

**CITY OF HOMEWOOD, ALABAMA**

Single Audit Report

September 30, 2022

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**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 Mayor and City Council  
The City of Homewood, Alabama  
Homewood, 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, each major fund, and the aggregate remaining fund information of the City of Homewood, Alabama (the City), as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2023.

**Report on 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.

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

## **Report on 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 that are required to be reported under *Government Auditing Standards*.

## **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BMSS, LLC

Birmingham, Alabama  
June 30, 2023

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

To the Mayor and City Council  
The City of Homewood, Alabama  
Homewood, Alabama

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Homewood, Alabama's (the City) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2022.

***Basis of Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City is also responsible for preparing the corrective action plan to address each audit finding included in our auditors' report. The City's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Homewood, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 30, 2023, 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 GAAS. 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.

BMSS, LLC

Birmingham, Alabama  
June 30, 2023



**CITY OF HOMEWOOD, ALABAMA**  
Schedule of Expenditures of Federal Awards  
For the year ended September 30, 2022

<b>Federal Grantor/Pass-Through Agency/Program Title</b>	<b>Assistance Listing Number</b>	<b>Grant, Contract, or Pass- Through Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of the Interior</b>			
Pass-through the Alabama Historical Commission			
Historic Preservation Fund Grants-In-Aid	15.904		<u>\$ 5,875</u>
Total U.S. Department of the Interior			5,875
<b>U.S. Department of Transportation</b>			
Pass-through the Alabama Department of Transportation			
Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	CMAQ-9082(911)	45,438
Highway Safety Cluster			
State and Community Highway Safety	20.600	TAPAA-CMAQ-TA15(903)	<u>972,215</u>
Total U.S. Department of Transportation			1,017,653
<b>U.S. Department of Treasury</b>			
Pass-through the Alabama Department of Treasury			
Coronavirus State and Local Fiscal Recovery Fund	21.027		<u>1,836,867</u>
Total U.S. Department of Treasury			<u>1,836,867</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,860,395</u></u>

See notes to schedule of expenditures of federal awards.

**CITY OF HOMEWOOD, ALABAMA**  
Notes to the Schedule of Expenditures of Federal Awards  
September 30, 2022

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Homewood, Alabama (the City) under programs of the federal government for the year ended September 30, 2022. 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, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - INDIRECT COST RATE**

The City has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

**CITY OF HOMEWOOD, ALABAMA**  
Schedule of Findings and Questioned Costs  
September 30, 2022

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Homewood, Alabama, were prepared in accordance with GAAP.
2. No material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Homewood, Alabama, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A significant deficiency in internal control over major federal award programs is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the City of Homewood, Alabama, expresses an unmodified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in the Schedule.
7. The programs tested as a major program included the State and Community Highway Safety Grant (Assistance Listing number 20.600) and the Coronavirus State and Local Fiscal Recovery Fund (Assistance Listing number 21.027).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The City of Homewood, Alabama does not qualify as a low-risk auditee.

**FINANCIAL STATEMENT FINDINGS**

There are no current financial statement findings required to be reported in accordance with *Government Auditing Standards*.

**CITY OF HOMEWOOD, ALABAMA**  
Schedule of Findings and Questioned Costs  
September 30, 2022  
(Continued)

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2022-001**

Assistance Listing No.:	All
Program Title:	All
Federal Award Year:	All
Name of Federal Agency:	All
COVID-19 Program:	Yes

Criteria

The requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), requires the City of Homewood, Alabama to submit its Single Audit Reporting Package to the federal audit clearinghouse no later than nine months after fiscal year end.

Statement of Condition

The federal reporting deadline for the City of Homewood, Alabama's Single Audit Reporting Package for the year ended September 30, 2021 was June 30, 2022; however, the City did not issue its Program Specific Audit until after that date.

Statement of Cause

The late completion of the City of Homewood, Alabama's single audit is due to the delays in obtaining information necessary to perform testing, which extended the completion date of the single audit and resulted in the late submission of the City's Single Audit Reporting Package.

Statement of Effect

The late submission of the Single Audit Reporting Package shows a significant deficiency in the City of Homewood, Alabama's internal control.

Recommendations

The City of Homewood, Alabama should strive to submit its Single Audit Reporting Package to the federal audit clearinghouse no later than nine months after its fiscal year end.

Response

The City of Homewood, Alabama will strive to submit its Single Audit Reporting Package to the federal audit clearinghouse no later than nine months after the fiscal year end for all future funds received from the federal government.

**CITY OF HOMEWOOD, ALABAMA**  
Management's Views and Corrective Action Plan  
September 30, 2022

June 30, 2023

The City of Homewood, Alabama respectfully submits the following corrective action plan for the year ended September 30, 2022.

Name and address of independent public accounting firm:

BMSS, LLC

1121 Riverchase Office Road

Birmingham, Alabama 35244

Single Audit Period: September 30, 2022

The finding from the September 30, 2022, schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned to the schedule.

**Financial Statement Findings**

None

**Federal Awards Finding**

Finding 2022-001

The late completion of the City of Homewood, Alabama's single audit for the year ended September 30, 2021 is due to the delays in obtaining information necessary to perform testing, which extended the completion date of the single audit and resulted in the late submission of the City's Single Audit Reporting Package. The City of Homewood, Alabama will strive to submit its Single Audit Reporting Package to the federal audit clearinghouse no later than nine months after the fiscal year end for all future funds received from the federal government.

If there are any questions regarding this plan, please call Melody Salter at 205.332.6108.

Sincerely yours,

Melody Salter

City Clerk/Assistant Finance Director

**CITY OF HOMEWOOD, ALABAMA**  
Summary Schedule of Prior Audit Findings  
September 30, 2022

**FINANCIAL STATEMENT FINDINGS**

There are no prior year financial statement findings required to be reported in accordance with *Government Auditing Standards*.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no prior year findings or questioned costs that are considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.