

CITY OF CULLMAN, ALABAMA
AUDITED FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

**CITY OF CULLMAN, ALABAMA
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SEPTEMBER 30, 2021**

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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, 2021, and the related notes to the financial statements, which collectively comprise the City'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, 2021, 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 56-59, budgetary comparison information on pages 60-61 and notes to the required supplementary information on page 62 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and schedules on pages 63-74 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

The five-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 24, 2022, on our consideration of the City of Cullman, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the effectiveness of the City of Cullman, Alabama's 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.

Warren Averett, LLC

Cullman, Alabama
March 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021

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

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

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

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

Place No. 1	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 600 people (full-time and part-time) in the various departments. The City does not collectively bargain with any union or association representing City employees.

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

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

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

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021**

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 \$22,973,786 over the course of this year's operations: \$11,035,647 increase in the net position of the governmental activities, and \$11,938,139 increase in the business-type activities.

Budgeted revenues in the General Fund for fiscal year 2021 were based generally on the previous year's receipts; however, budgeted revenues increased during the year due to the improving local economy. Revenues were \$8,257,524 more than budgeted due to increases in sales tax. General Fund expenditures were \$492,293 more than budgeted due to increases in capital improvements.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021**

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

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

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

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

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

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021**

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

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

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

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

CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021

The following condensed financial statements serve as indicators for management:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 56,374,443	\$ 49,171,320	\$ 5,935,708	\$ 3,773,090	\$ 62,310,151	\$ 52,944,410
Restricted assets	32,322,751	1,992,039	11,552,545	15,004,664	43,875,296	16,996,703
Capital assets, net	87,240,699	78,992,493	289,256,521	281,328,301	376,497,220	360,320,794
Other assets	218,248	113,307	406,977	447,304	625,225	560,611
	176,156,141	130,269,159	307,151,751	300,553,359	483,307,892	430,822,518
Deferred outflows of resources	3,358,300	3,044,540	1,743,158	1,517,230	5,101,458	4,561,770
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 179,514,441	\$ 133,313,699	\$ 308,894,909	\$ 302,070,589	\$ 488,409,350	\$ 435,384,288
Current liabilities	\$ 7,080,721	\$ 3,796,249	\$ 3,919,174	\$ 2,333,775	\$ 10,999,895	\$ 6,130,024
Liabilities payable from restricted assets	29,324	32,470	6,993,766	7,516,502	7,023,090	7,548,972
Long-term liabilities	61,800,310	29,515,473	134,889,552	140,978,850	196,689,862	170,494,323
	68,910,355	33,344,192	145,802,492	150,829,127	214,712,847	184,173,319
Deferred inflows of resources	9,342,150	9,743,218	105,092	192,276	9,447,242	9,935,494
Total liabilities and deferred inflows of resources	78,252,505	43,087,410	145,907,584	151,021,403	224,160,089	194,108,813
Net position:						
Net investment in capital assets	39,369,953	62,078,169	152,862,340	138,703,967	192,232,293	200,782,136
Restricted	31,677,326	1,385,443	2,116,514	4,065,770	33,793,840	5,451,213
Unrestricted	30,214,657	26,762,677	8,008,471	8,279,449	38,223,128	35,042,126
Total net position	101,261,936	90,226,289	162,987,325	151,049,186	264,249,261	241,275,475
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 179,514,441	\$ 133,313,699	\$ 308,894,909	\$ 302,070,589	\$ 488,409,350	\$ 435,384,288

CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues:						
Charges for services	\$ 11,391,691	\$ 10,171,998	\$ 34,929,364	\$ 31,552,772	\$ 46,321,055	\$ 41,724,770
Operating grants and contributions	825,279	1,431,309	-	-	825,279	1,431,309
Capital grants and contributions	94,567	2,047,547	590,322	706,817	684,889	2,754,364
General revenues:						
Taxes	38,618,391	33,519,323	-	-	38,618,391	33,519,323
Unrestricted investment earnings	85,849	152,865	147,231	-	233,080	152,865
Other	4,739,790	4,044,597	-	-	4,739,790	4,044,597
TOTAL REVENUES	55,755,567	51,367,639	35,666,917	32,259,589	91,422,484	83,627,228
EXPENSES						
General government	6,377,301	6,521,333	-	-	6,377,301	6,521,333
Public safety	14,132,862	13,296,729	-	-	14,132,862	13,296,729
Highways and streets	4,593,595	5,250,012	-	-	4,593,595	5,250,012
Sanitation	4,853,831	4,738,514	-	-	4,853,831	4,738,514
Health and social services	681,608	836,973	-	-	681,608	836,973
Culture and recreation	204,964	206,390	-	-	204,964	206,390
Education	8,734,379	7,837,763	-	-	8,734,379	7,837,763
Conservation	20,962	117,238	-	-	20,962	117,238
Interest on long-term debt	230,341	246,699	-	-	230,341	246,699
Sewer	-	-	6,997,465	6,797,582	6,997,465	6,797,582
Water	-	-	11,906,631	11,048,710	11,906,631	11,048,710
Parks and recreation	-	-	9,263,227	9,992,841	9,263,227	9,992,841
Airport	-	-	842,690	812,113	842,690	812,113
TOTAL EXPENSES	39,829,843	39,051,651	29,010,013	28,651,246	68,839,856	67,702,897
Increase in net position before sale of assets and transfers	15,925,724	12,315,988	6,656,904	3,608,343	22,582,628	15,924,331
Sale of assets	313,903	(43,067)	77,255	1,876,512	391,158	1,833,445
Intergovernmental revenues	-	1,248,850	6,242,631	-	6,242,631	1,248,850
Transfers	(5,203,980)	(1,975,546)	(1,038,651)	1,975,546	(6,242,631)	-
CHANGE IN NET POSITION	11,035,647	11,546,225	11,938,139	7,460,401	22,973,786	19,006,626
NET POSITION AT BEGINNING OF YEAR	90,226,289	78,680,064	151,049,186	143,588,785	241,275,475	222,268,849
NET POSITION AT END OF YEAR	\$ 101,261,936	\$ 90,226,289	\$ 162,987,325	\$ 151,049,186	\$ 264,249,261	\$ 241,275,475

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021**

FUND FINANCIAL STATEMENTS

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

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS

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

LONG-TERM DEBT

On April 20, 2021, the City of Cullman issued General Obligation Warrants Series 2021 in the amount of \$29,085,000 to fund a 4-acre expansion of the waterpark and the construction of a new civic center complex.

**CITY OF CULLMAN, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
SEPTEMBER 30, 2021**

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, 2021**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
CURRENT ASSETS			
Cash and cash equivalents	\$ 25,431,340	\$ 9,388,619	\$ 34,819,959
Certificates of deposit	4,867,816	404,000	5,271,816
Interest receivable	1,114	155	1,269
Accounts receivable, net	450,328	2,265,184	2,715,512
Assessments receivable, net	194,456	-	194,456
Internal balances	10,688,358	(10,688,358)	-
Due from other governmental units:			
Grants	-	167,973	167,973
Cullman County	-	100,486	100,486
Cullman Power Board	357,503	1,429,369	1,786,872
Other	13,704,785	1,001,516	14,706,301
Inventories	80,687	1,211,653	1,292,340
Prepaid expenses	598,056	655,111	1,253,167
Total current assets	56,374,443	5,935,708	62,310,151
RESTRICTED ASSETS			
Cash and cash equivalents	31,228,832	4,540,030	35,768,862
State revolving funds receivable	-	7,012,515	7,012,515
Advances to other governments	1,093,919	-	1,093,919
Total restricted assets	32,322,751	11,552,545	43,875,296
CAPITAL ASSETS			
Land	11,261,328	15,087,076	26,348,404
Historical buildings	378,448	-	378,448
Construction in progress	6,319,813	8,199,754	14,519,567
Buildings, improvements, and equipment, net of depreciation	69,281,110	265,969,691	335,250,801
Total capital assets	87,240,699	289,256,521	376,497,220
OTHER ASSETS			
Deposits	104,941	635	105,576
Insurance deposit	113,307	-	113,307
Assessments receivable – noncurrent	-	406,342	406,342
Total other assets	218,248	406,977	625,225
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized loss on refunding	-	59,770	59,770
Deferred outflows of resources – pension	3,358,300	1,683,388	5,041,688
Total deferred outflows of resources	3,358,300	1,743,158	5,101,458
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 179,514,441</u>	<u>\$ 308,894,909</u>	<u>\$ 488,409,350</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
CURRENT LIABILITIES			
Accounts payable	\$ 2,990,873	\$ 2,889,047	\$ 5,879,920
Utility tax payable	-	45,532	45,532
Due to other governmental units	450,697	-	450,697
Accrued liabilities	748,036	-	748,036
Interest payable	-	109,135	109,135
Accrued payroll	-	397,188	397,188
Accrued construction costs	-	-	-
Current portion of capital lease obligation	-	45,519	45,519
Current maturities on long-term debt	745,000	-	745,000
Estimated compensated absences – current portion	242,221	202,024	444,245
Unearned revenue	1,903,894	230,729	2,134,623
Total current liabilities	7,080,721	3,919,174	10,999,895
LIABILITIES PAYABLE FROM RESTRICTED ASSETS			
Accounts payable - contractors	-	240,706	240,706
Accrued interest payable	-	327,488	327,488
Police evidence	29,324	-	29,324
Current maturities on long-term debt	-	6,425,572	6,425,572
Total liabilities payable from restricted assets	29,324	6,993,766	7,023,090
NONCURRENT LIABILITIES			
Warrants/bonds payable	44,075,000	124,832,464	168,907,464
Other postemployment benefits	-	171,019	171,019
Unamortized debt discount	(25,036)	(342,263)	(367,299)
Unamortized debt premium	3,075,782	3,765,097	6,840,879
Net pension liability	13,395,942	5,712,800	19,108,742
Estimated compensated absences	1,278,622	643,817	1,922,439
Capital lease obligation	-	106,618	106,618
Total noncurrent liabilities	61,800,310	134,889,552	196,689,862
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue – property and other taxes	9,053,626	-	9,053,626
Deferred inflows of resources – pension	288,524	105,092	393,616
Total deferred inflows of resources	9,342,150	105,092	9,447,242

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 39,369,953	\$ 152,862,340	\$ 192,232,293
Restricted for:			
Debt service and capital activity	31,228,832	2,116,514	33,345,346
Highways and streets	188,293	-	188,293
Jail, correction facilities, and court complex	48,450	-	48,450
Municipal Court	30,219	-	30,219
Industrial development and recreation	80,624	-	80,624
Nonspendable – endowment	100,908	-	100,908
Unrestricted	<u>30,214,657</u>	<u>8,008,471</u>	<u>38,223,128</u>
Total net position	<u>101,261,936</u>	<u>162,987,325</u>	<u>264,249,261</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 179,514,441</u>	<u>\$ 308,894,909</u>	<u>\$ 488,409,350</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government:							
Administrative	\$ 5,339,279	\$ 3,700,227	\$ -	\$ -	\$ (1,639,052)	\$ -	\$ (1,639,052)
Building and housing	620,464	485,471	-	-	(134,993)	-	(134,993)
Garage	417,558	-	-	-	(417,558)	-	(417,558)
Public safety:							
Police	7,169,836	380,808	543,493	-	(6,245,535)	-	(6,245,535)
Fire	5,402,686	-	-	-	(5,402,686)	-	(5,402,686)
Traffic maintenance	718,867	59,653	-	-	(659,214)	-	(659,214)
Dispatch and miscellaneous	841,473	233,741	233,786	-	(373,946)	-	(373,946)
Highways and streets	4,593,595	316,099	-	94,567	(4,182,929)	-	(4,182,929)
Sanitation	4,853,831	6,210,751	-	-	1,356,920	-	1,356,920
Health and social services	681,608	-	-	-	(681,608)	-	(681,608)
Culture and recreation	204,964	4,941	-	-	(200,023)	-	(200,023)
Education	8,734,379	-	48,000	-	(8,686,379)	-	(8,686,379)
Conservation	20,962	-	-	-	(20,962)	-	(20,962)
Interest on long-term debt	230,341	-	-	-	(230,341)	-	(230,341)
Total governmental activities	39,829,843	11,391,691	825,279	94,567	(27,518,306)	-	(27,518,306)
Business-type activities:							
Sewer	6,997,465	8,848,665	-	74,848	-	1,926,048	1,926,048
Water	11,906,631	20,860,164	-	22,808	-	8,976,341	8,976,341
Parks and recreation	9,263,227	4,863,628	-	-	-	(4,399,599)	(4,399,599)
Airport	842,690	356,907	-	492,666	-	6,883	6,883
Total business-type activities	29,010,013	34,929,364	-	590,322	-	6,509,673	6,509,673
	\$ 68,839,856	\$ 46,321,055	\$ 825,279	\$ 684,889	(27,518,306)	6,509,673	(21,008,633)
Taxes:							
Property taxes, levied for general purposes					1,764,092	-	1,764,092
Property taxes, levied for education					4,047,786	-	4,047,786
Sales taxes, levied for general purposes					24,219,435	-	24,219,435
Sales taxes, levied for education					4,518,604	-	4,518,604
Tobacco taxes					133,425	-	133,425
Rent taxes					611,178	-	611,178
Beverage/liquor taxes					1,449,401	-	1,449,401
Other taxes					1,874,470	-	1,874,470
Unrestricted investment earnings					85,849	147,231	233,080
Insurance proceeds					88,231	-	88,231
Miscellaneous					4,651,559	-	4,651,559
Gain on sale of fixed assets					313,903	77,255	391,158
Transfers – internal activities					(5,203,980)	5,203,980	-
					38,553,953	5,428,466	43,982,419
CHANGE IN NET POSITION					11,035,647	11,938,139	22,973,786
NET POSITION AT BEGINNING OF YEAR					90,226,289	151,049,186	241,275,475
NET POSITION AT END OF YEAR					\$ 101,261,936	\$ 162,987,325	\$ 264,249,261

