



City of Fairhope, Alabama

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

CITY OF FAIRHOPE, ALABAMA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023
PREPARED BY:
THE OFFICE OF THE CITY TREASURER

CITY OF FAIRHOPE, ALABAMA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2023

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INTRODUCTORY SECTION



March 8, 2024

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, 2023, 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

Kimberly Creech
City Treasurer

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, 2023. The independent auditors' report is located at the front of the financial section of this report.

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

The City of Fairhope was incorporated in 1908 and currently services an estimated population of 23,859 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 Board 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

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Fairhope, Alabama 36555

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251-928-6776 Fax

www.fairhopeal.gov

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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 26 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 2022, the City's median family income was \$85,456 (up from \$75,197 in 2019), while the State median family income was \$59,609 (up from \$50,536 in 2019). According to the U.S. Census Bureau, the City's owner-occupied housing unit's rate was 81.2%.

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.

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 8.3 million annual visitors and significant real estate valuations at the county's beaches. Travelers spent approximately \$7.8 billion in Baldwin County. The County's total travel-related employment of 65,523 represented 27.5% of all Alabama travel-related employment.

Alabama's Daphne-Fairhope-Foley is the 12th fastest growing metro in the United States. Over the past year, Fairhope has been named the 10th fastest growing City in the state of Alabama, based on vintage population estimates from the U.S. Census Bureau. From 2020 to 2022 the City saw a growth rate of 6.2%, with a growth rate of 55.7% 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 65.9% by 2040. In 2023, Southern Living ranked Fairhope 6th in the 50 Best small towns in the South. Fairhope ranked 9th in the USA Today's Readers' Choice "Best Small Town for Shopping" in 2023. World Atlas also featured Fairhope as one of nine coziest small towns in Alabama. New York Travel Guides ranked Fairhope 105th on the list of the Most Romantic Small Towns in America. 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 \$22,109,397 which represents 52.6% of total general fund revenues. The Council has committed, by City Ordinance, \$10 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 Magnolia Beach jetties \$620,000.

- Alabama Department of Transportation (ALDOT) funding for Parker Road sidewalk \$380,000.
- Alabama Department of Transportation (ALDOT) funding for Blue Island Street sidewalk \$799,273.
- Alabama Department of Environmental Management (ADEM) funding for litter traps \$168,675.
- Alabama Department of Environmental Management (ADEM) funding for Wastewater treatment plant – headworks project \$1,154,000.
- Homeland Security FEMA funding for Mass notification system \$57,680.
- Federal Highway Administration funding for Roundabout at North Section \$1,070,412.
- Federal Highway Administration funding for Comprehensive safety action plan \$160,000.

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

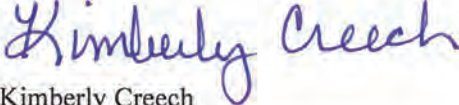
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended September 30, 2022. In order to be awarded a Certificate of 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, 2022

Christopher P. Morill

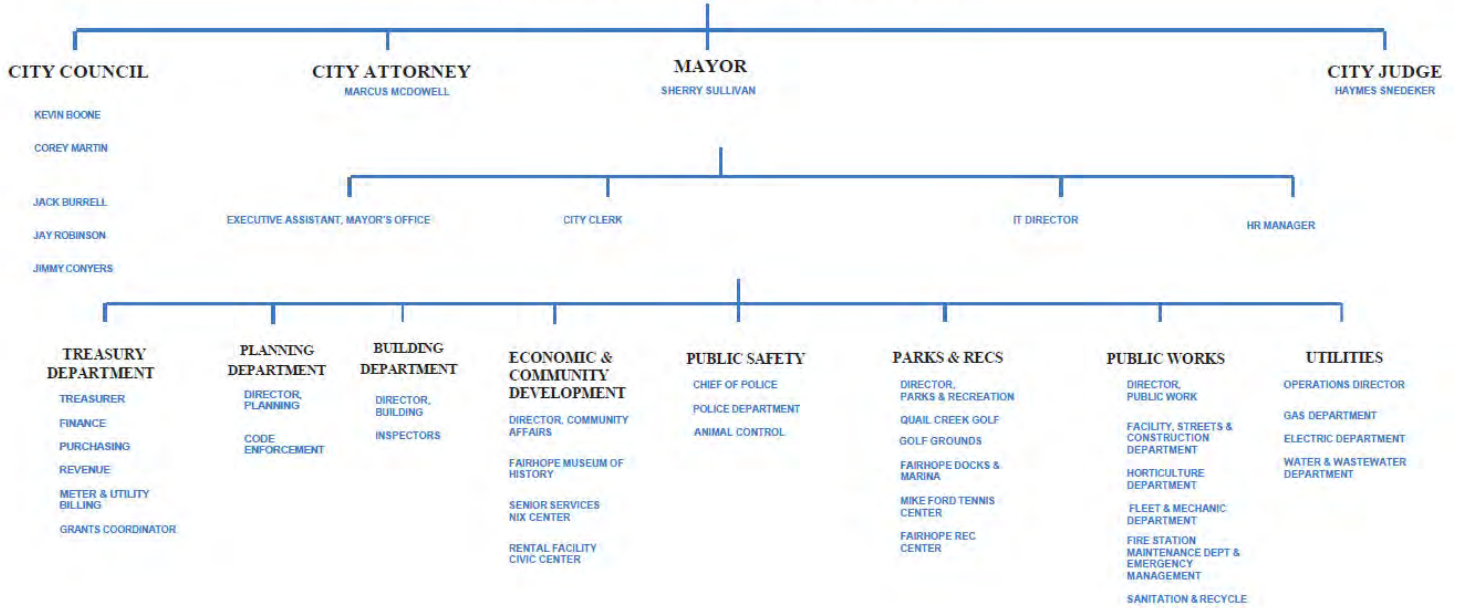
Executive Director/CEO

CITY OF FAIRHOPE, ALABAMA

ORGANIZATIONAL CHART

SEPTEMBER 30, 2023

CITIZENS OF FAIRHOPE



CITY OF FAIRHOPE, ALABAMA
CITY ELECTED AND APPOINTED OFFICIALS
SEPTEMBER 30, 2023

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, 2023.

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, 2023, 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, 2023, 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 13 and the supplementary information on pages 66 through 72 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 combining and individual nonmajor fund financial statements 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 section, statistical section and other information on pages 82 through 84, but does not include the basic financial statements and our auditors' 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 8, 2024, 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 8, 2024

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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, 2023. 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, 2023.

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 \$249,824,520, at the close of the fiscal year ended September 30, 2023. An unrestricted surplus exists in the amount of \$40,723,690, which may be used to meet the government's ongoing obligations.
- The City's total net position increased by \$25,840,456, or 11.5% in comparison to the net position at the beginning of the year. Net position of governmental activities increased \$13,212,081, or 11.1% and net position of business-type activities increased \$12,628,375 or 12.1%.
- At the close of the current fiscal year, the City's governmental funds reported a combined fund balance of \$39,688,799. This was an increase of \$6,437,628 or 19.4% from the prior year.
- At the end of the current fiscal year, total fund balance for the General Fund was \$33,034,544, an increase of \$5,971,429, or 22.1% 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 \$1,124,472 or 8.2% from the prior year primarily due to economic growth over the prior year.
- The City increased its General Fund financial reserves from \$7,000,000 to \$10,000,000 or 42.9% increase from the prior year.
- The following schedule presents a comparison of revenues for all Governmental Funds for the fiscal year ended September 30, 2023, to fiscal year ended September 30, 2022. Revenues increased \$4,391,876 or 10.3%, as compared to the previous year. The majority of this increase was attributable to local tax revenues due to growth and increase in investment income due to interest rates.

All Governmental Funds						
Revenues	2023	% of Total	2022	Increase (Decrease)	% Increase (Decrease)	
Local taxes	\$ 26,143,167	55.57%	\$ 23,700,359	\$ 2,442,808	10.31%	
Licenses and permits	6,292,136	13.37%	6,137,069	155,067	2.53%	
Fines and forfeitures	298,611	0.63%	267,322	31,289	11.70%	
Intergovernmental	4,172,243	8.87%	4,559,019	(386,776)	-8.48%	
Interest and rents	1,547,696	3.29%	353,059	1,194,637	338.37%	
Charges for services	5,482,972	11.65%	4,776,552	706,420	14.79%	
Golf course revenue	1,381,262	2.94%	1,241,278	139,984	11.28%	
Recreation department	657,288	1.40%	636,242	21,046	3.31%	
Other	1,071,370	2.28%	983,969	87,401	8.88%	
	<u>\$ 47,046,745</u>	<u>100.00%</u>	<u>\$ 42,654,869</u>	<u>\$ 4,391,876</u>	<u>10.30%</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 Board 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 fiscal 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 71.

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 26.

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 71.

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 73 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 a whole. The City’s net position at fiscal year-end is \$249,824,520. This is a \$25,840,456 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	
	2023	2022	2023	2022	2023	2022
Current and other assets (net of internal balances)	\$ 47,226,849	\$ 38,822,644	\$ 34,959,836	\$ 40,632,698	\$ 82,186,685	\$ 79,455,342
Internal balances	(579,620)	457,574	579,620	(457,574)	-	-
Capital assets	107,329,390	101,800,012	106,665,599	88,503,173	213,994,989	190,303,185
Total Assets	153,976,619	141,080,230	142,205,055	128,678,297	296,181,674	269,758,527
Deferred charge on refunding	-	-	56,325	63,366	56,325	63,366
Pension related items	6,704,755	3,545,294	3,245,905	1,502,313	9,950,660	5,047,607
OPEB related items	652,043	954,742	333,723	435,023	985,766	1,389,765
Total Deferred Outflows of Resources	7,356,798	4,500,036	3,635,953	2,000,702	10,992,751	6,500,738
Long-term liabilities	17,220,236	15,929,028	16,996,901	18,133,048	34,217,137	34,062,076
Other liabilities	8,182,444	6,065,419	9,721,739	5,997,569	17,904,183	12,062,988
Total Liabilities	25,402,680	21,994,447	26,718,640	24,130,617	52,121,320	46,125,064
Pension related items	244,927	2,819,709	118,574	1,131,775	363,501	3,951,484
OPEB related items	3,218,050	1,510,431	1,647,034	688,222	4,865,084	2,198,653
Total Deferred Inflows of Resources	3,462,977	4,330,140	1,765,608	1,819,997	5,228,585	6,150,137
Net position						
Net Investment in Capital Assets	106,694,188	100,568,874	97,862,369	78,439,515	204,556,557	179,008,389
Restricted	1,131,211	775,703	3,413,062	4,291,518	4,544,273	5,067,221
Unrestricted	24,642,361	17,911,102	16,081,329	21,997,352	40,723,690	39,908,454
Total Net Position	\$ 132,467,760	\$ 119,255,679	\$ 117,356,760	\$ 104,728,385	\$ 249,824,520	\$ 223,984,064

Total assets increased \$26,423,147 or 9.8% from the previous fiscal year. This was primarily due to an increase in capital assets of \$23,691,804. Current year additions totaled \$32,021,765 and consisted of equipment, building and street improvements, and upgrades of the utility system. Current year depreciation totaled \$8,284,947.

Total liabilities increased \$5,996,256 or 13% from the previous fiscal year. This was primarily due to an increase in Accounts Payable as of September 30, 2023, attributable to large infrastructure project invoices totaling \$3,141,000 along with ongoing increases to material costs.

The largest portion of the City’s net position (81.9%) 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 portion of the City’s net position (1.8%) 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 \$16,081,329 which is a \$5,916,023 decrease from the prior year. The decrease is due to current year operations and investment in infrastructure.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 14,222,441	\$ 13,546,787	\$ 53,144,812	\$ 49,108,835	\$ 67,367,253	\$ 62,655,622
Operating Grants and contributions	677,863	2,014,462	137,489	170,397	815,352	2,184,859
Capital grants and contributions	4,286,518	3,013,322	-	-	4,286,518	3,013,322
General revenues						
Property taxes	8,648,008	7,453,763	-	-	8,648,008	7,453,763
Sales taxes	14,815,624	13,691,152	-	-	14,815,624	13,691,152
Other taxes	2,622,749	2,508,516	-	-	2,622,749	2,508,516
Other	2,045,994	524,739	1,344,778	449,538	3,390,772	974,277
Total revenues	47,319,197	42,752,741	54,627,079	49,728,770	101,946,276	92,481,511
Expenses						
General government	9,376,769	8,530,536	-	-	9,376,769	8,530,536
Public safety	8,520,492	7,992,887	-	-	8,520,492	7,992,887
Public works	7,635,053	6,808,105	-	-	7,635,053	6,808,105
Cultural and recreational	7,342,832	6,982,402	-	-	7,342,832	6,982,402
Airport Authority	320,000	320,000	-	-	320,000	320,000
Public Library Board	1,080,341	1,064,341	-	-	1,080,341	1,064,341
Interest on long-term debt	9,529	10,520	-	-	9,529	10,520
Electric	-	-	20,399,421	18,178,999	20,399,421	18,178,999
Natural gas	-	-	6,944,703	7,741,978	6,944,703	7,741,978
Water and Waste Water	-	-	11,331,087	10,295,634	11,331,087	10,295,634
Sanitation	-	-	3,145,593	3,265,985	3,145,593	3,265,985
Total expenses	34,285,016	31,708,791	41,820,804	39,482,596	76,105,820	71,191,387
Increase in net position before transfers	13,034,181	11,043,950	12,806,275	10,246,174	25,840,456	21,290,124
Transfers in (out)	177,900	1,625,142	(177,900)	(1,625,142)	-	-
Increase in net position	13,212,081	12,669,092	12,628,375	8,621,032	25,840,456	21,290,124
Net position - beginning	119,255,679	106,586,587	104,728,385	96,107,353	223,984,064	202,693,940
Net position - ending	\$ 132,467,760	\$ 119,255,679	\$ 117,356,760	\$ 104,728,385	\$ 249,824,520	\$ 223,984,064

Governmental Activities

Governmental activities for the current year increased the City’s net position by \$13,212,081. Key elements of this change are as follows:

- Sales and use tax increased by approximately \$1,124,472 or 8.2% due to an increase in consumer spending.
- Lodging tax increased by approximately \$115,755 or 6.9% due to an increase in tourism.
- Property tax increased by approximately \$1,194,245 or 16% due to an increase in assessed property values and growth.
- Operational grants decreased by \$1,336,599 or 6.6% as a result of FEMA reimbursement from Hurricane Sally in 2022.

