

Report on the

Cullman County Commission

Cullman County, Alabama

October 1, 2014 through September 30, 2015

Filed: April 21, 2017



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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Honorable Ronald L. Jones
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Cullman County Commission, Cullman County, Alabama, for the period October 1, 2014 through September 30, 2015.

Respectfully submitted,

Denise H. Olive
Examiner of Public Accounts

Sworn to and subscribed before me this
the 31st day of March, 2017.

Notary Public
MY COMMISSION EXPIRES OCT. 26, 2019

Sworn to and subscribed before me this
the 4th day of April, 2017.

Notary Public

Stephen M. Schlosser
Examiner of Public Accounts

Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to federal, state and local legal compliance, Commission operations and other matters.	
Independent Auditor's Report	B
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<u>Basic Financial Statements</u>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Commission's financial position and results of operations in accordance with GAAP.	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Activities	4
Exhibit #3 Balance Sheet – Governmental Funds	6
Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Exhibit #7 Statement of Net Position – Proprietary Funds	12
Exhibit #8 Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	16
Exhibit #9 Statement of Cash Flows – Proprietary Funds	18
Exhibit #10 Statement of Fiduciary Net Position	22
Exhibit #11 Statement of Changes in Fiduciary Net Position	23

Table of Contents

	<i>Page</i>
Notes to the Financial Statements	24
<u>Required Supplementary Information</u>	60
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #12 Schedule of Changes in the Net Pension Liability	61
Exhibit #13 Schedule of the Employer’s Contributions	62
Exhibit #14 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	63
Exhibit #15 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Gasoline Tax Fund	67
Exhibit #16 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – ATRIP Fund	71
Exhibit #17 Schedule of Funding Progress – Other Postemployment Benefits	73
<u>Supplementary Information</u>	74
Contains financial information and notes relative to federal financial assistance.	
Exhibit #18 Schedule of Expenditures of Federal Awards	75
Notes to the Schedule of Expenditures of Federal Awards	79
<u>Additional Information</u>	80
Provides basic information related to the Commission, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.	
Exhibit #19 Commission Members and Administrative Personnel – a listing of the Commission members and administrative personnel.	81

Table of Contents

		<i>Page</i>
Exhibit #20	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Commission complied with laws and regulations which could have a direct and material effect on the Commission’s financial statements.	82
Exhibit #21	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 – a report on internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs and an opinion on whether the Commission complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.	84
Exhibit #22	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	87



Department of
Examiners of Public Accounts

SUMMARY

**Cullman County Commission
October 1, 2014 through September 30, 2015**

The Cullman County Commission (the "Commission") is governed by a three-member body elected by the citizens of Cullman County. The members and administrative personnel in charge of governance of the Commission are listed in Exhibit 19. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Cullman County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance program. The audit was conducted 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 as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2015.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

The following officials/employees were invited to an exit conference to discuss the contents of this report: Chairman of the Cullman County Commission: Kenneth Walker; Commission Members: Kerry Watson, Garry Marchman, Darrell Hicks, and Stanley Yarbrough; and Administrator of the Cullman County Commission: Gary Teichmiller. The following individuals attended the exit conference, held at the offices of the Cullman County Commission: Kenneth Walker, Chairman, Kerry Watson, Commissioner, Garry Marchman, Commissioner, Gary Teichmiller, Administrator; and representatives from the Department of Examiners of Public Accounts: Randy O'Bannon, Audit Manager and Denise H. Olive and Stephen M. Schlosser, Examiners of Public Accounts.

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Independent Auditor's Report

Independent Auditor's Report

To: Members of the Cullman County Commission and County Administrator

Report on 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 Cullman County Commission, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Cullman County Commission as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

The management of the Cullman County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cullman County Water Fund, which represent 83%, 73%, and 60%, respectively, of the assets, net position, and revenues of the Enterprise Funds, business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cullman County Water Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 Cullman County Commission, as of September 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the fiscal year ended September 30, 2015, the Cullman County Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement Number 68, ***Accounting and Financial Reporting for Pensions*** – an amendment of GASB Statement Number 27. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Net Pension Liability, Schedule of the Employer's Contributions, the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedule of Funding Progress, (Exhibits 12 through 17), be presented to supplement the basic financial statements. Such information, although not a 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 and other auditors 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.

