

CITY OF CULLMAN, ALABAMA
AUDITED FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2024

**CITY OF CULLMAN, ALABAMA
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SEPTEMBER 30, 2024**

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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 year ended September 30, 2024, 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, 2024, 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 Opinion

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 opinion. 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 53-58, budgetary comparison information on pages 59-60 and notes to the required supplementary information on page 61 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 opinion 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, debt schedules 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, debt schedules 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 section but does not include the basic financial statements and our auditors' 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 19, 2025, 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.



Cullman, Alabama
March 19, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2024**

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, 2025) 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, 2024**

FINANCIAL HIGHLIGHTS

The City's net position increased \$22,724,478 over the course of this year's operations: \$1,712,663 decrease in the net position of the governmental activities, and \$24,437,141 increase in the business-type activities.

Budgeted revenues in the General Fund for fiscal year 2024 were based generally on the previous year's receipts. Revenues were \$1,506,305 more than budgeted due to increases in charges for services and interest. General Fund expenditures were \$3,117,152 less than budgeted.

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 of 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, 2024**

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, 2024**

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, 2024

The following condensed financial statements serve as indicators for management:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023 (Restated)	2024	2023 (Restated)
Current assets	\$ 68,525,672	\$ 66,551,433	\$ 28,436,833	\$ 20,487,861	\$ 96,962,505	\$ 87,039,294
Restricted assets	14,086,546	24,065,002	10,182,965	10,907,866	24,269,511	34,972,868
Capital assets, net	102,859,287	95,767,849	322,685,393	310,240,770	425,544,680	406,008,619
Other assets	231,266	426,674	388,420	416,444	619,686	843,118
	185,702,771	186,810,958	361,693,611	342,052,941	547,396,382	528,863,899
Deferred outflows of resources	5,700,058	7,952,519	3,465,874	4,518,819	9,165,932	12,471,338
TOTAL ASSETS AND DEFERRED						
OUTFLOWS OF RESOURCES	<u>\$ 191,402,829</u>	<u>\$ 194,763,477</u>	<u>\$ 365,159,485</u>	<u>\$ 346,571,760</u>	<u>\$ 556,562,314</u>	<u>\$ 541,335,237</u>
Current liabilities	\$ 6,653,134	\$ 5,789,642	\$ 3,345,737	\$ 3,309,504	\$ 9,998,871	\$ 9,099,146
Liabilities payable from						
restricted assets	21,133	21,133	5,504,097	5,835,601	5,525,230	5,856,734
Long-term liabilities	76,314,093	79,141,026	125,110,369	130,594,007	201,424,462	209,735,033
	82,988,360	84,951,801	133,960,203	139,739,112	216,948,563	224,690,913
Deferred inflows of resources	12,296,005	11,980,549	305,707	376,214	12,601,712	12,356,763
Total liabilities and deferred						
inflows of resources	95,284,365	96,932,350	134,265,910	140,115,326	229,550,275	237,047,676
Net position:						
Net investment in						
capital assets	44,625,046	35,736,669	193,175,013	179,652,296	237,800,059	215,388,965
Restricted	13,550,011	23,209,653	5,592,414	6,542,709	19,142,425	29,752,362
Unrestricted	37,943,407	38,884,805	32,126,148	20,261,429	70,069,555	59,146,234
Total net position	96,118,464	97,831,127	230,893,575	206,456,434	327,012,039	304,287,561
TOTAL LIABILITIES, DEFERRED						
INFLOWS OF RESOURCES						
AND NET POSITION	<u>\$ 191,402,829</u>	<u>\$ 194,763,477</u>	<u>\$ 365,159,485</u>	<u>\$ 346,571,760</u>	<u>\$ 556,562,314</u>	<u>\$ 541,335,237</u>

CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023 (Restated)	2024	2023 (Restated)
REVENUES						
Program revenues:						
Charges for services	\$ 14,767,223	\$ 15,051,453	\$ 50,612,853	\$ 48,399,708	\$ 65,380,076	\$ 63,451,161
Operating grants and contributions	157,839	1,001,977	-	-	157,839	1,001,977
Capital grants and contributions	3,073,854	1,727,218	1,208,082	149,345	4,281,936	1,876,563
General revenues:						
Taxes	48,524,471	48,309,578	-	-	48,524,471	48,309,578
Unrestricted investment earnings	2,020,107	1,239,211	1,319,874	691,528	3,339,981	1,930,739
Other	4,489,047	4,500,328	-	-	4,489,047	4,500,328
TOTAL REVENUES	73,032,541	71,829,765	53,140,809	49,240,581	126,173,350	121,070,346
EXPENSES						
General government	8,077,810	7,088,633	-	-	8,077,810	7,088,633
Public safety	18,012,459	16,003,262	-	-	18,012,459	16,003,262
Highways and streets	6,255,292	5,759,703	-	-	6,255,292	5,759,703
Sanitation	6,301,003	6,565,208	-	-	6,301,003	6,565,208
Health and social services	660,360	14,791,684	-	-	660,360	14,791,684
Culture and recreation	287,074	245,269	-	-	287,074	245,269
Education	11,416,912	10,996,074	-	-	11,416,912	10,996,074
Conservation	-	12,708	-	-	-	12,708
Interest on long-term debt	1,902,638	1,217,072	-	-	1,902,638	1,217,072
Sewer	-	-	8,736,912	8,662,069	8,736,912	8,662,069
Water	-	-	21,458,888	20,713,797	21,458,888	20,713,797
Parks and recreation	-	-	19,351,090	18,698,042	19,351,090	18,698,042
Airport	-	-	1,171,437	1,137,915	1,171,437	1,137,915
TOTAL EXPENSES	52,913,548	62,679,613	50,718,327	49,211,823	103,631,875	111,891,436
Change in net position before sale of assets and transfers	20,118,993	9,150,152	2,422,482	28,758	22,541,475	9,178,910
Sale of assets	-	-	21,805	9,680	21,805	9,680
Duck River Dam settlement	-	-	-	6,550,000	-	6,550,000
Insurance proceeds	157,812	103,362	3,386	5,085	161,198	108,447
Transfers	(21,989,468)	(10,242,996)	21,989,468	10,242,996	-	-
CHANGE IN NET POSITION	(1,712,663)	(989,482)	24,437,141	16,836,519	22,724,478	15,847,037
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED	97,831,127	98,820,609	206,456,434	189,297,695	304,287,561	288,118,304
Error correction	-	-	-	322,220	-	322,220
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	97,831,127	98,820,609	206,456,434	189,619,915	304,287,561	288,440,524
NET POSITION AT END OF YEAR	\$ 96,118,464	\$ 97,831,127	\$ 230,893,575	\$ 206,456,434	\$ 327,012,039	\$ 304,287,561

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2024**

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.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$327,012,039, at the close of the fiscal year ended September 30, 2024. An unrestricted surplus exists in the amount of \$66,216,212, which may be used to meet the government's ongoing obligations.

The City's total net position increased by \$22,724,478, or 7.5% in comparison to the net position at the beginning of the year. Net position of governmental activities decreased \$1,712,663, or 1.8% and net position of business-type activities increased \$24,437,141 or 11.8%.

Charges for services, the City's largest revenue source, increased \$1,928,915 or 3.0% from the prior year primarily due to economic growth over the prior year. Unrestricted investment earnings increased \$1,409,242, or 73.0% from the prior year.

Total expenses decreased \$8,259,561, or 7.4%, primarily related to providing funding to the Solid Waste Disposal Authority, a separately incorporated entity, who purchased the Cullman Environmental Landfill during 2023.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- 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.
- Increases in appropriations to prevent budget overruns.

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2024**

CAPITAL ASSETS

The capital assets of the City are reported at actual or estimated historic cost. The capital assets are depreciated on a straight-line basis over the estimated useful life.

The City's investment in capital assets for governmental and business-type activities as of September 30, 2024, was \$425,544,680 (net of accumulated depreciation). Capital asset investments include land, buildings, construction in progress, improvements other than buildings, and machinery and equipment, net of depreciation. Additional information on the City's capital assets can be found in Note 5 beginning on page 35 of this report.

LONG-TERM DEBT

The City had \$60,123,463 of governmental debt and \$121,136,383 of business-type debt outstanding as of September 30, 2024.

State statutes limit the amount of general obligation debt a governmental entity may issue. The City can issue up to twenty (20) percent of its total assessed property valuation. The City's total valuation for the current fiscal year is \$498,904,880 with a current debt limit for the City of \$99,780,976. Current debt applied to the debt limit total is \$42,906,612, leaving the City with a legal debt margin of \$56,874,364.

See Note 6, beginning on page 38, for a detailed description of the City's total outstanding obligations.

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, 2024**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 18,237,531	\$ 12,874,344	\$ 31,111,875
Certificates of deposit	19,622,181	4,982,505	24,604,686
U.S. Treasury bills	-	10,432,257	10,432,257
Interest receivable	417,262	190,042	607,304
Accounts receivable, net	2,476,021	5,987,106	8,463,127
Assessments receivable, net	44,592	-	44,592
Internal balances	9,574,431	(9,574,431)	-
Due from other governmental units	17,397,438	566,583	17,964,021
Inventories	129,161	1,563,110	1,692,271
Prepaid expenses	627,055	1,413,253	2,040,308
Other assets	-	2,064	2,064
Total current assets	68,525,672	28,436,833	96,962,505
RESTRICTED ASSETS			
Cash and cash equivalents	12,955,682	4,964,922	17,920,604
State revolving funds receivable	-	5,218,043	5,218,043
Advances to other governments	1,130,864	-	1,130,864
Total restricted assets	14,086,546	10,182,965	24,269,511
CAPITAL ASSETS			
Land	13,985,656	16,545,195	30,530,851
Historical buildings	378,448	-	378,448
Construction in progress	3,184,472	27,495,970	30,680,442
Buildings, improvements and equipment, net of depreciation	85,310,711	278,644,228	363,954,939
Total capital assets	102,859,287	322,685,393	425,544,680
OTHER ASSETS			
Deposits	-	4,230	4,230
Insurance deposit	113,307	-	113,307
Assessments receivable – noncurrent	-	321,158	321,158
Subscription based IT assets, net	117,959	63,032	180,991
Total other assets	231,266	388,420	619,686
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	-	18,475	18,475
OPEB related items	-	43,846	43,846
Pension related items	5,700,058	3,403,553	9,103,611
Total deferred outflows of resources	5,700,058	3,465,874	9,165,932
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 191,402,829	\$ 365,159,485	\$ 556,562,314

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT LIABILITIES			
Accounts payable	\$ 3,254,089	\$ 2,221,886	\$ 5,475,975
Utility tax payable	-	44,101	44,101
Due to other governmental units	347,605	5,565	353,170
Accrued liabilities	337,941	35,897	373,838
Interest payable	664,532	89,600	754,132
Accrued payroll	-	221,060	221,060
Current maturities on long-term debt	1,730,000	-	1,730,000
Estimated compensated absences – current portion	316,836	301,192	618,028
Unearned revenue	2,131	426,436	428,567
Total current liabilities	6,653,134	3,345,737	9,998,871
LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Accounts payable – contractors	-	42,872	42,872
Accrued interest payable	-	302,688	302,688
Other liabilities	21,133	-	21,133
Current maturities on long-term debt	-	5,158,537	5,158,537
Total liabilities payable from restricted assets	21,133	5,504,097	5,525,230
NONCURRENT LIABILITIES			
Warrants/bonds payable	53,715,000	112,290,971	166,005,971
Other postemployment benefits	-	119,818	119,818
Unamortized debt discount	-	(294,902)	(294,902)
Unamortized debt premium	2,789,241	3,152,941	5,942,182
Net pension liability	18,194,608	9,080,047	27,274,655
Estimated compensated absences	1,572,386	707,644	2,280,030
Other noncurrent liabilities	-	1,254	1,254
Subscription based IT liability	42,858	52,596	95,454
Total noncurrent liabilities	76,314,093	125,110,369	201,424,462
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue – property and other taxes	12,085,036	-	12,085,036
OPEB related items	-	393,545	393,545
Pension related items	210,969	(87,838)	123,131
Total deferred inflows of resources	12,296,005	305,707	12,601,712

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 44,625,046	\$ 193,175,013	\$ 237,800,059
Restricted for:			
Debt service and capital activity	12,955,682	5,592,414	18,548,096
Highways and streets	419,662	-	419,662
Jail, correction facilities, and court complex	41,479	-	41,479
Municipal Court	15,133	-	15,133
Industrial development and recreation	118,055	-	118,055
Unrestricted	37,943,407	32,126,148	70,069,555
Total net position	96,118,464	230,893,575	327,012,039
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 191,402,829	\$ 365,159,485	\$ 556,562,314