Business-type Activities

Business-type activities increased the City’s net position by \$12,628,375. 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 \$39,688,799, of which \$22,109,397 is unassigned. The non-spendable fund balance is \$190,553 and stems from inventory and prepaid expenses. Restricted fund balance is \$1,131,211 and comprises funds with restrictions imposed by outside parties or constitutional provisions. Committed fund balance is \$16,257,638 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 2023.

	All Governmental Funds				
	General	Capital Projects	American Rescue Plan	Other Governmental	Total Governmental
Total revenues	\$ 42,031,039	\$ 2,318,464	\$ 249,337	\$ 2,447,905	\$ 47,046,745
Total expenditures	33,897,451	6,506,920	895	538,813	40,944,079
Total other financing sources (uses)	<u>(2,162,159)</u>	<u>4,727,550</u>	<u>(198,125)</u>	<u>(2,032,304)</u>	<u>334,962</u>
Net change in fund balances	5,971,429	539,094	50,317	(123,212)	6,437,628
Fund balances, beginning of year	<u>27,063,115</u>	<u>2,867,646</u>	<u>3,493</u>	<u>3,316,917</u>	<u>33,251,171</u>
Fund balances, end of year	<u>\$ 33,034,544</u>	<u>\$ 3,406,740</u>	<u>\$ 53,810</u>	<u>\$ 3,193,705</u>	<u>\$ 39,688,799</u>
Percent of fund balance to expenditures	97%	52%	6012%	593%	97%

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, 2023, the total fund balance of the general fund was \$33,034,544, an increase of \$5,971,429. The increase in the General Fund is primarily due to increased tax revenues related to economic growth and cost savings in departments.

Total revenue of the General Fund increased by \$2,829,389 or 7.2% in 2023 compared to the previous year. This was mostly attributable to increase in revenue from local taxes due to growth and an increase in investment income due to interest rates.

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 \$539,094 from the previous year.

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 \$117,356,760. Total net position increased for enterprise funds by \$12,628,375 or 12% in 2023 from the previous year. Both increased revenue and expenditures were largely attributable due to the following:

- Increase in customer electric service fees due to growth.
- Increase in Water and Waste Water charges due to additional customers and rate increase.
- Decrease in Gas service fees due to lower natural gas energy costs which is passed onto customers.

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, 2023, the internal service fund reported \$1,109,062 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, 2023, was \$213,994,989 (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	
	2023	2022	2023	2022	2023	2022
Land	\$ 27,743,658	\$ 27,743,658	\$ 9,511,594	\$ 9,511,594	\$ 37,255,252	\$ 37,255,252
Buildings and improvements	28,525,972	27,416,060	1,575,964	1,422,951	30,101,936	28,839,011
Vehicles and equipment	4,836,667	4,481,750	6,105,536	4,450,932	10,942,203	8,932,682
Infrastructure	39,937,442	37,540,427	-	-	39,937,442	37,540,427
Distribution and collection systems	-	-	85,684,259	68,421,784	85,684,259	68,421,784
Construction in progress	6,285,651	4,618,117	3,788,246	4,695,912	10,073,897	9,314,029
	<u>\$ 107,329,390</u>	<u>\$ 101,800,012</u>	<u>\$ 106,665,599</u>	<u>\$ 88,503,173</u>	<u>\$ 213,994,989</u>	<u>\$ 190,303,185</u>

Additional information on the City’s capital assets can be found in Note 6 beginning on page 39 of this report.

Long-term debt

At the fiscal year end, the City of Fairhope had \$635,202 of governmental debt and \$8,859,555 of business-type debt outstanding for the Utilities enterprise funds.

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 \$636,132,660 with a current debt limit for the City of \$127,226,532. Current debt applied to the debt limit total is \$635,202, leaving the City with a legal debt margin of \$126,591,330.

	2023	2022	Increase (Decrease)
Utility Revenue Warrants	\$ 7,880,000	\$ 9,600,000	\$ (1,720,000)
Notes Payable	1,614,757	2,681,453	(1,066,696)
	<u>\$ 9,494,757</u>	<u>\$ 12,281,453</u>	<u>\$ (2,786,696)</u>

See Note 7, beginning on page 41, 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, 2023, actual revenues were more than budgeted revenues by \$5,388,875 or 14.7%. Detailed variances are as follows:

- Actual taxes were more than budgeted by \$2,972,324 or 12.9% due to increases in consumer spending, tourism and assessed property values. Actual intergovernmental revenues were more

than budgeted by \$259,595 or 34.6% primarily due to an increase in the City's portion of State of Alabama's distribution of financial institution excise tax.

- Actual licenses and permits were more than budgeted by \$1,423,188 or 29.2% due to increase in residential growth and development.
- Actual interest and rents were more than budgeted by \$990,487 or 342.8% due to increase in interest rates earned on deposits.

For the year ended September 30, 2023, actual total expenditures were less than budgeted expenditures by \$2,896,230 or 7.9%. Detailed variances are in the following functions:

- General Government actual expenditures were less than budgeted expenditures by \$683,925 or 7.2%.
- Public Works actual expenditures were less than budgeted expenditures by \$13,654 or .2%.
- Public Safety actual expenditures were less than budgeted expenditures by \$870,220 or 9.7%.
- Cultural and Recreational actual expenditures were less than budgeted expenditures by \$408,262 or 5.9%

The variances to budget noted above are primarily due to decrease in salaries expense across departments attributable to unfilled positions as well as decrease in expenses due to inability to procure budgeted vehicles due to market unavailability.

Additional information concerning Actuals compared to Budget for the year ended September 30, 2023, can be found beginning on page 71 of this report.

Economic Factors and Year 2023

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

The following factors were considered in preparing the City's Budget for Fiscal Year 2024:

- The unemployment rate for the City of Fairhope for 2023 was 2.9%.
- The City's financial condition remains strong due to reduction in expenditures and continued fiscal oversight by management and the Council.
- Property tax revenue is expected to increase 14.9% due to growth.
- Continued sales tax revenue growth in 2023 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 \$42,670,880, streets resurfacing of \$1,523,000 and roundabout construction of \$1,653,000.
- Protecting our natural environment for the enjoyment of all with investment in Parks and Recreation of \$5,258,141.
- Investment in capital equipment of \$6,472,744.
- We continue to explore grant opportunities throughout the year.

On September 30, 2023, fund balance in the General Fund was \$33,034,544. 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 2024 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Governmental Fund Types			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash	\$ 43,740,827	\$ 23,081,796	\$ 66,822,623	\$ 1,029,585
Restricted cash	-	3,413,062	3,413,062	-
Receivables, net	3,260,544	6,520,915	9,781,459	315,104
Internal balances	(579,620)	579,620	-	-
Inventories	165,369	1,891,035	2,056,404	-
Prepaid items	25,184	16,938	42,122	49,081
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	6,285,651	3,788,246	10,073,897	504,529
Capital assets net of accumulated depreciation:				
Buildings and improvements	28,525,972	1,575,964	30,101,936	8,479,749
Vehicles and equipment	4,836,667	6,105,536	10,942,203	91,755
Infrastructure	39,937,442	-	39,937,442	-
Distribution and collection systems	-	85,684,259	85,684,259	-
Runways	-	-	-	16,270,731
Total assets	<u>153,976,619</u>	<u>142,205,055</u>	<u>296,181,674</u>	<u>37,414,762</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	56,325	56,325	-
Pension related items	6,704,755	3,245,905	9,950,660	224,802
OPEB related items	652,043	333,723	985,766	-
Total deferred outflows of resources	<u>7,356,798</u>	<u>3,635,953</u>	<u>10,992,751</u>	<u>224,802</u>
Total assets and deferred outflows of resources	<u>\$ 161,333,417</u>	<u>\$ 145,841,008</u>	<u>\$ 307,174,425</u>	<u>\$ 37,639,564</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 3,577,654	\$ 5,622,882	\$ 9,200,536	\$ 114,763
Unearned revenue	2,249,610	1,155,167	3,404,777	25,884
Customer deposits	5,000	2,179,686	2,184,686	34,000
Noncurrent liabilities:				
Due within one year:				
Net pension liability	1,298,004	588,916	1,886,920	60,021
Total OPEB liability	193,750	175,088	368,838	-
Other	858,426	2,405,061	3,263,487	275,000
Due in more than one year:				
Net pension liability	12,842,947	5,982,092	18,825,039	547,101
Total OPEB liability	3,091,817	1,506,502	4,598,319	-
Other	1,285,472	7,103,246	8,388,718	5,695,629
Total liabilities	<u>25,402,680</u>	<u>26,718,640</u>	<u>52,121,320</u>	<u>6,752,398</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	244,927	118,574	363,501	22,645
OPEB related items	3,218,050	1,647,034	4,865,084	-
Service concession arrangement revenue applicable to future years	-	-	-	6,162,520
Total deferred inflows of resources	<u>3,462,977</u>	<u>1,765,608</u>	<u>5,228,585</u>	<u>6,185,165</u>
NET POSITION				
Net investment in capital assets	106,694,188	97,862,369	204,556,557	30,050,363
Restricted for:				
Debt service	-	3,360,210	3,360,210	-
Road maintenance	397,506	-	397,506	-
Capital improvements	676,201	52,852	729,053	-
Municipal Court	3,694	-	3,694	-
American Rescue	53,810	-	53,810	-
Library improvements	-	-	-	205,687
Unrestricted	24,642,361	16,081,329	40,723,690	(5,554,049)
Total net position	<u>132,467,760</u>	<u>117,356,760</u>	<u>249,824,520</u>	<u>24,702,001</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 161,333,417</u>	<u>\$ 145,841,008</u>	<u>\$ 307,174,425</u>	<u>\$ 37,639,564</u>

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

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 9,376,769	\$ 11,361,540	\$ -	\$ 30,000	\$ 2,014,771	\$ -	\$ 2,014,771	\$ -
Public safety	8,520,492	-	306,600	441,521	(7,772,371)	-	(7,772,371)	-
Public works	7,635,053	-	371,163	3,198,483	(4,065,407)	-	(4,065,407)	-
Cultural and recreational	7,342,832	2,860,901	100	616,514	(3,865,317)	-	(3,865,317)	-
Airport Authority	320,000	-	-	-	(320,000)	-	(320,000)	-
Public Library Board	1,080,341	-	-	-	(1,080,341)	-	(1,080,341)	-
Interest on long-term debt	9,529	-	-	-	(9,529)	-	(9,529)	-
Total governmental activities	<u>34,285,016</u>	<u>14,222,441</u>	<u>677,863</u>	<u>4,286,518</u>	<u>(15,098,194)</u>	<u>-</u>	<u>(15,098,194)</u>	<u>-</u>
Business-type activities:								
Electric	20,399,421	22,921,242	137,489	-	-	2,659,310	2,659,310	-
Natural gas	6,944,703	8,817,304	-	-	-	1,872,601	1,872,601	-
Water and Waste Water	11,331,087	18,559,691	-	-	-	7,228,604	7,228,604	-
Sanitation	3,145,593	2,846,575	-	-	-	(299,018)	(299,018)	-
Total business-type activities	<u>41,820,804</u>	<u>53,144,812</u>	<u>137,489</u>	<u>-</u>	<u>-</u>	<u>11,461,497</u>	<u>11,461,497</u>	<u>-</u>
Total primary government	<u>\$ 76,105,820</u>	<u>\$ 67,367,253</u>	<u>\$ 815,352</u>	<u>\$ 4,286,518</u>	<u>(15,098,194)</u>	<u>11,461,497</u>	<u>(3,636,697)</u>	<u>-</u>
Component Units	<u>\$ 1,978,529</u>	<u>\$ 477,033</u>	<u>\$ 1,470,634</u>	<u>\$ 253,365</u>				<u>222,503</u>
General revenues:								
Property taxes					8,648,008	-	8,648,008	-
Sales tax					14,815,624	-	14,815,624	-
Liquor taxes					739,563	-	739,563	-
Lodging taxes					1,784,596	-	1,784,596	-
Other taxes					98,590	-	98,590	-
Investment earnings					1,346,130	1,150,912	2,497,042	-
Other					699,864	193,866	893,730	13,005
Transfers					177,900	(177,900)	-	-
Total general revenues and transfers					<u>28,310,275</u>	<u>1,166,878</u>	<u>29,477,153</u>	<u>13,005</u>
Change in net position					<u>13,212,081</u>	<u>12,628,375</u>	<u>25,840,456</u>	<u>235,508</u>
Net position - beginning					<u>119,255,679</u>	<u>104,728,385</u>	<u>223,984,064</u>	<u>24,466,493</u>
Net position - ending					<u>\$ 132,467,760</u>	<u>\$ 117,356,760</u>	<u>\$ 249,824,520</u>	<u>\$ 24,702,001</u>

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

CITY OF FAIRHOPE, ALABAMA

**FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	General	Capital Projects	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$32,644,788	\$ 5,001,312	\$ 1,553,344	\$ 3,318,235	\$42,517,679
Receivables, net	2,227,587	460,179	-	407,380	3,095,146
Inventory	165,369	-	-	-	165,369
Prepaid items	25,184	-	-	-	25,184
Due from other funds	299,559	-	-	-	299,559
Other assets	34,925	-	-	-	34,925
	<u>\$35,397,412</u>	<u>\$ 5,461,491</u>	<u>\$ 1,553,344</u>	<u>\$ 3,725,615</u>	<u>\$46,137,862</u>
LIABILITIES					
Accounts payable	\$ 1,523,698	\$ 989,607	\$ -	\$ 197,743	\$ 2,711,048
Accrued expenditures and taxes	600,733	-	-	-	600,733
Customer deposits	5,000	-	-	-	5,000
Unearned revenue	210,158	934,589	1,301,409	-	2,446,156
Due to other funds	23,279	130,555	198,125	334,167	686,126
	<u>2,362,868</u>	<u>2,054,751</u>	<u>1,499,534</u>	<u>531,910</u>	<u>6,449,063</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	25,184	-	-	-	25,184
Inventory	165,369	-	-	-	165,369
Restricted:					
Road maintenance	-	-	-	397,506	397,506
Capital improvements	-	-	-	676,201	676,201
Municipal Court	-	-	-	3,694	3,694
American Rescue	-	-	53,810	-	53,810
Committed:					
Council approved emergencies	10,000,000	-	-	-	10,000,000
Construction and road maintenance	-	-	-	2,116,304	2,116,304
Debt service	699,594	-	-	-	699,594
Capital projects	35,000	3,406,740	-	-	3,441,740
Unassigned	22,109,397	-	-	-	22,109,397
	<u>33,034,544</u>	<u>3,406,740</u>	<u>53,810</u>	<u>3,193,705</u>	<u>39,688,799</u>
Total liabilities and fund balances	<u>\$35,397,412</u>	<u>\$ 5,461,491</u>	<u>\$ 1,553,344</u>	<u>\$ 3,725,615</u>	<u>\$46,137,862</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, 2023

