

CITY OF CULLMAN, ALABAMA
AUDITED FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

**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, 2023, 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, 2023, 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 56-60, budgetary comparison information on pages 61-62 and notes to the required supplementary information on page 63 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 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 28, 2024, 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 28, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2023**

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, 2023

FINANCIAL HIGHLIGHTS

The City's net position increased \$15,381,547 over the course of this year's operations: \$989,482 decrease in the net position of the governmental activities, and \$16,371,029 increase in the business-type activities.

Budgeted revenues in the General Fund for fiscal year 2023 were based generally on the previous year's receipts; however, budgeted revenues increased during the year due to the improving local economy. Revenues were \$4,581,004 more than budgeted due to increases in sales tax. General Fund expenditures were \$25,029,056 less than budgeted due to a decrease in allocation for culture and recreation.

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, 2023**

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, 2023**

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, 2023

The following condensed financial statements serve as indicators for management:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 66,551,433	\$ 60,003,614	\$ 20,487,861	\$ 10,748,667	\$ 87,039,294	\$ 70,752,281
Restricted assets	24,065,002	24,087,059	10,907,866	7,753,979	34,972,868	31,841,038
Capital assets, net	95,767,849	89,526,681	310,240,770	307,683,939	406,008,619	397,210,620
Other assets	426,674	113,307	416,444	415,716	843,118	529,023
	<u>186,810,958</u>	<u>173,730,661</u>	<u>342,052,941</u>	<u>326,602,301</u>	<u>528,863,899</u>	<u>500,332,962</u>
Deferred outflows of resources	7,952,519	4,574,464	4,518,819	2,392,946	12,471,338	6,967,410
TOTAL ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES	<u>\$ 194,763,477</u>	<u>\$ 178,305,125</u>	<u>\$ 346,571,760</u>	<u>\$ 328,995,247</u>	<u>\$ 541,335,237</u>	<u>\$ 507,300,372</u>
Current liabilities	\$ 5,789,642	\$ 6,271,365	\$ 4,097,214	\$ 3,146,587	\$ 9,886,856	\$ 9,417,952
Liabilities payable from						
restricted assets	21,133	29,324	5,835,601	7,071,095	5,856,734	7,100,419
Long-term liabilities	79,141,026	59,364,927	130,594,007	127,787,875	209,735,033	187,152,802
	<u>84,951,801</u>	<u>65,665,616</u>	<u>140,526,822</u>	<u>138,005,557</u>	<u>225,478,623</u>	<u>203,671,173</u>
Deferred inflows of resources	11,980,549	13,818,900	376,214	1,691,995	12,356,763	15,510,895
Total liabilities and deferred inflows of resources	96,932,350	79,484,516	140,903,036	139,697,552	237,835,386	219,182,068
Net position:						
Net investment in						
capital assets	35,736,669	42,580,898	179,652,296	174,871,401	215,388,965	217,452,299
Restricted	23,209,653	23,041,766	6,542,709	1,811,887	29,752,362	24,853,653
Unrestricted	38,884,805	33,197,945	19,473,719	12,614,407	58,358,524	45,812,352
Total net position	<u>97,831,127</u>	<u>98,820,609</u>	<u>205,668,724</u>	<u>189,297,695</u>	<u>303,499,851</u>	<u>288,118,304</u>
TOTAL LIABILITIES, DEFERRED						
INFLOWS OF RESOURCES						
AND NET POSITION	<u>\$ 194,763,477</u>	<u>\$ 178,305,125</u>	<u>\$ 346,571,760</u>	<u>\$ 328,995,247</u>	<u>\$ 541,335,237</u>	<u>\$ 507,300,372</u>

CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2023

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues:						
Charges for services	\$ 15,051,453	\$ 13,032,561	\$ 48,399,708	\$ 41,918,735	\$ 63,451,161	\$ 54,951,296
Operating grants and contributions	1,001,977	6,566,127	-	-	1,001,977	6,566,127
Capital grants and contributions	1,727,218	1,993,671	149,345	2,237,638	1,876,563	4,231,309
General revenues:						
Taxes	48,309,578	43,769,214	-	-	48,309,578	43,769,214
Unrestricted investment earnings	1,239,211	92,033	691,528	55,265	1,930,739	147,298
Other	4,500,328	4,888,169	-	-	4,500,328	4,888,169
TOTAL REVENUES	71,829,765	70,341,775	49,240,581	44,211,638	121,070,346	114,553,413
EXPENSES						
General government	7,088,633	8,267,298	-	-	7,088,633	8,267,298
Public safety	16,003,262	15,275,471	-	-	16,003,262	15,275,471
Highways and streets	5,759,703	5,285,535	-	-	5,759,703	5,285,535
Sanitation	6,565,208	5,847,837	-	-	6,565,208	5,847,837
Health and social services	14,791,684	722,004	-	-	14,791,684	722,004
Culture and recreation	245,269	662,230	-	-	245,269	662,230
Education	10,996,074	9,733,243	-	-	10,996,074	9,733,243
Conservation	12,708	22,363	-	-	12,708	22,363
Interest on long-term debt	1,217,072	1,616,009	-	-	1,217,072	1,616,009
Sewer	-	-	8,662,069	7,677,338	8,662,069	7,677,338
Water	-	-	20,713,797	20,768,438	20,713,797	20,768,438
Parks and recreation	-	-	19,163,532	14,455,771	19,163,532	14,455,771
Airport	-	-	1,137,915	952,067	1,137,915	952,067
TOTAL EXPENSES	62,679,613	47,431,990	49,677,313	43,853,614	112,356,926	91,285,604
Change in net position before sale of assets and transfers	9,150,152	22,909,785	(436,732)	358,024	8,713,420	23,267,809
Sale of assets	-	219,728	9,680	381,506	9,680	601,234
Duck River Dam settlement	-	-	6,550,000	-	6,550,000	-
Insurance proceeds	103,362	-	5,085	-	108,447	-
Transfers	(10,242,996)	(25,570,840)	10,242,996	25,570,840	-	-
CHANGE IN NET POSITION	(989,482)	(2,441,327)	16,371,029	26,310,370	15,381,547	23,869,043
NET POSITION AT BEGINNING OF YEAR	98,820,609	101,261,936	189,297,695	162,987,325	288,118,304	264,249,261
NET POSITION AT END OF YEAR	\$ 97,831,127	\$ 98,820,609	\$ 205,668,724	\$ 189,297,695	\$ 303,499,851	\$ 288,118,304

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2023**

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 activities, 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.

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2023**

LONG-TERM DEBT

On December 15, 2022, the Sewer Fund issued the Series 2023 General Obligation Sewer Warrants in the amount of \$3,880,000. The Series 2023 General Obligation Sewer Warrants were for the purpose of sewer system improvements.

On September 7, 2023, the City issued the Series 2023 General Obligation Warrants in the amount of \$13,845,000. The proceeds from the Series 2023 General Obligation Warrants provided funding to the Solid Waste Disposal Authority, a separately incorporated entity, who purchased the Cullman Environmental Landfill.

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, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 29,957,336	\$ 12,450,751	\$ 42,408,087
Certificates of deposit	7,885,749	100,000	7,985,749
U.S. Treasury bills	-	10,000,020	10,000,020
Interest receivable	80,751	58,129	138,880
Accounts receivable, net	1,157,098	5,755,750	6,912,848
Assessments receivable, net	75,809	-	75,809
Internal balances	10,096,528	(10,096,528)	-
Due from other governmental units:	16,447,482	62,139	16,509,621
Inventories	111,444	1,441,271	1,552,715
Prepaid expenses	739,236	714,265	1,453,501
Other assets	-	2,064	2,064
Total current assets	66,551,433	20,487,861	87,039,294
RESTRICTED ASSETS			
Cash and cash equivalents	22,861,434	4,671,448	27,532,882
State revolving funds receivable	-	6,236,418	6,236,418
Advances to other governments	1,203,568	-	1,203,568
Total restricted assets	24,065,002	10,907,866	34,972,868
CAPITAL ASSETS			
Land	12,740,988	16,409,623	29,150,611
Historical buildings	378,448	-	378,448
Construction in progress	4,879,139	20,130,842	25,009,981
Buildings, improvements and equipment, net of depreciation	77,769,274	273,700,305	351,469,579
Total capital assets	95,767,849	310,240,770	406,008,619
OTHER ASSETS			
Deposits	-	6,501	6,501
Insurance deposit	113,307	-	113,307
Assessments receivable – noncurrent	-	321,698	321,698
Subscription based IT assets, net	313,367	88,245	401,612
Total other assets	426,674	416,444	843,118
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	-	30,865	30,865
OPEB related items	-	50,446	50,446
Pension related items	7,952,519	4,437,508	12,390,027
Total deferred outflows of resources	7,952,519	4,518,819	12,471,338
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 194,763,477	\$ 346,571,760	\$ 541,335,237

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT LIABILITIES			
Accounts payable	\$ 2,514,834	\$ 2,497,703	\$ 5,012,537
Utility tax payable	-	69,816	69,816
Due to other governmental units	331,297	781,797	1,113,094
Accrued liabilities	237,108	38,877	275,985
Interest payable	684,082	96,427	780,509
Accrued payroll	-	146,717	146,717
Current maturities on long-term debt	1,690,000	-	1,690,000
Estimated compensated absences – current portion	318,921	243,658	562,579
Unearned revenue	13,400	222,219	235,619
Total current liabilities	5,789,642	4,097,214	9,886,856
LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Accounts payable - contractors	-	181,438	181,438
Accrued interest payable	-	315,071	315,071
Other liabilities	21,133	-	21,133
Current maturities on long-term debt	-	5,339,092	5,339,092
Total liabilities payable from restricted assets	21,133	5,835,601	5,856,734
NONCURRENT LIABILITIES			
Warrants/bonds payable	55,445,000	117,450,296	172,895,296
Other postemployment benefits	-	103,934	103,934
Unamortized debt discount	-	(310,689)	(310,689)
Unamortized debt premium	2,896,180	3,356,993	6,253,173
Net pension liability	19,059,385	9,149,766	28,209,151
Estimated compensated absences	1,615,941	734,000	2,349,941
Other non-current liabilities	-	34,074	34,074
Subscription based IT liability	124,520	75,633	200,153
Total noncurrent liabilities	79,141,026	130,594,007	209,735,033
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue – property and other taxes	11,751,763	-	11,751,763
OPEB related items	-	423,822	423,822
Pension related items	228,786	(47,608)	181,178
Total deferred inflows of resources	11,980,549	376,214	12,356,763

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 35,736,669	\$ 179,652,296	\$ 215,388,965
Restricted for:			
Debt service and capital activity	22,861,434	6,542,709	29,404,143
Highways and streets	111,718	-	111,718
Jail, correction facilities, and court complex	87,140	-	87,140
Municipal Court	43,806	-	43,806
Industrial development and recreation	105,555	-	105,555
Unrestricted	38,884,805	19,473,719	58,358,524
Total net position	97,831,127	205,668,724	303,499,851
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 194,763,477	\$ 346,571,760	\$ 541,335,237

