

CITY OF CULLMAN, ALABAMA
AUDITED FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

**CITY OF CULLMAN, ALABAMA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Cullman, Alabama (the City), as of and for the years ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City'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, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 Auditors' Responsibilities for the Audit of the Financial Statements 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 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's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 judgement 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'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'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 on pages 4-11, the schedule of changes in net pension liability and the schedule of employer contributions on pages 60-61, budgetary comparison information on pages 62-63 and notes to the required supplementary information on page 64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 Cullman, Alabama's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by 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 and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the City of Cullman, Alabama's internal control over financial reporting and 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'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 the City of Cullman, Alabama's internal control over financial reporting and compliance.

Warren Averett, LLC

Cullman, Alabama
March 29, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022**

The City of Cullman, county seat of Cullman County, is located in north central Alabama, north of Birmingham and southwest of Huntsville, Alabama. The City was founded in 1873 by Colonel John G. Cullmann as a colony designed to attract German immigrants. The City of Cullman was incorporated on March 6, 1875, and Cullman County was created by the Alabama Legislature in 1877 from sparsely settled areas separated from the adjacent counties by natural boundaries.

The City of Cullman operates under a Mayor-Council form of government. The City's elected officials consist of a full-time mayor and five part-time council members, each elected by city-wide vote to serve concurrent four-year terms.

Mayor Woody Jacobs is the chief executive officer of the City of Cullman. The Mayor is responsible for the supervision of the daily operations and the officers of the City of Cullman. The Mayor, with assistance from the City Treasurer and the City Clerk, prepares the annual budget for the City of Cullman.

The Council is the legislative body and adopts all policies, procedures and laws that govern the City of Cullman. The Council is responsible for the financial management and long-term planning of the City of Cullman, which includes amending and adopting the annual budget. The officers of the Council are the Council President, Jenny Folsom, and the President Pro-tem, John W. Cook. Council members (for terms expiring November 4, 2024) are as follows:

Place No. 1	Brad Smith	Place No. 2	David Moss, Jr.
Place No. 3	John W. Cook	Place No. 4	Clint Hollingsworth
Place No. 5	Jenny Folsom		

The City Clerk, Wesley M. Moore, is appointed by the City Council. The City Clerk is responsible for preparation of the agenda and the recording of the minutes of all City Council Meetings. The City Clerk supervises the collection of revenues for the City of Cullman. The City Clerk serves as custodian of the records and also performs the duties prescribed by law and assigned by the Mayor and Council.

The City Treasurer, Sherry Compton, is appointed by the City Council. The City Treasurer is responsible for management of funds for the City of Cullman and for its financial records. The City Treasurer designates all City depositories and authorizes the issuance of payments for the lawful expenditures of City funds. The City Treasurer also performs the duties prescribed by law and assigned by the Mayor and Council.

The City Council also appoints a Police Chief, a Fire Chief, Supervisors, Superintendents and Directors of other City Departments and other non-classified personnel. The City employs approximately 600 people (full-time and part-time) in the various departments. The City does not collectively bargain with any union or association representing City employees.

Classified employees are grouped by job title and description in various classifications, each class having the same financial relationship to the classes above and below it and having a minimum and maximum pay spread over a finite number of steps.

The City of Cullman participates in the State of Alabama Retirement System. Contributions are made to the Retirement System by the employees and the City, with the State acting only in an administrative capacity. The City pays all of its employees' share of health insurance costs and a portion of the family coverage.

The costs of general government, streets and sanitation, public safety, appropriations to various public agencies and non-profit groups, debt service for governmental purposes and most matching funds for federal and state grants are paid from the General Fund

The Water Department, Wastewater Department, Cullman Regional Airport and the Cullman City Parks and Recreation Board are accounted for in enterprise funds.

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022**

FINANCIAL HIGHLIGHTS

The City's net position increased \$23,869,043 over the course of this year's operations: \$2,441,327 decrease in the net position of the governmental activities, and \$11,035,647 increase in the business-type activities.

Budgeted revenues in the General Fund for fiscal year 2022 were based generally on the previous year's receipts; however, budgeted revenues increased during the year due to the improving local economy. Revenues were \$6,118,591 more than budgeted due to increases in sales tax. General Fund expenditures were \$2,061,839 more than budgeted due to increases in capital improvements.

The City of Cullman receives varying percentages of four separate gross receipt or sales taxes levied in Cullman County by separate legislative acts adopted from 1963 through 1993. The Alabama Legislature has the continuing power to change the allocation of the taxes, or to repeal any one or all these taxes. However, the City has authority under the general laws of Alabama to levy within its corporate limits taxes substantially identical to the taxes levied by the 1963, 1975, 1981 and 1993 Acts at any regular meeting of the City Council.

The City levies a five-mill ad valorem tax for General Fund purposes, a three-mill school tax and a seven and one-half mill school tax. The school taxes are deposited in a special fund (School Tax Fund) and transferred to the City School System. The City Council levies a one-half percent sales tax for educational purposes, and the proceeds from this tax are also deposited in the special school tax fund and remitted to the City School System. The City School System also receives a varying percentage of a one-half percent sales tax levied in Cullman County by a legislative act adopted in 2012. The Alabama Legislature has the continuing power to change the allocation of the taxes or to repeal any one or all of these taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information and an optional section that presents combining statements for nonmajor governmental funds and the water system. Major governmental funds are the General Fund, the property and sales tax fund for schools (School Tax Fund) and Debt Service Fund. The basic financial statements include two kinds of statements that present different financial views of the City.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the City's water and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about the City's nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022**

The following summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the City of Cullman's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and public works	Activities the City operates similar to private businesses: the water and sewer systems
Required financial	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenditures and changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year, or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received, and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all government assets, deferred outflows of resources, liabilities and deferred inflows of resources. All current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position, the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the City's financial health.

Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall financial health of the City, however, additional factors such as changes in property tax base, economic growth, unemployment, new and/or expanded businesses and industries and the condition of the City's assets and infrastructure must be considered.

The government-wide financial statements of the City are divided into three categories:

Governmental activities – Most of the City's basic services are included here, such as police, fire, public works, and general administration. Property taxes, sales taxes, fees for certain services and state-shared revenues finance most of these activities.

Business-type activities – The City charges fees to customers to cover most of the costs of certain services it provides. The City's water and sewer systems are self-sustaining. Fees help cover the costs of operating the airport, parks and recreation activities and the golf course.

Component units – The City includes the Cullman City Parks and Recreation Board in its report. Although operated by a board appointed by the City Council, this component unit is important because the City is financially accountable for it.

The Utilities Board of the City of Cullman – Water Division (UBWD) is governed by a five-member board appointed by the City Council. By contract, the only customer of the UBWD is the City of Cullman. Therefore, the UBWD is included in the City's report.

Also included in the City's report is the Cullman Regional Airport Board. The Cullman Regional Airport is owned jointly by the City of Cullman and Cullman County and operated by a board appointed by the two governments. The City and County provide local funds for capital improvements, and operating expenses in excess of revenues are paid by the City and County on a 50-50 basis. Fifty percent of the Board's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses are reported under enterprise funds of the City.

CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022

The following condensed financial statements serve as indicators for management:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 60,003,614	\$ 56,374,443	\$ 10,748,667	\$ 5,935,708	\$ 70,752,281	\$ 62,310,151
Restricted assets	24,087,059	32,322,751	7,753,979	11,552,545	31,841,038	43,875,296
Capital assets, net	89,526,681	87,240,699	307,683,939	289,256,521	397,210,620	376,497,220
Other assets	113,307	218,248	415,716	406,977	529,023	625,225
	173,730,661	176,156,141	326,602,301	307,151,751	500,332,962	483,307,892
Deferred outflows of resources	4,574,464	3,358,300	2,392,946	1,743,158	6,967,410	5,101,458
TOTAL ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES	<u>\$ 178,305,125</u>	<u>\$ 179,514,441</u>	<u>\$ 328,995,247</u>	<u>\$ 308,894,909</u>	<u>\$ 507,300,372</u>	<u>\$ 488,409,350</u>
Current liabilities	\$ 6,271,365	\$ 7,080,721	\$ 3,146,587	\$ 3,919,174	\$ 9,417,952	\$ 10,999,895
Liabilities payable from						
restricted assets	29,324	29,324	7,071,095	6,993,766	7,100,419	7,023,090
Long-term liabilities	59,364,927	61,800,310	127,787,875	134,889,552	187,152,802	196,689,862
	65,665,616	68,910,355	138,005,557	145,802,492	203,671,173	214,712,847
Deferred inflows of resources	13,818,900	9,342,150	1,691,995	105,092	15,510,895	9,447,242
Total liabilities and deferred						
inflows of resources	79,484,516	78,252,505	139,697,552	145,907,584	219,182,068	224,160,089
Net position:						
Net investment in						
capital assets	42,580,898	39,369,953	174,871,401	152,862,340	217,452,299	192,232,293
Restricted	23,041,766	31,677,326	1,811,887	2,116,514	24,853,653	33,793,840
Unrestricted	33,197,945	30,214,657	12,614,407	8,008,471	45,812,352	38,223,128
Total net position	98,820,609	101,261,936	189,297,695	162,987,325	288,118,304	264,249,261
TOTAL LIABILITIES, DEFERRED						
INFLOWS OF RESOURCES						
AND NET POSITION	<u>\$ 178,305,125</u>	<u>\$ 179,514,441</u>	<u>\$ 328,995,247</u>	<u>\$ 308,894,909</u>	<u>\$ 507,300,372</u>	<u>\$ 488,409,350</u>

CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues:						
Charges for services	\$13,032,561	\$ 11,391,691	\$ 41,918,735	\$ 34,929,364	\$ 54,951,296	\$ 46,321,055
Operating grants and contributions	6,566,127	825,279	-	-	6,566,127	825,279
Capital grants and contributions	1,993,671	94,567	2,237,638	590,322	4,231,309	684,889
General revenues:						
Taxes	43,769,214	38,618,391	-	-	43,769,214	38,618,391
Unrestricted investment earnings	92,033	85,849	55,265	147,231	147,298	233,080
Other	4,888,169	4,739,790	-	-	4,888,169	4,739,790
TOTAL REVENUES	70,341,775	55,755,567	44,211,638	35,666,917	114,553,413	91,422,484
EXPENSES						
General government	8,267,298	6,377,301	-	-	8,267,298	6,377,301
Public safety	15,275,471	14,132,862	-	-	15,275,471	14,132,862
Highways and streets	5,285,535	4,593,595	-	-	5,285,535	4,593,595
Sanitation	5,847,837	4,853,831	-	-	5,847,837	4,853,831
Health and social services	722,004	681,608	-	-	722,004	681,608
Culture and recreation	662,230	204,964	-	-	662,230	204,964
Education	9,733,243	8,734,379	-	-	9,733,243	8,734,379
Conservation	22,363	20,962	-	-	22,363	20,962
Interest on long-term debt	1,616,009	230,341	-	-	1,616,009	230,341
Sewer	-	-	7,677,338	6,997,465	7,677,338	6,997,465
Water	-	-	20,768,438	11,906,631	20,768,438	11,906,631
Parks and recreation	-	-	14,455,771	9,263,227	14,455,771	9,263,227
Airport	-	-	952,067	842,690	952,067	842,690
TOTAL EXPENSES	47,431,990	39,829,843	43,853,614	29,010,013	91,285,604	68,839,856
Increase in net position before sale of assets and transfers	22,909,785	15,925,724	358,024	6,656,904	23,267,809	22,582,628
Sale of assets	219,728	313,903	381,506	77,255	601,234	391,158
Intergovernmental revenues	-	-	6,003,461	6,242,631	6,003,461	6,242,631
Transfers	(25,570,840)	(5,203,980)	19,567,379	(1,038,651)	(6,003,461)	(6,242,631)
CHANGE IN NET POSITION	(2,441,327)	11,035,647	26,310,370	11,938,139	23,869,043	22,973,786
NET POSITION AT BEGINNING OF YEAR	101,261,936	90,226,289	162,987,325	151,049,186	264,249,261	241,275,475
NET POSITION AT END OF YEAR	\$98,820,609	\$101,261,936	\$189,297,695	\$162,987,325	\$ 288,118,304	\$ 264,249,261

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds, instead of the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law or by bond covenants. The City Council establishes other funds to control and manage money for particular purposes. The City of Cullman has two kinds of funds: governmental funds and business-type funds.

Most of the City's basic services are included in governmental funds which focus on (1) how cash, and other financial assets that can readily be converted to cash, flows in and out and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that could be spent in the near future to finance the City's operations. Additional information is furnished in the notes to the financial statements. The City has three major governmental funds – the General Fund, School Tax Fund and Debt Service Fund, and three major business-type funds – sewer operation, water system and parks and recreation.

The distribution and sale of water and the collection and disposal of wastewater, for which customers are charged fees, are accounted for and reported as business-type funds, as are the facilities and programs, including various park and recreation activities and the municipal golf course, which are operated by the Cullman City Parks and Recreation Board, and also the Cullman Regional Airport Board.

The Sanitation Department, for which customers are charged fees, has traditionally been included in the governmental funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council does not amend the annual budget of the City of Cullman to reflect actual year ending amounts. Over the course of the year, the budget was revised several times by the City Council and Treasurer:

- 1) During the year where increases or decreases in the cost of various items made it necessary to adjust the budget, or where the City Council found it necessary or expedient to approve an expenditure which was not contemplated when the budget was adopted.
- 2) Increases in appropriations to prevent budget overruns.

CAPITAL ASSETS

The capital assets of the City are reported at actual or estimated historic cost. The capital assets are depreciated on a straight-line basis over the estimated useful life. The City transferred \$19,841,866 to the Parks and Recreation Board during the year for financial statement presentation. The City maintains legal ownership of the facilities; however, the facilities will be managed and maintained by the Board.

"Wild Water" water park	\$12,925,319
Terry Pines	1,811,100
Sports Complex	1,300,857
Palomino RV resort	909,540
Other parks and projects	<u>2,895,050</u>
	<u><u>\$19,841,866</u></u>

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2022**

LONG-TERM DEBT

On April 22, 2022, a new general obligation warrant was issued by the Airport in the amount of \$2,000,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability and stewardship of the money it receives. Separate audited financial statements for the Sewer Fund, Water Fund, Cullman Regional Airport Board and Cullman City Parks and Recreation Board are available upon request. If you have questions about this report or need additional financial information, contact the City Clerk, Wesley M. Moore, at 204 Second Avenue NE, Cullman, AL 35055. Telephone (256) 775-7110, email address (wmoore@cullmanal.gov).