Fund balances as reported on page 16	\$ 39,688,799
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.	181,703,474
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.	(74,374,084)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned revenue in fund financial statements.	210,158
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.	6,704,755
Deferred outflows of resources related to OPEB obligations.	652,043
Deferred inflows are not financial resources and, therefore, are not reported in fund financial statements.	
Deferred inflows of resources related to net pension liability.	(244,927)
Deferred inflows of resources related to OPEB obligations.	(3,218,050)
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.	916,008
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	(635,202)
Net pension liability	(14,140,951)
OPEB obligations	(3,285,567)
Compensated absences not expected to be paid with current resources as determined under Governmental Accounting Standards are not reported in fund financial statements.	(1,508,696)
Net position of governmental activities as reported on page 14	<u>\$ 132,467,760</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, 2023

	General	Capital Projects	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local taxes	\$25,975,781	\$ -	\$ -	\$ 167,386	\$26,143,167
Licenses and permits	6,292,136	-	-	-	6,292,136
Fines and forfeitures	298,611	-	-	-	298,611
Intergovernmental	1,010,555	2,242,744	198,125	720,819	4,172,243
Interest and rents	1,279,463	75,720	51,212	141,301	1,547,696
Charges for services	4,064,573	-	-	1,418,399	5,482,972
Golf course revenue	1,381,262	-	-	-	1,381,262
Recreation department	657,288	-	-	-	657,288
Other	1,071,370	-	-	-	1,071,370
Total revenues	<u>42,031,039</u>	<u>2,318,464</u>	<u>249,337</u>	<u>2,447,905</u>	<u>47,046,745</u>
EXPENDITURES					
General government	8,868,274	994	895	3,018	8,873,181
Public safety	8,089,175	-	-	-	8,089,175
Public works	5,967,032	-	-	-	5,967,032
Cultural and recreational	6,557,742	-	-	-	6,557,742
Airport Authority	320,000	-	-	-	320,000
Public Library Board	875,000	-	-	-	875,000
Debt service payments:					
Principal	461,132	-	-	134,804	595,936
Interest	9,009	-	-	3,723	12,732
Capital outlay	<u>2,750,087</u>	<u>6,505,926</u>	<u>-</u>	<u>397,268</u>	<u>9,653,281</u>
Total expenditures	<u>33,897,451</u>	<u>6,506,920</u>	<u>895</u>	<u>538,813</u>	<u>40,944,079</u>
Excess of revenues over (under) expenditures	<u>8,133,588</u>	<u>(4,188,456)</u>	<u>248,442</u>	<u>1,909,092</u>	<u>6,102,666</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	157,523	-	-	-	157,523
Transfers in	1,130,901	4,727,550	-	138,527	5,996,978
Transfers out	<u>(3,450,583)</u>	<u>-</u>	<u>(198,125)</u>	<u>(2,170,831)</u>	<u>(5,819,539)</u>
Total other financing sources (uses)	<u>(2,162,159)</u>	<u>4,727,550</u>	<u>(198,125)</u>	<u>(2,032,304)</u>	<u>334,962</u>
Net change in fund balances	5,971,429	539,094	50,317	(123,212)	6,437,628
Fund balances – beginning of year	<u>27,063,115</u>	<u>2,867,646</u>	<u>3,493</u>	<u>3,316,917</u>	<u>33,251,171</u>
FUND BALANCES – END OF YEAR	<u><u>\$33,034,544</u></u>	<u><u>\$ 3,406,740</u></u>	<u><u>\$ 53,810</u></u>	<u><u>\$ 3,193,705</u></u>	<u><u>\$39,688,799</u></u>

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

CITY OF FAIRHOPE, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances – total governmental funds, page 18 \$ 6,437,628

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. 9,645,634

Depreciation expense on governmental capital assets is included in the capital assets in the statement of net position. (4,071,704)

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. (45,014)

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 595,936

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. 159,942

(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, 2023 (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	\$	22,864
Accrued interest		3,203
Pensions		(1,086,632)
Postemployment benefit plans other than pensions		1,521,746

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

Capital assets		462
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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.

28,016

Change in net position of governmental activities, page 15

\$ 13,212,081

CITY OF FAIRHOPE, ALABAMA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6,666,471	\$ 12,429,677	\$ 3,805,338	\$ 180,310	\$ 23,081,796	\$ 1,223,148
Restricted cash held by fiscal agent	80,240	80,238	3,252,584	-	3,413,062	-
Receivables, net	4,613,105	324,871	1,402,149	180,790	6,520,915	165,398
Inventories	566,480	818,739	505,816	-	1,891,035	-
Prepaid items	5,077	1,580	4,737	5,543	16,937	-
Due from other funds	56,202	6,762	491,349	-	554,313	-
Total current assets	11,987,575	13,661,867	9,461,973	366,643	35,478,058	1,388,546
Noncurrent assets:						
Other assets	12,030	12,030	12,030	-	36,090	-
Capital assets:						
Land	7,706,240	1,616,172	189,182	-	9,511,594	-
Construction in progress	3,235,290	552,956	-	-	3,788,246	-
Buildings and improvements	1,481,773	1,039,792	572,344	266,806	3,360,715	-
Vehicles and equipment	6,516,969	4,584,486	6,222,667	5,230,821	22,554,943	-
Distribution and collection systems	34,646,918	16,377,494	84,232,974	-	135,257,386	-
Less accumulated depreciation	(20,028,653)	(10,835,534)	(33,384,979)	(3,558,119)	(67,807,285)	-
Total noncurrent assets	33,570,567	13,347,396	57,844,218	1,939,508	106,701,689	-
Total assets	45,558,142	27,009,263	67,306,191	2,306,151	142,179,747	1,388,546
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	-	-	56,325	-	56,325	-
Pension related items	801,028	574,153	1,081,637	789,087	3,245,905	-
OPEB related items	92,416	56,476	110,385	74,446	333,723	-
Total deferred outflows of resources	893,444	630,629	1,248,347	863,533	3,635,953	-
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	2,090,200	477,508	2,919,266	135,908	5,622,882	265,872
Unearned revenue	136,050	35,347	983,770	-	1,155,167	13,612
Customer deposits	959,875	792,355	407,212	20,244	2,179,686	-
Warrants and notes payable	41,586	41,586	1,656,828	483,382	2,223,382	-
Compensated absences	49,514	38,969	62,996	30,200	181,679	-
Due to other funds	14,055	32,652	63,861	57,178	167,746	-
Net pension liability	156,500	113,868	211,778	106,770	588,916	-
Total OPEB liability	33,858	56,074	65,916	19,240	175,088	-
Total current liabilities	3,481,638	1,588,359	6,371,627	852,922	12,294,546	279,484
Noncurrent liabilities:						
Compensated absences	187,215	64,123	145,709	70,026	467,073	-
Warrants and notes payable	146,746	146,746	5,846,508	496,173	6,636,173	-
Net pension liability	1,684,148	1,085,664	1,833,933	1,378,347	5,982,092	-
Total OPEB liability	431,813	228,503	490,302	355,884	1,506,502	-
Total noncurrent liabilities	2,449,922	1,525,036	8,316,452	2,300,430	14,591,840	-
Total liabilities	5,931,560	3,113,395	14,688,079	3,153,352	26,886,386	279,484
DEFERRED INFLOWS OF RESOURCES						
Pension related items	29,261	20,974	39,513	28,826	118,574	-
OPEB related items	456,102	278,729	544,788	367,415	1,647,034	-
Total deferred inflows of resources	485,363	299,703	584,301	396,241	1,765,608	-
NET POSITION						
Net investment in capital assets	33,370,205	13,147,034	50,385,177	959,953	97,862,369	-
Restricted:						
Debt service	80,240	80,238	3,199,732	-	3,360,210	-
Capital improvements	-	-	52,852	-	52,852	-
Unrestricted	6,584,218	10,999,522	(355,603)	(1,339,862)	15,888,275	1,109,062
Total net position	\$ 40,034,663	\$ 24,226,794	\$ 53,282,158	\$ (379,909)	117,163,706	\$ 1,109,062
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds					193,054	
Net position of business-type activities					\$ 117,356,760	

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, 2023**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund	Total	
OPERATING REVENUES						
Sales and services	\$ 22,189,494	\$ 8,730,297	\$ 16,617,206	\$ 2,845,993	\$ 50,382,990	\$ 4,679,642
Other charges, sales and receipts	731,748	87,007	1,942,485	582	2,761,822	1,500
Total operating revenues	22,921,242	8,817,304	18,559,691	2,846,575	53,144,812	4,681,142
OPERATING EXPENSES						
Energy purchases and cost of goods sold	14,595,455	2,586,584	603,100	351,479	18,136,618	-
Salaries	1,637,202	1,070,925	2,256,297	1,152,097	6,116,521	-
Depreciation	1,148,374	563,358	2,155,922	345,589	4,213,243	-
Insurance	512,149	309,633	678,965	133,912	1,634,659	-
Electric energy furnished to other departments	46,048	40,303	313,278	-	399,629	-
Maintenance	302,265	335,413	1,781,822	23,514	2,443,014	-
Benefit payments	-	-	-	-	-	4,691,944
Other operating expense	2,156,863	1,964,281	3,438,105	1,112,681	8,671,930	-
Total operating expenses	20,398,356	6,870,497	11,227,489	3,119,272	41,615,614	4,691,944
OPERATING INCOME (LOSS)	2,522,886	1,946,807	7,332,202	(272,697)	11,529,198	(10,802)
NONOPERATING REVENUES (EXPENSES)						
Interest expense	(2,498)	(2,498)	(106,577)	(26,321)	(137,894)	-
Interest income	274,315	440,126	423,745	12,726	1,150,912	45,081
Gain on sale of capital assets	62,275	9,748	638	121,205	193,866	-
Intergovernmental revenue	137,489	-	-	-	137,489	-
Distribution of joint revenue (expense) – net	-	(73,559)	-	-	(73,559)	-
Other	-	(461)	-	-	(461)	-
Total nonoperating revenues (expenses)	471,581	373,356	317,806	107,610	1,270,353	45,081
INCOME BEFORE TRANSFERS AND OTHER ITEMS	2,994,467	2,320,163	7,650,008	(165,087)	12,799,551	34,279
TRANSFERS AND OTHER ITEMS						
Transfers in	77,652	-	246,806	738,120	1,062,578	-
Transfers out	(548,484)	(223,856)	(329,150)	(138,527)	(1,240,017)	-
Total transfers and other items	(470,832)	(223,856)	(82,344)	599,593	(177,439)	-
Change in net position	2,523,635	2,096,307	7,567,664	434,506	12,622,112	34,279
Net position – beginning of year	37,511,028	22,130,487	45,714,494	(814,415)	104,541,594	1,074,783
NET POSITION – END OF YEAR	\$ 40,034,663	\$ 24,226,794	\$ 53,282,158	\$ (379,909)	\$ 117,163,706	\$ 1,109,062
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds					6,263	
Change in net position of business-type activities					\$ 12,628,375	

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, 2023

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers	\$ 21,893,546	\$ 8,987,861	\$ 18,533,632	\$ 2,846,026	\$ 52,261,065	\$ -
Receipt from interfund services provided	-	-	-	-	-	4,517,335
Paid to suppliers for goods and services	(17,348,297)	(5,624,294)	(4,907,427)	(1,593,676)	(29,473,694)	(4,741,493)
Paid to personnel for services	(1,426,287)	(1,099,365)	(2,213,176)	(1,249,812)	(5,988,640)	-
Net cash provided by (used in) operating activities	3,118,962	2,264,202	11,413,029	2,538	16,798,731	(224,158)
CASH FLOWS FROM INVESTING ACTIVITIES						
Distribution of joint expense	-	(73,559)	-	-	(73,559)	-
Interest income	274,315	440,126	423,745	12,726	1,150,912	45,081
Net cash provided by investing activities	274,315	366,567	423,745	12,726	1,077,353	45,081
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Repayment of debt	(41,108)	(41,108)	(1,637,784)	(470,760)	(2,190,760)	-
Interest paid	(2,673)	(2,673)	(74,696)	(26,321)	(106,363)	-
Proceeds from disposal of capital assets	35,275	6,776	-	121,000	163,051	-
Acquisition of capital assets	(2,765,996)	(1,973,256)	(16,484,260)	(1,152,618)	(22,376,130)	-
Net cash used in capital and related financing activities	(2,774,502)	(2,010,261)	(18,196,740)	(1,528,699)	(24,510,202)	-
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES						
Change in interfund receivable	(51,291)	17,350	134,309	30,009	130,377	129
Change in interfund payable	(783,616)	(67,245)	(282,303)	(28,146)	(1,161,310)	-
Government grants	137,489	-	-	-	137,489	-
Net cash payments to (from) other funds	(422,151)	(223,856)	(131,025)	599,593	(177,439)	-
Net cash provided by (used in) noncapital and related financing activities	(1,119,569)	(273,751)	(279,019)	601,456	(1,070,883)	129
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(500,794)	346,757	(6,638,985)	(911,979)	(7,705,001)	(178,948)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	7,247,505	12,163,158	13,696,907	1,092,289	34,199,859	1,402,096
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 6,746,711	\$ 12,509,915	\$ 7,057,922	\$ 180,310	\$ 26,494,858	\$ 1,223,148
Cash and cash equivalents	\$ 6,666,471	\$ 12,429,677	\$ 3,805,338	\$ 180,310	\$ 23,081,796	\$ 1,223,148
Restricted cash held by fiscal agent	80,240	80,238	3,252,584	-	3,413,062	-
	\$ 6,746,711	\$ 12,509,915	\$ 7,057,922	\$ 180,310	\$ 26,494,858	\$ 1,223,148
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,522,886	\$ 1,946,807	\$ 7,332,202	\$ (272,697)	\$ 11,529,198	\$ (10,802)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,148,374	563,358	2,155,922	345,589	4,213,243	-
Proceeds from disposal of noncapital assets	27,000	2,972	638	205	30,815	-
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(1,085,654)	88,131	(387,303)	1,131	(1,383,695)	(165,398)
Decrease (increase) in inventories	(102,682)	(298,639)	(246,522)	-	(647,843)	-
Decrease (increase) in prepaid expenses	350	(12)	(296)	(641)	(599)	-
Decrease (increase) in deferred outflow of resources	(397,746)	(261,340)	(583,045)	(400,161)	(1,642,292)	-
Increase (decrease) in accounts payable	359,110	(88,300)	2,163,166	32,567	2,466,543	(49,549)
Increase (decrease) in customer deposits	20,673	81,107	18,465	(1,885)	118,360	-
Increase (decrease) in net unearned revenue	10,285	(1,653)	342,141	-	350,773	1,591
Increase (decrease) in deferred inflow of resources	110,882	(30,017)	(35,361)	(99,893)	(54,389)	-
Increase (decrease) in net pension liability	726,595	559,608	1,142,964	853,689	3,282,856	-
Increase (decrease) in compensated absences	(27,011)	(5,098)	(1,523)	(5,777)	(39,409)	-
Increase (decrease) in net OPEB obligation	(194,100)	(292,722)	(488,419)	(449,589)	(1,424,830)	-
Net cash provided by (used in) operating activities	\$ 3,118,962	\$ 2,264,202	\$ 11,413,029	\$ 2,538	\$ 16,798,731	\$ (224,158)

