



City of Fairhope, Alabama

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

CITY OF FAIRHOPE, ALABAMA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021
PREPARED BY:
THE OFFICE OF THE CITY TREASURER

CITY OF FAIRHOPE, ALABAMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2021

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INTRODUCTORY SECTION



March 25, 2022

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

Sherry Sullivan
Mayor

Council Members

Kevin G. Boone

Jack Burrell, ACMO

Jimmy Conyers

Corey Martin

Jay Robinson

Lisa A. Hanks, MMC

City Clerk

Kimberly Creech

City Treasurer

The Annual Comprehensive Financial Report (ACFR) of the City of Fairhope, Alabama (the City), for the fiscal year ended September 30, 2021, 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, 2021. 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 22,477 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, except for the current term which will be a five-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 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

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meet the established criteria for inclusion in the reporting entity: Medical Clinic Board East, the Industrial Development Board, 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 23 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 Cities 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 makes Fairhope 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 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, Fairhope 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 is available at The Academy located at the Fairhope Airport. Through a partnership with the Baldwin County Public School System and the Fairhope Airport Authority, Coastal Alabama Community College offers high school students in Baldwin County and college students programs in Aviation, Industrial Maintenance, Electrical and Instrumentation, and Welding.

Over the past year, Fairhope has been named the third fastest growing City in the state of Alabama, based on vintage population estimates from the U.S. Census Bureau. From 2019 to 2020 the City saw a growth rate of 4.0%, with a growth rate of 53.9% since 2010. Additionally, Baldwin County as a whole has been listed as the Alabama county expected to see the most growth by 2040. The City is projected to grow 65.1% by 2040. In 2021, Fairhope was named one of the best places to live in Alabama by NICHE. The City ranked 11th on a list of 25 cities. This ranking considers several key factors, including the quality of local schools, crime rates, housing trends, employment statistics and access to amenities. WorldAtlas also featured Fairhope as one of nine charming small towns in Alabama. It is acknowledgments such as these that will continue to bring in tourists, regular visitors, and new residents.

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 \$11,328,115 which represents 25.1% of total general fund revenues. The Council has committed, by City Ordinance, \$7 million in the General Fund for use in times of emergency. This committed amount is periodically reviewed to ensure the City maintains the financial resources to endure periods of economic stress.

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

The Mayor, Council, and staff are committed to the betterment of the City for the residents and the visitors. They have worked tirelessly to obtain grants for several projects around the City. Through the Formula Grants for Rural Areas Program, the City is receiving \$480K of Federal funding to construct a transit shelter, which is 80% of project costs. In addition to the transit shelter, there are three projects that are receiving grants through the Gulf Coast Ecosystem Restoration Council Spill Impact Program, which are awarded for the ecological and economic restoration of the Gulf Coast region. These projects include the *Working Waterfront and Green Space* project, the *Sewer Upgrade-Phase I* project, and the *Fairhope Area Community-Based Comprehensive Land Use Plan*. The City will be receiving federal funding of over \$11.5 million for these community improvements; that is 100% of the project costs. The City plans to continue to seek grants to help fund future projects.

Relevant Financial Policies

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

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

Awards

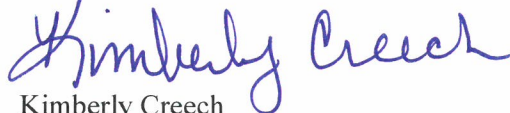
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its ACFR for the fiscal year ended September 30, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is an award presented annually based on a submitted financial document for each fiscal year. We believe that this presentation of the City's current ACFR 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 Treasury Department, as well as all City Departments who practice fiscal responsibility. We would like to express our appreciation to all City staff that assisted and contributed to the preparation of this report.

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

Respectfully submitted,



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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

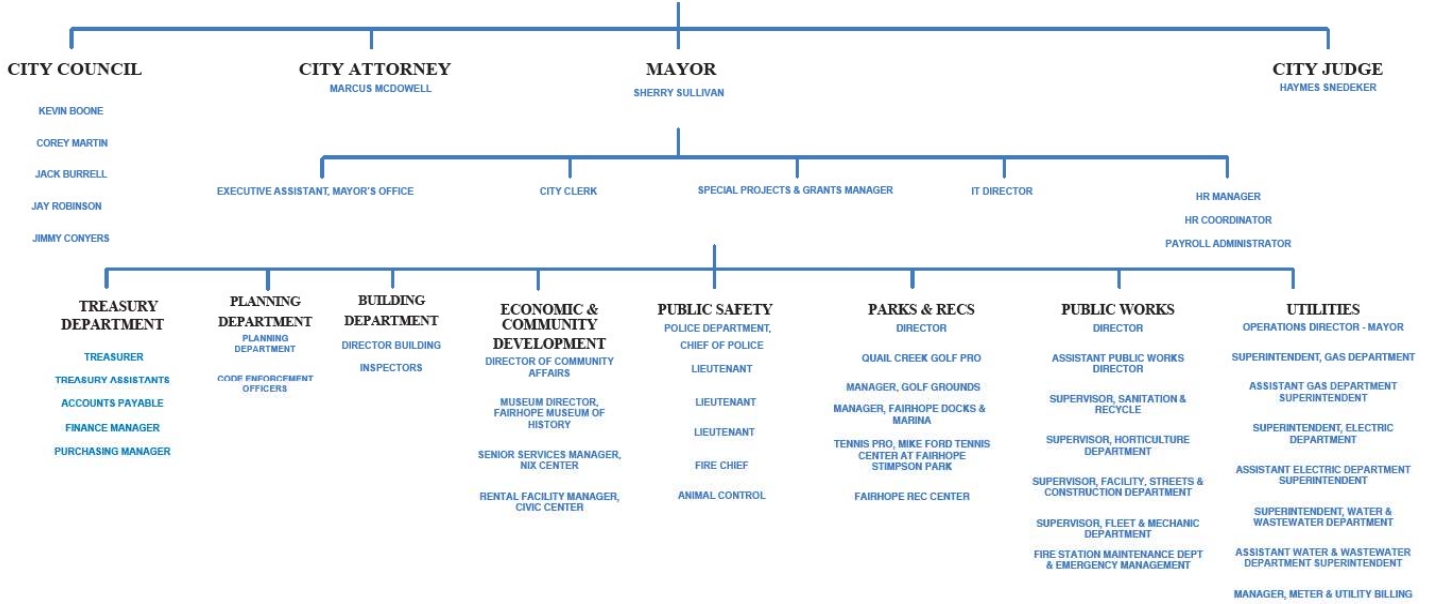
Christopher P. Morill

CITY OF FAIRHOPE, ALABAMA

ORGANIZATIONAL CHART

SEPTEMBER 30, 2021

CITIZENS OF FAIRHOPE



CITY OF FAIRHOPE, ALABAMA
CITY ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2021

Sherry Sullivan	Mayor
Kevin Boone	Councilmember
Jay Robinson	Councilmember
Jack Burrell, CMO	Councilmember
Corey Martin	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, 2021.

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 aggregate 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, 2021, 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 from 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 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, 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 11, 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 65 through 71 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 72 through 83, 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 25, 2022, 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 25, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fairhope, Alabama (the City), we present this narrative overview and analysis designed to assist readers of the City's financial statements for the fiscal year ended September 30, 2021. The intent of the Management's Discussion and Analysis (MD&A) is to provide a brief, objective, and easily readable analysis of the City's financial performance for the year and its financial position at fiscal year ended September 30, 2021.

Readers are encouraged to read the MD&A in conjunction with additional information furnished in the letter of transmittal and the City's financial statements included in this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Fairhope exceeded its liabilities and deferred inflows of resources by \$202,693,940 at the close of the fiscal year ended September 30, 2021. An unrestricted surplus exists in the amount of \$31,596,819, which may be used to meet the government's ongoing obligations.
- The City's total net position increased by \$17,626,126, or 9.5% in comparison to the net position at the beginning of the year. Net position of governmental activities increased \$6,982,435, or 7.0% and net position of business-type activities increased \$10,643,691, or 12.5%.
- At the close of the current fiscal year, the City's governmental funds reported a combined fund balance of \$24,280,466. This was an increase of \$5,363,125 or 28.4% from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$19,266,445, an increase of \$5,382,539 or 38.8% from the prior year. This is due to unbudgeted growth in tax revenue along with cost savings across departments.
- Sales and use tax, the City's single largest revenue source, increased \$1,797,749 or 18.1% from the prior year primarily due to economic growth over the prior year.
- In September 2020, the City issued the Series 2020 Utility Revenue Warrants in the amount of \$11,565,000, which refunded the Series 2011 Utility Revenue Warrants in November 2020.
- The following schedule presents a comparison of revenues for all Governmental Funds for the fiscal year ended September 30, 2021, to fiscal year ended September 30, 2020. Revenues increased \$13,527,500 or 39.7%, as compared to the previous year. The majority of this increase was FEMA Reimbursement for Hurricane Sally.

All Governmental Funds					
Revenues	2021	% of Total	2020	Increase (Decrease)	% Increase (Decrease)
Local taxes	\$ 20,810,059	43.72%	\$ 17,948,978	\$ 2,861,081	15.94%
Licenses and permits	4,544,325	9.55%	4,315,235	229,090	5.31%
Fines and forfeitures	194,677	0.41%	199,228	(4,551)	-2.28%
Intergovernmental	11,205,009	23.54%	2,470,197	8,734,812	353.61%
Interest and rents	465,462	0.98%	576,479	(111,017)	-19.26%
Charges for services	6,749,966	14.18%	6,098,090	651,876	10.69%
Golf course revenue	1,272,891	2.67%	1,000,949	271,942	27.17%
Recreation department	393,744	0.83%	238,811	154,933	64.88%
Other	1,958,967	4.12%	1,219,633	739,334	60.62%
	<u>\$ 47,595,100</u>	<u>100.00%</u>	<u>\$ 34,067,600</u>	<u>\$ 13,527,500</u>	<u>39.71%</u>

OVERVIEW OF THE FINANCIAL STATEMENTS

Management’s Discussion and Analysis is intended to serve as an introduction to the City’s financial statements which include: government-wide financial statements, fund financial statements, and notes to the financial statements. In addition to the basic financial statements, this report contains supplementary information which may be of interest to the reader.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the financial position of the City and are similar to private-sector financial statements. The statements include a statement of net position and a statement of activities.

The statement of net position presents information on all of the City’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. This statement combines and consolidates governmental funds’ current financial resources (short-term expendable resources) with capital assets and long-term debt. Over time, increases or decreases may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities follows the statement of net position and presents information on how the City’s net position changed during the fiscal year. The statement presents all underlying events, which give rise to the change in net position, regardless of the timing of the related cash flows. Items such as accounts payable, or vacation leave (earned, but unused) will produce changes in cash in a future fiscal period.

Both of the government-wide financial statements distinguish functions that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities reported in the statements include general government, public works, public safety, cultural and recreational, and debt service. The business-type activities include the Electric Fund, Natural Gas Fund and Water and Waste Water Fund.

The government-wide financial statements not only include the City (the primary government), but also the legally separate component units, the Fairhope Public Library and the Fairhope Airport Authority, for which the City is financially accountable. Financial information for these component units is reported separately from the information presented for the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like most state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal matters. All funds of the City can be divided into two categories: governmental and proprietary funds.

Governmental Funds

Governmental funds are used to account for the same functions as those reported under the government-wide statement of net position and statement of activities. However, unlike the government-wide financial statements, governmental fund financial statements focus on events that produce near-term inflows and outflows of expendable resources as well as the balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented in the governmental funds with similar information presented in the governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Fairhope maintains ten (10) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance of the major funds. Data from eight (8) non-major governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The City of Fairhope adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for the General Fund. The General Fund budgetary comparison schedule is provided as part of the required supplementary information on page 70.

Proprietary Funds

When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. The City uses enterprise funds to account for Natural Gas Fund, Electric Fund and Water and Waste Water Fund, which are used to account for the operations of the utilities. The City uses an internal service fund to account for its employees' medical insurance. The internal service fund is presented in the fund financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements start on page 23.

Other Information

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 70.

Combining and individual statements and schedules referred to earlier, which present more detailed views of nonmajor funds used in governmental and enterprise activities, can be found beginning on page 72 of this report.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as whole. The City's net position at fiscal year-end is \$202,693,940. This is a \$17,626,126 increase over last year's adjusted net position. The following table provides a summary of the City's net position.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets (net of internal balances)	\$ 29,089,992	\$ 21,699,620	\$ 39,206,817	\$ 47,251,933	\$ 68,296,809	\$ 68,951,553
Internal balances	(441,797)	41,440	441,797	(41,440)	-	-
Capital assets	100,341,725	99,853,435	79,119,256	74,027,037	179,460,981	173,880,472
Total Assets	128,989,920	121,594,495	118,767,870	121,237,530	247,757,790	242,832,025
Deferred charge on refunding	-	-	70,406	77,447	70,406	77,447
Pension related items	2,876,917	2,313,103	851,047	322,936	3,727,964	2,636,039
OPEB related items	1,306,903	1,006,801	468,513	648,914	1,775,416	1,655,715
Total Deferred Outflows of Resources	4,183,820	3,319,904	1,389,966	1,049,297	5,573,786	4,369,201
Long-term liabilities	19,423,994	18,398,977	17,919,664	28,086,420	37,343,658	46,485,397
Other liabilities	4,683,320	3,481,889	5,400,156	7,763,298	10,083,476	11,245,187
Total Liabilities	24,107,314	21,880,866	23,319,820	35,849,718	47,427,134	57,730,584
Pension related items	689,653	842,412	88,898	143,665	778,551	986,077
OPEB related items	1,790,186	2,586,969	641,765	829,782	2,431,951	3,416,751
Total Deferred Inflows of Resources	2,479,839	3,429,381	730,663	973,447	3,210,502	4,402,828
Net position						
Net Investment in Capital Assets	98,917,172	97,649,862	67,819,256	61,730,548	166,736,428	159,380,410
Restricted	1,011,343	1,135,047	3,349,350	14,291,410	4,360,693	15,426,457
Unrestricted	6,658,072	819,243	24,938,747	9,441,704	31,596,819	10,260,947
Total Net Position	\$ 106,586,587	\$ 99,604,152	\$ 96,107,353	\$ 85,463,662	\$ 202,693,940	\$ 185,067,814

Total assets increased \$4,925,765 or 2.0% from the previous fiscal year. This was primarily due to an increase in capital assets of \$5,580,509. Current year additions totaled \$13,179,031 and consisted of equipment, building and street improvements, and upgrades to the utility system. Current year depreciation totaled \$7,545,184.

Total liabilities decreased \$10,303,450 or 17.8% from the previous fiscal year. This was due primarily to a decrease in long-term debt of \$9,141,739. In November 2020, the City refunded the Series 2011 Utility Revenue Warrants in the amount of \$12,570,000. The refunding was financed by the September 2020 issuance of the Series 2020 Utility Revenue Warrants, in the amount of \$11,565,000.