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General	School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 23,342,146	\$ 18,471	\$ -	\$ 2,070,723	\$ 25,431,340
Certificates of deposit	4,766,908	-	-	100,908	4,867,816
Interest receivable	1,114	-	-	-	1,114
Accounts receivable, net	450,328	-	-	-	450,328
Assessments receivable, net	194,456	-	-	-	194,456
Due from other funds	-	-	494,334	3,591	497,925
Due from other governmental units:					
Cullman Power Board	357,503	-	-	-	357,503
Other	7,053,691	5,021,706	-	1,629,388	13,704,785
Inventories	80,687	-	-	-	80,687
Prepaid expenses	598,056	-	-	-	598,056
	<u>36,844,889</u>	<u>5,040,177</u>	<u>494,334</u>	<u>3,804,610</u>	<u>46,184,010</u>
RESTRICTED ASSETS					
Cash and cash equivalents	-	-	31,228,832	-	31,228,832
Advances to other governments	-	-	1,093,919	-	1,093,919
Advances to other funds	203,703	-	9,990,321	-	10,194,024
	<u>203,703</u>	<u>-</u>	<u>42,313,072</u>	<u>-</u>	<u>42,516,775</u>
OTHER ASSETS					
Deposits	104,941	-	-	-	104,941
Insurance deposit	113,307	-	-	-	113,307
Total other assets	<u>218,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,248</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	<u>\$ 37,266,840</u>	<u>\$ 5,040,177</u>	<u>\$ 42,807,406</u>	<u>\$ 3,804,610</u>	<u>\$ 88,919,033</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General	School Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
CURRENT LIABILITIES					
Accounts payable	\$ 856,259	\$ 817,526	\$ -	\$ 1,317,088	\$ 2,990,873
Due to other funds	3,591	-	-	-	3,591
Due to other governmental units	433,541	-	-	17,156	450,697
Unearned revenue	1,903,894	-	-	-	1,903,894
Accrued liabilities	748,036	-	-	-	748,036
Total current liabilities	3,945,321	817,526	-	1,334,244	6,097,091
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Police evidence	29,324	-	-	-	29,324
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue – property and other taxes	4,361,908	4,580,307	-	111,411	9,053,626
FUND BALANCES (DEFICIT)					
Nonspendable:					
Inventory	80,687	-	-	-	80,687
Interfund receivables – long-term	-	-	9,990,321	-	9,990,321
Prepaid expenditures, deposit on equipment and insurance deposit	816,304	-	-	-	816,304
Advances to other governmental units	-	-	1,093,919	-	1,093,919
Permanent fund principal	-	-	-	100,918	100,918
Restricted for:					
Realty improvements and Ingle Park	-	-	-	18,524	18,524
Highways and streets	-	-	-	223,606	223,606
Capital improvements	-	-	31,723,166	663,477	32,386,643
Jail, correction and court facilities	-	-	-	48,450	48,450
Municipal Court	-	-	-	30,219	30,219
Industrial development and recreation	-	-	-	80,624	80,624
Assigned:					
Capital projects	-	-	-	1,193,137	1,193,137
Unassigned	28,033,296	(357,656)	-	-	27,675,640
Total fund balance	28,930,287	(357,656)	42,807,406	2,358,955	73,738,992
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	\$ 37,266,840	\$ 5,040,177	\$ 42,807,406	\$ 3,804,610	\$ 88,919,033

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, 2021**

Total Fund Balances – Governmental Funds \$ 73,738,992

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. 87,240,699

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, 2021 were:

General obligation warrants	\$ (44,820,000)	
Net pension liability	(13,395,942)	
Deferred outflows of resources – pension	3,358,300	
Deferred inflows of resources – pension	(288,524)	
Unamortized debt discount	25,036	
Unamortized debt premium	(3,075,782)	
Compensated absences	(1,520,843)	<u>(59,717,755)</u>

Total Net Position – Governmental Activities \$ 101,261,936

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, 2021

	<u>General</u>	<u>School Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 29,277,318	\$ 8,566,390	\$ -	\$ 378,590	\$ 38,222,298
Licenses and permits	4,172,184	-	-	-	4,172,184
Intergovernmental revenues	5,704,394	-	48,000	1,160,485	6,912,879
Charges for services	6,760,381	-	-	-	6,760,381
Fines and forfeits	334,523	-	-	46,132	380,655
Interest revenue	82,984	-	-	1,828	84,812
Miscellaneous revenues	156,988	-	-	100,000	256,988
Total revenues	<u>46,488,772</u>	<u>8,566,390</u>	<u>48,000</u>	<u>1,687,035</u>	<u>56,790,197</u>
EXPENDITURES					
Current expenditures:					
General government	6,134,672	-	-	5,468	6,140,140
Public safety	13,194,715	-	-	-	13,194,715
Highways and streets	2,713,049	-	-	478,645	3,191,694
Sanitation	4,360,731	-	-	-	4,360,731
Health and social services	681,608	-	-	-	681,608
Culture and recreation	183,124	-	-	-	183,124
Education	156,600	8,577,867	-	-	8,734,467
Capital outlay	5,140,427	-	-	6,373,315	11,513,742
Debt service:					
Principal retirement	-	-	705,000	100,000	805,000
Debt issuance costs	-	-	245,526	-	245,526
Interest and fiscal charges	-	-	230,341	-	230,341
Total expenditures	<u>32,564,926</u>	<u>8,577,867</u>	<u>1,180,867</u>	<u>6,957,428</u>	<u>49,281,088</u>
REVENUES OVER (UNDER) EXPENDITURES	13,923,846	(11,477)	(1,132,867)	(5,270,393)	7,509,109
OTHER FINANCING SOURCES (USES)					
Insurance proceeds	88,231	-	-	-	88,231
Issuance of warrants	-	-	29,085,000	-	29,085,000
Warrant premium	-	-	3,075,782	-	3,075,782
Operating transfers in	194,000	-	1,321,000	5,382,291	6,897,291
Operating transfers out	(9,470,639)	-	(2,371,753)	(258,879)	(12,101,271)
Total other financing sources (uses)	<u>(9,188,408)</u>	<u>-</u>	<u>31,110,029</u>	<u>5,123,412</u>	<u>27,045,033</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,735,438	(11,477)	29,977,162	(146,981)	34,554,142
FUND BALANCE AT BEGINNING OF YEAR	<u>24,194,849</u>	<u>(346,179)</u>	<u>12,830,244</u>	<u>2,505,936</u>	<u>39,184,850</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,930,287</u>	<u>\$ (357,656)</u>	<u>\$ 42,807,406</u>	<u>\$ 2,358,955</u>	<u>\$ 73,738,992</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, 2021**

Net Changes in Fund Balances – Governmental Funds \$ 34,554,142

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 (\$11,513,742) exceeded depreciation (\$3,224,661) in the current period: 8,289,081

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: 805,000

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Warrant proceeds (29,085,000)

Warrant premium (3,075,782)

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 22,291

Change in net pension liability and change in pension – related deferred outflows and inflows are not reported in the funds: (787,988)

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: 313,903

Change in Net Position – Governmental Activities \$ 11,035,647

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CURRENT ASSETS					
Cash and cash equivalents	\$ 853,135	\$ 6,939,509	\$ 1,593,686	\$ 2,289	\$ 9,388,619
Certificates of deposit	-	404,000	-	-	404,000
Interest receivable	-	155	-	-	155
Accounts receivable, net	323,375	1,876,684	59,279	5,846	2,265,184
Due from other funds	-	71,423	-	-	71,423
Due from other governmental units:					
Grants	-	-	-	167,973	167,973
Cullman County	-	-	-	100,486	100,486
Cullman Power Board	738,810	690,559	-	-	1,429,369
Other	29,487	858,606	113,423	-	1,001,516
Inventories	148,829	1,025,077	16,899	20,848	1,211,653
Prepaid expenses	-	-	84,010	-	84,010
Prepaid insurance	76,511	434,541	-	25,049	536,101
Prepaid utility tax	-	35,000	-	-	35,000
Total current assets	2,170,147	12,335,554	1,867,297	322,491	16,695,489
RESTRICTED ASSETS					
Cash and cash equivalents	405,447	4,134,583	-	-	4,540,030
State revolving funds receivable	5,332,342	1,680,173	-	-	7,012,515
Total restricted assets	5,737,789	5,814,756	-	-	11,552,545
CAPITAL ASSETS					
Land and other assets not being depreciated	253,691	11,928,551	1,929,879	974,955	15,087,076
Construction in progress	3,469,420	3,893,808	103,443	733,083	8,199,754
Buildings, improvements, and equipment, net of depreciation	52,419,984	191,206,643	18,517,874	3,825,190	265,969,691
Total capital assets	56,143,095	207,029,002	20,551,196	5,533,228	289,256,521
OTHER ASSETS					
Deposits	-	-	635	-	635
Assessments receivable, net	406,342	-	-	-	406,342
Total other assets	406,342	-	635	-	406,977
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	-	4,125	55,645	-	59,770
Deferred outflows of resources – pension	410,567	734,382	514,676	23,763	1,683,388
Total deferred outflows of resources	410,567	738,507	570,321	23,763	1,743,158
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 64,867,940	\$ 225,917,819	\$ 22,989,449	\$ 5,879,482	\$ 319,654,690

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
BALANCE SHEET – PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CURRENT LIABILITIES					
Accounts payable:					
Trade	\$ 1,458,668	\$ 809,863	\$ 421,223	\$ 199,293	\$ 2,889,047
Current portion of capital lease obligation	-	-	45,519	-	45,519
Utility tax payable	-	45,532	-	-	45,532
Due to other funds	71,423	-	494,334	-	565,757
Interest payable	-	-	109,135	-	109,135
Accrued payroll	82,378	164,780	150,030	-	397,188
Estimated compensated absences – current portion	37,759	84,632	76,998	2,635	202,024
Unearned revenue	-	-	230,729	-	230,729
Total current liabilities	1,650,228	1,104,807	1,527,968	201,928	4,484,931
LIABILITIES PAYABLE FROM RESTRICTED ASSETS					
Accounts payable:					
Contractors	119,710	120,996	-	-	240,706
Accrued interest	34,217	293,271	-	-	327,488
Current portion of warrants/bonds payable	1,910,440	4,436,832	-	78,300	6,425,572
Total liabilities payable from restricted assets	2,064,367	4,851,099	-	78,300	6,993,766
NONCURRENT LIABILITIES					
Warrants/bonds payable	13,281,071	111,546,416	-	4,977	124,832,464
Unamortized debt discount	-	(282,881)	(59,382)	-	(342,263)
Unamortized debt premium	-	2,820,220	944,877	-	3,765,097
Other postemployment benefits	-	171,019	-	-	171,019
Net pension liability	1,547,774	2,154,825	1,908,288	101,913	5,712,800
Estimated compensated absences	143,650	376,250	116,011	7,906	643,817
Capital lease obligation	-	-	106,618	-	106,618
Advances from other funds	-	-	9,990,321	203,703	10,194,024
Total noncurrent liabilities	14,972,495	116,785,849	13,006,733	318,499	145,083,576
DEFERRED INFLOWS OF RESOURCES – PENSION					
	41,105	6,967	56,690	330	105,092
NET POSITION					
Net investment in capital assets	46,129,999	92,197,836	9,084,554	5,449,951	152,862,340
Restricted for capital activity and debt service	405,447	1,711,067	-	-	2,116,514
Unrestricted	(395,701)	9,260,194	(686,496)	(169,526)	8,008,471
Total net position	46,139,745	103,169,097	8,398,058	5,280,425	162,987,325
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
	\$ 64,867,940	\$ 225,917,819	\$ 22,989,449	\$ 5,879,482	\$ 319,654,690