FINANCIAL STATEMENTS

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 27,760,250	\$ 14,222,661	\$ 41,982,911
Certificates of deposit	3,884,994	100,000	3,984,994
Interest receivable	1,981	35	2,016
Accounts receivable, net	852,100	4,223,762	5,075,862
Assessments receivable, net	81,989	-	81,989
Internal balances	10,267,481	(10,267,481)	-
Due from other governmental units:	16,350,577	435,936	16,786,513
Inventories	94,518	1,389,475	1,483,993
Prepaid expenses	709,724	642,215	1,351,939
Other assets	-	2,064	2,064
Total current assets	60,003,614	10,748,667	70,752,281
RESTRICTED ASSETS			
Cash and cash equivalents	22,821,804	4,517,666	27,339,470
State revolving funds receivable	-	3,236,313	3,236,313
Advances to other governments	1,265,255	-	1,265,255
Total restricted assets	24,087,059	7,753,979	31,841,038
CAPITAL ASSETS			
Land	12,649,987	16,387,967	29,037,954
Historical buildings	378,448	-	378,448
Construction in progress	4,736,829	13,589,872	18,326,701
Buildings, improvements and equipment, net of depreciation	71,761,417	277,706,100	349,467,517
Total capital assets	89,526,681	307,683,939	397,210,620
OTHER ASSETS			
Deposits	-	35,146	35,146
Insurance deposit	113,307	-	113,307
Assessments receivable – noncurrent	-	380,570	380,570
Total other assets	113,307	415,716	529,023
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	-	43,255	43,255
Deferred outflows of resources – pension	4,574,464	2,349,691	6,924,155
Total deferred outflows of resources	4,574,464	2,392,946	6,967,410
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 178,305,125	\$ 328,995,247	\$ 507,300,372

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
CURRENT LIABILITIES			
Accounts payable	\$ 3,594,922	\$ 1,929,508	\$ 5,524,430
Utility tax payable	-	66,044	66,044
Due to other governmental units	521,043	364,618	885,661
Accrued liabilities	201,940	65,476	267,416
Interest payable	642,950	102,956	745,906
Accrued payroll	-	132,916	132,916
Current maturities on long-term debt	785,000	-	785,000
Estimated compensated absences – current portion	282,713	207,723	490,436
Unearned revenue	242,797	277,346	520,143
Total current liabilities	6,271,365	3,146,587	9,417,952
LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Accounts payable - contractors	-	249,089	249,089
Accrued interest payable	-	317,415	317,415
Other liabilities	29,324	-	29,324
Current maturities on long-term debt	-	6,504,591	6,504,591
Total liabilities payable from restricted assets	29,324	7,071,095	7,100,419
NONCURRENT LIABILITIES			
Warrants/bonds payable	43,290,000	119,222,563	162,512,563
Other postemployment benefits	-	171,019	171,019
Unamortized debt discount	-	(326,476)	(326,476)
Unamortized debt premium	2,870,783	3,561,045	6,431,828
Net pension liability	11,667,043	4,465,258	16,132,301
Estimated compensated absences	1,537,101	621,514	2,158,615
Other non-current liabilities	-	72,952	72,952
Total noncurrent liabilities	59,364,927	127,787,875	187,152,802
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue – property and other taxes	10,839,722	-	10,839,722
Deferred inflows of resources – pension	2,979,178	1,691,995	4,671,173
Total deferred inflows of resources	13,818,900	1,691,995	15,510,895

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 42,580,898	\$ 174,871,401	\$ 217,452,299
Restricted for:			
Debt service and capital activity	22,821,804	1,811,887	24,633,691
Highways and streets	21,903	-	21,903
Jail, correction facilities, and court complex	68,667	-	68,667
Municipal Court	36,337	-	36,337
Industrial development and recreation	93,055	-	93,055
Unrestricted	33,197,945	12,614,407	45,812,352
Total net position	98,820,609	189,297,695	288,118,304
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 178,305,125	\$ 328,995,247	\$ 507,300,372

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:						
General government:						
Administrative	\$ 7,202,838	\$ 4,381,633	\$ 3,823,728	\$ 662,658	\$ 1,665,181	\$ -
Building and housing	668,260	701,172	-	-	32,912	-
Garage	396,200	-	-	-	(396,200)	-
Public safety:						
Police	7,352,160	344,940	41,000	-	(6,966,220)	-
Fire	6,049,738	-	-	-	(6,049,738)	-
Traffic maintenance	985,413	41,689	-	350,000	(593,724)	-
Dispatch and miscellaneous	888,160	174,600	31,039	-	(682,521)	-
Highways and streets	5,285,535	582,770	2,624,814	631,013	(1,446,938)	-
Sanitation	5,847,837	6,800,694	-	-	952,857	-
Health and social services	722,004	-	-	-	(722,004)	-
Culture and recreation	662,230	5,063	-	350,000	(307,167)	-
Education	9,733,243	-	45,546	-	(9,687,697)	-
Conservation	22,363	-	-	-	(22,363)	-
Interest on long-term debt	1,616,009	-	-	-	(1,616,009)	-
Total governmental activities	47,431,990	13,032,561	6,566,127	1,993,671	(25,839,631)	-
Business-type activities:						
Sewer	7,677,338	9,406,722	-	138,888	-	1,868,272
Water	20,768,438	22,042,464	-	124,799	-	1,398,825
Parks and recreation	14,455,771	10,046,346	-	-	-	(4,409,425)
Airport	952,067	423,203	-	1,973,951	-	1,445,087
Total business-type activities	43,853,614	41,918,735	-	2,237,638	-	302,759
	<u>\$ 91,285,604</u>	<u>\$ 54,951,296</u>	<u>\$ 6,566,127</u>	<u>\$ 4,231,309</u>	<u>(25,839,631)</u>	<u>302,759</u>
Taxes:						
Property taxes, levied for general purposes					1,840,987	-
Property taxes, levied for education					4,109,784	-
Sales taxes, levied for general purposes					26,810,128	-
Sales taxes, levied for education					4,799,972	-
Tobacco taxes					117,000	-
Rent taxes					640,095	-
Beverage/liquor taxes					1,604,878	-
Other taxes					3,846,370	-
Unrestricted investment earnings					92,033	55,265
Insurance proceeds					180,823	-
Miscellaneous					4,707,346	-
Gain on sale of fixed assets					219,728	381,506
Transfers – internal activities					(25,570,840)	25,570,840
					<u>23,398,304</u>	<u>26,007,611</u>
CHANGE IN NET POSITION					(2,441,327)	26,310,370
NET POSITION AT BEGINNING OF YEAR					<u>101,261,936</u>	<u>162,987,325</u>
NET POSITION AT END OF YEAR					<u>\$ 98,820,609</u>	<u>\$ 189,297,695</u>
						<u>\$ 288,118,304</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	<u>General</u>	<u>School Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$23,895,240	\$ 18,469	\$ 409,194	\$ 3,437,347	\$ 27,760,250
Certificates of deposit	3,884,994	-	-	-	3,884,994
Interest receivable	1,981	-	-	-	1,981
Accounts receivable, net	852,100	-	-	-	852,100
Assessments receivable, net	81,989	-	-	-	81,989
Due from other funds	42,762	-	522,239	1,897	566,898
Due from other governmental units	7,851,557	5,861,085	-	2,637,935	16,350,577
Inventories	94,518	-	-	-	94,518
Prepaid expenses	709,724	-	-	-	709,724
	<u>37,414,865</u>	<u>5,879,554</u>	<u>931,433</u>	<u>6,077,179</u>	<u>50,303,031</u>
RESTRICTED ASSETS					
Cash and cash equivalents	-	-	22,821,804	-	22,821,804
Advances to other governments	234,394	-	1,030,861	-	1,265,255
Advances to other funds	234,397	-	9,468,083	-	9,702,480
	<u>468,791</u>	<u>-</u>	<u>33,320,748</u>	<u>-</u>	<u>33,789,539</u>
CAPITAL ASSETS					
Insurance deposit	<u>113,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,307</u>
DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$37,996,963</u>	<u>\$ 5,879,554</u>	<u>\$ 34,252,181</u>	<u>\$ 6,077,179</u>	<u>\$ 84,205,877</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	<u>General</u>	<u>School Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
CURRENT LIABILITIES					
Accounts payable	\$ 844,449	\$ 892,448	\$ -	\$ 1,858,025	\$ 3,594,922
Due to other funds	1,897	-	-	-	1,897
Due to other governmental units	521,043	-	-	-	521,043
Unearned revenue	242,797	-	-	-	242,797
Accrued liabilities	201,940	-	-	-	201,940
Total current liabilities	1,812,126	892,448	-	1,858,025	4,562,599
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Other liabilities	29,324	-	-	-	29,324
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue – property and other taxes	5,300,635	5,419,859	-	119,228	10,839,722
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventory	80,687	-	-	-	80,687
Interfund receivables – long-term	234,397	-	9,468,083	-	9,702,480
Prepaid expenditures, deposit on equipment and insurance deposit	784,778	-	-	-	784,778
Advances to other governmental units	234,394	-	1,030,861	-	1,265,255
Permanent fund principal	-	-	-	100,913	100,913
Restricted for:					
Realty improvements and Ingle Park	-	-	-	18,534	18,534
Fiduciary	10,947	-	-	-	10,947
Highways and streets	-	-	-	81,920	81,920
Capital improvements	-	-	23,753,237	1,888,663	25,641,900
Jail, correction and court facilities	-	-	-	68,667	68,667
Municipal Court	-	-	-	36,337	36,337
Industrial development and recreation	-	-	-	93,055	93,055
Committed for:					
Landfill improvements	500,074	-	-	-	500,074
Assigned:					
Capital projects	56,579	-	-	1,811,837	1,868,416
Unassigned	28,953,022	(432,753)	-	-	28,520,269
Total fund balance (deficit)	30,854,878	(432,753)	34,252,181	4,099,926	68,774,232
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 37,996,963</u>	<u>\$ 5,879,554</u>	<u>\$ 34,252,181</u>	<u>\$ 6,077,179</u>	<u>\$ 84,205,877</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total Fund Balances – Governmental Funds	\$ 68,774,232
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	89,526,681
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net position. In addition, the deferred loss on refunding, the deferred accounts, and the debt premium/discount are expenditures and revenues at the fund level, but are deferred and amortized in the statement of net position.

Balances at September 30, 2022 were:

General obligation warrants	\$ (44,075,000)	
Accrued interest	(642,950)	
Net pension liability	(11,667,043)	
Deferred outflows of resources – pension	4,574,464	
Deferred inflows of resources – pension	(2,979,178)	
Unamortized debt premium	(2,870,783)	
Compensated absences	(1,819,814)	(59,480,304)

Total Net Position – Governmental Activities	\$ 98,820,609
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See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 32,945,225	\$ 8,909,756	\$ -	\$ 1,068,016	\$ 42,922,997
Licenses and permits	5,065,053	-	-	-	5,065,053
Intergovernmental revenues	8,174,166	-	45,546	5,897,184	14,116,896
Charges for services	7,506,033	-	-	-	7,506,033
Fines and forfeits	245,186	-	-	29,746	274,932
Interest revenue	29,059	-	60,885	3,348	93,292
Miscellaneous revenues	251,423	-	-	-	251,423
Total revenues	54,216,145	8,909,756	106,431	6,998,294	70,230,626
EXPENDITURES					
Current expenditures:					
General government	6,332,049	-	-	431,503	6,763,552
Public safety	14,396,177	-	-	-	14,396,177
Highways and streets	2,903,418	-	-	3,824,087	6,727,505
Sanitation	5,397,068	-	-	-	5,397,068
Health and social services	722,004	-	-	-	722,004
Culture and recreation	213,354	-	-	-	213,354
Education	748,390	8,984,853	-	-	9,733,243
Capital outlay	7,222,461	-	-	16,927,827	24,150,288
Debt service:					
Principal retirement	-	-	745,000	-	745,000
Debt issuance costs	-	-	-	-	-
Interest and fiscal charges	-	-	1,163,822	-	1,163,822
Total expenditures	37,934,921	8,984,853	1,908,822	21,183,417	70,012,013
REVENUES OVER (UNDER) EXPENDITURES	16,281,224	(75,097)	(1,802,391)	(14,185,123)	218,613
OTHER FINANCING SOURCES (USES)					
Sale of assets	364,778	-	-	-	364,778
Insurance proceeds	180,823	-	-	-	180,823
Operating transfers in	240,284	-	3,522,467	16,359,366	20,122,117
Operating transfers out	(15,142,518)	-	(10,275,301)	(433,272)	(25,851,091)
Total other financing sources (uses)	(14,356,633)	-	(6,752,834)	15,926,094	(5,183,373)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,924,591	(75,097)	(8,555,225)	1,740,971	(4,964,760)
FUND BALANCE AT BEGINNING OF YEAR	28,930,287	(357,656)	42,807,406	2,358,955	73,738,992
FUND BALANCE AT END OF YEAR	<u>\$ 30,854,878</u>	<u>\$ (432,753)</u>	<u>\$ 34,252,181</u>	<u>\$ 4,099,926</u>	<u>\$ 68,774,232</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Changes in Fund Balances – Governmental Funds	\$ (4,964,760)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$25,772,274) exceeded depreciation (\$3,440,502) in the current period:	22,331,772
The net effect of transactions involving the sale and disposal of capital assets is to decrease net position in the statement of net position.	(145,050)
The net effect of transactions involving the transfer of capital assets to business-type activities is to decrease net position in the statement of net position.	(19,900,740)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	745,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued interest	(642,950)
Change in compensated absences	(298,971)
Change in net pension liability and change in pension – related deferred outflows and inflows are not reported in the funds.	254,409
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Amortization	<u>179,963</u>
Change in Net Position – Governmental Activities	<u><u>\$ (2,441,327)</u></u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,689,795	\$ 8,569,221	\$ 3,120,890	\$ 842,755	\$ 14,222,661
Certificates of deposit	-	100,000	-	-	100,000
Interest receivable	-	35	-	-	35
Accounts receivable, net	1,076,293	3,019,899	110,833	16,737	4,223,762
Due from other funds	64,242	11,749	-	-	75,991
Due from other governmental units		28,606	117,903	289,427	435,936
Inventories	262,458	982,545	115,978	28,494	1,389,475
Prepaid expenses	-	-	34,384	-	34,384
Prepaid insurance	89,158	445,834	-	37,839	572,831
Prepaid utility tax	-	35,000	-	-	35,000
Other assets	-	2,064	-	-	2,064
Total current assets	3,181,946	13,194,953	3,499,988	1,215,252	21,092,139
RESTRICTED ASSETS					
Cash and cash equivalents	409,025	4,108,641	-	-	4,517,666
State revolving funds receivable	1,556,140	1,680,173	-	-	3,236,313
Total restricted assets	1,965,165	5,788,814	-	-	7,753,979
CAPITAL ASSETS					
Land and other assets not being depreciated	253,691	11,921,740	2,919,879	1,292,657	16,387,967
Construction in progress	6,053,581	5,006,234	2,463,617	66,440	13,589,872
Buildings, improvements, and equipment, net of depreciation	51,083,423	186,254,256	34,131,347	6,237,074	277,706,100
Total capital assets	57,390,695	203,182,230	39,514,843	7,596,171	307,683,939
OTHER ASSETS					
Deposits	-	-	35,146	-	35,146
Assessments receivable, net	380,570	-	-	-	380,570
Total other assets	380,570	-	35,146	-	415,716
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	-	-	43,255	-	43,255
Deferred outflows of resources –pension	577,656	939,794	798,266	33,975	2,349,691
Total deferred outflows of resources	577,656	939,794	841,521	33,975	2,392,946
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 63,496,032	\$ 223,105,791	\$ 43,891,498	\$ 8,845,398	\$ 339,338,719

