

CITY OF CULLMAN, ALABAMA
BASIC FINANCIAL STATEMENTS
With Supplementary Information
September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Cullman, Alabama's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds of the City of Cullman, Alabama as of and for the year ended September 30, 2016, as displayed in the City's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, as well as the aggregate nonmajor governmental funds, of the City of Cullman, Alabama, as of September 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability, the Schedule of Employer Contributions, Budgetary Comparison Information, and Notes to the Required Supplementary Information listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cullman, Alabama's basic financial statements. The combining and individual fund financial statements and schedules and the statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 fund financial statements and schedules listed in the table of contents are fairly stated in all material respects in relation to the financial statements taken as a whole.

Honorable Mayor and Members
of the City Council
City of Cullman, Alabama
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The statistical data as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017, 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 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 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.


CERTIFIED PUBLIC ACCOUNTANTS

Cullman, Alabama
March 24, 2017



CITY OF CULLMAN, ALABAMA

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Cullman, AL 35056-0278

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City Clerk (256) 775-7110
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Management's Discussion and Analysis Concerning the Audited Financial Statements for the Fiscal Year Ended September 30, 2016

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 6th, 1875, and Cullman County was created by the Alabama Legislature in 1877 from sparsely settled areas more or less 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 Garlan E. Gudger, Jr. and the President Pro-tem Jenny Folsom.

Council members (for terms expiring November 3, 2020) are as follows:

Place No. 1	Andy Page	Place No. 2	Garlan E. Gudger, Jr.
Place No. 3	Johnny 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 the 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 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 459 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 the employee's share of health insurance costs and a portion of the family coverage.

The costs of general government, streets and sanitation, public safety, as well as 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 & Recreation Board are accounted for in enterprise funds.

FINANCIAL HIGHLIGHTS

The City's net position increased \$7,953,687 over the course of this year's operation: approximately \$1,329,397 increase in the net position of the governmental activities and \$6,624,290 increase in the business-type activities.

Budgeted revenues in the general fund for fiscal year 2016 were based generally on the previous year's receipts; however, budgeted revenues increased during the year due to the improving local economy. Revenues were \$1,727,740 more than budgeted, while at the same time general fund expenditures were approximately \$1,678,908 less than budgeted.

The most important source of revenue in the general fund for fiscal year 2016 are sales taxes, which produced \$17,394,306 for general purposes and \$3,457,043 for education. The other major sources of revenue in fiscal year 2016 were property taxes in the amount of \$1,360,891 for general purposes and \$3,269,528 for education; business licenses in the amount of \$2,640,890; and sanitation charges in the amount of \$4,774,409.

The City of Cullman receives varying percentages of four separate gross receipt or sales taxes levied in the 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 the 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 non-major 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 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 funds 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 our non-major governmental funds which are added together and presented in single columns in the basic financial statements.

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 City of Cullman's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund 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 statements	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, expenses, and changes in net position Statement of cash flows
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 expense during 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 year, regardless of when cash is received or paid

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 of the government's assets and liabilities. All of the 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 they have changed. Net position--the difference between the City's assets and liabilities--are 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. In order to assess the overall 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, park 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 them on a 50-50 basis. Fifty percent of the Board's assets, liabilities, net position, revenues and expenses are reported under enterprise funds of the City.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds--not 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 Proprietary 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 flow 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 funds - the general fund, school tax fund, and debt service fund.

The distribution and sale of water and the collection and disposal of wastewater for which customers are charged fees are accounted for and reported in **enterprise funds**, one type of Proprietary Fund, 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 & 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**.

CONDENSED FINANCIAL STATEMENTS

The following condensed financial statements serve as indicators for management:

CONDENSED STATEMENT
CITY OF CULLMAN,
September 30,

		Governmental Activities	
		2016	2015
Current assets		\$ 49,258,127	\$ 52,211,327
Restricted assets		5,783,244	2,946,549
Capital assets:			
Land and other assets not depreciated		8,728,696	8,865,708
Buildings, improvements, and equipment net of depreciation		42,722,981	41,139,520
Other assets		398,624	377,049
Deferred outflows of resources		1,972,877	1,025,082
	TOTAL ASSETS	<u>\$ 108,864,549</u>	<u>\$ 106,565,235</u>
Current liabilities		\$ 2,719,763	\$ 3,066,282
Liabilities payable from restricted assets		831,360	790,291
Long-term liabilities		32,197,045	30,476,136
	TOTAL LIABILITIES	<u>\$ 35,748,168</u>	<u>\$ 34,332,709</u>
Deferred inflows of resources		\$ 4,844,531	\$ 5,290,073
Net position:			
Invested in capital assets, net of related liabilities		\$ 34,814,666	\$ 44,636,116
Restricted		3,676,447	4,441,759
Unrestricted		29,780,737	17,864,578
	TOTAL NET POSITION	<u>\$ 68,271,850</u>	<u>\$ 66,942,453</u>
	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 108,864,549</u>	<u>\$ 106,565,235</u>

OF NET POSITION
ALABAMA
2016 and 2015

Business-type Activities		Total	
2016	2015	2016	2015
\$ 8,806,216	\$ 8,811,816	\$ 58,064,343	\$ 61,023,143
16,570,664	36,040,557	22,353,908	38,987,106
112,206,389	100,795,181	120,935,085	109,660,889
107,114,327	97,246,742	149,837,308	138,386,262
443,685	452,086	842,309	829,135
1,446,394	1,038,891	3,419,271	2,063,973
<u>\$ 246,587,675</u>	<u>\$ 244,385,273</u>	<u>\$355,452,224</u>	<u>\$350,950,508</u>
\$ 1,371,754	\$ 1,390,301	\$ 4,091,517	\$ 4,456,583
6,691,537	10,491,285	7,522,897	11,281,576
132,003,881	132,347,495	164,200,926	162,823,631
<u>\$ 140,067,172</u>	<u>\$ 144,229,081</u>	<u>\$175,815,340</u>	<u>\$178,561,790</u>
\$ 230,987	\$ 490,966	\$ 5,075,518	\$ 5,781,039
\$ 88,757,265	\$ 80,980,228	\$123,571,931	\$125,616,344
4,246,275	1,492,699	7,922,722	5,934,458
13,285,976	17,192,299	43,066,713	35,056,877
<u>\$ 106,289,516</u>	<u>\$ 99,665,226</u>	<u>\$174,561,366</u>	<u>\$166,607,679</u>
<u>\$ 246,587,675</u>	<u>\$ 244,385,273</u>	<u>\$355,452,224</u>	<u>\$350,950,508</u>

CONDENSED STATEMENT
CITY OF CULLMAN,
For the year ended September 30,

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for services	\$ 8,720,350	\$ 8,539,383
Operating grants and contributions	1,084,214	668,393
Capital grants and contributions	657,770	320,900
General Revenues:		
Property taxes	4,630,419	4,424,731
Sales taxes	20,851,349	19,155,138
Other taxes	1,831,480	1,771,323
City Board of Education - debt service payments	108,285	94,246
Unrestricted investment earnings	74,942	65,224
Other	2,002,958	2,054,049
TOTAL REVENUES	<u>\$ 39,961,767</u>	<u>\$ 37,093,387</u>
Expenses:		
General government	\$ 5,886,870	\$ 5,343,045
Public safety	10,740,135	9,725,148
Highways and streets	3,520,232	2,872,586
Sanitation	4,554,001	4,505,057
Health and social services	944,247	938,441
Culture and recreation	238,129	233,792
Education	6,881,978	6,364,581
Conservation	48,635	69,595
Interest on long-term debt	356,011	267,494
Sewer	-	-
Water	-	-
Parks and Recreation	-	-
Gymnastics	-	-
Golf course	-	-
Wellness and Aquatic Center	-	-
Airport	-	-
TOTAL EXPENSES	<u>\$ 33,170,238</u>	<u>\$ 30,319,739</u>
INCREASE IN NET POSITION BEFORE EXTRAORDINARY ITEM, SPECIAL ITEM, AND TRANSFERS	\$ 6,791,529	\$ 6,773,648
Extraordinary item - impairment loss	-	-
Special item - flood damage	-	-
Intergovernmental transfers	(723,002)	(1,245,588)
Transfers	(4,739,130)	(4,290,141)
INCREASE IN NET POSITION	<u>\$ 1,329,397</u>	<u>\$ 1,237,919</u>
Net position at October 1, as previously reported	\$ 66,942,453	\$ 75,426,874
(Deduct) adjustment for the cumulative effect on prior years for implementation of GASB 68, <i>Accounting and Financial Reporting for Pensions</i> (Note XI)	-	(9,722,340)
Net position at October 1, as restated	<u>\$ 66,942,453</u>	<u>\$ 65,704,534</u>
NET POSITION AT END OF YEAR	<u>\$ 68,271,850</u>	<u>\$ 66,942,453</u>

OF ACTIVITIES
ALABAMA
2016 and 2015

Business-type Activities		Total	
2016	2015	2016	2015
\$ 26,587,609	\$ 24,373,446	\$ 35,307,959	\$ 32,912,829
-	-	1,084,214	668,393
685,884	5,098,698	1,343,654	5,419,598
-	-	4,630,419	4,424,731
-	-	20,851,349	19,155,138
225,275	239,538	2,056,755	2,010,861
-	-	108,285	94,246
63,773	22,724	138,715	87,948
(54,441)	21,668	1,948,517	2,075,717
\$ 27,508,100	\$ 29,756,074	\$ 67,469,867	\$ 66,849,461
\$ -	\$ -	\$ 5,886,870	\$ 5,343,045
-	-	10,740,135	9,725,148
-	-	3,520,232	2,872,586
-	-	4,554,001	4,505,057
-	-	944,247	938,441
-	-	238,129	233,792
-	-	6,881,978	6,364,581
-	-	48,635	69,595
-	-	356,011	267,494
5,801,863	5,281,499	5,801,863	5,281,499
7,294,986	7,012,386	7,294,986	7,012,386
3,435,334	3,623,171	3,435,334	3,623,171
572,857	528,844	572,857	528,844
846,991	885,352	846,991	885,352
3,728,257	3,607,989	3,728,257	3,607,989
650,140	672,651	650,140	672,651
\$ 22,330,428	\$ 21,611,892	\$ 55,500,666	\$ 51,931,631
\$ 5,177,672	\$ 8,144,182	\$ 11,969,201	\$ 14,917,830
(883,107)	-	(883,107)	-
(500,000)	-	(500,000)	-
(1,909,405)	-	(2,632,407)	(1,245,588)
4,739,130	4,290,141	-	-
\$ 6,624,290	\$ 12,434,323	\$ 7,953,687	\$ 13,672,242
\$ 99,665,226	\$ 91,473,679	\$ 166,607,679	\$ 166,900,553
-	(4,242,776)	-	(13,965,116)
\$ 99,665,226	\$ 87,230,903	\$ 166,607,679	\$ 152,935,437
\$ 106,289,516	\$ 99,665,226	\$ 174,561,366	\$ 166,607,679

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City of Cullman completed the year, its general fund reported a combined fund balance of \$25,987,099 as compared with the previous year's balance of \$25,594,857. The revenues of the general fund increased by \$2,120,202 (7.1%) due to an increase in sales tax and business licenses. The expenditures of the general fund increased by \$1,969,829 (8.3%) due to an increase in public safety and capital outlay. The funds appropriated for the Cullman City Parks and Recreation Board are reflected in "Other Financing Uses" as a transfer to the proprietary Cullman City Parks and Recreation Board.

The total net position for the City of Cullman increased by \$7,953,687 due to an increase in tax revenues and charges for services. The City's financial position significantly increased.

The City has pledged \$900,000 to the Cullman Regional Medical Center (CRMC) Foundations' Refresh-A-Room Campaign. The City is giving CRMC \$180,000 per year for five years. As of September 30, 2016, the City had expended \$720,000 towards the pledge.

The City has entered into an infrastructure grant agreement with Exit 310, LLC for reimbursements of certain public infrastructures costs for Highway 157 and St. Joseph Street not to exceed \$1,100,000. As of September 30, 2016, the City has incurred \$1,100,000 in costs under the agreement.

The City has entered into a special economic development agreement with MRP Cullman, LLC. Under the agreement, the City will make the following economic development payments for the project area:

- a) From September 1, 2013 through August 31, 2016, the City shall pay the developer one-half (1/2) of the sales tax received from existing project businesses collected.
- b) From the period beginning on the first to occur of (i) the date on which the first new project business opens for business in the project area or (ii) September 1, 2015 and ending on the seventh anniversary of the date on which the period begins, the City shall pay \$45,250 per quarter (\$181,000 annually) plus one-half (1/2) of the remaining of the new business sales tax proceeds received.
- c) On February 1 in each year from 2014 through 2023, the City shall pay the developer all of the property tax proceeds received for the project area.
- d) The City also funded public infrastructure improvements, of general public benefit, along U.S. Highway 31 simultaneously with the re-development of the project at a total upfront cost of \$175,000.
- e) The total commitment of the City is not to exceed \$6,000,000. As of September 30, 2016, the City's total commitment incurred is \$2,988,817.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- 1) To move budgeted amounts from one line item to another to accurately reflect the category to which the expenditure was charged;
- 2) 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.
- 3) Increases in appropriations to prevent budget overruns.

Transfers out of the General Fund, \$1,567,493 were more than the budgeted amount due to unexpected increases in transfers to capital and debt service funds.

The revenues and expenditures in the school tax fund were not increased to actual amounts. The expenditures were \$594,571 in excess of the budgeted amount, and the revenues were \$573,098 in excess of the budgeted amount. All the revenues in the school tax fund are distributed to the City Board of Education.

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.

Governmental Activities:

As of July 2013, the State of Alabama awarded Alabama Transportation Rehabilitation and Improvement Program (ATRIP) grant money to Cullman County, which was to be allocated to various projects within Cullman County. Of the total award, the City has currently been allocated the following amounts:

- a) \$1,390,497 for the bridge and realignment on Convent Road Northeast and Larkwood Drive over Eightmile Creek. The City expects to provide \$347,624 in matching funds.
- b) \$1,634,704 for the raising of the road surface approximately 8 feet of elevation, installation of a new pre-cast concrete arch culvert, and associated site grading and resurfacing of approximately 1,200 feet of roadway on Eva Road over Bridge Creek. The City expects to provide \$408,676 in matching funds.

The City will not receive the actual funding agreements for these projects until all estimates have been finalized. However, these amounts are on the list of selected projects found on the Alabama Department of Transportation (ALDOT) website.

As of July 2015, the City received a Staffing for Adequate Fire and Emergency Response (SAFER) grant award in the amount of \$1,137,816 from the Federal Emergency Management Agency (FEMA) to hire additional firefighters for the City during the period from March 18, 2016 through March 17, 2018. The City is not required to provide a match for this grant. As of September 30, 2016, the City had incurred \$292,167 in costs related to this grant.

The City has a grant from the Federal Transportation Alternatives Program funds through the Alabama Department of Transportation in the amount of \$385,060 for the Downtown Streetscape project. The City is to provide a match of \$96,265. Cullman County has agreed to cover half of the required matching funds. As of September 30, 2016, the City has not incurred any costs on the grant.

The City has a grant from the Federal Transportation Alternatives Program funds through the Alabama Department of Transportation in the amount of \$400,000 for the Downtown Streetscape project. The City is to provide a match of \$100,000. As of September 30, 2016 the City has not incurred any costs on the grant.

As of February 2016, the City awarded a contract to Lathan Associates Architects, P.C. for the new street department facility on Mitchell Road in the amount not to exceed \$53,200. As of September 30, 2016, none had been incurred on the contract.

The City has a grant from the Federal Emergency Management Agency (FEMA) in the amount of \$535,316 to repair Larkwood Drive, NE, which was damaged by the December 2015 floods. The City also has a matching grant from the State of Alabama for \$89,219 for this project. The City expects to provide a match of \$89,219. As of September 30, 2016, the City had not incurred any costs on this project.

The City awarded a contract in March 2016 to Stone & Sons Electrical Contractors, Inc. for the installation of a traffic signal at the intersection of 1st Avenue, SE and 4th Street, SE in the amount of \$80,300. As of September 30, 2016, the City had not incurred any costs on the contract.

Business-Type Activities:

Sewer Operation

The Sewer Fund has a grant in the amount of \$10,979 from FEMA and a matching grant from the State of Alabama in the amount of \$1,830 for roads and embankment costs at the wastewater treatment plant. The Sewer Fund is required to provide a match of \$1,830 for the grants. As of September 30, 2016, no costs had been incurred on the grants.

The Sewer Fund has a grant in the amount of \$283,172 from FEMA and a matching grant from the State of Alabama in the amount of \$47,195 for emergency protective measures for chemical costs to treat wastewater until the UV Light Treatment System can be replaced at the wastewater treatment plant. The Sewer Fund is required to provide a match of \$47,195 for the grants. As of September 30, 2016, the Sewer Fund has earned \$193,779 from FEMA and \$32,297 from the State of Alabama on the grants.

The Sewer Fund has a grant in the amount of \$867,139 from FEMA and a matching grant from the State of Alabama in the amount of \$144,523 for replacement of the UV Light Treatment System at the wastewater treatment plant damaged due to flooding in December 2015. The Sewer Fund is required to provide a match of \$144,523 for the grants. As of September 30, 2016, no costs had been incurred on the grants.

The Sewer Fund has a contract with St. John & Associates, Inc. in the amount of \$92,980 to provide services for the South Interceptor Sewer Evaluation Study. As of September 30, 2016, the Sewer Fund had incurred \$13,891 on the contract.

Water System

A. Water Fund

The City Council awarded a bid to Robinson & Sons, Inc. in the amount of \$221,000 for the repainting of the Woodland Heights and Edgewood Water Tanks. As of September 30, 2016, the Water Fund had not incurred any costs on the contract.

B. The Utilities Board of the City of Cullman – Water Division (Board), a Component Unit of the City

The Board awarded a contract to ASI Constructors, Inc. for the Duck River Reservoir Phase II Dam and Raw Water Intake Project in the amount of \$52,382,255, which included change orders of \$586,963. As of September 30, 2016, the Board had incurred \$50,703,464 on the contract, which included retainage of \$416,893.

The Board awarded a contract to William Preston York for the Duck River Recreational Trail II in the amount of \$256,912, which included change orders in the amount of \$107,000. As of September 30, 2016, the Board had incurred \$247,129 on the contract, which included retainage of \$3,748.

The Board awarded a contract to Eidson & Associates, Inc. for the Duck River North Pedestrian Bridge Abutments in the amount of \$187,100. As of September 30, 2016, the Board had incurred \$115,825 on the contract, which included retainage of \$5,791.

The Board awarded a contract to Goodwyn, Mills and Cawood, Inc. for the Cullman Water Treatment Plant Improvements Project 1 in the amount of \$487,000. As of September 30, 2016, the Board had incurred \$298,400 on the contract.

The Cullman County Commission received a grant in the amount of \$100,000 from ADECA for South Foot Bridge at the Duck River Reservoir. The Board agreed to provide a match of \$40,000 for the grant. As of September 30, 2016, the Board had incurred \$13,745 in costs on the grant.

Cullman Regional Airport Board (Airport)

Note: The City is only responsible for 50 percent of each of the following contracts/grant amounts reported based on its joint venture.

Wiregrass Construction Company Inc. was awarded a contract for the Taxiway Rehabilitation in the amount of \$707,339. As of September 30, 2016, the Airport had incurred \$129,427 on the project, which included retainage of \$6,471.

Goodwyn, Mills & Cawood was awarded a contract for the Taxiway Rehabilitation Construction in the amount of \$94,279. As of September 30, 2016, \$29,949 in costs had been incurred on the project.

The Airport has a grant in the amount of \$488,149 from the Federal Aviation Administration (FAA) and a matching grant from the State of Alabama in the amount of \$27,119 for the construction of the Southwest Hangar Area Access Taxiway. The Airport is required to provide a match of \$27,120 for the grants. As of September 30, 2016, the Airport has earned \$112,058 from FAA and \$7,002 from the State of Alabama on the grants.

The Airport has a grant in the amount of \$363,129 from the Federal Aviation Administration (FAA) and a matching grant from the State of Alabama in the amount of \$20,174 to Rehabilitate the South Taxiway. The Airport is required to provide a match of \$20,174 for the grants. As of September 30, 2016, the Airport has earned \$82,803 from FAA and \$4,600 from the State of Alabama on the grants.

SUBSEQUENT EVENTS

Governmental Activities

The following expenditures were approved subsequent to year end:

Date	Vendor	Description of Items/Contracts Awarded	Amount
November 2016	Sansom Equipment	Brush Truck & Sweeper	\$378,000
November 2016	Donohoo Chevrolet, Inc.	Four 2016 Chevrolet Tahoes	134,384
November 2016	Motorola & Sharp Communications	Digital Repeater Radio System	150,000
November 2016	Sunbelt Fire	Fire Rescue Unit and Equipment	200,000
December 2016	Mitch Smith Chevrolet, Inc.	Sanitation Work Truck	40,000
December 2016	Mitch Smith Chevrolet, Inc.	Two Street Work Trucks	77,443
December 2016	Donohoo Chevrolet, Inc.	2017 Chevrolet Pickup	31,753
January 2017	Donohoo Chevrolet, Inc.	2017 Chevrolet Tahoe	30,793
January 2017	Mitch Smith Chevrolet, Inc.	One or More 4-Wheel Drive Double Cab Trucks	29,642
January 2017	Eckenrod Ford Lincoln of Cullman, Inc.	One or More 4-Wheel Drive Regular Cab Trucks	26,571
February 2017	Cullman Leasing, Inc.	Bucket Truck	37,000
February 2017	Eckenrod Ford Lincoln of Cullman, Inc.	15-Passenger Vehicle	33,069
February 2017	Stivers Ford Lincoln Inc	2017 Ford Explorer	30,184

As of October 2016, the City awarded a contract to Eidson & Associates, Inc. for the construction of a new administration office and stationhouse for the City of Cullman Fire and Rescue in the amount of \$5,239,900 subject to value engineering to reduce the total cost of the project. As of February 2017, the City approved Change Orders No. 1 and 2 to reduce the total cost of the project by \$412,179, which decreased the total cost of the project to \$4,827,721.

As of October 2016, the City awarded contract to St. John & Associates, Inc. for engineering services for the Sequence Health project in the amount of \$155,750.

As of October 2016, the City awarded a contract to St. John & Associates for engineering services for the roadway design and inspection on the York property industrial tract in the amount of \$38,400.

As of October 2016, the City awarded a contract to St. John & Associates for engineering services in conjunction with the development of Tract 1 in the Cullman Industrial Park 3 in the amount not to exceed \$155,750.

As of October 2016, the City awarded a contract to Building Construction Associates, Inc. in the amount of \$2,369,500 (base bid of \$1,825,000 with Alternate No. 1 of \$544,500) for the construction of the new street facility. As of February 2017, the City approved Change Orders No. 1, 2, and 3 to increase the cost of the project by \$92,700, which increased the total cost of the project to \$2,462,200.

As of October 2016, the City awarded a contract to CDG Engineers & Associates, Inc. for professional services related to the Downtown Streetscape Project in the amount not to exceed \$41,000.

As of November 2016, the City purchased real property at 2115 County Road 420 (York property) in the amount of \$404,780. The property was deeded to the City of Cullman Industrial Development Board (ID Board) and the amounts paid by the City were considered to be an appropriation to the ID Board.

As of November 2016, the City awarded a contract to Carcel and G Construction, LLC in the amount of \$418,558 to rehabilitate and construct new handicapped accessible sidewalks in downtown Cullman along US Highway 31 from 5th Street South to 7th Street South upon receipt of approval of the Alabama Department of Transportation.

As of November 2016, the City awarded a contract to Lathan Associates Architects, PC for engineering services related to the design and construction of the street facility on Mitchell Road in the amount not to exceed \$190,000.

As of November 2016, the City awarded a contract to Goodwyn, Mills & Cawood for engineering services related to the design and construction of the Fire Station No. 3 in the amount not to exceed \$324,000.

As of December 2016, the City purchased land in the amount of \$121,385 to provide a new street to a major artery from the Cullman Middle School, High School and Primary School to try to alleviate the traffic congestion problems on Oak Street and Stadium Drive during school hours.

As of January 2017, the City awarded a contract to Wiregrass Construction Company, Inc. for site work at an industrial tract in the amount of \$329,987.

As of February 2017, the City awarded a contract to Wiregrass Construction, Inc. for the reconstruction of Larkwood Road in the amount of \$407,812.

As of February 2017, the City received a Community Development Block Grant in the amount of \$100,000 to construct a 15,000 square foot Healthcare Technology Center in Cullman Industrial Park III. As of March 2017, the City also received a grant from the Appalachian Regional Commission through the Alabama Department of Economic and Community Affairs (ADECA) in the amount of \$300,000 for the project. The City is to provide a match of \$1,145,000 for the project.