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government:							
Administrative	\$ 6,537,935	\$ 5,011,806	\$ -	\$ -	\$ (1,526,129)	\$ -	\$ (1,526,129)
Building and housing	909,151	593,912	-	-	(315,239)	-	(315,239)
Garage	630,724	-	-	-	(630,724)	-	(630,724)
Public safety:							
Police	8,319,242	224,462	-	-	(8,094,780)	-	(8,094,780)
Fire	7,029,276	-	-	-	(7,029,276)	-	(7,029,276)
Traffic maintenance	1,194,753	22,588	-	500,000	(672,165)	-	(672,165)
Dispatch and miscellaneous	1,469,188	305,172	24,840	-	(1,139,176)	-	(1,139,176)
Highways and streets	6,255,292	229,235	10,073	2,010,693	(4,005,291)	-	(4,005,291)
Sanitation	6,301,003	8,372,955	-	-	2,071,952	-	2,071,952
Health and social services	660,360	-	52,683	-	(607,677)	-	(607,677)
Culture and recreation	287,074	7,093	30,000	563,161	313,180	-	313,180
Education	11,416,912	-	40,243	-	(11,376,669)	-	(11,376,669)
Interest on long-term debt	1,902,638	-	-	-	(1,902,638)	-	(1,902,638)
Total governmental activities	52,913,548	14,767,223	157,839	3,073,854	(34,914,632)	-	(34,914,632)
Business-type activities:							
Sewer	8,736,912	10,839,541	-	1,150,000	-	3,252,629	3,252,629
Water	21,458,888	24,996,755	-	-	-	3,537,867	3,537,867
Parks and recreation	19,351,090	14,125,486	-	-	-	(5,225,604)	(5,225,604)
Airport	1,171,437	651,071	-	58,082	-	(462,284)	(462,284)
Total business-type activities	50,718,327	50,612,853	-	1,208,082	-	1,102,608	1,102,608
	<u>\$ 103,631,875</u>	<u>\$ 65,380,076</u>	<u>\$ 157,839</u>	<u>\$ 4,281,936</u>	<u>(34,914,632)</u>	<u>1,102,608</u>	<u>(33,812,024)</u>
Taxes:							
Property taxes, levied for general purposes					2,439,613	-	2,439,613
Property taxes, levied for education					5,466,835	-	5,466,835
Sales taxes, levied for general purposes					28,457,021	-	28,457,021
Sales taxes, levied for education					5,187,835	-	5,187,835
Tobacco taxes					105,300	-	105,300
Rent taxes					641,408	-	641,408
Beverage/liquor taxes					1,729,539	-	1,729,539
Other taxes					4,496,920	-	4,496,920
Unrestricted investment earnings					2,020,107	1,319,874	3,339,981
Insurance proceeds					157,812	3,386	161,198
Miscellaneous					4,489,047	-	4,489,047
Gain on sale of fixed assets					-	21,805	21,805
Transfers – internal activities					(21,989,468)	21,989,468	-
					<u>33,201,969</u>	<u>23,334,533</u>	<u>56,536,502</u>
CHANGE IN NET POSITION					(1,712,663)	24,437,141	22,724,478
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED					97,831,127	205,668,724	303,499,851
Error correction					-	787,710	787,710
NET POSITION AT BEGINNING OF YEAR, AS RESTATED					<u>97,831,127</u>	<u>206,456,434</u>	<u>304,287,561</u>
NET POSITION AT END OF YEAR					<u>\$ 96,118,464</u>	<u>\$ 230,893,575</u>	<u>\$ 327,012,039</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General	School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 14,728,699	\$ 18,469	\$ 95,901	\$ 3,394,462	\$ 18,237,531
Certificates of deposit	17,979,672	-	-	1,642,509	19,622,181
Interest receivable	416,044	-	-	1,218	417,262
Accounts receivable, net	1,165,643	-	1,310,378	-	2,476,021
Assessments receivable, net	44,592	-	-	-	44,592
Due from other funds	313,858	-	578,051	45,890	937,799
Due from other governmental units	8,334,731	6,952,393	-	2,110,314	17,397,438
Inventories	129,161	-	-	-	129,161
Prepaid expenses	627,055	-	-	-	627,055
	<u>43,739,455</u>	<u>6,970,862</u>	<u>1,984,330</u>	<u>7,194,393</u>	<u>59,889,040</u>
RESTRICTED ASSETS					
Cash and cash equivalents	-	-	12,955,682	-	12,955,682
Advances to other governments	199,992	-	930,871	-	1,130,863
Advances to other funds	408,450	-	8,332,351	-	8,740,801
	<u>608,442</u>	<u>-</u>	<u>22,218,904</u>	<u>-</u>	<u>22,827,346</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>\$ 44,461,204</u>	<u>\$ 6,970,862</u>	<u>\$ 24,203,234</u>	<u>\$ 7,194,393</u>	<u>\$ 82,829,693</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024**

	General	School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
CURRENT LIABILITIES					
Accounts payable	\$ 573,657	\$ 904,052	\$ -	\$ 1,776,380	\$ 3,254,089
Due to other funds	3,978	-	-	100,190	104,168
Due to other governmental units	347,605	-	-	-	347,605
Unearned revenue	2,131	-	-	-	2,131
Accrued liabilities	337,941	-	-	-	337,941
Total current liabilities	1,265,312	904,052	-	1,876,570	4,045,934
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Other liabilities	21,133	-	-	-	21,133
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue – property and other taxes	5,499,154	6,468,695	-	117,187	12,085,036
FUND BALANCE (DEFICIT)					
Nonspendable:					
Inventory	129,161	-	-	-	129,161
Interfund receivables – long-term	408,450	-	8,332,351	-	8,740,801
Prepaid expenditures, deposit on equipment and insurance deposit	740,320	-	-	-	740,320
Advances to other governmental units	199,992	-	930,871	-	1,130,863
Permanent fund principal	-	-	-	104,719	104,719
Restricted for:					
Ingle Park	-	-	-	18,539	18,539
Fiduciary	11,013	-	-	-	11,013
Highways and streets	-	-	-	555,501	555,501
Capital improvements	-	-	14,940,012	3,999,752	18,939,764
Jail, correction and court facilities	-	-	-	41,479	41,479
Municipal Court	-	-	-	15,133	15,133
Industrial development and recreation	-	-	-	118,055	118,055
Committed for:					
Landfill improvements	500,074	-	-	-	500,074
Assigned:					
Capital projects	-	-	-	1,280,771	1,280,771
Unassigned	35,686,595	(401,885)	-	(933,313)	34,351,397
Total fund balance (deficit)	37,675,605	(401,885)	24,203,234	5,200,636	66,677,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$44,461,204	\$6,970,862	\$24,203,234	\$ 7,194,393	\$ 82,829,693

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, 2024

Total Fund Balances – Governmental Funds	\$ 66,677,590
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	102,859,287
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Subscription based IT assets used in governmental activities are not financial resources and therefore are not reported in the funds.	117,959
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net position. In addition, the deferred loss on refunding, the deferred accounts, and the debt premium/discount are expenditures and revenues at the fund level, but are deferred and amortized in the statement of net position.

Balances at September 30, 2024 were:

General obligation warrants	\$ (55,445,000)	
Accrued interest	(664,532)	
Net pension liability	(18,194,608)	
Deferred outflows of resources – pension	5,700,058	
Deferred inflows of resources – pension	(210,969)	
Unamortized debt premium	(2,789,241)	
Compensated absences	(1,889,222)	
Subscription based IT liability	(42,858)	
	(73,536,372)	(73,536,372)

Total Net Position – Governmental Activities	\$ 96,118,464
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See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 35,808,388	\$ 10,654,670	\$ -	\$ 1,228,265	\$ 47,691,323
Licenses and permits	5,594,261	-	-	-	5,594,261
Intergovernmental revenues	4,767,364	-	40,243	1,878,253	6,685,860
Charges for services	8,547,339	-	-	-	8,547,339
Fines and forfeits	297,863	-	-	39,127	336,990
Interest revenue	1,090,931	-	814,087	115,092	2,020,110
Miscellaneous revenues	240,768	-	-	100,199	340,967
Total revenues	56,346,914	10,654,670	854,330	3,360,936	71,216,850
EXPENDITURES					
Current expenditures:					
General government	8,590,022	-	-	10,883	8,600,905
Public safety	15,833,523	-	-	-	15,833,523
Highways and streets	3,419,100	-	-	1,917,264	5,336,364
Sanitation	5,353,461	-	-	-	5,353,461
Health and social services	660,360	-	-	-	660,360
Culture and recreation	237,988	-	-	-	237,988
Education	771,211	10,645,701	-	-	11,416,912
Capital outlay	6,404,107	-	-	1,562,437	7,966,544
Debt service:					
Principal retirement	-	-	1,690,000	-	1,690,000
Interest and fiscal charges	-	-	1,768,461	-	1,768,461
Total expenditures	41,269,772	10,645,701	3,458,461	3,490,584	58,864,518
REVENUES OVER (UNDER) EXPENDITURES	15,077,142	8,969	(2,604,131)	(129,648)	12,352,332
OTHER FINANCING SOURCES (USES)					
Sale of assets	296,707	-	-	-	296,707
Insurance proceeds	157,812	-	-	-	157,812
Operating transfers in	153,700	-	2,273,587	14,589,727	17,017,014
Operating transfers out	(14,762,152)	-	(8,914,086)	(15,330,244)	(39,006,482)
Total other financing sources (uses)	(14,153,933)	-	(6,640,499)	(740,517)	(21,534,949)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	923,209	8,969	(9,244,630)	(870,165)	(9,182,617)
FUND BALANCE AT BEGINNING OF YEAR	36,752,396	(410,854)	33,447,864	6,070,801	75,860,207
FUND BALANCE AT END OF YEAR	<u>\$ 37,675,605</u>	<u>\$ (401,885)</u>	<u>\$ 24,203,234</u>	<u>\$ 5,200,636</u>	<u>\$ 66,677,590</u>

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, 2024

Net Changes in Fund Balances – Governmental Funds	\$ (9,182,617)
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 (\$9,807,035) exceeded depreciation (\$4,116,165) in the current period:	5,690,870
Donations of capital assets increase net position in the statements of net position but do not appear in the governmental funds because they are not financial resources.	1,815,693
The net effect of transactions involving the sale and disposal of capital assets is to decrease net position in the statement of net position.	(415,125)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,690,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued interest	19,550
Change in compensated absences	45,640
Amortization of subscription based IT assets	(113,746)
Change in net pension liability and change in pension – related deferred outflows and inflows are not reported in the funds.	(1,369,867)
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	106,939
Change in Net Position – Governmental Activities	<u>\$ (1,712,663)</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,489,871	\$ 6,144,385	\$ 4,204,625	\$ 35,463	\$ 12,874,344
Certificates of deposit	2,835,359	2,147,146	-	-	4,982,505
U.S. Treasury bills	-	10,432,257	-	-	10,432,257
Interest receivable	-	190,042	-	-	190,042
Accounts receivable, net	1,319,786	4,247,758	407,114	12,448	5,987,106
Due from other funds	42,832	7,656	-	391	50,879
Due from other governmental units	465,414	439	5,576	95,154	566,583
Inventories	228,776	1,044,035	262,548	27,751	1,563,110
Prepaid expenses	-	-	608,154	-	608,154
Prepaid insurance	108,435	611,104	-	43,560	763,099
Prepaid utility tax	-	42,000	-	-	42,000
Other assets	-	2,064	-	-	2,064
Total current assets	7,490,473	24,868,886	5,488,017	214,767	38,062,143
RESTRICTED ASSETS					
Cash and cash equivalents	599,910	4,259,473	-	105,539	4,964,922
State revolving funds receivable	3,853,343	1,364,700	-	-	5,218,043
Total restricted assets	4,453,253	5,624,173	-	105,539	10,182,965
CAPITAL ASSETS					
Land and other assets not being depreciated	253,691	11,921,740	2,919,879	1,449,885	16,545,195
Construction in progress	2,170,214	6,486,475	18,727,809	111,472	27,495,970
Buildings, improvements, and equipment, net of depreciation	55,078,676	180,200,315	37,032,355	6,332,882	278,644,228
Total capital assets	57,502,581	198,608,530	58,680,043	7,894,239	322,685,393
OTHER ASSETS					
Deposits	-	-	4,230	-	4,230
Assessments receivable, net	321,158	-	-	-	321,158
Subscription lease right-of-use assets, net	-	63,032	-	-	63,032
Total other assets	321,158	63,032	4,230	-	388,420
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	-	-	18,475	-	18,475
OPEB related items	-	43,846	-	-	43,846
Pension related items	725,444	1,539,055	1,095,193	43,861	3,403,553
Total deferred outflows of resources	725,444	1,582,901	1,113,668	43,861	3,465,874
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 70,492,909</u>	<u>\$ 230,747,522</u>	<u>\$ 65,285,958</u>	<u>\$ 8,258,406</u>	<u>\$ 374,784,795</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CURRENT LIABILITIES					
Accounts payable:					
Trade	\$ 906,402	\$ 459,403	\$ 817,042	\$ 39,039	\$ 2,221,886
Accrued liabilities	-	-	35,897	-	35,897
Utility tax payable	-	44,101	-	-	44,101
Due to other governments	-	5,565	-	-	5,565
Due to other funds	26,355	188,561	669,594	-	884,510
Interest payable	-	-	89,600	-	89,600
Accrued payroll	42,729	72,379	105,952	-	221,060
Estimated compensated absences – current portion	46,295	167,577	79,979	7,341	301,192
Unearned revenue	-	-	426,436	-	426,436
Total current liabilities	1,021,781	937,586	2,224,500	46,380	4,230,247
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Accounts payable:					
Contractors	42,872	-	-	-	42,872
Accrued interest	37,676	265,012	-	-	302,688
Current portion of warrants/bonds payable	845,000	4,220,000	-	93,537	5,158,537
Total liabilities payable from restricted assets	925,548	4,485,012	-	93,537	5,504,097
NONCURRENT LIABILITIES					
Warrants/bonds payable	13,140,000	98,470,000	-	680,971	112,290,971
Unamortized debt discount	-	(247,397)	(47,505)	-	(294,902)
Unamortized debt premium	-	2,397,187	755,754	-	3,152,941
Other postemployment benefits	-	119,818	-	-	119,818
Net pension liability	2,247,513	3,503,051	3,188,050	141,433	9,080,047
Estimated compensated absences	171,921	218,047	295,653	22,023	707,644
Other non-current liabilities	-	-	1,254	-	1,254
Advances from other funds	-	-	8,540,808	199,992	8,740,800
Subscription lease liability	-	52,596	-	-	52,596
Total noncurrent liabilities	15,559,434	104,513,302	12,734,014	1,044,419	133,851,169
DEFERRED INFLOWS OF RESOURCES					
OPEB related items	-	393,545	-	-	393,545
Pension related items	(17,330)	74,107	(145,245)	630	(87,838)
Total deferred inflows of resources	(17,330)	467,652	(145,245)	630	305,707
NET POSITION					
Net investment in capital assets	43,437,033	93,768,740	48,743,970	7,225,270	193,175,013
Restricted for capital activity and debt service	4,453,253	1,139,161	-	-	5,592,414
Unrestricted	5,113,190	25,436,069	1,728,719	(151,830)	32,126,148
Total net position	53,003,476	120,343,970	50,472,689	7,073,440	230,893,575
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
	<u>\$ 70,492,909</u>	<u>\$ 230,747,522</u>	<u>\$ 65,285,958</u>	<u>\$ 8,258,406</u>	<u>\$ 374,784,795</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
REVENUES					
Charges for sales and services	\$ 9,493,061	\$ 23,594,891	\$ 14,125,486	\$ 651,071	\$ 47,864,509
Charges for service connections	204,925	291,638	-	-	496,563
Service charges	129,350	233,248	-	-	362,598
Miscellaneous revenues	1,012,205	876,978	-	-	1,889,183
Total revenues	10,839,541	24,996,755	14,125,486	651,071	50,612,853
OPERATING EXPENSES					
Cost of operating revenues	-	-	-	332,473	332,473
Operating expenses	5,734,486	12,969,717	16,750,740	449,340	35,904,283
Depreciation expense	2,690,094	5,309,232	2,209,402	365,410	10,574,138
Total operating expenses	8,424,580	18,278,949	18,960,142	1,147,223	46,810,894
OPERATING INCOME (LOSS)	2,414,961	6,717,806	(4,834,656)	(496,152)	3,801,959
NONOPERATING REVENUES AND EXPENSES					
Insurance proceeds	-	-	3,386	-	3,386
Interest earned	108,850	1,108,567	98,211	4,246	1,319,874
Gain on sale of assets	-	-	21,805	-	21,805
Capital grants	1,150,000	-	-	58,082	1,208,082
Interest expense	(312,332)	(3,163,784)	(390,948)	(24,214)	(3,891,278)
Trustee fees	-	(16,155)	-	-	(16,155)
Total nonoperating revenues and expenses	946,518	(2,071,372)	(267,546)	38,114	(1,354,286)
Change in net position before capital contributions and transfers	3,361,479	4,646,434	(5,102,202)	(458,038)	2,447,673
Transfers in	-	-	21,628,028	361,440	21,989,468
Total capital contributions and transfers	-	-	21,628,028	361,440	21,989,468
CHANGE IN NET POSITION	3,361,479	4,646,434	16,525,826	(96,598)	24,437,141
NET POSITION AT BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED	49,641,997	115,697,536	33,159,153	7,170,038	205,668,724
Error correction	-	-	787,710	-	787,710
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	49,641,997	115,697,536	33,946,863	7,170,038	206,456,434
NET POSITION AT END OF YEAR	<u>\$ 53,003,476</u>	<u>\$ 120,343,970</u>	<u>\$ 50,472,689</u>	<u>\$ 7,073,440</u>	<u>\$ 230,893,575</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	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	\$ 11,013,071	\$ 21,601,004	\$ 14,003,406	\$ 660,502	\$ 47,277,983
Cash payments for merchandise sold	-	-	(1,429,784)	-	(1,429,784)
Cash payments to suppliers and vendors	(2,442,556)	(2,815,523)	(8,104,544)	(711,251)	(14,073,874)
Cash payments for salaries and benefits	(3,123,653)	(5,731,093)	(7,682,553)	(198,246)	(16,735,545)
Net cash provided by (used in) operating activities	5,446,862	13,054,388	(3,213,475)	(248,995)	15,038,780
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payables – long-term	-	(291,353)	(646,159)	-	(937,512)
Transfers in	-	-	7,151,484	361,440	7,512,924
Net cash provided by (used in) noncapital financing activities	-	(291,353)	6,505,325	361,440	6,575,412
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant revenues	-	-	-	20,039	20,039
Capital contributions	1,150,000	-	-	-	1,150,000
Acquisition and construction – capital assets	(2,375,320)	(3,961,459)	(1,791,448)	(435,796)	(8,564,023)
Proceeds from disposal of capital assets	-	-	21,805	-	21,805
Interest paid	(314,570)	(3,303,112)	(397,775)	(24,214)	(4,039,671)
Trustee fees	-	(16,155)	-	-	(16,155)
Principal and interest paid on lease liability	-	-	(2,460)	-	(2,460)
Principal payments of long-term debt	(1,050,979)	(4,197,398)	-	(91,502)	(5,339,879)
Net cash used in capital and related financing activities	(2,590,869)	(11,478,124)	(2,169,878)	(531,473)	(16,770,344)

