

CITY OF FULTONDALE, ALABAMA

Audited Financial Statements

**For the Year Ended
September 30, 2023**

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 discretely presented component unit, and the aggregate remaining fund information of the City of Fultondale, Alabama, as of and for the year ended September 30, 2023, 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 discretely presented component unit, and the aggregate remaining fund information of the City of Fultondale, Alabama, as of September 30, 2023, 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 and the standards applicable to financial 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 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 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 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 46–51 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 and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2024, on our consideration of the City of Fultondale, Alabama'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 of Fultondale, Alabama'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 City of Fultondale, Alabama's internal control over financial reporting and compliance.



Borland Benefield, P.C.
Birmingham, Alabama
July 16, 2024

CITY OF FULTONDALE, ALABAMA

Management's Discussion and Analysis (continued) For the Year Ended September 30, 2023

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 Only

The following table presents a condensed Statement of Net Position, including all assets and liabilities, as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets			
Cash and investments	\$ 19,032,787	\$ 18,528,061	\$ 504,726
Capital assets, net	32,839,515	32,377,580	461,935
Receivables and prepaids	2,054,633	2,100,244	(45,611)
Total Assets	<u>\$ 53,926,935</u>	<u>\$ 53,005,885</u>	<u>\$ 921,050</u>
 Deferred Outflows of Resources	 <u>5,268,484</u>	 <u>2,395,733</u>	 <u>2,872,751</u>
 Liabilities			
Long-term liabilities	\$ 31,279,008	\$ 32,862,310	\$ (1,583,302)
Net pension liability	5,690,419	971,212	4,719,207
Accounts payables and accruals	2,031,408	2,130,265	(98,857)
Unearned revenue	1,721,773	1,810,753	(88,980)
Total Liabilities	<u>\$ 40,722,608</u>	<u>\$ 37,774,540</u>	<u>\$ (40,402)</u>
 Deferred Inflows of Resources	 <u>88,633</u>	 <u>1,292,898</u>	 <u>(1,204,265)</u>
 Net Position			
Net investment in capital assets	\$ 1,560,508	\$ (484,731)	\$ 2,045,239
Restricted	3,275,923	3,652,796	(376,873)
Unrestricted	13,547,747	13,166,115	381,632
Total Net Position	<u>\$ 18,384,178</u>	<u>\$ 16,334,180</u>	<u>\$ 2,049,998</u>

As of September 30, 2023, the City's governmental activities asset balances increased \$921,050, or 1.73% during the year. Capital assets increased \$461,935 from the City's continued investment to improve City vehicles, equipment, and infrastructure in the current year.

CITY OF FULTONDALE, ALABAMA

Management's Discussion and Analysis (continued) For the Year Ended September 30, 2023

The City continued making their timely payments on their long-term debt throughout the year without any issues and reduced their long-term debt liabilities by \$1,583,302. Net pension liability increased by \$4,719,207 from the actuarial adjustment provided by RSA, which was primarily caused by fair market value declines of investments. The City continues to be in a strong financial position, evidenced by an unrestricted net position total of \$13,547,747. Unrestricted amounts available for operations is approximately 11 months.

Change in Net Position

The following table presents, in summary form, total revenues by major source for the years ended September 30, 2023 and 2022:

	Governmental Activities		
	For the Year Ended September 30,		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Taxes			
Sales and use	\$ 11,388,145	\$ 11,265,807	\$ 122,338
Lodging	1,822,972	1,734,784	88,188
Property	663,407	577,947	85,460
Gasoline and other	785,695	749,875	35,820
Licenses and permits	1,798,541	1,715,576	82,965
Fines and forfeitures	100,750	117,501	(16,751)
Program revenues	1,473,592	1,843,753	(370,161)
Investment earnings	364,281	33,899	330,382
Other	484,693	(590,757)	1,075,450
Transfers	(140,368)	(3,432,319)	3,291,951
Total Revenues	<u>\$ 18,741,708</u>	<u>\$ 14,016,066</u>	<u>\$ 4,725,642</u>

The following table presents, in summary form, program expenses by function for the years ended September 30, 2023 and 2022:

	For the Year Ended September 30,		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
General government	\$ 2,611,039	\$ 2,594,092	\$ 16,947
Public safety	8,767,696	6,983,629	1,784,067
Public works	2,020,964	1,591,253	429,711
Public service	1,962,538	1,889,742	72,796
Special appropriations	348,769	215,130	133,639
Debt service	980,704	1,210,111	(229,407)
Total Governmental Activities	<u>\$ 16,691,710</u>	<u>\$ 14,483,957</u>	<u>\$ 2,207,753</u>

The City experienced continued growth in tax revenues across the board, with sales taxes increasing \$122,338. These increases along with those of business licenses revenue reflect growth in the City's economy and geography. Tax revenue increases are also attributed to economic inflation in the price of