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, 2021

	<u>Major Funds</u>			<u>Nonmajor Fund</u>	<u>Total</u>
	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>	<u>Business-Type Funds</u>
REVENUES					
Charges for sales and services	\$ 7,821,474	\$ 19,639,399	\$ 4,701,614	\$ 356,907	\$ 32,519,394
Forfeited discounts and penalties	-	38,588	-	-	38,588
Charges for service connections	236,468	365,433	-	-	601,901
Service charges	82,125	73,425	-	-	155,550
Lodging tax	-	-	162,013	-	162,013
Miscellaneous revenues	708,598	743,319	-	-	1,451,917
Total revenues	8,848,665	20,860,164	4,863,627	356,907	34,929,363
OPERATING EXPENSES					
Cost of operating revenues	-	-	-	173,728	173,728
Salaries and wages	1,490,805	3,184,853	3,051,682	127,182	7,854,522
Concessions expense	-	-	357,128	-	357,128
Nonemployee compensation	-	-	52,463	-	52,463
Officials and instructors	-	-	168,759	-	168,759
Payroll taxes	119,271	260,799	227,621	9,386	617,077
Employee retirement	235,353	375,603	251,081	14,657	876,694
Employee life and health insurance	295,747	399,619	385,652	17,599	1,098,617
Employee compensated absences	-	-	14,802	-	14,802
Employee hospital insurance	-	256,835	-	-	256,835
Telephone	19,933	25,987	49,473	9,617	105,010
Utilities	619,317	1,107,908	672,106	40,633	2,439,964
Billing, accounting and collection fees	145,069	197,854	-	-	342,923
Office supplies and expense	9,707	107,710	283,374	1,397	402,188
Professional services	38,715	62,745	-	75,266	176,726
Program expenses	-	-	696,096	-	696,096
Engineering services	97,407	34,117	-	-	131,524
Other contracted services	17,410	181,809	-	-	199,219
Landfill fees	60,863	-	-	-	60,863
Testing fees	7,187	41,861	-	-	49,048
Travel and training	6,893	24,949	55,946	1,162	88,950
Dues and subscriptions	520	7,729	62,117	1,242	71,608
Public relations	-	-	-	169	169
Automotive repairs and maintenance	15,598	7,267	-	-	22,865
Automotive gasoline and oil	25,663	197,406	62,796	-	285,865
Fuel and lubricants	-	-	-	3,106	3,106
Uniforms	15,562	24,776	-	-	40,338
Small tools and equipment	33,362	51,280	96,720	505	181,867
General maintenance	-	5,799	-	-	5,799
Insurance	147,086	289,333	239,544	36,089	712,052
Lab supplies	-	89,855	-	-	89,855
Chemicals and other supplies	262,456	1,099,327	172,370	1,561	1,535,714
Equipment rental	15,265	25,241	-	1,308	41,814
Printing and advertising	-	-	142,578	-	142,578
Miscellaneous	71,941	72,851	14,690	6,666	166,148
Repairs and maintenance	510,485	1,198,876	547,432	25,186	2,281,979
Director's fees and expenses	-	31,500	-	-	31,500
Depreciation expense	2,484,501	2,446,171	1,263,700	294,517	6,488,889
Total operating expenses	6,746,116	11,810,060	8,868,130	840,976	28,265,282

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, 2021

	<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>	
OPERATING INCOME (LOSS)	\$ 2,102,549	\$ 9,050,104	\$ (4,004,503)	\$ (484,069)	\$ 6,664,081
NON-OPERATING REVENUES AND EXPENSES					
Grant revenue	-	22,808	-	492,666	515,474
Interest earned	72	146,010	1,149	-	147,231
Gain on sale of assets	17,637	42,969	15,481	1,168	77,255
Interest expense	(251,349)	(81,666)	(395,097)	(1,714)	(729,826)
Trustee fees	-	(14,905)	-	-	(14,905)
Total non-operating revenues and expenses	<u>(233,640)</u>	<u>115,216</u>	<u>(378,467)</u>	<u>492,120</u>	<u>(4,771)</u>
Change in net position before capital contributions and transfers	1,868,909	9,165,320	(4,382,970)	8,051	6,659,310
Capital contributions	74,848	-	-	-	74,848
Transfers in	490,271	514,608	4,723,542	514,210	6,242,631
Transfers out	<u>(524,843)</u>	<u>(513,808)</u>	<u>-</u>	<u>-</u>	<u>(1,038,651)</u>
Total capital contributions and transfers	<u>40,276</u>	<u>800</u>	<u>4,723,542</u>	<u>514,210</u>	<u>5,278,828</u>
CHANGE IN NET POSITION	1,909,185	9,166,120	340,572	522,261	11,938,138
NET POSITION AT BEGINNING OF YEAR	<u>44,230,560</u>	<u>94,002,977</u>	<u>8,057,486</u>	<u>4,758,164</u>	<u>151,049,187</u>
NET POSITION AT END OF YEAR	<u>\$ 46,139,745</u>	<u>\$ 103,169,097</u>	<u>\$ 8,398,058</u>	<u>\$ 5,280,425</u>	<u>\$ 162,987,325</u>

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 8,898,863	\$ 20,843,915	\$ 4,797,958	\$ 354,714	\$ 34,895,450
Cash received from lodging tax	-	-	162,013	-	162,013
Cash payments for merchandise sold	-	-	(357,128)	-	(357,128)
Cash payments to suppliers and vendors	(862,499)	(5,912,107)	(3,254,187)	(291,327)	(10,320,120)
Cash payments for salaries and benefits	(1,934,633)	(4,325,042)	(3,904,108)	(163,338)	(10,327,121)
Net cash provided by (used in) operating activities	6,101,731	10,606,766	(2,555,452)	(99,951)	14,053,094
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payables – long-term	-	-	(470,415)	-	(470,415)
Transfers in	490,271	514,608	4,723,542	434,910	6,163,331
Transfers out	(524,843)	(513,808)	-	-	(1,038,651)
Net cash (used in) provided by noncapital financing activities	(34,572)	800	4,253,127	434,910	4,654,265
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Grant revenues	-	22,808	-	401,998	424,806
Capital contributions	74,848	-	-	-	74,848
Acquisition and construction – capital assets	(4,338,496)	(9,882,273)	(201,544)	(748,836)	(15,171,149)
Proceeds from issuance of long-term debt	1,383,842	-	-	-	1,383,842
Proceeds from disposal of capital assets	19,185	1,284,307	40,336	2,328	1,346,156
Interest paid	(223,046)	(108,503)	(447,669)	(1,714)	(780,932)
Trustee fees	-	(14,905)	-	-	(14,905)
Principal payments of long-term debt	(2,415,752)	(4,395,296)	(57,067)	(94,767)	(6,962,882)
Net cash used in capital and related financing activities	(5,499,419)	(13,093,862)	(665,944)	(440,991)	(19,700,216)

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
CASH FLOWS FROM INVESTING					
ACTIVITIES					
Purchase of certificates of deposit	\$ -	\$ 1,056,499	\$ -	\$ -	\$ 1,056,499
Interest received	56	146,010	1,149	-	147,215
Net cash provided by investing activities	56	1,202,509	1,149	-	1,203,714
NET CHANGE IN CASH AND CASH EQUIVALENTS	567,796	(1,283,787)	1,032,880	(106,032)	210,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	690,786	12,357,879	560,806	108,321	13,717,792
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,258,582</u>	<u>\$ 11,074,092</u>	<u>\$ 1,593,686</u>	<u>\$ 2,289</u>	<u>\$ 13,928,649</u>
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING					
Cash and cash equivalents - current assets	\$ 853,135	\$ 6,939,509	\$ 1,593,686	\$ 2,289	\$ 9,388,619
Cash and cash equivalents - restricted assets	405,447	4,134,583	-	-	4,540,030
	<u>\$ 1,258,582</u>	<u>\$ 11,074,092</u>	<u>\$ 1,593,686</u>	<u>\$ 2,289</u>	<u>\$ 13,928,649</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES					
Noncash capital asset additions	\$ -	\$ 365,684	\$ -	\$ -	\$ -
Capital assets acquired under capital lease obligation	\$ -	\$ -	\$ 149,105	\$ -	\$ 149,105

See notes to the financial statements.

CITY OF CULLMAN, ALABAMA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Funds			Nonmajor Fund	Total Business-Type Funds
	Sewer Operation	Water System	Parks and Recreation	Airport	
RECONCILIATION OF OPERATING INCOME					
TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,102,549	\$ 9,050,104	\$ (4,004,503)	\$ (484,069)	\$ 6,664,081
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	2,484,501	2,446,171	1,263,700	294,517	6,488,889
Change in:					
Assessments receivable, net	(12,173)	-	-	-	(12,173)
Accounts receivable, net	(24,234)	(142,719)	(48,474)	(2,196)	(217,623)
Interfund receivables	-	92,358	-	-	92,358
Due to (from) other governmental units	86,907	(114,307)	(75,986)	(77,105)	(180,491)
Grants receivable	-	16,621	-	-	16,621
Inventories	(42,565)	(464,732)	24,540	(6,739)	(489,496)
Prepaid expenses	-	-	(34,383)	-	(34,383)
Prepaid insurance	1,605	4,872	-	4,155	10,632
Deposits	-	-	-	52,500	52,500
Deferred outflows of resources					
– pension	(34,705)	(167,962)	(81,599)	(3,234)	(287,500)
Accounts payable	1,297,996	(418,430)	(18,971)	121,085	981,680
Utility tax payable	-	781	-	-	781
Interfund payables	16,030	-	-	-	16,030
Accrued payroll	82,378	103,195	150,030	-	335,603
Other postemployment benefits	-	74,676	-	-	74,676
Net pension liability	159,162	274,421	168,035	10,097	611,715
Deferred inflows of resources					
– pension	(20,002)	(44,798)	(21,115)	(1,269)	(87,184)
Unearned revenue	-	-	108,472	(8,428)	100,044
Estimated compensated absences	4,282	(103,485)	14,802	735	(83,666)
Net cash provided by (used in) operating activities	<u>\$ 6,101,731</u>	<u>\$ 10,606,766</u>	<u>\$ (2,555,452)</u>	<u>\$ (99,951)</u>	<u>\$ 14,053,094</u>

See notes to the financial statements.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Statements

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

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The City reports the following major proprietary funds:

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

Measurement Focus, Basis of Accounting

Government-Wide and Proprietary Financial Statements

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

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

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

Cash Equivalents and Certificates of Deposit

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

Accounts Receivable and Assessments Receivable

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

	<u>General Fund</u>	<u>Sewer Operation</u>	<u>Water System</u>	<u>Parks and Recreation</u>	<u>Airport</u>
Accounts receivable	\$ 470,990	\$ 440,953	\$ 1,876,893	\$ 102,676	\$ 7,600
Assessments receivable	319,879	406,342	-	-	-
Allowance for doubtful accounts	(146,085)	(117,578)	(209)	(43,397)	(1,754)
	<u>\$ 644,784</u>	<u>\$ 729,717</u>	<u>\$ 1,876,684</u>	<u>\$ 59,279</u>	<u>\$ 5,846</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, 2021**

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 has been accrued as due from other governmental units in the amount of \$5,587,967 as of September 30, 2021 for the bills sent out October 1, 2021, 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, 2021, an offsetting balance of the same amount is included in the line item, “unavailable revenue – property” and “other taxes”, in the financial statements.

Inventories

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2021, 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, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – 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, 2021, was as follows:

<u>Proprietary Fund / Component Unit</u>	<u>Total Interest Capitalized</u>
Utilities Board – Water Division	\$ 3,742,180
	<u>\$ 3,742,180</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, 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2021. 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, 2021. Full-time, permanent employees are granted vacation leave benefits in varying amounts, depending on tenure with the UBWD. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees and a percentage of sick leave is payable upon termination in accordance with guidelines established in the UBWD's personnel policies. The estimated liabilities include required salary-related payments.

Net Position

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

Pension

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

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows and Inflows of Resources

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

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

Governmental Fund Balances

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

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

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

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

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

Recently Issued Accounting Principles

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for fiscal year 2022. 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. This statement is effective for the City for the fiscal year ending September 30, 2022. The City is currently evaluating the impact this standard may have on its financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was issued to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 is effective for fiscal years beginning after June 15, 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, 2021**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – DEFICIT BALANCE

The \$357,656 deficit of the School Tax Fund is a result of expenditures accrued in excess of resources available within the City's 30-day availability period. The deficit is expected to be covered by resources accrued, but not received within the 30-day availability period.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Except as noted below, the City's deposits were insured by federal depository insurance coverage (FDIC) or the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is administered by the State Treasurer according to the State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to 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, 2021, the Utilities Board – Water Division of the City of Cullman (UBWD) (component unit blended with the Water System) had \$569,203 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, 2021, UBWD had \$3,529,269 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, 2021

5. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2021, was as follows:

	Balance at Sept. 30, 2020	Additions	(Disposals)	Transfers	Balance at Sept. 30, 2021
Governmental activities:					
Non-depreciable capital assets:					
Land	\$ 10,926,607	\$ 334,721	\$ -	\$ -	\$ 11,261,328
Historical buildings	378,448	-	-	-	378,448
Construction in progress	8,347,529	7,241,174	-	(9,268,890)	6,319,813
	19,652,584	7,575,895	-	(9,268,890)	17,959,589
Depreciable capital assets:					
Buildings	19,865,556	-	-	290,229	20,155,785
Improvements other than buildings	5,090,957	209,860	-	2,731,905	8,032,722
Infrastructure – streets	43,480,198	837,865	-	6,246,755	50,564,818
Infrastructure – bridges	607,683	-	-	-	607,683
Office equipment	27,913	-	-	-	27,913
Computer equipment	474,011	278,106	-	-	752,117
Communication equipment	462,364	-	-	-	462,364
Heavy equipment	5,613,153	1,997,250	(49,995)	166,542	7,726,950
Transportation equipment	11,954,186	310,293	(1,002,867)	38,086	11,299,698
Other general equipment	4,809,089	304,473	-	-	5,113,562
	92,385,110	3,937,847	(1,052,862)	9,473,517	104,743,612
Less accumulated depreciation:					
Buildings	(3,225,738)	(391,250)	-	-	(3,616,988)
Improvements other than buildings	(1,233,703)	(240,393)	-	-	(1,474,096)
Infrastructure – streets	(14,910,701)	(1,114,176)	-	-	(16,024,877)
Infrastructure – bridges	(346,380)	-	-	-	(346,380)
Office equipment	(17,318)	(1,411)	-	-	(18,729)
Computer equipment	(293,983)	(43,724)	-	-	(337,707)
Communication equipment	(318,629)	(18,807)	-	-	(337,436)
Heavy equipment	(1,992,117)	(535,877)	16,498	(77,441)	(2,588,937)
Transportation equipment	(7,773,994)	(646,951)	902,580	(34,277)	(7,552,642)
Other general equipment	(2,932,638)	(232,072)	-	-	(3,164,710)
	(33,045,201)	(3,224,661)	919,078	(111,718)	(35,462,502)
Net depreciable capital assets	59,339,909	713,186	(133,784)	9,361,799	69,281,110
Total capital assets, net	\$ 78,992,493	\$ 8,289,081	\$ (133,784)	\$ 92,909	\$ 87,240,699