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Major Funds			Nonmajor Fund	Total
	Sewer Operation	Water System	Parks and Recreation	Airport	Business-Type Funds
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of certificates of deposit	\$ (2,835,359)	\$ (2,047,146)	\$ -	\$ -	\$ (4,882,505)
Purchase of treasury bills	-	(432,237)	-	-	(432,237)
Interest received	108,850	976,654	98,211	4,246	1,187,961
Net cash provided by (used in) investing activities	(2,726,509)	(1,502,729)	98,211	4,246	(4,126,781)
NET CHANGE IN CASH AND CASH EQUIVALENTS	129,484	(217,818)	1,220,183	(414,782)	717,067
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,960,297	10,621,676	2,984,442	555,784	17,122,199
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,089,781</u>	<u>\$ 10,403,858</u>	<u>\$ 4,204,625</u>	<u>\$ 141,002</u>	<u>\$ 17,839,266</u>
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING					
Cash and cash equivalents – current assets	\$ 2,489,871	\$ 6,144,385	\$ 4,204,625	\$ 35,463	\$ 12,874,344
Cash and cash equivalents – restricted assets	599,910	4,259,473	-	105,539	4,964,922
	<u>\$ 3,089,781</u>	<u>\$ 10,403,858</u>	<u>\$ 4,204,625</u>	<u>\$ 141,002</u>	<u>\$ 17,839,266</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Capital assets transferred from the City of Cullman	<u>\$ -</u>	<u>\$ -</u>	<u>\$14,476,544</u>	<u>\$ -</u>	<u>\$ 14,476,544</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,414,961	\$ 6,717,806	\$ (4,834,656)	\$ (496,152)	\$ 3,801,959
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,690,094	5,309,232	2,209,402	365,410	10,574,138
Amortization	-	-	(21,552)	-	(21,552)
Amortization of subscription lease right-of-use assets	-	2,176	-	-	2,176
Change in:					
Assessments receivable, net	540	-	-	-	540
Accounts receivable, net	(50,699)	299,911	(345,912)	5,807	(90,893)
State revolving funds receivable	702,902	315,473	-	-	1,018,375
Due to (from) other governmental units	(479,213)	(459)	(5,576)	(11,674)	(496,922)
Inventories	(717)	(74,577)	(50,841)	4,294	(121,841)
Prepaid expenses	-	-	(490,215)	-	(490,215)
Prepaid insurance	(29,083)	(175,335)	-	(4,352)	(208,770)
Deferred outflows of resources – pension	321,046	199,258	501,904	18,347	1,040,555
Accounts payable	(23,948)	353,324	(332,728)	(125,795)	(129,147)
Utility tax payable	-	(25,715)	-	-	(25,715)
Interfund payables	23,414	-	-	-	23,414
Operating lease cost	-	-	(22,717)	-	(22,717)
Accrued payroll	11,249	21,717	41,377	-	74,343
Other postemployment benefits	-	15,884	-	-	15,884
Net pension liability	(119,350)	255,521	(198,668)	(7,223)	(69,720)
Deferred inflows of resources – pension	(2,459)	(63,806)	(4,093)	(149)	(70,507)
Unearned revenues	-	-	204,217	-	204,217
Estimated compensated absences	(11,875)	(96,022)	136,583	2,492	31,178
Net cash provided by (used in) operating activities	<u>\$ 5,446,862</u>	<u>\$ 13,054,388</u>	<u>\$ (3,213,475)</u>	<u>\$ (248,995)</u>	<u>\$ 15,038,780</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024**

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, 2024**

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 judgments, 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, 2024**

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

Cash Equivalents and Certificates of Deposit

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

Accounts Receivable and Assessments Receivable

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

	General Fund	Debt Service Fund	Sewer Operation	Water System	Parks and Recreation	Airport	Total
Accounts receivable	\$1,203,389	\$ 1,310,378	\$ 1,365,838	\$ 4,247,758	\$ 441,150	\$ 14,018	\$8,582,531
Assessments receivable	170,015	-	436,029	-	-	-	606,044
Allowance for doubtful accounts	(163,169)	-	(160,923)	-	(34,036)	(1,570)	(359,698)
	<u>\$1,210,235</u>	<u>\$ 1,310,378</u>	<u>\$ 1,640,944</u>	<u>\$ 4,247,758</u>	<u>\$ 407,114</u>	<u>\$ 12,448</u>	<u>\$8,828,877</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 \$6,089,437 as of September 30, 2024, for the bills sent out October 1, 2024, 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, 2024, an offsetting balance of the same amount is included in the line item, "unavailable revenue – property and other taxes," in the financial statements.

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.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2024, are recorded as prepaid items. Prepaid insurance is charged to expenditures/expenses over the term of the policies. Prepaid senior trip expenses are charged to expense once the senior citizens have gone on the trips. Prepaid utility tax is offset to utility taxes payable once applied to the next month's utility tax report.

Restricted Assets

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

Capital Assets

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

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

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

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, 2024. 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

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024. 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.

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. The City reports deferred outflow items related to the City's pension plan which are described further in Note 10. 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. The City reports deferred inflow items related to the City's pension plan which are described further in Note 10. Other deferred inflows of resources relate to unavailable property and other tax revenue.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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.

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 \$401,885 deficit of the School Tax Fund is a result of expenditures accrued in excess of resources available within the City's 30-day availability period. The deficit is expected to be covered by resources accrued, but not received within the 30-day availability period.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, the Utilities Board – Water Division of the City of Cullman (UBWD) (component unit blended with the Water System) had \$730,384 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, 2024, UBWD had \$3,529,089 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, 2024**

5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2024, was as follows:

	Balance at Sept. 30, 2023	Additions	(Disposals)	Adjustments and Transfers	Balance at Sept. 30, 2024
Governmental activities:					
Nondepreciable capital assets:					
Land	\$ 12,740,988	\$ 893,674	\$ -	\$ 350,994	\$ 13,985,656
Historical buildings	378,448	-	-		378,448
Construction in progress	4,879,139	3,963,821	(281,407)	(5,377,081)	3,184,472
	<u>17,998,575</u>	<u>4,857,495</u>	<u>(281,407)</u>	<u>(5,026,087)</u>	<u>17,548,576</u>
Depreciable capital assets:					
Buildings	20,964,041	851,701	-	1,536,928	23,352,670
Improvements other than buildings	7,526,568	327,564	-	16,022	7,870,154
Machinery and equipment	90,456,354	5,585,968	(976,932)	3,463,269	98,528,659
	<u>118,946,963</u>	<u>6,765,233</u>	<u>(976,932)</u>	<u>5,016,219</u>	<u>129,751,483</u>
Less accumulated depreciation:					
Buildings	(4,421,437)	(453,365)	-	-	(4,874,802)
Improvements other than buildings	(1,970,162)	(250,426)	-	-	(2,220,588)
Machinery and equipment	(34,786,090)	(3,412,374)	832,087	20,995	(37,345,382)
	<u>(41,177,689)</u>	<u>(4,116,165)</u>	<u>832,087</u>	<u>20,995</u>	<u>(44,440,772)</u>
Net depreciable capital assets	<u>77,769,274</u>	<u>2,649,068</u>	<u>(144,845)</u>	<u>5,037,214</u>	<u>85,310,711</u>
Total capital assets, net	<u>\$ 95,767,849</u>	<u>\$ 7,506,563</u>	<u>\$ (426,252)</u>	<u>\$ 11,127</u>	<u>\$ 102,859,287</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Capital asset activity for the business-type activities for the year ended September 30, 2024, was as follows:

	<u>Balance at Sept. 30, 2023</u>	<u>Additions</u>	<u>(Disposals)</u>	<u>Adjustments and Transfers</u>	<u>Balance at Sept. 30, 2024</u>
Business-type activities:					
Nondepreciable capital assets:					
Land	\$ 16,409,623	\$ 111,661	-	\$ 23,911	\$ 16,545,195
Construction in progress	20,130,842	18,360,199	(21,805)	(10,973,266)	27,495,970
	<u>36,540,465</u>	<u>18,471,860</u>	<u>(21,805)</u>	<u>(10,949,355)</u>	<u>44,041,165</u>
Depreciable capital assets:					
Buildings	50,504,897	262,732	-	(1,610,562)	49,157,067
Improvements other than buildings	322,017,250	1,371,697	-	12,347,849	335,736,796
Machinery and equipment	28,352,325	3,007,244	(18,140)	95,296	31,436,725
	<u>400,874,472</u>	<u>4,641,673</u>	<u>(18,140)</u>	<u>10,832,583</u>	<u>416,330,588</u>
Less accumulated depreciation:					
Buildings	(21,120,512)	(1,091,930)	-	-	(22,212,442)
Improvements other than buildings	(88,570,211)	(7,760,908)	-	-	(96,331,119)
Machinery and equipment	(17,483,444)	(1,721,300)	18,140	43,805	(19,142,799)
	<u>(127,174,167)</u>	<u>(10,574,138)</u>	<u>18,140</u>	<u>43,805</u>	<u>(137,686,360)</u>
Net depreciable capital assets	<u>273,700,305</u>	<u>(5,932,465)</u>	<u>-</u>	<u>10,876,388</u>	<u>278,644,228</u>
Total capital assets, net	<u>\$ 310,240,770</u>	<u>\$ 12,539,395</u>	<u>\$ (21,805)</u>	<u>\$ (72,967)</u>	<u>\$ 322,685,393</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Depreciation expense was charged to functions as follows:

Governmental activities:

General government:	
Administrative	\$ 295,131
Building and housing	25,688
Garage	29,276
Public safety:	
Police	273,498
Fire	359,335
Traffic Maintenance	171,244
Dispatch and miscellaneous	52,730
Highways and streets	2,151,550
Sanitation	734,172
Culture and recreation	23,541
	<hr/>
	\$ 4,116,165

