

CITY OF VALLEY

VALLEY, ALABAMA

Single Audit Schedules and Reports

September 30, 2021

CITY OF VALLEY

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Himmelwright
Huguley
Boles

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of City Council
City of Valley, Alabama

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Valley, 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 and have issued our report thereon dated March 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider a material weakness. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as items, 2021-001, 2021-002, and 2021-003 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Valley, Alabama's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Himmelwright, Huguley & Boles, LLC
Auburn, Alabama
March 28, 2022



Himmelwright
Huguley
Boles

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and
Members of City Council
City of Valley, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Valley, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

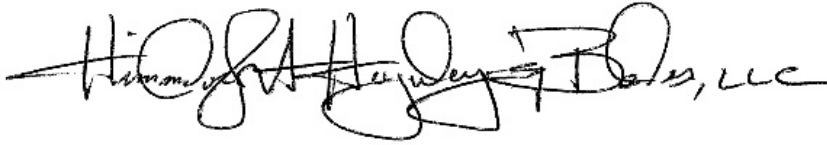
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated March 28, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of

expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Himmelwright, Huguley & Boles, LLC". The signature is stylized and cursive.

Himmelwright, Huguley & Boles, LLC
Auburn, Alabama
March 28, 2022

THE CITY OF VALLEY, ALABAMA
Schedule of Expenditures of Federal Awards
October 01, 2020 through September 30, 2021

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR'S NUMBER | PASS- THROUGH TO SUBRECIPIENT | FEDERAL EXPENDITURES |
|---|---------------------------|-------------------------------------|-------------------------------------|-------------------------|
| Department of Housing and Urban Development | | | | |
| Alabama Department of Economic & Community Affairs | | | | |
| | | LR-ED-PF-18-001 | | |
| Community Development Block Grant | 14.228 | LR-ED-PF-17-101 | | \$ 524,519 |
| Community Development Block Grant | 14.228 | LR-CM-PF-19-019 | | 370,861 |
| Department of the Treasury | | | | |
| American Rescue Plan | | | | |
| Coronavirus Fiscal Recovery Fund | 21.027 | | | 5,000 |
| Appalachian Regional Commission | | | | |
| Alabama Department of Economic & Community Affairs | | | | |
| Appalachian Area Development | 23.002 | AL-19361-2018 | | 156,979 |
| Appalachian Area Development | 23.002 | AL-19966-2020 | | 163,878 |
| Environmental Protection Agency | | | | |
| Brownfields Multipurpose, Assessment Revolving Loan Fund, and Cleanup Cooperative Agreements | | | | |
| | 66.818 | BF-00D93419 | | 233,207 |
| Total Federal Expenditures | | | | <u>\$ 1,454,444</u> |

THE CITY OF VALLEY, ALABAMA
Notes to Schedule of Expenditures of Federal Awards
October 01, 2020 through September 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City of Valley, Alabama under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Valley, Alabama it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Valley, Alabama.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recorded when the liabilities are incurred.

NOTE 3 - INDIRECT COST RATE

The City of Valley, Alabama has elected not to use the 10-percent de-minimis indirect cost rate allowed under the Uniform Guidance.

THE CITY OF VALLEY, ALABAMA
 Schedule of Findings and Questioned Costs
 October 01, 2020 through September 30, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | | | |
|---|--------------------|-------------------|------|
| Type of opinion issued: | Unmodified | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | _____ Yes | _____ <u>X</u> No | |
| Significant deficiency(ies) identified? | _____ <u>X</u> Yes | _____ reported | None |
| Noncompliance material to the financial statements noted? | _____ Yes | _____ <u>X</u> No | |

Federal Awards

| | | | |
|--|--------------------|-------------------------|------|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | _____ Yes | _____ <u>X</u> No | |
| Significant deficiency(ies) identified? | _____ Yes | _____ <u>X</u> reported | None |
| Type of auditors' report issued on compliance for major programs: | Unmodified | | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ Yes | _____ <u>X</u> No | |
| Prior year findings that are required to be reported? | _____ <u>X</u> Yes | _____ No | |

| | |
|-----------------------------------|---|
| Identification of major programs: | |
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
| 14.228 | Community Development Block Grant |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

| | | |
|--|-----------|-------------------|
| Auditee qualified as low-risk auditee? | _____ Yes | _____ <u>X</u> No |
|--|-----------|-------------------|

THE CITY OF VALLEY, ALABAMA
Schedule of Findings and Questioned Costs
October 01, 2020 through September 30, 2021
(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (GAGAS)

| Ref No. | Type of Finding | Finding/Noncompliance |
|----------------|------------------------|---|
| 2021-001 | Internal Control | <p><u>Finding:</u> During the audit, HHB noted numerous adjusting journal entries were required in order to present the City’s financial statements in accordance with GAAP.</p> <p><u>Recommendation:</u> We recommend the City review monthly general ledgers to ensure transactions are correctly coded so that interim financial statements align closely with year-end audited financial statements.</p> <p><u>Views of Responsible Officials of the City</u> The City agrees with the finding and recommendation.</p> |
| 2021-002 | Internal Control | <p><u>Finding:</u> During the audit, HHB noted that the City was unable to provide an accounts receivable subsidiary ledger for the Solid Waste fund that agreed to amounts recorded on the City’s general ledger. The City’s Solid Waste account software could not produce an accurate ledger of accounts due and outstanding at September 30, 2021.</p> <p><u>Recommendation:</u> We recommend the City reconcile the accounts receivable subsidiary ledger to the City’s general ledger monthly. We further recommend the City perform a quarterly check to ensure the Solid Waste accounting program is generating accurate information.</p> <p><u>Views of Responsible Officials of the City</u> The City agrees with the finding and recommendation.</p> |
| 2021-003 | Internal Control | <p><u>Finding:</u> During the audit, HHB noted the City did not capitalize all its purchases of capital assets, donated capital assets, and construction in progress. Many items that should have been recorded to capital outlay or contributed capital were expensed during the audit period.</p> <p><u>Recommendation:</u> We recommend the City ensure all purchases of capital assets, construction in progress, and donated capital assets be capitalized.</p> <p><u>Views of Responsible Officials of the City:</u> The City agrees with the finding and recommendation.</p> |