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

5. CAPITAL ASSETS – CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2021, was as follows:

	Balance at Sept. 30, 2020	Additions	(Disposals)	Adjustments and Transfers	Balance at Sept. 30, 2021
Business-type activities:					
Non-depreciable capital assets:					
Land	\$ 15,011,926	\$ 75,150	\$ -	\$ -	\$ 15,087,076
Construction in progress	142,351,556	11,999,525	(7,669)	(146,143,658)	8,199,754
	157,363,482	12,074,675	(7,669)	(146,143,658)	23,286,830
Depreciable capital assets:					
Buildings	29,169,619	-	-	-	29,169,619
Improvements other than buildings	142,794,978	626,321	-	2,857,310	146,278,609
Source of supply	2,434,916	-	-	-	2,434,916
Pumping plant	709,632	-	-	10,865,951	11,575,583
Water treatment plant	31,315,075	-	-	-	31,315,075
Duck River dam	-	-	-	121,993,942	121,993,942
Pipeline	-	-	-	9,935,517	9,935,517
Transmission and distribution system	1,454,061	-	-	-	1,454,061
Office equipment	634,746	-	-	-	634,746
Computer equipment	114,446	-	-	-	114,446
Communication equipment	23,285	-	-	-	23,285
Heavy equipment	6,175,568	2,654,074	(1,591,572)	-	7,238,070
Transportation equipment	3,919,394	717,024	(225,184)	(56,422)	4,354,812
Other general equipment	7,215,118	506,071	(86,824)	19,605	7,653,970
	225,960,838	4,503,490	(1,903,580)	145,615,903	374,176,651
Less accumulated depreciation:					
Buildings	(13,885,829)	(602,342)	-	-	(14,488,171)
Improvements other than buildings	(65,484,967)	(3,748,231)	-	-	(69,233,198)
Source of supply	(1,909,257)	(100,626)	-	-	(2,009,883)
Pumping plant	(791,993)	(34,850)	-	-	(826,843)
Water treatment plant	(11,022,883)	(565,855)	-	-	(11,588,738)
Transmission and distribution system	(1,076,685)	(56,746)	-	-	(1,133,431)
Office equipment	(224,225)	(20,789)	-	-	(245,014)
Computer equipment	(51,519)	(7,373)	-	-	(58,892)
Communication equipment	(4,785)	(1,797)	-	-	(6,582)
Heavy equipment	(1,799,634)	(792,582)	269,892	-	(2,322,324)
Transportation equipment	(1,700,192)	(340,876)	(2,022)	17,594	(2,025,496)
Other general equipment	(4,044,050)	(216,822)	11,154	(18,670)	(4,268,388)
	(101,996,019)	(6,488,889)	279,024	(1,076)	(108,206,960)
Net depreciable capital assets	123,964,819	(1,985,399)	(1,624,556)	145,614,827	265,969,691
Total capital assets, net	\$ 281,328,301	\$ 10,089,276	\$ (1,632,225)	\$ (528,831)	\$ 289,256,521

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

5. CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:

General government:	
Administrative	\$ 295,409
Building and housing	17,737
Garage	36,765
Public safety:	
Police	264,125
Fire	571,468
Traffic Maintenance	79,657
Dispatch and EMA	22,897
Highways and streets	1,401,901
Sanitation	493,100
Culture and recreation	20,640
Conservation	20,962
	<u>\$ 3,224,661</u>

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

Sewer	\$ 2,484,501
Water System	2,446,171
Parks and Recreation	1,263,700
Airport	294,517
	<u>\$ 6,488,889</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, 2021**

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:

Governmental Activities			
Year Ended September 30	Principal	Interest	Total Debt Service Requirement
2022	\$ 745,000	\$ 1,439,713	\$ 2,184,713
2023	785,000	1,453,025	2,238,025
2024	1,440,000	1,412,900	2,852,900
2025	1,500,000	1,227,175	2,727,175
2026	1,560,000	1,061,500	2,621,500
2027-2031	8,945,000	4,892,700	13,837,700
2032-2036	10,850,000	3,482,500	14,332,500
2037-2041	5,305,000	2,669,000	7,974,000
Thereafter	13,690,000	2,262,325	15,952,325
	\$ 44,820,000	\$ 19,900,838	\$ 64,720,838

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

Business-Type Activities					
Direct Placement Bonds					
Year Ended September 30	Principal	Interest	Principal	Interest	Total Debt Service Requirement
2022	\$ 220,000	\$ 1,540,569	\$ 6,205,572	\$ 2,301,880	\$ 10,268,021
2023	225,000	1,535,669	6,345,924	2,154,072	10,260,665
2024	230,000	1,531,169	4,911,540	1,999,732	8,672,441
2025	235,000	1,525,994	4,665,000	1,866,673	8,292,667
2026	1,000,000	1,518,944	4,035,000	1,730,567	8,284,511
2027-2031	5,485,000	7,120,106	21,830,000	7,006,396	41,441,502
2032-2036	6,635,000	5,955,438	24,730,000	4,046,174	41,366,612
2037-2041	13,820,000	4,038,750	17,640,000	1,301,150	36,799,900
2042-2046	13,045,000	1,245,750	-	-	14,290,750
	\$ 40,895,000	\$ 26,012,389	\$ 90,363,036	\$ 22,406,644	\$ 179,677,069

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

6. LONG-TERM DEBT – CONTINUED

Changes in long-term debt during the year ended September 30, 2021, were as follows:

Governmental Activities						
	Interest Rates	Balance at Sept. 30, 2020	Additions	Payments	Balance at Sept. 30, 2021	Due Within One Year
General obligation warrants:						
Burrow Property	2.95%	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Series 2016	3.00-5.00%	16,440,000	-	(705,000)	15,735,000	745,000
Series 2021	2.50-4.00%	-	29,085,000	-	29,085,000	-
		<u>\$ 16,540,000</u>	<u>\$29,085,000</u>	<u>\$ (805,000)</u>	<u>\$ 44,820,000</u>	<u>\$ 745,000</u>
Business-Type Activities						
	Interest Rates	Balance at Sept. 30, 2020	Additions	Payments	Balance at Sept. 30, 2021	Due Within One Year
Sewer Fund:						
General obligation warrants:						
Series 2013	1.72%	\$ 555,556	\$ -	\$ (555,556)	\$ -	\$ -
Series 2013-A	2.63%	4,061,705	-	(1,245,196)	2,816,507	1,275,440
Series 2015 - CWSRF - DL	2.25%	3,140,000	-	(175,000)	2,965,000	180,000
Series 2015B - CWSRF - DL	2.20%	2,740,000	-	(155,000)	2,585,000	160,000
Series 2020 - CWSRF - DL	2.20%	7,110,000	-	(285,000)	6,825,000	295,000
Water System:						
Utilities Board – Water Division:						
Water Revenue Bonds:						
Series 2011	2.75-9.00%	-	-	-	-	-
Series 2015A	2.00-5.00%	41,110,000	-	(215,000)	40,895,000	220,000
Series 2015B	2.195%	3,565,000	-	(685,000)	2,880,000	695,000
Series 2017 - DWSRF-DL	2.20%	21,205,000	-	(1,040,000)	20,165,000	1,065,000
Series 2020- DWSRF-DL	2.20%	5,770,000	-	(250,000)	5,520,000	255,000
Series 2020	2.00-4.00%	46,225,000	-	(1,235,000)	44,990,000	1,455,000
Water Fund, General Obligation Warrants:						
Series 2012	2.50%	190,000	-	(190,000)	-	-
Series 2012 - DWSRF-BL	2.46%	365,000	-	(180,000)	185,000	185,000
Series 2013B	2.30%	1,948,544	-	(600,296)	1,348,248	561,832
Cullman Regional						
Airport Board:						
General obligation warrants:						
Warrant dated September 14, 2011	2.60%	11,700	-	(11,700)	-	-
Warrant dated October 22, 2012	2.99%	166,345	-	(83,064)	83,281	78,300
		<u>\$ 138,163,850</u>	<u>\$ -</u>	<u>\$ (6,905,812)</u>	<u>\$ 131,258,036</u>	<u>\$ 6,425,572</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

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

The Water Revenue Bonds, which were issued for the purpose of making capital improvements to the water supply system are not a general obligation of the City of Cullman and are secured by and repayable solely from the revenues derived from the operation of the water supply system remaining after payment of necessary expenses for operating and maintaining the water supply system. Debt service during the year ended September 30, 2021, from pledged revenues totaled approximately \$5,025,000.

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

On April 20, 2021 the City of Cullman, Alabama issued General Obligation Warrants, Series 2021, for the purpose of providing funds to pay the costs of a new public recreation and events center, and to expand the public water park of the City. The Warrants have an original principal amount of \$29,085,000 and consists of the following three components: 2021 Serial Warrants, 2046 Term Warrants, and 2051 Term Warrants. The 2021 Serial Warrants have a par value of \$15,395,000 with annual principal installments ranging from \$620,000 to \$1,125,000 through 2041 with interest ranging from 3-4% due April 1 of each year beginning April 1, 2024. The 2046 Term Warrant with a par value of \$6,280,000 at 4% interest is due April 1, 2046. The 2051 Term Warrant with a par value of \$7,410,000 at 2.50% is due April 1, 2051. The sources and uses of the Series 2021 bonds are as follows:

Sources of Funds:

Principal amount of Series 2021 warrants	\$ 29,085,000
Plus: net original issue premium	<u>3,075,782</u>
Total sources of funds	<u>\$ 32,160,782</u>

Uses of Funds:

Project fund deposits	\$ 30,000,000
Capitalized interest through 4/1/23	1,902,339
Expenses of issuance	<u>258,443</u>
Total uses of funds	<u>\$ 32,160,782</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. INTERFUND BALANCES AND ACTIVITY

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. The amounts reported as due to/from should be repaid during the next fiscal year. The amounts reported as advances to/from other funds will be repaid over multiple years. The composition of interfund balances as of September 30, 2021 is shown below.

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	General Fund	\$ 3,591
Debt Service	Parks and Recreation	494,334
Water System	Sewer Operation	71,423
Total		<u>\$ 569,348</u>

Advances to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Enterprise	\$ 203,703
Debt Service	Parks and Recreation	9,990,321
Total		<u>\$ 10,194,024</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, 2021, were as follows:

Transfers (out)	Transfers in							
	General Fund	Debt Service	Nonmajor Governmental	Water System	Sewer Operation	Parks and Recreation	Nonmajor Enterprise	
General Fund	\$ 9,470,639	\$ -	\$ 1,321,000	\$ 3,831,610	\$ -	\$ -	\$ 3,803,819	\$ 514,210
Debt Service	2,371,753	-	-	1,452,030	-	-	919,723	-
Water System	513,808	-	-	43,808	-	470,000	-	-
Sewer Operation	524,843	-	-	54,843	470,000	-	-	-
Nonmajor Governmental	258,879	194,000	-	-	44,608	20,271	-	-
	<u>\$ 13,139,922</u>	<u>\$ 194,000</u>	<u>\$ 1,321,000</u>	<u>\$ 5,382,291</u>	<u>\$ 514,608</u>	<u>\$ 490,271</u>	<u>\$ 4,723,542</u>	<u>\$ 514,210</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

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

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

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. PENSION PLAN – CONTINUED

Benefits Provided

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

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

Members are eligible for disability retirement if they have 10 years of 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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019 -132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership of the City of Cullman and its blended component unit, the Utilities Board – Water Division of the City of Cullman (the UBWD) consisted of the following:

	ERS' Membership	City's Membership	UBWD's Membership
Retirees and beneficiaries currently receiving benefits	28,672	155	2
Terminated employees entitled to but not yet receiving benefits	1,974	5	-
Terminated employees not entitled to a benefit	14,133	70	-
Active members	56,369	377	14
Post-DROP participants who are still in active service	97	3	-
	101,245	610	16

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

10. PENSION PLAN – CONTINUED

Contributions

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

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

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

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

For the year ended September 30, 2021, the City's active employee contribution rate was 10.26% and 7.31% of covered payroll for Tier 1 and Tier 2 employees, respectively, and the City's average contribution rate to fund the normal and accrued liability costs was 7.06% of pensionable payroll. The UBWD's active employee contribution rate was 8.89% and 7.23% of covered payroll for Tier 1 and Tier 2 employees, respectively, and the UBWD's average contribution rate to fund the normal and accrued liability costs was 10.97% of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2021, was 10.26% of pensionable pay for Tier 1 employees and 7.31% of pensionable pay for Tier 2 employees. The UBWD's contractually required rate was 8.89% of pensionable pay for Tier 1 employees and 7.23% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2018, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City and the UBWD were \$1,506,637 and \$146,192, respectively, for the year ended September 30, 2021.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. PENSION PLAN – CONTINUED

Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of 9/30/2019 (a)	\$ 61,845,501	\$ 62,858,218
Entry Age Normal Cost		
for 10/1/2019 - 9/30/2020 (b)	1,290,891	1,440,000
Transfers Among Employers	-	(132,001)
Actual Benefit Payments and Refunds		
for 10/1/2019 - 9/30/2020 (c)	(3,764,611)	(3,764,611)
Total Pension Liability		
as of 9/30/2020	\$ 63,988,947	\$ 65,096,751
[(a) x (1.0770)] + (b) - [(c) x (1.0385)]		
Difference between Expected and Actual Experience (Gain)/Loss		\$ 748,826

Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of 9/30/2019 (a)	\$ 4,803,835	\$ 4,834,701
Entry Age Normal Cost		
for 10/1/2019 - 9/30/2020 (b)	80,651	80,651
Transfers Among Employers	-	-
Actual Benefit Payments and Refunds		
for 10/1/2019 - 9/30/2020 (c)	(184,826)	(181,709)
Total Pension Liability		
as of 9/30/2020		
[(a) x (1.0770)] + (b) - [(c) x (1.0385)]	\$ 5,062,439	\$ 5,163,646
Difference between Expected and Actual Experience (Gain)/Loss		\$ 33,044

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. PENSION PLAN – CONTINUED

Actuarial Assumptions

The total pension liability as of September 30, 2020, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense.