The Cullman County Commission has not presented a Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cullman County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 18) as required by U. S. Office of Management and Budget Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards 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. 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the Cullman County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cullman County Commission's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 30, 2017

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Basic Financial Statements

Statement of Net Position
September 30, 2015

	Governmental Activities	Business-Type Activities	Totals
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 10,132,501.33	\$ 3,263,856.73	\$ 13,396,358.06
Investments	4,694,527.06	570,901.88	5,265,428.94
Accounts Receivable	269.56	1,525,722.60	1,525,992.16
Property Taxes Receivable	7,764,204.95		7,764,204.95
Due from Other Governments	1,277,126.99		1,277,126.99
Sales Taxes Receivable	1,686,798.83		1,686,798.83
Inventories	280,925.44	450,017.00	730,942.44
Prepaid Expenses	5,397.12		5,397.12
Other Assets		88,899.00	88,899.00
Total Current Assets	25,841,751.28	5,899,397.21	31,741,148.49
<u>Noncurrent Assets</u>			
Restricted Cash and Cash Equivalents	119,046.56		119,046.56
Restricted Cash with Fiscal Agent		11,665,919.00	11,665,919.00
Other Noncurrent Assets		28,510.00	28,510.00
Net Investment in Joint Venture (Note 13)		3,114,861.00	3,114,861.00
Capital Assets (Note 4):			
Nondepreciable	23,845,665.81	3,649,353.61	27,495,019.42
Depreciable, Net	54,559,045.14	29,674,769.83	84,233,814.97
Total Noncurrent Assets	78,523,757.51	48,133,413.44	126,657,170.95
Total Assets	104,365,508.79	54,032,810.65	158,398,319.44
<u>Deferred Outflows of Resources</u>			
Debt Refunding		348,775.00	348,775.00
Employer Pension Contributions	1,072,667.20	272,196.42	1,344,863.62
Total Deferred Outflows of Resources	1,072,667.20	620,971.42	1,693,638.62
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	17,415.84	371,595.00	389,010.84
Due to Other Governments	88,722.95		88,722.95
Unearned Revenue	209,908.89		209,908.89
Accrued Wages Payable	634,246.00	129,267.00	763,513.00
Accrued Interest Payable	50,834.38	350,688.00	401,522.38
Estimated Liability for Claims Costs Payable	527,680.00		527,680.00
Other Current Liabilities		54,517.00	54,517.00
Long-Term Liabilities:			
Portion Due and Payable Within One Year:			
Warrants Payable	968,939.26	1,245,000.00	2,213,939.26
Less: Unamortized Discount		(5,779.00)	(5,779.00)
Plus: Unamortized Premium		5,715.50	5,715.50
Notes Payable	14,371.70		14,371.70
Estimated Liability for Compensated Absences	172,707.63	41,030.36	213,737.99
Total Current Liabilities	\$ 2,684,826.65	\$ 2,192,033.86	\$ 4,876,860.51

