

**CITY OF CULLMAN, ALABAMA**  
**AUDITED FINANCIAL STATEMENTS**  
**AND REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2019**

**CITY OF CULLMAN, ALABAMA  
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## INDEPENDENT AUDITORS' REPORT

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

### Report on the 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, (the City) as of and for the year ended September 30, 2019, 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.

### 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.

### Auditors' 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 auditors' 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 auditors consider 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 City'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 of the City of Cullman, Alabama, as of September 30, 2019, 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 on pages 3-10, the schedule of changes in net pension liability and the schedule of employer contributions on pages 55-57, budgetary comparison information on pages 58 and 59, and notes to the required supplementary information on page 59 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on 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 on pages 61-72 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 are fairly stated in all material respects in relation to the financial statements taken as a whole.

The 5 year general fund comparison schedule and the statistical data as listed in the table of contents have 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 them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020, 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.



Cullman, Alabama  
March 25, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**CITY OF CULLMAN, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
SEPTEMBER 30, 2019**

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The City of Cullman, county seat of Cullman County, is located in north central Alabama, north of Birmingham and southwest of Huntsville, Alabama. The City was founded in 1873 by Colonel John G. Cullmann as a colony designed to attract German immigrants. The City of Cullman was incorporated on March 6, 1875, and Cullman County was created by the Alabama Legislature in 1877 from sparsely settled areas 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 Jenny Folsom and the President Pro-tem John W. Cook. Council members (for terms expiring November 3, 2020) are as follows:

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

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

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

The City Council also appoints a Police Chief, a Fire Chief, Supervisors, Superintendents, and Directors of other City Departments and other non-classified personnel. The City employs approximately 460 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, 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.

**CITY OF CULLMAN, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**SEPTEMBER 30, 2019**

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

**FINANCIAL HIGHLIGHTS**

The City's net position increased \$18,514,935 over the course of this year's operation: \$3,519,922 increase in the net position of the governmental activities, and \$14,995,013 increase in the business-type activities.

Budgeted revenues in the General Fund for fiscal year 2019 were based generally on the previous year's receipts; however, budgeted revenues increased during the year due to the improving local economy. Revenues were \$2,712,895 more than budgeted, while at the same time General Fund expenditures were \$2,011,261 more than budgeted.

As the City of Cullman completed the year, its General Fund reported a combined fund balance of \$20,717,380, as compared with the previous year's balance of \$23,213,355. The revenues of the General Fund increased by \$986,742 (2.7%) due to an increase in sales tax and business licenses. The expenditures of the General Fund increased by \$4,729,113 (17.1%) due to an increase in capital outlay.

The largest source of revenue in the General Fund for fiscal year 2019 are taxes, which consist primarily of property and sales taxes. Tax revenues increased by \$582,704, from \$22,810,971 in 2018 to \$23,393,675 in 2019.

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for 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 financial views of the City.

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



**CITY OF CULLMAN, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
SEPTEMBER 30, 2019**

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about 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 the City of Cullman's Government-Wide and Fund Financial Statements**

	<b>Government-Wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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, expenditures, 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 expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**CITY OF CULLMAN, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**SEPTEMBER 30, 2019**

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**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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 it has changed. Net position, the difference between the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the City's financial health.

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

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

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

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

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

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

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

**CITY OF CULLMAN, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**SEPTEMBER 30, 2019**

The following condensed financial statements serve as indicators for management:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current assets	\$ 43,383,454	\$ 47,786,562	\$ 11,071,240	\$ 7,992,845	\$ 54,454,694	\$ 55,779,407
Restricted assets	2,672,701	1,753,403	12,123,790	25,264,907	14,796,491	27,018,310
Capital assets, net	71,139,192	65,098,191	265,025,255	247,491,547	336,164,447	312,589,738
Other assets	113,307	113,307	659,417	416,882	772,724	530,189
	<u>117,308,654</u>	<u>114,751,463</u>	<u>288,879,702</u>	<u>281,166,181</u>	<u>406,188,356</u>	<u>395,917,644</u>
Deferred outflows of resources	<u>2,370,390</u>	<u>2,353,116</u>	<u>1,263,359</u>	<u>1,319,866</u>	<u>3,633,749</u>	<u>3,672,982</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 119,679,044</u>	<u>\$ 117,104,579</u>	<u>\$ 290,143,061</u>	<u>\$ 282,486,047</u>	<u>\$ 409,822,105</u>	<u>\$ 399,590,626</u>
Current liabilities	\$ 3,505,656	\$ 3,369,445	\$ 2,743,829	\$ 3,253,288	\$ 6,249,485	\$ 6,622,733
Liabilities payable from restricted assets	22,180	17,360	8,089,497	7,405,726	8,111,677	7,423,086
Long-term liabilities	<u>28,219,647</u>	<u>29,685,105</u>	<u>134,941,167</u>	<u>142,489,119</u>	<u>163,160,814</u>	<u>172,174,224</u>
	<u>31,747,483</u>	<u>33,071,910</u>	<u>145,774,493</u>	<u>153,148,133</u>	<u>177,521,976</u>	<u>186,220,043</u>
Deferred inflows of resources	<u>9,251,497</u>	<u>8,872,527</u>	<u>779,783</u>	<u>744,142</u>	<u>10,031,280</u>	<u>9,616,669</u>
Total liabilities and deferred inflows of resources	40,998,980	41,944,437	146,554,276	153,892,275	187,553,256	195,836,712
Net position:						
Net investment in capital assets	53,262,206	46,221,245	120,029,888	96,163,349	173,292,094	142,384,594
Restricted	1,372,371	2,079,392	7,972,634	20,356,989	9,345,005	22,436,381
Unrestricted	<u>24,045,487</u>	<u>26,859,505</u>	<u>15,586,263</u>	<u>12,073,434</u>	<u>39,631,750</u>	<u>38,932,939</u>
Total net position	<u>78,680,064</u>	<u>75,160,142</u>	<u>143,588,785</u>	<u>128,593,772</u>	<u>222,268,849</u>	<u>203,753,914</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 119,679,044</u>	<u>\$ 117,104,579</u>	<u>\$ 290,143,061</u>	<u>\$ 282,486,047</u>	<u>\$ 409,822,105</u>	<u>\$ 399,590,626</u>

**CITY OF CULLMAN, ALABAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**SEPTEMBER 30, 2019**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 9,855,290	\$ 9,586,667	\$ 31,776,397	\$ 28,870,812	\$ 41,631,687	\$ 38,457,479
Operating grants and contributions	454,046	479,115	690,001	1,843,260	1,144,047	2,322,375
Capital grants and contributions	2,108,916	110,762	547,332	470,167	2,656,248	580,929
General revenues:						
Taxes	31,454,758	30,588,315	-	-	31,454,758	30,588,315
Unrestricted investment earnings	144,654	93,287	-	-	144,654	93,287
Other	8,818,729	5,552,921	-	-	8,818,729	5,552,921
<b>TOTAL REVENUES</b>	<b>52,836,393</b>	<b>46,411,067</b>	<b>33,013,730</b>	<b>31,184,239</b>	<b>85,850,123</b>	<b>77,595,306</b>
<b>EXPENSES</b>						
General government	6,358,619	5,654,717	-	-	6,358,619	5,654,717
Public safety	12,864,009	11,931,653	-	-	12,864,009	11,931,653
Highways and streets	6,403,705	3,302,376	-	-	6,403,705	3,302,376
Sanitation	5,955,399	5,012,446	-	-	5,955,399	5,012,446
Health and social services	821,170	735,396	-	-	821,170	735,396
Culture and recreation	247,226	279,836	-	-	247,226	279,836
Education	7,336,501	7,233,995	-	-	7,336,501	7,233,995
Conservation	100,110	90,318	-	-	100,110	90,318
Interest on long-term debt	240,687	278,892	-	-	240,687	278,892
Sewer	-	-	6,167,352	6,077,175	6,167,352	6,077,175
Water	-	-	8,755,732	8,420,065	8,755,732	8,420,065
Parks and recreation	-	-	11,471,745	9,977,109	11,471,745	9,977,109
Airport	-	-	847,007	789,602	847,007	789,602
<b>TOTAL EXPENSES</b>	<b>40,327,426</b>	<b>34,519,629</b>	<b>27,241,836</b>	<b>25,263,951</b>	<b>67,569,262</b>	<b>59,783,580</b>
Increase in net position before sale of assets and transfers	12,508,967	11,891,438	5,771,894	5,920,288	18,280,861	17,811,726
Sale of assets	-	-	40,982	38,972	40,982	38,972
Intergovernmental transfers	-	-	193,092	-	193,092	-
Transfers	(8,989,045)	(6,001,232)	8,989,045	6,001,232	-	-
<b>CHANGE IN NET POSITION</b>	<b>3,519,922</b>	<b>5,890,206</b>	<b>14,995,013</b>	<b>11,960,492</b>	<b>18,514,935</b>	<b>17,850,698</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>75,160,142</b>	<b>69,269,936</b>	<b>128,593,772</b>	<b>116,633,280</b>	<b>203,753,914</b>	<b>185,903,216</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 78,680,064</b>	<b>\$ 75,160,142</b>	<b>\$ 143,588,785</b>	<b>\$ 128,593,772</b>	<b>\$ 222,268,849</b>	<b>\$ 203,753,914</b>

**FUND FINANCIAL STATEMENTS**

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

**CITY OF CULLMAN, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
SEPTEMBER 30, 2019**

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The City of Cullman has two kinds of funds: governmental funds and business-type funds.

Most of the City's basic services are included in governmental funds which focus on (1) how cash, and other financial assets that can readily be converted to cash, 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 governmental funds – the General Fund, School Tax Fund, and Debt Service Fund, and three major business-type funds – sewer operation, water system, and parks and recreation.

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

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

Variances for General Fund revenue and expenditures were favorable by \$2,712,895 and unfavorable by \$2,011,261, respectively. Transfers out of the General Fund were \$413,059 less than the budgeted amount due to the timing of expenditures for capital outlay.

School Tax Fund revenues were \$85,228 less than the budgeted amount and expenditures were \$72,192 less than 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**

Capital outlay for governmental funds for the year ended September 30, 2019, was \$6,529,329. The capital additions were primarily related to transportation enhancements.

**CITY OF CULLMAN, ALABAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
SEPTEMBER 30, 2019**

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**Business-Type Activities**

*Water System*

A. Water Fund

Total capital assets, net of accumulated depreciation, increased by \$1,274,415. Significant additions included \$3,014,135 for a water facility placed in service and \$1,377,558 for the purchase of heavy machinery. Construction in progress increased by \$254,183, primarily due to the water facility construction project. Depreciation expense for the year ended September 31, 2019, was \$1,204,747.

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

Construction in progress increased by \$16,683,419 related to ongoing construction of the Duck River Dam, and related reservoir, pipelines, and ancillary facilities. UBWD recorded capitalized interest of approximately \$4,400,000 due to the ongoing construction projects.

*Sewer Fund*

Capital assets, net of accumulated depreciation, for the sewer fund decreased by \$525,438, from \$55,471,285 at September 30, 2018, to \$54,945,847 at September 30, 2019. Depreciation expense for the year ended September 30, 2019, was \$2,377,568.

**LONG-TERM DEBT**

Normal payments for principal and interest required by the various warrant issues were the only significant activities in 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 and Recreation Board are available upon request. If you have questions about this report, or need additional financial information, contact the City Clerk, Wesley M. Moore, at 204 Second Avenue NE, Cullman, AL 35055. Telephone (256) 775-7110, email address (wmoore@cullmanal.gov).

## **FINANCIAL STATEMENTS**

**CITY OF CULLMAN, ALABAMA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>CURRENT ASSETS</b>			
Cash equivalents	\$ 9,582,728	\$ 14,978,274	\$ 24,561,002
Certificates of deposit	9,240,064	1,435,484	10,675,548
Interest receivable	9,098	1,939	11,037
Accounts receivable, net	377,060	2,072,801	2,449,861
Assessments receivable, net	227,463	-	227,463
Interfund balances	11,352,803	(11,352,803)	-
Due from other governmental units:			
Grants	-	185,509	185,509
Cullman County	-	93,552	93,552
Cullman Power Board	263,081	1,428,288	1,691,369
Other	11,537,678	1,020,840	12,558,518
Inventories	65,801	851,940	917,741
Prepaid expenses	727,678	355,416	1,083,094
Total current assets	<u>43,383,454</u>	<u>11,071,240</u>	<u>54,454,694</u>
<b>RESTRICTED ASSETS</b>			
Cash equivalents	690,833	8,394,890	9,085,723
State revolving funds receivable	-	3,728,900	3,728,900
Advances to other governments	1,981,868	-	1,981,868
Total restricted assets	<u>2,672,701</u>	<u>12,123,790</u>	<u>14,796,491</u>
<b>CAPITAL ASSETS</b>			
Land and other assets not being depreciated	11,224,248	14,980,574	26,204,822
Construction in progress	4,291,791	136,182,556	140,474,347
Buildings, improvements, and equipment, net of depreciation	<u>55,623,153</u>	<u>113,862,125</u>	<u>169,485,278</u>
Total capital assets	<u>71,139,192</u>	<u>265,025,255</u>	<u>336,164,447</u>
<b>OTHER ASSETS</b>			
Deposits	-	252,370	252,370
Insurance deposit	113,307	-	113,307
Assessments receivable – noncurrent	-	407,047	407,047
Total other assets	<u>113,307</u>	<u>659,417</u>	<u>772,724</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized loss on refunding	-	237,579	237,579
Deferred outflows of resources – pension	2,370,390	1,025,780	3,396,170
Total deferred outflows of resources	<u>2,370,390</u>	<u>1,263,359</u>	<u>3,633,749</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 119,679,044</u>	<u>\$ 290,143,061</u>	<u>\$ 409,822,105</u>

See notes to the financial statements.



