



City of Fairhope, Alabama

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

CITY OF FAIRHOPE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020
PREPARED BY:
THE OFFICE OF THE FINANCE DIRECTOR

CITY OF FAIRHOPE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2020

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INTRODUCTORY SECTION



March 5, 2021

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

Sherry Sullivan
Mayor

Council Members

Kevin G. Boone

Robert A. Brown

Jack Burrell, ACOMO

Jimmy Conyers

Corey Martin

Lisa A. Hanks, MMC

City Clerk

Kimberly Creech

City Treasurer

The Comprehensive Annual Financial Report (CAFR) of the City of Fairhope, Alabama (the City), for the fiscal year ended September 30, 2020, 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, has issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2020. 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 22,677 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 five-member council is presided over by a president who is chosen by the council members and is a voting member of the council. All ordinances and resolutions are subject to the veto power of the mayor although the mayor's veto can be overridden by a two-thirds vote 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, a senior center, indoor and outdoor swimming pools, a tennis complex, a skate park, a dog 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

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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 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).

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. Annually, the Mayor prepares a proposed budget and submits the proposal to the City Council for consideration. 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 one of the fastest growing City's by population 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 make the City a desirable place to live for both these demographics.

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 2019, the City's median family income was \$75,197 (up from \$66,074 in 2017), while the State median family income was \$50,536 (up from \$46,472 in 2017). According to the U.S. Census Bureau, the City's owner-occupied housing unit's rate was 78.1%.

Fairhope's economy is heavily sustained by local businesses and entrepreneurship in industries such as aerospace, agricultural technology, 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 technology entrepreneurs with expertise and coaching, as well as, planning and funding advice for their companies and ideas.

For the third straight year, EMSI ranked Baldwin County as “Alabama’s Leader for Workforce Talent Attraction.” As a nearby neighbor of Mobile County, the City gains strong economic stability from the companies that continue to locate and expand operations with Airbus FAL, Austal USA, Walmart Distribution Center, Amazon and Port of Mobile facilities.

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 named 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. In spring a feature film “*The Map of Tiny Perfect Things*” was shot in the City and was released early 2021 by Amazon Studios. In spring of 2019, another feature film “Our Friend” was also shot in the City and was released in January of 2021. 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.

In response to the COVID-19 pandemic, the management team used the Pandemic Continuity of Operations Plan (COOP). The Mayor instructed directors to engage in the active reduction of non-essential operational expenses, freezing capital equipment purchases and new personnel positions, and deferring capital projects not currently under construction or funded by grants or other funding sources. Working with departmental directors, the City identified what was believed to be the worst-case scenario of potential revenue losses as well as a significant amount of non-essential expenses that could be reduced or delayed.

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 \$6,013,275 which represents 18.8% 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 for continuing growth and maintaining the quality of life and the highest level of governmental services to all residents.

Due to a citywide focus on resilience practices, Fairhope was chosen to host the National Oceanic and Atmospheric Administration's (NOAA) 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. Two of these projects are focused on preventing sewer overflows and upgrading the sewer system and capacity. These projects will be funded at \$650,000 (land-use), and \$10 million (sewer).

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. Management believes 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

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 comprehensive annual financial report for the fiscal year ended September 30, 2019. 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 accounting principles generally accepted in the United States of America 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.

Acknowledgements

The preparation of this report would not have been possible without the expertise and commitment of the staff of the Finance and Treasury Departments, 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,



Kimberly Creech
City Treasurer
City of Fairhope



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, 2019

Christopher P. Morill

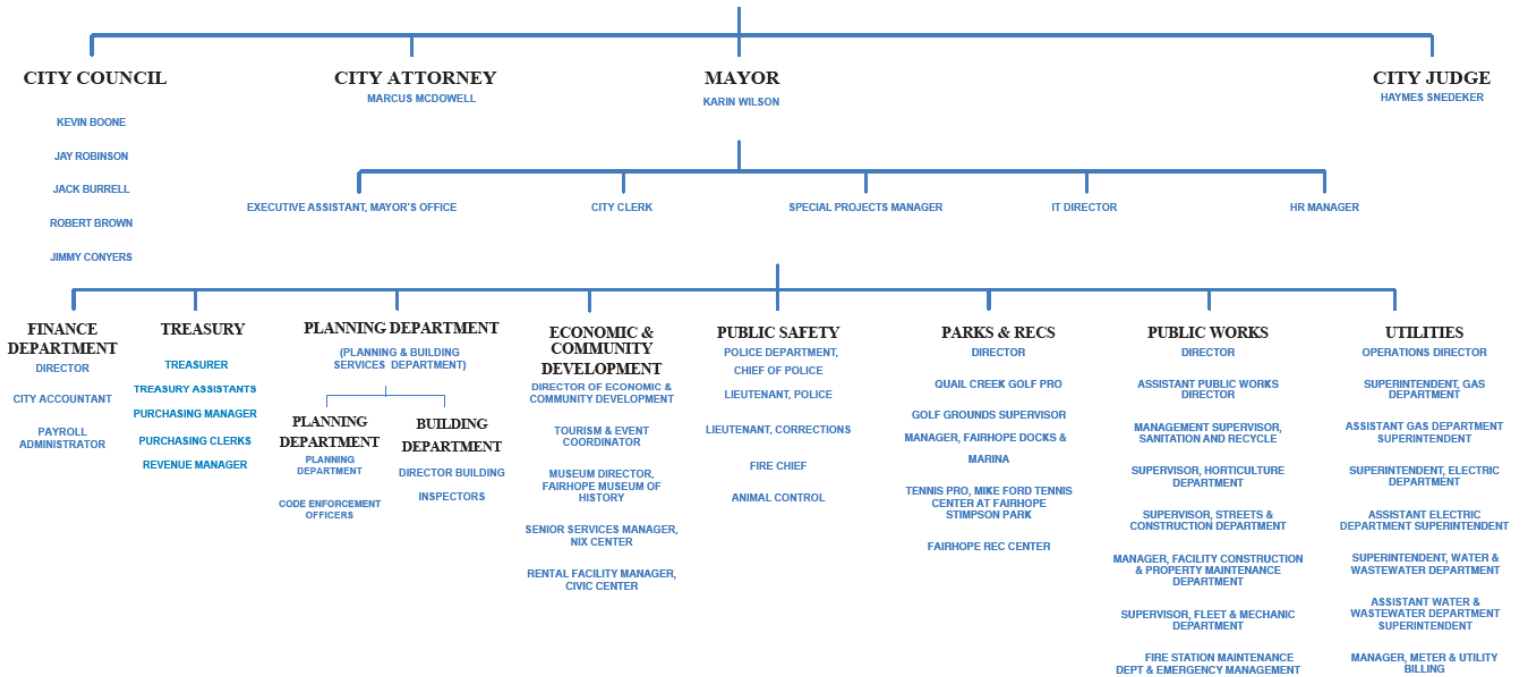
Executive Director/CEO

CITY OF FAIRHOPE, ALABAMA

ORGANIZATIONAL CHART

SEPTEMBER 30, 2020

CITIZENS OF FAIRHOPE



CITY OF FAIRHOPE, ALABAMA
CITY ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2020

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

The elected and appointed officials were those in office at September 30, 2020.

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, 2020, 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, 2020, 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 OPEB liability, and budgetary comparison information on pages 69 through 75 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 76 through 87, 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 5, 2021, 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 5, 2021

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, 2020. 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 \$185,067,814, a current year increase in net position of \$15,280,780 (page 17).
- 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 \$18,917,341, a decrease of \$221,652 from the prior year. The General Fund closed with a fund balance of \$13,883,906, an increase of \$640,813. The reason for the increase is from the payoff of the remaining general obligation warrants in the prior year freeing up cash in the current year. The Capital Projects Fund had a decrease in fund balance of \$1,080,423 after capital expenditures of \$2,213,742 and transfers from the General and Impact Fee Funds of \$524,564 (page 21). A detailed explanation of this decrease can be viewed on page 8 of this report.
- Citywide, governmental, and business-type funds cash (including restricted cash) totaled \$61,643,976, an increase of \$15,835,689 from the previous year. Governmental Funds cash totaled \$18,907,253 at September 30, 2020 (page 17). This is an increase of \$1,262,632 from the prior year. In addition, cash in the Capital Projects Fund decreased by \$1,272,384 due to City-wide projects including street and sidewalk improvements, the Marina seawall, and drainage improvements. In the other Governmental Funds, the increase of \$385,773 was primarily from the creation of the Municipal Capital Improvement Fund as well as the Rebuild Gas Tax Fund. Cash for both funds totaled \$900,573. However, Impact Fee cash decreased \$563,497 due to a decline in commercial development. The business-type funds cash totaled \$42,736,723 at year end (page 23), an increase of \$14,573,057 from last year. This is a result of the current year change in net position of \$11,527,455. This increase is due to the issuance of the Series 2020 Utility Revenue Warrants in the amount of \$11,565,000. The purpose of the Series 2020 Utility Revenue Warrants was to refund the Series 2011 Utility Revenue Warrants. As of September 30, 2020, the proceeds of the Series 2020 Utility Revenue Warrants were held in escrow and reported as restricted cash on the Statement of Net Position. The amounts held in escrow were used to refund the Series 2011 Utility Revenue Warrants on November 2, 2020.
- Revenues in the governmental funds increased approximately \$2,700,000 from the previous year. Expenses decreased approximately \$800,000. During fiscal 2020, revenues from the sales tax totaled \$9,930,150, an increase of approximately \$660,000 over the previous year. At year end, the General Fund's sales tax reserve totaled \$7 million with an additional \$6 million in unreserved.
- The combined governmental funds expended \$8,425,744 for capital projects and purchases, including \$781,666 for special projects such as construction of the marina seawall, drainage improvements, and electrical upgrades to the municipal pier. Transportation and pedestrian infrastructure including upgrades to streets and sidewalks totaled \$1,432,076. \$240,420 was for a working waterfront phase I project and \$5,971,582 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 \$12,263,363, compared to \$10,168,593 for fiscal 2019. Revenues increased approximately \$262,000. Costs of energy and operating expenses increased \$749,000. The utilities made net transfers to the General Fund of \$804,101 from income, which is \$833,899 more than transfers last year. The business-type activities recorded an increase in net position, after transfers, of \$11,527,455 (page 24). Details pertaining to these increases can be seen on page 9 of this report.
- The City's business-type activities made additions to property, plant and equipment of \$10,993,336. The majority of this increase was due to utility system improvements totaling \$10 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 increased by \$11,695,000 during fiscal year 2020, yielding total outstanding debt of approximately \$26,074,000 compared to the previous year's \$14,379,000. This increase was due primarily to the issuance of Utility Revenue Warrants of \$11,565,000 in September 2020 for the purpose of refunding the 2011 Utility Revenue Warrants. Business-type activities total debt was \$23,870,000 (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 74 of this report.

Government-Wide Financial Statements

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 method 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 Waste Water 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 \$185,067,814 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 \$15,280,780.

The largest portion of the City's net position, approximately 86% (\$159,380,410), 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 8% (\$15,426,457), represents resources that are subject to restrictions as to how they may be used. Funds restricted for debt service were \$14,240,799 and \$318,704 for road maintenance and construction and \$866,954 for capital improvements. Restricted funds increased approximately \$12,000,000 from the previous year.

The unrestricted net position, approximately 6% (\$10,260,947), may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position decreased \$8,769,262 during fiscal 2020 (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 \$9,600,936. 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 \$5,678,460. At year end, deferred outflows of resources included deferred charge on refunding of \$77,447, pension related items of \$2,962,017, and OPEB related items of \$1,329,737. Deferred inflows of resources at year end included pension related items of \$986,077 and OPEB related items of \$3,416,751. 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* — The City maintains two (2) types of proprietary funds: enterprise funds and an internal service fund. 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 enterprise funds include the Electric Fund, Natural Gas Fund and Water and Wastewater Fund, which are used to account for the operations of the utilities. The internal service fund was created in fiscal year 2020 and is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its employee's medical insurance. The internal service fund is presented in the fund financial statements.

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. 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, Impact Fees, Gas Tax, Rebuild Gas Tax, Municipal Capital Improvements, Federal Grants, Municipal Court, and Debt Service) revenues and expenditures, by function, for the fiscal year ended September 30, 2020, and the amounts of increases and decreases in relation to prior year revenues and expenditures.

Governmental activities revenues increased \$2,664,700 from the previous fiscal year. Expenditures of Governmental funds decreased \$792,677 for the same period. The following significant events, related to revenues and expense, occurred during fiscal 2020 (the figures are rounded):

Related to revenue:

- Intergovernmental revenue increased \$1,400,000 due mainly to an increase in FEMA grant revenues, as well as federal and state grants received.
- Local taxes increased \$946,000 due mainly to an increase of \$660,000 in sales tax collections and \$407,000 in property taxes.
- Other revenue increased \$559,000 due mainly to a \$263,000 donation to the City and an increase in sale of fixed assets and surplus items of \$208,000.
- Licenses and permits decreased by \$256,000. This was due to a decline in commercial building activities.

Related to expenditures:

- Capital outlay expenditures were approximately \$8,426,000, up \$679,000 from the prior year. Major capital expenditures for fiscal 2020 included \$2,214,000 for special projects such as construction of the marina seawall, drainage improvements, electrical upgrades to the municipal pier and approximately \$1,400,000 for transportation and pedestrian infrastructure including upgrades to streets and sidewalks. \$5,972,000 was for vehicles, equipment and other infrastructure additions.
- Other expenditures increased \$694,000 due to preparation and recovery supplies as a result of Hurricane Sally that affected the area on September 16, 2020.
- Expenditures in General Administrative increased \$691,000 from the prior year. Salaries increased \$171,000 among the General Administrative department due to two new positions as well as a full year's salary for two other employees that were hired during the latter part of 2019. Also, property was purchased for approximately \$513,000.
- Expenditures in Public Works and Public Safety increased \$453,000 and \$298,000 from the prior year, respectively. This was a direct result of an increase in personnel costs, \$447,000 for Public Works and \$184,000 for Public Safety, due to the additional hours worked as a result of Hurricane Sally.
- Debt Service decreased \$3,100,000 from the prior year due to the City's payoff of General Fund debt in the prior year.
- Cultural and Recreational expenditures decreased \$455,000 from the prior year due primarily to a three-year \$350,000 charitable contribution in Economic and Community Development that ended in fiscal year 2019. This contribution was an agreement between the City and the Baldwin County Board of Education for classroom upgrades and improvements for each of the five schools in Fairhope's feeder pattern.

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 \$18,917,341, a decrease of \$221,652. This follows a decrease in fund balances of \$3,510,200 the previous year. Approximately 32% (\$6,012,115) constitutes unassigned fund balance, which is available for spending at the City's discretion. Approximately 1% (\$136,037) is not in spendable format. Approximately 6% is restricted for road maintenance and capital improvements (\$1,135,047). Approximately 61% (\$11,634,142) is committed for items such as Council approved emergencies (\$7,000,000), construction and road maintenance (\$3,036,724), debt service (\$699,594) and capital projects (\$897,824). The General Fund had a fund balance of \$13,883,906, an increase of \$640,813. The Capital Projects Fund had a decrease in fund balance of \$1,080,423 after \$628,455 for special projects such as construction of the marina seawall, drainage improvements, and electrical upgrades to the municipal pier. \$1,432,076 was for transportation and pedestrian infrastructure including upgrades to streets and sidewalks. Additional capital outlay totaled \$153,211 and transfers from the General and Impact Fee Funds were \$524,564.