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Totals
<u>Noncurrent Liabilities</u>			
Portion Due or Payable After One Year:			
Warrants Payable	\$ 6,742,845.12	\$ 23,825,000.00	\$ 30,567,845.12
Less: Unamortized Discount		(67,740.00)	(67,740.00)
Plus: Unamortized Premium		51,439.50	51,439.50
Notes Payable	198,328.83		198,328.83
Estimated Liability for Compensated Absences	1,554,368.65	369,273.24	1,923,641.89
Net Pension Liability	8,319,080.00	2,097,690.50	10,416,770.50
Other Post Employment Benefit Obligation	6,194,138.27	949,016.61	7,143,154.88
Total Noncurrent Liabilities	<u>23,008,760.87</u>	<u>27,224,679.85</u>	<u>50,233,440.72</u>
Total Liabilities	<u>25,693,587.52</u>	<u>29,416,713.71</u>	<u>55,110,301.23</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	7,764,204.95		7,764,204.95
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	844,769.60	213,012.06	1,057,781.66
Total Deferred Inflows of Resources	<u>8,608,974.55</u>	<u>213,012.06</u>	<u>8,821,986.61</u>
<u>Net Position</u>			
Net Investment in Capital Assets	70,480,226.04	18,042,580.44	88,522,806.48
Restricted for:			
Capital Projects	905,384.69		905,384.69
Debt Service	429,617.41	923,704.00	1,353,321.41
Highways and Roads	153,465.34		153,465.34
Other Purposes	2,147,686.49	892,472.00	3,040,158.49
Unrestricted	<u>(2,980,766.05)</u>	<u>5,165,299.86</u>	<u>2,184,533.81</u>
Total Net Position	<u>\$ 71,135,613.92</u>	<u>\$ 25,024,056.30</u>	<u>\$ 96,159,670.22</u>

Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<u>Primary Government</u>			
<u>Governmental Activities</u>			
General Government	\$ 7,432,575.17	\$ 2,194,280.46	\$ 317,617.57
Public Safety	15,158,863.23	3,704,413.08	981,304.56
Highways and Roads	17,875,472.44	563,162.86	4,195,722.99
Health	573,106.92	49,219.40	
Welfare	2,215,264.32	216,351.75	70,500.11
Culture and Recreation	438,578.73		
Education	204,181.40		
Interest on Long-Term Debt	243,535.34		
Total Governmental Activities	44,141,577.55	6,727,427.55	5,565,145.23
<u>Business-Type Activities</u>			
Sanitation	5,026,122.51	4,913,534.62	
Other Enterprise Funds	2,066,468.72	930,827.16	
Water Sales	9,337,651.00	8,813,267.00	
Total Business-Type Activities	16,430,242.23	14,657,628.78	
Total Primary Government	\$ 60,571,819.78	\$ 21,385,056.33	\$ 5,565,145.23

General Revenues:

- Taxes:
 - Property Taxes for General Purposes
 - Property Taxes for Specific Purposes
 - County Sales and Use Taxes
 - Other County Sales and Use Taxes
- Grants and Contributions Not Restricted for Specific Purposes
- TVA in Lieu of Taxes
- Interest Earned
- Gain/(Loss) on Disposition of Assets
- Miscellaneous
- Transfers
 - Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning of Year, as Restated (Note 17)

Net Position - End of Year

The accompanying Notes to the Financial Statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$	\$	\$
326,997.84	(4,920,677.14)		(4,920,677.14)
6,748,831.51	(10,146,147.75)		(10,146,147.75)
	(6,367,755.08)		(6,367,755.08)
	(523,887.52)		(523,887.52)
	(1,928,412.46)		(1,928,412.46)
	(438,578.73)		(438,578.73)
	(204,181.40)		(204,181.40)
	(243,535.34)		(243,535.34)
<u>7,075,829.35</u>	<u>(24,773,175.42)</u>		<u>(24,773,175.42)</u>
		(112,587.89)	(112,587.89)
		(1,135,641.56)	(1,135,641.56)
83,059.00		(441,325.00)	(441,325.00)
<u>83,059.00</u>		<u>(1,689,554.45)</u>	<u>(1,689,554.45)</u>
<u>\$ 7,158,888.35</u>	<u>(24,773,175.42)</u>	<u>(1,689,554.45)</u>	<u>(26,462,729.87)</u>
	5,553,358.15		5,553,358.15
	3,227,095.96		3,227,095.96
	9,916,119.25		9,916,119.25
	495,734.36		495,734.36
	554,481.55		554,481.55
	3,012,543.99		3,012,543.99
	50,662.39	25,374.39	76,036.78
	644,283.09		644,283.09
	763,916.97	276,127.30	1,040,044.27
	(917,608.34)	917,608.34	
	<u>23,300,587.37</u>	<u>1,219,110.03</u>	<u>24,519,697.40</u>
	(1,472,588.05)	(470,444.42)	(1,943,032.47)
	<u>72,608,201.97</u>	<u>25,494,500.72</u>	<u>98,102,702.69</u>
<u>\$ 71,135,613.92</u>	<u>\$ 25,024,056.30</u>	<u>\$ 96,159,670.22</u>	