**CITY OF CULLMAN, ALABAMA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 1,576,770	\$ 1,244,598	\$ 2,821,368
Utility tax payable	-	46,020	46,020
Due to other governmental units	179,322	233	179,555
Accrued liabilities	53,118	-	53,118
Interest payable	-	120,596	120,596
Accrued payroll	533,856	282,614	816,470
Accrued construction costs	-	616,900	616,900
Current portion of capital lease obligation	-	24,245	24,245
Current maturities on long-term debt	939,269	-	939,269
Estimated compensated absences – current portion	223,321	222,149	445,470
Unearned revenue	-	186,474	186,474
Total current liabilities	<u>3,505,656</u>	<u>2,743,829</u>	<u>6,249,485</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>			
Accounts payable	-	654,867	654,867
Accrued interest payable	-	398,468	398,468
Police evidence	22,180	-	22,180
Current maturities on long-term debt	-	7,036,162	7,036,162
Total liabilities payable from restricted assets	<u>22,180</u>	<u>8,089,497</u>	<u>8,111,677</u>
<b>NONCURRENT LIABILITIES</b>			
Warrants/bonds payable	16,540,000	129,057,925	145,597,925
Other postemployment benefits	-	79,498	79,498
Unamortized debt discount	(26,603)	(601,177)	(627,780)
Unamortized debt premium	424,320	1,202,533	1,626,853
Net pension liability	10,037,664	4,144,318	14,181,982
Estimated compensated absences	1,244,266	642,576	1,886,842
Capital lease obligation	-	97,227	97,227
Due to other governmental units	-	318,267	318,267
Total noncurrent liabilities	<u>28,219,647</u>	<u>134,941,167</u>	<u>163,160,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue – property and other taxes	7,536,176	-	7,536,176
Deferred inflows of resources – pension	1,715,321	779,783	2,495,104
Total deferred inflows of resources	<u>9,251,497</u>	<u>779,783</u>	<u>10,031,280</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>NET POSITION</b>			
Net investment in capital assets	\$ 53,262,206	\$ 120,029,888	\$ 173,292,094
Restricted for:			
Debt service and capital activity	690,833	7,972,634	8,663,467
Highways and streets	242,341	-	242,341
Jail, correction facilities, and court complex	107,954	-	107,954
Municipal Court	64,420	-	64,420
Industrial development and recreation	165,915	-	165,915
Nonspendable – endowment	100,908	-	100,908
Unrestricted	24,045,487	15,586,263	39,631,750
Total net position	<u>78,680,064</u>	<u>143,588,785</u>	<u>222,268,849</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 119,679,044</u></u>	<u><u>\$ 290,143,061</u></u>	<u><u>\$ 409,822,105</u></u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government:							
Administrative	\$ 5,287,358	\$ 3,113,714	\$ 278,991	\$ -	\$ (1,894,653)	\$ -	\$ (1,894,653)
Building and housing	628,509	415,862	-	-	(212,647)	-	(212,647)
Garage	442,752	-	-	-	(442,752)	-	(442,752)
Public safety:							
Police	6,539,035	212,287	38,636	-	(6,288,112)	-	(6,288,112)
Fire	4,914,626	-	-	-	(4,914,626)	-	(4,914,626)
Traffic maintenance	624,282	12,093	-	-	(612,189)	-	(612,189)
Dispatch and miscellaneous	786,066	227,902	73,542	-	(484,622)	-	(484,622)
Highways and streets	6,403,705	517,995	-	2,108,916	(3,776,794)	-	(3,776,794)
Sanitation	5,955,399	5,338,763	-	-	(616,636)	-	(616,636)
Health and social services	821,170	-	-	-	(821,170)	-	(821,170)
Culture and recreation	247,226	16,674	-	-	(230,552)	-	(230,552)
Education	7,336,501	-	62,877	-	(7,273,624)	-	(7,273,624)
Conservation	100,110	-	-	-	(100,110)	-	(100,110)
Interest on long-term debt	240,687	-	-	-	(240,687)	-	(240,687)
Total governmental activities	40,327,426	9,855,290	454,046	2,108,916	(27,909,174)	-	(27,909,174)
Business-type activities:							
Sewer	6,167,352	7,393,764	690,001	82,739	-	1,999,152	1,999,152
Water	8,755,732	19,492,802	-	46,026	-	10,783,096	10,783,096
Parks and recreation	11,471,745	4,489,936	-	-	-	(6,981,809)	(6,981,809)
Airport	847,007	399,895	-	418,567	-	(28,545)	(28,545)
Total business-type activities	27,241,836	31,776,397	690,001	547,332	-	5,771,894	5,771,894
	<u>\$ 67,569,262</u>	<u>\$ 41,631,687</u>	<u>\$ 1,144,047</u>	<u>\$ 2,656,248</u>	(27,909,174)	5,771,894	(22,137,280)
Taxes:							
Property taxes, levied for general purposes					1,562,312	-	1,562,312
Property taxes, levied for education					3,558,310	-	3,558,310
Sales taxes, levied for general purposes					19,709,726	-	19,709,726
Sales taxes, levied for education					3,636,461	-	3,636,461
Tobacco taxes					128,475	-	128,475
Rent taxes					522,534	-	522,534
Beverage/liquor taxes					1,126,526	-	1,126,526
Other taxes					1,210,414	-	1,210,414
Unrestricted investment earnings					144,654	-	144,654
Insurance proceeds					2,557,296	-	2,557,296
Miscellaneous					6,261,433	40,982	6,302,415
Intergovernmental revenues					-	193,092	193,092
Transfers – internal activities					(8,989,045)	8,989,045	-
					<u>31,429,096</u>	<u>9,223,119</u>	<u>40,652,215</u>
<b>CHANGE IN NET POSITION</b>					3,519,922	14,995,013	18,514,935
<b>NET POSITION AT BEGINNING OF YEAR</b>					75,160,142	128,593,772	203,753,914
<b>NET POSITION AT END OF YEAR</b>					<u>\$ 78,680,064</u>	<u>\$ 143,588,785</u>	<u>\$ 222,268,849</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2019**

	<b>General</b>	<b>School Tax</b>	<b>Debt Service</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash equivalents	\$ 8,676,112	\$ 18,583	\$ -	\$ 888,033	\$ 9,582,728
Certificates of deposit	9,139,156	-	-	100,908	9,240,064
Interest receivable	8,980	-	-	118	9,098
Accounts receivable, net	377,060	-	-	-	377,060
Assessments receivable, net	227,463	-	-	-	227,463
Interfund receivable	11,657	-	-	-	11,657
Due from other governmental units:					
Cullman Power Board	263,081	-	-	-	263,081
Other	5,479,226	4,233,022	-	1,825,430	11,537,678
Inventories	65,801	-	-	-	65,801
Prepaid expenses	727,678	-	-	-	727,678
	<u>24,976,214</u>	<u>4,251,605</u>	<u>-</u>	<u>2,814,489</u>	<u>32,042,308</u>
<b>RESTRICTED ASSETS</b>					
Cash equivalents	-	-	690,833	-	690,833
Advances to other governments	636,531	-	1,345,337	-	1,981,868
Interfund receivables – long-term	-	-	11,355,597	3,836	11,359,433
	<u>636,531</u>	<u>-</u>	<u>13,391,767</u>	<u>3,836</u>	<u>14,032,134</u>
<b>OTHER ASSETS</b>					
Insurance deposit	113,307	-	-	-	113,307
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
	<u>\$ 25,726,052</u>	<u>\$ 4,251,605</u>	<u>\$ 13,391,767</u>	<u>\$ 2,818,325</u>	<u>\$ 46,187,749</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<u>General</u>	<u>School Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 576,828	\$ 643,541	\$ -	\$ 356,401	\$ 1,576,770
Interfund payables	18,287	-	-	-	18,287
Due to other governmental units	179,322	-	-	-	179,322
Accrued liabilities	53,118	-	-	-	53,118
Accrued payroll	533,856	-	-	-	533,856
Total current liabilities	1,361,411	643,541	-	356,401	2,361,353
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>					
Police evidence	22,180	-	-	-	22,180
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue – property and other taxes	3,625,081	3,895,288	-	15,807	7,536,176
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Inventory	65,801	-	-	-	65,801
Interfund receivables – long-term	-	-	11,355,597	-	11,355,597
Prepaid expenditures, deposit on equipment, and insurance deposit	840,985	-	-	-	840,985
Advances to other governmental units	-	-	1,345,337	-	1,345,337
Permanent fund principal	-	-	-	102,744	102,744
Restricted for:					
Realty improvements and Ingle Park	-	-	-	15,558	15,558
Highways and streets	-	-	-	92,668	92,668
Capital improvements	-	-	690,833	291	691,124
Jail, correction, and court facilities	-	-	-	107,954	107,954
Municipal Court	-	-	-	64,420	64,420
Industrial development and recreation	-	-	-	165,915	165,915
Assigned:					
Capital projects	-	-	-	1,896,567	1,896,567
Unassigned	19,810,594	(287,224)	-	-	19,523,370
Total fund balance	20,717,380	(287,224)	13,391,767	2,446,117	36,268,040
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
	<u>\$ 25,726,052</u>	<u>\$ 4,251,605</u>	<u>\$ 13,391,767</u>	<u>\$ 2,818,325</u>	<u>\$ 46,187,749</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

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<b>Total Fund Balances – Governmental Funds</b>	<b>\$</b>	<b>36,268,040</b>
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Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		71,139,192
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the statement of net position. In addition, the deferred loss on refunding, the deferred accounts, and the debt premium/discount are expenditures and revenues at the fund level, but are deferred and amortized in the statement of net position.

Balances at September 30, 2019, were:

General obligation warrants	\$ (17,479,269)	
Net pension liability	(10,037,664)	
Deferred outflows of resources – pension	2,370,390	
Deferred inflows of resources – pension	(1,715,321)	
Unamortized debt discount	26,603	
Unamortized debt premium	(424,320)	
Compensated absences	(1,467,587)	(28,727,168)

<b>Total Net Position – Governmental Activities</b>	<b>\$</b>	<b><u>78,680,064</u></b>
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See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General</u>	<u>School Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 23,393,675	\$ 7,194,772	\$ -	\$ 12,500	\$ 30,600,947
Licenses and permits	3,510,216	-	-	-	3,510,216
Intergovernmental revenues	3,849,672	-	62,877	647,973	4,560,522
Charges for services	6,066,735	-	-	-	6,066,735
Fines and forfeits	174,233	-	-	48,831	223,064
Interest revenue	143,397	-	-	3,093	146,490
Miscellaneous revenues	174,627	-	-	-	174,627
Total revenues	<u>37,312,555</u>	<u>7,194,772</u>	<u>62,877</u>	<u>712,397</u>	<u>45,282,601</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General government	5,791,594	-	-	156,011	5,947,605
Public safety	12,112,185	-	-	-	12,112,185
Highways and streets	5,280,233	-	-	27,706	5,307,939
Sanitation	5,560,232	-	-	-	5,560,232
Health and social services	821,170	-	-	-	821,170
Culture and recreation	230,685	-	-	-	230,685
Education	128,693	7,207,808	-	-	7,336,501
Conservation	83,311	-	-	-	83,311
Capital outlay	2,286,404	-	-	4,242,925	6,529,329
Debt service:					
Principal retirement	70,000	-	816,351	100,000	986,351
Interest and fiscal charges	1,540	-	262,540	-	264,080
Total expenditures	<u>32,366,047</u>	<u>7,207,808</u>	<u>1,078,891</u>	<u>4,526,642</u>	<u>45,179,388</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	4,946,508	(13,036)	(1,016,014)	(3,814,245)	103,213
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital contributions	23,921	-	-	2,084,995	2,108,916
Sale of assets	303,661	-	-	-	303,661
Insurance proceeds	2,557,296	-	-	-	2,557,296
Operating transfers in	-	-	1,359,456	2,392,930	3,752,386
Operating transfers out	(10,327,361)	-	(923,663)	(1,490,407)	(12,741,431)
Total other financing sources (uses)	<u>(7,442,483)</u>	<u>-</u>	<u>435,793</u>	<u>2,987,518</u>	<u>(4,019,172)</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(2,495,975)	(13,036)	(580,221)	(826,727)	(3,915,959)
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>	<u>23,213,355</u>	<u>(274,188)</u>	<u>13,971,988</u>	<u>3,272,844</u>	<u>40,183,999</u>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<u>\$ 20,717,380</u>	<u>\$ (287,224)</u>	<u>\$ 13,391,767</u>	<u>\$ 2,446,117</u>	<u>\$ 36,268,040</u>

See notes to the financial statements.

**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, 2019**

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<b>Net Changes in Fund Balances – Governmental Funds</b>	<b>\$ (3,915,959)</b>
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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 (\$6,529,329) exceeded depreciation (\$2,584,219) in the current period:

	3,945,110
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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 governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of principal exceeded amortization of debt-related items:

	986,351
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	54,128
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Change in net pension liability and change in pension – related deferred outflows and inflows are not reported in the funds:	449,048
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Governmental funds report proceeds from the sale of capital assets as other financial sources. However, the statement of activities reports disposals, contributions, and transfers of capital assets as gains or losses:

	<u>2,001,244</u>
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<b>Change in Net Position – Governmental Activities</b>	<b><u><u>\$ 3,519,922</u></u></b>
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See notes to the financial statements.



**CITY OF CULLMAN, ALABAMA**  
**BALANCE SHEET – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2019**

	Major Funds			Nonmajor Fund	Total
	Sewer Operation	Water System	Parks and Recreation	Airport	Business-Type Funds
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 726,585	\$ 11,227,008	\$ 2,828,951	\$ 195,730	\$ 14,978,274
Certificates of deposit	-	1,435,484	-	-	1,435,484
Interest receivable	-	1,939	-	-	1,939
Accounts receivable, net	307,186	1,730,000	25,517	10,098	2,072,801
Interfund receivables	-	501,344	-	-	501,344
Due from other governmental units:					
Grants	-	-	-	185,509	185,509
Cullman County	-	-	-	93,552	93,552
Cullman Power Board	705,227	723,061	-	-	1,428,288
Other	29,306	938,710	52,824	-	1,020,840
Inventories	115,073	653,112	62,185	21,570	851,940
Prepaid expenses	-	-	41,050	-	41,050
Prepaid insurance	80,888	173,253	-	25,225	279,366
Prepaid utility tax	-	35,000	-	-	35,000
Total current assets	1,964,265	17,418,911	3,010,527	531,684	22,925,387
<b>RESTRICTED ASSETS</b>					
Cash and cash equivalents	369,168	8,025,722	-	-	8,394,890
State revolving funds receivable	-	3,728,900	-	-	3,728,900
Total restricted assets	369,168	11,754,622	-	-	12,123,790
<b>CAPITAL ASSETS</b>					
Land and other assets not being depreciated	253,691	11,906,730	1,935,368	884,785	14,980,574
Construction in progress	448,003	134,927,257	200,852	606,444	136,182,556
Buildings, improvements, and equipment, net of depreciation	54,244,153	35,647,296	20,718,694	3,251,982	113,862,125
Total capital assets	54,945,847	182,481,283	22,854,914	4,743,211	265,025,255
<b>OTHER ASSETS</b>					
Deposits	-	-	199,870	52,500	252,370
Assessments receivable, net	407,047	-	-	-	407,047
Total other assets	407,047	-	199,870	52,500	659,417
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized loss on refunding	101,951	55,203	80,425	-	237,579
Deferred outflows of resources – pension	284,089	384,052	342,396	15,243	1,025,780
Total deferred outflows of resources	386,040	439,255	422,821	15,243	1,263,359
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 58,072,367</b>	<b>\$ 212,094,071</b>	<b>\$ 26,488,132</b>	<b>\$ 5,342,638</b>	<b>\$ 301,997,208</b>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**BALANCE SHEET – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2019**