Debt Service and the Other Governmental Funds had fund balances of \$4,170,611 at year end, including restrictions for road maintenance and capital improvements of \$1,135,047, an increase of \$907,955 and committed funds reported in special revenue fund (Gas Tax and Impact Fees) of \$3,036,724, a decrease of \$689,997 (see pages 19 and 21). 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 \$99,604,152, an increase of \$3,753,325. The Electric, Gas, and Water and Waste Water Funds had a net position of \$85,463,662 at year end, an increase of \$11,527,455 (see pages 18 and 24).

Capital Projects decrease and Other Governmental Funds increase 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 \$2,330,270. Expenditures for the General Fund were up \$5,627,873 from the prior year. Transfers from the proprietary funds (Electric, Gas, and Water and Waste Water Funds) were \$1,917,795 for the current year, an increase of \$279,795 from the prior year. After transfers, the fund balance of the General Fund increased by \$640,813 during fiscal 2020. The most significant revenue increase of \$1,380,016 was from federal and state grant revenue due to the completion of large projects throughout the City. Local taxes increased \$946,413 from sales and property taxes. The most significant increase related to General Fund expenditures was in capital outlay. This increase totaled \$3,531,098 and was a result of a land purchase. Other expenditures increased \$769,921 and were primarily from the purchase of supplies due to Hurricane Sally. General government expenditures increased \$691,000 from the prior year due to salary increases and purchased property. Due to additional hours worked as a result of the hurricane, Public Works personnel costs increased \$452,643 from the previous year. 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 \$261,899 from the prior fiscal year. This represented a .6% increase. Operating expenses increased by \$749,001, a 2% 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 salaries which comprises 96% of the total increase. 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 \$12,263,363, an increase of \$2,094,770. Transfers to the General Fund were \$1,917,795, or 16% of income. For fiscal 2020 the transfers to the General Fund were \$1,638,000, or 16% of income.

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 74 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, 2020, actual revenues were more than budgeted revenues by \$1,651,000. The primary reasons for the variance are as follows:

- Local taxes exceeded budget by \$790,000 or 5% due to greater than anticipated revenue from sales tax.
- Licenses and permits revenue was less than budget by \$267,000 or 6%. \$278,000 was from a decrease in building permits and inspection fees due to the decline in commercial building activity.
- Fines and forfeitures were less than budget by \$76,000 or 28% due to a decrease in tickets issued.
- Intergovernmental revenue exceeded budgeted revenue by \$970,000 or 231%. This was due to unbudgeted FEMA and federal grant revenues totaling \$752,000. Unbudgeted financial institute excise tax revenue from the State of Alabama of \$223,000 also contributed to the excess revenue.
- Recreation department as well as golf course revenue fell below budget \$213,000 or 47% and \$96,000 or 9% respectively due to the closing of facilities as a result of COVID-19.
- Other revenue exceeded budgeted revenue by \$536,000 or 78%. This increase was a result of donations received by the City totaling \$316,000, greater than anticipated fuel sales at the Marina in the amount of \$151,000 and sale of fixed assets of \$59,000.

For the year ended September 30, 2020, actual expenditures were more than budgeted expenditures by \$3,276,000. The primary reasons for the variance are as follows:

- General department expenditures were less than budget by \$184,000 or 4% due to decreases in training and travel, professional services, and maintenance.
- Expenditures for the Planning department were greater than budget by \$94,000 or 12% due to the reallocation of legal fees that in past years had been expensed out of the General Fund.
- Building department expenditures were less than budget by \$110,000 or 12% due primarily to the decrease in professional services as well as building fees. Professional services budgeted did not materialize until fiscal year 2021 and building fees decrease was due to a decline in commercial building activity as a result of COVID-19.
- Police expenditures were less than budgeted expenditures by \$324,000 or 5%. 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 \$59,000 or 9% due to a decrease in equipment and vehicle repair and general supplies.
- Street department expenditures fell below budget by \$249,000 or 7% due to a decrease in salaries.
- Economic and Community Development expenditures were less than budget by \$147,000 or 17% due primarily to the cancellation of several community events as a result of COVID-19.

- Expenditures in both Golf and Recreation fell below budget by \$142,000 or 9% and \$101,000 or 4% respectively. This decrease was due to less than anticipated employee costs from closing City facilities as a result of COVID-19.
- Marina expenditures were below budget by \$63,000 or 12% due to decreases in general supplies and maintenance.
- Other expenditures were \$769,000 or 831% more than budget due to the purchase of supplies for Hurricane Sally.
- Principal debt service payments exceeded budget by \$300,000 or 100% due to a note payable entered into with the Baldwin County Board of Education for the purchase of land.
- Capital outlay exceeded budget by \$3,554,000 or 147% due primarily to a large land purchase.

Capital Assets

As of September 30, 2020, the City's governmental activities had \$99,853,435 invested in capital assets, net of accumulated depreciation. This is an increase of \$3,869,240 from the prior year. The business-type activities had \$74,027,037 invested in capital assets, net of accumulated depreciation. This is an increase of \$7,939,377 from the prior year. (see Note 6, Capital Assets, pages 41 and 42).

The City's governmental activities capital assets, at cost, were \$165,875,955 at September 30, 2020, an increase of \$7,795,937 from the prior year. The business-type activities, the Electric, Gas, and Water and Waste Water Funds, had capital assets, at cost, of \$128,189,527, an increase of \$10,785,650. 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, 2020, the City had long-term debt of \$26,073,573 (excluding premiums and discounts), including bonds and warrants payable, notes payable, and obligations under capital leases. This is a net increase, Citywide, of \$11,694,633 from the prior year. Governmental activities' increase in long-term debt was \$1,014,633. Business-type activities' increase in long-term debt was \$8,329,442. This increase was due to the issuance of Utility Revenue Warrants in September 2020 for the purpose of refunding the 2011 Utility Revenue Warrants.

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

Due to the uncertainty of the global pandemic that has affected the economy, the 2020-2021 budget is conservatively written with most of Governmental activities' revenues and expenditures remaining flat. The business-type activities' budget reflects a moderate rise in both revenues and expenses signifying growth in utility operations amidst the pandemic. The following are factors considered in next year's budget.

- Property tax revenue is expected to increase 7% while a 2% rise from administrative services is projected.
- Revenues in Civic and Adult Recreation are projected to decrease by 15% due to the reduction in rentals and events.
- Marina revenues are expected to decrease by 26% due to a decline in occupancy and fuel sales.

- Building and permitting revenue is projected to decrease by 4% due to the anticipation of fewer permitting projects.
- In the business-type activities, Water and Waste Water and Electric revenues are expected to increase 11% and 6%, respectively.
- On the expenditure side, Police and Fire are expected to increase due to the rise in employee costs as well as large capital purchases in Fire. Also expected to increase due to travel and training are Revenue, Planning, Building and Recreation. Computer expenditures are projected to increase significantly due to the ever-changing technology needs of the City. Although operating expenditures across all General Fund departments are expected to increase, overall expenditures are projected to decrease 3%. This is due to the unexpected land purchase made by the City during the year.
- In the utilities, costs of energy and operating expenses in the utilities are projected to increase by approximately 11% from actual amounts for 2021.

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, 2020

Figure 1

	GOVERNMENTAL		BUSINESS - TYPE		TOTAL PRIMARY		COMPONENT UNITS			
	ACTIVITIES		ACTIVITIES		GOVERNMENT		LIBRARY		AIRPORT AUTHORITY	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Current and Other Assets	\$ 21,741,060	\$ 20,261,240	\$ 47,210,493	\$ 31,243,886	\$ 68,951,553	\$ 51,505,126	\$ 775,535	\$ 639,931	\$ 432,757	\$ 666,113
Capital Assets, Net	99,853,435	95,984,195	74,027,037	66,087,660	173,880,472	162,071,855	45,988	70,933	35,258,999	34,992,621
Total Assets	121,594,495	116,245,435	121,237,530	97,331,546	242,832,025	213,576,981	821,523	710,864	35,691,756	35,658,734
Deferred loss on advance refunding	-	-	77,447	84,487	77,447	84,487	-	-	-	-
Pension related items	2,313,103	1,766,102	648,914	473,420	2,962,017	2,239,522	102,592	112,195	-	-
OPEB related items	1,006,801	441,273	322,936	109,642	1,329,737	550,915	-	-	-	-
Total Deferred Outflows of Resources	3,319,904	2,207,375	1,049,297	667,549	4,369,201	2,874,924	102,592	112,195	-	-
Total Assets and Deferred Outflows of Resources	\$ 124,914,399	\$ 118,452,810	\$ 122,286,827	\$ 97,999,095	\$ 247,201,226	\$ 216,451,905	\$ 924,115	\$ 823,059	\$ 35,691,756	\$ 35,658,734
Long-Term Liabilities	\$ 19,416,826	\$ 16,060,657	\$ 29,536,219	\$ 17,626,701	\$ 48,953,045	\$ 33,687,358	\$ -	\$ -	\$ 6,695,629	\$ 6,895,629
Other Liabilities	2,464,040	1,105,094	6,313,499	5,073,811	8,777,539	6,178,905	453,656	414,183	90,023	437,285
Total Liabilities	21,880,866	17,165,751	35,849,718	22,700,512	57,730,584	39,866,263	453,656	414,183	6,785,652	7,332,914
Pension related items	842,412	1,910,664	143,665	486,392	986,077	2,397,056	30,093	60,519	-	-
OPEB related items	2,586,969	3,525,568	829,782	875,984	3,416,751	4,401,552	-	-	-	-
Service concession arrangement revenue applicable in future years	-	-	-	-	-	-	-	-	5,678,460	5,442,075
Total Deferred Inflows of Resources	3,429,381	5,436,232	973,447	1,362,376	4,402,828	6,798,608	30,093	60,519	5,678,460	5,442,075
Net Position:										
Net investment in capital assets	97,649,862	94,795,255	61,730,548	53,004,032	159,380,410	147,799,287	45,988	70,933	28,563,370	28,096,992
Restricted	1,135,047	227,092	14,291,410	2,730,446	15,426,457	2,957,538	365,076	303,790	-	-
Unrestricted	819,243	828,480	9,441,704	18,201,729	10,260,947	19,030,209	29,302	(26,366)	(5,335,726)	(5,213,247)
Total Net Position	99,604,152	95,850,827	85,463,662	73,936,207	185,067,814	169,787,034	440,366	348,357	23,227,644	22,883,745
Total Liabilities and Net Position	\$ 124,914,399	\$ 118,452,810	\$ 122,286,827	\$ 97,999,095	\$ 247,201,226	\$ 216,451,905	\$ 924,115	\$ 823,059	\$ 35,691,756	\$ 35,658,734

CITY OF FAIRHOPE, ALABAMA
CONDENSED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Figure 2

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRIMARY GOVERNMENT		COMPONENT UNITS			
							LIBRARY		AIRPORT AUTHORITY	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Program Revenues										
Charges for Services	\$ 12,075,196	\$ 12,018,370	\$ 41,352,145	\$ 41,090,246	\$ 53,427,341	\$ 53,108,616	\$ 163,701	\$ 130,471	\$ 238,957	\$ 237,443
Operating Grants and Contributions	542,126	127,978	24,299	-	566,425	127,978	883,929	844,768	533,614	518,614
Capital Grants and Contributions	2,846,663	1,777,375	2,304,665	253,028	5,151,328	2,030,403	-	-	381,948	3,444,085
General Revenues										
Taxes	17,945,395	17,062,385	-	-	17,945,395	17,062,385	-	-	-	-
Investment Earnings	274,246	126,115	519,544	136,797	793,790	262,912	-	-	2,848	790
Other	341,897	292,339	37,608	16,167	379,505	308,506	-	-	3,500	-
Total Revenues	<u>34,025,523</u>	<u>31,404,562</u>	<u>44,238,261</u>	<u>41,496,238</u>	<u>78,263,784</u>	<u>72,900,800</u>	<u>1,047,630</u>	<u>975,239</u>	<u>1,160,867</u>	<u>4,200,932</u>
Expenses										
General Government	7,278,497	5,859,684	-	-	7,278,497	5,859,684	-	-	-	-
Public Safety	7,125,224	6,747,159	-	-	7,125,224	6,747,159	-	-	-	-
Public Works	8,763,332	8,273,373	-	-	8,763,332	8,273,373	-	-	-	-
Cultural and Recreational	6,491,954	6,921,431	-	-	6,491,954	6,921,431	-	-	-	-
Airport Authority	320,000	320,000	-	-	320,000	320,000	-	-	-	-
Public Library Board	1,069,323	1,029,124	-	-	1,069,323	1,029,124	-	-	-	-
Interest on Long-term Debt	27,969	71,726	-	-	27,969	71,726	-	-	-	-
Electric	-	-	17,022,979	17,063,612	17,022,979	17,063,612	-	-	-	-
Natural Gas	-	-	5,670,355	5,777,998	5,670,355	5,777,998	-	-	-	-
Water and Waste Water	-	-	9,213,371	8,486,035	9,213,371	8,486,035	-	-	-	-
Airport Authority	-	-	-	-	-	-	-	-	816,968	796,354
Fairhope Public Library	-	-	-	-	-	-	955,621	924,389	-	-
Total Expenses	<u>31,076,299</u>	<u>29,222,497</u>	<u>31,906,705</u>	<u>31,327,645</u>	<u>62,983,004</u>	<u>60,550,142</u>	<u>955,621</u>	<u>924,389</u>	<u>816,968</u>	<u>796,354</u>
Change in Net Position Before Transfers	<u>2,949,224</u>	<u>2,182,065</u>	<u>12,331,556</u>	<u>10,168,593</u>	<u>15,280,780</u>	<u>12,350,658</u>	<u>92,009</u>	<u>50,850</u>	<u>343,899</u>	<u>3,404,578</u>
Transfers	804,101	1,778,690	(804,101)	(1,778,690)	-	-	-	-	-	-
Change in Net Position	<u>3,753,325</u>	<u>3,960,755</u>	<u>11,527,455</u>	<u>8,389,903</u>	<u>15,280,780</u>	<u>12,350,658</u>	<u>92,009</u>	<u>50,850</u>	<u>343,899</u>	<u>3,404,578</u>
Net Position, Beginning	<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>
Net Position, Ending	<u>\$ 99,604,152</u>	<u>\$ 95,850,827</u>	<u>\$ 85,463,662</u>	<u>\$ 73,936,207</u>	<u>\$ 185,067,814</u>	<u>\$ 169,787,034</u>	<u>\$ 440,366</u>	<u>\$ 348,357</u>	<u>\$ 23,227,644</u>	<u>\$ 22,883,745</u>

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Figure 3

Revenues	9/30/2020 Total	9/30/2019 Total	Increase (Decrease)
Local taxes	\$ 17,948,978	\$ 17,002,565	\$ 946,413
Licenses and permits	4,315,235	4,570,915	(255,680)
Fines and forfeitures	199,228	237,812	(38,584)
Intergovernmental	2,470,197	1,090,181	1,380,016
Interest and rents	576,479	470,753	105,726
Charges for services	6,098,090	5,852,747	245,343
Golf course revenue	1,000,949	1,060,650	(59,701)
Recreation department	238,811	456,362	(217,551)
Other	1,219,633	660,915	558,718
Totals	<u>\$ 34,067,600</u>	<u>\$ 31,402,900</u>	<u>\$ 2,664,700</u>