Business-Type Activities

Sewer and Water System – Shared Subsequent Events

As of November 2016, the City awarded a contract to Lee Builders, Inc. in the amount of \$3,105,412 for the construction of the Water and Sewer Facility on Eva Road. As of January 2017, the City approved a Change Orders No. 1 and 2 to reduce the total cost of the project by \$24,096, which decreased the total cost of the project to \$3,081,316.

As of November 2016, the City awarded a contract to Goodwyn, Mills & Cawood for professional engineering services related to the design and construction of the Water and Sewer Facility in the amount not to exceed \$195,000.

Sewer Operation

As of December 2016, the City of Cullman awarded a contract to J & P Construction Company, Inc. in the amount of \$2,495,000 for the tertiary filter installation for the Wastewater Treatment Plant.

As of December 2016, the City of Cullman awarded a contract to Apel Machine & Supply, Inc. in the amount of \$897,410 for the sanitary sewer and regional lift station improvements for the Wastewater Treatment Plant.

Water System

A. Water Fund

The City Council approved the following expenditures subsequent to year end:

Date	Vendor	Description of Items/Contracts Awarded	Amount
December 2016	Mitch Smith Chevrolet, Inc.	Two Work Trucks	\$77,443
December 2016	Eckenrod Ford Lincoln of Cullman, Inc.	One or More 4-Wheel Drive Crew Trucks	39,690
February 2017	Mitch Smith Chevrolet, Inc.	Three Double Cab Trucks	88,925
February 2017	Eckenrod Ford Lincoln of Cullman, Inc.	Three Single Cab Trucks	79,713

Cullman City Parks and Recreation Board (Board):

As of November 2016, the City approved for the Board to purchase various playground equipment for Ingle Park from KOMPAN, Inc. in the amount not to exceed \$108,000 from the U.S. Communities bid list.

LONG-TERM DEBT

Governmental Activities:

The City of Cullman issued a General Obligation Warrant series 2016 dated February 10, 2016 in the amount of \$19,640,000 with an interest rate of 3% for 2016-2018, 5% for 2019-2030 and 3.25% for 2031-2036 for paying off the 2007 General Obligation Warrant and providing \$3,500,000 for capital improvements.

Business-Type Activities:

Sewer System:

The City of Cullman issued a General Obligation Sewer Warrant Series 2015B-CWSRF-DL dated October 1, 2015 in the amount of \$3,470,000 with a fixed interest rate of 2.20% for various improvements at the Wastewater Treatment Plant.

Water System:

Normal payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

The Utilities Board of the City of Cullman-Water Division

Normal payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

Cullman City Parks and Recreation Board (Board):

Normal payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

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 & 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 or Email Address - wmoore@cullmanal.gov.

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash equivalents	\$ 18,018,137	\$ 17,372,664	\$ 35,390,801
Certificates of deposit	8,706,623	404,000	9,110,623
Interest receivable	6,435	230	6,665
Accounts receivable (net)	353,862	1,280,495	1,634,357
Assessments receivable (net)	27,000	-	27,000
Interfund balances	12,675,473	(12,675,473)	-
Due from other governmental units:			
Cullman Power Board	297,132	885,162	1,182,294
Other	8,738,086	831,006	9,569,092
Inventories	85,612	477,170	562,782
Prepays	349,767	230,962	580,729
TOTAL CURRENT ASSETS	\$ 49,258,127	\$ 8,806,216	\$ 58,064,343
Restricted assets:			
Cash equivalents	\$ 3,822,985	\$ 13,290,803	\$ 17,113,788
Due from other governmental units	-	21,145	21,145
State revolving funds receivable	-	3,246,956	3,246,956
OPEB funds held by the			
Cullman Power Board	-	11,760	11,760
Advances to other governments	1,960,259	-	1,960,259
TOTAL RESTRICTED ASSETS	\$ 5,783,244	\$ 16,570,664	\$ 22,353,908
Capital assets:			
Land and other assets not being depreciated	\$ 8,728,696	\$ 112,206,389	\$ 120,935,085
Buildings, improvements, and equipment, net of depreciation	42,722,981	107,114,327	149,837,308
TOTAL CAPITAL ASSETS	\$ 51,451,677	\$ 219,320,716	\$ 270,772,393
Other assets:			
Deposits	\$ 34,217	\$ 910	\$ 35,127
Insurance deposit	113,307	-	113,307
Assessments receivable - noncurrent	251,100	442,775	693,875
TOTAL OTHER ASSETS	\$ 398,624	\$ 443,685	\$ 842,309
Deferred Outflows of Resources:			
Unamortized loss on refunding	\$ 31,922	\$ 590,262	\$ 622,184
Deferred outflows of resources - pension	1,940,955	856,132	2,797,087
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,972,877	\$ 1,446,394	\$ 3,419,271
TOTAL ASSETS	\$ 108,864,549	\$ 246,587,675	\$ 355,452,224

(Continued)

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
Current liabilities:			
Accounts payable	\$ 1,484,008	\$ 601,873	\$ 2,085,881
Utility tax payable	-	38,406	38,406
Accrued interest payable	14,795	132,107	146,902
Due to other governmental units:			
Cullman Power Board	-	13,788	13,788
Other	94,193	176,833	271,026
Accrued payroll	394,602	185,885	580,487
Current maturities on long-term debt	185,293	84,721	270,014
Estimated compensated absences - current portion	546,872	138,141	685,013
TOTAL CURRENT LIABILITIES	\$ 2,719,763	\$ 1,371,754	\$ 4,091,517
Liabilities payable from restricted assets:			
Accounts payable	\$ -	\$ 1,057,914	\$ 1,057,914
Accrued interest payable	54,000	381,481	435,481
Police evidence	17,360	-	17,360
Other postemployment benefits	-	5,555	5,555
Current maturities on long-term debt	760,000	5,246,587	6,006,587
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 831,360	\$ 6,691,537	\$ 7,522,897
Long-term liabilities:			
Warrants/bonds payable	\$ 19,399,781	\$125,793,038	\$145,192,819
Computer software	35,944	-	35,944
Unamortized debt discount	(31,304)	(679,538)	(710,842)
Unamortized debt premium	499,200	1,409,597	1,908,797
Net pension liability	11,461,678	4,932,761	16,394,439
Estimated compensated absences	831,746	548,023	1,379,769
TOTAL LONG-TERM LIABILITIES	\$ 32,197,045	\$132,003,881	\$164,200,926
TOTAL LIABILITIES	\$ 35,748,168	\$140,067,172	\$175,815,340

(Continued)

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION - CONTINUED
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION - CONTINUED</u>			
Deferred Inflows of Resources:			
Unearned revenue	\$ 4,631,515	\$ 153,933	\$ 4,785,448
Deferred inflows of resources - pension	213,016	77,054	290,070
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 4,844,531	\$ 230,987	\$ 5,075,518
Net position:			
Net investment in capital assets	\$ 34,814,666	\$ 88,757,265	\$123,571,931
Restricted for:			
Debt service and capital activity	2,291,237	4,225,885	6,517,122
Municipal Court equipment and training	60,235	-	60,235
Fiduciary	8,566	-	8,566
Trees	7,783	-	7,783
Realty improvements and Ingle Park	15,352	-	15,352
Highways and streets	615,698	-	615,698
Parks and recreation/tournaments	-	20,390	20,390
Jail/Correction facilities/Court complex	280,174	-	280,174
Municipal Court	121,790	-	121,790
Industrial development and recreation	156,121	-	156,121
Education	18,583	-	18,583
Nonspendable - Endowment	100,908	-	100,908
Unrestricted	29,780,737	13,285,976	43,066,713
TOTAL NET POSITION	\$ 68,271,850	\$106,289,516	\$174,561,366
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$108,864,549	\$246,587,675	\$355,452,224

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF
STATEMENT OF
Year ended

<u>Functions/Programs:</u>	<u>Expenses</u>
Primary government:	
Governmental activities:	
General government:	
Administrative	\$ 5,084,623
Building and housing	515,669
Garage	286,578
Public safety:	
Police	5,361,910
Fire	4,331,730
Traffic maintenance	345,015
Dispatch and miscellaneous	701,480
Highways and streets	3,520,232
Sanitation	4,554,001
Health and social services	944,247
Culture and recreation	238,129
Education	6,881,978
Conservation	48,635
Interest on long-term debt	356,011
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 33,170,238</u>
Business-type activities:	
Sewer	\$ 5,801,863
Water	7,294,986
Parks and recreation	3,435,334
Gymnastics	572,857
Cross Creek Golf Course	846,991
Wellness and Aquatic Center	3,728,257
Airport	650,140
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 22,330,428</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 55,500,666</u></u>

(Continued)

CULLMAN, ALABAMA
ACTIVITIES
September 30, 2016

Program Revenues			
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
\$ 3,118,699	\$ -	\$ -	\$ (1,965,924)
199,192	-	-	(316,477)
-	-	-	(286,578)
257,963	68,669	300,000	(4,735,278)
-	395,662	57,425	(3,878,643)
8,963	-	-	(336,052)
-	132,893	-	(568,587)
339,992	486,990	300,345	(2,392,905)
4,773,499	-	-	219,498
-	-	-	(944,247)
22,042	-	-	(216,087)
-	-	-	(6,881,978)
-	-	-	(48,635)
-	-	-	(356,011)
\$ 8,720,350	\$ 1,084,214	\$ 657,770	\$ (22,707,904)
\$ 7,166,657	\$ -	\$ 326,777	\$ 1,691,571
14,426,863	-	230,578	7,362,455
1,039,446	-	-	(2,395,888)
406,716	-	-	(166,141)
543,167	-	-	(303,824)
2,645,727	-	-	(1,082,530)
359,033	-	128,529	(162,578)
\$ 26,587,609	\$ -	\$ 685,884	\$ 4,943,065
\$ 35,307,959	\$ 1,084,214	\$ 1,343,654	\$ (17,764,839)

CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES - CONTINUED
Year ended September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net revenue (expense)	\$ (22,707,904)	\$ 4,943,065	\$ (17,764,839)
General revenues:			
Taxes:			
Property taxes, levied for			
general purposes	\$ 1,360,891	\$ -	\$ 1,360,891
Property taxes, levied for education	3,269,528	-	3,269,528
Sales taxes, levied for			
general purposes	17,394,306	-	17,394,306
Sales taxes, levied for education	3,457,043	-	3,457,043
Tobacco taxes	137,700	-	137,700
Lodging taxes	-	225,275	225,275
Rent taxes	527,750	-	527,750
Beverage/liquor taxes	927,001	-	927,001
Other taxes	239,029	-	239,029
City Board of Education for			
debt service payments	108,285	-	108,285
Unrestricted investment earnings	74,942	63,773	138,715
Sale of capital assets	(7,902)	(54,441)	(62,343)
Insurance recoveries	29,201	-	29,201
Miscellaneous	1,981,659	-	1,981,659
Special item - flood damage	-	(500,000)	(500,000)
Extraordinary item - impairment loss	-	(883,107)	(883,107)
Intergovernmental transfers:			
Industrial Development Board	(723,002)	-	(723,002)
Other	-	(1,909,405)	(1,909,405)
Transfers - internal activities	(4,739,130)	4,739,130	-
TOTAL GENERAL REVENUES			
AND TRANSFERS	\$ 24,037,301	\$ 1,681,225	\$ 25,718,526
CHANGE IN NET POSITION	\$ 1,329,397	\$ 6,624,290	\$ 7,953,687
Net position at beginning of year	66,942,453	99,665,226	166,607,679
Net position at end of year	\$ 68,271,850	\$ 106,289,516	\$ 174,561,366

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	<u>General</u>	<u>School Tax</u>
<u>ASSETS</u>		
Cash equivalents	\$ 15,513,310	\$ 18,583
Certificates of deposit	8,605,715	-
Receivables (net of allowance for uncollectibles):		
Accounts	353,862	-
Assessments	278,100	-
Interest	6,432	-
Interfund receivables	34,928	-
Due from other governmental units:		
Cullman Power Board	297,132	-
Other	4,817,559	3,874,938
Inventories	85,612	-
Prepaid insurance	346,568	-
Prepaid taxes	3,199	-
Interfund receivables - long-term	121,607	-
Restricted assets:		
Cash equivalents	25,178	-
Advances to other governmental units	-	-
Interfund receivables - long-term	-	-
Deposit on equipment	34,217	-
Insurance deposit	113,307	-
TOTAL ASSETS	<u>\$ 30,636,726</u>	<u>\$ 3,893,521</u>

(Continued)

ALABAMA
GOVERNMENTAL FUNDS
2016

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,486,244	\$ 18,018,137
-	100,908	8,706,623
-	-	353,862
-	-	278,100
-	3	6,435
-	4,689	39,617
-	-	297,132
-	45,589	8,738,086
-	-	85,612
-	-	346,568
-	-	3,199
-	-	121,607
3,797,807	-	3,822,985
1,960,259	-	1,960,259
12,638,128	-	12,638,128
-	-	34,217
-	-	113,307
<u>\$ 18,396,194</u>	<u>\$ 2,637,433</u>	<u>\$ 55,563,874</u>

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	<u>General</u>	<u>School Tax</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 556,405	\$ 592,577
Accrued liabilities	38,474	-
Accrued payroll	394,602	-
Interfund payables	123,879	-
Due to other governmental units	94,193	-
Restricted liabilities - Police evidence	17,360	-
Estimated liability for compensated absences	208,622	-
TOTAL LIABILITIES	\$ 1,433,535	\$ 592,577
Deferred Inflows of Resources:		
Deferred revenues	\$ 3,216,092	\$ 3,566,839

(Continued)

ALABAMA
GOVERNMENTAL FUNDS - CONTINUED
 2016

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 86,463	\$ 210,089	\$ 1,445,534
-	-	38,474
-	-	394,602
-	-	123,879
-	-	94,193
-	-	17,360
-	-	208,622
<hr/> \$ 86,463	<hr/> \$ 210,089	<hr/> \$ 2,322,664
 \$ -	 \$ 16,405	 \$ 6,799,336

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	<u>General</u>	<u>School Tax</u>
<u>LIABILITIES, DEFERRED INFLOWS OF</u>		
<u>RESOURCES, AND FUND BALANCES - CONTINUED</u>		
Fund Balances (Deficit):		
Nonspendable:		
Inventory	\$ 85,612	\$ -
Interfund receivables - long-term	121,607	-
Prepaid expenditures, deposit on equipment, and insurance deposit	497,291	-
Advances to other governmental units	-	-
Permanent fund principal	-	-
Restricted for:		
Municipal Court equipment and training	60,235	-
Fiduciary	8,566	-
Trees	7,783	-
Debt service	-	-
Realty improvements and Ingle Park	-	-
Highways and streets	-	-
Capital improvements	-	-
Jail/correction/court facilities	-	-
Municipal Court	-	-
Industrial development/recreation	-	-
Committed for:		
Landfill improvements	500,074	-
Assigned:		
Realty improvements	56,156	-
Capital projects	-	-
Unassigned (deficit)	24,649,775	(265,895)
TOTAL FUND BALANCES (DEFICIT)	<u>\$ 25,987,099</u>	<u>\$ (265,895)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 30,636,726</u>	<u>\$ 3,893,521</u>

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
GOVERNMENTAL FUNDS - CONTINUED
2016

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 85,612
12,638,128	-	12,759,735
-	-	497,291
1,960,259	-	1,960,259
-	100,908	100,908
-	-	60,235
-	-	8,566
-	-	7,783
796,363	-	796,363
-	15,352	15,352
-	599,293	599,293
2,914,981	254,334	3,169,315
-	280,174	280,174
-	121,790	121,790
-	156,121	156,121
-	-	500,074
-	-	56,156
-	882,967	882,967
-	-	24,383,880
<u>\$ 18,309,731</u>	<u>\$ 2,410,939</u>	<u>\$ 46,441,874</u>
<u>\$ 18,396,194</u>	<u>\$ 2,637,433</u>	<u>\$ 55,563,874</u>

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2016

Total fund balances - total governmental funds (page 37) \$ 46,441,874

Amounts reported for governmental activities in the statement of net position
(pages 26-27) are different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds.

Capital assets	\$ 76,644,957	
Accumulated depreciation	<u>(25,193,280)</u>	51,451,677

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		2,167,821
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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 interest on refunding, the deferred discounts, and the deferred premium
are expenditures and revenues at the fund level, but are deferred and amortized
in the statement of net position.

Balances at September 30, 2016, were:

General Obligation Warrants	\$(20,311,176)	
Less unamortized loss on refunding	31,922	
Less unamortized discounts	31,304	
Plus unamortized premium	(499,200)	
Computer software liability	(69,842)	
Accrued interest	(68,795)	
Net Pension Liability	(11,461,678)	
Less deferred outflows of resources - pension	1,940,955	
Plus deferred inflows of resources - pension	(213,016)	
Compensated absences	<u>(1,169,996)</u>	<u>(31,789,522)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 28)	<u>\$ 68,271,850</u>
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The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CULLMAN,
STATEMENT OF REVENUES,
FUND BALANCES -
Year ended

	General	School Tax
Revenues:		
Taxes	\$ 20,780,978	\$ 6,705,098
Licenses and permits	3,273,620	-
Intergovernmental revenues	2,262,249	-
Charges for services	5,163,048	-
Fines and forfeits	193,502	-
Miscellaneous revenues:		
Interest revenue	\$ 56,971	\$ -
Miscellaneous	244,676	-
TOTAL MISCELLANEOUS REVENUES	\$ 301,647	\$ -
TOTAL REVENUES	\$ 31,975,044	\$ 6,705,098
Expenditures:		
Current:		
General government	\$ 5,432,877	\$ -
Public safety	10,075,947	-
Highways and streets	1,829,978	-
Sanitation	4,252,276	-
Health and social services	944,247	-
Culture and recreation	220,212	-
Education	142,799	6,726,571
Conservation	48,635	-
Capital outlay	2,773,532	-
Debt service:		
Principal retirement	96,990	-
Debt issuance costs	-	-
Interest and fiscal charges	12,050	-
TOTAL EXPENDITURES	\$ 25,829,543	\$ 6,726,571
REVENUES OVER (UNDER) EXPENDITURES	\$ 6,145,501	\$ (21,473)
Other financing sources (uses):		
Capital contributions	\$ 69,061	\$ -
Sale of assets	53,692	-
Insurance proceeds	69,309	-
Warrant/debt face amount	101,832	-
Warrant premium	-	-
Warrant discount	-	-
Payments to refunding bond escrow agent	-	-
Operating transfers in	100,000	-
Operating transfers (out)	(6,147,153)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (5,753,259)	\$ -
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 392,242	\$ (21,473)
Fund balances (deficit) at October 1	25,594,857	(244,422)
FUND BALANCES (DEFICIT) AT SEPTEMBER 30	\$ 25,987,099	\$ (265,895)

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
EXPENDITURES, AND CHANGES IN
GOVERNMENTAL FUNDS
September 30, 2016

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 13,000	\$ 27,499,076
-	-	3,273,620
108,285	397,859	2,768,393
-	-	5,163,048
-	53,329	246,831
\$ 140	\$ 981	\$ 58,092
-	-	244,676
\$ 140	\$ 981	\$ 302,768
\$ 108,425	\$ 465,169	\$ 39,253,736
\$ -	\$ 3,087	\$ 5,435,964
-	-	10,075,947
-	830,423	2,660,401
-	-	4,252,276
-	-	944,247
3,958	-	224,170
-	-	6,869,370
-	-	48,635
591,799	695,293	4,060,624
2,301,506	83,920	2,482,416
21,144	-	21,144
276,093	16,080	304,223
\$ 3,194,500	\$ 1,628,803	\$ 37,379,417
\$ (3,086,075)	\$ (1,163,634)	\$ 1,874,319
\$ -	\$ 300,345	\$ 369,406
-	-	53,692
-	-	69,309
19,640,000	-	19,741,832
516,050	-	516,050
(32,361)	-	(32,361)
(17,702,221)	-	(17,702,221)
2,663,761	552,432	3,316,193
(1,044,749)	(810,834)	(8,002,736)
\$ 4,040,480	\$ 41,943	\$ (1,670,836)
\$ 954,405	\$ (1,121,691)	\$ 203,483
17,355,325	3,532,630	46,238,390
\$ 18,309,730	\$ 2,410,939	\$ 46,441,873

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2016

Net change in fund balances - total governmental funds (page 40)	\$	203,483
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Amounts reported for governmental activities in the statement of activities (pages 29-31) are different because:

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 (\$4,060,624) exceeded depreciation (\$1,925,045) in the current period. This amount also includes work in process of \$164,112 that was reclassified as an expense after the Bass Hall of Fame project was cancelled.		1,971,467
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In the statement of activities, the gain on sale of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold (\$503,139) less accumulated depreciation (\$401,123).		(102,016)
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In the statement of activities, intergovernmental transfers of capital assets to the Industrial Development Board are reported, whereas in the governmental funds, the transfer does not constitute use of current financial resources. Capital assets contributed to the City by a third party are reported in the statement of activities, whereas in the governmental funds, the receipt of the capital asset does not constitute a current financial resource or a use of current financial resources.

Land transferred to the Industrial Development Board	\$ (723,002)	
Capital assets contributed to the City	288,364	(434,638)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Revenues reported at the fund level in the current year that were earned and reported in the statement of activities for the year ended September 30, 2015	\$ (2,167,035)	
Revenues deferred at the fund level that were earned and reported as revenues in the statement of activities for the current year	2,179,462	12,427

(Continued)

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CONTINUED

For the year ended September 30, 2016

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Net pension liability, including deferred outflows of resources and deferred inflows of resources	\$ (102,370)	
Transfer of net pension liability from component unit	(52,588)	
Compensated absences	(83,996)	
Accrued interest on warrants at beginning of year (\$65,734)		
less accrued interest on warrants at end of year (\$68,795)	<u>(3,061)</u>	(242,015)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Debt premiums, discounts, prepaid insurance, and defeasance costs are shown as other financing sources (uses) and expenditures in governmental funds, but are deferred and amortized over the life of the new debt in the statement of net assets. Interest is an expenditure at the fund level when legally due, but is reported on the full accrual basis in the statement of activities.

