



City of Fairhope, Alabama

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF FAIRHOPE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
PREPARED BY:
THE OFFICE OF THE FINANCE DIRECTOR

CITY OF FAIRHOPE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2019

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INTRODUCTORY SECTION



March 26, 2020

Karin Wilson
Mayor

The Honorable Karin Wilson, Mayor
Council President
Members of the City Council
Citizens of the City of Fairhope, Alabama

Council Members:

Kevin G. Boone
Robert A. Brown
Jack Burrell, ACOMO
Jimmy Conyers
Jay Robinson

Lisa A. Hanks, MMC
City Clerk

Kimberly Creech
Treasurer

The Comprehensive Annual Financial Report (CAFR) of the City of Fairhope, Alabama (the City), for the fiscal year ended September 30, 2019, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management. A comprehensive framework of internal control has been established and is updated and maintained in a manner that offers assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

As required by State law, an annual audit of the City's financial statements is conducted in accordance with established standards. Warren Averett, LLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2019. The independent auditors' report is located at the front of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). The MD&A immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Fairhope was incorporated in 1908 and currently services an estimated population of 22,085 and occupies approximately 12 square miles. The City is governed by a strong council-weak mayor form of government, with each official elected on an at-large basis for a four-year term. The council is presided over by a council president who is chosen by the council members and is also a voting member of the council.

The City provides a full range of services including natural gas, electricity, water and waste water services for its citizens, as well as police and fire protection, sanitation and recycling services, maintenance of streets and infrastructure, numerous parks, recreational activities for all ages, a recreation center, a museum, a welcome center, a public golf course, indoor and outdoor swimming pools, a tennis complex, a skate park, a pet park, a marina, and sponsorship of many cultural events. The City evaluated various other entities within the vicinity of the City, which could possibly be subject to inclusion within the City's financial statements under criteria established to define the reporting entity. The Fairhope Public Library and the Fairhope Airport Authority are discretely presented component units of the City and are reported in the City's financial statements. The following entities are related entities, but do not meet the established criteria for inclusion in the reporting entity: Medical Clinic Board East, the Industrial

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Fairhope, AL 36533

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251-928-6776 (f)
www.fairhopeal.gov

Development Board, Downtown Redevelopment Authority, and the Parking Authority. Additional information on the reporting entity can be found in the notes to the financial statements (see Note 1.A. beginning on page 28 of this report).

The Council adopts an initial budget for each fiscal year, which serves as the City's guide to financial planning and control. Budgetary control is maintained at the departmental level and revisions to budgeted amounts that alter the total expenditures of any fund, or transfer of funds between departments, must be approved by the Council. Departmental capital purchases included in the budget are subject to further justification and approval by the Council prior to starting the requisition process. Except for capital project appropriations that generally span multiple years, budgets for all funds lapse at the end of each fiscal year.

Local Economy

As the current fastest growing City in Baldwin County and in the State of Alabama, the City continued to show economic growth during the year with unprecedented residential and commercial development. Fairhope enjoys a strong sense of community ownership and responsibility among City officials and local citizens, resulting in active community participation and involvement in all current City projects and issues. Clean industry within the City supports growing health services and higher education.

The City continues to benefit from corporate growth in both Baldwin and Mobile counties. Unprecedented residential development has brought young professional families and related retirees to our community because of our proximity to good paying jobs. Our excellent school system and our growing medical facilities and services make Fairhope a desirable place to live for both these demographics. At fiscal year-end, according to the Alabama Department of Labor, the unemployment rate for Baldwin County was 2.9% (down from 4.3% last year) while the rate for the state was 3.4% (down from 3.8% last year). Overall, the City of Fairhope has seen the job market increase by 3.3% over the last year.

Median household income within the City is significantly higher than for the State as a whole. According to the U.S. Census Bureau, as of 2018, the City's median family income was \$70,330 (up from \$66,074 in 2017), while the State median family income was \$48,486 (up from \$46,472 in 2017). According to the U.S. Census Bureau, the City's owner-occupied housing unit's rate was 76.7%.

Fairhope's economy is heavily sustained by local businesses and entrepreneurship in industries such as aerospace, agritech, medical equipment information and financial services. Over 62% of all businesses in the City have between 1-4 employees. To further support the health of these businesses and the creatives who lead them, the City launched an entrepreneurship program with the University of Alabama and the Baldwin County Economic Development Authority called Hatch. This initiative provides resident entrepreneurs in tech-related fields expertise and coaching, as well as, planning and funding advice for their companies and ideas.

As a nearby neighbor of the City of Mobile, Fairhope gains strong economic stability from the companies that continue to locate and expand operations at the Port of Mobile. Austal, Horizon, Master Boat Builders, Raymond & Associates, Rodriguez Shipbuilding, Steiner Shipyard, Master Marine and Modern American Recycling Services employs approximately 7,000 people. Mobile also gained 550 jobs when chosen by Walmart to house one of their largest distribution centers.

Regional aviation and aerospace employment opportunities are numerous with Continental Motors, Inc. and Segers Aerospace located in Fairhope and eight additional companies located in Mobile. Training opportunities in aerospace and aviation are now available at The Academy located at the Fairhope Airport. This \$2.5 million facility is a partnership between Coastal Alabama Community College, Enterprise State, the Fairhope Airport Authority and the Baldwin County Board of Education that will open the door for preparatory and college students to pursue aerospace and aviation careers. Adult and high school courses are offered in A&P mechanics, welding, and industrial maintenance at the Academy to prepare students for careers in the industry.

Fairhope has a strong tourism industry that continues to grow. In March 2019, the City was featured on the cover of the New York Times Travel section as well as the South's Best for the cover of Southern Living Magazine. In November 2019, TripAdvisor names City of Fairhope as one of the *12 Charming Small Towns in The South with Warm Hospitality & Abundant Natural Beauty Tourism*. Tourism has also been boosted by a newly growing film industry in the City. Currently, feature film "Map of Tiny Perfect Things" is being shot in the City and will be released later in the year by Amazon Studios. Filming boosts the economy by creating local jobs, providing meals to film crews and actors from local restaurants, collecting lodging taxes for properties rented in association with these productions, and increased sales tax revenues as a result of local purchases.

Due to its strong and healthy local economy, the City has maintained a credit rating of AA+ from Standard & Poor's since 2014. The rating was credited by S & P to the City's strong management with good financial practices, budgetary flexibility, strong liquidity, very favorable debt to governmental funds revenue ratio, and Fairhope's strong local economy and per capita market value.

Long-term Financial Planning and Major Initiatives

Unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) in the General Fund at year end was \$4,575,780 which represents 16% of total general fund revenues. The Council has committed, by City Ordinance, \$7 million in the General Fund for use in times of emergency. This committed amount is periodically reviewed to ensure the City maintains the financial resources to endure periods of economic stress.

The Mayor, City Council, and City department heads continue to strive to adhere to the City's established goals in planning for continuing growth, and in maintaining the quality of life and the highest level of governmental services to all residents in the City.

Due to a citywide focus on resilience practices, Fairhope was chosen to host NOAA's Mississippi-Alabama Sea Grant Community of Practice Conference in April 2019. This conference draws attendees from Texas, Louisiana, Mississippi, Alabama and Florida. Resilience efforts include work that will protect the waterfront from erosion, keep toxins out of streams and Mobile Bay, reduce sedimentation and stimulate habitat restoration and protection. In 2019, the City began a waterfront project along the shoreline and bluffs at the Municipal Pier funded by a \$6.2 million Restore Act award. This funding was applied for in 2017 and will be overseen by the Department of Treasury. Additional applications were awarded for a new Comprehensive Land Use plan that will focus on protecting the environment and enhancing the

quality of life for citizens as the City continues to rapidly grow, and two projects focused on preventing sewer overflows and upgrading the sewer systems and capacity. These projects will be funded at \$650,000 (land-use), \$10 million and \$1 million (sewer).

The City has continued efforts to create a safer environment for pedestrians in the Central Business District. The following are underway:

1. Create reverse angle parking testing area
2. Improve pedestrian crosswalks by extending curb at crossings so pedestrians are more visible to vehicles
3. Add crosswalks, and/or improve existing crosswalks by adding signs or signals and/or embedded lights, textured crosswalks
4. Install textured center lanes to slow traffic
5. Remove parking spaces that create blind spots
6. Calm traffic by “necking down” the main thoroughfare as it enters the Central Business District
7. Enlarge protected curb areas for pedestrians for improved visibility
8. Create intergovernmental project to fund sidewalks that connect to the rest of the City

Relevant Financial Policies

The City strives to maintain an up-to-date set of comprehensive financial policies. New Governmental Accounting Standards Board (GASB) pronouncements are closely analyzed to determine any impact to the City’s financial reporting requirements and proactive steps are taken to ensure implementation guidelines are followed and deadlines are met.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits and the valuation of the costs and benefits requires estimates and judgements by management. We believe the City’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions and the City will continue to implement policies and procedures that improve and strengthen internal controls as needed.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its September 30, 2018 comprehensive annual financial report. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is an award presented annually based on a submitted financial document for each fiscal year. We believe that this presentation of the City’s current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and are submitting it to the GFOA for consideration of a Certificate of Achievement for this report.

The preparation of this report would not have been possible without the expertise and commitment of the staff of the Finance Department, as well as all City Departments who

practice fiscal responsibility. We would like to express our appreciation to all City staff that assisted and contributed to the preparation of this report.

The commitment of maintaining the highest standards of accountability in financial reporting speaks to the leadership and dedication to public service of the Mayor and City Council. Their support for a policy of financial integrity has been instrumental in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kimberly Creech". The signature is written in black ink and is positioned above the printed name and title.

Kimberly Creech
City Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fairhope
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO

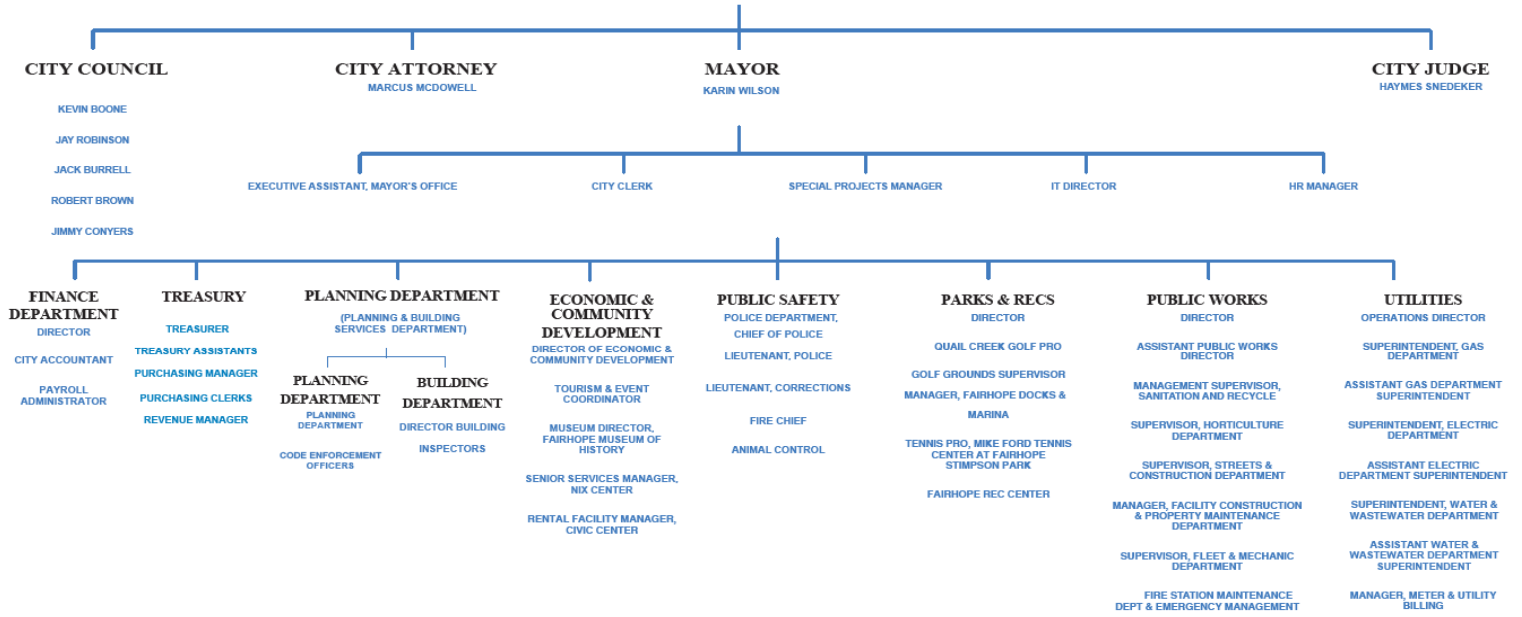
CITY OF FAIRHOPE, ALABAMA

ORGANIZATIONAL CHART

SEPTEMBER 30, 2019

CITIZENS OF FAIRHOPE

October 2018 - September 2019



CITY OF FAIRHOPE, ALABAMA
CITY ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2019

Karin Wilson

Mayor

Kevin Boone

Councilmember

Jay Robinson

Councilmember

Jack Burrell, CMO

Councilmember

Robert Brown

Councilmember

Jimmy Conyers

Councilmember

Lisa Hanks

City Clerk

Kimberly Creech

City Treasurer

Stephanie Hollinghead

Police Chief

Marcus McDowell

City Attorney

Honorable Haymes Snedeker

City Judge

FINANCIAL SECTION

Independent Auditors' Report

Honorable Mayor and Members of
The City Council
City of Fairhope, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairhope, Alabama (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 16, the schedules of employer contributions, schedules of changes in net pension liability, schedules of changes in total OBEB liability, and budgetary comparison information on pages 67 through 73 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, on pages 74 through 85, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the City'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'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 the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Montgomery, Alabama
March 26, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Fairhope, Alabama's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended September 30, 2019. The intent of this Management's Discussion and Analysis (MD&A) is to review the City's financial performance as a whole. Please read it in conjunction with the City's financial reports, which follow this section and the additional information furnished in the letter of transmittal, which can be found in the introductory section of this comprehensive annual financial report (CAFR).

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$169,787,034, a current year increase in net position of \$12,350,658 (page 17).
- The City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which requires governments to include more extensive note disclosures regarding debt, including unused lines of credit, assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default or significant termination events with finance-related consequences, and significant subjective acceleration clauses. The statement also requires governments to include more extensive note disclosures for direct borrowings and direct placements of debt separately from other debt. The results of this adoption are in Note 7, beginning on page 43, of the notes to financial statements.
- At the close of the fiscal year, the City's combined governmental funds, including General, Capital Projects, and Other Governmental Funds, reported ending fund balances totaling \$19,138,993, a decrease of \$3,510,200 from the prior year. The General Fund closed with a fund balance of \$13,243,093, a decrease of \$465,031. The reason for the decrease is from the payoff of the remaining general obligation warrants. The Capital Projects Fund had a decrease in fund balance of \$3,460,061 after capital expenditures of \$5,306,289 and transfers from the General and Impact Fee Funds of \$1,393,500 (page 21). A detailed explanation of this decrease can be viewed on page 8 of this report.
- City-Wide, governmental and business-type funds, cash (including restricted cash) totaled \$45,808,287, an increase of \$1,872,717 from the previous year. Governmental Funds cash totaled \$17,644,621 at September 30, 2019 (page 17). This is a decrease of \$3,877,359 from the prior year. In addition, cash in the Capital Projects Fund decreased by \$3,311,714 due primarily to purchase of the K-1 Center for \$2,511,785 and other large projects including Library renovations and the Rock Creek Stabilization project. In the other Governmental Funds, the increase of \$288,091 was primarily from the increase in Impact Fee cash of \$812,582 due to vast residential and commercial development, and the decrease in the Debt Service Fund of \$542,747. The business-type funds cash totaled \$28,163,666 at year end (page 23), an increase of \$5,750,076 from last year. This is a result of the current year change in net position of \$8,389,903.
- Revenues in the governmental funds increased approximately \$3,200,000 from the previous year. Expenses increased approximately \$7,500,000. During fiscal 2019, revenues from the sales tax totaled \$9,269,702, an increase of approximately \$825,000 over the previous year. At year end, the General Fund's sales tax reserve totaled \$7 million with an additional \$4.6 million in unreserved.
- The combined governmental funds expended \$7,746,773 for capital projects and purchases, including \$5,306,289 for special projects such as the Rock Creek Stabilization project, Library renovations, City-Wide street upgrades and a \$2.5 million purchase of the K-1 Center. \$2,440,484 was for vehicles, equipment and other infrastructure additions.

- The business-type activities, (Electric, Gas, Water and Waste Water), ended the year with income before transfers of \$10,168,593, compared to \$10,249,466 for fiscal 2018. Revenues increased approximately \$1,400,000. Costs of energy and operating expenses increased about \$1,782,000. The utilities made transfers to the General Fund of \$1,638,000 from income, which is \$1,543,000 less than transfers last year. The business-type activities recorded an increase in net position, after transfers, of \$8,389,903 (page 24). Details pertaining to these increases can be seen on page 7 of this report.
- The City's business-type activities made additions to property, plant and equipment of \$3,661,510. The majority of this increase was due to utility system improvements totaling \$3 million. Funding for these additions was prior debt issues, current income and money set aside for this purpose (pages 25 and 42).
- The City's long-term debt decreased by \$4,903,000 during fiscal year 2019, yielding total outstanding debt of approximately \$14,379,000 compared to the previous year's \$19,282,000. This decrease was due primarily to the payoff of governmental activities direct placements as well as regularly scheduled debt payments within the business-type activities. In 2019, the City entered into capital leases totaling \$990,929 to finance several large equipment purchases in the Public Works department. Business-type activities total debt was \$13,190,000 (pages 43 and 45).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information.

The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

For governmental activities, the fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 28 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget on page 73 of this report.

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and any changes in them. Consideration of the City's net position, i.e., the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one tool to measure the City's financial health, or financial condition. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or

deteriorating. Consideration of other non-financial factors, however, such as changes in the City's revenue sources and the condition of the City's infrastructure, utility systems and roads, is also necessary for a valid assessment of the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities — Most of the City's basic services are reported here, including the police, fire, public works, youth and senior recreation departments, and general administration. Gross receipts, business license fees, property and sales taxes, franchise fees, and state and federal grants finance most of these activities. Funds for Capital Projects, Debt Service, Gas Tax, and Impact Fees are also reported with Governmental activities.
- Business-type activities — The City charges a fee to customers to help it cover all or most of the cost of certain services provided. Financial information for the Electric Fund, Natural Gas Fund and the Water and Wastewater Fund is reported in this section.
- Component units — The City has two entities classified as component units, the Fairhope Public Library and the Airport Authority. Although legally separate and managed by City appointed boards, the Library and Airport Authority receive significant support from the City and the City is responsible for any deficits.

Net position may serve over time as a useful indicator of a government's financial condition. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$169,787,034 at the close of the most recent fiscal year, as shown in Figure 1, page 12 as well as page 17 of this report. This is an increase of \$12,350,658.

The largest portion of the City's net position, approximately 87% (\$147,799,287), reflects its investment in capital assets (e.g. land, streets, sidewalks, buildings, infrastructure, equipment, etc.), less any related debt still outstanding used to acquire those assets. The City uses these capital assets to provide services and utilities to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, approximately 2% (\$2,957,538), represents resources that are subject to restrictions as to how they may be used. Funds restricted for debt service were \$2,730,446 and \$227,092 for road maintenance and construction. Restricted funds decreased approximately \$506,000 from the previous year.

The unrestricted net position, approximately 11% (\$19,030,209), may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position increased \$3,605,876 during fiscal 2019 (pages 12 and 17).

Under GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, the City's total OPEB liability at year end was \$8,398,617. This amount is reported on the Statement of Net Position, page 17, as Postemployment Benefits Other Than Pensions and in Note 13 on page 59 of this report.

Under GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, a service concession arrangement exists between the Airport Authority and the Baldwin County Board of Education (BCBOE) and three private companies. See Note 16, beginning on page 63 of this report, for detailed explanation of these agreements. At year end, the balance of this deferred inflow of resources is \$5,442,075.

At year end, deferred outflows of resources included deferred charge on refunding of \$84,487, pension related items of \$2,239,522, and OPEB related items of \$550,915. Deferred inflows of resources at year end included pension related items of \$2,397,056 and OPEB related items of \$4,401,552. These amounts are reported on the Statement of Net Position on page 17, Note 10 beginning on page 48 of this report, and Note 13 beginning on page 59. Figure 2 on page 13 of this report is a condensed Statement of Activities for the City as a whole for all activity types. This condensed statement includes comparative information from the prior year for the governmental and business-type activities, as well as the Library and Airport Authority component units.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State Law and by bond covenants. However, the City Council established many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City's two kinds of funds, *governmental* and *proprietary*, use different accounting approaches.

- *Governmental funds* — Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information helps determine whether there are more or fewer resources that can be spent in the near future to finance the City's programs.
- *Proprietary funds* — When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are reported as proprietary, or enterprise, funds. Proprietary funds are reported separately, on an *accrual* basis of accounting, in the Proprietary Fund Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's proprietary funds include the Electric Fund, Natural Gas Fund and Water and Waste Water Fund, which are used to account for the operations of the utilities.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Figure 3 on page 14 of this report, presents summaries of the governmental funds (General Fund, Capital Projects, Debt Service, Gas Tax, and Impact Fees) revenues and expenditures, by function, for the fiscal year ended September 30, 2019, and the amounts of increases and decreases in relation to prior year revenues and expenditures.

