677	\$13,508,477
<b>Net pension liability as a percentage of covered payroll</b>	36.47%	59.37%	60.24%	16.18%	30.74%	26.75%	18.08%	21.02%	36.60%	31.90%

THE CITY OF ORANGE BEACH, ALABAMA  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions*	1,564,632	1,364,027	1,171,841	1,084,916	1,007,589	912,787	860,452	746,774	850,584	800,331
Contributions in relation to the actuarially* determined contributions	(1,564,632)	(1,364,027)	(1,171,841)	(1,084,916)	(1,007,589)	(912,787)	(860,452)	(746,774)	(850,584)	(800,331)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	24,948,919	26,700,542	23,825,603	21,843,594	20,898,846	18,487,298	17,100,269	14,999,922	14,393,677	13,508,477
Contributions as a percentage of covered payroll	6.27%	5.11%	4.92%	4.97%	4.82%	4.94%	5.03%	4.98%	5.91%	5.92%

\*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement

\*\*Employer's covered payroll for FY2024 is the total covered payroll for the 12 month period of the underlying financial statement.

**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 the fiscal year 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2023 to September 30, 2024\*:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	16 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

Methods and assumptions used to determine contribution rates for the period October 1, 2024 to December 31, 2024\*:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	16.5 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

\*If the employer's financial reporting period end is other than September 30, 2025, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.

OTHER SUPPLEMENTARY INFORMATION

THE CITY OF ORANGE BEACH, ALABAMA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2024

	Special Revenues	Debt Service	Library	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 346,283	\$ 346,283
Restricted cash and cash equivalents	1,196,257	1,393,099	\$ -	2,589,356
Accounts Receivable, Net	166,762	-	-	166,762
Total assets	\$ 1,363,019	\$ 1,393,099	\$ 346,283	\$ 3,102,401
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 16,617	\$ 16,617
Due to other funds	166,762	-	-	166,762
Total Liabilities	166,762	-	16,617	183,379
 Fund Balances:				
Non-Spendable Fund Balance	-	-	-	-
Spendable:				
Restricted	1,196,257	1,393,099	-	2,589,356
Committed	-	-	-	-
Assigned	-	-	329,666	329,666
Unassigned	-	-	-	-
Total Fund Balances	1,196,257	1,393,099	329,666	2,919,022
Total Liabilities and Fund Balances	\$ 1,363,019	\$ 1,393,099	\$ 346,283	\$ 3,102,401

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 BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Special Revenues	Debt Service	Library	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental:				
State tax	\$ 681,212	\$ -	\$ -	\$ 681,212
Local tax				
Grants	-	-	24,476	24,476
Other licenses, permits and fees	2,291	-		2,291
Investment earnings	15,649	63,125	5,296	84,070
Miscellaneous	206,686	-	20,394	227,080
<b>Total revenues</b>	<b>905,838</b>	<b>63,125</b>	<b>50,166</b>	<b>1,019,129</b>
 <b>EXPENDITURES</b>				
Current				
Library	-	-	797,150	797,150
Interest Expense	-	3,674,520	-	3,674,520
Debt Service	-	3,691,951	-	3,691,951
<b>Total expenditures</b>	<b>-</b>	<b>7,366,471</b>	<b>797,150</b>	<b>8,163,621</b>
 (Deficiency) of revenues over expenditures	 905,838	 (7,303,346)	 (746,984)	 (7,144,492)
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	7,366,338	749,974	8,116,312
Transfers (Out)	(683,504)	-	-	(683,504)
<b>Total other financing sources (uses)</b>	<b>(683,504)</b>	<b>7,366,338</b>	<b>749,974</b>	<b>7,432,808</b>
 Net change in fund balances	 222,334	 62,992	 2,990	 288,316
Fund balances - beginning	973,923	1,330,107	326,676	2,630,706
Fund balances - ending	<b>\$ 1,196,257</b>	<b>\$ 1,393,099</b>	<b>\$ 329,666</b>	<b>\$ 2,919,022</b>