The largest portion of the City’s net position (82.3%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, equipment, etc.) less any related debt used to acquire those assets that is still outstanding, excluding any unspent proceeds of the debt issued. The City uses these capital assets to provide services 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 position of the City’s net position (2.1%) represents resources that are subject to restriction as to how they may be used. The remaining unrestricted balance may be used to meet the government’s ongoing obligations to citizens and creditors.

The unrestricted net position for business-type activities has a balance of \$24,938,747 which is a \$15,497,043 increase from the prior year. The increase is due to current year operations as well as the growth of the City and an increase in utility customers.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 13,663,268	\$ 12,075,196	\$ 45,334,709	\$ 41,352,145	\$ 58,997,977	\$ 53,427,341
Operating Grants and contributions	9,157,959	542,126	125,743	24,299	9,283,702	566,425
Capital grants and contributions	2,408,124	2,846,663	-	2,304,665	2,408,124	5,151,328
General revenues						
Property taxes	6,847,201	6,354,890	-	-	6,847,201	6,354,890
Sales taxes	11,727,899	9,930,150	-	-	11,727,899	9,930,150
Other taxes	2,192,514	1,660,355	-	-	2,192,514	1,660,355
Other	1,579,187	616,143	311,221	557,152	1,890,408	1,173,295
Total revenues	47,576,152	34,025,523	45,771,673	44,238,261	93,347,825	78,263,784
Expenses						
General government	16,825,075	7,278,497	-	-	16,825,075	7,278,497
Public safety	7,699,709	8,763,332	-	-	7,699,709	8,763,332
Public works	9,536,641	7,125,224	-	-	9,536,641	7,125,224
Cultural and recreational	6,680,606	6,491,954	-	-	6,680,606	6,491,954
Airport Authority	335,000	320,000	-	-	335,000	320,000
Public Library Board	1,021,772	1,069,323	-	-	1,021,772	1,069,323
Interest on long-term debt	31,431	27,969	-	-	31,431	27,969
Electric	-	-	17,605,905	17,022,979	17,605,905	17,022,979
Natural gas	-	-	6,172,162	5,670,355	6,172,162	5,670,355
Water and Waste Water	-	-	9,813,398	9,213,371	9,813,398	9,213,371
Total expenses	42,130,234	31,076,299	33,591,465	31,906,705	75,721,699	62,983,004
Increase in net position before transfers	5,445,918	2,949,224	12,180,208	12,331,556	17,626,126	15,280,780
Transfers in (out)	1,536,517	804,101	(1,536,517)	(804,101)	-	-
Increase in net assets	6,982,435	3,753,325	10,643,691	11,527,455	17,626,126	15,280,780
Net position - beginning	99,604,152	95,850,827	85,463,662	73,936,207	185,067,814	169,787,034
Net position - ending	\$ 106,586,587	\$ 99,604,152	\$ 96,107,353	\$ 85,463,662	\$ 202,693,940	\$ 185,067,814

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City’s activities.

Governmental Activities

Governmental activities for the current year increased the City’s net position by \$6,982,435. Key elements of this change are as follows:

- Sales and use tax increased by approximately \$1,797,749, or 18.1%.
- Lodging tax increased by approximately \$455,188, or 49.9%.
- Insurance claims revenue increased by \$1,167,703 due to Hurricane Sally damage.
- Operational grants increased by \$7,682,153 as a result of FEMA reimbursement from Hurricane Sally.

Business-type Activities

Business-type activities increased the City’s net position by \$10,643,691. The increase is due to current year operations as well as the growth of the City and an increase in utility customers. Business-type activities are shown comparing costs to revenues generated by related services. The Electric, Natural Gas, Water and Waste Water business-type activities are self-supporting with user charges and other revenues designed to recover costs.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As noted earlier, the City of Fairhope uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in comparing the City’s resources at the end of the year with upcoming financing requirements. Governmental funds reported ending fund balances of \$24,280,466, of which \$11,328,115 is unassigned. The nonspendable fund balance is \$203,736 and stems from inventory and prepaid expenses. Restricted fund balance is \$1,011,343 and comprises funds with restrictions imposed by outside parties or constitutional provisions. Committed fund balance is \$11,737,272 and comprises funds with constraints imposed by formal action of the City Council. In particular, unassigned fund balance may serve as a useful measure of the City’s net resources available for discretionary use as it represents the portion of fund balance that is not limited for a particular use. The table below illustrates the breakdown of governmental funds for fiscal year 2021.

	All Governmental Funds			
	General	Capital Projects	Other Governmental	Total Governmental
Total revenues	\$ 45,093,259	\$ 127,084	\$ 2,374,757	\$ 47,595,100
Total expenditures	40,030,704	2,373,999	1,363,789	43,768,492
Total other financing sources (uses)	319,984	2,812,666	(1,596,133)	1,536,517
Net change in fund balance	5,382,539	565,751	(585,165)	5,363,125
Fund balances, beginning of year	13,883,906	862,824	4,170,611	18,917,341
Fund balances, end of year	<u>\$ 19,266,445</u>	<u>\$ 1,428,575</u>	<u>\$ 3,585,446</u>	<u>\$ 24,280,466</u>
Percent of fund balance to expenditures	48%	60%	263%	55%

General Fund

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. As of September 30, 2021, the total fund balance of the general fund was \$19,266,445, an increase of \$5,382,539. The increase in the General Fund is primarily due to increased tax revenues related to economic growth and cost savings in departments.

Total revenue of the General Fund increased by \$13,215,923 or 41.5% in 2021 compared to the previous year. This was due to an increase in taxes collected, licenses and permits, and intergovernmental revenues.

Capital Project Fund

Capital Project Fund is used to account for the acquisition and construction of major capital facilities and infrastructure. The fund balance of the Capital Project Fund increased \$565,751 from the previous year. The increase is due to the City transferring \$750,000 from General Fund for future capital projects.

Other Governmental Funds

Other governmental funds include various special revenue funds. Anything that has a legal requirement to be accounted for separately and general grants the City received are segregated in various special revenue funds because the funds are intended for specific uses. Capital project grants are also included in other governmental funds.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail and on a fund basis for enterprise funds and the City's internal service fund.

Enterprise Funds – Net position of the Electric Fund, Natural Gas Fund and Water and Waste Water Fund at the end of the year was \$95,949,459. Total net position increased for enterprise funds by \$10,553,990 or 12.4% in 2021 from the previous year. Total operating revenue increased \$3,982,564 or 9.6% and total operating expenses increased \$1,916,121 or 6.1% for enterprise funds. Both increased revenue and expenditures were attributed to growth.

Internal Service Fund – Internal service fund is used by management to charge the cost of employee medical insurance to the individual funds. On September 30, 2021, the internal service fund reported \$876,171 for its net position balance.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of September 30, 2021, was \$179,460,981 (net of accumulated depreciation). Capital asset investments include land, buildings, construction in progress, infrastructure, improvements other than buildings, and machinery and equipment, net of depreciation.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 27,727,658	\$ 27,727,658	\$ 9,511,594	\$ 9,260,517	\$ 37,239,252	\$ 36,988,175
Buildings and improvements	28,201,280	27,809,933	1,293,247	1,193,696	29,494,527	29,003,629
Vehicles and equipment	4,916,970	5,229,324	2,851,258	2,789,102	7,768,228	8,018,426
Infrastructure	36,937,676	37,530,920	-	-	36,937,676	37,530,920
Distribution and collection systems	-	-	60,897,438	60,783,722	60,897,438	60,783,722
Construction in progress	2,558,141	1,555,600	4,565,719	-	7,123,860	1,555,600
	<u>\$ 100,341,725</u>	<u>\$ 99,853,435</u>	<u>\$ 79,119,256</u>	<u>\$ 74,027,037</u>	<u>\$ 179,460,981</u>	<u>\$ 173,880,472</u>

Additional information on the City's capital assets can be found in Note 6 beginning on page 36 of this report.

Long-term Debt

At the fiscal year end, the City of Fairhope had \$524,553 of governmental debt and \$11,300,000 of business-type debt outstanding for the Utilities enterprise funds. In September 2020, the City issued the Series 2020 Utility Revenue Warrants in the amount of \$11,565,000, which refunded the Series 2011 Utility Revenue Warrants in November 2020.

State statutes limit the amount of general obligation debt a governmental entity may issue. The City can issue up to twenty (20) percent of its total assessed property valuation. The City's total valuation for the current fiscal year is \$473,674,340 with a current debt limit for the City of \$94,734,868. Current debt applied to the debt limit total is \$524,553, leaving the City with a legal debt margin of \$94,210,315.

	2021	2020	Increase (Decrease)
Utility Revenue Warrants	\$ 11,300,000	\$ 23,870,000	\$ (12,570,000)
Capital Leases	524,553	1,003,573	(479,020)
	<u>\$ 11,824,553</u>	<u>\$ 24,873,573</u>	<u>\$ (13,049,020)</u>

See Note 8, beginning on page 38, for a detailed description of the City's total outstanding obligations.

General Fund Budgetary Highlights

Budget to actual statements and schedules are provided in the financial statements for the General Fund. Columns are provided for both the original adopted budget as well as the final budget. These budgets are followed by columns for actual expenditures and for variances between the final budget and actual expenditures.

The operations of the City are a dynamic business that require strict budget control throughout the year. An adequate budget balance must be available for the particular line item for which a payment request has been submitted. If the budget balance is not adequate, the payment will be rejected. A payment will be approved after a budget adjustment for that cost center has been processed.

General Fund

For the year ended September 30, 2021, actual revenues were more than budgeted revenues by \$14,406,359 or 46.9%. The primary reason for the variance was FEMA reimbursement related to Hurricane Sally. Detailed variances are as follows:

- Actual taxes were more than budgeted by \$2,430,259 or 13.3%.
- Actual Intergovernmental were more than budgeted by \$9,475,820 or 1900.1%

- Actual charges for services were more than budgeted by \$489,830 or 9.5%
- Actual other revenues were than budgeted by \$1,380,557 or 239.2%

For the year ended September 30, 2021, actual total expenditures were more than budgeted expenditures by \$8,851,597 or 28.3%. The primary reason for the variance was the Hurricane Sally clean up expenditures. Detailed variances are in the following functions:

- General Government actual expenditures were more than budgeted expenditures by \$9,308,224 or 134.9%.
- Public Works actual expenditures were more than budgeted expenditures by \$164,659 or 2.3%.
- Public Safety actual expenditures were less than budgeted expenditures by \$505,814 or 6.6%.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$577,693 or 9.0%.

Economic Factors and Year 2021

The City relies on taxes (property, sales, lodging, etc.), and fee (license, permits, etc.) for their governmental activities. The analysis of a few of these taxes contained in the Statistical Section serves as good indicator of economic trends. Certain governmental activities (sanitation, recreational activities, etc.) require the user pay a related fee or charge associated with the service.

The following factors were considered in preparing the City's Budget for Fiscal Year 2022:

- The unemployment rate for the City of Fairhope for 2021 was 3.3%.
- The City's financial condition remains strong, even with the national pandemic, due to reduction in expenditures and continued oversight by management and the City Council.
- Property tax revenue is expected to increase 10.0% due to growth.
- Continued sales tax revenue growth in 2021 over the previous year due to steady economic growth.
- Revenues in Civic and Adult Recreation are projected to increase 2.5%.
- Infrastructure and growth continue to be a concern and the primary focus in Utilities investment of \$23,000,000 and resurfacing of \$404,000.
- Protecting our natural environment for the enjoyment of all investment in Parks of \$2,900,000.
- Investment in capital equipment \$3,668,500.
- We continue to explore grant opportunities throughout the year.

On September 30, 2021, fund balance in the General Fund was \$19,266,445. The City did not appropriate any fund balance from the 2021 fund balance for spending in the 2022 fiscal year budget. The City will continue to provide services to its citizens, keep a level of essential staff to provide services to the community, and pay for one-time expenditures for capital needs from the funds appropriated in the 2022 budget.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Fairhope's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Office of the Treasurer, P.O. Drawer 429, Fairhope, Alabama 36533. This report is also available online at www.fairhopeal.gov.

BASIC FINANCIAL STATEMENTS

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Governmental Fund Types			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash	\$ 25,116,970	\$ 29,445,716	\$ 54,562,686	\$ 1,011,930
Restricted cash	-	3,349,350	3,349,350	-
Receivables, net	3,734,361	5,474,178	9,208,539	208,124
Internal balances	(441,797)	441,797	-	-
Inventories	178,223	890,457	1,068,680	-
Prepaid items	25,513	11,026	36,539	49,042
Other assets	34,925	36,090	71,015	-
Capital assets not being depreciated:				
Land	27,727,658	9,511,594	37,239,252	10,674,228
Construction in progress	2,558,141	4,565,719	7,123,860	249,497
Capital assets net of accumulated depreciation:				
Buildings and improvements	28,201,280	1,293,247	29,494,527	8,238,208
Vehicles and equipment	4,916,970	2,851,258	7,768,228	86,078
Infrastructure	36,937,676	-	36,937,676	-
Distribution and collection systems	-	60,897,438	60,897,438	-
Runways	-	-	-	16,787,721
Total assets	<u>128,989,920</u>	<u>118,767,870</u>	<u>247,757,790</u>	<u>37,304,828</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	70,406	70,406	-
Pension related items	2,876,917	851,047	3,727,964	122,391
OPEB related items	1,306,903	468,513	1,775,416	-
Total deferred outflows of resources	<u>4,183,820</u>	<u>1,389,966</u>	<u>5,573,786</u>	<u>122,391</u>
Total assets and deferred outflows of resources	<u>\$ 133,173,740</u>	<u>\$ 120,157,836</u>	<u>\$ 253,331,576</u>	<u>\$ 37,427,219</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,668,826	\$ 2,755,459	\$ 5,424,285	\$ 165,276
Unearned revenue	919,977	343,541	1,263,518	-
Customer deposits	31,226	2,301,156	2,332,382	-
Noncurrent liabilities:				
Due within one year	1,063,291	1,844,904	2,908,195	250,000
Due in more than one year:				
Net pension liability	9,814,097	3,212,769	13,026,866	486,893
Total OPEB liability	7,827,555	2,806,105	10,633,660	-
Other	1,782,342	10,055,886	11,838,228	6,220,629
Total liabilities	<u>24,107,314</u>	<u>23,319,820</u>	<u>47,427,134</u>	<u>7,122,798</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	689,653	88,898	778,551	20,028
OPEB related items	1,790,186	641,765	2,431,951	-
Service concession arrangement revenue applicable to future years	-	-	-	5,959,779
Total deferred inflows of resources	<u>2,479,839</u>	<u>730,663</u>	<u>3,210,502</u>	<u>5,979,807</u>
NET POSITION				
Net investment in capital assets	98,917,172	67,819,256	166,736,428	29,565,103
Restricted for:				
Debt service	-	3,298,734	3,298,734	-
Road maintenance	340,666	-	340,666	-
Capital improvements	670,653	50,616	721,269	-
Municipal Court	20	-	20	-
American Rescue	4	-	4	-
Library improvements	-	-	-	379,036
Unrestricted	6,658,072	24,938,747	31,596,819	(5,625,532)
Total net position	<u>106,586,587</u>	<u>96,107,353</u>	<u>202,693,940</u>	<u>24,318,607</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 133,173,740</u>	<u>\$ 120,157,836</u>	<u>\$ 253,331,576</u>	<u>\$ 37,421,212</u>