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,832,309.08	\$ 735,915.83
Investments	4,694,527.06	
Accounts Receivable		269.56
Property Taxes Receivable	6,523,164.84	
Due from Other Governments	556,902.67	358,435.55
Sales Taxes Receivable	1,427,779.09	259,019.74
Inventories		280,925.44
Prepaid Items	5,397.12	
Total Assets	<u>19,040,079.86</u>	<u>1,634,566.12</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable		
Due to Other Governments	88,722.95	
Unearned Revenue		
Accrued Wages Payable	438,617.00	143,278.00
Estimated Liability for Claims Costs Payable	527,680.00	
Total Liabilities	<u>1,055,019.95</u>	<u>143,278.00</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	6,523,164.84	
Total Deferred Inflows of Resources	<u>6,523,164.84</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		280,925.44
Prepaid Items	5,397.12	
Restricted for:		
Debt Service		
Highways and Roads		
Capital Projects		
Other Purposes		
Assigned to:		
Highways and Roads		1,210,362.68
Other Purposes	34,412.80	
Unassigned	11,422,085.15	
Total Fund Balances	<u>11,461,895.07</u>	<u>1,491,288.12</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,040,079.86</u>	<u>\$ 1,634,566.12</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

ATRIP Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 3,683,322.98	\$ 10,251,547.89
		4,694,527.06
		269.56
	1,241,040.11	7,764,204.95
19,175.71	342,613.06	1,277,126.99
		1,686,798.83
		280,925.44
		5,397.12
<u>19,175.71</u>	<u>5,266,976.15</u>	<u>25,960,797.84</u>
	17,415.84	17,415.84
		88,722.95
	209,908.89	209,908.89
	52,351.00	634,246.00
		527,680.00
	<u>279,675.73</u>	<u>1,477,973.68</u>
	1,241,040.11	7,764,204.95
	<u>1,241,040.11</u>	<u>7,764,204.95</u>
		280,925.44
		5,397.12
	480,451.79	480,451.79
19,175.71	134,289.63	153,465.34
	905,384.69	905,384.69
	2,147,686.49	2,147,686.49
		1,210,362.68
		34,412.80
	78,447.71	11,500,532.86
<u>19,175.71</u>	<u>3,746,260.31</u>	<u>16,718,619.21</u>
<u>\$ 19,175.71</u>	<u>\$ 5,266,976.15</u>	<u>\$ 25,960,797.84</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 16,718,619.21

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. These assets consist of:

Land	\$ 23,566,485.41	
Construction In Progress	279,180.40	
Infrastructure - Roads and Bridges	43,753,564.35	
Buildings	22,458,300.54	
Equipment	14,810,273.25	
Accumulated Depreciation	<u>(26,463,093.00)</u>	
		78,404,710.95

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds.