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CURRENT LIABILITIES					
Accounts payable:					
Trade	\$ 183,778	\$ 749,075	\$ 751,255	\$ 245,400	\$ 1,929,508
Current portion of capital lease obligation	-	-	65,476	-	65,476
Utility tax payable	-	66,044	-	-	66,044
Due to other governments	-	40,398	324,220	-	364,618
Due to other funds	17,574	100,549	522,239	630	640,992
Interest payable	-	-	102,956	-	102,956
Accrued payroll	27,675	46,496	58,745	-	132,916
Estimated compensated absences – current portion	42,105	82,561	76,998	6,059	207,723
Unearned revenue	-	-	277,346	-	277,346
Total current liabilities	271,132	1,085,123	2,179,235	252,089	3,787,579
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Accounts payable:					
Contractors	128,093	120,996	-	-	249,089
Accrued interest	32,459	284,956	-	-	317,415
Current portion of warrants/bonds payable	1,851,584	4,564,891	-	88,116	6,504,591
Total liabilities payable from restricted assets	2,012,136	4,970,843	-	88,116	7,071,095
NONCURRENT LIABILITIES					
Warrants/bonds payable	11,426,674	106,930,017	-	865,872	119,222,563
Unamortized debt discount	-	(271,053)	(55,423)	-	(326,476)
Unamortized debt premium	-	2,679,209	881,836	-	3,561,045
Other postemployment benefits	-	171,019	-	-	171,019
Net pension liability	1,337,701	1,429,849	1,610,860	86,848	4,465,258
Estimated compensated absences	153,061	318,224	132,052	18,177	621,514
Other non-current liabilities	-	-	72,952	-	72,952
Advances from other funds	-	-	9,468,083	234,397	9,702,480
Total noncurrent liabilities	12,917,436	111,257,265	12,110,360	1,205,294	137,490,355
DEFERRED INFLOWS OF RESOURCES – PENSION					
	368,038	780,609	519,573	23,775	1,691,995
NET POSITION					
Net investment in capital assets	45,508,025	93,259,166	28,675,887	7,428,323	174,871,401
Restricted for capital activity and debt service	409,025	1,402,862	-	-	1,811,887
Unrestricted	2,010,240	10,349,923	406,443	(152,199)	12,614,407
Total net position	47,927,290	105,011,951	29,082,330	7,276,124	189,297,695
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
	<u>\$ 63,496,032</u>	<u>\$ 223,105,791</u>	<u>\$ 43,891,498</u>	<u>\$ 8,845,398</u>	<u>\$ 339,338,719</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Major Funds			Nonmajor Fund	Total
	Sewer Operation	Water System	Parks and Recreation	Airport	Business-Type Funds
REVENUES					
Charges for sales and services	\$ 8,557,798	\$ 20,619,313	\$ 10,046,346	\$ 423,203	\$ 39,646,660
Forfeited discounts and penalties	-	24,271	-	-	24,271
Charges for service connections	253,018	644,028	-	-	897,046
Service charges	91,250	120,067	-	-	211,317
Miscellaneous revenues	504,656	634,785	-	-	1,139,441
Total revenues	9,406,722	22,042,464	10,046,346	423,203	41,918,735
OPERATING EXPENSES					
Cost of operating revenues	-	-	-	267,373	267,373
Operating expenses	4,799,842	12,089,820	12,758,443	373,366	30,021,471
Depreciation expense	2,552,054	5,255,542	1,265,852	298,212	9,371,660
Total operating expenses	7,351,896	17,345,362	14,024,295	938,951	39,660,504
OPERATING INCOME (LOSS)	2,054,826	4,697,102	(3,977,949)	(515,748)	2,258,231
NON-OPERATING REVENUES AND EXPENSES					
Interest earned	7,284	45,283	2,698	-	55,265
Gain on sale of assets	(7,397)	388,831	72	-	381,506
Capital grants	138,888	124,799	-	1,973,951	2,237,638
Interest expense	(325,442)	(3,408,171)	(431,476)	(13,116)	(4,178,205)
Trustee fees	-	(14,905)	-	-	(14,905)
Total non-operating revenues and expenses	(186,667)	(2,864,163)	(428,706)	1,960,835	(1,518,701)
Change in net position before capital contributions and transfers	1,868,159	1,832,939	(4,406,655)	1,445,087	739,530
Capital contributions	-	-	19,841,866	-	19,841,866
Transfers in	58,274	134,714	5,259,861	550,612	6,003,461
Transfers out	(138,888)	(124,799)	(10,800)	-	(274,487)
Total capital contributions and transfers	(80,614)	9,915	25,090,927	550,612	25,570,840
CHANGE IN NET POSITION	1,787,545	1,842,854	20,684,272	1,995,699	26,310,370
NET POSITION AT BEGINNING OF YEAR	46,139,745	103,169,097	8,398,058	5,280,425	162,987,325
NET POSITION AT END OF YEAR	<u>\$ 47,927,290</u>	<u>\$ 105,011,951</u>	<u>\$ 29,082,330</u>	<u>\$ 7,276,124</u>	<u>\$ 189,297,695</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Major Funds			Fund	Total
	Sewer Operation	Water System	Parks and Recreation	Airport	Business-Type Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 9,452,735	\$ 17,111,497	\$ 10,036,929	\$ 412,312	\$ 37,013,473
Cash payments for merchandise sold	-	-	(863,354)	-	(863,354)
Cash payments to suppliers and vendors	(3,866,906)	(2,058,896)	(5,891,430)	(397,524)	(12,214,756)
Cash payments for salaries and benefits	(2,539,849)	(4,868,119)	(5,964,679)	(174,358)	(13,547,005)
Net cash provided by (used in) operating activities	3,045,980	10,184,482	(2,682,534)	(159,570)	10,388,358
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payables – long-term	-	-	(216,805)	-	(216,805)
Transfers in	58,274	134,714	5,249,061	603,400	6,045,449
Transfers out	(138,888)	(124,799)	-	-	(263,687)
Net cash provided by (used in) noncapital financing activities	(80,614)	9,915	5,032,256	603,400	5,564,957
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant revenues	-	124,799	-	1,900,196	2,024,995
Capital contributions	138,888	-	-	-	138,888
Acquisition and construction – capital assets	(3,837,944)	(2,145,500)	(434,566)	(2,361,320)	(8,779,330)
Proceeds from issuance of long-term debt	3,776,202	-	-	1,000,000	4,776,202
Proceeds from disposal of capital assets	30,893	1,125,678	47,005	-	1,203,576
Interest paid	(327,198)	(3,541,642)	(437,655)	(12,955)	(4,319,450)
Trustee fees	-	(14,905)	-	-	(14,905)
Principal payments of long-term debt	(1,913,253)	(4,488,340)	-	(129,285)	(6,530,878)
Net cash provided by (used in) capital and related financing activities	(2,132,412)	(8,939,910)	(825,216)	396,636	(11,500,902)

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Business-Type Funds</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of certificates of deposit	\$ -	\$ 304,000	\$ -	\$ -	\$ 304,000
Interest received	7,284	45,283	2,698	-	55,265
Net cash provided by investing activities	7,284	349,283	2,698	-	359,265
NET CHANGE IN CASH AND CASH EQUIVALENTS	840,238	1,603,770	1,527,204	840,466	4,811,678
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,258,582	11,074,092	1,593,686	2,289	13,928,649
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,098,820</u>	<u>\$ 12,677,862</u>	<u>\$ 3,120,890</u>	<u>\$ 842,755</u>	<u>\$ 18,740,327</u>
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING					
Cash and cash equivalents - current assets	\$ 1,689,795	\$ 8,569,221	\$ 3,120,890	\$ 842,755	\$ 14,222,661
Cash and cash equivalents - restricted assets	409,025	4,108,641	-	-	4,517,666
	<u>\$ 2,098,820</u>	<u>\$ 12,677,862</u>	<u>\$ 3,120,890</u>	<u>\$ 842,755</u>	<u>\$ 18,740,327</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Capital assets transferred from the City of Cullman	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,841,866</u>	<u>\$ -</u>	<u>\$ 19,841,866</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,054,826	\$ 4,697,202	\$ (3,977,949)	\$ (515,748)	\$ 2,258,331
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,552,054	5,255,542	1,265,852	298,212	9,371,660
Change in:					
Assessments receivable, net	25,772	-	-	-	25,772
Accounts receivable, net	(752,918)	(1,327,567)	(51,554)	(10,891)	(2,142,930)
Interfund receivables	-	237,911	-	-	237,911
Due to (from) other governmental units	704,055	1,491,831	(4,480)	30,694	2,222,100
Grants receivable	-	(2,064)	-	-	(2,064)
Inventories	(113,629)	42,532	(99,079)	(7,646)	(177,822)
Prepaid expenses	-	-	49,626	-	49,626
Prepaid insurance	(12,647)	(11,292)	-	(12,790)	(36,729)
Deferred outflows of resources					
– pension	(167,089)	(205,412)	(283,590)	(10,213)	(666,304)
Accounts payable	(1,266,507)	115,002	330,032	46,738	(774,735)
Utility tax payable	-	20,512	-	-	20,512
Interfund payables	(53,849)	-	-	-	(53,849)
Operating lease cost	-	-	(48,220)	-	(48,220)
Accrued payroll	(54,703)	(118,284)	(91,285)	-	(264,272)
Other postemployment benefits	-	-	-	-	-
Net pension liability	(210,073)	(724,976)	(297,428)	(15,065)	(1,247,542)
Deferred inflows of resources					
– pension	326,933	773,642	462,883	23,445	1,586,903
Unearned revenue	-	-	46,617	-	46,617
Estimated compensated absences	13,755	(60,097)	16,041	13,694	(16,607)
Net cash provided by (used in) operating activities	<u>\$ 3,045,980</u>	<u>\$ 10,184,482</u>	<u>\$ (2,682,534)</u>	<u>\$ (159,570)</u>	<u>\$ 10,388,358</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

1. SUMMARY OF OPERATIONS

Reporting Entity

The City of Cullman (the City) was incorporated under the laws of the State of Alabama in 1875 and operates under an elected Mayor-Council form of government. The accompanying financial statements present the City's primary government and its component units, which are legally separate organizations over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Units

Component units that are so intertwined with the City that they are, in substance, the same as the City are blended and reported as if they were part of the City. The Utilities Board of the City of Cullman – Water Division (UBWD), which gathers, collects and sells water to the City, is governed by a five-member board appointed by the City Council. By contract, the only customer of the UBWD is the City of Cullman. Separately issued financial statements are available through the City Clerk's office.

The Cullman City Parks and Recreation Board was formed in November 1979 under Section 11-86-1 of the Code of Alabama 1975. The Board is an unincorporated board and cannot legally incur debt. The City provides a substantial amount of the Board's funding each year through payments for payroll and debt service expenditures. Therefore, the Board is reported as part of the City's operations. Separately issued financial statements are available at the Cullman Civic Center or through the City Clerk's office.

The City's 50% interest in the Airport Board, which is a joint venture with Cullman County, is also reported as part of the City's operations. Separately issued financial statements are available through the City Clerk's office.

Excluded Entities

The following related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments:

- 1) The City Council appoints all, or a voting majority, of the members of the Utilities Board – Power Division of the City of Cullman and to the Industrial Development Board of the City of Cullman.
- 2) The Mayor appoints the members of the Cullman Housing Authority.
- 3) The City Council appoints directors to the City of Cullman Public Education and Governmental Access Television, Inc., a non-profit organization.
- 4) The City Council also appoints four members to the nine-member Cullman-Jefferson Counties Gas District.
- 5) The City Council appoints the members of the Medical Clinic Board.
- 6) The City Council appoints the members of the Downtown Redevelopment Authority.
- 7) The City Council appoints five of the 11 members of the Cullman County Center for the Developmentally Disabled 310 Board.
- 8) The City Council appoints three members of the North Central Alabama Mental Health Board.
- 9) The Parks and Recreation Foundation Board (PRFB) is a 501(c)(3) not-for-profit, and its board members are appointed by the Cullman City Parks and Recreation Board. The PRFB solicits contributions that are for the direct benefit of the City of Cullman's Parks and Recreation. However, the City of Cullman and the Cullman City Parks and Recreation Board are not corporate members of the PRFB. Therefore, the PRFB has not been included as a component unit.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

Fund Name	Description
General Fund	This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
School Tax	This fund accounts for the collections and disbursements of the 3 mill ad valorem tax, 7.5 mill ad valorem tax and 0.5% sales tax collected for the City School System.
Debt Service	This fund accounts for the resources accumulated and payments made for the principal, interest and other expenses on general long-term debt associated with the City's governmental activities.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City reports the following major proprietary funds:

Fund Name	Description
Sewer Operation	This fund accounts for the system maintenance and the sewage disposal service provided to its customers.
Water System	The Water System accounts for the activities of two separate units: the Utilities Board – Water Division of the City of Cullman, Alabama (UBWD) and the Water Department. The UBWD's primary activity is the gathering, collecting or impounding of water and filtering of said water to sell to the Water Department. The Water Department's primary activity is the system maintenance and distribution of water to wholesale and retail customers.
Parks and Recreation	This fund accounts for four separate activities: 1) the maintenance and operations of the golf course and its facilities for the general public 2) the maintenance and operations of the City's parks and facilities for the general public and the organization of other recreational activities 3) the maintenance and operations of the Cullman Wellness and Aquatic Center for the general public 4) the maintenance and operations of the Cullman Gymnastics and Cheer Academy for the general public

Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Financial Statements

The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. However, all grants earned and charges for services are considered to be available as of year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, claims and judgements, and compensated absences are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash Equivalents and Certificates of Deposit

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash and cash equivalents. Cash and cash equivalents are reported at carrying amount, which reasonably estimates fair value. Certificates of deposit are carried at cost, which approximates market value.

Accounts Receivable and Assessments Receivable

Accounts and assessments receivable are presented net of allowances for doubtful accounts, as follows:

	General Fund	Sewer Operation	Water System	Parks and Recreation	Airport	Total
Accounts receivable	\$ 878,671	\$1,100,293	\$3,019,899	\$ 268,230	\$ 17,614	\$ 5,284,707
Assessments receivable	207,412	474,148	-	-	-	681,560
Allowance for doubtful accounts	(151,994)	(117,578)	-	(157,397)	(877)	(427,846)
	<u>\$ 934,089</u>	<u>\$1,456,863</u>	<u>\$3,019,899</u>	<u>\$ 110,833</u>	<u>\$ 16,737</u>	<u>\$ 5,538,421</u>

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In addition, short-term interfund loans are made as necessary from one fund to another.

Interfund Receivables – Long-Term

Long-term interfund loan receivables are reported as "advances from and to other funds" and are offset equally by a nonspendable fund balance account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Property Tax Calendar

Cullman County is responsible for the assessment, collection and apportionment of property taxes for the City of Cullman. The County levies property taxes on October 1 on property values for the previous year ended September 30. Secured property tax payments are due by December 31. As prescribed by Governmental Accounting Standards Board (GASB) Statement 33, a receivable has been accrued as due from other governmental units in the amount of \$4,599,728 as of September 30, 2022, for the bills sent out October 1, 2022, because the City has an enforceable legal claim on these property taxes. However, since these resources were not available for use during the year ended September 30, 2022, an offsetting balance of the same amount is included in the line item, "unavailable revenue – property and other taxes", in the financial statements.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

Inventories in governmental activities consist of expendable supplies held for consumption stated principally on a first-in, first-out basis. They are reported at cost, which is recorded as an expenditure at the time individual inventory items are used. Business-type activities inventories are reported at cost on a first-in, first-out basis, except for the Sewer Fund and Water Fund, which are stated at average cost method, effective October 1, 2019.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2022, are recorded as prepaid items. Prepaid insurance is charged to expenditures/expenses over the term of the policies. Prepaid senior trip expenses are charged to expense once the senior citizens have gone on the trips. Prepaid utility tax is offset to utility taxes payable once applied to the next month's utility tax report.

Restricted Assets

Certain proceeds of general long-term debt and proprietary fund warrants and bonds, as well as certain resources set aside for their repayment and other amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and contractual obligations.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The works of art and historical treasures maintained in the Museum have not been capitalized. These are held for public exhibition and are properly cared for. Proceeds from disposals of works of arts and historical treasures are used to acquire additional items for the collection. Therefore, the items are not required to be capitalized under current reporting standards. The City's infrastructure consists of all major infrastructure that was acquired or that has received substantial improvement since October 1, 1980. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

Asset Class	Estimated Useful Lives
Buildings	10-75
Improvements other than buildings	10-75
Infrastructure – streets	20-50
Infrastructure – bridges	50
Office equipment	5-10
Computer equipment	5-10
Communication equipment	3-10
Heavy equipment	5-20
Transportation equipment	3-20
Other general equipment	5-15

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Amortization

Unamortized debt discount or premium is amortized on the straight-line method over the life of the bonds/warrants. Unamortized loss on refunding is amortized on the straight-line method over the lesser of the life of the old bonds/warrants refunded or the life of the new bonds/warrants issued.