	<b>Major Funds</b>			<b>Nonmajor Fund</b>	<b>Total</b>
	<b>Sewer Operation</b>	<b>Water System</b>	<b>Parks and Recreation</b>	<b>Airport</b>	<b>Business-Type Funds</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable:					
Trade	\$ 229,431	\$ 330,008	\$ 362,424	\$ 304,250	\$ 1,226,113
Contractors	-	-	-	18,485	18,485
Current portion of capital lease obligation	-	-	24,245	-	24,245
Utility tax payable	-	46,020	-	-	46,020
Interfund payables	10,632	441,950	446,495	-	899,077
Due to other governmental units	-	-	-	233	233
Interest payable	-	-	120,596	-	120,596
Accrued payroll	58,026	104,513	114,523	5,552	282,614
Accrued construction costs	-	616,900	-	-	616,900
Estimated compensated absences – current portion	30,636	112,163	74,676	4,674	222,149
Unearned revenue	-	-	176,966	9,508	186,474
<b>Total current liabilities</b>	<b>328,725</b>	<b>1,651,554</b>	<b>1,319,925</b>	<b>342,702</b>	<b>3,642,906</b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>					
Accounts payable:					
Contractors	-	654,867	-	-	654,867
Accrued interest	18,596	379,872	-	-	398,468
Current portion of warrants/bonds payable	2,868,489	4,074,820	-	92,853	7,036,162
<b>Total liabilities payable from restricted assets</b>	<b>2,887,085</b>	<b>5,109,559</b>	<b>-</b>	<b>92,853</b>	<b>8,089,497</b>
<b>NONCURRENT LIABILITIES</b>					
Warrants/bonds payable	10,499,824	118,379,779	-	178,322	129,057,925
Unamortized debt discount	-	(533,877)	(67,300)	-	(601,177)
Unamortized debt premium	-	131,574	1,070,959	-	1,202,533
Other postemployment benefits	-	79,498	-	-	79,498
Net pension liability	1,150,717	1,455,421	1,463,655	74,525	4,144,318
Estimated compensated absences	123,212	411,924	98,261	9,179	642,576
Capital lease obligation	-	-	97,227	-	97,227
Interfund payables	-	-	10,955,070	-	10,955,070
Due to other governmental units	-	-	-	318,267	318,267
<b>Total noncurrent liabilities</b>	<b>11,773,753</b>	<b>119,924,319</b>	<b>13,617,872</b>	<b>580,293</b>	<b>145,896,237</b>
<b>DEFERRED INFLOWS OF RESOURCES – PENSION</b>					
	204,926	317,784	245,022	12,051	779,783
<b>NET POSITION</b>					
Net investment in capital assets	41,558,938	63,590,272	10,408,643	4,472,035	120,029,888
Restricted for capital activity and debt service	369,168	7,571,283	32,183	-	7,972,634
Unrestricted	949,772	13,929,300	864,487	(157,296)	15,586,263
<b>Total net position</b>	<b>42,877,878</b>	<b>85,090,855</b>	<b>11,305,313</b>	<b>4,314,739</b>	<b>143,588,785</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
	<b>\$ 58,072,367</b>	<b>\$ 212,094,071</b>	<b>\$ 26,488,132</b>	<b>\$ 5,342,638</b>	<b>\$ 301,997,208</b>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Major Funds</b>			<b>Nonmajor Fund</b>	<b>Total</b>
	<b>Sewer Operation</b>	<b>Water System</b>	<b>Parks and Recreation</b>	<b>Airport</b>	<b>Business-Type Funds</b>
<b>REVENUES</b>					
Charges for sales and services	\$ 7,032,645	\$ 18,599,519	\$ 4,234,452	\$ 399,895	\$ 30,266,511
Forfeited discounts and penalties	-	36,681	-	-	36,681
Charges for service connections	108,739	149,271	-	-	258,010
Service charges	76,225	72,520	-	-	148,745
Lodging tax	-	-	253,301	-	253,301
Miscellaneous revenues	176,137	344,787	9	-	520,933
<b>Total revenues</b>	<b>7,393,746</b>	<b>19,202,778</b>	<b>4,487,762</b>	<b>399,895</b>	<b>31,484,181</b>
<b>OPERATING EXPENSES</b>					
Cost of operating revenues	-	-	-	220,624	220,624
Salaries and wages	1,330,713	2,319,517	2,722,882	131,519	6,504,631
Concessions expense	-	-	189,766	-	189,766
Nonemployee compensation	-	-	2,803	-	2,803
Officials and instructors	-	-	173,499	-	173,499
Payroll taxes	100,496	183,389	199,330	9,660	492,875
Employee retirement	87,611	95,266	101,050	5,678	289,605
Employee life and health insurance	224,057	220,550	271,170	17,012	732,789
Employee compensated absences	-	-	22,148	-	22,148
Employee hospital insurance	-	299,268	-	-	299,268
Telephone	16,532	39,338	96,183	7,489	159,542
Utilities	497,518	955,336	723,006	34,588	2,210,448
Billing, accounting, and collection fees	102,845	230,495	-	-	333,340
Office supplies and expense	5,320	33,416	315,018	845	354,599
Professional services	9,902	29,709	11,724	30,338	81,673
Program expenses	-	-	560,726	-	560,726
Engineering services	34,474	60,781	-	-	95,255
Other contracted services	29,706	158,536	-	-	188,242
Landfill fees	39,642	-	-	-	39,642
Testing fees	12,306	33,312	-	-	45,618
Travel and training	10,758	29,562	168,880	6,810	216,010
Dues and subscriptions	1,428	3,101	23,909	767	29,205
Public relations	-	-	1,261	3,215	4,476
Automotive repairs and maintenanc	15,826	5,734	-	-	21,560
Automotive gasoline and oil	30,325	128,652	55,072	-	214,049
Fuel and lubricants	-	-	-	2,900	2,900
Uniforms	13,105	16,348	-	-	29,453
Small tools and equipment	72,221	57,967	82,722	4,058	216,968
General maintenance	-	6,573	-	-	6,573
Insurance	100,017	170,102	194,169	26,564	490,852
Lab supplies	-	23,618	-	-	23,618
Chemicals and other supplies	176,946	880,006	182,440	4,216	1,243,608
Equipment rental	59,897	27,431	-	2,913	90,241
Printing and advertising	-	-	142,700	-	142,700
Miscellaneous	-	54,790	253,189	9,770	317,749
Repairs and maintenance	404,438	651,175	3,021,585	48,047	4,125,245
Director's fees and expenses	-	31,500	-	-	31,500
Depreciation expense	2,377,568	1,677,229	1,457,984	270,281	5,783,062
<b>Total operating expenses</b>	<b>5,753,651</b>	<b>8,422,701</b>	<b>10,973,216</b>	<b>837,294</b>	<b>25,986,862</b>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Business-Type Funds</u>
<b>OPERATING INCOME (LOSS)</b>	\$ 1,640,095	\$ 10,780,077	\$ (6,485,454)	\$ (437,399)	\$ 5,497,319
<b>NON-OPERATING REVENUES AND EXPENSES</b>					
Grant revenue	690,001	46,026	-	418,567	1,154,594
Interest earned	18	290,024	2,174	-	292,216
Gain (loss) on sale of assets	-	2,762	38,099	121	40,982
Interest expense	(413,701)	(321,797)	(498,529)	(9,713)	(1,243,740)
Trustee fees	-	(11,234)	-	-	(11,234)
Total non-operating revenues and expenses	<u>276,318</u>	<u>5,781</u>	<u>(458,256)</u>	<u>408,975</u>	<u>232,818</u>
Change in net position before capital grants, special item, and transfers	1,916,413	10,785,858	(6,943,710)	(28,424)	5,730,137
Capital contributions	82,739	-	-	-	82,739
Intergovernmental revenues	-	193,092	-	-	193,092
Transfers	(1,926,364)	1,808,841	8,735,767	370,801	8,989,045
	<u>(1,843,625)</u>	<u>2,001,933</u>	<u>8,735,767</u>	<u>370,801</u>	<u>9,264,876</u>
<b>CHANGE IN NET POSITION</b>	72,788	12,787,791	1,792,057	342,377	14,995,013
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>42,805,090</u>	<u>72,303,064</u>	<u>9,513,256</u>	<u>3,972,362</u>	<u>128,593,772</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 42,877,878</u>	<u>\$ 85,090,855</u>	<u>\$ 11,305,313</u>	<u>\$ 4,314,739</u>	<u>\$ 143,588,785</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 7,522,124	\$ 17,721,270	\$ 4,171,333	\$ 194,688	\$ 29,609,415
Cash received from lodging tax	-	-	253,301	-	253,301
Cash payments for purchased fuel	-	-	-	(1,246)	(1,246)
Cash payments for merchandise sold	-	-	(105,675)	-	(105,675)
Cash payments to suppliers and vendors	(1,639,796)	(3,875,250)	(8,242,705)	(186,175)	(13,943,926)
Cash payments for salaries and benefits	(1,792,034)	\$ (3,174,545)	(3,510,374)	(165,550)	(8,642,503)
Net cash provided by (used in) operating activities	4,090,294	10,671,475	(7,434,120)	(158,283)	7,169,366
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Funds received from other governments-disaster recovery	2,332,005	-	-	-	2,332,005
Insurance recoveries	-	-	2,273,665	-	2,273,665
Intergovernmental revenues	-	193,092	-	-	193,092
Transfers in	189,814	1,955,593	8,735,767	370,801	11,251,975
Transfers out	(2,116,178)	(146,752)	-	-	(2,262,930)
Net cash provided by (used in) noncapital financing activities	405,641	2,001,933	11,009,432	370,801	13,787,807
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Grant revenues	690,001	46,026	-	418,567	1,154,594
Capital contributions	82,739	-	-	-	82,739
Acquisition and construction – capital assets	(1,855,161)	(8,877,848)	(686,659)	(551,751)	(11,971,419)
Special item – insurance proceeds	-	-	-	-	-
Proceeds from disposal of capital assets	-	73,516	38,099	121	111,736
Interest paid	(340,538)	(286,642)	(531,203)	(9,712)	(1,168,095)
Interfund payables – long-term	-	-	(446,495)	-	(446,495)
Trustee fees	-	(11,234)	-	-	(11,234)
Principal payments of long-term debt	(2,834,711)	(3,956,518)	-	(90,459)	(6,881,688)
Net cash used in capital and related financing activities	(4,257,670)	(13,012,700)	(1,626,258)	(233,234)	(19,129,862)

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total Business-Type Funds</u>
	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of certificates of deposit	\$ -	\$ (26,398)	\$ -	\$ -	\$ (26,398)
Interest received	18	290,024	2,174	-	292,216
Net cash provided by investing activities	<u>18</u>	<u>263,626</u>	<u>2,174</u>	<u>-</u>	<u>265,818</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	238,283	(75,666)	1,951,228	(20,716)	2,093,129
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>857,470</u>	<u>19,328,396</u>	<u>877,723</u>	<u>216,446</u>	<u>21,280,035</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,095,753</u>	<u>\$ 19,252,730</u>	<u>\$ 2,828,951</u>	<u>\$ 195,730</u>	<u>\$ 23,373,164</u>
<b>CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING</b>					
Cash equivalents – current assets	\$ 726,585	\$ 11,227,008	\$ 2,828,951	\$ 195,730	\$ 14,978,274
Cash equivalents – restricted assets	<u>369,168</u>	<u>8,025,722</u>	<u>-</u>	<u>-</u>	<u>8,394,890</u>
	<u>\$ 1,095,753</u>	<u>\$ 19,252,730</u>	<u>\$ 2,828,951</u>	<u>\$ 195,730</u>	<u>\$ 23,373,164</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 1,640,095	\$ 10,780,077	\$ (8,759,119)	\$ (437,399)	\$ 3,223,654
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,377,568	1,677,229	1,457,984	270,281	5,783,062
Change in:					
Assessments receivable, net	9,250	-	-	-	9,250
Accounts receivable, net	10,875	(1,120,124)	16,151	2,862	(1,090,236)
Interfund receivables	64,654	(420,444)	-	-	(355,790)
Due from other governmental units	36,037	(191,150)	-	(56,838)	(211,951)
Grants receivable	-	-	-	(151,233)	(151,233)
Inventories	(48,481)	(359,749)	394	1,655	(406,181)
Prepaid expenses	-	-	(1,046)	-	(1,046)
Prepaid insurance	(18,521)	(15,562)	-	(6,749)	(40,832)
Deposits	-	-	(199,285)	(52,500)	(251,785)
Deferred outflows of resources					
– pension	6,531	(59,182)	(401)	(660)	(53,712)
Accounts payable	82,692	461,517	14,363	309,381	867,953
Utility tax payable	-	3,248	-	-	3,248
Interfund payables	(14,718)	(78,762)	-	-	(93,480)
Due to other governmental units	-	(8,250)	23,103	(36,067)	(21,214)
Accrued payroll	8,959	27,929	27,873	1,727	66,488
Other postemployment benefits	-	7,178	-	-	7,178
Net pension liability	(66,591)	(79,444)	(73,441)	(4,275)	(223,751)
Deferred inflows of resources					
– pension	14,316	4,618	15,788	919	35,641
Unearned revenue	-	-	21,368	(1,049)	20,319
Estimated compensated absences	(12,372)	42,346	22,148	1,662	53,784
Net cash provided by (used in) operating activities	<u>\$ 4,090,294</u>	<u>\$ 10,671,475</u>	<u>\$ (7,434,120)</u>	<u>\$ (158,283)</u>	<u>\$ 7,169,366</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**1. SUMMARY OF OPERATIONS**

**Reporting Entity**

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

*Component Units*

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

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

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

*Excluded Entities*

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

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



**CITY OF CULLMAN, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

*Government-Wide Statements*

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

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

*Fund Financial Statements*

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

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

The City reports the following major governmental funds:

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

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The City reports the following major proprietary funds:

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

**Measurement Focus, Basis of Accounting**

*Government-Wide and Proprietary Financial Statements*

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

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*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 sixty days after year-end. However, all grants earned and charges for services are considered to be available as of year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, claims and judgements, and compensated absences are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Cash Equivalents and Certificates of Deposit**

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

**Accounts Receivable and Assessments Receivable**

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

	<u>General Fund</u>	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>
Accounts receivable	\$ 377,060	\$ 307,186	\$ 1,730,000	\$ 25,517	\$ 10,098
Assessments receivable	227,463	407,047	-	-	-
	<u>\$ 604,523</u>	<u>\$ 714,233</u>	<u>\$ 1,730,000</u>	<u>\$ 25,517</u>	<u>\$ 10,098</u>

**Interfund Receivables/Payables**

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

**Interfund Receivables – Long-Term**

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

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 \$1,554,826 has been accrued as of September 30, 2019, for the bills sent out October 1, 2019, 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, 2019, an offsetting balance of \$1,554,826 has also been reflected as unavailable revenue – property taxes in the financial statements.