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, 2023**

	Public Library Board	Airport Authority	Total
ASSETS			
Cash	\$ 717,758	\$ 311,827	\$ 1,029,585
Receivables, net	-	315,104	315,104
Prepaid items	7,169	41,912	49,081
Capital assets not being depreciated:			
Land	-	10,674,228	10,674,228
Construction in progress	184,744	319,785	504,529
Capital assets net of accumulated depreciation:			
Buildings and improvements	-	8,479,749	8,479,749
Vehicles and equipment	60,521	31,234	91,755
Runways	-	16,270,731	16,270,731
Total assets	<u>970,192</u>	<u>36,444,570</u>	<u>37,414,762</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	<u>224,802</u>	<u>-</u>	<u>224,802</u>
Total assets and deferred outflows of resources	<u>\$ 1,194,994</u>	<u>\$ 36,444,570</u>	<u>\$ 37,639,564</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 22,966	\$ 91,797	\$ 114,763
Unearned revenue	-	25,884	25,884
Customer deposits	-	34,000	34,000
Net pension liability	60,021	-	60,021
Long-term liabilities:			
Due within one year	-	275,000	275,000
Due in more than one year	-	5,695,629	5,695,629
Net pension liability	<u>547,101</u>	<u>-</u>	<u>547,101</u>
Total liabilities	<u>630,088</u>	<u>6,122,310</u>	<u>6,752,398</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	22,645	-	22,645
Service concession arrangement revenue applicable to future years	<u>-</u>	<u>6,162,520</u>	<u>6,162,520</u>
Total deferred inflows of resources	<u>22,645</u>	<u>6,162,520</u>	<u>6,185,165</u>
NET POSITION			
Net investment in capital assets	245,265	29,805,098	30,050,363
Restricted:			
Library improvements	205,687	-	205,687
Unrestricted	<u>91,309</u>	<u>(5,645,358)</u>	<u>(5,554,049)</u>
Total net position	<u>542,261</u>	<u>24,159,740</u>	<u>24,702,001</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,194,994</u>	<u>\$ 36,444,570</u>	<u>\$ 37,639,564</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, 2023

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	\$ 958,938	\$ 120,788	\$ 902,004	\$ -	\$ 63,854	\$ -	\$ 63,854
Business-type activities:							
Airport Authority	1,019,591	356,245	568,630	253,365	-	158,649	158,649
	<u>\$ 1,978,529</u>	<u>\$ 477,033</u>	<u>\$ 1,470,634</u>	<u>\$ 253,365</u>	<u>63,854</u>	<u>158,649</u>	<u>222,503</u>
General revenues:							
Other					-	13,005	13,005
Total general revenues					-	13,005	13,005
Change in net position					63,854	171,654	235,508
Net position – beginning					478,407	23,988,086	24,466,493
Net position – ending					<u>\$ 542,261</u>	<u>\$ 24,159,740</u>	<u>\$ 24,702,001</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, 2023**

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 Board – 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 to support 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, 2023**

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, 2023**

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, 2023**

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, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. RECEIVABLES AND PAYABLES (CONTINUED)

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

G. INVENTORIES AND PREPAID ITEMS

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

Inventories are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fuel	\$ 61,853	\$ 13,015	\$ 74,868
Materials and supplies	103,516	1,878,020	1,981,536
Totals	<u>\$ 165,369</u>	<u>\$ 1,891,035</u>	<u>\$ 2,056,404</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, 2023**

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, 2023**

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, 2023 totaled \$4,967,157. 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, 2023**

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, 2023**

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. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

For the year ended September 30, 2023, GASB Statement No. 96, *Subscription-Based Information Technology Arrangement* was effective for the City. The primary objective of this statement is to enhance the relevance and consistency of information about subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. GASB Statement No. 96 implementation was assessed and determined not material to the financial statements.

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 8, 2024, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2023.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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.
- (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:

	Deficit Amount
Sanitation	\$ 379,909

NOTE 3 DEPOSIT AND INVESTMENT RISK

At September 30, 2023, the City had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt sinking funds. The fair value was \$3,413,062. The average maturity of the portfolio was 32 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, 2023, 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, 2023

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, 2023, 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	\$ 3,061,089	\$ -	\$ 25,396	\$ -	\$ -
Accounts	29,091	-	-	4,731,767	365,875
Intergovernmental	614,909	460,179	381,984	152,124	191
	<u>3,705,089</u>	<u>460,179</u>	<u>407,380</u>	<u>4,883,891</u>	<u>366,066</u>
Less allowance for uncollectable accounts	(1,477,502)	-	-	(270,786)	(41,195)
Total receivables	<u>\$ 2,227,587</u>	<u>\$ 460,179</u>	<u>\$ 407,380</u>	<u>\$ 4,613,105</u>	<u>\$ 324,871</u>
	Water and Waste Water Fund	Sanitation Fund	Airport Authority	Total	
Taxes	\$ -	\$ -	\$ -	\$ 3,086,485	
Accounts	1,634,826	215,767	10,716	6,988,042	
Intergovernmental	2,808	-	304,388	1,916,583	
	<u>1,637,634</u>	<u>215,767</u>	<u>315,104</u>	<u>11,991,110</u>	
Less allowance for uncollectable accounts	(235,485)	(34,977)	-	(2,059,945)	
Total receivables	<u>\$ 1,402,149</u>	<u>\$ 180,790</u>	<u>\$ 315,104</u>	<u>\$ 9,931,165</u>	

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023 is shown below.

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Natural Gas	\$ 32,652
	Electric	1,200
	Capital Projects	97,632
	Water and Waste Water	63,842
	Sanitation	57,178
Electric	Nonmajor Governmental	47,055
	General	23,279
	Capital Projects	32,923
Natural Gas	Electric	6,743
	Water and Waste Water	19
Water and Waste Water	Electric	6,112
	American Rescue Plan	198,125
	Nonmajor Governmental	287,112
Total		<u>\$ 853,872</u>

Interfund Transfers

Transfer Out	Transfer In						Total
	General	Capital Projects	Nonmajor Governmental	Electric	Water and Waste Water	Sanitation	
General	\$ -	\$ 2,712,463	\$ -	\$ -	\$ -	\$ 738,120	\$ 3,450,583
American Rescue Plan	-	-	-	-	198,125	-	198,125
Nonmajor Governmental	155,744	2,015,087	-	-	-	-	2,170,831
Electric	499,803	-	-	-	48,681	-	548,484
Natural Gas	185,030	-	-	38,826	-	-	223,856
Water and Waste Water	290,324	-	-	38,826	-	-	329,150
Sanitation	-	-	138,527	-	-	-	138,527
Totals	<u>\$ 1,130,901</u>	<u>\$ 4,727,550</u>	<u>\$ 138,527</u>	<u>\$ 77,652</u>	<u>\$ 246,806</u>	<u>\$ 738,120</u>	<u>\$ 7,059,556</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, 2023

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<u>Governmental Activities</u>					
Capital assets not subject to depreciation:					
Land	\$ 27,743,658	\$ -	\$ -	\$ -	\$ 27,743,658
Construction in progress	4,618,117	6,649,315	-	(4,981,781)	6,285,651
Total	<u>32,361,775</u>	<u>6,649,315</u>	<u>-</u>	<u>(4,981,781)</u>	<u>34,029,309</u>
Other capital assets:					
Buildings and improvements	44,820,831	827,976	-	1,527,191	47,175,998
Vehicles and equipment	18,203,258	1,562,583	(427,333)	176,608	19,515,116
Infrastructure	77,010,826	605,760	-	3,366,465	80,983,051
Total	<u>140,034,915</u>	<u>2,996,319</u>	<u>(427,333)</u>	<u>5,070,264</u>	<u>147,674,165</u>
Less accumulated depreciation for:					
Buildings and improvements	(17,404,771)	(1,245,255)	-	-	(18,650,026)
Vehicles and equipment	(13,721,508)	(1,251,239)	382,319	(88,021)	(14,678,449)
Infrastructure	(39,470,399)	(1,575,210)	-	-	(41,045,609)
Total accumulated depreciation	<u>(70,596,678)</u>	<u>(4,071,704)</u>	<u>382,319</u>	<u>(88,021)</u>	<u>(74,374,084)</u>
Other capital assets, net	<u>69,438,237</u>	<u>(1,075,385)</u>	<u>(45,014)</u>	<u>4,982,243</u>	<u>73,300,081</u>
Governmental capital assets, net	<u>\$ 101,800,012</u>	<u>\$ 5,573,930</u>	<u>\$ (45,014)</u>	<u>\$ 462</u>	<u>\$ 107,329,390</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 655,547
Public safety	574,619
Public works	1,763,601
Cultural and recreational	872,596
Library	205,341
Total	<u>\$ 4,071,704</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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	4,695,912	3,407,760	-	(4,315,426)	3,788,246
Total	14,207,506	3,407,760	-	(4,315,426)	13,299,840
Other capital assets:					
Buildings and improvements	3,143,932	216,783	-	-	3,360,715
Vehicles and equipment	20,013,301	2,993,837	(363,711)	(88,484)	22,554,943
Distribution and collection system	115,184,209	15,757,751	-	4,315,426	135,257,386
Total	138,341,442	18,968,371	(363,711)	4,226,942	161,173,044
Less accumulated depreciation for:					
Buildings and improvements	(1,720,981)	(63,770)	-	-	(1,784,751)
Vehicles and equipment	(15,562,369)	(1,338,771)	363,711	88,022	(16,449,407)
Distribution and collection system	(46,762,425)	(2,810,702)	-	-	(49,573,127)
Total accumulated depreciation	(64,045,775)	(4,213,243)	363,711	88,022	(67,807,285)
Other capital assets, net	74,295,667	14,755,128	-	4,314,964	93,365,759
Capital assets, net	\$ 88,503,173	\$ 18,162,888	\$ -	\$ (462)	\$ 106,665,599
<u>Component Unit – Public Library Board</u>					
Capital assets not subject to depreciation:					
Construction in progress	\$ 184,744	\$ -	\$ -	\$ -	\$ 184,744
Other capital assets:					
Vehicles and equipment	553,875	23,659	-	-	577,534
Less accumulated depreciation	(505,028)	(11,985)	-	-	(517,013)
Capital assets, net	\$ 233,591	\$ 11,674	\$ -	\$ -	\$ 245,265
<u>Component Unit – Airport Authority</u>					
Capital assets not subject to depreciation:					
Land	\$ 10,674,228	\$ -	\$ -	\$ -	\$ 10,674,228
Construction in progress	160,864	217,741	(58,820)	-	319,785
Total	10,835,092	217,741	(58,820)	-	10,994,013
Other capital assets:					
Buildings and improvements	12,582,183	-	-	-	12,582,183
Vehicles and equipment	139,345	-	-	-	139,345
Runways	19,387,153	-	-	-	19,387,153
Total	32,108,681	-	-	-	32,108,681
Less accumulated depreciation for:					
Buildings and improvements	(3,794,700)	(307,734)	-	-	(4,102,434)
Vehicles and equipment	(104,065)	(4,046)	-	-	(108,111)
Runways	(2,857,927)	(258,495)	-	-	(3,116,422)
Total accumulated depreciation	(6,756,692)	(570,275)	-	-	(7,326,967)
Other capital assets, net	25,351,989	(570,275)	-	-	24,781,714
Capital assets, net	\$ 36,187,081	\$ (352,534)	\$ (58,820)	\$ -	\$ 35,775,727

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 7 LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes payable	\$ 1,231,138	\$ -	\$ (595,936)	\$ 635,202	\$ 465,449
Compensated absences	1,531,560	855,198	(878,062)	1,508,696	392,977
Governmental activities long-term liabilities	2,762,698	855,198	(1,473,998)	2,143,898	858,426
BUSINESS-TYPE ACTIVITIES					
Direct placements	9,600,000	-	(1,720,000)	7,880,000	1,740,000
Notes payable	1,450,315	-	(470,760)	979,555	483,382
Compensated absences	688,161	463,956	(503,365)	648,752	181,679
Business-type activities long-term liabilities	11,738,476	463,956	(2,694,125)	9,508,307	2,405,061
Total long-term debt	\$ 14,501,174	\$ 1,319,154	\$ (4,168,123)	\$ 11,652,205	\$ 3,263,487

Notes Payable – Governmental Activities

Notes payable at September 30, 2023 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.	\$ 300,000
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.	<u>335,202</u>
	<u>\$ 635,202</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 465,449	\$ 4,690	\$ 470,139
2025	<u>169,753</u>	<u>2,355</u>	<u>172,108</u>
	<u>\$ 635,202</u>	<u>\$ 7,045</u>	<u>\$ 642,247</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, 2023:

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.

\$ 7,880,000

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 \$7,880,000 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, 2023

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, 2023:

Year Ending September 30,	Business-type Activities		
	Direct Placements		
	Principal	Interest	Total
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	510,000	23,424	533,424
2029-2032	1,575,000	30,496	1,605,496
	<u>\$ 7,880,000</u>	<u>\$ 285,440</u>	<u>\$ 8,165,440</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, 2023 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.

\$ 979,555

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 483,382	\$ 13,701	\$ 497,083
2025	<u>496,173</u>	<u>6,880</u>	<u>503,053</u>
	<u>\$ 979,555</u>	<u>\$ 20,581</u>	<u>\$ 1,000,136</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, 2023:

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. \$ 5,970,629

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, 2023

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, 2023:

Year Ending September 30,	Component Units		
	Direct Placements		
	Principal	Interest	Total
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>\$ 5,970,629</u>	<u>\$ 308,975</u>	<u>\$ 6,279,604</u>

The Airport Authority's outstanding bond from direct placement of \$5,970,629 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, 2023:

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund
Total salaries	\$ 1,781,389	\$ 1,185,377	\$ 2,318,496	\$ 1,157,874
Less:				
Salaries capitalized for plant additions	<u>144,187</u>	<u>114,452</u>	<u>62,199</u>	<u>5,777</u>
Salaries charged to operations	<u>\$ 1,637,202</u>	<u>\$ 1,070,925</u>	<u>\$ 2,256,297</u>	<u>\$ 1,152,097</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, 2023

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

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

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

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022.