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

CITY OF FAIRHOPE, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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	\$ 16,825,075	\$ 8,802,363	\$ -	\$ 196,000	\$ (7,826,712)	\$ -	\$ (7,826,712)	\$ -
Public safety	7,699,709	-	302,455	321,588	(7,075,666)	-	(7,075,666)	-
Public works	9,536,641	2,440,059	8,855,494	1,186,067	2,944,979	-	2,944,979	-
Cultural and recreational	6,680,606	2,420,846	10	704,469	(3,555,281)	-	(3,555,281)	-
Airport Authority	335,000	-	-	-	(335,000)	-	(335,000)	-
Public Library Board	1,021,772	-	-	-	(1,021,772)	-	(1,021,772)	-
Interest on long-term debt	31,431	-	-	-	(31,431)	-	(31,431)	-
Total governmental activities	<u>42,130,234</u>	<u>13,663,268</u>	<u>9,157,959</u>	<u>2,408,124</u>	<u>(16,900,883)</u>	<u>-</u>	<u>(16,900,883)</u>	<u>-</u>
Business-type activities:								
Electric	17,605,905	21,910,226	122,031	-	-	4,426,352	4,426,352	-
Natural gas	6,172,162	8,744,718	3,712	-	-	2,576,268	2,576,268	-
Water and Waste Water	9,813,398	14,679,765	-	-	-	4,866,367	4,866,367	-
Total business-type activities	<u>33,591,465</u>	<u>45,334,709</u>	<u>125,743</u>	<u>-</u>	<u>-</u>	<u>11,868,987</u>	<u>11,868,987</u>	<u>-</u>
Total primary government	<u>\$ 75,721,699</u>	<u>\$ 58,997,977</u>	<u>\$ 9,283,702</u>	<u>\$ 2,408,124</u>	<u>(16,900,883)</u>	<u>11,868,987</u>	<u>(5,031,896)</u>	<u>-</u>
Component Units	<u>\$ 2,086,831</u>	<u>\$ 325,648</u>	<u>\$ 1,399,941</u>	<u>\$ 748,765</u>				<u>387,523</u>
General revenues:								
Property taxes					6,847,201	-	6,847,201	-
Sales tax					11,727,899	-	11,727,899	-
Liquor taxes					714,140	-	714,140	-
Lodging taxes					1,366,725	-	1,366,725	-
Other taxes					111,649	-	111,649	-
Investment earnings					174,777	307,434	482,211	302
Other					1,404,410	3,787	1,408,197	262,772
Transfers					1,536,517	(1,536,517)	-	-
Total general revenues and transfers					<u>23,883,318</u>	<u>(1,225,296)</u>	<u>22,658,022</u>	<u>263,074</u>
Change in net position					<u>6,982,435</u>	<u>10,643,691</u>	<u>17,626,126</u>	<u>650,597</u>
Net position - beginning					<u>99,604,152</u>	<u>85,463,662</u>	<u>185,067,814</u>	<u>23,668,010</u>
Net position - ending					<u>\$ 106,586,587</u>	<u>\$ 96,107,353</u>	<u>\$ 202,693,940</u>	<u>\$ 24,318,607</u>

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

CITY OF FAIRHOPE, ALABAMA

FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$18,101,861	\$ 1,568,032	\$ 4,381,371	\$ 24,051,264
Receivables, net	3,191,148	54,444	488,769	3,734,361
Inventory	178,223	-	-	178,223
Prepaid items	25,513	-	-	25,513
Due from other funds	57,325	10,418	-	67,743
Other assets	34,925	-	-	34,925
Total assets	<u>\$ 21,588,995</u>	<u>\$ 1,632,894</u>	<u>\$ 4,870,140</u>	<u>\$ 28,092,029</u>
LIABILITIES				
Accounts payable	\$ 1,451,803	\$ 197,041	\$ 344,848	\$ 1,993,692
Accrued expenditures and taxes	477,678	-	-	477,678
Customer deposits	31,226	-	-	31,226
Unearned revenue	284,266	-	673,055	957,321
Due to other funds	77,577	7,278	266,791	351,646
Total liabilities	<u>2,322,550</u>	<u>204,319</u>	<u>1,284,694</u>	<u>3,811,563</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	25,513	-	-	25,513
Inventory	178,223	-	-	178,223
Restricted:				
Road maintenance	-	-	340,666	340,666
Capital improvements	-	-	670,653	670,653
Municipal Court	-	-	20	20
American Rescue	-	-	4	4
Committed:				
Council approved emergencies	7,000,000	-	-	7,000,000
Construction and road maintenance	-	-	2,574,103	2,574,103
Debt service	699,594	-	-	699,594
Capital projects	35,000	1,428,575	-	1,463,575
Unassigned	11,328,115	-	-	11,328,115
Total fund balances	<u>19,266,445</u>	<u>1,428,575</u>	<u>3,585,446</u>	<u>24,280,466</u>
Total liabilities and fund balances	<u>\$ 21,588,995</u>	<u>\$ 1,632,894</u>	<u>\$ 4,870,140</u>	<u>\$ 28,092,029</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, 2021

Fund balances as reported on page 14	\$ 24,280,466
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.	170,296,968
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(69,955,243)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned revenue in fund financial statements.	37,344
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.	2,876,917
Deferred outflows of resources related to OPEB obligations.	1,306,903
Deferred inflows are not financial resources and, therefore, are not reported in fund financial statements.	
Deferred inflows of resources related to net pension liability.	(689,653)
Deferred inflows of resources related to OPEB obligations.	(1,790,186)
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.	718,277
Long-term liabilities, including warrants, notes, capital lease obligations and OPEB obligations are not due and payable in the current period and, therefore, are not reported in fund financial statements:	
Obligations under capital leases	(1,424,553)
Net pension liability	(9,814,097)
OPEB obligations	(7,827,555)
Accrued interest on long-term debt is not due and payable in the current period and, therefore, not included in fund financial statements.	(7,921)
Compensated absences not expected to be paid with current resources as determined under Governmental Accounting Standards are not reported in fund financial statements.	(1,421,080)
Net position of governmental activities as reported on page 12	<u>\$ 106,586,587</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, 2021

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local taxes	\$ 20,673,433	\$ -	\$ 136,626	\$ 20,810,059
Licenses and permits	4,544,325	-	-	4,544,325
Fines and forfeitures	194,677	-	-	194,677
Intergovernmental	9,972,820	126,799	1,105,390	11,205,009
Interest and rents	461,632	285	3,545	465,462
Charges for services	5,621,930	-	1,128,036	6,749,966
Golf course revenue	1,272,891	-	-	1,272,891
Recreation department	393,744	-	-	393,744
Other	1,957,807	-	1,160	1,958,967
Total revenues	<u>45,093,259</u>	<u>127,084</u>	<u>2,374,757</u>	<u>47,595,100</u>
EXPENDITURES				
General government	16,208,857	-	297,674	16,506,531
Public safety	7,164,116	-	-	7,164,116
Public works	7,484,450	-	-	7,484,450
Cultural and recreational	5,827,670	-	-	5,827,670
Airport Authority	335,000	-	-	335,000
Public Library Board	816,431	-	-	816,431
Debt service payments:				
Principal	300,000	-	479,020	779,020
Interest	-	-	29,847	29,847
Capital outlay	<u>1,894,180</u>	<u>2,373,999</u>	<u>557,248</u>	<u>4,825,427</u>
Total expenditures	<u>40,030,704</u>	<u>2,373,999</u>	<u>1,363,789</u>	<u>43,768,492</u>
Excess of revenues over (under) expenditures	<u>5,062,555</u>	<u>(2,246,915)</u>	<u>1,010,968</u>	<u>3,826,608</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,917,549	2,812,666	508,867	5,239,082
Transfers out	<u>(1,597,565)</u>	<u>-</u>	<u>(2,105,000)</u>	<u>(3,702,565)</u>
Total other financing sources (uses)	<u>319,984</u>	<u>2,812,666</u>	<u>(1,596,133)</u>	<u>1,536,517</u>
Net change in fund balances	5,382,539	565,751	(585,165)	5,363,125
Fund balances – beginning of year	<u>13,883,906</u>	<u>862,824</u>	<u>4,170,611</u>	<u>18,917,341</u>
FUND BALANCES – END OF YEAR	<u><u>\$ 19,266,445</u></u>	<u><u>\$ 1,428,575</u></u>	<u><u>\$ 3,585,446</u></u>	<u><u>\$ 24,280,466</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, 2021

Net change in fund balances – total governmental funds, page 16	\$ 5,363,125
<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.	4,780,974
Depreciation expense on governmental capital assets included in the capital assets in the statement of net position.	(4,268,041)
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.	(24,642)
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Principal payments on long-term debt	779,020
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.	5,695
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds. Compensated absences Accrued interest Pensions Postemployment benefit plans other than pensions	(123,600) (1,585) (451,032) 538,611
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.	<u>383,910</u>
Change in net position of governmental activities, page 13	<u>\$ 6,982,435</u>

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

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	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	\$ 6,861,954	\$ 10,638,724	\$ 11,945,038	\$ 29,445,716	\$ 1,065,706
Restricted cash held by fiscal agent	78,851	78,851	3,191,648	3,349,350	-
Receivables, net	3,965,641	386,368	1,122,169	5,474,178	-
Inventories	379,980	296,285	214,192	890,457	-
Prepaid items	5,199	1,750	4,077	11,026	-
Due from other funds	22,498	-	325,361	347,859	-
Total current assets	11,314,123	11,401,978	16,802,485	39,518,586	1,065,706
Noncurrent assets:					
Other assets	12,030	12,030	12,030	36,090	-
Capital assets:					
Land	7,706,240	1,616,172	189,182	9,511,594	-
Construction in progress	3,630,109	216,552	719,058	4,565,719	-
Buildings and improvements	1,418,468	894,523	572,344	2,885,335	-
Vehicles and equipment	5,674,132	4,076,360	4,619,472	14,369,964	-
Distribution and collection systems	28,931,828	14,319,231	61,865,124	105,116,183	-
Less accumulated depreciation	(17,947,576)	(9,849,343)	(29,532,620)	(57,329,539)	-
Total noncurrent assets	29,425,231	11,285,525	38,444,590	79,155,346	-
Total assets	40,739,354	22,687,503	55,247,075	118,673,932	1,065,706
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	-	-	70,406	70,406	-
Pension related items	315,547	211,641	323,859	851,047	-
OPEB related items	177,542	113,429	177,542	468,513	-
Total deferred outflows of resources	493,089	325,070	571,807	1,389,966	-
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	1,697,177	393,967	664,315	2,755,459	189,535
Unearned revenue	41,217	16,800	285,524	343,541	-
Customer deposits	1,129,373	719,866	451,917	2,301,156	-
Warrants, notes and capital leases payable	40,630	40,630	1,618,740	1,700,000	-
Compensated absences	45,860	30,407	68,637	144,904	-
Due to other funds	9,592	32,935	21,429	63,956	-
Total current liabilities	2,963,849	1,234,605	3,110,562	7,309,016	189,535
Noncurrent liabilities:					
Compensated absences	193,219	96,830	165,837	455,886	-
Warrants, notes and capital leases payable	229,440	229,440	9,141,120	9,600,000	-
Net pension liability	1,274,892	780,689	1,157,188	3,212,769	-
Total OPEB liability	1,063,366	679,373	1,063,366	2,806,105	-
Total noncurrent liabilities	2,760,917	1,786,332	11,527,511	16,074,760	-
Total liabilities	5,724,766	3,020,937	14,638,073	23,383,776	189,535
DEFERRED INFLOWS OF RESOURCES					
Pension related items	17,310	17,155	54,433	88,898	-
OPEB related items	243,195	155,375	243,195	641,765	-
Total deferred inflows of resources	260,505	172,530	297,628	730,663	-
NET POSITION					
Net investment in capital assets	29,143,131	11,003,425	27,672,700	67,819,256	-
Restricted:					
Debt service	78,851	78,851	3,141,032	3,298,734	-
Capital improvements	-	-	50,616	50,616	-
Unrestricted	6,025,190	8,736,830	10,018,833	24,780,853	876,171
Total net position	\$ 35,247,172	\$ 19,819,106	\$ 40,883,181	95,949,459	\$ 876,171
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds				157,894	
Change in net position of business-type activities				\$ 96,107,353	

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, 2021

	Business-type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund		
OPERATING REVENUES					
Sales and services	\$ 21,446,433	\$ 8,668,174	\$ 12,659,718	\$ 42,774,325	\$ 4,343,291
Other charges, sales and receipts	463,793	76,544	2,020,047	2,560,384	-
Total operating revenues	21,910,226	8,744,718	14,679,765	45,334,709	4,343,291
OPERATING EXPENSES					
Energy purchases and cost of goods sold	12,488,709	2,216,197	592,438	15,297,344	-
Salaries	1,356,999	1,059,035	1,873,234	4,289,268	-
Depreciation	979,889	475,895	1,821,360	3,277,144	-
Insurance	481,811	374,650	697,052	1,553,513	-
Electric energy furnished to other departments	65,271	33,232	239,802	338,305	-
Maintenance	657,874	396,268	2,145,581	3,199,723	-
Benefit payments	-	-	-	-	3,870,087
Other operating expense	1,581,677	1,564,935	2,298,974	5,445,586	-
Total operating expenses	17,612,230	6,120,212	9,668,441	33,400,883	3,870,087
OPERATING INCOME	4,297,996	2,624,506	5,011,324	11,933,826	473,204
NONOPERATING REVENUES (EXPENSES)					
Interest expense	(8,072)	(7,910)	(187,061)	(203,043)	-
Interest income	98,559	92,211	116,664	307,434	407
Gain on sale of capital assets	3,575	212	-	3,787	-
Intergovernmental revenue	122,031	3,712	-	125,743	-
Distribution of joint revenue (expense) – net	-	(77,240)	-	(77,240)	-
Total nonoperating revenues (expenses)	216,093	10,985	(70,397)	156,681	407
INCOME BEFORE TRANSFERS AND OTHER ITEMS	4,514,089	2,635,491	4,940,927	12,090,507	473,611
TRANSFERS AND OTHER ITEMS					
Transfers in	38,379	-	-	38,379	-
Transfers out	(619,549)	(301,589)	(653,758)	(1,574,896)	-
Total transfers and other items	(581,170)	(301,589)	(653,758)	(1,536,517)	-
Change in net position	3,932,919	2,333,902	4,287,169	10,553,990	473,611
Net position – beginning of year	31,314,253	17,485,204	36,596,012	85,395,469	402,560
NET POSITION – END OF YEAR	<u>\$ 35,247,172</u>	<u>\$ 19,819,106</u>	<u>\$ 40,883,181</u>		<u>\$ 876,171</u>
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds				157,894	
Change in net position of business-type activities				<u>\$ 10,711,884</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, 2021