**Inventories**

Inventories in governmental activities consist of expendable supplies held for consumption stated principally on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Business-type activities inventories are reported at cost on a first-in, first-out basis, except for the Sewer Fund and Water Fund, which are stated at average cost method, effective October 1, 2018.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2019, are recorded as prepaid items. Prepaid insurance is charged to expenditures/expenses over the term of the policies. Prepaid senior trip expenses are charged to expense once the senior citizens have gone on the trips. Prepaid utility tax is offset to utility taxes payable once applied to the next month's utility tax report.

**Restricted Assets**

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

**Capital Assets**

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

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

**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, 2018, was as follows:

<u>Proprietary Fund / Component Unit</u>	<u>Total Interest Capitalized</u>
Utilities Board – Water Division	\$ 4,438,105
	<u>\$ 4,438,105</u>

**Amortization**

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

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Accounts payable – contractors	\$ -	\$ 654,867
Accrued interest payable	-	398,468
Police evidence	22,180	-
Current maturities on long-term liabilities	-	7,036,162
	\$ 22,180	\$ 8,089,497

**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, 2019. Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with the City. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees to specified maximums, and a percentage of sick leave is payable upon termination in accordance with guidelines established in the City's personnel policies. If an employee does not use his sick leave during the year and would otherwise lose any accumulated time, the employee is paid one-half of the hours accumulated in excess of the maximum allowed to be carried over from year to year. The estimated liabilities include required salary-related payments. The liability for compensated absences is paid by the General Fund for all governmental funds, and each proprietary fund is responsible for its own liability for compensated absences.

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

The liability for compensated absences consists of unpaid, accumulated annual, and sick leave balances. The liability has been calculated using only the vested vacation and sick leave amounts available to employees on September 30, 2019. Full-time, permanent employees are granted vacation leave benefits in varying amounts, depending on tenure with the UBWD. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees and a percentage of sick leave is payable upon termination in accordance with guidelines established in the UBWD's personnel policies. The estimated liabilities include required salary-related payments.

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Net Position**

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

**Pension**

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

**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:

<u>Classification</u>	<u>Description</u>
Nonspendable	Nonspendable fund balances include fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
Restricted	Restricted fund balances include fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
Committed	Committed fund balances include fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the City Council) and do not lapse at year end. The City Council is required to adopt an Ordinance in order to establish, modify, or rescind a fund balance commitment.

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

<u>Classification</u>	<u>Description</u>
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 have not been classified within the above mentioned categories, and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to spend first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

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

**Use of Estimates**

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

**Recently Issued Accounting Principles**

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for fiscal year 2021. The City is currently evaluating the impact this standard may have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This statement is effective for the City for the fiscal year ending September 30, 2021. The City is currently evaluating the impact this standard may have on its financial statements.



**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – DEFICIT BALANCE**

The \$287,224 deficit of the School Tax Fund is a result of expenditures accrued in excess of resources available within the City's 30 day availability period. The deficit is expected to be covered by resources accrued, but not received within the 30-day availability period.

**4. CASH 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, 2019, the Utilities Board – Water Division of the City of Cullman (UBWD) (component unit blended with the Water System) had \$640,718 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, 2019, UBWD had \$7,345,255 collateralized by securities held by the pledging financial institutions' trust department but not in UBWD's name.

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**5. CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended September 30, 2019, was as follows:

	<u>Balance at Sept. 30, 2018</u>	<u>Additions</u>	<u>(Removals)</u>	<u>Transfers</u>	<u>Balance at Sept. 30, 2019</u>
<b>Governmental activities:</b>					
<b>Non-depreciable capital assets:</b>					
Land	\$ 10,354,577	\$ 491,223	\$ -	\$ -	\$ 10,845,800
Historical buildings	378,448	-	-	-	378,448
Construction in progress	4,936,163	4,536,294	(9,591)	(5,171,075)	4,291,791
	<u>15,669,188</u>	<u>5,027,517</u>	<u>(9,591)</u>	<u>(5,171,075)</u>	<u>15,516,039</u>
<b>Depreciable capital assets:</b>					
Buildings	15,573,754	195,317	-	3,873,859	19,642,930
Improvements other than buildings	3,807,507	235,000	-	-	4,042,507
Infrastructure – streets	38,280,820	190,740	-	1,297,215	39,768,775
Infrastructure – bridges	607,683	-	-	-	607,683
Office equipment	22,739	-	-	-	22,739
Computer equipment	440,003	7,000	-	-	447,003
Communication equipment	462,364	-	-	-	462,364
Heavy equipment	3,464,365	1,344,191	(35,870)	-	4,772,686
Transportation equipment	11,184,670	1,099,205	(365,028)	182,010	12,100,857
Other general equipment	4,362,205	575,794	(46,705)	-	4,891,294
	<u>78,206,110</u>	<u>3,647,247</u>	<u>(447,603)</u>	<u>5,353,084</u>	<u>86,758,838</u>
<b>Less accumulated depreciation:</b>					
Buildings	(2,479,379)	(357,874)	-	-	(2,837,253)
Improvements other than buildings	(879,670)	(165,295)	-	-	(1,044,965)
Infrastructure – streets	(13,203,078)	(829,980)	-	-	(14,033,058)
Infrastructure – bridges	(346,380)	-	-	-	(346,380)
Office equipment	(15,311)	(946)	-	-	(16,257)
Computer equipment	(248,625)	(25,152)	-	-	(273,777)
Communication equipment	(276,303)	(21,163)	-	-	(297,466)
Heavy equipment	(1,471,598)	(269,684)	32,283	-	(1,708,999)
Transportation equipment	(6,933,803)	(713,477)	192,949	(43,922)	(7,498,253)
Other general equipment	(2,922,960)	(200,648)	44,331	-	(3,079,277)
	<u>(28,777,107)</u>	<u>(2,584,219)</u>	<u>269,563</u>	<u>(43,922)</u>	<u>(31,135,685)</u>
<b>Net depreciable capital assets</b>	<u>49,429,003</u>	<u>1,063,028</u>	<u>(178,040)</u>	<u>5,309,162</u>	<u>55,623,153</u>
<b>Total capital assets, net</b>	<u>\$ 65,098,191</u>	<u>\$ 6,090,545</u>	<u>\$ (187,631)</u>	<u>\$ 138,087</u>	<u>\$ 71,139,192</u>

**CITY OF CULLMAN, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**5. CAPITAL ASSETS – CONTINUED**

Capital asset activity for the business-type activities for the year ended September 30, 2019, was as follows:

	<u>Balance at Sept. 30, 2018</u>	<u>Additions</u>	<u>(Removals)</u>	<u>Adjustments and Transfers</u>	<u>Balance at Sept. 30, 2019</u>
<b>Business-type activities:</b>					
<b>Non-depreciable capital assets:</b>					
Land	\$ 14,980,574	\$ -	\$ -	\$ -	\$ 14,980,574
Construction in progress	121,567,630	20,880,008	-	(6,265,082)	136,182,556
	136,548,204	20,880,008	-	(6,265,082)	151,163,130
<b>Depreciable capital assets:</b>					
Buildings	28,442,270	74,860	-	2,835,562	31,352,692
Improvements other than buildings	138,637,294	603,871	-	1,826,347	141,067,512
Source of supply	2,434,916	-	-	-	2,434,916
Pumping plant	709,632	-	-	-	709,632
Water treatment plant	19,304,373	-	-	964,172	20,268,545
Transmission and distribution system	1,454,061	-	-	-	1,454,061
Office equipment	634,746	-	-	-	634,746
Computer equipment	107,884	-	-	-	107,884
Communication equipment	3,318	19,967	-	-	23,285
Heavy equipment	2,577,907	1,103,393	(1)	-	3,681,299
Transportation equipment	3,263,644	600,424	(311,392)	78,681	3,631,357
Other general equipment	5,959,090	587,472	-	-	6,546,562
	203,529,135	2,989,987	(311,393)	5,704,762	211,912,491
<b>Less accumulated depreciation:</b>					
Buildings	(13,519,091)	(813,524)	-	-	(14,332,615)
Improvements other than buildings	(58,610,737)	(3,654,696)	-	63,618	(62,201,815)
Source of supply	(1,900,355)	(8,902)	-	-	(1,909,257)
Pumping plant	(661,231)	-	-	-	(661,231)
Water treatment plant	(10,543,482)	(368,696)	-	-	(10,912,178)
Transmission and distribution system	(1,058,665)	(18,020)	-	-	(1,076,685)
Office equipment	(400,392)	-	-	-	(400,392)
Computer equipment	(36,618)	(7,303)	-	-	(43,921)
Communication equipment	(2,988)	-	-	-	(2,988)
Heavy equipment	(715,195)	(393,099)	(119,170)	-	(1,227,464)
Transportation equipment	(1,376,633)	(221,087)	82,921	(8,881)	(1,523,680)
Other general equipment	(3,460,405)	(297,735)	-	-	(3,758,140)
	(92,285,792)	(5,783,062)	(36,249)	54,737	(98,050,366)
<b>Net depreciable capital assets</b>	<u>111,243,343</u>	<u>(2,793,075)</u>	<u>(347,642)</u>	<u>5,759,499</u>	<u>113,862,125</u>
<b>Total capital assets, net</b>	<u>\$ 247,791,547</u>	<u>\$ 18,086,933</u>	<u>\$ (347,642)</u>	<u>\$ (505,583)</u>	<u>\$ 265,025,255</u>

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**5. CAPITAL ASSETS – CONTINUED**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government:	
Administrative	\$ 236,738
Building and housing	14,215
Garage	29,463
Public safety:	
Police	211,668
Fire	457,969
Traffic Maintenance	63,837
Dispatch and EMA	18,350
Highways and streets	1,123,472
Sanitation	395,167
Culture and recreation	16,541
Conservation	16,799
	<u>2,584,219</u>
	<u>\$ 2,584,219</u>

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

Sewer	\$ 2,377,568
Water System	1,677,229
Parks and Recreation	1,457,984
Airport	270,281
	<u>5,783,062</u>
	<u>\$ 5,783,062</u>

**6. 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.

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**6. LONG-TERM DEBT – CONTINUED**

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:

<b>Governmental Activities</b>					
<b>Year Ended September 30</b>	<b>Direct Placement Bonds</b>				<b>Service Requirement</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2020	\$ 845,000	\$ 723,900	\$ 94,269	\$ 5,731	\$ 1,668,900
2021	705,000	690,400	100,000	2,269	1,497,669
2022	745,000	655,150	-	-	1,400,150
2023	785,000	617,900	-	-	1,402,900
2024	820,000	578,650	-	-	1,398,650
2025-2029	4,765,000	2,234,500	-	-	6,999,500
2030-2034	5,950,000	1,046,575	-	-	6,996,575
2035-2036	2,670,000	130,975	-	-	2,800,975
	<u>\$ 17,285,000</u>	<u>\$ 6,678,050</u>	<u>\$ 194,269</u>	<u>\$ 8,000</u>	<u>\$ 24,165,319</u>

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

<b>Business-Type Activities</b>					
<b>Year Ended September 30</b>	<b>Direct Placement Bonds</b>				<b>Service Requirement</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2020	\$ 1,465,000	\$ 3,956,606	\$ 5,571,162	\$ 937,579	\$ 11,930,347
2021	1,505,000	3,913,188	4,905,854	815,853	11,139,895
2022	1,575,000	3,842,238	4,276,569	708,961	10,402,768
2023	1,845,000	3,769,588	4,085,947	608,041	10,308,576
2024	1,930,000	3,684,087	2,539,555	524,263	8,677,905
2025-2029	14,080,000	17,029,498	8,595,000	1,961,962	41,666,460
2030-2034	18,110,000	13,748,339	8,765,000	1,031,006	41,654,345
2035-2039	22,675,000	8,486,239	4,795,000	152,024	36,108,263
2040-2044	25,930,000	3,491,623	-	-	29,421,623
2045	3,445,000	129,187	-	-	3,574,187
	<u>\$ 92,560,000</u>	<u>\$ 62,050,593</u>	<u>\$ 43,534,087</u>	<u>\$ 6,739,689</u>	<u>\$ 204,884,369</u>

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**6. LONG-TERM DEBT – CONTINUED**

Changes in long-term debt during the year ended September 30, 2019, were as follows:

<b>Governmental Activities</b>						
	<b>Interest Rates</b>	<b>Balance at Sept. 30, 2018</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance at Sept. 30, 2019</b>	<b>Due Within One Year</b>
<b>General obligation warrants:</b>						
Series 2010						
LRSRF-DL/ARRA	2.00%	\$ 70,000	\$ -	\$ (70,000)	\$ -	\$ -
School Warrants	2.96%	345,000	-	(170,000)	175,000	175,000
Burrow Property	2.95%	285,836	-	(91,567)	194,269	94,269
Series 2016	3.00-5.00%	17,755,000	-	(645,000)	17,110,000	670,000
		<u>\$ 18,455,836</u>	<u>\$ -</u>	<u>\$ (976,567)</u>	<u>\$ 17,479,269</u>	<u>\$ 939,269</u>
<b>Business-Type Activities</b>						
	<b>Interest Rates</b>	<b>Balance at Sept. 30, 2018</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance at Sept. 30, 2019</b>	<b>Due Within One Year</b>
<b>Sewer:</b>						
General obligation warrants:						
Series 2013	1.72%	\$ 3,222,222	\$ -	\$ (1,333,334)	\$ 1,888,888	\$ 1,333,334
Series 2013-A	2.63%	6,455,802	-	(1,181,378)	5,274,424	1,210,155
Series 2015 - CWSRF - DL	2.25%	3,485,000	-	(170,000)	3,315,000	175,000
Series 2015B - CWSRF - DL	2.20%	3,040,000	-	(150,000)	2,890,000	150,000
<b>Water System:</b>						
Utilities Board – Water Division:						
Series 2011	2.75-9.00%	52,435,000	-	(1,195,000)	51,240,000	1,255,000
Series 2015A	2.00-5.00%	41,530,000	-	(210,000)	41,320,000	210,000
Series 2015B	2.195%	4,885,000	-	(650,000)	4,235,000	670,000
Series 2017 - DWSRF-DL	2.20%	23,215,000	-	(995,000)	22,220,000	1,015,000
Water Fund:						
Series 2012	2.50%	540,000	-	(170,000)	370,000	170,000
Series 2012 - DWSRF-BL	2.46%	700,000	-	(165,000)	535,000	170,000
Series 2013B	2.30%	3,106,117	-	(571,518)	2,534,599	584,820
<b>Cullman Regional Airport Board:</b>						
General obligation warrants:						
Warrant dated September 14, 2011	2.60%	36,403	-	(12,200)	24,203	12,487
Warrant dated October 22, 2012	2.99%	325,230	-	(78,257)	246,973	80,366
		<u>\$ 142,975,774</u>	<u>\$ -</u>	<u>\$ (6,881,687)</u>	<u>\$ 136,094,087</u>	<u>\$ 7,036,162</u>

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**6. LONG-TERM DEBT – CONTINUED**

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.