Governmental activities revenues increased \$3,200,210 from the previous fiscal year. Expenditures of Governmental funds increased \$7,494,202 for the same period. The following significant events, related to revenues and expense, occurred during fiscal 2019 (the figures are rounded):

Related to revenue:

- Local taxes increased \$1,743,000 due to an increase of \$825,000 in sales tax collections, \$463,000 in lodging taxes, and \$412,000 in property taxes.
- Charges for Services increased \$777,000 due to increases in administrative services as well as sanitation collection, totaling \$414,000. Administrative services increased as a result of the hiring of additional personnel. The rise in sanitation collection was a result of the increase in garbage rates by a dollar per month. The remaining increase came from Impact Fee revenue in the other governmental funds of \$363,000 due to vast residential and commercial development.
- Other revenue increased \$293,000 due to a \$115,000 donation to the City as well an increase in Marina fuel income of \$204,000. Although the Marina began selling fuel in the previous year, 2019 was the first full year of fuel sales.
- Licenses and permits increased by \$206,000. This was due to an increase in business licenses as a result of the licensing of rental properties implemented in the Spring.
- Intergovernmental revenue increased \$136,000 due mainly to an increase in financial institute tax revenue as well as federal grants received.

Related to expenditures:

- Capital outlay expenditures were approximately \$7,747,000, up \$3,873,000 from the prior year. Expenditures of \$3,874,000 for fiscal 2018 included \$1,339,000 for special projects such as the Rock Creek Trail, Golf Clubhouse, Pool building façade and expenditures related to Hurricane Nate. \$2,535,000 was for vehicles, equipment and other infrastructure additions. Major capital expenditures for fiscal 2019 included \$5,306,000 for special projects such as the Rock Creek Stabilization project, Library renovations, City-Wide street upgrades and approximately \$2,500,000 for the purchase of the K-1 Center. \$2,440,484 was for vehicles, equipment and other infrastructure additions.
- Debt Service increased \$2,200,000 from the prior year due to the City's payoff of the remaining General Fund debt in June of 2019.
- Expenditures in General Administrative increased \$437,000 from the prior year. Salaries increased \$275,000 among all General Administrative departments due to several new positions and promotions. Also, among all departments in General Administrative, medical insurance was up \$154,000.
- Cultural and Recreational expenditures increased \$403,000 from the prior year due to several factors. Over half of the increase was from dredging work that was done at the Marina, causing an increase of \$242,000 in maintenance. In addition, fiscal year 2019 was the first full year of fuel expenditures at the Marina, totaling \$107,000. The additional increase was made up of a rise in HVAC repairs and maintenance as well as fence repairs to sports fields in the Recreation department.
- Public Safety expenditures increased \$369,000 due to several factors including a rise in medical and casualty/workers compensation insurance of \$87,000 and \$35,000, respectively, both in Police and Fire. In Police, general supplies increased \$101,000 primarily from a large bulk purchase of handheld radios and in-car cameras totaling \$77,000. The remaining general supplies increase was due to a variety of line of duty equipment. Required contribution to OPEB for the Police department was up \$43,000 from the prior year. The remaining increase in Public Safety expenditures related to several smaller purchases including computer, communications, and corrections related items totaling \$89,000.

- Expenditures in Public Works increased \$149,000 from the prior year. This is due primarily to one additional new employee as well as the transfer of two employees into facilities maintenance from another department. The associated employee costs totaled \$131,000, comprising 88% of the increase.

Fund Balances and Net Position

When reviewing the City's finances, it is important to ask if the City as a whole is in better financial condition when compared with the prior year. An indicator of the City's financial health is whether the fund balances of the governmental and net position of the proprietary funds increased or decreased as a result of operating activities.

Fund balances for all governmental funds totaled \$19,138,993, a decrease of \$3,510,200. This follows an increase in fund balances of \$1,628,186 the previous year. Approximately 24% (\$4,574,620) constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 2% (\$323,647) is not in spendable format. Approximately 1% is restricted for road maintenance (\$227,092). Approximately 73% (\$14,013,634) is committed for items such as Council approved emergencies (\$7,000,000), construction and road maintenance (\$3,726,721), debt service (\$1,308,666) and capital projects (\$1,978,247). The General Fund had a fund balance of \$13,243,093, a decrease of \$465,031. The Capital Projects Fund had a decrease in fund balance of \$3,460,061 after a \$2,511,785 purchase of the K-1 Center, \$1,343,488 for City-Wide street projects such as street upgrades, drainage improvements, new sidewalks, and a stabilization project, \$993,479 for Library renovations, main pier electrical upgrades for \$175,647, expenditures for renovations to the North Beach restrooms of \$101,001, additional capital outlay of \$180,889 and transfers from the General and Impact Fee Funds of \$1,393,500.

Debt Service and the Other Governmental Funds had fund balances of \$3,952,653 at year end, including restrictions for Road maintenance of \$227,092, an increase of \$18,557 and committed funds reported in special revenue fund (Gas Tax and Impact Fees) of \$3,726,721, an increase of \$939,082 (see pages 17 and 19). Increases and decreases in revenues and expenses are discussed in the Governmental Funds section on pages 6 and 7 of this report.

The governmental activities' net position at year end was \$95,850,827, an increase of \$3,960,755. The Electric, Gas, and Water and Waste Water Funds had a net position of \$73,936,207 at year end, an increase of \$8,389,903 (see pages 17 and 24).

Capital Project and Other Governmental Funds increases in fund balance are discussed above. Following are major factors affecting increases in fund balance and net position in the General Fund and business-type operations.

General Fund Balance: The General Fund had an increase in revenues of \$2,761,143. Expenditures for the General Fund were up \$1,267,243 from the prior year. Transfers from the proprietary funds (Electric, Gas, and Water and Waste Water Funds) were \$1,638,000 for the current year, a decrease of \$1,543,000 from the prior year. After transfers, the fund balance of the General Fund decreased by \$465,031 during fiscal 2019. The most significant revenue increase of \$1,743,320 was from sales tax collections, lodging taxes and property taxes, all signifying continual growth in the City. Charges for services revenue increased \$413,931 due to administrative services as well as sanitation collection (as explained in the detailed revenue variances on page 6 of this report). Other revenue increased by \$292,528 due to a donation to the City as well as an increase in Marina fuel income. Licenses and permits were up \$206,013 from the prior year due to the licensing of rental properties in Spring of 2019. Increases relating to General Fund expenditures were a result of various factors. Employee costs including salaries, medical and workers compensation insurance, and the transfer of two employees out of one of the enterprise funds totaled \$768,000. In addition,

maintenance, supplies and fuel costs were up \$450,000 in the Marina, Recreation, and Police departments. Some of these increases are discussed on pages 6 and 7 of this report.

Enterprise Operations: The City's enterprise operations consist of the Electric Fund, Natural Gas Fund and Water and Waste Water Fund. The enterprise funds operating revenues increased by \$1,381,680 from the prior fiscal year. This represented a 3% increase. Operating expenses increased by \$1,781,916, a 6% increase. The increase in revenues was due mainly to water and natural gas sales which was a result of colder weather as well as the addition of water customers. The increase in operating expenses is primarily due to an increase in other operating expenses including professional services, administrative costs, and employee costs. These other expenses comprise 40% of the total increase while salaries and maintenance contributed 53%. Utility rate calculations are based on costs of energy, expenditures for operations, debt service costs, infrastructure upgrades, capacity increases and transfers to the General Fund to fund public safety, recreational and environmental activities of the City. Income for the enterprise funds, before transfers to the General Fund, was \$10,168,593, a decrease of \$80,873. Transfers to the General Fund were \$1,638,000, or 16% of income. For fiscal 2018 the transfers to the General Fund were \$3,181,000, or 31% of income. For fiscal 2017 the transfers were \$2,719,583 or 42%. The change in net position of the three utilities was an increase of \$8,389,903.

General Fund Budgetary Highlights

Although there is no legal requirement to establish a budget, the City prepares an annual budget. The preparation process involves input from the Mayor, City managers, and the City Council budget committee. The procedure for preparing the annual budget is listed in Note 2, pages 37 and 38 of this report.

The budgetary comparison schedule for the General Fund is included in the Required Supplementary Information section on page 73 of this report.

For the purposes of this discussion, variance amounts in excess of \$50,000 in each category or department will be discussed. All amounts are rounded.

For the year ended September 30, 2019, actual revenues were more than budgeted revenues by \$113,000. The primary reasons for the variance are as follows:

- Local taxes exceeded budget by \$260,000 or 2% due to greater than anticipated revenue from lodging taxes.
- Intergovernmental revenue exceeded budgeted revenue by \$345,000 or 171%. This was due primarily to unbudgeted financial institute excise tax revenue from the State of \$238,000. Federal grants also contributed to this increase.
- Other revenue exceeded budgeted revenue by \$91,000 or 16%. This increase was a result of a donation to the City.
- Licenses and permits revenue was less than budget by \$284,000 or 6%. \$278,000 was from a decrease in building permits.
- Golf course revenue was less than budget by \$172,000 or 14% due to a decrease in memberships, cart rentals, green fees and pro shop sales.

For the year ended September 30, 2019, actual expenditures were less than budgeted expenditures by \$718,000. The primary reasons for the variance are as follows:

- General administrative expenditures were less than budget by \$379,000 or 10% due primarily to a decrease in employee costs as well as medical insurance. This constituted \$297,000 of the

decrease. The remainder was due to decreases in training and travel, legal and professional services and credit card processing fees.

- Building department expenditures were more than budget by \$54,000 or 7% due to greater than anticipated medical insurance costs as well as building fees.
- Police expenditures were less than budgeted expenditures by \$520,000 or 8%. This was due primarily to a decrease in employee costs as a result of several vacancies throughout the year.
- Fire department expenditures were less than budget by \$121,000 or 16% due to a decrease in equipment and vehicle repair, employee costs and general supplies.
- Sanitation department expenditures fell below budget by \$227,000 or 9% due mainly to decreases in employee costs and medical insurance, totaling \$222,000.
- Street department expenditures fell below budget by \$77,000 or 2% due to a decrease in salaries.
- Economic and Community Development expenditures were greater than budget by \$82,000 or 8% due primarily to greater than anticipated costs related to community events.
- Adult Recreation expenditures exceeded budget by \$66,000 or 18% due to a rise in utility usage as well as greater than anticipated medical insurance costs.
- Both Golf and Recreation expenditures fell below budget by \$186,000 or 11% and \$132,000 or 6%, respectively, due to a decrease in employee costs.
- Marina expenditures were below budget by \$59,000 or 8% due to decreases in general supplies as well as gas and oil.
- Capital outlay expenditures exceeded budget by \$670,000 or 38%. This was due to unbudgeted lease agreements totaling \$991,000. Although these leases resulted in an unfavorable budget variance, two of Cultural and Recreational departments did not spend from their capital budgets, totaling \$374,000.

Capital Assets

As of September 30, 2019, the City's governmental activities had \$95,984,195 invested in capital assets, net of accumulated depreciation. This is an increase of \$3,730,904 from the prior year. The business-type activities had invested in capital assets, net of accumulated depreciation of \$66,087,660, an increase of \$633,894. (see Note 6, Capital Assets, pages 41 and 42).

The City's governmental activities capital assets, at cost, were \$158,080,018 at September 30, 2019, an increase of \$7,625,692 from the prior year. The business-type activities, the Electric, Gas, and Water and Waste Water Funds, had capital assets, at cost, of \$117,403,877, an increase of \$3,246,749. Figure 4 on page 15 of this report summarizes the current year changes in capital assets by type, at cost, and changes in fixed assets during the year.

Debt Administration

As of September 30, 2019, the City had long-term debt of \$14,378,940 (excluding premiums and discounts), including bonds and warrants payable, notes payable, and obligations under capital leases. This is a net decrease, City-Wide, of \$4,903,383 from the prior year. Governmental activities' decrease in long-term debt was \$2,784,541. In May 2019, the City paid off the remaining direct placements for the Governmental activities. In addition, business-type activities' decrease in long-term debt was \$2,118,842.

Figure 5 on page 16 of this report summarizes the City's long-term debt, including compensated absences. Additional information on the City's long-term debt can be found in Note 7 beginning on page 43 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City and were considered in developing the 2019-2020 fiscal year budget.

- Property taxes are expected to increase by 9% while a 6% rise in business licenses is projected.
- Sanitation collection has been projected to increase 12%, primarily due to a dollar per month increase in residential and nonresidential garbage rates.
- Revenue from utility collection fees and administrative services are expected to increase 16% and 12%, respectively.
- Although certain revenues are projected to increase as stated above, many other revenues are expected to either decrease or remain relatively flat. As a result, overall General Fund revenue is anticipated to increase by only .3%.
- Of the City's utilities, an 11% increase projection in revenues from actual amounts for 2019 is expected from Electric.
- On the expenditure side, General Administrative is expected to increase due to the rise in employee and medical insurance costs. Also expected to increase due to employee costs are Facilities Maintenance, Planning, Police, and Golf. Increases are expected in Civic, Fire, and Recreation due to capital purchases and improvements. In the General Fund, overall expenditures are projected to decrease .01%.
- In the utilities, costs of energy and operating expenses in the utilities are projected to increase by approximately 2% from actual amounts for 2019.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact Jill Cabaniss, Finance Director, at 161 N. Section Street, Fairhope, Alabama, (251) 928-2136.

CITY OF FAIRHOPE, ALABAMA
CONDENSED STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Figure 1

	GOVERNMENTAL		BUSINESS - TYPE		TOTAL PRIMARY		COMPONENT UNITS			
	ACTIVITIES		ACTIVITIES		GOVERNMENT		LIBRARY		AIRPORT AUTHORITY	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Current and Other Assets	\$ 20,261,240	\$ 23,963,987	\$ 31,243,886	\$ 25,323,731	\$ 51,505,126	\$ 49,287,718	\$ 639,931	\$ 558,957	\$ 666,113	\$ 386,608
Capital Assets, Net	95,984,195	92,253,291	66,087,660	65,453,766	162,071,855	157,707,057	70,933	98,902	34,992,621	31,833,077
Total Assets	116,245,435	116,217,278	97,331,546	90,777,497	213,576,981	206,994,775	710,864	657,859	35,658,734	32,219,685
Deferred loss on advance refunding	-	-	84,487	91,528	84,487	91,528	-	-	-	-
Pension related items	1,766,102	1,702,614	473,420	466,015	2,239,522	2,168,629	112,195	130,529	-	-
OPEB related items	441,273	275,411	109,642	64,419	550,915	339,830	-	-	-	-
Total Deferred Outflows of Resources	2,207,375	1,978,025	667,549	621,962	2,874,924	2,599,987	112,195	130,529	-	-
Total Assets and Deferred Outflows of Resources	\$ 118,452,810	\$ 118,195,303	\$ 97,999,095	\$ 91,399,459	\$ 216,451,905	\$ 209,594,762	\$ 823,059	\$ 788,388	\$ 35,658,734	\$ 32,219,685
Long-Term Liabilities	\$ 16,060,657	\$ 23,396,106	\$ 17,626,701	\$ 20,746,570	\$ 33,687,358	\$ 44,142,676	\$ -	\$ -	\$ 6,895,629	\$ 7,095,629
Other Liabilities	1,105,094	1,315,111	5,073,811	4,706,684	6,178,905	6,021,795	414,183	433,904	437,285	4,200
Total Liabilities	17,165,751	24,711,217	22,700,512	25,453,254	39,866,263	50,164,471	414,183	433,904	7,332,914	7,099,829
Pension related items	1,910,664	1,065,180	486,392	276,208	2,397,056	1,341,388	60,519	56,977	-	-
OPEB related items	3,525,568	528,834	875,984	123,693	4,401,552	652,527	-	-	-	-
Service concession arrangement revenue applicable in future years	-	-	-	-	-	-	-	-	5,442,075	5,640,689
Total Deferred Inflows of Resources	5,436,232	1,594,014	1,362,376	399,901	6,798,608	1,993,915	60,519	56,977	5,442,075	5,640,689
Net Position:										
Net investment in capital assets	94,795,255	88,279,810	53,004,032	50,268,633	147,799,287	138,548,443	70,933	98,902	28,096,992	24,737,448
Restricted	227,092	750,122	2,730,446	2,713,478	2,957,538	3,463,600	303,790	274,750	-	-
Unrestricted	828,480	2,860,140	18,201,729	12,564,193	19,030,209	15,424,333	(26,366)	(76,145)	(5,213,247)	(5,258,281)
Total Net Position	95,850,827	91,890,072	73,936,207	65,546,304	169,787,034	157,436,376	348,357	297,507	22,883,745	19,479,167
Total Liabilities and Net Position	\$ 118,452,810	\$ 118,195,303	\$ 97,999,095	\$ 91,399,459	\$ 216,451,905	\$ 209,594,762	\$ 823,059	\$ 788,388	\$ 35,658,734	\$ 32,219,685

CITY OF FAIRHOPE, ALABAMA
CONDENSED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Figure 2

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT		COMPONENT UNITS			
							LIBRARY		AIRPORT AUTHORITY	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Program Revenues										
Charges for Services	\$ 12,018,370	\$ 11,219,273	\$ 41,090,246	\$ 39,708,566	\$ 53,108,616	\$ 50,927,839	\$ 130,471	\$ 117,748	\$ 237,443	\$ 401,374
Operating Grants and Contributions	127,978	94,494	-	-	127,978	94,494	844,768	900,065	518,614	320,000
Capital Grants and Contributions	1,777,375	1,319,678	253,028	-	2,030,403	1,319,678	-	-	3,444,085	335,314
General Revenues										
Taxes	17,062,385	15,258,612	-	-	17,062,385	15,258,612	-	-	-	-
Investment Earnings	126,115	59,157	136,797	53,651	262,912	112,808	-	-	790	469
Other	292,339	262,849	16,167	14,775	308,506	277,624	-	-	-	-
Total Revenues	<u>31,404,562</u>	<u>28,214,063</u>	<u>41,496,238</u>	<u>39,776,992</u>	<u>72,900,800</u>	<u>67,991,055</u>	<u>975,239</u>	<u>1,017,813</u>	<u>4,200,932</u>	<u>1,057,157</u>
Expenses										
General Government	5,859,684	5,534,735	-	-	5,859,684	5,534,735	-	-	-	-
Public Safety	6,747,159	6,744,158	-	-	6,747,159	6,744,158	-	-	-	-
Public Works	8,273,373	8,223,389	-	-	8,273,373	8,223,389	-	-	-	-
Cultural and recreational	6,921,431	6,763,005	-	-	6,921,431	6,763,005	-	-	-	-
Airport Authority	320,000	320,000	-	-	320,000	320,000	-	-	-	-
Public Library Board	1,029,124	1,024,522	-	-	1,029,124	1,024,522	-	-	-	-
Interest on Long-term Debt	71,726	94,506	-	-	71,726	94,506	-	-	-	-
Electric	-	-	17,063,612	16,966,013	17,063,612	16,966,013	-	-	-	-
Natural Gas	-	-	5,777,998	4,930,235	5,777,998	4,930,235	-	-	-	-
Water and Waste Water	-	-	8,486,035	7,631,278	8,486,035	7,631,278	-	-	-	-
Airport Authority	-	-	-	-	-	-	-	-	796,354	731,063
Fairhope Public Library	-	-	-	-	-	-	924,389	934,647	-	-
Total Expenses	<u>29,222,497</u>	<u>28,704,315</u>	<u>31,327,645</u>	<u>29,527,526</u>	<u>60,550,142</u>	<u>58,231,841</u>	<u>924,389</u>	<u>934,647</u>	<u>796,354</u>	<u>731,063</u>
Change in Net Position Before Transfers	<u>2,182,065</u>	<u>(490,252)</u>	<u>10,168,593</u>	<u>10,249,466</u>	<u>12,350,658</u>	<u>9,759,214</u>	<u>50,850</u>	<u>83,166</u>	<u>3,404,578</u>	<u>326,094</u>
Transfers	1,778,690	3,181,000	(1,778,690)	(3,181,000)	-	-	-	-	-	-
Change in Net Position	<u>3,960,755</u>	<u>2,690,748</u>	<u>8,389,903</u>	<u>7,068,466</u>	<u>12,350,658</u>	<u>9,759,214</u>	<u>50,850</u>	<u>83,166</u>	<u>3,404,578</u>	<u>326,094</u>
Net Position, Beginning	<u>91,890,072</u>	<u>89,199,324</u>	<u>65,546,304</u>	<u>58,477,838</u>	<u>157,436,376</u>	<u>147,677,162</u>	<u>297,507</u>	<u>214,341</u>	<u>19,479,167</u>	<u>19,153,073</u>
Net Position, Ending	<u>\$ 95,850,827</u>	<u>\$ 91,890,072</u>	<u>\$ 73,936,207</u>	<u>\$ 65,546,304</u>	<u>\$ 169,787,034</u>	<u>\$ 157,436,376</u>	<u>\$ 348,357</u>	<u>\$ 297,507</u>	<u>\$ 22,883,745</u>	<u>\$ 19,479,167</u>

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Figure 3

Revenues	9/30/2019 Total	9/30/2018 Total	Increase (Decrease)
Local taxes	\$ 17,002,565	\$ 15,259,245	\$ 1,743,320
Licenses and permits	4,570,915	4,364,902	206,013
Fines and forfeitures	237,812	273,887	(36,075)
Intergovernmental	1,090,181	954,086	136,095
Interest and rents	470,753	401,705	69,048
Charges for services	5,852,747	5,075,950	776,797
Golf course revenue	1,060,650	1,062,204	(1,554)
Recreation department	456,362	442,324	14,038
Other	660,915	368,387	292,528
Totals	<u>\$ 31,402,900</u>	<u>\$ 28,202,690</u>	<u>\$ 3,200,210</u>

Expenditures	9/30/2019 Total	9/30/2018 Total	Increase (Decrease)
General government	\$ 5,303,050	\$ 4,866,282	\$ 436,768
Public safety	6,571,647	6,202,161	369,486
Public works	6,510,388	6,361,277	149,111
Cultural and recreational	6,238,487	5,835,429	403,058
Airport Authority	320,000	320,000	-
Public Library Board	818,477	814,600	3,877
Other	170,203	100,732	69,471
Debt Service:			
Principal	3,775,470	1,578,340	2,197,130
Interest	87,534	94,751	(7,217)
Capital Outlay	7,746,773	3,874,255	3,872,518
Totals	<u>\$ 37,542,029</u>	<u>\$ 30,047,827</u>	<u>\$ 7,494,202</u>

CITY OF FAIRHOPE, ALABAMA

CAPITAL ASSETS

Figure 4

Governmental Activities

	Balance 10/1/2018	Additions	Disposals	Transfers/ Reclassifications	Balance 9/30/2019
Land	\$ 23,056,496	\$ -	\$ -	\$ -	\$ 23,056,496
Construction in progress	1,403,296	5,367,005	-	(5,951,844)	818,457
Buildings and structures	37,130,070	45,922	-	4,643,303	41,819,295
Vehicles and equipment	17,067,783	2,282,406	(336,082)	266,441	19,280,548
Infrastructure	71,796,681	-	-	1,308,541	73,105,222
Total Capital Assets	<u>\$ 150,454,326</u>	<u>\$ 7,695,333</u>	<u>\$ (336,082)</u>	<u>\$ 266,441</u>	<u>\$ 158,080,018</u>

Business-type Activities

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund
Balance at 10/1/2018	\$ 37,515,612	\$ 18,281,527	\$ 58,359,989
Additions to plant	729,385	436,712	1,877,857
Addition to land, buildings, vehicles and equipment	90,614	214,835	312,107
Disposals	-	(78,768)	(69,552)
Transfers	(61,223)	(80,241)	(124,977)
Total Capital Assets at 9/30/2019	<u>\$ 38,274,388</u>	<u>\$ 18,774,065</u>	<u>\$ 60,355,424</u>

CITY OF FAIRHOPE, ALABAMA

DEBT ADMINISTRATION

Figure 5

<u>LONG-TERM DEBT</u>	<u>GOVERNMENTAL FUNDS</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
Utilities Revenue Warrants, 2011	\$ -	\$ 12,455,000
Utilities Revenue Warrants, 2015	-	735,000
Capital leases	1,188,940	-
Compensated absences	1,161,618	526,660
	<hr/>	<hr/>
TOTALS	\$ 2,350,558	\$ 13,716,660
	<hr/> <hr/>	<hr/> <hr/>

See Note 7 beginning on page 43 for additional detail.