Business-type activities:

Sewer	\$ 2,690,094
Water	5,309,232
Parks and Recreation	2,209,402
Airport	365,410
	<hr/>
	\$ 10,574,138

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

6. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 57,135,000	\$ -	\$ (1,690,000)	\$ 55,445,000	\$ 1,730,000
Add issuance premiums	2,896,180	-	(106,939)	2,789,241	-
Total general obligation bonds payable	60,031,180	-	(1,796,939)	58,234,241	1,730,000
Compensated absences	1,934,862	273,281	(318,921)	1,889,222	316,836
Total long-term debt	<u>\$ 61,966,042</u>	<u>\$ 273,281</u>	<u>\$ (2,115,860)</u>	<u>\$ 60,123,463</u>	<u>\$ 2,046,836</u>
Business-type activities					
General obligation bonds	\$ 40,450,000	\$ -	\$ (230,000)	\$ 40,220,000	\$ 235,000
Less issuance discounts	(310,689)	-	15,787	(294,902)	-
Add issuance premiums	3,356,993	-	(204,052)	3,152,941	-
Total general obligation bonds payable	43,496,304	-	(418,265)	43,078,039	235,000
Direct placement bonds	82,339,388	-	(5,109,880)	77,229,508	4,923,537
Compensated absences	977,658	778,719	(747,541)	1,008,836	301,192
Total long-term debt	<u>\$ 126,813,350</u>	<u>\$ 778,719</u>	<u>\$ (6,275,686)</u>	<u>\$ 121,316,383</u>	<u>\$ 5,459,729</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

Long-term debt payable at September 30, 2024, comprised the following:

Governmental Activities						
	Interest Rates	Balance at Sept. 30, 2023	Additions	Payments	Balance at Sept. 30, 2024	Due Within One Year
General obligation warrants:						
Series 2016	3.00-5.00%	\$ 14,205,000	\$ -	\$ (820,000)	\$ 13,385,000	\$ 865,000
Series 2021	2.50-4.00%	29,085,000	-	(620,000)	28,465,000	635,000
Series 2023	4.00-4.50%	13,845,000	-	(250,000)	13,595,000	230,000
		<u>\$ 57,135,000</u>	<u>\$ -</u>	<u>\$ (1,690,000)</u>	<u>\$ 55,445,000</u>	<u>\$ 1,730,000</u>
Business-Type Activities						
	Interest Rates	Balance at Sept. 30, 2023	Additions	Payments	Balance at Sept. 30, 2024	Due Within One Year
Sewer Fund:						
General obligation warrants:						
Series 2013-A	2.63%	\$ 225,979	\$ -	\$ (225,979)	\$ -	\$ -
Series 2015 - CWSRF-DL	2.25%	2,600,000	-	(190,000)	2,410,000	195,000
Series 2015B - CWSRF-DL	2.20%	2,260,000	-	(165,000)	2,095,000	170,000
Series 2020 - CWSRF-DL	2.20%	6,230,000	-	(305,000)	5,925,000	315,000
Series 2023 - CWSRF-DL	2.00%	3,720,000	-	(165,000)	3,555,000	165,000
Water System:						
Utilities Board – Water Division:						
Water Revenue Bonds:						
Series 2015A	2.00-5.00%	40,450,000	-	(230,000)	40,220,000	235,000
Series 2015B	2.195%	1,470,000	-	(725,000)	745,000	745,000
Series 2017 - DWSRF-DL	2.20%	18,015,000	-	(1,110,000)	16,905,000	1,135,000
Series 2020- DWSRF-DL	2.20%	5,005,000	-	(265,000)	4,740,000	270,000
Series 2020	2.00-4.00%	41,840,000	-	(1,760,000)	40,080,000	1,835,000
Water Fund, General Obligation Warrants:						
Series 2013B	2.30%	107,398	-	(107,398)	-	-
Cullman Regional						
Airport Board:						
General obligation warrants:						
Warrant dated April 14, 2022	2.60%	866,011	-	(91,503)	774,508	93,537
		<u>\$ 122,789,388</u>	<u>\$ -</u>	<u>\$ (5,339,880)</u>	<u>\$ 117,449,508</u>	<u>\$ 5,158,537</u>

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.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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
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	2,065,000	1,770,988	3,835,988
2030-2034	11,720,000	7,579,015	19,299,015
2035-2039	9,725,000	5,261,965	14,986,965
2040-2043	8,355,000	3,828,383	12,183,383
Thereafter	16,190,000	2,547,201	18,737,201
	<u>\$ 55,445,000</u>	<u>\$ 28,941,154</u>	<u>\$ 84,386,154</u>

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

Business-Type Activities					
Year Ending September 30	Water Revenue Bonds		Direct Placement Bonds		Total Debt Service Requirement
	Principal	Interest	Principal	Interest	
2025	\$ 235,000	\$ 1,525,994	\$ 4,923,537	\$ 1,959,594	\$ 8,644,125
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	1,458,043	4,527,272	1,592,712	8,643,027
2029	1,095,000	1,426,094	4,645,410	1,475,939	8,642,443
2030-2034	6,080,000	6,515,889	24,867,616	5,438,827	42,902,332
2035-2039	10,835,000	4,916,762	22,660,000	2,514,895	40,926,657
2040-2044	15,435,000	2,425,123	6,890,000	247,973	24,998,096
2045-2047	3,445,000	129,189	-	-	3,574,189
	<u>\$ 40,220,000</u>	<u>\$ 21,404,982</u>	<u>\$ 77,229,508</u>	<u>\$ 16,753,875</u>	<u>\$ 155,608,365</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.

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024 is shown below.

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water System	\$ 145,729
	Sewer	18,699
	Parks and Recreation	91,543
	Non Major - Gov	57,887
Non Major - Gov	General Fund	3,587
	Non Major - Gov	42,303
Sewer	Water System	42,832
Water System	Sewer	7,656
Debt Service	Parks and Recreation	578,051
Airport	General Fund	391
Total		<u>\$ 988,678</u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport	\$ 199,992
	Parks and Recreation	208,457
Debt Service	Parks and Recreation	8,332,351
Total		<u>\$ 8,740,800</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

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, 2024, were as follows:

Transfers (out)	Transfers in					Total
	General Fund	Debt Service	Nonmajor Governmental	Parks and Recreation	Nonmajor Enterprise	
General Fund	\$ -	\$ 2,273,587	\$ 5,896,743	\$ 6,230,382	\$ 361,440	\$ 14,762,152
Debt Service	-	-	7,992,984	921,102	-	8,914,086
Nonmajor Governmental	153,700	-	700,000	14,476,544	-	15,330,244
	<u>\$ 153,700</u>	<u>\$ 2,273,587</u>	<u>\$ 14,589,727</u>	<u>\$ 21,628,028</u>	<u>\$ 361,440</u>	<u>\$ 39,006,482</u>

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.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024**

- 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*.
 - 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.

The ERS serves approximately 884 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2023, 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:

CITY OF CULLMAN, ALABAMA
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	ERS' Membership	City's Membership	UBWD's Membership
Retirees and beneficiaries currently receiving benefits	31,514	169	28
Terminated employees entitled to but not yet receiving benefits	2,354	11	2
Terminated employees not entitled to a benefit	22,910	165	4
Active members	58,692	441	47
Post-DROP participants who are still in active service	33	-	-
	<u>115,503</u>	<u>786</u>	<u>81</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.

For the year ended September 30, 2024, the City's active employee contribution rate was 8.62% and 9.28% 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 9.49% of pensionable payroll. The UBWD's active employee contribution rate was 5.36% 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 5.12% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2024, was 7.44% of pensionable pay for Tier 1 employees and 8.09% of pensionable pay for Tier 2 employees. The UBWD's contractually required rate was 5.30% of pensionable pay for Tier 1 employees and 6.23% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of

CITY OF CULLMAN, ALABAMA
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September 30, 2022, 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 \$2,232,950 and \$82,418, respectively, for the year ended September 30, 2024.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2022, rolled forward to September 30, 2023, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of 9/30/2022 (a)	\$ 75,406,482	\$ 76,400,234
Discount rate (b)	7.45%	7.45%
Entry Age Normal Cost		
10/1/2021 - 9/30/2022 (c)	2,115,285	2,115,285
Transfers Among Employers	-	(85,092)
Actual Benefit Payments and Refunds		
10/1/2021 - 9/30/2022 (e)	<u>(4,871,072)</u>	<u>(4,871,072)</u>
Total Pension Liability		
as of 9/30/2022		
$[(a) \times (1+(b))] + (c) + (d) + [(e) \times (1+.5*(b))]$	<u>\$ 78,087,030</u>	<u>\$ 79,069,725</u>
Difference between Expected and Actual		
Experience (Gain)/Loss		<u>\$ 982,695</u>

Net Pension Liability

The UBWD's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022, rolled forward to September 30, 2023, using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of 9/30/2022 (a)	\$ 5,298,570	\$ 5,865,706
Discount rate (b)	7.45%	7.45%
Entry Age Normal Cost		
for 10/1/2022 - 9/30/2023 (b)	117,721	117,721
Transfers Among Employers	-	11,339
Actual Benefit Payments and Refunds		
for 10/1/2022 - 9/30/2023 (c)	<u>(320,753)</u>	<u>(320,753)</u>
Total Pension Liability		
as of 9/30/2023		
$[(a) \times (1+ (b))] + (c) + (d) + [(e) \times (1+.5*(b))]$	<u>\$ 5,478,333</u>	<u>\$ 6,099,060</u>
Difference between Expected and Actual		
Experience (Gain)/Loss		<u>\$ 620,727</u>

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Actuarial Assumptions

The total pension liability as of September 30, 2023, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2022. 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.

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	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	5.0%	1.5%
	<u>100.0%</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.

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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, 2022	\$ 75,406,482	\$ 48,493,277	\$ 26,913,205
Changes for the year:			
Service cost	2,115,285	-	2,115,285
Interest	5,436,335	-	5,436,335
Difference between expected and actual experience	1,067,787	-	1,067,787
Contributions – employer	-	1,843,591	(1,843,591)
Contributions – employee	-	1,880,276	(1,880,276)
Net investment income	-	6,215,614	(6,215,614)
Benefit payments, including refunds of employee contributions	(4,871,072)	(4,871,072)	-
Transfers among employers	(85,092)	(85,092)	-
	<u>3,663,243</u>	<u>4,983,317</u>	<u>(1,320,074)</u>
Balances at September 30, 2023	<u>\$ 79,069,725</u>	<u>\$ 53,476,594</u>	<u>\$ 25,593,131</u>

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, 2022	\$ 5,337,004	\$ 3,892,403	\$ 1,444,601
Changes for the year:			
Service cost	117,721	-	117,721
Interest	382,795	-	382,795
Difference between expected and actual experience	570,954	-	570,954
Contributions – employer	-	84,966	(84,966)
Contributions – employee	-	101,990	(101,990)
Net investment income	-	506,159	(506,159)
Transfers among employers	11,339	11,339	-
Benefit payments, including refunds of employee contributions	(320,753)	(320,753)	-
	<u>762,056</u>	<u>383,701</u>	<u>378,355</u>
Balances at September 30, 2023	<u>\$ 6,099,060</u>	<u>\$ 4,276,104</u>	<u>\$ 1,822,956</u>

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

		Increase (Decrease)	
	Total Pension	Plan Fiduciary	Net Pension
	Liability (a)	Net Position	Liability
		(b)	(Asset) (a)-(b)
Balances at September 30, 2022	\$ 80,743,486	\$ 52,385,680	\$ 28,357,806
Changes for the year:			
Service cost	2,233,006	-	2,233,006
Interest	5,819,130	-	5,819,130
Difference between expected and actual experience	1,638,741	-	1,638,741
Contributions – employer	-	1,928,557	(1,928,557)
Contributions – employee	-	1,982,266	(1,982,266)
Net investment income	-	6,721,773	(6,721,773)
Benefit payments, including refunds of employee contributions	(5,191,825)	(5,191,825)	-
Transfers among employers	(73,753)	(73,753)	-
	4,425,299	5,367,018	(941,719)
Less 50% for Cullman Regional Airport Board	(445,627)	(304,195)	(141,432)
Balances at September 30, 2023	<u>\$ 84,723,158</u>	<u>\$ 57,448,503</u>	<u>\$ 27,274,655</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 6.45%	Current Rate 7.45%	1% Increase 8.45%
City of Cullman	\$ 35,141,237	\$ 25,593,131	\$ 17,605,662
UBWD	2,504,101	1,822,956	681,145
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	(194,201)	(141,432)	(97,292)
	<u>\$ 37,451,137</u>	<u>\$ 27,274,655</u>	<u>\$ 18,189,515</u>

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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, 2023. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2023. 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, 2024, the City recognized pension expense of \$2,438,074, and the UBWD recognized pension expense of \$304,818. At September 30, 2024, 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	\$ 2,145,130	\$ -
UBWD	179,432	-
Net difference between projected and actual experience:		
City of Cullman	2,456,791	21,757
UBWD	493,931	102,004
Changes of assumptions:		
City of Cullman	1,484,064	-
UBWD	72,756	-
Employer contributions subsequent to the measurement date:		
City of Cullman	2,232,950	-
UBWD	82,418	-
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	(43,861)	(630)
	<u>\$ 9,103,611</u>	<u>\$ 123,131</u>

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

	City of Cullman	UBWD	Airport Board	Total
2025	\$ 1,689,805	\$ 153,366	\$ 9,431	\$ 1,852,602
2026	1,493,835	129,365	8,337	1,631,537
2027	2,681,991	237,966	14,968	2,934,925
2028	5,931	38,150	(2,951)	41,130
2029	161,828	85,268	1,053	248,149
Thereafter	-	-	-	-
	<u>\$ 6,033,390</u>	<u>\$ 644,115</u>	<u>\$ 30,838</u>	<u>\$ 6,708,343</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, 2024, the City provides tax abatements based on one Alabama statute: 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	\$ 212,893

**CITY OF CULLMAN, ALABAMA
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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, 2024, 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, 2023, 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, 2024, the most recent measurement date, was \$119,818, and the net change to OPEB liability was \$15,844 consisting of service cost of \$9,749, interest of \$4,292, and assumption changes of \$1,843. Based on the materiality of the plan, additional disclosure information was not considered necessary.