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

**7. INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables at September 30, 2019, were as follows:

Due from Other Funds	Due to Other Funds			
	General	Sewer Operation	Water System	Parks and Recreation
<b>Debt Service</b>	\$ 11,355,597	\$ -	\$ -	\$ 11,355,597
<b>General Fund</b>	11,657	11,657	-	-
<b>Water System</b>	501,344	2,794	10,632	45,968
<b>Nonmajor Governmental</b>	3,836	3,836	-	-
	<u>\$ 11,872,434</u>	<u>\$ 18,287</u>	<u>\$ 10,632</u>	<u>\$ 11,401,565</u>

Transfers between funds are generally made for the purpose of funding the operations of another, purchasing capital or investment assets, or as debt held by one fund is repaid by another. The amounts of interfund transfers for the year ended September 30, 2019, were as follows:

Transfers in	Transfers Out				
	General	Debt Service	Water System	Nonmajor Governmental	Sewer Operation
<b>Debt Service</b>	\$ 1,359,456	\$ 1,359,456	\$ -	\$ -	\$ -
<b>Parks and Recreation</b>	8,735,767	7,812,104	923,663	-	-
<b>Water System</b>	1,955,593	-	-	105,593	1,850,000
<b>Sewer Operation</b>	189,814	-	-	189,814	-
<b>Nonmajor Proprietary</b>	370,801	370,801	-	-	-
<b>Nonmajor Governmental</b>	2,392,930	785,000	146,752	1,195,000	266,178
	<u>\$ 15,004,361</u>	<u>\$ 10,327,361</u>	<u>\$ 923,663</u>	<u>\$ 1,490,407</u>	<u>\$ 2,116,178</u>

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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## **8. JOINT VENTURE**

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

## **9. CONTINGENT LIABILITIES**

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

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

## **10. PENSION PLAN**

### *Plan Description*

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan, was established on 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](http://www.rsa-al.gov).

### *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. 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 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 are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.



**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**10. PENSION PLAN – CONTINUED**

Members are eligible for disability retirement if they have 10 years of creditable 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 based on the member's age, service credit, employment status, and eligibility for retirement.

The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 515 other public entities. The ERS membership included approximately 98,400 participants as of September 30, 2017. As of September 30, 2017, the membership for ERS, the City of Cullman, and its blended component unit, the Utilities Board – Water Division of the City of Cullman, as a whole consisted of the following:

	<u>ERS' Membership</u>	<u>City's Membership</u>	<u>UBWD's Membership</u>
Retirees and beneficiaries currently receiving benefits	24,959	139	-
Vested inactive members	9,280	3	-
Non-vested inactive members	10,455	23	-
Active members	56,901	360	17
Post-DROP participants still in active service	168	5	-
	<u>101,763</u>	<u>530</u>	<u>17</u>

*Contributions*

Effective October 1, 2012, covered members of the ERS are required by statute to contribute 5% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 6% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members contribute 6% of earnable compensation to the ERS, whereas Tier 2 certified law enforcement, correctional officers, and firefighters contribute 7% of earnable compensation. 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 ERS. For the year ended September 30, 2018, the active employee contribution rate for the City and its blended component unit, the Utilities Board – Water Division of the City of Cullman, was as follows:

<u>Employer</u>	<u>Tier 1</u>	<u>Tier 2</u>
City of Cullman	10.72%	7.66%
UBWD	8.52%	6.52%

**CITY OF CULLMAN, ALABAMA  
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**10. PENSION PLAN – CONTINUED**

For the year ended September 30, 2019, 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:

<b>Employer</b>	<b>Average Contribution Rate</b>
City of Cullman	10.44%
UBWD	8.85%

The contractually required contribution rates of pensionable pay for the City and its blended component unit, the UBWD, for the year ended September 30, 2019, were as follows:

<b>Employer</b>	<b>Tier 1</b>	<b>Tier 2</b>
City of Cullman	10.52%	7.50%
UBWD	8.52%	6.52%

These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and are actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability.

Total employer contributions to the pension plan from the City and its blended component unit, the UBWD, for the year ended September 30, 2019, were as follows:

<b>Employer</b>	<b>Employer Contributions</b>
City of Cullman	\$ 1,452,280
UBWD	113,928

*Net Pension Liability*

The net pension liability for the City and its blended component unit, the UBWD, for the year ended September 30, 2019, was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques.

*Actuarial Assumptions*

The total pension liability in the September 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.88%
Salary increases, including inflation	3.375% - 5.125%
Investment rate of return*	7.88%

\*Net of pension plan investment expense

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**10. PENSION PLAN – CONTINUED**

Mortality rates for ERS were based on the RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020, with an adjustment of 125% at all ages for males and 120% for females at ages on or after 78. 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, 2017, valuation were based on the results of an actual experience study for the period October 1, 2011 to September 30, 2016.

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:

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed Income	17.00%	4.40%
Domestic Large Cap Equity	32.00%	8.00%
Domestic Mid Cap Equity	9.00%	10.00%
Domestic Small Cap Equity	4.00%	11.00%
International Developed Equity	12.00%	9.50%
Emerging Market Equity	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
	<u>100.00%</u>	

\* Includes assumed rate of inflation of 2.50%.

*Discount Rate*

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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.

**CITY OF CULLMAN, ALABAMA  
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**10. PENSION PLAN – CONTINUED**

*Changes in Net Pension Liability (Asset)*

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

	<u>Increase (Decrease)</u>		<u>Net Pension Liability (Asset) (a) - (b)</u>
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	
<b>Balances at September 30, 2017</b>	\$ 56,804,292	\$ 42,737,770	\$ 14,066,522
<b>Changes for the year:</b>			
Service cost	1,132,043	-	1,132,043
Interest	4,275,976	-	4,275,976
Changes of assumptions	303,407	-	303,407
Difference between expected and actual experience	(184,945)	-	(184,945)
Contributions – employer	-	1,452,280	(1,452,280)
Contributions – employee	-	902,800	(902,800)
Net investment income	-	3,909,186	(3,909,186)
Benefit payments, including refunds of employee contributions	(3,260,807)	(3,260,807)	-
Transfers among employers	67,601	67,601	-
	<u>2,333,275</u>	<u>3,071,060</u>	<u>(737,785)</u>
<b>Balances at September 30, 2018</b>	<u>\$ 59,137,567</u>	<u>\$ 45,808,830</u>	<u>\$ 13,328,737</u>

**CITY OF CULLMAN, ALABAMA  
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**10. PENSION PLAN – CONTINUED**

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

	Increase (Decrease)		Net Pension Liability (Asset) (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
<b>Balances at September 30, 2017</b>	\$ 4,272,947	\$ 3,383,719	\$ 889,228
<b>Changes for the year:</b>			
Service cost	61,734	-	61,734
Interest	323,421	-	323,421
Changes of assumptions	20,694	-	20,694
Difference between expected and actual experience	34,960	-	34,960
Contributions – employer	-	107,022	(107,022)
Contributions – employee	-	54,041	(54,041)
Net investment income	-	315,729	(315,729)
Benefit payments, including refunds of employee contributions	(182,740)	(182,740)	-
Transfers among employers	(10,989)	(10,989)	-
	<u>247,080</u>	<u>283,063</u>	<u>(35,983)</u>
<b>Balances at September 30, 2018</b>	<u>\$ 4,520,027</u>	<u>\$ 3,666,782</u>	<u>\$ 853,245</u>

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

	Increase (Decrease)		Net Pension Liability (Asset) (a)-(b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
<b>Balances at September 30, 2017</b>	\$ 61,077,239	\$ 46,121,489	\$ 14,955,750
<b>Changes for the year:</b>			
Service cost	1,193,777	-	1,193,777
Interest	4,599,397	-	4,599,397
Changes of assumptions	324,101	-	324,101
Difference between expected and actual experience	(149,985)	-	(149,985)
Contributions – employer	-	1,559,302	(1,559,302)
Contributions – employee	-	956,841	(956,841)
Net investment income	-	4,224,915	(4,224,915)
Benefit payments, including refunds of employee contributions	(3,443,547)	(3,443,547)	-
Transfers among employers	56,612	56,612	-
	<u>2,580,355</u>	<u>3,354,123</u>	<u>(773,768)</u>
<b>Balances at September 30, 2018</b>	<u>\$ 63,657,594</u>	<u>\$ 49,475,612</u>	<u>\$ 14,181,982</u>

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
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**10. PENSION PLAN – CONTINUED**

The Cullman Regional Airport Board (Airport) is jointly owned by the City of Cullman, Alabama, and Cullman County, Alabama (see Note 8). 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.

*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 current discount rate, 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 one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.70%	Current Rate 7.70%	1% Increase 8.70%
City of Cullman	\$ 20,025,462	\$ 13,328,737	\$ 7,819,060
UBWD	1,304,289	853,245	463,523
	\$ 21,329,751	\$ 14,181,982	\$ 8,282,583

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditors' report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**CITY OF CULLMAN, ALABAMA  
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**10. PENSION PLAN – CONTINUED**

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2019, the City recognized a reduction of pension expense of \$125,280, and the UBWD recognized a reduction of pension expense of \$5,799, which is a combined total reduction to pension expense of \$131,079. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on plan investments:		
City of Cullman	\$ (60,114)	\$ 1,496,670
UBWD	88,212	-
Net difference between projected and actual experience:		
City of Cullman	249,073	805,133
UBWD	-	205,352
Changes of assumptions:		
City of Cullman	1,433,217	-
UBWD	-	-
Employer contributions subsequent to the measurement date:		
City of Cullman	1,578,086	-
UBWD	122,939	-
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	(15,243)	(12,051)
	\$ 3,396,170	\$ 2,495,104

**CITY OF CULLMAN, ALABAMA  
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**10. PENSION PLAN – CONTINUED**

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

	<u>City of Cullman</u>	<u>UBWD</u>	<u>Airport Board</u>	<u>Total</u>
2019	\$ 10,432	\$ (15,228)	\$ 176	\$ (4,620)
2020	(539,710)	(50,370)	(8,101)	(598,181)
2021	(291,287)	(38,656)	(4,921)	(334,864)
2022	64,962	(16,400)	1,097	49,659
2023	62,541	3,514	1,056	67,111
Thereafter	20,709	-	227	20,936
	<u>\$ (672,353)</u>	<u>\$ (117,140)</u>	<u>\$ (10,466)</u>	<u>\$ (799,959)</u>

**11. CONCENTRATIONS OF CREDIT RISK**

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

**12. TAX ABATEMENTS**

As of September 30, 2019, the City provides tax abatements based on two Alabama statutes: the Alabama Tax Incentive Reform Act of 1992 and Amendment 772.

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



**CITY OF CULLMAN, ALABAMA  
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SEPTEMBER 30, 2019**

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**12. TAX ABATEMENTS – CONTINUED**

<u>Tax Abatement</u>	<u>Amount of Taxes Abated</u>
Alabama Tax Incentive Reform Act of 1992 Amendment 772	\$ 165,378
Property Tax	24,760
Sales Tax	163,011

**13. RISK MANAGEMENT**

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

**14. RELATED PARTIES**

The City appoints the directors of the Cullman Power Board (Board). The Board handles the revenue billing and collections for the water, sewer, and sanitation departments of the City. At September 30, 2019, the balance sheet item "Due from other governmental units" includes collections to be received from the Board in the amounts of \$723,061 (Water System) and \$705,227 (Sewer System).

**15. POSTEMPLOYMENT BENEFITS**

The Utilities Board – Water Division of the City of Cullman, Alabama currently offers any employee retiring with at least 25 years of service, or having reached the age of 60, the option to maintain health insurance after they retire (including subsidized beneficial coverage) until they reach age 65. The retired employee must pay the full amount of the monthly insurance coverage, with the employer paying for any subsidization of that retiree's cost. The number of participants as of July 1, 2017, the effective date of the OPEB valuation, was 17 active employees and no retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

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

Currently, the Utilities Board – Water Division of the City of Cullman, Alabama is expensing the health insurance benefits on a pay-as-you-go basis (when premiums and claims are due). The actuarial accrued liability as of June 30, 2019, the most recent measurement date, was \$79,498, and the net change to OPEB liability was \$7,178, consisting of service cost of \$4,932 and interest of \$2,799. Based on the materiality of the plan, additional disclosure information was not considered necessary.

**16. LEASES**

The Cullman Regional Airport Board (Airport) leases corporate hangars, T-Hangars, and maintenance hangars under operating leases varying from \$20 to \$2,400 per month. The hangar rental revenue was \$106,670 for the year ended September 30, 2019.

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**16. LEASES – CONTINUED**

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

<u>Year</u>	<u>Amount</u>
2020	\$ 20,423
2021	16,774
2022	14,400
2023	14,400
2024	14,400
Thereafter	139,200

**17. 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.

**CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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**18. SUBSEQUENT EVENTS**

The City has evaluated events and transactions that occurred between September 30, 2019, and March 25, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Subsequent to September 30, 2019, the Cullman City Council approved the sale of the Cullman Civic Center for approximately \$3,125,000. The proceeds are planned to be used for the construction of a new sports and events complex.

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The extent of the impact on the operational and financial performance of the City will depend on certain developments, including the duration and spread of the outbreak and impact on employees and vendors. As of the current date, the extent to which the novel coronavirus may impact the City's financial position or results of operations is uncertain.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

See notes to the required supplementary information.

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

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

See notes to the required supplementary information.

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

	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018			For the Year Ended September 30, 2017		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,578,086	\$ 122,939	\$ 1,701,025	\$ 1,431,140	\$ 119,834	\$ 1,550,974	\$ 1,441,697	\$ 96,950	\$ 1,538,647
Contributions in relation to the actuarially determined contribution *	1,578,086	122,939	1,701,025	1,431,140	119,834	1,550,974	1,362,894	96,950	1,459,844
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,803	\$ -	\$ 78,803
Covered-employee payroll	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919	\$ 15,121,205	\$ 1,305,127	\$ 16,426,332	\$ 13,739,161	\$ 978,328	\$ 14,717,489
Contributions as a percentage of covered-employee payroll	9.71%	8.85%	9.64%	9.46%	9.18%	9.44%	9.92%	9.91%	9.92%

**For the Year Ended  
September 30, 2016**

	City of Cullman	UBWD	Total
Actuarially determined contribution	\$ 1,425,482	\$ 100,199	\$ 1,525,681
Contributions in relation to the actuarially determined contribution *	1,425,482	100,199	1,525,681
Contribution deficiency	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 13,584,634	\$ 888,119	\$ 14,472,753
Contributions as a percentage of covered-employee payroll	10.49%	11.28%	10.54%

**Notes to Schedule of Employer Contributions to Pension Plan**

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 2019 were based on the September 30, 2016 actuarial valuation. Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019 are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	24.5 years
Asset valuation method	Five year smoothed market
Inflation	2.88%
Salary increases	3.375 – 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

See notes to the required supplementary information.