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

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 10 PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

	ERS	City	Library
Retirements and beneficiaries currently receiving benefits	30,598	124	7
Terminated employees entitled to but not yet receiving benefits	2,286	19	1
Terminated employees not entitled to a benefit	18,689	85	10
Active members	57,278	342	14
Post-DRDP participants who are still in active service	39	-	-
Totals	<u>108,890</u>	<u>570</u>	<u>32</u>

Contributions

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

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

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These 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, 2022, 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.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 10 PENSION PLAN (CONTINUED)

Contributions (Continued)

The City's contractually required contribution rate for the year ended September 30, 2023, was 9.19% of pensionable pay for Tier 1 employees, and 7.44% of pensionable pay for Tier 2 employees. The Fairhope Public Library's contractually required contribution rate for the year ended September 30, 2023, was 12.62% of pensionable pay for Tier 1 employees, and 11.56% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2020, 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 \$2,115,616 and \$60,021 from the Fairhope Public Library for the year ended September 30, 2023.

Net Pension Liability

The City's and Fairhope Public Library's net pension liabilities were measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 rolled forward to September 30, 2022 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, 2021	\$ 57,425,731	\$ 58,273,420
(b) Discount rate	7.45%	7.45%
(c) Entry age normal cost for the period October 1, 2021 to September 30, 2022	1,590,312	1,591,965
(d) Transfer among employers	-	99,916
(e) Actual benefit payments and refunds for October 1, 2021 to September 30, 2022	<u>(3,206,894)</u>	<u>(3,206,894)</u>
(f) Total Pension Liability as of September 30, 2022 [(a) x (1.0745)] + (c) + (d) + [(e) x (1.03725)]	<u>\$ 59,967,609</u>	<u>\$ 60,980,320</u>
(g) Difference between expected and actual		\$ 1,012,711
(h) Less liability transferred for immediate recognition		<u>-</u>
(i) Experience (gain)/loss		<u>\$ 1,012,711</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2021	\$ 1,658,657	\$ 1,638,489
(b) Discount rate	7.70%	7.45%
(c) Entry age normal cost for the period October 1, 2021 to September 30, 2022	38,120	38,120
(d) Transfer among employers	-	-
(e) Actual benefit payments and refunds for October 1, 2021 to September 30, 2022	<u>(93,192)</u>	<u>(93,192)</u>
(f) Total Pension Liability as of September 30, 2022 [(a) x (1.0745)] + (c) + (d) + [(e) x (1.03725)]	<u>\$ 1,723,684</u>	<u>\$ 1,702,013</u>
(g) Difference between expected and actual		\$ (21,671)
(h) Less liability transferred for immediate recognition		<u>-</u>
(i) Experience (gain)/loss		<u>\$ (21,671)</u>

Actuarial Assumptions

The total pension liability as of September 30, 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. 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, 2023

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 (+) Set Back (-)	Adjustment to Rates
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, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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

	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, 2023

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, 2021	\$ 57,425,731	\$ 46,817,503	\$ 10,608,228
Changes for the year:			
Service cost	1,590,312	-	1,590,312
Interest	4,158,760	-	4,158,760
Changes of assumptions	48,529	-	48,529
Differences between expected and actual experience	863,966	-	863,966
Contributions – employer	-	1,361,751	(1,361,751)
Contributions – employee	-	1,145,173	(1,145,173)
Net investment income	-	(5,949,088)	5,949,088
Benefit payments, including refunds of employee contributions	(3,206,894)	(3,206,894)	-
Transfers among employers	99,916	99,916	-
Net Changes	<u>3,554,589</u>	<u>(6,549,142)</u>	<u>10,103,731</u>
Balances at September 30, 2022	<u>\$ 60,980,320</u>	<u>\$ 40,268,361</u>	<u>\$ 20,711,959</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2021	\$ 1,658,657	\$ 1,271,482	\$ 387,175
Changes for the year:			
Service cost	38,120	-	38,120
Interest	120,099	-	120,099
Changes of assumptions	-	-	-
Differences between expected and actual experience	(21,671)	-	(21,671)
Contributions – employer	-	49,766	(49,766)
Contributions – employee	-	28,488	(28,488)
Net investment income	-	(161,653)	161,653
Benefit payments, including refunds of employee contributions	(93,192)	(93,192)	-
Transfers among employers	-	-	-
Net Changes	<u>43,356</u>	<u>(176,591)</u>	<u>219,947</u>
Balances at September 30, 2022	<u>\$ 1,702,013</u>	<u>\$ 1,094,891</u>	<u>\$ 607,122</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	\$ 28,214,156	\$ 20,711,959	\$ 14,447,530
Net pension liability, Fairhope Public Library	\$ 757,692	\$ 607,122	\$ 478,404

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. 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, 2023, the City recognized pension expense of \$1,484,806 while the Fairhope Public Library recognized pension expense of \$29,617. The fund in which the related payroll costs are expended will be used to liquidate the net pension liability. At September 30, 2023, the City and Fairhope Public Library reported deferred outflows of resources and deferred inflows of resources, respectively, related to pensions of the following sources:

City of Fairhope

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 1,358,405	\$ 657,630	\$ 2,016,035
Changes of assumption	1,010,781	489,339	1,500,120
Net difference between projected and actual earnings on plan investments	3,267,994	1,582,101	4,850,095
Employer contributions subsequent to measurement date	<u>1,067,575</u>	<u>516,835</u>	<u>1,584,410</u>
Total	<u>\$ 6,704,755</u>	<u>\$ 3,245,905</u>	<u>\$ 9,950,660</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 244,927	\$ 118,574	\$ 363,501
Changes of assumption	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 244,927</u>	<u>\$ 118,574</u>	<u>\$ 363,501</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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,	
2024	\$ 1,884,130
2025	1,530,288
2026	1,494,871
2027	2,531,242
2028	521,074
Thereafter	41,144
	<u>\$ 8,002,749</u>

Fairhope Public Library

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,711	\$ 22,645
Changes of assumption	26,710	-
Net difference between projected and actual earnings on plan investments	131,418	-
Employer contributions subsequent to measurement date	59,963	-
Total	<u>\$ 224,802</u>	<u>\$ 22,645</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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,	
2024	\$ 46,959
2025	29,060
2026	15,537
2027	50,638
2028	-
Thereafter	-
	<u>\$ 142,194</u>

NOTE 11 COMMITMENTS

The City has various contractual commitments outstanding at year end. The commitments under these contracts totaled \$19,923,506. The commitments funded from governmental activities will be \$3,580,818 and from business-type activities will be \$16,342,688.

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, 2023

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	79
	<hr/>
Totals	113
	<hr/> <hr/>

Total OPEB Liability

The City's total OPEB liability of \$4,967,157 was measured as of September 30, 2022 and was determined by an actuarial valuation as of September 30, 2021.

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2022 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	2.26%
Measurement date	4.02%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

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, 2022 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, 2022 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2022 valuation.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 13 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at September 30, 2022	<u>\$ 9,924,051</u>
Changes for the year:	
Service cost	317,799
Interest	219,910
Differences between expected and actual experience	(4,675,601)
Changes of assumptions or other inputs	(429,781)
Benefit payments	<u>(389,221)</u>
Net Changes	<u>(4,956,894)</u>
Balance at September 30, 2023	<u><u>\$ 4,967,157</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 (3.02%) or 1-percentage-point higher (5.02%) than the current discount rate:

	<u>1% Decrease (3.02%)</u>	<u>Current Rate (4.02%)</u>	<u>1% Increase (5.02%)</u>
Total OPEB liability	\$ 5,300,209	\$ 4,967,157	\$ 4,653,578

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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	\$ 4,576,305	\$ 4,967,157	\$ 5,407,543

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$389,221. The fund in which the related payroll costs are expended will be used to liquidate the total OPEB liability. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 123,805	\$ 63,365	\$ 187,170
Changes of assumption	285,681	146,215	431,896
Employer contributions subsequent to measurement date	242,557	124,143	366,700
Total	<u>\$ 652,043</u>	<u>\$ 333,723</u>	<u>\$ 985,766</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 2,643,431	\$ 1,352,938	\$ 3,996,369
Changes of assumption	574,619	294,096	868,715
Total	<u>\$ 3,218,050</u>	<u>\$ 1,647,034</u>	<u>\$ 4,865,084</u>

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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,	
2023	\$ (1,482,827)
2024	(1,268,756)
2025	(1,382,092)
2026	(112,343)
2027	-
Thereafter	-
	<u><u>\$ (4,246,018)</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 \$2,025,000 at September 30, 2023.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 \$698,403 at September 30, 2023.

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 \$688,285 at September 30, 2023.

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 \$1,235,929 at September 30, 2023.

(continued)

CITY OF FAIRHOPE, ALABAMA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 \$390,000 at September 30, 2023.

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 \$460,800 at September 30, 2023.

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 \$664,103 at September 30, 2023.

(continued)

CITY OF FAIRHOPE, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury portfolio	\$ 3,413,062	\$ -	\$ -	\$ 3,413,062
AMIC Insurance	-	-	36,090	36,090
Total	<u>\$ 3,413,062</u>	<u>\$ -</u>	<u>\$ 36,090</u>	<u>\$ 3,449,152</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, 2023 totaled \$11,011.

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, 2023**

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 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>2023</u>	<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	\$ 2,115,616	\$ 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>2,115,616</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 20,219,474	\$ 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	10%	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 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	23.1 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% – 5.00%, including inflation
Investment rate of return	7.45%, 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 2023.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

Fairhope Public Library

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 60,021	\$ 58,907	\$ 40,428	\$ 33,956	\$ 33,677	\$ 34,636	\$ 41,630	\$ 39,481
Contributions in relation to the actuarially determined contribution	<u>60,021</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 529,976	\$ 537,297	\$ 478,807	\$ 473,525	\$ 501,964	\$ 489,687	\$ 486,684	\$ 426,252
Contributions as a percentage of covered payroll	11%	11%	8%	7%	7%	7%	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 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	23.1 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25% – 5.00%, including inflation
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 2016 through 2023.

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>								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 1,590,312	\$ 1,391,051	\$ 1,171,361	\$ 1,106,681	\$ 1,072,514	\$ 1,075,003	\$ 997,552	\$ 975,740	\$ 944,066
Interest	4,158,760	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	863,966	1,266,920	299,167	557,843	(1,109,067)	(296,198)	(52,317)	83,217	-
Changes in assumptions	48,529	1,996,549	-	-	251,496	-	1,344,385	-	-
Benefit payments, including refunds of employee contributions	(3,206,894)	(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	99,916	176,817	426,549	40,780	(113,767)	(317,929)	(76,441)	-	-
Net change in total pension liability	3,554,589	5,790,053	3,338,014	2,262,592	992,885	1,533,494	3,375,813	1,789,128	1,585,545
Total pension liability – beginning	57,425,731	51,635,678	48,297,664	46,035,072	45,042,187	43,508,693	40,132,880	38,343,752	36,758,207
Total pension liability – ending (a)	\$ 60,980,320	\$ 57,425,731	\$ 51,635,678	\$ 48,297,664	\$ 46,035,072	\$ 45,042,187	\$ 43,508,693	\$ 40,132,880	\$ 38,343,752
Plan fiduciary net position									
Contributions – employer	\$ 1,361,751	\$ 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	1,145,173	1,057,424	913,202	807,355	796,436	679,081	680,391	621,817	599,215
Net investment income	(5,949,088)	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	(3,206,894)	(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	99,916	176,817	426,549	40,780	(113,767)	(317,929)	(76,441)	(16,923)	(36,268)
Net change in plan fiduciary net position	(6,549,142)	8,208,691	1,751,811	65,338	2,435,133	3,173,247	2,689,744	(269,829)	2,478,996
Plan net position – beginning	46,817,503	38,608,812	36,857,001	36,791,663	34,356,530	31,183,283	28,493,539	28,763,368	26,284,372
Plan net position – ending (b)	\$ 40,268,361	\$ 46,817,503	\$ 38,608,812	\$ 36,857,001	\$ 36,791,663	\$ 34,356,530	\$ 31,183,283	\$ 28,493,539	\$ 28,763,368
Net pension liability (asset) – ending (a)-(b)	\$ 20,711,959	\$ 10,608,228	\$ 13,026,866	\$ 11,440,663	\$ 9,243,409	\$ 10,685,657	\$ 12,325,410	\$ 11,639,341	\$ 9,580,384
Plan fiduciary net position as a percentage of the total pension liability	66.04%	81.53%	74.77%	76.31%	79.92%	76.28%	71.67%	71.00%	75.01%
Covered payroll	\$ 17,483,038	\$ 16,295,170	\$ 16,022,575	\$ 14,606,719	\$ 13,360,562	\$ 12,944,171	\$ 13,010,034	\$ 11,659,254	\$ 11,394,370
Net pension liability (asset) as a percentage of covered payroll	118%	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 2022.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	<u>Fairhope Public Library</u>								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 38,120	\$ 27,256	\$ 32,407	\$ 29,287	\$ 28,941	\$ 31,457	\$ 37,134	\$ 37,305	\$ 36,648
Interest	120,099	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	(21,671)	(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	(93,192)	(77,468)	(65,814)	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	-	-	-	(12,994)	-	-	-	-	-
Net change in total pension liability	43,356	119,469	117,098	51,601	67,530	74,491	154,750	(18,628)	67,716
Total pension liability – beginning	1,658,657	1,539,188	1,422,090	1,370,489	1,302,959	1,228,468	1,073,718	1,092,346	1,022,630
Total pension liability – ending (a)	\$ 1,702,013	\$ 1,658,657	\$ 1,539,188	\$ 1,422,090	\$ 1,370,489	\$ 1,302,959	\$ 1,228,468	\$ 1,073,718	\$ 1,090,346
Plan fiduciary net position									
Contributions – employer	\$ 49,766	\$ 39,288	\$ 32,554	\$ 33,178	\$ 33,039	\$ 40,040	\$ 39,583	\$ 43,472	\$ 43,802
Contributions – member	28,488	25,137	44,410	23,823	22,728	22,527	21,976	20,166	19,155
Net investment income	(161,653)	232,230	56,580	24,809	82,409	100,700	72,223	8,684	81,118
Benefit payments, including refunds of employee contributions	(93,192)	(77,468)	(65,814)	(56,829)	(56,340)	(55,417)	(58,555)	(129,622)	(48,791)
Transfers among employers	-	-	-	(12,994)	-	-	-	-	-
Net change in plan fiduciary net position	(176,591)	219,187	67,730	11,987	81,836	107,850	75,227	(57,300)	95,284
Plan net position – beginning	1,271,482	1,052,295	984,565	972,578	890,742	782,892	707,665	764,965	669,681
Plan net position – ending (b)	\$ 1,094,891	\$ 1,271,482	\$ 1,052,295	\$ 984,565	\$ 972,578	\$ 890,742	\$ 782,892	\$ 707,665	\$ 764,965
Net pension liability (asset) – ending (a)-(b)	\$ 607,122	\$ 387,175	\$ 486,893	\$ 437,525	\$ 397,911	\$ 412,217	\$ 445,576	\$ 366,053	\$ 325,381
Plan fiduciary net position as a percentage of the total pension liability	64.33%	76.66%	68.37%	69.23%	70.97%	68.36%	63.73%	65.91%	70.16%
Covered payroll	\$ 450,741	\$ 419,081	\$ 398,880	\$ 442,352	\$ 461,619	\$ 433,005	\$ 455,696	\$ 412,627	\$ 383,102
Net pension liability (asset) as a percentage of covered payroll	135%	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 2022.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