Compensated Absences

City of Cullman

The liability for compensated absences consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using only the vested vacation and sick leave amounts available to employees on September 30, 2022. Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with the City. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees to specified maximums, and a percentage of sick leave is payable upon termination in accordance with guidelines established in the City's personnel policies. If an employee does not use his sick leave during the year and would otherwise lose any accumulated time, the employee is paid one-half of the hours accumulated in excess of the maximum allowed to be carried over from year to year. The estimated liabilities include required salary-related payments. The liability for compensated absences is paid by the General Fund for all governmental funds, and each proprietary fund is responsible for its own liability for compensated absences.

Utilities Board – Water Division (UBWD) (Component Unit Blended with Water System)

The liability for compensated absences consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using only the vested vacation and sick leave amounts available to employees on September 30, 2022. Full-time, permanent employees are granted vacation leave benefits in varying amounts, depending on tenure with the UBWD. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees and a percentage of sick leave is payable upon termination in accordance with guidelines established in the UBWD's personnel policies. The estimated liabilities include required salary-related payments.

Net Position

Net position comprises the various net earnings from operating and non-operating revenues and expenses. Net position is classified in the following three components: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvements of those assets; debt related to unspent proceeds and restricted cash equivalents is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted net position consists of all other net position items not included in the above categories.

Pension

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources until that period. Employer contributions subsequent to the measurement date related to the employer's net pension liability are reported as deferred outflows of resources until the next measurement date. Other deferred outflows of resources relate to unamortized loss on refunding of debt.

In addition to liabilities, the statement of net position reports a separate section for *Deferred Inflows of Resources*. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized until then. Net differences between projected and actual pension plan experience, projected and actual earnings on pension plan investments and changes in assumptions between employer contributions and the proportionate share of pension contributions identified during the measurement period are deferred inflows of resources, which will be amortized as a component of pension expense. Other deferred inflows of resources relate to unavailable property and other tax revenue.

Governmental Fund Balances

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Classification	Description
Nonspendable	Nonspendable fund balances include fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
Restricted	Restricted fund balances include fund balance amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
Committed	Committed fund balances include fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the City Council) and do not lapse at year end. The City Council is required to adopt an Ordinance in order to establish, modify or rescind a fund balance commitment.
Assigned	Assigned fund balances include fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balances may be assigned by the Mayor, City Clerk or City Treasurer.
Unassigned	Unassigned fund balances include positive fund balances within the General Fund, which have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to spend first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made. The City does not have a formal minimum fund balance policy.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Principles

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The City implemented this standard for the year ended September 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The City implemented this standard for the year ended September 30, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was issued to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The City implemented this standard for the year ended September 30, 2022.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – DEFICIT BALANCE

The \$432,753 deficit of the School Tax Fund is a result of expenditures accrued in excess of resources available within the City's 30-day availability period. The deficit is expected to be covered by resources accrued, but not received within the 30-day availability period.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The City's funds are invested in accordance with State statutes, which allow investment in: (1) direct obligations of the United States government pledged by its full-faith and credit, (2) savings accounts and certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral, (3) pre-funded public obligations and (4) interests in collective investment funds in accordance with guidelines set out in Section 11-81-21, Code of Alabama, 1975.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Except as noted below, the City's deposits were insured by federal depository insurance coverage (FDIC) or the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is administered by the State Treasurer according to the State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit.

As of September 30, 2022, the Utilities Board – Water Division of the City of Cullman (UBWD) (component unit blended with the Water System) had \$585,302 invested in the Fidelity Treasury Only "sweep" Money Market Fund (fund) held with Regions Bank. The fund is composed of U.S. Treasury Obligations with a rating of AAAM by Standard and Poor's and Aaa- mf by Moody's. This fund is uninsured and is not collateralized. As of September 30, 2022, UBWD had \$3,520,766 collateralized by securities held by the pledging financial institutions' trust department, but not in UBWD's name.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2022, was as follows:

	<u>Balance at Sept. 30, 2021</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Transfers</u>	<u>Balance at Sept. 30, 2022</u>
Governmental activities:					
Non-depreciable capital assets:					
Land	\$ 11,261,328	\$ 2,378,659	\$ -	\$ (990,000)	\$ 12,649,987
Historical buildings	378,448	-	-	-	378,448
Construction in progress	6,319,813	17,698,968	-	(19,281,952)	4,736,829
	<u>17,959,589</u>	<u>20,077,627</u>	<u>-</u>	<u>(20,271,952)</u>	<u>17,765,264</u>
Depreciable capital assets:					
Buildings	20,155,785	700,001	-	(420,478)	20,435,308
Improvements other than buildings	8,032,722	311,266	-	(1,210,770)	7,133,218
Machinery and equipment	76,555,105	4,683,380	(954,740)	2,021,055	82,304,800
	<u>104,743,612</u>	<u>5,694,647</u>	<u>(954,740)</u>	<u>389,807</u>	<u>109,873,326</u>
Less accumulated depreciation:					
Buildings	(3,616,988)	(406,860)	-	-	(4,023,848)
Improvements other than buildings	(1,474,096)	(307,297)	-	-	(1,781,393)
Machinery and equipment	(30,371,418)	(2,726,345)	809,690	(18,595)	(32,306,668)
	<u>(35,462,502)</u>	<u>(3,440,502)</u>	<u>809,690</u>	<u>(18,595)</u>	<u>(38,111,909)</u>
Net depreciable capital assets	<u>69,281,110</u>	<u>2,254,145</u>	<u>(145,050)</u>	<u>371,212</u>	<u>71,761,417</u>
Total capital assets, net	<u>\$ 87,240,699</u>	<u>\$ 22,331,772</u>	<u>\$ (145,050)</u>	<u>\$ (19,900,740)</u>	<u>\$ 89,526,681</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

5. CAPITAL ASSETS – CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2022, was as follows:

	<u>Balance at Sept. 30, 2021</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Adjustments and Transfers</u>	<u>Balance at Sept. 30, 2022</u>
Business-type activities:					
Non-depreciable capital assets:					
Land	\$ 15,087,076	\$ 251,276	\$ (6,811)	\$ 1,056,426	\$ 16,387,967
Construction in progress	8,199,754	6,072,743	(57,115)	(625,510)	13,589,872
	<u>23,286,830</u>	<u>6,324,019</u>	<u>(63,926)</u>	<u>430,916</u>	<u>29,977,839</u>
Depreciable capital assets:					
Buildings	46,594,052	152,065	-	2,971,642	49,717,759
Improvements other than buildings	301,484,554	888,306	-	16,529,272	318,902,132
Machinery and equipment	26,037,678	1,414,938	(1,251,863)	35,877	26,236,630
	<u>374,116,284</u>	<u>2,455,309</u>	<u>(1,251,863)</u>	<u>19,536,791</u>	<u>394,856,521</u>
Less accumulated depreciation:					
Buildings	(18,970,592)	(1,044,188)	-	-	(20,014,780)
Improvements other than buildings	(74,093,982)	(6,799,932)	-	(102,945)	(80,996,859)
Machinery and equipment	(15,082,019)	(1,527,540)	493,837	(23,060)	(16,138,782)
	<u>(108,146,593)</u>	<u>(9,371,660)</u>	<u>493,837</u>	<u>(126,005)</u>	<u>(117,150,421)</u>
Net depreciable capital assets	<u>265,969,691</u>	<u>(6,916,351)</u>	<u>(758,026)</u>	<u>19,410,786</u>	<u>277,706,100</u>
Total capital assets, net	<u>\$289,256,521</u>	<u>\$ (592,332)</u>	<u>\$ (821,952)</u>	<u>\$ 19,841,702</u>	<u>\$307,683,939</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

5. CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:

General government:	
Administrative	\$ 315,150
Building and housing	18,923
Garage	39,222
Public safety:	
Police	281,776
Fire	610,001
Traffic Maintenance	84,980
Dispatch and miscellaneous	24,428
Highways and streets	1,495,587
Sanitation	526,053
Culture and recreation	22,019
Conservation	22,363
	<u>\$ 3,440,502</u>

Business-type activities:

Sewer	\$ 2,552,054
Water	5,255,542
Parks and Recreation	1,265,852
Airport	298,212
	<u>\$ 9,371,660</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

6. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Governmental activities					
General obligation bonds	\$ 44,820,000	\$ -	\$ (745,000)	\$ 44,075,000	\$ 785,000
Less issuance discounts	(25,036)	-	25,036	-	-
Add issuance premiums	3,075,782	-	(204,999)	2,870,783	-
Total general obligation bonds payable	47,870,746	-	(924,963)	46,945,783	785,000
Compensated absences	2,366,684	40,492	(587,362)	1,819,814	282,713
Total long-term debt	<u>\$ 50,237,430</u>	<u>\$ 40,492</u>	<u>\$ (1,512,325)</u>	<u>\$ 48,765,597</u>	<u>\$ 1,067,713</u>
Business - type activities					
General obligation bonds	\$ 40,895,000	\$ -	\$ (220,000)	\$ 40,675,000	\$ 225,000
Less issuance discounts	(342,263)	-	15,787	(326,476)	-
Add issuance premiums	3,765,097	-	(204,052)	3,561,045	-
Total general obligation bonds payable	44,317,834	-	(408,265)	43,909,569	225,000
Direct placement bonds	90,363,036	1,000,000	(6,310,882)	85,052,154	6,279,591
Compensated absences	845,841	586,568	(603,172)	829,237	207,723
Total long-term debt	<u>\$ 135,526,711</u>	<u>\$ 1,586,568</u>	<u>\$ (7,322,319)</u>	<u>\$ 129,790,960</u>	<u>\$ 6,712,314</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

6. LONG-TERM DEBT – CONTINUED

Long-term debt payable at September 30, 2022, comprised the following:

Governmental Activities						
	Interest Rates	Balance at Sept. 30, 2021	Additions	Payments	Balance at Sept. 30, 2022	Due Within One Year
General obligation warrants:						
Series 2016	3.00-5.00%	\$ 15,735,000	-	\$ (745,000)	\$ 14,990,000	\$ 785,000
Series 2021	2.50-4.00%	29,085,000	-	-	29,085,000	-
		<u>\$ 44,820,000</u>	<u>\$ -</u>	<u>\$ (745,000)</u>	<u>\$ 44,075,000</u>	<u>\$ 785,000</u>
Business-Type Activities						
	Interest Rates	Balance at Sept. 30, 2021	Additions	Payments	Balance at Sept. 30, 2022	Due Within One Year
Sewer Fund:						
General obligation warrants:						
Series 2013-A	2.63%	\$ 2,816,507	\$ -	\$ (1,278,253)	\$ 1,538,254	\$ 1,201,584
Series 2015 - CWSRF - DL	2.25%	2,965,000	-	(180,000)	2,785,000	185,000
Series 2015B - CWSRF - DL	2.20%	2,585,000	-	(160,000)	2,425,000	165,000
Series 2020 - CWSRF - DL	2.20%	6,825,000	-	(295,000)	6,530,000	300,000
Water System:						
Utilities Board – Water Division:						
Water Revenue Bonds:						
Series 2015A	2.00-5.00%	40,895,000	-	(220,000)	40,675,000	225,000
Series 2015B	2.195%	2,880,000	-	(695,000)	2,185,000	715,000
Series 2017 - DWSRF-DL	2.20%	20,165,000	-	(1,065,000)	19,100,000	1,085,000
Series 2020- DWSRF-DL	2.20%	5,520,000	-	(255,000)	5,265,000	260,000
Series 2020	2.00-4.00%	44,990,000	-	(1,455,000)	43,535,000	1,695,000
Water Fund, General Obligation Warrants:						
Series 2012 - DWSRF-BL	2.46%	185,000	-	(185,000)	-	-
Series 2013B	2.30%	1,348,248	-	(613,340)	734,908	584,891
Cullman Regional Airport Board:						
General obligation warrants:						
Warrant dated April 14, 2022	2.60%	-	1,000,000	(46,008)	953,992	88,116
Warrant dated October 22, 2012	2.99%	83,281	-	(83,281)	-	-
		<u>\$ 131,258,036</u>	<u>\$ 1,000,000</u>	<u>\$ (6,530,882)</u>	<u>\$ 125,727,154</u>	<u>\$ 6,504,591</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

6. LONG-TERM DEBT – CONTINUED

The indentures, with respect to the warrants and bonds payable as detailed in the supplementary schedules of this report, contain pledges of revenues and pledges of the full faith and credit of the City as is applicable to each issue.

The restricted assets presented in the financial statements are monies set aside for the payment of the debt or construction of related projects of these entities as required by the respective indentures. Annual principal maturities and debt service requirements of the long-term debt for the governmental activities during the next five years followed by five-year increments to maturity are as follows:

Governmental Activities			
Year Ended September 30	Principal	Interest	Total Debt Service Requirement
2023	\$ 785,000	\$ 1,594,850	\$ 2,379,850
2024	1,440,000	1,555,600	2,995,600
2025	1,500,000	1,496,000	2,996,000
2026	1,560,000	1,433,700	2,993,700
2027	1,630,000	1,362,250	2,992,250
2028-2032	9,335,000	5,637,900	14,972,900
2033-2037	9,830,000	3,739,650	13,569,650
2038-2042	5,305,000	2,507,850	7,812,850
Thereafter	12,690,000	2,262,325	14,952,325
	<u>\$ 44,075,000</u>	<u>\$ 21,590,125</u>	<u>\$ 65,665,125</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

6. LONG-TERM DEBT – CONTINUED

Annual principal maturities and debt service requirements of the long-term debt for the business-type activities during the next five years followed by five-year increments to maturity are as follows:

Business-Type Activities					
Year Ended September 30	Direct Placement Bonds				Total Debt Service Requirement
	Principal	Interest	Principal	Interest	
2023	\$ 225,000	\$ 1,535,669	\$ 6,279,591	\$ 2,814,586	\$ 10,854,846
2024	230,000	1,531,169	5,097,410	2,185,696	9,044,275
2025	235,000	1,525,994	4,758,537	1,888,850	8,408,381
2026	1,000,000	1,518,944	4,131,375	1,749,908	8,400,227
2027	1,030,000	1,488,944	4,239,298	1,642,488	8,400,730
2028-2032	5,655,000	6,948,450	22,925,943	6,431,427	41,960,820
2033-2037	8,000,000	5,645,588	24,385,000	3,524,203	41,554,791
2038-2042	14,335,000	3,520,500	13,235,000	808,850	31,899,350
2043-2047	9,965,000	756,563	-	-	10,721,563
	<u>\$ 40,675,000</u>	<u>\$ 24,471,821</u>	<u>\$ 85,052,154</u>	<u>\$ 21,046,008</u>	<u>\$ 171,244,983</u>

General Obligation Warrants shown in the business-type activities were used by proprietary funds and are being repaid by those funds. However, they remain a contingent liability of the City's Governmental Activities.

The Water Revenue Bonds, which were issued for the purpose of making capital improvements to the water supply system are not a general obligation of the City of Cullman and are secured by and repayable solely from the revenues derived from the operation of the water supply system remaining after payment of necessary expenses for operating and maintaining the water supply system. Debt service during the year ended September 30, 2022, from pledged revenues totaled approximately \$5,500,000.

Upon the occurrence of an event of default, which would include the failure of the City to make timely payments of principal and interest, the Bond Trustee is empowered to declare the balance of the bonds and accrued interest immediately due and payable and pursue legal action to enforce the terms of the bond agreements.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

7. INTERFUND BALANCES AND ACTIVITY

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. The amounts reported as due to/from should be repaid during the next fiscal year. The amounts reported as advances to/from other funds will be repaid over multiple years. The composition of interfund balances as of September 30, 2022 is shown below.

