



**City of Fairhope, Alabama**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

**CITY OF FAIRHOPE, ALABAMA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**  
**PREPARED BY:**  
**THE OFFICE OF THE CITY TREASURER**

## CITY OF FAIRHOPE, ALABAMA

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2022

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## **INTRODUCTORY SECTION**



March 29, 2023

Sherry Sullivan  
*Mayor*

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

*Council Members*

Kevin G. Boone  
Jack Burrell, ACMO  
Jimmy Conyers  
Corey Martin  
Jay Robinson

The Annual Comprehensive Financial Report (ACFR) of the City of Fairhope, Alabama (the City), for the fiscal year ended September 30, 2022, 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.

Lisa A. Hanks, MMC  
*City Clerk*

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, 2022. The independent auditors' report is located at the front of the financial section of this report.

Kimberly Creech  
*City Treasurer*

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 23,147 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 of general and permanent nature 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 be subject to inclusion within the City's financial statements under criteria established to define the reporting entity. The Fairhope Public Library and the Fairhope Airport Authority are discretely presented component units of the City and are

reported in the City's financial statements. The following entities are related entities, but do not meet the established criteria for inclusion in the reporting entity: Medical Clinic Board East, the Industrial 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 25 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 2021, the City's median family income was \$83,258 (up from \$75,197 in 2019), while the State median family income was \$54,943 (up from \$50,536 in 2019). According to the U.S. Census Bureau, the City's owner-occupied housing unit's rate was 83.0%.

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 Alliance 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 are 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.

Baldwin County is the State of Alabama's leader for per capita lodging and real property tax revenue, as well as the leader in overall per capita tax revenue. The county's status as Alabama's leading per capital revenue generator is largely attributable to Baldwin County's estimated 8 million annual visitors and significant real estate valuations at the county's beaches.

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 2020 to 2021 the City saw a growth rate of 3.6%, with a growth rate of 51.03% 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 2022, Fairhope was named one of the best places to live in Alabama by NICHE. The City ranked 11<sup>th</sup> 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. Country Living lists Fairhope in their article of *30 Cutest Seaside Towns in the South*. 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 (S&P) 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 \$19,122,817 which represents 48.8% of total general fund revenues. The Council has committed, by City Ordinance, \$7 million in the General Fund for use in times of emergency. This committed amount is periodically reviewed to ensure the City maintains the financial resources to endure periods of economic stress.

The Mayor, City Council, and City department heads continue to strive to adhere to the City's established goals 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. Below is list of major grant projects:

- Gulf of Mexico Energy Security Act (GOMESA) funding for North Triangle Nature Park \$999,989.
- Gulf Coast Ecosystem Restoration Council Spill Impact Program (Restore) funding for Community based comprehensive land use plan project \$650,000.
- Gulf Coast Ecosystem Restoration Council Spill Impact Program (Restore) funding for Working Waterfront and Green Space project \$6,386,000
- Gulf Coast Ecosystem Restoration Council Spill Impact Program (Restore) funding for Sewer Upgrades \$13,500,000.
- United States Department of Commerce Economic Development Administration (EDA) for renovation of the existing K1 Center Building \$2,500,000.
- Alabama Department of Transportation Rehabilitation and Improvement Program (ATRIP-II) funding for construction of dedicated left and right turn lanes on Volanta Avenue \$1,220,000.
- Alabama Department of Economic and Community Affairs (ADECA) funding for Electric Vehicles Infrastructure Program \$148,626.
- Alabama Department of Transportation (FTA) funding for transit shelter \$907,000.

#### **Relevant Financial Policies**

The City of Fairhope 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. Refer to Note 18 in the Financial Section for a summary of pending pronouncements and their effective dates.

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**

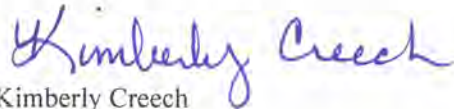
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended September 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is an award presented annually based on a submitted financial document for each fiscal year. We believe that this presentation of the City's current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA for consideration of a Certificate of Achievement for this report.

**Acknowledgements**

The preparation of this report would not have been possible without the expertise and commitment of the staff of the 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, 2021

*Christopher P. Morill*

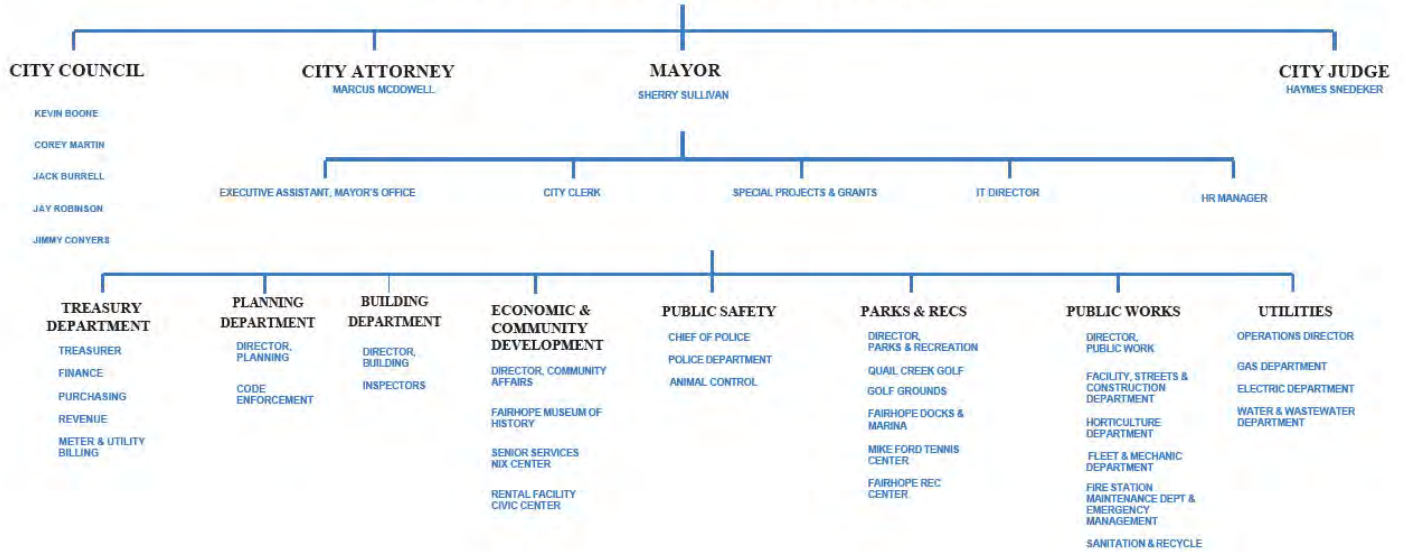
Executive Director/CEO

# CITY OF FAIRHOPE, ALABAMA

## ORGANIZATIONAL CHART

SEPTEMBER 30, 2022

### CITIZENS OF FAIRHOPE



**CITY OF FAIRHOPE, ALABAMA**  
**CITY ELECTED AND APPOINTED OFFICIALS**  
**SEPTEMBER 30, 2022**

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, 2022.

## **FINANCIAL SECTION**

## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the supplementary information on pages 65 through 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, 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 29, 2023

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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, 2022. 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, 2022.

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 \$223,984,064 at the close of the fiscal year ended September 30, 2022. An unrestricted surplus exists in the amount of \$39,908,454, which may be used to meet the government's ongoing obligations.
- The City's total net position increased by \$21,290,124, or 10.5% in comparison to the net position at the beginning of the year. Net position of governmental activities increased \$12,669,092, or 11.9% and net position of business-type activities increased \$8,621,032 or 9.0 %.
- At the close of the current fiscal year, the City's governmental funds reported a combined fund balance of \$33,251,171. This was an increase of \$8,970,705 or 36.9% from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$27,063,115, an increase of \$7,796,670 or 40.5% 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 \$1,963,253 or 16.7% from the prior year primarily due to economic growth over the prior year.
- In September 2022, the City entered into a note payable, to finance capital asset purchases, in the amount of \$1,946,719.
- The following schedule presents a comparison of revenues for all Governmental Funds for the fiscal year ended September 30, 2022, to fiscal year ended September 30, 2021. Revenues decreased \$4,940,231 or 10.4%, as compared to the previous year. The majority of this decrease was FEMA Reimbursement for Hurricane Sally in FY2021.

<b>All Governmental Funds</b>					
<b>Revenues</b>	<b>2022</b>	<b>% of Total</b>	<b>2021</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
Local taxes	\$ 23,700,359	55.55%	\$ 20,810,059	\$ 2,890,300	13.89%
Licenses and permits	6,137,069	14.39%	4,544,325	1,592,744	35.05%
Fines and forfeitures	267,322	0.63%	194,677	72,645	37.32%
Intergovernmental	4,559,019	10.69%	11,205,009	(6,645,990)	-59.31%
Interest and rents	353,059	0.83%	465,462	(112,403)	-24.15%
Charges for services	4,776,552	11.20%	6,749,966	(1,973,414)	-29.24%
Golf course revenue	1,241,278	2.91%	1,272,891	(31,613)	-2.48%
Recreation department	636,242	1.49%	393,744	242,498	61.59%
Other	983,969	2.31%	1,958,967	(974,998)	-49.77%
	<u>\$ 42,654,869</u>	<u>100.00%</u>	<u>\$ 47,595,100</u>	<u>\$ (4,940,231)</u>	<u>-10.38%</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, Water and Waste Water Fund, and the Sanitation 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 seven (7) 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 funds. 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, Water and Wastewater Fund, and Sanitation 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 25.

## 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 \$223,984,064. This is a \$21,290,124 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	
	2022	2021	2022	2021	2022	2021
Current and other assets (net of internal balances)	\$ 38,822,644	\$ 29,089,992	\$ 40,632,698	\$ 39,206,817	\$ 79,455,342	\$ 68,296,809
Internal balances	457,574	(441,797)	(457,574)	441,797	-	-
Capital assets	101,800,012	100,341,725	88,503,173	79,119,256	190,303,185	179,460,981
Total Assets	141,080,230	128,989,920	128,678,297	118,767,870	269,758,527	247,757,790
Deferred charge on refunding	-	-	63,366	70,406	63,366	70,406
Pension related items	3,545,294	2,876,917	1,502,313	851,047	5,047,607	3,727,964
OPEB related items	954,742	1,306,903	435,023	468,513	1,389,765	1,775,416
Total Deferred Outflows of Resources	4,500,036	4,183,820	2,000,702	1,389,966	6,500,738	5,573,786
Long-term liabilities	15,929,028	19,423,994	18,133,048	17,919,664	34,062,076	37,343,658
Other liabilities	6,065,419	4,683,320	5,997,569	5,400,156	12,062,988	10,083,476
Total Liabilities	21,994,447	24,107,314	24,130,617	23,319,820	46,125,064	47,427,134
Pension related items	2,819,709	689,653	1,131,775	88,898	3,951,484	778,551
OPEB related items	1,510,431	1,790,186	688,222	641,765	2,198,653	2,431,951
Total Deferred Inflows of Resources	4,330,140	2,479,839	1,819,997	730,663	6,150,137	3,210,502
Net position						
Net Investment in Capital Assets	100,568,874	98,917,172	78,439,515	67,819,256	179,008,389	166,736,428
Restricted	775,703	1,011,343	4,291,518	3,349,350	5,067,221	4,360,693
Unrestricted	17,911,102	6,658,072	21,997,352	24,938,747	39,908,454	31,596,819
Total Net Position	\$ 119,255,679	\$ 106,586,587	\$ 104,728,385	\$ 96,107,353	\$ 223,984,064	\$ 202,693,940

Total assets increased \$22,000,737 or 8.9% from the previous fiscal year. This was primarily due to an increase in capital assets of \$10,842,204. Current year additions totaled \$18,696,078 and consisted of equipment, building and street improvements, and upgrades of the utility system. Current year depreciation totaled \$7,835,428.

Total liabilities decreased \$1,302,070 or 2.7% from the previous fiscal year. This was due primarily to debt payments in the amount of \$2,389,819. In September 2022, the City entered into a note payable for equipment in the amount of \$1,946,719.



The largest portion of the City's net position (79.9%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, equipment, etc.) less any related debt used to acquire those assets that are 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 (2.3%) 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 \$21,997,352 which is a \$2,941,395 decrease from the prior year. The decrease is due to current year operations and investment in infrastructure.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 13,546,787	\$ 13,663,268	\$ 49,108,835	\$ 45,334,709	\$ 62,655,622	\$ 58,997,977
Operating Grants and contributions	2,014,462	9,157,959	170,397	125,743	2,184,859	9,283,702
Capital grants and contributions	3,013,322	2,408,124	-	-	3,013,322	2,408,124
General revenues						
Property taxes	7,453,763	6,847,201	-	-	7,453,763	6,847,201
Sales taxes	13,691,152	11,727,899	-	-	13,691,152	11,727,899
Other taxes	2,508,516	2,192,514	-	-	2,508,516	2,192,514
Other	524,739	1,579,187	449,538	311,221	974,277	1,890,408
Total revenues	<u>42,752,741</u>	<u>47,576,152</u>	<u>49,728,770</u>	<u>45,771,673</u>	<u>92,481,511</u>	<u>93,347,825</u>
Expenses						
General government	8,530,536	16,825,075	-	-	8,530,536	16,825,075
Public safety	7,992,887	7,699,709	-	-	7,992,887	7,699,709
Public works	6,808,105	9,536,641	-	-	6,808,105	9,536,641
Cultural and recreational	6,982,402	6,680,606	-	-	6,982,402	6,680,606
Airport Authority	320,000	335,000	-	-	320,000	335,000
Public Library Board	1,064,341	1,021,772	-	-	1,064,341	1,021,772
Interest on long-term debt	10,520	31,431	-	-	10,520	31,431
Electric	-	-	18,178,999	17,605,905	18,178,999	17,605,905
Natural gas	-	-	7,741,978	6,172,162	7,741,978	6,172,162
Water and Waste Water	-	-	10,295,634	9,813,398	10,295,634	9,813,398
Sanitation	-	-	3,265,985	-	3,265,985	-
Total expenses	<u>31,708,791</u>	<u>42,130,234</u>	<u>39,482,596</u>	<u>33,591,465</u>	<u>71,191,387</u>	<u>75,721,699</u>
Increase in net position before transfers	11,043,950	5,445,918	10,246,174	12,180,208	21,290,124	17,626,126
Transfers in (out)	1,625,142	1,536,517	(1,625,142)	(1,536,517)	-	-
Increase in net assets	12,669,092	6,982,435	8,621,032	10,643,691	21,290,124	17,626,126
Net position - beginning	106,586,587	99,604,152	96,107,353	85,463,662	202,693,940	185,067,814
Net position - ending	<u>\$ 119,255,679</u>	<u>\$ 106,586,587</u>	<u>\$ 104,728,385</u>	<u>\$ 96,107,353</u>	<u>\$ 223,984,064</u>	<u>\$ 202,693,940</u>

## Governmental Activities

Governmental activities for the current year increased the City’s net position by \$12,669,092. Key elements of this change are as follows:

- Sales and use tax increased by approximately \$1,963,253, or 16.7%.
- Lodging tax increased by approximately \$302,116, or 22.1%.
- Property tax increased by approximately \$606,562, or 8.9%.
- Operational grants decreased by \$7,143,497 as a result of FEMA reimbursement from Hurricane Sally in FY2021.

## Business-type Activities

Business-type activities increased the City’s net position by \$8,621,032. 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, and Sanitation 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 \$33,251,171, of which \$19,122,817 is unassigned. The nonspendable fund balance is \$205,704 and stems from inventory and prepaid expenses. Restricted fund balance is \$775,703 and comprises funds with restrictions imposed by outside parties or constitutional provisions. Committed fund balance is \$13,146,947 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 2022.