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Program Revenues			(Expense) Net Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General government:							
Administrative	\$ 5,820,502	\$ 4,819,958	\$ -	\$ -	\$ (1,000,544)	\$ -	\$ (1,000,544)
Building and housing	807,480	583,748	17,801	-	(205,931)	-	(205,931)
Garage	460,651	-	-	-	(460,651)	-	(460,651)
Public safety:							
Police	7,338,806	285,760	41,000	-	(7,012,046)	-	(7,012,046)
Fire	6,642,774	-	-	-	(6,642,774)	-	(6,642,774)
Traffic maintenance	905,208	14,437	-	-	(890,771)	-	(890,771)
Dispatch and miscellaneous	1,116,474	175,874	228,010	-	(712,590)	-	(712,590)
Highways and streets	5,759,703	1,367,209	300,028	1,612,063	(2,480,403)	-	(2,480,403)
Sanitation	6,565,208	7,794,343	-	-	1,229,135	-	1,229,135
Health and social services	14,791,684	-	372,170	-	(14,419,514)	-	(14,419,514)
Culture and recreation	245,269	10,124	-	115,155	(119,990)	-	(119,990)
Education	10,996,074	-	42,968	-	(10,953,106)	-	(10,953,106)
Conservation	12,708	-	-	-	(12,708)	-	(12,708)
Interest on long-term debt	1,217,072	-	-	-	(1,217,072)	-	(1,217,072)
Total governmental activities	62,679,613	15,051,453	1,001,977	1,727,218	(44,898,965)	-	(44,898,965)
Business-type activities:							
Sewer	8,662,069	10,216,722	-	24,664	-	1,579,317	1,579,317
Water	20,713,797	24,209,183	-	-	-	3,495,386	3,495,386
Parks and recreation	19,163,532	13,370,999	-	-	-	(5,792,533)	(5,792,533)
Airport	1,137,915	602,804	-	124,681	-	(410,430)	(410,430)
Total business-type activities	49,677,313	48,399,708	-	149,345	-	(1,128,260)	(1,128,260)
	<u>\$ 112,356,926</u>	<u>\$ 63,451,161</u>	<u>\$ 1,001,977</u>	<u>\$ 1,876,563</u>	(44,898,965)	(1,128,260)	(46,027,225)
Taxes:							
Property taxes, levied for general purposes					2,185,903	-	2,185,903
Property taxes, levied for education					4,865,740	-	4,865,740
Sales taxes, levied for general purposes					29,224,414	-	29,224,414
Sales taxes, levied for education					5,375,962	-	5,375,962
Tobacco taxes					117,000	-	117,000
Rent taxes					671,669	-	671,669
Beverage/liquor taxes					1,600,207	-	1,600,207
Other taxes					4,268,683	-	4,268,683
Unrestricted investment earnings					1,239,211	691,528	1,930,739
Duck River Dam settlement					-	6,550,000	6,550,000
Insurance proceeds					103,362	5,085	108,447
Miscellaneous					4,500,328	-	4,500,328
Gain on sale of fixed assets					-	9,680	9,680
Transfers – internal activities					(10,242,996)	10,242,996	-
					<u>43,909,483</u>	<u>17,499,289</u>	<u>61,408,772</u>
CHANGE IN NET POSITION					(989,482)	16,371,029	15,381,547
NET POSITION AT BEGINNING OF YEAR					<u>98,820,609</u>	<u>189,297,695</u>	<u>288,118,304</u>
NET POSITION AT END OF YEAR					<u>\$ 97,831,127</u>	<u>\$ 205,668,724</u>	<u>\$ 303,499,851</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	General	School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 24,548,787	\$ 18,469	\$ 73,982	\$ 5,316,098	\$ 29,957,336
Certificates of deposit	7,885,749	-	-	-	7,885,749
Interest receivable	80,751	-	-	-	80,751
Accounts receivable, net	1,089,098	-	68,000	-	1,157,098
Assessments receivable, net	75,809	-	-	-	75,809
Due from other funds	125,036	-	546,159	2,537	673,732
Due from other governmental units	8,103,568	6,538,480	-	1,805,434	16,447,482
Inventories	111,444	-	-	-	111,444
Prepaid expenses	739,236	-	-	-	739,236
	<u>42,759,478</u>	<u>6,556,949</u>	<u>688,141</u>	<u>7,124,069</u>	<u>57,128,637</u>
RESTRICTED ASSETS					
Cash and cash equivalents	-	-	22,861,434	-	22,861,434
Advances to other governments	215,713	-	987,855	-	1,203,568
Advances to other funds	515,713	-	8,910,434	-	9,426,147
	<u>731,426</u>	<u>-</u>	<u>32,759,723</u>	<u>-</u>	<u>33,491,149</u>
OTHER ASSETS					
Insurance deposit	113,307	-	-	-	113,307
Total other assets	<u>113,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,307</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 43,604,211</u>	<u>\$ 6,556,949</u>	<u>\$ 33,447,864</u>	<u>\$ 7,124,069</u>	<u>\$ 90,733,093</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	<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	\$ 700,464	\$ 878,016	\$ -	\$ 936,354	\$ 2,514,834
Due to other funds	3,351	-	-	-	3,351
Due to other governmental units	331,297	-	-	-	331,297
Unearned revenue	13,400	-	-	-	13,400
Accrued liabilities	237,108	-	-	-	237,108
Total current liabilities	<u>1,285,620</u>	<u>878,016</u>	<u>-</u>	<u>936,354</u>	<u>3,099,990</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Other liabilities	21,133	-	-	-	21,133
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue – property and other taxes	5,545,062	6,089,787	-	116,914	11,751,763
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventory	94,517	-	-	-	94,517
Interfund receivables – long-term	515,713	-	8,910,434	-	9,426,147
Prepaid expenditures, deposit on equipment and insurance deposit	898,192	-	-	-	898,192
Advances to other governmental units	215,713	-	987,855	-	1,203,568
Permanent fund principal	-	-	-	100,908	100,908
Restricted for:					
Ingle Park	-	-	-	18,539	18,539
Fiduciary	11,013	-	-	-	11,013
Highways and streets	-	-	-	414,328	414,328
Capital improvements	-	-	23,549,575	3,213,409	26,762,984
Jail, correction and court facilities	-	-	-	87,140	87,140
Municipal Court	-	-	-	43,806	43,806
Industrial development and recreation	-	-	-	105,555	105,555
Committed for:					
Landfill improvements	500,074	-	-	-	500,074
Assigned:					
Capital projects	-	-	-	2,087,116	2,087,116
Unassigned	<u>34,517,174</u>	<u>(410,854)</u>	<u>-</u>	<u>-</u>	<u>34,106,320</u>
Total fund balance (deficit)	<u>36,752,396</u>	<u>(410,854)</u>	<u>33,447,864</u>	<u>6,070,801</u>	<u>75,860,207</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	<u>\$43,604,211</u>	<u>\$6,556,949</u>	<u>\$33,447,864</u>	<u>\$ 7,124,069</u>	<u>\$ 90,733,093</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, 2023**

Total Fund Balances – Governmental Funds \$ 75,860,207

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. 95,767,849

Subscription based IT assets used in governmental activities are not financial resources and therefore are not reported in the funds. 313,367

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, 2023 were:

General obligation warrants	\$ (57,135,000)	
Accrued interest	(684,082)	
Net pension liability	(19,059,385)	
Deferred outflows of resources – pension	7,952,519	
Deferred inflows of resources – pension	(228,786)	
Unamortized debt premium	(2,896,180)	
Compensated absences	(1,934,862)	
Subscription based IT liability	(124,520)	(74,110,296)

Total Net Position – Governmental Activities \$ 97,831,127

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, 2023

	<u>General</u>	<u>School Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 36,051,383	\$ 10,241,702	\$ -	\$ 1,125,167	\$ 47,418,252
Licenses and permits	5,383,867	-	-	-	5,383,867
Intergovernmental revenues	5,464,513	-	42,968	2,618,484	8,125,965
Charges for services	9,137,944	-	-	-	9,137,944
Fines and forfeits	339,331	-	-	30,735	370,066
Interest revenue	490,421	40	744,397	48,373	1,283,231
Miscellaneous revenues	110,440	-	-	-	110,440
Total revenues	56,977,899	10,241,742	787,365	3,822,759	71,829,765
EXPENDITURES					
Current expenditures:					
General government	6,487,691	-	-	5,856	6,493,547
Public safety	14,852,121	-	-	-	14,852,121
Highways and streets	3,080,820	-	-	1,673,365	4,754,185
Sanitation	6,042,477	-	-	-	6,042,477
Health and social services	1,016,684	-	13,775,000	-	14,791,684
Culture and recreation	220,609	-	-	56,592	277,201
Education	776,231	10,219,843	-	-	10,996,074
Conservation	100	-	-	-	100
Capital outlay	7,592,449	-	-	5,407,275	12,999,724
Debt service:					
Principal retirement	-	-	785,000	-	785,000
Debt issuance costs	-	-	199,582	-	199,582
Interest and fiscal charges	-	-	1,187,194	-	1,187,194
Total expenditures	40,069,182	10,219,843	15,946,776	7,143,088	73,378,889
REVENUES OVER (UNDER) EXPENDITURES	16,908,717	21,899	(15,159,411)	(3,320,329)	(1,549,124)
OTHER FINANCING SOURCES (USES)					
Sale of assets	299,911	-	-	-	299,911
Insurance proceeds	103,362	-	-	-	103,362
Issuance of bonds	-	-	13,845,000	-	13,845,000
Bond premium	-	-	132,389	-	132,389
Operating transfers in	493,000	-	2,978,150	6,073,604	9,544,754
Operating transfers out	(11,907,472)	-	(2,600,445)	(782,400)	(15,290,317)
Total other financing sources (uses)	(11,011,199)	-	14,355,094	5,291,204	8,635,099
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,897,518	21,899	(804,317)	1,970,875	7,085,975
FUND BALANCE AT BEGINNING OF YEAR	30,854,878	(432,753)	34,252,181	4,099,926	68,774,232
FUND BALANCE AT END OF YEAR	\$ 36,752,396	\$ (410,854)	\$ 33,447,864	\$ 6,070,801	\$ 75,860,207

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net Changes in Fund Balances – Governmental Funds	\$ 7,085,975
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 (\$15,310,415) exceeded depreciation (\$3,563,865) in the current period:	11,746,550
The net effect of transactions involving the sale and disposal of capital assets is to decrease net position in the statement of net position.	(1,042,850)
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.	(4,462,532)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	785,000
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Warrant proceeds	(13,845,000)
Warrant premium	(132,389)
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	(41,132)
Change in compensated absences	(115,048)
Amortization of subscription based IT assets	188,847
Change in net pension liability and change in pension – related deferred outflows and inflows are not reported in the funds.	(1,263,895)
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	106,992
Change in Net Position – Governmental Activities	\$ (989,482)