Deferred outflows of resources related to pensions for employer contributions made subsequent to the measurement date. 1,072,667.20

Deferred inflows of resources related to pensions for the proportionate share of collective deferred inflows related to net pension liability. (844,769.60)

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities at year-end consist of:

	Due and Payable Within One Year	Due and Payable After One Year	
Warrants Payable	\$ 968,939.26	\$ 6,742,845.12	
Notes Payable	14,371.70	198,328.83	
Estimated Liability for Compensated Absences	172,707.63	1,554,368.65	
Accrued Interest Payable	50,834.38		
Other Post Employment Benefit Obligation		6,194,138.27	
Net Pension Liability		<u>8,319,080.00</u>	
Total Long-Term Liabilities	<u>\$ 1,206,852.97</u>	<u>\$ 23,008,760.87</u>	<u>(24,215,613.84)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 71,135,613.92

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 16,390,314.65	\$ 1,631,512.73
Licenses and Permits	80,998.57	
Intergovernmental	2,035,493.19	4,051,281.85
Charges for Services	2,598,853.44	563,162.86
Miscellaneous	1,003,215.23	34,094.43
Total Revenues	<u>22,108,875.08</u>	<u>6,280,051.87</u>
<u>Expenditures</u>		
Current:		
General Government	5,767,197.20	
Public Safety	10,710,618.37	
Highways and Roads		6,660,566.37
Health	553,819.27	
Welfare	836,925.83	
Culture and Recreation	383,308.20	
Education	204,181.40	
Capital Outlay	138,169.50	995,415.34
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>18,594,219.77</u>	<u>7,655,981.71</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,514,655.31</u>	<u>(1,375,929.84)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	68,907.55	652,528.74
Proceeds from Sale or Disposal of Capital Assets	7,754.12	1,499,118.75
Transfers Out	(4,111,484.96)	
Total Other Financing Sources (Uses)	<u>(4,034,823.29)</u>	<u>2,151,647.49</u>
Net Change in Fund Balances	(520,167.98)	775,717.65
Fund Balances - Beginning of Year, as Restated (Note 17)	<u>11,982,063.05</u>	<u>715,570.47</u>
Fund Balances - End of Year	<u>\$ 11,461,895.07</u>	<u>\$ 1,491,288.12</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

ATRIP Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 1,170,480.34	\$ 19,192,307.72
		80,998.57
6,816,783.63	4,367,685.65	17,271,244.32
	1,752,092.92	4,914,109.22
	355,768.26	1,393,077.92
<u>6,816,783.63</u>	<u>7,646,027.17</u>	<u>42,851,737.75</u>
	1,194,243.32	6,961,440.52
	3,662,300.26	14,372,918.63
8,445,425.71	1,719,015.99	16,825,008.07
		553,819.27
	992,592.10	1,829,517.93
	44,274.80	427,583.00
		204,181.40
	733,239.68	1,866,824.52
	961,501.38	961,501.38
	249,107.34	249,107.34
<u>8,445,425.71</u>	<u>9,556,274.87</u>	<u>44,251,902.06</u>
<u>(1,628,642.08)</u>	<u>(1,910,247.70)</u>	<u>(1,400,164.31)</u>
1,647,789.79	1,096,086.83	3,465,312.91
	7,451.22	1,514,324.09
	(271,436.29)	(4,382,921.25)
<u>1,647,789.79</u>	<u>832,101.76</u>	<u>596,715.75</u>
19,147.71	(1,078,145.94)	(803,448.56)
<u>28.00</u>	<u>4,824,406.25</u>	<u>17,522,067.77</u>
<u>\$ 19,175.71</u>	<u>\$ 3,746,260.31</u>	<u>\$ 16,718,619.21</u>

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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, 2015

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (803,448.56)

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay expenditures in the current period.

Capital Outlay Expenditures	\$ 1,866,824.52	
Depreciation Expense	<u>(2,106,746.00)</u>	
Total		(239,921.48)

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the changes in net position differs from the change in fund balance by the value of the capital assets sold.