Amortizations on debt:		
Debt discount	\$ 1,648	
Debt premium	(16,850)	
Deferred loss on refunding	<u>4,902</u>	
TOTAL AMORTIZATIONS ON PREVIOUSLY ISSUED DEBT	\$ (10,300)	
Warrants issued	\$ 19,741,832	
Warrant premium	516,050	
Warrant discount	(32,361)	
Payments to refunding bond escrow agent	(17,702,221)	
Less accrued interest to refunding bond escrow agent	48,727	
Repayments to bondholders	<u>(2,482,416)</u>	
NET ADJUSTMENT	<u>\$ 79,311</u>	<u>(79,311)</u>

CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES (PAGE 31)	<u>\$ 1,329,397</u>
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The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	Business-Type	
	Sewer Operation	Water System
<u>ASSETS</u>		
Current assets:		
Cash equivalents	\$ 614,598	\$ 16,395,993
Certificates of deposit	-	404,000
Interest receivable	-	230
Accounts receivable, net of allowance	349,416	779,248
Interfund receivables	18,869	103,074
Due from other governmental units:		
Cullman Power Board	449,957	435,205
Other	206,760	485,300
Inventories	50,278	375,044
Prepays	40,583	165,738
TOTAL CURRENT ASSETS	\$ 1,730,461	\$ 19,143,832
Restricted assets:		
Cash equivalents	\$ 504,144	\$ 12,786,659
Due from other governmental units	21,145	-
State revolving funds receivable	3,246,956	-
OPEB funds held by		
Cullman Power Board	-	11,760
TOTAL RESTRICTED ASSETS	\$ 3,772,245	\$ 12,798,419
Capital assets:		
Land	\$ 253,691	\$ 11,797,544
Buildings	6,751,378	6,874,182
Improvements other than buildings	77,925,399	45,092,572
Machinery and equipment	1,875,048	11,193,481
Accumulated depreciation	(34,562,059)	(32,279,489)
	\$ 52,243,457	\$ 42,678,290
Construction in progress	680,547	96,010,042
TOTAL CAPITAL ASSETS	\$ 52,924,004	\$ 138,688,332
Other assets:		
Deposits	\$ -	\$ -
Assessments receivable - noncurrent	442,775	-
TOTAL OTHER ASSETS	\$ 442,775	\$ -
Deferred outflows of resources:		
Unamortized loss on refunding	\$ 317,846	\$ 154,821
Deferred outflows of resources - pension	239,880	311,801
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 557,726	\$ 466,622
TOTAL ASSETS	\$ 59,427,211	\$ 171,097,205

(Continued)

ALABAMA
 PROPRIETARY FUNDS
 2016

Activities		
Parks and Recreation	Airport	TOTALS
\$ 301,440	\$ 60,633	\$ 17,372,664
-	-	404,000
-	-	230
141,910	9,921	1,280,495
-	15	121,958
-	-	885,162
35,637	103,309	831,006
36,550	15,298	477,170
2,831	21,810	230,962
\$ 518,368	\$ 210,986	\$ 21,603,647
\$ -	\$ -	\$ 13,290,803
-	-	21,145
-	-	3,246,956
-	-	11,760
\$ -	\$ -	\$ 16,570,664
\$ 1,935,368	\$ 884,785	\$ 14,871,388
18,374,036	2,584,021	34,583,617
12,672,461	3,028,488	138,718,920
3,364,564	222,233	16,655,326
(12,845,898)	(3,156,090)	(82,843,536)
\$ 23,500,531	\$ 3,563,437	\$ 121,985,715
396,750	247,662	97,335,001
\$ 23,897,281	\$ 3,811,099	\$ 219,320,716
\$ 910	\$ -	\$ 910
-	-	442,775
\$ 910	\$ -	\$ 443,685
\$ 117,595	\$ -	\$ 590,262
293,635	10,816	856,132
\$ 411,230	\$ 10,816	\$ 1,446,394
\$ 24,827,789	\$ 4,032,901	\$ 259,385,106

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	Sewer Operation	Business-Type Water System
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 107,680	\$ 153,974
Utility tax payable	-	38,406
Interfund payables	2,874	3,157
Interest payable	-	-
Due to other governmental units:		
Cullman Power Board	-	13,788
Other	27,388	149,445
Accrued payroll	45,126	52,297
Estimated compensated absences - current portion	32,104	72,128
Current maturities on long-term liabilities	-	-
TOTAL CURRENT LIABILITIES	\$ 215,172	\$ 483,195
Liabilities payable from restricted assets:		
Accounts payable:		
Trade	\$ 32,928	\$ 265,608
Contractors	334,833	424,545
Accrued interest payable	24,093	357,388
Other postemployment benefits	-	5,555
Current maturities on long-term liabilities	2,664,688	2,581,899
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 3,056,542	\$ 3,634,995
Long-term liabilities:		
Warrants/bonds payable	\$ 19,091,811	\$ 106,251,177
Unamortized debt discount	-	(600,361)
Unamortized debt premium	-	149,515
Net pension liability	1,318,989	1,872,958
Estimated compensated absences	125,418	288,915
Interfund payables	-	-
TOTAL LONG-TERM LIABILITIES	\$ 20,536,218	\$ 107,962,204
TOTAL LIABILITIES	\$ 23,807,932	\$ 112,080,394

(Continued)

ALABAMA
 PROPRIETARY FUNDS - CONTINUED
 2016

Activities		
Parks and Recreation	Airport	TOTALS
\$ 244,519	\$ 95,700	\$ 601,873
-	-	38,406
430,911	3,397	440,339
132,107	-	132,107
-	-	13,788
-	-	176,833
84,737	3,725	185,885
33,909	-	138,141
-	84,721	84,721
\$ 926,183	\$ 187,543	\$ 1,812,093
\$ -	\$ -	\$ 298,536
-	-	759,378
-	-	381,481
-	-	5,555
-	-	5,246,587
\$ -	\$ -	\$ 6,691,537
\$ -	\$ 450,050	\$ 125,793,038
(79,177)	-	(679,538)
1,260,082	-	1,409,597
1,654,938	85,876	4,932,761
126,345	7,345	548,023
12,235,485	121,607	12,357,092
\$ 15,197,673	\$ 664,878	\$ 144,360,973
\$ 16,123,856	\$ 852,421	\$ 152,864,603

CITY OF CULLMAN
BALANCE SHEET -
September 30,

	Business-Type	
	Sewer Operation	Water System
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION - CONTINUED</u>		
Deferred inflows of resources:		
Unearned revenue	\$ 12,809	\$ 7,605
Deferred inflows of resources - pension	25,831	18,136
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 38,640	\$ 25,741
Net position:		
Net investment in capital assets	\$ 37,384,740	\$ 37,974,156
Restricted for debt service and capital activity	-	4,225,885
Restricted for parks and recreation/tournaments	-	-
Unrestricted (deficit)	(1,804,101)	16,791,029
TOTAL NET POSITION	\$ 35,580,639	\$ 58,991,070
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 59,427,211	\$ 171,097,205

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
 PROPRIETARY FUNDS - CONTINUED
 2016

Activities		
Parks and Recreation	Airport	TOTALS
\$ 120,959	\$ 12,560	\$ 153,933
31,754	1,333	77,054
\$ 152,713	\$ 13,893	\$ 230,987
\$ 10,195,843	\$ 3,202,526	\$ 88,757,265
-	-	4,225,885
20,390	-	20,390
(1,665,013)	(35,939)	13,285,976
\$ 8,551,220	\$ 3,166,587	\$ 106,289,516
\$ 24,827,789	\$ 4,032,901	\$ 259,385,106

CITY OF CULLMAN,
STATEMENT OF REVENUES,
FUND NET POSITION -
Year ended

	Business-Type	
	Sewer Operation	Water System
Operating revenues:		
Charges for sales and services	\$ 6,601,502	\$ 14,095,269
Penalties and forfeited discounts	-	37,347
Charges for service connections	61,560	84,200
Service charges	72,575	69,070
Lodging tax	-	-
Operating grant	226,076	-
Miscellaneous	204,944	140,977
TOTAL OPERATING REVENUES	\$ 7,166,657	\$ 14,426,863
Cost of operating revenues	\$ -	\$ -
Operating expenses:		
Salaries and wages	1,263,234	1,564,641
Nonemployee compensation	-	-
Officials and instructors	-	-
Payroll taxes	93,701	127,510
Employees retirement	141,006	188,941
Employees insurance	217,325	344,431
Telephone	13,811	26,613
Utilities	457,285	932,043
Billing, accounting, and collection fees	94,267	201,931
Office supplies and expenses	4,563	34,611
Professional services	10,468	26,983
Engineering services	-	182,000
Other contracted services	11,463	155,664
Tournament fees	-	-
Other program expenses	-	-
Testing services	36,547	32,821
Landfill fees	47,783	-
Competition expense	-	-
Senior programs	-	-
Dues and subscriptions	441	1,908
Travel, registrations, and education	3,209	12,891
Public relations/printing/advertising	-	-
Uniforms	6,772	11,709
Small tools and equipment	16,451	16,571
Chemicals and supplies	327,079	716,569
Repairs and maintenance	390,141	665,578
Equipment rental	35,061	53,015
Gas, fuel, and oil	39,232	76,530
Insurance	72,588	129,423
Miscellaneous	26,469	26,475
Director's fees and expenses	-	31,500
Depreciation	1,963,592	1,328,370
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	\$ 5,272,488	\$ 6,888,728
OPERATING INCOME (LOSS)	\$ 1,894,169	\$ 7,538,135

(Continued)

ALABAMA
EXPENSES, AND CHANGES IN
PROPRIETARY FUNDS
September 30, 2016

Activities		
Parks and Recreation	Airport	TOTALS
\$ 4,597,904	\$ 358,204	\$ 25,652,879
-	-	37,347
-	-	145,760
-	-	141,645
225,275	-	225,275
-	-	226,076
37,152	829	383,902
\$ 4,860,331	\$ 359,033	\$ 26,812,884
\$ 324,603	\$ 178,699	\$ 503,302
2,589,968	109,238	5,527,081
96,755	-	96,755
203,556	-	203,556
200,184	8,217	429,612
180,796	6,648	517,391
247,385	10,015	819,156
83,815	4,776	129,015
689,717	29,100	2,108,145
-	-	296,198
205,120	797	245,091
90,412	11,749	139,612
-	-	182,000
-	4,207	171,334
23,290	-	23,290
155,018	-	155,018
-	-	69,368
-	-	47,783
179,298	-	179,298
149,062	-	149,062
17,126	858	20,333
39,060	905	56,065
113,881	300	114,181
-	-	18,481
60,021	5,020	98,063
218,698	1,191	1,263,537
534,346	42,837	1,632,902
-	3,773	91,849
40,716	1,919	158,397
137,745	22,967	362,723
8,614	7,096	68,654
-	-	31,500
1,145,873	183,362	4,621,197
\$ 7,735,059	\$ 633,674	\$ 20,529,949
\$ (2,874,728)	\$ (274,641)	\$ 6,282,935

CITY OF CULLMAN,
STATEMENT OF REVENUES,
FUND NET POSITION -
Year ended

	Business-Type	
	Sewer Operation	Water System
Nonoperating revenues (expenses):		
Interest earned	\$ 39	\$ 19,657
Disposal of assets	(40,415)	(19,631)
Interest expense	(515,185)	(398,088)
Debt issuance expense	(14,190)	-
Paying agent/trustee fees	-	(8,170)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (569,751)	\$ (406,232)
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS, EXTRAORDINARY ITEM, SPECIAL ITEM, AND TRANSFERS	\$ 1,324,418	\$ 7,131,903
Capital contributions	326,777	281,362
Special item - flood damage	-	(500,000)
Extraordinary item - impairment loss	(883,107)	-
Transfers to other governmental units	-	(1,909,405)
Transfers in	78,559	226,489
Transfers out	(44,049)	(108,642)
NET INCREASE IN NET POSITION	\$ 802,598	\$ 5,121,707
Net position at beginning of year	34,778,041	53,869,363
NET POSITION AT SEPTEMBER 30	\$ 35,580,639	\$ 58,991,070

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
EXPENSES, AND CHANGES IN
PROPRIETARY FUNDS - CONTINUED
September 30, 2016

Activities		
Parks and Recreation	Airport	TOTALS
\$ 44,077	\$ -	\$ 63,773
2,477	3,128	(54,441)
(803,101)	(16,466)	(1,732,840)
(45,279)	-	(59,469)
-	-	(8,170)
<hr/>		
\$ (801,826)	\$ (13,338)	\$ (1,791,147)
<hr/>		
\$ (3,676,554)	\$ (287,979)	\$ 4,491,788
-	128,529	736,668
-	-	(500,000)
-	-	(883,107)
-	-	(1,909,405)
4,324,813	211,176	4,841,037
-	-	(152,691)
<hr/>		
\$ 648,259	\$ 51,726	\$ 6,624,290
7,902,961	3,114,861	99,665,226
<hr/>		
\$ 8,551,220	\$ 3,166,587	\$ 106,289,516
<hr/>		

CITY OF CULLMAN,
STATEMENT OF CASH FLOWS -
Year ended
Increase (Decrease) in

	Business-Type	
	Sewer Operation	Water System
Cash flows from operating activities:		
Cash received from customers	\$ 6,866,196	\$ 14,260,925
Cash received from lodging tax	-	-
Cash payments for merchandise sold	-	-
Cash payments for operating expenses	(1,919,158)	(3,936,347)
Cash payments to employees	(1,338,506)	(1,762,572)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 3,608,532	\$ 8,562,006
Cash flows from noncapital and related financing activities:		
Transfers in	\$ -	\$ 226,489
Transfers out	-	(108,642)
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ -	\$ 117,847
Cash flows from capital and related financing activities:		
Proceeds from capital contributions	\$ 362,526	\$ 108,642
Flood damage insurance proceeds	-	200,000
Flood damage payments	-	(700,000)
Interfund receivables/payables	(372,876)	-
Interfund transfers	34,510	-
Interest paid	(431,564)	(345,051)
Debt discount	-	-
Debt premium	-	-
Debt issuance costs	(14,190)	-
Fiscal charges	-	(8,170)
Proceeds from long-term debt	3,348,347	-
Principal payments of long-term debt	(2,724,986)	(3,748,660)
Proceeds from disposal of assets	32,351	13,512
Acquisition and construction of capital assets	(4,919,191)	(24,982,409)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (4,685,073)	\$ (29,462,136)

(Continued)

ALABAMA
 PROPRIETARY FUNDS
 September 30, 2016
 Cash and Cash Equivalents

Activities		
Parks and Recreation	Airport	TOTALS
\$ 4,624,828	\$ 360,978	\$ 26,112,927
194,591	-	194,591
(332,555)	(168,471)	(501,026)
(3,633,426)	(141,894)	(9,630,825)
(2,586,389)	(116,676)	(5,804,143)
\$ (1,732,951)	\$ (66,063)	\$ 10,371,524
\$ 3,280,064	\$ 243,314	\$ 3,749,867
-	-	(108,642)
\$ 3,280,064	\$ 243,314	\$ 3,641,225
\$ -	\$ 38,898	\$ 510,066
-	-	200,000
-	-	(700,000)
(1,432,904)	19,412	(1,786,368)
1,044,749	-	1,079,259
(807,739)	(16,466)	(1,600,820)
(81,849)	-	(81,849)
1,302,616	-	1,302,616
(45,279)	-	(59,469)
-	-	(8,170)
-	-	3,348,347
(6,188)	(83,795)	(6,563,629)
26,084	3,128	75,075
(1,795,999)	(90,804)	(31,788,403)
\$ (1,796,509)	\$ (129,627)	\$ (36,073,345)

CITY OF CULLMAN
STATEMENT OF CASH FLOWS -
Year ended
Increase (Decrease) in

	Business-Type	
	Sewer Operation	Water System
Cash flows from investing activities:		
Interest received	\$ 39	\$ 13,672
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,076,502)	\$ (20,768,611)
Cash and cash equivalents at beginning of year	2,195,244	49,951,263
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,118,742	\$ 29,182,652

Cash and cash equivalents as of September 30, 2016 consisted of the following:

	Sewer Operation	Water System
Cash equivalents - current assets	\$ 614,598	\$ 16,395,993
Cash equivalents - restricted assets	504,144	12,786,659
TOTALS	\$ 1,118,742	\$ 29,182,652

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
PROPRIETARY FUNDS - CONTINUED
 September 30, 2016
 Cash and Cash Equivalents

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 1,543	\$ -	\$ 15,254
\$ (247,853)	\$ 47,624	\$ (22,045,342)
549,293	13,009	52,708,809
\$ 301,440	\$ 60,633	\$ 30,663,467

<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 301,440	\$ 60,633	\$ 17,372,664
-	-	13,290,803
\$ 301,440	\$ 60,633	\$ 30,663,467

CITY OF CULLMAN
SCHEDULE OF CASH FLOWS FROM
Year ended
Increase (Decrease) in

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

	Business-Type	
	Sewer Operation	Water System
Cash flows from operating activities:		
Operating income (loss)	\$ 1,894,169	\$ 7,538,135
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,963,592	1,328,370
Accounts receivable	(85,002)	(73,837)
Interfund receivables	(16,838)	35,152
Due from other governments	(223,860)	(92,894)
Assessments receivable	8,401	-
Inventories	12,506	(13,714)
Prepaid insurance	(8,578)	(4,162)
Prepaid utility tax	-	(7,000)
Prepaid senior trips	-	-
Deferred outflows of resources - pension	(121,182)	(137,823)
Accounts payable	62,842	(17,231)
Utility tax payable	-	2,544
Interfund payables	2,874	(31,899)
Due to other governments	(27,965)	(1,904)
Accrued payroll	11,179	8,973
Other postemployment benefits	-	4,299
Net pension liability	191,572	219,216
Compensated absences	7,249	(79,394)
Unearned revenue	-	-
Deferred inflows of resources - pension	(62,427)	(114,825)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 3,608,532	\$ 8,562,006

The accompanying notes to the financial statements are an integral part of this schedule.

ALABAMA
OPERATING ACTIVITIES - PROPRIETARY FUNDS
 September 30, 2016
 Cash and Cash Equivalents

<u>Activities</u>		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ (2,874,728)	\$ (274,641)	\$ 6,282,935
1,145,873	183,362	4,621,197
(30)	1,077	(157,792)
-	-	18,314
24,007	2,440	(290,307)
-	-	8,401
(7,952)	10,228	1,068
-	(5,170)	(17,910)
-	-	(7,000)
7,391	-	7,391
(140,425)	(5,544)	(404,974)
(54,553)	15,191	6,249
-	-	2,544
25,342	-	(3,683)
-	2,975	(26,894)
22,406	780	43,338
-	-	4,299
235,498	9,881	656,167
(18,827)	(453)	(91,425)
(17,589)	(1,572)	(19,161)
(79,364)	(4,617)	(261,233)
<u>\$ (1,732,951)</u>	<u>\$ (66,063)</u>	<u>\$ 10,371,524</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A. REPORTING ENTITY

The City of Cullman 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 unit, legally separate organization 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) 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.

<u>Component Units</u>	<u>Reason Included in the Reporting Entity</u>	<u>Separate Financial Statements</u>
Utilities Board of the City of Cullman – Water Division (UBWD): Gathers, collects, and impounds water and filters said water to sell to the City of Cullman, Alabama	City appoints and may remove members of the board of UBWD	Available at 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 can not 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. Separately issued financial statements are available 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 (see Note VIII). 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.A. REPORTING ENTITY

Excluded Entities - Continued

- 6) The City Council appoints the members of the Downtown Redevelopment Authority.
- 7) The City Council appoints five of the eleven 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 Park 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 Park 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.

I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

I.B.1. 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 unit. 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 unit. Separate statements for each fund category – governmental and proprietary – are presented. 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING - CONTINUED

I.B.1. Basis of Presentation - Continued

Fund Financial Statements - Continued

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 .5 percent 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.

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 (Utilities Board) and the Water Department. The Utilities Board's primary activity is the gathering, collecting, or impounding of water and filtering 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: <ol style="list-style-type: none">1) the maintenance and operations of the Golf Course and its facilities for the general public2) the maintenance and operations of the City's parks and facilities for the general public and the organization of other recreational activities3) the maintenance and operations of the Cullman Wellness and Aquatic Center for the general public4) 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING - CONTINUED

I.B.2. 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 thirty 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.

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.

The City follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB pronouncements, which does not conflict with or contradict GASB pronouncements and eliminates the criteria to apply post-November 30, 1989, pronouncements that do not conflict with or contradict GASB pronouncements.

I.C. ASSETS AND LIABILITIES

I.C.1. 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 equivalents. Cash equivalents are reported at carrying amount, which reasonably estimates fair value. Certificates of deposit are carried at cost, which approximates market value.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.2. Accounts Receivable and Assessments Receivable

Accounts and assessments receivable are presented net of allowances for doubtful accounts. The allowances for doubtful accounts are presented below:

<u>Allowance for Doubtful Accounts</u>	<u>General Fund</u>	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>
Accounts receivable at September 30, 2016	<u>\$136,231</u>	<u>\$ 24,000</u>	<u>\$56,925</u>	<u>\$34,726</u>	<u>\$5,404</u>
Assessments receivable at September 30, 2016	<u>\$125,423</u>	<u>\$126,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

I.C.3. 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.

I.C.4. Interfund Receivables – Long-term

Long-term interfund loan receivables are reported as "interfund receivables – long-term" and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

I.C.5. 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 of \$4,631,515 has been accrued as a receivable as of September 30, 2016, for the bills sent out October 1, 2016, 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, 2016, an offsetting balance of \$4,631,515 has also been reflected as unearned revenue in the financial statements.

I.C.6. 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2016, 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.

I.C.8. 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.

I.C.9. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair 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. The City's capitalization policy is to capitalize all capital assets with a cost of \$5,000 or more.

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.10. Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Interest capitalized for the year ended September 30, 2016 was as follows:

<u>Proprietary Fund/Component Unit</u>	<u>Total Interest Capitalized</u>	<u>Net Interest Capitalized</u>
Utilities Board – Water Division	\$ 4,130,847	\$ 4,121,216
Sewer Operation	97,432	97,432

I.C.11. Amortization

Unamortized debt discount 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. Unamortized debt premium is amortized on the straight-line method over the life of the bonds/warrants.

I.C.12. Payable from Restricted Assets

Certain assets are restricted for debt service and capital improvements. Liabilities payable from restricted assets in the various fund types are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable - contractor	\$ -	\$ 759,378
Accounts payable – other	-	298,536
Accrued interest payable	54,000	381,481
Police evidence	17,360	-
Other postemployment benefits	-	5,555
Current maturities on long-term liabilities	760,000	5,246,587
TOTAL	<u>\$ 831,360</u>	<u>\$6,691,537</u>

Of the \$5,246,587 shown as current maturities on long-term debt above in the business-type activities, \$3,321,587 is general obligation debt.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.13. 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, 2016. Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with the City. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees to specified maximums and a percentage of sick leave is payable upon termination in accordance with guidelines established in the City's personnel policies. If an employee does not use his sick leave during the year and would otherwise lose any accumulated time, the employee is paid one-half of the hours accumulated in excess of the maximum allowed to be carried over from year to year. The estimated liabilities include required salary-related payments. The liability for compensated absences is paid by the general fund for all governmental funds and each proprietary fund is responsible for its own liability for compensated absences.

Utilities Board – Water Division (Board) (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, 2016. Full-time, permanent employees are granted vacation leave benefits in varying amounts depending on tenure with the Board. 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 Board's personnel policies. The estimated liabilities include required salary-related payments.

I.C.14 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 are 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 consists of all other net position not included in the above categories.

As of September 30, 2016, the City had \$60,235 in net position restricted by enabling legislation for the purpose of purchasing new Municipal Court equipment and for training of Municipal Court employees.

As of September 30, 2016, the City had \$20,390 in net position restricted by enabling legislation for the purpose of constructing parks and recreation facilities, paying principal and interest on debt issued to finance such construction, or for maintenance and operation of parks and recreational facilities in the City of Cullman.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.15. 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 Comprehensive Annual Financial Report.

I.C.16. Governmental Fund Balances

In accordance with Government Accounting Standards Board 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 it is 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 does 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 neither 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 has 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 balance when expenditures are made.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.16. Governmental Fund Balances - Continued

The City does not have a formal minimum fund balance policy.

I.C.17. 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.

I.C.18. Advertising

Advertising costs are expensed as incurred. For the year ended September 30, 2016, the City incurred \$39,072 in printing and advertising costs in the governmental funds and \$114,181 in printing and advertising expenses through the proprietary funds.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – DEFICIT BALANCE

The \$265,895 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.

III. CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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

Custodial Credit Risk

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

As of September 30, 2016, the Utilities Board – Water Division of the City of Cullman (Board) (component unit blended with the Water System) had \$514,632 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, 2016, the Board had \$11,984,649 collateralized by securities held by the pledging financial institutions' trust department but not in the Board's name.