Expenditures	9/30/2020 Total	9/30/2019 Total	Increase (Decrease)
General government	\$ 5,994,284	\$ 5,303,050	\$ 691,234
Public safety	6,869,403	6,571,647	297,756
Public works	6,963,031	6,510,388	452,643
Cultural and recreational	5,783,450	6,238,487	(455,037)
Airport Authority	320,000	320,000	-
Public Library Board	859,401	818,477	40,924
Other	863,699	170,203	693,496
Debt Service:			
Principal	641,366	3,775,470	(3,134,104)
Interest	28,974	87,534	(58,560)
Capital Outlay	8,425,744	7,746,773	678,971
Totals	<u>\$ 36,749,352</u>	<u>\$ 37,542,029</u>	<u>\$ (792,677)</u>

CITY OF FAIRHOPE, ALABAMA

CAPITAL ASSETS

Figure 4

Governmental Activities

	Balance 10/1/2019	Additions	Disposals	Transfers/ Reclassifications	Balance 9/30/2020
Land	\$ 23,056,496	\$ 4,671,162	\$ -	\$ -	\$ 27,727,658
Construction in progress	818,457	1,458,234	-	(721,091)	1,555,600
Buildings and structures	41,819,295	562,045	-	465,810	42,847,150
Vehicles and equipment	19,280,548	975,009	(653,337)	160,406	19,762,626
Infrastructure	73,105,222	672,013	-	205,686	73,982,921
Total Capital Assets	<u>\$ 158,080,018</u>	<u>\$ 8,338,463</u>	<u>\$ (653,337)</u>	<u>\$ 110,811</u>	<u>\$ 165,875,955</u>

Business-type Activities

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund
Balance at 10/1/2019	\$ 38,274,388	\$ 18,774,065	\$ 60,355,424
Additions to plant	4,286,738	460,346	4,847,695
Addition to land, buildings, vehicles and equipment	500,078	301,156	597,323
Disposals	-	-	(96,875)
Transfers	(116,830)	-	6,019
Total Capital Assets at 9/30/2020	<u>\$ 42,944,374</u>	<u>\$ 19,535,567</u>	<u>\$ 65,709,586</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	\$ -	\$ 11,935,000
Utilities Revenue Warrants, 2015	-	370,000
Utilities Revenue Warrants, 2020	-	11,565,000
Note Payable	1,200,000	-
Capital leases	1,003,573	-
Compensated absences	1,297,480	551,983
Totals	<u>\$ 3,501,053</u>	<u>\$ 24,421,983</u>

BASIC FINANCIAL STATEMENTS

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Governmental Fund Types			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash	\$ 18,907,253	\$ 28,445,313	\$ 47,352,566	\$ 1,127,646
Restricted cash	-	14,291,410	14,291,410	-
Receivables, net	2,621,405	3,709,668	6,331,073	55,329
Internal balances	41,440	(41,440)	-	-
Inventories	112,931	762,081	875,012	-
Prepaid items	23,106	7,371	30,477	25,317
Other assets	34,925	36,090	71,015	-
Capital assets not being depreciated:				
Land	27,727,658	9,260,517	36,988,175	10,674,228
Construction in progress	1,555,600	-	1,555,600	50,191
Capital assets net of accumulated depreciation:				
Buildings and improvements	27,809,933	1,193,696	29,003,629	7,727,321
Vehicles and equipment	5,229,324	2,789,102	8,018,426	45,988
Infrastructure	37,530,920	-	37,530,920	-
Distribution and collection systems	-	60,783,722	60,783,722	-
Runways	-	-	-	16,807,259
Total assets	<u>121,594,495</u>	<u>121,237,530</u>	<u>242,832,025</u>	<u>36,513,279</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	77,447	77,447	-
Pension related items	2,313,103	648,914	2,962,017	102,592
OPEB related items	1,006,801	322,936	1,329,737	-
Total deferred outflows of resources	<u>3,319,904</u>	<u>1,049,297</u>	<u>4,369,201</u>	<u>102,592</u>
Total assets and deferred outflows of resources	<u>\$ 124,914,399</u>	<u>\$ 122,286,827</u>	<u>\$ 247,201,226</u>	<u>\$ 36,615,871</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,433,862	\$ 3,534,912	\$ 5,968,774	\$ 106,154
Unearned revenue	-	584,046	584,046	-
Customer deposits	30,178	2,194,541	2,224,719	-
Noncurrent liabilities:				
Due within one year	1,017,849	1,449,799	2,467,648	200,000
Due in more than one year:				
Net pension liability	8,646,492	2,794,170	11,440,662	437,525
Total OPEB liability	7,269,281	2,331,655	9,600,936	-
Other	2,483,204	22,960,595	25,443,799	6,495,629
Total liabilities	<u>21,880,866</u>	<u>35,849,718</u>	<u>57,730,584</u>	<u>7,239,308</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	842,412	143,665	986,077	30,093
OPEB related items	2,586,969	829,782	3,416,751	-
Service concession arrangement revenue applicable to future years	-	-	-	5,678,460
Total deferred inflows of resources	<u>3,429,381</u>	<u>973,447</u>	<u>4,402,828</u>	<u>5,708,553</u>
NET POSITION				
Net investment in capital assets	97,649,862	61,730,548	159,380,410	28,609,358
Restricted for:				
Debt service	-	14,240,799	14,240,799	-
Road maintenance	318,704	-	318,704	-
Capital improvements	816,343	50,611	866,954	-
Library improvements	-	-	-	365,076
Unrestricted	819,243	9,441,704	10,260,947	(5,306,424)
Total net position	<u>99,604,152</u>	<u>85,463,662</u>	<u>185,067,814</u>	<u>23,668,010</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 124,914,399</u>	<u>\$ 122,286,827</u>	<u>\$ 247,201,226</u>	<u>\$ 36,615,871</u>

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

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 7,278,497	\$ 8,006,104	\$ -	\$ 282,500	\$ 1,010,107	\$ -	\$ 1,010,107	\$ -
Public safety	7,125,224	-	289,265	273,433	(6,562,526)	-	(6,562,526)	-
Public works	8,763,332	2,073,829	222,811	1,708,001	(4,758,691)	-	(4,758,691)	-
Cultural and recreational	6,491,954	1,995,263	30,050	582,729	(3,883,912)	-	(3,883,912)	-
Airport Authority	320,000	-	-	-	(320,000)	-	(320,000)	-
Public Library Board	1,069,323	-	-	-	(1,069,323)	-	(1,069,323)	-
Interest on long-term debt	27,969	-	-	-	(27,969)	-	(27,969)	-
Total governmental activities	<u>31,076,299</u>	<u>12,075,196</u>	<u>542,126</u>	<u>2,846,663</u>	<u>(15,612,314)</u>	<u>-</u>	<u>(15,612,314)</u>	<u>-</u>
Business-type activities:								
Electric	17,022,979	20,298,577	17,194	2,034,699	-	5,327,491	5,327,491	-
Natural gas	5,670,355	7,428,215	1,241	27,737	-	1,786,838	1,786,838	-
Water and Waste Water	9,213,371	13,625,353	5,864	242,229	-	4,660,075	4,660,075	-
Total business-type activities	<u>31,906,705</u>	<u>41,352,145</u>	<u>24,299</u>	<u>2,304,665</u>	<u>-</u>	<u>11,774,404</u>	<u>11,774,404</u>	<u>-</u>
Total primary government	<u>\$ 62,983,004</u>	<u>\$ 53,427,341</u>	<u>\$ 566,425</u>	<u>\$ 5,151,328</u>	<u>(15,612,314)</u>	<u>11,774,404</u>	<u>(3,837,910)</u>	<u>-</u>
Component Units	<u>\$ 1,772,589</u>	<u>\$ 402,658</u>	<u>\$ 1,417,543</u>	<u>\$ 381,948</u>				<u>429,560</u>
General revenues:								
Property taxes					6,354,890	-	6,354,890	-
Sales tax					9,930,150	-	9,930,150	-
Liquor taxes					632,363	-	632,363	-
Lodging taxes					911,537	-	911,537	-
Other taxes					116,455	-	116,455	-
Investment earnings					274,246	519,544	793,790	2,848
Other					341,897	37,608	379,505	3,500
Transfers					804,101	(804,101)	-	-
Total general revenues and transfers					<u>19,365,639</u>	<u>(246,949)</u>	<u>19,118,690</u>	<u>6,348</u>
Change in net position					<u>3,753,325</u>	<u>11,527,455</u>	<u>15,280,780</u>	<u>435,908</u>
Net position - beginning					<u>95,850,827</u>	<u>73,936,207</u>	<u>169,787,034</u>	<u>23,232,102</u>
Net position - ending					<u>\$ 99,604,152</u>	<u>\$ 85,463,662</u>	<u>\$ 185,067,814</u>	<u>\$ 23,668,010</u>

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

CITY OF FAIRHOPE, ALABAMA

FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$13,726,065	\$ 426,846	\$ 4,203,982	\$ 18,356,893
Receivables, net	1,912,401	527,759	86,988	2,527,148
Inventory	112,931	-	-	112,931
Prepaid items	23,106	-	-	23,106
Due from other funds	197,772	-	-	197,772
Other assets	34,925	-	-	34,925
Total assets	<u>\$ 16,007,200</u>	<u>\$ 954,605</u>	<u>\$ 4,290,970</u>	<u>\$ 21,252,775</u>
LIABILITIES				
Accounts payable	\$ 1,512,363	\$ 91,781	\$ 57,334	\$ 1,661,478
Accrued expenditures and taxes	523,990	-	-	523,990
Customer deposits	30,178	-	-	30,178
Unearned revenue	31,649	-	-	31,649
Due to other funds	25,114	-	63,025	88,139
Total liabilities	<u>2,123,294</u>	<u>91,781</u>	<u>120,359</u>	<u>2,335,434</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	23,106	-	-	23,106
Inventory	112,931	-	-	112,931
Restricted:				
Road maintenance	-	-	318,704	318,704
Capital improvements	-	-	816,343	816,343
Committed:				
Council approved emergencies	7,000,000	-	-	7,000,000
Construction and road maintenance	-	-	3,036,724	3,036,724
Debt service	699,594	-	-	699,594
Capital projects	35,000	862,824	-	897,824
Unassigned	6,013,275	-	(1,160)	6,012,115
Total fund balances	<u>13,883,906</u>	<u>862,824</u>	<u>4,170,611</u>	<u>18,917,341</u>
Total liabilities and fund balances	<u>\$ 16,007,200</u>	<u>\$ 954,605</u>	<u>\$ 4,290,970</u>	<u>\$ 21,252,775</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, 2020

Fund balances as reported on page 19	\$ 18,917,341
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.	165,875,955
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(66,022,520)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned revenue in fund financial statements.	31,649
Deferred outflows of resources are applicable to future periods, and therefore, are not reported in the governmental funds.	
Deferred outflows of resources related to net pension liability.	2,313,103
Deferred outflows of resources related to OPEB obligations.	1,006,801
Deferred inflows are not financial resources and, therefore, are not reported in fund financial statements.	
Deferred inflows of resources related to net pension liability.	(842,412)
Deferred inflows of resources related to OPEB obligations.	(2,586,969)
The Internal Service Fund is used by management to charge the costs of employee medical insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net position.	334,367
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	(2,203,573)
Net pension liability	(8,646,492)
OPEB obligations	(7,269,281)
Accrued interest on long-term debt is not due and payable in the current period and, therefore, not included in fund financial statements.	(6,337)
Compensated absences not expected to be paid with current resources as determined under Governmental Accounting Standards are not reported in fund financial statements.	(1,297,480)
Net position of governmental activities as reported on page 17	<u>\$ 99,604,152</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, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local taxes	\$ 17,864,703	\$ -	\$ 84,275	\$ 17,948,978
Licenses and permits	4,315,235	-	-	4,315,235
Fines and forfeitures	199,228	-	-	199,228
Intergovernmental	1,390,457	599,056	480,684	2,470,197
Interest and rents	522,875	9,699	43,905	576,479
Charges for services	5,125,445	-	972,645	6,098,090
Golf course revenue	1,000,949	-	-	1,000,949
Recreation department	238,811	-	-	238,811
Other	1,219,633	-	-	1,219,633
Total revenues	<u>31,877,336</u>	<u>608,755</u>	<u>1,581,509</u>	<u>34,067,600</u>
EXPENDITURES				
General government	5,994,284	-	-	5,994,284
Public safety	6,869,403	-	-	6,869,403
Public works	6,963,031	-	-	6,963,031
Cultural and recreational	5,783,450	-	-	5,783,450
Airport Authority	320,000	-	-	320,000
Public Library Board	859,401	-	-	859,401
Other	861,855	-	1,844	863,699
Debt service payments:				
Principal	300,000	-	341,366	641,366
Interest	-	-	28,974	28,974
Capital outlay	<u>5,971,582</u>	<u>2,213,742</u>	<u>240,420</u>	<u>8,425,744</u>
Total expenditures	<u>33,923,006</u>	<u>2,213,742</u>	<u>612,604</u>	<u>36,749,352</u>
Excess of revenues over (under) expenditures	<u>(2,045,670)</u>	<u>(1,604,987)</u>	<u>968,905</u>	<u>(2,681,752)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of note payable	1,500,000	-	-	1,500,000
Issuance of capital lease	155,999	-	-	155,999
Transfers in	2,425,268	524,564	1,276,447	4,226,279
Transfers out	<u>(1,394,784)</u>	<u>-</u>	<u>(2,027,394)</u>	<u>(3,422,178)</u>
Total other financing sources (uses)	<u>2,686,483</u>	<u>524,564</u>	<u>(750,947)</u>	<u>2,460,100</u>
Net change in fund balances	640,813	(1,080,423)	217,958	(221,652)
Fund balances – beginning of year	<u>13,243,093</u>	<u>1,943,247</u>	<u>3,952,653</u>	<u>19,138,993</u>
FUND BALANCES – END OF YEAR	<u><u>\$ 13,883,906</u></u>	<u><u>\$ 862,824</u></u>	<u><u>\$ 4,170,611</u></u>	<u><u>\$ 18,917,341</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, 2020

Net change in fund balances – total governmental funds, page 21	\$ (221,652)
<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.	8,338,463
Depreciation expense on governmental capital assets included in the capital assets in the statement of net position.	(4,419,992)
The net effect of transactions involving the sale, disposal and transfer of capital assets is to decrease net position in the statement of net position.	(49,232)
<p>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.</p>	
Principal payments on long-term debt	641,366
Proceeds from issuance of capital leases	(155,999)
Proceeds from issuance of note payable	(1,500,000)
<p>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.</p>	
	7,154
<p>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.</p>	
Compensated absences	(135,862)
Accrued interest	1,007
Pensions	(48,288)
Postemployment benefit plans other than pensions	961,993
<p>The Internal Service Fund is used by management to charge the costs of employee medical insurance to the individual funds. The net income (expense) of certain activities of the Internal Service Fund is reported with governmental activities.</p>	
	<u>334,367</u>
Change in net position of governmental activities, page 18	<u><u>\$ 3,753,325</u></u>