Book Value of Assets Sold/Deleted	(779,463.99)
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Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	961,501.38
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Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consist of:

Net Increase in Other Post Employment Benefits	\$ (807,880.01)	
Net Increase in Compensated Absences	(15,832.99)	
Net Decrease in Pension Expense	206,885.60	
Net Decrease in Accrued Interest Payable	<u>5,572.00</u>	
Total		<u>(611,255.40)</u>

Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ (1,472,588.05)</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
September 30, 2015

	Major Funds	
	Sanitation Fund	Water Fund
Assets		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 477,576.35	\$ 2,777,235.00
Investments	570,901.88	
Accounts Receivable	183,671.60	1,342,051.00
Inventories		450,017.00
Other Assets		88,899.00
Total Current Assets	1,232,149.83	4,658,202.00
<u>Noncurrent Assets</u>		
Restricted Cash with Fiscal Agent		11,665,919.00
Other Noncurrent Assets		28,510.00
Net Investment in Joint Venture (Note 13)		
Capital Assets (Note 4):		
Nondepreciable	150,000.00	1,253,757.00
Depreciable, Net	1,975,026.16	27,070,319.00
Total Noncurrent Assets	2,125,026.16	40,018,505.00
Total Assets	3,357,175.99	44,676,707.00
<u>Deferred Outflows of Resources</u>		
Debt Refunding		348,775.00
Employer Pension Contributions	120,675.06	97,888.00
Total Deferred Outflows of Resources	120,675.06	446,663.00
Liabilities		
<u>Current Liabilities</u>		
Accounts Payable		371,595.00
Accrued Wages Payable	73,590.00	17,282.00
Accrued Interest Payable		350,688.00
Other Current Liabilities		54,517.00
Estimated Liability for Compensated Absences	19,597.83	11,841.20
Warrants Payable		1,245,000.00
Less: Unamortized Discount		(5,779.00)
Plus: Unamortized Premium		5,715.50
Total Current Liabilities	\$ 93,187.83	\$ 2,050,859.70

Other Enterprise Funds	Total Enterprise Funds
\$ 9,045.38	\$ 3,263,856.73
	570,901.88
	1,525,722.60
	450,017.00
	88,899.00
9,045.38	5,899,397.21
	11,665,919.00
	28,510.00
3,114,861.00	3,114,861.00
2,245,596.61	3,649,353.61
629,424.67	29,674,769.83
5,989,882.28	48,133,413.44
5,998,927.66	54,032,810.65
	348,775.00
53,633.36	272,196.42
53,633.36	620,971.42
	371,595.00
38,395.00	129,267.00
	350,688.00
	54,517.00
9,591.33	41,030.36
	1,245,000.00
	(5,779.00)
	5,715.50
\$ 47,986.33	\$ 2,192,033.86

Statement of Net Position
Proprietary Funds
September 30, 2015

	Major Funds	
	Sanitation Fund	Water Fund
<u>Noncurrent Liabilities</u>		
Estimated Liability for Compensated Absences	\$ 176,380.45	\$ 106,570.80
Net Pension Liability	935,896.50	745,840.00
Other Post Employment Benefit Obligation	677,658.82	
Warrants Payable		23,825,000.00
Less: Unamortized Discount		(67,740.00)
Plus: Unamortized Premium		51,439.50
Total Noncurrent Liabilities	1,789,935.77	24,661,110.30
Total Liabilities	1,883,123.60	26,711,970.00
<u>Deferred Inflows of Resources</u>		
Proportionate Share of Collective Deferred Inflows Related to Defined Benefit Pension Plans	95,036.58	75,737.00
Total Deferred Inflows of Resources	95,036.58	75,737.00
<u>Net Position</u>		
Net Investment in Capital Assets	2,125,026.16	13,042,533.00
Restricted for:		
Debt Service		923,704.00
Other Purposes		892,472.00
Unrestricted	(625,335.29)	3,476,954.00
Total Net Position	\$ 1,499,690.87	\$ 18,335,663.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Enterprise Funds	Total Enterprise Funds
\$ 86,321.99	\$ 369,273.24
415,954.00	2,097,690.50
271,357.79	949,016.61
	23,825,000.00
	(67,740.00)
	51,439.50
<u>773,633.78</u>	<u>27,224,679.85</u>
<u>821,620.11</u>	<u>29,416,713.71</u>
42,238.48	213,012.06
<u>42,238.48</u>	<u>213,012.06</u>
2,875,021.28	18,042,580.44
	923,704.00
	892,472.00
<u>2,313,681.15</u>	<u>5,165,299.86</u>
<u>\$ 5,188,702.43</u>	<u>\$ 25,024,056.30</u>