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2016 was as follows:

	Balance at Sept. 30, 2015
Governmental activities:	
Capital assets not being depreciated:	
Land	\$ 7,579,906
Historical buildings	378,448
Construction in progress	907,354
	<hr/>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 8,865,708
Capital assets being depreciated:	
Buildings	\$ 10,346,984
Improvements other than buildings	2,354,214
Infrastructure - streets	35,514,828
Infrastructure - bridges	607,683
Machinery and equipment:	
Office equipment	\$ 22,739
Computer equipment	276,164
Communication equipment	286,907
Heavy equipment	2,161,884
Transportation equipment	9,843,569
Other general equipment	3,393,906
	<hr/>
TOTAL MACHINERY AND EQUIPMENT	\$ 15,985,169
	<hr/>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 64,808,878
Less accumulated depreciation for:	
Buildings	\$ 1,987,756
Improvements other than buildings	552,283
Infrastructure - streets	10,936,132
Infrastructure - bridges	334,226
Machinery and equipment:	
Office equipment	\$ 12,476
Computer equipment	179,141
Communication equipment	208,292
Heavy equipment	1,063,439
Transportation equipment	5,985,110
Other general equipment	2,410,503
	<hr/>
TOTAL MACHINERY AND EQUIPMENT	\$ 9,858,961
TOTAL ACCUMULATED DEPRECIATION	\$ 23,669,358
	<hr/>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	\$ 41,139,520
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<hr/> <hr/> \$ 50,005,228

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2016</u>
\$ 631,447	\$ (723,002)	\$ 7,488,351
-	-	378,448
1,716,839	(1,762,296)	861,897
\$ 2,348,286	\$ (2,485,298)	\$ 8,728,696
\$ 21,251	\$ -	\$ 10,368,235
350,413	-	2,704,627
1,337,470	-	36,852,298
-	-	607,683
\$ -	\$ -	\$ 22,739
145,689	-	421,853
-	-	286,907
424,783	(12,000)	2,574,667
825,852	(491,139)	10,178,282
505,064	-	3,898,970
\$ 1,901,388	\$ (503,139)	\$ 17,383,418
\$ 3,610,522	\$ (503,139)	\$ 67,916,261
\$ 188,402	\$ -	\$ 2,176,158
93,826	-	646,109
715,988	-	11,652,120
12,154	-	346,380
\$ 945	\$ -	\$ 13,421
22,199	-	201,340
17,955	-	226,247
140,015	(4,050)	1,199,404
570,143	(397,073)	6,158,180
163,418	-	2,573,921
\$ 914,675	\$ (401,123)	\$ 10,372,513
\$ 1,925,045	\$ (401,123)	\$ 25,193,280
\$ 1,685,477	\$ (102,016)	\$ 42,722,981
\$ 4,033,763	\$ (2,587,314)	\$ 51,451,677

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS - CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2016 was as follows:

	<u>Balance at Sept. 30, 2015</u>
Business-type activities:	
Capital assets not being depreciated:	
Land	\$ 14,641,016
Construction in progress	<u>86,154,165</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 100,795,181
Capital assets being depreciated:	
Buildings	\$ 26,923,508
Improvements other than buildings	118,372,600
Source of supply	2,434,916
Pumping plant	709,632
Water treatment plant	18,225,928
Transmission and distribution system	1,454,061
Machinery and equipment:	
Office equipment	\$ 532,071
Computer equipment	46,159
Communication equipment	3,318
Heavy equipment	840,197
Transportation equipment	2,559,039
Other general equipment	<u>4,378,148</u>
TOTAL MACHINERY AND EQUIPMENT	<u>\$ 8,358,932</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 176,479,577
Less accumulated depreciation for:	
Buildings	\$ 11,364,802
Improvements other than buildings	49,468,418
Source of supply	1,833,845
Pumping plant	661,231
Water treatment plant	9,680,517
Transmission and distribution system	1,004,603
Machinery and equipment:	
Office equipment	\$ 344,743
Computer equipment	18,915
Communication equipment	2,988
Heavy equipment	515,689
Transportation equipment	1,536,289
Other general equipment	<u>2,800,795</u>
TOTAL MACHINERY AND EQUIPMENT	<u>\$ 5,219,419</u>
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 79,232,835</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$ 97,246,742</u>
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u><u>\$ 198,041,923</u></u>

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2016</u>
\$ 230,372	\$ -	\$ 14,871,388
25,761,856	(14,581,020)	97,335,001
\$ 25,992,228	\$(14,581,020)	\$ 112,206,389
\$ 867,128	\$ -	\$ 27,790,636
12,857,067	(1,440,567)	129,789,100
-	-	2,434,916
-	-	709,632
-	-	18,225,928
-	-	1,454,061
\$ 86,180	\$ -	\$ 618,251
32,750	-	78,909
-	-	3,318
624,910	(148,046)	1,317,061
375,728	(301,678)	2,633,089
653,515	(128,701)	4,902,962
\$ 1,773,083	\$ (578,425)	\$ 9,553,590
\$ 15,497,278	\$ (2,018,992)	\$ 189,957,863
\$ 681,799	\$ -	\$ 12,046,601
3,096,794	(498,405)	52,066,807
43,636	-	1,877,481
-	-	661,231
266,667	-	9,947,184
18,021	-	1,022,624
\$ 23,542	\$ -	\$ 368,285
4,940	-	23,855
-	-	2,988
80,161	(132,132)	463,718
161,611	(276,041)	1,421,859
244,026	(103,918)	2,940,903
\$ 514,280	\$ (512,091)	\$ 5,221,608
\$ 4,621,197	\$ (1,010,496)	\$ 82,843,536
\$ 10,876,081	\$ (1,008,496)	\$ 107,114,327
\$ 36,868,309	\$(15,589,516)	\$ 219,320,716

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government:	
Administrative	\$ 176,319
Building and housing	10,678
Garage	21,857
Public safety:	
Police	157,665
Fire	341,203
Traffic maintenance	47,636
Dispatch and EMA	13,687
Highways and streets	836,806
Sanitation	294,245
Culture and recreation	12,341
Conservation	12,608
TOTAL	<u>\$1,925,045</u>

Depreciation expense was charged to each business-type activity as follows:

Sewer	\$1,963,592
Water System	1,328,370
Parks and Recreation	379,705
Gymnastics	80,570
Cross Creek Golf Course	123,437
Wellness Center	562,161
Airport	183,362
TOTAL	<u>\$4,621,197</u>

Land Conveyed to the Industrial Development Board of the City of Cullman (ID Board)

During the year ended September 30, 2016, the City declared \$723,002 in land to be surplus for industrial development purposes and conveyed the land to the ID Board. The land conveyed to the ID Board was reported as intergovernmental transfers.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

V. LONG-TERM DEBT

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

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

Governmental Activities			
Year ended September 30	Principal	Interest	Total Debt Service Requirement
2017	\$ 945,293	\$ 834,903	\$ 1,780,196
2018	979,888	806,140	1,786,028
2019	976,568	776,334	1,752,902
2020	939,269	734,811	1,674,080
2021	805,000	693,350	1,498,350
2022-2026	4,120,000	2,883,750	7,003,750
2027-2031	5,255,000	1,746,250	7,001,250
2032-2036	6,360,000	633,750	6,993,750
TOTALS	<u>\$20,381,018</u>	<u>\$ 9,109,288</u>	<u>\$29,490,306</u>

On February 10, 2016, the City issued \$19,640,000 in General Obligation Warrants (Series 2016) with an average interest rates of 4.052537 percent for the following purposes:

- 1) The warrant was issued to provide the advance refunding and redemption of \$19,150,000 of the outstanding 2007 Series General Obligation Warrants with an average interest rate of 4.308658 percent. Those securities were deposited in an irrevocable trust with an escrow agent to provide for redemption of the 2007 Series General Obligation on July 1, 2016. As a result, the 2007 Series warrants are considered to be defeased and the liability for those warrants has been removed from the government-wide statement of net assets.
- 2) The warrant was issued to provide \$3,500,000 for the payment of costs related to the construction of the new fire station.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$35,355. This difference, reported in the accompanying financial statements as a deferred charge on refunding, is being charged to operations through the year 2036 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next 20 years by \$3,209,023 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,010,630.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

V. LONG-TERM DEBT – CONTINUED

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

<u>Year ended</u> <u>September 30</u>	<u>Business-Type Activities</u>		<u>Total Debt</u>
	<u>Principal</u>	<u>Interest</u>	<u>Service Requirement</u>
2017	\$ 5,331,308	\$ 4,859,978	\$ 10,191,286
2018	5,727,340	4,741,599	10,468,939
2019	5,873,486	4,582,545	10,456,031
2020	6,020,826	4,418,410	10,439,236
2021	5,371,611	4,276,010	9,647,621
2022-2026	19,639,775	19,261,222	38,900,997
2027-2031	18,015,000	16,174,148	34,189,148
2032-2036	21,590,000	12,116,336	33,706,336
2037-2041	30,510,000	6,615,438	37,125,438
2042-2045	13,045,000	1,245,748	14,290,748
TOTALS	<u>\$131,124,346</u>	<u>\$78,291,434</u>	<u>\$209,415,780</u>

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2016 were as follows:

		Governmental
Description	Interest Rates	Balance at Sept. 30, 2015
G.O. Warrants:		
02-01-07 - Series 2007	4.00 - 5.00%	\$ 19,150,000
02-01-10 - Series 2010 LRSRF-DL/ARRA	2.00%	270,000
09-29-10 - School Warrants	2.96%	810,000
10-25-11 - Burrow Property	2.95%	545,096
02-10-16 - Series 2016	3.00 - 5.00%	-
TOTAL G.O. WARRANTS PAYABLE		<u>\$ 20,775,096</u>
Computer Software Liability	6.00%	-
Unamortized debt premium		-
Unamortized debt discount		(30,886)
TOTAL LONG-TERM DEBT		<u>\$ 20,744,210</u>
Other Liabilities:		
Net pension liability		9,827,971
Estimated compensated absences		1,284,069
		<u>\$ 31,856,250</u>
Less current portion		

STATEMENTS - CONTINUED

Activities			
<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2016</u>	<u>Due Within One Year</u>
\$ -	\$(19,150,000)	\$ -	\$ -
-	(65,000)	205,000	65,000
-	(150,000)	660,000	155,000
-	(83,920)	461,176	86,395
19,640,000	(655,000)	18,985,000	605,000
<u>\$ 19,640,000</u>	<u>\$(20,103,920)</u>	<u>\$ 20,311,176</u>	<u>\$ 911,395</u>
101,832	(31,990)	69,842	33,898
516,050	(16,850)	499,200	-
(32,361)	31,943	(31,304)	-
<u>\$ 20,225,521</u>	<u>\$(20,120,817)</u>	<u>\$ 20,848,914</u>	<u>\$ 945,293</u>
1,886,170	(252,463)	11,461,678	-
1,041,289	(946,740)	1,378,618	546,872
<u>\$ 23,152,980</u>	<u>\$(21,320,020)</u>	<u>\$ 33,689,210</u>	<u>\$ 1,492,165</u>
TOTAL LONG-TERM LIABILITIES		<u>(1,492,165)</u>	
		<u>\$ 32,197,045</u>	

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2016
were as follows:

Description	Interest Rates	Business-type Balance at Sept. 30, 2015
Sewer:		
G.O. Sewer Warrants: (a)		
07-31-2013 - Series 2013	1.72%	\$ 7,222,223
11-27-2013 - Series 2013-A	2.63%	9,819,262
02-15-2015 - Series 2015-CWSRF-DL	2.25%	3,970,000
10-01-2015 - Series 2015B-CWSRF-DL	2.20%	-
Water System:		
Utilities Board Water Division:		
Water Revenue Bonds - 06-03-2011	2.75 - 5.00%	55,750,000
Water Revenue Bonds - 03-12-2015 - Series 2015-A	2.00 - 5.00%	42,110,000
Water Revenue Bonds - 03-12-2015 - Series 2015-B	2.195%	7,800,000
Water Fund:		
G.O. Water Warrant - 02-13-2012 - Series 2012-DWSRF-BL	2.50%	1,165,000
G.O. Water Refunding Warrant - 04-13-2012 - Series 2012	2.46%	1,005,000
G.O. Water Warrant - 11-27-2013 - Series 2013-B	2.30%	4,751,736
Cullman City Parks and Recreation Board:		
Capital Leases for Golf Course Equipment:		
De Lage Landen Public Finance, LLC - 05-01-2012	3.630%	6,188
Cullman Regional Airport Board:		
G.O. Warrant - (a)		
Airport T-Hangar - 09-14-2011	2.60%	72,103
Airport Projects - 10-22-2012	2.99%	546,462
		<u>\$ 134,217,974</u>
Unamortized bond discount		(755,755)
Unamortized bond premium		155,496
TOTAL G.O. WARRANTS/BONDS PAYABLE		<u>\$ 133,617,715</u>
Other Liabilities:		
Interfund payables		14,536,921
Net pension liability		4,276,594
Estimated compensated absences		777,589
		<u>\$ 153,208,819</u>

Less current portion

STATEMENTS - CONTINUED

Activities			
Additions	(Removals)	Balance at Sept. 30, 2016	Due Within One Year
\$ -	\$ (1,333,334)	\$ 5,888,889	\$ 1,333,333
-	(1,091,652)	8,727,610	1,026,355
-	(160,000)	3,810,000	160,000
3,470,000	(140,000)	3,330,000	145,000
-	(1,075,000)	54,675,000	1,105,000
-	(185,000)	41,925,000	195,000
-	(1,650,000)	6,150,000	625,000
-	(150,000)	1,015,000	155,000
-	(150,000)	855,000	-
-	(538,660)	4,213,076	501,899
-	(6,188)	-	-
-	(12,247)	59,856	11,358
-	(71,547)	474,915	73,363
\$ 3,470,000	\$ (6,563,628)	\$ 131,124,346	\$ 5,331,308
(81,850)	158,067	(679,538)	-
1,302,616	(48,515)	1,409,597	-
\$ 4,690,766	\$ (6,454,076)	\$ 131,854,405	\$ 5,331,308
13,263,657	(15,040,843)	12,759,735	402,643
1,609,330	(953,163)	4,932,761	-
222,156	(313,581)	686,164	138,141
\$ 19,785,909	\$ (22,761,663)	\$ 150,233,065	\$ 5,872,092
		(5,872,092)	
TOTAL LONG-TERM LIABILITIES		\$ 144,360,973	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

V. LONG-TERM DEBT – CONTINUED

(a) Proceeds of all 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.

VI. INTERFUND BALANCES AND ACTIVITY

VI.A. Interfund Receivables/Payables – Short-term

Interfund receivables/payables – short-term at September 30, 2016, consist of the following:

\$ 2,874	Payable to the Water Fund from the Sewer fund for water parts, water usage, and rock sold the Sewer Fund from the Water Fund
803	Payable to the General Fund from the Water Fund representing expenditures paid by the General Fund for the Water Fund
100,000	Payable to the General Fund from the Utilities Board – Water Division (part of the Water System) representing matching expenses on grant for recreational trails at the Duck River Project
2,354	Payable to the Utilities Board – Water Division (part of the Water System) from General Fund representing allocations of expenses
3,396	Payable to the General Fund from the Cullman Regional Airport Board (Airport) representing expenditures paid by the General Fund for the Airport
18,569	Payable to the Sewer Fund from the General Fund representing payroll allocations from the Sewer Fund to the General Fund
28,268	Payable to the General Fund from the Cullman City Parks and Recreation Board for miscellaneous reimbursement billings
2,803	Payable to the Court Judicial Admin Fund (a Special Revenue nonmajor governmental fund) from the General Fund for restricted fines collected by Municipal Court
1,886	Payable to the Corrections/Court Fund (a Special Revenue nonmajor governmental fund) from the General Fund for restricted fines collected by Municipal Court
622	Other balances
<u>\$ 161,575</u>	

The following is a summary of interfund receivables – short-term reported in the financial statements:

\$ 39,617	Interfund receivables, Balance Sheet – Governmental Funds
<u>121,958</u>	Interfund receivables, Balance Sheet – Proprietary Funds
<u>\$ 161,575</u>	

The following is a summary of interfund payables – short-term reported in the financial statements:

\$ 123,879	Interfund payables, Balance Sheet – Governmental Funds
(402,643)	Short-term portion of long-term interfund balance that is long-term in governmental funds at fund level due to not being received within 30 day availability period
<u>440,339</u>	Interfund payables, Balance Sheet – Proprietary Funds
<u>\$ 161,575</u>	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

VI.B. Interfund Receivables/Payables – Long-term

Interfund receivables/payables – long-term at September 30, 2016, consist of the following:

\$ 121,607	Payable to the General Fund from the Airport representing expenditures paid by the General Fund in excess of the City of Cullman's 50 percent ownership in the Airport
<u>12,638,128</u>	Payable to the Debt Service Fund from the Parks and Recreation Board representing the Parks and Recreation's portion of general obligation warrants
<u>\$12,759,735</u>	

The following is a summary of interfund receivables – long-term in the fund financial statements:

\$ 121,607	Interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>12,638,128</u>	Restricted interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>\$12,759,735</u>	

The following is a summary of interfund payables – long-term in the fund financial statements:

\$ 402,643	Short-term portion of long-term interfund balance that is long-term in governmental funds at fund level due to not being received within 30 day availability period
<u>12,357,092</u>	Interfund payables – long-term, Balance Sheet – Proprietary Funds
<u>\$12,759,735</u>	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

VI.C. Transfers to/from Other Funds

Transfers to/from other funds during the year ended September 30, 2016, consist of the following:

\$2,663,761	From the General Fund to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
2,821,690	From the General Fund to Cullman City Parks and Recreation Board representing payments for payroll expenditures, debt service, and others
211,176	From the General Fund to the Cullman Regional Airport Board representing the City's 50 percent of cash outlay in excess of revenues in joint venture
50,784	From the General Fund to the Utilities Board – Water Division (part of the Water System) representing reimbursements for grant proceeds received on expenditures paid for the recreation trails at the Duck River Project
399,741	From the General Fund to the capital project funds (nonmajor governmental funds) to supplement other funds for capital project expenditures
44,049	From the Sewer Fund to the capital project funds (nonmajor governmental funds) representing grants received for capital projects
108,642	From the Water Fund (part of the Water System) to the capital project funds (nonmajor governmental funds) representing the Water Fund's portion of grants earned for capital projects and transfers reimbursing the capital project funds for the Water Fund's portion of capital projects
1,044,749	From the Debt Service Fund to the Cullman City Parks and Recreation Board representing Parks and Recreation's portion of the principal and interest paid on the G.O. Warrants Series 2007 and G.O. Warrants Series 2016
181,684	From the Alabama Trust Fund (a special revenue fund/nonmajor governmental fund) to Cullman City Parks and Recreation Board representing transfers for capital projects
276,690	From the capital project funds (nonmajor governmental funds) to the Cullman City Parks and Recreation Board representing the emergency purchase of two Pool Pak units at the Cullman Wellness and Aquatics Center
78,559	From the capital project funds (nonmajor governmental funds) to the Sewer Fund representing transfers for capital project expenditures
173,901	From the capital project funds (nonmajor governmental funds) to the Water Fund (part of the Water System) representing transfers for capital project expenditures
152,588	Other
<u>\$8,208,014</u>	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

VI.C. Transfers to/from Other Funds - Continued

The following is a summary of transfers from other funds in the financial statements:

\$3,316,193	Operating transfers in – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
50,784	Transfers from General Fund to the Utilities Board – Water Division (UBWD) (part of the Water System) for grant proceeds related to the recreational trails reported as contributed capital in the UBWD's separately issued financial statements and reclassified as transfers at the government-wide level
<u>4,841,037</u>	Transfers in – Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
<u>\$8,208,014</u>	

The following is a summary of transfers to other funds in the financial statements:

\$8,002,736	Operating transfers (out) – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
52,587	Transfers from Utilities Board – Water Division (part of the Water System) to the General Fund for the portion of net pension liability associated with water patrol officer only reflected in General Fund at government-wide level
<u>152,691</u>	Transfers (out) – Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
<u>\$8,208,014</u>	

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

VII. NET POSITION

Net position represents the difference between assets and liabilities. The net position amounts were determined as follows:

	Governmental Activities	Business-Type Activities
Invested in Capital Assets, Net of Related Liabilities:		
Capital Assets	\$ 51,451,677	\$ 219,320,716
Less: Warrants/bonds payable	(20,311,176)	(125,877,759)
Computer software liability	(69,842)	-
Less School Warrants not for capital assets	660,000	-
Less unspent proceeds from warrants	2,914,981	4,931,334
Less amounts payable from restricted assets	760,000	-
Less School Warrants portion	(155,000)	-
Accounts payable	-	(73,802)
Interfund payables - long-term	-	(12,638,128)
Debt premium	(499,200)	(1,409,597)
Add: State revolving funds receivable	-	3,234,701
Debt discount	31,304	679,538
Unamortized loss on refunding	31,922	590,262
	\$ 34,814,666	\$ 88,757,265
Restricted for Debt Service and Capital Activity:		
Restricted cash equivalents	\$ 3,822,985	\$ 13,290,803
Due from other governmental units	-	21,145
State revolving funds receivable	-	12,255
Less: Cash equivalents not restricted by an external party	-	(504,144)
Advances to other governments	1,960,259	-
Alabama Trust Fund capital improvements	254,334	-
Deductions:		
Less unspent proceeds from warrants	(2,914,981)	(4,931,334)
Liabilities payable from restricted assets	(831,360)	(6,691,537)
Less: Liabilities payable from cash equivalents not restricted by an external party	-	3,028,697
	\$ 2,291,237	\$ 4,225,885
Other restricted net position:		
Municipal Court equipment and training	\$ 60,235	\$ -
Fiduciary	8,566	-
Trees	7,783	-
Realty improvements and Ingle Park	15,352	-
Highways and streets	615,698	-
Parks and recreation/tournaments	-	20,390
Jail/Correction facilities/Court complex	280,174	-
Municipal Court	121,790	-
Industrial development and recreation	156,121	-
Education	18,583	-
Endowment	100,908	-
Unrestricted	29,780,737	13,285,976
TOTAL NET POSITION	\$ 68,271,850	\$ 106,289,516

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VIII. 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.

IX. 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 although 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.

The City has outstanding General Obligation debt reported in proprietary funds which remains a contingent liability of the City as stated in Note V.

X. SPECIAL ITEM AND EXTRAORDINARY ITEM

Special Item - Water System (The Utilities Board of the City of Cullman – Water Division (Board), a Component Unit of the City)

In December 2015, the Board's contractors plugged the dam at the Duck River construction site. It was thought it would take up to a year for the new reservoir to completely fill, but due to unexpected rain and flooding, the reservoir filled. Due to the flooding, ASI Constructors, Inc. incurred damages to equipment that had to be removed from the bottom of the reservoir, etc. The Board maintained the builders' risk insurance policies for this project, which are to cover any approved reimbursements to ASI Constructors, Inc. in excess of the policy deductible. The deductible paid by the Board on the policy was \$500,000. The Board will also be paying any additional approved payments to ASI Constructors, Inc. as insurance proceeds are received. During the year ended September 30, 2016, the Board paid an additional \$200,000 to ASI Constructors, Inc. that was received from insurance.

Extraordinary Item - Sewer Operation

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The City has evaluated events or changes in circumstances that may have affected the Sewer Fund's assets and has determined that impairment of a capital asset did occur in one circumstance. In December 2015, the Sewer Fund's UV Light Treatment System was damaged beyond repair due to flooding at the wastewater treatment plant. The net book value of the asset was \$883,107 and the impairment loss was \$883,107. The loss from impairment has been reported in the year ended September 30, 2016 statement of revenues, expenses and changes in net position as an "extraordinary item – impairment loss".

The Sewer Fund intends to replace the UV Light Treatment System in the year ended September 30, 2017 and has received a grant from the Federal Emergency Management Agency (FEMA) in the amount of \$867,139 with a matching grant from the State of Alabama in the amount of \$144,523 to assist with the replacement.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XI. PENSION PLAN

XI.A. General Information about the Pension Plan

XI.A.1. Plan Description

The Employees' Retirement System of Alabama (ERS), an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing 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. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six 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) Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

XI.A.2. 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN – CONTINUED

XI.A. General Information about the Pension Plan - Continued

XI.A.2. Benefits Provided – Continued

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 guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. 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. 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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership included approximately 84,393 participants as of September 30, 2015. As of September 30, 2015, the membership for ERS, the City of Cullman, and its blended component unit, the Utilities Board – Water Division of the City of Cullman (UBWD) as a whole consisted of the following:

	<u>ERS'</u> <u>Membership</u>	<u>City's</u> <u>Membership</u>	<u>UBWD's</u> <u>Membership</u>
Retirees and beneficiaries			
currently receiving benefits	22,211	124	-
Terminated employees entitled to			
but not yet receiving benefits	1,353	4	-
Terminated employees not			
entitled to a benefit	5,451	8	-
Active Members	55,164	317	14
Post-DROP participants still in			
active service	214	8	-
TOTALS	<u>84,393</u>	<u>461</u>	<u>14</u>

XI.A.3. 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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN - CONTINUED

XI.A. General Information about the Pension Plan - Continued

XI.A.3. Contributions – Continued

compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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, 2016, the active employee contribution rate for the City and its blended component unit, the Utilities Board – Water Division of the City of Cullman (UBWD), was as follows:

Employer	Tier 1	Tier 2
City of Cullman	11.14 percent	8.67 percent
UBWD	11.74 percent	10.74 percent

For the year ended September 30, 2016, the average contribution rate for the City and its blended component unit, the UBWD, to fund the normal and accrued liability as a percent of covered employee payroll was as follows:

Employer	Average Contribution Rate
City of Cullman	10.38 percent
UBWD	11.28 percent

The contractually required contribution rates of pensionable pay for the City and its blended component unit, the UBWD, for the year ended September 30, 2016 were as follows:

Employer	Tier 1	Tier 2
City of Cullman	11.14 percent	8.67 percent
UBWD	11.74 percent	10.74 percent

These required contribution rates are based upon the actuarial valuation dated September 30, 2013, 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN - CONTINUED

XI.A. General Information about the Pension Plan - Continued

XI.A.3. Contributions – Continued

Total employer contributions to the pension plan from the City and its blended component unit, the UBWD, for the year ended September 30, 2016 were as follows:

Employer	Employer Contributions
City of Cullman	\$1,476,276
UBWD	\$ 103,485

XI.B. Net Pension Liability

The net pension liability for the City and its blended component unit, the UBWD, was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

Description	City of Cullman		UBWD	
	Expected	Actual	Expected	Actual
(a) Total Pension Liability				
as of September 30, 2014	\$ 49,331,699	\$ 49,017,796	\$ 3,784,094	\$ 3,778,267
(b) Entry Age Normal Cost				
for October 1, 2014 – September 30, 2015	\$ 1,037,206	\$ 1,037,206	\$ 64,359	\$ 64,359
(c) Actual Benefit Payments and Refunds				
for October 1, 2014 – September 30, 2015	\$ (2,358,467)	\$ (2,358,467)	\$ (161,036)	\$ (161,036)
(d) Total Pension Liability				
as of September 30, 2015 as Calculated				
[(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 51,862,635	\$ 51,523,620	\$ 3,983,704	\$ 3,977,410
Variance due to allocation between				
Utilities Board's divisions	-	-	(3,229)	9,562
as of September 30, 2015 as Reported	\$ 51,862,635	\$ 51,523,620	\$ 3,980,475	\$ 3,986,972
(e) Difference between Expected and Actual Experience (Gain) Loss		<u>\$ (339,015)</u>		<u>\$ 6,497</u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN - CONTINUED

XI.B. Net Pension Liability - Continued

XI.B.1. Actuarial Assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females for the period after service retirement and for dependent beneficiaries. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actual experience study for the period October 1, 2005 – September 30, 2010. The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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	25.00%	5.00%
Domestic Large Cap Equity	34.00%	9.00%
Domestic Mid Cap Equity	8.00%	12.00%
Domestic Small Cap Equity	3.00%	15.00%
International Developed Equity	15.00%	11.00%
Emerging Market Equity	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash Equivalents	2.00%	1.50%
TOTAL	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN - CONTINUED

XI.B. Net Pension Liability - Continued

XI.B.2. Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. 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. Projected future benefit payments for all current plan members were projected for all years.