	All Governmental Funds				
	General	Capital Projects	American Rescue Plan	Other Governmental	Total Governmental
Total revenues	\$ 39,201,650	\$ 644,996	\$ 147,739	\$ 2,660,484	\$ 42,654,869
Total expenditures	30,767,002	2,812,389	30,566	1,506,651	35,116,608
Total other financing sources (uses)	(637,978)	3,606,464	(113,684)	(1,422,358)	1,432,444
Net change in fund balances	7,796,670	1,439,071	3,489	(268,525)	8,970,705
Fund balances, beginning of year	19,266,445	1,428,575	4	3,585,442	24,280,466
Fund balances, end of year	\$ 27,063,115	\$ 2,867,646	\$ 3,493	\$ 3,316,917	\$ 33,251,171
Percent of fund balance to expenditures	88%	102%	11%	220%	95%

## **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, 2022, the total fund balance of the general fund was \$27,063,115, an increase of \$7,796,670. 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 decreased by \$5,891,609 or 13.0% in 2022 compared to the previous year. This was due to the transfer of the Sanitation operations from the General Fund to a separate Proprietary fund.

## **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 \$1,439,074 from the previous year. The increase is due to the City transferring \$1,000,000 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, Water and Waste Water Fund and Sanitation Fund at the end of the year was \$104,728,385. Total net position increased for enterprise funds by \$8,621,032 or 9.0% in 2022 from the previous year. Total operating revenue increased \$3,774,126 or 8.3% and total operating expenses increased \$5,901,428 or 17.6% for enterprise funds. Both increased revenue and expenditures were attributed to the Sanitation Fund.

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, 2022, the internal service fund reported \$1,074,783 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, 2022, was \$190,303,185 (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	
	2022	2021	2022	2021	2022	2021
Land	\$ 27,743,658	\$ 27,727,658	\$ 9,511,594	\$ 9,511,594	\$ 37,255,252	\$ 37,239,252
Buildings and improvements	27,416,060	28,201,280	1,422,951	1,293,247	28,839,011	29,494,527
Vehicles and equipment	4,481,750	4,916,970	4,450,932	2,851,258	8,932,682	7,768,228
Infrastructure	37,540,427	36,937,676	-	-	37,540,427	36,937,676
Distribution and collection systems	-	-	68,421,784	60,897,438	68,421,784	60,897,438
Construction in progress	4,618,117	2,558,141	4,695,912	4,565,719	9,314,029	7,123,860
	<u>\$ 101,800,012</u>	<u>\$ 100,341,725</u>	<u>\$ 88,503,173</u>	<u>\$ 79,119,256</u>	<u>\$ 190,303,185</u>	<u>\$ 179,460,981</u>

Additional information on the City’s capital assets can be found in Note 6 beginning on page 38 of this report.

### Long-term debt

At the fiscal year end, the City of Fairhope had \$1,231,138 of governmental debt and \$11,050,315 of business-type debt outstanding for the Utilities enterprise funds. In September 2022, the City issued the Capital Note Payable in the amount of \$1,946,719.

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 \$541,776,940 with a current debt limit for the City of \$108,355,388. Current debt applied to the debt limit total is \$2,681,453, leaving the City with a legal debt margin of \$105,673,935.

	2022	2021	Increase (Decrease)
Utility Revenue Warrants	\$ 9,600,000	\$ 11,300,000	\$ (1,700,000)
Notes Payable	2,681,453	-	2,681,453
	<u>\$ 12,281,453</u>	<u>\$ 11,300,000</u>	<u>\$ 981,453</u>

See Note 7, beginning on page 40, 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, 2022, actual revenues were more than budgeted revenues by \$5,948,781 or 17.9%. Detailed variances are as follows:

- Actual taxes were more than budgeted by \$2,487,878 or 11.8%.

- Actual intergovernmental revenues were more than budgeted by \$2,105,066 or 859.2%.
- Actual interest and rents were more than budgeted by \$125,866 or 59.9%.
- Actual licenses and permits were more than budgeted by \$1,532,265 or 33.3%.

For the year ended September 30, 2022, actual total expenditures were less than budgeted expenditures by \$1,725,838 or 5.3%. Detailed variances are in the following functions:

- General Government actual expenditures were less than budgeted expenditures by \$597,116 or 7.0%.
- Public Works actual expenditures were less than budgeted expenditures by \$101,877 or 2.0%.
- Public Safety actual expenditures were less than budgeted expenditures by \$452,280 or 5.6%.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$204,147 or 3.2%

### **Economic Factors and Year 2022**

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 2023:

- The unemployment rate for the City of Fairhope for 2022 was 2.5%.
- The City's financial condition remains strong, even with the national pandemic due to reduction in expenditures and continued oversight by management and the Council.
- Property tax revenue is expected to increase 13.1% due to growth.
- Continued sales tax revenue growth in 2022 over the previous year due to steady economic growth.
- Infrastructure and growth continue to be a concern and the primary focus on Utilities investment of \$43,000,000 and resurfacing of \$533,000.
- Protecting our natural environment for the enjoyment of all investment in Parks of \$4,000,000.
- Investment in capital equipment of \$4,457,000.
- We continue to explore grant opportunities throughout the year.

On September 30, 2022, fund balance in the General Fund was \$27,063,115. The City did not appropriate any fund balance from the 2022 fund balance for spending in the 2023 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 2023 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](http://www.fairhopeal.gov).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FAIRHOPE, ALABAMA**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022**

	Governmental Fund Types			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Cash	\$ 35,025,647	\$ 29,908,341	\$ 64,933,988	\$ 879,436
Restricted cash	-	4,291,518	4,291,518	-
Receivables, net	3,556,368	5,137,220	8,693,588	227,359
Internal balances	457,574	(457,574)	-	-
Inventories	181,818	1,243,192	1,425,010	-
Prepaid items	23,886	16,337	40,223	53,035
Other assets	34,925	36,090	71,015	-
Capital assets not being depreciated:				
Land	27,743,658	9,511,594	37,255,252	10,674,228
Construction in progress	4,618,117	4,695,912	9,314,029	345,608
Capital assets net of accumulated depreciation:				
Buildings and improvements	27,416,060	1,422,951	28,839,011	8,787,483
Vehicles and equipment	4,481,750	4,450,932	8,932,682	84,127
Infrastructure	37,540,427	-	37,540,427	-
Distribution and collection systems	-	68,421,784	68,421,784	-
Runways	-	-	-	16,529,226
Total assets	<u>141,080,230</u>	<u>128,678,297</u>	<u>269,758,527</u>	<u>37,580,502</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	-	63,366	63,366	-
Pension related items	3,545,294	1,502,313	5,047,607	118,499
OPEB related items	954,742	435,023	1,389,765	-
Total deferred outflows of resources	<u>4,500,036</u>	<u>2,000,702</u>	<u>6,500,738</u>	<u>118,499</u>
Total assets and deferred outflows of resources	<u>\$ 145,580,266</u>	<u>\$ 130,678,999</u>	<u>\$ 276,259,265</u>	<u>\$ 37,699,001</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 2,574,998	\$ 3,131,849	\$ 5,706,847	\$ 106,883
Unearned revenue	2,511,544	804,394	3,315,938	-
Customer deposits	7,500	2,061,326	2,068,826	-
Noncurrent liabilities:				
Due within one year	971,377	2,384,048	3,355,425	250,000
Due in more than one year:				
Net pension liability	7,320,076	3,288,152	10,608,228	387,175
Postemployment benefits	-	-	-	-
Total OPEB liability	6,817,631	3,106,420	9,924,051	-
Other	1,791,321	9,354,428	11,145,749	5,970,629
Total liabilities	<u>21,994,447</u>	<u>24,130,617</u>	<u>46,125,064</u>	<u>6,714,687</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	2,819,709	1,131,775	3,951,484	106,672
OPEB related items	1,510,431	688,222	2,198,653	-
Service concession arrangement revenue applicable to future years	-	-	-	6,411,149
Total deferred inflows of resources	<u>4,330,140</u>	<u>1,819,997</u>	<u>6,150,137</u>	<u>6,517,821</u>
<b>NET POSITION</b>				
Net investment in capital assets	100,568,874	78,439,515	179,008,389	30,200,043
Restricted for:				
Debt service	-	3,317,436	3,317,436	-
Road maintenance	329,867	-	329,867	-
Capital improvements	442,070	974,082	1,416,152	-
Municipal Court	273	-	273	-
American Rescue	3,493	-	3,493	-
Library improvements	-	-	-	173,485
Unrestricted	17,911,102	21,997,352	39,908,454	(5,907,035)
Total net position	<u>119,255,679</u>	<u>104,728,385</u>	<u>223,984,064</u>	<u>24,466,493</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 145,580,266</u>	<u>\$ 130,678,999</u>	<u>\$ 276,259,265</u>	<u>\$ 37,699,001</u>

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

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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	
<b>Primary Government</b>								
Governmental activities:								
General government	\$ 8,530,536	\$ 10,827,381	\$ -	\$ 62,500	\$ 2,359,345	\$ -	\$ 2,359,345	\$ -
Public safety	7,992,887	-	312,643	310,880	(7,369,364)	-	(7,369,364)	-
Public works	6,808,105	-	1,701,819	1,456,568	(3,649,718)	-	(3,649,718)	-
Cultural and recreational	6,982,402	2,719,406	-	1,183,374	(3,079,622)	-	(3,079,622)	-
Airport Authority	320,000	-	-	-	(320,000)	-	(320,000)	-
Public Library Board	1,064,341	-	-	-	(1,064,341)	-	(1,064,341)	-
Interest on long-term debt	10,520	-	-	-	(10,520)	-	(10,520)	-
Total governmental activities	<u>31,708,791</u>	<u>13,546,787</u>	<u>2,014,462</u>	<u>3,013,322</u>	<u>(13,134,220)</u>	<u>-</u>	<u>(13,134,220)</u>	<u>-</u>
Business-type activities:								
Electric	18,178,999	20,477,525	148,008	-	-	2,446,534	2,446,534	-
Natural gas	7,741,978	10,298,544	1,863	-	-	2,558,429	2,558,429	-
Water and Waste Water	10,295,634	15,559,401	18,911	-	-	5,282,678	5,282,678	-
Sanitation	3,265,985	2,773,365	1,615	-	-	(491,005)	(491,005)	-
Total business-type activities	<u>39,482,596</u>	<u>49,108,835</u>	<u>170,397</u>	<u>-</u>	<u>-</u>	<u>9,796,636</u>	<u>9,796,636</u>	<u>-</u>
Total primary government	<u>\$ 71,191,387</u>	<u>\$ 62,655,622</u>	<u>\$ 2,184,859</u>	<u>\$ 3,013,322</u>	<u>(13,134,220)</u>	<u>9,796,636</u>	<u>(3,337,584)</u>	<u>-</u>
Component Units	<u>\$ 1,975,334</u>	<u>\$ 349,451</u>	<u>\$ 1,522,976</u>	<u>\$ 247,718</u>				<u>144,811</u>
General revenues:								
Property taxes					7,453,763	-	7,453,763	-
Sales tax					13,691,152	-	13,691,152	-
Liquor taxes					733,897	-	733,897	-
Lodging taxes					1,668,841	-	1,668,841	-
Other taxes					105,778	-	105,778	-
Investment earnings					219,012	368,554	587,566	-
Other					305,727	80,984	386,711	3,075
Transfers					1,625,142	(1,625,142)	-	-
Total general revenues and transfers					<u>25,803,312</u>	<u>(1,175,604)</u>	<u>24,627,708</u>	<u>3,075</u>
Change in net position					<u>12,669,092</u>	<u>8,621,032</u>	<u>21,290,124</u>	<u>147,886</u>
Net position - beginning					<u>106,586,587</u>	<u>96,107,353</u>	<u>202,693,940</u>	<u>24,318,607</u>
Net position - ending					<u>\$ 119,255,679</u>	<u>\$ 104,728,385</u>	<u>\$ 223,984,064</u>	<u>\$ 24,466,493</u>

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



**CITY OF FAIRHOPE, ALABAMA**

**FUND BALANCE SHEETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2022**

	General	Capital Projects	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$24,436,297	\$ 3,706,979	\$ 1,616,711	\$ 3,863,564	\$ 33,623,551
Receivables, net	3,143,546	5,741	-	407,081	3,556,368
Inventory	181,818	-	-	-	181,818
Prepaid items	23,886	-	-	-	23,886
Due from other funds	1,218,939	228,349	-	-	1,447,288
Other assets	34,925	-	-	-	34,925
	<u>\$29,039,411</u>	<u>\$ 3,941,069</u>	<u>\$ 1,616,711</u>	<u>\$ 4,270,645</u>	<u>\$ 38,867,836</u>
Total assets					
<b>LIABILITIES</b>					
Accounts payable	\$ 1,341,745	\$ 70,579	\$ -	\$ 297,353	\$ 1,709,677
Accrued expenditures and taxes	546,697	-	-	-	546,697
Customer deposits	7,500	-	-	-	7,500
Unearned revenue	50,216	999,989	1,499,534	-	2,549,739
Due to other funds	30,138	2,855	113,684	656,375	803,052
	<u>1,976,296</u>	<u>1,073,423</u>	<u>1,613,218</u>	<u>953,728</u>	<u>5,616,665</u>
Total liabilities					
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	23,886	-	-	-	23,886
Inventory	181,818	-	-	-	181,818
Restricted:					
Road maintenance	-	-	-	329,867	329,867
Capital improvements	-	-	-	442,070	442,070
Municipal Court	-	-	-	273	273
American Rescue	-	-	3,493	-	3,493
Committed:					
Council approved emergencies	7,000,000	-	-	-	7,000,000
Construction and road maintenance	-	-	-	2,544,707	2,544,707
Debt service	699,594	-	-	-	699,594
Capital projects	35,000	2,867,646	-	-	2,902,646
Unassigned	19,122,817	-	-	-	19,122,817
	<u>27,063,115</u>	<u>2,867,646</u>	<u>3,493</u>	<u>3,316,917</u>	<u>33,251,171</u>
Total fund balances					
Total liabilities and fund balances	<u>\$ 29,039,411</u>	<u>\$ 3,941,069</u>	<u>\$ 1,616,711</u>	<u>\$ 4,270,645</u>	<u>\$ 38,867,836</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, 2022

<b>Fund balances as reported on page 15</b>	\$ 33,251,171
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.	172,396,690
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(70,596,678)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned revenue in fund financial statements.	50,216
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.	3,545,294
Deferred outflows of resources related to OPEB obligations.	954,742
Deferred inflows are not financial resources and, therefore, are not reported in fund financial statements.	
Deferred inflows of resources related to net pension liability.	(2,819,709)
Deferred inflows of resources related to OPEB obligations.	(1,510,431)
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.	887,992
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:	
Notes payable	(1,231,138)
Net pension liability	(7,320,076)
OPEB obligations	(6,817,631)
Accrued interest on long-term debt is not due and payable in the current period and, therefore, not included in fund financial statements.	(3,203)
Compensated absences not expected to be paid with current resources as determined under Governmental Accounting Standards are not reported in fund financial statements.	(1,531,560)
<b>Net position of governmental activities as reported on page 13</b>	<u><u>\$ 119,255,679</u></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, 2022

	General	Capital Projects	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local taxes	\$ 23,536,708	\$ -	\$ -	\$ 163,651	\$ 23,700,359
Licenses and permits	6,137,069	-	-	-	6,137,069
Fines and forfeitures	267,322	-	-	-	267,322
Intergovernmental	2,350,066	641,589	144,250	1,423,114	4,559,019
Interest and rents	335,842	3,407	3,489	10,321	353,059
Charges for services	3,713,154	-	-	1,063,398	4,776,552
Golf course revenue	1,241,278	-	-	-	1,241,278
Recreation department	636,242	-	-	-	636,242
Other	983,969	-	-	-	983,969
Total revenues	<u>39,201,650</u>	<u>644,996</u>	<u>147,739</u>	<u>2,660,484</u>	<u>42,654,869</u>
<b>EXPENDITURES</b>					
General government	7,884,245	-	30,566	9	7,914,820
Public safety	7,577,926	-	-	-	7,577,926
Public works	5,123,533	-	-	-	5,123,533
Cultural and recreational	6,185,841	-	-	-	6,185,841
Airport Authority	320,000	-	-	-	320,000
Public Library Board	859,000	-	-	-	859,000
Debt service payments:					
Principal	300,000	-	-	389,819	689,819
Interest	-	-	-	15,238	15,238
Capital outlay	<u>2,516,457</u>	<u>2,812,389</u>	<u>-</u>	<u>1,101,585</u>	<u>6,430,431</u>
Total expenditures	<u>30,767,002</u>	<u>2,812,389</u>	<u>30,566</u>	<u>1,506,651</u>	<u>35,116,608</u>
Excess of revenues over (under) expenditures	<u>8,434,648</u>	<u>(2,167,393)</u>	<u>117,173</u>	<u>1,153,833</u>	<u>7,538,261</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	56,559	-	-	-	56,559
Issuance of notes payable	496,404	-	-	-	496,404
Transfers in	1,540,522	3,606,464	-	405,057	5,552,043
Transfers out	<u>(2,731,463)</u>	<u>-</u>	<u>(113,684)</u>	<u>(1,827,415)</u>	<u>(4,672,562)</u>
Total other financing sources (uses)	<u>(637,978)</u>	<u>3,606,464</u>	<u>(113,684)</u>	<u>(1,422,358)</u>	<u>1,432,444</u>
Net change in fund balances	7,796,670	1,439,071	3,489	(268,525)	8,970,705
Fund balances – beginning of year	19,266,445	1,428,575	4	3,585,442	24,280,466
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 27,063,115</u>	<u>\$ 2,867,646</u>	<u>\$ 3,493</u>	<u>\$ 3,316,917</u>	<u>\$ 33,251,171</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, 2022

Net change in fund balances – total governmental funds, page 17 \$ 8,970,705

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:

Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position. 6,203,612

Depreciation expense on governmental capital assets is included in the capital assets in the statement of net position. (4,060,257)

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. (18,392)

The net effect of transactions involving donations of capital assets is to increase net position in the statement of net position. 46,834

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 689,819  
Proceeds from issuance of note payable (496,404)

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. 12,872

(Continued)

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, 2022 (CONTINUED)

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	\$ (204,259)
Accrued interest	4,708
Pensions	388,394
Postemployment benefit plans other than pensions	216,084

Transfer of certain items to business-type activities increase (decrease) net position in the statement of net position but do not appear in in the governmental fund because they are financial resources.