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Major Funds	
	Sanitation Fund	Water Fund
<u>Operating Revenues</u>		
Charges for Services	\$ 4,913,534.62	\$ 8,813,267.00
Miscellaneous	7,980.89	11,884.00
Total Operating Revenues	<u>4,921,515.51</u>	<u>8,825,151.00</u>
<u>Operating Expenses</u>		
Salaries and Benefits	2,496,746.84	1,574,414.00
Contractual and Professional Services	291,951.47	382,073.00
Landfill Expenses	986,676.47	
Materials and Supplies	147,977.12	620,258.00
Repairs and Maintenance	199,996.35	115,662.00
Fuel	243,079.43	97,004.00
Rentals		20,086.00
Utilities/Telephone	31,264.69	242,937.00
Insurance	105,568.00	133,725.00
Depreciation	445,036.00	1,672,018.00
Purchase of Water		3,355,805.00
Miscellaneous	57,154.14	184,309.00
Total Operating Expenses	<u>5,005,450.51</u>	<u>8,398,291.00</u>
Operating Income (Loss)	<u>(83,935.00)</u>	<u>426,860.00</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Revenue	1,992.39	23,382.00
Forgiveness of Debt (Note 15)		83,059.00
Sale of Scrap	342.40	
Refund of Construction Work in Progress		144,065.00
Amortization of Debt Discount		(5,779.00)
Gain (Loss) on Disposition of Capital Assets	(20,672.00)	
Interest Expense		(762,153.00)
Bond Administration and Debt Expense		(171,428.00)
Total Nonoperating Revenues (Expenses)	<u>(18,337.21)</u>	<u>(688,854.00)</u>
Income (Loss) Before Transfers	<u>(102,272.21)</u>	<u>(261,994.00)</u>
<u>Operating Transfers</u>		
Transfers In		
Total Operating Transfers		
Change in Net Position	<u>(102,272.21)</u>	<u>(261,994.00)</u>
Net Position - Beginning of Year, as Restated (Note 17)	1,601,963.08	18,597,657.00
Net Position - End of Year	<u>\$ 1,499,690.87</u>	<u>\$ 18,335,663.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Enterprise Funds	Total Enterprise Funds
\$ 930,827.16	\$ 14,657,628.78
111,855.01	131,719.90
<u>1,042,682.17</u>	<u>14,789,348.68</u>
1,096,223.82	5,167,384.66
16,492.19	690,516.66
	986,676.47
228,109.14	996,344.26
161,052.45	476,710.80
23,006.80	363,090.23
	20,086.00
252,599.83	526,801.52
29,979.00	269,272.00
43,174.00	2,160,228.00
	3,355,805.00
196,835.20	438,298.34
<u>2,047,472.43</u>	<u>15,451,213.94</u>
<u>(1,004,790.26)</u>	<u>(661,865.26)</u>
	25,374.39
	83,059.00
	342.40
	144,065.00
	(5,779.00)
	(20,672.00)
(18,996.29)	(781,149.29)
	(171,428.00)
<u>(18,996.29)</u>	<u>(726,187.50)</u>
<u>(1,023,786.55)</u>	<u>(1,388,052.76)</u>
917,608.34	917,608.34
<u>917,608.34</u>	<u>917,608.34</u>
<u>(106,178.21)</u>	<u>(470,444.42)</u>
5,294,880.64	25,494,500.72
<u>\$ 5,188,702.43</u>	<u>\$ 25,024,056.30</u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	Major Funds	
	Sanitation Fund	Water Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 4,920,511.89	\$ 8,810,535.00
Payments to Suppliers	(2,063,667.67)	(5,692,487.00)
Payments to Employees	(2,421,063.63)	(1,101,085.00)
Net Cash Provided (Used) by Operating Activities	<u>435,780.59</u>	<u>2,016,963.00</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Operating Contribution from County		
Nonoperating Revenue	342.40	
Other Nonoperating Expense		
Net Cash Provided (Used) by Noncapital Financing Activities	<u>342.40</u>	
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Capital Assets	(460,563.93)	(1,545,212.00)
State Revolving Fund Proceeds		83,059.00
Sale of Capital Assets	82,880.00	
Increase in Restricted Liabilities		(7,716.00)
Refund of Construction Work In Progress		144,065.00
Payment of Bond Administration Fees		(171,428.00)
Proceeds from Issuance of Debt		8,348,643.00
Principal Paid on Capital Debt		(805,000.00)
Interest Paid on Capital Debt		(700,178.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(377,683.93)</u>	<u>5,346,233.00</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from Sale of Capital Assets		
Abandonment of Engineering Costs		
Interest Received	661.80	23,382.00
Net Cash Provided (Used) by Investing Activities	<u>661.80</u>	<u>23,382.00</u>
Net Increase (Decrease) in Cash and Cash Equivalents	59,100.86	7,386,578.00
Cash and Cash Equivalents - Beginning of Year	<u>418,475.49</u>	<u>7,056,576.00</u>
Cash and Cash Equivalents - End of Year	<u>\$ 477,576.35</u>	<u>\$ 14,443,154.00</u>