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 and a municipal bond rate was not used in determining the discount rate.

XI.C. Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2014	\$ 49,331,699	\$ 36,137,438	\$ 13,194,261
Changes for the year:			
Service cost	1,037,206	-	1,037,206
Interest	3,852,199	-	3,852,199
Difference between expected and actual experience	(339,015)	-	(339,015)
Contributions -- employer	-	1,368,019	(1,368,019)
Contributions -- employee	-	709,731	(709,731)
Net investment income	-	426,614	(426,614)
Benefit payments, including refunds of employee contributions	(2,358,467)	(2,358,467)	-
Transfers Among Employers	-	(75,385)	75,385
Net Changes	\$ 2,191,923	\$ 70,512	\$ 2,121,411
Balances at September 30, 2015	\$ 51,523,622	\$ 36,207,950	\$ 15,315,672

NOTES TO THE FINANCIAL STATEMENTS -- CONTINUED

NOTE XI -- PENSION PLAN - CONTINUED

XI.C. Changes in Net Pension Liability - Continued

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2014	\$ 3,784,094	\$ 2,797,796	\$ 986,298
Changes for the year:			
Service cost	64,359	-	64,359
Interest	306,052	-	306,052
Difference between expected and actual experience	(6,497)	-	(6,497)
Contributions -- employer	-	106,966	(106,966)
Contributions -- employee	-	44,367	(44,367)
Net investment income	-	34,236	(34,236)
Benefit payments, including refunds of employee contributions	(161,036)	(161,036)	-
Transfers Among Employers	-	-	-
Net Changes	\$ 202,878	\$ 24,533	\$ 178,345
Balances at September 30, 2015	\$ 3,986,972	\$ 2,822,329	\$ 1,164,643

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN - CONTINUED

XI.C. Changes in Net Pension Liability - Continued

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2014	\$ 53,115,793	\$ 38,935,234	\$ 14,180,559
Changes for the year:			
Service cost	1,101,565	-	1,101,565
Interest	4,158,251	-	4,158,251
Difference between expected and actual experience	(345,512)	-	(345,512)
Contributions -- employer	-	1,474,985	(1,474,985)
Contributions -- employee	-	754,098	(754,098)
Net investment income	-	460,850	(460,850)
Benefit payments, including refunds of employee contributions	(2,519,503)	(2,519,503)	-
Transfers Among Employers	-	(75,385)	75,385
Net Changes	\$ 2,394,801	\$ 95,045	\$ 2,299,756
Balances at September 30, 2015	\$ 55,510,594	\$ 39,030,279	\$ 16,480,315
Less 50 percent of Cullman Regional Airport Board liability (see below note disclosure)	\$ (293,617)	\$ (207,741)	(85,876)
	<u>\$ 55,216,977</u>	<u>\$ 38,822,538</u>	<u>\$ 16,394,439</u>

The Cullman Regional Airport Board (Airport) is jointly owned by the City of Cullman, Alabama, and Cullman County, Alabama (See Note VIII). However, all of the 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 fact that the other 50 percent is expected to be paid by Cullman County, Alabama through the joint venture.

XI.C.1. 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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN - CONTINUED

XI.C. Changes in Net Pension Liability – Continued

XI.C.1. Sensitivity of the Net Pension Liability to Changes in the Discount Rate - Continued

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
City of Cullman	\$ 20,835,187	\$ 15,315,672	\$ 10,654,666
UBWD	1,579,635	1,164,643	847,608
TOTALS	<u>\$ 22,414,822</u>	<u>\$ 16,480,315</u>	<u>\$ 11,502,274</u>

XI.C.2. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. 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 www.rsa-al.gov.

XI.D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$1,557,140 and the UBWD recognized pension expense of \$116,328, which is a combined total pension expense of \$1,673,468. At September 30, 2016, 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
Differences between expected and actual experience		
City of Cullman	\$ -	\$ 286,044
UBWD	-	5,357
Net difference between projected and actual earnings on plan investments		
City of Cullman	1,185,446	-
UBWD	96,776	-
Employer contributions subsequent to the measurement date		
City of Cullman	1,425,482	-
UBWD	100,199	-
Less 50 percent for Cullman Regional Airport Board to be paid by Cullman County	(10,816)	(1,331)
TOTALS	<u>\$ 2,797,087</u>	<u>\$ 290,070</u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

NOTE XI – PENSION PLAN - CONTINUED

XI.D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Amounts reported as deferred outflows of resources for the net difference between projected and actual earnings on plan investments will be recognized in pension expense as follows:

Year ended September 30	City of Cullman	UBWD	Less 50% Airport	TOTALS
2017	\$ 231,805	\$ 19,149	\$ (795)	\$ 250,159
2018	231,805	19,149	(795)	250,159
2019	231,807	19,150	(303)	250,654
2020	490,029	39,328	(2,283)	527,074
TOTALS	\$ 1,185,446	\$ 96,776	\$ (4,176)	\$ 1,278,046

Amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

Year ended September 30	City of Cullman	UBWD	Less 50% Airport	TOTALS
2017	\$ 52,971	\$ 1,140	\$ (247)	\$ 53,864
2018	52,971	1,140	(247)	53,864
2019	52,971	1,140	(247)	53,864
2020	52,971	1,140	(247)	53,864
2021	52,971	797	(247)	53,521
2022	21,189	-	(96)	21,093
TOTALS	\$ 286,044	\$ 5,357	\$ (1,331)	\$ 290,070

XII. 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.

XIII. 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XIV. 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. The balance sheet item "Due from other governmental units" includes collections to be received from the Board as follows:

	Governmental Activities	Business-Type Activities
Water, sewer, and sanitation revenues	\$237,263	\$885,162
Taxes in lieu	59,869	- - -
TOTALS	<u>\$297,132</u>	<u>\$885,162</u>

XV. POSTEMPLOYMENT BENEFITS

From an accrual perspective, the cost of postemployment health insurance benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Utilities Board of the City of Cullman – Water Division (Board), a component unit of the City, recognizes the cost of postemployment health insurance benefits in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Board's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, which commenced with the 2009 liability.

XV.A. PLAN DESCRIPTION

The Board 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 Board paying for any subsidization of that retiree's cost.

The Utilities Board of the City of Cullman – Power Division (Cullman Power Board) is administering the other postemployment benefits (OPEB) for the Board. No separate financial statements are issued.

The number of participants as of July 1, 2014, the effective date of the OPEB valuation, was 14 active employees and no retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

XV.B. FUNDING POLICY

Currently, the Board is expensing the health insurance benefits on a pay-as-you-go basis (when premiums and claims are due).

The Board has approved for the Utilities Board of the City of Cullman – Power Division (Cullman Power Board) to set up a restricted account to fund this liability each year. This account will be maintained for the Water and Power Divisions in total since the Cullman Power Board currently handles all of the Board's payroll and related expenses, including health insurance. As of September 30, 2016, the Cullman Power Board is maintaining \$11,760 in this restricted account.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XV. POSTEMPLOYMENT BENEFITS - CONTINUED

XV.B. FUNDING POLICY - CONTINUED

The Board has decided not to establish a trust to accumulate and invest assets necessary to pay for the accumulated liability until the above restricted account increases to a value that would make the trust more economically feasible. Therefore, these financial statements assume that pay-as-you-go funding will continue as far as accumulating the Board's liability for the OPEB.

XV.C. ANNUAL OPEB AND NET OPEB OBLIGATION

The Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the Board's annual OPEB cost for the last three years, the amount actually contributed to the plan, and changes in the Board's net OPEB Obligation.

	September 30		
	2016	2015	2014
ARC Normal Cost	\$ 933	\$ 674	\$ 674
Amortization of Unfund Actuarial Accrued Liability (UAAL)	2,608	3,799	3,799
Annual required contribution (ARC)	\$ 3,541	\$ 4,473	\$ 4,473
Interest on net OPEB obligation	302	193	276
Adjustment to ARC	(340)	(407)	(407)
Annual OPEB cost (expense)	\$ 3,503	\$ 4,259	\$ 4,342
Contributions made	(2,276)	(5,574)	(5,704)
Change in net OPEB obligation	\$ 1,227	\$ (1,315)	\$ (1,362)
Adjustment of previous OPEB accruals	3,072	-	250
OPEB Obligation - beginning of year	1,256	2,571	3,683
OPEB Obligation - end of year	\$ 5,555	\$ 1,256	\$ 2,571

XV.D. TREND INFORMATION

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation per the actuarial study is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
9/30/14	\$4,342	0%	\$2,571
9/30/15	4,259	0	1,256
9/30/16	3,503	0	5,555

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XV. POSTEMPLOYMENT BENEFITS - CONTINUED

XV.E. FUNDED STATUS AND FUNDING PROGRESS

Although the Board has established a bank account through the Cullman Power Board to begin accumulating funds (as noted under Funding Policy), the Board has elected not to establish a trust/plan under GASB Statement No. 43.

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial liability for benefits was \$30,804 as of September 30, 2016. Since the actuarial value of assets was \$-0-, the unfunded actuarial accrued liability (UAAL) was \$30,804 as of September 30, 2016. The covered payroll (annual payroll of active employees covered by the plan) for the year ended September 30, 2016 was \$1,047,430 and the ratio of the UAAL to the covered payroll was 0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

XV.F. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The last complete actuarial valuation was performed as of July 1, 2014 and the results were "rolled forward" to July 1, 2015 using the established actuarial techniques and methods. The July 1, 2014 valuation was based on the projected unit credit actuarial cost method. The actuarial assumptions utilized a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% by 2024. The unfunded actuarial accrued liability is being amortized on a level percentage of payroll on an open basis of 30 years.

XVI. LEASES

The Cullman Regional Airport Board (Airport) leases Corporate Hangars, T-Hangars, and Maintenance Hangars under operating leases varying from \$125 to \$2,400 per month. The hangar rental revenue was \$104,028 for the year ended September 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XVI. LEASES - CONTINUED

As of August 2, 2012 the Airport purchased the Burleson property. As part of the purchase price, Mike Burleson will be provided one T-hangar and an adjacent storage space rent free for a period of fifteen years. The fair rental value of the T-hangar and storage space is \$225 per month. The present value of the hangar lease, calculated at 2.99%, is \$16,302 (City's 50 percent), which was recorded as additional cost for the purchase of the Burleson property and as unearned revenue to be recognized as rental revenue over the length of the lease. Included in the calculation of minimum future rentals on non-cancelable operating leases with original terms of one year or longer is \$113 (City's 50 percent) per month for the remaining length of this lease.

Minimum future rentals on noncancelable operating leases with original terms of one year or longer are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 25,954
2018	21,342
2019	20,322
2020	19,311
2021	18,053
2022-2026	79,229
2027-2031	73,238
2032-2034	37,874

Cost of hangars under operating leases were \$2,264,305 as of September 30, 2016, and were included in buildings. Accumulated depreciation on hangars under operating leases was \$578,507 for the year ended September 30, 2016.

XVII. EQUIPMENT RENTAL

Sewer Operation

Equipment rental of \$35,061 for the year ended September 30, 2016 in the Sewer Fund is comprised of \$23,481 of cancelable operating leases on a month-to-month basis and/or on an as needed basis. The remaining \$11,580 consists of a long-term operating lease with Deere Credit, Inc. for a 310SL HL John Deere. The lease period is 48 months with a monthly rental amount of \$965. As of September 30, 2016, the lease had the following future minimum rental payments:

<u>Fiscal Year Ended September 30</u>	<u>Amount</u>
2017	\$ 11,583
2018	11,583
2019	8,687

Water System

Equipment rental of \$53,015 in the Water System for the year ended September 30, 2016 is comprised of \$7,952 of cancelable operating leases on a month-to-month basis and/or on an as needed basis. The remaining \$45,063 consists of long-term operating leases as follows:

The Water Fund (a part of the Water System) has a long-term lease with Deere Credit, Inc. for a 310SL HL John Deere. The lease period is 48 months with a monthly rental amount of \$965. As of September 30, 2016, the Water Fund had paid \$11,583 on the lease during the year and the lease had the following future minimum rental payments:

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVII. EQUIPMENT RENTAL - CONTINUED

Water System - Continued

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Amount</u>
2017	\$ 11,583
2018	11,583
2019	8,687

The Utilities Board of the City of Cullman – Water Division (Board), a component unit of the City, entered into a lease agreement with Medora Corporation as of August 7, 2013 for two SolarBee machines (solar-powered reservoir circulators). The SolarBee machine lease agreement is for a period of 12 months at \$2,790 per month, with an initial installation and training fee of \$16,355. At the end of the 12 months, the Board was given the option to purchase the machines for \$109,150, the fair market value of the machines at the date the lease began, less a credit of 75 percent of the total lease payments. The Board's intentions were to use this 12 month period as a trial period to evaluate the savings through the reduction of the cost of chemicals from the use of the machines. As of September 15, 2014, the Board decided to extend the lease agreement for an additional year at a cost of \$2,790 per month in order to continue evaluating the machines. As of September 30, 2015, management contacted Medora Corporation and is going to continue the lease on a month to month basis for \$2,790 per month. If the Board chooses to purchase the machines, Medora will still give the Board the option to purchase the machines for \$109,150 less a credit of 75 percent of the total lease payments. Based on these facts, the lease has been reported as an operating lease for the year ended September 30, 2016. As of September 30, 2016, the equipment rental expense was \$33,480.

XVIII. ENVIRONMENTAL REMEDIATION

Greif Brothers Property – Brownfield Remediation

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

The property has been split into two parcels – Parcel A and Parcel B. Parcel A consists of approximately 95 percent of the property and Parcel B is the remaining 5 percent. The City has paid the permitting fees for the release of Parcel A from further remediation. The environmental remediation of Parcel B has been put on hold pending the City deciding to build on the property.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVIII. ENVIRONMENTAL REMEDIATION - CONTINUED

Greif Brothers Property – Brownfield Remediation - Continued

As of September 30, 2016, the remaining estimated costs for continued monitoring and remediation costs are considered to be minimal. The City plans to redevelop the property for its own use. Therefore, the outlays expected to be necessary to place the property into its intended condition for use (including the above pollution remediation outlays) will be capitalized as incurred. The City has not accrued a pollution remediation liability as of September 30, 2016.

Eva Road Property – Voluntary Cleanup Program (VCP)

As of May 2016, the City approved to participate in the VCP authorized by the Alabama Department of Environmental Management (ADEM) at the Cullman Maintenance Facility/former Water Works/former Garage facility on Eva Road. The City incurred \$250,905 in environmental remediation and monitoring costs during the year ended September 30, 2016.

As of September 30, 2016, the remaining estimated costs for continued monitoring and remediation costs are considered to be minimal. The City currently uses this facility for its own use. Therefore, the outlays incurred to place the property into its intended condition for use (including the above remediation outlays) will be capitalized as incurred. The City has not accrued a pollution remediation liability as of September 30, 2016.

XIX. COMMITMENTS AND CONTINGENCIES

Governmental Activities

As of July 2013, the State of Alabama awarded Alabama Transportation Rehabilitation and Improvement Program (ATRIP) grant money to Cullman County, which was to be allocated to various projects within Cullman County. Of the total award, the City has currently been allocated the following amounts:

- a) \$1,390,497 for the bridge and realignment on Convent Road Northeast and Larkwood Drive over Eightmile Creek. The City expects to provide \$347,624 in matching funds.
- b) \$1,634,704 for the raising of the road surface approximately 8 feet of elevation, installation of a new pre-cast concrete arch culvert, and associated site grading and resurfacing of approximately 1,200 feet of roadway on Eva Road over Bridge Creek. The City expects to provide \$408,676 in matching funds.

The City will not receive the actual funding agreements for these projects until all estimates have been finalized. However, these amounts are on the list of selected projects found on the Alabama Department of Transportation (ALDOT) website.

As of July 2015, the City received a Staffing for Adequate Fire and Emergency Response (SAFER) grant award in the amount of \$1,137,816 from the Federal Emergency Management Agency (FEMA) to hire additional firefighters for the City during the period from March 18, 2016 through March 17, 2018. The City is not required to provide a match for this grant. As of September 30, 2016, the City had incurred \$292,167 in costs related to this grant.

The City has pledged \$900,000 to the Cullman Regional Medical Center (CRMC) Foundations' Refresh-A-Room Campaign. The City is giving CRMC \$180,000 per year for five years. As of September 30, 2016, the City had expended \$720,000 towards the pledge.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XIX. COMMITMENTS AND CONTINGENCIES - CONTINUED

Governmental Activities - Continued

The City has entered into a special economic development agreement with MRP Cullman, LLC. Under the agreement, the City will make the following economic development payments for the project area:

- a) From September 1, 2013 through August 31, 2016, the City shall pay the developer one-half (1/2) of the sales tax received from existing project businesses collected.
- b) From the period beginning on the first to occur of (i) the date on which the first new project business opens for business in the project area or (ii) September 1, 2015 and ending on the seventh anniversary of the date on which the period begins, the City shall pay \$45,250 per quarter (\$181,000 annually) plus one-half (1/2) of the remaining of the new business sales tax proceeds received.
- c) On February 1 in each year from 2014 through 2023, the City shall pay the developer all of the property tax proceeds received for the project area.

The City has also agreed to fund public infrastructure improvements, of general public benefit, along U.S. Highway 31 simultaneously with the re-development of the project at a total upfront cost of \$175,000. The total commitment of the City is not to exceed \$6,000,000. As of September 30, 2016, the City's total commitment incurred is \$2,988,817.

The City has a grant from the Federal Transportation Alternatives Program funds through the Alabama Department of Transportation in the amount of \$385,060 for the Downtown Streetscape project. The City is to provide a match of \$96,265. Cullman County has agreed to cover half of the required matching funds. As of September 30, 2016, the City has not incurred any costs on the grant.

As of February 2016, the City awarded a contract to Lathan Associates Architects, P.C. for the new street department facility on Mitchell Road in the amount not to exceed \$53,200. As of September 30, 2016, none had been incurred on the contract.

The City has a grant from the Federal Emergency Management Agency (FEMA) in the amount of \$535,316 to repair Larkwood Drive, NE, which was damaged by the December 2015 floods. The City also has a matching grant from the State of Alabama for \$89,219 for this project. The City expects to provide a match of \$89,219. As of September 30, 2016, the City had not incurred any costs on this project.

The City awarded a contract in March 2016 to Stone & Sons Electrical Contractors, Inc. for the installation of a traffic signal at the intersection of 1st Avenue, SE and 4th Street, SE in the amount of \$80,300. As of September 30, 2016, the City had not incurred any costs on the contract.

The City has a grant from the Federal Transportation Alternatives Program funds through the Alabama Department of Transportation in the amount of \$400,000 for the Downtown Streetscape project. The City is to provide a match of \$100,000. As of September 30, 2016, the City has not incurred any costs on the grant.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XIX. COMMITMENTS AND CONTINGENCIES - CONTINUED

Business- Type Activities

Sewer Operation

The Sewer Fund has a grant in the amount of \$10,979 from FEMA and a matching grant from the State of Alabama in the amount of \$1,830 for roads and embankment costs at the wastewater treatment plant. The Sewer Fund is required to provide a match of \$1,830 for the grants. As of September 30, 2016, no costs had been incurred on the grants.

The Sewer Fund has a grant in the amount of \$283,172 from FEMA and a matching grant from the State of Alabama in the amount of \$47,195 for emergency protective measures for chemical costs to treat wastewater until the UV Light Treatment System can be replaced at the wastewater treatment plant. The Sewer Fund is required to provide a match of \$47,195 for the grants. As of September 30, 2016, the Sewer Fund has earned \$193,779 from FEMA and \$32,297 from the State of Alabama on the grants.

The Sewer Fund has a grant in the amount of \$867,139 from FEMA and a matching grant from the State of Alabama in the amount of \$144,523 for replacement of the UV Light Treatment System at the wastewater treatment plant damaged due to flooding in December 2015. The Sewer Fund is required to provide a match of \$144,523 for the grants. As of September 30, 2016, no costs had been incurred on the grants.

The Sewer Fund has a contract with St. John & Associates, Inc. in the amount of \$92,980 to provide services for the South Interceptor Sewer Evaluation Study. As of September 30, 2016, the Sewer Fund had incurred \$13,891 on the contract.

Water System

A. Water Fund

The City Council awarded a bid to Robinson & Sons, Inc. in the amount of \$221,000 for the repainting of the Woodland Heights and Edgewood Water Tanks. As of September 30, 2016, the Water Fund had not incurred any costs on the contract.

B. The Utilities Board of the City of Cullman – Water Division (Board), a Component Unit of the City

The Board awarded a contract to ASI Constructors, Inc. for the Duck River Reservoir Phase II Dam and Raw Water Intake Project in the amount of \$52,382,255, which included change orders of \$586,963. As of September 30, 2016, the Board had incurred \$50,703,464 on the contract, which included retainage of \$416,893.

The Board awarded a contract to William Preston York for the Duck River Recreational Trail II in the amount of \$256,912, which included change orders in the amount of \$107,000. As of September 30, 2016, the Board had incurred \$247,129 on the contract, which included retainage of \$3,748.

The Board awarded a contract to Eidson & Associates, Inc. for the Duck River North Pedestrian Bridge Abutments in the amount of \$187,100. As of September 30, 2016, the Board had incurred \$115,825 on the contract, which included retainage of \$5,791.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XIX. COMMITMENTS AND CONTINGENCIES - CONTINUED

Business- Type Activities - Continued

Water System – Continued

B. The Utilities Board of the City of Cullman – Water Division (Board), a Component Unit of the City – Continued

The Board awarded a contract to Goodwyn, Mills and Cawood, Inc. for the Cullman Water Treatment Plant Improvements Project 1 in the amount of \$487,000. As of September 30, 2016, the Board had incurred \$298,400 on the contract.

The Cullman County Commission received a grant in the amount of \$100,000 from ADECA for South Foot Bridge at the Duck River Reservoir. The Board agreed to provide a match of \$40,000 for the grant. As of September 30, 2016, the Board had incurred \$13,745 in costs on the grant.

Cullman Regional Airport Board (Airport)

Note: The City is only responsible for 50 percent of each of the following contracts/grant amounts reported based on its joint venture.

Wiregrass Construction Company Inc. was awarded a contract for the Taxiway Rehabilitation in the amount of \$707,339. As of September 30, 2016, the Airport had incurred \$129,427 on the project, which included retainage of \$6,471.

Goodwyn, Mills & Cawood was awarded a contract for the Taxiway Rehabilitation Construction in the amount of \$94,279. As of September 30, 2016, \$29,949 in costs had been incurred on the project.

The Airport has a grant in the amount of \$488,149 from the Federal Aviation Administration (FAA) and a matching grant from the State of Alabama in the amount of \$27,119 for the construction of the Southwest Hangar Area Access Taxiway. The Airport is required to provide a match of \$27,120 for the grants. As of September 30, 2016, the Airport has earned \$112,058 from FAA and \$7,002 from the State of Alabama on the grants.