**CITY OF CULLMAN, ALABAMA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 22,363,357	\$ 22,363,357	\$ 23,393,675	\$ 1,030,318
Licenses and permits	3,761,453	3,761,453	3,510,216	(251,237)
Intergovernmental revenues	2,787,400	2,787,400	3,849,672	1,062,272
Charges for services	5,320,000	5,320,000	6,066,735	746,735
Fines and forfeits	179,000	179,000	174,233	(4,767)
Miscellaneous revenues	188,450	188,450	318,024	129,574
	<u>34,599,660</u>	<u>34,599,660</u>	<u>37,312,555</u>	<u>2,712,895</u>
<b>EXPENDITURES</b>				
Current expenditures:				
General government	5,830,249	5,830,249	5,791,594	38,655
Public safety	11,479,897	11,564,954	12,112,185	(547,231)
Highways and streets	3,607,460	4,573,006	5,280,233	(707,227)
Sanitation	5,372,100	5,372,100	5,560,232	(188,132)
Health and social services	834,004	834,004	821,170	12,834
Culture and recreation	231,400	231,400	230,685	715
Education	136,100	136,100	128,693	7,407
Conservation	74,450	74,450	83,311	(8,861)
Capital outlay	1,752,040	1,666,983	2,286,404	(619,421)
Debt service	71,540	71,540	71,540	-
	<u>29,389,240</u>	<u>30,354,786</u>	<u>32,366,047</u>	<u>(2,011,261)</u>
<b>REVENUES OVER EXPENSES</b>	5,210,420	4,244,874	4,946,508	701,634
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital contributions	-	-	23,921	23,921
Sale of assets	126,000	126,000	303,661	177,661
Insurance proceeds	5,000,000	5,320,000	2,557,296	(2,762,704)
Operating transfers out	(10,740,420)	(10,740,420)	(10,327,361)	413,059
	<u>(5,614,420)</u>	<u>(5,294,420)</u>	<u>(7,442,483)</u>	<u>(2,148,063)</u>
<b>NET CHANGES IN FUND BALANCES</b>	(404,000)	(1,049,546)	(2,495,975)	(1,446,429)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>23,213,355</u>	<u>23,213,355</u>	<u>23,213,355</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 22,809,355</u>	<u>\$ 22,163,809</u>	<u>\$ 20,717,380</u>	<u>\$ (1,446,429)</u>

See notes to the required supplementary information.



**CITY OF CULLMAN, ALABAMA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – SCHOOL TAX FUND (UNAUDITED)**  
**(UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 7,280,000	\$ 7,280,000	\$ 7,194,772	\$ (85,228)
<b>EXPENDITURES</b>				
Current expenditures:				
Education	7,280,000	7,280,000	7,207,808	72,192
<b>NET CHANGES IN FUND BALANCES</b>	-	-	(13,036)	(13,036)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	(274,188)	(274,188)	(274,188)	-
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ (274,188)</u>	<u>\$ (274,188)</u>	<u>\$ (287,224)</u>	<u>\$ (13,036)</u>

See notes to the required supplementary information.

**CITY OF CULLMAN, ALABAMA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SEPTEMBER 30, 2019**

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**BUDGETARY DATA**

*Budget Policy and Practice*

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

*Budget*

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

## **SUPPLEMENTARY INFORMATION**

**CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Fund – Roy Ingle</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash equivalents	\$ 425,088	\$ 445,669	\$ 17,276	\$ 888,033
Certificates of deposit	-	-	100,908	100,908
Interest receivable	-	-	118	118
Interfund receivables	3,836	-	-	3,836
Due from other governmental units	39,262	1,786,168	-	1,825,430
<b>TOTAL ASSETS</b>	<b>\$ 468,186</b>	<b>\$ 2,231,837</b>	<b>\$ 118,302</b>	<b>\$ 2,818,325</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 21,131	\$ 335,270	-	\$ 356,401
Total liabilities	21,131	335,270	-	356,401
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	15,807	-	-	15,807
Total deferred inflows of resources	15,807	-	-	15,807
<b>FUND BALANCES</b>				
Nonspendable:				
Permanent fund principal	-	-	102,744	102,744
Restricted for:				
Realty improvements and Ingle Park	-	-	15,558	15,558
Highways and streets	92,668	-	-	92,668
Capital improvements	291	-	-	291
Jail, correction, and court facilities	107,954	-	-	107,954
Municipal Court	64,420	-	-	64,420
Industrial development and recreation	165,915	-	-	165,915
Assigned for:				
Capital projects	-	1,896,567	-	1,896,567
Total fund balances	431,248	1,896,567	118,302	2,446,117
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 468,186</b>	<b>\$ 2,231,837</b>	<b>\$ 118,302</b>	<b>\$ 2,818,325</b>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Fund – Roy Ingle</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 12,500	\$ -	\$ -	\$ 12,500
Intergovernmental revenues	414,848	233,125	-	647,973
Fines and forfeits	48,831	-	-	48,831
Interest revenue	1,161	96	1,836	3,093
<b>Total revenues</b>	<b>477,340</b>	<b>233,221</b>	<b>1,836</b>	<b>712,397</b>
<b>EXPENDITURES</b>				
Current expenditures:				
General government	3,943	152,068	-	156,011
Highways and streets	27,706	-	-	27,706
Capital outlay	-	4,242,925	-	4,242,925
Debt service	-	100,000	-	100,000
<b>Total expenditures</b>	<b>31,649</b>	<b>4,494,993</b>	<b>-</b>	<b>4,526,642</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>445,691</b>	<b>(4,261,772)</b>	<b>1,836</b>	<b>(3,814,245)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital contributions	-	2,084,995	-	2,084,995
Operating transfers in	-	2,392,930	-	2,392,930
Operating transfers out	(1,195,000)	(295,407)	-	(1,490,407)
<b>Total other financing sources (uses)</b>	<b>(1,195,000)</b>	<b>4,182,518</b>	<b>-</b>	<b>2,987,518</b>
<b>EXPENDITURES AND OTHER USES (OVER) UNDER REVENUES AND OTHER SOURCES</b>	<b>(749,309)</b>	<b>(79,254)</b>	<b>1,836</b>	<b>(826,727)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>1,180,557</b>	<b>1,975,821</b>	<b>116,466</b>	<b>3,272,844</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 431,248</b>	<b>\$ 1,896,567</b>	<b>\$ 118,302</b>	<b>\$ 2,446,117</b>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS – NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Court Judicial Admin Fund	Total
<b>ASSETS</b>							
Cash equivalents	\$ 27,227	\$ 41,986	\$ 291	\$ 187,046	\$ 105,473	\$ 63,065	\$ 425,088
Interfund receivables	-	-	-	-	2,481	1,355	3,836
Due from other governmental units	17,212	22,050	-	-	-	-	39,262
<b>TOTAL ASSETS</b>	<b>\$ 44,439</b>	<b>\$ 64,036</b>	<b>\$ 291</b>	<b>\$ 187,046</b>	<b>\$ 107,954</b>	<b>\$ 64,420</b>	<b>\$ 468,186</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 21,131	\$ -	\$ -	\$ 21,131
Total liabilities	-	-	-	21,131	-	-	21,131
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue	7,872	7,935	-	-	-	-	15,807
<b>FUND BALANCES</b>							
Restricted for:							
Highways and streets	36,567	56,101	-	-	-	-	92,668
Capital improvements	-	-	291	-	-	-	291
Jail, correction, and court facilities	-	-	-	-	107,954	-	107,954
Municipal Court	-	-	-	-	-	64,420	64,420
Industrial development and recreation	-	-	-	165,915	-	-	165,915
Total fund balances	36,567	56,101	291	165,915	107,954	64,420	431,248
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 44,439</b>	<b>\$ 64,036</b>	<b>\$ 291</b>	<b>\$ 187,046</b>	<b>\$ 107,954</b>	<b>\$ 64,420</b>	<b>\$ 468,186</b>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – SPECIAL REVENUE**  
**FUNDS – NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Court Judicial Admin Fund	Total
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ 12,500	\$ -	\$ -	\$ 12,500
Intergovernmental revenues	102,926	177,164	134,758	-	-	-	414,848
Fines and forfeits	-	-	-	-	29,775	19,056	48,831
Interest revenue	-	600	561	-	-	-	1,161
Total revenues	102,926	177,764	135,319	12,500	29,775	19,056	477,340
<b>EXPENDITURES</b>							
Current expenditures:							
General government	-	-	-	-	805	3,138	3,943
Capital outlay	-	-	-	27,706	-	-	27,706
Total expenditures	-	-	-	27,706	805	3,138	31,649
<b>REVENUES OVER EXPENDITURES</b>	102,926	177,764	135,319	(15,206)	28,970	15,918	445,691
<b>OTHER FINANCING USES</b>							
Operating transfers out	(316,000)	(462,000)	(417,000)	-	-	-	(1,195,000)
Total other financing sources (uses)	(316,000)	(462,000)	(417,000)	-	-	-	(1,195,000)
<b>REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(213,074)	(284,236)	(281,681)	(15,206)	28,970	15,918	(749,309)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	249,641	340,337	281,972	181,121	78,984	48,502	1,180,557
<b>FUND BALANCE AT END OF YEAR</b>	\$ 36,567	\$ 56,101	\$ 291	\$ 165,915	\$ 107,954	\$ 64,420	\$ 431,248

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	Industrial Park	Industrial Access Road	Parks and Recreation Construction	Transportation Enhancement	Downtown Redevelopment	Building Construction	Brunner Street	Total
<b>ASSETS</b>								
Cash equivalents	\$ 245	\$ 10,772	\$ 16,375	\$ 143,402	\$ 178,623	\$ 5,284	\$ 90,968	\$ 445,669
Due from other governmental units	1,555,682	-	-	43,833	186,653	-	-	1,786,168
<b>TOTAL ASSETS</b>	<b>\$ 1,555,927</b>	<b>\$ 10,772</b>	<b>\$ 16,375</b>	<b>\$ 187,235</b>	<b>\$ 365,276</b>	<b>\$ 5,284</b>	<b>\$ 90,968</b>	<b>\$ 2,231,837</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 200,000	\$ -	\$ -	\$ 48,334	\$ 86,936	\$ -	\$ -	\$ 335,270
Total liabilities	200,000	-	-	48,334	86,936	-	-	335,270
<b>FUND BALANCES</b>								
Assigned for:								
Capital projects	1,355,927	10,772	16,375	138,901	278,340	5,284	90,968	1,896,567
Total fund balances	1,355,927	10,772	16,375	138,901	278,340	5,284	90,968	1,896,567
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,555,927</b>	<b>\$ 10,772</b>	<b>\$ 16,375</b>	<b>\$ 187,235</b>	<b>\$ 365,276</b>	<b>\$ 5,284</b>	<b>\$ 90,968</b>	<b>\$ 2,231,837</b>

See independent auditors' report.



**CITY OF CULLMAN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Industrial Park	Industrial Access Road	Parks and Recreation Construction	Transportation Enhancement	Downtown Redevelopment	Building Construction	Brunner Street	Total
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 233,125	\$ -	\$ -	\$ 233,125
Interest revenue	-	-	38	-	58	-	-	96
Total revenues	-	-	38	-	233,183	-	-	233,221
<b>EXPENDITURES</b>								
Current expenditures:								
General government	152,068	-	-	-	-	-	-	152,068
Capital outlay	2,360	-	-	3,532,890	366,563	91,403	249,709	4,242,925
Debt service	100,000	-	-	-	-	-	-	100,000
Total expenditures	254,428	-	-	3,532,890	366,563	91,403	249,709	4,494,993
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(254,428)	-	38	(3,532,890)	(133,380)	(91,403)	(249,709)	(4,261,772)
<b>OTHER FINANCING USES</b>								
Capital contributions	-	-	-	1,976,147	-	-	108,848	2,084,995
Operating transfers in	240,000	-	-	1,218,000	330,000	80,000	524,930	2,392,930
Operating transfers out	-	-	-	-	-	-	(295,407)	(295,407)
Total other financing sources (uses)	240,000	-	-	3,194,147	330,000	80,000	338,371	4,182,518
<b>EXPENDITURES AND OTHER USES OVER REVENUES</b>	(14,428)	-	38	(338,743)	196,620	(11,403)	88,662	(79,254)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	1,370,355	10,772	16,337	477,644	81,720	16,687	2,306	1,975,821
<b>FUND BALANCE AT END OF YEAR</b>	\$ 1,355,927	\$ 10,772	\$ 16,375	\$ 138,901	\$ 278,340	\$ 5,284	\$ 90,968	\$ 1,896,567

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)**  
**SEPTEMBER 30, 2019**

	<b>Water Department</b>	<b>Utilities Board – Water Division</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash equivalents	\$ 10,889,745	\$ 337,263	\$ -	\$ 11,227,008
Certificates of deposit	1,435,484	-	-	1,435,484
Interest receivable	1,939	-	-	1,939
Accounts receivable, net	1,729,934	66	-	1,730,000
Interfund receivables	726,344	-	(225,000)	501,344
Due from other governmental units:				
Cullman Power Board	723,061	-	-	723,061
Other	757,725	180,985	-	938,710
Inventories	653,112	-	-	653,112
Prepaid insurance	69,652	103,601	-	173,253
Prepaid utility tax	35,000	-	-	35,000
Total current assets	17,021,996	621,915	(225,000)	17,418,911
<b>RESTRICTED ASSETS</b>				
Cash equivalents	39,765	7,985,957	-	8,025,722
State revolving funds receivable	-	3,728,900	-	3,728,900
Total restricted assets	39,765	11,714,857	-	11,754,622
<b>CAPITAL ASSETS</b>				
Land and other assets not being depreciated	251,745	11,654,985	-	11,906,730
Construction in progress	603,970	134,323,287	-	134,927,257
Buildings, improvements, and equipment, net of depreciation	24,771,609	10,875,687	-	35,647,296
Total capital assets	25,627,324	156,853,959	-	182,481,283
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding	42,518	12,685	-	55,203
Deferred outflows of resources – pension	172,901	211,151	-	384,052
Total deferred outflows of resources	215,419	223,836	-	439,255
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 42,904,504</b>	<b>\$ 169,414,567</b>	<b>\$ (225,000)</b>	<b>\$ 212,094,071</b>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)**  
**SEPTEMBER 30, 2019**