	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	\$ 20,044,511	\$ 8,818,888	\$ 14,572,910	\$ 43,436,309	\$ -
Receipt from interfund services provided	-	-	-	-	4,437,548
Paid to suppliers for goods and services	(15,755,330)	(4,636,105)	(6,234,928)	(26,626,363)	(3,922,609)
Paid to personnel for services	(1,288,071)	(1,080,930)	(1,613,912)	(3,982,913)	-
Net cash provided by operating activities	3,001,110	3,101,853	6,724,070	12,827,033	514,939
CASH FLOWS FROM INVESTING ACTIVITIES					
Distribution of joint expense	-	(77,240)	-	(77,240)	-
Interest income	98,559	92,211	116,664	307,434	407
Net cash provided by investing activities	98,559	14,971	116,664	230,194	407
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Repayment of debt	(361,253)	(317,102)	(11,891,645)	(12,570,000)	-
Interest paid	(6,858)	(6,346)	(245,794)	(258,998)	-
Acquisition of capital assets	(4,416,403)	(1,587,271)	(2,394,382)	(8,398,056)	-
Net cash used in capital and related financing activities	(4,784,514)	(1,910,719)	(14,531,821)	(21,227,054)	-
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Change in interfund receivable	19,603	398	(325,361)	(305,360)	-
Change in interfund payable	9,592	(23,915)	(73,853)	(88,176)	-
Government grants	122,031	3,712	-	125,743	-
Proceeds from disposal of noncapital assets	3,575	212	28,693	32,480	-
Transfers from other funds	38,379	-	-	38,379	-
Transfers to other funds	(619,549)	(301,589)	(653,758)	(1,574,896)	-
Net cash used in noncapital and related financing activities	(426,369)	(321,182)	(1,024,279)	(1,771,830)	-
INCREASE (DECREASE) IN CASH	(2,111,214)	884,923	(8,715,366)	(9,941,657)	515,346
CASH - BEGINNING OF YEAR	9,052,019	9,832,652	23,852,052	42,736,723	550,360
CASH - END OF YEAR	<u>\$ 6,940,805</u>	<u>\$ 10,717,575</u>	<u>\$ 15,136,686</u>	<u>\$ 32,795,066</u>	<u>\$ 1,065,706</u>
Cash and cash equivalents	\$ 6,861,954	\$ 10,638,724	\$ 11,945,038	\$ 29,445,716	\$ 1,065,706
Restricted cash held by fiscal agent	78,851	78,851	3,191,648	3,349,350	-
	<u>\$ 6,940,805</u>	<u>\$ 10,717,575</u>	<u>\$ 15,136,686</u>	<u>\$ 32,795,066</u>	<u>\$ 1,065,706</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 4,297,996	\$ 2,624,506	\$ 5,011,324	\$ 11,933,826	\$ 473,204
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	979,889	475,895	1,821,360	3,277,144	-
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(1,888,851)	(25,248)	149,589	(1,764,510)	94,257
Decrease (increase) in inventories	1,049	(79,086)	(50,339)	(128,376)	-
Decrease (increase) in prepaid expenses	(2,817)	212	(1,050)	(3,655)	-
Decrease (increase) in deferred outflow of resources	(124,962)	(78,790)	(143,958)	(347,710)	-
Increase (decrease) in accounts payable	(500,366)	18,352	(222,854)	(704,868)	(52,522)
Increase (decrease) in customer deposits	5,107	82,618	18,890	106,615	-
Increase (decrease) in net unearned revenue	18,029	16,800	(275,334)	(240,505)	-
Increase (decrease) in deferred inflow of resources	(109,471)	(72,654)	(60,659)	(242,784)	-
Increase (decrease) in net pension liability	158,620	101,358	158,621	418,599	-
Increase (decrease) in compensated absences	36,183	(37,996)	50,620	48,807	-
Increase (decrease) in net OPEB obligation	130,704	75,886	267,860	474,450	-
Net cash provided by operating activities	<u>\$ 3,001,110</u>	<u>\$ 3,101,853</u>	<u>\$ 6,724,070</u>	<u>\$ 12,827,033</u>	<u>\$ 514,939</u>

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

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CITY OF FAIRHOPE, ALABAMA

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2021

	Public Library Board	Airport Authority	Total
ASSETS			
Cash	\$ 825,725	\$ 186,205	\$ 1,011,930
Receivables, net	-	208,124	208,124
Prepaid items	7,169	41,873	49,042
Capital assets not being depreciated:			
Land	-	10,674,228	10,674,228
Construction in progress	-	249,497	249,497
Capital assets net of accumulated depreciation:			
Buildings and improvements	-	8,238,208	8,238,208
Vehicles and equipment	58,698	27,380	86,078
Runways	-	16,787,721	16,787,721
Total assets	<u>891,592</u>	<u>36,413,236</u>	<u>37,304,828</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>122,391</u>	<u>-</u>	<u>122,391</u>
Total assets and deferred outflows of resources	<u>\$ 1,013,983</u>	<u>\$ 36,413,236</u>	<u>\$ 37,427,219</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 20,111	\$ 79,765	\$ 99,876
Unearned revenue	-	6,007	6,007
Customer deposits	-	65,400	65,400
Long-term liabilities:			
Due within one year	-	250,000	250,000
Due in more than one year	-	6,220,629	6,220,629
Net pension liability	<u>486,893</u>	<u>-</u>	<u>486,893</u>
Total liabilities	<u>507,004</u>	<u>6,621,801</u>	<u>7,128,805</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	20,028	-	20,028
Service concession arrangement revenue applicable to future years	-	5,959,779	5,959,779
Total deferred inflows of resources	<u>20,028</u>	<u>5,959,779</u>	<u>5,979,807</u>
NET POSITION			
Net investment in capital assets	58,698	29,506,405	29,565,103
Restricted:			
Library improvements	379,036	-	379,036
Unrestricted	<u>49,217</u>	<u>(5,674,749)</u>	<u>(5,625,532)</u>
Total net position	<u>486,951</u>	<u>23,831,656</u>	<u>24,318,607</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,013,983</u>	<u>\$ 36,413,236</u>	<u>\$ 37,427,219</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, 2021

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	\$ 878,469	\$ 75,794	\$ 849,260	\$ -	\$ 46,585	\$ -	\$ 46,585
Business-type activities:							
Airport Authority	1,208,362	249,854	550,681	748,765	-	340,938	340,938
	<u>\$ 2,086,831</u>	<u>\$ 325,648</u>	<u>\$ 1,399,941</u>	<u>\$ 748,765</u>	<u>46,585</u>	<u>340,938</u>	<u>387,523</u>
General revenues:							
Investment earnings					-	302	302
Other					-	262,772	262,772
Total general revenues					-	263,074	263,074
Change in net position					46,585	604,012	650,597
Net position – beginning					440,366	23,227,644	23,668,010
Net position – ending					<u>\$ 486,951</u>	<u>\$ 23,831,656</u>	<u>\$ 24,318,607</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 (GAAP) 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, 2021

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, 2021

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, 2021**

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, 2021

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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fuel	\$ 61,770	\$ 5,940	\$ 67,710
Materials and supplies	<u>116,453</u>	<u>884,517</u>	<u>1,000,970</u>
Totals	<u>\$ 178,223</u>	<u>\$ 890,457</u>	<u>\$ 1,068,680</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, 2021

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 method 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 11, and deferred outflow items related to the City's postemployment benefits other than pensions which are described further in Note 14.

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, 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 reports deferred inflow items related to the City's pension plan which are described further in Note 11, and deferred inflow items related to the City's postemployment benefits other than pensions which are described further in Note 14.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021 totaled \$10,633,660. 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, 2021

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

Net position is 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, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. NET POSITION AND EQUITY CLASSIFICATIONS (CONTINUED)

Fund Financial Statements

In accordance with Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form, or for legal or contractual requirements.
- 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, 2021

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 25, 2022, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2021.

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, 2021

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

- (3) The budget is enacted through City 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.
- (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.

NOTE 3 DEPOSIT AND INVESTMENT RISK

At September 30, 2021, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$3,349,350. The average maturity of the portfolio was 31 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, 2021, 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, 2021

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, 2021, 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
Taxes	\$ 1,961,372	\$ -	\$ 20,513	\$ -
Accounts	205,056	-	455	3,442,032
Intergovernmental	1,711,696	54,444	467,801	808,562
	<u>3,878,124</u>	<u>54,444</u>	<u>488,769</u>	<u>4,250,594</u>
Less allowance for uncollectable accounts	(686,976)	-	-	(284,953)
Total receivables	<u>\$ 3,191,148</u>	<u>\$ 54,444</u>	<u>\$ 488,769</u>	<u>\$ 3,965,641</u>

	Natural Gas	Water and Waste Water Fund	Airport Authority	Total
Taxes	\$ -	\$ -	\$ -	\$ 1,981,885
Accounts	419,766	1,289,999	6,952	5,364,260
Intergovernmental	13,103	42,637	201,172	3,299,415
	<u>432,869</u>	<u>1,332,636</u>	<u>208,124</u>	<u>10,645,560</u>
Less allowance for uncollectable accounts	(46,501)	(210,467)	-	(1,228,897)
Total receivables	<u>\$ 386,368</u>	<u>\$ 1,122,169</u>	<u>\$ 208,124</u>	<u>\$ 9,416,663</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021 is shown below.

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Natural Gas	\$ 30,612
	Electric	9,592
	Nonmajor Governmental	17,121
Electric	Natural Gas	1,069
	Water and Waste Water	21,429
Water and Waste Water	General	67,159
	Natural Gas	1,254
	Capital Projects	7,278
	Nonmajor Governmental	249,670
Capital Projects	General	10,418
Total		<u>\$ 415,602</u>

Interfund Transfers

Transfer Out	Transfer In				Total
	General	Capital Projects	Nonmajor Governmental	Electric	
General	\$ -	\$ 1,088,698	\$ 508,867	\$ -	\$ 1,597,565
Nonmajor Governmental	417,157	1,687,843	-	-	2,105,000
Electric	619,549	-	-	-	619,549
Natural Gas	256,798	36,125	-	8,666	301,589
Water and Waste Water	624,045	-	-	29,713	653,758
Totals	<u>\$ 1,917,549</u>	<u>\$ 2,812,666</u>	<u>\$ 508,867</u>	<u>\$ 38,379</u>	<u>\$ 5,277,461</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 27,727,658	\$ -	\$ -	\$ -	\$ 27,727,658
Construction in progress	1,555,600	2,112,153	-	(1,109,612)	2,558,141
Total	<u>29,283,258</u>	<u>2,112,153</u>	<u>-</u>	<u>(1,109,612)</u>	<u>30,285,799</u>
Other capital assets:					
Buildings and improvements	42,847,150	761,334	(8,871)	831,072	44,430,685
Vehicles and equipment	19,762,626	1,288,954	(368,996)	17,906	20,700,490
Infrastructure	73,982,921	618,533	-	278,540	74,879,994
Total	<u>136,592,697</u>	<u>2,668,821</u>	<u>(377,867)</u>	<u>1,127,518</u>	<u>140,011,169</u>
Less accumulated depreciation for:					
Buildings and improvements	(15,037,217)	(1,199,554)	7,366	-	(16,229,405)
Vehicles and equipment	(14,533,302)	(1,578,170)	345,858	(17,906)	(15,783,520)
Infrastructure	(36,452,001)	(1,490,317)	-	-	(37,942,318)
Total accumulated depreciation	<u>(66,022,520)</u>	<u>(4,268,041)</u>	<u>353,224</u>	<u>(17,906)</u>	<u>(69,955,243)</u>
Other capital assets, net	<u>70,570,177</u>	<u>(1,599,220)</u>	<u>(24,643)</u>	<u>1,109,612</u>	<u>70,055,926</u>
Governmental capital assets, net	<u>\$ 99,853,435</u>	<u>\$ 512,933</u>	<u>\$ (24,643)</u>	<u>\$ -</u>	<u>\$ 100,341,725</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 686,280
Public safety	516,570
Public works	2,007,569
Cultural and recreational	852,281
Library	205,341
Total	<u>\$ 4,268,041</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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	\$ 251,077	\$ -	\$ -	\$ 9,511,594
Construction in progress	-	4,565,719	-	-	4,565,719
Total	9,260,517	4,816,796	-	-	14,077,313
Other capital assets:					
Buildings and improvements	2,727,668	157,667	-	-	2,885,335
Vehicles and equipment	13,618,006	782,662	(12,799)	(17,905)	14,369,964
Distribution and collection system	102,583,336	2,640,932	(108,085)	-	105,116,183
Total	118,929,010	3,581,261	(120,884)	(17,905)	122,371,482
Less accumulated depreciation for:					
Buildings and improvements	(1,533,972)	(58,116)	-	-	(1,592,088)
Vehicles and equipment	(10,828,904)	(714,105)	6,398	17,905	(11,518,706)
Distribution and collection system	(41,799,614)	(2,504,922)	85,791	-	(44,218,745)
Total accumulated depreciation	(54,162,490)	(3,277,143)	92,189	17,905	(57,329,539)
Other capital assets, net	64,766,520	304,118	(28,695)	-	65,041,943
Capital assets, net	\$ 74,027,037	\$ 5,120,914	\$ (28,695)	\$ -	\$ 79,119,256
<u>Component Unit – Public Library</u>					
Vehicles and equipment	\$ 507,562	\$ 38,570	\$ -	\$ -	\$ 546,132
Less accumulated depreciation	(461,574)	(25,860)	-	-	(487,434)
Capital assets, net	\$ 45,988	\$ 12,710	\$ -	\$ -	\$ 58,698
<u>Component Unit – Airport Authority</u>					
Capital assets not subject to depreciation:					
Land	\$ 10,674,228	\$ -	\$ -	\$ -	\$ 10,674,228
Construction in progress	50,191	712,337	-	(513,031)	249,497
Total	10,724,419	712,337	-	(513,031)	10,923,725
Other capital assets:					
Buildings and improvements	10,954,940	512,000	-	274,868	11,741,808
Vehicles and equipment	98,885	29,600	-	-	128,485
Runways	19,148,990	-	-	238,163	19,387,153
Total	30,202,815	541,600	-	513,031	31,257,446
Less accumulated depreciation for:					
Buildings and improvements	(3,227,619)	(275,981)	-	-	(3,503,600)
Vehicles and equipment	(98,885)	(2,220)	-	-	(101,105)
Runways	(2,341,731)	(257,701)	-	-	(2,599,432)
Total accumulated depreciation	(5,668,235)	(535,902)	-	-	(6,204,137)
Other capital assets, net	24,534,580	5,698	-	513,031	25,053,309
Capital assets, net	\$ 35,258,999	\$ 718,035	\$ -	\$ -	\$ 35,977,034

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7 SHORT-TERM DEBT

In November 2020, the City obtained a \$5,000,000 line of credit to finance the storm damage caused by Hurricane Sally. The line of credit bears interest on the outstanding balances at 0.78% and matures on November 19, 2022.

Short-term debt activity for the year ended September 30, 2021:

Balance at beginning of year	\$	-
Draws		5,000,000
Payments		<u>(5,000,000)</u>
Balance at end of year	<u>\$</u>	<u>-</u>

The amount of unused line of credit totaled \$5,000,000 at September 30, 2021.