The Airport has a grant in the amount of \$363,129 from the Federal Aviation Administration (FAA) and a matching grant from the State of Alabama in the amount of \$20,174 to Rehabilitate the South Taxiway. The Airport is required to provide a match of \$20,174 for the grants. As of September 30, 2016, the Airport has earned \$82,803 from FAA and \$4,600 from the State of Alabama on the grants.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XX. SUBSEQUENT EVENTS

Governmental Activities

The following expenditures were approved subsequent to year end:

Date	Vendor	Description of Items/Contracts Awarded	Amount
November 2016	Sansom Equipment	Brush Truck & Sweeper	\$378,000
November 2016	Donohoo Chevrolet, Inc.	Four 2016 Chevrolet Tahoes	134,384
November 2016	Motorola & Sharp Communications	Digital Repeater Radio System	150,000
November 2016	Sunbelt Fire	Fire Rescue Unit and Equipment	200,000
December 2016	Mitch Smith Chevrolet, Inc.	Sanitation Work Truck	40,000
December 2016	Mitch Smith Chevrolet, Inc.	Two Street Work Trucks	77,443
December 2016	Donohoo Chevrolet, Inc.	2017 Chevrolet Pickup	31,753
January 2017	Donohoo Chevrolet, Inc.	2017 Chevrolet Tahoe	30,793
January 2017	Mitch Smith Chevrolet, Inc.	One or More 4-Wheel Drive Double Cab Trucks	29,642
January 2017	Eckenrod Ford Lincoln of Cullman, Inc.	One or More 4-Wheel Drive Regular Cab Trucks	26,571
February 2017	Cullman Leasing, Inc.	Bucket Truck	37,000
February 2017	Eckenrod Ford Lincoln of Cullman, Inc.	15-Passenger Vehicle	33,069
February 2017	Stivers Ford Lincoln, Inc.	2017 Ford Explorer	30,184

As of October 2016, the City awarded a contract to Eidson & Associates, Inc. for the construction of a new administration office and stationhouse for the City of Cullman Fire and Rescue in the amount of \$5,239,900 subject to value engineering to reduce the total cost of the project. As of February 2017, the City approved Change Orders No. 1, and 2 to reduce the total cost of the project by \$412,179, which decreased the total cost of the project to \$4,827,721.

As of October 2016, the City awarded a contract to St. John & Associates, Inc. for engineering services for the Sequence Health project in the amount of \$155,750.

As of October 2016, the City awarded a contract to St. John & Associates for engineering services for the roadway design and inspection on the York property industrial tract in the amount of \$38,400.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XX. SUBSEQUENT EVENTS - CONTINUED

Governmental Activities - Continued

As of October 2016, the City awarded a contract to St. John & Associates for engineering services in conjunction with the development of Tract 1 in the Cullman Industrial Park 3 in the amount not to exceed \$155,750.

As of October 2016, the City awarded a contract to Building Construction Associates, Inc. in the amount of \$2,369,500 (base bid of \$1,825,000 with Alternate No. 1 of \$544,500) for the construction of the new street facility. As of February 2017, the City approved Change Orders No. 1, 2, and 3 to increase the cost of the project by \$92,700, which increased the total cost of the project to \$2,462,200.

As of October 2016, the City awarded a contract to CDG Engineers & Associates, Inc. for professional services related to the Downtown Streetscape Project in the amount not to exceed \$41,000.

As of November 2016, the City purchased real property at 2115 County Road 420 (York property) in the amount of \$404,780. The property was deeded to the City of Cullman Industrial Development Board (ID Board) and the amounts paid by the City were considered to be an appropriation to the ID Board.

As of November 2016, the City awarded a contract to Carcel and G Construction, LLC in the amount of \$418,558 to rehabilitate and construct new handicapped accessible sidewalks in downtown Cullman along US Highway 31 from 5th Street South to 7th Street South upon receipt of approval of the Alabama Department of Transportation.

As of November 2016, the City awarded a contract to Lathan Associates Architects, PC for engineering services related to the design and construction of the street facility on Mitchell Road in the amount not to exceed \$190,000.

As of November 2016, the City awarded a contract to Goodwyn, Mills & Cawood for engineering services related to the design and construction of the Fire Station No. 3 in the amount not to exceed \$324,000.

As of December 2016, the City purchased land in the amount of \$121,385 to provide a new street to a major artery from the Cullman Middle School, High School and Primary School to try to alleviate the traffic congestion problems on Oak Street and Stadium Drive during school hours.

As of January 2017, the City awarded a contract to Wiregrass Construction Company, Inc. for site work at an industrial tract in the amount of \$329,987.

As of February 2017, the City awarded a contract to Wiregrass Construction, Inc. for the reconstruction of Larkwood Road in the amount of \$407,812.

As of February 2017, the City received a Community Development Block Grant in the amount of \$100,000 to construct a 15,000 square foot Healthcare Technology Center in Cullman Industrial Park III. As of March 2017, the City also received a grant from the Appalachian Regional Commission through the Alabama Department of Economic and Community Affairs (ADECA) in the amount of \$300,000 for the project. The City is to provide a match of \$1,145,000 for the project.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XXII. SUBSEQUENT EVENTS - CONTINUED

Business-Type Activities

Sewer and Water System – Shared Subsequent Events

As of November 2016, the City awarded a contract to Lee Builders, Inc. in the amount of \$3,105,412 for the construction of the Water and Sewer Facility on Eva Road. As of January 2017, the City approved a Change Orders No. 1 and 2 to reduce the total cost of the project by \$24,096, which decreased the total cost of the project to \$3,081,316.

As of November 2016, the City awarded a contract to Goodwyn, Mills & Cawood for professional engineering services related to the design and construction of the Water and Sewer Facility in the amount not to exceed \$195,000.

Sewer Operation

As of December 2016, the City of Cullman awarded a contract to J & P Construction Company, Inc. in the amount of \$2,495,000 for the tertiary filter installation for the Wastewater Treatment Plant.

As of December 2016, the City of Cullman awarded a contract to Apel Machine & Supply, Inc. in the amount of \$897,410 for the sanitary sewer and regional lift station improvements for the Wastewater Treatment Plant.

Water System

A. Water Fund

The City Council approved the following expenditures subsequent to year end:

Date	Vendor	Description of Items/Contracts Awarded	Amount
December 2016	Mitch Smith Chevrolet, Inc.	Two Work Trucks	\$77,443
December 2016	Eckenrod Ford Lincoln of Cullman, Inc.	One or More 4-Wheel Drive Crew Trucks	39,690
February 2017	Mitch Smith Chevrolet, Inc.	Three Double Cab Trucks	88,925
February 2017	Eckenrod Ford Lincoln of Cullman, Inc.	Three Single Cab Trucks	79,713

Cullman City Parks and Recreation Board (Board):

As of November 2016, the City approved for the Board to purchase various playground equipment for Ingle Park from KOMPAN, Inc. in the amount not to exceed \$108,000 from the U.S. Communities bid list.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN,
SCHEDULE OF CHANGES IN
For the year ended

	Year Ended September 30, 2015		
	City of Cullman	Utilities Board - Water Division	Total
<u>Total Pension Liability</u>			
Service Cost	\$ 1,037,206	\$ 64,359	\$ 1,101,565
Interest	3,852,199	306,052	4,158,251
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(339,015)	(6,497)	(345,512)
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(2,358,467)	(161,036)	(2,519,503)
Net change in total pension liability	\$ 2,191,923	\$ 202,878	\$ 2,394,801
Total pension liability - beginning	49,331,699	3,784,094	53,115,793
Total pension liability - ending (a)	\$ 51,523,622	\$ 3,986,972	\$ 55,510,594
<u>Plan Fiduciary Net Position</u>			
Contributions - employer	\$ 1,368,019	\$ 106,966	\$ 1,474,985
Contributions - member	709,731	44,367	754,098
Net investment income	426,614	34,236	460,850
Benefit payments, including refunds of employee contributions	(2,358,467)	(161,036)	(2,519,503)
Transfers among employers	(75,385)	-	(75,385)
Net change in plan fiduciary net position	\$ 70,512	\$ 24,533	\$ 95,045
Plan net position - beginning	36,137,438	2,797,796	38,935,234
Plan net position - ending (b)	\$ 36,207,950	\$ 2,822,329	\$ 39,030,279
Net pension liability - ending (a) - (b)	\$ 15,315,672	\$ 1,164,643	\$ 16,480,315
Plan fiduciary net position as a percentage of the total pension liability	70.27%	70.79%	70.31%
Covered-employee payroll	\$ 13,037,020	\$ 887,076	\$ 13,924,096
Net pension liability as a percentage of covered-employee payroll	117.48%	131.29%	118.36%

ALABAMA
THE NET PENSION LIABILITY
September 30, 2016

Year Ended September 30, 2014		
City of Cullman	Utilities Board - Water Division	Total
\$ 1,043,085	\$ 61,056	\$ 1,104,141
3,654,242	283,382	3,937,624
-	-	-
-	-	-
-	-	-
(2,087,310)	(205,239)	(2,292,549)
\$ 2,610,017	\$ 139,199	\$ 2,749,216
46,721,682	3,644,895	50,366,577
\$ 49,331,699	\$ 3,784,094	\$ 53,115,793
<hr/>		
\$ 1,354,385	\$ 103,686	\$ 1,458,071
692,335	43,059	735,394
3,874,230	302,926	4,177,156
(2,087,310)	(205,239)	(2,292,549)
(11,050)	-	(11,050)
\$ 3,822,590	\$ 244,432	\$ 4,067,022
32,314,848	2,553,364	34,868,212
\$ 36,137,438	\$ 2,797,796	\$ 38,935,234
<hr/>		
\$ 13,194,261	\$ 986,298	\$ 14,180,559
<hr/>		

73.25%	73.94%	73.30%
\$ 12,819,139	\$ 861,185	\$ 13,680,324
102.93%	114.53%	103.66%

CITY OF CULLMAN,
SCHEDULE OF EMPLOYER
For the year ended

	Year Ended September 30, 2016		
	City of Cullman	Utilities Board - Water Division	Total
Actuarially determined contribution	\$ 1,425,482	\$ 100,199	\$ 1,525,681
Contributions in relation to the actuarially determined contribution *	1,425,482	100,199	\$ 1,525,681
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-Employee payroll	\$ 13,728,218	\$ 888,119	\$ 14,616,337
Contributions as a percentage of covered-employee payroll	10.38%	11.28%	10.44%

* 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.

NOTES TO SCHEDULE

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 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2015 to September 30, 2016::

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25 years City of Cullman and 28 years Utilities Board - Water Division
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75-7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expenses, including inflation

ALABAMA
CONTRIBUTIONS
September 30, 2016

Year Ended September 30, 2015		
City of Cullman	Utilities Board - Water Division	Total
\$ 1,368,019	\$ 106,966	\$ 1,474,985
1,368,019	106,966	1,474,985
\$ -	\$ -	\$ -
\$ 13,037,020	\$ 887,076	\$ 13,924,096
10.49%	12.06%	10.59%

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
Year ended September 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 19,284,004	\$ 19,284,004	\$ 20,780,978	\$ 1,496,974
Licenses and permits	3,280,000	3,280,000	3,273,620	(6,380)
Intergovernmental revenues	2,429,000	2,429,000	2,262,249	(166,751)
Charges for services	4,888,800	4,888,800	5,163,048	274,248
Fines and forfeits	222,500	222,500	193,502	(28,998)
Miscellaneous revenues	143,000	143,000	301,647	158,647
TOTAL REVENUES	\$ 30,247,304	\$ 30,247,304	\$ 31,975,044	\$ 1,727,740
Expenditures:				
Current:				
General government	\$ 5,555,450	\$ 5,565,450	\$ 5,432,877	\$ 132,573
Public safety	11,052,400	10,891,980	10,075,947	816,033
Highways and streets	2,308,000	2,277,275	1,829,978	447,297
Sanitation	4,205,180	4,205,180	4,252,276	(47,096)
Health and social services	906,104	906,104	944,247	(38,143)
Culture and recreation	226,960	226,960	220,212	6,748
Education	143,500	143,500	142,799	701
Conservation	55,850	55,850	48,635	7,215
Capital outlay	2,642,700	3,165,212	2,773,532	391,680
Debt service	70,940	70,940	109,040	(38,100)
TOTAL EXPENDITURES	\$ 27,167,084	\$ 27,508,451	\$ 25,829,543	\$ 1,678,908
REVENUES OVER EXPENDITURES	\$ 3,080,220	\$ 2,738,853	\$ 6,145,501	\$ 3,406,648
Other financing sources (uses):				
Capital contributions	\$ -	\$ -	\$ 69,061	\$ 69,061
Sale of assets	50,000	50,000	53,692	3,692
Insurance proceeds	-	-	69,309	69,309
Debt face amount	-	-	101,832	101,832
Operating transfers in	100,000	100,000	100,000	-
Operating transfers (out)	(4,579,660)	(4,579,660)	(6,147,153)	(1,567,493)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (4,429,660)	\$ (4,429,660)	\$ (5,753,259)	\$ (1,323,599)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (1,349,440)	\$ (1,690,807)	\$ 392,242	\$ 2,083,049
Fund balances at October 1	25,594,857	25,594,857	25,594,857	-
FUND BALANCES AT SEPTEMBER 30	\$ 24,245,417	\$ 23,904,050	\$ 25,987,099	\$ 2,083,049

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -
SCHOOL TAX FUND (A MAJOR FUND)
Year ended September 30, 2016

	Budget - Original and Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 6,132,000	\$ 6,705,098	\$ 573,098
Expenditures:			
Current:			
Education	6,132,000	6,726,571	(594,571)
	REVENUES (UNDER)		
	EXPENDITURES		
	\$ -	\$ (21,473)	\$ (21,473)
Fund (deficit) at October 1	(244,422)	(244,422)	-
FUND (DEFICIT) AT SEPTEMBER 30	\$ (244,422)	\$ (265,895)	\$ (21,473)

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF CULLMAN, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

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.

Expenditures in Excess of Budget Appropriations

General Fund

The expenditures for operating transfers (out) were \$1,567,493 in excess of the budgeted amount. The budget was not adjusted during the year for transfers related to issuance of the 2016 General Obligation Warrants.

School Tax Fund

The expenditures for the school tax fund were \$594,571 in excess of the budgeted amount. All revenues collected in the school tax fund are distributed to the City Board of Education. The budget was not adjusted for the additional tax revenues collected in excess of the budget.

SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - GENERAL FUND
September 30, 2016

	<u>General</u>	<u>Payroll</u>	<u>Eliminations</u>	<u>TOTALS</u>
<u>ASSETS</u>				
Cash equivalents	\$ 15,348,775	\$ 164,535	\$ -	\$ 15,513,310
Certificates of deposit	8,605,715	-	-	8,605,715
Receivables (net of allowance for uncollectibles):				
Accounts	353,818	44	-	353,862
Assessments	278,100	-	-	278,100
Interest	6,432	-	-	6,432
Interfund receivables	35,896	30	(998)	34,928
Due from other governmental units:				
Cullman Power Board	297,132	-	-	297,132
Other	4,817,559	-	-	4,817,559
Inventories	85,612	-	-	85,612
Prepaid insurance	346,568	-	-	346,568
Prepaid taxes	3,199	-	-	3,199
Interfund receivables - long-term	243,607	-	(122,000)	121,607
Restricted assets:				
Cash equivalents	25,178	-	-	25,178
Deposit on equipment	34,217	-	-	34,217
Insurance deposit	113,307	-	-	113,307
TOTAL ASSETS	<u>\$ 30,595,115</u>	<u>\$ 164,609</u>	<u>\$ (122,998)</u>	<u>\$ 30,636,726</u>

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - GENERAL FUND - CONTINUED
September 30, 2016

	<u>General</u>	<u>Payroll</u>	<u>Eliminations</u>	<u>TOTALS</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 556,405	\$ -	\$ -	\$ 556,405
Accrued liabilities	-	38,474	-	38,474
Accrued payroll	394,602	-	-	394,602
Interfund payables	120,905	3,972	(998)	123,879
Due to other governmental units	94,178	15	-	94,193
Interfund payables - long-term	-	122,000	(122,000)	-
Restricted liabilities:				
Police evidence	17,360	-	-	17,360
Estimated liability for compensated absences	208,622	-	-	208,622
TOTAL LIABILITIES	\$ 1,392,072	\$ 164,461	\$ (122,998)	\$ 1,433,535
Deferred Inflows of Resources:				
Deferred revenues	\$ 3,216,092	\$ -	\$ -	\$ 3,216,092
Fund Balances:				
Nonspendable:				
Inventory	\$ 85,612	\$ -	\$ -	\$ 85,612
Interfund receivables - long-term	243,607	-	(122,000)	121,607
Prepaid expenditures, deposit on equipment, and insurance deposit	497,291	-	-	497,291
Restricted for:				
Municipal Court equipment and training	60,235	-	-	60,235
Fiduciary	8,566	-	-	8,566
Trees	7,783	-	-	7,783
Committed to:				
Landfill improvements	500,074	-	-	500,074
Assigned to:				
Realty improvements	56,156	-	-	56,156
Unassigned	24,527,627	148	122,000	24,649,775
TOTAL FUND BALANCES	\$ 25,986,951	\$ 148	\$ -	\$ 25,987,099
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 30,595,115	\$ 164,609	\$ (122,998)	\$ 30,636,726

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GENERAL FUND
Year ended September 30, 2016

	General	Payroll	Total
Revenues:			
Taxes	\$ 20,780,978	\$ -	\$ 20,780,978
Licenses and permits	3,273,620	-	3,273,620
Intergovernmental revenues	2,262,249	-	2,262,249
Charges for services	5,163,048	-	5,163,048
Fines and forfeits	193,502	-	193,502
Miscellaneous revenues:			
Interest revenue	\$ 56,971	\$ -	\$ 56,971
Miscellaneous	244,676	-	244,676
TOTAL MISCELLANEOUS REVENUES	\$ 301,647	\$ -	\$ 301,647
TOTAL REVENUES	\$ 31,975,044	\$ -	\$ 31,975,044
Expenditures:			
Current:			
General government:			
Administrative	\$ 4,674,058	\$ -	\$ 4,674,058
Building and housing	497,872	-	497,872
Garage	260,947	-	260,947
Total General Government	\$ 5,432,877	\$ -	\$ 5,432,877
Public safety:			
Police	\$ 5,204,593	\$ -	\$ 5,204,593
Fire	3,903,666	-	3,903,666
Traffic maintenance	294,108	-	294,108
Dispatch and EMA	673,580	-	673,580
Total Public Safety	\$ 10,075,947	\$ -	\$ 10,075,947
Highways and streets	1,829,978	-	1,829,978
Sanitation	4,252,276	-	4,252,276
Health and social services	944,247	-	944,247
Culture and recreation	220,212	-	220,212
Education	142,799	-	142,799
Conservation	48,635	-	48,635
TOTAL CURRENT EXPENDITURES	\$ 22,946,971	\$ -	\$ 22,946,971

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GENERAL FUND - CONTINUED
Year ended September 30, 2016

	<u>General</u>	<u>Payroll</u>	<u>Total</u>
Capital outlay:			
General government:			
Administrative	\$ 486,812	\$ -	\$ 486,812
Building and housing	57,048	-	57,048
Total General Government	<u>\$ 543,860</u>	<u>\$ -</u>	<u>\$ 543,860</u>
Public safety:			
Police	\$ 199,019	\$ -	\$ 199,019
Fire	644,393	-	644,393
Traffic Maintenance	309,760	-	309,760
Total Public Safety	<u>\$ 1,153,172</u>	<u>\$ -</u>	<u>\$ 1,153,172</u>
Highways and streets	\$ 663,859	\$ -	\$ 663,859
Sanitation	412,641	-	412,641
TOTAL CAPITAL OUTLAY	<u>\$ 2,773,532</u>	<u>\$ -</u>	<u>\$ 2,773,532</u>
Debt service:			
Principal retirement	\$ 96,990	\$ -	\$ 96,990
Interest	12,050	-	12,050
TOTAL DEBT SERVICE	<u>\$ 109,040</u>	<u>\$ -</u>	<u>\$ 109,040</u>
TOTAL EXPENDITURES	<u>\$ 25,829,543</u>	<u>\$ -</u>	<u>\$ 25,829,543</u>
REVENUES OVER			
EXPENDITURES	<u>\$ 6,145,501</u>	<u>\$ -</u>	<u>\$ 6,145,501</u>
Other financing sources (uses):			
Capital contributions	\$ 69,061	\$ -	\$ 69,061
Sale of assets	53,692	-	53,692
Insurance proceeds	69,309	-	69,309
Debt face amount	101,832	-	101,832
Operating transfers in	100,000	-	100,000
Operating transfers (out)	(6,147,153)	-	(6,147,153)
TOTAL OTHER FINANCING			
SOURCES (USES)	<u>\$ (5,753,259)</u>	<u>\$ -</u>	<u>\$ (5,753,259)</u>
REVENUES AND OTHER SOURCES			
OVER EXPENDITURES			
AND OTHER USES	<u>\$ 392,242</u>	<u>\$ -</u>	<u>\$ 392,242</u>
Fund balances at October 1	<u>25,594,709</u>	<u>148</u>	<u>25,594,857</u>
FUND BALANCES			
AT SEPTEMBER 30	<u>\$ 25,986,951</u>	<u>\$ 148</u>	<u>\$ 25,987,099</u>

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2016

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash equivalents	\$ 1,383,839	\$ 1,087,056	\$ 15,349	\$ 2,486,244
Certificates of deposit	-	-	100,908	100,908
Interest receivable	-	-	3	3
Interfund receivable	4,689	-	-	4,689
Due from other governmental units	39,589	6,000	-	45,589
TOTAL ASSETS	\$ 1,428,117	\$ 1,093,056	\$ 116,260	\$ 2,637,433
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ 210,089	\$ -	\$ 210,089
Deferred inflows of resources:				
Deferred revenue	\$ 16,405	\$ -	\$ -	\$ 16,405
Fund balances:				
Nonspendable:				
Permanent fund principal	\$ -	\$ -	\$ 100,908	\$ 100,908
Restricted for:				
Realty improvements and Ingle Park	-	-	15,352	15,352
Highways and streets	599,293	-	-	599,293
Capital improvements	254,334	-	-	254,334
Jail/correction/court facilities	280,174	-	-	280,174
Municipal Court	121,790	-	-	121,790
Industrial development/recreation	156,121	-	-	156,121
Assigned for:				
Capital projects	-	882,967	-	882,967
TOTAL FUND BALANCES	\$ 1,411,712	\$ 882,967	\$ 116,260	\$ 2,410,939
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,428,117	\$ 1,093,056	\$ 116,260	\$ 2,637,433

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year ended September 30, 2016

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 13,000	\$ -	\$ -	\$ 13,000
Intergovernmental revenues	397,859	-	-	397,859
Fines and forfeits	53,329	-	-	53,329
Miscellaneous revenues:				
Interest revenues	695	236	50	981
TOTAL REVENUES	\$ 464,883	\$ 236	\$ 50	\$ 465,169
Expenditures:				
Current:				
General government	\$ 2,073	\$ 1,014	\$ -	\$ 3,087
Highways and streets	830,423	-	-	830,423
Capital outlay	14,767	680,526	-	695,293
Debt service:				
Principal retirement	-	83,920	-	83,920
Interest and fiscal charges	-	16,080	-	16,080
TOTAL EXPENDITURES	\$ 847,263	\$ 781,540	\$ -	\$ 1,628,803
REVENUES OVER (UNDER) EXPENDITURES	\$ (382,380)	\$ (781,304)	\$ 50	\$ (1,163,634)
Other financing sources (uses):				
Capital contributions	\$ -	\$ 300,345	\$ -	\$ 300,345
Operating transfers in	-	552,432	-	552,432
Operating transfers (out)	(281,684)	(529,150)	-	(810,834)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (281,684)	\$ 323,627	\$ -	\$ 41,943
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (664,064)	\$ (457,677)	\$ 50	\$ (1,121,691)
Fund balances at October 1	2,075,776	1,340,644	116,210	3,532,630
FUND BALANCES AT SEPTEMBER 30	\$ 1,411,712	\$ 882,967	\$ 116,260	\$ 2,410,939

CITY OF CULLMAN,
COMBINING BALANCE SHEET -
NONMAJOR
September 30,

	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Capital Improvement Fund
<u>ASSETS</u>			
Cash equivalents	\$ 34,953	\$ 541,156	\$ 254,334
Interfund receivable	-	-	-
Due from other governmental units	17,260	22,329	-
TOTAL ASSETS	<u>\$ 52,213</u>	<u>\$ 563,485</u>	<u>\$ 254,334</u>
 <u>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Deferred inflows of resources:			
Deferred revenue	\$ 8,304	\$ 8,101	\$ -
Fund balances:			
Restricted for:			
Highways and streets	\$ 43,909	\$ 555,384	\$ -
Capital improvements	-	-	254,334
Jail/correction/court facilities	-	-	-
Municipal Court	-	-	-
Industrial development/recreation	-	-	-
TOTAL FUND BALANCES	<u>\$ 43,909</u>	<u>\$ 555,384</u>	<u>\$ 254,334</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 52,213</u>	<u>\$ 563,485</u>	<u>\$ 254,334</u>