BASIC FINANCIAL STATEMENTS

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Fund Types			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash	\$ 17,644,621	\$ 25,433,220	\$ 43,077,841	\$ 852,929
Restricted cash	-	2,730,446	2,730,446	-
Receivables, net	2,019,775	2,411,211	4,430,986	430,192
Internal balances	238,272	(238,272)	-	-
Inventories	100,519	746,026	846,545	-
Prepaid items	223,128	125,165	348,293	22,923
Other assets	34,925	36,090	71,015	-
Capital assets not being depreciated:				
Land	23,056,496	9,260,517	32,317,013	10,674,228
Construction in progress	818,457	-	818,457	28,534
Capital assets net of accumulated depreciation:				
Buildings and improvements	27,951,969	1,234,126	29,186,095	7,227,280
Vehicles and equipment	6,034,733	2,110,157	8,144,890	70,933
Infrastructure	38,122,540	-	38,122,540	-
Distribution and collection systems	-	53,482,860	53,482,860	-
Runways	-	-	-	17,062,579
Total assets	<u>116,245,435</u>	<u>97,331,546</u>	<u>213,576,981</u>	<u>36,369,598</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	84,487	84,487	-
Pension related items	1,766,102	473,420	2,239,522	112,195
OPEB related items	441,273	109,642	550,915	-
Total deferred outflows of resources	<u>2,207,375</u>	<u>667,549</u>	<u>2,874,924</u>	<u>112,195</u>
Total assets and deferred outflows of resources	<u>\$ 118,452,810</u>	<u>\$ 97,999,095</u>	<u>\$ 216,451,905</u>	<u>\$ 36,481,793</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,075,656	\$ 2,396,167	\$ 3,471,823	\$ 453,557
Unearned revenue	-	561,527	561,527	-
Customer deposits	29,438	2,116,117	2,145,555	-
Noncurrent liabilities:				
Due within one year	717,849	1,013,028	1,730,877	200,000
Due in more than one year:				
Net pension liability	6,982,951	2,260,457	9,243,408	397,911
Total OPEB liability	6,727,148	1,671,469	8,398,617	-
Other	1,632,709	12,681,747	14,314,456	6,695,629
Total liabilities	<u>17,165,751</u>	<u>22,700,512</u>	<u>39,866,263</u>	<u>7,747,097</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	1,910,664	486,392	2,397,056	60,519
OPEB related items	3,525,568	875,984	4,401,552	-
Service concession arrangement revenue applicable to future years	-	-	-	5,442,075
Total deferred inflows of resources	<u>5,436,232</u>	<u>1,362,376</u>	<u>6,798,608</u>	<u>5,502,594</u>
NET POSITION				
Net investment in capital assets	94,795,255	53,004,032	147,799,287	28,167,925
Restricted for:				
Debt service	-	2,730,446	2,730,446	-
Road maintenance	227,092	-	227,092	-
Library improvements	-	-	-	303,790
Unrestricted	828,480	18,201,729	19,030,209	(5,239,613)
Total net position	<u>95,850,827</u>	<u>73,936,207</u>	<u>169,787,034</u>	<u>23,232,102</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 118,452,810</u>	<u>\$ 97,999,095</u>	<u>\$ 216,451,905</u>	<u>\$ 36,481,793</u>

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 5,859,684	\$ 7,953,532	\$ -	\$ -	\$ 2,093,848	\$ -	\$ 2,093,848	\$ -
Public safety	6,747,159	-	2,500	380,139	(6,364,520)	-	(6,364,520)	-
Public works	8,273,373	1,916,788	125,478	600,951	(5,630,156)	-	(5,630,156)	-
Cultural and recreational	6,921,431	2,148,050	-	796,285	(3,977,096)	-	(3,977,096)	-
Airport Authority	320,000	-	-	-	(320,000)	-	(320,000)	-
Public Library Board	1,029,124	-	-	-	(1,029,124)	-	(1,029,124)	-
Interest on long-term debt	71,726	-	-	-	(71,726)	-	(71,726)	-
Total governmental activities	<u>29,222,497</u>	<u>12,018,370</u>	<u>127,978</u>	<u>1,777,375</u>	<u>(15,298,774)</u>	<u>-</u>	<u>(15,298,774)</u>	<u>-</u>
Business-type activities:								
Electric	17,063,612	20,779,858	-	21,993	-	3,738,239	3,738,239	-
Natural gas	5,777,998	7,771,857	-	162,251	-	2,156,110	2,156,110	-
Water and Waste Water	8,486,035	12,538,531	-	68,784	-	4,121,280	4,121,280	-
Total business-type activities	<u>31,327,645</u>	<u>41,090,246</u>	<u>-</u>	<u>253,028</u>	<u>-</u>	<u>10,015,629</u>	<u>10,015,629</u>	<u>-</u>
Total primary government	<u>\$ 60,550,142</u>	<u>\$ 53,108,616</u>	<u>\$ 127,978</u>	<u>\$ 2,030,403</u>	<u>(15,298,774)</u>	<u>10,015,629</u>	<u>(5,283,145)</u>	<u>-</u>
Component Units	<u>\$ 1,720,743</u>	<u>\$ 367,914</u>	<u>\$ 1,363,382</u>	<u>\$ 3,444,085</u>				<u>3,454,638</u>
General revenues:								
Property taxes					5,947,563	-	5,947,563	-
Sales tax					9,269,702	-	9,269,702	-
Liquor taxes					606,819	-	606,819	-
Lodging taxes					1,116,242	-	1,116,242	-
Other taxes					122,059	-	122,059	-
Investment earnings					126,115	136,797	262,912	790
Other					292,339	16,167	308,506	-
Transfers					1,778,690	(1,778,690)	-	-
Total general revenues and transfers					<u>19,259,529</u>	<u>(1,625,726)</u>	<u>17,633,803</u>	<u>790</u>
Change in net position					<u>3,960,755</u>	<u>8,389,903</u>	<u>12,350,658</u>	<u>3,455,428</u>
Net position - beginning					<u>91,890,072</u>	<u>65,546,304</u>	<u>157,436,376</u>	<u>19,776,674</u>
Net position - ending					<u>\$ 95,850,827</u>	<u>\$ 73,936,207</u>	<u>\$ 169,787,034</u>	<u>\$ 23,232,102</u>

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$12,127,182	\$ 1,699,230	\$ 3,818,209	\$ 17,644,621
Receivables, net	1,336,796	648,918	34,061	2,019,775
Inventory	100,519	-	-	100,519
Prepaid items	223,128	-	-	223,128
Due from other funds	310,659	7,973	126,000	444,632
Other assets	34,925	-	-	34,925
Total assets	<u>\$14,133,209</u>	<u>\$ 2,356,121</u>	<u>\$ 3,978,270</u>	<u>\$20,467,600</u>
LIABILITIES				
Accounts payable	\$ 705,241	\$ 286,874	\$ 25,617	\$ 1,017,732
Accrued expenditures and taxes	50,582	-	-	50,582
Customer deposits	29,438	-	-	29,438
Unearned revenue	24,495	-	-	24,495
Due to other funds	80,360	126,000	-	206,360
Total liabilities	<u>890,116</u>	<u>412,874</u>	<u>25,617</u>	<u>1,328,607</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	223,128	-	-	223,128
Inventory	100,519	-	-	100,519
Restricted:				
Road maintenance	-	-	227,092	227,092
Committed:				
Council approved emergencies	7,000,000	-	-	7,000,000
Construction and road maintenance	-	-	3,726,721	3,726,721
Debt service	1,308,666	-	-	1,308,666
Capital projects	35,000	1,943,247	-	1,978,247
Unassigned	4,575,780	-	(1,160)	4,574,620
Total fund balances	<u>13,243,093</u>	<u>1,943,247</u>	<u>3,952,653</u>	<u>19,138,993</u>
Total liabilities and fund balances	<u>\$14,133,209</u>	<u>\$ 2,356,121</u>	<u>\$ 3,978,270</u>	<u>\$20,467,600</u>

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2019

Fund balances as reported on page 19	\$ 19,138,993
Net position reported for governmental activities in the statement of net position is different from fund balances for governmental activities because:	
Capital assets used in governmental activities are financial resources and, therefore, are not reported in fund financial statements.	158,080,018
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(62,095,823)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned revenue in fund financial statements.	24,495
Deferred outflows of resources are applicable to future periods, and therefore, are not reported in the governmental funds.	
Deferred outflow of resources related to net pension liability and GASB Statement No. 68.	1,766,102
Deferred outflow of resources related to OPEB obligations and GASB Statement No. 75.	441,273
Deferred inflows are not financial resources and, therefore, are not reported in fund financial statements.	
Deferred inflow of resources related to net pension liability and GASB Statement No. 68.	(1,910,664)
Deferred inflow of resources related to OPEB obligations and GASB Statement No. 75.	(3,525,568)
Long-term liabilities, including warrants, notes, capital lease obligations and OPEB obligations are not due and payable in the current period and, therefore, are not reported in fund financial statements:	
Obligations under capital leases	(1,188,940)
Net pension liability	(6,982,951)
OPEB obligations	(6,727,148)
Accrued interest on long-term debt is not due and payable in the current period and, therefore, not included in fund financial statements.	(7,342)
Compensated absences not expected to be paid with current resources as determined under Governmental Accounting Standards are not reported in fund financial statements.	(1,161,618)
Net position of governmental activities as reported on page 17	<u>\$ 95,850,827</u>

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local taxes	\$ 17,002,565	\$ -	\$ -	\$ 17,002,565
Licenses and permits	4,570,915	-	-	4,570,915
Fines and forfeitures	237,812	-	-	237,812
Intergovernmental	546,684	447,379	96,118	1,090,181
Interest and rents	440,514	5,349	24,890	470,753
Charges for services	4,570,649	-	1,282,098	5,852,747
Golf course revenue	1,060,650	-	-	1,060,650
Recreation department	456,362	-	-	456,362
Other	660,915	-	-	660,915
Total revenues	<u>29,547,066</u>	<u>452,728</u>	<u>1,403,106</u>	<u>31,402,900</u>
EXPENDITURES				
General government	5,303,050	-	-	5,303,050
Public safety	6,571,647	-	-	6,571,647
Public works	6,510,388	-	-	6,510,388
Cultural and recreational	6,238,487	-	-	6,238,487
Airport Authority	320,000	-	-	320,000
Public Library Board	818,477	-	-	818,477
Other	92,600	-	77,603	170,203
Debt service payments:				
Principal	-	-	3,775,470	3,775,470
Interest	-	-	87,534	87,534
Capital outlay	<u>2,440,484</u>	<u>5,306,289</u>	<u>-</u>	<u>7,746,773</u>
Total expenditures	<u>28,295,133</u>	<u>5,306,289</u>	<u>3,940,607</u>	<u>37,542,029</u>
Excess of revenues under expenditures	<u>1,251,933</u>	<u>(4,853,561)</u>	<u>(2,537,501)</u>	<u>(6,139,129)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	990,929	-	-	990,929
Transfers in	1,754,393	1,393,500	3,318,786	6,466,679
Transfers out	<u>(4,462,286)</u>	<u>-</u>	<u>(366,393)</u>	<u>(4,828,679)</u>
Total other financing sources (uses)	<u>(1,716,964)</u>	<u>1,393,500</u>	<u>2,952,393</u>	<u>2,628,929</u>
Net change in fund balances	(465,031)	(3,460,061)	414,892	(3,510,200)
Fund balances – beginning of year	<u>13,708,124</u>	<u>5,403,308</u>	<u>3,537,761</u>	<u>22,649,193</u>
FUND BALANCES – END OF YEAR	<u><u>\$ 13,243,093</u></u>	<u><u>\$ 1,943,247</u></u>	<u><u>\$ 3,952,653</u></u>	<u><u>\$ 19,138,993</u></u>

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances – total governmental funds, page 21	\$ (3,510,200)
<p>Amounts reported for governmental activities in the statement of activities are different from the statement of revenues, expenditures and changes in fund balances - governmental funds because:</p>	
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position.	7,695,333
Depreciation expense on governmental capital assets included in the capital assets in the statement of net position.	(4,100,448)
The net effect of transactions involving the sale, disposal and transfer of capital assets is to increase net position in the statement of net position.	136,019
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term debt	3,775,470
Proceeds from issuance of capital leases	(990,929)
Revenues are reported in the funds when there is an established claim to the resources and the resources are available to finance current expenditures. Revenues are reported in the statement of activities when there is an established claim with no availability criterion. The funds report revenue unavailable in prior periods as current year revenue.	1,662
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(53,590)
Accrued interest	15,807
Pensions	373,100
Postemployment benefit plans other than pensions	618,531
Change in net position of governmental activities, page 18	\$ 3,960,755

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019**

	Business-type Activities			Total
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,545,298	\$ 8,825,065	\$ 10,062,857	\$ 25,433,220
Restricted cash held by fiscal agent	177,448	95,032	2,457,966	2,730,446
Receivables, net	1,208,158	352,791	850,262	2,411,211
Inventories	399,067	208,939	138,020	746,026
Prepaid items	47,822	16,009	61,334	125,165
Due from other funds	110,900	26,613	4,787	142,300
Total current assets	8,488,693	9,524,449	13,575,226	31,588,368
Noncurrent assets:				
Other assets	12,030	12,030	12,030	36,090
Capital assets				
Land	7,455,163	1,616,172	189,182	9,260,517
Buildings and improvements	1,379,968	775,356	553,300	2,708,624
Vehicles and equipment	5,007,930	3,600,937	3,837,312	12,446,179
Distribution and collection systems	24,431,327	12,781,600	55,775,630	92,988,557
Less accumulated depreciation	(16,232,887)	(8,862,649)	(26,220,681)	(51,316,217)
Total noncurrent assets	22,053,531	9,923,446	34,146,773	66,123,750
Total assets	30,542,224	19,447,895	47,721,999	97,712,118
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	-	84,487	84,487
Pension related items	168,799	117,251	187,370	473,420
OPEB related items	41,961	25,719	41,962	109,642
Total deferred outflows of resources	210,760	142,970	313,819	667,549
Total assets and deferred outflows of resources	\$ 30,752,984	\$ 19,590,865	\$ 48,035,818	\$ 98,379,667
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,612,794	\$ 411,046	\$ 372,327	\$ 2,396,167
Unearned revenue	73,480	-	488,047	561,527
Customer deposits	1,094,411	608,302	413,404	2,116,117
Warrants, notes and capital leases payable	81,084	37,467	766,449	885,000
Compensated absences	38,240	34,838	54,950	128,028
Due to other funds	266,127	59,357	55,088	380,572
Total current liabilities	3,166,136	1,151,010	2,150,265	6,467,411
Noncurrent liabilities:				
Compensated absences	119,738	127,980	150,914	398,632
Warrants, notes and capital leases payable	338,843	304,949	11,639,323	12,283,115
Net pension liability	902,919	541,123	816,415	2,260,457
Total OPEB liability	639,698	392,073	639,698	1,671,469
Total noncurrent liabilities	2,001,198	1,366,125	13,246,350	16,613,673
Total liabilities	5,167,334	2,517,135	15,396,615	23,081,084
DEFERRED INFLOWS OF RESOURCES				
Pension related items	175,069	119,167	192,156	486,392
OPEB related items	335,253	205,478	335,253	875,984
Total deferred inflows of resources	510,322	324,645	527,409	1,362,376
NET POSITION				
Net investment in capital assets	21,621,574	9,569,000	21,813,458	53,004,032
Restricted:				
Debt service	177,448	95,032	2,457,966	2,730,446
Unrestricted	3,276,306	7,085,053	7,840,370	18,201,729
Total net position	25,075,328	16,749,085	32,111,794	73,936,207
Total liabilities and net position	\$ 30,752,984	\$ 19,590,865	\$ 48,035,818	\$ 98,379,667

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities			Total
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	
OPERATING REVENUES				
Sales and services	\$ 20,419,145	\$ 7,765,739	\$ 10,713,746	\$ 38,898,630
Other charges, sales and receipts	360,713	6,118	1,824,785	2,191,616
Total operating revenues	20,779,858	7,771,857	12,538,531	41,090,246
OPERATING EXPENSES				
Energy purchases and cost of goods sold	12,330,272	2,104,356	561,000	14,995,628
Salaries	1,035,826	894,725	1,567,513	3,498,064
Depreciation	820,232	516,325	1,549,906	2,886,463
Insurance	478,751	207,082	477,516	1,163,349
Electric energy furnished to other departments	285,921	38,390	260,728	585,039
Maintenance	531,467	309,916	2,029,455	2,870,838
Other operating expense	1,544,401	1,560,452	1,631,527	4,736,380
Total operating expenses	17,026,870	5,631,246	8,077,645	30,735,761
OPERATING INCOME	3,752,988	2,140,611	4,460,886	10,354,485
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(36,742)	(13,293)	(408,390)	(458,425)
Interest income	22,269	39,238	75,290	136,797
Gain on sale of capital assets	300	-	15,867	16,167
Intergovernmental revenue	21,993	162,251	68,784	253,028
Distribution of joint revenue (expense) – net	-	(133,459)	-	(133,459)
Total nonoperating revenues (expenses)	7,820	54,737	(248,449)	(185,892)
INCOME BEFORE TRANSFERS AND OTHER ITEMS	3,760,808	2,195,348	4,212,437	10,168,593
TRANSFERS AND OTHER ITEMS				
Capital contributions	(11,942)	(39,013)	(89,735)	(140,690)
Transfers out	(502,000)	(168,000)	(968,000)	(1,638,000)
Total transfers	(513,942)	(207,013)	(1,057,735)	(1,778,690)
Change in net position	3,246,866	1,988,335	3,154,702	8,389,903
Net position – beginning of year	21,828,462	14,760,750	28,957,092	65,546,304
NET POSITION – END OF YEAR	\$ 25,075,328	\$ 16,749,085	\$ 32,111,794	\$ 73,936,207

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities			Total
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 21,066,164	\$ 7,726,590	\$ 12,608,469	\$ 41,401,223
Paid to suppliers for goods and services	(15,159,886)	(4,053,944)	(5,005,629)	(24,219,459)
Paid to personnel for services	(1,102,852)	(874,637)	(1,622,052)	(3,599,541)
Net cash provided by operating activities	4,803,426	2,798,009	5,980,788	13,582,223
CASH FLOWS FROM INVESTING ACTIVITIES				
Distribution of joint expense	-	(133,459)	-	(133,459)
Interest income	22,269	39,238	75,290	136,797
Net cash provided by (used in) investing activities	22,269	(94,221)	75,290	3,338
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Repayment of debt	(1,228,848)	(36,410)	(853,584)	(2,118,842)
Interest paid	(33,001)	(10,886)	(398,029)	(441,916)
Capital grants received	21,993	162,251	68,784	253,028
Proceeds from disposal of capital assets	300	-	16,330	16,630
Acquisition of capital assets	(820,000)	(651,548)	(2,189,962)	(3,661,510)
Net cash used in capital and related financing activities	(2,059,556)	(536,593)	(3,356,461)	(5,952,610)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Change in interfund receivable	227,919	(9,340)	(4,697)	213,882
Change in interfund payable	(450,182)	(26,339)	17,764	(458,757)
Transfers out	(502,000)	(168,000)	(968,000)	(1,638,000)
Net cash used in noncapital and related financing activities	(724,263)	(203,679)	(954,933)	(1,882,875)
INCREASE IN CASH	2,041,876	1,963,516	1,744,684	5,750,076
CASH – BEGINNING OF YEAR	4,680,870	6,956,581	10,776,139	22,413,590
CASH – END OF YEAR	\$ 6,722,746	\$ 8,920,097	\$ 12,520,823	\$ 28,163,666
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 3,752,988	\$ 2,140,611	\$ 4,460,886	\$ 10,354,485
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	820,232	516,325	1,549,906	2,886,463
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	252,464	(73,276)	(90,561)	88,627
Decrease (increase) in inventories	(27,819)	32,975	(8,303)	(3,147)
Decrease (increase) in prepaid expenses	625	(1,818)	(9,491)	(10,684)
Decrease (increase) in deferred outflow of resources	(30,734)	(8,423)	(13,471)	(52,628)
Increase (decrease) in accounts payable	38,120	135,095	(27,609)	145,606
Increase (decrease) in customer deposits	54,300	28,009	18,426	100,735
Increase (decrease) in net unearned revenue	(20,458)	-	142,073	121,615
Increase (decrease) in deferred inflow of resources	370,879	226,095	365,501	962,475
Increase (decrease) in net pension liability	(109,899)	(67,353)	(109,900)	(287,152)
Increase (decrease) in compensated absences	(74,550)	29,645	29,542	(15,363)
Increase (decrease) in net OPEB obligation	(222,722)	(159,876)	(326,211)	(708,809)
Net cash provided by operating activities	\$ 4,803,426	\$ 2,798,009	\$ 5,980,788	\$ 13,582,223

See independent auditors' report and notes to the financial statements.