NOTE 8 LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
GOVERNMENTAL ACTIVITIES					
Notes payable	\$ 1,200,000	\$ -	\$ (300,000)	\$ 900,000	\$ 300,000
Capital leases	1,003,573	-	(479,020)	524,553	389,819
Compensated absences	<u>1,297,480</u>	<u>1,030,297</u>	<u>(906,697)</u>	<u>1,421,080</u>	<u>373,472</u>
Governmental activities long-term liabilities	<u>3,501,053</u>	<u>1,030,297</u>	<u>(1,685,717)</u>	<u>2,845,633</u>	<u>1,063,291</u>
BUSINESS-TYPE ACTIVITIES					
Direct placements	23,870,000	-	(12,570,000)	11,300,000	1,700,000
Less issuance discounts	<u>(11,589)</u>	<u>-</u>	<u>11,589</u>	<u>-</u>	<u>-</u>
Total direct placements	23,858,411	-	(12,558,411)	11,300,000	1,700,000
Compensated absences	<u>551,983</u>	<u>415,493</u>	<u>(366,686)</u>	<u>600,790</u>	<u>144,904</u>
Business-type activities long-term liabilities	<u>24,410,394</u>	<u>415,493</u>	<u>(12,925,097)</u>	<u>11,900,790</u>	<u>1,844,904</u>
Total long-term debt	<u>\$ 27,911,447</u>	<u>\$ 1,445,790</u>	<u>\$ (14,610,814)</u>	<u>\$ 14,746,423</u>	<u>\$ 2,908,195</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 LONG-TERM DEBT (CONTINUED)

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, 2021:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 300,000	\$ -	\$ 300,000
2023	300,000	-	300,000
2024	<u>300,000</u>	<u>-</u>	<u>300,000</u>
	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 900,000</u>

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	\$ 1,146,928
Less accumulated depreciation	<u>501,151</u>
Totals	<u>\$ 645,777</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 LONG-TERM DEBT (CONTINUED)

Capital Leases – Governmental Activities (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Year ending September 30:	
2022	\$ 405,057
2023	<u>138,527</u>
	543,584
Less amount representing interest	<u>19,031</u>
Present value of minimum lease payments	<u>\$ 524,553</u>

Warrants from Direct Placements – Business-type Activities

The following is a summary of warrants from direct placement in proprietary funds as of September 30, 2021:

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>\$ 11,300,000</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 City's outstanding warrants from direct placement related to business-type activities of \$11,300,000 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, 2021

NOTE 8 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, 2021:

Year Ending September 30,	Business-type Activities		
	Direct Placements		
	Principal	Interest	Total
2022	\$ 1,700,000	\$ 134,760	\$ 1,834,760
2023	1,720,000	111,872	1,831,872
2024	1,740,000	89,728	1,829,728
2025	1,765,000	67,296	1,832,296
2026	1,785,000	44,576	1,829,576
2027-2031	2,590,000	83,840	2,673,840
	<u>\$ 11,300,000</u>	<u>\$ 532,072</u>	<u>\$ 11,832,072</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, 2021:

Airport Improvement Refunding Bond, Series 2021, dated March 16, 2021, original debt obligation of \$6,695,629, interest rate 1.14%, principal payable annually through September 1, 2027. \$ 6,470,629

The Series 2021 Airport Improvement Refunding Bond was issued on March 16, 2021, for the purpose of refunding the Series 2017 Airport Improvement Refunding Bond. The Airport Authority will see an increase in cash flows required to service debt of \$60,322 over the life of the new bonds. The economic gain (difference between present value of the debt service payments on the old and the new debt) as a result of the refunding is \$282,614.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bond from Direct Placements – Component Units (Continued)

The Airport Improvement Refunding Bond, Series 2021, is secured by a pledge of payments received from the City pursuant to the 2020 Funding Agreement, dated March 16, 2021. The 2021 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 2021.

The following is a summary of debt service requirements to maturity of long-term debt of the Airport Authority as of September 30, 2021:

Year Ending September 30,	Component Units		
	Direct Placements		
	Principal	Interest	Total
2022	\$ 250,000	\$ 73,765	\$ 323,765
2023	250,000	70,915	320,915
2024	275,000	68,065	343,065
2025	275,000	64,930	339,930
2026	275,000	61,795	336,795
2027	5,145,629	114,185	5,259,814
	<u>\$ 6,470,629</u>	<u>\$ 453,655</u>	<u>\$ 6,924,284</u>

The Airport Authority's outstanding bond from direct placement of \$6,470,629 contains a provision that in event of default, outstanding amounts become due immediately if the Airport Authority is unable to make payment.

NOTE 9 SALARIES – PROPRIETARY FUNDS

The following is a summary of employees' salaries for the business-type activities for the year ended September 30, 2021:

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund
Total salaries	\$ 1,405,745	\$ 1,163,682	\$ 1,982,179
Less:			
Salaries capitalized for plant additions	<u>48,746</u>	<u>104,647</u>	<u>108,945</u>
Salaries charged to operations	<u>\$ 1,356,999</u>	<u>\$ 1,059,035</u>	<u>\$ 1,873,234</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 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 11 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 *Code of Alabama 1975, Section 36-27-6*.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 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.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership consisted of:

	<u>ERS</u>	<u>City</u>	<u>Library</u>
Retirements and beneficiaries currently receiving benefits	28,672	112	6
Terminated employees entitled to but not yet receiving benefits	1,974	10	-
Terminated employees not entitled to a benefit	14,133	46	9
Active members	56,369	337	13
Post-DROP participants who are still in active service	97	-	-
	<u>101,245</u>	<u>505</u>	<u>28</u>

Contributions

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

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

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

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11 PENSION PLAN (CONTINUED)

Contributions (Continued)

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 9.05% of pensionable pay for Tier 1 employees, and 7.29% of pensionable pay for Tier 2 employees. The Fairhope Public Library's contractually required contribution rate for the year ended September 30, 2020, was 13.10% of pensionable pay for Tier 1 employees, and 12.15% 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 \$1,557,865 and \$40,428 from the Fairhope Public Library for the year ended September 30, 2021.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 PENSION PLAN (CONTINUED)

Net Pension Liability

The City's and Fairhope Public Library's net pension liabilities were measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 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, 2019	\$ 48,297,664	\$ 49,117,289
(b) Discount rate	7.70%	7.70%
(c) Entry age normal cost for the period October 1, 2019 to September 30, 2020	1,171,361	1,305,115
(d) Transfer among employers	-	426,549
(e) Actual benefit payments and refunds for October 1, 2019 to September 30, 2020	<u>(2,884,262)</u>	<u>(2,884,262)</u>
(f) Total Pension Liability as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	<u>\$ 50,192,639</u>	<u>\$ 51,635,678</u>
(g) Difference between expected and actual		\$ 1,443,039
(h) Less liability transferred for immediate recognition		<u>426,549</u>
(i) Experience (gain)/loss		<u>\$ 1,016,490</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

Fairhope Public Library

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2019	\$ 1,422,090	\$ 1,457,126
(b) Discount rate	7.70%	7.70%
(c) Entry age normal cost for the period October 1, 2019 to September 30, 2020	32,407	38,212
(d) Transfers among employers:	-	-
(e) Actual benefit payments and refunds for October 1, 2019 to September 30, 2020	<u>(65,814)</u>	<u>(65,814)</u>
(f) Total Pension Liability as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	<u>\$ 1,495,650</u>	<u>\$ 1,539,188</u>
(g) Difference between expected and actual		\$ 43,538
(h) Less liability transferred for immediate recognition		<u>-</u>
(i) Experience (gain)/loss		<u>\$ 43,538</u>

Actuarial Assumptions

The total pension liability as of September 30, 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. 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, 2021

NOTE 11 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, 2018, 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%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash equivalents	3.0%	1.5%
	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.75%

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 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, 2019	\$ 48,297,664	\$ 36,857,001	\$ 11,440,663
Changes for the year:			
Service cost	1,171,361	-	1,171,361
Interest	3,607,876	-	3,607,876
Changes of benefit terms	717,323	-	717,323
Differences between expected and actual experience	299,167	-	299,167
Contributions – employer	-	1,200,051	(1,200,051)
Contributions – employee	-	913,202	(913,202)
Net investment income	-	2,096,271	(2,096,271)
Benefit payments, including refunds of employee contributions	(2,884,262)	(2,884,262)	-
Transfers among employers	426,549	426,549	-
Net Changes	<u>3,338,014</u>	<u>1,751,811</u>	<u>1,586,203</u>
Balances at September 30, 2020	<u>\$ 51,635,678</u>	<u>\$ 38,608,812</u>	<u>\$ 13,026,866</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 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, 2019	\$ 1,422,090	\$ 984,565	\$ 437,525
Changes for the year:			
Service cost	32,407	-	32,407
Interest	106,967	-	106,967
Changes of benefit terms	22,441	-	22,441
Differences between expected and actual experience	21,097	-	21,097
Contributions – employer	-	32,554	(32,554)
Contributions – employee	-	44,410	(44,410)
Net investment income	-	56,580	(56,580)
Benefit payments, including refunds of employee contributions	(65,814)	(65,814)	-
Transfers among employers	-	-	-
Net Changes	<u>117,098</u>	<u>67,730</u>	<u>49,368</u>
Balances at September 30, 2020	<u>\$ 1,539,188</u>	<u>\$ 1,052,295</u>	<u>\$ 486,893</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	\$ 19,082,232	\$ 13,026,866	\$ 7,938,029
Net pension liability, Fairhope Public Library	\$ 615,195	\$ 486,893	\$ 376,692

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2020. The auditor's report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2021, the City recognized pension expense of \$612,730 while the Fairhope Public Library recognized pension expense of \$19,504. The fund in which the related payroll costs are expended will be used to liquidate the net pension liability. At September 30, 2021, the City and Fairhope Public Library reported deferred outflows of resources and deferred inflows of resources, respectively, related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
City of Fairhope		
Governmental Activities:		
Differences between expected and actual experience	\$ 483,605	\$ 689,653
Changes of assumption	398,486	-
Net difference between projected and actual earnings on plan investments	873,285	-
Employer contributions subsequent to measurement date	1,121,541	-
	<u>2,876,917</u>	<u>689,653</u>
Governmental activities pension related items		
Business-type Activities:		
Differences between expected and actual experience	173,378	88,898
Changes of assumption	142,861	-
Net difference between projected and actual earnings on plan investments	313,084	-
Employer contributions subsequent to measurement date	221,724	-
	<u>851,047</u>	<u>88,898</u>
Business-type activities pension related items		
	<u>\$ 3,727,964</u>	<u>\$ 778,551</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 PENSION PLAN (CONTINUED)

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

Other than employer contributions subsequent to the measurement date, amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2022	\$ 258,382
2023	560,995
2024	499,539
2025	145,697
2026	110,279
Thereafter	31,256
	<u>\$ 1,606,148</u>

Fairhope Public Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,097	\$ 20,028
Changes of assumption	31,693	-
Net difference between projected and actual earnings on plan investments	32,173	-
Employer contributions subsequent to measurement date	40,428	-
Total	<u>\$ 122,391</u>	<u>\$ 20,028</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 PENSION PLAN (CONTINUED)

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

Other than employer contributions subsequent to the measurement date, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2022	\$ 20,464
2023	19,732
2024	15,952
2025	5,787
2026	-
Thereafter	-
	<u>\$ 61,935</u>

NOTE 12 COMMITMENTS

The City has various contractual commitments outstanding at year end. The commitments under these contracts totaled \$7,556,659. The commitments funded from governmental activities will be \$299,286 and from business-type activities will be \$7,257,373.

NOTE 13 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.

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 14 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Active members	<u>99</u>
Totals	<u><u>133</u></u>

Total OPEB Liability

The City's total OPEB liability of \$10,633,660 was measured as of September 30, 2020 and was determined by an actuarial valuation as of September 30, 2019.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 14 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Total OPEB Liability (Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability in the September 30, 2020 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	2.66%
Measurement date	2.21%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030

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, 2020 reporting date was 2.66%. The discount rate used to compute the total OPEB liability for the reporting date of September 30, 2021 was 2.21%.

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, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015 and were submitted to and adopted by the Board of Employees' Retirement System of Alabama on September 29, 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, 2020 valuation were based on a review of recent plan experience done concurrently with the September 30, 2020 valuation.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 14 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at September 30, 2020	<u>\$ 9,600,936</u>
Changes for the year:	
Service cost	283,527
Interest	250,165
Differences between expected and actual experience	462,366
Changes of assumptions or other inputs	431,719
Benefit payments	<u>(395,053)</u>
Net Changes	<u>1,032,724</u>
Balance at September 30, 2021	<u>\$ 10,633,660</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.66% used in the September 30, 2020 valuation to 2.21% used in the September 30, 2021 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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$ 11,447,934	\$ 10,633,660	\$ 9,867,703

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 14 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 or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 9,637,183	\$ 10,633,660	\$ 11,774,526

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$395,053. The fund in which the related payroll costs are expended will be used to liquidate the total OPEB liability. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Differences between expected and actual experience	\$ 307,881	\$ 1,541,526
Changes of assumption	759,977	248,660
Employer contributions subsequent to measurement date	239,045	-
Governmental activities OPEB related items	<u>1,306,903</u>	<u>1,790,186</u>
Business-type Activities:		
Differences between expected and actual experience	110,373	552,622
Changes of assumption	272,445	89,143
Employer contributions subsequent to measurement date	85,695	-
Business-type activities OPEB related items	<u>468,513</u>	<u>641,765</u>
	<u>\$ 1,775,416</u>	<u>\$ 2,431,951</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 14 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Other than employer contributions subsequent to the measurement date, 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,	
2021	\$ (568,996)
2022	(568,996)
2023	(28,677)
2024	185,394
2025	-
Thereafter	-
	<u>\$ (981,275)</u>

NOTE 15 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 16 LEASE EXPENSE

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

NOTE 17 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 \$2,160,000 at September 30, 2021.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 17 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 \$785,703 at September 30, 2021.

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 \$750,857 at September 30, 2021.

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 \$1,348,286 at September 30, 2021.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 17 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 \$420,000 at September 30, 2021.

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. Upon completion in fiscal year 2021, the Airport Authority reported a capital improvement in the amount of \$512,000 with a corresponding balance of \$512,000 as a deferred inflow of resources pursuant to the service concession arrangement. The balance of the deferred inflow of resources is \$494,933 at September 30, 2021.

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.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 18 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury portfolio	\$ 3,349,350	\$ -	\$ -	\$ 3,349,350
AMIC Insurance	-	-	36,090	36,090
Total	<u>\$ 3,349,350</u>	<u>\$ -</u>	<u>\$ 36,090</u>	<u>\$ 3,385,440</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 19 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, 2021 totaled \$26,903.

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, 2021

NOTE 20 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 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 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.

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.

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CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 20 EFFECT OF NEW PRONOUNCEMENTS (CONTINUED)

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.