Capital assets	(713,510)
Compensated absences	93,778
Pensions	643,949
Postemployment benefit plans other than pensions	721,444

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.

169,715

**Change in net position of governmental activities, page 14**

\$ 12,669,092

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 7,168,229	\$ 12,083,882	\$ 10,487,232	\$ 168,998	\$ 29,908,341	\$ 1,402,096
Restricted cash held by fiscal agent	79,276	79,276	3,209,675	923,291	4,291,518	-
Receivables, net	3,527,451	413,002	1,014,846	181,921	5,137,220	-
Inventories	463,798	520,100	259,294	-	1,243,192	-
Prepaid items	5,427	1,567	4,441	4,902	16,337	-
Due from other funds	4,911	24,094	625,639	30,009	684,653	129
Total current assets	11,249,092	13,121,921	15,601,127	1,309,121	41,281,261	1,402,225
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	2,519,203	432,453	1,744,256	-	4,695,912	-
Buildings and improvements	1,430,166	1,021,792	572,344	119,630	3,143,932	-
Vehicles and equipment	6,038,470	4,321,715	5,096,314	4,556,802	20,013,301	-
Distribution and collection systems	33,180,980	14,895,542	67,107,687	-	115,184,209	-
Less accumulated depreciation	(18,885,463)	(10,361,745)	(31,254,614)	(3,543,953)	(64,045,775)	-
Total noncurrent assets	32,001,626	11,937,959	43,467,199	1,132,479	88,539,263	-
Total assets	43,250,718	25,059,880	59,068,326	2,441,600	129,820,524	1,402,225
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	-	-	63,366	-	63,366	-
Pension related items	403,304	288,444	462,686	347,879	1,502,313	-
OPEB related items	92,394	80,845	146,291	115,493	435,023	-
Total deferred outflows of resources	495,698	369,289	672,343	463,372	2,000,702	-
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	1,731,265	565,983	731,260	103,341	3,131,849	315,421
Unearned revenue	125,765	37,000	641,629	-	804,394	12,021
Customer deposits	939,202	711,248	388,747	22,129	2,061,326	-
Warrants and notes payable	41,108	41,108	1,637,784	476,729	2,196,729	-
Compensated absences	51,033	36,863	67,947	31,476	187,319	-
Due to other funds	797,671	99,878	346,145	85,324	1,329,018	-
Total current liabilities	3,686,044	1,492,080	3,813,512	718,999	9,710,635	327,442
Noncurrent liabilities:						
Compensated absences	212,707	71,327	142,281	74,527	500,842	-
Warrants and notes payable	188,332	188,332	7,503,336	973,586	8,853,586	-
Net pension liability	1,114,053	639,924	902,747	631,428	3,288,152	-
Total OPEB liability	659,771	577,299	1,044,637	824,713	3,106,420	-
Total noncurrent liabilities	2,174,863	1,476,882	9,593,001	2,504,254	15,749,000	-
Total liabilities	5,860,907	2,968,962	13,406,513	3,223,253	25,459,635	327,442
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related items	228,310	201,820	388,225	313,420	1,131,775	-
OPEB related items	146,171	127,900	231,437	182,714	688,222	-
Total deferred inflows of resources	374,481	329,720	619,662	496,134	1,819,997	-
<b>NET POSITION</b>						
Net investment in capital assets	31,760,156	11,696,489	34,377,415	605,455	78,439,515	-
Restricted:						
Debt service	79,276	79,276	3,158,884	-	3,317,436	-
Capital improvements	-	-	50,791	923,291	974,082	-
Unrestricted	5,671,596	10,354,722	8,127,404	(2,343,161)	21,810,561	1,074,783
Total net position	\$ 37,511,028	\$ 22,130,487	\$ 45,714,494	\$ (814,415)	104,541,594	\$ 1,074,783
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds					186,791	
Change in net position of business-type activities					\$ 104,728,385	

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, 2022

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund		
<b>OPERATING REVENUES</b>						
Sales and services	\$ 19,910,368	\$ 10,084,617	\$ 14,096,809	\$ 2,758,935	\$ 46,850,729	\$ 4,524,842
Other charges, sales and receipts	567,157	213,927	1,462,592	14,430	2,258,106	-
Total operating revenues	20,477,525	10,298,544	15,559,401	2,773,365	49,108,835	4,524,842
<b>OPERATING EXPENSES</b>						
Energy purchases and cost of goods sold	13,394,653	3,761,281	524,405	365,072	18,045,411	-
Salaries	1,463,164	942,255	1,973,942	1,085,619	5,464,980	-
Depreciation	994,022	531,751	1,928,302	321,150	3,775,225	-
Insurance	501,113	322,927	702,112	136,788	1,662,940	-
Electric energy furnished to other departments	66,231	34,419	270,620	-	371,270	-
Maintenance	442,337	373,161	1,963,799	39,440	2,818,737	-
Benefit payments	-	-	-	-	-	4,329,272
Other operating expense	1,324,425	1,704,259	2,817,188	1,317,876	7,163,748	-
Total operating expenses	18,185,945	7,670,053	10,180,368	3,265,945	39,302,311	4,329,272
<b>OPERATING INCOME (LOSS)</b>	2,291,580	2,628,491	5,379,033	(492,580)	9,806,524	195,570
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest expense	(3,024)	(3,024)	(127,500)	-	(133,548)	-
Interest income	116,276	106,587	145,136	555	368,554	3,042
Gain on sale of capital assets	302	22,984	41,943	15,755	80,984	-
Intergovernmental revenue	148,008	1,863	18,911	1,615	170,397	-
Distribution of joint revenue (expense) – net	-	(75,634)	-	-	(75,634)	-
Total nonoperating revenues (expenses)	261,562	52,776	78,490	17,925	410,753	3,042
<b>INCOME BEFORE TRANSFERS AND OTHER ITEMS</b>	2,553,142	2,681,267	5,457,523	(474,655)	10,217,277	198,612
<b>TRANSFERS AND OTHER ITEMS</b>						
Capital contributions	(46,393)	31,758	(41,323)	(689,703)	(745,661)	-
Transfers in	294,762	-	113,684	683,113	1,091,559	-
Transfers out	(537,655)	(401,644)	(698,571)	(333,170)	(1,971,040)	-
Total transfers and other items	(289,286)	(369,886)	(626,210)	(339,760)	(1,625,142)	-
Change in net position	2,263,856	2,311,381	4,831,313	(814,415)	8,592,135	198,612
Net position – beginning of year	35,247,172	19,819,106	40,883,181	-	95,949,459	876,171
<b>NET POSITION – END OF YEAR</b>	\$ 37,511,028	\$ 22,130,487	\$ 45,714,494	\$ (814,415)		\$ 1,074,783
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds					28,897	
Change in net position of business-type activities					\$ 8,621,032	

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, 2022

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Received from customers	\$ 20,810,394	\$ 10,303,501	\$ 15,963,951	\$ 2,613,573	\$ 49,691,419	\$ -
Receipt from interfund services provided	-	-	-	-	-	4,536,863
Paid to suppliers for goods and services	(15,803,148)	(6,247,217)	(6,178,432)	(1,826,391)	(30,055,188)	(4,203,386)
Paid to personnel for services	(1,866,966)	(1,091,443)	(2,050,202)	(884,230)	(5,892,841)	-
Net cash provided by (used in) operating activities	3,140,280	2,964,841	7,735,317	(97,048)	13,743,390	333,477
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Distribution of joint expense	-	(75,634)	-	-	(75,634)	-
Interest income	116,276	106,587	145,136	555	368,554	3,042
Net cash provided by investing activities	116,276	30,953	145,136	555	292,920	3,042
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from notes payable	-	-	-	1,450,315	1,450,315	-
Repayment of debt	(40,630)	(40,630)	(1,618,740)	-	(1,700,000)	-
Interest paid	(3,197)	(3,197)	(205,371)	-	(211,765)	-
Proceeds from disposal of capital assets	-	2,975	37,650	15,755	56,380	-
Acquisition of capital assets	(3,616,810)	(1,152,427)	(6,992,233)	(684,161)	(12,445,631)	-
Net cash provided by (used in) capital and related financing activities	(3,660,637)	(1,193,279)	(8,778,694)	781,909	(12,850,701)	-
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Change in interfund receivable	17,587	(24,094)	(300,278)	(30,009)	(336,794)	(129)
Change in interfund payable	788,079	66,943	324,716	85,324	1,265,062	-
Government grants	148,008	1,863	18,911	1,615	170,397	-
Net cash payments to (from) other funds	(242,893)	(401,644)	(584,887)	349,943	(879,481)	-
Net cash provided by (used in) noncapital and related financing activities	710,781	(356,932)	(541,538)	406,873	219,184	(129)
<b>INCREASE (DECREASE) IN CASH</b>	306,700	1,445,583	(1,439,779)	1,092,289	1,404,793	336,390
<b>CASH – BEGINNING OF YEAR</b>	6,940,805	10,717,575	15,136,686	-	32,795,066	1,065,706
<b>CASH – END OF YEAR</b>	\$ 7,247,505	\$ 12,163,158	\$ 13,696,907	\$ 1,092,289	\$ 34,199,859	\$ 1,402,096
Cash and cash equivalents	\$ 7,168,229	\$ 12,083,882	\$ 10,487,232	\$ 168,998	\$ 29,908,341	\$ 1,402,096
Restricted cash held by fiscal agent	79,276	79,276	3,209,675	923,291	4,291,518	-
	\$ 7,247,505	\$ 12,163,158	\$ 13,696,907	\$ 1,092,289	\$ 34,199,859	\$ 1,402,096
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 2,291,580	\$ 2,628,491	\$ 5,379,033	\$ (492,580)	\$ 9,806,524	\$ 195,570
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	994,022	531,751	1,928,302	321,150	3,775,225	-
Proceeds from disposal of noncapital assets	302	20,009	4,292	-	24,603	-
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	438,190	(26,634)	107,323	(181,921)	336,958	-
Decrease (increase) in inventories	(83,818)	(223,815)	(45,102)	-	(352,735)	-
Decrease (increase) in prepaid expenses	(228)	183	(364)	(4,902)	(5,311)	-
Decrease (increase) in deferred outflow of resources	(2,609)	(44,219)	(107,576)	(111,706)	(266,110)	-
Increase (decrease) in accounts payable	34,261	172,189	151,856	103,341	461,647	125,886
Increase (decrease) in customer deposits	(190,171)	(8,618)	(63,170)	22,129	(239,830)	-
Increase (decrease) in net unearned revenue	84,548	20,200	356,105	-	460,853	12,021
Increase (decrease) in deferred inflow of resources	113,976	157,190	322,034	290,983	884,183	-
Increase (decrease) in net pension liability	(160,839)	(140,765)	(254,441)	(200,989)	(757,034)	-
Increase (decrease) in compensated absences	24,661	(19,047)	(24,246)	12,225	(6,407)	-
Increase (decrease) in net OPEB obligation	(403,595)	(102,074)	(18,729)	145,222	(379,176)	-
Net cash provided by (used in) operating activities	\$ 3,140,280	\$ 2,964,841	\$ 7,735,317	\$ (97,048)	\$ 13,743,390	\$ 333,477

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, 2022

	Public Library Board	Airport Authority	Total
<b>ASSETS</b>			
Cash	\$ 660,546	\$ 218,890	\$ 879,436
Receivables, net	-	227,359	227,359
Prepaid items	7,169	45,866	53,035
Capital assets not being depreciated:			
Land	-	10,674,228	10,674,228
Construction in progress	184,744	160,864	345,608
Capital assets net of accumulated depreciation:			
Buildings and improvements	-	8,787,483	8,787,483
Vehicles and equipment	48,847	35,280	84,127
Runways	-	16,529,226	16,529,226
Total assets	<u>901,306</u>	<u>36,679,196</u>	<u>37,580,502</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	<u>118,499</u>	<u>-</u>	<u>118,499</u>
Total assets and deferred outflows of resources	<u>\$ 1,019,805</u>	<u>\$ 36,679,196</u>	<u>\$ 37,699,001</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 47,551	\$ 37,332	\$ 84,883
Customer deposits	-	22,000	22,000
Long-term liabilities:			
Due within one year	-	250,000	250,000
Due in more than one year	-	5,970,629	5,970,629
Net pension liability	<u>387,175</u>	<u>-</u>	<u>387,175</u>
Total liabilities	<u>434,726</u>	<u>6,279,961</u>	<u>6,714,687</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	106,672	-	106,672
Service concession arrangement revenue applicable to future years	<u>-</u>	<u>6,411,149</u>	<u>6,411,149</u>
Total deferred inflows of resources	<u>106,672</u>	<u>6,411,149</u>	<u>6,517,821</u>
<b>NET POSITION</b>			
Net investment in capital assets	233,591	29,966,452	30,200,043
Restricted:			
Library improvements	173,485	-	173,485
Unrestricted	<u>71,331</u>	<u>(5,978,366)</u>	<u>(5,907,035)</u>
Total net position	<u>478,407</u>	<u>23,988,086</u>	<u>24,466,493</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,019,805</u>	<u>\$ 36,679,196</u>	<u>\$ 37,699,001</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, 2022

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	\$ 1,002,385	\$ 39,495	\$ 954,346	\$ -	\$ (8,544)	\$ -	\$ (8,544)
Business-type activities:							
Airport Authority	972,949	309,956	568,630	247,718	-	153,355	153,355
	<u>\$ 1,975,334</u>	<u>\$ 349,451</u>	<u>\$ 1,522,976</u>	<u>\$ 247,718</u>	<u>(8,544)</u>	<u>153,355</u>	<u>144,811</u>
General revenues:							
Other					-	3,075	3,075
Total general revenues					-	3,075	3,075
Change in net position					(8,544)	156,430	147,886
Net position – beginning					486,951	23,831,656	24,318,607
Net position – ending					<u>\$ 478,407</u>	<u>\$ 23,988,086</u>	<u>\$ 24,466,493</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, 2022**

**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, 2022**

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, 2022**

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, Water and Waste Water Fund, and Sanitation 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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MAJOR FUNDS

The City reports the following major Governmental funds:

- General Fund
- Capital Projects Fund
- American Rescue Plan Fund

The City reports the following enterprise funds as major funds:

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

Activities 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, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. RECEIVABLES AND PAYABLES (CONTINUED)

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

G. INVENTORIES AND PREPAID ITEMS

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

Inventories are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Fuel	\$ 57,184	\$ 16,228	\$ 73,412
Materials and supplies	124,634	1,226,964	1,351,598
Totals	<u>\$ 181,818</u>	<u>\$ 1,243,192</u>	<u>\$ 1,425,010</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, 2022**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets 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 10, and deferred inflow items related to the City's postemployment benefits other than pensions which are described further in Note 13. The Airport Authority reports deferred inflow items related to service concession arrangements which are described further in Note 15.