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CITY OF FAIRHOPE, ALABAMA

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019

	Public Library Board	Airport Authority	Total
ASSETS			
Cash	\$ 564,556	\$ 288,373	\$ 852,929
Receivables, net	68,206	361,986	430,192
Prepaid items	7,169	15,754	22,923
Capital assets not being depreciated:			
Land	-	10,674,228	10,674,228
Construction in progress	-	28,534	28,534
Capital assets net of accumulated depreciation:			
Buildings and improvements	-	7,227,280	7,227,280
Vehicles and equipment	70,933	-	70,933
Runways	-	17,062,579	17,062,579
Total assets	<u>710,864</u>	<u>35,658,734</u>	<u>36,369,598</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>112,195</u>	<u>-</u>	<u>112,195</u>
Total assets and deferred outflows of resources	<u>\$ 823,059</u>	<u>\$ 35,658,734</u>	<u>\$ 36,481,793</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 16,272	\$ 437,285	\$ 453,557
Long-term liabilities:			
Due within one year	-	200,000	200,000
Due in more than one year	-	6,695,629	6,695,629
Net pension liability	<u>397,911</u>	<u>-</u>	<u>397,911</u>
Total liabilities	<u>414,183</u>	<u>7,332,914</u>	<u>7,747,097</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	60,519	-	60,519
Service concession arrangement revenue applicable to future years	<u>-</u>	<u>5,442,075</u>	<u>5,442,075</u>
Total deferred inflows of resources	<u>60,519</u>	<u>5,442,075</u>	<u>5,502,594</u>
NET POSITION			
Net investment in capital assets	70,933	28,096,992	28,167,925
Restricted:			
Library improvements	303,790	-	303,790
Unrestricted	<u>(26,366)</u>	<u>(5,213,247)</u>	<u>(5,239,613)</u>
Total net position	<u>348,357</u>	<u>22,883,745</u>	<u>23,232,102</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 823,059</u>	<u>\$ 35,658,734</u>	<u>\$ 36,481,793</u>

See independent auditors' report and notes to the financial statements.

CITY OF FAIRHOPE, ALABAMA

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Public Library Board	\$ 924,389	\$ 130,471	\$ 844,768	\$ -	\$ 50,850	\$ -	\$ 50,850
Business-type activities:							
Airport Authority	796,354	237,443	518,614	3,444,085	-	3,403,788	3,403,788
	<u>\$ 1,720,743</u>	<u>\$ 367,914</u>	<u>\$ 1,363,382</u>	<u>\$ 3,444,085</u>	<u>50,850</u>	<u>3,403,788</u>	<u>3,454,638</u>
General revenues:							
Investment earnings					-	790	790
Total general revenues					-	790	790
Change in net position					50,850	3,404,578	3,455,428
Net position – beginning					297,507	19,479,167	19,776,674
Net position – ending					<u>\$ 348,357</u>	<u>\$ 22,883,745</u>	<u>\$ 23,232,102</u>

See independent auditors' report and notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fairhope, Alabama (the City) was incorporated in April, 1908. The City operates under a Mayor – Council form of government chosen at large every four years.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to municipal governments. The following is a summary of the more significant policies.

A. REPORTING ENTITY

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

These financial statements present the primary government (the City) and its discretely presented component units, entities for which the government is considered financially accountable. The component units are reported in a separate column of the government-wide statements to emphasize they are legally separate from the primary government. The discretely presented component units have a September 30 fiscal year end.

Component Units

Fairhope Public Library - The Library has its own governing body which operates the City public library and is appointed by the City Council. The City provides significantly all the annual operating financial support to the Library. The Library's other sources of revenue come from State financial assistance, gifts, bequests and user fees. The Library is reported as a governmental component unit. The Library Board does not issue separate financial statements.

Fairhope Airport Authority - The Authority operates the City Airport and has its own governing body which is appointed by the City Council. The City provides a significant portion of the annual operating funds support to the Airport. The Airport's other sources of revenue come from Hangar and Office rentals, and fuel sales. Prior to 2019, the Airport Authority was reported as a governmental component unit. Beginning in 2019, the Airport Authority is reported as a business-type component unit. The Airport Authority does not issue separate financial statements.

These financial statements do not include the following:

Bay Medical Clinic Board
Industrial Board of the City of Fairhope
Medical Clinic Board – East, West or North
Downtown Redevelopment Authority
Parking Authority

City management does not exert significant influence or control and does not guarantee any of their outstanding debts.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

The basic financial statements include government-wide and fund financial statements. The reporting model focuses on the City, as a whole, and major funds. Government-wide and fund financial statements categorize primary activities as governmental or business-type. In the statement of net position, governmental and business-type activities (a) are presented on a consolidated basis, (b) reflect, full accrual accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations, and (c) are reported using the economic resources measurement focus. Receivables and payables between activities are eliminated in the government-wide presentation through the caption “Internal Balances” on the Statement of Net Position. For the most part, the effect of interfund activity has been removed from these statements. The exception to this is interfund services provided and used which are not eliminated in the process of consolidation.

The statement of activities reflects both the gross and net cost per functional category (street, police, fire, etc.) which are otherwise being supported by general government revenues (taxes, licenses, and permits, etc.). The statement of activities reduces gross expenses, including depreciation, by related program revenues. The program revenues must be directly associated with a function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Level

The governmental fund level financial statements are presented on a current financial resource and modified accrual basis of accounting. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

The accounts of the City are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

General Fund – The General Fund is used to account for all revenues and expenditures applicable to the general operations of City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

Special Revenue Fund – Special revenue funds are operating funds for which the use of revenues (usually from taxes) is restricted or designated by outside sources. They are usually required by State or local laws to finance certain activities or functions.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND LEVEL (CONTINUED)

Debt Service Fund – Debt service funds are used to account for the payment of interest and principal on general long-term warrants and notes not accounted for in the proprietary funds.

Capital Project Fund – Capital project funds are used to account for the financial resources used to construct or acquire major capital items (other than those financed by proprietary funds).

Enterprise Funds:

The Electric Fund, Natural Gas Fund, and Water and Waste Water Fund are Enterprise Funds, which are used to account for the operations of the utilities. City utilities are provided to residents in and around the City of Fairhope. Enterprise Funds are used to account for operations which are financed or operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered through user charges and fees. Operating revenues, shown for proprietary operations, generally result from producing or providing goods and services. Operating expenses include all costs related to providing services or products. All other revenues or expenses not meeting these criteria are reported as nonoperating income or expenses.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual that is when they become both “measurable” and “available” to finance expenditures of the current period. Ad valorem and other taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures, generally, are recorded at the time liabilities are incurred. Revenues susceptible to accrual are: lodging tax, property taxes, and federal financial assistance programs, which are measurable and available to finance expenditures of the current period. The City uses a 60-day availability period except for FEMA disaster recovery grants which are recognized using a 12-month availability period. Revenue which is not both measurable and available includes licenses, rents, permits and fines.

The proprietary fund financial statements are presented on the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MAJOR FUNDS

The City reports the following major Governmental funds:

- General Fund
- Capital Projects Fund

The City reports the following enterprise funds as major funds:

- Electric Fund
- Natural Gas Fund
- Water and Waste Water Fund

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City maintains a system in which some excess cash is placed in interest bearing accounts. Cash applicable to a particular fund is readily identifiable. Interest earned is allocated to each fund based upon the proportionate balances of each fund's cash in the account.

For purposes of the statements of cash flows, the proprietary funds consider all highly liquid investments, purchased within three months of maturity, to be cash equivalents. Investments consist of U. S. Treasury money market accounts which are presented at cost which equals fair value.

F. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The Electric Fund purchases at face value, the utility receivables of the Natural Gas Fund and the Water and Waste Water Fund as well as the garbage receivable of the General Fund. Purchase is made at the time customers are billed. Customer payments for all are then deposited to the Utility Account in the Electric Fund.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. RECEIVABLES AND PAYABLES (CONTINUED)

All ad valorem taxes levied by the state, county and any municipality in Baldwin County are assessed and collected by the Revenue Commissioner of Baldwin County. The Baldwin County property tax calendar requires the Revenue Commissioner to assess and attach taxes as enforceable liens on property as of September 30, and taxes are due October 1 through December 31. Property taxes not paid by January 1 are considered as delinquent. Tax collections received by the County Revenue Commissioner are remitted to the City monthly. In accordance with GASB Statement No. 33, revenue is recorded based upon taxes assessed and considered available.

G. INVENTORIES AND PREPAID ITEMS

Inventories are stated at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Fuel	\$ 12,015	\$ 70,860	\$ 82,875
Materials and supplies	88,504	675,166	763,670
Totals	<u>\$ 100,519</u>	<u>\$ 746,026</u>	<u>\$ 846,545</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

H. CAPITAL ASSETS

The accounting treatment for capital assets depends on whether the assets are used by governmental funds or proprietary funds and fund level or government-wide reporting.

In government-wide reporting, all capital assets are reported as capital assets for both governmental and business-type activities. The City has not established a minimum capitalization threshold at this time. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds, while they remain capital assets in proprietary funds. Depreciation is provided, only, in proprietary funds at the fund level.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. CAPITAL ASSETS (CONTINUED)

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated acquisition value on the date donated.

Depreciation is allocated as an expense in the statement of activities (government-wide level) and accumulated depreciation is reflected in the statement of net position (government-wide level). Depreciation has been provided over the estimated useful lives using the straight-line rates as follows:

Plant and distribution systems	30 – 40 years
Buildings	25 – 50 years
Golf course improvements	10 – 40 years
Vehicles and equipment	3 – 10 years
Infrastructure (roads, bridges, drainage)	25 – 50 years
Runways and taxiways	75 years

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has several items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, the City also reports deferred outflow items related to the City's pension plan which are described further in Note 10, and deferred outflow items related to the City's postemployment benefits other than pensions which are described further in Note 13.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in this category. The first, of which arises only under a modified accrual basis of accounting, is unavailable revenue, and is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition, the City also reports deferred inflow items related to the City's pension plan which are described further in Note 10, and deferred inflow items related to the City's postemployment benefits other than pensions which are described further in Note 13.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. COMPENSATED ABSENCES

The City accrues vacation earned by employees as well as other compensated absences with similar characteristics. Sick leave, which can be paid at termination, if certain conditions are met, is accrued based on the probability that a portion of the current employees will meet required criteria. A liability for sick leave to be paid at termination has been accrued based on estimated probability factors and years of service. The liability to employees who currently meet the criteria to receive sick leave pay has been accrued at 100% of the current hours sick leave earned at current pay rates. Accumulated unpaid vacation and sick pay are accrued when incurred in the Proprietary Funds. Amounts normally paid with expendable available financial resources are recorded in the General Fund when the obligation has matured.

Employees must use all vacation time annually, and the maximum accumulation of sick leave is limited to 960 hours. Accumulated sick leave is paid only upon retirement to employees with 25 years or more of service, at any age, and to employees with 10 years of service who have attained age sixty (60).

K. POSTEMPLOYMENT BENEFITS

The City records a liability in the government-wide financial statements for future healthcare benefits for eligible retirees and their spouses. The postemployment benefits other than pension liability at September 30, 2019 totaled \$8,398,617.

L. PENSIONS

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

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. NET POSITION AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

The City applies GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that supersedes GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government*. Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt or deferred inflows of resources is included in the same net position as the unspent proceeds.
- Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position – The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. NET POSITION AND EQUITY CLASSIFICATIONS (CONTINUED)

Fund Financial Statements

The Fund equity of the governmental fund financial statements is classified as fund balance. GASB standards establish a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Fund balance is classified into one of the following four components:

- Restricted fund balance – Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) or the City’s own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance – Consists of fund balances that are useable only for specific purposes by formal action of the government’s highest level of decision making authority. The City’s highest level of decision making lies with the Mayor of the City and the City Council. In order to establish, modify or rescind a fund balance commitment, the Mayor and City Council must pass a law by formal action committing the funds, by passage of a resolution.
- Assigned fund balance – Consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself, or (2) a subordinate high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The Mayor and the City Council have the power to assign fund balance amounts to specific purposes. The governing body must vote to grant authorization of assigned fund balances to specific purposes.
- Unassigned fund balances – All other fund balances that do not meet the definition of “restricted, committed or assigned fund balances.” The General Fund is the only fund that reports a positive unassigned fund balance amount.

The City considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the City considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. DEBT ISSUE COST

Issuance expenses on long-term debt of proprietary funds are expensed as incurred in accordance with GASB Statement No. 65. In the fund financial statements, bond discounts, premiums, and issuance costs are treated as period costs in the year of issue. In the government-wide financial statements, bond discounts and premiums are deferred and amortized over the term of the bonds using the bonds outstanding method. Bond discounts and premiums are presented as a reduction or addition to the face amount of the bonds payable whereas issuance costs are expensed as incurred. Deferred losses associated with the issuance of long-term debt are presented as deferred outflows of resources and are amortized on the straight-line method over the term of the bond.

P. UNEARNED REVENUE

The City reports unearned revenue on its fund balance sheet. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Revenues derived from street assessments are deferred and included in revenue when the receivables become available (collected). Proprietary funds defer revenue recognition when monies are collected for goods and services prior to the provision of services.

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 26, 2020, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2019.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Although no legal requirement to establish a budget exists, the City Council follows these procedures in establishing the budgets:

- (1) The City Council Budget Committee works with City Management to prepare a proposed working budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them for the upcoming year. Line item budgets are used for administrative control. The level of control for the detailed budgets is at the department head/function level.
- (2) Council budget meetings are conducted to obtain manager and taxpayer input.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

- (3) The budget is enacted through council action.
- (4) Reports are submitted to the City Council, showing approved budget and actual operations.
- (5) The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer of funds between departments must be approved by the City Council.
- (6) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- (7) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- (8) Budgetary data, if any, for capital project funds are budgeted over the life of the respective project and not on an annual basis.
- (9) All appropriations lapse at year end.

Deficit Fund Equity

Funds with deficit fund balance or net position are as follows:

	Deficit Amount
	<hr/>
Debt Service Fund	\$ 1,160

NOTE 3 DEPOSIT AND INVESTMENT RISK

At September 30, 2019, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$3,372,324. The average maturity of the portfolio was 20 days.

Investment Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the City’s investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of the state, or SEC registered mutual funds. The City has no investment policy that further limits investment choices. As of September 30, 2019, the City’s mutual fund investments principal stability rating was AAAM as reported by Standard & Poor’s.

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Custodial Credit Risk – The City is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the State and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as “public funds” will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2019, for the government’s individual major and nonmajor funds, and the discretely presented components units, including the applicable allowances for uncollectable accounts, are as follows:

	General	Capital Projects	Nonmajor Governmental Funds	Electric	Natural Gas
Taxes	\$ 1,437,522	\$ -	\$ 8,649	\$ -	\$ -
Accounts	424,092	-	25,412	2,071,798	217,444
Intergovernmental	26,177	648,918	-	-	162,251
	<u>1,887,791</u>	<u>648,918</u>	<u>34,061</u>	<u>2,071,798</u>	<u>379,695</u>
Less allowance for uncollectable accounts	(550,995)	-	-	(863,640)	(26,904)
Total receivables	<u>\$ 1,336,796</u>	<u>\$ 648,918</u>	<u>\$ 34,061</u>	<u>\$ 1,208,158</u>	<u>\$ 352,791</u>

	Water and Waste Water Fund	Public Library	Airport Authority	Total
Taxes	\$ -	\$ -	\$ -	\$ 1,446,171
Accounts	911,625	-	799	3,651,170
Intergovernmental	68,783	68,206	361,187	1,335,522
	<u>980,408</u>	<u>68,206</u>	<u>361,986</u>	<u>6,432,863</u>
Less allowance for uncollectable accounts	(130,146)	-	-	(1,571,685)
Total receivables	<u>\$ 850,262</u>	<u>\$ 68,206</u>	<u>\$ 361,986</u>	<u>\$ 4,861,178</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 INTERFUND TRANSACTIONS

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. The amounts reported as due to/from other funds should be repaid during the next fiscal year.

The selling price of electric energy delivered without charge by the Electric Fund to various other funds, boards, and offices of the City of Fairhope is charged to the Electric Fund's operations as electric energy furnished to other divisions of the City of Fairhope.

The composition of interfund balances as of September 30, 2019 is shown below.

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Water and Waste Water	\$ 35,098
	Electric	238,736
	Natural Gas	36,825
Capital Projects	General	7,973
Nonmajor Governmental	Capital Projects	126,000
Electric	General	72,387
	Water and Waste Water	19,990
	Natural Gas	18,523
Natural Gas	Electric	26,613
Water and Waste Water	Electric	778
	Natural Gas	4,009
		<u>586,932</u>
Total		<u>\$ 586,932</u>

Interfund Transfers

Transfer Out	Transfer In			Total
	General	Capital Projects	Nonmajor Governmental Funds	
General	\$ -	\$ 1,143,500	\$ 3,318,786	\$ 4,462,286
Nonmajor Governmental	116,393	250,000	-	366,393
Electric	502,000	-	-	502,000
Natural Gas	168,000	-	-	168,000
Water and Waste Water	968,000	-	-	968,000
Totals	<u>\$ 1,754,393</u>	<u>\$ 1,393,500</u>	<u>\$ 3,318,786</u>	<u>\$ 6,466,679</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 23,056,496	\$ -	\$ -	\$ -	\$ 23,056,496
Construction in progress	1,403,296	5,367,005	-	(5,951,844)	818,457
Total	<u>24,459,792</u>	<u>5,367,005</u>	<u>-</u>	<u>(5,951,844)</u>	<u>23,874,953</u>
Other capital assets:					
Buildings and improvements	37,130,070	45,922	-	4,643,303	41,819,295
Vehicles and equipment	17,067,783	2,282,406	(336,082)	266,441	19,280,548
Infrastructure	71,796,681	-	-	1,308,541	73,105,222
Total	<u>125,994,534</u>	<u>2,328,328</u>	<u>(336,082)</u>	<u>6,218,285</u>	<u>134,205,065</u>
Less accumulated depreciation for:					
Buildings and improvements	(12,892,773)	(974,553)	-	-	(13,867,326)
Vehicles and equipment	(11,780,345)	(1,671,130)	331,411	(125,751)	(13,245,815)
Infrastructure	<u>(33,527,917)</u>	<u>(1,454,765)</u>	<u>-</u>	<u>-</u>	<u>(34,982,682)</u>
Total accumulated depreciation	<u>(58,201,035)</u>	<u>(4,100,448)</u>	<u>331,411</u>	<u>(125,751)</u>	<u>(62,095,823)</u>
Other capital assets, net	<u>67,793,499</u>	<u>(1,772,120)</u>	<u>(4,671)</u>	<u>6,092,534</u>	<u>72,109,242</u>
Governmental capital assets, net	<u>\$ 92,253,291</u>	<u>\$ 3,594,885</u>	<u>\$ (4,671)</u>	<u>\$ 140,690</u>	<u>\$ 95,984,195</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 608,297
Public safety	456,079
Public works	1,976,776
Cultural and recreational	848,649
Library	210,647
Total	<u>\$ 4,100,448</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-type Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 9,209,695	\$ 50,822	\$ -	\$ -	\$ 9,260,517
Other capital assets:					
Buildings and improvements	2,662,462	46,162	-	-	2,708,624
Vehicles and equipment	12,340,368	520,572	(148,320)	(266,441)	12,446,179
Distribution and collection system	89,944,603	3,043,954	-	-	92,988,557
Total	104,947,433	3,610,688	(148,320)	(266,441)	108,143,360
Less accumulated depreciation for:					
Buildings and improvements	(1,416,133)	(58,365)	-	-	(1,474,498)
Vehicles and equipment	(9,995,346)	(614,283)	147,856	125,751	(10,336,022)
Distribution and collection system	(37,291,883)	(2,213,814)	-	-	(39,505,697)
Total accumulated depreciation	(48,703,362)	(2,886,462)	147,856	125,751	(51,316,217)
Other capital assets, net	56,244,071	724,226	(464)	(140,690)	56,827,143
Capital assets, net	\$ 65,453,766	\$ 775,048	\$ (464)	\$ (140,690)	\$ 66,087,660
<u>Component Unit – Public Library</u>					
Vehicles and equipment	\$ 507,562	\$ -	\$ -	\$ -	\$ 507,562
Less accumulated depreciation	(408,660)	(27,969)	-	-	(436,629)
Capital assets, net	\$ 98,902	\$ (27,969)	\$ -	\$ -	\$ 70,933
<u>Component Unit – Airport Authority</u>					
Capital assets not subject to depreciation:					
Land	\$ 10,674,228	\$ -	\$ -	\$ -	\$ 10,674,228
Construction in progress	30,328	3,625,352	-	(3,627,146)	28,534
Total	10,704,556	3,625,352	-	(3,627,146)	10,702,762
Other capital assets:					
Buildings and improvements	10,201,765	-	-	-	10,201,765
Vehicles and equipment	98,885	-	-	-	98,885
Runways	15,521,844	-	-	3,627,146	19,148,990
Total	25,822,494	-	-	3,627,146	29,449,640
Less accumulated depreciation for:					
Buildings and improvements	(2,723,695)	(250,790)	-	-	(2,974,485)
Vehicles and equipment	(98,885)	-	-	-	(98,885)
Runways	(1,871,393)	(215,018)	-	-	(2,086,411)
Total accumulated depreciation	(4,693,973)	(465,808)	-	-	(5,159,781)
Other capital assets, net	21,128,521	(465,808)	-	3,627,146	24,289,859
Capital assets, net	\$ 31,833,077	\$ 3,159,544	\$ -	\$ -	\$ 34,992,621