GASB 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This Statement requires that, for purposes of determining whether a primary government is financially accountable for a potential component unit (except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or other employee benefit plan), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs. Appointment of a voting majority is a criterion in existing standards used to determine whether a legally separate entity should be incorporated into the government's financial statements. Requirements for this Statement will take effect for financial statements whose fiscal year begins after June 15, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRHOPE, ALABAMA

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

City of Fairhope

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,557,865	\$ 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>1,557,865</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 17,166,245	\$ 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	9%	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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	24.4 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% – 5.00%
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2015 through 2021.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

Fairhope Public Library

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 40,428	\$ 33,956	\$ 33,677	\$ 34,636	\$ 41,630	\$ 39,481	\$ 43,472
Contributions in relation to the actuarially determined contribution	<u>40,428</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 478,807	\$ 473,525	\$ 501,964	\$ 489,687	\$ 486,684	\$ 426,252	\$ 426,252
Contributions as a percentage of covered payroll	8%	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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.5 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% – 5.00%
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

*This schedule is presented to illustrate the requirement to show information for 10 years. However, currently, information is only available for 2015 through 2021.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	City of Fairhope						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 1,171,361	\$ 1,106,681	\$ 1,072,514	\$ 1,075,003	\$ 997,552	\$ 975,740	\$ 944,066
Interest	3,607,876	3,433,949	3,393,813	3,286,149	3,131,861	2,977,603	2,852,227
Changes in benefit terms	717,323	-	-	-	-	-	-
Differences between expected and actual experience	299,167	557,843	(1,109,067)	(296,198)	(52,317)	83,217	-
Changes in assumptions	-	-	251,496	-	1,344,385	-	-
Benefit payments, including refunds of employee contributions	(2,884,262)	(2,876,661)	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfer among employers	426,549	40,780	(113,767)	(317,929)	(76,441)	-	-
Net change in total pension liability	3,338,014	2,262,592	992,885	1,533,494	3,375,813	1,789,128	1,585,545
Total pension liability – beginning	48,297,664	46,035,072	45,042,187	43,508,693	40,132,880	38,343,752	36,758,207
Total pension liability – ending (a)	\$ 51,635,678	\$ 48,297,664	\$ 46,035,072	\$ 45,042,187	\$ 43,508,693	\$ 40,132,880	\$ 38,343,752
Plan fiduciary net position							
Contributions – employer	\$ 1,200,051	\$ 1,160,273	\$ 1,107,892	\$ 1,082,206	\$ 1,163,477	\$ 1,035,070	\$ 1,011,234
Contributions – member	913,202	807,355	796,436	679,081	680,391	621,817	599,215
Net investment income	2,096,271	933,591	3,146,676	3,943,420	2,891,544	337,639	3,115,563
Benefit payments, including refunds of employee contributions	(2,884,262)	(2,876,661)	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfers among employers	426,549	40,780	(113,767)	(317,929)	(76,441)	(16,923)	(36,268)
Net change in plan fiduciary net position	1,751,811	65,338	2,435,133	3,173,247	2,689,744	(269,829)	2,478,996
Plan net position – beginning	36,857,001	36,791,663	34,356,530	31,183,283	28,493,539	28,763,368	26,284,372
Plan net position – ending (b)	\$ 38,608,812	\$ 36,857,001	\$ 36,791,663	\$ 34,356,530	\$ 31,183,283	\$ 28,493,539	\$ 28,763,368
Net pension liability (asset) – ending (a)-(b)	\$ 13,026,866	\$ 11,440,663	\$ 9,243,409	\$ 10,685,657	\$ 12,325,410	\$ 11,639,341	\$ 9,580,384
Plan fiduciary net position as a percentage of the total pension liability	74.77%	76.31%	79.92%	76.28%	71.67%	71.00%	75.01%
Covered payroll	\$ 16,022,575	\$ 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	81%	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 2020.

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>						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 32,407	\$ 29,287	\$ 28,941	\$ 31,457	\$ 37,134	\$ 37,305	\$ 36,648
Interest	106,967	103,340	98,796	93,059	83,555	82,203	79,859
Changes in benefit terms	22,441	-	-	-	-	-	-
Differences between expected and actual experience	21,097	(11,203)	(9,007)	5,392	(40,331)	(8,514)	-
Changes in assumptions	-	-	5,140	-	132,947	-	-
Benefit payments, including refunds of employee contributions	(65,814)	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	-	(12,994)	-	-	-	-	-
Net change in total pension liability	117,098	51,601	67,530	74,491	154,750	(18,628)	67,716
Total pension liability – beginning	1,422,090	1,370,489	1,302,959	1,228,468	1,073,718	1,092,346	1,022,630
Total pension liability – ending (a)	\$ 1,539,188	\$ 1,422,090	\$ 1,370,489	\$ 1,302,959	\$ 1,228,468	\$ 1,073,718	\$ 1,090,346
Plan fiduciary net position							
Contributions – employer	\$ 32,554	\$ 33,178	\$ 33,039	\$ 40,040	\$ 39,583	\$ 43,472	\$ 43,802
Contributions – member	44,410	23,823	22,728	22,527	21,976	20,166	19,155
Net investment income	56,580	24,809	82,409	100,700	72,223	8,684	81,118
Benefit payments, including refunds of employee contributions	(65,814)	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	-	(12,994)	-	-	-	-	-
Net change in plan fiduciary net position	67,730	11,987	81,836	107,850	75,227	(57,300)	95,284
Plan net position – beginning	984,565	972,578	890,742	782,892	707,665	764,965	669,681
Plan net position – ending (b)	\$ 1,052,295	\$ 984,565	\$ 972,578	\$ 890,742	\$ 782,892	\$ 707,665	\$ 764,965
Net pension liability (asset) – ending (a)-(b)	\$ 486,893	\$ 437,525	\$ 397,911	\$ 412,217	\$ 445,576	\$ 366,053	\$ 325,381
Plan fiduciary net position as a percentage of the total pension liability	68.37%	69.23%	70.97%	68.36%	63.73%	65.91%	70.16%
Covered payroll	\$ 398,880	\$ 442,352	\$ 461,619	\$ 433,005	\$ 455,696	\$ 412,627	\$ 383,102
Net pension liability (asset) as a percentage of covered payroll	122%	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 2020.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability				
Service cost	\$ 283,527	\$ 203,973	\$ 401,209	\$ 441,966
Interest	250,165	340,720	442,731	371,696
Differences between expected and actual experience	462,366	85,836	(4,733,827)	2,650
Changes in assumptions	431,719	1,071,768	45,224	(757,435)
Benefit payments	<u>(395,053)</u>	<u>(499,978)</u>	<u>(313,549)</u>	<u>(373,128)</u>
Net change in total OPEB liability	1,032,724	1,202,319	(4,158,212)	(314,251)
Total OPEB liability – beginning	<u>9,600,936</u>	<u>8,398,617</u>	<u>12,556,829</u>	<u>12,871,080</u>
Total OPEB liability – ending	<u><u>\$ 10,633,660</u></u>	<u><u>\$ 9,600,936</u></u>	<u><u>\$ 8,398,617</u></u>	<u><u>\$ 12,556,829</u></u>
Covered payroll	\$ 5,676,202	\$ 6,190,702	\$ 6,190,702	\$ 8,226,573
Net OPEB liability as a percentage of covered payroll	187.34%	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 2020.

Notes to Schedule

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 2021.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.66% to 2.21% 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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local taxes	\$ 17,325,174	\$ 18,243,174	\$ 20,673,433	\$ 2,430,259
Licenses and permits	4,308,000	4,308,000	4,544,325	236,325
Fines and forfeitures	200,000	200,000	194,677	(5,323)
Intergovernmental	597,000	497,000	9,972,820	9,475,820
Interest and rents	456,976	456,976	461,632	4,656
Charges for services	5,132,100	5,132,100	5,621,930	489,830
Golf course revenue	1,015,000	1,015,000	1,272,891	257,891
Recreation Department	257,400	257,400	393,744	136,344
Other	577,250	577,250	1,957,807	1,380,557
Total revenues	<u>29,868,900</u>	<u>30,686,900</u>	<u>45,093,259</u>	<u>14,406,359</u>
EXPENDITURES				
General government				
General	3,876,755	3,871,939	3,347,211	524,728
Planning	919,348	919,348	885,517	33,831
Building	956,197	956,197	951,561	4,636
Elected officials	277,729	277,729	264,037	13,692
Revenue	368,492	373,308	393,261	(19,953)
Judicial	317,012	317,012	306,639	10,373
Other	185,100	185,100	10,060,631	(9,875,531)
Public safety				
Police	6,973,787	6,973,787	6,548,938	424,849
Fire	696,143	696,143	615,178	80,965
Public works				
Sanitation	2,509,740	2,509,740	2,461,326	48,414
Street	4,170,568	4,170,568	4,370,641	(200,073)
Fleet maintenance	639,483	639,483	652,483	(13,000)
Cultural and recreational				
Economic and community development	667,322	667,322	624,549	42,773
Adult recreation	456,740	456,740	346,200	110,540
Recreation	2,479,623	2,479,623	2,274,643	204,980
Golf	1,709,176	1,709,176	1,583,935	125,241
Marina	452,328	602,328	567,169	35,159
Civic Center	271,320	271,320	244,306	27,014
Museum and Welcome Center	200,854	218,854	186,868	31,986
Airport Authority	320,000	320,000	335,000	(15,000)
Public Library	816,431	816,431	816,431	-
Debt service payments:				
Principal	-	-	300,000	(300,000)
Capital outlay	1,746,959	1,746,959	1,894,180	(147,221)
Total expenditures	<u>31,011,107</u>	<u>31,179,107</u>	<u>40,030,704</u>	<u>(8,851,597)</u>
Excess of revenues over (under) expenditures	<u>(1,142,207)</u>	<u>(492,207)</u>	<u>5,062,555</u>	<u>5,554,762</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,132,774	2,218,931	1,917,549	(301,382)
Transfers out	(989,239)	(1,739,239)	(1,597,565)	141,674
Total other financing sources (uses)	<u>1,143,535</u>	<u>479,692</u>	<u>319,984</u>	<u>(159,708)</u>
Net change in fund balances	<u>\$ 1,328</u>	<u>\$ (12,515)</u>	<u>5,382,539</u>	<u>\$ 5,395,054</u>
Fund balances – beginning of year			13,883,906	
FUND BALANCES – END OF YEAR			<u>\$ 19,266,445</u>	

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

NOTE 1 EXCESS EXPENDITURES

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

	Excess Expenditures	Revenue	Excess Expenditures		Excess Expenditures		Excess Expenditures
General Government				Street Department			Golf Department
Overtime – General	\$ 1,824	Salaries	\$ 14,984	Overtime	\$ 80,986	Overtime	\$ 3,740
Health insurance	70,852	Payroll taxes	976	Training	425	Casualty/workers comp insurance	5,662
Sales tax collection fees	14,444	Required contributions – OPEB	15,147	Professional services	10,971	Printers and copiers	1,014
Grant expenditures	20,000	Casualty/workers comp insurance	3,427	General supplies	21,540	Dues	152
Professional services	6,680	Computer expense	3,796	Equipment and vehicle repair	76,523	Supplies – Clubhouse	2,198
Bank fees	26,065	Printers and copiers	625	Payroll taxes	2,184	Supplies – Grill	6,287
Casualty/workers comp insurance	10,826	General supplies	806	Equipment rental	10,891	Advertising and promotions	900
Office supplies	13,154	Communications	3,821	Utilities	11,074	Credit card processing fee	8,801
General supplies	840	Equipment and vehicle repair	25	Required contributions – OPEB	38,550	Beer and wine purchases	6,239
Communications	1,666	Uniforms	426	Casualty/workers comp insurance	33,410	Equipment rental	8,412
Publications and newspapers	268	Employment screening	474	Postage	11	Utilities	924
Dues	2,960			General maintenance	8,413	Cost-Pro shop sales	26,182
Equipment and vehicle repair	2,330	Judicial Department		Communications	5,929	Health insurance	2,686
Training	3,753	Overtime	7,493	Gasoline and oil	11,581	Professional services	38
Miscellaneous	1,367	Employee retirement expense	530	Small equipment	65	General maintenance	188
Cash over or short	202	Health insurance	25	Beach repairs and maintenance	1,781	Uniforms	487
Gasoline and oil	3,725	Payroll taxes	60	Landscaping	25,054	Safety wear	819
Interest expense	17,967	Casualty/workers comp insurance	875	Capital Outlay	105,028		
Computer expense	38,788	Data system	1,200			Marina	
Postage	44	Salaries	1,956	Fleet Maintenance Department		Casualty/workers comp insurance	3,924
Uniforms	219	Communications	285	Overtime	5,478	Salaries	4,924
Colony rent	23,894			Employee retirement expense	107	Payroll taxes	23
Recording fees	103	Other		Casualty/workers comp insurance	1,825	Equipment and vehicle repair	91
		Audit & Accounting	927	Gasoline and oil	708	Gasoline and oil	146,299
Planning Department		Library Bldg Maint/Equipment	28,278	Health insurance	12,010	Employee retirement expense	449
Overtime	1,871	Library Communications	7,398	Utilities	920	Credit card processing fee	5,005
Professional services	2,032	Parking Garage Maintenance	7,760	Professional services	76		
Computer expense	42,531	Boys and Girls Club Maintenance	3,757	Salaries	5,515	Civic Center	
Legal fees	37,108	Boys and Girls Club utilities	3,021	Printers and copiers	401	Overtime	691
Gasoline and oil	2,426	USA-Summit Bldg Capital Purch	27,650	General supplies	1,668	Casualty/workers comp insurance	1,305
Casualty/workers comp insurance	7,442	Haven Capital Purch	12,600	Adult Recreation Department		Training	70
Publications and newspapers	424	Haven Communications	1,167	Building maintenance	5,767	Salaries	540
		Baldwin Co. Transit Hub	4,140	Communications	486	Health insurance	236
Building Department		General Supplies	49,749	Gasoline and oil	1,353	Museum and Welcome Center	
Overtime	3,546	Hurricane Sally	9,456,292	Printers and copiers	585	Payroll taxes	1,720
Casualty/workers comp insurance	867	Hurricane Zeta	12,872	Equipment and vehicle repair	717	Casualty/workers comp insurance	123
Legal fees	10,806			Credit card processing fees	415	General supplies	269
Uniforms	375	Police Department		Special programs	200	Printers and copiers	1,595
Credit card processing fees	17,292	Overtime	15,843	Capital Outlay	119,742	Equipment and vehicle repair	2,994
Professional services	36,157	Health insurance	507				
Computer expense	938	Casualty/workers comp insurance	5,856	Economic and Community Development		Airport	
Communications	1,129	Training	2,764	Professional services	177	Airport appropriation	15,000
Equipment and vehicle repair	685	Professional services	186	Printers and copiers	113		
		Gasoline and oil	12,044	General supplies	1,630	Debt Service	
Elected officials		Equipment and vehicle repair	34,004	Communications	35,594	Principal payments	300,000
Salaries	6,714	Safety wear	102				
Payroll taxes	140	Uniforms	3,097	Recreation Department		Transfers	
Casualty/workers comp insurance	2,233	Capital Outlay	6,808	Overtime	9,731	Transfers – Impact fee fund	347,774
Professional services	1,400			Casualty/workers comp insurance	9,708	Transfers – Capital projects fund	158,337
Computer expense	6,555	Fire Department		Postage	30		
Office supplies	2,025	Health insurance	3,735	General supplies	14,038		
Printers and copiers	159	Fire call payments	44,812	Communications	2,167		
General supplies	5,438	Casualty/workers comp insurance	1,615	General maintenance	12,468		
General maintenance	262	Postage	19	Equipment and vehicle repair	5,403		
Communications	925	Communications	2,483	Costs – Tennis shop sales	526		
		Equipment and vehicle repair	4,076	Equipment rental	6,785		
		Capital Outlay	225,719	Utilities	6,077		
		Sanitation Department		Pool supplies	2,208		
		Casualty/workers comp insurance	44,949	Uniforms	2,411		
		Printers and copiers	100	Safety wear	140		
		Communications	1,166	Credit card processing fee	1,517		
		Gasoline and oil	22,602	Capital Outlay	268,988		
		Safety wear	520				
		Equipment and vehicle repair	64,821				
		Landfill charges	21,739				