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

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 317,799	\$ 307,242	\$ 283,527	\$ 203,973	\$ 401,209	\$ 441,966
Interest	219,910	231,803	250,165	340,720	442,731	371,696
Differences between expected and actual experience	(4,675,601)	(227,382)	462,366	85,836	(4,733,827)	2,650
Changes in assumptions	(429,781)	(730,010)	431,719	1,071,768	45,224	(757,435)
Benefit payments	<u>(389,221)</u>	<u>(291,262)</u>	<u>(395,053)</u>	<u>(499,978)</u>	<u>(313,549)</u>	<u>(373,128)</u>
Net change in total OPEB liability	<u>(4,956,894)</u>	<u>(709,609)</u>	<u>1,032,724</u>	<u>1,202,319</u>	<u>(4,158,212)</u>	<u>(314,251)</u>
Total OPEB liability – beginning	<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>	<u>12,871,080</u>
Total OPEB liability – ending	<u>\$ 4,967,157</u>	<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>
Covered employee payroll	\$ 4,842,876	\$ 5,676,202	\$ 5,676,202	\$ 6,190,702	\$ 6,190,702	\$ 8,226,573
Net OPEB liability as a percentage of covered employee payroll	102.57%	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 2022.

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 2023.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% to 4.02% 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Local taxes	\$ 23,003,457	\$ 23,003,457	\$ 25,975,781	\$ 2,972,324
Licenses and permits	4,868,948	4,868,948	6,292,136	1,423,188
Fines and forfeitures	230,000	230,000	298,611	68,611
Intergovernmental	650,960	650,960	1,010,555	359,595
Interest and rents	288,976	288,976	1,279,463	990,487
Charges for services	3,949,929	3,949,929	4,064,573	114,644
Golf course revenue	1,238,000	1,238,000	1,381,262	143,262
Recreation Department	481,000	481,000	657,288	176,288
Other	1,800,286	1,830,894	1,071,370	(759,524)
Total revenues	<u>36,511,556</u>	<u>36,542,164</u>	<u>42,031,039</u>	<u>5,488,875</u>
EXPENDITURES				
General government				
General	2,645,210	2,645,207	2,877,788	(232,581)
Planning	1,179,344	1,179,344	910,713	268,631
Building	1,150,797	1,150,797	1,168,587	(17,790)
Elected officials	291,238	291,238	286,528	4,710
Revenue	664,797	664,798	604,007	60,791
Judicial	305,946	305,946	286,990	18,956
Appropriations	256,740	256,740	256,740	-
Human Resources	494,907	507,407	507,111	296
Meter	695,618	695,618	693,782	1,836
Information Technology	1,206,287	1,206,287	879,979	326,308
Other	548,817	548,817	396,049	152,768
Public safety				
Police	8,074,722	8,088,668	7,337,738	750,930
Fire	870,727	870,727	751,437	119,290
Public works				
Street	5,127,872	5,177,761	5,136,171	41,590
Fleet maintenance	802,925	802,925	830,861	(27,936)
Cultural and recreational				
Economic and community development	694,305	694,306	675,151	19,155
Adult recreation	409,150	409,150	470,474	(61,324)
Recreation	2,668,389	2,668,390	2,581,923	86,467
Golf	2,016,603	2,016,604	1,665,241	351,363
Marina	707,829	707,829	702,672	5,157
Civic Center	273,924	273,924	277,081	(3,157)
Museum and Welcome Center	195,801	195,801	185,200	10,601
Airport Authority	320,000	320,000	320,000	-
Public Library Board	875,000	875,000	875,000	-
Debt service payments:				
Principal	300,000	300,000	461,132	(161,132)
Interest	-	-	9,009	(9,009)
Capital outlay	3,821,538	3,840,397	2,750,087	1,090,310
Total expenditures	<u>36,598,486</u>	<u>36,693,681</u>	<u>33,897,451</u>	<u>2,796,230</u>
Excess of revenues over (under) expenditures	<u>(86,930)</u>	<u>(151,517)</u>	<u>8,133,588</u>	<u>8,285,105</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	157,523	157,523
Transfers in	1,200,050	1,264,637	1,130,901	(133,736)
Transfers out	(1,113,120)	(1,113,120)	(3,450,583)	(2,337,463)
Total other financing sources (uses)	<u>86,930</u>	<u>151,517</u>	<u>(2,162,159)</u>	<u>(2,313,676)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>5,971,429</u>	<u>\$ 5,971,429</u>
Fund balances – beginning of year			<u>27,063,115</u>	
FUND BALANCES – END OF YEAR			<u>\$ 33,034,544</u>	

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

NOTE 1 EXCESS EXPENDITURES

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

	Excess Expenditures		Excess Expenditures		Excess Expenditures		Excess Expenditures
General Government		Information Technology		Street Department		Golf Department	
Overtime	\$ 8,488	Overtime	\$ 20,880	Overtime	\$ 80,004	Overtime	\$ 4,876
Audit and accounting	12,537	Training	3,673	Professional services	15,863	Casualty/workers comp insurance	3,189
Legal fees	62,265	Casualty/workers comp insurance	931	General supplies	97,513	Clubhouse supplies	3,515
Communications	567	Postage	130	Equipment and vehicle repair	29,815	Small equipment	4,395
Employment screening	164	General supplies	349	Uniforms	4,695	Equipment and vehicle repair	1,877
Gasoline and oil	54	Equipment and vehicle repair	972	Equipment rental	2,167	Utilities	35,603
Uniforms	272	Safety supplies	114	Utilities	31,026	Gasoline and oil	726
Interest expense	25			Casualty/workers comp insurance	3,410	Credit card processing fees	7,371
Bank fees	10,945	Revenue		Postage	107	Required contributions	10,316
Publications and newspapers	42,295	Computer expense	1,541	Employment screening	684	Equipment rental	7,376
Bad debts	956	Casualty/workers comp insurance	835	Training	9,169	General maintenance	30,761
Sales tax abatement	207,554	Uniforms	119	Computer expense	2,793	Uniforms	1,334
Grant expenditures	20,000	Office supplies	186	Flowers	15,900	Printers	4
Sales tax collection fees	16,540			General maintenance	21,394	Postage	23
City hall maintenance	14,673	Judicial Department		Communications	1,615	Property rental	1,500
		Overtime	26,160	Dues	429		
		Training	1,279			Marina	
Planning Department		Casualty/workers comp insurance	164	Fleet Maintenance Department		Diesel	3,454
Overtime	26	General maintenance	65	Overtime	16,800	Casualty/workers comp insurance	2,394
Legal fees	44,851	Credit card processing fees	50	General maintenance	2,528	Overtime	11,219
General supplies	1,264	Data system	1,500	Casualty/workers comp insurance	446	Printers	94
Employment screening	81			Payroll taxes	1,438	General maintenance	27,022
Small equipment	1,333	Other		Equipment and vehicle repair	3,257	General supplies	4,180
Equipment and vehicle repair	1,092	Library building maintenance	13,029	Utilities	5,808	Dues	635
		Library communications	730	Salaries	25,051	Credit card processing fee	7,902
Building Department		Parking garage maintenance	613	Employee medical insurance	2,852	Employment screening	119
Building fees	69,107	Colony rent	6,613	Required contributions	1,455		
Overtime	4,013	Haven capital purchase	94,374	Printers	36	Civic Center	
Casualty/workers comp insurance	2,104			Postage	169	Salaries	404
Professional services	18,625	Police Department		Capital Outlay	32,724	Casualty/workers comp insurance	81
General maintenance	251	Overtime	33,717			Employee retirement expense	169
Employment screening	81	Casualty/workers comp insurance	9,445	Adult Recreation Department		Dues	55
Credit card processing fees	36,435	Camera expense	2	Casualty/workers comp insurance	472	General Supplies	3,415
Gasoline and oil	3,948	Office supplies	3,110	Special programs	1,100	Utilities	22,500
Equipment and vehicle repair	6,191	General maintenance	26,359	Other	2,384		
		Gasoline and oil	22,175	General supplies	67	Museum and Welcome Center	
Elected officials		Equipment and vehicle repair	65,277	Equipment and vehicle repair	2,099	Casualty/workers comp insurance	44
Salaries	281	Narcotic purchases	249	Credit card processing fees	1,278	Utilities	11,463
Training	6,396	Utilities	84,511	Employment screening	81	Capital Outlay	6,098
Casualty/workers comp insurance	262			Utilities	116,076		
Employee retirement expense	62	Fire Department				Transfers	
		Overtime	210	Economic and Community Development		Transfers – Impact fee fund	133,736
Human Resources		Fire call payments	6,035	Overtime	1,132	Transfers – Capital projects fund	2,337,463
Overtime	30,868	Postage	19	Casualty/workers comp insurance	766		
Casualty/workers comp insurance	1,816	Casualty/workers comp insurance	2,926	General supplies	1,103	Debt Service	
Salaries	5,281	Small equipment	1,027	Salaries	3,292	Principal payments	161,133
Employee payroll taxes	802	Utilities	1,818	Community events	736	Interest expense	9,009
Office supplies	965	Uniforms	402	Tourism	10,811		
Employee retirement expense	1,074	Gasoline and oil	2,996				
Communications	42			Recreation Department			
Miscellaneous	1,659			Overtime	27,715		
				Casualty/workers comp insurance	6,662		
Meter				Postage	95		
Casualty/workers comp insurance	2,578			Required contributions	485		
Employee medical insurance	11,843			Tennis	19,798		
General supplies	1,455			General maintenance	6,425		
Small equipment	3,000			Training	3,079		
Equipment and vehicle repair	16,179			Professional services	26,500		
				Utilities	338,797		
				Pool supplies	81		
				Uniforms	1,293		
				Credit card processing fee	2,460		
				Camera expense	3,958		
				Printers	637		
				Employment screening	1,277		
				Small equipment	12,336		

See independent auditors' report.

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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, 2023

	Special Revenue Funds							Total
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court	Debt Service	
ASSETS								
Cash	\$ 2,116,304	\$ 158,134	\$ 213,976	\$ 668,491	\$ 59,129	\$ 102,201	\$ -	\$ 3,318,235
Receivables	-	10,480	14,916	-	381,984	-	-	407,380
Total assets	<u>\$ 2,116,304</u>	<u>\$ 168,614</u>	<u>\$ 228,892</u>	<u>\$ 668,491</u>	<u>\$ 441,113</u>	<u>\$ 102,201</u>	<u>\$ -</u>	<u>\$ 3,725,615</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 125,936	\$ 71,807	\$ -	\$ 197,743
Due to other funds	-	-	-	-	307,467	26,700	-	334,167
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,403</u>	<u>98,507</u>	<u>-</u>	<u>531,910</u>
FUND BALANCES								
Restricted:								
Road maintenance	-	168,614	228,892	-	-	-	-	397,506
Capital improvements	-	-	-	668,491	7,710	-	-	676,201
Municipal Court	-	-	-	-	-	3,694	-	3,694
Committed:								
Construction and road maintenance	<u>2,116,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,116,304</u>
Total fund balances	<u>2,116,304</u>	<u>168,614</u>	<u>228,892</u>	<u>668,491</u>	<u>7,710</u>	<u>3,694</u>	<u>-</u>	<u>3,193,705</u>
Total liabilities and fund balances	<u>\$ 2,116,304</u>	<u>\$ 168,614</u>	<u>\$ 228,892</u>	<u>\$ 668,491</u>	<u>\$ 441,113</u>	<u>\$ 102,201</u>	<u>\$ -</u>	<u>\$ 3,725,615</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, 2023

	Special Revenue Funds							Total
	Impact Fees	Gas Tax	Rebuild Gas Tax	Municipal Capital Improvements	Federal Grants	Municipal Court	Debt Service	
REVENUES								
Taxes	\$ -	\$ -	\$ 167,386	\$ -	\$ -	\$ -	\$ -	\$ 167,386
Intergovernmental	-	115,128	-	208,441	397,250	-	-	720,819
Charges for services	1,418,399	-	-	-	-	-	-	1,418,399
Interest and rents	102,151	-	8,941	18,797	7,728	3,684	-	141,301
Total revenues	<u>1,520,550</u>	<u>115,128</u>	<u>176,327</u>	<u>227,238</u>	<u>404,978</u>	<u>3,684</u>	<u>-</u>	<u>2,447,905</u>
EXPENDITURES								
General government	1,122	-	816	817	-	263	-	3,018
Debt service								
Principal	-	-	-	-	-	-	134,804	134,804
Interest	-	-	-	-	-	-	3,723	3,723
Capital outlay	-	-	-	-	397,268	-	-	397,268
Total expenditures	<u>1,122</u>	<u>-</u>	<u>816</u>	<u>817</u>	<u>397,268</u>	<u>263</u>	<u>138,527</u>	<u>538,813</u>
Excess of revenues over (under) expenditures	<u>1,519,428</u>	<u>115,128</u>	<u>175,511</u>	<u>226,421</u>	<u>7,710</u>	<u>3,421</u>	<u>(138,527)</u>	<u>1,909,092</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	138,527	138,527
Transfers out	(1,947,831)	(93,000)	(130,000)	-	-	-	-	(2,170,831)
Total other financing sources (uses)	<u>(1,947,831)</u>	<u>(93,000)</u>	<u>(130,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,527</u>	<u>(2,032,304)</u>
Net change in fund balances	(428,403)	22,128	45,511	226,421	7,710	3,421	-	(123,212)
Fund balances – beginning of year	<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>
FUND BALANCES – END OF YEAR	<u>\$ 2,116,304</u>	<u>\$ 168,614</u>	<u>\$ 228,892</u>	<u>\$ 668,491</u>	<u>\$ 7,710</u>	<u>\$ 3,694</u>	<u>\$ -</u>	<u>\$ 3,193,705</u>

See independent auditors' report.