Mortality rates were based on the sex distinct 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 ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 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:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	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%.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. PENSION PLAN – CONTINUED

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. 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.

Changes in Net Pension Liability (Asset)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2019	\$ 61,922,618	\$ 45,770,292	\$ 16,152,326
Changes for the year:			
Service cost	1,290,891	-	1,290,891
Interest	4,617,166	-	4,617,166
Changes of benefit terms	748,826	-	748,826
Difference between expected and actual experience	413,862	-	413,862
Contributions – employer	-	1,652,373	(1,652,373)
Contributions – employee	-	1,070,959	(1,070,959)
Net investment income	-	2,498,616	(2,498,616)
Benefit payments, including refunds of employee contributions	(3,764,611)	(3,764,611)	-
Transfers among employers	(132,001)	(132,001)	-
	<u>3,174,133</u>	<u>1,325,336</u>	<u>1,848,797</u>
Balances at September 30, 2020	<u>\$ 65,096,751</u>	<u>\$ 47,095,628</u>	<u>\$ 18,001,123</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset)

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2019	\$ 4,834,701	\$ 3,750,085	\$ 1,084,616
Changes for the year:			
Service cost	80,651	-	80,651
Interest	362,779	-	362,779
Changes of benefit terms	33,044	-	33,044
Difference between expected and actual experience	37,297	-	37,297
Contributions – employer	-	112,512	(112,512)
Contributions – employee	-	62,696	(62,696)
Net investment income	-	213,647	(213,647)
Benefit payments, including refunds of employee contributions	(184,826)	(184,826)	-
Transfers among employers	-	-	-
	<u>328,945</u>	<u>204,029</u>	<u>124,916</u>
Balances at September 30, 2020	<u>\$ 5,163,646</u>	<u>\$ 3,954,114</u>	<u>\$ 1,209,532</u>

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2019	\$ 66,757,319	\$ 49,520,377	\$ 17,236,942
Changes for the year:			
Service cost	1,371,542	-	1,371,542
Interest	4,979,945	-	4,979,945
Changes of benefit terms	781,870	-	781,870
Difference between expected and actual experience	451,159	-	451,159
Contributions – employer	-	1,764,885	(1,764,885)
Contributions – employee	-	1,133,655	(1,133,655)
Net investment income	-	2,712,263	(2,712,263)
Benefit payments, including refunds of employee contributions	(3,949,437)	(3,949,437)	-
Transfers among employers	(132,001)	(132,001)	-
	<u>3,503,078</u>	<u>1,529,365</u>	<u>1,973,713</u>
Less 50% for Cullman Regional Airport Board	<u>(368,483)</u>	<u>(266,570)</u>	<u>(101,913)</u>
Balances at September 30, 2020	<u>\$ 69,891,914</u>	<u>\$ 50,783,172</u>	<u>\$ 19,108,742</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset) – 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 employees of the Airport are employees of the City of Cullman. Only 50 percent of the Airport's net pension liability has been reflected in the financial statements due to the other 50 percent which is expected to be paid by Cullman County, Alabama, through the joint venture.

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

The following table presents the City and UBWD's net pension liability calculated using the discount rate of 7.70%, as well as what the City and UBWD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.7%) or one percentage point higher (8.7%) than the current rate (dollar amounts in thousands):

	1% Decrease 6.70%	Current Rate 7.70%	1% Increase 8.70%
City of Cullman	\$ 25,442,770	\$ 18,001,123	\$ 11,720,836
UBWD	1,705,460	1,209,532	729,111
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	(143,752)	(101,913)	(66,223)
	<u>\$ 27,004,478</u>	<u>\$ 19,108,742</u>	<u>\$ 12,383,724</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditors' report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information are available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, the City recognized pension expense of \$1,614,934, and the UBWD recognized pension expense of \$118,078. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
City of Cullman	\$ 1,383,593	\$ -
UBWD	225,836	-
Net difference between projected and actual experience:		
City of Cullman	1,073,293	363,574
UBWD	-	30,372
Changes of assumptions:		
City of Cullman	708,441	-
UBWD	21,459	-
Employer contributions subsequent to the measurement date:		
City of Cullman	1,506,637	-
UBWD	146,192	-
Less 50% for Cullman Regional Airport Board to be paid by Cullman County	(23,763)	(330)
	\$ 5,041,688	\$ 393,616

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

	City of Cullman	UBWD	Airport Board	Total
2022	\$ 518,773	\$ 28,200	\$ 842	\$ 547,815
2023	873,505	93,277	2,359	969,141
2024	868,213	71,585	5,228	945,026
2025	356,345	30,369	5,209	391,923
2026	139,978	(6,508)	1,082	134,552
Thereafter	6,007	-	779	6,786
	\$ 2,762,821	\$ 216,923	\$ 15,499	\$ 2,995,243

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021, 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.

<u>Tax Abatement</u>	<u>Amount of Taxes Abated</u>
Alabama Tax Incentive Reform Act of 1992	\$ 111,799
Amendment 772	
Property Tax	24,155
Sales Tax	559,611

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.

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, the balance sheet item "Due from other governmental units" includes collections to be received from the Board in the amounts of \$278,277.

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, 2020, the effective date of the OPEB valuation, was 14 active employees and two retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

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

Currently, the Utilities Board – Water Division of the City of Cullman, Alabama, pays the health insurance benefits on a pay-as-you-go basis (when premiums and claims are due). The net OPEB liability as of June 30, 2021, the most recent measurement date, was \$171,019, and the net change to the OPEB liability was \$74,676, consisting of service cost of \$8,303 and interest of \$2,129, difference between expected and actual experience of \$32,070 and assumption changes of \$32,174. 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 \$199,919 for the year ended September 30, 2021.

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

<u>Year</u>	<u>Amount</u>
2022	\$ 32,044
2023	28,800
2024	28,800
2025	28,800
2026	28,800
Thereafter	<u>220,800</u>
	<u>\$ 368,044</u>

**CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 five percent. The City has paid the permitting fees for the release of Parcel A from further remediation. The environmental remediation of Parcel B has been put on hold pending the City deciding to build on the property.

18. SUBSEQUENT EVENTS

The City has evaluated events and transactions that occurred between September 30, 2021 and March 24, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY									
Service cost	\$ 1,290,891	\$ 80,651	\$ 1,371,542	\$ 1,240,168	\$ 73,709	\$ 1,313,877	\$ 1,132,043	\$ 61,734	\$ 1,193,777
Interest	4,617,166	362,779	4,979,945	4,390,057	340,241	4,730,298	4,275,976	323,421	4,599,397
Changes of benefit terms	748,826	33,044	781,870	-	82,433	82,433	-	-	-
Differences between expected and actual experience	413,862	37,297	451,159	821,476	-	821,476	(184,945)	34,960	(149,985)
Changes of assumptions	-	-	-	-	-	-	303,407	20,694	324,101
Benefit payments, including refunds of employee contributions	(3,764,611)	(184,826)	(3,949,437)	(3,790,059)	(181,709)	(3,971,768)	(3,260,807)	(182,740)	(3,443,547)
Transfers among employers	(132,001)	-	(132,001)	123,409	-	123,409	67,601	(10,989)	56,612
Net change in total pension liability	3,174,133	328,945	3,503,078	2,785,051	314,674	3,099,725	2,333,275	247,080	2,580,355
Total pension liability – beginning	61,922,618	4,834,701	66,757,319	59,137,567	4,520,027	63,657,594	56,804,292	4,272,947	61,077,239
Total pension liability – ending (a)	<u>\$ 65,096,751</u>	<u>\$ 5,163,646</u>	<u>\$ 70,260,397</u>	<u>\$ 61,922,618</u>	<u>\$ 4,834,701</u>	<u>\$ 66,757,319</u>	<u>\$ 59,137,567</u>	<u>\$ 4,520,027</u>	<u>\$ 63,657,594</u>
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,652,373	\$ 112,512	\$ 1,764,885	\$ 1,517,972	\$ 111,009	\$ 1,628,981	\$ 1,452,280	\$ 107,022	\$ 1,559,302
Contributions – employee	1,070,959	62,696	1,133,655	951,255	60,148	1,011,403	902,800	54,041	956,841
Net investment income	2,498,616	213,647	2,712,263	1,158,885	93,855	1,252,740	3,909,186	315,729	4,224,915
Benefit payments, including refunds of employee contributions	(3,764,611)	(184,826)	(3,949,437)	(3,790,059)	(181,709)	(3,971,768)	(3,260,807)	(182,740)	(3,443,547)
Transfers among employers	(132,001)	-	(132,001)	123,409	-	123,409	67,601	(10,989)	56,612
Net change in plan fiduciary net position	1,325,336	204,029	1,529,365	(38,538)	83,303	44,765	3,071,060	283,063	3,354,123
Plan net position – beginning	45,770,292	3,750,085	49,520,377	45,808,830	3,666,782	49,475,612	42,737,770	3,383,719	46,121,489
Plan net position – ending (b)	<u>47,095,628</u>	<u>3,954,114</u>	<u>51,049,742</u>	<u>45,770,292</u>	<u>3,750,085</u>	<u>49,520,377</u>	<u>45,808,830</u>	<u>3,666,782</u>	<u>49,475,612</u>
NET POSITION LIABILITY (a) - (b)	<u>\$ 18,001,123</u>	<u>\$ 1,209,532</u>	<u>\$ 19,210,655</u>	<u>\$ 16,152,326</u>	<u>\$ 1,084,616</u>	<u>\$ 17,236,942</u>	<u>\$ 13,328,737</u>	<u>\$ 853,245</u>	<u>\$ 14,181,982</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	72.35%	76.58%	72.66%	73.92%	77.57%	74.18%	77.46%	81.12%	77.72%
COVERED EMPLOYEE PAYROLL	\$ 18,428,626	\$ 1,450,117	\$ 19,878,743	\$ 16,247,187	\$ 1,389,732	\$ 17,636,919	\$ 13,840,015	\$ 1,041,071	\$ 14,881,086
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	97.68%	83.41%	96.64%	99.42%	78.04%	97.73%	96.31%	81.96%	95.30%

See independent auditors' report.

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

	For the Year Ended September 30, 2017			For the Year Ended September 30, 2016			For the Year Ended September 30, 2015		
	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total	City of Cullman	UBWD	Total
TOTAL PENSION LIABILITY									
Service cost	\$ 1,097,342	\$ 61,122	\$ 1,158,464	\$ 1,042,024	\$ 64,088	\$ 1,106,112	\$ 1,037,206	\$ 64,359	\$ 1,101,565
Interest	4,113,828	316,022	4,429,850	4,002,270	309,083	4,311,353	3,852,199	306,052	4,158,251
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	(106,907)	(106,907)	(942,085)	(22,557)	(964,642)	(339,015)	(6,497)	(345,512)
Changes of assumptions	350,735	-	350,735	2,133,269	64,643	2,197,912	-	-	-
Benefit payments, including refunds of employee contributions	(3,461,845)	(168,017)	(3,629,862)	(2,990,489)	(234,178)	(3,224,667)	(2,358,467)	(161,036)	(2,519,503)
Transfers among employers	(108,346)	2,676	(105,670)	43,967	-	43,967	-	-	-
Net change in total pension liability	1,991,714	104,896	2,096,610	3,288,956	181,079	3,470,035	2,191,923	202,878	2,394,801
Total pension liability – beginning	54,812,578	4,168,051	58,980,629	51,523,622	3,986,972	55,510,594	49,331,699	3,784,094	53,115,793
Total pension liability – ending (a)	\$ 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
PLAN FIDUCIARY NET POSITION									
Contributions – employer	\$ 1,441,697	\$ 100,572	\$ 1,542,269	\$ 1,425,482	\$ 99,191	\$ 1,524,673	\$ 1,368,019	\$ 106,966	\$ 1,474,985
Contributions – employee	838,665	45,603	884,268	771,618	47,046	818,664	709,731	44,367	754,098
Net investment income	4,919,768	385,365	5,305,133	3,649,303	283,132	3,932,435	426,614	34,236	460,850
Benefit payments, including refunds of employee contributions	(3,461,845)	(168,017)	(3,629,862)	(2,990,489)	(234,178)	(3,224,667)	(2,358,467)	(161,036)	(2,519,503)
Transfers among employers	(108,346)	2,676	(105,670)	43,967	-	43,967	(75,385)	-	(75,385)
Net change in plan fiduciary net position	3,629,939	366,199	3,996,138	2,899,881	195,191	3,095,072	70,512	24,533	95,045
Plan net position – beginning	39,107,831	3,017,520	42,125,351	36,207,950	2,822,329	39,030,279	36,137,438	2,797,796	38,935,234
Plan net position – ending (b)	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
NET POSITION LIABILITY (a) - (b)	\$ 14,066,522	\$ 889,228	\$ 14,955,750	\$ 15,704,747	\$ 1,150,531	\$ 16,855,278	\$ 15,315,672	\$ 1,164,643	\$ 16,480,315
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	75.24%	79.19%	75.51%	71.35%	72.40%	71.42%	70.27%	70.79%	70.31%
COVERED EMPLOYEE PAYROLL	\$ 13,739,161	\$ 978,328	\$ 14,717,488	\$ 13,584,634	\$ 964,894	\$ 14,549,528	\$ 13,037,020	\$ 887,076	\$ 13,924,096
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	102.38%	90.89%	101.62%	115.61%	119.24%	115.85%	117.48%	131.29%	118.36%

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

See independent auditors' report.