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

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 8,598,618	\$ 9,461,420	\$ 10,385,275	\$ 28,445,313	\$ 550,360
Restricted cash held by fiscal agent	453,401	371,232	13,466,777	14,291,410	-
Receivables, net	2,076,790	361,120	1,271,758	3,709,668	94,257
Inventories	381,029	217,199	163,853	762,081	-
Prepaid items	2,382	1,962	3,027	7,371	-
Due from other funds	42,101	398	-	42,499	-
Total current assets	11,554,321	10,413,331	25,290,690	47,258,342	644,617
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	572,344	2,727,668	-
Vehicles and equipment	5,391,178	3,902,092	4,324,736	13,618,006	-
Distribution and collection systems	28,718,065	13,241,947	60,623,324	102,583,336	-
Less accumulated depreciation	(16,967,687)	(9,373,448)	(27,821,355)	(54,162,490)	-
Total noncurrent assets	25,988,717	10,174,149	37,900,261	74,063,127	-
Total assets	37,543,038	20,587,480	63,190,951	121,321,469	644,617
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	-	77,447	77,447	-
Pension related items	238,953	162,696	247,265	648,914	-
OPEB related items	129,174	83,584	110,178	322,936	-
Total deferred outflows of resources	368,127	246,280	434,890	1,049,297	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,204,369	377,600	952,943	3,534,912	242,057
Unearned revenue	23,188	-	560,858	584,046	-
Customer deposits	1,124,266	637,248	433,027	2,194,541	-
Warrants, notes and capital leases payable	92,302	48,087	1,179,611	1,320,000	-
Compensated absences	39,176	34,147	56,476	129,799	-
Due to other funds	-	56,850	95,282	152,132	-
Total current liabilities	3,483,301	1,153,932	3,278,197	7,915,430	242,057
Noncurrent liabilities:					
Compensated absences	163,720	131,086	127,378	422,184	-
Warrants, notes and capital leases payable	530,981	535,536	21,471,894	22,538,411	-
Net pension liability	1,116,272	679,331	998,567	2,794,170	-
Total OPEB liability	932,662	603,487	795,506	2,331,655	-
Total noncurrent liabilities	2,743,635	1,949,440	23,393,345	28,086,420	-
Total liabilities	6,226,936	3,103,372	26,671,542	36,001,850	242,057
DEFERRED INFLOWS OF RESOURCES					
Pension related items	38,063	30,417	75,185	143,665	-
OPEB related items	331,913	214,767	283,102	829,782	-
Total deferred inflows of resources	369,976	245,184	358,287	973,447	-
NET POSITION					
Net investment in capital assets	26,249,690	9,852,975	25,627,883	61,730,548	-
Restricted:					
Debt service	453,401	371,232	13,416,166	14,240,799	-
Capital improvements	-	-	50,611	50,611	-
Unrestricted	4,611,162	7,260,997	(2,498,648)	9,373,511	402,560
Total net position	\$ 31,314,253	\$ 17,485,204	\$ 36,596,012	85,395,469	\$ 402,560
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds				68,193	
Change in net position of business-type activities				\$ 85,463,662	

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, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Total	
OPERATING REVENUES					
Sales and services	\$ 20,021,755	\$ 7,418,054	\$ 12,071,623	\$ 39,511,432	\$ 4,771,445
Other charges, sales and receipts	276,822	10,161	1,553,730	1,840,713	-
Total operating revenues	<u>20,298,577</u>	<u>7,428,215</u>	<u>13,625,353</u>	<u>41,352,145</u>	<u>4,771,445</u>
OPERATING EXPENSES					
Energy purchases and cost of goods sold	11,330,913	1,545,490	591,229	13,467,632	-
Salaries	1,358,606	1,037,430	1,818,378	4,214,414	-
Depreciation	851,630	510,799	1,691,530	3,053,959	-
Insurance	453,962	379,444	676,050	1,509,456	-
Electric energy furnished to other departments	229,612	34,665	233,278	497,555	-
Maintenance	1,006,206	293,216	1,894,904	3,194,326	-
Benefit payments	-	-	-	-	4,372,591
Other operating expense	1,793,263	1,797,950	1,956,207	5,547,420	-
Total operating expenses	<u>17,024,192</u>	<u>5,598,994</u>	<u>8,861,576</u>	<u>31,484,762</u>	<u>4,372,591</u>
OPERATING INCOME	<u>3,274,385</u>	<u>1,829,221</u>	<u>4,763,777</u>	<u>9,867,383</u>	<u>398,854</u>
NONOPERATING REVENUES (EXPENSES)					
Interest expense	(19,720)	(12,391)	(387,703)	(419,814)	-
Interest income	127,938	181,535	210,071	519,544	3,706
Gain on sale of capital assets	3,102	2,312	32,194	37,608	-
Intergovernmental revenue	17,194	1,241	5,864	24,299	-
Distribution of joint revenue (expense) – net	-	(70,322)	-	(70,322)	-
Total nonoperating revenues (expenses)	<u>128,514</u>	<u>102,375</u>	<u>(139,574)</u>	<u>91,315</u>	<u>3,706</u>
INCOME BEFORE TRANSFERS AND OTHER ITEMS	<u>3,402,899</u>	<u>1,931,596</u>	<u>4,624,203</u>	<u>9,958,698</u>	<u>402,560</u>
TRANSFERS AND OTHER ITEMS					
Capital grants	2,034,699	27,737	242,229	2,304,665	-
Transfers in	1,113,694	-	-	1,113,694	-
Transfers out	(312,367)	(1,223,214)	(382,214)	(1,917,795)	-
Total transfers and other items	<u>2,836,026</u>	<u>(1,195,477)</u>	<u>(139,985)</u>	<u>1,500,564</u>	<u>-</u>
Change in net position	<u>6,238,925</u>	<u>736,119</u>	<u>4,484,218</u>	<u>11,459,262</u>	<u>402,560</u>
Net position – beginning of year	<u>25,075,328</u>	<u>16,749,085</u>	<u>32,111,794</u>	<u>73,936,207</u>	<u>-</u>
NET POSITION – END OF YEAR	<u>\$ 31,314,253</u>	<u>\$ 17,485,204</u>	<u>\$ 36,596,012</u>		<u>\$ 402,560</u>
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds				<u>68,193</u>	
Change in net position of business-type activities				<u>\$ 11,527,455</u>	

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, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 19,409,508	\$ 7,448,832	\$ 13,296,290	\$ 40,154,630	\$ -
Receipt from interfund services provided	-	-	-	-	4,677,188
Paid to suppliers for goods and services	(14,163,807)	(4,078,578)	(4,744,794)	(22,987,179)	(4,130,534)
Paid to personnel for services	(1,105,084)	(868,164)	(1,799,661)	(3,772,909)	-
Net cash provided by operating activities	4,140,617	2,502,090	6,751,835	13,394,542	546,654
CASH FLOWS FROM INVESTING ACTIVITIES					
Distribution of joint expense	-	(70,322)	-	(70,322)	-
Interest income	127,938	181,535	210,071	519,544	3,706
Net cash provided by investing activities	127,938	111,213	210,071	449,222	3,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from borrowings	276,402	276,404	11,012,193	11,564,999	-
Repayment of debt	(81,085)	(37,453)	(766,460)	(884,998)	-
Interest paid	(6,777)	(9,981)	(374,446)	(391,204)	-
Capital grants received	2,034,699	27,737	242,229	2,304,665	-
Proceeds from disposal of capital assets	-	-	23,933	23,933	-
Acquisition of capital assets	(4,786,816)	(761,502)	(5,445,018)	(10,993,336)	-
Net cash provided by (used in) capital and related financing activities	(2,563,577)	(504,795)	4,692,431	1,624,059	-
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Change in interfund receivable	68,799	26,215	4,787	99,801	-
Change in interfund payable	(266,127)	(2,507)	40,194	(228,440)	-
Government grants	17,194	1,241	5,864	24,299	-
Proceeds from disposal of noncapital assets	3,102	2,312	8,261	13,675	-
Transfers (to) from other funds	801,327	(1,223,214)	(382,214)	(804,101)	-
Net cash provided by (used in) noncapital and related financing activities	624,295	(1,195,953)	(323,108)	(894,766)	-
INCREASE IN CASH	2,329,273	912,555	11,331,229	14,573,057	550,360
CASH - BEGINNING OF YEAR	6,722,746	8,920,097	12,520,823	28,163,666	-
CASH - END OF YEAR	\$ 9,052,019	\$ 9,832,652	\$ 23,852,052	\$ 42,736,723	\$ 550,360
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 3,274,385	\$ 1,829,221	\$ 4,763,777	\$ 9,867,383	\$ 398,854
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	851,630	510,799	1,691,530	3,053,959	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(868,632)	(8,329)	(421,497)	(1,298,458)	(94,257)
Decrease (increase) in inventories	18,038	(8,260)	(25,833)	(16,055)	-
Decrease (increase) in prepaid expenses	45,440	14,047	58,307	117,794	-
Decrease (increase) in deferred outflow of resources	(157,367)	(103,310)	(128,111)	(388,788)	-
Increase (decrease) in accounts payable	586,671	(33,600)	574,400	1,127,471	242,057
Increase (decrease) in customer deposits	29,855	28,946	19,623	78,424	-
Increase (decrease) in net unearned revenue	(50,292)	-	72,811	22,519	-
Increase (decrease) in deferred inflow of resources	(140,346)	(79,461)	(169,122)	(388,929)	-
Increase (decrease) in net pension liability	213,353	138,208	182,152	533,713	-
Increase (decrease) in compensated absences	44,918	2,415	(22,010)	25,323	-
Increase (decrease) in net OPEB obligation	292,964	211,414	155,808	660,186	-
Net cash provided by operating activities	\$ 4,140,617	\$ 2,502,090	\$ 6,751,835	\$ 13,394,542	\$ 546,654

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

CITY OF FAIRHOPE, ALABAMA

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2020

	Public Library Board	Airport Authority	Total
ASSETS			
Cash	\$ 768,366	\$ 359,280	\$ 1,127,646
Receivables, net	-	55,329	55,329
Prepaid items	7,169	18,148	25,317
Capital assets not being depreciated:			
Land	-	10,674,228	10,674,228
Construction in progress	-	50,191	50,191
Capital assets net of accumulated depreciation:			
Buildings and improvements	-	7,727,321	7,727,321
Vehicles and equipment	45,988	-	45,988
Runways	-	16,807,259	16,807,259
Total assets	<u>821,523</u>	<u>35,691,756</u>	<u>36,513,279</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>102,592</u>	<u>-</u>	<u>102,592</u>
Total assets and deferred outflows of resources	<u>\$ 924,115</u>	<u>\$ 35,691,756</u>	<u>\$ 36,615,871</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 16,131	\$ 43,423	\$ 59,554
Customer deposits	-	46,600	46,600
Long-term liabilities:			
Due within one year	-	200,000	200,000
Due in more than one year	-	6,495,629	6,495,629
Net pension liability	<u>437,525</u>	<u>-</u>	<u>437,525</u>
Total liabilities	<u>453,656</u>	<u>6,785,652</u>	<u>7,239,308</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	30,093	-	30,093
Service concession arrangement revenue applicable to future years	<u>-</u>	<u>5,678,460</u>	<u>5,678,460</u>
Total deferred inflows of resources	<u>30,093</u>	<u>5,678,460</u>	<u>5,708,553</u>
NET POSITION			
Net investment in capital assets	45,988	28,563,370	28,609,358
Restricted:			
Library improvements	365,076	-	365,076
Unrestricted	<u>29,302</u>	<u>(5,335,726)</u>	<u>(5,306,424)</u>
Total net position	<u>440,366</u>	<u>23,227,644</u>	<u>23,668,010</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 924,115</u>	<u>\$ 35,691,756</u>	<u>\$ 36,615,871</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, 2020

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	\$ 955,621	\$ 163,701	\$ 883,929	\$ -	\$ 92,009	\$ -	\$ 92,009
Business-type activities:							
Airport Authority	816,968	238,957	533,614	381,948	-	337,551	337,551
	<u>\$ 1,772,589</u>	<u>\$ 402,658</u>	<u>\$ 1,417,543</u>	<u>\$ 381,948</u>	<u>92,009</u>	<u>337,551</u>	<u>429,560</u>
General revenues:							
Investment earnings					-	2,848	2,848
Other					-	3,500	3,500
Total general revenues					-	6,348	6,348
Change in net position					92,009	343,899	435,908
Net position – beginning					348,357	22,883,745	23,232,102
Net position – ending					<u>\$ 440,366</u>	<u>\$ 23,227,644</u>	<u>\$ 23,668,010</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fairhope, Alabama (the City) was incorporated in 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. 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, 2020

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, 2020**

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.

Internal Service Funds:

Accounts for the operations of the medical insurance plan provided to other departments of the City on a cost reimbursement basis.

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 which recognizes revenues when earned and expenses when incurred.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020

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	\$ 8,793	\$ 11,428	\$ 20,221
Materials and supplies	104,138	750,653	854,791
Totals	<u>\$ 112,931</u>	<u>\$ 762,081</u>	<u>\$ 875,012</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, 2020**

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, 2020**

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 and the proprietary fund type financial statements for future healthcare benefits for eligible retirees and their spouses. The postemployment benefits other than pension liability at September 30, 2020 totaled \$9,600,936. The postemployment benefits other than pension liability is typically liquidated by the General Fund.

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. The pension liability is typically liquidated by the General Fund.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund type 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, 2020**

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, 2020**

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.

P. UNEARNED REVENUE

The City reports unearned revenue on its fund balance sheet. 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 5, 2021, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2020.

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, 2020

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
Debt Service Fund	\$ 1,160

NOTE 3 DEPOSIT AND INVESTMENT RISK

At September 30, 2020, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$14,291,410. The average maturity of the portfolio was 48 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, 2020, the City’s mutual fund investments principal stability rating was AAAm as reported by Standard & Poor’s.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, 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	\$ 1,497,762	\$ -	\$ 8,649	\$ -	\$ -
Accounts	190,601	-	24,912	2,271,578	378,585
Intergovernmental	804,084	527,759	53,427	737,134	19,528
	<u>2,492,447</u>	<u>527,759</u>	<u>86,988</u>	<u>3,008,712</u>	<u>398,113</u>
Less allowance for uncollectable accounts	(580,046)	-	-	(931,922)	(36,993)
Total receivables	<u>\$ 1,912,401</u>	<u>\$ 527,759</u>	<u>\$ 86,988</u>	<u>\$ 2,076,790</u>	<u>\$ 361,120</u>

	Water and Waste Water Fund	Airport Authority	Internal Service Fund	Total
Taxes	\$ -	\$ -	\$ -	\$ 1,506,411
Accounts	1,214,833	3,289	94,257	4,178,055
Intergovernmental	243,438	52,040	-	2,437,410
	<u>1,458,271</u>	<u>55,329</u>	<u>94,257</u>	<u>8,121,876</u>
Less allowance for uncollectable accounts	(186,513)	-	-	(1,735,474)
Total receivables	<u>\$ 1,271,758</u>	<u>\$ 55,329</u>	<u>\$ 94,257</u>	<u>\$ 6,386,402</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020 is shown below.