16. CORRECTION OF ERRORS

In 2024, the Parks and Recreation Board identified errors in the reporting of expenses and 'due to other governmental funds' for the fiscal years 2021 through 2023. These errors were due to incorrect accounting treatment of reserving funds for future capital projects.

The correction of these errors resulted in an increase in net position as follows:

Fiscal Year	As Previously Reported	Adjustment	As Restated
2021	\$ 8,398,058	\$ 44,712	\$ 8,442,770
2022	29,082,330	322,220	29,404,550
2023	33,159,153	787,710	33,946,863

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The impact of these adjustments on the financial statements is as follows:

- Decrease in miscellaneous expenses of \$44,712, \$277,508, and \$465,490 during the years ended 2021, 2022, and 2023, respectively, for a total increase in net position of \$787,710.
- Reclassification of 'due to other governmental funds' to net position of \$44,712, \$322,220 and \$787,710, respectively, at September 30, 2021, 2022, and 2023.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events and their potential effects on these financial statements through March 25, 2025, the date the financial statements were issued.

On December 5, 2024, the Utilities Board – Water Division of the City of Cullman, Alabama issued Series 2024 Bonds in the amount of \$4,775,000 to refund a portion of the Water Revenue Bonds Series 2015-A.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (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
TOTAL PENSION LIABILITY									
Service cost	\$ 2,115,285	\$ 117,721	\$ 2,233,006	\$ 1,843,577	\$ 100,285	\$ 1,943,862	\$ 1,620,375	\$ 86,259	\$ 1,706,634
Interest	5,436,335	382,795	5,819,130	5,207,332	389,388	5,596,720	4,863,911	386,594	5,250,505
Changes of benefit terms	-	-	-	47,639	-	47,639	-	-	-
Differences between expected and actual experience	1,067,787	570,954	1,638,741	520,762	(143,771)	376,991	1,629,789	(26,127)	1,603,662
Changes of assumptions	-	-	-	-	6,830	6,830	2,727,289	140,964	2,868,253
Benefit payments, including refunds of employee contributions	(4,871,072)	(320,753)	(5,191,825)	(4,118,635)	(554,416)	(4,673,051)	(3,858,156)	(209,006)	(4,067,162)
Transfers among employers	(85,092)	11,339	(73,753)	(50,587)	(3,642)	(54,229)	(123,565)	-	(123,565)
Net change in total pension liability	3,663,243	762,056	4,425,299	3,450,088	(205,326)	3,244,762	6,859,643	378,684	7,238,327
Total pension liability – beginning	75,406,482	5,337,004	80,743,486	71,956,394	5,542,330	77,498,724	65,096,751	5,163,646	70,260,397
Total pension liability – ending (a)	<u>\$ 79,069,725</u>	<u>\$ 6,099,060</u>	<u>\$ 85,168,785</u>	<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>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,843,591	\$ 84,966	\$ 1,928,557	\$ 1,693,943	\$ 89,044	\$ 1,782,987	\$ 1,506,494	\$ 80,837	\$ 1,587,331
Contributions – employee	1,880,276	101,990	1,982,266	1,650,645	139,027	1,789,672	1,517,249	91,466	1,608,715
Net investment income	6,215,614	506,159	6,721,773	(7,171,687)	(567,588)	(7,739,275)	10,351,948	872,566	11,224,514
Benefit payments, including refunds of employee contributions	(4,871,072)	(320,753)	(5,191,825)	(4,118,635)	(554,416)	(4,673,051)	(3,858,156)	(209,005)	(4,067,161)
Transfers among employers	(85,092)	11,339	(73,753)	(50,587)	(3,642)	(54,229)	(123,565)	-	(123,565)
Net change in plan fiduciary net position	4,983,317	383,701	5,367,018	(7,996,321)	(897,575)	(8,893,896)	9,393,970	835,864	10,229,834
Plan net position – beginning	48,493,277	3,892,403	52,385,680	56,489,598	4,789,978	61,279,576	47,095,628	3,954,114	51,049,742
Plan net position – ending (b)	<u>53,476,594</u>	<u>4,276,104</u>	<u>57,752,698</u>	<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>
NET POSITION LIABILITY (a) - (b)	<u>\$ 25,593,131</u>	<u>\$ 1,822,956</u>	<u>\$ 27,416,087</u>	<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>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	67.63%	70.11%	67.81%	64.31%	72.93%	64.88%	78.51%	86.43%	79.07%
COVERED EMPLOYEE PAYROLL	\$ 23,530,080	\$ 1,584,402	\$ 25,114,482	\$ 20,979,349	\$ 1,480,959	\$ 22,460,308	\$ 18,428,626	\$ 1,332,863	\$ 19,761,489
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	108.77%	115.06%	109.16%	128.28%	97.54%	126.26%	83.93%	56.45%	82.07%

See independent auditors' report.

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

	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
TOTAL PENSION LIABILITY									
Service cost	\$ 1,290,891	\$ 80,651	\$ 1,371,542	\$ 1,240,168	\$ 73,709	\$ 1,313,877	\$ 1,132,043	\$ 61,734	\$ 1,193,777
Interest	4,617,166	362,779	4,979,945	4,390,057	340,241	4,730,298	4,275,976	323,421	4,599,397
Changes of benefit terms	748,826	33,044	781,870	-	82,433	82,433	-	-	-
Differences between expected and actual experience	413,862	37,297	451,159	821,476	-	821,476	(184,945)	34,960	(149,985)
Changes of assumptions	-	-	-	-	-	-	303,407	20,694	324,101
Benefit payments, including refunds of employee contributions	(3,764,611)	(184,826)	(3,949,437)	(3,790,059)	(181,709)	(3,971,768)	(3,260,807)	(182,740)	(3,443,547)
Transfers among employers	(132,001)	-	(132,001)	123,409	-	123,409	67,601	(10,989)	56,612
Net change in total pension liability	3,174,133	328,945	3,503,078	2,785,051	314,674	3,099,725	2,333,275	247,080	2,580,355
Total pension liability – beginning	61,922,618	4,834,701	66,757,319	59,137,567	4,520,027	63,657,594	56,804,292	4,272,947	61,077,239
Total pension liability – ending (a)	<u>\$ 65,096,751</u>	<u>\$ 5,163,646</u>	<u>\$ 70,260,397</u>	<u>\$ 61,922,618</u>	<u>\$ 4,834,701</u>	<u>\$ 66,757,319</u>	<u>\$ 59,137,567</u>	<u>\$ 4,520,027</u>	<u>\$ 63,657,594</u>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,652,373	\$ 112,512	\$ 1,764,885	\$ 1,517,972	\$ 111,009	\$ 1,628,981	\$ 1,452,280	\$ 107,022	\$ 1,559,302
Contributions – employee	1,070,959	62,696	1,133,655	951,255	60,148	1,011,403	902,800	54,041	956,841
Net investment income	2,498,616	213,647	2,712,263	1,158,885	93,855	1,252,740	3,909,186	315,729	4,224,915
Benefit payments, including refunds of employee contributions	(3,764,611)	(184,826)	(3,949,437)	(3,790,059)	(181,709)	(3,971,768)	(3,260,807)	(182,740)	(3,443,547)
Transfers among employers	(132,001)	-	(132,001)	123,409	-	123,409	67,601	(10,989)	56,612
Net change in plan fiduciary net position	1,325,336	204,029	1,529,365	(38,538)	83,303	44,765	3,071,060	283,063	3,354,123
Plan net position – beginning	45,770,292	3,750,085	49,520,377	45,808,830	3,666,782	49,475,612	42,737,770	3,383,719	46,121,489
Plan net position – ending (b)	<u>47,095,628</u>	<u>3,954,114</u>	<u>51,049,742</u>	<u>45,770,292</u>	<u>3,750,085</u>	<u>49,520,377</u>	<u>45,808,830</u>	<u>3,666,782</u>	<u>49,475,612</u>
NET POSITION LIABILITY (a) - (b)	<u>\$ 18,001,123</u>	<u>\$ 1,209,532</u>	<u>\$ 19,210,655</u>	<u>\$ 16,152,326</u>	<u>\$ 1,084,616</u>	<u>\$ 17,236,942</u>	<u>\$ 13,328,737</u>	<u>\$ 853,245</u>	<u>\$ 14,181,982</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	72.35%	76.58%	72.66%	73.92%	77.57%	74.18%	77.46%	81.12%	77.72%
COVERED EMPLOYEE PAYROLL	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919	\$ 15,065,257	\$ 1,305,127	\$ 16,370,384
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	97.68%	83.41%	96.64%	99.42%	78.04%	97.73%	88.47%	65.38%	86.63%

See independent auditors' report.

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

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016			For the Year Ended September 30, 2015		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY									
Service cost	\$ 1,097,342	\$ 61,122	\$ 1,158,464	\$ 1,042,024	\$ 64,088	\$ 1,106,112	\$ 1,037,206	\$ 64,359	\$ 1,101,565
Interest	4,113,828	316,022	4,429,850	4,002,270	309,083	4,311,353	3,852,199	306,052	4,158,251
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(106,907)	(106,907)	(942,085)	(22,557)	(964,642)	(339,015)	(6,497)	(345,512)
Changes of assumptions	350,735	-	350,735	2,133,269	64,643	2,197,912	-	-	-
Benefit payments, including refunds of employee contributions	(3,461,845)	(168,017)	(3,629,862)	(2,990,489)	(234,178)	(3,224,667)	(2,358,467)	(161,036)	(2,519,503)
Transfers among employers	(108,346)	2,676	(105,670)	43,967	-	43,967	-	(201,538)	(201,538)
Net change in total pension liability	1,991,714	104,896	2,096,610	3,288,956	181,079	3,470,035	2,191,923	1,340	2,193,263
Total pension liability – beginning	54,812,578	4,168,051	58,980,629	51,523,622	3,986,972	55,510,594	49,331,699	3,985,632	53,317,331
Total pension liability – ending (a)	<u>\$ 56,804,292</u>	<u>\$ 4,272,947</u>	<u>\$ 61,077,239</u>	<u>\$ 54,812,578</u>	<u>\$ 4,168,051</u>	<u>\$ 58,980,629</u>	<u>\$ 51,523,622</u>	<u>\$ 3,986,972</u>	<u>\$ 55,510,594</u>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,441,697	\$ 100,572	\$ 1,542,269	\$ 1,425,482	\$ 99,191	\$ 1,524,673	\$ 1,368,019	\$ 106,966	\$ 1,474,985
Contributions – employee	838,665	45,603	884,268	771,618	47,046	818,664	709,731	44,367	754,098
Net investment income	4,919,768	385,365	5,305,133	3,649,303	283,132	3,932,435	426,614	34,236	460,850
Benefit payments, including refunds of employee contributions	(3,461,845)	(168,017)	(3,629,862)	(2,990,489)	(234,178)	(3,224,667)	(2,358,467)	(161,036)	(2,519,503)
Transfers among employers	(108,346)	2,676	(105,670)	43,967	-	43,967	(75,385)	(147,635)	(223,020)
Net change in plan fiduciary net position	3,629,939	366,199	3,996,138	2,899,881	195,191	3,095,072	70,512	(123,102)	(52,590)
Plan net position – beginning	39,107,831	3,017,520	42,125,351	36,207,950	2,822,329	39,030,279	36,137,438	2,945,431	39,082,869
Plan net position – ending (b)	<u>42,737,770</u>	<u>3,383,719</u>	<u>46,121,489</u>	<u>39,107,831</u>	<u>3,017,520</u>	<u>42,125,351</u>	<u>36,207,950</u>	<u>2,822,329</u>	<u>39,030,279</u>
NET POSITION LIABILITY (a) - (b)	<u>\$ 14,066,522</u>	<u>\$ 889,228</u>	<u>\$ 14,955,750</u>	<u>\$ 15,704,747</u>	<u>\$ 1,150,531</u>	<u>\$ 16,855,278</u>	<u>\$ 15,315,672</u>	<u>\$ 1,164,643</u>	<u>\$ 16,480,315</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	75.24%	79.19%	75.51%	71.35%	72.40%	71.42%	70.27%	70.79%	70.31%
COVERED EMPLOYEE PAYROLL	\$ 14,344,983	\$ 1,039,287	\$ 15,384,270	\$ 13,677,423	\$ 964,894	\$ 14,642,317	\$ 13,037,020	\$ 887,076	\$ 13,924,096
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	98.06%	85.56%	97.21%	114.82%	119.24%	115.11%	117.48%	131.29%	118.36%

See independent auditors' report.

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

	For the Year Ended September 30, 2014		
	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY			
Service cost	\$ 1,043,085	\$ 65,317	\$ 1,108,402
Interest	3,654,242	298,311	3,952,553
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(2,087,310)	(213,766)	(2,301,076)
Transfers among employers	-	-	-
Net change in total pension liability	2,610,017	149,862	2,759,879
Total pension liability – beginning	46,721,682	3,835,770	50,557,452
Total pension liability – ending (a)	<u>\$ 49,331,699</u>	<u>\$ 3,985,632</u>	<u>\$ 53,317,331</u>
PLAN FIDUCIARY NET POSITION			
Contributions – employer	\$ 1,354,385	\$ 109,219	\$ 1,463,604
Contributions – employee	692,335	45,887	738,222
Net investment income	3,874,230	318,754	4,192,984
Benefit payments, including refunds of employee contributions	(2,087,310)	(213,776)	(2,301,086)
Transfers among employers	(11,050)	(45)	(11,095)
Net change in plan fiduciary net position	3,822,590	260,039	4,082,629
Plan net position – beginning	32,314,848	2,685,382	35,000,230
Plan net position – ending (b)	<u>36,137,438</u>	<u>2,945,421</u>	<u>39,082,859</u>
NET POSITION LIABILITY (a) - (b)	<u>\$ 13,194,261</u>	<u>\$ 1,040,211</u>	<u>\$ 14,234,472</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	73.25%	73.90%	73.30%
COVERED EMPLOYEE PAYROLL	\$ 12,819,139	\$ 913,556	\$ 13,732,695
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	102.93%	113.86%	103.65%

See independent auditors' report.