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water System	\$ 36,307
	Sewer	5,825
	Airport	630
Nonmajor Fund - Gov	General Fund	1,897
Water System	Sewer	11,749
Debt Service	Parks and Rec	522,239
Sewer	Water System	64,242
Total		<u>\$ 642,889</u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Airport	\$ 234,397
Debt Service	Parks and Recreation	9,468,083
Total		<u>\$ 9,702,480</u>

Transfers between funds are generally made for the purpose of funding the operations of another, purchasing capital or investment assets or as debt held by one fund is repaid by another. The amounts of interfund transfers for the year ended September 30, 2022, were as follows:

<u>Transfers (out)</u>	<u>Transfers in</u>							<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water System</u>	<u>Sewer Operation</u>	<u>Parks and Recreation</u>	<u>Nonmajor Enterprise</u>	
General Fund	\$ -	\$ 3,511,667	\$ 6,746,156	\$ -	\$ -	\$ 4,334,083	\$ 550,612	\$ 15,142,518
Debt Service	-	-	9,349,523	-	-	925,778	-	10,275,301
Nonmajor Governmental	240,284	-	-	134,714	58,274	-	-	433,272
Parks and Recreation	-	10,800	-	-	-	-	-	10,800
Water System	-	-	124,799	-	-	-	-	124,799
Sewer Operation	-	-	138,888	-	-	-	-	138,888
	<u>\$ 240,284</u>	<u>\$ 3,522,467</u>	<u>\$ 16,359,366</u>	<u>\$ 134,714</u>	<u>\$ 58,274</u>	<u>\$ 5,259,861</u>	<u>\$ 550,612</u>	<u>\$ 26,125,578</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

8. JOINT VENTURE

The Cullman Airport is jointly owned by the City of Cullman, Alabama, and Cullman County, Alabama. The Airport is operated by an appointed Board. Appropriations are made by the City and County to operate the Board. Included in the Proprietary Funds of the City is 50 percent of the Board's assets, liabilities, net position, revenues and expenses. Separately issued financial statements are available at the Clerk's office at the City of Cullman.

9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; however, the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

10. PENSION PLAN

General Information about the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- a. The Governor, ex officio.
- b. The State Treasurer, ex officio.
- c. The State Personnel Director, ex officio.
- d. The State Director of Finance, ex officio.
- e. Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- f. Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One full time employee of a participating municipality or city in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. PENSION PLAN – CONTINUED

- d. One full time employee of a participating county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
- e. One full time employee or retiree of a participating employer in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.
- f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOS) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. PENSION PLAN – CONTINUED

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership of the City of Cullman and its blended component unit, the Utilities Board – Water Division of the City of Cullman (the UBWD) consisted of the following:

	ERS' Membership	City's Membership	UBWD's Membership
Retirees and beneficiaries currently receiving benefits	29,727	167	21
Terminated employees entitled to but not yet receiving benefits	2,130	7	1
Terminated employees not entitled to a benefit	16,415	110	3
Active members	56,184	383	45
Post-DROP participants who are still in active service	54	1	1
	<u>104,510</u>	<u>668</u>	<u>71</u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers' and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. PENSION PLAN – CONTINUED

For the year ended September 30, 2022, the City's active employee contribution rate was 6.25% and 7.22% of covered payroll for Tier 1 and Tier 2 employees, respectively, and the City's average contribution rate to fund the normal and accrued liability costs was 7.06% of pensionable payroll. The UBWD's active employee contribution rate was 8.89% and 7.23% of covered payroll for Tier 1 and Tier 2 employees, respectively, and the UBWD's average contribution rate to fund the normal and accrued liability costs was 13.81% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2022, was 6.25% of pensionable pay for Tier 1 employees and 7.22% of pensionable pay for Tier 2 employees. The UBWD's contractually required rate was 8.89% of pensionable pay for Tier 1 employees and 7.23% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2018, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City and the UBWD were \$1,688,568 and \$226,029, respectively, for the year ended September 30, 2022.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2019, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of 9/30/2020 (a)	\$ 65,096,751	\$ 66,610,018
Entry Age Normal Cost		
for 10/1/2020 - 9/30/2021 (b)	1,620,375	1,620,375
Transfers Among Employers	-	(123,565)
Actual Benefit Payments and Refunds		
for 10/1/2020 - 9/30/2021 (c)	<u>(3,858,156)</u>	<u>(3,858,156)</u>
Total Pension Liability		
as of 9/30/2021	<u>\$ 67,722,881</u>	<u>\$ 69,229,105</u>
[(a) x (1.0745)] + (b) - [(c) x (1.03725)]		
Difference between Expected and Actual Experience (Gain)/Loss		<u>\$ -</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. PENSION PLAN – CONTINUED

Net Pension Liability

The UBWD's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2019, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of 9/30/2020 (a)	\$ 5,062,439	\$ 5,163,646
Entry Age Normal Cost		
for 10/1/2020 - 9/30/2021 (b)	86,259	86,259
Transfers Among Employers	-	-
Actual Benefit Payments and Refunds		
for 10/1/2020 - 9/30/2021 (c)	<u>(209,005)</u>	<u>(209,005)</u>
Total Pension Liability		
as of 9/30/2021		
[(a) x (1.0745)] + (b) - [(c) x (1.03725)]	<u>\$ 5,389,059</u>	<u>\$ 5,542,330</u>
Difference between Expected and Actual		
Experience (Gain)/Loss		<u>\$ 140,964</u>

Actuarial Assumptions

The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected salary increases	3.25% - 6.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense.

Mortality rates were based on the Pub-2010 Below-Median Tables, with an adjustment of 96% at all ages for females and for males 65 and older. An adjustment of 90% for all males younger than 65.

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. PENSION PLAN – CONTINUED

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	2.50%
	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset)

The changes in net pension liability (asset) for the City of Cullman are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2020	\$ 65,096,751	\$ 47,095,628	\$ 18,001,123
Changes for the year:			
Service cost	1,620,375	-	1,620,375
Interest	4,863,911	-	4,863,911
Changes of benefit terms	-	-	-
Changes in assumptions	2,727,289	-	2,727,289
Difference between expected and actual experience	1,629,789	-	1,629,789
Contributions – employer	-	1,506,494	(1,506,494)
Contributions – employee	-	1,517,249	(1,517,249)
Net investment income	-	10,351,948	(10,351,948)
Benefit payments, including refunds of employee contributions	(3,858,156)	(3,858,156)	-
Transfers among employers	(123,565)	(123,565)	-
	<u>6,859,643</u>	<u>9,393,970</u>	<u>(2,534,327)</u>
Balances at September 30, 2021	<u>\$ 71,956,394</u>	<u>\$ 56,489,598</u>	<u>\$ 15,466,796</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset)

The changes in net pension liability (asset) for the Utilities Board – Water Division of the City of Cullman, a component unit of the City, are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2020	\$ 5,163,646	\$ 3,954,114	\$ 1,209,532
Changes for the year:			
Service cost	86,259	-	86,259
Interest	386,594	-	386,594
Changes of assumptions	140,964	-	140,964
Difference between expected and actual experience	(26,127)	-	(26,127)
Contributions – employer	-	80,838	(80,838)
Contributions – employee	-	91,466	(91,466)
Net investment income	-	872,566	(872,566)
Benefit payments, including refunds of employee contributions	(209,006)	(209,006)	-
	<u>378,684</u>	<u>835,864</u>	<u>(457,180)</u>
Balances at September 30, 2021	<u>\$ 5,542,330</u>	<u>\$ 4,789,978</u>	<u>\$ 752,352</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

10. PENSION PLAN – CONTINUED

The total changes in net pension liability (asset) for the City of Cullman and the UBWD combined are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
Balances at September 30, 2020	\$ 70,260,397	\$ 51,049,742	\$ 19,210,655
Changes for the year:			
Service cost	1,706,634	-	1,706,634
Interest	5,250,505	-	5,250,505
Changes of benefit terms	140,964	-	140,964
Changes in assumptions	2,727,289	-	2,727,289
Difference between expected and actual experience	1,603,662	-	1,603,662
Contributions – employer	-	1,587,332	(1,587,332)
Contributions – employee	-	1,608,715	(1,608,715)
Net investment income	-	11,224,514	(11,224,514)
Benefit payments, including refunds of employee contributions	(4,067,162)	(4,067,162)	-
Transfers among employers	(123,565)	(123,565)	-
	<u>7,238,327</u>	<u>10,229,834</u>	<u>(2,991,507)</u>
Less 50% for Cullman Regional Airport Board	<u>(368,483)</u>	<u>(266,570)</u>	<u>(86,847)</u>
Balances at September 30, 2021	<u>\$ 77,130,241</u>	<u>\$ 61,013,006</u>	<u>\$ 16,132,301</u>

The Cullman Regional Airport Board (Airport) is jointly owned by the City of Cullman, Alabama, and Cullman County, Alabama (see Note 8). However, all employees of the Airport are employees of the City of Cullman. Only 50 percent of the Airport's net pension liability has been reflected in the financial statements due to the other 50 percent which is expected to be paid by Cullman County, Alabama, through the joint venture.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City and UBWD's net pension liability calculated using the discount rate of 7.45%, as well as what the City and UBWD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or one percentage point higher (8.45%) than the current rate (dollar amounts in thousands):

	<u>1% Decrease 6.45%</u>	<u>Current Rate 7.45%</u>	<u>1% Increase 8.45%</u>
City of Cullman	\$ 24,150,608	\$ 15,466,796	\$ 8,184,956
UBWD	1,303,538	752,352	226,067
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	<u>(136,451)</u>	<u>(86,847)</u>	<u>(46,245)</u>
	<u>\$ 25,317,695</u>	<u>\$ 16,132,301</u>	<u>\$ 8,364,778</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. PENSION PLAN – CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditors' report dated January 31, 2022, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Pension Expense and Deferred Outflows of Resources and Deferred

Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the City recognized pension expense of \$1,766,479, and the UBWD recognized pension expense of \$20,667. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments:		
City of Cullman	\$ -	\$ 4,133,123
UBWD	-	-
Net difference between projected and actual experience:		
City of Cullman	2,208,945	174,578
UBWD	61,925	387,248
Changes of assumptions:		
City of Cullman	2,647,203	-
UBWD	125,459	-
Employer contributions subsequent to the measurement date:		
City of Cullman	1,688,568	-
UBWD	226,029	-
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	<u>(33,974)</u>	<u>(23,776)</u>
	<u>\$ 6,924,155</u>	<u>\$ 4,671,173</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

10. PENSION PLAN – CONTINUED

Other than employer contributions subsequent to the measurement date, amounts reported as deferred outflows of resources and deferred inflows, or resources related to pensions will be recognized in pension expense as follows:

	<u>City of Cullman</u>	<u>UBWD</u>	<u>Airport Board</u>	<u>Total</u>
2023	\$ 204,165	\$ (44,997)	\$ 1,092	\$ 160,260
2024	201,742	(24,688)	1,079	178,133
2025	(310,145)	(65,590)	(1,659)	(377,394)
2026	(507,209)	(89,591)	(2,713)	(599,513)
2027	687,580	19,010	3,678	710,268
Thereafter	259,182	5,992	1,457	266,631
	<u>\$ 535,315</u>	<u>\$ (199,864)</u>	<u>\$ 2,934</u>	<u>\$ 338,385</u>

11. CONCENTRATIONS OF CREDIT RISK

The City grants unsecured credit for water, sewer and sanitation charges to various customers who are generally located within Cullman County, Alabama. The unsecured credit amount would be an amount in excess of security deposit, and the customer would be subject to discontinuance of service for nonpayment. The City sells water to wholesale customers, and of these customers, Cullman County is considered a major customer.

12. TAX ABATEMENTS

As of September 30, 2022, the City provides tax abatements based on two Alabama statutes: the Alabama Tax Incentive Reform Act of 1992 and Amendment 772.

- Under the Alabama Tax Incentive Reform Act of 1992, localities may grant property tax abatements for non-educational city property taxes up to 20 years. Data processing centers may be abated for up to 30 years. The qualifying project must constitute an "industrial, warehousing, or research activity" and meet the capital investment requirements. There is no threshold or limiting investment amount for a new abatement project with the exception of projects owned by utilities producing electricity. Projects owned by utilities which produce electricity from alternative energy resources must have capital costs of at least \$100,000,000. Projects, which produce electricity from hydropower production, must have capital costs of at least \$5,000,000. The additional capital investment by an industry that is expanding their current facilities in Alabama must be at least 30% of the original cost of the currently existing industrial property or \$2,000,000. Abatements are obtained through application by the property owner and submitted to the local granting authority which the property owner is petitioning for abatement of taxes.
- Under Amendment 772, localities may lend their credit to or grant public funds and things of value in aid of, or to, any individual, firm, corporation, or other business entity, public or private, for the purpose of promoting the economic and industrial development of the municipality. Tax abatements entered into under Amendment 772 are individually negotiated.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

12. TAX ABATEMENTS – CONTINUED

<u>Tax Abatement</u>	<u>Amount of Taxes Abated</u>
Alabama Tax Incentive Reform Act of 1992	\$ 159,707
Amendment 772	
Property Tax	29,404
Sales Tax	598,143

13. RISK MANAGEMENT

The City is exposed to various risks such as losses related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and other people and natural disasters. These risks are handled through the purchase of commercial insurance.

14. RELATED PARTIES

The City appoints the directors of the Cullman Power Board (Board). The Board handles the revenue billing and collections for the water, sewer and sanitation departments of the City. At September 30, 2022, there were no amounts to be received by the Board.

15. POSTEMPLOYMENT BENEFITS

The Utilities Board – Water Division of the City of Cullman, Alabama, currently offers any employee retiring with at least 25 years of service or having reached the age of 60, the option to maintain health insurance after they retire (including subsidized beneficial coverage) until they reach age 65. The retired employee must pay the full amount of the monthly insurance coverage, with the employer paying for any subsidization of that retiree's cost. The number of participants as of July 1, 2021, the effective date of the OPEB valuation, was 14 active employees and two retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

The Utilities Board of the City of Cullman – Power Division (Cullman Power Board) is administering the other postemployment benefits (OPEB). The Utilities Board – Water Division of the City of Cullman, Alabama, follows GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* in accounting for the OPEB plan.

Currently, the Utilities Board – Water Division of the City of Cullman, Alabama, pays the health insurance benefits on a pay-as-you-go basis (when premiums and claims are due). The net OPEB liability as of June 30, 2022, the most recent measurement date, was \$519,116, and the net change to OPEB liability was \$348,097 consisting of service cost of \$10,300, interest of \$3,566, assumption changes of (\$8,868), benefit payments of (\$11,891) and other changes of \$354,990. Based on the materiality of the plan, additional disclosure information was not considered necessary.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

16. ENVIRONMENTAL REMEDIATION

Greif Brothers Property – Brownfield Remediation

During the year ended September 30, 2009, the City purchased the Greif Brothers property. The property was designated approximately four years ago as a pollution remediation site when the site was accepted in the Alabama Department of Environmental Management Voluntary Cleanup and Assessment Program. The City became a responsible party at the time the property was purchased. The property is a Brownfield Remediation site as recognized by the Alabama Department of Environmental Management and the U.S. Environmental Protection Agency. The City originally estimated the cost of site assessment, the corrective measures feasibility study and site cleanup to be approximately \$640,000, with an additional \$400,000 for monitoring of groundwater after the site cleanup is finished and for additional work on other minor areas on the property. The estimated costs were determined by Goodwyn, Mills & Cawood, Inc. based on quotes and their knowledge of similar cleanups. The estimated costs are subject to change due to price changes, technology changes or other changes. The pollution remediation estimated costs do not reflect any recovery of outlays because the City does not anticipate that it will be able to recover remediation costs from other parties.