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

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, 2022 totaled \$9,924,051. 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 Annual Comprehensive Financial Report. The pension liability is typically liquidated by the General Fund.

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

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, 2022**

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.

O. LEASES

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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.

Q. 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.

R. 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.

S. SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 29, 2023, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2022.

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, 2022**

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.

**Deficit Fund Balance**

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

	<b>Deficit Amount</b>
Sanitation	\$ 814,415

NOTE 3 DEPOSIT AND INVESTMENT RISK

At September 30, 2022, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$3,368,226. The average maturity of the portfolio was 28 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, 2022, 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, 2022

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, 2022, for the government’s individual major and nonmajor funds, and the discretely presented components units, including the applicable allowances for uncollectable accounts, are as follows:

	General	Capital Projects	Nonmajor Governmental Funds	Electric	Natural Gas
Taxes	\$ 2,828,690	\$ -	\$ 24,638	\$ -	\$ -
Accounts	42,474	3,520	455	3,441,612	458,050
Intergovernmental	1,563,763	2,221	381,988	400,162	4,657
	<u>4,434,927</u>	<u>5,741</u>	<u>407,081</u>	<u>3,841,774</u>	<u>462,707</u>
Less allowance for uncollectable accounts	<u>(1,291,381)</u>	<u>-</u>	<u>-</u>	<u>(314,323)</u>	<u>(49,705)</u>
Total receivables	<u>\$ 3,143,546</u>	<u>\$ 5,741</u>	<u>\$ 407,081</u>	<u>\$ 3,527,451</u>	<u>\$ 413,002</u>
	Water and Waste Water Fund	Sanitation Fund	Airport Authority	Total	
Taxes	\$ -	\$ -	\$ -	\$ 2,853,328	
Accounts	1,246,695	218,628	6,968	5,418,402	
Intergovernmental	17,219	-	220,391	2,590,401	
	<u>1,263,914</u>	<u>218,628</u>	<u>227,359</u>	<u>10,862,131</u>	
Less allowance for uncollectable accounts	<u>(249,068)</u>	<u>(36,707)</u>	<u>-</u>	<u>(1,941,184)</u>	
Total receivables	<u>\$ 1,014,846</u>	<u>\$ 181,921</u>	<u>\$ 227,359</u>	<u>\$ 8,920,947</u>	

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**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, 2022 is shown below.

**Due to/from other funds**

Receivable Fund	Payable Fund	Amount
General	Natural Gas	\$ 91,536
	Capital Projects	2,855
	Electric	752,165
	Water and Waste Water	117,796
	Sanitation	85,324
	Nonmajor Governmental	169,263
Capital Projects	Water and Waste Water	228,349
Electric	Natural Gas	4,911
Natural Gas	Electric	24,094
Water and Waste Water	Electric	21,412
	Natural Gas	3,431
	American Rescue Plan	113,684
	Nonmajor Governmental	487,112
Sanitation	General	30,009
Internal Service Fund	General	129
Total		<u>\$ 2,132,070</u>

**Interfund Transfers**

Transfer Out	Transfer In						Total
	General	Capital Projects	Nonmajor Governmental	Electric	Water and Waste Water	Sanitation	
General	\$ -	\$ 1,976,463	\$ 71,887	\$ -	\$ -	\$ 683,113	\$ 2,731,463
American Rescue Plan	-	-	-	-	113,684	-	113,684
Nonmajor Governmental	288,545	1,538,870	-	-	-	-	1,827,415
Electric	537,655	-	-	-	-	-	537,655
Natural Gas	163,132	91,131	-	147,381	-	-	401,644
Water and Waste Water	551,190	-	-	147,381	-	-	698,571
Sanitation	-	-	333,170	-	-	-	333,170
Totals	<u>\$ 1,540,522</u>	<u>\$ 3,606,464</u>	<u>\$ 405,057</u>	<u>\$ 294,762</u>	<u>\$ 113,684</u>	<u>\$ 683,113</u>	<u>\$ 6,643,602</u>

Transfers are used to move revenues from the fund that collects them to the fund that the budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 27,727,658	\$ 16,000	\$ -	\$ -	\$ 27,743,658
Construction in progress	2,558,141	3,252,065	(13,954)	(1,178,135)	4,618,117
Total	<u>30,285,799</u>	<u>3,268,065</u>	<u>(13,954)</u>	<u>(1,178,135)</u>	<u>32,361,775</u>
Other capital assets:					
Buildings and improvements	44,430,685	509,776	-	(119,630)	44,820,831
Vehicles and equipment	20,700,490	1,381,241	(187,333)	(3,691,140)	18,203,258
Infrastructure	74,879,994	1,091,364	-	1,039,468	77,010,826
Total	<u>140,011,169</u>	<u>2,982,381</u>	<u>(187,333)</u>	<u>(2,771,302)</u>	<u>140,034,915</u>
Less accumulated depreciation for:					
Buildings and improvements	(16,229,405)	(1,243,524)	-	68,158	(17,404,771)
Vehicles and equipment	(15,783,520)	(1,288,652)	182,895	3,167,769	(13,721,508)
Infrastructure	(37,942,318)	(1,528,081)	-	-	(39,470,399)
Total accumulated depreciation	<u>(69,955,243)</u>	<u>(4,060,257)</u>	<u>182,895</u>	<u>3,235,927</u>	<u>(70,596,678)</u>
Other capital assets, net	<u>70,055,926</u>	<u>(1,077,876)</u>	<u>(4,438)</u>	<u>464,625</u>	<u>69,438,237</u>
Governmental capital assets, net	<u>\$ 100,341,725</u>	<u>\$ 2,190,189</u>	<u>\$ (18,392)</u>	<u>\$ (713,510)</u>	<u>\$ 101,800,012</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 676,868
Public safety	546,013
Public works	1,761,535
Cultural and recreational	870,500
Library	205,341
Total	<u>\$ 4,060,257</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 6 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Business-type Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 9,511,594	\$ -	\$ -	\$ -	\$ 9,511,594
Construction in progress	4,565,719	3,848,359	-	(3,718,166)	4,695,912
Total	14,077,313	3,848,359	-	(3,718,166)	14,207,506
Other capital assets:					
Buildings and improvements	2,885,335	121,053	-	137,544	3,143,932
Vehicles and equipment	14,369,964	2,108,446	(294,916)	3,829,807	20,013,301
Distribution and collection system	105,116,183	6,367,774	-	3,700,252	115,184,209
Total	122,371,482	8,597,273	(294,916)	7,667,603	138,341,442
Less accumulated depreciation for:					
Buildings and improvements	(1,592,088)	(60,735)	-	(68,158)	(1,720,981)
Vehicles and equipment	(11,518,706)	(1,170,810)	294,916	(3,167,769)	(15,562,369)
Distribution and collection system	(44,218,745)	(2,543,680)	-	-	(46,762,425)
Total accumulated depreciation	(57,329,539)	(3,775,225)	294,916	(3,235,927)	(64,045,775)
Other capital assets, net	65,041,943	4,822,048	-	4,431,676	74,295,667
Capital assets, net	\$ 79,119,256	\$ 8,670,407	\$ -	\$ 713,510	\$ 88,503,173
<u>Component Unit – Public Library</u>					
Capital assets not subject to depreciation:					
Construction in progress	\$ -	\$ 184,744	\$ -	\$ -	\$ 184,744
Other capital assets:					
Vehicles and equipment	546,132	7,743	-	-	553,875
Less accumulated depreciation	(487,434)	(17,594)	-	-	(505,028)
Capital assets, net	\$ 58,698	\$ 174,893	\$ -	\$ -	\$ 233,591
<u>Component Unit – Airport Authority</u>					
Capital assets not subject to depreciation:					
Land	\$ 10,674,228	\$ -	\$ -	\$ -	\$ 10,674,228
Construction in progress	249,497	51,742	-	(140,375)	160,864
Total	10,923,725	51,742	-	(140,375)	10,835,092
Other capital assets:					
Buildings and improvements	11,741,808	700,000	-	140,375	12,582,183
Vehicles and equipment	128,485	10,860	-	-	139,345
Runways	19,387,153	-	-	-	19,387,153
Total	31,257,446	710,860	-	140,375	32,108,681
Less accumulated depreciation for:					
Buildings and improvements	(3,503,600)	(291,100)	-	-	(3,794,700)
Vehicles and equipment	(101,105)	(2,960)	-	-	(104,065)
Runways	(2,599,432)	(258,495)	-	-	(2,857,927)
Total accumulated depreciation	(6,204,137)	(552,555)	-	-	(6,756,692)
Other capital assets, net	25,053,309	158,305	-	140,375	25,351,989
Capital assets, net	\$ 35,977,034	\$ 210,047	\$ -	\$ -	\$ 36,187,081

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 7 LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes payable	\$ 1,424,553	\$ 496,404	\$ (689,819)	\$ 1,231,138	\$ 597,905
Compensated absences	1,421,080	893,414	(782,934)	1,531,560	373,472
Governmental activities long-term liabilities	2,845,633	1,389,818	(1,472,753)	2,762,698	971,377
<b>BUSINESS-TYPE ACTIVITIES</b>					
Direct placements	11,300,000	-	(1,700,000)	9,600,000	1,720,000
Notes payable	-	1,450,315	-	1,450,315	476,729
Compensated absences	600,790	486,779	(399,408)	688,161	187,319
Business-type activities long-term liabilities	11,900,790	1,937,094	(2,099,408)	11,738,476	2,384,048
Total long-term debt	\$ 14,746,423	\$ 3,326,912	\$ (3,572,161)	\$ 14,501,174	\$ 3,355,425

**Notes Payable – Governmental Activities**

Notes payable at September 30, 2022 is comprised of the following:

Note payable with Baldwin County Board of Education dated November 25, 2019, original obligation of \$1,500,000, interest rate 0.00%, principal payments through July 1, 2024. \$ 600,000

Note payable with Iberia Bank dated September 25, 2019, original obligation of \$236,912 interest rate 2.80%, principal payments through October 15, 2022. The note is collateralized by the underlying equipment purchased. 81,317

Note payable with Iberia Bank dated February 5, 2020, original obligation of \$155,999 interest rate 2.77%, principal payments through February 1, 2023. The note is collateralized by the underlying equipment purchased. 53,417

Note payable with United Bank dated September 28, 2022, original obligation of \$496,404, interest rate 1.403%, principal payments through September 28, 2025. The note is collateralized by the underlying equipment purchased. 496,404

\$ 1,231,138

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

NOTE 7 LONG-TERM DEBT (CONTINUED)

**Notes Payable – Governmental Activities (Continued)**

The following schedule illustrates debt service to maturity for the note payable at September 30, 2022:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 597,905	\$ 10,761	\$ 608,666
2024	465,449	4,690	470,139
2025	<u>167,784</u>	<u>2,355</u>	<u>170,139</u>
	<u>\$ 1,231,138</u>	<u>\$ 17,806</u>	<u>\$ 1,248,944</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, 2022:

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.

\$ 9,600,000

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 \$9,600,000 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, 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

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

The following schedule illustrates debt service to maturity for warrants from direct placement in proprietary funds at September 30, 2022:

Year Ending September 30,	Business-type Activities		
	Direct Placements		
	Principal	Interest	Total
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	505,000	29,920	534,920
2028-2031	2,085,000	53,920	2,138,920
	<u>\$ 9,600,000</u>	<u>\$ 397,312</u>	<u>\$ 9,997,312</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.

**Note Payable – Business-type Activities**

Note payable in proprietary funds at September 30, 2022 is comprised of the following:

Note payable with United Bank dated September 28, 2022, original obligation of \$1,450,315, interest rate 1.403%, principal payments through September 28, 2025. The note is collateralized by the underlying equipment purchased.

\$ 1,450,315

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

**Note Payable – Business-type Activities (Continued)**

The following schedule illustrates debt service to maturity for the note payable in proprietary funds at September 30, 2022:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 476,729	\$ 20,355	\$ 497,084
2024	483,382	13,701	497,083
2025	<u>490,204</u>	<u>6,880</u>	<u>497,084</u>
	<u>\$ 1,450,315</u>	<u>\$ 40,936</u>	<u>\$ 1,491,251</u>

**Bond from Direct Placements – Component Units**

The following is a summary of the long-term debt of the Airport Authority as of September 30, 2022:

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. \$ 6,220,629

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.

(continued)



CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

**Bond from Direct Placements – Component Units (Continued)**

The following is a summary of debt service requirements to maturity of long-term debt of the Airport Authority as of September 30, 2022:

Year Ending September 30,	Component Units		
	Direct Placements		
	Principal	Interest	Total
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>\$ 6,220,629</u>	<u>\$ 379,890</u>	<u>\$ 6,600,519</u>

The Airport Authority's outstanding bond from direct placement of \$6,220,629 contains a provision that in event of default, outstanding amounts become due immediately if the Airport Authority is unable to make payment.

NOTE 8 SALARIES – PROPRIETARY FUNDS

The following is a summary of employees' salaries for the business-type activities for the year ended September 30, 2022:

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund
Total salaries	\$ 1,514,803	\$ 1,089,597	\$ 2,063,445	\$ 1,085,619
Less:				
Salaries capitalized for plant additions	<u>51,639</u>	<u>147,342</u>	<u>89,503</u>	<u>-</u>
Salaries charged to operations	<u>\$ 1,463,164</u>	<u>\$ 942,255</u>	<u>\$ 1,973,942</u>	<u>\$ 1,085,619</u>

NOTE 9 RISK MANAGEMENT AND CONTINGENCIES

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies and effectively manages risk through various employee education and prevention programs. There were no instances where settlements exceeded insurance coverage in the last three years.

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

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 9 RISK MANAGEMENT AND CONTINGENCIES (CONTINUED)**

The City receives Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. City management believes such disallowances, if any, will be immaterial.

**NOTE 10 PENSION PLAN**

**Plan Description**

The Employees' Retirement System (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://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, 2022

NOTE 10 PENSION PLAN (CONTINUED)

**Benefits Provided**

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

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

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

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.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2020, membership consisted of:

	ERS	City	Library
Retirements and beneficiaries currently receiving benefits	29,727	118	7
Terminated employees entitled to but not yet receiving benefits	2,130	15	-
Terminated employees not entitled to a benefit	16,415	66	9
Active members	56,184	336	14
Post-DROP participants who are still in active service	54	-	-
Totals	<u>104,510</u>	<u>535</u>	<u>30</u>

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

NOTE 10 PENSION PLAN (CONTINUED)

**Contributions**

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

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.