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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, 2023

ASSETS

Cash and cash equivalents	\$ 717,758
Prepaid items	7,169
	<hr/>
Total assets	\$ 724,927
	<hr/> <hr/>

LIABILITIES

Accounts payable and accrued liabilities	\$ 22,966
	<hr/>

FUND BALANCES

Nonspendable:	
Prepaid items	7,169
Restricted:	
Library improvements	205,687
Unassigned	489,105
	<hr/>
Total fund balances	701,961
	<hr/> <hr/>

TOTAL LIABILITIES AND FUND BALANCES	\$ 724,927
	<hr/> <hr/>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
FAIRHOPE PUBLIC LIBRARY BOARD
SEPTEMBER 30, 2023

Fund balances as reported on page 75	\$	701,961
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.		762,278
Depreciation is provided for the above capital assets in government-wide reporting, but is not in fund financial statements.		(517,013)
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Deferred outflows of resources related to net pension liability		224,802
Long-term liabilities, including warrants, notes, capital lease obligations, pension and OPEB obligations are not due and payable in the current period and, therefore, are not reported in fund financial statements: Net pension liability Deferred inflows of resources related to net pension liability		(607,122) (22,645)
Net position of governmental activities as reported on page 24	\$	542,261

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, 2023**

REVENUES

Fines and lost books	\$ 13,613
Donations, gifts, memorials and bequests	93,941
State aid	27,004
Payments from City of Fairhope	875,000
Miscellaneous	13,234
Total revenues	<u>1,022,792</u>

EXPENDITURES

Salaries	521,014
Payroll taxes	41,374
Insurance	8,720
Employees' retirement	60,021
Books, periodicals, audio visual	94,518
Supplies	16,476
Janitorial service	21,199
Professional fees	11,543
Telecommunications	556
Capital outlay	24,678
Maintenance	79,212
Miscellaneous	61,684
Total expenditures	<u>940,995</u>

Net change in fund balances 81,797

Fund balances – beginning of year 620,164

FUND BALANCES – END OF YEAR \$ 701,961

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, 2023

Net change in fund balances – total governmental funds, page 77	\$ 81,797
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.	23,659
Depreciation expense on governmental capital assets included in the capital assets in the statement of net position.	(11,985)
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>(29,617)</u>
Change in net position of governmental activities, page 25	<u><u>\$ 63,854</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF NET POSITION
FAIRHOPE AIRPORT AUTHORITY
SEPTEMBER 30, 2023**

ASSETS

Cash and cash equivalents	\$ 311,827
Receivables, net	315,104
Prepaid items	41,912
Capital assets not being depreciated:	
Land	10,674,228
Construction in progress	319,785
Capital assets net of accumulated depreciation:	
Buildings and improvements	8,479,749
Vehicles and equipment	31,234
Runways	16,270,731
	<hr/>
Total assets	<u>\$ 36,444,570</u>

LIABILITIES

Accounts payable and accrued liabilities	\$ 91,797
Unearned revenue	25,884
Customer deposits	34,000
Long-term liabilities:	
Due within one year	275,000
Due in more than one year	5,695,629
	<hr/>
Total liabilities	<u>6,122,310</u>

DEFERRED INFLOWS OF RESOURCES

Service concession arrangement revenue applicable to future years	<hr/>
	6,162,520

NET POSITION

Net investment in capital assets	29,805,098
Unassigned	(5,645,358)
	<hr/>
Total net position	<u>24,159,740</u>
	<hr/>
Total liabilities and fund balances	<u>\$ 36,444,570</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, 2023**

OPERATING REVENUES	
Fuel sales and rentals	\$ 356,245
Total operating revenues	<u>356,245</u>
OPERATING EXPENSES	
Insurance	134,331
Legal and professional	64,106
Maintenance	106,466
Depreciation	570,275
Other	14,678
Total operating expenses	<u>889,856</u>
OPERATING LOSS	<u>(533,611)</u>
NONOPERATING REVENUES (EXPENSES)	
Revenue from service concession arrangement	248,630
Intergovernmental revenue	253,365
Payments from City of Fairhope	320,000
Interest expense	(70,915)
Loss on sale of capital assets	(58,820)
Miscellaneous	13,005
Total nonoperating revenues (expenses)	<u>705,265</u>
Change in net position	<u>171,654</u>
Net position – beginning of year	<u>23,988,086</u>
NET POSITION – END OF YEAR	<u><u>\$ 24,159,740</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**STATEMENT OF CASH FLOWS
FAIRHOPE AIRPORT AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Received from customers	\$ 381,250
Paid to suppliers for goods and services	(261,161)
Net cash provided by operating activities	<u>120,089</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Amounts received from City of Fairhope	<u>320,000</u>
--	----------------

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

Repayment of debt	(250,000)
Interest paid	(70,915)
Capital grants received	165,620
Acquisition of capital assets	<u>(191,857)</u>
Net cash used in capital and related financing activities	<u>(347,152)</u>

NET INCREASE IN CASH

92,937

CASH – BEGINNING OF YEAR

218,890

CASH – END OF YEAR

\$ 311,827

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

Operating loss	\$ (533,611)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	570,275
Other nonoperating revenues	13,005
Change in operating assets and operating liabilities:	
Decrease in prepaid items	3,954
Increase in accounts payable	54,466
Increase in customer deposits	<u>12,000</u>
Net cash provided by operating activities	<u><u>\$ 120,089</u></u>

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**SCHEDULE OF CAPITAL PROJECTS EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Track at Founders Park	\$ 1,957,074
BRATS Hub Transit Shelter	1,170,825
Volanta Park baseball project	849,479
City street upgrades	697,266
Greeno and Gayfer turn lane construction	634,635
Drainage improvements	199,047
Volanta Park restrooms	190,169
Founders Park restrooms	189,672
Pickleball courts	132,122
Roundabout at N. Section and Hwy 104	118,116
North Triangle nature park	109,797
K-1 Center improvements	104,786
Clock corner improvements	70,438
Sidewalks on Blue Island and Fairwood	54,492
Stadium ADA platform and ramps	28,008
	<hr/>
Total	\$ 6,505,926

The above items are only from the capital projects fund.

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

**SCHEDULE OF INFORMATION REQUIRED BY BOND INDENTURES
SEPTEMBER 30, 2023**

	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund	
A. Utility customers at September 30, 2023 were as follows:					
Number of customers	7,184	13,014	21,830	11,546	
Number of metered customers	7,184	13,014	21,830	11,546	
Number of unmetered customers	-	-	-	-	
Number of waste water customers	-	-	12,667	-	
B. Annual net income of utility operations					
	Electric Fund	Natural Gas Fund	Water and Waste Water Fund	Sanitation Fund	Total
Income (loss) from operations	\$ 2,522,886	\$ 1,946,807	\$ 7,332,202	\$ (272,697)	\$ 11,529,198
Add:					
Depreciation	1,148,374	563,358	2,155,922	345,589	4,213,243
Interest income	274,315	440,126	423,745	12,726	1,150,912
Annual net income as prescribed by debt covenants	<u>\$ 3,945,575</u>	<u>\$ 2,950,291</u>	<u>\$ 9,911,869</u>	<u>\$ 85,618</u>	<u>\$ 16,893,353</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 2024					\$ 1,000,000
Buildings and facilities – expires January 2024					124,838,361
Equipment – expires January 2024					6,035,815
Automobile – expires January 2024					
Liability					1,000,000
Uninsured motorist					50,000
Public officials errors and omissions liability – expires January 2024					
Aggregate					2,000,000
Per occurrence					1,000,000
Police liability – expires January 2024					
Aggregate					2,000,000
Per occurrence					1,000,000
Excess liability policy for general liability, police and public official – expires January 2024					6,000,000
D. The City has complied with all requirements of the respective bond indentures.					

See independent auditors' report.

CITY OF FAIRHOPE, ALABAMA

SUMMARY OF DEPOSITS, WITHDRAWALS AND BALANCES OF SELECTED TRUST ACCOUNTS AS
REQUIRED UNDER CERTAIN TRUST INDENTURES
SEPTEMBER 30, 2023

	1996 Capital Improvement	2020 URW Reserve Fund	2020 URW Warrant Fund
Balance October 1, 2022	\$ 50,791	\$ 1,839,486	\$ 1,477,950
Deposits	2,061	92,559	2,026,856
Disbursements	-	(77,401)	(1,999,240)
Balance September 30, 2023	<u>\$ 52,852</u>	<u>\$ 1,854,644</u>	<u>\$ 1,505,566</u>

See independent auditors' report.

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	85-90
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>	91-95
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	96-99
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	100-101
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	102-104

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

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 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	\$ 106,694,188
Restricted	1,557,163	2,308,667	1,706,056	650,031	750,122	227,092	1,135,047	1,011,343	775,703	1,131,211
Unrestricted	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	24,642,361
Total governmental activities net position	\$ 85,874,638	\$ 83,135,930	\$ 87,376,353	\$ 95,835,117	\$ 91,890,072	\$ 95,850,827	\$ 99,604,152	\$ 106,586,587	\$ 119,255,679	\$ 132,467,760
Business-type activities										
Net investment in capital assets	\$ 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	\$ 97,862,369
Restricted	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	3,413,062
Unrestricted	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	16,081,329
Total business-type activities net position	\$ 48,017,655	\$ 52,346,033	\$ 56,458,208	\$ 60,029,939	\$ 65,546,304	\$ 73,936,207	\$ 85,463,662	\$ 96,107,353	\$ 104,728,385	\$ 117,356,760
Primary government										
Net investment in capital assets	\$ 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	\$ 204,556,557
Restricted	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	4,544,273
Unrestricted	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	40,723,690
Total primary government net position	\$ 133,892,293	\$ 135,481,963	\$ 143,834,561	\$ 155,865,056	\$ 157,436,376	\$ 169,787,034	\$ 185,067,814	\$ 202,693,940	\$ 223,984,064	\$ 249,824,520

CITY OF FAIRHOPE, ALABAMA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 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	\$ 9,376,769
Public safety	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	8,520,492
Public works	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	7,635,053
Cultural and recreational	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	7,342,832
Airport Authority	443,000	412,632	428,000	342,000	320,000	320,000	320,000	335,000	320,000	320,000
Public Library Board	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	1,080,341
Interest on long-term debt	472,222	344,808	339,051	53,853	94,506	71,726	27,969	31,431	10,520	9,529
Total governmental activities expenses	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	34,285,016
Business-type activities:										
Electric	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	20,399,421
Natural gas	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	6,944,703
Water and waste water	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	11,331,087
Sanitation	-	-	-	-	-	-	-	-	3,265,985	3,145,593
Total business-type activities expenses	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	41,820,804
Total primary government expenses	\$ 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	\$ 76,105,820
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 11,361,540
Public safety	285,573	-	-	-	-	-	-	-	-	-
Public works	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	1,553,287	1,622,983	1,649,815	1,664,643	1,926,828	2,148,050	1,995,263	2,420,846	2,719,406	2,860,901
Operating grants and contributions	9,144	-	-	102,507	94,494	127,978	542,126	9,157,959	2,014,462	677,863
Capital grants and contributions	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	4,286,518
Total governmental activities program revenues	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	19,186,822
Business-type activities:										
Charges for services:										
Electric	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	22,921,242
Natural gas	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	8,817,304
Water and waste water	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	18,559,691
Sanitation	-	-	-	-	-	-	-	-	2,773,365	2,846,575
Operating grants and contributions	-	-	-	-	-	-	24,299	125,743	170,397	137,489
Capital grants and contributions	-	-	-	-	-	253,028	2,304,665	-	-	-
Total business-type activities program revenues	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	53,282,301
Total primary government program revenues	\$ 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	\$ 72,469,123

CITY OF FAIRHOPE, ALABAMA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (15,098,194)
Business-type activities	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	11,461,497
Total primary government net expense	\$ 1,585,995	\$ (4,215,713)	\$ (6,285,557)	\$ (5,732,011)	\$ (5,889,830)	\$ (5,283,145)	\$ (3,837,910)	\$ (5,031,896)	\$ (3,337,584)	\$ (3,636,697)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 8,648,008
Sales tax	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	14,815,624
Liquor taxes	445,132	451,719	482,755	536,643	498,044	606,819	632,363	714,140	733,897	739,563
Lodging taxes	614,278	681,419	696,379	762,562	653,697	1,116,242	911,537	1,366,725	1,668,841	1,784,596
Other taxes	138,204	138,382	133,057	139,444	127,513	122,059	116,455	111,649	105,778	98,590
Intergovernmental	389,561	1,695,688	568,566	-	-	-	-	-	-	-
Investment earnings	239,205	228,670	302,181	335,106	59,157	126,115	274,246	174,777	219,012	1,346,130
Loss on sale of assets	(261,340)	-	-	-	-	-	-	-	-	-
Other	147,672	705,142	147,452	283,385	262,849	292,339	341,897	1,404,410	305,727	699,864
Transfers in/(out)	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	177,900
Total governmental activities	16,173,980	17,076,118	17,574,075	17,930,377	18,761,618	19,259,529	19,365,639	23,883,318	25,803,312	28,310,275
Business-type activities:										
Investment earnings	30,815	18,440	15,162	23,552	53,651	136,797	519,544	307,434	368,554	1,150,912
Other	-	-	-	19,276	14,775	16,167	37,608	3,787	80,984	193,866
Transfers in/(out)	(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)	(177,900)
Total business-type activities	(3,581,667)	(1,808,135)	(2,935,920)	(2,710,416)	(3,112,574)	(1,625,726)	(246,949)	(1,225,296)	(1,175,604)	1,166,878
Total primary government	\$ 12,592,313	\$ 15,267,983	\$ 14,638,155	\$ 15,219,961	\$ 15,649,044	\$ 17,633,803	\$ 19,118,690	\$ 22,658,022	\$ 24,627,708	\$ 29,477,153
Change in Net Position										
Governmental activities	\$ 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	\$ 13,212,081
Business-type activities	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	12,628,375
Total primary government	\$ 14,178,308	\$ 11,052,270	\$ 8,352,598	\$ 9,487,950	\$ 9,759,214	\$ 12,350,658	\$ 15,280,780	\$ 17,626,126	\$ 21,290,124	\$ 25,840,456