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Major Funds			Nonmajor Fund	Total
	Sewer Operation	Water System	Parks and Recreation	Airport	Business-Type Funds
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,485,725	\$ 6,424,800	\$ 2,984,442	\$ 555,784	\$ 12,450,751
Certificates of deposit	-	100,000	-	-	100,000
U.S. Treasury bills	-	10,000,020	-	-	10,000,020
Interest receivable	-	58,129	-	-	58,129
Accounts receivable, net	1,269,087	4,407,205	61,202	18,256	5,755,750
Due from other funds	28,288	2,921	-	814	32,023
Due from other governmental units	745	661	-	60,733	62,139
Inventories	228,059	969,458	211,707	32,047	1,441,271
Prepaid expenses	-	-	117,939	-	117,939
Prepaid insurance	79,352	435,769	-	39,205	554,326
Prepaid utility tax	-	42,000	-	-	42,000
Other assets	-	2,064	-	-	2,064
Total current assets	4,091,256	22,443,027	3,375,290	706,839	30,616,412
RESTRICTED ASSETS					
Cash and cash equivalents	474,572	4,196,876	-	-	4,671,448
State revolving funds receivable	4,556,245	1,680,173	-	-	6,236,418
Total restricted assets	5,030,817	5,877,049	-	-	10,907,866
CAPITAL ASSETS					
Land and other assets not being depreciated	253,691	11,921,740	2,919,879	1,314,313	16,409,623
Construction in progress	7,671,095	5,355,598	6,546,516	557,633	20,130,842
Buildings, improvements, and equipment, net of depreciation	49,892,569	182,678,965	35,176,863	5,951,908	273,700,305
Total capital assets	57,817,355	199,956,303	44,643,258	7,823,854	310,240,770
OTHER ASSETS					
Deposits	-	-	6,501	-	6,501
Assessments receivable, net	321,698	-	-	-	321,698
Subscription lease right-of-use assets, net	-	88,245	-	-	88,245
Total other assets	321,698	88,245	6,501	-	416,444
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	-	-	30,865	-	30,865
OPEB related items	-	50,446	-	-	50,446
Pension related items	1,046,490	1,731,713	1,597,097	62,208	4,437,508
Total deferred outflows of resources	1,046,490	1,782,159	1,627,962	62,208	4,518,819
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 68,307,616</u>	<u>\$ 230,146,783</u>	<u>\$ 49,653,011</u>	<u>\$ 8,592,901</u>	<u>\$ 356,700,311</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Major Funds			Nonmajor Fund	Total
	Sewer Operation	Water System	Parks and Recreation	Airport	Business-Type Funds
CURRENT LIABILITIES					
Accounts payable:					
Trade	\$ 791,784	\$ 391,316	\$ 1,149,770	\$ 164,833	\$ 2,497,703
Accrued liabilities	-	-	38,877	-	38,877
Utility tax payable	-	69,816	-	-	69,816
Due to other governments	-	2,420	779,377	-	781,797
Due to other funds	2,941	53,304	646,159	-	702,404
Interest payable	-	-	96,427	-	96,427
Accrued payroll	31,480	50,662	64,575	-	146,717
Estimated compensated absences – current portion	48,869	111,073	76,998	6,718	243,658
Unearned revenue	-	-	222,219	-	222,219
Total current liabilities	875,074	678,591	3,074,402	171,551	4,799,618
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Accounts payable:					
Contractors	181,438	-	-	-	181,438
Accrued interest	39,914	275,157	-	-	315,071
Current portion of warrants/bonds payable	1,050,979	4,197,398	-	90,715	5,339,092
Total liabilities payable from restricted assets	1,272,331	4,472,555	-	90,715	5,835,601
NONCURRENT LIABILITIES					
Warrants/bonds payable	13,985,000	102,690,000	-	775,296	117,450,296
Unamortized debt discount	-	(259,225)	(51,464)	-	(310,689)
Unamortized debt premium	-	2,538,198	818,795	-	3,356,993
Other postemployment benefits	-	103,934	-	-	103,934
Net pension liability	2,366,863	3,247,530	3,386,718	148,655	9,149,766
Estimated compensated absences	181,222	370,573	162,051	20,154	734,000
Other non-current liabilities	-	-	34,074	-	34,074
Advances from other funds	-	-	9,210,434	215,713	9,426,147
Subscription lease liability	-	75,633	-	-	75,633
Total noncurrent liabilities	16,533,085	108,766,643	13,560,608	1,159,818	140,020,154
DEFERRED INFLOWS OF RESOURCES					
OPEB related items	-	423,822	-	-	423,822
Pension related items	(14,871)	107,636	(141,152)	779	(47,608)
Total deferred inflows of resources	(14,871)	531,458	(141,152)	779	376,214
NET POSITION					
Net investment in capital assets	47,116,269	90,788,987	34,311,322	7,435,718	179,652,296
Restricted for capital activity and debt service	5,030,817	1,511,892	-	-	6,542,709
Unrestricted	(2,505,089)	23,396,657	(1,152,169)	(265,680)	19,473,719
Total net position	49,641,997	115,697,536	33,159,153	7,170,038	205,668,724
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 68,307,616	\$ 230,146,783	\$ 49,653,011	\$ 8,592,901	\$ 356,700,311

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, 2023

	Major Funds			Nonmajor Fund	Total
	Sewer Operation	Water System	Parks and Recreation	Airport	Business-Type Funds
REVENUES					
Charges for sales and services	\$ 8,905,883	\$ 22,603,933	\$ 13,370,999	\$ 602,804	\$ 45,483,619
Charges for service connections	240,856	424,143	-	-	664,999
Service charges	127,550	255,972	-	-	383,522
Miscellaneous revenues	942,433	925,135	-	-	1,867,568
Total revenues	10,216,722	24,209,183	13,370,999	602,804	48,399,708
OPERATING EXPENSES					
Cost of operating revenues	-	-	-	342,586	342,586
Operating expenses	5,742,248	12,206,966	16,778,590	399,201	35,127,005
Depreciation expense	2,570,892	5,199,657	1,968,447	368,394	10,107,390
Total operating expenses	8,313,140	17,406,623	18,747,037	1,110,181	45,576,981
OPERATING INCOME (LOSS)	1,903,582	6,802,560	(5,376,038)	(507,377)	2,822,727
NON-OPERATING REVENUES AND EXPENSES					
Insurance proceeds	-	-	5,085	-	5,085
Interest earned	22,088	614,243	49,282	5,915	691,528
Duck River Dam settlement	-	6,550,000	-	-	6,550,000
Gain on sale of assets	-	5,675	2,941	1,064	9,680
Capital grants	24,664	-	-	124,681	149,345
Debt issuance costs	(11,000)	-	-	-	(11,000)
Interest expense	(337,929)	(3,291,019)	(416,495)	(27,734)	(4,073,177)
Trustee fees	-	(16,155)	-	-	(16,155)
Total non-operating revenues and expenses	(302,177)	3,862,744	(359,187)	103,926	3,305,306
Change in net position before capital contributions and transfers	1,601,405	10,665,304	(5,735,225)	(403,451)	6,128,033
Capital contributions	-	21,675	4,475,758	-	4,497,433
Transfers in	183,056	32,046	6,251,290	297,365	6,763,757
Transfers out	(69,754)	(33,440)	(915,000)	-	(1,018,194)
Total capital contributions and transfers	113,302	20,281	9,812,048	297,365	10,242,996
CHANGE IN NET POSITION	1,714,707	10,685,585	4,076,823	(106,086)	16,371,029
NET POSITION AT BEGINNING OF YEAR					
	47,927,290	105,011,951	29,082,330	7,276,124	189,297,695
NET POSITION AT END OF YEAR					
	\$ 49,641,997	\$ 115,697,536	\$ 33,159,153	\$ 7,170,038	\$ 205,668,724

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 7,070,232	\$ 17,534,313	\$ 13,491,432	\$ 604,181.0	\$ 38,700,158
Cash payments for merchandise sold	-	-	(1,297,516)	-	(1,297,516)
Cash payments to suppliers and vendors	(1,830,339)	(1,779,825)	(8,200,227)	(653,021)	(12,463,412)
Cash payments for salaries and benefits	(2,957,165)	(5,122,897)	(6,308,931)	(181,166)	(14,570,159)
Net cash provided by (used in) operating activities	2,282,728	10,631,591	(2,315,242)	(230,006)	10,369,071
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from Duck River Dam settlement	-	6,550,000	-	-	6,550,000
Interfund payables – long-term	-	204,885	(133,729)	-	71,156
Transfers in	183,056	32,046	5,336,290	297,365	5,848,757
Transfers out	(69,754)	(33,440)	-	-	(103,194)
Net cash provided by noncapital financing activities	113,302	6,753,491	5,202,561	297,365	12,366,719
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant revenues	-	21,675	-	350,481	372,156
Capital contributions	24,664	-	-	-	24,664
Acquisition and construction – capital assets	(2,999,635)	(2,019,449)	(2,621,104)	(596,076)	(8,236,264)
Proceeds from issuance of long-term debt	3,880,000	-	-	-	3,880,000
Proceeds from disposal of capital assets	2,083	51,295	-	1,064	54,442
Interest paid	(341,474)	(3,427,253)	(423,024)	(27,732)	(4,219,483)
Trustee fees	-	(16,155)	-	-	(16,155)
Principal and interest paid on lease liability	-	-	(28,921)	-	(28,921)
Principal payments of long-term debt	(2,122,279)	(4,607,510)	-	(87,982)	(6,817,771)
Net cash used in capital and related financing activities	(1,556,641)	(9,997,397)	(3,073,049)	(360,245)	(14,987,332)

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<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	\$ -	\$ (10,000,020)	\$ -	\$ -	\$ (10,000,020)
Interest received	22,088	556,149	49,282	5,915	633,434
Net cash provided by (used in) investing activities	22,088	(9,443,871)	49,282	5,915	(9,366,586)
NET CHANGE IN CASH AND CASH EQUIVALENTS					
	861,477	(2,056,186)	(136,448)	(286,971)	(1,618,128)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	2,098,820	12,677,862	3,120,890	842,755	18,740,327
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	<u>\$ 2,960,297</u>	<u>\$ 10,621,676</u>	<u>\$ 2,984,442</u>	<u>\$ 555,784</u>	<u>\$ 17,122,199</u>
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING					
Cash and cash equivalents - current assets	\$ 2,485,725	\$ 6,424,800	\$ 2,984,442	\$ 555,784	\$ 12,450,751
Cash and cash equivalents - restricted assets	474,572	4,196,876	-	-	4,671,448
	<u>\$ 2,960,297</u>	<u>\$ 10,621,676</u>	<u>\$ 2,984,442</u>	<u>\$ 555,784</u>	<u>\$ 17,122,199</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	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)	\$ 1,903,582	\$ 6,802,560	\$ (5,376,038)	\$ (507,377)	\$ 2,822,727
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,570,892	5,199,657	1,968,447	368,394	10,107,390
Amortization	-	-	(18,047)	-	(18,047)
Amortization of subscription lease right-of-use assets	-	(12,612)	-	-	(12,612)
Change in:					
Assessments receivable, net	58,872	-	-	-	58,872
Accounts receivable, net	(192,794)	(1,527,902)	49,631	(1,519)	(1,672,584)
State revolving funds receivable	(3,000,105)	-	-	-	(3,000,105)
Interfund receivables	-	-	-	-	-
Due to (from) other governmental units	35,209	60,402	573,060	(17,233)	651,438
Grants receivable	-	-	-	-	-
Inventories	34,399	13,087	(95,729)	(3,553)	(51,796)
Prepaid expenses	-	-	(83,555)	-	(83,555)
Prepaid insurance	9,806	10,065	-	(1,370)	18,501
Prepaid utility tax	-	(7,000)	-	-	(7,000)
Deferred outflows of resources					
– pension	(468,834)	(842,365)	(798,831)	(28,233)	(2,138,263)
Accounts payable	661,351	(654,545)	398,515	(80,564)	324,757
Utility tax payable	-	3,772	-	-	3,772
Interfund payables	(14,633)	-	-	-	(14,633)
Operating lease cost	-	-	(28,530)	-	(28,530)
Accrued payroll	3,805	4,166	5,830	-	13,801
Other postemployment benefits	-	(67,085)	-	-	(67,085)
Net pension liability	1,029,162	1,817,681	1,775,858	61,808	4,684,509
Deferred inflows of resources					
– pension	(382,909)	(249,151)	(660,725)	(22,996)	(1,315,781)
Unearned revenues	-	-	(55,127)	-	(55,127)
Estimated compensated absences	34,925	80,861	29,999	2,637	148,422
Net cash provided by (used in) operating activities	<u>\$ 2,282,728</u>	<u>\$ 10,631,591</u>	<u>\$ (2,315,242)</u>	<u>\$ (230,006)</u>	<u>\$ 10,369,071</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023

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, 2023**

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
Airport	This fund accounts for the construction, maintenance and operation of the airport facilities 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, 2023**

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:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Total</u>
Accounts receivable	\$1,131,453	\$ 68,000	\$1,293,087	\$ 4,407,205	\$ 218,599	\$ 19,133	\$7,137,477
Assessments receivable	201,232	-	460,148	-	-	-	661,380
Allowance for doubtful accounts	<u>(167,778)</u>	<u>-</u>	<u>(162,450)</u>	<u>-</u>	<u>(157,397)</u>	<u>(877)</u>	<u>(488,502)</u>
	<u>\$1,164,907</u>	<u>\$ 68,000</u>	<u>\$1,590,785</u>	<u>\$ 4,407,205</u>	<u>\$ 61,202</u>	<u>\$ 18,256</u>	<u>\$7,310,355</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 \$5,545,062 as of September 30, 2023, for the bills sent out October 1, 2023, 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, 2023, 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, 2023**

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, 2023, 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):

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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, 2023

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, 2023. 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, 2023. 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, 2023**

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, 2023**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – DEFICIT BALANCE

The \$410,854 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.