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, 2022, 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, 2022, was 12.37% of pensionable pay for Tier 1 employees, and 11.06% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, 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 \$1,249,119 and \$58,907 from the Fairhope Public Library for the year ended September 30, 2022.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

**Net Pension Liability**

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

City of Fairhope

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2020	\$ 51,635,678	\$ 54,666,183
(b) Discount rate	7.70%	7.45%
(c) Entry age normal cost for the period October 1, 2020 to September 30, 2021	1,391,051	1,523,699
(d) Transfer among employers	-	176,817
(e) Actual benefit payments and refunds for October 1, 2020 to September 30, 2021	<u>(2,905,374)</u>	<u>2,905,374</u>
(f) Total Pension Liability as of September 20, 2021 [(a) x (1.0745)] + (c) + (d) + [(e) x (1.03725)]	<u>\$ 53,985,445</u>	<u>\$ 57,425,731</u>
(g) Difference between expected and actual		\$ 3,440,286
(h) Less liability transferred for immediate recognition		<u>-</u>
(i) Experience (gain)/loss		<u>\$ 3,440,286</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

**Net Pension Liability (Continued)**

**Fairhope Public Library**

	<u>Expected</u>	<u>Actual</u>
(a) Total pension liability for September 30, 2020	\$ 1,539,188	\$ 1,591,041
(b) Discount rate	7.70%	7.45%
(c) Entry age normal cost for the period October 1, 2020 to September 30, 2021	27,256	29,438
(d) Transfers among employers	-	-
(e) Actual benefit payments and refunds for October 1, 2020 to September 30, 2021	<u>(77,468)</u>	<u>(77,468)</u>
(f) Total Pension Liability as of September 20, 2021 [(a) x (1.0745)] + (c) + (d) + [(e) x (1.03725)]	<u>\$ 1,604,511</u>	<u>\$ 1,658,657</u>
(g) Difference between expected and actual		\$ 54,146
(h) Less liability transferred for immediate recognition		<u>-</u>
(i) Experience (gain)/loss		<u>\$ 54,146</u>

**Actuarial Assumptions**

The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.25% – 6.00%
Investment rate of return *	7.45%

\* Net of pension plan investment expense

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

**Actuarial Assumptions (Continued)**

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

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

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

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

	Target Allocation	Long-term Expected Rate of Return *
Fixed Income	15.0%	2.8%
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%	9.0%
Real Estate	10.0%	6.5%
Cash equivalents	5.0%	1.5%
	<u>100.0%</u>	

\*Includes assumed rate of inflation of 2.00%

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

**Discount Rate**

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

**Changes in Net Pension Liability**

	<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, 2020	<u>\$ 51,635,678</u>	<u>\$ 38,608,812</u>	<u>\$ 13,026,866</u>
Changes for the year:			
Service cost	1,391,051	-	1,391,051
Interest	3,864,090	-	3,864,090
Changes of assumptions	1,996,549	-	1,996,549
Differences between expected and actual experience	1,266,920	-	1,266,920
Contributions – employer	-	1,342,614	(1,342,614)
Contributions – employee	-	1,057,424	(1,057,424)
Net investment income	-	8,537,210	(8,537,210)
Benefit payments, including refunds of employee contributions	(2,905,374)	(2,905,374)	-
Transfers among employers	176,817	176,817	-
Net Changes	<u>5,790,053</u>	<u>8,208,691</u>	<u>(2,418,638)</u>
Balances at September 30, 2021	<u>\$ 57,425,731</u>	<u>\$ 46,817,503</u>	<u>\$ 10,608,228</u>

(continued)



CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

Changes in Net Pension Liability (Continued)

	<u>Fairhope Public Library</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2020	\$ 1,539,188	\$ 1,052,295	\$ 486,893
Changes for the year:			
Service cost	27,256	-	27,256
Interest	115,535	-	115,535
Changes of assumptions	60,163	-	60,163
Differences between expected and actual experience	(6,017)	-	(6,017)
Contributions – employer	-	39,288	(39,288)
Contributions – employee	-	25,137	(25,137)
Net investment income	-	232,230	(232,230)
Benefit payments, including refunds of employee contributions	(77,468)	(77,468)	-
Transfers among employers	-	-	-
Net Changes	<u>119,469</u>	<u>219,187</u>	<u>(99,718)</u>
Balances at September 30, 2021	<u>\$ 1,658,657</u>	<u>\$ 1,271,482</u>	<u>\$ 387,175</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 7.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.45%) or 1% higher (8.45%) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
Net pension liability, City	\$ 17,722,874	\$ 10,608,228	\$ 4,669,884
Net pension liability, Fairhope Public Library	\$ 530,890	\$ 387,175	\$ 264,286

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report 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/financialreports/gasb-68-reports/>.

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

For the year ended September 30, 2022, the City recognized pension expense of \$518,365 while the Fairhope Public Library recognized pension expense of \$9,182. The fund in which the related payroll costs are expended will be used to liquidate the net pension liability. At September 30, 2022, 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>
<b>City of Fairhope</b>		
<b>Governmental Activities:</b>		
Differences between expected and actual experience	\$ 1,100,716	\$ 497,334
Changes of assumption	1,387,059	-
Net difference between projected and actual earnings on plan investments	-	2,322,375
Employer contributions subsequent to measurement date	<u>1,057,519</u>	<u>-</u>
Governmental activities pension related items	<u>3,545,294</u>	<u>2,819,709</u>
<b>Business-type Activities:</b>		
Differences between expected and actual experience	501,490	73,691
Changes of assumption	631,950	-
Net difference between projected and actual earnings on plan investments	-	1,058,084
Employer contributions subsequent to measurement date	<u>368,873</u>	<u>-</u>
Business-type activities pension related items	<u>1,502,313</u>	<u>1,131,775</u>
	<u>\$ 5,047,607</u>	<u>\$ 3,951,484</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 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,	
2023	\$ (74,479)
2024	(135,935)
2025	(489,777)
2026	(525,194)
2027	511,177
Thereafter	383,939
	<u>\$ (330,269)</u>

**Fairhope Public Library**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,403	\$ 14,261
Changes of assumption	53,051	-
Net difference between projected and actual earnings on plan investments	-	92,411
Employer contributions subsequent to measurement date	53,045	-
Total	<u>\$ 118,499</u>	<u>\$ 106,672</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 10 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,	
2023	\$ 4,861
2024	1,081
2025	(16,818)
2026	(30,342)
2027	-
Thereafter	-
	<u>\$ (41,218)</u>

NOTE 11 COMMITMENTS

The City has various contractual commitments outstanding at year end. The commitments under these contracts totaled \$19,042,530. The commitments funded from governmental activities will be \$1,655,966 and from business-type activities will be \$17,386,564.

NOTE 12 DEFERRED COMPENSATION PLAN

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

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

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

**General Information About the OPEB Plan**

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

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

*Employees Covered by Benefit Terms.* At September 30, 2020, the following employees were covered by the benefit terms:

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

**Total OPEB Liability**

The City's total OPEB liability of \$9,924,051 was measured as of September 30, 2021 and was determined by an actuarial valuation as of September 30, 2020.

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Total OPEB Liability (Continued)**

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the September 30, 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	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.25% – 6.00%
Municipal bond index rate	
Prior measurement date	2.21%
Measurement date	2.26%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of September by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2020 valuation were based on the actuarial experience study for the period October 1, 2015 – September 30, 2020, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 14, 2021.

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 performed concurrently with the September 30, 2020 valuation.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Changes in Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at September 30, 2021	<u>\$ 10,633,660</u>
Changes for the year:	
Service cost	307,242
Interest	231,803
Differences between expected and actual experience	(227,382)
Changes of assumptions or other inputs	(730,010)
Benefit payments	<u>(291,262)</u>
Net Changes	<u>(709,609)</u>
Balance at September 30, 2022	<u><u>\$ 9,924,051</u></u>

**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 (1.26%) or 1-percentage-point higher (3.26%) than the current discount rate:

	1% Decrease <u>(1.26%)</u>	Current Rate <u>(2.26%)</u>	1% Increase <u>(3.26%)</u>
Total OPEB liability	<u>\$ 10,616,107</u>	<u>\$ 9,924,051</u>	<u>\$ 9,265,478</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower 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	\$ 8,961,013	\$ 9,924,051	\$ 11,024,891

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$291,263. The fund in which the related payroll costs are expended will be used to liquidate the total OPEB liability. At September 30, 2022, 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>
<b>Governmental Activities:</b>		
Differences between expected and actual experience	\$ 207,957	\$ 956,784
Changes of assumption	502,979	553,647
Employer contributions subsequent to measurement date	243,806	-
Governmental activities OPEB related items	<u>954,742</u>	<u>1,510,431</u>
<b>Business-type Activities:</b>		
Differences between expected and actual experience	94,755	435,954
Changes of assumption	229,179	252,268
Employer contributions subsequent to measurement date	111,089	-
Business-type activities OPEB related items	<u>435,023</u>	<u>688,222</u>
	<u>\$ 1,389,765</u>	<u>\$ 2,198,653</u>

(continued)



CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

NOTE 13 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,	
2022	\$ (774,886)
2023	(234,567)
2024	(20,496)
2025	(133,834)
2026	-
Thereafter	-
	<u><u>\$ (1,163,783)</u></u>

NOTE 14 OPERATING LEASES

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

NOTE 15 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 \$2,092,500 at September 30, 2022.

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 15 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 \$742,053 at September 30, 2022.

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 \$719,571 at September 30, 2022.

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 \$1,292,107 at September 30, 2022.

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 15 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 \$405,000 at September 30, 2022.

In fiscal year 2020, the Airport Authority entered into an agreement with a private company under which the private company leased space at the airport for the next 30 years. The private company's lease agreement with the Airport Authority requires monthly rents in the amount of \$5,126 to the Airport Authority and also required them to invest in capital improvements on the premises during the first 18 months of the lease. The total value of the capital improvements, \$512,000 was considered a deferred inflow of resources and rent revenue will be recognized over the life 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 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 \$477,867 at September 30, 2022.

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, \$700,000 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 2022, the Airport Authority reported a capital improvement in the amount of \$700,000 with a corresponding balance of \$700,000 as a deferred inflow of resources pursuant to the service concession arrangement. The balance of the deferred inflow of resources is \$682,051 at September 30, 2022.

(continued)

**CITY OF FAIRHOPE, ALABAMA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 16 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury portfolio	\$ 3,368,227	\$ -	\$ -	\$ 3,368,227
AMIC Insurance	-	-	36,090	36,090
Total	<u>\$ 3,368,227</u>	<u>\$ -</u>	<u>\$ 36,090</u>	<u>\$ 3,404,317</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 17 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, 2022 totaled \$25,421.

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, 2022**

NOTE 18 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 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 100, *Accounting Changes and Error Corrections*. This Statement prescribes accounting and financial reporting for each category of accounting change and error corrections. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2023.

GASB 101, *Compensated Absences*. This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2023.

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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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,249,119	\$ 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>1,249,119</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 18,241,358	\$ 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	7%	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 2022 were based on the September 30, 2019 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 fair value
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 2022.

See independent auditors' report.



CITY OF FAIRHOPE, ALABAMA

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

Fairhope Public Library

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 58,907	\$ 40,428	\$ 33,956	\$ 33,677	\$ 34,636	\$ 41,630	\$ 39,481	\$ 43,472
Contributions in relation to the actuarially determined contribution	<u>58,907</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 537,297	\$ 478,807	\$ 473,525	\$ 501,964	\$ 489,687	\$ 486,684	\$ 426,252	\$ 426,252
Contributions as a percentage of covered payroll	11%	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 2022 were based on the September 30, 2019 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 fair value
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 2022.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	<u>City of Fairhope</u>							
	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service cost	\$ 1,391,051	\$ 1,171,361	\$ 1,106,681	\$ 1,072,514	\$ 1,075,003	\$ 997,552	\$ 975,740	\$ 944,066
Interest	3,864,090	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	1,266,920	299,167	557,843	(1,109,067)	(296,198)	(52,317)	83,217	-
Changes in assumptions	1,996,549	-	-	251,496	-	1,344,385	-	-
Benefit payments, including refunds of employee contributions	(2,905,374)	(2,884,262)	(2,876,661)	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfer among employers	176,817	426,549	40,780	(113,767)	(317,929)	(76,441)	-	-
<b>Net change in total pension liability</b>	5,790,053	3,338,014	2,262,592	992,885	1,533,494	3,375,813	1,789,128	1,585,545
<b>Total pension liability – beginning</b>	51,635,678	48,297,664	46,035,072	45,042,187	43,508,693	40,132,880	38,343,752	36,758,207
<b>Total pension liability – ending (a)</b>	<u>\$ 57,425,731</u>	<u>\$ 51,635,678</u>	<u>\$ 48,297,664</u>	<u>\$ 46,035,072</u>	<u>\$ 45,042,187</u>	<u>\$ 43,508,693</u>	<u>\$ 40,132,880</u>	<u>\$ 38,343,752</u>
<b>Plan fiduciary net position</b>								
Contributions – employer	\$ 1,342,614	\$ 1,200,051	\$ 1,160,273	\$ 1,107,892	\$ 1,082,206	\$ 1,163,477	\$ 1,035,070	\$ 1,011,234
Contributions – member	1,057,424	913,202	807,355	796,436	679,081	680,391	621,817	599,215
Net investment income	8,537,210	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	(2,905,374)	(2,884,262)	(2,876,661)	(2,502,104)	(2,213,531)	(1,969,227)	(2,247,432)	(2,210,748)
Transfers among employers	176,817	426,549	40,780	(113,767)	(317,929)	(76,441)	(16,923)	(36,268)
<b>Net change in plan fiduciary net position</b>	8,208,691	1,751,811	65,338	2,435,133	3,173,247	2,689,744	(269,829)	2,478,996
<b>Plan net position – beginning</b>	38,608,812	36,857,001	36,791,663	34,356,530	31,183,283	28,493,539	28,763,368	26,284,372
<b>Plan net position – ending (b)</b>	<u>\$ 46,817,503</u>	<u>\$ 38,608,812</u>	<u>\$ 36,857,001</u>	<u>\$ 36,791,663</u>	<u>\$ 34,356,530</u>	<u>\$ 31,183,283</u>	<u>\$ 28,493,539</u>	<u>\$ 28,763,368</u>
<b>Net pension liability (asset) – ending (a)-(b)</b>	\$ 10,608,228	\$ 13,026,866	\$ 11,440,663	\$ 9,243,409	\$ 10,685,657	\$ 12,325,410	\$ 11,639,341	\$ 9,580,384
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	81.53%	74.77%	76.31%	79.92%	76.28%	71.67%	71.00%	75.01%
<b>Covered payroll</b>	\$ 16,295,170	\$ 16,022,575	\$ 14,606,719	\$ 13,360,562	\$ 12,944,171	\$ 13,010,034	\$ 11,659,254	\$ 11,394,370
<b>Net pension liability (asset) as a percentage of covered payroll</b>	65%	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 2021.