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

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

See independent auditors' report.

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

Notes to Schedule of Employer Contributions to Pension Plan

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

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

Contributions for fiscal year 2021 were based on the September 30, 2018 actuarial valuation. Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021, are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	23.8 years – City of Cullman; 26.2 years - UBWD
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increases	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

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

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 25,136,104	\$ 25,136,104	\$ 29,277,318	\$ 4,141,214
Licenses and permits	3,565,000	3,565,000	4,172,184	607,184
Intergovernmental revenues	3,140,500	3,140,500	5,704,394	2,563,894
Charges for services	5,857,700	5,857,700	6,760,381	902,681
Fines and forfeits	180,000	180,000	334,523	154,523
Interest revenue	132,000	132,000	82,984	(49,016)
Miscellaneous revenues	219,944	219,944	156,988	(62,956)
	<u>38,231,248</u>	<u>38,231,248</u>	<u>46,488,772</u>	<u>8,257,524</u>
EXPENDITURES				
Current expenditures:				
General government	7,167,684	7,167,684	6,134,672	1,033,012
Public safety	13,007,176	13,025,176	13,194,715	(169,539)
Highways and streets	3,294,822	3,294,822	2,713,049	581,773
Sanitation	4,264,542	4,264,542	4,360,731	(96,189)
Health and social services	1,142,004	1,142,004	681,608	460,396
Culture and recreation	190,080	190,080	183,124	6,956
Education	148,900	148,900	156,600	(7,700)
Capital outlay	2,857,425	2,839,425	5,140,427	(2,301,002)
	<u>32,072,633</u>	<u>32,072,633</u>	<u>32,564,926</u>	<u>(492,293)</u>
REVENUES OVER EXPENSES	6,158,615	6,158,615	13,923,846	7,765,231
OTHER FINANCING SOURCES (USES)				
Sale of assets	246,000	246,000	-	(246,000)
Insurance proceeds	-	-	88,231	88,231
Operating transfers in	-	-	194,000	194,000
Operating transfers out	(6,305,815)	(6,305,815)	(9,470,639)	(3,164,824)
	<u>(6,059,815)</u>	<u>(6,059,815)</u>	<u>(9,188,408)</u>	<u>(3,128,593)</u>
NET CHANGES IN FUND BALANCES	98,800	98,800	4,735,438	4,636,638
FUND BALANCE AT BEGINNING OF YEAR	<u>24,194,849</u>	<u>24,194,849</u>	<u>24,194,849</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 24,293,649</u>	<u>\$ 24,293,649</u>	<u>\$ 28,930,287</u>	<u>\$ 4,636,638</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – SCHOOL TAX FUND (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 7,792,000	\$ 7,792,000	\$ 8,566,390	\$ 774,390
EXPENDITURES				
Current expenditures:				
Education	7,792,000	7,792,000	8,577,867	(785,867)
NET CHANGES IN FUND BALANCES	-	-	(11,477)	(11,477)
FUND BALANCE AT BEGINNING OF YEAR	(346,179)	(346,179)	(346,179)	-
FUND BALANCE AT END OF YEAR	\$ (346,179)	\$ (346,179)	\$ (357,656)	\$ (11,477)

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SEPTEMBER 30, 2021

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, 2021**

	Special Revenue	Capital Projects	Permanent Fund – Roy Ingle	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,243,274	\$ 808,915	\$ 18,534	\$ 2,070,723
Certificates of deposit	-	-	100,908	100,908
Due from other funds	3,591	-	-	3,591
Due from other governmental units	242,505	1,386,883	-	1,629,388
TOTAL ASSETS	\$ 1,489,370	\$ 2,195,798	\$ 119,442	\$ 3,804,610
LIABILITIES				
Accounts payable	\$ 314,427	\$ 1,002,661	\$ -	\$ 1,317,088
Due to other funds	17,156	-	-	17,156
Total liabilities	331,583	1,002,661	-	1,334,244
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	111,411	-	-	111,411
Total deferred inflows of resources	111,411	-	-	111,411
FUND BALANCES				
Nonspendable:				
Permanent fund principal	-	-	100,918	100,918
Restricted for:				
Realty improvements and Ingle Park	-	-	18,524	18,524
Highways and streets	223,606	-	-	223,606
Capital improvements	663,477	-	-	663,477
Jail, correction and court facilities	48,450	-	-	48,450
Municipal Court	30,219	-	-	30,219
Industrial development and recreation	80,624	-	-	80,624
Assigned for:				
Capital projects	-	1,193,137	-	1,193,137
Total fund balances	1,046,376	1,193,137	119,442	2,358,955
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,489,370	\$ 2,195,798	\$ 119,442	\$ 3,804,610

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, 2021**

	Special Revenue	Capital Projects	Permanent Fund – Roy Ingle	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 378,590	\$ -	\$ -	\$ 378,590
Intergovernmental revenues	524,090	636,395	-	1,160,485
Fines and forfeits	46,132	-	-	46,132
Interest revenue	387	1,431	10	1,828
Miscellaneous revenues	-	100,000	-	100,000
Total revenues	949,199	737,826	10	1,687,035
EXPENDITURES				
Current expenditures:				
General government	-	5,468	-	5,468
Highways and streets	-	478,645	-	478,645
Capital outlay	332,587	6,040,728	-	6,373,315
Debt service	-	100,000	-	100,000
Total expenditures	332,587	6,624,841	-	6,957,428
REVENUES OVER (UNDER) EXPENDITURES	616,612	(5,887,015)	10	(5,270,393)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	5,382,291	-	5,382,291
Operating transfers out	(194,000)	(64,879)	-	(258,879)
Total other financing sources (uses)	(194,000)	5,317,412	-	5,123,412
EXPENDITURES AND OTHER USES (OVER) UNDER REVENUES AND OTHER SOURCES	422,612	(569,603)	10	(146,981)
FUND BALANCE AT BEGINNING OF YEAR	623,764	1,762,740	119,432	2,505,936
FUND BALANCE AT END OF YEAR	<u>\$ 1,046,376</u>	<u>\$ 1,193,137</u>	<u>\$ 119,442</u>	<u>\$ 2,358,955</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	<u>Rebuild Alabama Gas</u>	<u>Four Cent Gasoline Tax</u>	<u>Seven Cent Gasoline Tax</u>	<u>Lodging Tax</u>	<u>Capital Improvement Fund</u>	<u>Industrial Purpose</u>	<u>Corrections and Court Fund</u>	<u>Court Judicial Admin Fund</u>	<u>Total</u>
ASSETS									
Cash equivalents	\$ 158,771	\$ 123,589	\$ 223,607	\$ 284,252	\$ 297,353	\$ 80,624	\$ 46,052	\$ 29,026	\$ 1,243,274
Due from other funds	-	-	-	-	-	-	2,398	1,193	3,591
Due from other governmental units	17,293	17,622	22,601	184,989	-	-	-	-	242,505
TOTAL ASSETS	<u>\$ 176,064</u>	<u>\$ 141,211</u>	<u>\$ 246,208</u>	<u>\$ 469,241</u>	<u>\$ 297,353</u>	<u>\$ 80,624</u>	<u>\$ 48,450</u>	<u>\$ 30,219</u>	<u>\$ 1,489,370</u>
LIABILITIES									
Accounts payable	\$ 118,048	\$ 123,925	\$ 72,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 314,427
Due to other funds	-	-	-	17,156	-	-	-	-	17,156
Total liabilities	118,048	123,925	72,454	17,156	-	-	-	-	331,583
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue	8,282	8,495	8,673	85,961	-	-	-	-	111,411
FUND BALANCES									
Restricted for:									
Highways and streets	49,734	8,791	165,081	-	-	-	-	-	223,606
Capital improvements	-	-	-	366,124	297,353	-	-	-	663,477
Jail, correction and court facilities	-	-	-	-	-	-	48,450	-	48,450
Municipal Court	-	-	-	-	-	-	-	30,219	30,219
Industrial development and recreation	-	-	-	-	-	80,624	-	-	80,624
Total fund balances	<u>49,734</u>	<u>8,791</u>	<u>165,081</u>	<u>366,124</u>	<u>297,353</u>	<u>80,624</u>	<u>48,450</u>	<u>30,219</u>	<u>1,046,376</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 176,064</u>	<u>\$ 141,211</u>	<u>\$ 246,208</u>	<u>\$ 469,241</u>	<u>\$ 297,353</u>	<u>\$ 80,624</u>	<u>\$ 48,450</u>	<u>\$ 30,219</u>	<u>\$ 1,489,370</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – SPECIAL REVENUE FUNDS – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Rebuild Alabama Gas	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Lodging Tax	Capital Improvement Fund	Industrial Purpose	Corrections and Court Fund	Court Judicial Admin Fund	Total
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 366,090	\$ -	\$ 12,500	\$ -	\$ -	\$ 378,590
Intergovernmental revenues	97,555	99,999	174,450	-	152,086	-	-	-	524,090
Fines and forfeits	-	-	-	-	-	-	29,701	16,431	46,132
Interest revenue	-	-	34	34	319	-	-	-	387
Total revenues	97,555	99,999	174,484	366,124	152,405	12,500	29,701	16,431	949,199
EXPENDITURES									
Current expenditures:									
Capital outlay	118,049	123,925	72,455	-	-	18,158	-	-	332,587
Total expenditures	118,049	123,925	72,455	-	-	18,158	-	-	332,587
REVENUES OVER EXPENDITURES	(20,494)	(23,926)	102,029	366,124	152,405	(5,658)	29,701	16,431	616,612
OTHER FINANCING USES									
Operating transfers out	-	-	-	-	-	(194,000)	-	-	(194,000)
Total other financing uses	-	-	-	-	-	(194,000)	-	-	(194,000)
REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	(20,494)	(23,926)	102,029	366,124	152,405	(199,658)	29,701	16,431	422,612
FUND BALANCE AT BEGINNING OF YEAR	70,228	32,717	63,052	-	144,948	280,282	18,749	13,788	623,764
FUND BALANCE AT END OF YEAR	\$ 49,734	\$ 8,791	\$ 165,081	\$ 366,124	\$ 297,353	\$ 80,624	\$ 48,450	\$ 30,219	\$ 1,046,376

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	<u>Industrial Park</u>	<u>Industrial Access Road</u>	<u>Parks and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>Building Construction</u>	<u>Brunner Street</u>	<u>Total</u>
ASSETS								
Cash equivalents	\$ 79,015	\$ 51,224	424,129	\$ 125,029	\$ 64,657	\$ 5,284	\$ 59,577	\$ 808,915
Due from other governmental units	1,386,883	-	-	-	-	-	-	1,386,883
TOTAL ASSETS	<u>\$ 1,465,898</u>	<u>\$ 51,224</u>	<u>\$ 424,129</u>	<u>\$ 125,029</u>	<u>\$ 64,657</u>	<u>\$ 5,284</u>	<u>\$ 59,577</u>	<u>\$2,195,798</u>
LIABILITIES								
Accounts payable	\$ 200,000	\$ 7,097	\$ 628,869	\$ 154,735	\$ 11,960	\$ -	\$ -	\$1,002,661
Total liabilities	200,000	7,097	628,869	154,735	11,960	-	-	1,002,661
FUND BALANCES								
Assigned for:								
Capital projects	1,265,898	44,127	(204,740)	(29,706)	52,697	5,284	59,577	1,193,137
Total fund balances	1,265,898	44,127	(204,740)	(29,706)	52,697	5,284	59,577	1,193,137
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,465,898</u>	<u>\$ 51,224</u>	<u>\$ 424,129</u>	<u>\$ 125,029</u>	<u>\$ 64,657</u>	<u>\$ 5,284</u>	<u>\$ 59,577</u>	<u>\$2,195,798</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – CAPITAL PROJECT FUNDS – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Industrial Park</u>	<u>Industrial Access Road</u>	<u>Parks and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>Building Constructio</u>	<u>Brunner Street</u>	<u>Total</u>
REVENUES								
Intergovernmental	\$ -	\$ 341,000	\$ -	\$ -	\$ 94,567	\$ -	\$ 200,828	\$ 636,395
Interest revenue	-	-	1,371	-	60	-	-	1,431
Miscellaneous revenues	-	50,000	-	50,000	-	-	-	100,000
Total revenues	-	391,000	1,371	50,000	94,627	-	200,828	737,826
EXPENDITURES								
Current expenditures:								
General government	2,069	-	1,200	-	2,199	-	-	5,468
Highways and streets	-	478,645	-	-	-	-	-	478,645
Capital outlay	-	-	4,163,519	201,203	1,175,878	-	500,128	6,040,728
Debt service	100,000	-	-	-	-	-	-	100,000
Total expenditures	102,069	478,645	4,164,719	201,203	1,178,077	-	500,128	6,624,841
REVENUES UNDER EXPENDITURES	(102,069)	(87,645)	(4,163,348)	(151,203)	(1,083,450)	-	(299,300)	(5,887,015)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	12,000	121,000	3,983,640	-	922,000	-	343,651	5,382,291
Operating transfers out	-	-	-	-	-	-	(64,879)	(64,879)
Total other financing sources	12,000	121,000	3,983,640	-	922,000	-	278,772	5,317,412
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	(90,069)	33,355	(179,708)	(151,203)	(161,450)	-	(20,528)	(569,603)
FUND BALANCE AT BEGINNING OF YEAR	1,355,967	10,772	(25,032)	121,497	214,147	5,284	80,105	1,762,740
FUND BALANCE AT END OF YEAR	\$ 1,265,898	\$ 44,127	\$ (204,740)	\$ (29,706)	\$ 52,697	\$ 5,284	\$ 59,577	\$ 1,193,137