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
GOVERNMENTAL ACTIVITIES					
Direct placements	\$ 3,681,158	\$ -	\$ (3,681,158)	\$ -	\$ -
Capital leases	292,323	990,929	(94,312)	1,188,940	341,365
Compensated absences	1,108,028	708,664	(655,074)	1,161,618	376,484
Governmental activities long-term liabilities	5,081,509	1,699,593	(4,430,544)	2,350,558	717,849
BUSINESS-TYPE ACTIVITIES					
Direct placements	15,308,842	-	(2,118,842)	13,190,000	885,000
Add issuance discounts	(32,182)	-	10,297	(21,885)	-
Total direct placements	15,276,660	-	(2,108,545)	13,168,115	885,000
Compensated absences	542,023	242,807	(258,170)	526,660	128,028
Business-type activities long-term liabilities	15,818,683	242,807	(2,366,715)	13,694,775	1,013,028
Total long-term debt	\$ 20,900,192	\$ 1,942,400	\$ (6,797,259)	\$ 16,045,333	\$ 1,730,877

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 LONG-TERM DEBT (CONTINUED)

Capital Leases – Governmental Activities

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The capital leases are secured by the underlying equipment.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Governmental Activities</u>
Vehicles and equipment	\$ 1,283,252
Less accumulated depreciation	<u>140,149</u>
Totals	<u>\$ 1,143,103</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

Year ended September 30:

2020	\$ 370,338
2021	454,059
2022	350,157
2023	<u>83,626</u>
	1,258,180
Less amount representing interest	<u>69,240</u>
Present value of minimum lease payments	<u>\$ 1,188,940</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 LONG-TERM DEBT (CONTINUED)

Warrants from Direct Placements – Business-type Activities

The following is a summary of warrants from direct placement in proprietary funds as of September 30, 2019:

Utilities Revenue Warrants, Series 2011 dated October 13, 2011, original debt obligation of \$16,140,000, interest rate 3.15%, payable semi-annually, principal payable December 1, 2011 through December 1, 2030.	\$ 12,455,000
Utilities Revenue Warrants, Series 2015 dated May 14, 2015, original debt obligation of \$1,780,000, interest rate 2.11%, payable semi-annually, principal payable December 1, 2015 through December 1, 2020.	<u>735,000</u>
Total warrants from direct placements – Business-type Activities	<u><u>\$ 13,190,000</u></u>

Revenue warrants from the proprietary funds were for the purpose of financing, or refinancing, new water tanks, new water wells, UV Sewer System, new booster pump, radio system, support tower, phone system, construction of warehouse building and mechanics shop, and extensions to the City's water and sewer lines. The revenue warrants are secured by a pledge of future utility revenues.

The City's outstanding warrants from direct placement related to business-type activities of \$13,190,000 contain a provision that in event of default, outstanding amounts become due immediately if the City is unable to make payment.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 LONG-TERM DEBT (CONTINUED)

Warrants from Direct Placements – Business-type Activities (Continued)

The following schedule illustrates debt service to maturity for warrants from direct placement in proprietary funds at September 30, 2019:

Year Ending September 30,	Business-type Activities		
	Direct Placements		
	Principal	Interest	Total
2020	\$ 885,000	\$ 395,801	\$ 1,280,801
2021	1,055,000	369,068	1,424,068
2022	1,580,000	329,490	1,909,490
2023	1,630,000	278,933	1,908,933
2024	1,680,000	226,800	1,906,800
2025–2029	5,170,000	481,793	5,651,793
2030–2031	1,190,000	37,800	1,227,800
	<u>\$ 13,190,000</u>	<u>\$ 2,119,685</u>	<u>\$ 15,309,685</u>

Sinking Funds

The cash and investments in these sinking funds (bond, reserve, and replacement funds) are restricted as to their use in accordance with their respective bond indentures. Amounts in bond funds are included in current assets, while amounts in reserve funds are separately listed as restricted assets.

Bond from Direct Placements – Component Units

The following is a summary of the long-term debt of the Airport Authority as of September 30, 2019:

Airport Improvement Refunding Bond, Series 2017, dated March 22, 2017, original debt obligation of \$7,445,629, interest rate 2.18%, principal payable annually through September 1, 2023.	<u>\$ 6,895,629</u>
--	---------------------

The Airport Improvement Refunding Bond, Series 2017, are secured by a pledge of payments received from the City pursuant to the 2017 Funding Agreement, dated March 1, 2017. The 2017 Funding Agreement states the City shall appropriate to the Airport Authority the amount needed to satisfy the annual debt service of the Airport Improvement Refunding Bond, Series 2017.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 LONG-TERM DEBT (CONTINUED)

Bond from Direct Placements – Component Units (Continued)

The following is a summary of debt service requirements to maturity of long-term debt of the Airport Authority as of September 30, 2019:

Year Ending September 30,	Component Units		
	Direct Placements		
	Principal	Interest	Total
2020	\$ 200,000	\$ 151,836	\$ 351,836
2021	200,000	147,432	347,432
2022	225,000	143,028	368,028
2023	6,270,629	138,074	6,408,703
	<u>\$ 6,895,629</u>	<u>\$ 580,370</u>	<u>\$ 7,475,999</u>

The Airport Authority's outstanding bond from direct placement of \$6,895,629 contains a provision that in event of default, outstanding amounts become due immediately if the Airport Authority is unable to make payment.

NOTE 8 SALARIES – PROPRIETARY FUNDS

The following is a summary of employees' salaries for the business-type activities for the year ended September 30, 2019:

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund
Total salaries	\$ 1,116,451	\$ 1,032,440	\$ 1,572,015
Less:			
Salaries capitalized for plant additions	80,625	137,715	4,502
Salaries charged to operations	<u>\$ 1,035,826</u>	<u>\$ 894,725</u>	<u>\$ 1,567,513</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 9 RISK MANAGEMENT AND CONTINGENCIES

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 commercial insurance companies and effectively manages risk through various employee education and prevention programs. There were no instances where settlements exceeded insurance coverage in the last three years.

Various lawsuits are pending against the City. City management believes that the potential adverse impact of these claims is mitigated by insurance and will not be material to the financial statements of the City.

The City receives 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 to the grantor agency for expenditures disallowed under the terms of the grant. City management believes such disallowances, if any, will be immaterial.

NOTE 10 PENSION PLAN

Plan Description

The Employees' Retirement System (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 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

	ERS	City	Library
Retirements and beneficiaries currently receiving benefits	24,818	102	4
Terminated employees entitled to but not yet receiving benefits	1,426	8	-
Terminated employees not entitled to a benefit	7,854	23	5
Active Members	56,760	294	17
Post-DROP participants who are still in active service	141	-	-
Totals	<u>90,999</u>	<u>427</u>	<u>26</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 10 PENSION PLAN (CONTINUED)

Contributions

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

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contribution 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 September 30, 2019, the City's active employee contribution rate was 8.00% of covered employee payroll. The Fairhope Public Library's active employee contribution rate was 7.00% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2019, was 8.85% of pensionable pay for Tier 1 employees, and 6.41% of pensionable pay for Tier 2 employees. The Fairhope Public Library's contractually required contribution rate for the year ended September 30, 2019, was 9.57% of pensionable pay for Tier 1 employees, and 6.37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, 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 \$1,214,082 and \$33,677 from the Fairhope Public Library for the year ended September 30, 2019.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Contributions (Continued)

The City's and Fairhope Public Library's net pension liabilities were measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2017	\$ 45,042,187	\$ 44,012,890
(b) Entry age normal cost for the period October 1, 2017 to September 30, 2018	1,072,514	1,072,514
(c) Transfer among employers	-	(113,767)
(d) Actual benefit payments and refunds for October 1, 2017 to September 30, 2018	<u>(2,502,104)</u>	<u>(2,502,104)</u>
(e) Total Pension Liability as of September 20, 2018 [(a) x 1.0775] + (b) + (c) - [(d) x (1.03875)]	<u>\$ 47,006,410</u>	<u>\$ 45,782,576</u>
(f) Difference between expected and actual		\$ (1,223,834)
(g) Less liability transferred for immediate recognition		<u>(113,767)</u>
(h) Experience (gain)/loss		<u>\$ (1,110,067)</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Contributions (Continued)

Fairhope Public Library

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2017	\$ 1,302,959	\$ 1,294,600
(b) Entry age normal cost for the period October 1, 2017 to September 30, 2018	28,941	28,941
(c) Actual benefit payments and refunds for October 1, 2017 to September 30, 2018	<u>(56,340)</u>	<u>(56,340)</u>
(d) Total pension liability as of September 30, 2018 [(a) x 1.0775] + (b) + (c) - [(d) x (1.03875)]	<u>\$ 1,374,356</u>	<u>\$ 1,365,349</u>
(e) Difference between expected and actual experience (gain)/loss		<u>\$ (9,007)</u>

Actuarial Assumptions

The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% – 5.00%
Investment rate of return *	7.70%

* Net of pension plan investment expense

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	Target Allocation	Long-term Expected Rate of Return *
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Cash Equivalents	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	3.0%	1.5%
	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.50%

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the RSA 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

	<u>City of Fairhope</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2017	\$ 45,042,187	\$ 34,356,530	\$ 10,685,657
Changes for the year:			
Service cost	1,072,514	-	1,072,514
Interest	3,393,813	-	3,393,813
Changes in assumptions	251,496	-	251,496
Differences between expected and actual experience	(1,109,067)	-	(1,109,067)
Contributions – employer	-	1,107,892	(1,107,892)
Contributions – employee	-	796,436	(796,436)
Net investment income	-	3,146,677	(3,146,677)
Benefit payments, including refunds of employee contributions	(2,502,104)	(2,502,104)	-
Administrative expense			
Transfers among employers	(113,767)	(113,767)	-
Net Changes	<u>992,885</u>	<u>2,435,134</u>	<u>(1,442,249)</u>
Balances at September 30, 2018	<u>\$ 46,035,072</u>	<u>\$ 36,791,664</u>	<u>\$ 9,243,408</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Changes in Net Pension Liability (Continued)

	<u>Fairhope Public Library</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2017	\$ 1,302,959	\$ 890,742	\$ 412,217
Changes for the year:			
Service cost	28,941	-	28,941
Interest	98,796	-	98,796
Changes in assumptions	5,140	-	5,140
Differences between expected and actual experience	(9,007)	-	(9,007)
Contributions – employer	-	33,039	(33,039)
Contributions – employee	-	22,728	(22,728)
Net investment income	-	82,409	(82,409)
Benefit payments, including refunds of employee contributions	(56,340)	(56,340)	-
Administrative expense			
Transfers among employers	-	-	-
Net Changes	<u>67,530</u>	<u>81,836</u>	<u>(14,306)</u>
Balances at September 30, 2018	<u>\$ 1,370,489</u>	<u>\$ 972,578</u>	<u>\$ 397,911</u>

Sensitivity of the net pension liability to changes in the discount rate – The following table presents the Board’s net pension liability calculated using the discount rate of 7.70%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.70%) or 1% higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Net pension liability, City	\$ 14,792,981	\$ 9,243,408	\$ 4,561,172
Net pension liability, Fairhope Public Library	\$ 509,378	\$ 397,911	\$ 301,450

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2018. The auditor's report dated August 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the City recognized pension expense of \$707,513 while the Fairhope Public Library recognized pension expense of \$39,650. The fund in which the related payroll costs are expended will be used to liquidate the net pension liability. At September 30, 2019, the City and Fairhope Public Library reported deferred outflows of resources and deferred inflows of resources, respectively, related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City of Fairhope		
Governmental Activities:		
Differences between expected and actual experience	\$ 26,860	\$ 955,955
Changes of assumption	794,415	-
Net difference between projected and actual earnings on plan investments	-	954,709
Employer contributions subsequent to measurement date	944,827	-
	<u>1,766,102</u>	<u>1,910,664</u>
Governmental activities pension related items		
Business-type Activities:		
Differences between expected and actual experience	6,677	237,647
Changes of assumption	197,488	-
Net difference between projected and actual earnings on plan investments	-	248,745
Employer contributions subsequent to measurement date	269,255	-
	<u>473,420</u>	<u>486,392</u>
Business-type activities pension related items		
	<u>\$ 2,239,522</u>	<u>\$ 2,397,056</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ending September 30,	
2020	\$ (119,661)
2021	(507,487)
2022	(387,185)
2023	(84,572)
2024	(146,027)
Thereafter	(126,684)
	<u>\$ (1,371,616)</u>

Fairhope Public Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,594	\$ 29,729
Changes of assumption	74,925	-
Net difference between projected and actual earnings on plan investments	-	30,790
Employer contributions subsequent to measurement date	33,676	-
Total	<u>\$ 112,195</u>	<u>\$ 60,519</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ending September 30,	
2020	\$ 10,208
2021	1,008
2022	4,107
2023	3,374
2024	(634)
Thereafter	(63)
	<u>\$ 18,000</u>

NOTE 11 COMMITMENTS

The City has various contractual commitments outstanding at year end. The commitments under these contracts totaled \$10,485,759. The commitments funded from governmental activities will be \$3,269,876 and from business-type activities will be \$7,215,883.

NOTE 12 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The plan was established by and is administered by the Retirement Systems of Alabama. Any plan changes are at the discretion of the administrator. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City makes no contributions to the plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals who participate in the deferred compensation plan and are not subject to the claims of the City's general creditors.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The total OPEB liability is recorded at the fund level for proprietary activities and the allocated amount for governmental activities is presented at the government-wide level. The annual OPEB cost is included in the line item of salaries for proprietary fund statements and is allocated by function for governmental activities on the government-wide financial statements.

General Information About the OPEB Plan

Plan Description. The Plan is a single-employer defined benefit healthcare plan administered and governed solely by the City. The City has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the plan.

Benefits Provided. The City provides a comprehensive medical plan to eligible retirees and their spouses through the City's group health insurance plan (the Plan), which covers both active and retired members.

Employees covered by benefit terms. At September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Active Members	<u>118</u>
Totals	<u><u>147</u></u>

Total OPEB Liability

The City's total OPEB liability of \$8,398,617 was measured as of September 30, 2018, and was determined by an actuarial valuation as of September 30, 2017.

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Total OPEB Liability (Continued)

Actuarial assumptions and other inputs. The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Real wage growth	0.25%
Wage inflation	3.00%
Salary increases	3.25% – 5.00%
Municipal bond index rate	
Prior measurement date	3.57%
Measurement date	4.18%
Healthcare cost trend rates	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

The discount rate was based on the September average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by The Bond Buyer. The discount rate used to calculate the OPEB expense for the September 30, 2018 reporting date was 3.57%. The discount rate used to compute the total OPEB liability for the reporting date of September 30, 2019 was 4.18%.

Mortality rates were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2018 valuation were based on a review of recent plan experience done concurrently with the September 30, 2018 valuation.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at September 30, 2018	\$ 12,556,829
Changes for the year:	
Service cost	401,209
Interest	442,731
Differences between expected and actual experience	(4,733,827)
Changes of assumptions or other inputs	45,224
Benefit payments	(313,549)
Net Changes	<u>(4,158,212)</u>
Balance at September 30, 2019	<u>\$ 8,398,617</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.57% used in the September 30, 2018 valuation to 4.18% used in the September 30, 2019 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.18%) or 1-percentage-point higher (5.18%) than the current discount rate:

	<u>1% Decrease (3.18%)</u>	<u>Current Rate (4.18%)</u>	<u>1% Increase (5.18%)</u>
Net OPEB liability	\$ 9,104,346	\$ 8,398,617	\$ 7,751,275

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Changes in Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current healthcare cost trend rates:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net OPEB liability	\$ 7,611,687	\$ 8,398,617	\$ 9,302,119

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$129,387. The fund in which the related payroll costs are expended will be used to liquidate the total OPEB liability. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Differences between expected and actual experience	\$ 1,535	\$ 3,086,935
Changes of assumption	29,490	438,633
Employer contributions subsequent to measurement date	410,248	-
Governmental activities OPEB related items	<u>441,273</u>	<u>3,525,568</u>
Business-type Activities:		
Differences between expected and actual experience	381	766,999
Changes of assumption	7,328	108,985
Employer contributions subsequent to measurement date	101,933	-
Business-type activities OPEB related items	<u>109,642</u>	<u>875,984</u>
	<u>\$ 550,915</u>	<u>\$ 4,401,552</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**OPEB Expense and Deferred Outflows of Resources and Deferred
Inflows of Resources Related to OPEB (Continued)**

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

Year Ending September 30,	
2019	\$ (976,028)
2020	(976,028)
2021	(976,028)
2022	(976,028)
2023	(435,709)
Thereafter	<u>(22,997)</u>
	<u>\$ (4,362,818)</u>

NOTE 14 OPERATING LEASES

The City holds various leases with entities for use of City property. Most of these leases are monthly and insignificant. In addition, the City rents certain facilities to groups for events and activities on a per use basis.

NOTE 15 LEASE EXPENSE

The City rents equipment, primarily, on monthly arrangements. The leases are not significant to the operations of the City.

NOTE 16 SERVICE CONCESSION ARRANGEMENT

The Airport Authority, entered into an agreement with the Baldwin County Board of Education (BCBOE), under which the BCBOE will operate and collect tuition from aviation training facility at the airport for the next 40 years with an automatic extension of 5 years unless written notice is received six months prior to the expiration of the initial term. BCBOE paid the City \$2,700,000 upon execution of the arrangement. The initial payment was used in the construction of the aviation training facility. The initial payment was considered a deferred inflow of resources and rental revenue will be recognized over the life of the initial term of the lease. Upon receipt, the City reported a cash balance in the construction fund of \$2,700,000 with a corresponding balance of \$2,700,000 as a deferred inflow of resources pursuant to the service concession arrangement. The balance of the deferred inflow of resources is \$2,295,000 at September 30, 2019.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 16 SERVICE CONCESSION ARRANGEMENT (CONTINUED)

In fiscal year 2015, the Airport Authority, entered into an agreement with a private company, under which the private company leased space at the airport for the next 25 years. The private company's lease agreement with the Airport Authority requires monthly rents in the amount of \$12,750 to the Airport Authority and also required them to invest at least \$850,000 in capital improvements on the premises during the first year of the lease. The total value of the capital improvements, \$1,091,254 was considered a deferred inflow of resources and rent revenue will be recognized over the life of the term of the lease. The Airport Authority reports the capital improvements as a capital asset and it is depreciated in accordance with the Airport Authority's depreciation policy. Upon completion in fiscal year 2015, the Airport Authority reported a capital improvement in the amount of \$1,091,254 with a corresponding balance of \$1,091,254 as a deferred inflow of resources pursuant to the service concession arrangement. The balance of the deferred inflow of resources is \$873,003 at September 30, 2019.

In fiscal year 2016, the Airport Authority, entered into an agreement with a private company, under which the private company leased space at the airport for the next 30 years. The private company's lease agreement with the Airport Authority requires monthly rents in the amount of \$6,150 to the Airport Authority and also required them to invest in capital improvements on the premises during the first 15 months of the lease. The total value of the capital improvements, \$876,000 was considered a deferred inflow of resources and rent revenue will be recognized over the life of the term of the lease. The Airport Authority reports the capital improvements as a capital asset and it is depreciated in accordance with the Airport Authority's depreciation policy. Upon completion in fiscal year 2018, the Airport Authority reported a capital improvement in the amount of \$876,000 with a corresponding balance of \$876,000 as a deferred inflow of resources pursuant to the service concession arrangement. The balance of the deferred inflow of resources is \$813,429 at September 30, 2019.