CITY OF FAIRHOPE, ALABAMA

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

	<u>Fairhope Public Library</u>							
	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service cost	\$ 27,256	\$ 32,407	\$ 29,287	\$ 28,941	\$ 31,457	\$ 37,134	\$ 37,305	\$ 36,648
Interest	115,535	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	(6,017)	21,097	(11,203)	(9,007)	5,392	(40,331)	(8,514)	-
Changes in assumptions	60,163	-	-	5,140	-	132,947	-	-
Benefit payments, including refunds of employee contributions	(77,468)	(65,814)	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	-	-	(12,994)	-	-	-	-	-
<b>Net change in total pension liability</b>	119,469	117,098	51,601	67,530	74,491	154,750	(18,628)	67,716
<b>Total pension liability – beginning</b>	1,539,188	1,422,090	1,370,489	1,302,959	1,228,468	1,073,718	1,092,346	1,022,630
<b>Total pension liability – ending (a)</b>	<u>\$ 1,658,657</u>	<u>\$ 1,539,188</u>	<u>\$ 1,422,090</u>	<u>\$ 1,370,489</u>	<u>\$ 1,302,959</u>	<u>\$ 1,228,468</u>	<u>\$ 1,073,718</u>	<u>\$ 1,090,346</u>
<b>Plan fiduciary net position</b>								
Contributions – employer	\$ 39,288	\$ 32,554	\$ 33,178	\$ 33,039	\$ 40,040	\$ 39,583	\$ 43,472	\$ 43,802
Contributions – member	25,137	44,410	23,823	22,728	22,527	21,976	20,166	19,155
Net investment income	232,230	56,580	24,809	82,409	100,700	72,223	8,684	81,118
Benefit payments, including refunds of employee contributions	(77,468)	(65,814)	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	-	-	(12,994)	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	219,187	67,730	11,987	81,836	107,850	75,227	(57,300)	95,284
<b>Plan net position – beginning</b>	1,052,295	984,565	972,578	890,742	782,892	707,665	764,965	669,681
<b>Plan net position – ending (b)</b>	<u>\$ 1,271,482</u>	<u>\$ 1,052,295</u>	<u>\$ 984,565</u>	<u>\$ 972,578</u>	<u>\$ 890,742</u>	<u>\$ 782,892</u>	<u>\$ 707,665</u>	<u>\$ 764,965</u>
<b>Net pension liability (asset) – ending (a)-(b)</b>	\$ 387,175	\$ 486,893	\$ 437,525	\$ 397,911	\$ 412,217	\$ 445,576	\$ 366,053	\$ 325,381
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	76.66%	68.37%	69.23%	70.97%	68.36%	63.73%	65.91%	70.16%
<b>Covered payroll</b>	\$ 419,081	\$ 398,880	\$ 442,352	\$ 461,619	\$ 433,005	\$ 455,696	\$ 412,627	\$ 383,102
<b>Net pension liability (asset) as a percentage of covered payroll</b>	92%	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 2021.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>					
Service cost	\$ 307,242	\$ 283,527	\$ 203,973	\$ 401,209	\$ 441,966
Interest	231,803	250,165	340,720	442,731	371,696
Differences between expected and actual experience	(227,382)	462,366	85,836	(4,733,827)	2,650
Changes in assumptions	(730,010)	431,719	1,071,768	45,224	(757,435)
Benefit payments	<u>(291,262)</u>	<u>(395,053)</u>	<u>(499,978)</u>	<u>(313,549)</u>	<u>(373,128)</u>
<b>Net change in total OPEB liability</b>	<u>(709,609)</u>	<u>1,032,724</u>	<u>1,202,319</u>	<u>(4,158,212)</u>	<u>(314,251)</u>
<b>Total OPEB liability – beginning</b>	<u>10,633,660</u>	<u>9,600,936</u>	<u>8,398,617</u>	<u>12,556,829</u>	<u>12,871,080</u>
<b>Total OPEB liability – ending</b>	<u>\$ 9,924,051</u>	<u>\$ 10,633,660</u>	<u>\$ 9,600,936</u>	<u>\$ 8,398,617</u>	<u>\$ 12,556,829</u>
<b>Covered employee payroll</b>	\$ 5,676,202	\$ 5,676,202	\$ 6,190,702	\$ 6,190,702	\$ 8,226,573
<b>Net OPEB liability as a percentage of covered employee payroll</b>	174.84%	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 2021.

**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 2022.

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Local taxes	\$ 20,048,830	\$ 21,048,830	\$ 23,536,708	\$ 2,487,878
Licenses and permits	4,604,804	4,604,804	6,137,069	1,532,265
Fines and forfeitures	200,000	200,000	267,322	67,322
Intergovernmental	245,000	245,000	2,350,066	2,105,066
Interest and rents	209,976	209,976	335,842	125,866
Charges for services	3,713,154	3,713,154	3,713,154	-
Golf course revenue	1,114,500	1,114,500	1,241,278	126,778
Recreation Department	378,000	378,000	636,242	258,242
Other	1,738,605	1,738,605	983,969	(754,636)
Total revenues	<u>32,252,869</u>	<u>33,252,869</u>	<u>39,201,650</u>	<u>5,948,781</u>
<b>EXPENDITURES</b>				
General government				
General	2,331,852	2,331,852	2,459,092	(127,240)
Planning	1,051,906	1,051,906	761,733	290,173
Building	1,003,564	1,003,564	1,022,082	(18,518)
Elected officials	284,871	284,871	285,978	(1,107)
Revenue	605,300	605,300	570,229	35,071
Judicial	287,537	287,537	305,275	(17,738)
Appropriations	252,600	252,600	251,540	1,060
Human Resources	387,994	387,994	371,640	16,354
Meter	649,154	649,154	647,196	1,958
Information Technology	1,034,009	1,034,009	815,024	218,985
Other	592,574	592,574	394,456	198,118
Public safety				
Police	7,259,939	7,259,939	6,841,901	418,038
Fire	770,267	770,267	736,025	34,242
Public works				
Street	4,473,716	4,473,716	4,408,881	64,835
Fleet maintenance	761,494	751,694	714,652	37,042
Meter				-
Cultural and recreational				
Economic and community development	622,470	622,470	556,601	65,869
Adult recreation	466,803	466,803	428,576	38,227
Recreation	2,518,531	2,518,531	2,431,126	87,405
Golf	1,778,733	1,778,733	1,565,995	212,738
Marina	555,165	555,165	778,546	(223,381)
Civic Center	268,300	268,300	228,136	40,164
Museum and Welcome Center	192,986	179,986	196,861	(16,875)
Airport Authority	320,000	320,000	320,000	-
Public Library	859,000	859,000	859,000	-
Debt service payments:				
Principal	300,000	300,000	300,000	-
Capital outlay	2,864,075	2,886,875	2,516,457	370,418
Total expenditures	<u>32,492,840</u>	<u>32,492,840</u>	<u>30,767,002</u>	<u>1,725,838</u>
Excess of revenues over (under) expenditures	<u>(239,971)</u>	<u>760,029</u>	<u>8,434,648</u>	<u>7,674,619</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	56,559	56,559
Issuance of note payable	-	-	496,404	496,404
Transfers in	1,340,761	1,340,761	1,540,522	199,761
Transfers out	(1,100,790)	(2,100,790)	(2,731,463)	(630,673)
Total other financing sources (uses)	<u>239,971</u>	<u>(760,029)</u>	<u>(637,978)</u>	<u>122,051</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>7,796,670</u>	<u>\$ 7,796,670</u>
Fund balances – beginning of year			<u>19,266,445</u>	
<b>FUND BALANCES – END OF YEAR</b>			<u>\$ 27,063,115</u>	

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2022

NOTE 1 EXCESS EXPENDITURES

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

	Excess Expenditures		Excess Expenditures		Excess Expenditures		Excess Expenditures
<b>General Government</b>		<b>Information Technology</b>		<b>Street Department</b>		<b>Golf Department</b>	
Salaries	\$ 18,524	Overtime	\$ 15,144	Overtime	\$ 13,594	Overtime	\$ 5,124
Overtime	831	Payroll taxes	778	Professional services	9,274	Casualty/workers comp insurance	506
Required contributions – OPEB	3,505	Employee retirement expense	1,343	General supplies	63,316	Computer expense	8,935
Casualty/workers comp insurance	7,829	Casualty/workers comp insurance	62	Equipment and vehicle repair	74,987	Small equipment	29,884
Audit & Accounting	18,636	Office supplies	559	Uniforms	5,548	Pro Shop-Custom Orders	11,113
Professional services	82,087	Postage	246	Equipment rental	3,197	Training	140
Computer expense	44,422	General supplies	44,416	Utilities	40,971	Gasoline and oil	3,347
Dues	8,075	General maintenance	13,667	Casualty/workers comp insurance	5,815	Credit card processing fee	4,362
Gasoline and oil	3,991	Gasoline and oil	346	Postage	250	Food purchases	7,283
Uniforms	216			Employment screening	139	Equipment rental	2,294
Interest expense	67	<b>Revenue</b>		Gasoline and oil	45,223	General maintenance	25,507
Bank fees	11,245	Gasoline and oil	95	Small equipment	837	Uniforms	959
Publications and newspapers	36,567	Casualty/workers comp insurance	2,451	Flowers	2,652		
Historical district	16,733	Uniforms	25	Landscaping	43,098	<b>Marina</b>	
City Hall Maintenance	8,368	Employment screening	366			Diesel	49,945
Grant expenditures	20,000			<b>Fleet Maintenance Department</b>		Casualty/workers comp insurance	3,530
Sales tax collection fees	12,432	<b>Judicial Department</b>		Overtime	5,215	Overtime	2,031
Capital Outlay	34,182	Overtime	22,135	General maintenance	4,141	Postage	44
		Payroll taxes	406	Casualty/workers comp insurance	1,653	General maintenance	39,878
<b>Planning Department</b>		Casualty/workers comp insurance	383	Gasoline and oil	810	Gasoline and oil	169,839
Required contributions – OPEB	10,514	Data system	900	Equipment and vehicle repair	7,299	Employee retirement expense	93
Training	6,174	Computer expense	10,141	Utilities	2,208	Credit card processing fee	3,918
Printers and copiers	14	Postage	52	Capital Outlay	346,650	Capital Outlay	151,822
Computer expense	21,922	Professional services	819			<b>Civic Center</b>	
Gasoline and oil	57			<b>Adult Recreation Department</b>		Overtime	353
Casualty/workers comp insurance	2,886	<b>Other</b>		Casualty/workers comp insurance	2,662	Casualty/workers comp insurance	170
Publications and newspapers	2,262	Library Capital Purchases	4,910	Professional services	450	Computer expense	894
		Parking Garage Maintenance	1,631	Gasoline and oil	786	Printers and copiers	54
<b>Building Department</b>		Boys and Girls Club Capital Purch	2,125	General supplies	107	General Supplies	1,089
Building fees	36,954	Boys and Girls Club utilities	2,943	Equipment and vehicle repair	1,842	General maintenance	7,002
Health insurance	943	Boys and Girls Club Maintenance	4,660	Credit card processing fees	234	Employment screening	16
Casualty/workers comp insurance	2,047	USA-Summit Bldg Capital Purch	4,248	Dues	996	Equipment and vehicle repair	343
Legal fees	2,043	USA-Summit Bldg Maintenance	195	Employment screening	286		
General maintenance	8,320	Haven Communications	1,195	Welcome center maintenance	35	<b>Museum and Welcome Center</b>	
Uniforms	1,108	Hurricane Sally	6,553			Overtime	300
Computer expense	19,127			<b>Economic and Community Development</b>		Overtime	2,541
Communications	5,730	<b>Police Department</b>		Overtime	333	Payroll taxes	875
Gasoline and oil	4,793	Overtime	13,854	Casualty/workers comp insurance	375	Casualty/workers comp insurance	4,056
Equipment and vehicle repair	252	Casualty/workers comp insurance	17,099	General supplies	150	Printers and copiers	15,627
Capital Outlay	4,373	Computer expense	9,183	Communications	192	Utilities	768
		Postage	61	Training	691	Capital Outlay	826
<b>Elected officials</b>		Line of duty equip & supplies	2,056	Computer expense	1,563		
Salaries	690	Gasoline and oil	59,920	Dues	143	<b>Transfers</b>	
Training	2,526	Equipment and vehicle repair	44,305	Gasoline and oil	184	Transfers – Sanitation Fund	378,021
Casualty/workers comp insurance	286	Data system	2,670			Transfers – Capital projects fund	356,463
Printers and copiers	223	DEA Funds Purchases	5,976	<b>Recreation Department</b>			
General supplies	666	Capital Outlay	126,838	Overtime	15,409		
Communications	1,269			Casualty/workers comp insurance	730		
		<b>Fire Department</b>		Postage	143		
<b>Appropriations</b>		Overtime	118	General supplies	54,430		
Baldwin Co. Transit Hub	4,140	Health insurance	364	Tennis	7,557		
		Employment screening	161	General maintenance	100,452		
<b>Human Resources</b>		Casualty/workers comp insurance	616	Costs – Tennis shop sales	4,608		
Overtime	17,757	Computer expense	527	Equipment rental	6,510		
Casualty/workers comp insurance	355	General supplies	28,839	Utilities	67,302		
Legal fees	6,303	General maintenance	5,374	Pool supplies	12,046		
Professional services	642	Uniforms	191	Uniforms	2,323		
Office supplies	1,586	Communications	3,190	Credit card processing fee	3,049		
Printers and copiers	1,349	Equipment rental	8,754	Office supplies	280		
General supplies	375	Gasoline and oil	10,463	Supplies-Concession	7,001		
Employee screening	83			Dues	795		
Gasoline and oil	316			Gasoline and oil	5,564		
Equipment and vehicle repair	29			Small equipment	870		
Uniforms	355			Land/Right of Way Acquisitions	26,192		
				Capital Outlay	58,974		
<b>Meter</b>							
Casualty/workers comp insurance	960						
Training	1,554						
General maintenance	132						
Gasoline and oil	17,513						
Equipment and vehicle repair	11,770						
Safety supplies	1,247						

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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, 2022**

	Special Revenue Funds							Total
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court	Debt Service	
<b>ASSETS</b>								
Cash	\$ 2,544,252	\$ 209,123	\$ 168,827	\$ 442,070	\$ 397,431	\$ 101,861	\$ -	\$ 3,863,564
Receivables	455	10,084	14,554	-	381,988	-	-	407,081
Total assets	<u>\$ 2,544,707</u>	<u>\$ 219,207</u>	<u>\$ 183,381</u>	<u>\$ 442,070</u>	<u>\$ 779,419</u>	<u>\$ 101,861</u>	<u>-</u>	<u>\$ 4,270,645</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 218,525	\$ 78,828	\$ -	\$ 297,353
Due to other funds	-	72,721	-	-	560,894	22,760	-	656,375
Total liabilities	<u>-</u>	<u>72,721</u>	<u>-</u>	<u>-</u>	<u>779,419</u>	<u>101,588</u>	<u>-</u>	<u>953,728</u>
<b>FUND BALANCES</b>								
Restricted:								
Road maintenance	-	146,486	183,381	-	-	-	-	329,867
Capital improvements	-	-	-	442,070	-	-	-	442,070
Municipal Court	-	-	-	-	-	273	-	273
Committed:								
Construction and road maintenance	2,544,707	-	-	-	-	-	-	2,544,707
Total fund balances	<u>2,544,707</u>	<u>146,486</u>	<u>183,381</u>	<u>442,070</u>	<u>-</u>	<u>273</u>	<u>-</u>	<u>3,316,917</u>
Total liabilities and fund balances	<u>\$ 2,544,707</u>	<u>\$ 219,207</u>	<u>\$ 183,381</u>	<u>\$ 442,070</u>	<u>\$ 779,419</u>	<u>\$ 101,861</u>	<u>\$ -</u>	<u>\$ 4,270,645</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, 2022**

	Special Revenue Funds							Total
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court	Debt Service	
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 163,651	\$ -	\$ -	\$ -	\$ -	\$ 163,651
Intergovernmental	-	114,427	-	207,102	1,101,585	-	-	1,423,114
Charges for services	1,063,398	-	-	-	-	-	-	1,063,398
Interest and rents	7,908	-	630	1,521	-	262	-	10,321
Total revenues	<u>1,071,306</u>	<u>114,427</u>	<u>164,281</u>	<u>208,623</u>	<u>1,101,585</u>	<u>262</u>	<u>-</u>	<u>2,660,484</u>
<b>EXPENDITURES</b>								
General government	-	-	-	-	-	9	-	9
Debt service								
Principal	-	-	-	-	-	-	389,819	389,819
Interest	-	-	-	-	-	-	15,238	15,238
Capital outlay	-	-	-	-	1,101,585	-	-	1,101,585
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,101,585</u>	<u>9</u>	<u>405,057</u>	<u>1,506,651</u>
Excess of revenues over (under) expenditures	<u>1,071,306</u>	<u>114,427</u>	<u>164,281</u>	<u>208,623</u>	<u>-</u>	<u>253</u>	<u>(405,057)</u>	<u>1,153,833</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	-	405,057	405,057
Transfers out	<u>(1,100,702)</u>	<u>(162,721)</u>	<u>(126,786)</u>	<u>(437,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,827,415)</u>
Total other financing sources (uses)	<u>(1,100,702)</u>	<u>(162,721)</u>	<u>(126,786)</u>	<u>(437,206)</u>	<u>-</u>	<u>-</u>	<u>405,057</u>	<u>(1,422,358)</u>
Net change in fund balances	(29,396)	(48,294)	37,495	(228,583)	-	253	-	(268,525)
Fund balances – beginning 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>-</u>	<u>3,585,442</u>
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 2,544,707</u>	<u>\$ 146,486</u>	<u>\$ 183,381</u>	<u>\$ 442,070</u>	<u>\$ -</u>	<u>\$ 273</u>	<u>\$ -</u>	<u>\$ 3,316,917</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, 2022**

**ASSETS**

Cash and cash equivalents	\$ 660,546
Prepaid items	<u>7,169</u>
Total assets	<u>\$ 667,715</u>