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2021

	Water Department	Utilities Board – Water Division	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,604,486	\$ 335,023	\$ -	\$ 6,939,509
Certificates of deposit	404,000	-	-	404,000
Interest receivable	155	-	-	155
Accounts receivable	1,641,307	66	-	1,641,373
Due from City of Cullman, Alabama	255,775	50,959	-	306,734
Due from other governmental units:				
Cullman Power Board	690,559	-	-	690,559
Other	855,957	2,649	-	858,606
Inventories	1,025,077	-	-	1,025,077
Prepaid insurance	113,155	321,386	-	434,541
Prepaid utility tax	35,000	-	-	35,000
Total current assets	11,625,471	710,083	-	12,335,554
RESTRICTED ASSETS				
Cash and cash equivalents	36,111	4,098,472	-	4,134,583
State revolving funds receivable	-	1,680,173	-	1,680,173
Total restricted assets	36,111	5,778,645	-	5,814,756
CAPITAL ASSETS				
Land and other assets not being depreciated	273,566	11,654,985	-	11,928,551
Construction in progress	3,772,812	120,996	-	3,893,808
Buildings, improvements and equipment, net of depreciation	27,565,990	163,640,653	-	191,206,643
Total capital assets	31,612,368	175,416,634	-	207,029,002
OTHER ASSETS				
Advances to other funds	4,879,577	-	(4,879,577)	-
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	4,125	-	-	4,125
Deferred outflows of resources – pension	340,895	393,487	-	734,382
Total deferred outflows of resources	345,020	393,487	-	738,507
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 48,498,547	\$ 182,298,849	\$ (4,879,577)	\$ 225,917,819

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET – WATER SYSTEM (PROPRIETARY FUND)
SEPTEMBER 30, 2021

	Water Department	Utilities Board – Water Division	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable:				
Trade	\$ 438,128	\$ 371,735	\$ -	\$ 809,863
Utility tax payable	45,532	-	-	45,532
Accrued payroll	105,385	59,395	-	164,780
Estimated compensated absences – current portion	34,883	49,749	-	84,632
Total current liabilities	623,928	480,879	-	1,104,807
LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accounts payable:				
Contractors	-	120,996	-	120,996
Accrued interest payable	578	292,693	-	293,271
Current maturities on warrants/bonds payable	746,832	3,690,000	-	4,436,832
Total liabilities payable from restricted assets	747,410	4,103,689	-	4,851,099
NONCURRENT LIABILITIES				
Warrants/bonds payable	786,416	110,760,000	-	111,546,416
Unamortized debt discount	-	(282,881)	-	(282,881)
Unamortized debt premium	-	2,820,220	-	2,820,220
Advances from other funds	-	4,879,577	(4,879,577)	-
Other postemployment benefits	-	171,019	-	171,019
Net pension liability	945,293	1,209,532	-	2,154,825
Estimated compensated absences	95,548	280,702	-	376,250
Total noncurrent liabilities	1,827,257	119,838,169	(4,879,577)	116,785,849
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources – pension	(23,405)	30,372	-	6,967
NET POSITION				
Net invested in capital assets	30,078,542	62,119,294	-	92,197,836
Restricted for capital activity and debt service	36,111	1,674,956	-	1,711,067
Unrestricted	15,208,704	(5,948,510)	-	9,260,194
Total net position	45,323,357	57,845,740	-	103,169,097
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	\$ 48,498,547	\$ 182,298,849	\$ (4,879,577)	\$ 225,917,819

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, 2021

	Utilities Board – Water			Total
	Water Department	Division	Eliminations	
REVENUES				
Charges for sales and services	\$ 19,639,399	\$ 10,330,996	\$ (10,330,996)	\$ 19,639,399
Forfeited discounts and penalties	38,588	-	-	38,588
Charges for service connections	365,433	-	-	365,433
Service charges	73,425	-	-	73,425
Miscellaneous revenues	742,527	792	-	743,319
Total revenues	20,859,372	10,331,788	(10,330,996)	20,860,164
OPERATING EXPENSES				
Cost of water purchased	10,330,996	-	(10,330,996)	-
Salaries and wages	1,851,990	1,332,863	-	3,184,853
Payroll taxes	151,178	109,621	-	260,799
Employees retirement	222,950	152,653	-	375,603
Employees life and health insurance	387,060	12,559	-	399,619
Employees hospital insurance	-	256,835	-	256,835
Telephone	13,535	12,452	-	25,987
Utilities	54,987	1,052,921	-	1,107,908
Billing, accounting and collection fees	197,854	-	-	197,854
Office supplies and expense	37,625	70,085	-	107,710
Professional services	38,407	24,338	-	62,745
Engineering services	34,117	-	-	34,117
Other contracted services	82,862	98,947	-	181,809
Testing fees	18,877	22,984	-	41,861
Travel and training	1,920	23,029	-	24,949
Dues and subscriptions	1,727	6,002	-	7,729
Automotive repairs and maintenance	-	7,267	-	7,267
Automotive gasoline and oil	182,494	14,912	-	197,406
Uniforms	17,358	7,418	-	24,776
Small tools and equipment	46,251	5,029	-	51,280
General maintenance	-	5,799	-	5,799
Insurance	187,199	102,134	-	289,333
Lab supplies	-	89,855	-	89,855
Chemicals and other supplies	28,719	1,070,608	-	1,099,327
Equipment rental	25,241	-	-	25,241
Miscellaneous	50,451	22,400	-	72,851
Repairs and maintenance – system	997,637	201,239	-	1,198,876
Director's fees and expenses	-	31,500	-	31,500
Depreciation expense	1,625,915	820,256	-	2,446,171
Total operating expenses	16,587,350	5,553,706	(10,330,996)	11,810,060

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, 2021

	Water Department	Utilities Board – Water Division	Eliminations	Total
OPERATING INCOME	\$ 4,272,022	\$ 4,778,082	\$ -	\$ 9,050,104
NON-OPERATING REVENUES AND EXPENSES				
Grant revenue	22,808	-	-	22,808
Interest earned	4,332	141,678	-	146,010
Gain on sale of assets	42,969	-	-	42,969
Interest expense	(69,838)	(11,828)	-	(81,666)
Trustee fees	-	(14,905)	-	(14,905)
Total non-operating revenues and expenses	271	114,945	-	115,216
Change in net position before capital contributions and transfers	4,272,293	4,893,027	-	9,165,320
Transfers in	514,608	-	-	514,608
Transfers out	(513,808)	-	-	(513,808)
	800	-	-	800
CHANGE IN NET POSITION	4,273,093	4,893,027	-	9,166,120
NET POSITION AT BEGINNING OF YEAR	41,050,264	52,952,713	-	94,002,977
NET POSITION AT END OF YEAR	\$ 45,323,357	\$ 57,845,740	\$ -	\$ 103,169,097

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water Department	Utilities Board – Water Division	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 20,985,775	\$ 10,381,808	\$ (10,523,668)	\$ 20,843,915
Cash payments for purchased water	(10,523,668)	-	10,523,668	-
Cash payments to vendors and suppliers	(2,608,658)	(3,303,449)	-	(5,912,107)
Cash payments for salaries and related benefits	(2,416,438)	(1,908,604)	-	(4,325,042)
Net cash provided by operating activities	5,437,011	5,169,755	-	10,606,766
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances to Utilities Board Water Division	(2,046,389)	2,046,389	-	-
Transfers in	514,608	-	-	514,608
Transfers out	(513,808)	-	-	(513,808)
Net cash (used in) provided by noncapital financing activities	(2,045,589)	2,046,389	-	800
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction – capital assets	(4,369,083)	(5,513,190)	-	(9,882,273)
Capital contributions – grant proceeds	22,808	-	-	22,808
Proceeds on disposal of capital assets	1,284,307	-	-	1,284,307
Interest paid	(51,204)	(57,299)	-	(108,503)
Trustee fees	-	(14,905)	-	(14,905)
Principal payments of long-term debt	(970,296)	(3,425,000)	-	(4,395,296)
Net cash used in capital and related financing activities	(4,083,468)	(9,010,394)	-	(13,093,862)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of certificates of deposit	1,056,499	-	-	1,056,499
Interest received	4,332	141,678	-	146,010
Net cash provided by investing activities	1,060,831	141,678	-	1,202,509
NET CHANGE IN CASH AND CASH EQUIVALENTS	368,785	(1,652,572)	-	(1,283,787)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,271,812	6,086,067	-	12,357,879
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,640,597	\$ 4,433,495	\$ -	\$ 11,074,092
CASH AND CASH EQUIVALENTS CONSISTED OF THE FOLLOWING				
Cash equivalents – current assets	\$ 6,604,486	\$ 335,023	\$ -	\$ 6,939,509
Cash equivalents – restricted assets	36,111	4,098,472	-	4,134,583
	\$ 6,640,597	\$ 4,433,495	\$ -	\$ 11,074,092
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Noncash capital asset additions	\$ -	\$ 365,684	\$ -	\$ 365,684

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
COMBINING STATEMENT OF CASH FLOWS – WATER SYSTEM (PROPRIETARY FUND)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water Department	Utilities Board - Water Division	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 4,272,022	\$ 4,778,082	\$ 9,050,104
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,625,915	820,256	2,446,171
Change in:			
Accounts receivable, net	(192,739)	50,020	(142,719)
Interfund receivables	92,358	-	92,358
Due from other governments	(114,307)	-	(114,307)
Inventories	(464,732)	-	(464,732)
Prepaid insurance	(8,195)	13,067	4,872
Other assets	16,621	-	16,621
Deferred outflows of resources – pension	(69,889)	(98,073)	(167,962)
Accounts payable	29,168	(447,598)	(418,430)
Utility tax payable	781	-	781
Accrued payroll	105,385	(2,190)	103,195
Other postemployment benefits	-	74,676	74,676
Compensated absences	18,523	(122,008)	(103,485)
Net pension liability	149,505	124,916	274,421
Deferred inflows of resources – pension	(23,405)	(21,393)	(44,798)
Net cash provided by operating activities	<u>\$ 5,437,011</u>	<u>\$ 5,169,755</u>	<u>\$ 10,606,766</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2021**

**General Obligation Warrant
Series 2016**

Due Date July 1	Interest Rate	Amount of Maturity	Amount of Interest
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>\$ 15,735,000</u>	<u>\$ 5,263,750</u>

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CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2021

General Obligation Warrant			
Series 2021			
<u>Due Date April 1</u>	<u>Interest Rate</u>	<u>Amount of Maturity</u>	<u>Amount of Interest</u>
2022	3.00%	\$ -	\$ 925,389
2023	3.00%	-	976,950
2024	3.00%	620,000	976,950
2025	3.00%	635,000	958,350
2026	4.00%	655,000	939,300
2027	4.00%	680,000	913,100
2028	4.00%	710,000	885,900
2029	4.00%	740,000	857,500
2030	4.00%	765,000	827,900
2031	4.00%	795,000	797,300
2032	4.00%	830,000	765,500
2033	4.00%	860,000	732,300
2034	4.00%	895,000	697,900
2035	4.00%	935,000	662,100
2036	3.00%	970,000	624,700
2037	3.00%	1,000,000	595,600
2038	3.00%	1,030,000	565,600
2039	3.00%	1,060,000	534,700
2040	3.00%	1,090,000	502,900
2041	3.00%	1,125,000	470,200
2042	4.00%	1,160,000	436,450
2043	4.00%	1,205,000	390,050
2044	4.00%	1,255,000	341,850
2045	4.00%	1,305,000	291,650
2046	4.00%	1,355,000	239,450
2047	2.50%	1,410,000	185,250
2048	2.50%	1,445,000	150,000
2049	2.50%	1,480,000	113,875
2050	2.50%	1,520,000	76,875
2051	2.50%	1,555,000	38,875
		<u>\$ 29,085,000</u>	<u>\$ 17,474,464</u>

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**CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2021**

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

Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.63%	\$ 1,275,440	\$ 61,548
2023	2.63%	1,309,391	27,597
2024	2.63%	231,676	1,489
		<u>\$ 2,816,507</u>	<u>\$ 90,634</u>

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

Due Date February 15	Interest Rate	Amount of Maturity	Amount of Interest
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	2,756
		<u>\$ 2,965,000</u>	<u>\$ 491,908</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2021**

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

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
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>\$ 2,585,000</u>	<u>\$ 446,270</u>