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

	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023			For the Year Ended September 30, 2022		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 2,232,950	\$ 82,418	\$ 2,315,368	\$ 1,843,579	\$ 91,579	\$ 1,935,158	\$ 1,688,568	\$ 226,029	\$ 1,914,597
Contributions in relation to the actuarially determined contribution *	2,232,950	82,418	2,315,368	1,843,579	91,579	1,935,158	1,688,568	226,029	1,914,597
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 25,708,661	\$ 1,608,739	\$ 27,317,400	\$ 23,530,080	\$ 1,584,402	\$ 25,114,482	\$ 20,979,349	\$ 1,450,117	\$ 22,429,466
Contributions as a percentage of covered-employee payroll	8.69%	5.12%	8.48%	7.83%	5.78%	7.71%	8.05%	15.59%	8.54%
	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,506,637	\$ 146,192	\$ 1,652,829	\$ 1,652,864	\$ 121,468	\$ 1,774,332	\$ 1,578,086	\$ 122,939	\$ 1,701,025
Contributions in relation to the actuarially determined contribution *	1,506,637	146,192	1,652,829	1,652,864	121,468	1,774,332	1,578,086	122,939	1,701,025
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919
Contributions as a percentage of covered-employee payroll	8.18%	10.08%	8.31%	8.97%	8.38%	8.93%	9.71%	8.85%	9.64%
	For the Year Ended September 30, 2018			For the Year Ended September 30, 2017			For the Year Ended September 30, 2016		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,431,140	\$ 119,834	\$ 1,550,974	\$ 1,441,697	\$ 96,950	\$ 1,538,647	\$ 1,425,482	\$ 100,199	\$ 1,525,681
Contributions in relation to the actuarially determined contribution *	1,431,140	119,834	1,550,974	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	\$ 15,065,257	\$ 1,305,127	\$ 16,370,384	\$ 14,344,983	\$ 978,328	\$ 15,323,311	\$ 13,677,423	\$ 888,119	\$ 14,565,542
Contributions as a percentage of covered-employee payroll	9.46%	9.18%	9.44%	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 2024 were based on the September 30, 2022 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	22.5 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25% - 6.00%, including inflation
Investment rate of return	7.45%, 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, 2024

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 35,925,504	\$ 35,925,504	\$ 35,808,388	\$ (117,116)
Licenses and permits	5,387,900	5,387,900	5,594,261	206,361
Intergovernmental revenues	5,013,400	5,013,400	4,767,364	(246,036)
Charges for services	7,658,500	7,658,500	8,547,339	888,839
Fines and forfeits	328,800	328,800	297,863	(30,937)
Interest revenues	400,000	400,000	1,090,931	690,931
Miscellaneous revenues	126,505	126,505	240,768	114,263
	54,840,609	54,840,609	56,346,914	1,506,305
EXPENDITURES				
Current expenditures:				
General government	8,590,319	8,590,319	8,590,022	297
Public safety	17,988,456	17,988,456	15,833,523	2,154,933
Highways and streets	9,368,800	9,368,800	3,419,100	5,949,700
Sanitation	5,499,595	5,499,595	5,353,461	146,134
Health and social services	734,004	734,004	660,360	73,644
Culture and recreation	448,985	448,985	237,988	210,997
Education	775,000	775,000	771,211	3,789
Capital outlay	981,765	981,765	6,404,107	(5,422,342)
	44,386,924	44,386,924	41,269,772	3,117,152
REVENUES OVER EXPENSES	10,453,685	10,453,685	15,077,142	4,623,457
OTHER FINANCING SOURCES (USES)				
Sale of assets	300,000	300,000	296,707	(3,293)
Insurance proceeds	-	-	157,812	157,812
Operating transfers in	150,000	150,000	153,700	3,700
Operating transfers out	(10,903,685)	(10,903,685)	(14,762,152)	(3,858,467)
	(10,453,685)	(10,453,685)	(14,153,933)	(3,700,248)
NET CHANGES IN FUND BALANCES	-	-	923,209	923,209
FUND BALANCE AT BEGINNING OF YEAR	36,752,396	36,752,396	36,752,396	-
FUND BALANCE AT END OF YEAR	<u>\$ 36,752,396</u>	<u>\$ 36,752,396</u>	<u>\$ 37,675,605</u>	<u>\$ 923,209</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, 2024

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 10,400,000	\$ 10,400,000	\$ 10,654,670	\$ 254,670
EXPENDITURES				
Current expenditures:				
Education	10,400,000	10,400,000	10,645,701	(245,701)
NET CHANGES IN FUND BALANCES	-	-	8,969	8,969
FUND BALANCE AT BEGINNING OF YEAR	(410,854)	(410,854)	(410,854)	-
FUND BALANCE AT END OF YEAR	<u>\$ (410,854)</u>	<u>\$ (410,854)</u>	<u>\$ (401,885)</u>	<u>\$ 8,969</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SEPTEMBER 30, 2024

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, 2024

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund Roy Ingle</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,973,359	\$ 411,656	\$ 9,447	\$ 3,394,462
Certificates of deposit	1,529,916	-	112,593	1,642,509
Interest receivable	-	-	1,218	1,218
Due from other funds	45,890	-	-	45,890
Due from other governmental units	319,964	1,790,350	-	2,110,314
TOTAL ASSETS	<u><u>\$ 4,869,129</u></u>	<u><u>\$ 2,202,006</u></u>	<u><u>\$ 123,258</u></u>	<u><u>\$ 7,194,393</u></u>
LIABILITIES				
Accounts payable	\$ 18,077	\$ 1,758,303	\$ -	\$ 1,776,380
Due to other funds	3,945	96,245	-	100,190
Total liabilities	22,022	1,854,548	-	1,876,570
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	117,187	-	-	117,187
Total deferred inflows of resources	117,187	-	-	117,187
FUND BALANCES				
Nonspendable:				
Permanent fund principal	-	-	104,719	104,719
Restricted for:				
Realty improvements and Ingle Park	-	-	18,539	18,539
Highways and streets	555,501	-	-	555,501
Capital improvements	3,999,752	-	-	3,999,752
Jail, correction and court facilities	41,479	-	-	41,479
Municipal Court	15,133	-	-	15,133
Industrial development and recreation	118,055	-	-	118,055
Assigned for:				
Capital projects	-	1,280,771	-	1,280,771
Total fund balances	<u>4,729,920</u>	<u>1,280,771</u>	<u>123,258</u>	<u>6,133,949</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,869,129</u></u>	<u><u>\$ 3,135,319</u></u>	<u><u>\$ 123,258</u></u>	<u><u>\$ 8,127,706</u></u>

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, 2024

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,228,265	\$ -	\$ -	\$ 1,228,265
Intergovernmental revenues	610,019	1,268,234	-	1,878,253
Fines and forfeits	39,127	-	-	39,127
Interest revenue	110,645	636	3,811	115,092
Miscellaneous revenues	-	100,199	-	100,199
Total revenues	1,988,056	1,369,069	3,811	3,360,936
EXPENDITURES				
Current expenditures:				
General government	9,761	1,122	-	10,883
Highways and streets	9,552	1,907,712	-	1,917,264
Capital outlay	299,361	1,263,076	-	1,562,437
Total expenditures	318,674	3,171,910	-	3,490,584
REVENUES OVER (UNDER) EXPENDITURES	1,669,382	(1,802,841)	3,811	(129,648)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	14,589,727	-	14,589,727
Operating transfers out	(803,700)	(14,526,544)	-	(15,330,244)
Total other financing sources	(803,700)	63,183	-	(740,517)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	865,682	(1,739,658)	3,811	(870,165)
FUND BALANCE AT BEGINNING OF YEAR	3,864,238	2,087,116	119,447	6,070,801
FUND BALANCE AT END OF YEAR	\$ 4,729,920	\$ 347,458	\$ 123,258	\$ 5,200,636

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	Rebuild Alabama Gas Tax	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Lodging Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Court Judicial Admin Fund	Total
ASSETS									
Cash equivalents	\$ 129,493	\$ 19,565	\$ 339,791	\$ 1,499,522	\$ 813,908	\$ 118,055	\$ 39,151	\$ 13,874	\$ 2,973,359
Certificates of deposit	-	-	-	1,529,916	-	-	-	-	1,529,916
Due from other funds	42,303	-	-	-	-	-	2,328	1,259	45,890
Due from other governmental units	24,851	18,303	23,544	253,266	-	-	-	-	319,964
TOTAL ASSETS	<u>\$ 196,647</u>	<u>\$ 37,868</u>	<u>\$ 363,335</u>	<u>\$ 3,282,704</u>	<u>\$ 813,908</u>	<u>\$ 118,055</u>	<u>\$ 41,479</u>	<u>\$ 15,133</u>	<u>\$ 4,869,129</u>
LIABILITIES									
Accounts payable	\$ 10,695	\$ -	\$ -	\$ 7,382	\$ -	\$ -	\$ -	\$ -	\$ 18,077
Due to other funds	1,972	1,973	-	-	-	-	-	-	3,945
Total liabilities	12,667	1,973	-	7,382	-	-	-	-	22,022
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	11,263	8,155	8,291	89,478	-	-	-	-	117,187
FUND BALANCES									
Restricted for:									
Highways and streets	172,717	27,740	355,044	-	-	-	-	-	555,501
Capital improvements	-	-	-	3,185,844	813,908	-	-	-	3,999,752
Jail, correction and court facilities	-	-	-	-	-	-	41,479	-	41,479
Municipal Court	-	-	-	-	-	-	-	15,133	15,133
Industrial development and recreation	-	-	-	-	-	118,055	-	-	118,055
Total fund balances	<u>172,717</u>	<u>27,740</u>	<u>355,044</u>	<u>3,185,844</u>	<u>813,908</u>	<u>118,055</u>	<u>41,479</u>	<u>15,133</u>	<u>4,729,920</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 196,647</u>	<u>\$ 37,868</u>	<u>\$ 363,335</u>	<u>\$ 3,282,704</u>	<u>\$ 813,908</u>	<u>\$ 118,055</u>	<u>\$ 41,479</u>	<u>\$ 15,133</u>	<u>\$ 4,869,129</u>

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, 2024

	Rebuild Alabama Gas Tax	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Lodging Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Court Judicial Admin Fund	Total
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 1,215,765	\$ -	\$ 12,500	\$ -	\$ -	\$ 1,228,265
Intergovernmental revenues	140,161	109,361	186,823	-	173,674	-	-	-	610,019
Fines and forfeits	-	-	-	-	-	-	22,854	16,273	39,127
Interest revenue	5,073	-	8,668	93,062	3,842	-	-	-	110,645
Total revenues	145,234	109,361	195,491	1,308,827	177,516	12,500	22,854	16,273	1,988,056
EXPENDITURES									
Current expenditures:									
General government	-	-	-	-	-	-	3,115	6,646	9,761
Highway and streets	9,552	-	-	-	-	-	-	-	9,552
Capital outlay	119,165	118,994	61,202	-	-	-	-	-	299,361
Total expenditures	128,717	118,994	61,202	-	-	-	3,115	6,646	318,674
REVENUES OVER (UNDER) EXPENDITURES	16,517	(9,633)	134,289	1,308,827	177,516	12,500	19,739	9,627	1,669,382
OTHER FINANCING USES									
Operating transfers out	-	-	-	(700,000)	-	-	(65,400)	(38,300)	(803,700)
Total other financing uses	-	-	-	(700,000)	-	-	(65,400)	(38,300)	(803,700)
REVENUES OVER (UNDER)									
EXPENDITURES AND OTHER USES	16,517	(9,633)	134,289	608,827	177,516	12,500	(45,661)	(28,673)	865,682
FUND BALANCE AT BEGINNING OF YEAR	156,200	37,373	220,755	2,577,017	636,392	105,555	87,140	43,806	3,864,238
FUND BALANCE AT END OF YEAR	<u>\$ 172,717</u>	<u>\$ 27,740</u>	<u>\$ 355,044</u>	<u>\$ 3,185,844</u>	<u>\$ 813,908</u>	<u>\$ 118,055</u>	<u>\$ 41,479</u>	<u>\$ 15,133</u>	<u>\$ 4,729,920</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	<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	\$ 289,304	\$ 5,144	\$ 14,220	\$ 9,071	\$ 77,752	\$ 16,165	\$ 411,656
Due from other governmental units	1,106,069	-	604,281	80,000	-	-	1,790,350
TOTAL ASSETS	<u>\$ 1,395,373</u>	<u>\$ 5,144</u>	<u>\$ 618,501</u>	<u>\$ 89,071</u>	<u>\$ 77,752</u>	<u>\$ 16,165</u>	<u>\$ 2,202,006</u>
LIABILITIES							
Accounts payable	\$ 200,093	\$ -	\$ 1,551,814	\$ 3,395	\$ 3,001	\$ -	\$ 1,758,303
Due to other funds	-	-	-	53,942	42,303	-	96,245
Total liabilities	200,093	-	1,551,814	57,337	45,304	-	1,854,548
FUND BALANCES							
Assigned for:							
Capital activities	1,195,280	5,144	-	31,734	32,448	16,165	1,280,771
Unassigned	-	-	(933,313)	-	-	-	(933,313)
Total fund balances	<u>1,195,280</u>	<u>5,144</u>	<u>(933,313)</u>	<u>31,734</u>	<u>32,448</u>	<u>16,165</u>	<u>347,458</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,395,373</u>	<u>\$ 5,144</u>	<u>\$ 618,501</u>	<u>\$ 89,071</u>	<u>\$ 77,752</u>	<u>\$ 16,165</u>	<u>\$ 2,202,006</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, 2024