The property has been split into two parcels – Parcel A and Parcel B. Parcel A consists of approximately 95 percent of the property, and Parcel B is the remaining five percent. The City has paid the permitting fees for the release of Parcel A from further remediation. The environmental remediation of Parcel B has been put on hold pending the City deciding to build on the property.

17. SUBSEQUENT EVENTS

On December 15, 2022, the City issued the Series 2023-CWSRF-DL General Obligation Warrant in the amount of \$3,880,000. The proceeds of the warrant were used for improvements to the City's sewer system. The warrant bears an interest rate of 1.99%, with semiannual interest payments and annual principal payments. The principal amount of the warrants is due August 15, 2042.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY									
Service cost	\$ 1,620,375	\$ 86,259	\$ 1,706,634	\$ 1,290,891	\$ 80,651	\$ 1,371,542	\$ 1,240,168	\$ 73,709	\$ 1,313,877
Interest	4,863,911	386,594	5,250,505	4,617,166	362,779	4,979,945	4,390,057	340,241	4,730,298
Changes of benefit terms	-	-	-	748,826	33,044	781,870	-	82,433	82,433
Differences between expected and actual experience	1,629,789	(26,127)	1,603,662	413,862	37,297	451,159	821,476	-	821,476
Changes of assumptions	2,727,289	140,964	2,868,253	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(3,858,156)	(209,006)	(4,067,162)	(3,764,611)	(184,826)	(3,949,437)	(3,790,059)	(181,709)	(3,971,768)
Transfers among employers	(123,565)	-	(123,565)	(132,001)	-	(132,001)	123,409	-	123,409
Net change in total pension liability	6,859,643	378,684	7,238,327	3,174,133	328,945	3,503,078	2,785,051	314,674	3,099,725
Total pension liability – beginning	65,096,751	5,163,646	70,260,397	61,922,618	4,834,701	66,757,319	59,137,567	4,520,027	63,657,594
Total pension liability – ending (a)	<u>\$ 71,956,394</u>	<u>\$ 5,542,330</u>	<u>\$ 77,498,724</u>	<u>\$ 65,096,751</u>	<u>\$ 5,163,646</u>	<u>\$ 70,260,397</u>	<u>\$ 61,922,618</u>	<u>\$ 4,834,701</u>	<u>\$ 66,757,319</u>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,506,494	\$ 80,837	\$ 1,587,331	\$ 1,652,373	\$ 112,512	\$ 1,764,885	\$ 1,517,972	\$ 111,009	\$ 1,628,981
Contributions – employee	1,517,249	91,466	1,608,715	1,070,959	62,696	1,133,655	951,255	60,148	1,011,403
Net investment income	10,351,948	872,566	11,224,514	2,498,616	213,647	2,712,263	1,158,885	93,855	1,252,740
Benefit payments, including refunds of employee contributions	(3,858,156)	(209,005)	(4,067,161)	(3,764,611)	(184,826)	(3,949,437)	(3,790,059)	(181,709)	(3,971,768)
Transfers among employers	(123,565)	-	(123,565)	(132,001)	-	(132,001)	123,409	-	123,409
Net change in plan fiduciary net position	9,393,970	835,864	10,229,834	1,325,336	204,029	1,529,365	(38,538)	83,303	44,765
Plan net position – beginning	47,095,628	3,954,114	51,049,742	45,770,292	3,750,085	49,520,377	45,808,830	3,666,782	49,475,612
Plan net position – ending (b)	<u>56,489,598</u>	<u>4,789,978</u>	<u>61,279,576</u>	<u>47,095,628</u>	<u>3,954,114</u>	<u>51,049,742</u>	<u>45,770,292</u>	<u>3,750,085</u>	<u>49,520,377</u>
NET POSITION LIABILITY (a) - (b)	<u>\$ 15,466,796</u>	<u>\$ 752,352</u>	<u>\$ 16,219,148</u>	<u>\$ 18,001,123</u>	<u>\$ 1,209,532</u>	<u>\$ 19,210,655</u>	<u>\$ 16,152,326</u>	<u>\$ 1,084,616</u>	<u>\$ 17,236,942</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	78.51%	86.43%	79.07%	72.35%	76.58%	72.66%	73.92%	77.57%	74.18%
COVERED EMPLOYEE PAYROLL	\$ 18,776,010	\$ 1,450,117	\$ 20,226,127	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	82.38%	51.88%	80.19%	97.68%	83.41%	96.64%	99.42%	78.04%	97.73%

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)

	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY									
Service cost	\$ 1,132,043	\$ 61,734	\$ 1,193,777	\$ 1,097,342	\$ 61,122	\$ 1,158,464	\$ 1,042,024	\$ 64,088	\$ 1,106,112
Interest	4,275,976	323,421	4,599,397	4,113,828	316,022	4,429,850	4,002,270	309,083	4,311,353
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(184,945)	34,960	(149,985)	-	(106,907)	(106,907)	(942,085)	(22,557)	(964,642)
Changes of assumptions	303,407	20,694	324,101	350,735	-	350,735	2,133,269	64,643	2,197,912
Benefit payments, including refunds of employee contributions	(3,260,807)	(182,740)	(3,443,547)	(3,461,845)	(168,017)	(3,629,862)	(2,990,489)	(234,178)	(3,224,667)
Transfers among employers	67,601	(10,989)	56,612	(108,346)	2,676	(105,670)	43,967	-	43,967
Net change in total pension liability	2,333,275	247,080	2,580,355	1,991,714	104,896	2,096,610	3,288,956	181,079	3,470,035
Total pension liability – beginning	56,804,292	4,272,947	61,077,239	54,812,578	4,168,051	58,980,629	51,523,622	3,986,972	55,510,594
Total pension liability – ending (a)	<u>\$ 59,137,567</u>	<u>\$ 4,520,027</u>	<u>\$ 63,657,594</u>	<u>\$ 56,804,292</u>	<u>\$ 4,272,947</u>	<u>\$ 61,077,239</u>	<u>\$ 54,812,578</u>	<u>\$ 4,168,051</u>	<u>\$ 58,980,629</u>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,452,280	\$ 107,022	\$ 1,559,302	\$ 1,441,697	\$ 100,572	\$ 1,542,269	\$ 1,425,482	\$ 99,191	\$ 1,524,673
Contributions – employee	902,800	54,041	956,841	838,665	45,603	884,268	771,618	47,046	818,664
Net investment income	3,909,186	315,729	4,224,915	4,919,768	385,365	5,305,133	3,649,303	283,132	3,932,435
Benefit payments, including refunds of employee contributions	(3,260,807)	(182,740)	(3,443,547)	(3,461,845)	(168,017)	(3,629,862)	(2,990,489)	(234,178)	(3,224,667)
Transfers among employers	67,601	(10,989)	56,612	(108,346)	2,676	(105,670)	43,967	-	43,967
Net change in plan fiduciary net position	3,071,060	283,063	3,354,123	3,629,939	366,199	3,996,138	2,899,881	195,191	3,095,072
Plan net position – beginning	42,737,770	3,383,719	46,121,489	39,107,831	3,017,520	42,125,351	36,207,950	2,822,329	39,030,279
Plan net position – ending (b)	<u>45,808,830</u>	<u>3,666,782</u>	<u>49,475,612</u>	<u>42,737,770</u>	<u>3,383,719</u>	<u>46,121,489</u>	<u>39,107,831</u>	<u>3,017,520</u>	<u>42,125,351</u>
NET POSITION LIABILITY (a) - (b)	<u>\$ 13,328,737</u>	<u>\$ 853,245</u>	<u>\$ 14,181,982</u>	<u>\$ 14,066,522</u>	<u>\$ 889,228</u>	<u>\$ 14,955,750</u>	<u>\$ 15,704,747</u>	<u>\$ 1,150,531</u>	<u>\$ 16,855,278</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	77.46%	81.12%	77.72%	75.24%	79.19%	75.51%	71.35%	72.40%	71.42%
COVERED EMPLOYEE PAYROLL	\$ 13,840,015	\$ 1,041,071	\$ 14,881,086	\$ 13,739,161	\$ 978,328	\$ 14,717,488	\$ 13,584,634	\$ 964,894	\$ 14,549,528
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	96.31%	81.96%	95.30%	102.38%	90.89%	101.62%	115.61%	119.24%	115.85%

This schedule is to be built prospectively until it contains 10 years of data

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (UNAUDITED)

	For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY						
Service cost	\$ 1,037,206	\$ 64,359	\$ 1,101,565	\$ 1,043,085	\$ 61,056	\$ 1,104,141
Interest	3,852,199	306,052	4,158,251	3,654,242	283,382	3,937,624
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(339,015)	(6,497)	(345,512)	-	-	-
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,358,467)	(161,036)	(2,519,503)	(2,087,310)	(205,239)	(2,292,549)
Transfers among employers	-	-	-	-	-	-
Net change in total pension liability	2,191,923	202,878	2,394,801	2,610,017	139,199	2,749,216
Total pension liability – beginning	49,331,699	3,784,094	53,115,793	46,721,682	3,644,895	50,366,577
Total pension liability – ending (a)	<u>\$ 51,523,622</u>	<u>\$ 3,986,972</u>	<u>\$ 55,510,594</u>	<u>\$ 49,331,699</u>	<u>\$ 3,784,094</u>	<u>\$ 53,115,793</u>
PLAN FIDUCIARY NET POSITION						
Contributions – employer	\$ 1,368,019	\$ 106,966	\$ 1,474,985	\$ 1,354,385	\$ 103,686	\$ 1,458,071
Contributions – employee	709,731	44,367	754,098	692,335	43,059	735,394
Net investment income	426,614	34,236	460,850	3,874,230	302,926	4,177,156
Benefit payments, including refunds of employee contributions	(2,358,467)	(161,036)	(2,519,503)	(2,087,310)	(205,239)	(2,292,549)
Transfers among employers	(75,385)	-	(75,385)	(11,050)	-	(11,050)
Net change in plan fiduciary net position	70,512	24,533	95,045	3,822,590	244,432	4,067,022
Plan net position – beginning	36,137,438	2,797,796	38,935,234	32,314,848	2,553,364	34,868,212
Plan net position – ending (b)	<u>36,207,950</u>	<u>2,822,329</u>	<u>39,030,279</u>	<u>36,137,438</u>	<u>2,797,796</u>	<u>38,935,234</u>
NET POSITION LIABILITY (a) - (b)	<u>\$ 15,315,672</u>	<u>\$ 1,164,643</u>	<u>\$ 16,480,315</u>	<u>\$ 13,194,261</u>	<u>\$ 986,298</u>	<u>\$ 14,180,559</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	70.27%	70.79%	70.31%	73.25%	73.94%	73.30%
COVERED EMPLOYEE PAYROLL	\$ 13,037,020	\$ 887,076	\$ 13,924,096	\$ 12,819,139	\$ 861,185	\$ 13,680,324
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	117.48%	131.29%	118.36%	102.93%	114.53%	103.66%

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,688,568	\$ 226,029	\$ 1,914,597	\$ 1,506,637	\$ 146,192	\$ 1,652,829	\$ 1,652,864	\$ 121,468	\$ 1,774,332
Contributions in relation to the actuarially determined contribution *	1,688,568	226,029	1,914,597	1,506,637	146,192	1,652,829	1,652,864	121,468	1,774,332
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 18,776,010	\$ 1,450,117	\$ 20,226,127	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743
Contributions as a percentage of covered-employee payroll	8.99%	15.59%	9.47%	8.18%	10.08%	8.31%	8.97%	8.38%	8.93%
	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,578,086	\$ 122,939	\$ 1,701,025	\$ 1,431,140	\$ 119,834	\$ 1,550,974	\$ 1,441,697	\$ 96,950	\$ 1,538,647
Contributions in relation to the actuarially determined contribution *	1,578,086	122,939	1,701,025	1,431,140	119,834	1,550,974	1,362,894	96,950	1,459,844
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,803	\$ -	\$ 78,803
Covered-employee payroll	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919	\$ 15,121,205	\$ 1,305,127	\$ 16,426,332	\$ 13,739,161	\$ 978,328	\$ 14,717,489
Contributions as a percentage of covered-employee payroll	9.71%	8.85%	9.64%	9.46%	9.18%	9.44%	9.92%	9.91%	9.92%
	For the Year Ended September 30, 2016								
	City of Cullman	UBWD	Total						
Actuarially determined contribution	\$ 1,425,482	\$ 100,199	\$ 1,525,681						
Contributions in relation to the actuarially determined contribution *	1,425,482	100,199	1,525,681						
Contribution deficiency	\$ -	\$ -	\$ -						
Covered-employee payroll	\$ 13,584,634	\$ 888,119	\$ 14,472,753						
Contributions as a percentage of covered-employee payroll	10.49%	11.28%	10.54%						

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)**

Notes to Schedule of Employer Contributions to Pension Plan

***These are the amount of employer contributions related to normal and accrued liability components of the employer rate net of any refunds or error service payments.**

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported.

Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation. Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022, are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	23.3 years – City of Cullman; 25.7 years - UBWD
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

This schedule is to be built prospectively until it contains 10 years of data.

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance
	Original	Final	Actual	Postive (Negative)
REVENUES				
Taxes	\$ 29,271,804	\$ 29,271,804	\$ 32,945,225	\$ 3,673,421
Licenses and permits	4,080,650	4,080,650	5,065,053	984,403
Intergovernmental revenues	7,905,900	7,905,900	8,174,166	268,266
Charges for services	6,216,000	6,216,000	7,506,033	1,290,033
Fines and forfeits	313,800	313,800	245,186	(68,614)
Interest revenue	-	-	29,059	29,059
Miscellaneous revenues	309,400	309,400	251,423	(57,977)
	<u>48,097,554</u>	<u>48,097,554</u>	<u>54,216,145</u>	<u>6,118,591</u>
EXPENDITURES				
Current expenditures:				
General government	8,493,731	8,493,731	6,332,049	2,161,682
Public safety	14,547,194	14,547,194	14,396,177	151,017
Highways and streets	3,450,707	4,555,707	2,903,418	1,652,289
Sanitation	4,808,056	4,808,056	5,397,068	(589,012)
Health and social services	677,004	677,004	722,004	(45,000)
Culture and recreation	247,762	247,762	213,354	34,408
Education	748,900	748,900	748,390	510
Capital outlay	2,160,300	5,918,406	7,222,461	(1,304,055)
	<u>35,133,654</u>	<u>39,996,760</u>	<u>37,934,921</u>	<u>2,061,839</u>
REVENUES OVER EXPENSES	<u>12,963,900</u>	<u>8,100,794</u>	<u>16,281,224</u>	<u>8,180,430</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	240,000	240,000	364,778	124,778
Insurance proceeds	-	-	180,823	180,823
Operating transfers in	-	-	240,284	240,284
Operating transfers out	(13,203,900)	(13,203,900)	(15,142,518)	(1,938,618)
	<u>(12,963,900)</u>	<u>(12,963,900)</u>	<u>(14,356,633)</u>	<u>(1,392,733)</u>
NET CHANGES IN FUND BALANCES	-	(4,863,106)	1,924,591	6,787,697
FUND BALANCE AT BEGINNING OF YEAR	<u>28,930,287</u>	<u>28,930,287</u>	<u>28,930,287</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,930,287</u>	<u>\$ 24,067,181</u>	<u>\$ 30,854,878</u>	<u>\$ 6,787,697</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – SCHOOL TAX FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget			Variance
	Original	Final	Actual	Postive (Negative)
REVENUES				
Taxes	\$ 8,630,000	\$ 8,630,000	\$ 8,909,756	\$ 279,756
EXPENDITURES				
Current expenditures:				
Education	8,630,000	8,630,000	8,984,853	(354,853)
NET CHANGES IN FUND BALANCES	-	-	(75,097)	(75,097)
FUND BALANCE AT BEGINNING OF YEAR	(357,656)	(357,656)	(357,656)	-
FUND BALANCE AT END OF YEAR	<u>\$ (357,656)</u>	<u>\$ (357,656)</u>	<u>\$ (432,753)</u>	<u>\$ (75,097)</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SEPTEMBER 30, 2022

BUDGETARY DATA

Budget Policy and Practice

The City Department Managers submit annual budget requests to the City Council, which adopts annual fiscal year appropriated budgets for General and Special Revenue Funds. Once approved, the City Council may amend the legally adopted budgets when unexpected modifications are required in estimated revenues and appropriations.