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Water and Waste Water	\$ 89,633
	Natural Gas	45,114
	Nonmajor Governmental	63,025
Electric	General	25,114
	Water and Waste Water	5,251
	Natural Gas	11,736
Natural Gas	Water and Waste Water	398
Total		<u>\$ 240,271</u>

Interfund Transfers

Transfer Out	Transfer In				Total
	General	Capital Projects	Nonmajor Governmental	Electric	
General	\$ -	\$ 118,337	\$ 1,276,447	\$ -	\$ 1,394,784
Nonmajor Governmental	1,621,167	406,227	-	-	2,027,394
Electric	312,367	-	-	-	312,367
Natural Gas	166,367	-	-	1,056,847	1,223,214
Water and Waste Water	325,367	-	-	56,847	382,214
Totals	<u>\$ 2,425,268</u>	<u>\$ 524,564</u>	<u>\$ 1,276,447</u>	<u>\$ 1,113,694</u>	<u>\$ 5,339,973</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 23,056,496	\$ 4,671,162	\$ -	\$ -	\$ 27,727,658
Construction in progress	818,457	1,458,234	-	(721,091)	1,555,600
Total	<u>23,874,953</u>	<u>6,129,396</u>	<u>-</u>	<u>(721,091)</u>	<u>29,283,258</u>
Other capital assets:					
Buildings and improvements	41,819,295	562,045	-	465,810	42,847,150
Vehicles and equipment	19,280,548	975,009	(653,337)	160,406	19,762,626
Infrastructure	73,105,222	672,013	-	205,686	73,982,921
Total	<u>134,205,065</u>	<u>2,209,067</u>	<u>(653,337)</u>	<u>831,902</u>	<u>136,592,697</u>
Less accumulated depreciation for:					
Buildings and improvements	(13,867,326)	(1,169,891)	-	-	(15,037,217)
Vehicles and equipment	(13,245,815)	(1,780,782)	604,106	(110,811)	(14,533,302)
Infrastructure	<u>(34,982,682)</u>	<u>(1,469,319)</u>	<u>-</u>	<u>-</u>	<u>(36,452,001)</u>
Total accumulated depreciation	<u>(62,095,823)</u>	<u>(4,419,992)</u>	<u>604,106</u>	<u>(110,811)</u>	<u>(66,022,520)</u>
Other capital assets, net	<u>72,109,242</u>	<u>(2,210,925)</u>	<u>(49,231)</u>	<u>721,091</u>	<u>70,570,177</u>
Governmental capital assets, net	<u>\$ 95,984,195</u>	<u>\$ 3,918,471</u>	<u>\$ (49,231)</u>	<u>\$ -</u>	<u>\$ 99,853,435</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 703,118
Public safety	468,735
Public works	2,131,721
Cultural and recreational	906,496
Library	209,922
Total	<u>\$ 4,419,992</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-type Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 9,260,517	\$ -	\$ -	\$ -	\$ 9,260,517
Other capital assets:					
Buildings and improvements	2,708,624	19,044	-	-	2,727,668
Vehicles and equipment	12,446,179	1,379,513	(96,875)	(110,811)	13,618,006
Distribution and collection system	92,988,557	9,594,779	-	-	102,583,336
Total	108,143,360	10,993,336	(96,875)	(110,811)	118,929,010
Less accumulated depreciation for:					
Buildings and improvements	(1,474,498)	(59,474)	-	-	(1,533,972)
Vehicles and equipment	(10,336,022)	(700,568)	96,875	110,811	(10,828,904)
Distribution and collection system	(39,505,697)	(2,293,917)	-	-	(41,799,614)
Total accumulated depreciation	(51,316,217)	(3,053,959)	96,875	110,811	(54,162,490)
Other capital assets, net	56,827,143	7,939,377	-	-	64,766,520
Capital assets, net	\$ 66,087,660	\$ 7,939,377	\$ -	\$ -	\$ 74,027,037
<u>Component Unit – Public Library</u>					
Vehicles and equipment	\$ 507,562	\$ -	\$ -	\$ -	\$ 507,562
Less accumulated depreciation	(436,629)	(24,945)	-	-	(461,574)
Capital assets, net	\$ 70,933	\$ (24,945)	\$ -	\$ -	\$ 45,988
<u>Component Unit – Airport Authority</u>					
Capital assets not subject to depreciation:					
Land	\$ 10,674,228	\$ -	\$ -	\$ -	\$ 10,674,228
Construction in progress	28,534	324,832	-	(303,175)	50,191
Total	10,702,762	324,832	-	(303,175)	10,724,419
Other capital assets:					
Buildings and improvements	10,201,765	450,000	-	303,175	10,954,940
Vehicles and equipment	98,885	-	-	-	98,885
Runways	19,148,990	-	-	-	19,148,990
Total	29,449,640	450,000	-	303,175	30,202,815
Less accumulated depreciation for:					
Buildings and improvements	(2,974,485)	(253,134)	-	-	(3,227,619)
Vehicles and equipment	(98,885)	-	-	-	(98,885)
Runways	(2,086,411)	(255,320)	-	-	(2,341,731)
Total accumulated depreciation	(5,159,781)	(508,454)	-	-	(5,668,235)
Other capital assets, net	24,289,859	(58,454)	-	303,175	24,534,580
Capital assets, net	\$ 34,992,621	\$ 266,378	\$ -	\$ -	\$ 35,258,999

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
GOVERNMENTAL ACTIVITIES					
Notes payable	\$ -	\$ 1,500,000	\$ (300,000)	\$ 1,200,000	\$ 300,000
Capital leases	1,188,940	155,999	(341,366)	1,003,573	341,365
Compensated absences	1,161,618	816,031	(680,169)	1,297,480	376,484
Governmental activities long-term liabilities	2,350,558	2,472,030	(1,321,535)	3,501,053	1,017,849
BUSINESS-TYPE ACTIVITIES					
Direct placements	13,190,000	11,565,000	(885,000)	23,870,000	1,320,000
Less issuance discounts	(21,885)	-	10,296	(11,589)	-
Total direct placements	13,168,115	11,565,000	(874,704)	23,858,411	1,320,000
Compensated absences	526,660	362,910	(337,587)	551,983	129,799
Business-type activities long-term liabilities	13,694,775	11,927,910	(1,212,291)	24,410,394	1,449,799
Total long-term debt	\$ 16,045,333	\$ 14,399,940	\$ (2,533,826)	\$ 27,911,447	\$ 2,467,648

Notes Payable – Governmental Activities

The City entered into a note payable with the Baldwin County Board of Education on December 12, 2019, for the purchase of land located in Baldwin County. The original note balance of \$1,500,000 is interest free, with annual principal payments payable July 1, 2020 through July 1, 2024. Any imputed interest would not be material and therefore the City has elected to not impute interest on this note.

The following schedule illustrates debt service to maturity for the note payable at September 30, 2020:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 300,000	\$ -	\$ 300,000
2022	300,000	-	300,000
2023	300,000	-	300,000
2024	300,000	-	300,000
	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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	\$ 1,439,251
Less accumulated depreciation	<u>385,725</u>
Totals	<u>\$ 1,053,526</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

Year ended September 30:	
2021	\$ 508,960
2022	405,058
2023	<u>138,525</u>
	1,052,543
Less amount representing interest	<u>48,970</u>
Present value of minimum lease payments	<u>\$ 1,003,573</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020:

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.	\$ 11,935,000
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.	370,000
Utilities Revenue Warrants, Series 2020 dated September 30, 2020, original debt obligation of \$11,565,000, interest rate 1.28%, payable semi-annually, principal payable December 1, 2020 through December 1, 2030.	<u>11,565,000</u>
Total warrants from direct placements – Business-type Activities	<u>\$ 23,870,000</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 Series 2020 Utility Revenue Warrants were issued on September 30, 2020, for the purpose of a current refunding of the Series 2011 Utility Revenue Warrants. As of September 30, 2020, the proceeds of the Series 2020 Utility Revenue Warrants were held in escrow and reported as restricted cash on the Statement of Net Position. The amounts held in the escrow account were used to refund the Series 2011 Utility Revenue Warrants on November 2, 2020. The City will see a decrease in cash flows required to service debt of \$853,288 over the life of the new bonds, resulting in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$791,155.

The City's outstanding warrants from direct placement related to business-type activities of \$23,870,000 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, 2020

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, 2020:

Year Ending September 30,	Business-type Activities		
	Direct Placements		
	Principal	Interest	Total
2021	\$ 1,320,000	\$ 466,471	\$ 1,786,471
2022	3,280,000	464,250	3,744,250
2023	3,350,000	390,805	3,740,805
2024	3,420,000	316,528	3,736,528
2025	3,500,000	240,310	3,740,310
2026–2030	7,860,000	423,563	8,283,563
2031	1,140,000	51,432	1,191,432
	<u>\$ 23,870,000</u>	<u>\$ 2,353,359</u>	<u>\$ 26,223,359</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, 2020:

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>\$ 6,695,629</u>
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The Airport Improvement Refunding Bond, Series 2017, is 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, 2020

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, 2020:

Year Ending September 30,	Component Units		
	Direct Placements		
	Principal	Interest	Total
2021	\$ 200,000	\$ 147,432	\$ 347,432
2022	225,000	143,028	368,028
2023	6,270,629	138,074	6,408,703
	<u>\$ 6,695,629</u>	<u>\$ 428,534</u>	<u>\$ 7,124,163</u>

The Airport Authority's outstanding bond from direct placement of \$6,695,629 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, 2020:

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund
Total salaries	\$ 1,429,713	\$ 1,187,915	\$ 1,839,418
Less:			
Salaries capitalized for plant additions	71,107	150,485	21,040
Salaries charged to operations	<u>\$ 1,358,606</u>	<u>\$ 1,037,430</u>	<u>\$ 1,818,378</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020

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 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

	ERS	City	Library
Retirements and beneficiaries currently receiving benefits	25,871	110	6
Terminated employees entitled to but not yet receiving benefits	1,794	10	-
Terminated employees not entitled to a benefit	11,001	26	7
Active Members	55,222	330	15
Post-DROP participants who are still in active service	98	-	-
Totals	<u>93,986</u>	<u>476</u>	<u>28</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, 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, 2020, was 8.89% of pensionable pay for Tier 1 employees, and 6.46% of pensionable pay for Tier 2 employees. The Fairhope Public Library's contractually required contribution rate for the year ended September 30, 2020, was 8.65% of pensionable pay for Tier 1 employees, and 6.03% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, 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 \$1,259,337 and \$33,956 from the Fairhope Public Library for the year ended September 30, 2020.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 PENSION PLAN (CONTINUED)

Contributions (Continued)

The City's and Fairhope Public Library's net pension liabilities were measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	<u>City of Fairhope</u>	
	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2018	\$ 46,035,072	\$ 46,553,032
(b) Discount rate	7.00%	7.00%
(c) Entry age normal cost for the period October 1, 2018 to September 30, 2019	1,106,681	1,106,681
(d) Transfer among employers	-	40,780
(e) Actual benefit payments and refunds for October 1, 2018 to September 30, 2019	<u>(2,876,661)</u>	<u>(2,876,661)</u>
(f) Total Pension Liability as of September 20, 2019 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	<u>\$ 47,699,041</u>	<u>\$ 48,297,664</u>
(g) Difference between expected and actual		\$ 598,623
(h) Less liability transferred for immediate recognition		<u>40,780</u>
(i) Experience (gain)/loss		<u>\$ 557,843</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 PENSION PLAN (CONTINUED)

Contributions (Continued)

Fairhope Public Library

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2018	\$ 1,370,489	\$ 1,360,087
(b) Discount rate	7.00%	7.00%
(c) Entry age normal cost for the period October 1, 2018 to September 30, 2019	29,287	29,287
(d) Transfers among employers:	-	(12,994)
(e) Actual benefit payments and refunds for October 1, 2018 to September 30, 2019	<u>(56,829)</u>	<u>(56,829)</u>
(f) Total Pension Liability as of September 30, 2019 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	<u>\$ 1,446,287</u>	<u>\$ 1,422,090</u>
(g) Difference between expected and actual		\$ (24,197)
(h) Less liability transferred for immediate recognition		<u>(12,994)</u>
(i) Experience (gain)/loss		<u>\$ (11,203)</u>

Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. 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, 2020

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, 2020

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, 2018	<u>\$ 46,035,072</u>	<u>\$ 36,791,663</u>	<u>\$ 9,243,409</u>
Changes for the year:			
Service cost	1,106,681	-	1,106,681
Interest	3,433,949	-	3,433,949
Differences between expected and actual experience	557,843	-	557,843
Contributions – employer	-	1,160,273	(1,160,273)
Contributions – employee	-	807,355	(807,355)
Net investment income	-	933,592	(933,592)
Benefit payments, including refunds of employee contributions	(2,876,661)	(2,876,661)	-
Transfers among employers	40,780	40,780	-
Net Changes	<u>2,262,592</u>	<u>65,339</u>	<u>2,197,253</u>
Balances at September 30, 2019	<u>\$ 48,297,664</u>	<u>\$ 36,857,002</u>	<u>\$ 11,440,662</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 PENSION PLAN (CONTINUED)

Changes in Net Pension Liability (Continued)

	<u>Fairhope Public Library</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2018	\$ 1,370,489	\$ 972,578	\$ 397,911
Changes for the year:			
Service cost	29,287	-	29,287
Interest	103,340	-	103,340
Differences between expected and actual experience	(11,203)	-	(11,203)
Contributions – employer	-	33,178	(33,178)
Contributions – employee	-	23,823	(23,823)
Net investment income	-	24,809	(24,809)
Benefit payments, including refunds of employee contributions	(56,829)	(56,829)	-
Transfers among employers	(12,994)	(12,994)	-
Net Changes	<u>51,601</u>	<u>11,987</u>	<u>39,614</u>
Balances at September 30, 2019	<u>\$ 1,422,090</u>	<u>\$ 984,565</u>	<u>\$ 437,525</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:

	<u>1% Decrease (6.70%)</u>	<u>Current Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
Net pension liability, City	\$ 17,169,076	\$ 11,440,662	\$ 6,612,995
Net pension liability, Fairhope Public Library	\$ 551,007	\$ 437,525	\$ 339,109

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2020, the City recognized pension expense of \$1,274,688 while the Fairhope Public Library recognized pension expense of \$33,956. The fund in which the related payroll costs are expended will be used to liquidate the net pension liability. At September 30, 2020, 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>City of Fairhope</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Differences between expected and actual experience	\$ 376,221	\$ 842,412
Changes of assumption	580,411	-
Net difference between projected and actual earnings on plan investments	332,466	-
Employer contributions subsequent to measurement date	1,024,005	-
	<hr/>	<hr/>
Governmental activities pension related items	2,313,103	842,412
	<hr/>	<hr/>
Business-type Activities:		
Differences between expected and actual experience	120,703	143,665
Changes of assumption	186,213	-
Net difference between projected and actual earnings on plan investments	106,666	-
Employer contributions subsequent to measurement date	235,332	-
	<hr/>	<hr/>
Business-type activities pension related items	648,914	143,665
	<hr/>	<hr/>
	\$ 2,962,017	\$ 986,077
	<hr/> <hr/>	<hr/> <hr/>

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CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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,	
2021	\$ (52,263)
2022	68,039
2023	370,652
2024	309,196
2025	(44,647)
Thereafter	65,626
	<u>\$ 716,603</u>

Fairhope Public Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,694	\$ 30,093
Changes of assumption	53,309	-
Net difference between projected and actual earnings on plan investments	12,633	-
Employer contributions subsequent to measurement date	33,956	-
Total	<u>\$ 102,592</u>	<u>\$ 30,093</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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,	
2021	\$ 8,639
2022	11,738
2023	11,005
2024	7,224
2025	(63)
Thereafter	-
	<u>\$ 38,543</u>

NOTE 11 COMMITMENTS

The City has various contractual commitments outstanding at year end. The commitments under these contracts totaled \$14,282,381. The commitments funded from governmental activities will be \$1,619,218 and from business-type activities will be \$12,663,163.

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, 2020

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, which covers both active and retired members.

Employees covered by benefit terms. At September 30, 2020, 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 \$9,600,936 was measured as of September 30, 2019 and was determined by an actuarial valuation as of September 30, 2018.