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, 2024

	Refuse	BCBC	Arts Center	Total Nonmajor Proprietary Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 348,104	\$ 348,104
Restricted Cash and Cash Equivalents				
Accounts receivable - net	16,001	-	-	16,001
Due from other funds	389,189	-	-	389,189
Capital Assets:				
Buildings	-	-	2,152,541	2,152,541
Vehicles and equipment	1,479,494	-	81,630	1,561,124
Less: Accumulated Depreciation	<u>(1,417,903)</u>	<u>-</u>	<u>(481,782)</u>	<u>(1,899,685)</u>
<b>Total assets</b>	<u>466,781</u>	<u>-</u>	<u>2,100,493</u>	<u>2,567,274</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,502	-	402	1,904
Due to other funds	-	-	1,808,418	1,808,418
Accrued expenses	12,921	-	16,008	28,929
Accrued compensated absences	10,594	-	16,915	27,509
Non-current Liabilities				
Accrued compensated absences	<u>3,050</u>	<u>-</u>	<u>8,888</u>	<u>11,938</u>
<b>Total liabilities</b>	<u>28,067</u>	<u>-</u>	<u>1,850,631</u>	<u>1,878,698</u>
<b>NET POSITION</b>				
Investment in Capital Assets net of related debt	61,591	-	1,752,389	1,813,980
Unrestricted Net Assets	<u>377,123</u>	<u>-</u>	<u>(1,502,527)</u>	<u>(1,125,404)</u>
<b>Total Net Position</b>	<u>\$ 438,714</u>	<u>\$ -</u>	<u>\$ 249,862</u>	<u>\$ 688,576</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 NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Refuse	BCBC	Arts Center	Total Nonmajor Proprietary Funds
Operating Revenues				
Charges for services	\$ 2,940,935	\$ 710,377	\$ 455,145	\$ 4,106,457
Miscellaneous income	16,633	-	8,852	25,485
Merchandise sales	-	-	313,204	313,204
Total Operating Revenues	<u>2,957,568</u>	<u>710,377</u>	<u>777,201</u>	<u>4,445,146</u>
Cost of Good sold	-	-	190,872	190,872
Gross Profit	<u>2,957,568</u>	<u>710,377</u>	<u>586,329</u>	<u>4,254,274</u>
Operating Expenses				
Salaries and Wages	595,779	-	701,361	1,297,140
Contractual services	2,952,545	-	49,797	3,002,342
Utilities	7,549	-	53,118	60,667
Repairs and Maintenance	137,172	-	282,123	419,295
Other supplies and expenses	105,131	-	92,223	197,354
Depreciation	75,835	-	59,448	135,283
Total Operating Expenses	<u>3,874,011</u>	<u>-</u>	<u>1,238,070</u>	<u>5,112,081</u>
Operating Income (Loss)	<u>(916,443)</u>	<u>710,377</u>	<u>(651,741)</u>	<u>(857,807)</u>
Non-Operating (Revenues) Expenses				
Interest Income	-	-	2,882	2,882
Capital Grants	-	-	2,600	2,600
Total Non-Operating (Revenues) Expenses	<u>-</u>	<u>-</u>	<u>5,482</u>	<u>5,482</u>
Income (Loss) Before Transfers	(916,443)	710,377	(646,259)	(852,325)
Transfers in (Out)				
Transfers in (Out)	<u>1,270,000</u>	<u>(710,377)</u>	<u>443,717</u>	<u>1,003,340</u>
Change in Net Position	353,557	-	(202,542)	151,015
Related Net Position - Beginning of Year	<u>85,157</u>	<u>-</u>	<u>452,404</u>	<u>537,561</u>
<b>Net Position - End of Year</b>	<u>\$ 438,714</u>	<u>\$ -</u>	<u>\$ 249,862</u>	<u>\$ 688,576</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, 2024

	Refuse	BCBC	Arts Center	Total Nonmajor Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 2,960,494	\$ 710,377	\$ 777,201	\$ 4,448,072
Payments to Suppliers	(3,209,881)	-	(664,277)	(3,874,158)
Payments to Employees for Wages and Benefits	(598,264)	-	(697,176)	(1,295,440)
Payments from (to) other funds	(405,391)	-	294,741	(110,650)
Net Cash Provided (Used) by Operating Activities	<u>(1,253,042)</u>	<u>710,377</u>	<u>(289,511)</u>	<u>(832,176)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other fund	<u>1,270,000</u>	<u>(710,377)</u>	<u>443,717</u>	<u>1,003,340</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants	-	-	2,600	2,600
Acquisition of Capital Assets	(16,958)	-	-	(16,958)
Net Cash Provided by Capital and Related Financing Activities	<u>(16,958)</u>	<u>-</u>	<u>2,600</u>	<u>(14,358)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Receipts	-	-	2,882	2,882
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>2,882</u>	<u>2,882</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<u>-</u>	<u>-</u>	<u>159,688</u>	<u>159,688</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>188,416</u>	<u>188,416</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,104</u>	<u>\$ 348,104</u>
<b>SUPPLEMENTARY INFORMATION:</b>				
Recociliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (916,443)	\$ 710,377	\$ (651,741)	\$ (857,807)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	75,835	-	59,448	135,283
(Increase) Decrease In:				
Accounts Receivable	2,926	-	-	2,926
Due to other funds	(405,391)	-	294,741	(110,650)
Increase (Decrease) In:				
Accounts Payable	(10,368)	-	(915)	(11,283)
Accrued expenses	2,884	-	4,771	7,655
Accrued compensated absences	(2,485)	-	4,185	1,700
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,253,042)</u>	<u>\$ 710,377</u>	<u>\$ (289,511)</u>	<u>\$ (832,176)</u>

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

COMPLIANCE AND INTERNAL CONTROL SECTION

# Byers, Byers, and Associates P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members of the City Council

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Orange Beach, Alabama, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Orange Beach, Alabama's basic financial statements, and have issued our report thereon dated February 26, 2026.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Orange Beach, Alabama's internal control over financial reporting (internal control) as a basis for designing 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 City of Orange Beach, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2024-1 that we consider to be material weaknesses.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 financial statements. 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.