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 ensure 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, 2023, the Utilities Board – Water Division of the City of Cullman (UBWD) (component unit blended with the Water System) had \$665,145 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, 2023, UBWD had \$3,529,158 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, 2023

5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2023, was as follows:

	<u>Balance at Sept. 30, 2022</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Transfers</u>	<u>Balance at Sept. 30, 2023</u>
Governmental activities:					
Non-depreciable capital assets:					
Land	\$ 12,649,987	\$ 91,001	\$ -	\$ -	\$ 12,740,988
Historical buildings	378,448	-	-	-	378,448
Construction in progress	<u>4,736,829</u>	<u>11,399,697</u>	<u>-</u>	<u>(11,257,387)</u>	<u>4,879,139</u>
	17,765,264	11,490,698	-	(11,257,387)	17,998,575
Depreciable capital assets:					
Buildings	20,435,308	-	-	528,733	20,964,041
Improvements other than buildings	7,133,218	18,000	-	375,350	7,526,568
Machinery and equipment	<u>82,304,800</u>	<u>3,801,717</u>	<u>(1,562,747)</u>	<u>5,912,584</u>	<u>90,456,354</u>
	<u>109,873,326</u>	<u>3,819,717</u>	<u>(1,562,747)</u>	<u>6,816,667</u>	<u>118,946,963</u>
Less accumulated depreciation:					
Buildings	(4,023,848)	(397,589)	-	-	(4,421,437)
Improvements other than buildings	(1,781,393)	(188,769)	-	-	(1,970,162)
Machinery and equipment	<u>(32,306,668)</u>	<u>(2,977,507)</u>	<u>519,897</u>	<u>(21,812)</u>	<u>(34,786,090)</u>
	<u>(38,111,909)</u>	<u>(3,563,865)</u>	<u>519,897</u>	<u>(21,812)</u>	<u>(41,177,689)</u>
Net depreciable capital assets	<u>71,761,417</u>	<u>255,852</u>	<u>(1,042,850)</u>	<u>6,794,855</u>	<u>77,769,274</u>
Total capital assets, net	<u>\$ 89,526,681</u>	<u>\$ 11,746,550</u>	<u>\$(1,042,850)</u>	<u>\$(4,462,532)</u>	<u>\$ 95,767,849</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

5. CAPITAL ASSETS – CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2023, was as follows:

	<u>Balance at Sept. 30, 2022</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Adjustments and Transfers</u>	<u>Balance at Sept. 30, 2023</u>
Business-type activities:					
Non-depreciable capital assets:					
Land	\$ 16,387,967	\$ -	-	\$ 21,656	\$ 16,409,623
Construction in progress	13,589,872	4,234,920	-	2,306,050	20,130,842
	<u>29,977,839</u>	<u>4,234,920</u>	<u>-</u>	<u>2,327,706</u>	<u>36,540,465</u>
Depreciable capital assets:					
Buildings	49,717,759	666,142	-	120,996	50,504,897
Improvements other than buildings	318,902,132	2,727,331	-	387,787	322,017,250
Machinery and equipment	26,236,630	2,247,322	(131,627)	-	28,352,325
	<u>394,856,521</u>	<u>5,640,795</u>	<u>(131,627)</u>	<u>508,783</u>	<u>400,874,472</u>
Less accumulated depreciation:					
Buildings	(20,014,780)	(1,105,732)	-	-	(21,120,512)
Improvements other than buildings	(80,996,859)	(7,573,352)	-	-	(88,570,211)
Machinery and equipment	(16,138,782)	(1,428,306)	83,644	-	(17,483,444)
	<u>(117,150,421)</u>	<u>(10,107,390)</u>	<u>83,644</u>	<u>-</u>	<u>(127,174,167)</u>
Net depreciable capital assets	<u>277,706,100</u>	<u>(4,466,595)</u>	<u>(47,983)</u>	<u>508,783</u>	<u>273,700,305</u>
Total capital assets, net	<u>\$ 307,683,939</u>	<u>\$ (231,675)</u>	<u>\$ (47,983)</u>	<u>\$ 2,836,489</u>	<u>\$ 310,240,770</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

5. CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:

General government:	
Administrative	\$ 288,847
Building and housing	16,651
Garage	32,193
Public safety:	
Police	250,459
Fire	362,591
Traffic Maintenance	133,554
Dispatch and miscellaneous	30,440
Highways and streets	1,795,398
Sanitation	624,287
Culture and recreation	16,837
Conservation	12,608
	<u>\$ 3,563,865</u>

Business-type activities:

Sewer	\$ 2,570,892
Water	5,199,657
Parks and Recreation	1,968,447
Airport	368,394
	<u>\$ 10,107,390</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 44,075,000	\$ 13,845,000	\$ (785,000)	\$ 57,135,000	\$ 1,690,000
Add issuance premiums	2,870,783	132,389	(106,992)	2,896,180	-
Total general obligation bonds payable	46,945,783	13,977,389	(891,992)	60,031,180	1,690,000
Compensated absences	1,819,814	397,761	(282,713)	1,934,862	318,921
Total long-term debt	<u>\$ 48,765,597</u>	<u>\$ 14,375,150</u>	<u>\$ (1,174,705)</u>	<u>\$ 61,966,042</u>	<u>\$ 2,008,921</u>
Business - type activities					
General obligation bonds	\$ 40,675,000	\$ -	\$ (225,000)	\$ 40,450,000	\$ 230,000
Less issuance discounts	(326,476)	-	15,787	(310,689)	-
Add issuance premiums	3,561,045	-	(204,052)	3,356,993	-
Total general obligation bonds payable	43,909,569	-	(413,265)	43,496,304	230,000
Direct placement bonds	85,052,154	3,880,000	(6,592,766)	82,339,388	5,109,092
Compensated absences	829,237	481,532	(333,111)	977,658	243,658
Total long-term debt	<u>\$ 129,790,960</u>	<u>\$ 4,361,532</u>	<u>\$ (7,339,142)</u>	<u>\$ 126,813,350</u>	<u>\$ 5,582,750</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. LONG-TERM DEBT – CONTINUED

Long-term debt payable at September 30, 2023, comprised the following:

Governmental Activities						
	Interest Rates	Balance at Sept. 30, 2022	Additions	Payments	Balance at Sept. 30, 2023	Due Within One Year
General obligation warrants:						
Series 2016	3.00-5.00%	\$ 14,990,000	\$ -	\$ (785,000)	\$ 14,205,000	\$ 820,000
Series 2021	2.50-4.00%	29,085,000	-	-	29,085,000	620,000
Series 2023	4.00-4.50%	-	13,845,000	-	13,845,000	250,000
		<u>\$ 44,075,000</u>	<u>\$ 13,845,000</u>	<u>\$ (785,000)</u>	<u>\$ 57,135,000</u>	<u>\$ 1,690,000</u>
Business-Type Activities						
	Interest Rates	Balance at Sept. 30, 2022	Additions	Payments	Balance at Sept. 30, 2023	Due Within One Year
Sewer Fund:						
General obligation warrants:						
Series 2013-A	2.63%	\$ 1,538,258	\$ -	\$ (1,312,279)	\$ 225,979	\$ 225,979
Series 2015 - CWSRF - DL	2.25%	2,785,000	-	(185,000)	2,600,000	190,000
Series 2015B - CWSRF - DL	2.20%	2,425,000	-	(165,000)	2,260,000	165,000
Series 2020 - CWSRF - DL	2.20%	6,530,000	-	(300,000)	6,230,000	305,000
Series 2023 - CWSRF - DL	2.00%	-	3,880,000	(160,000)	3,720,000	165,000
Water System:						
Utilities Board – Water Division:						
Water Revenue Bonds:						
Series 2015A	2.00-5.00%	40,675,000	-	(225,000)	40,450,000	230,000
Series 2015B	2.195%	2,185,000	-	(715,000)	1,470,000	725,000
Series 2017 - DWSRF-DL	2.20%	19,100,000	-	(1,085,000)	18,015,000	1,110,000
Series 2020- DWSRF-DL	2.20%	5,265,000	-	(260,000)	5,005,000	265,000
Series 2020	2.00-4.00%	43,535,000	-	(1,695,000)	41,840,000	1,760,000
Water Fund, General Obligation Warrants:						
Series 2013B	2.30%	734,908	-	(627,510)	107,398	107,398
Cullman Regional Airport Board:						
General obligation warrants:						
Warrant dated April 14, 2022	2.60%	953,992	-	(87,981)	866,011	90,715
		<u>\$ 125,727,158</u>	<u>\$ 3,880,000</u>	<u>\$ (6,817,770)</u>	<u>\$ 122,789,388</u>	<u>\$ 5,339,092</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 Ending September 30	Principal	Interest	Total Debt Service Requirement
2024	\$ 1,690,000	\$ 2,148,246	\$ 3,838,246
2025	1,730,000	2,107,338	3,837,338
2026	1,800,000	2,033,538	3,833,538
2027	1,885,000	1,950,088	3,835,088
2028	1,975,000	1,862,638	3,837,638
2029-2033	11,265,000	7,912,365	19,177,365
2034-2038	10,740,000	5,770,615	16,510,615
2039-2043	8,060,000	4,119,315	12,179,315
Thereafter	17,990,000	3,185,257	21,175,257
	\$ 57,135,000	\$ 31,089,400	\$ 88,224,400

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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:

Year Ending September 30	Business-Type Activities				Total Debt Service Requirement
			Direct Placement Bonds		
	Principal	Interest	Principal	Interest	
2024	\$ 230,000	\$ 1,531,169	\$ 5,109,092	\$ 2,101,352	\$ 8,971,613
2025	235,000	1,525,994	4,923,537	1,959,595	8,644,126
2026	1,000,000	1,518,944	4,301,375	1,817,369	8,637,688
2027	1,030,000	1,488,944	4,414,298	1,706,566	8,639,808
2028	1,065,000	1,458,044	4,527,272	1,592,712	8,643,028
2029-2033	5,850,000	6,747,694	24,363,814	6,063,651	43,025,159
2034-2038	9,400,000	5,299,550	24,015,000	3,116,060	41,830,610
2039-2043	14,875,000	2,982,938	10,685,000	497,923	29,040,861
2044-2047	6,765,000	382,875	-	-	7,147,875
	<u>\$ 40,450,000</u>	<u>\$ 22,936,152</u>	<u>\$ 82,339,388</u>	<u>\$ 18,855,228</u>	<u>\$ 164,580,768</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, 2023, from pledged revenues totaled approximately \$4,555,000.

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.