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OTHER SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF FAIRHOPE, ALABAMA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Special Revenue Funds								Total
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court	American Rescue	Debt Service	
ASSETS									
Cash	\$ 2,573,648	\$ 186,131	\$ 134,022	\$ 670,653	\$ 47,384	\$ 96,474	\$ 673,059	\$ -	\$ 4,381,371
Receivables	455	8,649	11,864	-	467,801	-	-	-	488,769
Total assets	<u>\$ 2,574,103</u>	<u>\$ 194,780</u>	<u>\$ 145,886</u>	<u>\$ 670,653</u>	<u>\$ 515,185</u>	<u>\$ 96,474</u>	<u>\$ 673,059</u>	<u>\$ -</u>	<u>\$ 4,870,140</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 265,415	\$ 79,433	\$ -	\$ -	\$ 344,848
Unearned revenue	-	-	-	-	-	-	673,055	-	673,055
Due to other funds	-	-	-	-	249,770	17,021	-	-	266,791
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,185</u>	<u>96,454</u>	<u>673,055</u>	<u>-</u>	<u>1,284,694</u>
FUND BALANCES									
Restricted:									
Road maintenance	-	194,780	145,886	-	-	-	-	-	340,666
Capital improvements	-	-	-	670,653	-	-	-	-	670,653
Municipal Court	-	-	-	-	-	20	-	-	20
American Rescue	-	-	-	-	-	-	4	-	4
Committed:									
Construction and road maintenance	2,574,103	-	-	-	-	-	-	-	2,574,103
Total fund balances	<u>2,574,103</u>	<u>194,780</u>	<u>145,886</u>	<u>670,653</u>	<u>-</u>	<u>20</u>	<u>4</u>	<u>-</u>	<u>3,585,446</u>
Total liabilities and fund balances	<u>\$ 2,574,103</u>	<u>\$ 194,780</u>	<u>\$ 145,886</u>	<u>\$ 670,653</u>	<u>\$ 515,185</u>	<u>\$ 96,474</u>	<u>\$ 673,059</u>	<u>\$ -</u>	<u>\$ 4,870,140</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, 2021

	Special Revenue Funds							Total	
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court	American Rescue		Debt Service
REVENUES									
Taxes	\$ -	\$ -	\$ 136,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,626
Intergovernmental	-	92,806	-	157,662	557,248	-	297,674	-	1,105,390
Charges for services	1,128,036	-	-	-	-	-	-	-	1,128,036
Interest and rents	2,763	-	30	728	-	20	4	-	3,545
Other	-	-	-	-	-	-	-	1,160	1,160
Total revenues	<u>1,130,799</u>	<u>92,806</u>	<u>136,656</u>	<u>158,390</u>	<u>557,248</u>	<u>20</u>	<u>297,678</u>	<u>1,160</u>	<u>2,374,757</u>
EXPENDITURES									
General government	-	-	-	-	-	-	297,674	-	297,674
Debt service									
Principal	-	-	-	-	-	-	-	479,020	479,020
Interest	-	-	-	-	-	-	-	29,847	29,847
Capital outlay	-	-	-	-	557,248	-	-	-	557,248
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,248</u>	<u>-</u>	<u>297,674</u>	<u>508,867</u>	<u>1,363,789</u>
Excess of revenues over (under) expenditures	<u>1,130,799</u>	<u>92,806</u>	<u>136,656</u>	<u>158,390</u>	<u>-</u>	<u>20</u>	<u>4</u>	<u>(507,707)</u>	<u>1,010,968</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	-	508,867	508,867
Transfers out	(1,593,420)	(132,500)	(75,000)	(304,080)	-	-	-	-	(2,105,000)
Total other financing sources (uses)	<u>(1,593,420)</u>	<u>(132,500)</u>	<u>(75,000)</u>	<u>(304,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>508,867</u>	<u>(1,596,133)</u>
Net change in fund balances	(462,621)	(39,694)	61,656	(145,690)	-	20	4	1,160	(585,165)
Fund balances – beginning of year	<u>3,036,724</u>	<u>234,474</u>	<u>84,230</u>	<u>816,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,160)</u>	<u>4,170,611</u>
FUND BALANCES – END OF YEAR	<u>\$ 2,574,103</u>	<u>\$ 194,780</u>	<u>\$ 145,886</u>	<u>\$ 670,653</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 3,585,446</u>

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

CITY OF FAIRHOPE, ALABAMA

**FUND BALANCE SHEET
FAIRHOPE PUBLIC LIBRARY BOARD
SEPTEMBER 30, 2021**

ASSETS

Cash and cash equivalents	\$ 825,725
Prepaid items	<u>7,169</u>
Total assets	<u>\$ 832,894</u>

LIABILITIES

Accounts payable and accrued liabilities	<u>\$ 20,111</u>
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FUND BALANCES

Nonspendable:	
Prepaid items	7,169
Restricted:	
Library improvements	379,036
Unassigned	<u>426,578</u>
Total fund balances	<u>812,783</u>
Total liabilities and fund balances	<u>\$ 832,894</u>

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, 2021

Fund balances as reported on page 74	\$ 812,783
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.	546,132
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(487,434)
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Employment retirement contributions	122,391
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	(486,893)
Deferred inflows of resources	(20,028)
Net position of governmental activities as reported on page 21	<u>\$ 486,951</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, 2021**

REVENUES

Fines and lost books	\$ 8,834
Donations, gifts, memorials and bequests	62,468
State aid	25,563
Payments from City of Fairhope	823,697
Miscellaneous	4,492
Total revenues	<u>925,054</u>

EXPENDITURES

Salaries	512,641
Payroll taxes	37,878
Insurance	11,311
Employees' retirement	40,428
Books, periodicals, audio visual	96,364
Supplies	13,082
Janitorial service	21,199
Professional fees	10,162
Telecommunications	1,244
Capital outlay	44,547
Maintenance	34,394
Miscellaneous	48,425
Total expenditures	<u>871,675</u>

Net change in fund balances 53,379

Fund balances – beginning of year 759,404

FUND BALANCES – END OF YEAR \$ 812,783

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, 2021**

Net change in fund balances – total governmental funds, page 76	\$ 53,379
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:	
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position.	38,570
Depreciation expense on governmental capital assets included in the capital assets in the statement of net position.	(25,860)
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds.	
Change in net pension liability and deferred inflows of resources	<u>(19,504)</u>
Change in net position of governmental activities, page 22	<u><u>\$ 46,585</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
FAIRHOPE AIRPORT AUTHORITY
SEPTEMBER 30, 2021**

ASSETS

Cash and cash equivalents	\$ 186,205
Receivables, net	208,124
Prepaid items	41,873
Capital assets not being depreciated:	
Land	10,674,228
Construction in progress	249,497
Capital assets net of accumulated depreciation:	
Buildings and improvements	8,238,208
Vehicles and equipment	27,380
Runways	16,787,721
	<hr/>
Total assets	\$ 36,413,236

LIABILITIES

Accounts payable and accrued liabilities	\$ 79,765
Unearned revenue	6,007
Customer deposits	65,400
Long-term liabilities:	
Due within one year	250,000
Due in more than one year	6,220,629
	<hr/>
Total liabilities	6,621,801

DEFERRED INFLOWS OF RESOURCES

Service concession arrangement revenue applicable to future years	<hr/>
	5,959,779

NET POSITION

Net investment in capital assets	29,506,405
Unassigned	(5,674,749)
	<hr/>
Total net position	23,831,656
	<hr/>
Total liabilities and fund balances	\$ 36,413,236

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, 2021**

OPERATING REVENUES	
Fuel sales and rentals	\$ 249,854
Total operating revenues	<u>249,854</u>
OPERATING EXPENSES	
Insurance	76,770
Legal and professional	35,341
Maintenance	428,606
Depreciation	535,902
Other	11,499
Total operating expenses	<u>1,088,118</u>
OPERATING LOSS	<u>(838,264)</u>
NONOPERATING REVENUES (EXPENSES)	
Revenue from service concession arrangement	230,681
Intergovernmental revenue	748,765
Payments from City of Fairhope	320,000
Interest expense	(120,244)
Miscellaneous	262,772
Interest income	302
Total nonoperating revenues (expenses)	<u>1,442,276</u>
Change in net position	<u>604,012</u>
Net position – beginning of year	<u>23,227,644</u>
NET POSITION – END OF YEAR	<u><u>\$ 23,831,656</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA
STATEMENT OF CASH FLOWS
FAIRHOPE AIRPORT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 537,433
Paid to suppliers for goods and services	(539,696)
Net cash used in operating activities	<u>(2,263)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Amounts received from City of Fairhope	<u>320,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from borrowings	6,695,629
Repayment of debt	(6,920,629)
Interest paid	(120,147)
Capital grants received	595,970
Acquisition of capital assets	(741,937)
Net cash used in capital and related financing activities	<u>(491,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>302</u>
NET DECREASE IN CASH	(173,075)
CASH – BEGINNING OF YEAR	<u>359,280</u>
CASH – END OF YEAR	<u><u>\$ 186,205</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (838,264)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Other nonoperating revenues	262,772
Depreciation	535,902
Change in operating assets and operating liabilities:	
Increase in prepaid items	(23,725)
Increase in accounts payable	36,245
Increase in unearned revenue	6,007
Increase in customer deposits	18,800
Net cash used in operating activities	<u><u>\$ (2,263)</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**SCHEDULE OF CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Church St. drainage improvement	\$ 857,117
City street upgrades	511,908
Alabama trans rehab US 98	269,319
Oak St. drainage improvements	232,953
Stadium ADA platform and ramps	215,415
MPO Gayfer Greeno turn lanes	74,489
Volanta Park baseball project	60,912
Boys and Girls Club playground	51,515
Emergency watershed projects	50,779
Rock Creek stabilization project	41,300
Other projects	<u>8,292</u>
Total	<u>\$ 2,373,999</u>

The above items are only from the capital projects fund.

CITY OF FAIRHOPE, ALABAMA

SCHEDULE OF INFORMATION REQUIRED BY BOND INDENTURES
SEPTEMBER 30, 2021

	<u>Electric Fund</u>	<u>Natural Gas Fund</u>	<u>Water and Waste Water Fund</u>	
A. Utility customers at September 30, 2021 were as follows:				
Number of customers	6,897	12,273	19,868	
Number of metered customers	6,897	12,273	19,868	
Number of unmetered customers	-	-	-	
Number of waste water customers	-	-	12,054	
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	\$ 4,297,996	\$ 2,624,506	\$ 5,011,324	\$ 11,933,826
Add:				
Depreciation	979,889	475,895	1,821,360	3,277,144
Interest income	<u>98,559</u>	<u>92,211</u>	<u>116,664</u>	<u>307,434</u>
Annual net income as prescribed by debt covenants	<u>\$ 5,376,444</u>	<u>\$ 3,192,612</u>	<u>\$ 6,949,348</u>	<u>\$ 15,518,404</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 2022				\$ 1,000,000
Buildings and facilities – expires January 2022				113,070,300
Equipment – expires January 2022				6,581,507
Automobile – expires January 2022				
Liability				1,000,000
Uninsured motorist				50,000
Public officials errors and omissions liability – expires January 2022				
Aggregate				2,000,000
Per occurrence				1,000,000
Police liability – expires January 2022				
Aggregate				2,000,000
Per occurrence				1,000,000
Excess liability policy for general liability, police and public official – expires January 2022				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, 2021

	1996 Capital <u>Improvement</u>	2011 <u>Warrant Fund</u>	2011 <u>Reserve Fund</u>	2015 <u>Reserve Fund</u>	2015 <u>Warrant Fund</u>
Balance October 1, 2020	\$ 50,611	\$ 608,215	\$ 1,415,679	\$ 376,669	\$ 311,111
Deposits	5	11,484,481	281	193	62,976
Disbursements	<u>-</u>	<u>(12,092,696)</u>	<u>(1,415,960)</u>	<u>(376,862)</u>	<u>(374,087)</u>
Balance September 30, 2021	<u>\$ 50,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2020 URW <u>Reserve Fund</u>	2020 URW Principal/Int <u>Warrant Fund</u>	2020 URW <u>Trust Fund</u>	2020 URW <u>Warrant Fund</u>	
Balance October 1, 2020	\$ 41,413	\$ 3,236	\$ 11,484,476	\$ -	
Deposits	1,810,551	594,286	104	1,827,330	
Disbursements	<u>(18,158)</u>	<u>(597,522)</u>	<u>(11,484,580)</u>	<u>(362,402)</u>	
Balance September 30, 2021	<u>\$ 1,833,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,464,928</u>	

See independent auditors' report.