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2019 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	4.18%
Measurement date	2.66%
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, 2019 reporting date was 4.18%. The discount rate used to compute the total OPEB liability for the reporting date of September 30, 2020 was 2.66%.

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, 2016.

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, 2020

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at September 30, 2019	\$ 8,398,617
Changes for the year:	
Service cost	203,973
Interest	340,720
Differences between expected and actual experience	85,836
Changes of assumptions or other inputs	1,071,768
Benefit payments	<u>(499,978)</u>
Net Changes	<u>1,202,319</u>
Balance at September 30, 2020	<u>\$ 9,600,936</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 4.18% used in the September 30, 2019 valuation to 2.66% used in the September 30, 2020 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 (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1% Decrease <u>(1.66%)</u>	Current Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Net OPEB liability	\$ 10,374,330	\$ 9,600,936	\$ 8,881,468

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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	\$ 8,604,541	\$ 9,600,936	\$ 10,751,659

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$206,778. The fund in which the related payroll costs are expended will be used to liquidate the total OPEB liability. At September 30, 2020, 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	\$ 54,083	\$ 2,251,774
Changes of assumption	682,161	335,195
Employer contributions subsequent to measurement date	270,557	-
Governmental activities OPEB related items	<u>1,006,801</u>	<u>2,586,969</u>
Business-type Activities:		
Differences between expected and actual experience	17,347	722,267
Changes of assumption	218,806	107,515
Employer contributions subsequent to measurement date	86,783	-
Business-type activities OPEB related items	<u>322,936</u>	<u>829,782</u>
	<u>\$ 1,329,737</u>	<u>\$ 3,416,751</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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,	
2020	\$ (760,859)
2021	(760,859)
2022	(760,859)
2023	(220,540)
2024	58,763
Thereafter	-
	<u>\$ (2,444,354)</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

In fiscal year 2014, 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 the 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 \$2,227,500 at September 30, 2020.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 \$829,353 at September 30, 2020.

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 \$782,143 at September 30, 2020.

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 \$1,404,464 at September 30, 2020.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 16 SERVICE CONCESSION ARRANGEMENT (CONTINUED)

In fiscal year 2020, 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 \$3,362 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, \$450,000 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 2020, the Airport Authority reported a capital improvement in the amount of \$450,000 with a corresponding balance of \$450,000 as a deferred inflow of resources pursuant to the service concession arrangement. The balance of the deferred inflow of resources is \$435,000 at September 30, 2020.

In fiscal year 2020, the Airport Authority entered into an agreement with a private company under which the private company leased space at the airport for the next 40 years. The private company's lease agreement with the Airport Authority requires monthly rents in the amount of \$9,613 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 is expected to be \$700,000, which will be considered a deferred inflow of resources and rent revenue will be recognized over the life of the term of the lease beginning at the completion date. The Airport Authority will report the capital improvements as a capital asset and it will be depreciated in accordance with the Airport Authority's depreciation policy upon completion.

In fiscal year 2020, 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 \$5,126 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 is expected to be \$512,000, which will be considered a deferred inflow of resources and rent revenue will be recognized over the life of the term of the lease beginning at the completion date. The Airport Authority will report the capital improvements as a capital asset and it will be depreciated in accordance with the Airport Authority's depreciation policy upon completion.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury portfolio	\$ 14,291,410	\$ -	\$ -	\$ 14,291,410
AMIC Insurance	-	-	36,090	36,090
Total	<u>\$ 14,291,410</u>	<u>\$ -</u>	<u>\$ 36,090</u>	<u>\$ 14,327,500</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, 2020 totaled \$14,851.

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, 2020

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, 2019.

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 June 15, 2021.

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 whose fiscal year begins after December 15, 2020.

GASB 91, *Conduit Debt Obligations*. This Statement provides a single method for government issuers to report conduit debt obligations and related commitments. The enhanced guidance is designed to eliminate diversity in practice associated with these issues. The Statement clarifies how government issuers should account for and report 1) commitments they extend or voluntarily provide and 2) arrangements associated with conduit debt obligations, which often are characterized in practice as leases, but are not leases for financial reporting purposes; and 3) enhances note disclosures. Requirements for this Statement will take effect for financial statements whose fiscal year begins after December 15, 2021.

GASB 92, *Omnibus 2020*. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, inter-equity transfers or assets, postemployment benefits, government acquisitions, risk financing and related insurance-related activities of public entity risk pools, fair value instruments and derivative instruments. Requirements for this Statement will take effect for financial statements whose fiscal year begins after June 15, 2020.

GASB 93, *Replacement of Interbank Offered Rate*. This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates (IBORs) in hedging derivatives and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Requirements for this Statement will take effect for financial statements whose fiscal year begins after December 31, 2021.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 19 EFFECT OF NEW PRONOUNCEMENTS (CONTINUED)

GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 or later.

GASB 96, *Subscription-Based Information Technology Arrangements*. This Statement provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87, *Leases*, as amended. Requirements for this Statement will take effect for financial statements whose fiscal year begins after June 15, 2022.

NOTE 20 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization (WHO) declared the novel strain of the coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production of services across a range of industries, including but not limited to, tourism and travel. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on citizens, employees, vendors, and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. As of the date of this report, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain and cannot be estimated.

On November 19, 2020 the City issued a General Obligation Warrant in the amount of \$5,000,000. The proceeds of the warrant were used to finance the storm damage caused by Hurricane Sally. The warrant bears an interest rate of 0.78%, with monthly interest payments. The principal amount of the warrant is due November 19, 2022.

(continued)

**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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,259,337	\$ 1,214,082	\$ 1,156,988	\$ 1,128,689	\$ 1,161,190	\$ 1,033,161
Contributions in relation to the actuarially determined contribution	<u>1,259,337</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 16,920,969	\$ 15,117,600	\$ 14,145,534	\$ 14,442,516	\$ 12,686,870	\$ 11,740,415
Contributions as a percentage of covered payroll	7%	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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	24.9 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% – 5.00%
Investment rate of return	7.75%, 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 2015 through 2020.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

Fairhope Public Library

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 33,956	\$ 33,677	\$ 34,636	\$ 41,630	\$ 39,481	\$ 43,472
Contributions in relation to the actuarially determined contribution	<u>33,956</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 473,525	\$ 501,964	\$ 489,687	\$ 486,684	\$ 426,252	\$ 426,252
Contributions as a percentage of covered payroll	7%	7%	7%	9%	9%	10%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.9 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% – 5.00%
Investment rate of return	7.75%, 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 2015 through 2020.

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>					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 1,106,681	\$ 1,072,514	\$ 1,075,003	\$ 997,552	\$ 975,740	\$ 944,066
Interest	3,433,949	3,393,813	3,286,149	3,131,860	2,977,603	2,852,227
Differences between expected and actual experience	557,843	(1,109,067)	(296,197)	(52,317)	83,217	-
Changes in assumptions	-	251,496	-	1,344,385	-	-
Benefit payments, including refunds of employee contributions	(2,876,661)	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfer among employers	40,780	(113,767)	(317,929)	(76,441)	-	-
Net change in total pension liability	2,262,592	992,885	1,533,495	3,375,812	1,789,128	1,585,545
Total pension liability – beginning	46,035,072	45,042,187	43,508,692	40,132,880	38,343,752	36,758,207
Total pension liability – ending (a)	<u>\$ 48,297,664</u>	<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	\$ 1,160,273	\$ 1,107,892	\$ 1,082,206	\$ 1,163,477	\$ 1,035,070	\$ 1,011,234
Contributions – member	807,355	796,436	679,081	680,391	621,817	599,215
Net investment income	933,591	3,146,677	3,943,420	2,891,544	337,639	3,115,563
Benefit payments, including refunds of employee contributions	(2,876,661)	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfers among employers	40,780	(113,767)	(317,929)	(76,441)	(16,923)	(36,268)
Net change in plan fiduciary net position	65,338	2,435,134	3,173,247	2,689,744	(269,829)	2,478,996
Plan net position – beginning	36,791,664	34,356,530	31,183,283	28,493,539	28,763,368	26,284,372
Plan net position – ending (b)	<u>\$ 36,857,002</u>	<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)	\$ 11,440,662	\$ 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	76.31%	79.92%	76.28%	71.67%	71.00%	75.01%
Covered payroll	\$ 14,606,719	\$ 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	78%	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 2014 through 2019.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	<u>Fairhope Public Library</u>					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 29,287	\$ 28,941	\$ 31,457	\$ 37,134	\$ 37,305	\$ 36,648
Interest	103,340	98,796	93,059	83,555	82,203	79,859
Differences between expected and actual experience	(11,203)	(9,007)	5,392	(40,331)	(8,514)	-
Changes in assumptions	-	5,140	-	132,947	-	-
Benefit payments, including refunds of employee contributions	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	(12,994)	-	-	-	-	-
Net change in total pension liability	51,601	67,530	74,491	154,750	(18,628)	67,716
Total pension liability – beginning	1,370,489	1,302,959	1,228,468	1,073,718	1,092,346	1,022,630
Total pension liability – ending (a)	<u>\$ 1,422,090</u>	<u>\$ 1,370,489</u>	<u>\$ 1,302,959</u>	<u>\$ 1,228,468</u>	<u>\$ 1,073,718</u>	<u>\$ 1,090,346</u>
Plan fiduciary net position						
Contributions – employer	\$ 33,178	\$ 33,039	\$ 40,040	\$ 39,583	\$ 43,472	\$ 43,802
Contributions – member	23,823	22,728	22,527	21,976	20,166	19,155
Net investment income	24,809	82,409	100,700	72,223	8,684	81,118
Benefit payments, including refunds of employee contributions	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	(12,994)	-	-	-	-	-
Net change in plan fiduciary net position	11,987	81,836	107,850	75,227	(57,300)	95,284
Plan net position – beginning	972,578	890,742	782,892	707,665	764,965	669,681
Plan net position – ending (b)	<u>\$ 984,565</u>	<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)	\$ 437,525	\$ 397,911	\$ 412,217	\$ 445,576	\$ 366,053	\$ 327,381
Plan fiduciary net position as a percentage of the total pension liability	69.23%	70.97%	68.36%	63.73%	65.91%	70.03%
Covered payroll	\$ 442,352	\$ 461,619	\$ 433,005	\$ 455,696	\$ 412,627	\$ 383,102
Net pension liability (asset) as a percentage of covered payroll	99%	86%	95%	98%	89%	85%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2014 through 2019.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 203,973	\$ 401,209	\$ 441,966
Interest	340,720	442,731	371,696
Differences between expected and actual experience	85,836	(4,733,827)	2,650
Changes in assumptions	1,071,768	45,224	(757,435)
Benefit payments	<u>(499,978)</u>	<u>(313,549)</u>	<u>(373,128)</u>
Net change in total OPEB liability	1,202,319	(4,158,212)	(314,251)
Total OPEB liability – beginning	<u>8,398,617</u>	<u>12,556,829</u>	<u>12,871,080</u>
Total OPEB liability – ending	<u><u>\$ 9,600,936</u></u>	<u><u>\$ 8,398,617</u></u>	<u><u>\$ 12,556,829</u></u>
Covered payroll	\$ 6,190,702	\$ 6,190,702	\$ 8,226,573
Net OPEB liability as a percentage of covered payroll	155.09%	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 2017 through 2019.

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 2020.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.18% to 2.66% 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local taxes	\$ 17,074,505	\$ 17,074,505	\$ 17,864,703	\$ 790,198
Licenses and permits	4,582,350	4,582,350	4,315,235	(267,115)
Fines and forfeitures	275,000	275,000	199,228	(75,772)
Intergovernmental	420,000	420,000	1,390,457	970,457
Interest and rents	532,501	532,501	522,875	(9,626)
Charges for services	5,109,200	5,109,200	5,125,445	16,245
Golf course revenue	1,097,000	1,097,000	1,000,949	(96,051)
Recreation Department	452,000	452,000	238,811	(213,189)
Other	683,500	683,500	1,219,633	536,133
Total revenues	<u>30,226,056</u>	<u>30,226,056</u>	<u>31,877,336</u>	<u>1,651,280</u>
EXPENDITURES				
General government				
General	4,171,107	4,174,251	3,990,507	183,744
Planning	792,600	793,804	887,841	(94,037)
Building	930,026	930,870	821,009	109,861
Judicial	316,711	316,169	294,927	21,242
Public safety				
Police	6,610,863	6,610,893	6,287,005	323,888
Fire	640,671	641,273	582,398	58,875
Public works				
Sanitation	2,350,182	2,346,643	2,340,249	6,394
Street	3,674,965	3,713,760	3,464,680	249,080
Fleet maintenance	629,524	628,445	636,003	(7,558)
Construction and facilities maintenance	479,829	479,888	522,099	(42,211)
Cultural and recreational				
Economic and community development	885,161	884,801	737,949	146,852
Adult recreation	407,955	407,236	378,492	28,744
Recreation	2,372,460	2,377,327	2,276,774	100,553
Golf	1,638,587	1,644,997	1,502,656	142,341
Marina	540,072	539,713	476,879	62,834
Civic Center	271,464	272,425	254,260	18,165
Museum and Welcome Center	195,752	195,034	156,440	38,594
Airport Authority	320,000	320,000	320,000	-
Public Library	859,401	859,401	859,401	-
Other	92,600	92,600	861,855	(769,255)
Debt service payments:				
Principal	-	-	300,000	(300,000)
Capital outlay	2,418,256	2,417,678	5,971,582	(3,553,904)
Total expenditures	<u>30,598,186</u>	<u>30,647,208</u>	<u>33,923,006</u>	<u>(3,275,798)</u>
Excess of revenues over (under) expenditures	<u>(372,130)</u>	<u>(421,152)</u>	<u>(2,045,670)</u>	<u>(1,624,518)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from note payable	-	-	1,500,000	1,500,000
Proceeds from capital lease	-	-	155,999	155,999
Transfers in	1,163,838	1,163,838	2,425,268	1,261,430
Transfers out	(826,001)	(826,001)	(1,394,784)	(568,783)
Total other financing sources (uses)	<u>337,837</u>	<u>337,837</u>	<u>2,686,483</u>	<u>2,348,646</u>
Net change in fund balances	<u>\$ (34,293)</u>	<u>\$ (83,315)</u>	<u>640,813</u>	<u>\$ 724,128</u>
Fund balances – beginning of year			13,243,093	
FUND BALANCES – END OF YEAR			<u>\$ 13,883,906</u>	

