

CITY OF FULTONDALE, ALABAMA
Fultondale, Alabama

Financial Statements

**For the Year Ended
September 30, 2021**

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BORLAND | BENEFIELD

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Fultondale, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fultondale, Alabama (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fultondale, Alabama, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in net pension liability, schedule of city contributions, and notes to the required supplementary information on pages 3-7 and 46-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fultondale, Alabama's basic financial statements. The combining non-major governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements and financial trend information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Borland Benefield, P.C.
Birmingham, Alabama
REPORT DATE

CITY OF FULTONDALE, ALABAMA

Management's Discussion and Analysis (continued) For the Year Ended September 30, 2021

All of the City's funds are governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position or Statement of Activities) and governmental funds in reconciliations after the fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position – Governmental Activities

The following table presents a condensed Statement of Net Position, including all assets and liabilities, as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Assets			
Cash and investments	\$ 17,502,062	\$ 14,931,912	\$ 2,570,150
Capital assets, net	30,591,689	30,598,745	(7,056)
Receivables and prepaids	1,848,479	1,810,585	37,894
Total Assets	<u>\$ 49,942,230</u>	<u>\$ 47,341,242</u>	<u>\$ 2,600,988</u>
Deferred Outflows of Resources	<u>1,396,318</u>	<u>1,038,497</u>	<u>357,821</u>
Liabilities			
Long-term liabilities	\$ 24,393,614	\$ 25,107,390	\$ (713,776)
Net pension liability	2,539,118	2,072,403	466,715
Accounts payables and accruals	2,105,275	1,835,646	269,629
Unearned revenue	1,102,392	-	1,102,392
Contingency liability	4,250,000	-	4,250,000
Total Liabilities	<u>\$ 34,390,399</u>	<u>\$ 29,015,439</u>	<u>\$ (40,402)</u>
Deferred Inflows of Resources	<u>146,078</u>	<u>251,880</u>	<u>(105,802)</u>
Net Position			
Net investment in capital assets	\$ 6,198,075	\$ 4,391,001	\$ 1,807,074
Restricted	1,682,603	2,033,468	(350,865)
Unrestricted	8,921,393	12,687,951	(3,766,558)
Total Net Position	<u>\$ 16,802,071</u>	<u>\$ 19,112,420</u>	<u>\$ (2,310,349)</u>

As of September 30, 2021, the City's asset balances increased \$2,600,988, or 5.50% during the year from ordinary operations. The decrease in unrestricted net position in the current year of \$3,766,558 is related to the accrual of the contingency liability recorded at year-end for the subsequent year's payment to Jefferson County as disclosed in Note 10 of the footnotes.

CITY OF FULTONDALE, ALABAMA

**Management's Discussion and Analysis (continued)
For the Year Ended September 30, 2021**

The City also received American Rescue grants funds in the total of \$1,102,392 which all are considered unearned revenue as the funds were not expended prior to year-end. The City continued making their timely payments on their long-term debt throughout the year without any issues. The City continues to be in a strong financial position, evidenced by an unrestricted net position total of \$8,921,393. Unrestricted amounts available for operations is approximately 6 months.

Change in Net Position

The following table presents, in summary form, total revenues by major source for the years ended September 30, 2021 and 2020:

	Governmental Activities		
	For the Year Ended September 30,		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Taxes			
Sales and use	\$ 10,531,102	\$ 9,109,362	\$ 1,421,740
Lodging	1,661,602	1,232,776	428,826
Property	628,952	581,707	47,245
Gasoline and other	783,139	641,483	141,656
Licenses and permits	1,766,517	1,634,269	132,248
Fines and forfeitures	156,459	138,689	17,770
Program revenues	696,220	422,762	273,458
Investment earnings	7,424	8,503	(1,079)
Other	201,423	15,621	185,802
Transfers	(258,623)	(237,000)	(21,623)
Total Revenues	<u>\$ 16,174,215</u>	<u>\$ 13,548,172</u>	<u>\$ 2,626,043</u>

The following table presents, in summary form, program expenses by function for the years ended September 30, 2021 and 2020:

	For the Year Ended September 30,		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
General government	\$ 7,162,238	\$ 2,991,435	\$ 4,170,803
Public safety	6,592,481	4,475,744	2,116,737
Public works	1,716,796	1,761,773	(44,977)
Public service	1,557,776	1,307,491	250,285
Special appropriations	681,049	213,797	467,252
Debt service	774,224	812,084	(37,860)
Total Governmental Activities	<u>\$ 18,484,564</u>	<u>\$ 11,562,324</u>	<u>\$ 6,922,240</u>

Overall, revenue increased \$2,626,043, or 19%, from the previous fiscal year. This was due, largely, to increases in sales and use taxes and lodging taxes in the current year. These increases along with those of business licenses revenue reflect growth in the City's economy. Lodging taxes rebounded well after the noticeable decrease caused by the COVID-19 pandemic.

CITY OF FULTONDALE, ALABAMA

Management's Discussion and Analysis (continued) For the Year Ended September 30, 2021

Overall, expenses increased by \$6,872,240 from the previous fiscal year, with the significant majority of the increase being related to the accrued settlement payment to Jefferson County. The City expected an increase in public safety expenses from the establishment of their own paid Fire Department in the current year for which employed 11 individuals as of the year-end date. The City also experienced increased park related expenses as the park usage rose after completion of all the repairs from the tornado damages.

Increased revenue and a strong financial base allowed the City to fund basic general government expenses, public safety, repairs, and capital purchases from both unrestricted and restricted sources on hand.

THE CITY'S FINANCES FROM A FUND PERSPECTIVE

	<u>General Fund</u>	<u>Construction Fund</u>	<u>Commercial Development Authority Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue	\$ 16,182,851	\$ 778	\$ 4,862	\$ 228,301	\$ 16,416,792
Operating expenditures	11,537,841	-	59,430	71,566	11,668,837
Capital outlay and debt service	3,067,486	-	-	619,144	3,686,630
Other financing sources (uses)	(365,677)	-	30,000	619,144	283,467
Net Change in Fund Balances	1,211,847	778	(24,568)	156,735	1,344,792
Beginning Fund Balance	15,115,816	2,594,227	(1,315,605)	10,367	16,404,805
Ending Fund Balance	\$ 16,327,663	\$ 2,595,005	\$ (1,340,173)	\$ 167,102	\$ 17,749,597

As of September 30, 2021, the Governmental funds reported a combined fund balance of \$17,749,597, an increase of \$1,344,792, or 8%, from the prior year. The City has continued to experience growth through increased sales and use taxes each of the past three years, including sustained growth during the pandemic affected fiscal years.

Budget Reporting

The annual operating budget has always been used to encourage spending adherence to estimated expenditures and revenues. The City, as is typical for similarly sized municipalities, does not formally amend its budget throughout the fiscal period to match to actual expenditures or revenue. A detailed analysis of the variance between actual results and budgeted amounts is included in the Budgetary Comparison Schedule – General Fund contained in the Required Supplementary Information section of the accompanying financial statements and is herein incorporated by reference.

The General Fund budget adopted by the City Council for the fiscal year ended September 30 2021, projected \$13,053,780 in revenues and \$11,754,248 in expenditures. Actual General Fund revenues for the period were \$16,182,851; \$3,129,071 more than budgeted, while expenditures totaled \$14,605,327; \$2,851,079 more than budgeted.