ALABAMA
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
2016

<u>Industrial Purpose</u>	<u>Corrections/ Court Fund</u>	<u>Court Judicial Admin Fund</u>	<u>TOTALS</u>
\$ 156,121	\$ 278,288	\$ 118,987	\$ 1,383,839
-	1,886	2,803	4,689
-	-	-	39,589
<u>\$ 156,121</u>	<u>\$ 280,174</u>	<u>\$ 121,790</u>	<u>\$ 1,428,117</u>

\$ -	\$ -	\$ -	\$ 16,405
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\$ -	\$ -	\$ -	\$ 599,293
-	-	-	254,334
-	280,174	-	280,174
-	-	121,790	121,790
156,121	-	-	156,121
<u>\$ 156,121</u>	<u>\$ 280,174</u>	<u>\$ 121,790</u>	<u>\$ 1,411,712</u>

\$ 156,121	\$ 280,174	\$ 121,790	\$ 1,428,117
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CITY OF CULLMAN,
COMBINING SCHEDULE OF REVENUES,
FUND BALANCES -
NONMAJOR
Year ended

	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Capital Improvement Fund
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	101,817	165,056	130,986
Fines and forfeits	-	-	-
Miscellaneous revenues:			
Interest revenue	-	203	492
TOTAL REVENUES	\$ 101,817	\$ 165,259	\$ 131,478
Expenditures:			
Current:			
General government	\$ -	\$ -	\$ -
Highways and streets	585,233	245,190	-
Capital outlay	14,767	-	-
TOTAL EXPENDITURES	\$ 600,000	\$ 245,190	\$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (498,183)	\$ (79,931)	\$ 131,478
Other financing (uses):			
Operating transfers out	-	-	(181,684)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (498,183)	\$ (79,931)	\$ (50,206)
Fund balances at October 1	542,092	635,315	304,540
FUND BALANCES AT SEPTEMBER 30	\$ 43,909	\$ 555,384	\$ 254,334

ALABAMA
EXPENDITURES, AND CHANGES IN
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
September 30, 2016

Industrial Purpose	Corrections/ Court Fund	Court Judicial Admin Fund	TOTALS
\$ 13,000	\$ -	\$ -	\$ 13,000
-	-	-	397,859
-	25,225	28,104	53,329
-	-	-	695
\$ 13,000	\$ 25,225	\$ 28,104	\$ 464,883
\$ -	\$ -	\$ 2,073	\$ 2,073
-	-	-	830,423
-	-	-	14,767
\$ -	\$ -	\$ 2,073	\$ 847,263
\$ 13,000	\$ 25,225	\$ 26,031	\$ (382,380)
-	(100,000)	-	(281,684)
\$ 13,000	\$ (74,775)	\$ 26,031	\$ (664,064)
143,121	354,949	95,759	2,075,776
\$ 156,121	\$ 280,174	\$ 121,790	\$ 1,411,712

CITY OF CULLMAN,
COMBINING BALANCE SHEET -
NONMAJOR
September 30,

	Industrial Park	Industrial Access Road	Park and Recreation Construction
<u>ASSETS</u>			
Cash equivalents	\$ 640,002	\$ 10,772	\$ 16,262
Due from other governmental units	-	-	-
TOTAL ASSETS	<u>\$ 640,002</u>	<u>\$ 10,772</u>	<u>\$ 16,262</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 200,150	\$ -	\$ -
Fund balances:			
Assigned for:			
Capital projects	439,852	10,772	16,262
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 640,002</u>	<u>\$ 10,772</u>	<u>\$ 16,262</u>

ALABAMA
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
 2016

Transportation Enhancement	Downtown Redevelopment	Building Construction	Brunner Street	TOTALS
\$ 8,383	\$ 397,219	\$ 5,349	\$ 9,069	\$ 1,087,056
6,000	-	-	-	6,000
<u>\$ 14,383</u>	<u>\$ 397,219</u>	<u>\$ 5,349</u>	<u>\$ 9,069</u>	<u>\$ 1,093,056</u>
\$ 9,939	\$ -	\$ -	\$ -	\$ 210,089
4,444	397,219	5,349	9,069	882,967
<u>\$ 14,383</u>	<u>\$ 397,219</u>	<u>\$ 5,349</u>	<u>\$ 9,069</u>	<u>\$ 1,093,056</u>

CITY OF CULLMAN,
COMBINING SCHEDULE OF REVENUES,
FUND BALANCES -
NONMAJOR
Year ended

	Industrial Park	Industrial Access Road	Park and Recreation Construction
Revenues:			
Miscellaneous revenues:			
Interest revenues	\$ -	\$ -	\$ 37
Expenditures:			
Current:			
General government	\$ 1,014	\$ -	\$ -
Capital outlay	10,368	-	-
Debt service:			
Principal retirement	83,920	-	-
Interest and fiscal charges	16,080	-	-
TOTAL EXPENDITURES	\$ 111,382	\$ -	\$ -
EXCESS OF REVENUES			
OVER (UNDER) EXPENDITURES	\$ (111,382)	\$ -	\$ 37
Other financing sources (uses):			
Capital contributions	\$ -	\$ -	\$ -
Operating transfers in	147,228	88,834	-
Operating transfers (out)	-	(147,228)	-
TOTAL OTHER			
FINANCING SOURCES (USES)	\$ 147,228	\$ (58,394)	\$ -
REVENUES AND			
OTHER SOURCES OVER			
(UNDER) EXPENDITURES	\$ 35,846	\$ (58,394)	\$ 37
Fund balances at October 1	404,006	69,166	16,225
FUND BALANCES			
AT SEPTEMBER 30	\$ 439,852	\$ 10,772	\$ 16,262

ALABAMA
EXPENDITURES, AND CHANGES IN
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
September 30, 2016

<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>Building Construction</u>	<u>Brunner Street</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ -	\$ 199	\$ -	\$ -	\$ -	\$ 236
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,014
314,872	-	-	355,286	-	680,526
-	-	-	-	-	83,920
-	-	-	-	-	16,080
\$ 314,872	\$ -	\$ -	\$ 355,286	\$ -	\$ 781,540
\$ (314,872)	\$ 199	\$ -	\$ (355,286)	\$ -	\$ (781,304)
\$ 120,000		\$ -	\$ 180,345	\$ -	\$ 300,345
155,000	-	-	308,598	(147,228)	552,432
-	-	(276,690)	(252,460)	147,228	(529,150)
\$ 275,000	\$ -	\$ (276,690)	\$ 236,483	\$ -	\$ 323,627
\$ (39,872)	\$ 199	\$ (276,690)	\$ (118,803)	\$ -	\$ (457,677)
44,316	397,020	282,039	127,872	-	1,340,644
\$ 4,444	\$ 397,219	\$ 5,349	\$ 9,069	\$ -	\$ 882,967

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND)
September 30, 2016

	<u>Water Department</u>	<u>Utilities Board Water Division</u>	<u>Elimination</u>	<u>TOTALS</u>
<u>ASSETS</u>				
Current assets:				
Cash equivalents	\$ 15,231,716	\$ 1,164,277	\$ -	\$ 16,395,993
Certificates of deposit	404,000	-	-	404,000
Accounts receivable	774,182	5,066	-	779,248
Interest receivable	230	-	-	230
Interfund receivables	3,074	160,283	(60,283)	103,074
Due from other governmental units:				
Cullman Power Board	435,205	-	-	435,205
Other	355,761	129,539	-	485,300
Inventories	375,044	-	-	375,044
Prepaid insurance	28,807	106,931	-	135,738
Prepaid utility tax	30,000	-	-	30,000
TOTAL CURRENT ASSETS	\$ 17,638,019	\$ 1,566,096	\$ (60,283)	\$ 19,143,832
Restricted assets:				
Cash equivalents	\$ 37,376	\$ 12,749,283	\$ -	\$ 12,786,659
OPEB funds held by Cullman Power Board	-	11,760	-	11,760
TOTAL RESTRICTED ASSETS	\$ 37,376	\$ 12,761,043	\$ -	\$ 12,798,419
Capital assets:				
Land	\$ 251,745	\$ 11,545,799	\$ -	\$ 11,797,544
Buildings	81,201	6,792,981	-	6,874,182
Improvements other than buildings	36,162,752	8,929,820	-	45,092,572
Machinery and equipment	2,978,587	8,214,894	-	11,193,481
Less accumulated depreciation	(18,052,520)	(14,226,969)	-	(32,279,489)
	\$ 21,421,765	\$ 21,256,525	\$ -	\$ 42,678,290
Construction in progress	114,886	95,895,156	-	96,010,042
TOTAL CAPITAL ASSETS	\$ 21,536,651	\$ 117,151,681	\$ -	\$ 138,688,332
Deferred outflows of resources:				
Unamortized loss on refunding	\$ 100,109	\$ 54,712	\$ -	\$ 154,821
Deferred outflows of resources - pension	114,826	196,975	-	311,801
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 214,935	\$ 251,687	\$ -	\$ 466,622
TOTAL ASSETS	\$ 39,426,981	\$ 131,730,507	\$ (60,283)	\$ 171,097,205

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED
September 30, 2016

	Water Department	Utilities Board Water Division	Elimination	TOTALS
<u>LIABILITIES AND NET POSITION</u>				
Current liabilities:				
Accounts payable	\$ 50,119	\$ 103,855	\$ -	\$ 153,974
Utility tax payable	38,406	-	-	38,406
Interfund payables	61,086	2,354	(60,283)	3,157
Due to other governmental units:				
Cullman Power Board	13,788	-	-	13,788
Other	61	149,384	-	149,445
Accrued payroll	23,690	28,607	-	52,297
Estimated compensated absences - current portion	17,128	55,000	-	72,128
TOTAL CURRENT LIABILITIES	\$ 204,278	\$ 339,200	\$ (60,283)	\$ 483,195
Liabilities payable from restricted assets:				
Accounts payable:				
Trade	\$ -	\$ 265,608	\$ -	\$ 265,608
Contractors	-	424,545	-	424,545
Accrued interest payable	3,172	354,216	-	357,388
Other postemployment benefits	-	5,555	-	5,555
Current maturities on long-term liabilities	656,899	1,925,000	-	2,581,899
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 660,071	\$ 2,974,924	\$ -	\$ 3,634,995
Long-term liabilities:				
Warrants/bonds payable	\$ 5,426,177	\$ 100,825,000	\$ -	\$ 106,251,177
Unamortized bond discount	-	(600,361)	-	(600,361)
Unamortized bond premium	-	149,515	-	149,515
Net pension liability	708,315	1,164,643	-	1,872,958
Estimated compensated absences	46,781	242,134	-	288,915
TOTAL LONG-TERM LIABILITIES	\$ 6,181,273	\$ 101,780,931	\$ -	\$ 107,962,204
TOTAL LIABILITIES	\$ 7,045,622	\$ 105,095,055	\$ (60,283)	\$ 112,080,394
Deferred inflows of resources:				
Deferred inflows of resources - pension	\$ 12,779	\$ 5,357	\$ -	\$ 18,136
Unearned revenue	-	7,605	-	7,605
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 12,779	\$ 12,962	\$ -	\$ 25,741
Net position:				
Net investment in capital assets	\$ 16,210,583	\$ 21,763,573	\$ -	\$ 37,974,156
Restricted for debt service and capital activity (deficit)	(622,695)	4,848,580	-	4,225,885
Unrestricted	16,780,692	10,337	-	16,791,029
TOTAL NET POSITION	\$ 32,368,580	\$ 26,622,490	\$ -	\$ 58,991,070
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 39,426,981	\$ 131,730,507	\$ (60,283)	\$ 171,097,205

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - WATER SYSTEM (PROPRIETARY FUND)

Year ended September 30, 2016

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Operating revenues:				
Charges for sales and services	\$ 14,095,269	\$ 10,708,571	\$(10,708,571)	\$ 14,095,269
Penalties and forfeited discounts	37,347	-	-	37,347
Charges for service connections	84,200	-	-	84,200
Service charges	69,070	-	-	69,070
Miscellaneous	124,869	16,108	-	140,977
TOTAL OPERATING REVENUES	\$ 14,410,755	\$ 10,724,679	\$(10,708,571)	\$ 14,426,863
Cost of purchased water	\$ 10,708,571	\$ -	\$(10,708,571)	\$ -
Operating expenses:				
Salaries and wages	\$ 599,747	\$ 964,894	\$ -	\$ 1,564,641
Payroll taxes	47,440	80,070	-	127,510
Employees retirement	72,613	116,328	-	188,941
Employees insurance	118,848	225,583	-	344,431
Telephone	9,885	16,728	-	26,613
Utilities	40,791	891,252	-	932,043
Billing, accounting, and collection fees	201,931	-	-	201,931
Office supplies and expenses	5,125	29,486	-	34,611
Professional services	12,464	14,519	-	26,983
Engineering services	182,000	-	-	182,000
Other contracted services	21,284	134,380	-	155,664
Testing services	20,850	11,971	-	32,821
Dues and subscriptions	500	1,408	-	1,908
Travel, registrations, and education	120	12,771	-	12,891
Uniforms	5,438	6,271	-	11,709
Small tools and equipment	7,848	8,723	-	16,571
Chemicals and supplies	2,170	714,399	-	716,569
Repairs and maintenance - system and equipment	512,545	153,033	-	665,578
Equipment rental	19,535	33,480	-	53,015
Gas, fuel, and oil	63,574	12,956	-	76,530
Insurance	48,365	81,058	-	129,423
Miscellaneous	13,189	13,286	-	26,475
Director's fees and expenses	-	31,500	-	31,500
Depreciation	939,537	388,833	-	1,328,370
TOTAL COST OF PURCHASED WATER AND OPERATING EXPENSES	\$ 13,654,370	\$ 3,942,929	\$(10,708,571)	\$ 6,888,728
OPERATING INCOME	\$ 756,385	\$ 6,781,750	\$ -	\$ 7,538,135

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED
Year ended September 30, 2016

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Nonoperating revenues (expenses):				
Interest earned	\$ 8,368	\$ 11,289	\$ -	\$ 19,657
Insurance proceeds	-	-	-	-
Gain on disposal of assets	(19,749)	118	-	(19,631)
Interest expense	(171,875)	(226,213)	-	(398,088)
Paying agent/trustee fees	-	(8,170)	-	(8,170)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (183,256)	\$ (222,976)	\$ -	\$ (406,232)
NET INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS, TRANSFERS, AND SPECIAL ITEM	\$ 573,129	\$ 6,558,774	\$ -	\$ 7,131,903
Capital contributions	108,642	172,720	-	281,362
Transfers to other governmental units	-	(1,909,405)	-	(1,909,405)
Transfers in	173,901	52,588	-	226,489
Transfers out	(108,642)	-	-	(108,642)
Special item - flood damage	-	(500,000)	-	(500,000)
NET INCREASE IN NET POSITION	\$ 747,030	\$ 4,374,677	\$ -	\$ 5,121,707
Net position at beginning of year	31,621,550	22,247,813	-	53,869,363
NET POSITION AT SEPTEMBER 30	\$ 32,368,580	\$ 26,622,490	\$ -	\$ 58,991,070

CITY OF CULLMAN,
COMBINING SCHEDULE OF
WATER SYSTEM
Year ended
Increase (Decrease) in

	Water Department
Cash flows from operating activities:	
Cash received from customers	\$ 14,249,817
Cash payments for purchased water	(10,742,930)
Cash payments for operating expenses	(1,361,833)
Cash payments to employees	(635,196)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,509,858</u>
Cash flows from noncapital and related financing activities:	
Transfers in	\$ 173,901
Transfers out	(108,642)
CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 65,259</u>
Cash flows from capital and related financing activities:	
Contributed capital	\$ 108,642
Proceeds from disposal of capital assets	13,394
Acquisition and construction of capital assets	(1,522,711)
Flood damage insurance proceeds	-
Flood damage payments	-
Interest paid	(153,146)
Fiscal charges	-
Principal payments of long-term debt	(838,660)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (2,392,481)</u>
Cash flows from investing activities:	
Interest received	\$ 8,364
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>\$ (809,000)</u>
Cash and cash equivalents at beginning of year	16,078,092
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 15,269,092</u></u>

Cash and cash equivalents consisted of the following:

	Water Department
Cash equivalents - current assets	\$ 15,231,716
Cash equivalents - restricted assets	37,376
TOTALS	<u><u>\$ 15,269,092</u></u>

ALABAMA
CASH FLOWS -
(PROPRIETARY FUND)
September 30, 2016
Cash and Cash Equivalents

Utilities Board Water Division	Elimination	TOTALS
\$ 10,754,038	\$(10,742,930)	\$ 14,260,925
-	10,742,930	-
(2,574,514)	-	(3,936,347)
(1,127,376)	-	(1,762,572)
\$ 7,052,148	\$ -	\$ 8,562,006
\$ 52,588	\$ -	\$ 226,489
-	-	(108,642)
\$ 52,588	\$ -	\$ 117,847
\$ -	\$ -	\$ 108,642
118	-	13,512
(23,459,698)	-	(24,982,409)
200,000	-	200,000
(700,000)	-	(700,000)
(191,905)	-	(345,051)
(8,170)	-	(8,170)
(2,910,000)	-	(3,748,660)
\$(27,069,655)	\$ -	\$(29,462,136)
\$ 5,308	\$ -	\$ 13,672
\$(19,959,611)	\$ -	\$(20,768,611)
33,873,171	-	49,951,263
\$ 13,913,560	\$ -	\$ 29,182,652

Utilities Board Water Division	Elimination	TOTALS
\$ 1,164,277	\$ -	\$ 16,395,993
12,749,283	-	12,786,659
\$ 13,913,560	\$ -	\$ 29,182,652

CITY OF CULLMAN
COMBINING SCHEDULE OF CASH FLOWS
WATER SYSTEM

Year ended
Increase (Decrease) in Cash

Reconciliation of operating income to net cash provided by operating activities:

	<u>Water Department</u>
Cash flows from operating activities:	
Operating income	\$ 756,385
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	939,537
Accounts receivable	(68,837)
Interfund receivables	793
Due from other governments	(92,894)
Inventories	(13,714)
Prepaid insurance	(3,506)
Prepaid utility tax	(7,000)
Deferred outflows of resources - pension	(53,349)
Accounts payable	20,267
Utility tax payable	2,544
Interfund payables	(33,652)
Due to other governments	(8,230)
Accrued payroll	5,463
Other postemployment benefits	-
Net pension liability	94,774
Compensated absences	6,528
Deferred inflows of resources - pension	(35,251)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,509,858</u>

ALABAMA
FROM OPERATING ACTIVITIES -
(PROPRIETARY FUND)
September 30, 2016
and Cash Equivalents

<u>Utilities Board</u> <u>Water Division</u>	<u>TOTALS</u>
\$ 6,781,750	\$ 7,538,135
388,833	1,328,370
(5,000)	(73,837)
34,359	35,152
-	(92,894)
-	(13,714)
(656)	(4,162)
-	(7,000)
(84,474)	(137,823)
(37,498)	(17,231)
-	2,544
1,753	(31,899)
6,326	(1,904)
3,510	8,973
4,299	4,299
124,442	219,216
(85,922)	(79,394)
(79,574)	(114,825)
<u>\$ 7,052,148</u>	<u>\$ 8,562,006</u>

CITY OF
COMBINING BALANCE SHEET - PARKS
September 30,

	Parks and Recreation	Gymnastics
<u>ASSETS</u>		
Current assets:		
Cash equivalents	\$ 272,071	\$ -
Accounts receivable	20,955	327
Prepays	2,831	-
Interfund receivables	-	-
Due from other governmental units	-	-
Inventories	34,644	518
TOTAL CURRENT ASSETS	\$ 330,501	\$ 845
Capital assets:		
Land	\$ 1,020,264	\$ 30,000
Buildings	3,445,497	701,208
Improvements other than buildings	7,948,383	80,364
Machinery and equipment	1,092,394	10,160
Less accumulated depreciation	(5,893,929)	(344,942)
	\$ 7,612,609	\$ 476,790
Construction in progress	396,750	-
TOTAL CAPITAL ASSETS	\$ 8,009,359	\$ 476,790
Other assets:		
Utility deposits	\$ -	\$ 275
Deferred outflows of resources:		
Unamortized loss on refundings	\$ -	\$ -
Deferred outflows of resources - pension	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -
TOTAL ASSETS	\$ 8,339,860	\$ 477,910

NOTE: The "Parks and Recreation", "Gymnastics", "Cross Creek Golf Course", and "Wellness and Aquatic Center" columns are segregated amounts from one fund that is maintained by the Cullman City Parks and Recreation Board.

The "City of Cullman Appropriations" column is a fund maintained by the City of Cullman's accounting department to account for payroll, debt service, and other expenditures paid by the City of Cullman for the Cullman City Parks and Recreation Board.

CULLMAN, ALABAMA
AND RECREATION (PROPRIETARY FUND)
2016

<u>Cross Creek Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>City of Cullman Appropriations</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ 450	\$ 2,390	\$ 26,529	\$ -	\$ 301,440
648	119,980	-	-	141,910
-	-	-	-	2,831
-	105,500	30,684	(136,184)	-
-	-	35,637	-	35,637
1,388	-	-	-	36,550
<u>\$ 2,486</u>	<u>\$ 227,870</u>	<u>\$ 92,850</u>	<u>\$ (136,184)</u>	<u>\$ 518,368</u>
 \$ 366,791	 \$ 518,313	 \$ -	 \$ -	 \$ 1,935,368
1,133,327	13,094,004	-	-	18,374,036
463,862	4,179,852	-	-	12,672,461
1,321,208	940,802	-	-	3,364,564
(1,977,323)	(4,629,704)	-	-	(12,845,898)
<u>\$ 1,307,865</u>	<u>\$ 14,103,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,500,531</u>
-	-	-	-	396,750
<u>\$ 1,307,865</u>	<u>\$ 14,103,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,897,281</u>
 \$ 635	 \$ -	 \$ -	 \$ -	 \$ 910
 \$ 2,029	 \$ 115,566	 \$ -	 \$ -	 \$ 117,595
-	-	293,635	-	293,635
<u>\$ 2,029</u>	<u>\$ 115,566</u>	<u>\$ 293,635</u>	<u>\$ -</u>	<u>\$ 411,230</u>
<u>\$ 1,313,015</u>	<u>\$ 14,446,703</u>	<u>\$ 386,485</u>	<u>\$ (136,184)</u>	<u>\$ 24,827,789</u>

CITY OF
COMBINING BALANCE SHEET - PARKS AND
September 30,

	Parks and Recreation	Gymnastics
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 116,738	\$ 19,218
Interfund payables	28,238	-
Interest payable	-	-
Accrued payroll	-	-
Estimated compensated absences - current portion	20,682	1,268
TOTAL CURRENT LIABILITIES	\$ 165,658	\$ 20,486
Long-term liabilities:		
Unamortized bond discount	\$ -	\$ -
Unamortized bond premium	-	-
Estimated compensated absences	77,322	4,548
Net pension liability	-	-
Interfund payables	-	-
TOTAL LONG-TERM LIABILITIES	\$ 77,322	\$ 4,548
TOTAL LIABILITIES	\$ 242,980	\$ 25,034
Deferred inflows of resources:		
Deferred inflows of resources - pension	\$ -	\$ -
Unearned revenue - senior trips	12,618	-
Unearned revenue - memberships	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 12,618	\$ -
Net position (deficit):		
Net investment in capital assets	\$ 8,009,359	\$ 476,790
Restricted - tournaments	-	-
Unrestricted (deficit)	74,903	(23,914)
TOTAL NET POSITION (DEFICIT)	\$ 8,084,262	\$ 452,876
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 8,339,860	\$ 477,910

CULLMAN, ALABAMA
RECREATION (PROPRIETARY FUND) - CONTINUED
2016

<u>Cross Creek Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>City of Cullman Appropriations</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ 32,537	\$ 106,040	\$ 670	\$ (30,684)	\$ 244,519
4,652	397,991	105,530	(105,500)	430,911
1,526	130,581	-	-	132,107
-	-	84,737	-	84,737
7,677	4,282	-	-	33,909
<u>\$ 46,392</u>	<u>\$ 638,894</u>	<u>\$ 190,937</u>	<u>\$ (136,184)</u>	<u>\$ 926,183</u>
\$ (915)	\$ (78,262)	\$ -	\$ -	\$ (79,177)
14,559	1,245,523	-	-	1,260,082
29,260	15,215	-	-	126,345
-	-	1,654,938	-	1,654,938
130,269	12,105,216	-	-	12,235,485
<u>\$ 173,173</u>	<u>\$ 13,287,692</u>	<u>\$ 1,654,938</u>	<u>\$ -</u>	<u>\$ 15,197,673</u>
<u>\$ 219,565</u>	<u>\$ 13,926,586</u>	<u>\$ 1,845,875</u>	<u>\$ (136,184)</u>	<u>\$ 16,123,856</u>
\$ -	\$ -	\$ 31,754	\$ -	\$ 31,754
-	-	-	-	12,618
-	108,341	-	-	108,341
<u>\$ -</u>	<u>\$ 108,341</u>	<u>\$ 31,754</u>	<u>\$ -</u>	<u>\$ 152,713</u>
\$ 1,161,329	\$ 548,365	\$ -	\$ -	\$ 10,195,843
-	-	20,390	-	20,390
(67,879)	(136,589)	(1,511,534)	-	(1,665,013)
<u>\$ 1,093,450</u>	<u>\$ 411,776</u>	<u>\$ (1,491,144)</u>	<u>\$ -</u>	<u>\$ 8,551,220</u>
<u>\$ 1,313,015</u>	<u>\$ 14,446,703</u>	<u>\$ 386,485</u>	<u>\$ (136,184)</u>	<u>\$ 24,827,789</u>