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, 2023 is shown below.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

7. INTERFUND BALANCES AND ACTIVITY – CONTINUED

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water System	\$ 25,016
	Sewer	20
	Parks and Rec	100,000
Non Major - Gov	General Fund	2,537
Sewer	Water System	28,288
Water System	Sewer	2,921
Debt Service	Parks and Rec	546,159
Airport	General Fund	814
Total		<u>\$ 705,755</u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Airport	\$ 215,713
	Parks and Recreation	300,000
Debt Service	Parks and Recreation	<u>8,910,434</u>
Total		<u>\$ 9,426,147</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, 2023, 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>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Nonmajor Enterprise</u>	
General Fund	\$ -	\$ 2,338,150	\$ 4,268,957	\$ -	\$ -	\$ 5,003,000	\$ 297,365	\$ 11,907,472
Debt Service	-	-	1,677,176	-	-	923,269	-	2,600,445
Nonmajor Governmental	218,000	-	24,277	183,056	32,046	325,021	-	782,400
Parks and Recreation	275,000	640,000	-	-	-	-	-	915,000
Water System	-	-	33,440	-	-	-	-	33,440
Sewer Operation	-	-	69,754	-	-	-	-	69,754
	<u>\$ 493,000</u>	<u>\$ 2,978,150</u>	<u>\$ 6,073,604</u>	<u>\$ 183,056</u>	<u>\$ 32,046</u>	<u>\$ 6,251,290</u>	<u>\$ 297,365</u>	<u>\$ 16,308,511</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. 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 15 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) 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.
- 6) 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 vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. PENSION PLAN – CONTINUED

- e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
- f. One vested active 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 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. PENSION PLAN – CONTINUED

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, 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:

	<u>ERS' Membership</u>	<u>City's Membership</u>	<u>UBWD's Membership</u>
Retirees and beneficiaries currently receiving benefits	30,598	163	26
Terminated employees entitled to but not yet receiving benefits	2,286	10	1
Terminated employees not entitled to a benefit	18,689	145	3
Active members	57,278	425	49
Post-DROP participants who are still in active service	39	1	-
	<u>108,890</u>	<u>744</u>	<u>79</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, 2023**

10. PENSION PLAN – CONTINUED

For the year ended September 30, 2023, the City's active employee contribution rate was 7.81% and 8.46% 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 10.39% of pensionable payroll. The UBWD's active employee contribution rate was 6.01% of covered payroll for Tier 1 and Tier 2 employees, and the UBWD's average contribution rate to fund the normal and accrued liability costs was 6.25% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2023, was 8.09% of pensionable pay for Tier 1 employees and 7.44% 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, 2019, 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 \$1,922,325 and \$82,734, respectively, for the year ended September 30, 2023.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
Total Pension Liability		
as of 9/30/2021 (a)	\$ 71,956,394	\$ 72,483,827
Discount rate (b)	7.45%	7.45%
Entry Age Normal Cost		
10/1/2021 - 9/30/2022 (c)	1,843,577	1,845,251
Transfers Among Employers	-	(50,587)
Actual Benefit Payments and Refunds		
10/1/2021 - 9/30/2022 (e)	(4,118,635)	(4,118,635)
Total Pension Liability		
as of 9/30/2022		
[(a) x (1+(b))] + (c) + (d) +[(e) x (1+.5*(b))]	\$ 74,888,668	\$ 75,406,482
Difference between Expected and Actual		
Experience (Gain)/Loss		\$ 517,814

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. PENSION PLAN – CONTINUED

Net Pension Liability

The UBWD's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2021, rolled forward to September 30, 2022, using standard roll-forward techniques as shown in the following table:

	Expected	Actual
Total Pension Liability		
as of 9/30/2021 (a)	\$ 5,542,330	\$ 5,412,104
Discount rate (b)	7.45%	7.45%
Entry Age Normal Cost		
for 10/1/2021 - 9/30/2022 (b)	100,285	100,408
Transfers Among Employers	-	(3,642)
Actual Benefit Payments and Refunds		
for 10/1/2021 - 9/30/2022 (c)	(554,416)	(554,416)
Total Pension Liability		
as of 9/30/2022		
[(a) x (1+ (b))] - (c) + (d) + [(e) x (1+.5*(b))]	\$ 5,480,451	\$ 5,337,004
Difference between Expected and Actual Experience (Gain)/Loss		\$ 143,441

Actuarial Assumptions

The total pension liability as of September 30, 2022, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. 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, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, 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, 2023**

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%	1.50%
	<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, 2023**

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, 2021	\$ 71,956,394	\$ 56,489,598	\$ 15,466,796
Changes for the year:			
Service cost	1,843,577	-	1,843,577
Interest	5,207,332	-	5,207,332
Changes of benefit terms	47,639	-	47,639
Difference between expected and actual experience	520,762	-	520,762
Contributions – employer	-	1,693,943	(1,693,943)
Contributions – employee	-	1,650,645	(1,650,645)
Net investment income	-	(7,171,687)	7,171,687
Benefit payments, including refunds of employee contributions	(4,118,635)	(4,118,635)	-
Transfers among employers	(50,587)	(50,587)	-
	<u>3,450,088</u>	<u>(7,996,321)</u>	<u>11,446,409</u>
Balances at September 30, 2022	<u>\$ 75,406,482</u>	<u>\$ 48,493,277</u>	<u>\$ 26,913,205</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2021	\$ 5,542,330	\$ 4,789,978	\$ 752,352
Changes for the year:			
Service cost	100,285	-	100,285
Interest	389,388	-	389,388
Changes of assumptions	6,830	-	6,830
Difference between expected and actual experience	(143,771)	-	(143,771)
Contributions – employer	-	89,044	(89,044)
Contributions – employee	-	139,027	(139,027)
Net investment income	-	(567,588)	567,588
Transfers among employers	(3,642)	(3,642)	-
Benefit payments, including refunds of employee contributions	(554,416)	(554,416)	-
	<u>(205,326)</u>	<u>(897,575)</u>	<u>692,249</u>
Balances at September 30, 2022	<u>\$ 5,337,004</u>	<u>\$ 3,892,403</u>	<u>\$ 1,444,601</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

10. PENSION PLAN – CONTINUED

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2021	\$ 77,498,724	\$ 61,279,576	\$ 16,219,148
Changes for the year:			
Service cost	1,943,862	-	1,943,862
Interest	5,596,720	-	5,596,720
Changes in assumptions	54,469	-	54,469
Difference between expected and actual experience	376,991	-	376,991
Contributions – employer	-	1,782,987	(1,782,987)
Contributions – employee	-	1,789,672	(1,789,672)
Net investment income	-	(7,739,275)	7,739,275
Benefit payments, including refunds of employee contributions	(4,673,051)	(4,673,051)	-
Transfers among employers	(54,229)	(54,229)	-
	<u>3,244,762</u>	<u>(8,893,896)</u>	<u>12,138,658</u>
Less 50% for Cullman Regional Airport Board	<u>(425,297)</u>	<u>(276,642)</u>	<u>(148,655)</u>
Balances at September 30, 2022	<u>\$ 80,318,189</u>	<u>\$ 52,109,038</u>	<u>\$ 28,209,151</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):

	1% Decrease	Current Rate	1% Increase
	6.45%	7.45%	8.45%
City of Cullman	\$ 35,870,790	\$ 26,913,205	\$ 19,406,014
UBWD	2,059,883	1,444,601	615,282
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	<u>(198,128)</u>	<u>(148,655)</u>	<u>(107,195)</u>
	<u>\$ 37,732,545</u>	<u>\$ 28,209,151</u>	<u>\$ 19,914,101</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor’s report 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, 2023, the City recognized pension expense of \$1,843,578, and the UBWD recognized pension expense of \$131,858. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
City of Cullman	\$ 5,803,789	\$ -
UBWD	473,004	-
Net difference between projected and actual experience:		
City of Cullman	2,147,305	48,955
UBWD	40,751	133,002
Changes of assumptions:		
City of Cullman	1,954,193	-
UBWD	98,034	-
Employer contributions subsequent to the measurement date:		
City of Cullman	1,843,579	-
UBWD	91,579	-
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	(62,207)	(779)
	\$ 12,390,027	\$ 181,178

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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>
2024	\$ 2,545,944	\$ 137,893	\$ 13,952	\$ 2,697,789
2025	2,036,847	96,990	11,162	2,144,999
2026	1,840,857	72,990	10,088	1,923,935
2027	3,029,133	181,590	16,599	3,227,322
2028	350,610	(10,676)	1,140	341,074
Thereafter	-	-	-	-
	<u>\$ 9,803,391</u>	<u>\$ 478,787</u>	<u>\$ 52,941</u>	<u>\$ 10,335,119</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, 2023, the City provides tax abatements based on two Alabama statutes: the Alabama Tax Incentive Reform Act of 1992.

- 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.

<u>Tax Abatement</u>	<u>Amount of Taxes Abated</u>
Alabama Tax Incentive Reform Act of 1992	\$ 393,248

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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, 2023, 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, 2022, the effective date of the OPEB valuation, was 16 active employees and 2 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 as of June 30, 2023, the most recent measurement date, was \$103,934, and the net change to OPEB liability was (\$415,182) consisting of service cost of \$8,634, interest of \$18,377, difference between expected and actual experience of (\$444,755) and assumption changes of \$2,562. 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, 2023**

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (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
TOTAL PENSION LIABILITY									
Service cost	\$ 1,843,577	\$ 100,285	\$ 1,943,862	\$ 1,620,375	\$ 86,259	\$ 1,706,634	\$ 1,290,891	\$ 80,651	\$ 1,371,542
Interest	5,207,332	389,388	5,596,720	4,863,911	386,594	5,250,505	4,617,166	362,779	4,979,945
Changes of benefit terms	47,639	-	47,639	-	-	-	748,826	33,044	781,870
Differences between expected and actual experience	520,762	(143,771)	376,991	1,629,789	(26,127)	1,603,662	413,862	37,297	451,159
Changes of assumptions	-	6,830	6,830	2,727,289	140,964	2,868,253	-	-	-
Benefit payments, including refunds of employee contributions	(4,118,635)	(554,416)	(4,673,051)	(3,858,156)	(209,006)	(4,067,162)	(3,764,611)	(184,826)	(3,949,437)
Transfers among employers	(50,587)	(3,642)	(54,229)	(123,565)	-	(123,565)	(132,001)	-	(132,001)
Net change in total pension liability	3,450,088	(205,326)	3,244,762	6,859,643	378,684	7,238,327	3,174,133	328,945	3,503,078
Total pension liability – beginning	71,956,394	5,542,330	77,498,724	65,096,751	5,163,646	70,260,397	61,922,618	4,834,701	66,757,319
Total pension liability – ending (a)	<u>\$ 75,406,482</u>	<u>\$ 5,337,004</u>	<u>\$ 80,743,486</u>	<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>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,693,943	\$ 89,044	\$ 1,782,987	\$ 1,506,494	\$ 80,837	\$ 1,587,331	\$ 1,652,373	\$ 112,512	\$ 1,764,885
Contributions – employee	1,650,645	139,027	1,789,672	1,517,249	91,466	1,608,715	1,070,959	62,696	1,133,655
Net investment income	(7,171,687)	(567,588)	(7,739,275)	10,351,948	872,566	11,224,514	2,498,616	213,647	2,712,263
Benefit payments, including refunds of employee contributions	(4,118,635)	(554,416)	(4,673,051)	(3,858,156)	(209,005)	(4,067,161)	(3,764,611)	(184,826)	(3,949,437)
Transfers among employers	(50,587)	(3,642)	(54,229)	(123,565)	-	(123,565)	(132,001)	-	(132,001)
Net change in plan fiduciary net position	(7,996,321)	(897,575)	(8,893,896)	9,393,970	835,864	10,229,834	1,325,336	204,029	1,529,365
Plan net position – beginning	56,489,598	4,789,978	61,279,576	47,095,628	3,954,114	51,049,742	45,770,292	3,750,085	49,520,377
Plan net position – ending (b)	<u>48,493,277</u>	<u>3,892,403</u>	<u>52,385,680</u>	<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>
NET POSITION LIABILITY (a) - (b)	<u>\$ 26,913,205</u>	<u>\$ 1,444,601</u>	<u>\$ 28,357,806</u>	<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>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	64.31%	72.93%	64.88%	78.51%	86.43%	79.07%	72.35%	76.58%	72.66%
COVERED EMPLOYEE PAYROLL	\$ 18,776,010	\$ 1,584,402	\$ 20,360,412	\$ 18,776,010	\$ 1,450,117	\$ 20,226,127	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	143.34%	91.18%	139.28%	82.38%	51.88%	80.19%	97.68%	83.41%	96.64%

See independent auditors' report.