CITY OF FAIRHOPE, ALABAMA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Ad Valorem Tax</u>	<u>Automobile Tax</u>	<u>Liquor Tax</u>	<u>Cigarette Tax</u>	<u>Lodging Tax</u>	<u>Dog Tax</u>	<u>Total</u>
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
2023	14,815,624	7,498,497	1,149,511	739,563	98,550	1,784,596	40	26,086,381

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 85,490	\$ 303,387	\$ 323,647	\$ 136,037	\$ 203,736	\$ 205,704	\$ 190,553
Committed	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	10,734,594
Unassigned	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	22,109,397
Total general fund	\$ 10,449,523	\$ 10,992,803	\$ 10,629,943	\$ 13,967,427	\$ 13,708,124	\$ 13,243,093	\$ 13,883,906	\$ 19,266,445	\$ 27,063,115	\$ 33,034,544
All other governmental funds										
Restricted:										
Debt service – other governmental funds	\$ 357,156	\$ 348,720	\$ 516,120	\$ 527,858	\$ 541,587	\$ -	\$ -	\$ -	\$ -	\$ -
Road maintenance – other governmental funds	46,007	105,947	35,936	122,173	208,535	227,092	318,704	340,666	329,867	397,506
Capital improvements	-	-	-	-	-	-	816,343	670,653	442,070	676,201
Other	-	-	-	-	-	-	-	24	3,766	57,504
Committed, reported in:										
Capital projects fund	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	3,406,740
Other governmental funds	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	2,116,304
Unassigned:										
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Other governmental funds	-	-	-	-	-	(1,160)	(1,160)	-	-	-
Total all other governmental funds	\$ 3,211,597	\$ 5,679,508	\$ 3,395,672	\$ 7,053,580	\$ 8,941,069	\$ 5,895,900	\$ 5,033,435	\$ 5,014,021	\$ 6,188,056	\$ 6,654,255

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									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Local taxes	\$ 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	\$ 26,143,167
Licenses and permits	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	6,292,136
Fines and forfeitures	285,573	278,837	236,724	284,893	273,887	237,812	199,228	194,677	267,322	298,611
Intergovernmental	991,614	639,523	693,761	876,086	954,086	1,090,181	2,470,197	11,205,009	4,559,019	4,172,243
Contribution from Public Library Board	-	-	-	-	-	-	-	-	-	-
Interest and rents	239,205	228,669	302,181	335,106	401,705	470,753	576,479	465,462	353,059	1,547,696
Charges for services	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	5,482,972
Golf course revenue	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	1,381,262
Recreation Department	436,453	444,410	476,772	466,437	442,324	456,362	238,811	393,744	636,242	657,288
BP settlement proceeds	-	1,361,255	-	-	-	-	-	-	-	-
Legal settlement	-	598,640	-	-	-	-	-	-	-	-
Other	196,913	180,644	223,293	338,058	368,387	660,915	1,219,633	1,958,967	983,969	1,071,370
Total revenues	23,429,714	26,191,042	26,765,741	29,028,201	28,202,690	31,402,900	34,067,600	47,595,100	42,654,869	47,046,745
EXPENDITURES										
General government	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	8,873,181
Public safety	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	8,089,175
Public works	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	5,967,032
Cultural and recreational	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	6,557,742
Airport Authority	443,000	412,632	428,000	342,000	320,000	320,000	320,000	335,000	320,000	320,000
Public Library Board	674,100	714,100	814,600	814,600	814,600	818,477	859,401	816,431	859,000	875,000
Other	89,785	93,436	162,736	115,753	100,732	170,203	863,699	-	-	-
Debt service:										
Principal	2,894,540	483,780	6,478,558	1,573,560	1,578,340	3,775,470	641,366	779,020	689,819	595,936
Interest	465,409	374,479	390,971	111,633	94,751	87,534	28,974	29,847	15,238	12,732
Capital outlay	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	9,653,281
Total expenditures	25,934,503	25,006,426	36,338,518	25,906,392	30,047,827	37,542,029	36,749,352	43,768,492	35,116,608	40,944,079
Excess (deficiency) of revenues over expenditures	(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	6,102,666
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	56,559	157,523
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	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	5,996,978
Transfers out	(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)	(5,819,539)
Total other financing sources (uses)	3,612,481	1,826,575	6,926,081	2,719,583	3,473,323	2,628,929	2,460,100	1,536,517	1,432,444	334,962
Net change in fund balances	\$ 1,107,692	\$ 3,011,191	\$ (2,646,696)	\$ 5,841,392	\$ 1,628,186	\$ (3,510,200)	\$ (221,652)	\$ 5,363,125	\$ 8,970,705	\$ 6,437,628
Debt service as a percentage of noncapital expenditures	14.0%	4.1%	24.0%	7.2%	6.3%	13.0%	2.4%	2.1%	2.5%	1.9%

CITY OF FAIRHOPE, ALABAMA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30	Residential Property	Commercial Property	Industrial Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
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
2023	397,743,220	1,264,820	337,560,860	100,436,240	636,132,660	15	9,541,989,900

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
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
2023	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, 2023 AND 2014

<u>Taxpayer</u>	<u>2023</u>			<u>2014</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	\$ 9,705,120	1	1.5%	\$ -	-	0.0%
Battles Road, LLC	7,532,940	2	1.2%	-	-	0.0%
Arbor Gates Holdings, LLC	4,065,280	3	0.6%	2,014,940	2	0.7%
FST Wal-mart Stores East, LP	3,293,340	4	0.5%	2,915,780	1	1.1%
Corte Cave, Mitchell 1 LLC	2,837,340	5	0.5%	-	-	0.0%
PSM Alabama Holdings, LLC	2,245,820	6	0.4%	-	-	0.0%
FST Mississippi Baldwin Square, LLC	2,219,300	7	0.4%	1,543,500	4	0.6%
Fairhope Ridge, LLC	2,153,820	8	0.3%	1,102,900	6	0.4%
CHS Properties, Inc.	2,104,540	9	0.3%	1,196,340	5	0.4%
A 1 Corte Jr. Family Limited Partnership	1,855,200	10	0.3%	-	-	0.0%
Fairhope, LLC	-	-	0.0%	1,782,880	3	0.6%
Health Care Reit, Inc.	-	-	0.0%	1,102,280	7	0.4%
Bellsouth Tele Communications, LLC	-	-	0.0%	1,043,100	8	0.4%
Bones & Babies, LLC	-	-	0.0%	991,980	9	0.4%
MediaCom Southeast, LLC	-	-	0.0%	991,760	10	0.4%
	<u>\$ 38,012,700</u>		<u>6.0%</u>	<u>\$ 14,685,460</u>		<u>5.4%</u>

Source: Baldwin County Revenue Commissioner

CITY OF FAIRHOPE, ALABAMA

**DIRECT AND OVERLAPPING SALES TAX RATES
CURRENT AND LAST FOUR FISCAL YEARS**

Fiscal Year	City Direct Rate	Baldwin County	State of Alabama
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%
2023	2.00%	3.00%	4.00%

Source: City Clerk's Office

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

CITY OF FAIRHOPE, ALABAMA

**PRINCIPAL SALES TAXPAYERS
LAST TEN YEARS**

Fiscal Year	Top 25 Taxpayers (approximate)	Total Tax	% of Total Tax
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%
2023	6,196,491	13,187,398	47%

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

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

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Liability Per Capita
	General Obligation Debt	Notes Payable	Capital Leases	General Obligation Debt	Utilities Revenue Debt	Notes Payable			
2014	\$ 9,789,376	\$ -	\$ -	\$ 5,904,220	\$ 20,571,057	\$ -	\$ 36,264,653	6.23%	\$ 2,159
2015	9,307,360	-	-	4,743,000	16,574,669	-	30,625,029	4.87%	1,693
2016	6,833,058	-	-	3,581,942	16,152,226	-	26,567,226	3.92%	1,418
2017	5,259,498	-	-	2,420,502	14,842,522	-	22,522,522	3.18%	1,160
2018	3,681,158	-	292,323	1,258,842	14,017,818	-	19,250,141	2.38%	920
2019	-	-	1,188,940	-	13,168,115	-	14,357,055	1.57%	650
2020	-	1,200,000	1,003,573	-	23,858,411	-	26,061,984	2.76%	1,149
2021	-	1,424,553	524,553	-	11,300,000	-	13,249,106	1.42%	589
2022	-	1,231,138	-	-	9,600,000	1,450,315	12,281,453	1.19%	531
2023	-	635,202	-	-	7,880,000	979,555	9,494,757	0.82%	398

CITY OF FAIRHOPE, ALABAMA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Net Taxable Sales</u>	<u>Liability Per Capita</u>
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	735,000	541,587	193,413	0.02%	9
2019	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2021	-	-	-	0.00%	-
2022	-	-	-	0.00%	-
2023	-	-	-	0.00%	-

CITY OF FAIRHOPE, ALABAMA

**COMPUTATION OF OVERLAPPING DEBT
SEPTEMBER 30, 2023**

	<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	\$ 635,202	100.00%	\$ 635,202
Overlapping Debt (Supported by ad valorem tax)			
Baldwin County	64,339,148	7.94% ⁽¹⁾	<u>5,108,528</u>
			<u><u>\$ 5,743,730</u></u>

(1) Percentage of net assessed value of property in City (\$636,132,660) to net assessed value of property in Baldwin County_(\$8,008,765,580) on October 1, 2023

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

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 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	\$ 127,293,552
Total net debt applicable to limit	<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>	<u>635,202</u>
Legal debt margin	<u>\$ 39,318,944</u>	<u>\$ 46,657,916</u>	<u>\$ 54,935,300</u>	<u>\$ 61,845,192</u>	<u>\$ 70,958,052</u>	<u>\$ 79,637,308</u>	<u>\$ 83,899,151</u>	<u>\$ 91,856,907</u>	<u>\$ 105,673,935</u>	<u>\$ 126,658,350</u>
Total net debt applicable to limit as a percentage of debt limit	28.57%	23.18%	15.94%	11.05%	5.67%	1.47%	2.56%	1.53%	2.47%	0.50%

Legal Debt Margin Calculation for Fiscal Year 2023

Total assessed value	<u>\$ 636,132,660</u>
Debt limit (20% of total assessed value)	\$ 127,226,532
Debt applicable to limit:	
General obligation warrants (including capital leases)	<u>635,202</u>
Legal debt margin	<u>\$ 126,591,330</u>

CITY OF FAIRHOPE, ALABAMA

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
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%
2023	23,859	1,154,346,138	48,382	5,924	2.9%

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
www.publicschoolreview.com
Fairhope, Alabama Population 2023 (worldpopulationreview.com)

CITY OF FAIRHOPE, ALABAMA
PRINCIPAL EMPLOYERS
YEARS ENDED SEPTEMBER 30, 2023 AND 2014

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Thomas Hospital	1,256	1	12.8%	1,048	1	15.3%
Grand Hotel	900	2	9.2%	700	2	10.2%
Board of Education - Fairhope Schools	543	3	5.5%	-	-	0.0%
City of Fairhope	482	4	4.9%	330	3	4.8%
Wal-Mart	305	5	3.1%	325	4	4.7%
Publix	300	6	3.1%	100	5	1.5%
Segers Aero	170	7	1.7%	93	6	1.4%
Gulf Orthopedics	100	8	1.0%	-	-	0.0%
Winn-Dixie	80	9	0.8%	75	7	1.1%
Piggly Wiggly	72	10	0.7%	60	10	0.9%
Bayshore Christian School	40	-	0.4%	-	-	0.0%
Print Xcel	-	-	0.0%	66	8	1.0%
Balloons Everywhere	-	-	0.0%	65	9	0.9%
	<u>4,248</u>		<u>43.2%</u>	<u>2,862</u>		<u>41.8%</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
2014: 6,862 2023: 9,828

CITY OF FAIRHOPE, ALABAMA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of September 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government	48	49	49	49	53	62	64	66	71	81
Public Safety:										
Police	46	46	45	49	52	59	59	61	66	79
Fire:										
Firefighters and Dispatch	18	17	14	15	16	14	17	17	13	50
Highways and Streets:										
Public Works	39	41	46	42	49	57	53	57	53	83
Sanitation	21	22	20	19	18	18	28	23	26	30
Cultural and Recreational:										
Recreation	23	25	26	29	32	31	34	35	34	35
Adult Recreation	10	11	12	11	11	13	12	13	10	4
Gas Department	15	15	15	16	18	21	22	21	22	25
Electric Department	22	21	19	19	22	20	26	26	26	36
Water/Waste Water Department	23	23	22	26	29	31	34	36	41	53
Golf Department	16	18	20	19	18	22	21	22	19	6
Total	<u>281</u>	<u>288</u>	<u>288</u>	<u>294</u>	<u>318</u>	<u>348</u>	<u>370</u>	<u>377</u>	<u>381</u>	<u>482</u>

Source: City of Fairhope Human Resources Department

CITY OF FAIRHOPE, ALABAMA

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police:										
Physical arrests	750	1,423	983	1,350	1,542	1,538	1,462	866	1,047	1,077
Parking violations	49	121	240	359	89	22	52	202	75	1,616
Traffic violations	887	633	1,726	2,490	1,684	1,656	1,613	1,751	1,670	2,107
Fire:										
Number of calls answered	853	836	865	1,025	1,058	1,023	1,236	1,283	1,200	1,356
Inspections**	35	161	147	73	823	669	648	121	767	802
Highways and streets:										
Street resurfacing (miles)	-	-	13.2	-	1.2	2.2	3.3	3.4	4.7	3.5
Potholes repaired*	1,480	1,620	2,933	2,300	4,928	5,466	1,152	1,720	1,770	243
Sanitation:										
Garbage collected (tons/year)	8,509	8,236	8,654	9,222	9,554	10,108	11,949	12,042	15,286	11,246
Trash collected (tons/year)	6,292	5,545	5,902	8,228	7,189	7,741	6,907	4,256	4,565	5,100
Recyclables collected (tons/year)	1,714	1,779	1,855	1,843	1,835	1,803	947	824	1,286	1,586
Cultural and recreational:										
Golf course rounds @ 9 hole rounds	59,261	57,405	56,613	58,416	53,995	55,971	53,740	62,151	60,588	59,893
Pavilion/park parties	61	59	44	28	32	22	19	36	47	62
Waste water:										
Average daily sewage treatment (millions of gallons)	1.8	2.0	2.2	2.4	2.4	2.3	2.6	2.5	2.3	2.0

Sources: Various government departments

* The City changed the calculation method for potholes for fiscal year 2023 resulting in an increase.

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