In fiscal year 2016, the Airport Authority, entered into an agreement with a private company, under which the private company leased space at the airport for the next 30 years. The private company's lease agreement with the Airport Authority requires monthly rents in the amount of \$5,412 to the Airport Authority and also required them to invest in capital improvements on the premises during the first 18 months of the lease. The total value of the capital improvements, \$1,573,000 was considered a deferred inflow of resources and rent revenue will be recognized over the life of the term of the lease. The Airport Authority reports the capital improvements as a capital asset and it is depreciated in accordance with the Airport Authority's depreciation policy. Upon completion in fiscal year 2018, the Airport Authority reported a capital improvement in the amount of \$1,573,000 with a corresponding balance of \$1,573,000 as a deferred inflow of resources pursuant to the service concession arrangement. The balance of the deferred inflow of resources is \$1,460,643 at September 30, 2019.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 17 FAIR VALUE DISCLOSURES

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements are as follows at September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury portfolio	\$ 2,730,446	\$ -	\$ -	\$ 2,730,446
AMIC Insurance	-	-	36,090	36,090
Total	<u>\$ 2,730,446</u>	<u>\$ -</u>	<u>\$ 36,090</u>	<u>\$ 2,766,536</u>

Debt securities categorized as Level 1 are based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. The investment in AMIC is quoted as a Level 3 input. There is no active market for this investment but an initial investment was required to participate in AMIC. Fair value of the investment approximates cost.

NOTE 18 ECONOMIC DEVELOPMENT INCENTIVE OBLIGATIONS – TAX ABATEMENTS

The City, in conjunction with the Industrial Development Board of the City of Fairhope and Baldwin County, enters into economic development incentive agreements with entities that propose to locate businesses within the City, or expand businesses within the City, which are expected to provide stimulus to the City's economy. These agreements provide for full or partial abatement of sales, use and/or property taxes. Property taxes are abated through reductions of assessed values. Sales and use taxes are abated through exemptions granted on purchases for specified construction or equipment-purchase purposes. The agreements have limited terms, typically ad-valorem taxes are abated for ten years.

The total property tax abated for the year ended September 30, 2019 totaled \$8,431.

The City does not collect property taxes. The Revenue Commissioner of Baldwin County is responsible for such collection.

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 19 EFFECT OF NEW PRONOUNCEMENTS

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2018.

GASB 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2019.

GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. Requirements for this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

NOTE 20 SUBSEQUENT EVENTS

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the City, its performance, and its financial results.

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF FAIRHOPE, ALABAMA

**SCHEDULES OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30***

	<u>City of Fairhope</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,214,082	\$ 1,156,988	\$ 1,128,689	\$ 1,161,190	\$ 1,033,161
Contributions in relation to the actuarially determined contribution	<u>1,214,082</u>	<u>1,156,988</u>	<u>1,128,689</u>	<u>1,161,190</u>	<u>1,033,161</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,117,600	\$ 14,145,534	\$ 14,442,516	\$ 12,686,870	\$ 11,740,415
Contributions as a percentage of covered payroll	8%	8%	8%	9%	9%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.7 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375% – 5.125%
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2019 through 2015.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

SCHEDULES OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*

	<u>Fairhope Public Library</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 33,677	\$ 34,636	\$ 41,630	\$ 39,481	\$ 43,472
Contributions in relation to the actuarially determined contribution	<u>33,677</u>	<u>34,636</u>	<u>41,630</u>	<u>39,481</u>	<u>43,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 501,964	\$ 489,687	\$ 486,684	\$ 426,252	\$ 397,846
Contributions as a percentage of covered payroll	7%	7%	9%	9%	11%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	29.2 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375% – 5.125%
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2019 through 2015.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

SCHEDULES OF CHANGES IN NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*

	<u>City of Fairhope</u>				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 1,072,514	\$ 1,075,003	\$ 997,552	\$ 975,740	\$ 944,066
Interest	3,393,813	3,286,149	3,131,860	2,977,603	2,852,227
Differences between expected and actual experience	(1,109,067)	(296,197)	(52,317)	83,217	-
Changes in assumptions	251,496	-	1,344,385	-	-
Benefit payments, including refunds of employee contributions	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfer among employers	(113,767)	(317,929)	(76,441)	-	-
Net change in total pension liability	992,885	1,533,495	3,375,812	1,789,128	1,585,545
Total pension liability – beginning	45,042,187	43,508,692	40,132,880	38,343,752	36,758,207
Total pension liability – ending (a)	<u>\$ 46,035,072</u>	<u>\$ 45,042,187</u>	<u>\$ 43,508,692</u>	<u>\$ 40,132,880</u>	<u>\$ 38,343,752</u>
Plan fiduciary net position					
Contributions – employer	\$ 1,107,892	\$ 1,082,206	\$ 1,163,477	\$ 1,035,070	\$ 1,011,234
Contributions – member	796,436	679,081	680,391	621,817	599,215
Net investment income	3,146,677	3,943,420	2,891,544	337,639	3,115,563
Benefit payments, including refunds of employee contributions	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfers among employers	(113,767)	(317,929)	(76,441)	(16,923)	(36,268)
Net change in plan fiduciary net position	2,435,134	3,173,247	2,689,744	(269,829)	2,478,996
Plan net position – beginning	34,356,530	31,183,283	28,493,539	28,763,368	26,284,372
Plan net position – ending (b)	<u>\$ 36,791,664</u>	<u>\$ 34,356,530</u>	<u>\$ 31,183,283</u>	<u>\$ 28,493,539</u>	<u>\$ 28,763,368</u>
Net pension liability (asset) – ending (a)-(b)	\$ 9,243,408	\$ 10,685,657	\$ 12,325,409	\$ 11,639,341	\$ 9,580,384
Plan fiduciary net position as a percentage of the total pension liability	79.92%	76.28%	71.67%	71.00%	75.01%
Covered payroll	\$ 13,360,562	\$ 12,944,171	\$ 13,010,034	\$ 11,659,254	\$ 11,394,370
Net pension liability (asset) as a percentage of covered payroll	69%	83%	95%	100%	84%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2018 through 2014.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**SCHEDULES OF CHANGES IN NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30***

	Fairhope Public Library				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 28,941	\$ 31,457	\$ 37,134	\$ 37,305	\$ 38,648
Interest	98,796	93,059	83,555	82,203	79,859
Differences between expected and actual experience	(9,007)	5,392	(40,331)	(8,514)	-
Changes in assumptions	5,140	-	132,947	-	-
Benefit payments, including refunds of employee contributions	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Net change in total pension liability	67,530	74,491	154,750	(18,628)	69,716
Total pension liability – beginning	1,302,959	1,228,468	1,073,718	1,092,346	1,022,630
Total pension liability – ending (a)	<u>\$ 1,370,489</u>	<u>\$ 1,302,959</u>	<u>\$ 1,228,468</u>	<u>\$ 1,073,718</u>	<u>\$ 1,092,346</u>
Plan fiduciary net position					
Contributions – employer	\$ 33,039	\$ 40,040	\$ 39,583	\$ 43,472	\$ 43,802
Contributions – member	22,728	22,527	21,976	20,166	19,155
Net investment income	82,409	100,700	72,223	8,684	81,118
Benefit payments, including refunds of employee contributions	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Net change in plan fiduciary net position	81,836	107,850	75,227	(57,300)	95,284
Plan net position – beginning	890,742	782,892	707,665	764,965	669,681
Plan net position – ending (b)	<u>\$ 972,578</u>	<u>\$ 890,742</u>	<u>\$ 782,892</u>	<u>\$ 707,665</u>	<u>\$ 764,965</u>
Net pension liability (asset) – ending (a)-(b)	\$ 397,911	\$ 412,217	\$ 445,576	\$ 366,053	\$ 327,381
Plan fiduciary net position as a percentage of the total pension liability	70.97%	68.36%	63.73%	65.91%	70.03%
Covered payroll	\$ 461,619	\$ 433,005	\$ 455,696	\$ 412,627	\$ 383,102
Net pension liability (asset) as a percentage of covered payroll	86%	95%	98%	89%	85.5%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2018 through 2014.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

SCHEDULES OF CHANGES IN TOTAL OPEB LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30*

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 401,209	\$ 441,966
Interest	442,731	371,696
Differences between expected and actual experience	(4,733,827)	2,650
Changes in assumptions	45,224	(757,435)
Benefit payments	<u>(313,549)</u>	<u>(373,128)</u>
Net change in total OPEB liability	(4,158,212)	(314,251)
Total OPEB liability – beginning	<u>12,556,829</u>	<u>12,871,080</u>
Total OPEB liability – ending	<u><u>\$ 8,398,617</u></u>	<u><u>\$ 12,556,829</u></u>
Covered payroll	\$ 6,190,702	\$ 8,226,573
Net OPEB liability as a percentage of covered payroll	135.67%	152.64%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2018 through 2017.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The City does not have a special funding situation.

The reported Covered Employee Payroll during the measurement period is the payroll upon which contributions were based.

There were no changes of benefit terms during 2019.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.57% to 4.18% due to a change in the municipal bond rate.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local taxes	\$ 16,742,320	\$ 16,742,320	\$ 17,002,565	\$ 260,245
Licenses and permits	4,855,015	4,855,015	4,570,915	(284,100)
Fines and forfeitures	280,000	280,000	237,812	(42,188)
Intergovernmental	201,650	201,650	546,684	345,034
Interest and rents	473,420	473,420	440,514	(32,906)
Charges for services	4,581,000	4,581,000	4,570,649	(10,351)
Golf course revenue	1,232,500	1,232,500	1,060,650	(171,850)
Recreation Department	498,500	498,500	456,362	(42,138)
Other	569,600	569,600	660,915	91,315
Total revenues	29,434,005	29,434,005	29,547,066	113,061
EXPENDITURES				
General government				
General	4,158,925	3,960,045	3,580,780	379,265
Planning	587,267	587,267	635,359	(48,092)
Building	797,310	797,310	851,445	(54,135)
Judicial	-	198,880	235,466	(36,586)
Public safety				
Police	6,361,664	6,439,101	5,919,002	520,099
Fire	706,375	773,875	652,645	121,230
Public works				
Sanitation	2,437,861	2,437,861	2,210,417	227,444
Street	3,483,520	3,483,520	3,406,690	76,830
Fleet maintenance	617,114	617,114	579,850	37,264
Construction and facilities maintenance	295,287	295,287	313,431	(18,144)
Cultural and recreational				
Economic and community development	982,064	982,064	1,064,480	(82,416)
Adult recreation	363,699	363,699	429,715	(66,016)
Recreation	2,294,769	2,294,769	2,162,423	132,346
Golf	1,684,395	1,684,395	1,498,738	185,657
Marina	699,550	699,550	640,110	59,440
Civic Center	221,504	227,854	277,202	(49,348)
Museum and Welcome Center	169,549	169,549	165,819	3,730
Airport Authority	320,000	320,000	320,000	-
Public Library	818,477	818,477	818,477	-
Other	92,600	92,600	92,600	-
Capital outlay	1,858,763	1,770,066	2,440,484	(670,418)
Total expenditures	28,950,693	29,013,283	28,295,133	718,150
Excess of revenues over (under) expenditures	483,312	420,722	1,251,933	831,211
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	-	-	990,929	990,929
Transfers in	2,096,400	3,006,400	1,754,393	(1,252,007)
Transfers out	(3,392,007)	(3,392,007)	(4,462,286)	(1,070,279)
Total other financing sources (uses)	(1,295,607)	(385,607)	(1,716,964)	(1,331,357)
Net change in fund balances	\$ (812,295)	\$ 35,115	(465,031)	\$ (500,146)
Fund balances – beginning of year			13,708,124	
FUND BALANCES – END OF YEAR			\$ 13,243,093	

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

NOTE 1 EXCESS EXPENDITURES

The following are General Fund expenditures in excess of final budget amounts:

	Excess Expenditures		Excess Expenditures		Excess Expenditures
General Government		Fire Department		Recreation Department	
Salaries – Mayor	\$ 147	Health insurance	\$ 41,648	Overtime	\$ 4,821
Overtime – General	11,059	Insurance	4,565	Insurance	5,860
Overtime – Beach	238	Training	996	Professional services	9,609
Required contributions – OPEB	47,768	Professional services	278	Computer expense	6,081
Training	18,257	Computer expense	3,143	General supplies	27,571
Professional services	38,946	Safety wear	560	General maintenance	7,911
Computer expense	5,419			Gasoline and oil	4,215
Postage	6,703	Sanitation Department		Costs – Tennis shop sales	4,435
Parking garage maintenance	9,591	Overtime	9,855	Credit card processing fee	5,944
Dues	7,302	Required contributions – OPEB	21,159	Utilities	25,163
Miscellaneous	3	Insurance	20,062	Special projects	2,460
Gasoline and oil	1,717	Computer expense	1,195	Capital outlay	26,021
Recording fees	179	Bad debt	19,681		
Land/Right of way	58	Gasoline and oil	12,695	Golf Department	
Publications and newspapers	4,271	Equipment and vehicle repair	32,162	Overtime	2,651
Election expense	23,502	Uniforms	440	Health insurance	53,378
Sidewalk brick	220	Capital outlay	843,039	Required contributions – OPEB	12,574
Haven maintenance	5,384			Professional services	958
Fisherman's Wharf maintenance	1,000	Street Department		Computer expense	264
City Hall maintenance	10,543	Overtime	34,164	Supplies – Club House	2,818
Utilities	2,051	Health insurance	38,021	Uniforms	698
Capital outlay	89,934	Required contributions – OPEB	35,812	Credit card processing fee	16,285
		Professional services	15,210	Supplies – Grill	2,008
Planning Department		Computer expense	3,289	Health insurance – Grounds	26,536
Salaries	25,596	Postage	37	Required contributions – OPEB	2,744
Overtime	3,990	General supplies	26,345	Professional services – Grounds	490
Payroll taxes	1,595	Equipment and vehicle repair	48,651	General maintenance – Grounds	2,759
Employee retirement expense	1,134	Uniforms	4,395		
Insurance	1,042	Materials and landscaping	16,931	Marina	
Professional services	7,261	Utilities	3,356	Insurance	2,125
Computer expense	10,879	Capital outlay	132,467	Office supplies	38
Office supplies	3,415			General maintenance	33,895
General supplies	10,052	Fleet Maintenance Department		Costs – Ship store sales	2,148
General maintenance	1,341	Required contributions – OPEB	12,574	Credit card processing fee	10,485
Communications	1,743	Professional services	170	Utilities	4,350
Gasoline and oil	497	General maintenance	2,615		
Equipment and vehicle repair	724	Gasoline and oil	748	Civic Center	
Publications and newspapers	3,876	Equipment and vehicle repair	7,564	Overtime	223
		Uniforms	417	Payroll taxes	170
Building Department		Capital outlay	8,213	Health insurance	39,321
Health insurance	65,890			Professional services	565
Building fees	48,106	Construction and Facilities		Computer expense	2,964
Computer expense	4,402	Maintenance Department		Office supplies	301
General supplies	2,072	Salaries	24,092	General supplies	15,644
Gasoline and oil	2,725	Overtime	6,292	General maintenance	7,961
Equipment and vehicle repair	471	Payroll taxes	1,902		
Credit card processing fee	24,107	Employee retirement expense	2,684	Museum and Welcome Center	
Printing	586	Insurance	685	Overtime	1,632
Capital outlay	1,300	General supplies	5,357	Insurance	2,102
		Communications	691	Professional services	5,140
Judicial Department		Gasoline and oil	3,062	General supplies	5,811
Overtime	3,084	Safety wear	280	General maintenance	2,974
Employee retirement expense	635			Capital outlay	9,749
Insurance	824	Adult Recreation Department			
Training	10,438	Overtime	310	Transfers	
Professional services	5,380	Health insurance	17,585	Transfers – Debt Service Fund	1,070,279
Computer expense	8,414	Insurance	2,982		
General supplies	4,565	General supplies	7,130		
Communications	140	Credit card processing fee	868		
Dues	9,360	Kitchen supplies	925		
Credit card processing fee	147	Special programs	2,611		
Capital outlay	72,883	Dance expense	420		
		Office expense	1,241		
Police Department		Shuttle Bus expense	902		
Overtime	2,615	Utilities	54,271		
Required contributions – OPEB	57,989	Capital outlay	5,557		
Training	3,371				
General supplies	9,864	Economic and Community Development			
General maintenance	8,203	Health insurance	12,937		
Communications	6,827	Dues	1,177		
Gasoline and oil	17,262	Gasoline and oil	224		
Equipment and vehicle repair	1,362	Community events	82,562		
Jail expense	25,609	Contributions	1,500		
DEA Fund purchases	2,664	Advertising and promotions	5,178		
Utilities	6,837	Tourism	3,610		
Capital outlay	11,533				

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OTHER SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF FAIRHOPE, ALABAMA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue Fund Impact Fees	Special Revenue Fund Gas Tax	Debt Service	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 3,599,766	\$ 218,443	\$ -	\$ 3,818,209
Receivables	955	8,649	24,457	34,061
Due from other funds	126,000	-	-	126,000
Total assets	<u>\$ 3,726,721</u>	<u>\$ 227,092</u>	<u>\$ 24,457</u>	<u>\$ 3,978,270</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 25,617	\$ 25,617
Total liabilities	<u>-</u>	<u>-</u>	<u>25,617</u>	<u>25,617</u>
FUND BALANCES				
Restricted:				
Road maintenance	-	227,092	-	227,092
Committed:				
Construction and road maintenance	3,726,721	-	-	3,726,721
Unassigned	-	-	(1,160)	(1,160)
Total fund balances	<u>3,726,721</u>	<u>227,092</u>	<u>(1,160)</u>	<u>3,952,653</u>
Total liabilities and fund balances	<u>\$ 3,726,721</u>	<u>\$ 227,092</u>	<u>\$ 24,457</u>	<u>\$ 3,978,270</u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Fund Impact Fees	Special Revenue Fund Gas Tax	Debt Service	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ -	\$ 96,118	\$ -	\$ 96,118
Charges for services	1,282,098	-	-	1,282,098
Interest and rents	23,419	-	1,471	24,890
Total revenues	<u>1,305,517</u>	<u>96,118</u>	<u>1,471</u>	<u>1,403,106</u>
EXPENDITURES				
Other	42	77,561	-	77,603
Debt service				
Principal	-	-	3,775,470	3,775,470
Interest	-	-	87,534	87,534
Total expenditures	<u>42</u>	<u>77,561</u>	<u>3,863,004</u>	<u>3,940,607</u>
Excess of revenues over (under) expenditures	<u>1,305,475</u>	<u>18,557</u>	<u>(3,861,533)</u>	<u>(2,537,501)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,318,786	3,318,786
Transfers out	<u>(366,393)</u>	<u>-</u>	<u>-</u>	<u>(366,393)</u>
Total other financing sources (uses)	<u>(366,393)</u>	<u>-</u>	<u>3,318,786</u>	<u>2,952,393</u>
Net change in fund balances	939,082	18,557	(542,747)	414,892
Fund balances – beginning of year	<u>2,787,639</u>	<u>208,535</u>	<u>541,587</u>	<u>3,537,761</u>
FUND BALANCES – END OF YEAR	<u>\$ 3,726,721</u>	<u>\$ 227,092</u>	<u>\$ (1,160)</u>	<u>\$ 3,952,653</u>

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**INDIVIDUAL FUND FINANCIAL STATEMENTS
DISCRETELY PRESENTED COMPONENT UNITS**

CITY OF FAIRHOPE, ALABAMA

**FUND BALANCE SHEET
FAIRHOPE PUBLIC LIBRARY BOARD
SEPTEMBER 30, 2019**

ASSETS

Cash and cash equivalents	\$ 564,556
Receivables, net	68,206
Prepaid items	<u>7,169</u>
Total assets	<u><u>\$ 639,931</u></u>

LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 16,272</u>
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FUND BALANCES

Nonspendable:	
Prepaid items	7,169
Restricted:	
Library improvements	303,790
Unassigned	<u>312,700</u>
Total fund balances	<u><u>623,659</u></u>

Total liabilities and fund balances	<u><u>\$ 639,931</u></u>
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CITY OF FAIRHOPE, ALABAMA

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FAIRHOPE PUBLIC LIBRARY BOARD
SEPTEMBER 30, 2019

Fund balances as reported on page 76	\$	623,659
Net position reported for governmental activities in the statement of net position are different from fund balances for governmental activities because:		
Capital assets used in governmental activities are financial resources and, therefore, are not reported in fund financial statements.		507,562
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.		(436,629)
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Employment retirement contributions		112,195
Long-term liabilities, including warrants, notes, capital lease obligations and OPEB obligations are not due and payable in the current period and, therefore, are not reported in fund financial statements: Net pension liability Deferred inflows of resources		(397,911) (60,519)
Net position of governmental activities as reported on page 26	\$	348,357

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FAIRHOPE PUBLIC LIBRARY BOARD
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

REVENUES

Fines and lost books	\$ 13,985
Donations, gifts, memorials and bequests	102,586
State aid	26,291
Lease income	1,500
Payments from City of Fairhope	818,477
Miscellaneous	12,400
Total revenues	<u>975,239</u>

EXPENDITURES

Salaries	505,203
Payroll taxes	37,891
Insurance	11,182
Employees' retirement	33,677
Books, periodicals, audio visual	114,602
Supplies	15,212
Janitorial service	21,198
Professional fees	8,058
Telecommunications	773
Capital outlay	43,640
Maintenance	39,413
Miscellaneous	58,001
Total expenditures	<u>888,850</u>

Net change in fund balances 86,389

Fund balances – beginning of year 537,270

FUND BALANCES – END OF YEAR \$ 623,659

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FAIRHOPE PUBLIC LIBRARY BOARD
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances – total governmental funds, page 77 \$ 86,389

Amounts reported for governmental activities in the statement of activities are different from the statements of revenues, expenditures and changes in fund balances – governmental funds because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

Depreciation expense for the year (27,969)

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

Change in net pension liability and deferred inflows of resources (7,570)