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

	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
TOTAL PENSION LIABILITY									
Service cost	\$ 1,240,168	\$ 73,709	\$ 1,313,877	\$ 1,132,043	\$ 61,734	\$ 1,193,777	\$ 1,097,342	\$ 61,122	\$ 1,158,464
Interest	4,390,057	340,241	4,730,298	4,275,976	323,421	4,599,397	4,113,828	316,022	4,429,850
Changes of benefit terms	-	82,433	82,433	-	-	-	-	-	-
Differences between expected and actual experience	821,476	-	821,476	(184,945)	34,960	(149,985)	-	(106,907)	(106,907)
Changes of assumptions	-	-	-	303,407	20,694	324,101	350,735	-	350,735
Benefit payments, including refunds of employee contributions	(3,790,059)	(181,709)	(3,971,768)	(3,260,807)	(182,740)	(3,443,547)	(3,461,845)	(168,017)	(3,629,862)
Transfers among employers	123,409	-	123,409	67,601	(10,989)	56,612	(108,346)	2,676	(105,670)
Net change in total pension liability	2,785,051	314,674	3,099,725	2,333,275	247,080	2,580,355	1,991,714	104,896	2,096,610
Total pension liability – beginning	59,137,567	4,520,027	63,657,594	56,804,292	4,272,947	61,077,239	54,812,578	4,168,051	58,980,629
Total pension liability – ending (a)	<u>\$ 61,922,618</u>	<u>\$ 4,834,701</u>	<u>\$ 66,757,319</u>	<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>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,517,972	\$ 111,009	\$ 1,628,981	\$ 1,452,280	\$ 107,022	\$ 1,559,302	\$ 1,441,697	\$ 100,572	\$ 1,542,269
Contributions – employee	951,255	60,148	1,011,403	902,800	54,041	956,841	838,665	45,603	884,268
Net investment income	1,158,885	93,855	1,252,740	3,909,186	315,729	4,224,915	4,919,768	385,365	5,305,133
Benefit payments, including refunds of employee contributions	(3,790,059)	(181,709)	(3,971,768)	(3,260,807)	(182,740)	(3,443,547)	(3,461,845)	(168,017)	(3,629,862)
Transfers among employers	123,409	-	123,409	67,601	(10,989)	56,612	(108,346)	2,676	(105,670)
Net change in plan fiduciary net position	(38,538)	83,303	44,765	3,071,060	283,063	3,354,123	3,629,939	366,199	3,996,138
Plan net position – beginning	45,808,830	3,666,782	49,475,612	42,737,770	3,383,719	46,121,489	39,107,831	3,017,520	42,125,351
Plan net position – ending (b)	<u>45,770,292</u>	<u>3,750,085</u>	<u>49,520,377</u>	<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>
NET POSITION LIABILITY (a) - (b)	<u>\$ 16,152,326</u>	<u>\$ 1,084,616</u>	<u>\$ 17,236,942</u>	<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>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	73.92%	77.57%	74.18%	77.46%	81.12%	77.72%	75.24%	79.19%	75.51%
COVERED EMPLOYEE PAYROLL	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919	\$ 13,840,015	\$ 1,041,071	\$ 14,881,086	\$ 13,739,161	\$ 978,328	\$ 14,717,488
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	99.42%	78.04%	97.73%	96.31%	81.96%	95.30%	102.38%	90.89%	101.62%

See independent auditors' report.

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

	For the Year Ended September 30, 2016			For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY									
Service cost	\$ 1,042,024	\$ 64,088	\$ 1,106,112	\$ 1,037,206	\$ 64,359	\$ 1,101,565	\$ 1,043,085	\$ 61,056	\$ 1,104,141
Interest	4,002,270	309,083	4,311,353	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	(942,085)	(22,557)	(964,642)	(339,015)	(6,497)	(345,512)	-	-	-
Changes of assumptions	2,133,269	64,643	2,197,912	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,990,489)	(234,178)	(3,224,667)	(2,358,467)	(161,036)	(2,519,503)	(2,087,310)	(205,239)	(2,292,549)
Transfers among employers	43,967	-	43,967	-	-	-	-	-	-
Net change in total pension liability	3,288,956	181,079	3,470,035	2,191,923	202,878	2,394,801	2,610,017	139,199	2,749,216
Total pension liability – beginning	51,523,622	3,986,972	55,510,594	49,331,699	3,784,094	53,115,793	46,721,682	3,644,895	50,366,577
Total pension liability – ending (a)	\$ 54,812,578	\$ 4,168,051	\$ 58,980,629	\$ 51,523,622	\$ 3,986,972	\$ 55,510,594	\$ 49,331,699	\$ 3,784,094	\$ 53,115,793
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,425,482	\$ 99,191	\$ 1,524,673	\$ 1,368,019	\$ 106,966	\$ 1,474,985	\$ 1,354,385	\$ 103,686	\$ 1,458,071
Contributions – employee	771,618	47,046	818,664	709,731	44,367	754,098	692,335	43,059	735,394
Net investment income	3,649,303	283,132	3,932,435	426,614	34,236	460,850	3,874,230	302,926	4,177,156
Benefit payments, including refunds of employee contributions	(2,990,489)	(234,178)	(3,224,667)	(2,358,467)	(161,036)	(2,519,503)	(2,087,310)	(205,239)	(2,292,549)
Transfers among employers	43,967	-	43,967	(75,385)	-	(75,385)	(11,050)	-	(11,050)
Net change in plan fiduciary net position	2,899,881	195,191	3,095,072	70,512	24,533	95,045	3,822,590	244,432	4,067,022
Plan net position – beginning	36,207,950	2,822,329	39,030,279	36,137,438	2,797,796	38,935,234	32,314,848	2,553,364	34,868,212
Plan net position – ending (b)	39,107,831	3,017,520	42,125,351	36,207,950	2,822,329	39,030,279	36,137,438	2,797,796	38,935,234
NET POSITION LIABILITY (a) - (b)	\$ 15,704,747	\$ 1,150,531	\$ 16,855,278	\$ 15,315,672	\$ 1,164,643	\$ 16,480,315	\$ 13,194,261	\$ 986,298	\$ 14,180,559
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	71.35%	72.40%	71.42%	70.27%	70.79%	70.31%	73.25%	73.94%	73.30%
COVERED EMPLOYEE PAYROLL	\$ 13,584,634	\$ 964,894	\$ 14,549,528	\$ 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	115.61%	119.24%	115.85%	117.48%	131.29%	118.36%	102.93%	114.53%	103.66%

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

See independent auditors' report.

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

	For the Year Ended September 30, 2023			For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,843,579	\$ 91,579	\$ 1,935,158	\$ 1,688,568	\$ 226,029	\$ 1,914,597	\$ 1,506,637	\$ 146,192	\$ 1,652,829
Contributions in relation to the actuarially determined contribution *	1,843,579	91,579	1,935,158	1,688,568	226,029	1,914,597	1,506,637	146,192	1,652,829
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 18,776,010	\$ 1,584,402	\$ 20,360,412	\$ 18,776,010	\$ 1,450,117	\$ 20,226,127	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743
Contributions as a percentage of covered-employee payroll	9.82%	5.78%	9.50%	8.99%	15.59%	9.47%	8.18%	10.08%	8.31%
	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,652,864	\$ 121,468	\$ 1,774,332	\$ 1,578,086	\$ 122,939	\$ 1,701,025	\$ 1,431,140	\$ 119,834	\$ 1,550,974
Contributions in relation to the actuarially determined contribution *	1,652,864	121,468	1,774,332	1,578,086	122,939	1,701,025	1,431,140	119,834	1,550,974
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919	\$ 15,121,205	\$ 1,305,127	\$ 16,426,332
Contributions as a percentage of covered-employee payroll	8.97%	8.38%	8.93%	9.71%	8.85%	9.64%	9.46%	9.18%	9.44%
	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016					
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total			
Actuarially determined contribution	\$ 1,441,697	\$ 96,950	\$ 1,538,647	\$ 1,425,482	\$ 100,199	\$ 1,525,681			
Contributions in relation to the actuarially determined contribution *	1,362,894	96,950	1,459,844	1,425,482	100,199	1,525,681			
Contribution deficiency	\$ 78,803	\$ -	\$ 78,803	\$ -	\$ -	\$ -			
Covered-employee payroll	\$ 13,739,161	\$ 978,328	\$ 14,717,489	\$ 13,584,634	\$ 888,119	\$ 14,472,753			
Contributions as a percentage of covered-employee payroll	9.92%	9.91%	9.92%	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 2023 were based on the September 30, 2021 actuarial valuation. Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023, are as follows:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	22.6 years
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 expenses, 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, 2023

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 33,378,438	\$ 33,378,438	\$ 36,051,383	\$ 2,672,945
Licenses and permits	5,037,750	5,037,750	5,383,867	346,117
Intergovernmental revenues	5,896,567	5,896,567	5,464,513	(432,054)
Charges for services	7,549,000	7,549,000	9,137,944	1,588,944
Fines and forfeits	320,000	320,000	339,331	19,331
Interest revenues	100,000	100,000	490,421	390,421
Miscellaneous revenues	115,140	115,140	110,440	(4,700)
	<u>52,396,895</u>	<u>52,396,895</u>	<u>56,977,899</u>	<u>4,581,004</u>
EXPENDITURES				
Current expenditures:				
General government	7,678,792	7,678,792	6,487,691	1,191,101
Public safety	16,635,958	16,635,958	14,852,121	1,783,837
Highways and streets	5,524,797	5,524,797	3,080,820	2,443,977
Sanitation	5,816,114	5,816,114	6,042,477	(226,363)
Health and social services	659,004	659,004	1,016,684	(357,680)
Culture and recreation	280,167	280,167	220,609	59,558
Education	758,900	758,900	776,231	(17,331)
Conservation	-	-	100	(100)
Capital outlay	1,861,462	1,861,462	7,592,449	(5,730,987)
	<u>39,215,194</u>	<u>39,215,194</u>	<u>40,069,182</u>	<u>(853,988)</u>
REVENUES OVER (UNDER)				
EXPENSES	13,181,701	13,181,701	16,908,717	3,727,016
OTHER FINANCING SOURCES (USES)				
Sale of assets	365,000	365,000	299,911	(65,089)
Insurance proceeds	-	-	103,362	103,362
Operating transfers in	137,500	137,500	493,000	355,500
Operating transfers out	(13,683,701)	(13,683,701)	(11,907,472)	1,776,229
	<u>(13,181,201)</u>	<u>(13,181,201)</u>	<u>(11,011,199)</u>	<u>2,170,002</u>
NET CHANGES IN FUND BALANCES	500	500	5,897,518	5,897,018
FUND BALANCE AT BEGINNING OF YEAR	<u>30,854,878</u>	<u>30,854,878</u>	<u>30,854,878</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 30,855,378</u>	<u>\$ 30,855,378</u>	<u>\$ 36,752,396</u>	<u>\$ 5,897,018</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, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 9,000,000	\$ 9,000,000	\$ 10,241,702	\$ 1,241,702
Interest revenue	-	-	40	40
	9,000,000	9,000,000	10,241,742	1,241,742
EXPENDITURES				
Current expenditures:				
Education	9,000,000	9,000,000	10,219,843	(1,219,843)
NET CHANGES IN FUND BALANCES	-	-	21,899	21,899
FUND BALANCE AT BEGINNING OF YEAR	(432,753)	(432,753)	(432,753)	-
FUND BALANCE AT END OF YEAR	<u>\$ (432,753)</u>	<u>\$ (432,753)</u>	<u>\$ (410,854)</u>	<u>\$ 21,899</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SEPTEMBER 30, 2023

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, 2023**

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,806,020	\$ 1,390,631	\$ 119,447	\$ 5,316,098
Due from other funds	2,537	-	-	2,537
Due from other governmental units	274,346	1,531,088	-	1,805,434
TOTAL ASSETS	\$ 4,082,903	\$ 2,921,719	\$ 119,447	\$ 7,124,069
LIABILITIES				
Accounts payable	\$ 101,751	\$ 834,603	\$ -	\$ 936,354
Total liabilities	101,751	834,603	-	936,354
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	116,914	-	-	116,914
Total deferred inflows of resources	116,914	-	-	116,914
FUND BALANCES				
Nonspendable:				
Permanent fund principal	-	-	100,908	100,908
Restricted for:				
Realty improvements and Ingle Park	-	-	18,539	18,539
Highways and streets	414,328	-	-	414,328
Capital improvements	3,213,409	-	-	3,213,409
Jail, correction and court facilities	87,140	-	-	87,140
Municipal Court	43,806	-	-	43,806
Industrial development and recreation	105,555	-	-	105,555
Assigned for:				
Capital projects	-	2,087,116	-	2,087,116
Total fund balances	3,864,238	2,087,116	119,447	6,070,801
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,082,903	\$ 2,921,719	\$ 119,447	\$ 7,124,069