THE CITY OF VALLEY, ALABAMA
Schedule of Findings and Questioned Costs
October 01, 2020 through September 30, 2021
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

THE CITY OF VALLEY, ALABAMA
Schedule of Prior Year Audit Findings
October 01, 2020 through September 30, 2021

REFERENCE NUMBER:

2020-001

FINDING:

During the audit, HHB noted numerous adjusting journal entries were required in order to present the City's financial statements in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION:

We recommended the City review monthly general ledgers to ensure transactions are correctly coded so that interim financial statements align closely with year-end audit financial statements.

ACTION TAKEN:

The City has been reviewing the monthly general ledgers more closely to ensure that they have accurate financial statements at year-end.

REFERENCE NUMBER

2020-002

FINDING:

During the audit, HHB noted that the City was unable to provide an accounts receivable subsidiary ledger for the Solid Waste fund that agreed to amounts recorded in the City's general ledger. The City's Solid Waste account software could not produce an accurate ledger of accounts due and outstanding at September 30, 2020.

RECOMMENDATION:

We recommended the City reconcile the accounts receivable subsidiary ledger to the City's general ledger monthly. We further recommend the City perform a quarterly check to ensure the Solid Waste accounting program is generating accurate information.

ACTION TAKEN:

The City has been working closely with the software developer to get this issue resolved. The City was able to balance A/R ledgers and the City's general ledger for amounts in and out but was still having an issue with the way the software was handling some of the billing items, namely customer deposits. Due to the death of the lead software designer in January of 2022, the City has been unable to correct the issue to date. The City is working with the manufacturer to resolve the issue. If resolution cannot be attained, then the City will explore other software in which to record the billing for Solid Waste.

THE CITY OF VALLEY, ALABAMA
Schedule of Prior Year Audit Findings
October 01, 2020 through September 30, 2021
(Continued)

REFERENCE NUMBER

2020-003

FINDING:

During the audit, HHB noted that the City did not capitalize all its purchases of capital assets, donated capital assets, and construction in progress. Many items should have been recorded to capital outlay or contributed capital were expensed during the audit period.

RECOMMENDATION:

We recommended the City ensure all purchases of capital assets, construction in process, and donated capital assets be capitalized.

ACTION TAKEN:

The City has been checking each month to ensure that they are capturing all items that should be capitalized. The City has decreased the number of items that needed capitalization but there is still a number of items in the current audit period that needed capitalization.

REFERENCE NUMBER

2020-004

FINDING:

Organizations are under increasing pressure to demonstrate they are managing cybersecurity threats, and that they have effective processes and controls in place to detect, respond to, mitigate, and recover from breaches and other security events. An information security or cybersecurity incident can be detrimental to the City, its employees, and potentially the Valley community. Nevertheless, it is possible, and reasonable, to implement a program that balances security with the needs and capabilities of the City. Managing the risks to information, systems, and networks that support the City is vital. During the audit, HHB noted the City does not provide adequate training to its employees nor tests its security protocols to identify and mitigate risks associated with the City's information technology.

RECOMMENDATION:

We recommended the City involve its employees in cybersecurity training and perform tests of its security protocols to ensure cybersecurity risks are mitigated to the extent feasible.

ACTION TAKEN:

Corrective action has been taken.



CITY OF VALLEY

Response/Corrective Action Plan For the Year Ended September 30, 2021

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the City of Valley, Alabama has prepared and hereby submits the following Corrective Action Plan for the findings included in section two of the Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

Reference Number: 2021-001

Finding:

During the audit, HHB noted numerous adjusting journal entries were required in order to present the City's financial statements in accordance with GAAP.

Recommendation:

We recommend the City review monthly general ledgers to ensure transactions are correctly coded so that interim financial statements align closely with year-end audited financial statements.

Corrective Action Planned:

We will look at monthly general ledgers more closely to be sure our statements are accurate at year-end.

Reference Number: 2021-002

Finding:

During the audit, HHB noted that the City was unable to provide an accounts receivable subsidiary ledger for the Solid Waste fund that agreed to amounts recorded on the City's general ledger. The City's Solid Waste account software could not produce an accurate ledger of accounts due and outstanding at September 30, 2021.

Recommendation:

We recommend the City reconcile the accounts receivable subsidiary ledger to the City's general ledger monthly. We further recommend the City perform a quarterly check to ensure the Solid Waste accounting program is generating accurate information.

Corrective Action Planned:

The software tech we had been working with passed away in January 2022. We are working with company to establish some additional reports we need to clear up some issues with AR Reports and General Ledger.

Reference Number: 2021-003

Finding:

During the audit, HHB noted the City did not capitalize all its purchases of capital assets, donated capital assets, and construction in progress. Many items that should have been recorded to capital outlay or contributed capital were expensed during the audit period.

Recommendation:

We recommend the City ensure all purchases of capital assets, construction in progress, and donated capital assets be capitalized.

Corrective Action Planned:

We will continue to check reports to ensure we capture all items that should be capitalized.



Kathy Snowden
City Clerk/Treasurer