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	84-89
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>	90-95
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>	96-99
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>	100-101
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>	102-104

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	\$ 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	\$ 98,917,172
Restricted	1,015,592	2,007,967	1,557,163	2,308,667	1,706,056	650,031	750,122	227,092	1,135,047	1,011,343
Unrestricted	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	6,658,072
Total governmental activities net position	\$ 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	\$ 106,586,587
Business-type activities										
Net investment in capital assets	\$ 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	\$ 67,819,256
Restricted	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	3,349,350
Unrestricted	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	24,938,747
Total business-type activities net position	\$ 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	\$ 96,107,353
Primary government										
Net investment in capital assets	\$ 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	\$ 166,736,428
Restricted	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	4,360,693
Unrestricted	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	31,596,819
Total primary government net position	\$ 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	\$ 202,693,940

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	\$ 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	\$ 16,825,075
Public safety	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	7,699,709
Public works	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	9,536,641
Cultural and recreational	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	6,680,606
Airport Authority	281,124	443,000	443,000	412,632	428,000	342,000	320,000	320,000	320,000	335,000
Public Library Board	810,636	840,636	886,028	924,736	1,025,236	1,025,887	1,024,522	1,029,124	1,069,323	1,021,772
Interest on long-term debt	589,174	507,982	472,222	344,808	339,051	53,853	94,506	71,726	27,969	31,431
Total governmental activities expenses	<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>	<u>42,130,234</u>
Business-type activities:										
Natural gas	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	6,172,162
Electric	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	17,605,905
Water and waste water	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	9,813,398
Total business-type activities expenses	<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>	<u>33,591,465</u>
Total primary government expenses	<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>	<u>\$ 75,721,699</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 8,802,363
Public safety	289,432	291,749	285,573	-	-	-	-	-	-	-
Public works	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	2,440,059
Cultural and recreational	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	2,420,846
Operating grants and contributions	-	-	9,144	-	-	102,507	94,494	127,978	542,126	9,157,959
Capital grants and contributions	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	2,408,124
Total governmental activities program revenues	<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>	<u>25,229,351</u>
Business-type activities:										
Charges for services:										
Natural gas	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	8,744,718
Electric	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	21,910,226
Water and waste water	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	14,679,765
Operating grants and contributions	-	-	-	-	-	-	-	-	24,299	125,743
Capital grants and contributions	-	-	-	-	-	-	-	253,028	2,304,665	-
Total business-type activities program revenues	<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>	<u>45,460,452</u>
Total primary government program revenues	<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>	<u>\$ 70,689,803</u>

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (16,900,883)
Business-type activities	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	11,868,987
Total primary government net expense	\$ (8,009,817)	\$ (6,362,341)	\$ 1,585,995	\$ (4,215,713)	\$ (6,285,557)	\$ (5,732,011)	\$ (5,889,830)	\$ (5,283,145)	\$ (3,837,910)	\$ (5,031,896)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 6,847,201
Sales tax	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	11,727,899
Liquor taxes	425,888	425,816	445,132	451,719	482,755	536,643	498,044	606,819	632,363	714,140
Lodging taxes	569,142	643,495	614,278	681,419	696,379	762,562	653,697	1,116,242	911,537	1,366,725
Other taxes	124,234	139,666	138,204	138,382	133,057	139,444	127,513	122,059	116,455	111,649
Intergovernmental	314,525	596,816	389,561	1,695,688	568,566	-	-	-	-	-
Investment earnings	226,642	251,512	239,205	228,670	302,181	335,106	59,157	126,115	274,246	174,777
Loss on sale of assets	-	-	(261,340)	-	-	-	-	-	-	-
Other	143,319	213,169	147,672	705,142	147,452	283,385	262,849	292,339	341,897	1,404,410
Transfers in/(out)	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	1,536,517
Total governmental activities	15,467,653	15,242,634	16,173,980	17,076,118	17,574,075	17,930,377	18,761,618	19,259,529	19,365,639	23,883,318
Business-type activities:										
Investment earnings	20,417	25,268	30,815	18,440	15,162	23,552	53,651	136,797	519,544	307,434
Other	-	-	-	-	-	19,276	14,775	16,167	37,608	3,787
Transfers in/(out)	(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)	(1,536,517)
Total business-type activities	(4,153,385)	(3,210,983)	(3,581,667)	(1,808,135)	(2,935,920)	(2,710,416)	(3,112,574)	(1,625,726)	(246,949)	(1,225,296)
Total primary government	\$ 11,314,268	\$ 12,031,651	\$ 12,592,313	\$ 15,267,983	\$ 14,638,155	\$ 15,219,961	\$ 15,649,044	\$ 17,633,803	\$ 19,118,690	\$ 22,658,022
Change in Net Position										
Governmental activities	\$ 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	\$ 6,982,435
Business-type activities	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	10,643,691
Total primary government	\$ 3,304,451	\$ 5,669,310	\$ 14,178,308	\$ 11,052,270	\$ 8,352,598	\$ 9,487,950	\$ 9,759,214	\$ 12,350,658	\$ 15,280,780	\$ 17,626,126

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
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
2021	11,727,899	5,994,465	852,736	714,140	111,579	1,366,725	70	20,767,614

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,490	\$ 303,387	\$ 323,647	\$ 136,037	\$ 203,736
Committed	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	7,734,594
Unassigned	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	11,328,115
Total general fund	\$ 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	\$ 19,266,445
All other governmental funds										
Restricted:										
Debt service – other governmental funds	\$ 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	340,666
Capital improvements	-	-	-	-	-	-	-	-	816,343	670,653
Other	-	-	-	-	-	-	-	-	-	24
Committed, reported in:										
Other governmental funds	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	2,574,103
Capital projects fund	-	58,625	1,956,986	4,398,406	1,364,704	4,147,827	2,787,639	1,943,247	862,824	1,428,575
Unassigned:										
Capital projects fund	(1,069,424)	181,085	-	-	-	-	-	-	-	-
Other governmental funds	-	-	-	-	-	-	-	(1,160)	(1,160)	-
Total all other governmental funds	\$ 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	\$ 5,014,021

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVENUES										
Local taxes	\$ 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	\$ 20,810,059
Licenses and permits	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	4,544,325
Fines and forfeitures	289,432	291,749	285,573	278,837	236,724	284,893	273,887	237,812	199,228	194,677
Intergovernmental	667,344	1,022,649	991,614	639,523	693,761	876,086	954,086	1,090,181	2,470,197	11,205,009
Contribution from Public Library Board	1,000	1,500	-	-	-	-	-	-	-	-
Interest and rents	226,748	253,003	239,205	228,669	302,181	335,106	401,705	470,753	576,479	465,462
Charges for services	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	6,749,966
Assessments	3,659	-	-	-	-	-	-	-	-	-
Golf course revenue	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	1,272,891
Recreation Department	368,493	391,024	436,453	444,410	476,772	466,437	442,324	456,362	238,811	393,744
BP settlement proceeds	-	-	-	1,361,255	-	-	-	-	-	-
Legal settlement	-	-	-	598,640	-	-	-	-	-	-
Other	184,411	253,146	196,913	180,644	223,293	338,058	368,387	660,915	1,219,633	1,958,967
Total revenues	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	47,595,100
EXPENDITURES										
General government	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	16,506,531
Public safety	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	7,164,116
Public works	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	7,484,450
Cultural and recreational	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	5,827,670
Airport Authority	281,124	443,000	443,000	412,632	428,000	342,000	320,000	320,000	320,000	335,000
Public Library Board	600,000	630,000	674,100	714,100	814,600	814,600	814,600	818,477	859,401	816,431
Other	160,888	89,133	89,785	93,436	162,736	115,753	100,732	170,203	863,699	-
Debt service:										
Principal	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	779,020
Interest	616,221	508,483	465,409	374,479	390,971	111,633	94,751	87,534	28,974	29,847
Capital outlay	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	4,825,427
Total expenditures	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	43,768,492
Excess (deficiency) of revenues over expenditures	(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)	3,826,608
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	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	5,239,082
Transfers out	(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)	(3,702,565)
Total other financing sources (uses)	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	1,536,517
Net change in fund balances	\$ 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)	\$ 5,363,125
Debt service as a percentage of noncapital expenditures	20.6%	9.5%	14.0%	4.1%	24.0%	7.2%	6.3%	13.0%	2.4%	2.1%

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
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
2021	292,189,220	1,310,420	254,585,380	81,821,500	466,263,520	15	6,993,952,800

Source: Baldwin County Revenue Commissioner

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

Fiscal Year	City				Overlapping Rates						Total State Millage	Total Direct and Overlapping Rates			
	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
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
2021	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, 2021 AND 2012**

<u>Taxpayer</u>	<u>2021</u>			<u>2012</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	\$ 5,023,240	1	1.1%	\$ -	-	0.0%
Retreat at Fairhope Village, LLC	4,310,840	2	0.9%	-	-	0.0%
FST Wal-mart Stores East, L P	3,034,720	3	0.7%	-	-	0.0%
Arbor Gates Holdings, LLC	2,608,060	4	0.5%	2,007,700	2	0.7%
FST Mississippi Baldwin Square, LLC	2,147,300	5	0.5%	1,808,800	4	0.6%
PSM Alabama Holdings, LLC	1,994,420	6	0.4%	-	-	0.0%
A 1 Corte Jr Family Limited Partnership	1,666,900	7	0.4%	1,425,640	6	0.5%
Fairhope Ridge, LLC	1,589,680	8	0.3%	-	-	0.0%
FST Robert N. Graham, LLC	1,482,660	9	0.3%	-	-	0.0%
FST Bethes, John W.	1,397,480	10	0.3%	-	-	0.0%
Fairhope, LLC	-	-	0.0%	1,568,720	5	0.5%
CHS Properties, Inc.	-	-	0.0%	1,125,440	7	0.4%
Fairhope Yacht Club	-	-	0.0%	1,088,300	8	0.4%
Bones & Babies, LLC	-	-	0.0%	1,053,380	9	0.4%
Fairhope Commercial Investments	-	-	0.0%	1,022,020	10	0.4%
Point Clear Partners, LLC	-	-	0.0%	1,809,000	3	0.6%
Bayview II Developer, LLC	-	-	0.0%	7,646,500	1	2.6%
	<u>\$ 25,255,300</u>		<u>5.4%</u>	<u>\$ 20,555,500</u>		<u>7.1%</u>

Source: Baldwin County Revenue Commissioner

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2021	6,940,698	6,876,963	99.08%	8,903	6,885,866	99.21%

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
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%
2021	2.00%	3.00%	4.00%

Source: City Clerk's Office

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

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

Fiscal Year	Top 25 Taxpayers (approximate)	Total Tax	% of Total Tax
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%
2021	5,315,798	10,579,090	50%

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			
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
2021	-	900,000	524,553	-	11,300,000	12,724,553	1.36%	566

**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
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%	-
2021	-	-	-	0.00%	-

**CITY OF FAIRHOPE, ALABAMA
COMPUTATION OF OVERLAPPING DEBT
SEPTEMBER 30, 2021**

	<u>Outstanding Debt</u>	<u>Percentage of debt Applicable to the City of Fairhope (1)</u>	<u>Amount of debt Applicable to the City of Fairhope</u>
Direct debt of the City	\$ 1,424,553	100.00%	\$ 1,424,553
Overlapping Debt (Supported by ad valorem tax)			
Baldwin County	95,130,499	8.57% ⁽¹⁾	<u>8,152,684</u>
			<u><u>\$ 9,577,237</u></u>

(1) Percentage of net assessed value of property in City (\$466,407,300) to net assessed value of property in Baldwin County (\$5,444,567,660) on October 1, 2020.

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt limit	\$ 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	\$ 93,281,460
Total net debt applicable to limit	<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>	<u>1,424,553</u>
Legal debt margin	<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>	<u>\$ 91,856,907</u>
Total net debt applicable to limit as a percentage of debt limit	24.92%	24.04%	28.57%	23.18%	15.94%	11.05%	5.67%	1.47%	2.56%	1.53%

Legal Debt Margin Calculation for Fiscal Year 2021

Total assessed value	<u>\$ 466,407,300</u>
Debt limit (20% of total assessed value)	<u>\$ 93,281,460</u>
Debt applicable to limit:	
General obligation warrants (including capital leases)	<u>1,424,553</u>
Legal debt margin	<u>\$ 91,856,907</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
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%
2021	22,477	935,335,401	41,613	5,537	3.0%

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, 2021 AND 2012**

Employer	2021			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Thomas Hospital	1,151	1	12.6%	1,000	1	16.9%
Grand Hotel	950	2	10.4%	650	2	11.0%
Board of Education-Fairhope Schools	497	3	5.4%	-	-	0.0%
City of Fairhope	437	4	4.8%	326	4	5.5%
Wal-Mart	312	5	3.4%	325	3	5.5%
Publix	150	6	1.6%	100	6	1.7%
Segers Aero	131	7	1.4%	96	-	1.6%
Winn-Dixie	85	8	0.9%	75	5	1.3%
Piggly Wiggly	80	9	0.9%	60	-	1.0%
Homestead Village	77	10	0.8%	-	-	0.0%
Print Xcel	-	-	0.0%	63	8	1.1%
Bruno's	-	-	0.0%	-	9	0.0%
Balloons Everywhere	-	-	0.0%	65	7	1.1%
	<u>3,870</u>		<u>42.2%</u>	<u>2,760</u>		<u>46.7%</u>

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
2012: 5,921 2021: 9,127

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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	53	48	48	49	49	49	53	62	64	66
Public Safety:										
Police	44	48	46	46	45	49	52	59	59	61
Fire:										
Firefighters and Dispatch	18	17	18	17	14	15	16	14	17	17
Highways and Streets:										
Public Works	36	39	39	41	46	42	49	57	53	57
Sanitation	19	17	21	22	20	19	18	18	28	23
Cultural and Recreational:										
Recreation	19	24	23	25	26	29	32	31	34	35
Adult Recreation	14	9	10	11	12	11	11	13	12	13
Gas Department	18	17	15	15	15	16	18	21	22	21
Electric Department	18	17	22	21	19	19	22	20	26	26
Water/Waste Water Department	26	24	23	23	22	26	29	31	34	36
Golf Department	14	15	16	18	20	19	18	22	21	22
Total	279	275	281	288	288	294	318	348	370	377

Source: City of Fairhope Human Resources Department

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

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Physical arrests	603	759	750	1,423	983	1,350	1,542	1,538	1,462	866
Parking violations	128	22	49	121	240	359	89	22	52	202
Traffic violations	2,215	1,379	887	633	1,726	2,490	1,684	1,656	1,613	1,751
Fire:										
Number of calls answered	657	690	853	836	865	1,025	1,058	1,023	1,236	1,283
Inspections	101	85	35	161	147	73	823	669	648	121
Highways and streets:										
Street resurfacing (miles)	8.1	-	-	-	13.2	-	1.2	2.2	3.3	3.4
Potholes repaired*	450	1,345	1,480	1,620	2,933	2,300	4,928	5,466	1,152	1,720
Sanitation:										
Garbage collected (tons/year)	8,711	7,564	8,509	8,236	8,654	9,222	9,554	10,108	11,949	12,042
Trash collected (tons/year)	5,767	5,513	6,292	5,545	5,902	8,228	7,189	7,741	6,907	4,256
Recyclables collected (tons/year)	1,508	1,512	1,714	1,779	1,855	1,843	1,835	1,803	947	824
Cultural and recreational:										
Golf course rounds @ 9 hole rounds	65,500	62,266	59,261	57,405	56,613	58,416	53,995	55,971	53,740	62,151
Pavilion/park parties	56	58	61	59	44	28	32	22	19	36
Waste water:										
Average daily sewage treatment (millions of gallons)	1.8	1.8	1.8	2.0	2.2	2.4	2.4	2.3	2.6	2.5

Sources: Various government departments

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

* The Fire Inspector position was vacant for all of 2021.

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

Function	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	45	43	37	38	39	44	45	47	50	49
Fire stations	3	3	3	4	4	4	4	4	4	4
Highways and streets:										
Streets (miles)	99.1	99.1	103.84	106.54	108.64	111.14	112.64	114.76	116.56	152.56
Cultural and recreational:										
Parks acreage	248	248	356	504	504	504	504	657	657	657
Parks	51	51	52	54	54	54	54	56	56	56
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	6	6	6	6	12	12	12	16	16	16
Community center	3	3	3	3	3	3	3	3	3	3
Sewer:										
Sanitary sewers (miles)	125	126	126	130	135	175	175	180	185	187
Storm sewers (miles)	17.25	17.25	19.17	20.57	22.77	25.77	27.29	29.5	30.73	31.41
Maximum daily treatment capacity (millions of gallons)	4	4	4	4	4.2	4	4	4	4	4

Sources: Various government departments