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, 2023**

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,125,167	\$ -	\$ -	\$ 1,125,167
Intergovernmental revenues	591,238	2,027,246	-	2,618,484
Fines and forfeits	30,735	-	-	30,735
Interest revenue	47,879	494	-	48,373
Total revenues	1,795,019	2,027,740	-	3,822,759
EXPENDITURES				
Current expenditures:				
General government	4,793	1,063	-	5,856
Highways and streets	-	1,673,365	-	1,673,365
Culture and recreation	-	56,592	-	56,592
Capital outlay	94,630	5,312,645	-	5,407,275
Total expenditures	99,423	7,043,665	-	7,143,088
REVENUES OVER (UNDER) EXPENDITURES	1,695,596	(5,015,925)	-	(3,320,329)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	6,073,604	-	6,073,604
Operating transfers out	-	(782,400)	-	(782,400)
Total other financing sources	-	5,291,204	-	5,291,204
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,695,596	275,279	-	1,970,875
FUND BALANCE AT BEGINNING OF YEAR	2,168,642	1,811,837	119,447	4,099,926
FUND BALANCE AT END OF YEAR	<u>\$ 3,864,238</u>	<u>\$ 2,087,116</u>	<u>\$ 119,447</u>	<u>\$ 6,070,801</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Rebuild Alabama Gas Tax	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Lodging Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Judicial Admin Fund	Total
ASSETS									
Cash equivalents	\$ 144,872	\$ 122,111	\$ 205,843	2,462,838	\$ 636,392	\$ 105,555	\$ 85,744	\$ 42,665	\$ 3,806,020
Due from other funds	-	-	-	-	-	-	1,396	1,141	2,537
Due from other governmental units	21,612	18,347	23,540	210,847	-	-	-	-	274,346
TOTAL ASSETS	\$ 166,484	\$ 140,458	\$ 229,383	\$ 2,673,685	\$ 636,392	\$ 105,555	\$ 87,140	\$ 43,806	\$ 4,082,903
LIABILITIES									
Accounts payable	\$ -	\$ 94,630	\$ -	\$ 7,121	\$ -	\$ -	\$ -	\$ -	\$ 101,751
Total liabilities	-	94,630	-	7,121	-	-	-	-	101,751
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	10,284	8,455	8,628	89,547	-	-	-	-	116,914
FUND BALANCES									
Restricted for:									
Highways and streets	156,200	37,373	220,755	-	-	-	-	-	414,328
Capital improvements	-	-	-	2,577,017	636,392	-	-	-	3,213,409
Jail, correction and court facilities	-	-	-	-	-	-	87,140	-	87,140
Municipal Court	-	-	-	-	-	-	-	43,806	43,806
Industrial development and recreation	-	-	-	-	-	105,555	-	-	105,555
Total fund balances	156,200	37,373	220,755	2,577,017	636,392	105,555	87,140	43,806	3,864,238
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 166,484	\$ 140,458	\$ 229,383	\$ 2,673,685	\$ 636,392	\$ 105,555	\$ 87,140	\$ 43,806	\$ 4,082,903

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, 2023

	<u>Rebuild Alabama Gas Tax</u>	<u>Four Cent Gasoline Tax</u>	<u>Seven Cent Gasoline Tax</u>	<u>Lodging Tax</u>	<u>Capital Improvement Fund</u>	<u>Industrial Purpose</u>	<u>Corrections and Court Fund</u>	<u>Court Judicial Admin Fund</u>	<u>Total</u>
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 1,112,667	\$ -	\$ 12,500	\$ -	\$ -	\$ 1,125,167
Intergovernmental revenues	127,125	108,696	186,044	-	169,373	-	-	-	591,238
Fines and forfeits	-	-	-	-	-	-	18,473	12,262	30,735
Interest revenue	2,103	-	3,070	41,890	816	-	-	-	47,879
Total revenues	129,228	108,696	189,114	1,154,557	170,189	12,500	18,473	12,262	1,795,019
EXPENDITURES									
Current expenditures:									
General government	-	-	-	-	-	-	-	4,793	4,793
Capital outlay	-	94,630	-	-	-	-	-	-	94,630
Total expenditures	-	94,630	-	-	-	-	-	4,793	99,423
REVENUES OVER EXPENDITURES	129,228	14,066	189,114	1,154,557	170,189	12,500	18,473	7,469	1,695,596
FUND BALANCE AT BEGINNING OF YEAR	26,972	23,307	31,641	1,422,460	466,203	93,055	68,667	36,337	2,168,642
FUND BALANCE AT END OF YEAR	<u>\$ 156,200</u>	<u>\$ 37,373</u>	<u>\$ 220,755</u>	<u>\$ 2,577,017</u>	<u>\$ 636,392</u>	<u>\$ 105,555</u>	<u>\$ 87,140</u>	<u>\$ 43,806</u>	<u>\$ 3,864,238</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	<u>Industrial Park</u>	<u>Industrial Access Road</u>	<u>Parks and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>Brunner Street</u>	<u>Total</u>
ASSETS							
Cash equivalents	\$ 376,202	\$ 5,144	\$ 13,596	\$ 4,392	\$ 988,024	\$ 3,273	\$ 1,390,631
Due from other governmental units	1,199,669	-	115,155	35,000	181,264	-	1,531,088
TOTAL ASSETS	<u>\$ 1,575,871</u>	<u>\$ 5,144</u>	<u>\$ 128,751</u>	<u>\$ 39,392</u>	<u>\$ 1,169,288</u>	<u>\$ 3,273</u>	<u>\$ 2,921,719</u>
LIABILITIES							
Accounts payable	\$ 259,072	\$ -	\$ 250,451	\$ 190,946	\$ 132,630	\$ 1,504	\$ 834,603
Total liabilities	259,072	-	250,451	190,946	132,630	1,504	834,603
FUND BALANCES							
Assigned for:							
Capital projects	1,316,799	5,144	(121,700)	(151,554)	1,036,658	1,769	2,087,116
Total fund balances	1,316,799	5,144	(121,700)	(151,554)	1,036,658	1,769	2,087,116
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,575,871</u>	<u>\$ 5,144</u>	<u>\$ 128,751</u>	<u>\$ 39,392</u>	<u>\$ 1,169,288</u>	<u>\$ 3,273</u>	<u>\$ 2,921,719</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, 2023

	<u>Industrial Park</u>	<u>Industrial Access Road</u>	<u>Parks and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>Brunner Street</u>	<u>Total</u>
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 115,155	\$ -	\$ 1,612,063	\$ 300,028	\$ 2,027,246
Interest revenue	-	-	345	-	149	-	494
Total revenues	-	-	115,500	-	1,612,212	300,028	2,027,740
EXPENDITURES							
Current expenditures:							
General government	1,063	-	-	-	-	-	1,063
Highways and streets	-	-	-	1,673,365	-	-	1,673,365
Culture and recreation	-	-	56,592	-	-	-	56,592
Capital outlay	421,626	-	3,416,261	18,000	955,088	501,670	5,312,645
Total expenditures	422,689	-	3,472,853	1,691,365	955,088	501,670	7,043,665
REVENUES OVER (UNDER) EXPENDITURES	(422,689)	-	(3,357,353)	(1,691,365)	657,124	(201,642)	(5,015,925)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	-	3,675,803	1,578,000	530,000	289,801	6,073,604
Operating transfers out	(200,000)	-	(343,021)	-	(24,277)	(215,102)	(782,400)
Total other financing sources (uses)	(200,000)	-	3,332,782	1,578,000	505,723	74,699	5,291,204
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(622,689)	-	(24,571)	(113,365)	1,162,847	(126,943)	275,279
FUND BALANCE AT BEGINNING OF YEAR	1,939,488	5,144	(97,129)	(38,189)	(126,189)	128,712	1,811,837
FUND BALANCE AT END OF YEAR	<u>\$ 1,316,799</u>	<u>\$ 5,144</u>	<u>\$ (121,700)</u>	<u>\$ (151,554)</u>	<u>\$ 1,036,658</u>	<u>\$ 1,769</u>	<u>\$ 2,087,116</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2023

	Water Department	Utilities Board – Water Division	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,087,840	\$ 336,960	\$ -	\$ 6,424,800
Certificates of deposit	100,000	-	-	100,000
U.S. Treasury bills	10,000,020			10,000,020
Accounts receivable	4,407,139	66	-	4,407,205
Interest receivable	58,129	-	-	58,129
Due to/From	49,317	140,596	(186,992)	2,921
Due from other governmental units	661	-	-	661
Inventories	969,458	-	-	969,458
Prepaid insurance	117,736	318,033	-	435,769
Prepaid utility tax	42,000	-	-	42,000
Other assets	2,064	-	-	2,064
Total current assets	21,834,364	795,655	(186,992)	22,443,027
RESTRICTED ASSETS				
Cash and cash equivalents	2,573	4,194,303	-	4,196,876
State revolving funds receivable	-	1,680,173	-	1,680,173
Total restricted assets	2,573	5,874,476	-	5,877,049
CAPITAL ASSETS				
Land and other assets not being depreciated	266,755	11,654,985	-	11,921,740
Construction in progress	5,355,598	-	-	5,355,598
Buildings, improvements and equipment, net of depreciation	25,951,503	156,727,462	-	182,678,965
Total capital assets	31,573,856	168,382,447	-	199,956,303
OTHER ASSETS				
Advances to other funds	776,106	-	(776,106)	-
Subscription lease right-of-use assets, net	88,245	-	-	88,245
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - OPEB		50,446		50,446
Deferred outflows - Pensions	1,028,345	703,368	-	1,731,713
Total deferred outflows of resources	1,028,345	753,814	-	1,782,159
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 55,303,489	\$ 175,806,392	\$ (963,098)	\$ 230,146,783

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2023

	Water Department	Utilities Board – Water Division	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable:				
Trade	\$ 33,762	\$ 357,554	\$ -	\$ 391,316
Utility tax payable	69,816	-	-	69,816
Due to other governmental units	6,378	-	(3,958)	2,420
Interfund payables	236,338	-	(183,034)	53,304
Accrued payroll	32,341	18,321	-	50,662
Estimated compensated absences – current portion	40,346	70,727	-	111,073
Total current liabilities	418,981	446,602	(186,992)	678,591
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued interest payable	-	275,157	-	275,157
Current maturities on warrants/bonds payable	107,398	4,090,000	-	4,197,398
Total liabilities payable from restricted assets	107,398	4,365,157	-	4,472,555
NONCURRENT LIABILITIES				
Warrants/bonds payable	-	102,690,000	-	102,690,000
Unamortized debt discount	-	(259,225)	-	(259,225)
Unamortized debt premium	-	2,538,198	-	2,538,198
Advances from other funds	-	776,106	(776,106)	-
Other postemployment benefits	-	103,934	-	103,934
Net pension liability	1,802,929	1,444,601	-	3,247,530
Estimated compensated absences	110,004	260,569	-	370,573
Subscription lease liability	75,633	-	-	75,633
Total noncurrent liabilities	1,988,566	107,554,183	(776,106)	108,766,643
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - OPEB	-	423,822	-	423,822
Deferred Inflows - Pensions	(25,366)	133,002	-	107,636
Total deferred inflows of resources	(25,366)	556,824	-	531,458
NET POSITION				
Net invested in capital assets	31,465,513	59,323,474	-	90,788,987
Restricted for capital activity and debt service	2,573	1,509,319	-	1,511,892
Unrestricted	21,345,824	2,050,833	-	23,396,657
Total net position	52,813,910	62,883,626	-	115,697,536
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 55,303,489</u>	<u>\$ 175,806,392</u>	<u>\$ (963,098)</u>	<u>\$ 230,146,783</u>