Budget

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by function. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,044,438	\$ 1,273,462	\$ 119,447	\$ 3,437,347
Due from other funds	1,897	-	-	1,897
Due from other governmental units	249,085	2,388,850	-	2,637,935
TOTAL ASSETS	\$ 2,295,420	\$ 3,662,312	\$ 119,447	\$ 6,077,179
LIABILITIES				
Accounts payable	\$ 7,550	\$ 1,850,475	\$ -	\$ 1,858,025
Total liabilities	7,550	1,850,475	-	1,858,025
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	119,228	-	-	119,228
Total deferred inflows of resources	119,228	-	-	119,228
FUND BALANCES				
Nonspendable:				
Permanent fund principal	-	-	100,913	100,913
Restricted for:				
Realty improvements and Ingle Park	-	-	18,534	18,534
Highways and streets	81,920	-	-	81,920
Capital improvements	1,888,663	-	-	1,888,663
Jail, correction and court facilities	68,667	-	-	68,667
Municipal Court	36,337	-	-	36,337
Industrial development and recreation	93,055	-	-	93,055
Assigned for:				
Capital projects	-	1,811,837	-	1,811,837
Total fund balances	2,168,642	1,811,837	119,447	4,099,926
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,295,420	\$ 3,662,312	\$ 119,447	\$ 6,077,179

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,068,016	\$ -	\$ -	\$ 1,068,016
Intergovernmental revenues	583,324	5,313,860	-	5,897,184
Fines and forfeits	29,746	-	-	29,746
Interest revenue	2,018	1,325	5	3,348
Total revenues	1,683,104	5,315,185	5	6,998,294
EXPENDITURES				
Current expenditures:				
General government	3,480	428,023	-	431,503
Highways and streets	-	3,824,087	-	3,824,087
Capital outlay	557,358	16,370,469	-	16,927,827
Total expenditures	560,838	20,622,579	-	21,183,417
REVENUES OVER (UNDER) EXPENDITURES	1,122,266	(15,307,394)	5	(14,185,123)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	16,359,366	-	16,359,366
Operating transfers out	-	(433,272)	-	(433,272)
Total other financing sources	-	15,926,094	-	15,926,094
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,122,266	618,700	5	1,740,971
FUND BALANCE AT BEGINNING OF YEAR	1,046,376	1,193,137	119,442	2,358,955
FUND BALANCE AT END OF YEAR	\$ 2,168,642	\$ 1,811,837	\$ 119,447	\$ 4,099,926

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	Rebuild Alabama Gas Tax	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Lodging Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Court Judicial Admin Fund	Total
ASSETS									
Cash equivalents	\$ 15,919	\$ 13,761	\$ 17,327	\$ 1,334,236	\$ 466,203	\$ 93,055	\$ 67,410	\$ 36,527	\$ 2,044,438
Due from other funds	-	-	-	-	-	-	1,257	640	1,897
Due from other governmental units	21,746	18,147	22,961	186,231	-	-	-	-	249,085
TOTAL ASSETS	\$ 37,665	\$ 31,908	\$ 40,288	\$ 1,520,467	\$ 466,203	\$ 93,055	\$ 68,667	\$ 37,167	\$ 2,295,420
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ -	\$ 6,720	\$ -	\$ -	\$ -	\$ 830	\$ 7,550
Total liabilities	-	-	-	6,720	-	-	-	830	7,550
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	10,693	8,601	8,647	91,287	-	-	-	-	119,228
FUND BALANCES									
Restricted for:									
Highways and streets	26,972	23,307	31,641	-	-	-	-	-	81,920
Capital improvements	-	-	-	1,422,460	466,203	-	-	-	1,888,663
Jail, correction and court facilities	-	-	-	-	-	-	68,667	-	68,667
Municipal Court	-	-	-	-	-	-	-	36,337	36,337
Industrial development and recreation	-	-	-	-	-	93,055	-	-	93,055
Total fund balances	26,972	23,307	31,641	1,422,460	466,203	93,055	68,667	36,337	2,168,642
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 37,665	\$ 31,908	\$ 40,288	\$ 1,520,467	\$ 466,203	\$ 93,055	\$ 68,667	\$ 37,167	\$ 2,295,420

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – SPECIAL REVENUE FUNDS – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Rebuild Alabama Gas Tax	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Lodging Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Court Judicial Admin Fund	Total
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 1,055,516	\$ -	\$ 12,500	\$ -	\$ -	\$ 1,068,016
Intergovernmental revenues	124,295	108,377	182,363	-	168,289	-	-	-	583,324
Fines and forfeits	-	-	-	-	-	-	20,217	9,529	29,746
Interest revenue	434	-	203	820	561	-	-	-	2,018
Total revenues	124,729	108,377	182,566	1,056,336	168,850	12,500	20,217	9,529	1,683,104
EXPENDITURES									
Current expenditures:									
General government	-	-	-	-	-	69	-	3,411	3,480
Capital outlay	147,491	93,861	316,006	-	-	-	-	-	557,358
Total expenditures	147,491	93,861	316,006	-	-	69	-	3,411	560,838
REVENUES OVER EXPENDITURES	(22,762)	14,516	(133,440)	1,056,336	168,850	12,431	20,217	6,118	1,122,266
FUND BALANCE AT BEGINNING OF YEAR	49,734	8,791	165,081	366,124	297,353	80,624	48,450	30,219	1,046,376
FUND BALANCE AT END OF YEAR	<u>\$ 26,972</u>	<u>\$ 23,307</u>	<u>\$ 31,641</u>	<u>\$ 1,422,460</u>	<u>\$ 466,203</u>	<u>\$ 93,055</u>	<u>\$ 68,667</u>	<u>\$ 36,337</u>	<u>\$ 2,168,642</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	<u>Industrial Park</u>	<u>Industrial Access Road</u>	<u>Parks and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>Building Construction</u>	<u>Brunner Street</u>	<u>Total</u>
ASSETS								
Cash equivalents	\$ 851,603	\$ 5,144	97,163	\$ 138,815	\$ 43,730	\$ -	\$ 137,007	\$ 1,273,462
Due from other governmental units	1,293,272	-	350,000	705,000	40,578	-	-	2,388,850
TOTAL ASSETS	<u><u>\$ 2,144,875</u></u>	<u><u>\$ 5,144</u></u>	<u><u>\$ 447,163</u></u>	<u><u>\$ 843,815</u></u>	<u><u>\$ 84,308</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 137,007</u></u>	<u><u>\$ 3,662,312</u></u>
LIABILITIES								
Accounts payable	\$ 205,387	\$ -	\$ 544,292	\$ 882,004	\$ 210,497	\$ -	\$ 8,295	\$ 1,850,475
Total liabilities	205,387	-	544,292	882,004	210,497	-	8,295	1,850,475
FUND BALANCES								
Assigned for:								
Capital projects	1,939,488	5,144	(97,129)	(38,189)	(126,189)	-	128,712	1,811,837
Total fund balances	1,939,488	5,144	(97,129)	(38,189)	(126,189)	-	128,712	1,811,837
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,144,875</u></u>	<u><u>\$ 5,144</u></u>	<u><u>\$ 447,163</u></u>	<u><u>\$ 843,815</u></u>	<u><u>\$ 84,308</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 137,007</u></u>	<u><u>\$ 3,662,312</u></u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Industrial Park	Industrial Access Road	Parks and Recreation Construction	Transportation Enhancement	Downtown Redevelopment	Building Construction	Brunner Street	Total
REVENUES								
Intergovernmental	\$ 1,358,033	\$ 159,000	\$ 350,000	\$ 2,785,940	\$ 631,013	\$ -	\$ 29,874	\$ 5,313,860
Interest revenue	-	-	1,286	-	39	-	-	1,325
Total revenues	1,358,033	159,000	351,286	2,785,940	631,052	-	29,874	5,315,185
EXPENDITURES								
Current expenditures:								
General government	996	-	427,027	-	-	-	-	428,023
Highways and streets	-	172,983	-	3,651,104	-	-	-	3,824,087
Capital outlay	558,447	-	14,029,330	238,319	1,512,935	-	31,438	16,370,469
Total expenditures	559,443	172,983	14,456,357	3,889,423	1,512,935	-	31,438	20,622,579
REVENUES OVER (UNDER) EXPENDITURES	798,590	(13,983)	(14,105,071)	(1,103,483)	(881,883)	-	(1,564)	(15,307,394)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	85,000	14,212,682	1,095,000	702,997	-	263,687	16,359,366
Operating transfers out	(125,000)	(110,000)	-	-	-	(5,284)	(192,988)	(433,272)
Total other financing sources (uses)	(125,000)	(25,000)	14,212,682	1,095,000	702,997	(5,284)	70,699	15,926,094
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	673,590	(38,983)	107,611	(8,483)	(178,886)	(5,284)	69,135	618,700
FUND BALANCE AT BEGINNING OF YEAR	1,265,898	44,127	(204,740)	(29,706)	52,697	5,284	59,577	1,193,137
FUND BALANCE AT END OF YEAR	<u>\$ 1,939,488</u>	<u>\$ 5,144</u>	<u>\$ (97,129)</u>	<u>\$ (38,189)</u>	<u>\$ (126,189)</u>	<u>\$ -</u>	<u>\$ 128,712</u>	<u>\$ 1,811,837</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2022

	Water Department	Utilities Board – Water Division	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,241,286	\$ 327,935	\$ -	\$ 8,569,221
Certificates of deposit	100,000	-	-	100,000
Interest receivable	35	-	-	35
Accounts receivable	3,019,833	66	-	3,019,899
Interfund receivables	255,789	-	(244,040)	11,749
Due from other governmental units	25,957	2,649	-	28,606
Inventories	982,545	-	-	982,545
Prepaid insurance	130,634	315,200	-	445,834
Prepaid utility tax	35,000	-	-	35,000
Other assets	2,064	-	-	2,064
Total current assets	12,793,143	645,850	(244,040)	13,194,953
RESTRICTED ASSETS				
Cash and cash equivalents	2,573	4,106,068	-	4,108,641
State revolving funds receivable	-	1,680,173	-	1,680,173
Total restricted assets	2,573	5,786,241	-	5,788,814
CAPITAL ASSETS				
Land and other assets not being depreciated	266,755	11,654,985	-	11,921,740
Construction in progress	4,885,238	120,996	-	5,006,234
Buildings, improvements and equipment, net of depreciation	26,158,128	160,096,128	-	186,254,256
Total capital assets	31,310,121	171,872,109	-	203,182,230
OTHER ASSETS				
Advances to other funds	6,169,398	-	(6,169,398)	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources – pension	526,381	413,413	-	939,794
Total deferred outflows of resources	526,381	413,413	-	939,794
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 50,801,616	\$ 178,717,613	\$ (6,413,438)	\$ 223,105,791

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2022

CURRENT LIABILITIES

Accounts payable:				
Trade	\$ 36,135	\$ 712,940	\$ -	\$ 749,075
Utility tax payable	66,044	-	-	66,044
Due to other governments	40,398	-	-	40,398
Interfund payables	168,799	175,790	(244,040)	100,549
Accrued payroll	29,055	17,441	-	46,496
Estimated compensated absences – current portion	36,522	46,039	-	82,561
Total current liabilities	376,953	952,210	(244,040)	1,085,123

**LIABILITIES PAYABLE FROM
RESTRICTED ASSETS**

Accounts payable:				
Contractors	-	120,996	-	120,996
Accrued interest payable	-	284,956	-	284,956
Current maturities on warrants/bonds payable	584,891	3,980,000	-	4,564,891
Total liabilities payable from restricted assets	584,891	4,385,952	-	4,970,843

NONCURRENT LIABILITIES

Warrants/bonds payable	150,017	106,780,000	-	106,930,017
Unamortized debt discount	-	(271,053)	-	(271,053)
Unamortized debt premium	-	2,679,209	-	2,679,209
Advances from other funds	-	6,169,398	(6,169,398)	-
Other postemployment benefits	-	171,019	-	171,019
Net pension liability	677,497	752,352	-	1,429,849
Estimated compensated absences	99,635	218,589	-	318,224
Total noncurrent liabilities	927,149	116,499,514	(6,169,398)	111,257,265

**DEFERRED INFLOWS OF
RESOURCES**

Deferred inflows of resources – pension	393,361	387,248	-	780,609
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NET POSITION

Net invested in capital assets	30,575,213	62,683,953	-	93,259,166
Restricted for capital activity and debt service	2,573	1,400,289	-	1,402,862
Unrestricted	17,941,476	(7,591,553)	-	10,349,923
Total net position	48,519,262	56,492,689	-	105,011,951