	<b>Water Department</b>	<b>Utilities Board – Water Division</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable:				
Trade	\$ 64,761	\$ 265,247	\$ -	\$ 330,008
Contractors	-	-	-	-
Utility tax payable	46,020	-	-	46,020
Interfund payables	-	666,950	(225,000)	441,950
Due to other governmental units	-	-	-	-
Accrued payroll	55,964	48,549	-	104,513
Accrued construction costs	-	616,900	-	616,900
Estimated compensated absences – current portion	25,195	86,968	-	112,163
Total current liabilities	191,940	1,684,614	(225,000)	1,651,554
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Accounts payable:				
Contractors	-	654,867	-	654,867
Accrued interest payable	1,672	378,200	-	379,872
Current maturities on warrants/bonds payable	924,820	3,150,000	-	4,074,820
Total liabilities payable from restricted assets	926,492	4,183,067	-	5,109,559
<b>NONCURRENT LIABILITIES</b>				
Warrants/bonds payable	2,514,779	115,865,000	-	118,379,779
Unamortized debt discount	-	(533,877)	-	(533,877)
Unamortized debt premium	-	131,574	-	131,574
Other postemployment benefits	-	79,498	-	79,498
Net pension liability	602,176	853,245	-	1,455,421
Estimated compensated absences	68,364	343,560	-	411,924
Total noncurrent liabilities	3,185,319	116,739,000	-	119,924,319
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources – pension	112,432	205,352	-	317,784
<b>NET POSITION</b>				
Net invested in capital assets	22,186,053	41,404,219	-	63,590,272
Restricted for capital activity and debt service	39,765	7,531,518	-	7,571,283
Unrestricted	16,262,503	(2,333,203)	-	13,929,300
Total net position	38,488,321	46,602,534	-	85,090,855
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
	<u>\$ 42,904,504</u>	<u>\$ 169,414,567</u>	<u>\$ (225,000)</u>	<u>\$ 212,094,071</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**  
**NET POSITION – WATER SYSTEM (PROPRIETARY FUND)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Water Department</b>	<b>Utilities Board – Water Division</b>	<b>Eliminations</b>	<b>Total</b>
<b>REVENUES</b>				
Charges for sales and services	\$ 18,599,519	\$ 11,598,519	\$ (11,598,519)	\$ 18,599,519
Forfeited discounts and penalties	36,681	-	-	36,681
Charges for service connections	149,271	-	-	149,271
Service charges	72,520	-	-	72,520
Miscellaneous revenues	343,678	1,109	-	344,787
Total revenues	19,201,669	11,599,628	(11,598,519)	19,202,778
<b>OPERATING EXPENSES</b>				
Cost of water purchased	11,598,519	-	(11,598,519)	-
Salaries and wages	929,785	1,389,732	-	2,319,517
Payroll taxes	80,703	102,686	-	183,389
Employees retirement	53,788	41,478	-	95,266
Employees life and health insurance	208,585	11,965	-	220,550
Employees hospital insurance	-	299,268	-	299,268
Telephone	22,494	16,844	-	39,338
Utilities	31,903	923,433	-	955,336
Billing, accounting, and collection fees	230,495	-	-	230,495
Office supplies and expense	9,279	24,137	-	33,416
Professional services	10,270	19,439	-	29,709
Engineering services	60,781	-	-	60,781
Other contracted services	52,097	106,439	-	158,536
Testing fees	22,625	10,687	-	33,312
Travel and training	3,189	26,373	-	29,562
Dues and subscriptions	1,420	1,681	-	3,101
Automotive repairs and maintenance	-	5,734	-	5,734
Automotive gasoline and oil	113,520	15,132	-	128,652
Uniforms	7,993	8,355	-	16,348
Small tools and equipment	48,368	9,599	-	57,967
General maintenance	-	6,573	-	6,573
Insurance	90,790	79,312	-	170,102
Lab supplies	-	23,618	-	23,618
Chemicals and other supplies	2,891	877,115	-	880,006
Equipment rental	23,723	3,708	-	27,431
Miscellaneous	22,022	32,768	-	54,790
Repairs and maintenance – system	470,123	-	-	470,123
Repairs and maintenance – structures	-	22,506	-	22,506
Repairs and maintenance – machinery	-	149,718	-	149,718
Repairs and maintenance – other equipment	-	8,828	-	8,828
Director's fees and expenses	-	31,500	-	31,500
Depreciation expense	1,204,747	472,482	-	1,677,229
Total operating expenses	15,300,110	4,721,110	(11,598,519)	8,422,701

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**CITY OF CULLMAN, ALABAMA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**  
**NET POSITION – WATER SYSTEM (PROPRIETARY FUND)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Water Department</b>	<b>Utilities Board – Water Division</b>	<b>Eliminations</b>	<b>Total</b>
<b>OPERATING INCOME</b>	\$ 3,901,559	\$ 6,878,518	\$ -	\$ 10,780,077
<b>NON-OPERATING REVENUES AND EXPENSES</b>				
Interest earned	82,610	207,414	-	290,024
Gain (loss) on disposal of assets	6,943	(4,181)	-	2,762
Interest expense	(115,839)	(205,958)	-	(321,797)
Trustee fees	-	(11,234)	-	(11,234)
Total non-operating revenues and expenses	<u>(26,286)</u>	<u>(13,959)</u>	-	<u>(40,245)</u>
Change in net position before intergovernmental revenues and transfers	3,875,273	6,864,559	-	10,739,832
Capital contributions – grant proceeds	46,026	-	-	46,026
Transfers in	1,955,593	-	-	1,955,593
Transfers out	(146,752)	-	-	(146,752)
Intergovernmental revenues	-	193,092	-	193,092
	<u>1,854,867</u>	<u>193,092</u>	-	<u>2,047,959</u>
<b>CHANGE IN NET POSITION</b>	5,730,140	7,057,651	-	12,787,791
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>32,758,181</u>	<u>39,544,883</u>	-	<u>72,303,064</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 38,488,321</u>	<u>\$ 46,602,534</u>	\$ -	<u>\$ 85,090,855</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Water Department</u>	<u>Utilities Board – Water Division</u>	<u>Eliminations</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 17,813,785	\$ 11,807,678	\$ (11,900,193)	\$ 17,721,270
Cash payments for purchased water	(11,900,193)	-	11,900,193	-
Cash payments to vendors and suppliers	(1,607,620)	(2,267,630)	-	(3,875,250)
Cash payments for salaries and related benefits	(1,301,149)	(1,873,396)	-	(3,174,545)
Net cash provided by operating activities	3,004,823	7,666,652	-	10,671,475
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	1,955,593	-	-	1,955,593
Transfers out	(146,752)	-	-	(146,752)
Intergovernmental revenues	-	193,092	-	193,092
Net cash provided by noncapital financing activities	1,808,841	193,092	-	2,001,933
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction – capital assets	(2,545,735)	(6,332,113)	-	(8,877,848)
Capital contributions – grant proceeds	46,026	-	-	46,026
Proceeds on disposal of capital assets	66,573	-	-	66,573
Gain from disposal of capital assets	6,943	-	-	6,943
Interest paid	(95,188)	(191,454)	-	(286,642)
Trustee fees	-	(11,234)	-	(11,234)
Principal payments of long-term debt	(906,518)	(3,050,000)	-	(3,956,518)
Net cash used in capital and related financing activities	(3,427,899)	(9,584,801)	-	(13,012,700)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of certificates of deposit	(26,398)	-	-	(26,398)
Interest received	82,610	207,414	-	290,024
Net cash provided by investing activities	56,212	207,414	-	263,626
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,441,977</b>	<b>(1,517,643)</b>	<b>-</b>	<b>(75,666)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,487,533</b>	<b>9,840,863</b>	<b>-</b>	<b>19,328,396</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 10,929,510</b>	<b>\$ 8,323,220</b>	<b>\$ -</b>	<b>\$ 19,252,730</b>
<b>CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING</b>				
Cash equivalents – current assets	\$ 10,889,745	\$ 337,263	\$ -	\$ 11,227,008
Cash equivalents – restricted assets	39,765	7,985,957	-	8,025,722
	<b>\$ 10,929,510</b>	<b>\$ 8,323,220</b>	<b>\$ -</b>	<b>\$ 19,252,730</b>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Water Department</u>	<u>Utilities Board – Water Division</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 3,901,559	\$ 6,878,518	\$ 10,780,077
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,204,747	472,482	1,677,229
Change in:			
Accounts receivable, net	(1,120,124)	-	(1,120,124)
Interfund receivables	(420,444)	-	(420,444)
Due from other governments	(12,814)	(178,336)	(191,150)
Inventories	(359,749)	-	(359,749)
Prepaid insurance	(15,638)	76	(15,562)
Prepaid utility tax	-	-	-
Deferred outflows of resources – pension	(16,230)	(42,952)	(59,182)
Accounts payable	(60,662)	522,179	461,517
Utility tax payable	3,248	-	3,248
Interfund payables	(78,762)	-	(78,762)
Due to other governments	(8,250)	-	(8,250)
Accrued payroll	22,103	5,826	27,929
Other postemployment benefits	-	7,178	7,178
Compensated absences	(44)	42,390	42,346
Net pension liability	(43,461)	(35,983)	(79,444)
Deferred inflows of resources – pension	9,344	(4,726)	4,618
Net cash provided by operating activities	<u>\$ 3,004,823</u>	<u>\$ 7,666,652</u>	<u>\$ 10,671,475</u>

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**CITY OF CULLMAN, ALABAMA  
SCHEDULE OF GENERAL OBLIGATION WARRANTS  
SEPTEMBER 30, 2019**

**General Obligation Warrant  
Dated 9-29-10**

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2020	2.96%	\$ 175,000	\$ 5,180
		<u>\$ 175,000</u>	<u>\$ 5,180</u>

**General Obligation Warrant  
Dated 10-25-11**

Due Date December 31	Interest Rate	Amount of Maturity	Amount of Interest
2020	2.95%	\$ 94,269	\$ 5,731
2021	2.95%	100,000	2,269
		<u>\$ 194,269</u>	<u>\$ 8,000</u>

**General Obligation Warrant  
Series 2016**

Due Date July 1	Interest Rate	Amount of Maturity	Amount of Interest
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
		<u>\$ 17,110,000</u>	<u>\$ 6,678,050</u>

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**CITY OF CULLMAN, ALABAMA**  
**SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS**  
**SEPTEMBER 30, 2019**

**General Obligation Sewer Warrant**  
**Series 2013**

Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2020	1.72%	\$ 1,333,334	\$ 22,318
2021	1.72%	555,554	2,425
		<u>\$ 1,888,888</u>	<u>\$ 24,743</u>

**General Obligation Sewer Warrant**  
**Series 2013-A**

Maturing	Interest Rate	Amount of Maturity	Amount of Interest
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%	237,069	1,489
		<u>\$ 5,274,424</u>	<u>\$ 312,086</u>

**General Obligation Sewer Warrant**  
**Series 2015-CWSRF-DL**

Due Date February 15	Interest Rate	Amount of Maturity	Amount of Interest
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
		<u>\$ 3,315,000</u>	<u>\$ 633,206</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS  
SEPTEMBER 30, 2019**

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**General Obligation Sewer Warrant  
Series 2015B-CWSRF-DL**

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
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
		<u>\$ 2,890,000</u>	<u>\$ 570,130</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**SCHEDULE OF WATER SYSTEM WARRANT AND GENERAL OBLIGATION WARRANTS**  
**SEPTEMBER 30, 2019**

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**General Obligation Warrant**  
**Series 2012-DWSRF-BL**

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
2020	2.50%	\$ 170,000	\$ 13,375
2021	2.50%	180,000	9,125
2022	2.50%	185,000	4,625
		<u>\$ 535,000</u>	<u>\$ 27,125</u>

**General Obligation Refunding Warrant**  
**Series 2012**

Due Date October 1	Interest Rate	Amount of Maturity	Amount of Interest
2020	2.50%	\$ 170,000	\$ 9,102
2021	2.50%	180,000	4,674
2022	2.50%	20,000	-
		<u>\$ 370,000</u>	<u>\$ 13,776</u>

**General Obligation Water Warrant**  
**Series 2013B**

Maturing	Interest Rate	Amount of Maturity	Amount of Interest
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%	112,486	305
		<u>\$ 2,534,599</u>	<u>\$ 125,725</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
SCHEDULE OF WATER SYSTEM REVENUE BONDS  
SEPTEMBER 30, 2019**

**Water Revenue Bonds  
Series 2011**

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
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
		<u>\$ 51,240,000</u>	<u>\$ 32,939,969</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**SCHEDULE OF WATER SYSTEM REVENUE BONDS**  
**SEPTEMBER 30, 2019**

**Water Revenue Bonds**  
**Series 2015-A**

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
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	3.13%	1,095,000	1,426,094
2030	3.25%	1,130,000	1,391,875
2031	3.25%	1,165,000	1,355,150
2032	5.00%	1,200,000	1,317,288
2033	5.00%	1,260,000	1,257,288
2034	5.00%	1,325,000	1,194,288
2035	5.00%	1,390,000	1,128,038
2036	3.50%	1,460,000	1,058,537
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
		<u>\$ 41,320,000</u>	<u>\$ 29,110,624</u>

**Water Revenue Bonds**  
**Series 2015-B**

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
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
		<u>\$ 4,235,000</u>	<u>\$ 331,005</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA**  
**SCHEDULE OF WATER SYSTEM REVENUE BONDS**  
**SEPTEMBER 30, 2019**

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<b>Water Revenue Bonds</b>			
<b>Series 2017-DWSRF-DL</b>			
Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2020	2.20%	\$ 1,015,000	\$ 477,675
2021	2.20%	1,040,000	455,070
2022	2.20%	1,065,000	431,915
2023	2.20%	1,085,000	408,265
2024	2.20%	1,110,000	384,120
2025	2.20%	1,135,000	359,425
2026	2.20%	1,160,000	334,180
2027	2.20%	1,185,000	308,385
2028	2.20%	1,215,000	281,985
2029	2.20%	1,240,000	254,980
2030	2.20%	1,270,000	227,370
2031	2.20%	1,295,000	199,155
2032	2.20%	1,325,000	170,335
2033	2.20%	1,355,000	140,855
2034	2.20%	1,385,000	110,715
2035	2.20%	1,415,000	79,915
2036	2.20%	1,445,000	48,455
2037	2.20%	1,480,000	16,280
		<u>\$ 22,220,000</u>	<u>\$ 4,689,080</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
SCHEDULE OF CULLMAN REGIONAL AIRPORT BOARD'S LONG-TERM DEBT  
SEPTEMBER 30, 2019**

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<b>Cullman Regional Airport Loan</b>			
Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2020	2.60%	\$ 24,976	\$ 1,036
2021	2.60%	23,428	367
		\$ 48,404	\$ 1,403

<b>General Obligation Warrant (Taxable)</b>			
Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2020	2.99%	\$ 160,731	\$ 12,995
2021	2.99%	165,603	8,123
2022	2.99%	167,612	3,103
		\$ 493,946	\$ 24,221

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

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
 SCHEDULE OF SCHOOL TAX TRANSACTIONS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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The City collects sales tax revenues for the purpose of funding the City School System. The following table represents revenues and expenditures related to the taxes for the year ended September, 30, 2019:

	<b>Government- Wide Level</b>
<b>REVENUES</b>	
3 mill ad valorem tax	\$ 1,016,660
7.5 mill ad valorem tax	2,541,650
0.5 percent sales tax	3,636,461
Total revenues	\$ 7,194,771
<b>EXPENDITURES</b>	
Transfers to Cullman City Board of Education	\$ 7,207,808

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

See independent auditors' report.