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, 2023

	Water Department	Utilities Board – Water Division	Eliminations	Total
REVENUES				
Charges for sales and services	\$ 22,603,933	\$ 13,594,615	\$ (13,594,615)	\$ 22,603,933
Charges for service connections	424,143	-	-	424,143
Service charges	255,972	-	-	255,972
Miscellaneous revenues	880,328	44,807	-	925,135
Total revenues	24,164,376	13,639,422	(13,594,615)	24,209,183
OPERATING EXPENSES				
Cost of water purchased	13,594,615	-	(13,594,615)	-
Operating expenses	5,083,333	7,123,633	-	12,206,966
Depreciation expense	1,560,261	3,639,396	-	5,199,657
Total operating expenses	20,238,209	10,763,029	(13,594,615)	17,406,623
OPERATING INCOME	3,926,167	2,876,393	-	6,802,560
NON-OPERATING REVENUES AND EXPENSES				
Interest earned	353,157	261,086	-	614,243
Duck River Dam settlement	-	6,550,000	-	6,550,000
Gain on sale of assets	5,575	100	-	5,675
Interest expense	(10,532)	(3,280,487)	-	(3,291,019)
Trustee fees	-	(16,155)	-	(16,155)
Total non-operating revenues and expenses	348,200	3,514,544	-	3,862,744
Change in net position before capital contributions and transfers	4,274,367	6,390,937	-	10,665,304
Capital contributions – grant proceeds	21,675	-	-	21,675
Transfers in	32,046	-	-	32,046
Transfers out	(33,440)	-	-	(33,440)
	20,281	-	-	20,281
CHANGE IN NET POSITION	4,294,648	6,390,937	-	10,685,585
NET POSITION AT BEGINNING OF YEAR	48,519,262	56,492,689	-	105,011,951
NET POSITION AT END OF YEAR	\$ 52,813,910	\$ 62,883,626	\$ -	\$ 115,697,536

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Water Department	Utilities Board – Water	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 22,831,094	\$ 13,466,181	\$ (18,762,962)	\$ 17,534,313
Cash payments for purchased water	(13,594,615)	(5,168,347)	18,762,962	-
Cash payments to vendors and suppliers	(1,779,825)	-	-	(1,779,825)
Cash payments for salaries and related benefits	(3,067,138)	(2,055,759)	-	(5,122,897)
Net cash provided by operating activities	4,389,516	6,242,075	-	10,631,591
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances (made) repaid to Utilities Board Water Division	5,393,292	(5,393,292)	-	-
Proceeds from Duck River Dam settlement	-	6,550,000	-	6,550,000
Changes in interfund receivables/payables	204,885	-	-	204,885
Transfers in	32,046	-	-	32,046
Transfers out	(33,440)	-	-	(33,440)
Net cash provided by noncapital financing activities	5,596,783	1,156,708	-	6,753,491
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction – capital assets	(1,853,996)	(165,453)	-	(2,019,449)
Proceeds on disposal of capital assets	35,575	15,720	-	51,295
Capital contributions – grant proceeds	21,675	-	-	21,675
Interest paid	(10,532)	(3,416,721)	-	(3,427,253)
Trustee fees	-	(16,155)	-	(16,155)
Principal payments of long-term debt	(627,510)	(3,980,000)	-	(4,607,510)
Net cash used in capital and related financing activities	(2,434,788)	(7,562,609)	-	(9,997,397)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of U.S. treasury bills	(10,000,020)	-	-	(10,000,020)
Interest received	295,063	261,086	-	556,149
Net cash provided by investing activities	(9,704,957)	261,086	-	(9,443,871)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,153,446)	97,260	-	(2,056,186)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,243,859	4,434,003	-	12,677,862
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,090,413</u>	<u>\$ 4,531,263</u>	<u>\$ -</u>	<u>\$10,621,676</u>
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING				
Cash equivalents – current assets	\$ 6,087,840	\$ 336,960	\$ -	\$ 6,424,800
Cash equivalents – restricted assets	2,573	4,194,303	-	4,196,876
	<u>\$ 6,090,413</u>	<u>\$ 4,531,263</u>	<u>\$ -</u>	<u>\$10,621,676</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<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	\$ 3,926,167	\$ 2,876,393	\$ 6,802,560
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,560,261	3,639,396	5,199,657
Amortization	(12,612)	-	(12,612)
Change in:			
Accounts receivable, net	(1,387,306)	(140,596)	(1,527,902)
Due from other governments	54,024	-	54,024
Inventories	13,087	-	13,087
Prepaid utility tax	(7,000)	-	(7,000)
Prepaid insurance	12,898	(2,833)	10,065
Deferred outflows of resources – pension	(501,964)	(340,401)	(842,365)
Accounts payable	(2,373)	(652,172)	(654,545)
Utility tax payable	3,772	-	3,772
Accrued payroll	3,286	880	4,166
Due to other governments	6,378	-	6,378
Compensated absences	14,193	66,668	80,861
Other postemployment benefits	-	(67,085)	(67,085)
Net pension liability	1,125,432	692,249	1,817,681
Deferred inflows of resources – pension	(418,727)	169,576	(249,151)
Net cash provided by operating activities	<u>\$ 4,389,516</u>	<u>\$ 6,242,075</u>	<u>\$ 10,631,591</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF SCHOOL TAX TRANSACTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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, 2023:

	Government- Wide Level
REVENUES	
3 mill ad valorem tax	\$ 1,390,212
7.5 mill ad valorem tax	3,475,528
0.5 percent sales tax	<u>5,375,962</u>
Total revenues	<u>\$ 10,241,702</u>
EXPENDITURES	
Transfers to Cullman City Board of Education	<u>\$ 10,219,843</u>

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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES					
Taxes	\$ 36,051,383	\$ 32,945,225	\$ 29,277,318	\$ 25,383,390	\$ 23,393,675
Licenses and permits	5,383,867	5,065,053	4,172,184	3,562,540	3,510,216
Intergovernmental revenues	5,464,513	8,174,166	5,704,394	5,754,061	3,849,672
Charges for services	9,137,944	7,506,033	6,760,381	6,301,534	6,066,735
Fines and forfeits	339,331	245,186	334,523	173,847	174,233
Interest revenue	490,421	29,059	82,984	152,487	143,397
Miscellaneous revenues	110,440	251,423	156,988	93,783	174,627
Total revenues	<u>56,977,899</u>	<u>54,216,145</u>	<u>46,488,772</u>	<u>41,421,642</u>	<u>37,312,555</u>
EXPENDITURES					
Current expenditures:					
General government	6,487,691	6,332,049	6,134,672	6,298,270	5,791,594
Public safety	14,852,121	14,396,177	13,194,715	12,488,837	12,112,185
Highways and streets	3,080,820	2,903,418	2,713,049	4,055,811	5,280,233
Sanitation	6,042,477	5,397,068	4,360,731	4,318,469	5,560,232
Health and social services	1,016,684	722,004	681,608	836,973	821,170
Culture and recreation	220,609	213,354	183,124	188,808	230,685
Education	776,231	748,390	156,600	158,778	128,693
Conservation	100	-	-	99,381	83,311
Capital outlay	7,592,449	7,222,461	5,140,427	6,740,368	2,286,404
Debt service:					
Principal retirement	-	-	-	-	70,000
Interest and fiscal charges	-	-	-	-	1,540
Total expenditures	<u>40,069,182</u>	<u>37,934,921</u>	<u>32,564,926</u>	<u>35,185,695</u>	<u>32,366,047</u>
OTHER FINANCING SOURCES (USES)					
Capital contributions	-	-	-	12,440	23,921
Sale of assets	299,911	364,778	-	597,201	303,661
Insurance proceeds	103,362	180,823	88,231	63,864	2,557,296
Operating transfers in	493,000	240,284	194,000	150,000	-
Operating transfers out	<u>(11,907,472)</u>	<u>(15,142,518)</u>	<u>(9,470,639)</u>	<u>(3,581,983)</u>	<u>(10,327,361)</u>
Total other financing uses	<u>(11,011,199)</u>	<u>(14,356,633)</u>	<u>(9,188,408)</u>	<u>(2,758,478)</u>	<u>(7,442,483)</u>
Revenues and other sources over (under) expenditures and other uses	5,897,518	1,924,591	4,735,438	3,477,469	(2,495,975)
FUND BALANCE AT BEGINNING 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>
FUND BALANCE AT END OF YEAR					
	<u>\$ 36,752,396</u>	<u>\$ 30,854,878</u>	<u>\$ 28,930,287</u>	<u>\$ 24,194,849</u>	<u>\$ 20,717,380</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
STATISTICAL DATA (Unaudited)
SEPTEMBER 30, 2023**

Computation of legal debt margin:

Assessed value of real and personal property located within the city limits (Note A)		<u>\$ 472,501,440</u>
Constitutional debt limit (20% of assessed value) (Note B)		\$ 94,500,288
Amount of debt applicable to debt limit (Note B)		
General long-term debt outstanding – Governmental Activities	57,135,000	
Long-term portion of compensated absences	1,615,941	
Add: General obligation warrants included in the Business-type Activities:		
Airport General Obligation Warrant dated 9-14-11	866,011	
Less: Portions of warrants not subject to Constitutional debt limit as follows:		
General Obligation Warrants, Series 2016 dated 2-10-16	(987,854)	
Estimated liability for compensated absences – long-term	<u>(1,615,941)</u>	
	57,013,157	
Accounts payable of the General Fund	<u>700,464</u>	
Debt applicable to constitutional debt limit	57,713,621	
Less: assets available in Debt Service Fund for payment of principal	<u>22,861,434</u>	<u>34,852,187</u>
LEGAL DEBT MARGIN		<u><u>\$ 59,648,101</u></u>

Note A – Obtained from unaudited records maintained by the County of Cullman, Alabama, and excludes exempt property (\$156,399,680).

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, 2023, 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, 2023**

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, 2023, 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 28, 2024.

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 the 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 28, 2024

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, 2023. 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, 2023.

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.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 28, 2024

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor / Program or Cluster Title / Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Grant / Contract Identification Number	Federal Expenditures
Department of Housing and Urban Development			
Pass-through: Alabama Department of Economic & Community Affairs			
Community Development Block Grant Program	14.228	LR-ED-PF-22-007	\$ 139,926
Community Development Block Grant Program	14.228	LR-CM-CP-21-007	206,439
Total Department of Housing and Urban Development			<u>346,365</u>
Department of Transportation			
Pass-through: Alabama Department of Economic Community Affairs			
Recreational Trails Program	20.219	22-RT-55-002	115,155
Direct Awards			
Airport Improvement Program - ALP	20.106	03-01-0022-033-2022	92,076
Airport Improvement Grant	20.106	03-01-0022-034-2023	55,937
			<u>148,013</u>
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety	20.600	23 FP-PT-027	10,250
State and Community Highway Safety	20.600	23 FP-OP-012	1,491
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.616	23-ID-M5-028	11,869
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.616	23-ID-DS-024	989
Total Highway Safety Cluster			<u>24,599</u>
Pass-through: Alabama Department of Transportation			
Transportation Improvement Program	20.205	TAPPAA-TA22(903)	632,940
Transportation Improvement Program	20.205	TAPPAA-TA18(910)	659,784
Transportation Improvement Program	20.205	TAPPAA-TA21(907)	319,339
			<u>1,612,063</u>
Total Department of Transportation			<u>1,899,830</u>
Environmental Protection Agency Indirect			
Pass-through: Alabama Department of Environmental Management			
Capitalization Grants for Clean Water State Revolving Funds	66.458	Series 2020-CWSRF	942,116
General Services Administration			
Pass-through: Alabama Department of Economic Community Affairs			
Donation for Federal Surplus Personal Property	39.003	N/A	5,950
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,194,261</u></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, 2023

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, 2023. 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 administers loans through the Capitalization Grants for Clear Water State Revolving Funds program (Assistance Listing 66.458). For purposes of this schedule, the amount reported includes loan balances established during 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, 2023, the outstanding loan balance totaled \$6,230,000.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified?	_____ yes <u> X </u> none noted
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified?	_____ yes <u> X </u> none noted
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes <u> X </u> no
Identification of major programs:	
Assistance Listing 20.205 – Transportation Improvement Program	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

**CITY OF CULLMAN, ALABAMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2023**

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



Administration (256) 775-7109
Accounting (256) 775-7113
City Clerk (256) 775-7110
Fax (256) 775-7132

CITY OF CULLMAN, ALABAMA

Section IV – Summary Schedule of Prior Audit Findings

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.

Status: Corrective action taken