**LIABILITIES**

Accounts payable and accrued liabilities	<u>\$ 47,551</u>
--	------------------

**FUND BALANCES**

Nonspendable:	
Prepaid items	7,169
Restricted:	
Library improvements	173,485
Unassigned	<u>439,510</u>
Total fund balances	<u>620,164</u>

Total liabilities and fund balances	<u>\$ 667,715</u>
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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, 2022

<b>Fund balances as reported on page 74</b>	\$ 620,164
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.	738,619
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(505,028)
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Employment retirement contributions	118,499
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	(387,175)
Deferred inflows of resources	(106,672)
	<hr/>
<b>Net position of governmental activities as reported on page 23</b>	<b>\$ 478,407</b> <hr/> <hr/>

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, 2022

**REVENUES**

Fines and lost books	\$ 12,613
Donations, gifts, memorials and bequests	12,462
State aid	95,346
Payments from City of Fairhope	859,000
Miscellaneous	14,420
Total revenues	<u>993,841</u>

**EXPENDITURES**

Salaries	546,230
Payroll taxes	41,537
Insurance	9,891
Employees' retirement	58,907
Books, periodicals, audio visual	98,558
Supplies	15,218
Janitorial service	21,199
Professional fees	12,419
Telecommunications	717
Capital outlay	89,434
Maintenance	220,386
Miscellaneous	71,964
Total expenditures	<u>1,186,460</u>

Net change in fund balances (192,619)

Fund balances – beginning of year 812,783

**FUND BALANCES – END OF YEAR** \$ 620,164

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, 2022**

<b>Net change in fund balances – total governmental funds, page 76</b>	\$ (192,619)
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.	192,487
Depreciation expense on governmental capital assets included in the capital assets in the statement of net position.	(17,594)
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>9,182</u>
<b>Change in net position of governmental activities, page 24</b>	<u><u>\$ (8,544)</u></u>

**CITY OF FAIRHOPE, ALABAMA**

**STATEMENT OF NET POSITION  
FAIRHOPE AIRPORT AUTHORITY  
SEPTEMBER 30, 2022**

**ASSETS**

Cash and cash equivalents	\$ 218,890
Receivables, net	227,359
Prepaid items	45,866
Capital assets not being depreciated:	
Land	10,674,228
Construction in progress	160,864
Capital assets net of accumulated depreciation:	
Buildings and improvements	8,787,483
Vehicles and equipment	35,280
Runways	<u>16,529,226</u>
Total assets	<u>\$ 36,679,196</u>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 37,332
Customer deposits	22,000
Long-term liabilities:	
Due within one year	250,000
Due in more than one year	<u>5,970,629</u>
Total liabilities	<u>6,279,961</u>

**DEFERRED INFLOWS OF RESOURCES**

Service concession arrangement revenue applicable to future years	<u>6,411,149</u>
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**NET POSITION**

Net investment in capital assets	29,966,452
Unassigned	<u>(5,978,366)</u>
Total net position	<u>23,988,086</u>
Total liabilities and fund balances	<u>\$ 36,679,196</u>

See independent auditors' report.

**CITY OF FAIRHOPE, ALABAMA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FAIRHOPE AIRPORT AUTHORITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<b>OPERATING REVENUES</b>	
Fuel sales and rentals	\$ 309,956
Total operating revenues	<u>309,956</u>
<b>OPERATING EXPENSES</b>	
Insurance	120,877
Legal and professional	97,125
Maintenance	130,841
Depreciation	552,555
Other	<u>10,550</u>
Total operating expenses	<u>911,948</u>
<b>OPERATING LOSS</b>	<u>(601,992)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Revenue from service concession arrangement	248,630
Intergovernmental revenue	247,718
Payments from City of Fairhope	320,000
Interest expense	(61,001)
Miscellaneous	<u>3,075</u>
Total nonoperating revenues (expenses)	<u>758,422</u>
Change in net position	<u>156,430</u>
Net position – beginning of year	<u>23,831,656</u>
<b>NET POSITION – END OF YEAR</b>	<u>\$ 23,988,086</u>

See independent auditors' report.

**CITY OF FAIRHOPE, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**FAIRHOPE AIRPORT AUTHORITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 263,624
Paid to suppliers for goods and services	(399,202)
Net cash used in operating activities	<u>(135,578)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Amounts received from City of Fairhope	<u>320,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Repayment of debt	(250,000)
Interest paid	(67,618)
Capital grants received	228,483
Acquisition of capital assets	(62,602)
Net cash used in capital and related financing activities	<u>(151,737)</u>
<b>NET INCREASE IN CASH</b>	32,685
<b>CASH – BEGINNING OF YEAR</b>	<u>186,205</u>
<b>CASH – END OF YEAR</b>	<u><u>\$ 218,890</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (601,992)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	552,555
Other nonoperating revenues	3,075
Change in operating assets and operating liabilities:	
Increase in prepaid items	(3,993)
Decrease in accounts payable	(35,816)
Decrease in unearned revenue	(6,007)
Decrease in customer deposits	(43,400)
Net cash used in operating activities	<u><u>\$ (135,578)</u></u>

See independent auditors' report.

**CITY OF FAIRHOPE, ALABAMA**

**SCHEDULE OF CAPITAL PROJECTS EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

City street upgrades	\$ 1,517,650
Volanta Park baseball project	616,799
Church St. drainage improvement	489,317
Boys and Girls Club playground	87,152
Track at Founders Park	48,913
Stadium ADA platform and ramps	43,698
Oak St. drainage improvements	5,835
Other projects	<u>3,025</u>
Total	<u>\$ 2,812,389</u>

The above items are only from the capital projects fund.

CITY OF FAIRHOPE, ALABAMA

SCHEDULE OF INFORMATION REQUIRED BY BOND INDENTURES  
SEPTEMBER 30, 2022

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund	
A. Utility customers at September 30, 2022 were as follows:					
Number of customers	7,137	12,701	21,269	11,319	
Number of metered customers	7,137	12,701	21,269	11,319	
Number of unmetered customers	-	-	-	-	
Number of waste water customers	-	-	12,361	-	
B. Annual net income of utility operations					
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund	Total
Income (loss) from operations	\$ 2,291,580	\$ 2,628,491	\$ 5,379,033	\$ (492,580)	\$ 9,806,524
Add:					
Depreciation	994,022	531,751	1,928,302	321,150	3,775,225
Interest income	116,276	106,587	145,136	555	368,554
Annual net income (loss) as prescribed by debt covenants	<u>\$ 3,401,878</u>	<u>\$ 3,266,829</u>	<u>\$ 7,452,471</u>	<u>\$ (170,875)</u>	<u>\$ 13,950,303</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 2023					\$ 1,000,000
Buildings and facilities – expires January 2023					120,579,245
Equipment – expires January 2023					7,392,040
Automobile – expires January 2023					
Liability					1,000,000
Uninsured motorist					50,000
Public officials errors and omissions liability – expires January 2023					
Aggregate					2,000,000
Per occurrence					1,000,000
Police liability – expires January 2023					
Aggregate					2,000,000
Per occurrence					1,000,000
Excess liability policy for general liability, police and public official – expires January 2023					6,000,000
D. The City has complied with all requirements of the respective bond indentures.					

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CITY OF FAIRHOPE, ALABAMA

SUMMARY OF DEPOSITS, WITHDRAWALS AND BALANCES OF SELECTED TRUST ACCOUNTS AS  
REQUIRED UNDER CERTAIN TRUST INDENTURES  
SEPTEMBER 30, 2022

	1996 Capital <u>Improvement</u>	2020 URW <u>Reserve Fund</u>	2020 URW <u>Warrant Fund</u>
Balance October 1, 2021	\$ 50,616	\$ 1,833,806	\$ 1,464,928
Deposits	175	6,329	2,308,510
Disbursements	<u>-</u>	<u>(649)</u>	<u>(2,295,488)</u>
Balance September 30, 2022	<u>\$ 50,791</u>	<u>\$ 1,839,486</u>	<u>\$ 1,477,950</u>

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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.

<b>Contents</b>	<b>Page</b>
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>	90-94
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>	95-98
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>	99-100
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>	101-103

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 100,568,874
Restricted	2,007,967	1,557,163	2,308,667	1,706,056	650,031	750,122	227,092	1,135,047	1,011,343	775,703
Unrestricted	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	17,911,102
<b>Total governmental activities net position</b>	<b>\$ 76,265,948</b>	<b>\$ 85,874,638</b>	<b>\$ 83,135,930</b>	<b>\$ 87,376,353</b>	<b>\$ 95,835,117</b>	<b>\$ 91,890,072</b>	<b>\$ 95,850,827</b>	<b>\$ 99,604,152</b>	<b>\$ 106,586,587</b>	<b>\$ 119,255,679</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 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	\$ 78,439,515
Restricted	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	4,291,518
Unrestricted	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	21,997,352
<b>Total business-type activities net position</b>	<b>\$ 43,867,679</b>	<b>\$ 48,017,655</b>	<b>\$ 52,346,033</b>	<b>\$ 56,458,208</b>	<b>\$ 60,029,939</b>	<b>\$ 65,546,304</b>	<b>\$ 73,936,207</b>	<b>\$ 85,463,662</b>	<b>\$ 96,107,353</b>	<b>\$ 104,728,385</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 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	\$ 179,008,389
Restricted	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	5,067,221
Unrestricted	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	39,908,454
<b>Total primary government net position</b>	<b>\$ 120,133,627</b>	<b>\$ 133,892,293</b>	<b>\$ 135,481,963</b>	<b>\$ 143,834,561</b>	<b>\$ 155,865,056</b>	<b>\$ 157,436,376</b>	<b>\$ 169,787,034</b>	<b>\$ 185,067,814</b>	<b>\$ 202,693,940</b>	<b>\$ 223,984,064</b>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 8,530,536
Public safety	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	7,992,887
Public works	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	6,808,105
Cultural and recreational	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	6,982,402
Airport Authority	443,000	443,000	412,632	428,000	342,000	320,000	320,000	320,000	335,000	320,000
Public Library Board	840,636	886,028	924,736	1,025,236	1,025,887	1,024,522	1,029,124	1,069,323	1,021,772	1,064,341
Interest on long-term debt	507,982	472,222	344,808	339,051	53,853	94,506	71,726	27,969	31,431	10,520
Total governmental activities expenses	22,823,710	24,383,033	23,845,901	25,836,300	25,925,727	28,704,315	29,222,497	31,076,299	42,130,234	31,708,791
Business-type activities:										
Electric	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	18,178,999
Natural gas	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	7,741,978
Water and waste water	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	10,295,634
Sanitation	-	-	-	-	-	-	-	-	-	3,265,985
Total business-type activities expenses	29,694,467	31,073,954	30,369,895	30,611,757	30,985,360	29,527,526	31,327,645	31,906,705	33,591,465	39,482,596
Total primary government expenses	\$ 52,518,177	\$ 55,456,987	\$ 54,215,796	\$ 56,448,057	\$ 56,911,087	\$ 58,231,841	\$ 60,550,142	\$ 62,983,004	\$ 75,721,699	\$ 71,191,387
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 10,827,381
Public safety	291,749	285,573	-	-	-	-	-	-	-	-
Public works	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	1,544,278	1,553,287	1,622,983	1,649,815	1,664,643	1,926,828	2,148,050	1,995,263	2,420,846	2,719,406
Operating grants and contributions	-	9,144	-	-	102,507	94,494	127,978	542,126	9,157,959	2,014,462
Capital grants and contributions	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	3,013,322
Total governmental activities program revenues	9,758,436	17,952,001	11,258,837	12,502,648	13,681,327	12,633,445	13,923,723	15,463,985	25,229,351	18,574,571
Business-type activities:										
Charges for services:										
Electric	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	20,477,525
Natural gas	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	10,298,544
Water and waste water	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	15,559,401
Sanitation	-	-	-	-	-	-	-	-	-	2,773,365
Operating grants and contributions	-	-	-	-	-	-	-	24,299	125,743	170,397
Capital grants and contributions	-	-	-	-	-	-	253,028	2,304,665	-	-
Total business-type activities program revenues	36,397,400	39,090,981	38,741,246	37,659,852	37,497,749	39,708,566	41,343,274	43,681,109	45,460,452	49,279,232
Total primary government program revenues	\$ 46,155,836	\$ 57,042,982	\$ 50,000,083	\$ 50,162,500	\$ 51,179,076	\$ 52,342,011	\$ 55,266,997	\$ 59,145,094	\$ 70,689,803	\$ 67,853,803

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (13,134,220)
Business-type activities	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	9,796,636
Total primary government net expense	<u>\$ (6,362,341)</u>	<u>\$ 1,585,995</u>	<u>\$ (4,215,713)</u>	<u>\$ (6,285,557)</u>	<u>\$ (5,732,011)</u>	<u>\$ (5,889,830)</u>	<u>\$ (5,283,145)</u>	<u>\$ (3,837,910)</u>	<u>\$ (5,031,896)</u>	<u>\$ (3,337,584)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 7,453,763
Sales tax	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	13,691,152
Liquor taxes	425,816	445,132	451,719	482,755	536,643	498,044	606,819	632,363	714,140	733,897
Lodging taxes	643,495	614,278	681,419	696,379	762,562	653,697	1,116,242	911,537	1,366,725	1,668,841
Other taxes	139,666	138,204	138,382	133,057	139,444	127,513	122,059	116,455	111,649	105,778
Intergovernmental	596,816	389,561	1,695,688	568,566	-	-	-	-	-	-
Investment earnings	251,512	239,205	228,670	302,181	335,106	59,157	126,115	274,246	174,777	219,012
Loss on sale of assets	-	(261,340)	-	-	-	-	-	-	-	-
Other	213,169	147,672	705,142	147,452	283,385	262,849	292,339	341,897	1,404,410	305,727
Transfers in/(out)	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	1,625,142
Total governmental activities	<u>15,242,634</u>	<u>16,173,980</u>	<u>17,076,118</u>	<u>17,574,075</u>	<u>17,930,377</u>	<u>18,761,618</u>	<u>19,259,529</u>	<u>19,365,639</u>	<u>23,883,318</u>	<u>25,803,312</u>
Business-type activities:										
Investment earnings	25,268	30,815	18,440	15,162	23,552	53,651	136,797	519,544	307,434	368,554
Other	-	-	-	-	19,276	14,775	16,167	37,608	3,787	80,984
Transfers in/(out)	(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)	(1,625,142)
Total business-type activities	<u>(3,210,983)</u>	<u>(3,581,667)</u>	<u>(1,808,135)</u>	<u>(2,935,920)</u>	<u>(2,710,416)</u>	<u>(3,112,574)</u>	<u>(1,625,726)</u>	<u>(246,949)</u>	<u>(1,225,296)</u>	<u>(1,175,604)</u>
Total primary government	<u>\$ 12,031,651</u>	<u>\$ 12,592,313</u>	<u>\$ 15,267,983</u>	<u>\$ 14,638,155</u>	<u>\$ 15,219,961</u>	<u>\$ 15,649,044</u>	<u>\$ 17,633,803</u>	<u>\$ 19,118,690</u>	<u>\$ 22,658,022</u>	<u>\$ 24,627,708</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 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	\$ 12,669,092
Business-type activities	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	8,621,032
Total primary government	<u>\$ 5,669,310</u>	<u>\$ 14,178,308</u>	<u>\$ 11,052,270</u>	<u>\$ 8,352,598</u>	<u>\$ 9,487,950</u>	<u>\$ 9,759,214</u>	<u>\$ 12,350,658</u>	<u>\$ 15,280,780</u>	<u>\$ 17,626,126</u>	<u>\$ 21,290,124</u>

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

<b>Fiscal Year</b>	<b>Sales Tax</b>	<b>Ad Valorem Tax</b>	<b>Automobile Tax</b>	<b>Beer, Wine and Liquor Tax</b>	<b>Cigarette Tax</b>	<b>Lodging Tax</b>	<b>Dog Tax</b>	<b>Total</b>
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
2022	13,691,152	6,472,730	981,033	733,897	105,757	1,668,841	21	23,653,431