**CITY OF CULLMAN, ALABAMA**  
**5 YEAR SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GENERAL FUND (UNAUDITED)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>					
Taxes	\$ 23,393,675	\$ 22,810,971	\$ 21,472,810	\$ 20,780,978	\$ 19,231,065
Licenses and permits	3,510,216	4,002,656	3,488,853	3,273,620	3,264,287
Intergovernmental revenues	3,849,672	3,202,474	2,350,992	2,262,249	2,017,055
Charges for services	6,066,735	5,921,452	5,239,435	5,163,048	4,947,839
Fines and forfeits	174,233	184,108	174,412	193,502	232,692
Interest revenue	143,397	92,350	53,902	56,971	63,759
Miscellaneous revenues	174,627	111,802	95,077	244,676	98,145
Total revenues	<u>37,312,555</u>	<u>36,325,813</u>	<u>32,875,481</u>	<u>31,975,044</u>	<u>29,854,842</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General government	5,791,594	5,314,108	4,789,756	5,432,877	5,154,106
Public safety	12,112,185	11,283,465	10,390,846	10,075,947	9,275,834
Highways and streets	5,280,233	2,131,902	2,127,536	1,829,978	2,068,436
Sanitation	5,560,232	4,671,979	4,261,190	4,252,276	4,252,270
Health and social services	821,170	735,396	939,275	944,247	938,441
Culture and recreation	230,685	265,556	333,803	220,212	225,088
Education	128,693	132,881	145,980	142,799	154,332
Conservation	83,311	75,730	55,130	48,635	56,987
Capital outlay	2,286,404	2,914,737	4,976,784	2,773,532	1,661,850
Debt service:					
Principal retirement	70,000	105,943	84,044	96,990	65,000
Interest and fiscal charges	1,540	5,237	8,712	12,050	7,370
Total expenditures	<u>32,366,047</u>	<u>27,636,934</u>	<u>28,113,056</u>	<u>25,829,543</u>	<u>23,859,714</u>
<b>OTHER FINANCING SOURCES</b>					
<b>(USES)</b>					
Capital contributions	23,921	14,313	7,431	69,061	306,749
Sale of assets	303,661	210,566	82,750	53,692	58,853
Insurance proceeds	2,557,296	2,753,570	14,148	69,309	29,184
Debt face amount	-	-	-	101,832	-
Operating transfers in	-	317,084	-	100,000	-
Operating transfers out	<u>(10,327,361)</u>	<u>(10,657,540)</u>	<u>(8,967,370)</u>	<u>(6,147,153)</u>	<u>(5,217,088)</u>
Total other financing sources (uses)	<u>(7,442,483)</u>	<u>(7,362,007)</u>	<u>(8,863,041)</u>	<u>(5,753,259)</u>	<u>(4,822,302)</u>
Revenues and other sources over (under) expenditures and other uses	(2,495,975)	1,326,872	(4,100,616)	392,242	1,172,826
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>23,213,355</u>	<u>21,886,483</u>	<u>25,987,099</u>	<u>25,594,857</u>	<u>24,422,031</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 20,717,380</u>	<u>\$ 23,213,355</u>	<u>\$ 21,886,483</u>	<u>\$ 25,987,099</u>	<u>\$ 25,594,857</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
STATISTICAL DATA (Unaudited)  
SEPTEMBER 30, 2019**

**Computation of legal debt margin:**

Assessed value of real and personal property located within the city limits (Note A)		\$ 317,311,420
Constitutional debt limit (20% of assessed value) (Note B)		\$ 63,462,284
Amount of debt applicable to debt limit (Note B)		
General long-term debt outstanding – Governmental Activities	17,479,269	
Long-term portion of compensated absences	1,244,266	
Add: General obligation warrants included in the Business-type Activities:		
Airport General Obligation Warrant dated 9-14-11	24,203	
Airport General Obligation Warrant dated 10-22-12	246,973	
Less: portions of warrants not subject to Constitutional debt limit as follows:		
General Obligation Warrants, Series 2016 dated 2-10-16	(1,189,584)	
General Obligation School Warrants dated 9-29-10	(175,000)	
Estimated liability for compensated absences – long-term	<u>(1,244,266)</u>	
	16,385,861	
Accounts payable of the General Fund	<u>576,828</u>	
Debt applicable to constitutional debt limit	16,962,689	
Less: assets available in Debt Service Fund for payment of principal	<u>690,833</u>	<u>16,271,856</u>
<b>LEGAL DEBT MARGIN</b>		<u><u>\$ 47,190,428</u></u>

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

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

Note C – The computation of legal debt margin above is to disclose the City's compliance with the constitutional limitations on outstanding debt. The amount of legal debt margin at September 30, 2018, has no relationship to the City's financial capacity to repay the amount of debt.

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA  
STATISTICAL DATA (Unaudited)  
SEPTEMBER 30, 2019**

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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.

See independent auditors' report.

**SINGLE AUDIT REPORT**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cullman, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Cullman, Alabama's basic financial statements, and have issued our report thereon dated March 25, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Cullman, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cullman, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cullman, Alabama's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Cullman, Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Warren Averett, LLC*

Cullman, Alabama  
March 25, 2020

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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

We have audited the City of Cullman, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Cullman, Alabama's major federal programs for the year ended September 30, 2019. The City of Cullman, Alabama's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Cullman, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the City of Cullman, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cullman, Alabama's compliance.

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

In our opinion, the City of Cullman, Alabama, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

## **Report on Internal Control over Compliance**

Management of the City of Cullman, Alabama, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cullman, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cullman, Alabama's internal control over compliance.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cullman, Alabama as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Cullman, Alabama's basic financial statements. We issued our report thereon dated March 25, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Cullman, Alabama  
March 25, 2020

**CITY OF CULLMAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2019**

<b>Federal Grantor / Pass-Through Grantor</b>	<b>Federal CFDA Number</b>	<b>Grant / Contract Identification Number</b>	<b>Passed Through to Subrecipients</b>	<b>Federal Expenditures</b>
<b>Department of Housing and Urban Development</b>				
<b>Direct</b>				
Community Development Block Grant Program	14.228	LR-CM-CP-17-008	-	\$ 237,613
<b>Department of Justice Direct</b>				
Edward Bryne Memorial Justice Assistance Program	16.738	17-DJ-01-006	-	179,201
<b>Department of Transportation</b>				
<b>Direct Awards</b>				
Airport Improvement Grant	20.106	3-01-0022-025-2018	-	399,418
	20.106	3-01-0022-026-2019	-	393,657
			-	793,075
National Priority Safety Programs	20.616	POLICE-GL-17-0033/SE-ALN-0172	-	2,464
Fixing America's Surface Transportation Act	20.205	POLICE-STEP FAST ACT-19-FP-PT-003	-	16,195
<i>Highway Safety Cluster:</i>				
Occupant Protection Incentive	20.602	OP-M1-003	-	7,198
Alcohol Impaired Driving Countermeasures Incentive	20.601	ID-M5-007	-	1,194
<i>Total Highway Safety Cluster</i>			-	8,392
<i>Highway Planning and Construction Cluster:</i>				
Highway planning and construction	20.205	ACBR61112-ATRP(010)	-	1,595,546
	20.205	ACBR61111-ATRP(013)	-	380,601
			-	1,976,147
Recreational Trail Program	20.219	17-RT-54-01	-	193,092
<i>Total Highway Planning and Construction Cluster</i>			-	2,169,239
<b>Pass-through: Alabama Department of Transportation</b>				
Transportation Improvement Program	20.U01	TAPPAA-TA16(911)	-	233,125
<b>Appalachian Regional Commission Direct</b>				
Appalachian Area Development	23.002	18749-2017	-	200,000
<b>Environmental Protection Agency Indirect</b>				
<b>Pass-Through: Alabama Department of Environmental Management</b>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Series-2017-DWSRF-DL	-	10,943,995
<b>Department of Homeland Security Direct</b>				
<b>Disaster Grants - Public Assistance (Presidentially Declared Disasters)</b>				
	97.036	CCBAG06	-	420,001
	97.036	FEMA-4362-81-PA-AL	-	63,036
			-	483,037
Staffing for Adequate Fire and Emergency Rescue	97.083	EMW-2017-FO-05763	-	266,991
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 15,533,327</b>

See notes to the schedule of expenditures of federal awards.

**CITY OF CULLMAN, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2019**

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Cullman, Alabama (City), was incorporated under the laws of the State of Alabama in 1875 and operates under an elected Mayor-Council form of government. The accompanying schedule of expenditures of federal awards presents the City's primary government and its component units, a 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 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.

The Cullman City Parks and Recreation Board (the Board) was formed in November 1979 under Section 11-86-1 of the Code of Alabama 1975. The Board is unincorporated and cannot legally incur debt. The City provides a substantial amount of the Board's funding each year through payments for payroll and debt service expenditures. Therefore, the Board is reported as part of the City's operations. The Board maintains and establishes their own internal controls over their daily operations and finances.

The City's 50 percent interest in the Cullman Regional Airport Board, which is a joint venture with Cullman County, is also reported as part of the City's operations. 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 City Clerk's office at the City of Cullman for all the above component units.

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Cullman, Alabama, under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because the schedule presents only a selected portion of the operations of the City of Cullman, Alabama, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Cullman, Alabama.

**Basis of Accounting**

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

**CITY OF CULLMAN, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2019**

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**NOTE B – CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS**

***Capitalization Grants for Clean Water State Revolving Funds (CFDA No. 66.458)***

The City approved an ordinance to authorize the issuance of \$3,970,000 General Obligation Warrant Series 2015-CWSRF-DL (Partial Principal Forgiveness) dated February 15, 2015, between the City of Cullman, Alabama, and the Alabama Department of Environmental Management (ADEM), an agency of the State of Alabama. The Sewer Fund is the fund at the City of Cullman, Alabama, responsible for this grant. The Authority is the Alabama Water Pollution Control Authority, a public corporation under the laws of the State of Alabama. The Authority Loan was in the initial amount of \$4,120,000 (\$150,000 in debt forgiveness) made to the City by the Authority, the repayment of which is evidenced by the Series 2015- CWSRF-DL Warrant. The award of the loan to the City will enable the City to take advantage of principal forgiveness initiatives established by the requirements imposed on the Authority respecting the use of funds made available from the current capitalization grant agreement between the Authority and the United States Environmental Protection Agency (the Capitalization Grant Agreement). The loan agreement payments end February 15, 2035.

The City also approved an ordinance to authorize the issuance of \$3,470,000 General Obligation Warrant Series 2015B-CWSRF-DL dated as of October 1, 2015, between the City of Cullman, Alabama, and the Alabama Department of Environmental Management (ADEM), an agency of the State of Alabama. The Sewer Fund is the fund at the City of Cullman, Alabama, responsible for this grant. The Authority is the Alabama Water Pollution Control Authority, a public corporation under the laws of the State of Alabama. The Authority Loan was in the initial amount of \$3,470,000 made to the City by the Authority, the repayment of which is evidenced by the Series 2015-CWSRF-DL Warrant. The award of the loan to the City will enable the City to use funds made available from the current capitalization grant agreement between the Authority and the United States Environmental Protection Agency (the Capitalization Grant Agreement). The loan agreement payments end August 15, 2035.

***Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468)***

The City also approved an ordinance to authorize the issuance of \$24,190,000 General Obligation Warrant Series 2017-DWSRF-DL dated as of October 1, 2017, between the Utilities Board of the City of Cullman, Alabama, and the Alabama Drinking Water Financing Authority, an agency of the State of Alabama. The Utilities Board – Water Division of the City of Cullman, Alabama is responsible for this grant. The award of the loan to the City will enable the City to use funds for capital projects related to the supply of clean drinking water. The loan agreement payments end September 1, 2045.

**CITY OF CULLMAN, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statement Section**

Type of auditors’ report issued:	Unmodified		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><b><u>Yes</u></b></td> <td style="width: 50%; text-align: center;"><b><u>No</u></b></td> </tr> </table>	<b><u>Yes</u></b>	<b><u>No</u></b>
<b><u>Yes</u></b>	<b><u>No</u></b>		
Internal control over financial reporting:			
Material weakness(es) identified?	X		
Significant deficiencies identified that are not considered to be material weaknesses?	None reported		
Noncompliance material to financial statements noted?	X		

**Federal Awards Section**

	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><b><u>Yes</u></b></td> <td style="width: 50%; text-align: center;"><b><u>No</u></b></td> </tr> </table>	<b><u>Yes</u></b>	<b><u>No</u></b>
<b><u>Yes</u></b>	<b><u>No</u></b>		
Internal control over major programs:			
Material weakness(es) identified?	X		
Significant deficiencies identified that are not considered to be material weaknesses?	None reported		
Type of auditors’ report on compliance for major programs:	Unmodified		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><b><u>Yes</u></b></td> <td style="width: 50%; text-align: center;"><b><u>No</u></b></td> </tr> </table>	<b><u>Yes</u></b>	<b><u>No</u></b>
<b><u>Yes</u></b>	<b><u>No</u></b>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	X		

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.468	Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds
20.106	Airport Improvement Grant
20.205 and 20.219	Highway Planning and Construction Cluster

Dollar threshold used to determine Type A programs:	\$ 750,000		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><b><u>Yes</u></b></td> <td style="width: 50%; text-align: center;"><b><u>No</u></b></td> </tr> </table>	<b><u>Yes</u></b>	<b><u>No</u></b>
<b><u>Yes</u></b>	<b><u>No</u></b>		
Auditee qualified as low-risk auditee?	X		

**CITY OF CULLMAN, ALABAMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Section II – Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.