Change in net position of governmental activities, page 27 \$ 50,850

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
FAIRHOPE AIRPORT AUTHORITY
SEPTEMBER 30, 2019**

ASSETS

Cash and cash equivalents	\$ 288,373
Receivables, net	361,986
Prepaid items	15,754
Capital assets not being depreciated:	
Land	10,674,228
Construction in progress	28,534
Capital assets net of accumulated depreciation:	
Buildings and improvements	7,227,280
Runways	17,062,579
	<hr/>
Total assets	<u>\$ 35,658,734</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 437,285
Long-term liabilities:	
Due within one year	200,000
Due in more than one year	6,695,629
	<hr/>
Total liabilities	<u>7,332,914</u>

DEFERRED INFLOWS OF RESOURCES

Service concession arrangement revenue applicable to future years	<hr/>
	5,442,075
	<hr/>

NET POSITION

Net investment in capital assets	28,096,992
Unassigned	(5,213,247)
	<hr/>
Total net position	<u>22,883,745</u>
	<hr/>
Total liabilities and fund balances	<u>\$ 35,658,734</u>

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FAIRHOPE AIRPORT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

OPERATING REVENUES	
Fuel sales and rentals	\$ 237,443
Total operating revenues	<u>237,443</u>
OPERATING EXPENSES	
Insurance	38,906
Legal and professional	28,146
Maintenance	84,163
Depreciation	465,808
Other	12,162
Total operating expenses	<u>629,185</u>
OPERATING LOSS	<u>(391,742)</u>
NONOPERATING REVENUES (EXPENSES)	
Revenue from service concession arrangement	198,614
Intergovernmental revenue	3,444,085
Payments from City of Fairhope	320,000
Interest expense	(167,169)
Interest income	790
Total nonoperating revenues (expenses)	<u>3,796,320</u>
Change in net position	<u>3,404,578</u>
Net position – beginning of year	<u>19,479,167</u>
NET POSITION – END OF YEAR	<u><u>\$ 22,883,745</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF CASH FLOWS
FAIRHOPE AIRPORT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$ 237,443
Paid to suppliers for goods and services	(157,993)
Net cash provided by operating activities	<u>79,450</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>790</u>
-----------------	------------

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Repayment of debt	(200,000)
Interest paid	(154,739)
Capital grants received	3,422,299
Acquisition of capital assets	<u>(3,210,081)</u>
Net cash used in capital and related financing activities	<u>(142,521)</u>

DECREASE IN CASH

(62,281)

CASH – BEGINNING OF YEAR

350,654

CASH – END OF YEAR

\$ 288,373

**RECONCILIATION OF OPERATING LOSS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (391,742)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	465,808
Change in operating assets and operating liabilities:	
Increase (decrease) in accounts payable	<u>5,384</u>
Net cash provided by operating activities	<u><u>\$ 79,450</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**SCHEDULE OF CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CR 13 Sedge to Manley Sidewalk	\$ 178,831
Rock Creek Stabilization Project	646,573
Drainage Improvements	118,974
City Street Upgrades	243,975
BRATS Hub Transit Shelter	57,250
Library Renovations	993,479
North Beach Restrooms	101,001
US 98 and CR 13 Sidewalks	155,135
K-1 Center	2,511,785
Main Pier Electrical Upgrades	175,647
Civic Center HVAC Upgrades	45,557
Other Projects	<u>78,082</u>
Total	<u><u>\$ 5,306,289</u></u>

The above items are only from the capital projects fund.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

SCHEDULE OF INFORMATION REQUIRED BY BOND INDENTURES
SEPTEMBER 30, 2019

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Waste Water Fund</u>	
A. Utility customers at September 30, 2019 were as follows:				
Number of customers	7,027	11,511	19,740	
Number of metered customers	7,027	11,511	19,740	
Number of unmetered customers	-	-	-	
Number of waste water customers	-	-	11,358	
B. Annual Net Income of Utility Operations				
	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Waste Water Fund</u>	<u>Total</u>
Income from operations	\$ 3,752,988	\$ 2,140,611	\$ 4,460,886	\$ 10,354,485
Add:				
Depreciation and amortization	820,232	516,325	1,549,906	2,886,463
Interest income	<u>22,269</u>	<u>39,238</u>	<u>75,290</u>	<u>136,797</u>
Annual net income as prescribed by debt covenants	<u>\$ 4,595,489</u>	<u>\$ 2,696,174</u>	<u>\$ 6,086,082</u>	<u>\$ 13,377,745</u>
C. Utility fund casualty insurance coverage on electrical substations, natural gas facilities, water and waste-water facilities is included in a blanket policy with the Governmental Funds general capital assets, buildings and facilities. The City of Fairhope, Alabama is the named insured on all policies.				
Comprehensive general liability – expires January 2021				\$ 1,000,000
Buildings and facilities – expires January 2021				108,522,359
Equipment – expires January 2021				5,419,664
Automobile – expires January 2021				
Liability				1,000,000
Uninsured motorist				50,000
Public officials errors and omissions liability – expires January 2021				
Aggregate				2,000,000
Per occurrence				1,000,000
Police liability – expires January 2021				
Aggregate				2,000,000
Per occurrence				1,000,000
Excess liability policy for general liability, police and public official – expires January 2021				6,000,000
D. The City has complied with all requirements of the respective bond indentures.				

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

SUMMARY OF DEPOSITS, WITHDRAWALS AND BALANCES OF SELECTED TRUST ACCOUNTS AS
REQUIRED UNDER CERTAIN TRUST INDENTURES
SEPTEMBER 30, 2019

	1996 Capital Improvement	2011 Warrant Fund	2011 Reserve Fund	2015 Reserve Fund	2015 Warrant Fund
Balance October 1, 2018	\$ 50,000	\$ 559,483	\$ 1,421,028	\$ 378,125	\$ 304,839
Deposits	-	913,909	27,313	7,268	380,775
Disbursements	-	(905,286)	(25,844)	(6,910)	(374,254)
Balance September 30, 2019	<u>\$ 50,000</u>	<u>\$ 568,106</u>	<u>\$ 1,422,497</u>	<u>\$ 378,483</u>	<u>\$ 311,360</u>

See independent auditors' report.

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Fairhope, Alabama's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	86-91
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the sales tax and the property tax.</i>	92-97
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	98-101
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	102-103
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	104-106

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF FAIRHOPE, ALABAMA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 65,963,325	\$ 66,845,689	\$ 66,016,012	\$ 65,671,272	\$ 74,804,467	\$ 76,208,248	\$ 83,545,906	\$ 86,900,546	\$ 88,279,810	\$ 94,795,255
Restricted	840,781	1,193,604	1,015,592	2,007,967	1,557,163	2,308,667	1,706,056	650,031	750,122	227,092
Unrestricted	4,506,443	5,064,845	7,056,984	8,586,709	9,513,008	4,619,015	2,124,391	8,284,540	2,860,140	828,480
Total governmental activities net position	\$ 71,310,549	\$ 73,104,138	\$ 74,088,588	\$ 76,265,948	\$ 85,874,638	\$ 83,135,930	\$ 87,376,353	\$ 95,835,117	\$ 91,890,072	\$ 95,850,827
Business-type activities										
Net investment in capital assets	\$ 24,697,607	\$ 25,786,974	\$ 17,990,946	\$ 29,971,506	\$ 42,025,762	\$ 44,488,322	\$ 45,962,724	\$ 48,750,251	\$ 50,268,633	\$ 53,004,032
Restricted	1,649,106	1,658,631	12,337,047	3,698,889	3,718,288	2,619,251	2,907,634	2,693,371	2,713,478	2,730,446
Unrestricted	6,696,480	10,610,123	10,047,736	10,197,284	2,273,605	5,238,460	7,587,850	8,586,317	12,564,193	18,201,729
Total business-type activities net position	\$ 33,043,193	\$ 38,055,728	\$ 40,375,729	\$ 43,867,679	\$ 48,017,655	\$ 52,346,033	\$ 56,458,208	\$ 60,029,939	\$ 65,546,304	\$ 73,936,207
Primary government										
Net investment in capital assets	\$ 90,660,932	\$ 92,632,663	\$ 84,006,958	\$ 95,642,778	\$ 116,830,229	\$ 120,696,570	\$ 129,508,630	\$ 135,650,797	\$ 138,548,443	\$ 147,799,287
Restricted	2,489,887	2,852,235	13,352,639	5,706,856	5,275,451	4,927,918	4,613,690	3,343,402	3,463,600	2,957,538
Unrestricted	11,202,923	15,674,968	17,104,720	18,783,993	11,786,613	9,857,475	9,712,241	16,870,857	15,424,333	19,030,209
Total primary government net position	\$ 104,353,742	\$ 111,159,866	\$ 114,464,317	\$ 120,133,627	\$ 133,892,293	\$ 135,481,963	\$ 143,834,561	\$ 155,865,056	\$ 157,436,376	\$ 169,787,034

**CITY OF FAIRHOPE, ALABAMA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 6,929,734	\$ 6,176,077	\$ 8,103,118	\$ 7,451,793	\$ 9,067,340	\$ 8,890,052	\$ 9,828,668	\$ 7,232,746	\$ 5,580,501	\$ 5,859,684
Public safety	5,757,528	5,696,701	5,387,302	4,848,790	4,651,958	4,370,285	4,873,102	6,051,285	6,744,158	6,747,159
Public works	6,425,612	6,119,768	7,317,191	5,820,858	5,968,995	5,848,267	5,777,295	6,323,212	8,041,071	8,273,373
Cultural and recreational	2,974,186	2,899,439	2,722,089	2,910,651	2,893,490	3,055,121	3,564,948	4,896,744	6,899,557	6,921,431
Airport Authority	249,856	225,843	281,124	443,000	443,000	412,632	428,000	342,000	320,000	320,000
Public Library Board	772,539	798,997	810,636	840,636	886,028	924,736	1,025,236	1,025,887	1,024,522	1,029,124
Interest on long-term debt	694,083	633,161	589,174	507,982	472,222	344,808	339,051	53,853	94,506	71,726
Total governmental activities expenses	<u>23,803,538</u>	<u>22,549,986</u>	<u>25,210,634</u>	<u>22,823,710</u>	<u>24,383,033</u>	<u>23,845,901</u>	<u>25,836,300</u>	<u>25,925,727</u>	<u>28,704,315</u>	<u>29,222,497</u>
Business-type activities:										
Natural gas	5,757,648	5,037,587	4,484,683	5,234,887	5,529,610	5,056,618	4,886,415	4,949,991	4,930,235	5,777,998
Electric	15,664,835	16,909,931	16,912,834	17,164,781	18,379,231	18,227,563	17,683,205	17,622,258	16,966,013	17,063,612
Water and waste water	6,533,138	6,616,671	7,050,997	7,294,799	7,165,113	7,085,714	8,042,137	8,413,111	7,631,278	8,486,035
Total business-type activities expenses	<u>27,955,621</u>	<u>28,564,189</u>	<u>28,448,514</u>	<u>29,694,467</u>	<u>31,073,954</u>	<u>30,369,895</u>	<u>30,611,757</u>	<u>30,985,360</u>	<u>29,527,526</u>	<u>31,327,645</u>
Total primary government expenses	<u>\$ 51,759,159</u>	<u>\$ 51,114,175</u>	<u>\$ 53,659,148</u>	<u>\$ 52,518,177</u>	<u>\$ 55,456,987</u>	<u>\$ 54,215,796</u>	<u>\$ 56,448,057</u>	<u>\$ 56,911,087</u>	<u>\$ 58,231,841</u>	<u>\$ 60,550,142</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 5,249,279	\$ 5,383,822	\$ 6,301,207	\$ 6,052,493	\$ 6,225,471	\$ 3,585,456	\$ 7,837,796	\$ 8,676,864	\$ 7,523,386	\$ 7,953,532
Public safety	261,070	241,104	289,432	291,749	285,573	-	-	-	-	-
Public works	1,380,238	1,391,722	1,408,179	1,431,883	1,462,243	4,730,645	1,547,682	1,594,839	1,769,059	1,916,788
Cultural and recreational	1,188,745	1,360,254	1,411,138	1,544,278	1,553,287	1,622,983	1,649,815	1,664,643	1,926,828	2,148,050
Operating grants and contributions	22,267	24,402	-	-	9,144	-	-	102,507	94,494	127,978
Capital grants and contributions	1,389,592	302,963	1,317,475	438,033	8,416,283	1,319,753	1,467,355	1,642,474	1,319,678	1,777,375
Total governmental activities program revenues	<u>9,491,191</u>	<u>8,704,267</u>	<u>10,727,431</u>	<u>9,758,436</u>	<u>17,952,001</u>	<u>11,258,837</u>	<u>12,502,648</u>	<u>13,681,327</u>	<u>12,633,445</u>	<u>13,923,723</u>
Business-type activities:										
Charges for services:										
Natural gas	8,631,935	8,219,447	6,191,986	6,769,649	8,023,473	7,354,080	6,276,414	6,382,976	7,410,880	7,771,857
Electric	18,496,651	19,838,004	18,891,334	19,647,662	21,049,277	20,527,031	20,218,941	19,244,121	20,767,707	20,779,858
Water and waste water	8,959,041	10,287,898	9,838,580	9,980,089	10,018,231	10,860,135	11,164,497	11,870,652	11,529,979	12,538,531
Capital grants and contributions	-	-	-	-	-	-	-	-	-	253,028
Total business-type activities program revenues	<u>36,087,627</u>	<u>38,345,349</u>	<u>34,921,900</u>	<u>36,397,400</u>	<u>39,090,981</u>	<u>38,741,246</u>	<u>37,659,852</u>	<u>37,497,749</u>	<u>39,708,566</u>	<u>41,343,274</u>
Total primary government program revenues	<u>\$ 45,578,818</u>	<u>\$ 47,049,616</u>	<u>\$ 45,649,331</u>	<u>\$ 46,155,836</u>	<u>\$ 57,042,982</u>	<u>\$ 50,000,083</u>	<u>\$ 50,162,500</u>	<u>\$ 51,179,076</u>	<u>\$ 52,342,011</u>	<u>\$ 55,266,997</u>

**CITY OF FAIRHOPE, ALABAMA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expense)/revenue										
Governmental activities	\$ (14,312,347)	\$ (13,845,719)	\$ (14,483,203)	\$ (13,065,274)	\$ (6,431,032)	\$ (12,587,064)	\$ (13,333,652)	\$ (12,244,400)	\$ (16,070,870)	\$ (15,298,774)
Business-type activities	8,132,006	9,781,160	6,473,386	6,702,933	8,017,027	8,371,351	7,048,095	6,512,389	10,181,040	10,015,629
Total primary government net expense	<u>\$ (6,180,341)</u>	<u>\$ (4,064,559)</u>	<u>\$ (8,009,817)</u>	<u>\$ (6,362,341)</u>	<u>\$ 1,585,995</u>	<u>\$ (4,215,713)</u>	<u>\$ (6,285,557)</u>	<u>\$ (5,732,011)</u>	<u>\$ (5,889,830)</u>	<u>\$ (5,283,145)</u>
General Revenues and Other Changes in										
Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 4,842,366	\$ 4,590,840	\$ 4,591,739	\$ 4,298,046	\$ 4,330,537	\$ 4,550,766	\$ 4,869,877	\$ 5,050,643	\$ 5,535,117	\$ 5,947,563
Sales tax	4,443,325	4,590,149	4,898,362	5,437,863	6,518,249	6,797,757	7,422,726	8,069,350	8,444,241	9,269,702
Liquor taxes	392,255	393,123	425,888	425,816	445,132	451,719	482,755	536,643	498,044	606,819
Lodging taxes	483,271	495,870	569,142	643,495	614,278	681,419	696,379	762,562	653,697	1,116,242
Other taxes	131,135	120,518	124,234	139,666	138,204	138,382	133,057	139,444	127,513	122,059
Intergovernmental	424,359	248,011	314,525	596,816	389,561	1,695,688	568,566	-	-	-
Investment earnings	239,256	249,489	226,642	251,512	239,205	228,670	302,181	335,106	59,157	126,115
Loss on sale of assets	-	-	-	-	(261,340)	-	-	-	-	-
Other	1,293,419	124,161	143,319	213,169	147,672	705,142	147,452	283,385	262,849	292,339
Transfer of Golf Fund to Governmental Activities	-	-	-	-	-	-	-	-	-	-
Transfers in/(out)	4,897,104	4,827,147	4,173,802	3,236,251	3,612,482	1,826,575	2,951,082	2,753,244	3,181,000	1,778,690
Total government activities	<u>17,146,490</u>	<u>15,639,308</u>	<u>15,467,653</u>	<u>15,242,634</u>	<u>16,173,980</u>	<u>17,076,118</u>	<u>17,574,075</u>	<u>17,930,377</u>	<u>18,761,618</u>	<u>19,259,529</u>
Business-type activities:										
Investment earnings	23,385	58,522	20,417	25,268	30,815	18,440	15,162	23,552	53,651	136,797
Other	-	-	-	-	-	-	-	19,276	14,775	16,167
Transfer of Golf Fund to Governmental Activities	-	-	-	-	-	-	-	-	-	-
Transfers in/(out)	(4,897,104)	(4,827,147)	(4,173,802)	(3,236,251)	(3,612,482)	(1,826,575)	(2,951,082)	(2,753,244)	(3,181,000)	(1,778,690)
Total business-type activities	<u>(4,873,719)</u>	<u>(4,768,625)</u>	<u>(4,153,385)</u>	<u>(3,210,983)</u>	<u>(3,581,667)</u>	<u>(1,808,135)</u>	<u>(2,935,920)</u>	<u>(2,710,416)</u>	<u>(3,112,574)</u>	<u>(1,625,726)</u>
Total primary government	<u>\$ 12,272,771</u>	<u>\$ 10,870,683</u>	<u>\$ 11,314,268</u>	<u>\$ 12,031,651</u>	<u>\$ 12,592,313</u>	<u>\$ 15,267,983</u>	<u>\$ 14,638,155</u>	<u>\$ 15,219,961</u>	<u>\$ 15,649,044</u>	<u>\$ 17,633,803</u>
Change in Net Position										
Governmental activities	\$ 2,834,143	\$ 1,793,589	\$ 984,450	\$ 2,177,360	\$ 9,742,948	\$ 4,489,054	\$ 4,240,423	\$ 5,685,977	\$ 2,690,748	\$ 3,960,755
Business-type activities	3,258,287	5,012,535	2,320,001	3,491,950	4,435,360	6,563,216	4,112,175	3,801,973	7,068,466	8,389,903
Total primary government	<u>\$ 6,092,430</u>	<u>\$ 6,806,124</u>	<u>\$ 3,304,451</u>	<u>\$ 5,669,310</u>	<u>\$ 14,178,308</u>	<u>\$ 11,052,270</u>	<u>\$ 8,352,598</u>	<u>\$ 9,487,950</u>	<u>\$ 9,759,214</u>	<u>\$ 12,350,658</u>

CITY OF FAIRHOPE, ALABAMA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Sales Tax	Ad Valorem Tax	Automobile Tax	Beer, Wine and Liquor Tax	Cigarette Tax	Lodging Tax	Dog Tax	Total
2010	\$ 4,443,325	\$ 4,421,646	\$ 420,720	\$ 392,255	\$ 131,063	\$ 483,271	\$ 73	\$ 10,292,352
2011	4,590,149	4,102,942	487,897	393,123	120,458	495,870	61	10,190,500
2012	4,898,362	4,065,822	525,917	425,888	124,183	569,142	51	10,609,365
2013	5,437,863	3,738,511	559,534	425,816	139,526	643,495	141	10,944,886
2014	6,518,174	3,759,584	570,954	445,132	138,203	614,278	75	12,046,400
2015	6,797,757	3,950,750	600,015	451,719	138,298	681,419	85	12,620,043
2016	7,422,726	4,218,538	651,339	482,755	132,957	696,379	100	13,604,794
2017	8,069,350	4,310,029	740,614	536,643	139,380	762,562	64	14,558,642
2018	8,444,241	4,874,223	660,894	498,044	127,427	653,697	86	15,258,612
2019	9,269,702	5,270,773	676,789	606,819	122,006	1,116,242	54	17,062,385

CITY OF FAIRHOPE, ALABAMA
FUND BALANCES OF GOVERNMENTAL FUNDS
(modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,490	\$ 303,387	\$ 323,647
Committed	2,723,595	5,014,205	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,062,075	8,343,666	8,343,666
Unassigned	1,985,914	2,145,950	3,295,547	3,447,451	3,449,523	3,992,803	3,629,943	6,819,862	5,061,071	4,575,780
Total general fund	\$ 4,709,509	\$ 7,160,155	\$ 10,295,547	\$ 10,447,451	\$ 10,449,523	\$ 10,992,803	\$ 10,629,943	\$ 13,967,427	\$ 13,708,124	\$ 13,243,093
All other governmental funds										
Restricted:										
Debt service – other governmental funds	\$ 351,008	\$ 350,020	\$ 325,214	\$ 339,308	\$ 357,156	\$ 348,720	\$ 516,120	\$ 527,858	\$ 541,587	\$ -
Road maintenance – other governmental funds	-	-	-	274,746	46,007	105,947	35,936	122,173	208,535	227,092
Committed, reported in:										
Other governmental funds	127,419	167,786	1,029,075	1,252,213	851,448	826,435	1,478,912	2,255,722	5,403,308	3,726,721
Capital projects fund	362,354	675,799	-	58,625	1,956,986	4,398,406	1,364,704	4,147,827	2,787,639	1,943,247
Unassigned:										
Capital projects fund	-	-	(1,069,424)	181,085	-	-	-	-	-	-
Other governmental funds	-	-	-	-	-	-	-	-	-	(1,160)
Total all other governmental funds	\$ 840,781	\$ 1,193,605	\$ 284,865	\$ 2,105,977	\$ 3,211,597	\$ 5,679,508	\$ 3,395,672	\$ 7,053,580	\$ 8,941,069	\$ 5,895,900

The City implemented GASB Statement number 54 fiscal year 2011. This statement replaces the previous classifications of reserved, unreserved, designated and undesignated fund balances.