**General Obligation Sewer Warrant
Series 2020-CWSRF-DL**

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.20%	\$ 295,000	\$ 146,905
2023	2.20%	300,000	140,360
2024	2.20%	305,000	133,705
2025	2.20%	315,000	126,885
2026	2.20%	320,000	119,900
2027	2.20%	325,000	112,805
2028	2.20%	335,000	105,545
2029	2.20%	340,000	98,120
2030	2.20%	350,000	90,530
2031	2.20%	355,000	82,775
2032	2.20%	365,000	74,855
2033	2.20%	370,000	66,770
2034	2.20%	380,000	58,520
2035	2.20%	390,000	50,050
2036	2.20%	400,000	41,360
2037	2.20%	405,000	32,505
2038	2.20%	415,000	23,485
2039	2.20%	425,000	14,245
2040	2.20%	435,000	4,785
		<u>\$ 6,825,000</u>	<u>\$ 1,524,105</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM WARRANT AND GENERAL OBLIGATION WARRANTS
SEPTEMBER 30, 2021**

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

Due Date August 15	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.50%	\$ 185,000	\$ 4,625
		<u>\$ 185,000</u>	<u>\$ 4,625</u>

**General Obligation Water Warrant
Series 2013B**

Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.30%	\$ 612,324	\$ 24,547
2023	2.30%	626,556	10,287
2024	2.30%	109,368	305
		<u>\$ 1,348,248</u>	<u>\$ 35,139</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM REVENUE BONDS
SEPTEMBER 30, 2021

Water Revenue Bonds
Series 2015-A

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.00-3.00%	\$ 220,000	\$ 1,540,569
2023	2.00%	225,000	1,535,669
2024	2.25%	230,000	1,531,169
2025	3.00%	235,000	1,525,994
2026	3.00%	1,000,000	1,518,944
2027	3.00%	1,030,000	1,488,944
2028	3.00%	1,065,000	1,458,043
2029	3.13%	1,095,000	1,426,094
2030	3.25%	1,130,000	1,391,875
2031	3.25%	1,165,000	1,355,150
2032	5.00%	1,200,000	1,317,288
2033	5.00%	1,260,000	1,257,288
2034	5.00%	1,325,000	1,194,288
2035	5.00%	1,390,000	1,128,038
2036	3.50%	1,460,000	1,058,536
2037	3.75%	2,565,000	1,007,438
2038	3.75%	2,660,000	911,250
2039	3.75%	2,760,000	811,500
2040	3.75%	2,865,000	708,000
2041	3.75%	2,970,000	600,562
2042	3.75%	3,080,000	489,187
2043	3.75%	3,200,000	373,687
2044	3.75%	3,320,000	253,687
2045	3.75%	3,445,000	129,189
		<u>\$ 40,895,000</u>	<u>\$ 26,012,389</u>

Water Revenue Bonds
Series 2015-B

Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.20%	\$ 695,000	\$ 63,216
2023	2.20%	715,000	47,961
2024	2.20%	725,000	32,266
2025	2.20%	745,000	16,353
		<u>\$ 2,880,000</u>	<u>\$ 159,796</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM REVENUE BONDS
SEPTEMBER 30, 2021

Water Revenue Bonds			
Series 2017-DWSRF-DL			
Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
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>\$ 20,165,000</u>	<u>\$ 3,756,335</u>

Water Revenue Bonds			
Series 2020 -DWSRF-DL			
Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.20%	\$ 255,000	\$ 121,440
2023	2.20%	260,000	115,830
2024	2.20%	265,000	110,110
2025	2.20%	270,000	104,280
2026	2.20%	275,000	98,340
2027	2.20%	280,000	92,290
2028	2.20%	290,000	86,130
2029	2.20%	295,000	79,750
2030	2.20%	300,000	73,260
2031	2.20%	310,000	66,660
2032	2.20%	315,000	59,840
2033	2.20%	320,000	52,910
2034	2.20%	330,000	45,870
2035	2.20%	335,000	38,610
2036	2.20%	345,000	31,240
2037	2.20%	350,000	23,650
2038	2.20%	360,000	15,950
2039	2.20%	365,000	8,030
		<u>\$ 5,520,000</u>	<u>\$ 1,224,190</u>

See independent auditors' report.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER SYSTEM REVENUE BONDS
SEPTEMBER 30, 2021

Water Revenue Bonds			
Series 2020			
Due Date September 1	Interest Rate	Amount of Maturity	Amount of Interest
2022	3.00%	\$ 1,455,000	\$ 1,343,459
2023	4.00%	1,695,000	1,299,809
2024	4.00%	1,760,000	1,232,009
2025	4.00%	1,835,000	1,161,609
2026	3.00%	1,905,000	1,088,209
2027	3.00%	1,965,000	1,031,059
2028	3.00%	2,020,000	972,109
2029	3.00%	2,085,000	911,509
2030	4.00%	2,145,000	848,959
2031	4.00%	2,230,000	763,159
2032	2.00%	2,320,000	673,959
2033	2.00%	2,370,000	627,559
2034	2.13%	2,410,000	580,159
2035	2.13%	2,465,000	528,946
2036	2.25%	2,520,000	476,565
2037	4.00%	2,575,000	419,865
2038	4.00%	2,680,000	316,865
2039	2.40%	2,785,000	209,665
2040	2.45%	2,850,000	142,825
2041	2.50%	2,920,000	73,000
		<u>\$ 44,990,000</u>	<u>\$ 14,701,298</u>

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF CULLMAN REGIONAL AIRPORT BOARD'S LONG-TERM DEBT
SEPTEMBER 30, 2021**

General Obligation Warrant (Taxable)			
Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2022	2.99%	\$ 78,300	\$ 1,552
2023	2.99%	4,981	14
		\$ 83,281	\$ 1,566

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

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
 SCHEDULE OF SCHOOL TAX TRANSACTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021:

	Government- Wide Level
REVENUES	
3 mill ad valorem tax	\$ 1,156,509
7.5 mill ad valorem tax	2,891,276
0.5 percent sales tax	4,518,604
Total revenues	\$ 8,566,389
 EXPENDITURES	
Transfers to Cullman City Board of Education	\$ 8,577,754

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)

	2021	2020	2019	2018	2017
REVENUES					
Taxes	\$ 29,277,318	\$ 25,383,390	\$ 23,393,675	\$ 22,810,971	\$ 21,472,810
Licenses and permits	4,172,184	3,562,540	3,510,216	4,002,656	3,488,853
Intergovernmental revenues	5,704,394	5,754,061	3,849,672	3,202,474	2,350,992
Charges for services	6,760,381	6,301,534	6,066,735	5,921,452	5,239,435
Fines and forfeits	334,523	173,847	174,233	184,108	174,412
Interest revenue	82,984	152,487	143,397	92,350	53,902
Miscellaneous revenues	156,988	93,783	174,627	111,802	95,077
Total revenues	46,488,772	41,421,642	37,312,555	36,325,813	32,875,481
EXPENDITURES					
Current expenditures:					
General government	6,134,672	6,298,270	5,791,594	5,314,108	4,789,756
Public safety	13,194,715	12,488,837	12,112,185	11,283,465	10,390,846
Highways and streets	2,713,049	4,055,811	5,280,233	2,131,902	2,127,536
Sanitation	4,360,731	4,318,469	5,560,232	4,671,979	4,261,190
Health and social services	681,608	836,973	821,170	735,396	939,275
Culture and recreation	183,124	188,808	230,685	265,556	333,803
Education	156,600	158,778	128,693	132,881	145,980
Conservation	-	99,381	83,311	75,730	55,130
Capital outlay	5,140,427	6,740,368	2,286,404	2,914,737	4,976,784
Debt service:					
Principal retirement	-	-	70,000	105,943	84,044
Interest and fiscal charges	-	-	1,540	5,237	8,712
Total expenditures	32,564,926	35,185,695	32,366,047	27,636,934	28,113,056
OTHER FINANCING SOURCES (USES)					
Capital contributions	-	12,440	23,921	14,313	7,431
Sale of assets	-	597,201	303,661	210,566	82,750
Insurance proceeds	88,231	63,864	2,557,296	2,753,570	14,148
Operating transfers in	194,000	150,000	-	317,084	-
Operating transfers out	(9,470,639)	(3,581,983)	(10,327,361)	(10,657,540)	(8,967,370)
Total other financing sources (uses)	(9,188,408)	(2,758,478)	(7,442,483)	(7,362,007)	(8,863,041)
Revenues and other sources over (under) expenditures and other uses	4,735,438	3,477,469	(2,495,975)	1,326,872	(4,100,616)
FUND BALANCE AT BEGINNING OF YEAR	24,194,849	20,717,380	23,213,355	21,886,483	25,987,099
FUND BALANCE AT END OF YEAR	\$ 28,930,287	\$ 24,194,849	\$ 20,717,380	\$ 23,213,355	\$ 21,886,483

See independent auditors' report.

**CITY OF CULLMAN, ALABAMA
STATISTICAL DATA (Unaudited)
SEPTEMBER 30, 2021**

Computation of legal debt margin:

Assessed value of real and personal property located within the city limits (Note A)		<u>\$ 348,711,480</u>
Constitutional debt limit (20% of assessed value) (Note B)		\$ 69,742,296
Amount of debt applicable to debt limit (Note B)		
General long-term debt outstanding – Governmental Activities	44,820,000	
Long-term portion of compensated absences	1,278,622	
Add: General obligation warrants included in the Business-type Activities:		
Airport General Obligation Warrant dated 9-14-11	-	
Airport General Obligation Warrant dated 10-22-12	83,281	
Less: Portions of warrants not subject to Constitutional debt limit as follows:		
General Obligation Warrants, Series 2016 dated 2-10-16	(1,093,919)	
Estimated liability for compensated absences – long-term	<u>(1,278,622)</u>	
	43,809,362	
Accounts payable of the General Fund	<u>856,259</u>	
Debt applicable to constitutional debt limit	44,665,621	
Less: assets available in Debt Service Fund for payment of principal	<u>31,228,832</u>	<u>13,436,789</u>
LEGAL DEBT MARGIN		<u><u>\$ 56,305,507</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, 2020, 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, 2021**

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 2015-A dated March 12, 2015, were rated A2 by Moody's Investors Service, Inc. and AA by Standard & Poor's Corporation.

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

See independent auditors' report.

SINGLE AUDIT REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Cullman, Alabama, as of and for the year ended September 30, 2021, 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 24, 2022.

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 24, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

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, 2021. 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, 2021.

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, 2021, 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 24, 2022, 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 24, 2022

CITY OF CULLMAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021

Federal Grantor / Pass-Through Grantor	Assistance Listing Number	Grant / Contract Identification Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
Direct Award				
Community Development Block Grant Program	14.228	LR-CM-CP-19-014	\$ -	\$ 273,479
Community Development Block Grant Program	14.228	LR-ED-PF-20-002	-	341,000
			-	<u>614,479</u>
Department of Justice				
Direct Award				
Bullet Proof Vest Partnership Program	16.607	N/A	-	7,613
Edward Bryne Memorial Justice Assistance Program	16.738	19-DJ-01-006	-	204,306
			-	<u>211,919</u>
Department of Transportation				
Direct Awards				
Airport Improvement Program - Rehabilitate Runway	20.106	3-01-0022-027-2020	-	559,846
COVID-19 Airport Improvement Program - CARES	20.106	3-01-0022-028-2020	-	16,036
COVID-19 Airport Coronavirus Response Grant Program	20.106	3-01-0022-030-2021	-	23,000
COVID-19 Airport Rescue Grant	20.106	3-01-0022-032-2021	-	59,000
Airport Improvement Program - AWSO	20.106	3-01-0022-031-2021	-	18,759
Airport Improvement Program - Reconstruct Runway	20.106	3-01-0022-029-2021	-	268,934
			-	<u>945,575</u>
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	20-FP-PT-003	-	6,252
Alcohol Impaired Driving Countermeasures Incentive	20.616	20-ID-M5-003	-	7,052
<i>Total Highway Safety Cluster</i>			-	<u>13,304</u>
United States Department of Defence				
Direct Awards				
Conservation and Rehabilitation of Natural Resources on Military Installations	12.005	N/A	-	10,000
Pass-through: Alabama Department of Transportation				
Transportation Improvement Program	20.U01	TAPPAA-TA18(910)	-	94,567
Environmental Protection Agency Indirect				
Pass-Through: Alabama Department of Environmental Management				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Series 2020-DWSRF-DL	-	426,718
Capitalization Grants for Clean Water State Revolving Funds	66.458	Series 2020-CWSRF	-	2,732,099
General Services Administration				
Pass-through: Alabama Department of Economic & Community Affairs				
Donation for Federal Surplus Personal Property	39.003	N/A	-	22,068
Department of Homeland Security Direct				
Disaster Grants - Public Assistance	97.036	FEMA-4362-77-PA-AL	-	186,233
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 5,256,962</u>

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

CITY OF CULLMAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Cullman, Alabama, under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Because the schedule presents only a selected portion of the operations of the City of Cullman, Alabama, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Cullman, Alabama.

Basis of Accounting

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

Indirect Cost Rate

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

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statement Section

Type of auditors’ report issued:

Unmodified	
<u>Yes</u>	<u>No</u>

Internal control over financial reporting:

Material weakness(es) identified?

	X
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Significant deficiencies identified that are not considered to be material weaknesses?

	None reported
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Noncompliance material to financial statements noted?

	X
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Federal Awards Section

<u>Yes</u>	<u>No</u>
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Internal control over major programs:

Material weakness(es) identified?

	X
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Significant deficiencies identified that are not considered to be material weaknesses?

	None reported
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Type of auditors’ report on compliance for major programs:

Unmodified	
<u>Yes</u>	<u>No</u>

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

	X
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Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
20.106	Airport Improvement Program

Dollar threshold used to determine Type A programs:

\$ 750,000

<u>Yes</u>	<u>No</u>
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Auditee qualified as low-risk auditee?

X

**CITY OF CULLMAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.