

**CITY OF FULTONDALE, ALABAMA**

**Audited Financial Statements**

**For the Year Ended  
September 30, 2022**

BORLAND

BENEFIELD

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Fultondale, Alabama

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Fultondale, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Fultondale, Alabama'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, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Fultondale, Alabama, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Fultondale, Alabama, 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 of Fultondale, Alabama'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.

#### *Auditor's 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 auditor's 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 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, 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 of Fultondale, Alabama'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 of Fultondale, Alabama'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, budgetary comparison information, and schedules of net pension liability and employer contributions on pages 4-8 and 47-52 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 of Fultondale, Alabama's basic financial statements. The accompanying 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.

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 nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Borland Benefield P.C.*

Borland Benefield, P.C.  
May 15, 2023

## CITY OF FULTONDALE, ALABAMA

### Management's Discussion and Analysis (continued) For the Year Ended September 30, 2022

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Assets</b>			
Cash and investments	\$ 18,528,061	\$ 17,502,062	\$ 1,025,999
Capital assets, net	31,823,804	30,591,689	1,232,115
Receivables and prepaids	2,100,244	1,848,479	251,765
Total Assets	<u>\$ 52,452,109</u>	<u>\$ 49,942,230</u>	<u>\$ 2,509,879</u>
<b>Deferred Outflows of Resources</b>	<u>2,395,733</u>	<u>1,396,318</u>	<u>999,415</u>
<b>Liabilities</b>			
Long-term liabilities	\$ 32,862,310	\$ 24,393,614	\$ 8,468,696
Net pension liability	971,212	2,539,118	(1,567,906)
Accounts payables and accruals	2,130,265	2,105,275	24,990
Unearned revenue	1,810,753	1,102,392	708,361
Contingency liability	-	4,250,000	(4,250,000)
Total Liabilities	<u>\$ 37,774,540</u>	<u>\$ 34,390,399</u>	<u>\$ (40,402)</u>
<b>Deferred Inflows of Resources</b>	<u>1,292,898</u>	<u>146,078</u>	<u>1,146,820</u>
<b>Net Position</b>			
Net investment in capital assets	\$ (484,731)	\$ 6,198,075	\$ (6,682,806)
Restricted	3,652,796	1,682,603	1,970,193
Unrestricted	13,166,115	8,921,393	4,244,722
Total Net Position	<u>\$ 16,334,180</u>	<u>\$ 16,802,071</u>	<u>\$ (467,891)</u>

As of September 30, 2022, the City's asset balances increased \$3,063,655, or 6.10% during the year. Capital assets increased \$1,785,911 from the City's continued investment in growth of City facilities and infrastructure in the current year.

# CITY OF FULTONDALE, ALABAMA

## Management's Discussion and Analysis (continued) For the Year Ended September 30, 2022

The City refunded all of their outstanding warrants payable into 2 new warrants in the current year which generated the increase in long-term liabilities. The City continued making their timely payments on their long-term debt throughout the year without any issues before and after the refunding. The City continues to be in a strong financial position, evidenced by an unrestricted net position total of \$13,166,115. Unrestricted amounts available for operations is approximately 9 months.

### Change in Net Position

The following table presents, in summary form, total revenues by major source for the years ended September 30, 2022 and 2021:

	<b>Governmental Activities</b>		
	<b>For the Year Ended September 30,</b>		
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>Change</u></b>
Taxes			
Sales and use	\$ 11,265,807	\$ 10,531,102	\$ 734,705
Lodging	1,734,784	1,661,602	73,182
Property	577,947	628,952	(51,005)
Gasoline and other	749,875	783,139	(33,264)
Licenses and permits	1,715,576	1,766,517	(50,941)
Fines and forfeitures	117,501	156,459	(38,958)
Program revenues	1,843,753	696,220	1,147,533
Investment earnings	33,899	7,424	26,475
Other	(590,757)	201,423	(792,180)
Transfers	(3,432,319)	(258,623)	(3,173,696)
Total Revenues	<u>\$ 14,016,066</u>	<u>\$ 16,174,215</u>	<u>\$ (2,158,149)</u>

The following table presents, in summary form, program expenses by function for the years ended September 30, 2022 and 2021:

	<b>For the Year Ended September 30,</b>		
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>Change</u></b>
General government	\$ 2,594,092	\$ 7,162,238	\$ (4,568,146)
Public safety	6,983,629	6,592,481	391,148
Public works	1,591,253	1,716,796	(125,543)
Public service	1,889,742	1,557,776	331,966
Special appropriations	215,130	681,049	(465,919)
Debt service	1,210,111	774,224	435,887
Total Governmental Activities	<u>\$ 14,483,957</u>	<u>\$ 18,484,564</u>	<u>\$ (4,000,607)</u>

The City experienced continued growth in sales and use taxes and lodging taxes in the current year, with sales taxes increasing \$734,705. These increases along with those of business licenses revenue reflect growth in the City's economy and geography. Program revenue growth is primarily linked to the American Rescue Plan and SAFER grant federal funding revenue in the current year.