*Byers, Byers & Associates, P.C.*  
Byers, Byers & Associates, P.C.  
Daphne, Alabama  
February 26, 2026

## FINDING – INTERNAL CONTROL OVER FINANCIAL REPORTING

Significant control deficiencies in internal control reportable under *Generally Accepted Auditing Standards*, which are material weaknesses:

### 2024-1

Condition: The City of Orange Beach, Alabama’s single audit reporting package for the fiscal year ended December 31, 2024, was not submitted to the Federal Audit Clearinghouse by the required deadline of September 30, 2025.

Criteria: Internal controls should be in place to provide reasonable assurance that non-routine accruals and receivables are correctly recorded.

Recommendations: The auditors recommend that the City of Orange Beach, Alabama devote the necessary resources to the accounting function to meet its reporting obligations. Doing so will improve the timeliness of the City of Orange Beach’s submittal to the Federal Audit Clearinghouse.

Views of responsible officials and planned corrective action plan: The City has established procedures over year end grant revenue recording as suggested by the predecessor auditors. This has had the effect of more accurate reporting, even though it has taken longer to complete the financial statements. The City will continue to establish procedures until it can achieve timely reconciliations and year end closeout.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### 2023-1

Condition: Ineffective controls over the year-end financial reporting process over nonrecurring transactions, including initiation, authorization, recording, and processing of journal entries into the general ledger; and recording nonrecurring adjustments to the financial statements.

Criteria: Internal controls should be in place to provide reasonable assurance that non-routine accruals and receivables are correctly recorded.

Effect: CONDITION 1 > Revenues for cost reimbursement grants are recognized when the related expenditure is made, rather than when the City receives the funding. The 2023 grant revenues were not accrued and recognized as revenue to match the related 2023 grant expenditures. As a result, receivables and revenues were materially understated prior to adjustment.

Recommendations: The finance department should coordinate closely with the grant administrator during the year end closing process to identify grant expenditures eligible for reimbursement and adjust the general ledger accordingly.

Views of responsible officials and planned corrective action plan: The City will establish procedures over year end grant revenue recording as suggested by the auditors.

# Byers, Byers, and Associates P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

### 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 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 City of Orange Beach, Alabama's major federal programs for the year ended December 31, 2024. 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, 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, 2024.

##### ***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of City of 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 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 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 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 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 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 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 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.

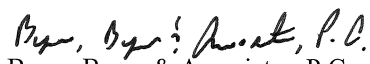
### **Report on Internal Control over Compliance**

*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.

  
Byers, Byers & Associates, P.C.  
Daphne, Alabama  
February 26, 2026

THE CITY OF ORANGE BEACH, ALABAMA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2024

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 5,006,360
Port Security Grant	97.056	<u>347,462</u>
<b>Total U.S. Department of Homeland Security</b>		<b>5,353,822</b>
<b>U.S. Department of the Interior</b>		
GoMESA	15.435	263,522
<b>Gulf Coast Ecosystem Restoration Council (RESTORE Council)</b>		
<b>Passed Through Alabama Department of Conservation and Natural Resources</b>		
Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program	87.052	<u>1,879,620</u>
<b>Total Federal Awards</b>		<b><u><u>\$ 7,496,964</u></u></b>

THE CITY OF ORANGE BEACH, ALABAMA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2024

**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.

**Indirect Cost Rate**

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

THE CITY OF ORANGE BEACH, ALABAMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2024

**SECTION I – SUMMARY OF AUDITORS’ RESULTS:**

**Financial Statements**

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:  
 Material weakness(es) identified?  X  Yes      No

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

Noncompliance material to financial statements noted?      Yes  X  No

**Federal Awards**

Internal control over major program:  
 Material weakness(es) identified?      Yes  X  No

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

Type of auditors' report issued on compliance for major program: Unmodified Opinion

Any audit findings disclosed that are required to be reported in  
 accordance with 2 CFR Part 200.516(a)?      Yes  X  No

Identification of Major Programs

Federal CFDA Number	Federal Program or Cluster
97.036	Disaster Grants - Public Assistance
87.052	Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u>    </u> Yes <u> X </u> No

**SECTION II – FINANCIAL STATEMENT FINDINGS:**

**2024-1**

*Condition:* The City of Orange Beach, Alabama’s single audit reporting package for the fiscal year ended December 31, 2024, was not submitted to the Federal Audit Clearinghouse by the required deadline of September 30, 2025.

*Criteria:* Internal controls should be in place to provide reasonable assurance that non-routine accruals and receivables are correctly recorded.

*Recommendations:* The auditors recommend that the City of Orange Beach, Alabama devote the necessary resources to the accounting function to meet its reporting obligations. Doing so will improve the timeliness of the City of Orange Beach’s submittal to the Federal Audit Clearinghouse.

*Views of responsible officials and planned corrective action plan:* The City has established procedures over year end grant revenue recording as suggested by the predecessor auditors. This has had the effect of more accurate reporting, even though it has taken longer to complete the financial statements. The City will continue to establish procedures until it can achieve timely reconciliations and year end closeout.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS:**

No matters were reportable.