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

NOTE 1 EXCESS EXPENDITURES

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

	Excess Expenditures		Excess Expenditures		Excess Expenditures
General Government		Sanitation Department		Recreation Department	
Overtime – General	\$ 6,819	Casualty/workers comp insurance	\$ 5,668	Overtime	\$ 11,125
Overtime – Revenue	807	Utilities	223	Employee retirement expense	381
Health insurance	22,129	Overtime	12,706	Professional services	14,210
Sales tax collection fees	12,807	Required contributions – OPEB	8,268	Printers and copiers	1,454
Grant expenditures	20,000	Insurance	7,906	Required contributions – OPEB	5,821
Professional services	17,958	Bad debt	8,091	General maintenance	4,505
Bank fees	12,328	Equipment and vehicle repair	14,483	Tennis expense	7,404
Haven maintenance	9,633	Landfill charges	65,949	Costs – Tennis shop sales	419
Haven utilities	11,171	Landfill maintenance	204	Equipment rental	4,104
Casualty/workers comp insurance	26,593	Capital outlay	149,589	Utilities	83,057
Office supplies	575			Pool supplies	2,652
Communications	81	Street Department			
Utilities	1,673	Overtime	54,403	Golf Department	
Library utilities	31,239	Training	165	Overtime	2,180
Publications and newspapers	950	Professional services	12,556	Casualty/workers comp insurance	4,809
Dues	5,388	General supplies	917	Required contributions – OPEB	5,858
Boys and Girls Club utilities	1,211	Equipment and vehicle repair	13,871	Utilities	4,995
Printers and copiers	7,212	Safety wear	1,085	Computer expense	3,134
Equipment and vehicle repair	10	Equipment rental	2,519	Supplies – Grill	3,931
Capital outlay	4,738,136	Utilities	46,373	Employee retirement expense	1,379
				Credit card processing fee	4,830
Planning Department		Fleet Maintenance Department		Casualty/workers comp insurance	2,336
Health insurance	6,637	Overtime	10,289	Equipment rental	69,819
Professional services	141,700	Employee retirement expense	150	Utilities	7,797
Computer expense	3,689	Casualty/workers comp insurance	7,366	Overtime	4,596
General maintenance	1,511	Gasoline and oil	7,584		
Communications	582	Equipment and vehicle repair	2,679	Marina	
Casualty/workers comp insurance	9,977	Utilities	2,553	Health insurance	5,046
Required contributions – OPEB	5,821	Computer expense	2,392	Casualty/workers comp insurance	5,690
Publications and newspapers	6,405	Salaries	6,635	Professional services	463
		Payroll taxes	298	Printers and copiers	104
Building Department		Capital outlay	3,174	Equipment and vehicle repair	2,362
Overtime	5,250			Gasoline and oil	44,138
Casualty/workers comp insurance	7,113	Construction and Facilities Maintenance		Overtime	2,406
Printers and copiers	707	Overtime	45,189	Training	26
Uniforms	255	Payroll taxes	2,347	Credit card processing fee	5,538
Credit card processing fees	5,096	Employee retirement expense	1,885	Utilities	4,171
Salaries	3,059	Insurance	17,205	Capital outlay	80,873
		Casualty/workers comp insurance	9,414		
Judicial Department		Gasoline and oil	2,881	Civic Center	
Overtime	15,937	Capital outlay	6,238	Overtime	3,577
Employee retirement expense	1,784			Casualty/workers comp insurance	2,719
Health insurance	9,239	Adult Recreation Department		Training	52
Payroll taxes	776	Employee retirement expense	7	Safety wear	1,065
Casualty/workers comp insurance	2,959	Training/School/Travel	52	Computer expense	793
Printers and copiers	335	Computer expense	3,622	Printers and copiers	463
Salaries	3,627	Printers and copiers	338	Utilities	3,747
Communications	10	Utilities	51,979	General maintenance	3,884
		Capital outlay	4,038		
Police Department				Museum and Welcome Center	
Overtime	23,290	Economic and Community Development		Communications	704
Health insurance	22,950	Overtime	3,602	Insurance	1,723
Casualty/workers comp insurance	11,165	Casualty/workers comp insurance	5,234	Professional services	156
Printers and copiers	246	Computer expense	188	Printers and copiers	373
Communications	27,934	Capital outlay	645	General maintenance	11,342
Dues	790		197		
Equipment and vehicle repair	24,099	Other		Transfers	
Utilities	26,292	General supplies	84,830	Transfers – Debt Service Fund	1,024,444
		Hurricane Sally	685,345	Debt Service	
Fire Department				Principal payments	300,000
Overtime	1,954				
Fire call payments	27,118				
Uniforms	15				
Utilities	10,564				

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF FAIRHOPE, ALABAMA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	Special Revenue Funds						Total Nonmajor Governmental Funds	
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court		Debt Service
ASSETS								
Cash	\$ 3,036,269	\$ 225,825	\$ 84,230	\$ 816,343	\$ 100	\$ 41,215	\$ -	\$ 4,203,982
Receivables	455	8,649	-	-	53,427	-	24,457	86,988
Due from other funds	-	-	-	-	-	-	-	-
Total assets	<u>\$ 3,036,724</u>	<u>\$ 234,474</u>	<u>\$ 84,230</u>	<u>\$ 816,343</u>	<u>\$ 53,527</u>	<u>\$ 41,215</u>	<u>\$ 24,457</u>	<u>\$ 4,290,970</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,717	\$ 25,617	\$ 57,334
Due to other funds	-	-	-	-	53,527	9,498	-	63,025
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,527</u>	<u>41,215</u>	<u>25,617</u>	<u>120,359</u>
FUND BALANCES								
Restricted:								
Road maintenance	-	234,474	84,230	-	-	-	-	318,704
Capital improvements	-	-	-	816,343	-	-	-	816,343
Committed:								
Construction and road maintenance	3,036,724	-	-	-	-	-	-	3,036,724
Unassigned	-	-	-	-	-	-	(1,160)	(1,160)
Total fund balances	<u>3,036,724</u>	<u>234,474</u>	<u>84,230</u>	<u>816,343</u>	<u>-</u>	<u>-</u>	<u>(1,160)</u>	<u>4,170,611</u>
Total liabilities and fund balances	<u>\$ 3,036,724</u>	<u>\$ 234,474</u>	<u>\$ 84,230</u>	<u>\$ 816,343</u>	<u>\$ 53,527</u>	<u>\$ 41,215</u>	<u>\$ 24,457</u>	<u>\$ 4,290,970</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, 2020**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court	
REVENUES							
Taxes	\$ -	\$ -	\$ 84,275	\$ -	\$ -	\$ -	\$ 84,275
Intergovernmental	-	90,408	-	149,856	240,420	-	480,684
Charges for services	972,645	-	-	-	-	-	972,645
Interest and rents	34,331	-	-	9,574	-	-	43,905
Total revenues	<u>1,006,976</u>	<u>90,408</u>	<u>84,275</u>	<u>159,430</u>	<u>240,420</u>	<u>-</u>	<u>1,581,509</u>
EXPENDITURES							
Other	-	1,799	45	-	-	-	1,844
Debt service							
Principal	-	-	-	-	-	341,366	341,366
Interest	-	-	-	-	-	28,974	28,974
Capital outlay	-	-	-	-	240,420	-	240,420
Total expenditures	<u>-</u>	<u>1,799</u>	<u>45</u>	<u>-</u>	<u>240,420</u>	<u>370,340</u>	<u>612,604</u>
Excess of revenues over (under) expenditures	<u>1,006,976</u>	<u>88,609</u>	<u>84,230</u>	<u>159,430</u>	<u>-</u>	<u>(370,340)</u>	<u>968,905</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	906,107	-	-	1,276,447
Transfers out	(1,696,973)	(81,227)	-	(249,194)	-	-	(2,027,394)
Total other financing sources (uses)	<u>(1,696,973)</u>	<u>(81,227)</u>	<u>-</u>	<u>656,913</u>	<u>-</u>	<u>370,340</u>	<u>(750,947)</u>
Net change in fund balances	(689,997)	7,382	84,230	816,343	-	-	217,958
Fund balances – beginning of year	<u>3,726,721</u>	<u>227,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,160)</u>	<u>3,952,653</u>
FUND BALANCES – END OF YEAR	<u>\$ 3,036,724</u>	<u>\$ 234,474</u>	<u>\$ 84,230</u>	<u>\$ 816,343</u>	<u>\$ -</u>	<u>\$ (1,160)</u>	<u>\$ 4,170,611</u>

See independent auditors' report.

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

CITY OF FAIRHOPE, ALABAMA
FUND BALANCE SHEET
FAIRHOPE PUBLIC LIBRARY BOARD
SEPTEMBER 30, 2020

ASSETS

Cash and cash equivalents	\$ 768,366
Prepaid items	7,169
	<hr/>
Total assets	\$ 775,535
	<hr/> <hr/>

LIABILITIES

Accounts payable and accrued liabilities	\$ 16,131
	<hr/>

FUND BALANCES

Nonspendable:	
Prepaid items	7,169
Restricted:	
Library improvements	365,076
Unassigned	387,159
	<hr/>
Total fund balances	759,404
	<hr/> <hr/>

Total liabilities and fund balances	\$ 775,535
	<hr/> <hr/>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FAIRHOPE PUBLIC LIBRARY BOARD
SEPTEMBER 30, 2020

Fund balances as reported on page 78	\$ 759,404
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.	(461,574)
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Employment retirement contributions	102,592
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	(437,525)
Deferred inflows of resources	(30,093)
Net position of governmental activities as reported on page 26	<u>\$ 440,366</u>

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, 2020

REVENUES

Fines and lost books	\$ 8,938
Donations, gifts, memorials and bequests	142,871
State aid	24,528
Payments from City of Fairhope	859,401
Miscellaneous	11,892
Total revenues	<u>1,047,630</u>

EXPENDITURES

Salaries	491,652
Payroll taxes	36,601
Insurance	11,861
Employees' retirement	33,956
Books, periodicals, audio visual	117,176
Supplies	18,823
Janitorial service	21,197
Professional fees	8,435
Telecommunications	1,238
Capital outlay	6,201
Maintenance	96,884
Miscellaneous	67,861
Total expenditures	<u>911,885</u>

Net change in fund balances 135,745

Fund balances – beginning of year 623,659

FUND BALANCES – END OF YEAR \$ 759,404

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, 2020

Net change in fund balances – total governmental funds, page 80	\$ 135,745
<p>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:</p>	
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.</p>	
Depreciation expense for the year	(24,945)
<p>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.</p>	
Change in net pension liability and deferred inflows of resources	<u>(18,791)</u>
Change in net position of governmental activities, page 27	<u><u>\$ 92,009</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
FAIRHOPE AIRPORT AUTHORITY
SEPTEMBER 30, 2020**

ASSETS

Cash and cash equivalents	\$ 359,280
Receivables, net	55,329
Prepaid items	18,148
Capital assets not being depreciated:	
Land	10,674,228
Construction in progress	50,191
Capital assets net of accumulated depreciation:	
Buildings and improvements	7,727,321
Runways	<u>16,807,259</u>
 Total assets	 <u><u>\$ 35,691,756</u></u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 43,423
Customer deposits	46,600
Long-term liabilities:	
Due within one year	200,000
Due in more than one year	<u>6,495,629</u>
 Total liabilities	 <u><u>6,785,652</u></u>

DEFERRED INFLOWS OF RESOURCES

Service concession arrangement revenue applicable to future years	<u>5,678,460</u>
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NET POSITION

Net investment in capital assets	28,563,370
Unassigned	<u>(5,335,726)</u>
 Total net position	 <u><u>23,227,644</u></u>
 Total liabilities and fund balances	 <u><u>\$ 35,691,756</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FAIRHOPE AIRPORT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

OPERATING REVENUES	
Fuel sales and rentals	\$ 238,957
Total operating revenues	<u>238,957</u>
OPERATING EXPENSES	
Insurance	41,552
Legal and professional	41,350
Maintenance	63,995
Depreciation	508,454
Other	11,389
Total operating expenses	<u>666,740</u>
OPERATING LOSS	<u>(427,783)</u>
NONOPERATING REVENUES (EXPENSES)	
Revenue from service concession arrangement	213,614
Intergovernmental revenue	381,948
Payments from City of Fairhope	320,000
Interest expense	(150,228)
Miscellaneous	3,500
Interest income	2,848
Total nonoperating revenues (expenses)	<u>771,682</u>
Change in net position	<u>343,899</u>
Net position – beginning of year	<u>22,883,745</u>
NET POSITION – END OF YEAR	<u><u>\$ 23,227,644</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA
STATEMENT OF CASH FLOWS
FAIRHOPE AIRPORT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$ 289,057
Paid to suppliers for goods and services	<u>(160,680)</u>
Net cash provided by operating activities	<u>128,377</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Amounts received from City of Fairhope	<u>320,000</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of debt	(200,000)
Interest paid	(150,228)
Capital grants received	688,605
Acquisition of capital assets	<u>(718,695)</u>
Net cash used in capital and related financing activities	<u>(380,318)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>2,848</u>
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NET INCREASE IN CASH

70,907

CASH – BEGINNING OF YEAR

288,373

CASH – END OF YEAR

\$ 359,280

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (427,783)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Other nonoperating revenues	3,500
Depreciation	508,454
Change in operating assets and operating liabilities:	
Increase in prepaid items	(2,394)
Increase in customer deposits	<u>46,600</u>
Net cash provided by operating activities	<u><u>\$ 128,377</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**SCHEDULE OF CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

CR 13 Sedge to Manley sidewalk	\$ 469,257
City street upgrades	407,225
Fly Creek Marina seawall	343,863
US 98 and CR 13 sidewalks	238,344
Drainage improvements	181,699
Transporation and pedestrian infrastrucutre	176,289
Main pier electrical upgrades	102,893
AL trans rehab US 98	102,610
K-1 Center upgrades	51,600
Improvements Farihope Ave to Bancroft	38,351
Other projects	32,724
BRATS Hub transit shelter	30,300
Stadium ADA platforms and ramps	21,457
North beach restrooms	17,130
	<hr/>
Total	<u><u>\$ 2,213,742</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, 2020

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Waste Water Fund</u>	
A. Utility customers at September 30, 2020 were as follows:				
Number of customers	6,890	12,102	19,608	
Number of metered customers	6,890	12,102	19,608	
Number of unmetered customers	-	-	-	
Number of waste water customers	-	-	11,886	
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	\$ 3,274,385	\$ 1,829,221	\$ 4,763,777	\$ 9,867,383
Add:				
Depreciation and amortization	851,630	510,799	1,691,530	3,053,959
Interest income	<u>127,938</u>	<u>181,535</u>	<u>210,071</u>	<u>519,544</u>
Annual net income as prescribed by debt covenants	<u>\$ 4,253,953</u>	<u>\$ 2,521,555</u>	<u>\$ 6,665,378</u>	<u>\$ 13,440,886</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				6,183,918
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, 2020**

	1996 Capital Improvement	2011 Warrant Fund	2011 Reserve Fund	2015 Reserve Fund
Balance October 1, 2019	\$ 50,000	\$ 568,106	\$ 1,422,497	\$ 378,483
Deposits	611	1,032,664	10,403	2,768
Disbursements	-	(992,555)	(17,221)	(4,582)
Balance September 30, 2020	<u>\$ 50,611</u>	<u>\$ 608,215</u>	<u>\$ 1,415,679</u>	<u>\$ 376,669</u>
	2015 Warrant Fund	2020 Reserve Fund	2020 Warrant Fund	2020 Trust Fund
Balance October 1, 2019	\$ 311,360	\$ -	\$ -	\$ -
Deposits	407,893	41,413	3,236	11,484,476
Disbursements	(408,142)	-	-	-
Balance September 30, 2020	<u>\$ 311,111</u>	<u>\$ 41,413</u>	<u>\$ 3,236</u>	<u>\$ 11,484,476</u>

See independent auditors' report.