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 85,490	\$ 303,387	\$ 323,647	\$ 136,037	\$ 203,736	\$ 205,704
Committed	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	7,734,594
Unassigned	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	19,122,817
<b>Total general fund</b>	<b>\$ 10,447,451</b>	<b>\$ 10,449,523</b>	<b>\$ 10,992,803</b>	<b>\$ 10,629,943</b>	<b>\$ 13,967,427</b>	<b>\$ 13,708,124</b>	<b>\$ 13,243,093</b>	<b>\$ 13,883,906</b>	<b>\$ 19,266,445</b>	<b>\$ 27,063,115</b>
All other governmental funds										
Restricted:										
Debt service – other governmental funds	\$ 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	329,867
Capital improvements	-	-	-	-	-	-	-	816,343	670,653	442,070
Other	-	-	-	-	-	-	-	-	24	3,766
Committed, reported in:										
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	2,867,646
Other governmental funds	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	2,544,707
Unassigned:										
Capital projects fund	181,085	-	-	-	-	-	-	-	-	-
Other governmental funds	-	-	-	-	-	-	(1,160)	(1,160)	-	-
<b>Total all other governmental funds</b>	<b>\$ 2,105,977</b>	<b>\$ 3,211,597</b>	<b>\$ 5,679,508</b>	<b>\$ 3,395,672</b>	<b>\$ 7,053,580</b>	<b>\$ 8,941,069</b>	<b>\$ 5,895,900</b>	<b>\$ 5,033,435</b>	<b>\$ 5,014,021</b>	<b>\$ 6,188,056</b>

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>REVENUES</b>										
Local taxes	\$ 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	\$ 23,700,359
Licenses and permits	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	6,137,069
Fines and forfeitures	291,749	285,573	278,837	236,724	284,893	273,887	237,812	199,228	194,677	267,322
Intergovernmental	1,022,649	991,614	639,523	693,761	876,086	954,086	1,090,181	2,470,197	11,205,009	4,559,019
Contribution from Public Library Board	1,500	-	-	-	-	-	-	-	-	-
Interest and rents	253,003	239,205	228,669	302,181	335,106	401,705	470,753	576,479	465,462	353,059
Charges for services	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	4,776,552
Golf course revenue	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	1,241,278
Recreation Department	391,024	436,453	444,410	476,772	466,437	442,324	456,362	238,811	393,744	636,242
BP settlement proceeds	-	-	1,361,255	-	-	-	-	-	-	-
Legal settlement	-	-	598,640	-	-	-	-	-	-	-
Other	253,146	196,913	180,644	223,293	338,058	368,387	660,915	1,219,633	1,958,967	983,969
<b>Total revenues</b>	<b>22,320,254</b>	<b>23,429,714</b>	<b>26,191,042</b>	<b>26,765,741</b>	<b>29,028,201</b>	<b>28,202,690</b>	<b>31,402,900</b>	<b>34,067,600</b>	<b>47,595,100</b>	<b>42,654,869</b>
<b>EXPENDITURES</b>										
General government	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	7,914,820
Public safety	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	7,577,926
Public works	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	5,123,533
Cultural and recreational	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	6,185,841
Airport Authority	443,000	443,000	412,632	428,000	342,000	320,000	320,000	320,000	335,000	320,000
Public Library Board	630,000	674,100	714,100	814,600	814,600	814,600	818,477	859,401	816,431	859,000
Other	89,133	89,785	93,436	162,736	115,753	100,732	170,203	863,699	-	-
Debt service:										
Principal	1,485,545	2,894,540	483,780	6,478,558	1,573,560	1,578,340	3,775,470	641,366	779,020	689,819
Interest	508,483	465,409	374,479	390,971	111,633	94,751	87,534	28,974	29,847	15,238
Capital outlay	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	6,430,431
<b>Total expenditures</b>	<b>22,429,286</b>	<b>25,934,503</b>	<b>25,006,426</b>	<b>36,338,518</b>	<b>25,906,392</b>	<b>30,047,827</b>	<b>37,542,029</b>	<b>36,749,352</b>	<b>43,768,492</b>	<b>35,116,608</b>
Excess (deficiency) of revenues over expenditures	(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	7,538,261
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	56,559
Proceeds from issuance of debt	-	-	-	3,975,000	-	-	-	1,500,000	-	-
Proceeds from notes payable	-	-	-	-	-	-	-	-	-	496,404
Proceeds from capital lease	-	-	-	-	-	292,323	990,929	155,999	-	-
Transfers in	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	5,552,043
Transfers out	(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)	(4,672,562)
<b>Total other financing sources (uses)</b>	<b>3,236,251</b>	<b>3,612,481</b>	<b>1,826,575</b>	<b>6,926,081</b>	<b>2,719,583</b>	<b>3,473,323</b>	<b>2,628,929</b>	<b>2,460,100</b>	<b>1,536,517</b>	<b>1,432,444</b>
<b>Net change in fund balances</b>	<b>\$ 3,127,219</b>	<b>\$ 1,107,692</b>	<b>\$ 3,011,191</b>	<b>\$ (2,646,696)</b>	<b>\$ 5,841,392</b>	<b>\$ 1,628,186</b>	<b>\$ (3,510,200)</b>	<b>\$ (221,652)</b>	<b>\$ 5,363,125</b>	<b>\$ 8,970,705</b>
Debt service as a percentage of noncapital expenditures	9.5%	14.0%	4.1%	24.0%	7.2%	6.3%	13.0%	2.4%	2.1%	2.5%



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

<b>Fiscal Year Ended September 30</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Less: Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
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
2022	334,297,780	1,265,580	297,929,700	91,809,500	541,683,560	15	8,125,253,400

Source: Baldwin County Revenue Commissioner

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

Fiscal Year	City				Overlapping Rates							Total Direct and Overlapping Rates			
	City				County			State							
	General Millage	School Millage	Bond Tax Millage	Total City Millage	General Millage	Road/Bridge Millage	Fire Millage	School Millage	Health Care Authority Millage	Total County Millage	General Millage		School Millage	Soldier Millage	Total State Millage
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
2022	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, 2022 AND 2013**

<u>Taxpayer</u>	<u>2022</u>			<u>2013</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>
CX Retreat at Fairhope Village DST	\$ 8,822,740	1	1.6%	\$ -	-	0.0%
Battles Road, LLC	6,848,120	2	1.3%	-	-	0.0%
Arbor Gates Holdings, LLC	3,742,000	3	0.7%	2,007,120	2	0.7%
FST Wal-mart Stores East, LP	3,234,820	4	0.6%	-	-	0.0%
PSM Alabama Holdings, LLC	2,044,100	5	0.4%	-	-	0.0%
FST Mississippi Baldwin Square, LLC	2,017,540	6	0.4%	1,544,460	5	0.6%
Fairhope Ridge, LLC	1,958,020	7	0.4%	-	-	0.0%
A 1 Corte Jr. Family Limited Partnership	1,700,640	8	0.3%	1,252,380	7	0.5%
FST Bethea, John W.	1,660,800	9	0.3%	-	-	0.0%
FST Robert N Graham, LLC	1,535,600	10	0.3%	-	-	0.0%
Fairhope, LLC	-	-	0.0%	1,558,820	4	0.6%
CHS Properties, Inc.	-	-	0.0%	1,205,740	8	0.4%
Bellsouth Tele Communications, LLC	-	-	0.0%	1,085,300	10	0.4%
Health Care Reit, Inc.	-	-	0.0%	1,104,460	9	0.4%
Point Clear Partners, LLC	-	-	0.0%	1,369,280	6	0.5%
MediaCom Southeast, LLC	-	-	0.0%	1,639,700	3	0.6%
Bayview II Developer, LLC	-	-	0.0%	2,252,200	1	0.8%
	<u>\$ 33,564,380</u>		<u>6.3%</u>	<u>\$ 15,019,460</u>		<u>5.5%</u>

Source: Baldwin County Revenue Commissioner

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

<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>Baldwin County</b>	<b>State of Alabama</b>
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%
2022	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**

<b>Fiscal Year</b>	<b>Top 25 Taxpayers (approximate)</b>	<b>Total Tax</b>	<b>% of Total Tax</b>
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%
2022	5,732,173	11,936,711	48%

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		Notes Payable	Total Primary Government	Percentage of Personal Income
	General Obligation Debt	Notes Payable	Capital Leases	General Obligation Debt	Utilities Revenue Debt			
2013	\$ 12,682,152	\$ -	\$ -	\$ 209,680	\$ 21,636,094	\$ -	\$ 34,527,926	6.93%
2014	9,789,376	-	-	5,904,220	20,571,057	-	36,264,653	6.23%
2015	9,307,360	-	-	4,743,000	16,574,669	-	30,625,029	4.87%
2016	6,833,058	-	-	3,581,942	16,152,226	-	26,567,226	3.92%
2017	5,259,498	-	-	2,420,502	14,842,522	-	22,522,522	3.18%
2018	3,681,158	-	292,323	1,258,842	14,017,818	-	19,250,141	2.38%
2019	-	-	1,188,940	-	13,168,115	-	14,357,055	1.57%
2020	-	1,200,000	1,003,573	-	23,858,411	-	26,061,984	2.76%
2021	-	900,000	524,553	-	11,300,000	-	12,724,553	1.36%
2022	-	689,819	631,138	-	9,600,000	1,450,315	12,371,272	1.20%

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

<b>Fiscal Year</b>	<b>General Obligation Debt</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Net Taxable Sales</b>	<b>Liability Per Capita</b>
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%	-
2022	-	-	-	0.00%	-

**CITY OF FAIRHOPE, ALABAMA  
COMPUTATION OF OVERLAPPING DEBT  
SEPTEMBER 30, 2022**

	<u>Outstanding Debt</u>	<u>Percentage of debt Applicable to the City of Fairhope (1)</u>	<u>Amount of debt Applicable to the City of Fairhope</u>
Direct debt of the City	\$ 2,681,453	100.00%	\$ 2,681,453
Overlapping Debt (Supported by ad valorem tax)			
Baldwin County	71,501,296	8.27% <sup>(1)</sup>	<u>5,910,452</u>
			<u>\$ 8,591,905</u>

(1) Percentage of net assessed value of property in City (\$541,776,940) to net assessed value of property in Baldwin County (\$6,554,109,700) on October 1, 2022.



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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 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	\$ 108,355,388
Total net debt applicable to limit	<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>	<u>2,681,453</u>
Legal debt margin	<u><u>\$ 40,840,724</u></u>	<u><u>\$ 39,318,944</u></u>	<u><u>\$ 46,657,916</u></u>	<u><u>\$ 54,935,300</u></u>	<u><u>\$ 61,845,192</u></u>	<u><u>\$ 70,958,052</u></u>	<u><u>\$ 79,637,308</u></u>	<u><u>\$ 83,899,151</u></u>	<u><u>\$ 91,856,907</u></u>	<u><u>\$ 105,673,935</u></u>
Total net debt applicable to limit as a percentage of debt limit	24.04%	28.57%	23.18%	15.94%	11.05%	5.67%	1.47%	2.56%	1.53%	2.47%

**Legal Debt Margin Calculation for Fiscal Year 2022**

Total assessed value	<u><u>\$ 541,776,940</u></u>
Debt limit (20% of total assessed value)	\$ 108,355,388
Debt applicable to limit:	
General obligation warrants (including capital leases)	<u>2,681,453</u>
Legal debt margin	<u><u>\$ 105,673,935</u></u>

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
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%
2022	23,147	1,030,828,498	44,534	5,888	2.5%

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

**CITY OF FAIRHOPE, ALABAMA  
PRINCIPAL EMPLOYERS  
YEARS ENDED SEPTEMBER 30, 2022 AND 2013**

<b>Employer</b>	<b>2022</b>			<b>2013</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Thomas Hospital	1,256	1	13.4%	1,000	1	14.8%
Grand Hotel	800	2	8.5%	698	2	10.3%
Board of Education-Fairhope Schools	533	3	5.7%	-	-	0.0%
City of Fairhope	413	4	4.4%	330	3	4.9%
Wal-Mart	312	5	3.3%	325	4	4.8%
Publix	150	6	1.6%	100	5	1.5%
Segers Aero	143	7	1.5%	92	6	1.4%
Winn-Dixie	74	8	0.8%	75	7	1.1%
Bayshore Christian School	68	9	0.7%	-	-	0.0%
Piggly Wiggly	60	10	0.6%	60	10	0.9%
Print Xcel	-	-	0.0%	66	8	1.0%
Balloons Everywhere	-	-	0.0%	65	9	1.0%
	<u>3,809</u>		<u>40.5%</u>	<u>2,811</u>		<u>41.7%</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  
2013: 6,748    2022: 9,408

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

<b>Function</b>	<b>Full-time Equivalent Employees as of September 30,</b>									
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
General Government	48	48	49	49	49	53	62	64	66	71
Public Safety:										
Police	48	46	46	45	49	52	59	59	61	66
Fire:										
Firefighters and Dispatch	17	18	17	14	15	16	14	17	17	13
Highways and Streets:										
Public Works	39	39	41	46	42	49	57	53	57	53
Sanitation	17	21	22	20	19	18	18	28	23	26
Cultural and Recreational:										
Recreation	24	23	25	26	29	32	31	34	35	34
Adult Recreation	9	10	11	12	11	11	13	12	13	10
Gas Department	17	15	15	15	16	18	21	22	21	22
Electric Department	17	22	21	19	19	22	20	26	26	26
Water/Waste Water Department	24	23	23	22	26	29	31	34	36	41
Golf Department	15	16	18	20	19	18	22	21	22	19
<b>Total</b>	<b>275</b>	<b>281</b>	<b>288</b>	<b>288</b>	<b>294</b>	<b>318</b>	<b>348</b>	<b>370</b>	<b>377</b>	<b>381</b>

Source: City of Fairhope Human Resources Department

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

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police:										
Physical arrests	759	750	1,423	983	1,350	1,542	1,538	1,462	866	1,047
Parking violations	22	49	121	240	359	89	22	52	202	75
Traffic violations	1,379	887	633	1,726	2,490	1,684	1,656	1,613	1,751	1,670
Fire:										
Number of calls answered	690	853	836	865	1,025	1,058	1,023	1,236	1,283	1,200
Inspections**	85	35	161	147	73	823	669	648	121	767
Highways and streets:										
Street resurfacing (miles)	-	-	-	13.2	-	1.2	2.2	3.3	3.4	4.7
Potholes repaired*	1,345	1,480	1,620	2,933	2,300	4,928	5,466	1,152	1,720	1,770
Sanitation:										
Garbage collected (tons/year)	7,564	8,509	8,236	8,654	9,222	9,554	10,108	11,949	12,042	15,286
Trash collected (tons/year)	5,513	6,292	5,545	5,902	8,228	7,189	7,741	6,907	4,256	4,565
Recyclables collected (tons/year)	1,512	1,714	1,779	1,855	1,843	1,835	1,803	947	824	1,286
Cultural and recreational:										
Golf course rounds @ 9 hole rounds	62,266	59,261	57,405	56,613	58,416	53,995	55,971	53,740	62,151	60,588
Pavilion/park parties	58	61	59	44	28	32	22	19	36	47
Waste water:										
Average daily sewage treatment (millions of gallons)	1.8	1.8	2.0	2.2	2.4	2.4	2.3	2.6	2.5	2.3

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	43	37	38	39	44	45	47	50	49	52
Fire stations	3	3	4	4	4	4	4	4	4	4
Highways and streets:										
Streets (miles)	99.1	103.84	106.54	108.64	111.14	112.64	114.76	116.56	152.56	161.08
Cultural and recreational:										
Parks acreage	248	356	504	504	504	504	657	657	657	657
Parks	51	52	54	54	54	54	56	56	56	56
Swimming pools	3	3	3	3	3	3	3	3	3	3
Tennis courts	6	6	6	12	12	12	16	16	16	16
Community center	3	3	3	3	3	3	3	3	3	3
Sewer:										
Sanitary sewers (miles)	126	126	130	135	175	175	180	185	187	190
Storm sewers (miles)	17.25	19.17	20.57	22.77	25.77	27.29	29.5	30.73	31.41	32.22
Maximum daily treatment capacity (millions of gallons)	4	4	4	4.2	4	4	4	4	4	4

Sources: Various government departments