	<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	\$ -	\$ -	\$ 563,161	\$ 695,000	\$ -	\$ 10,073	\$ 1,268,234
Interest revenue	-	-	433	-	203	-	636
Miscellaneous revenues	-	-	199	100,000	-	-	100,199
Total revenues	-	-	563,793	795,000	203	10,073	1,369,069
EXPENDITURES							
Current expenditures:							
General government	1,122	-	-	-	-	-	1,122
Highways and streets	-	-	-	1,907,712	-	-	1,907,712
Capital outlay	201,782	-	(3,181)	-	1,005,798	58,677	1,263,076
Total expenditures	202,904	-	(3,181)	1,907,712	1,005,798	58,677	3,171,910
REVENUES OVER (UNDER) EXPENDITURES	(202,904)	-	566,974	(1,112,712)	(1,005,595)	(48,604)	(1,802,841)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	81,385	-	13,097,957	1,346,000	1,385	63,000	14,589,727
Operating transfers out	-	-	(14,476,544)	(50,000)	-	-	(14,526,544)
Total other financing sources (uses)	81,385	-	(1,378,587)	1,296,000	1,385	63,000	63,183
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(121,519)	-	(811,613)	183,288	(1,004,210)	14,396	(1,739,658)
FUND BALANCE AT BEGINNING OF YEAR	1,316,799	5,144	(121,700)	(151,554)	1,036,658	1,769	2,087,116
FUND BALANCE AT END OF YEAR	<u>\$ 1,195,280</u>	<u>\$ 5,144</u>	<u>\$ (933,313)</u>	<u>\$ 31,734</u>	<u>\$ 32,448</u>	<u>\$ 16,165</u>	<u>\$ 347,458</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF NET POSITION – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2024

	Water Department	Utilities Board – Water Division	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,817,499	\$ 326,886	\$ -	\$ 6,144,385
Certificates of deposit	2,147,146	-	-	2,147,146
U.S. Treasury bills	10,432,257	-	-	10,432,257
Accounts receivable	4,247,758	-	-	4,247,758
Interest receivable	190,042	-	-	190,042
Due to/from other funds	330,044	-	(322,388)	7,656
Due from other governmental units	307	132	-	439
Inventories	1,044,035	-	-	1,044,035
Prepaid insurance	159,246	451,858	-	611,104
Prepaid utility tax	42,000	-	-	42,000
Other assets	2,064	-	-	2,064
Total current assets	24,412,398	778,876	(322,388)	24,868,886
RESTRICTED ASSETS				
Cash and cash equivalents	-	4,259,473	-	4,259,473
State revolving funds receivable	-	1,364,700	-	1,364,700
Total restricted assets	-	5,624,173	-	5,624,173
CAPITAL ASSETS				
Land and other assets not being depreciated	266,755	11,654,985	-	11,921,740
Construction in progress	6,486,475	-	-	6,486,475
Buildings, improvements and equipment, net of depreciation	26,875,108	153,325,207	-	180,200,315
Total capital assets	33,628,338	164,980,192	-	198,608,530
OTHER ASSETS				
Subscription lease right-of-use assets, net	63,032	-	-	63,032
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows – OPEB	-	43,846	-	43,846
Deferred outflows – Pensions	710,518	828,537	-	1,539,055
Total deferred outflows of resources	710,518	872,383	-	1,582,901
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 58,814,286	\$ 172,255,624	\$ (322,388)	\$ 230,747,522

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF NET POSITION – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2024

	Water Department	Utilities Board – Water Division	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable:				
Trade	\$ 37,125	\$ 422,278	\$ -	\$ 459,403
Utility tax payable	44,101	-	-	44,101
Due to other governmental units	5,565	-	-	5,565
Interfund payables	225,712	285,237	(322,388)	188,561
Accrued payroll	47,512	24,867	-	72,379
Estimated compensated absences – current portion	47,429	120,148	-	167,577
Total current liabilities	407,444	852,530	(322,388)	937,586
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued interest payable	-	265,012	-	265,012
Current maturities on warrants/bonds payable	-	4,220,000	-	4,220,000
Total liabilities payable from restricted assets	-	4,485,012	-	4,485,012
NONCURRENT LIABILITIES				
Warrants/bonds payable	-	98,470,000	-	98,470,000
Unamortized debt discount	-	(247,397)	-	(247,397)
Unamortized debt premium	-	2,397,187	-	2,397,187
Other postemployment benefits	-	119,818	-	119,818
Net pension liability	1,680,095	1,822,956	-	3,503,051
Estimated compensated absences	129,825	88,222	-	218,047
Subscription lease liability	52,596	-	-	52,596
Total noncurrent liabilities	1,862,516	102,650,786	-	104,513,302
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - OPEB	-	393,545	-	393,545
Deferred Inflows - Pensions	(27,897)	102,004	-	74,107
Total deferred inflows of resources	(27,897)	495,549	-	467,652
NET POSITION				
Net invested in capital assets	33,628,338	60,140,402	-	93,768,740
Restricted for capital activity and debt service	-	1,139,161	-	1,139,161
Unrestricted	22,943,885	2,492,184	-	25,436,069
Total net position	56,572,223	63,771,747	-	120,343,970
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 58,814,286</u>	<u>\$ 172,255,624</u>	<u>\$ (322,388)</u>	<u>\$ 230,747,522</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Water Department	Utilities Board – Water Division	Eliminations	Total
REVENUES				
Charges for sales and services	\$ 23,594,891	\$ 13,955,707	\$ (13,955,707)	\$ 23,594,891
Charges for service connections	291,638	-	-	291,638
Service charges	233,248	-	-	233,248
Miscellaneous revenues	815,928	61,050	-	876,978
Total revenues	24,935,705	14,016,757	(13,955,707)	24,996,755
OPERATING EXPENSES				
Cost of water purchased	13,955,707	-	(13,955,707)	-
Operating expenses	6,374,299	6,595,418	-	12,969,717
Depreciation expense	1,622,372	3,686,860	-	5,309,232
Total operating expenses	21,952,378	10,282,278	(13,955,707)	18,278,949
OPERATING INCOME	2,983,327	3,734,479	-	6,717,806
NONOPERATING REVENUES AND EXPENSES				
Interest earned	776,214	332,353	-	1,108,567
Interest expense	(1,228)	(3,162,556)	-	(3,163,784)
Trustee fees	-	(16,155)	-	(16,155)
Total nonoperating revenues and expenses	774,986	(2,846,358)	-	(2,071,372)
Change in net position before capital contributions and transfers	3,758,313	888,121	-	4,646,434
CHANGE IN NET POSITION	3,758,313	888,121	-	4,646,434
NET POSITION AT BEGINNING OF YEAR	52,813,910	62,883,626	-	115,697,536
NET POSITION AT END OF YEAR	\$ 56,572,223	\$ 63,771,747	\$ -	\$ 120,343,970

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Water Department	Utilities Board – Water Division	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 25,095,440	\$ 14,157,483	\$ (17,651,919)	\$ 21,601,004
Cash payments for purchased water	(13,955,707)	(3,696,212)	17,651,919	-
Cash payments to vendors and suppliers	(2,815,523)	-	-	(2,815,523)
Cash payments for salaries and related benefits	(3,461,315)	(2,269,778)	-	(5,731,093)
Net cash provided by operating activities	4,862,895	8,191,493	-	13,054,388
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances (made) repaid to Utilities Board – Water Division	776,106	(776,106)	-	-
Changes in interfund receivables/payables	(291,353)	-	-	(291,353)
Net cash provided by (used in) noncapital financing activities	484,753	(776,106)	-	(291,353)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction – capital assets	(3,676,854)	(284,605)	-	(3,961,459)
Interest paid	(1,228)	(3,301,884)	-	(3,303,112)
Trustee fees	-	(16,155)	-	(16,155)
Principal payments of long-term debt	(107,398)	(4,090,000)	-	(4,197,398)
Net cash used in capital and related financing activities	(3,785,480)	(7,692,644)	-	(11,478,124)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of certificates of deposit	(2,047,146)	-	-	(2,047,146)
Purchase of U.S. treasury bills	(432,237)	-	-	(432,237)
Interest received	644,301	332,353	-	976,654
Net cash (used in) provided by investing activities	(1,835,082)	332,353	-	(1,502,729)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(272,914)	55,096	-	(217,818)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,090,413	4,531,263	-	10,621,676
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,817,499</u>	<u>\$ 4,586,359</u>	<u>\$ -</u>	<u>\$10,403,858</u>
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING				
Cash equivalents – current assets	\$ 5,817,499	\$ 326,886	\$ -	\$ 6,144,385
Cash equivalents – restricted assets	-	4,259,473	-	4,259,473
	<u>\$ 5,817,499</u>	<u>\$ 4,586,359</u>	<u>\$ -</u>	<u>\$10,403,858</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Water Department</u>	<u>Utilities Board - Water Division</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET			
CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 2,983,327	\$ 3,734,479	\$ 6,717,806
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,622,372	3,686,860	5,309,232
Amortization	2,176	-	2,176
Change in:			
Accounts receivable, net	159,381	140,530	299,911
Due from other governments	354	-	354
State revolving funds receivable	-	315,473	315,473
Inventories	(74,577)	-	(74,577)
Prepaid insurance	(41,510)	(133,825)	(175,335)
Deferred outflows of resources – pension	317,827	(118,569)	199,258
Accounts payable	3,363	349,961	353,324
Utility tax payable	(25,715)	-	(25,715)
Accrued payroll	15,171	6,546	21,717
Due to other governments	(813)	-	(813)
Compensated absences	26,904	(122,926)	(96,022)
Other postemployment benefits	-	15,884	15,884
Net pension liability	(122,834)	378,355	255,521
Deferred inflows of resources – pension	(2,531)	(61,275)	(63,806)
Net cash provided by operating activities	<u>\$ 4,862,895</u>	<u>\$ 8,191,493</u>	<u>\$ 13,054,388</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2024**

General Obligation Warrant Series 2016			
Due Date July 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	5.00%	\$ 865,000	\$ 537,650
2026	5.00%	905,000	494,400
2027	5.00%	950,000	449,150
2028	5.00%	1,000,000	401,650
2029	5.00%	1,045,000	351,650
2030	5.00%	1,100,000	299,400
2031	3.25%	1,160,000	244,400
2032	3.25%	1,190,000	206,700
2033	3.25%	1,230,000	168,025
2034	3.25%	1,270,000	128,050
2035	3.25%	1,310,000	86,775
2036	3.25%	1,360,000	44,200
		<u>\$ 13,385,000</u>	<u>\$ 3,412,050</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2024**

General Obligation Warrant Series 2021			
Due Date April 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	3.00%	\$ 635,000	\$ 958,350
2026	4.00%	655,000	939,300
2027	4.00%	680,000	913,100
2028	4.00%	710,000	885,900
2029	4.00%	740,000	857,500
2030	4.00%	765,000	827,900
2031	4.00%	795,000	797,300
2032	4.00%	830,000	765,500
2033	4.00%	860,000	732,300
2034	4.00%	895,000	697,900
2035	4.00%	935,000	662,100
2036	3.00%	970,000	624,700
2037	3.00%	1,000,000	595,600
2038	3.00%	1,030,000	565,600
2039	3.00%	1,060,000	534,700
2040	3.00%	1,090,000	502,900
2041	3.00%	1,125,000	470,200
2042	4.00%	1,160,000	436,450
2043	4.00%	1,205,000	390,050
2044	4.00%	1,255,000	341,850
2045	4.00%	1,305,000	291,650
2046	4.00%	1,355,000	239,450
2047	2.50%	1,410,000	185,250
2048	2.50%	1,445,000	150,000
2049	2.50%	1,480,000	113,875
2050	2.50%	1,520,000	76,875
2051	2.50%	1,555,000	38,875
		\$ 28,465,000	\$ 14,595,175

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2024

General Obligation Warrant Series 2023			
Due Date April 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	5.00%	\$ 230,000	\$ 611,338
2026	5.00%	240,000	599,838
2027	5.00%	255,000	587,838
2028	5.00%	265,000	575,088
2029	5.00%	280,000	561,838
2030	5.00%	295,000	547,838
2031	5.00%	310,000	533,088
2032	5.00%	325,000	517,588
2033	5.00%	340,000	501,338
2034	5.00%	355,000	484,338
2035	5.00%	375,000	466,588
2036	5.00%	395,000	447,838
2037	5.00%	415,000	428,088
2038	5.00%	430,000	411,488
2039	5.00%	445,000	394,288
2040	5.00%	465,000	376,488
2041	5.00%	485,000	357,888
2042	5.00%	500,000	338,488
2043	5.00%	525,000	317,863
2044	5.00%	545,000	296,206
2045	5.00%	570,000	272,363
2046	5.00%	595,000	247,425
2047	5.00%	620,000	221,394
2048	5.00%	645,000	194,269
2049	5.00%	675,000	166,050
2050	5.00%	705,000	135,675
2051	5.00%	735,000	103,950
2052	5.00%	770,000	70,875
2053	5.00%	805,000	36,225
		<u>\$ 13,595,000</u>	<u>\$ 10,803,579</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2024

General Obligation Sewer Warrant
Series 2015-CWSRF-DL

Due Date February 15	Interest Rate	Amount of Maturity	Amount of Interest
2025	2.25%	\$ 195,000	\$ 52,031
2026	2.25%	200,000	47,588
2027	2.25%	205,000	43,031
2028	2.25%	210,000	38,363
2029	2.25%	215,000	33,581
2030	2.25%	220,000	28,688
2031	2.25%	220,000	23,738
2032	2.25%	225,000	18,731
2033	2.25%	235,000	13,556
2034	2.25%	240,000	8,213
2035	2.25%	245,000	2,756
		<u>\$ 2,410,000</u>	<u>\$ 310,276</u>