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>	88-93
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>	94-99
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>	100-103
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>	104-105
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>	106-108

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 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	\$ 97,649,862
Restricted	1,193,604	1,015,592	2,007,967	1,557,163	2,308,667	1,706,056	650,031	750,122	227,092	1,135,047
Unrestricted	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	819,243
Total governmental activities net position	\$ 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	\$ 99,604,152
Business-type activities										
Net investment in capital assets	\$ 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	\$ 61,730,548
Restricted	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	14,291,410
Unrestricted	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	9,441,704
Total business-type activities net position	\$ 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	\$ 85,463,662
Primary government										
Net investment in capital assets	\$ 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	\$ 159,380,410
Restricted	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	15,426,457
Unrestricted	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	10,260,947
Total primary government net position	\$ 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	\$ 185,067,814

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 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	\$ 7,278,497
Public safety	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	7,125,224
Public works	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	8,763,332
Cultural and recreational	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	6,491,954
Airport Authority	225,843	281,124	443,000	443,000	412,632	428,000	342,000	320,000	320,000	320,000
Public Library Board	798,997	810,636	840,636	886,028	924,736	1,025,236	1,025,887	1,024,522	1,029,124	1,069,323
Interest on long-term debt	633,161	589,174	507,982	472,222	344,808	339,051	53,853	94,506	71,726	27,969
Total governmental activities expenses	<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>	<u>31,076,299</u>
Business-type activities:										
Natural gas	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	5,670,355
Electric	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	17,022,979
Water and waste water	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	9,213,371
Total business-type activities expenses	<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>	<u>31,906,705</u>
Total primary government expenses	<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>	<u>\$ 62,983,004</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 8,006,104
Public safety	241,104	289,432	291,749	285,573	-	-	-	-	-	-
Public works	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	2,073,829
Cultural and recreational	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	1,995,263
Operating grants and contributions	24,402	-	-	9,144	-	-	102,507	94,494	127,978	542,126
Capital grants and contributions	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	2,846,663
Total governmental activities program revenues	<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>	<u>15,463,985</u>
Business-type activities:										
Charges for services:										
Natural gas	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	7,428,215
Electric	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	20,298,577
Water and waste water	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	13,625,353
Operating grants and contributions	-	-	-	-	-	-	-	-	-	24,299
Capital grants and contributions	-	-	-	-	-	-	-	-	253,028	2,304,665
Total business-type activities program revenues	<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>	<u>43,681,109</u>
Total primary government program revenues	<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>	<u>\$ 59,145,094</u>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (15,612,314)
Business-type activities	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	11,774,404
Total primary government net expense	<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>	<u>\$ (3,837,910)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 6,354,890
Sales tax	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	9,930,150
Liquor taxes	393,123	425,888	425,816	445,132	451,719	482,755	536,643	498,044	606,819	632,363
Lodging taxes	495,870	569,142	643,495	614,278	681,419	696,379	762,562	653,697	1,116,242	911,537
Other taxes	120,518	124,234	139,666	138,204	138,382	133,057	139,444	127,513	122,059	116,455
Intergovernmental	248,011	314,525	596,816	389,561	1,695,688	568,566	-	-	-	-
Investment earnings	249,489	226,642	251,512	239,205	228,670	302,181	335,106	59,157	126,115	274,246
Loss on sale of assets	-	-	-	(261,340)	-	-	-	-	-	-
Other	124,161	143,319	213,169	147,672	705,142	147,452	283,385	262,849	292,339	341,897
Transfer of Golf Fund to Governmental Activities	-	-	-	-	-	-	-	-	-	-
Transfers in/(out)	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	804,101
Total governmental activities	<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>	<u>19,365,639</u>
Business-type activities:										
Investment earnings	58,522	20,417	25,268	30,815	18,440	15,162	23,552	53,651	136,797	519,544
Other	-	-	-	-	-	-	19,276	14,775	16,167	37,608
Transfers in/(out)	(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)	(804,101)
Total business-type activities	<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>	<u>(246,949)</u>
Total primary government	<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>	<u>\$ 19,118,690</u>
Change in Net Position										
Governmental activities	\$ 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	\$ 3,753,325
Business-type activities	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	11,527,455
Total primary government	<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>	<u>\$ 15,280,780</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
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
2020	9,930,150	5,638,511	716,379	632,363	116,396	911,537	59	17,945,395

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,490	\$ 303,387	\$ 323,647	\$ 136,037
Committed	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	7,734,594
Unassigned	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	6,013,275
Total general fund	\$ 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	\$ 13,883,906
All other governmental funds										
Restricted:										
Debt service – other governmental funds	\$ 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	318,704
Capital improvements	-	-	-	-	-	-	-	-	-	816,343
Committed, reported in:										
Other governmental funds	167,786	1,029,075	1,252,213	851,448	826,435	1,478,912	2,255,722	5,403,308	3,726,721	3,036,724
Capital projects fund	675,799	-	58,625	1,956,986	4,398,406	1,364,704	4,147,827	2,787,639	1,943,247	862,824
Unassigned:										
Capital projects fund	-	(1,069,424)	181,085	-	-	-	-	-	-	-
Other governmental funds	-	-	-	-	-	-	-	-	(1,160)	(1,160)
Total all other governmental funds	\$ 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	\$ 5,033,435

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
Local taxes	\$ 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	\$ 17,948,978
Licenses and permits	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	4,315,235
Fines and forfeitures	241,104	289,432	291,749	285,573	278,837	236,724	284,893	273,887	237,812	199,228
Intergovernmental	345,966	667,344	1,022,649	991,614	639,523	693,761	876,086	954,086	1,090,181	2,470,197
Contribution from Public Library Board	183,285	1,000	1,500	-	-	-	-	-	-	-
Interest and rents	249,489	226,748	253,003	239,205	228,669	302,181	335,106	401,705	470,753	576,479
Charges for services	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	6,098,090
Assessments	-	3,659	-	-	-	-	-	-	-	-
Golf course revenue	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	1,000,949
Recreation Department	369,135	368,493	391,024	436,453	444,410	476,772	466,437	442,324	456,362	238,811
BP settlement proceeds	-	-	-	-	1,361,255	-	-	-	-	-
Legal settlement	-	-	-	-	598,640	-	-	-	-	-
Other	170,422	184,411	253,146	196,913	180,644	223,293	338,058	368,387	660,915	1,219,633
Total revenues	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	34,067,600
EXPENDITURES										
General government	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	5,994,284
Public safety	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	6,869,403
Public works	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	6,963,031
Cultural and recreational	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	5,783,450
Airport Authority	225,843	281,124	443,000	443,000	412,632	428,000	342,000	320,000	320,000	320,000
Public Library Board	565,000	600,000	630,000	674,100	714,100	814,600	814,600	814,600	818,477	859,401
Other	89,620	160,888	89,133	89,785	93,436	162,736	115,753	100,732	170,203	863,699
Debt service:										
Principal	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	641,366
Interest	666,652	616,221	508,483	465,409	374,479	390,971	111,633	94,751	87,534	28,974
Capital outlay	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	8,425,744
Total expenditures	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	36,749,352
Excess (deficiency) of revenues over expenditures	(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)	(2,681,752)
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of debt	-	4,015,200	-	-	-	3,975,000	-	-	-	1,500,000
Proceeds from capital lease	-	-	-	-	-	-	-	292,323	990,929	155,999
Transfers in	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	4,226,279
Transfers out	(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)	(3,422,178)
Total other financing sources (uses)	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	2,460,100
Net change in fund balances	\$ 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)	\$ (221,652)
Debt service as a percentage of noncapital expenditures	7.5%	20.6%	9.5%	14.0%	4.1%	24.0%	7.2%	6.3%	13.0%	2.4%

**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
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
2020	268,746,300	1,136,540	237,638,580	77,087,260	430,434,160	15	6,456,512,400

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		
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	
2020	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, 2020 AND 2011**

<u>Taxpayer</u>	<u>2020</u>			<u>2011</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>
Battles Road LLC	\$ 3,275,200	1	0.8%	\$ -	-	0.0%
FST Wal-mart Stores East L P	3,169,840	2	0.7%	-	-	0.0%
Arbor Gates Holdings LLC	2,607,280	3	0.6%	2,279,380	2	0.8%
FST Mississippi Baldwin Square LLC	2,111,180	4	0.5%	1,800,520	4	0.6%
PSM Alabama Holdings LLC	2,088,020	5	0.5%	-	-	0.0%
Fairhope Ridge LLC	1,592,360	6	0.4%	-	-	0.0%
FST Fairhope Hospitality Group LLC	1,590,100	7	0.4%	-	-	0.0%
A 1 Corte Jr Family Limited Partnership	1,586,220	8	0.4%	1,481,240	6	0.5%
Mediacom Communicaions Corporation	1,438,800	9	0.3%	-	-	0.0%
Truland Homes LLC	1,403,580	10	0.3%	-	-	0.0%
Bones Set Too LLC	-	-	0.0%	-	-	0.0%
Fairhope LLC	-	-	0.0%	-	-	0.0%
Bellsouth Tele, Inc dba AT&T	-	-	0.0%	-	-	0.0%
CHS Properties Inc	-	-	0.0%	1,162,540	7	0.4%
Fairhope Yacht Club	-	-	0.0%	1,133,740	8	0.4%
Pelican Properties, Inc	-	-	0.0%	-	-	0.0%
Bones & Babies, LLC	-	-	0.0%	1,115,100	9	0.4%
Fairhope Commercial Investments	-	-	0.0%	1,093,900	10	0.4%
Fairhope LLC	-	-	0.0%	1,671,700	5	0.6%
Point Clear Partners LLC	-	-	0.0%	1,813,460	3	0.6%
Bayview II Developer LLC	-	-	0.0%	8,042,720	1	2.8%
	<u>\$ 20,862,580</u>		<u>4.9%</u>	<u>\$ 21,594,300</u>		<u>7.5%</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>
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%
2020	6,413,545	6,225,062	97.06%	2,510	6,227,572	97.10%

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
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%
2020	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**

<u>Fiscal Year</u>	<u>Top 25 Taxpayers (approximate)</u>	<u>Total Tax</u>	<u>% of Total Tax</u>
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%
2020	4,727,284	9,166,330	52%

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	Notes Payable	Capital Leases	General Obligation Debt	Utilities Revenue Debt			
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	-	13,168,115	14,357,055	1.57%	650
2020	-	1,200,000	1,003,573	-	23,858,411	26,061,984	2.76%	1,149

**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
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%	-
2020	-	-	-	0.00%	-

**CITY OF FAIRHOPE, ALABAMA
COMPUTATION OF OVERLAPPING DEBT
SEPTEMBER 30, 2020**

	<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	\$ 2,203,573	100.00%	\$ 2,203,573
Overlapping Debt (Supported by ad valorem tax)			
Baldwin County	83,652,086	8.32% ⁽¹⁾	<u>6,959,854</u>
			<u><u>\$ 9,163,427</u></u>

(1) Percentage of net assessed value of property in City (\$430,513,620) to net assessed value of property in Baldwin County (\$5,172,599,200) on October 1, 2020.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 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	\$ 86,102,724
Total net debt applicable to limit	<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>	<u>2,203,573</u>
Legal debt margin	<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>	<u>\$ 83,899,151</u>
Total net debt applicable to limit as a percentage of debt limit	26.07%	24.92%	24.04%	28.57%	23.18%	15.94%	11.05%	5.67%	1.47%	2.56%

Legal Debt Margin Calculation for Fiscal Year 2020

Total assessed value	<u>\$ 430,513,620</u>
Debt limit (20% of total assessed value)	<u>\$ 86,102,724</u>
Debt applicable to limit:	
General obligation warrants (including capital leases)	<u>2,203,573</u>
Legal debt margin	<u>\$ 83,899,151</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
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%
2020	22,677	943,650,001	41,613	5,403	5.5%

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, 2020 AND 2011**

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Thomas Hospital	1,000	1	10.9%	1,150	1	19.3%
Grand Hotel	725	2	7.9%	750	2	12.6%
Board of Education - Fairhope	560	3	6.1%	-	-	0.0%
City of Fairhope	446	4	4.8%	320	4	5.4%
Wal-Mart	325	5	3.5%	400	3	6.7%
Publix	150	6	1.6%	75	6	1.3%
Segers Aero	130	7	1.4%	-	-	0.0%
Winn-Dixie	85	8	0.9%	90	5	1.5%
Piggly Wiggly	75	9	0.8%	-	-	0.0%
CPSI	75	10	0.8%	-	-	0.0%
Bayside Orthopedics	-	-	0.0%	-	-	0.0%
Print Xcel	-	-	0.0%	64	8	1.1%
Bruno's	-	-	0.0%	60	9	1.0%
Fokkert AIR, Inc.	-	-	0.0%	-	-	0.0%
Balloons Everywhere	-	-	0.0%	65	7	1.1%
	3,571		38.7%	2,974		50.0%

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

2011: 5,971 2020: 9,208

**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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	53	53	48	48	49	49	49	53	62	64
Public Safety:										
Police	48	44	48	46	46	45	49	52	59	59
Fire:										
Firefighters and Dispatch	17	18	17	18	17	14	15	16	14	17
Highways and Streets:										
Public Works	35	36	39	39	41	46	42	49	57	53
Sanitation	20	19	17	21	22	20	19	18	18	28
Cultural and Recreational:										
Recreation	19	19	24	23	25	26	29	32	31	34
Adult Recreation	14	14	9	10	11	12	11	11	13	12
Gas Department	18	18	17	15	15	15	16	18	21	22
Electric Department	17	18	17	22	21	19	19	22	20	26
Water/Waste Water Department	24	26	24	23	23	22	26	29	31	34
Golf Department	16	14	15	16	18	20	19	18	22	21
Total	281	279	275	281	288	288	294	318	348	370

Source: City of Fairhope Human Resources Department

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

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police:										
Physical arrests	1,134	603	759	750	1,423	983	1,350	1,542	1,538	1,462
Parking violations	163	128	22	49	121	240	359	89	22	52
Traffic violations	1,419	2,215	1,379	887	633	1,726	2,490	1,684	1,656	1,613
Fire:										
Number of calls answered	801	657	690	853	836	865	1,025	1,058	1,023	1,236
Inspections	143	101	85	35	161	147	73	823	669	648
Highways and streets:										
Street resurfacing (miles)	-	8.1	-	-	-	13.2	-	1.2	2.2	3.3
Potholes repaired*	425	450	1,345	1,480	1,620	2,933	2,300	4,928	5,466	1,152
Sanitation:										
Garbage collected (tons/year)	9,100	8,711	7,564	8,509	8,236	8,654	9,222	9,554	10,108	11,949
Trash collected (tons/year)	6,487	5,767	5,513	6,292	5,545	5,902	8,228	7,189	7,741	6,907
Recyclables collected (tons/year)	1,495	1,508	1,512	1,714	1,779	1,855	1,843	1,835	1,803	947
Cultural and recreational:										
Golf course rounds @ 9 hole rounds	61,283	65,500	62,266	59,261	57,405	56,613	58,416	53,995	55,971	53,740
Pavilion/park parties	64	56	58	61	59	44	28	32	22	19
Waste water:										
Average daily sewage treatment (millions of gallons)	1.8	1.8	1.8	1.8	2.0	2.2	2.4	2.4	2.3	2.6

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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	45	45	43	37	38	39	44	45	47	50
Fire stations	3	3	3	3	4	4	4	4	4	4
Highways and streets:										
Streets (miles)	98.1	99.1	99.1	103.84	106.54	108.64	111.14	112.64	114.76	116.56
Cultural and recreational:										
Parks acreage	248	248	248	356	504	504	504	504	657	657
Parks	51	51	51	52	54	54	54	54	56	56
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	6	6	6	6	6	12	12	12	16	16
Community center	3	3	3	3	3	3	3	3	3	3
Sewer:										
Sanitary sewers (miles)	125	125	126	126	130	135	175	175	180	185
Storm sewers (miles)	16.75	17.25	17.25	19.17	20.57	22.77	25.77	27.29	29.5	30.73
Maximum daily treatment capacity (millions of gallons)	4	4	4	4	4	4.2	4	4	4	4

Sources: Various government departments