**TOTAL LIABILITIES, DEFERRED
INFLOWS OF RESOURCES
AND FUND BALANCES**

\$ 50,801,616	\$ 178,717,613	\$ (6,413,438)	\$ 223,105,791
			\$ -

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Water Department	Utilities Board – Water Division	Eliminations	Total
REVENUES				
Charges for sales and services	\$ 20,619,313	\$ 12,864,201	\$ (12,864,201)	\$ 20,619,313
Forfeited discounts and penalties	24,271	-	-	24,271
Charges for service connections	644,028	-	-	644,028
Service charges	120,067	-	-	120,067
Miscellaneous revenues	624,466	10,319	-	634,785
Total revenues	22,032,145	12,874,520	(12,864,201)	22,042,464
OPERATING EXPENSES				
Cost of water purchased	12,864,101	-	(12,864,101)	-
Operating expenses	4,866,817	7,223,003	-	12,089,820
Depreciation expense	1,612,302	3,643,240	-	5,255,542
Total operating expenses	19,343,220	10,866,243	(12,864,101)	17,345,362
OPERATING INCOME	2,688,925	2,008,277	-	4,697,102
NON-OPERATING REVENUES AND EXPENSES				
Interest earned	17,644	27,639	-	45,283
Gain on sale of assets	387,500	1,331	-	388,831
Capital grants	124,799			
Interest expense	(32,878)	(3,375,393)	-	(3,408,271)
Trustee fees	-	(14,905)	-	(14,905)
Total non-operating revenues and expenses	497,065	(3,361,328)	-	(2,989,062)
Change in net position before capital contributions and transfers	3,185,990	(1,353,051)	-	1,708,040
Transfers in	134,714	-	-	134,714
Transfers out	(124,799)	-	-	(124,799)
	9,915	-	-	9,915
CHANGE IN NET POSITION	3,195,905	(1,353,051)	-	1,717,955
NET POSITION AT BEGINNING OF YEAR	45,323,357	57,845,740	-	103,169,097
NET POSITION AT END OF YEAR	<u>\$ 48,519,262</u>	<u>\$ 56,492,689</u>	<u>\$ -</u>	<u>\$ 105,011,951</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Water Department	Utilities Board – Water Division	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 22,308,190	\$ 12,925,379	\$ (18,122,072)	\$ 17,111,497
Cash payments for purchased water	(13,318,712)	(4,803,360)	18,122,072	-
Cash payments to vendors and suppliers	(2,058,896)	-	-	(2,058,896)
Cash payments for salaries and related benefits	(2,743,751)	(2,124,368)	-	(4,868,119)
Net cash provided by operating activities	4,186,831	5,997,651	-	10,184,482
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to Utilities Board Water Division	(1,289,821)	1,289,821	-	-
Transfers in	134,714	-	-	134,714
Transfers out	(124,799)	-	-	(124,799)
Net cash (used in) provided by noncapital financing activities	(1,279,906)	1,289,821	-	9,915
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction – capital assets	(2,044,480)	(101,020)	-	(2,145,500)
Capital contributions – grant proceeds	124,799	-	-	124,799
Proceeds on disposal of capital assets	1,122,043	3,635	-	1,125,678
Interest paid	(29,329)	(3,512,313)	-	(3,541,642)
Trustee fees	-	(14,905)	-	(14,905)
Principal payments of long-term debt	(798,340)	(3,690,000)	-	(4,488,340)
Net cash used in capital and related financing activities	(1,625,307)	(7,314,603)	-	(8,939,910)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of certificates of deposit	304,000	-	-	304,000
Interest received	17,644	27,639	-	45,283
Net cash provided by investing activities	321,644	27,639	-	349,283
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,603,262	508	-	1,603,770
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,640,597	4,433,495	-	11,074,092
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,243,859</u>	<u>\$ 4,434,003</u>	<u>\$ -</u>	<u>\$ 12,677,862</u>
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING				
Cash equivalents – current assets	\$ 8,241,286	\$ 327,935	\$ -	\$ 8,569,221
Cash equivalents – restricted assets	2,573	4,106,068	-	4,108,641
	<u>\$ 8,243,859</u>	<u>\$ 4,434,003</u>	<u>\$ -</u>	<u>\$ 12,677,862</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Water Department</u>	<u>Utilities Board - Water Division</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 2,688,925	\$ 2,008,277	\$ 4,697,202
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,612,302	3,643,240	5,255,542
Change in:			
Accounts receivable, net	(1,378,526)	50,959	(1,327,567)
Interfund receivables	237,911	-	237,911
Due from other governments	1,491,831	-	1,491,831
Inventories	42,532	-	42,532
Prepaid insurance	(17,479)	6,187	(11,292)
Other assets	(2,064)	-	(2,064)
Deferred outflows of resources – pension	(185,486)	(19,926)	(205,412)
Accounts payable	(401,993)	516,995	115,002
Utility tax payable	20,512	-	20,512
Accrued payroll	(76,330)	(41,954)	(118,284)
Compensated absences	5,726	(65,823)	(60,097)
Net pension liability	(267,796)	(457,180)	(724,976)
Deferred inflows of resources – pension	416,766	356,876	773,642
Net cash provided by operating activities	<u>\$ 4,186,831</u>	<u>\$ 5,997,651</u>	<u>\$ 10,184,482</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF SCHOOL TAX TRANSACTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

The City collects sales tax revenues for the purpose of funding the City School System. The following table represents revenues and expenditures related to the taxes for the year ended September, 30, 2022:

	<u>Government- Wide Level</u>
REVENUES	
3 mill ad valorem tax	\$ 1,174,224
7.5 mill ad valorem tax	2,935,560
0.5 percent sales tax	<u>4,799,972</u>
Total revenues	<u><u>\$ 8,909,756</u></u>
EXPENDITURES	
Transfers to Cullman City Board of Education	<u><u>\$ 8,984,853</u></u>

Note: The difference between revenue and expenditures is due to timing differences between when revenue is recorded and expenditures are paid.

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND (FIVE YEAR COMPARISON) (Unaudited)
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022	2021	2020	2019	2018
REVENUES					
Taxes	\$ 32,945,225	\$ 29,277,318	\$ 25,383,390	\$ 23,393,675	\$ 22,810,971
Licenses and permits	5,065,053	4,172,184	3,562,540	3,510,216	4,002,656
Intergovernmental revenues	8,174,166	5,704,394	5,754,061	3,849,672	3,202,474
Charges for services	7,506,033	6,760,381	6,301,534	6,066,735	5,921,452
Fines and forfeits	245,186	334,523	173,847	174,233	184,108
Interest revenue	29,059	82,984	152,487	143,397	92,350
Miscellaneous revenues	251,423	156,988	93,783	174,627	111,802
Total revenues	54,216,145	46,488,772	41,421,642	37,312,555	36,325,813
EXPENDITURES					
Current expenditures:					
General government	6,332,049	6,134,672	6,298,270	5,791,594	5,314,108
Public safety	14,396,177	13,194,715	12,488,837	12,112,185	11,283,465
Highways and streets	2,903,418	2,713,049	4,055,811	5,280,233	2,131,902
Sanitation	5,397,068	4,360,731	4,318,469	5,560,232	4,671,979
Health and social services	722,004	681,608	836,973	821,170	735,396
Culture and recreation	213,354	183,124	188,808	230,685	265,556
Education	748,390	156,600	158,778	128,693	132,881
Conservation	-	-	99,381	83,311	75,730
Capital outlay	7,222,461	5,140,427	6,740,368	2,286,404	2,914,737
Debt service:					
Principal retirement	-	-	-	70,000	105,943
Interest and fiscal charges	-	-	-	1,540	5,237
Total expenditures	37,934,921	32,564,926	35,185,695	32,366,047	27,636,934
OTHER FINANCING SOURCES (USES)					
Capital contributions	-	-	12,440	23,921	14,313
Sale of assets	364,778	-	597,201	303,661	210,566
Insurance proceeds	180,823	88,231	63,864	2,557,296	2,753,570
Operating transfers in	240,284	194,000	150,000	-	317,084
Operating transfers out	(15,142,518)	(9,470,639)	(3,581,983)	(10,327,361)	(10,657,540)
Total other financing sources (uses)	(14,356,633)	(9,188,408)	(2,758,478)	(7,442,483)	(7,362,007)
Revenues and other sources over (under) expenditures and other uses	1,924,591	4,735,438	3,477,469	(2,495,975)	1,326,872
FUND BALANCE AT BEGINNING OF YEAR	28,930,287	24,194,849	20,717,380	23,213,355	21,886,483
FUND BALANCE AT END OF YEAR	<u>\$ 30,854,878</u>	<u>\$ 28,930,287</u>	<u>\$ 24,194,849</u>	<u>\$ 20,717,380</u>	<u>\$ 23,213,355</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
STATISTICAL DATA (Unaudited)
SEPTEMBER 30, 2022**

Computation of legal debt margin:

Assessed value of real and personal property located within the city limits (Note A)		<u>\$ 416,428,300</u>
Constitutional debt limit (20% of assessed value) (Note B)		\$ 83,285,660
Amount of debt applicable to debt limit (Note B)		
General long-term debt outstanding – Governmental Activities	44,075,000	
Long-term portion of compensated absences	1,537,101	
Add: General obligation warrants included in the Business-type Activities:		
Airport General Obligation Warrant dated 9-14-11	953,992	
Less: Portions of warrants not subject to Constitutional debt limit as follows:		
General Obligation Warrants, Series 2016 dated 2-10-16	(1,042,342)	
Estimated liability for compensated absences – long-term	<u>(1,537,101)</u>	
	43,986,650	
Accounts payable of the General Fund	<u>844,449</u>	
Debt applicable to constitutional debt limit	44,831,099	
Less: assets available in Debt Service Fund for payment of principal	<u>22,821,804</u>	<u>22,009,295</u>
LEGAL DEBT MARGIN		<u><u>\$ 61,276,365</u></u>

Note A – Obtained from unaudited records maintained by the County of Cullman, Alabama, and excludes exempt property (\$113,060,140).

Note B – Section 225 as amended of the Constitution of Alabama, limits the amount of the City's outstanding debt to 20% of the assessed value of property within the City limits. Excluded from this limitation are school warrants, special assessment warrants, sewer warrants and water warrants/bonds.

Note C – The computation of legal debt margin above is to disclose the City's compliance with the constitutional limitations on outstanding debt. The amount of legal debt margin at September 30, 2022, has no relationship to the City's financial capacity to repay the amount of debt.

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
STATISTICAL DATA (Unaudited)
SEPTEMBER 30, 2022**

City ad valorem tax rates:

General purposes (Section 216 of the Constitution)	5 mills
School purposes – general (Section 216 of the Constitution)	3 mills
School bond service (Amendment LVI of the Constitution)	7.5 mills

Population per Federal census:

2020	18,213
2010	14,775
2000	13,995
1990	13,367
1980	13,069
1970	12,601
1960	10,866
1950	7,523
1940	5,074
1930	2,886
1920	2,486

Note A – The City of Cullman is currently listed with Dunn and Bradstreet, Inc.

Note B – The Water Revenue Bonds Series 2015-A dated March 12, 2015, were rated A2 by Moody's Investors Service, Inc. and AA by Standard & Poor's Corporation.

Note C – The General Obligation Warrants Series 2016 dated February 10, 2016, were rated Aa3 by Moody's Investors Service, Inc. and AA by Standard & Poor's Corporation.

See independent auditors' report.

SINGLE AUDIT REPORT

**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 the City Council
City of Cullman, 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, each major fund and the aggregate remaining fund information of the City of Cullman, 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 Cullman, Alabama's basic financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cullman, Alabama'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 of Cullman, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cullman, Alabama'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 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cullman, Alabama'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*.

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.

Warren Averett, LLC

Cullman, Alabama
March 29, 2023

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 the City Council
City of Cullman, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Cullman, Alabama's 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 of Cullman, Alabama's major federal programs for the year ended September 30, 2022. The City of Cullman, Alabama'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 of Cullman, Alabama, 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 for 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; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Cullman, Alabama, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 of Cullman, Alabama'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 of Cullman, Alabama'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 of Cullman, Alabama'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 generally accepted auditing standards, *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 of Cullman, Alabama's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 of Cullman, Alabama'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 of Cullman, Alabama'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 of Cullman, Alabama'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Cullman, Alabama's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City of Cullman, Alabama's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. 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 of Cullman, Alabama's response to the internal control over compliance finding identified in our compliance audit as described in the accompanying schedule of findings and questioned costs. The City of Cullman, Alabama's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Warren Averett, LLC

Cullman, Alabama
March 29, 2023

CITY OF CULLMAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor / Pass-Through Grantor	Assistance Listing Number	Grant / Contract Identification Number	Passed Through to Subrecipients	Federal Expenditures
Department of Defense				
Direct Award				
Conservation and Rehabilitation of Natural Resources on Military Installations	12.005	N/A	\$ -	\$ 10,000
Department of Housing and Urban Development				
Pass-through: Alabama Department of Economic & Community Affairs				
Community Development Block Grant Program	14.228	LR-ED-PF-20-005	-	350,000
Community Development Block Grant Program	14.228	LR-ED-PF-19-003	-	100,000
Community Development Block Grant Program	14.228	LR-ED-PF-20-002	-	159,000
Community Development Block Grant Program	14.228	LR-CM-CP-21-007	-	293,561
Total Department of Housing and Urban Development			-	902,561
Department of Justice				
Direct Award				
Bullet Proof Vest Partnership Program	16.607	N/A	-	4,618
Department of Transportation				
Direct Awards				
Airport Improvement Grant	20.106	03-01-0022-027-2020	-	76,810
Airport Improvement Program - ALP	20.106	03-01-0022-033-2022	-	31,020
Airport Improvement Program - AWSO	20.106	03-01-0022-031-2021	-	228,186
Airport Improvement Program - Reconstruct Runway	20.106	03-01-0022-029-2021	-	3,348,549
			-	3,684,565
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	22 FP-PT-035	-	9,876
State and Community Highway Safety	20.600	22 FP-OP-032	-	1,194
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.616	22 ID-M5-034	-	8,865
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.616	22-ID-DS-028	-	1,499
Total Highway Safety Cluster			-	21,434
Pass-through: Alabama Department of Transportation				
Transportation Improvement Program	20.205	TAPPAA-TA21(907)	-	631,013
Total Department of Transportation				4,337,012

See accompanying notes to the schedule of expenditures of federal awards.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor / Pass-Through Grantor	Assistance Listing Number	Grant / Contract Identification Number	Passed Through to Subrecipients	Federal Expenditures
Environmental Protection Agency Indirect				
Pass-through: Alabama Department of				
Environmental Management				
Capitalization Grants for Clean Water				
State Revolving Funds	66.458	Series 2020-CWSRF	-	2,485,418
General Services Administration				
Pass-through: Alabama Department of Economic				
Community Affairs				
Donation for Federal Surplus Personal Property	39.003	N/A	-	10,955
Department of the Interior				
Direct Award				
Outdoor Recreation Acquisition, Development and Planning	15.916	18-LW-1053	-	350,000
Department of Treasury				
Direct Award				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	3,811,728
Appalachian Regional Commission				
Direct Award				
Appalachian Development Highway System	23.002	AL-20224-221	-	350,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 12,262,292</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF CULLMAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Cullman, Alabama, under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because the schedule presents only a selected portion of the operations of the City of Cullman, Alabama, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Cullman, Alabama.

Basis of Accounting

Expenditures reported on the schedule are reported on the economic resources measurement focus. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

The City elected to charge the indirect cost de minimis rate of 10% for federal awards programs that were charged indirect costs.

Loans Outstanding

The Alabama Water Pollution Control Authority administered this loan through the Capitalization Grants for Clear Water State Revolving Funds program (Alabama Department of Environmental Management Assistance Listing 66.458). For purposes of this schedule, the amount reported includes the outstanding loan balances at the end of the fiscal year, including funds drawn down from the U.S. Department of Treasury and repayments of loans recognized as program income. As of September 30, 2022, the outstanding loan balance totaled \$6,530,000.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statement Section

Type of auditors' report issued:

Unmodified

Yes

No

Internal control over financial reporting:

Material weakness(es) identified?

X

Significant deficiencies identified?

None reported

Noncompliance material to financial statements noted?

X

Federal Awards Section

Yes

No

Internal control over major programs:

Material weakness(es) identified?

X

Significant deficiencies identified?

X

Type of auditors' report on compliance for major programs:

Unmodified

Yes

No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

X

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
20.106	Airport Improvement Program
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
14.228	Community Development Block Grant Program

Dollar threshold used to determine Type A programs:

\$ 750,000

Yes

No

Auditee qualified as low-risk auditee?

X

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Section II – Financial Statement Findings

There were no financial statement findings.

Section III – Federal Award Findings and Questioned Costs

Finding 2022-001 – Internal Controls over Grant Management (Significant Deficiency and Noncompliance)

Information on the federal programs:

All federal programs.

Criteria: 2 CFR 200.302 establishes the requirements of a financial management system adequate to ensure compliance with federal regulations. This system must include written procedures to implement requirements for payment methods and determine the allowability of costs in accordance with subpart E.

Condition: The City of Cullman, Alabama does not have a written grant manual or other written accounting procedures that meet the financial management system requirements established in the regulations.

Cause: The City of Cullman, Alabama has processes and procedures in place to administer grant funds but no written policies.

Effect: The City of Cullman, Alabama is not in compliance with financial management system requirements.

Recommendation: The City of Cullman, Alabama should develop a grants manual or additional written policies to incorporate all the requirements of 2 CFR 200 and ensure compliances.

Views of responsible officials: See Corrective Action Plan included at the end of the report.

204 Second Avenue, Northeast
Post Office Box 278
Cullman, Alabama 35056-0278



Administration (256) 775-7109
Business License (256) 775-7106
City Clerk (256) 775-7110
Fax (256) 775-7132

CITY OF CULLMAN, ALABAMA

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Contact: Sherry Compton, Treasurer
256-775-7113
scompton@cullmanal.gov

Finding 2022-001: The City of Cullman, Alabama will develop a grants manual or written policies to incorporate all requirements of 2 CFR 200 and ensure compliance with grant requirements.