CITY OF
COMBINING SCHEDULE OF
IN FUND NET POSITION - PARKS
Year ended

	Parks and Recreation	Gymnastics	Cross Creek Golf Course
Operating revenues:			
Charges for sales and services	\$ 1,032,522	\$ 405,474	\$ 527,322
Lodging tax	-	-	-
Miscellaneous	6,913	1,242	15,845
TOTAL OPERATING REVENUES	\$ 1,039,435	\$ 406,716	\$ 543,167
Cost of operating revenues	\$ 135,216	\$ 12,921	\$ 32,591
Operating expenses:			
Salaries and wages	\$ 921,435	\$ 227,477	\$ 344,996
Nonemployee compensation	52,468	404	17,280
Officials and instructors	150,392	-	-
Payroll taxes	73,296	17,130	26,069
Employees retirement	72,447	15,338	24,678
Employees insurance	110,215	23,467	32,779
Employees compensated absences	(12,729)	2,435	1,137
Telephone	36,199	6,527	8,460
Utilities	265,937	19,516	112,254
Office supplies and expenses	139,650	6,369	10,562
Audit fees	31,587	-	-
Accounting services	51,000	-	-
Other professional fees	1,240	-	285
Tournament fees	20,790	-	-
Other program expenses	155,018	-	-
Competition expense	45,083	130,131	1,802
Senior programs	149,062	-	-
Dues and subscriptions	13,556	-	2,274
Travel, registrations, and education	31,948	3,368	1,395
Public relations	5,236	-	-
Printing and advertising	106,662	-	1,983
Small tools and equipment	52,681	1,726	1,003
Chemicals and supplies	63,563	8,020	3,117
Repairs and maintenance - system and equipment	287,540	6,458	62,990
Gas, fuel, and oil	27,703	-	10,969
Insurance	41,612	11,000	15,690
Miscellaneous	610	-	-
Depreciation	379,705	80,570	123,437
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	\$ 3,409,122	\$ 572,857	\$ 835,751
OPERATING (LOSS)	\$ (2,369,687)	\$ (166,141)	\$ (292,584)

(Continued)

CULLMAN, ALABAMA
REVENUES, EXPENSES, AND CHANGES
AND RECREATION (PROPRIETARY FUND)
September 30, 2016

<u>Wellness and Aquatic Center</u>	<u>City of Cullman Appropriations</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ 2,632,586	\$ -	\$ -	\$ 4,597,904
-	225,275	-	225,275
13,141	11	-	37,152
<u>\$ 2,645,727</u>	<u>\$ 225,286</u>	<u>\$ -</u>	<u>\$ 4,860,331</u>
\$ 143,875	\$ -	\$ -	\$ 324,603
\$ 1,114,887	\$ 2,608,795	\$ (2,608,795)	\$ 2,608,795
26,603	-	-	96,755
53,164	-	-	203,556
83,689	195,244	(195,244)	200,184
52,625	180,796	(165,088)	180,796
80,924	247,384	(247,384)	247,385
(9,670)	-	-	(18,827)
32,629	-	-	83,815
292,010	-	-	689,717
48,539	-	-	205,120
-	-	-	31,587
-	-	-	51,000
6,300	-	-	7,825
-	2,500	-	23,290
-	-	-	155,018
2,282	-	-	179,298
-	-	-	149,062
1,296	-	-	17,126
2,349	-	-	39,060
-	-	-	5,236
-	-	-	108,645
4,611	-	-	60,021
143,998	-	-	218,698
71,858	105,500	-	534,346
2,044	-	-	40,716
69,443	-	-	137,745
-	8,004	-	8,614
<u>562,161</u>	<u>-</u>	<u>-</u>	<u>1,145,873</u>
<u>\$ 2,785,617</u>	<u>\$ 3,348,223</u>	<u>\$ (3,216,511)</u>	<u>\$ 7,735,059</u>
\$ (139,890)	\$ (3,122,937)	\$ 3,216,511	\$ (2,874,728)

CITY OF
COMBINING SCHEDULE OF
IN FUND NET POSITION - PARKS AND
Year ended

	Parks and Recreation	Gymnastics	Cross Creek Golf Course
Nonoperating revenues (expenses):			
Disposal of assets	\$ 2,477	\$ -	\$ -
Interest earned	1,118	-	491
Debt issuance expense	-	-	(523)
Interest expense	-	-	(10,717)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 3,595	\$ -	\$ (10,749)
(DECREASE) IN NET POSITION BEFORE TRANSFERS	\$ (2,366,092)	\$ (166,141)	\$ (303,333)
Transfers in:			
General Fund	\$ -	\$ -	\$ -
Debt Service Funds	-	-	11,158
Special Revenue Funds	7,305	-	-
Capital Project Funds	-	-	-
City of Cullman Appropriations	1,172,349	283,338	428,523
Parks and Recreation Board	21,800	-	-
Transfers out:			
Debt Service Funds	-	-	-
City of Cullman Appropriations	(72,067)	(16,553)	(20,513)
Parks and Recreation Board	1,107,405	(87,078)	(66,755)
TOTAL TRANSFERS IN (OUT)	\$ 2,236,792	\$ 179,707	\$ 352,413
NET INCREASE (DECREASE) IN NET POSITION	\$ (129,300)	\$ 13,566	\$ 49,080
Net position at beginning of the year	8,213,562	439,310	1,044,370
NET POSITION (DEFICIT) AT SEPTEMBER 30	\$ 8,084,262	\$ 452,876	\$ 1,093,450

NOTE:

The "Parks and Recreation", "Gymnastics", "Cross Creek Golf Course", and "Wellness and Aquatic Center" columns are segregated amounts from one fund that is maintained by the Cullman City Parks and Recreation Board.

The "City of Cullman Appropriations" column is a fund maintained by the City of Cullman's accounting department to account for payroll, debt service, and other expenditures paid by the City of Cullman for the Cullman City Parks and Recreation Board.

CULLMAN, ALABAMA
REVENUES, EXPENSES, AND CHANGES
RECREATION (PROPRIETARY FUND) - CONTINUED
 September 30, 2016

Wellness and Aquatic Center	City of Cullman Appropriations	Eliminations	TOTALS
\$ -	\$ -	\$ -	\$ 2,477
42,043	425	-	44,077
(44,756)	-	-	(45,279)
(792,384)	-	-	(803,101)
<hr/>			
\$ (795,097)	\$ 425	\$ -	\$ (801,826)
<hr/>			
\$ (934,987)	\$ (3,122,512)	\$ 3,216,511	\$ (3,676,554)
<hr/>			
\$ -	\$ 2,821,690	\$ -	\$ 2,821,690
1,044,749	-	(11,158)	1,044,749
464,674	181,684	(471,979)	181,684
-	276,690	-	276,690
1,332,301	-	(3,216,511)	-
-	184,103	(205,903)	-
-	(11,158)	11,158	-
(74,970)	-	184,103	-
(953,572)	(493,779)	493,779	-
\$ 1,813,182	\$ 2,959,230	\$ (3,216,511)	\$ 4,324,813
<hr/>			
\$ 878,195	\$ (163,282)	\$ -	\$ 648,259
(466,419)	(1,327,862)	-	7,902,961
\$ 411,776	\$ (1,491,144)	\$ -	\$ 8,551,220
<hr/>			

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
September 30, 2016

GENERAL OBLIGATION WARRANTS			
Series 2010 LRSRF-DL/ARRA Dated 2-01-10			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.00%	\$ 65,000	\$ 4,510
2018	2.00	70,000	3,080
2019	2.00	70,000	1,540
	TOTALS	<u>\$ 205,000</u>	<u>\$ 9,130</u>

GENERAL OBLIGATION WARRANT			
Dated 9-29-10			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.96%	\$ 155,000	\$ 19,536
2018	2.96	160,000	14,948
2019	2.96	170,000	10,212
2020	2.96	175,000	5,180
	TOTALS	<u>\$ 660,000</u>	<u>\$ 49,876</u>

GENERAL OBLIGATION WARRANT			
Dated 10-25-11			
Maturing December 31			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.95%	\$ 86,395	\$ 13,605
2018	2.95	88,944	11,056
2019	2.95	91,568	8,432
2020	2.95	94,269	5,731
2021	2.95	100,000	2,950
	TOTALS	<u>\$ 461,176</u>	<u>\$ 41,774</u>

NOTE: All principal debt shown on this schedule is recorded in the Governmental Activities.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2016

GENERAL OBLIGATION WARRANTS			
Series 2016 Dated 2-10-16			
Maturing July 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	3.00%	\$ 605,000	\$ 793,050
2018	3.00	625,000	774,900
2019	5.00	645,000	756,150
2020	5.00	670,000	723,900
2021	5.00	705,000	690,400
2022	5.00	745,000	655,150
2023	5.00	785,000	617,900
2024	5.00	820,000	578,650
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
	TOTALS	<u>\$ 18,985,000</u>	<u>\$ 9,002,150</u>

COMPUTER SOFTWARE LIABILITY			
Dated 7-9-2015			
Maturing October 15			
Fiscal Year Maturing	Imputed Interest Rate	Amount of Maturity	Amount of Interest
2017	6.00%	\$ 33,898	\$ 4,202
2018	6.00	35,944	2,157
		<u>\$ 69,842</u>	<u>\$ 6,359</u>

NOTE: All principal debt shown on this schedule is recorded in the Governmental Activities.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS
September 30, 2016

GENERAL OBLIGATION SEWER WARRANT			
Series 2013 Dated 07-31-13			
Maturing Monthly on the 15th			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	1.72%	\$ 1,333,333	\$ 92,009
2018	1.72	1,333,333	68,758
2019	1.72	1,333,333	45,506
2020	1.72	1,333,334	22,318
2021	1.72	555,556	2,425
	TOTALS	<u>\$ 5,888,889</u>	<u>\$ 231,016</u>

GENERAL OBLIGATION SEWER WARRANT			
Series 2013-A Dated 11-27-13			
Maturing Monthly on the 1st			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.63%	\$ 1,026,355	\$ 218,549
2018	2.63	1,148,212	188,776
2019	2.63	1,178,777	158,211
2020	2.63	1,210,155	126,833
2021	2.63	1,242,369	94,619
2022	2.63	1,275,440	61,548
2023	2.63	1,309,391	27,597
2024	2.63	336,911	1,489
	TOTALS	<u>\$ 8,727,610</u>	<u>\$ 877,622</u>

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2016

GENERAL OBLIGATION SEWER WARRANT			
Series 2015-CWSRF-DL Dated 02-15-15			
Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.25%	\$ 160,000	\$ 83,925
2018	2.25	165,000	80,269
2019	2.25	170,000	76,500
2020	2.25	175,000	72,619
2021	2.25	175,000	68,681
2022	2.25	180,000	64,688
2023	2.25	185,000	60,581
2024	2.25	190,000	56,363
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	2,754
TOTALS		\$ 3,810,000	\$ 873,900

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2016

GENERAL OBLIGATION SEWER WARRANT			
Series 2015B-CWSRF-DL Dated 10-01-15			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.20%	\$ 145,000	\$ 73,260
2018	2.20	145,000	70,070
2019	2.20	150,000	66,880
2020	2.20	150,000	63,580
2021	2.20	155,000	60,280
2022	2.20	160,000	56,870
2023	2.20	165,000	53,350
2024	2.20	165,000	49,720
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
TOTALS		<u>\$ 3,330,000</u>	<u>\$ 780,340</u>

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER WARRANT
AND GENERAL OBLIGATION WARRANTS
September 30, 2016

GENERAL OBLIGATION WARRANT			
Series 2012-DWSRF-BL Dated 02-13-12			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.50 %	\$ 155,000	\$ 25,375
2018	2.50	160,000	21,500
2019	2.50	165,000	17,500
2020	2.50	170,000	13,375
2021	2.50	180,000	9,125
2022	2.50	185,000	4,625
TOTALS		<u>\$ 1,015,000</u>	<u>\$ 91,500</u>

GENERAL OBLIGATION REFUNDING WARRANT			
Series 2012 Dated 04-13-12			
Maturing October 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.46 %	\$ -	\$ 10,517
2018	2.46	155,000	19,126
2019	2.46	160,000	15,252
2020	2.46	170,000	11,193
2021	2.46	180,000	6,888
2022	2.46	190,000	2,337
TOTALS		<u>\$ 855,000</u>	<u>\$ 65,313</u>

GENERAL OBLIGATION WATER WARRANT			
Series 2013B Dated 11-27-13			
Maturing Monthly on the 1st			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.30 %	\$ 501,899	\$ 91,134
2018	2.30	558,552	78,421
2019	2.30	571,535	65,413
2020	2.30	584,820	52,103
2021	2.30	598,414	38,483
2022	2.30	612,323	24,547
2023	2.30	626,556	10,287
2024	2.30	158,977	305
TOTALS		<u>\$ 4,213,076</u>	<u>\$ 360,693</u>

NOTE: All principal debt shown on this schedule is recorded in the Water Department (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE BONDS
September 30, 2016

Water Revenue Bonds			
Series 2011 Dated 6-03-2011			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.75 %	\$ 1,105,000	\$ 2,552,275
2018	5.00	1,135,000	2,521,888
2019	5.00	1,195,000	2,465,137
2020	3.13	1,255,000	2,405,387
2021	5.00	1,290,000	2,366,169
2022	5.00	1,355,000	2,301,669
2023	5.00	1,620,000	2,233,919
2024	4.00	1,700,000	2,152,919
2025	4.13	1,770,000	2,084,918
2026	5.00	1,840,000	2,011,906
2027	4.13	1,935,000	1,919,906
2028	4.25	2,010,000	1,840,087
2029	4.38	2,100,000	1,754,663
2030	4.50 - 5.00	2,190,000	1,662,787
2031	4.50	2,295,000	1,556,738
2032	4.75	2,400,000	1,453,462
2033	4.75	2,515,000	1,339,463
2034	4.75	2,630,000	1,220,000
2035	4.75	2,755,000	1,095,075
2036	4.75	2,890,000	964,213
2037	4.75	3,025,000	826,938
2038	5.00	3,170,000	683,250
2039	5.00	3,330,000	524,750
2040	5.00	3,495,000	358,250
2041	5.00	3,670,000	183,500
TOTALS		<u>\$ 54,675,000</u>	<u>\$ 40,479,269</u>

NOTE: All principal debt shown on this schedule is recorded in the Utilities Board Water Division (part of the Water System - a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE BONDS - CONTINUED
September 30, 2016

Water Revenue Bonds			
Series 2015-A Dated 03-12-2015			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.00 %	\$ 195,000	\$ 1,563,319
2018	2.00	200,000	1,559,419
2019	2.00	210,000	1,555,419
2020	2.00	210,000	1,551,219
2021	3.00	215,000	1,547,019
2022	2.00 - 3.00	220,000	1,540,569
2023	2.00	225,000	1,535,669
2024	2.25	230,000	1,531,168
2025	3.00	235,000	1,525,994
2026	3.00	1,000,000	1,518,943
2027	3.00	1,030,000	1,488,944
2028	3.00	1,065,000	1,458,043
2029	3.125	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	1,058,537
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	129,187
TOTALS		<u>\$ 41,925,000</u>	<u>\$ 33,788,781</u>

NOTE: All principal debt shown on this schedule is recorded in the Utilities Board Water Division (part of the Water System - a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE BONDS - CONTINUED
September 30, 2016

Water Revenue Bonds			
Series 2015-B Dated 03-12-2015			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2017	2.195 %	\$ 625,000	\$ 134,993
2018	2.195	640,000	121,274
2019	2.195	650,000	107,226
2020	2.195	670,000	92,958
2021	2.195	685,000	78,251
2022	2.195	695,000	63,216
2023	2.195	715,000	47,961
2024	2.195	725,000	32,266
2025	2.195	745,000	16,353
TOTALS		<u>\$ 6,150,000</u>	<u>\$ 694,498</u>

NOTE: All principal debt shown on this schedule is recorded in the Utilities Board Water Division (part of the Water System - a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF CULLMAN REGIONAL AIRPORT BOARD'S LOAN
AND GENERAL OBLIGATION WARRANT
September 30, 2016

Cullman Regional Airport Loan
Dated September 14, 2011

<u>Fiscal Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount of</u> <u>Maturity</u>	<u>Amount of</u> <u>Interest</u>
2017	2.60 %	\$ 22,715	\$ 2,843
2018	2.60	23,312	2,245
2019	2.60	23,926	1,632
2020	2.60	24,555	1,002
2021	2.60	25,202	356
TOTALS		<u>\$ 119,710</u>	<u>\$ 8,078</u>

General Obligation Warrant (Taxable)
Dated October 22, 2012

<u>Fiscal Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount of</u> <u>Maturity</u>	<u>Amount of</u> <u>Interest</u>
2017	2.99 %	\$ 146,726	\$ 26,400
2018	2.99	151,174	21,952
2019	2.99	155,757	17,370
2020	2.99	160,478	12,648
2021	2.99	165,343	7,784
2022	2.99	170,354	2,772
TOTALS		<u>\$ 949,832</u>	<u>\$ 88,926</u>

NOTE: All principal debt shown on this schedule is recorded in the Cullman Regional Airport Board (Airport) (a Proprietary Fund).

The above Warrants are 100 percent of the debt service maturities for the Airport. However, the Airport is a 50/50 joint venture with Cullman County. Therefore, only 50 percent of the above debt service is included in the Board's balance sheet as reported in the City's financial statements.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SCHOOL TAX TRANSACTIONS
Year ended September 30, 2016

	<u>Fund Level</u>	<u>Adjustments</u>	<u>Government- Wide Level</u>
Revenues:			
3 mill ad valorem tax	\$ 934,151	\$ -	\$ 934,151
7.5 mill ad valorem tax	2,335,377	-	2,335,377
.5 percent sales tax	3,435,570	21,473	3,457,043
TOTAL REVENUES	<u>\$6,705,098</u>	<u>\$ 21,473</u>	<u>\$6,726,571</u>
Expenditures:			
Transfers to Cullman City Board of Education	<u>\$6,726,571</u>	<u>\$ - - -</u>	<u>\$6,726,571</u>

The City enacted an additional one-half of one percent sales tax effective September 1, 2003 for the purpose of funding the City School System.

Adjustments are to adjust the City's records from the modified accrual basis to the full accrual basis for revenues not collected within the City's 30 day availability period at September 30, 2016 and 2015.

September, 2015 revenues received after 30 day availability period	\$(263,005)
September, 2016 revenues received after 30 day availability period	<u>284,478</u>
	<u>\$ 21,473</u>

CITY OF CULLMAN,
SCHEDULE OF REVENUES,
FUND BALANCES -
Years ended

	<u>2016</u>	<u>2015</u>
Revenues:		
Taxes	\$ 20,780,978	\$ 19,231,065
Licenses and permits	3,273,620	3,264,287
Intergovernmental revenues	2,262,249	2,017,055
Charges for services	5,163,048	4,947,839
Fines and forfeits	193,502	232,692
Miscellaneous revenues:		
Interest revenue	\$ 56,971	\$ 63,759
Miscellaneous	244,676	98,145
TOTAL MISCELLANEOUS REVENUES	<u>\$ 301,647</u>	<u>\$ 161,904</u>
TOTAL REVENUES	<u>\$ 31,975,044</u>	<u>\$ 29,854,842</u>
Expenditures:		
Current:		
General government	\$ 5,432,877	\$ 5,154,106
Public safety	10,075,947	9,275,834
Highways and streets	1,829,978	2,068,436
Sanitation	4,252,276	4,252,270
Health and social services	944,247	938,441
Culture and recreation	220,212	225,088
Education	142,799	154,332
Conservation	48,635	56,987
Capital outlay	2,773,532	1,661,850
Debt service:		
Principal retirement	96,990	65,000
Interest and fiscal charges	12,050	7,370
TOTAL EXPENDITURES	<u>\$ 25,829,543</u>	<u>\$ 23,859,714</u>
REVENUES OVER EXPENDITURES	<u>\$ 6,145,501</u>	<u>\$ 5,995,128</u>
Other financing sources (uses):		
Capital contributions	\$ 69,061	\$ 306,749
Sale of assets	53,692	58,853
Insurance proceeds	69,309	29,184
Debt face amount	101,832	-
Debt payments received	-	-
Operating transfers in	100,000	-
Operating transfers (out)	(6,147,153)	(5,217,088)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (5,753,259)</u>	<u>\$ (4,822,302)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 392,242</u>	<u>\$ 1,172,826</u>
Fund balance at October 1	25,594,857	24,422,031
FUND BALANCES AT SEPTEMBER 30	<u><u>\$ 25,987,099</u></u>	<u><u>\$ 25,594,857</u></u>

ALABAMA
EXPENDITURES, AND CHANGES IN
GENERAL FUND
September 30, 2012-2016

2014	2013	2012
\$ 17,769,158	\$ 17,113,888	\$ 17,170,909
2,988,616	2,866,321	2,701,399
1,628,986	1,763,074	1,978,879
4,935,605	4,647,636	4,643,692
206,949	259,124	247,619
\$ 67,689	\$ 78,645	\$ 115,126
79,186	84,989	110,758
\$ 146,875	\$ 163,634	\$ 225,884
\$ 27,676,189	\$ 26,813,677	\$ 26,968,382
\$ 6,074,272	\$ 4,192,035	\$ 3,828,101
9,173,959	9,014,036	8,230,287
1,982,445	2,107,800	1,875,710
3,942,771	3,697,142	3,710,829
885,601	738,772	436,761
221,029	279,086	316,811
250,342	139,825	167,793
45,707	194,895	73,520
2,142,315	1,410,153	4,291,633
60,000	206,358	138,659
8,690	17,148	21,672
\$ 24,787,131	\$ 21,997,250	\$ 23,091,776
\$ 2,889,058	\$ 4,816,427	\$ 3,876,606
\$ 667,096	\$ 114,079	\$ 1,135,919
64,374	20,638	91,192
26,070	25,172	55,169
-	900,000	-
-	(300,000)	-
-	-	-
(5,016,512)	(5,306,575)	(5,604,269)
\$ (4,258,972)	\$ (4,546,686)	\$ (4,321,989)
\$ (1,369,914)	\$ 269,741	\$ (445,383)
25,791,945	25,522,204	25,967,587
\$ 24,422,031	\$ 25,791,945	\$ 25,522,204

CITY OF CULLMAN, ALABAMA
STATISTICAL DATA - UNAUDITED
September 30, 2016

Computation of legal debt margin:

Assessed value of real and personal property located within the city limits – Note 1	<u>\$298,544,180</u>
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Constitutional debt limit (20% of assessed value – Note 2)	\$ 59,708,836
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Amount of debt applicable to debt limit –
Note 2:

General long-term debt outstanding – Governmental Activities	\$20,311,176	
Long-term portion of compensated absences	831,746	
Plus general obligation warrants included in the Business-type Activities:		
Airport General Obligation Warrant Dated 9-14-11	59,856	
Airport General Obligation Warrant Dated 10-22-12	474,915	
Less portions of warrants not subject to Constitutional debt limit as follows:		
2-10-16 General Obligation Warrants, Series 2016	(1,319,773)	
9-29-10 General Obligation School Warrants	(660,000)	
Less estimated liability for compensated absences – long-term	<u>(831,746)</u>	
	\$18,866,174	
Accounts payable of the General Fund	<u>556,405</u>	
Debt applicable to constitutional debt limit	\$19,422,579	
Less assets available in Debt Service Fund for payment of principal	<u>(776,261)</u>	\$ 18,646,318
LEGAL DEBT MARGIN – Note 3		<u>\$ 41,062,518</u>

Note 1 – Obtained from unaudited records maintained by the County of Cullman, Alabama and excludes exempt property (\$127,137,040).

Note 2 – 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 3 – 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, 2016, has no relationship to the City's financial capacity to repay the amount of debt.

STATISTICAL DATA – UNAUDITED – CONTINUED

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:

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 2011 dated June 3, 2011, were rated Aa3 by Moody's Investors Service, Inc. and AA+ by Standard & Poor's Corporation.

Note C – 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 D – 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.