General Obligation Sewer Warrant
Series 2015B-CWSRF-DL

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
2025	2.20%	\$ 170,000	\$ 46,090
2026	2.20%	175,000	42,350
2027	2.20%	180,000	38,500
2028	2.20%	180,000	34,540
2029	2.20%	185,000	30,580
2030	2.20%	190,000	26,510
2031	2.20%	195,000	22,330
2032	2.20%	200,000	18,040
2033	2.20%	205,000	13,640
2034	2.20%	205,000	9,130
2035	2.20%	210,000	4,620
		<u>\$ 2,095,000</u>	<u>\$ 286,330</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2024

General Obligation Sewer Warrant
Series 2020-CWSRF-DL

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
2025	2.20%	\$ 315,000	\$ 126,885
2026	2.20%	320,000	119,900
2027	2.20%	325,000	112,805
2028	2.20%	335,000	105,545
2029	2.20%	340,000	98,120
2030	2.20%	350,000	90,530
2031	2.20%	355,000	82,775
2032	2.20%	365,000	74,855
2033	2.20%	370,000	66,770
2034	2.20%	380,000	58,520
2035	2.20%	390,000	50,050
2036	2.20%	400,000	41,360
2037	2.20%	405,000	32,505
2038	2.20%	415,000	23,485
2039	2.20%	425,000	14,245
2040	2.20%	435,000	4,785
		<u>\$ 5,925,000</u>	<u>\$ 1,103,135</u>

General Obligation Sewer Warrant
Series 2023-CWSRF-DL

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
2025	1.99%	\$ 165,000	\$ 70,744
2026	1.99%	170,000	67,461
2027	1.99%	175,000	64,078
2028	1.99%	175,000	60,596
2029	1.99%	180,000	57,113
2030	1.99%	185,000	53,531
2031	1.99%	185,000	49,850
2032	1.99%	190,000	46,168
2033	1.99%	195,000	42,387
2034	1.99%	200,000	38,506
2035	1.99%	200,000	34,527
2036	1.99%	205,000	30,546
2037	1.99%	210,000	26,467
2038	1.99%	215,000	22,288
2039	1.99%	220,000	18,010
2040	1.99%	225,000	13,632
2041	1.99%	230,000	9,154
2042	1.99%	230,000	4,577
		<u>\$ 3,555,000</u>	<u>\$ 709,635</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM REVENUE BONDS
SEPTEMBER 30, 2024

Water Revenue Bonds			
Series 2015-A			
Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	3.00%	\$ 235,000	\$ 1,525,994
2026	3.00%	1,000,000	1,518,944
2027	3.00%	1,030,000	1,488,944
2028	3.00%	1,065,000	1,458,043
2029	3.13%	1,095,000	1,426,094
2030	3.25%	1,130,000	1,391,875
2031	3.25%	1,165,000	1,355,150
2032	5.00%	1,200,000	1,317,288
2033	5.00%	1,260,000	1,257,288
2034	5.00%	1,325,000	1,194,288
2035	5.00%	1,390,000	1,128,038
2036	3.50%	1,460,000	1,058,536
2037	3.75%	2,565,000	1,007,438
2038	3.75%	2,660,000	911,250
2039	3.75%	2,760,000	811,500
2040	3.75%	2,865,000	708,000
2041	3.75%	2,970,000	600,562
2042	3.75%	3,080,000	489,187
2043	3.75%	3,200,000	373,687
2044	3.75%	3,320,000	253,687
2045	3.75%	3,445,000	129,189
		<u>\$ 40,220,000</u>	<u>\$ 21,404,982</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM REVENUE BONDS
SEPTEMBER 30, 2024**

Water Revenue Bonds

Series 2015-B

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	2.20%	\$ 745,000	\$ 16,353
		<u>\$ 745,000</u>	<u>\$ 16,353</u>

Water Revenue Bonds

Series 2017-DWSRF-DL

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	2.20%	\$ 1,135,000	\$ 359,425
2026	2.20%	1,160,000	334,180
2027	2.20%	1,185,000	308,385
2028	2.20%	1,215,000	281,985
2029	2.20%	1,240,000	254,980
2030	2.20%	1,270,000	227,370
2031	2.20%	1,295,000	199,155
2032	2.20%	1,325,000	170,335
2033	2.20%	1,355,000	140,855
2034	2.20%	1,385,000	110,715
2035	2.20%	1,415,000	79,915
2036	2.20%	1,445,000	48,455
2037	2.20%	1,480,000	16,280
		<u>\$ 16,905,000</u>	<u>\$ 2,532,035</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM REVENUE BONDS
SEPTEMBER 30, 2024

Water Revenue Bonds Series 2020-DWSRF-DL			
Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	2.20%	\$ 270,000	\$ 104,280
2026	2.20%	275,000	98,340
2027	2.20%	280,000	92,290
2028	2.20%	290,000	86,130
2029	2.20%	295,000	79,750
2030	2.20%	300,000	73,260
2031	2.20%	310,000	66,660
2032	2.20%	315,000	59,840
2033	2.20%	320,000	52,910
2034	2.20%	330,000	45,870
2035	2.20%	335,000	38,610
2036	2.20%	345,000	31,240
2037	2.20%	350,000	23,650
2038	2.20%	360,000	15,950
2039	2.20%	365,000	8,030
		<u>\$ 4,740,000</u>	<u>\$ 876,810</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM REVENUE BONDS
SEPTEMBER 30, 2024

Water Revenue Bonds			
Series 2020			
Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2025	4.00%	\$ 1,835,000	\$ 1,161,609
2026	3.00%	1,905,000	1,088,209
2027	3.00%	1,965,000	1,031,059
2028	3.00%	2,020,000	972,109
2029	3.00%	2,085,000	911,509
2030	4.00%	2,145,000	848,959
2031	4.00%	2,230,000	763,159
2032	2.00%	2,320,000	673,959
2033	2.00%	2,370,000	627,559
2034	2.13%	2,410,000	580,159
2035	2.13%	2,465,000	528,946
2036	2.25%	2,520,000	476,565
2037	4.00%	2,575,000	419,865
2038	4.00%	2,680,000	316,865
2039	2.40%	2,785,000	209,665
2040	2.45%	2,850,000	142,825
2041	2.50%	2,920,000	73,000
		<u>\$ 40,080,000</u>	<u>\$ 10,826,021</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF CULLMAN REGIONAL AIRPORT BOARD'S GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2024

Airport General Obligation Warrant				
Series 2022				
Due Date	Interest	Amount of	Amount of	
September 1	Rate	Maturity	Interest	
2025	2.95%	\$ 187,074	\$ 44,354	
2026	2.95%	192,750	38,682	
2027	2.95%	198,595	32,836	
2028	2.95%	204,543	26,888	
2029	2.95%	210,819	20,611	
2030	2.95%	217,211	14,218	
2031	2.95%	223,798	7,633	
2032	2.95%	114,225	1,336	
		<u>\$ 1,549,015</u>	<u>\$ 186,558</u>	

The above Warrant is 100% of the debt service maturities for the Airport. However, the Airport is a 50/50 joint venture with Cullman County. Therefore, only 50% of the above debt service is included in the City's financial statements.

See independent auditors' report.

STATISTICAL SECTION

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF SCHOOL TAX TRANSACTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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, 2024:

	Government- Wide Level
REVENUES	
3 mill ad valorem tax	\$ 1,561,953
7.5 mill ad valorem tax	3,904,882
0.5 percent sales tax	<u>5,187,835</u>
Total revenues	<u><u>\$ 10,654,670</u></u>
EXPENDITURES	
Transfers to Cullman City Board of Education	<u><u>\$ 10,645,701</u></u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GENERAL FUND (FIVE YEAR COMPARISON) (Unaudited)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2024	2023	2022	2021	2020
REVENUES					
Taxes	\$ 35,808,388	\$ 36,051,383	\$ 32,945,225	\$ 29,277,318	\$ 25,383,390
Licenses and permits	5,594,261	5,383,867	5,065,053	4,172,184	3,562,540
Intergovernmental revenues	4,767,364	5,464,513	8,174,166	5,704,394	5,754,061
Charges for services	8,547,339	9,137,944	7,506,033	6,760,381	6,301,534
Fines and forfeits	297,863	339,331	245,186	334,523	173,847
Interest revenue	1,090,931	490,421	29,059	82,984	152,487
Miscellaneous revenues	240,768	110,440	251,423	156,988	93,783
Total revenues	56,346,914	56,977,899	54,216,145	46,488,772	41,421,642
EXPENDITURES					
Current expenditures:					
General government	8,590,022	6,487,691	6,332,049	6,134,672	6,298,270
Public safety	15,833,523	14,852,121	14,396,177	13,194,715	12,488,837
Highways and streets	3,419,100	3,080,820	2,903,418	2,713,049	4,055,811
Sanitation	5,353,461	6,042,477	5,397,068	4,360,731	4,318,469
Health and social services	660,360	1,016,684	722,004	681,608	836,973
Culture and recreation	237,988	220,609	213,354	183,124	188,808
Education	771,211	776,231	748,390	156,600	158,778
Conservation	-	100	-	-	99,381
Capital outlay	6,404,107	7,592,449	7,222,461	5,140,427	6,740,368
Total expenditures	41,269,772	40,069,182	37,934,921	32,564,926	35,185,695
OTHER FINANCING SOURCES					
(USES)					
Capital contributions	-	-	-	-	12,440
Sale of assets	296,707	299,911	364,778	-	597,201
Insurance proceeds	157,812	103,362	180,823	88,231	63,864
Operating transfers in	153,700	493,000	240,284	194,000	150,000
Operating transfers out	(14,762,152)	(11,907,472)	(15,142,518)	(9,470,639)	(3,581,983)
Total other financing sources (uses)	(14,153,933)	(11,011,199)	(14,356,633)	(9,188,408)	(2,758,478)
Revenues and other sources over expenditures and other uses	923,209	5,897,518	1,924,591	4,735,438	3,477,469
FUND BALANCE AT BEGINNING OF YEAR	36,752,396	30,854,878	28,930,287	24,194,849	20,717,380
FUND BALANCE AT END OF YEAR	<u>\$ 37,675,605</u>	<u>\$ 36,752,396</u>	<u>\$ 30,854,878</u>	<u>\$ 28,930,287</u>	<u>\$ 24,194,849</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
STATISTICAL DATA (Unaudited)
SEPTEMBER 30, 2024**

Computation of legal debt margin:

Assessed value of real and personal property located within the city limits (Note A)		<u>\$ 498,904,880</u>
Constitutional debt limit (20% of assessed value) (Note B)		99,780,976
Amount of debt applicable to debt limit (Note B)		
General long-term debt outstanding – Governmental Activities	\$ 55,445,000	
Long-term portion of compensated absences	1,572,386	
Add: General obligation warrants included in the Business-type Activities:		
Airport General Obligation Warrant dated 9-14-11	774,508	
Less: Portions of warrants not subject to Constitutional debt limit as follows:		
General Obligation Warrants, Series 2016 dated 2-10-16	(930,871)	
Estimated liability for compensated absences – long-term	<u>(1,572,386)</u>	
	55,288,637	
Accounts payable of the General Fund	<u>573,657</u>	
Debt applicable to constitutional debt limit	55,862,294	
Less: assets available in Debt Service Fund for payment of principal	<u>12,955,682</u>	<u>42,906,612</u>
LEGAL DEBT MARGIN		<u><u>\$ 56,874,364</u></u>

Note A – Obtained from unaudited records maintained by the County of Cullman, Alabama, and excludes exempt property (\$167,408,800).

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, 2024, 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, 2024**

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

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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	\$ 195,000
Community Development Block Grant Program	14.228	LR-CM-CP-22-015	10,074
Total Department of Housing and Urban Development			<u>205,074</u>
Department of Transportation			
Pass-through: Alabama Department of Economic Community Affairs			
Recreational Trails Program	20.219	22-RT-55-002	184,845
Direct Awards			
Airport Improvement Program - ALP	20.106	03-01-0022-033-2022	7,787
	20.106	03-01-0022-035-2024	32,835
Airport Improvement Grant	20.106	03-01-0022-036-2024	69,429
			<u>110,051</u>
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety	20.600	23 FP-PT-027	16,373
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.616	23-ID-ME-028	11,894
Total Highway Safety Cluster			<u>28,267</u>
Total Department of Transportation			<u>323,163</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	516,204
State Revolving Funds	66.458	Series 2020-DWSRF	315,473
State Revolving Funds	66.458	Series 2023-CWSRF	368,739
Total for Environmental Protection Agency			<u>1,200,416</u>
General Services Administration			
Pass-through: Alabama Department of Economic Community Affairs			
Donation for Federal Surplus Personal Property	39.003	N/A	<u>1,755</u>

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

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Federal Grantor / Program or Cluster Title / Pass-Through Grantor / Grant Name	Federal Assistance Listing Number	Grant / Contract Identification Number	Federal Expenditures
Department of Justice Direct			
Direct Awards			
Bullet Proof Vest Partnership Program	16.607	N/A	<u>\$ 6,811</u>
Appalachian Regional Commission			
Direct Awards			
Appalachian Development Highway System	23.002	ARC-AL-21600-2024	378,316
Appalachian Development Highway System	23.002	ARC-AL-21352-2024	<u>500,000</u>
Total Appalachian Regional Commission			<u>878,316</u>
Department of the Treasury			
Direct Awards			
Covid-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>1,150,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,765,535</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, 2024

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, 2024. 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 the Treasury and repayments of loans recognized as program income. As of September 30, 2024, the outstanding loan balance totaled \$14,220,000.

Subrecipients

The City did not provide federal awards to any subrecipients during the year ended September 30, 2024.

**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 19, 2025.

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 19, 2025

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, 2024. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

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 Auditors' 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. 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 19, 2025

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none noted

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X 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 X no

Identification of major programs:

Assistance Listing 23.002 – Appalachian Development Highway System

Assistance Listing 21.027 – Covid – 19 Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? X yes _____ no

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.