CITY OF FAIRHOPE, ALABAMA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Local taxes	\$ 10,292,352	\$ 10,190,500	\$ 10,609,364	\$ 10,944,885	\$ 12,046,399	\$ 12,620,043	\$ 13,604,795	\$ 14,681,633	\$ 15,259,245	\$ 17,002,565
Licenses and permits	2,178,982	2,295,795	2,612,793	2,731,766	3,000,673	3,306,620	3,596,049	3,945,641	4,364,902	4,570,915
Fines and forfeitures	261,070	241,104	289,432	291,749	285,573	278,837	236,724	284,893	273,887	237,812
Intergovernmental	547,556	345,966	667,344	1,022,649	991,614	639,523	693,761	876,086	954,086	1,090,181
Contribution from Public Library Board	65,000	183,285	1,000	1,500	-	-	-	-	-	-
Interest and rents	239,256	249,489	226,748	253,003	239,205	228,669	302,181	335,106	401,705	470,753
Charges for services	4,450,535	4,479,749	5,096,593	5,317,255	5,165,291	5,395,287	6,504,860	6,910,066	5,075,950	5,852,747
Assessments	-	-	3,659	-	-	-	-	-	-	-
Golf course revenue	858,237	1,020,250	1,001,627	1,113,277	1,067,593	1,137,114	1,127,306	1,190,281	1,062,204	1,060,650
Recreation Department	-	369,135	368,493	391,024	436,453	444,410	476,772	466,437	442,324	456,362
BP settlement proceeds	-	-	-	-	-	1,361,255	-	-	-	-
Legal settlement	-	-	-	-	-	598,640	-	-	-	-
Other	1,705,991	170,422	184,411	253,146	196,913	180,644	223,293	338,058	368,387	660,915
Total revenues	20,598,979	19,545,695	21,061,464	22,320,254	23,429,714	26,191,042	26,765,741	29,028,201	28,202,690	31,402,900
EXPENDITURES										
General government	6,279,197	5,335,143	7,026,721	6,862,394	8,311,150	8,289,346	8,738,427	6,451,497	4,912,047	5,303,050
Public safety	5,242,400	5,336,275	5,010,671	4,477,321	4,276,774	4,152,128	4,518,908	5,469,039	6,202,161	6,571,647
Public works	4,556,109	4,385,201	5,480,435	4,002,098	4,379,670	3,980,822	4,118,350	4,651,125	6,386,662	6,510,388
Cultural and recreational	2,698,686	2,659,218	2,378,268	2,512,499	2,491,611	2,664,900	2,989,627	4,017,963	6,028,022	6,238,487
Airport Authority	249,856	225,843	281,124	443,000	443,000	412,632	428,000	342,000	320,000	320,000
Public Library Board	565,000	565,000	600,000	630,000	674,100	714,100	814,600	814,600	814,600	818,477
Other	75,000	89,620	160,888	89,133	89,785	93,436	162,736	115,753	100,732	170,203
Debt service:										
Principal	1,047,483	831,483	4,804,960	1,485,545	2,894,540	483,780	6,478,558	1,573,560	1,578,340	3,775,470
Interest	704,043	666,652	616,221	508,483	465,409	374,479	390,971	111,633	94,751	87,534
Capital outlay	1,565,192	1,474,937	664,526	1,418,813	1,908,464	3,840,803	7,698,341	2,359,222	3,610,512	7,746,773
Total expenditures	22,982,966	21,569,372	27,023,814	22,429,286	25,934,503	25,006,426	36,338,518	25,906,392	30,047,827	37,542,029
Excess (deficiency) of revenues over expenditures	(2,383,987)	(2,023,677)	(5,962,350)	(109,032)	(2,504,789)	1,184,616	(9,572,777)	3,121,809	(1,845,137)	(6,139,129)
OTHER FINANCING SOURCES (USES)										
Transfers in	6,541,730	6,557,708	10,379,818	7,236,241	9,640,199	7,272,735	8,568,025	6,817,864	7,400,003	6,466,679
Proceeds from issuance of debt	-	-	4,015,200	-	-	-	3,975,000	-	-	-
Proceeds from capital lease	-	-	-	-	-	-	-	-	292,323	990,929
Transfers out	(1,644,626)	(1,730,561)	(6,206,016)	(3,999,990)	(6,027,718)	(5,446,160)	(5,616,944)	(4,098,281)	(4,219,003)	(4,828,679)
Total other financing sources (uses)	4,897,104	4,827,147	8,189,002	3,236,251	3,612,481	1,826,575	6,926,081	2,719,583	3,473,323	2,628,929
Net change in fund balance	\$ 2,513,117	\$ 2,803,470	\$ 2,226,652	\$ 3,127,219	\$ 1,107,692	\$ 3,011,191	\$ (2,646,696)	\$ 5,841,392	\$ 1,628,186	\$ (3,510,200)
Debt service as a percentage of noncapital expenditures	8.2%	7.5%	20.6%	9.5%	14.0%	4.1%	24.0%	7.2%	6.3%	13.0%

**CITY OF FAIRHOPE, ALABAMA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30	Residential Property	Commercial Property	Industrial Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2010	\$ 166,238,280	\$ 1,362,280	\$ 212,323,800	\$ 61,797,320	\$ 318,127,040	15	\$ 4,771,905,600
2011	152,409,500	1,293,000	199,340,360	61,323,460	291,719,400	15	4,375,791,000
2012	151,955,400	1,165,600	205,976,380	69,676,780	289,420,600	15	4,341,309,000
2013	142,695,840	1,188,460	189,033,860	64,091,460	268,826,700	15	4,032,400,500
2014	146,270,400	1,188,460	195,105,420	67,346,480	275,217,800	15	4,128,267,000
2015	173,467,000	1,448,760	185,206,880	56,434,980	303,687,660	15	4,555,314,900
2016	188,693,940	1,246,280	201,141,240	64,329,960	326,751,500	15	4,901,272,500
2017	204,961,080	379,420	207,388,960	65,103,500	347,625,960	15	5,214,389,400
2018	227,170,100	1,190,460	217,138,040	69,413,140	376,085,460	15	5,641,281,900
2019	252,096,200	1,136,540	221,101,860	70,209,480	404,125,120	15	6,061,876,800

Source: Baldwin County Revenue Commissioner

**CITY OF FAIRHOPE, ALABAMA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City				Overlapping Rates							Total Direct and Overlapping Rates			
	City				County				State						
	General Millage	School Millage	Bond Tax Millage	Total City Millage	General Millage	Road/ Bridge Millage	Fire Millage	School Millage	Health Care Authority Millage	Total County Millage	General Millage		School Millage	Soldier Millage	Total State Millage
2010	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2011	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2012	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2013	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2014	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2015	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2016	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2017	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2018	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0
2019	5.0	5.0	5.0	15.0	5.0	2.5	1.5	12.0	0.5	21.5	2.5	3.0	1.0	6.5	43.0

Source: Baldwin County Commission

**CITY OF FAIRHOPE, ALABAMA
PRINCIPAL PROPERTY TAXPAYERS
YEARS ENDED SEPTEMBER 30, 2019 AND 2010**

<u>Taxpayer</u>	<u>2019</u>			<u>2010</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
FST Wal-mart Stores East L P	\$ 2,717,280	1	0.7%	\$ -	-	0.0%
Arbor Gates Holdings LLC	2,471,340	2	0.6%	2,328,600	1	0.7%
Battles Road LLC	2,294,280	3	0.6%	1,801,020	2	0.5%
FST Mississippi Baldwin Square LLC	2,111,180	4	0.5%	-	-	0.0%
PSM Alabama Holdings LLC	2,086,960	5	0.5%	-	-	0.0%
FST Fairhope Hospitality Group LLC	1,562,800	6	0.4%	1,615,720	4	0.5%
Truland Homes LLC	1,553,020	7	0.4%	-	-	0.0%
A 1 Corte Jr Family Limited Partnership	1,497,500	8	0.4%	-	-	0.0%
Fairhope Ridge LLC	1,384,660	9	0.3%	-	-	0.0%
Bones Set Too LLC	1,366,640	10	0.3%	-	-	0.0%
Fairhope LLC	-	-	0.0%	1,686,080	3	0.5%
Bellsouth Tele, Inc dba AT&T	-	-	0.0%	1,162,520	5	0.3%
CHS Properties Inc	-	-	0.0%	1,142,480	6	0.4%
Fairhope Yacht Club	-	-	0.0%	1,112,080	7	0.3%
Pelican Properties, Inc	-	-	0.0%	1,104,960	8	0.3%
Bones & Babies, LLC	-	-	0.0%	1,063,900	9	0.4%
Fairhope Commercial Investments	-	-	0.0%	1,052,580	10	0.4%
	<u>\$ 19,045,660</u>		<u>4.7%</u>	<u>\$ 14,069,940</u>		<u>4.3%</u>

Source: Baldwin County Revenue Commissioner

**CITY OF FAIRHOPE, ALABAMA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended September 30</u>	<u>Total Tax Levy for Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2010	\$ 4,771,906	\$ 4,293,008	89.96%	\$ 347,908	\$ 4,640,916	97.25%
2011	4,375,791	3,336,261	76.24%	971,558	4,307,819	98.45%
2012	4,341,309	3,327,041	76.64%	673,667	4,000,708	92.15%
2013	4,032,401	3,590,944	89.05%	414,166	4,005,110	99.32%
2014	4,128,267	3,834,734	92.89%	175,177	4,009,911	97.13%
2015	4,556,121	4,123,187	90.50%	74,801	4,197,988	92.14%
2016	4,911,340	4,751,476	96.75%	4,727	4,756,203	96.84%
2017	4,908,058	4,540,127	92.50%	7,296	4,547,423	92.65%
2018	5,612,862	5,401,624	96.24%	5,662	5,407,286	96.34%
2019	6,019,599	5,950,335	98.85%	3,919	5,954,254	98.91%

Source: Baldwin County Revenue Commissioner

**CITY OF FAIRHOPE, ALABAMA
DIRECT AND OVERLAPPING SALES TAX RATES
CURRENT AND LAST FOUR FISCAL YEARS**

Fiscal Year	City Direct Rate	Baldwin County	State of Alabama
2015	2.00%	3.00%	4.00%
2016	2.00%	3.00%	4.00%
2017	2.00%	3.00%	4.00%
2018	2.00%	3.00%	4.00%
2019	2.00%	3.00%	4.00%

Source: City Clerk's Office

The City implemented its first sales tax effective July 1, 2009

**CITY OF FAIRHOPE, ALABAMA
PRINCIPAL SALES TAXPAYERS
LAST TEN YEARS**

Fiscal Year	Top 25 Taxpayers (approximate)	Total Tax	% of Total Tax
2010	\$ 2,124,169	\$ 4,443,325	48%
2011	2,502,259	4,591,088	55%
2012	2,525,722	4,855,972	52%
2013	2,641,175	5,437,863	49%
2014	3,673,425	6,518,249	56%
2015	3,624,562	6,733,115	54%
2016	3,788,930	7,232,073	52%
2017	4,059,864	7,865,989	52%
2018	4,871,492	8,249,479	59%
2019	4,450,078	8,723,465	51%

Source: City Treasurer's Office and Alabama Department of Revenue

Note: State law prohibits the disclosure of tax information for specific taxpayers.

**CITY OF FAIRHOPE, ALABAMA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income	Liability Per Capita
	General Obligation Debt	Capital Leases	General Obligation Debt	Utilities Revenue Debt	Notes Payable	Capital Leases			
2010	\$ 15,773,979	\$ 47,745	\$ 256,962	\$ 15,610,000	\$ 24,681	\$ -	\$ 31,713,367	6.43%	\$ 1,933
2011	14,965,792	24,449	241,993	14,925,000	-	-	30,157,234	6.47%	1,818
2012	14,200,481	-	226,260	23,125,000	-	-	37,551,741	8.07%	2,279
2013	12,682,152	-	209,680	21,636,094	-	-	34,527,926	6.93%	2,107
2014	9,789,376	-	5,904,220	20,571,057	-	-	36,264,653	6.23%	2,159
2015	9,307,360	-	4,743,000	16,574,669	-	-	30,625,029	4.87%	1,693
2016	6,833,058	-	3,581,942	16,152,226	-	-	26,567,226	3.92%	1,418
2017	5,259,498	-	2,420,502	14,842,522	-	-	22,522,522	3.18%	1,160
2018	3,681,158	292,323	1,258,842	14,017,818	-	-	19,250,141	2.38%	920
2019	-	1,188,940	735,000	12,455,000	-	-	14,378,940	1.58%	651

**CITY OF FAIRHOPE, ALABAMA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Net Taxable Sales	Liability Per Capita
2010	\$ 16,030,941	\$ 351,008	\$ 15,679,933	3.18%	\$ 956
2011	15,207,785	350,020	14,857,765	3.19%	896
2012	14,426,741	325,214	14,101,527	3.03%	856
2013	12,891,832	339,308	12,552,524	2.52%	766
2014	15,693,596	357,156	15,336,440	2.64%	913
2015	14,050,360	348,720	13,701,640	2.18%	757
2016	10,415,000	516,120	9,898,880	1.46%	529
2017	7,680,000	527,858	7,152,142	1.01%	368
2018	4,940,000	541,587	4,398,413	0.54%	210
2019	-	-	-	0.00%	-

**CITY OF FAIRHOPE, ALABAMA
COMPUTATION OF OVERLAPPING DEBT
SEPTEMBER 30, 2019**

	<u>Outstanding Debt</u>	<u>Percentage of debt Applicable to the City of Fairhope (1)</u>	<u>Amount of debt Applicable to the City of Fairhope</u>
Direct debt of the City	\$ 1,188,940	100.00%	\$ 1,188,940
Overlapping Debt (Supported by ad valorem tax)			
Baldwin County	\$ 84,823,407	8.32% ⁽¹⁾	<u>7,057,307</u>
			<u><u>\$ 8,246,247</u></u>

(1) Percentage of net assessed value of property in City (\$404,131,240) to net assessed value of property in Baldwin County (\$4,858,253,600) on October 1, 2019.

**CITY OF FAIRHOPE, ALABAMA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 63,625,408	\$ 58,343,880	\$ 57,884,120	\$ 53,765,340	\$ 55,043,560	\$ 60,737,532	\$ 65,350,300	\$ 69,525,192	\$ 75,223,856	\$ 80,826,248
Total net debt applicable to limit	<u>16,030,941</u>	<u>15,207,785</u>	<u>14,426,741</u>	<u>12,924,616</u>	<u>15,724,616</u>	<u>14,079,616</u>	<u>10,415,000</u>	<u>7,680,000</u>	<u>4,265,804</u>	<u>1,188,940</u>
Legal debt margin	<u>\$ 47,594,467</u>	<u>\$ 43,136,095</u>	<u>\$ 43,457,379</u>	<u>\$ 40,840,724</u>	<u>\$ 39,318,944</u>	<u>\$ 46,657,916</u>	<u>\$ 54,935,300</u>	<u>\$ 61,845,192</u>	<u>\$ 70,958,052</u>	<u>\$ 79,637,308</u>
Total net debt applicable to limit as a percentage of debt limit	25.20%	26.07%	24.92%	24.04%	28.57%	23.18%	15.94%	11.05%	5.67%	1.47%

Legal Debt Margin Calculation for Fiscal Year 2019

Total assessed value	<u>\$ 404,131,240</u>
Debt limit (20% of total assessed value)	<u>\$ 80,826,248</u>
Debt applicable to limit:	
General obligation warrants (including capital leases)	<u>1,188,940</u>
Legal debt margin	<u>\$ 79,637,308</u>

**CITY OF FAIRHOPE, ALABAMA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
2010	16,409	\$ 492,959,178	\$ 30,042	4,385	8.9%
2011	16,588	466,189,152	28,104	4,477	8.7%
2012	16,479	465,548,229	28,251	4,487	7.1%
2013	16,385	497,890,995	30,387	4,526	6.1%
2014	16,794	581,996,070	34,655	4,734	5.8%
2015	18,089	628,773,640	34,760	4,995	5.4%
2016	18,730	677,183,150	36,155	5,333	5.3%
2017	19,421	708,905,342	36,502	5,416	4.7%
2018	20,935	809,116,815	38,649	5,473	4.3%
2019	22,085	911,690,885	41,281	5,528	3.8%

Sources: U.S. Census Bureau
Sperling's Best Places Website
State of Alabama Department of Industrial Relations
Eastern Shore Chamber of Commerce
Baldwin County Board of Education
www.schooldigger.com

**CITY OF FAIRHOPE, ALABAMA
PRINCIPAL EMPLOYERS
YEARS ENDED SEPTEMBER 30, 2019 AND 2010**

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Thomas Hospital	1,000	1	11.8%	1,160	1	19.4%
Grand Hotel	750	2	8.9%	725	2	12.1%
City of Fairhope	465	3	5.5%	367	4	6.1%
Wal-Mart	320	4	3.8%	350	3	6.0%
Publix	150	5	1.8%	135	5	2.3%
Segers Aero	130	6	1.5%	-	-	0.0%
Winn-Dixie	75	7	0.9%	113	6	1.9%
Piggly Wiggly	75	8	0.9%	-	-	0.0%
CPSI	75	9	0.9%	-	-	0.0%
Bayside Orthopedics	68	10	0.8%	-	-	0.0%
Print Xcel	-	-	0.0%	61	7	1.1%
Bruno's	-	-	0.0%	67	8	1.1%
Fokkert AIR Inc	-	-	0.0%	60	9	1.0%
Balloons Everywhere	-	-	0.0%	55	10	0.9%
	3,108		36.8%	3,093		51.9%

Sources: Eastern Shore Chamber of Commerce and State Department of Industrial Relations

Note: Total city employment number represents people residing in City of Fairhope that are employed (place of residence) rather than employment for City of Fairhope businesses

2010: 5,971 2019: 8,804

**CITY OF FAIRHOPE, ALABAMA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Full-time Equivalent Employees as of September 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	55	53	53	48	48	49	49	49	53	76
Public Safety:										
Police	48	48	44	48	46	46	45	49	52	61
Fire										
Firefighters and Dispatch	13	17	18	17	18	17	14	15	16	21
Highways and Streets:										
Public Works	37	35	36	39	39	41	46	42	49	66
Sanitation	20	20	19	17	21	22	20	19	18	18
Cultural and Recreational:										
Recreation	18	19	19	24	23	25	26	29	32	91
Adult Recreation	13	14	14	9	10	11	12	11	11	19
Gas Department	18	18	18	17	15	15	15	16	18	19
Electric Department	17	17	18	17	22	21	19	19	22	20
Water/Waste Water Department	23	24	26	24	23	23	22	26	29	32
Golf Department	19	16	14	15	16	18	20	19	18	40
Total	281	281	279	275	281	288	288	294	318	463

Source: City of Fairhope Human Resources Department

**CITY OF FAIRHOPE, ALABAMA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Physical arrests	833	1,134	603	759	750	1,423	983	1,350	1,542	1,538
Parking violations	201	163	128	22	49	121	240	359	89	22
Traffic violations	1,245	1,419	2,215	1,379	887	633	1,726	2,490	1,684	1,656
Fire:										
Number of calls answered	658	801	657	690	853	836	865	1,025	1,058	1,023
Inspections	291	143	101	85	35	161	147	73	823	669
Highways and streets:										
Street resurfacing (miles)	-	-	8.1	-	-	-	13.2	-	1.2	1.2
Potholes repaired*	400	425	450	1,345	1,480	1,620	2,933	2,300	4,928	4,928
Sanitation:										
Garbage collected (tons/year)	8,627	9,100	8,711	7,564	8,509	8,236	8,654	9,222	9,554	10,108
Trash collected (tons/year)	7,385	6,487	5,767	5,513	6,292	5,545	5,902	8,228	7,189	7,741
Recyclables collected (tons/year)	1,281	1,495	1,508	1,512	1,714	1,779	1,855	1,843	1,835	1,803
Cultural and recreational:										
Golf course rounds @ 9 hole rounds	62,720	61,283	65,500	62,266	59,261	57,405	56,613	58,416	53,995	55,971
Pavilion/park parties	80	64	56	58	61	59	44	28	32	22
Waste water:										
Average daily sewage treatment (millions of gallons)	1.8	1.8	1.8	1.8	1.8	2.0	2.2	2.4	2.4	2.3

Sources: Various government departments

* The City changed the calculation method for potholes for fiscal year 2016 resulting in an increase.

**CITY OF FAIRHOPE, ALABAMA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	45	45	45	43	37	38	39	44	45	47
Fire stations	3	3	3	3	3	4	4	4	4	4
Highways and streets:										
Streets (miles)	98.1	98.1	99.1	99.1	103.84	106.54	108.64	111.14	112.64	112.64
Cultural and recreational:										
Parks acreage	248	248	248	248	356	504	504	504	504	657
Parks	51	51	51	51	52	54	54	54	54	56
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	6	6	6	6	6	6	12	12	12	16
Community center	3	3	3	3	3	3	3	3	3	3
Sewer:										
Sanitary sewers (miles)	125	125	125	126	126	130	135	175	175	180
Storm sewers (miles)	16.75	16.75	17.25	17.25	19.17	20.57	22.77	25.77	27.29	27.29
Maximum daily treatment capacity (millions of gallons)	4	4	4	4	4	4	4.2	4	4	4

Sources: Various government departments