Other Enterprise Funds	Total Enterprise Funds
\$ 1,042,682.17	\$ 14,773,729.06
(752,427.96)	(8,508,582.63)
(1,042,591.96)	(4,564,740.59)
(752,337.75)	1,700,405.84
751,399.50	751,399.50
(18,996.29)	342.40
732,403.21	(18,996.29)
(23,105.61)	732,745.61
	(2,028,881.54)
	83,059.00
	82,880.00
	(7,716.00)
	144,065.00
	(171,428.00)
	8,348,643.00
	(805,000.00)
	(700,178.00)
(23,105.61)	4,945,443.46
	24,043.80
	24,043.80
(43,040.15)	7,402,638.71
52,085.53	7,527,137.02
\$ 9,045.38	\$ 14,929,775.73

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	Major Funds	
	Sanitation Fund	Water Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating Income (Loss)	\$ (83,935.00)	\$ 426,860.00
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>		
Depreciation Expense	445,036.00	1,672,018.00
Change in Assets and Liabilities:		
Decrease/(Increase) in Accounts Receivable	(1,003.62)	126,293.00
Decrease/(Increase) in Unbilled Receivables		(140,909.00)
Decrease/(Increase) in Inventories		(38,366.00)
Decrease/(Increase) in Other Current Assets		(4,419.00)
Decrease/(Increase) in Deferred Outflows	(8,491.05)	
(Decrease)/Increase in Accounts Payable		(4,250.00)
(Decrease)/Increase in Accrued Salaries and Benefits	11,633.00	
(Decrease)/Increase in Compensated Absences	(534.32)	
(Decrease)/Increase in Deferred Inflows	95,036.58	
(Decrease)/Increase in Net Pension Liability	(109,820.16)	(20,264.00)
(Decrease)/Increase in Net OPEB Obligations	87,859.16	
	<u>87,859.16</u>	
Net Cash Provided (Used) by Operating Activities	<u>\$ 435,780.59</u>	<u>\$ 2,016,963.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Enterprise Funds	Total Enterprise Funds
\$ (710,827.42)	\$ (367,902.42)
43,174.00	2,160,228.00
	125,289.38
	(140,909.00)
	(38,366.00)
	(4,419.00)
(3,773.80)	(12,264.85)
(138,316.19)	(142,566.19)
10,371.00	22,004.00
19,858.55	19,324.23
42,238.48	137,275.06
(48,808.96)	(178,893.12)
33,746.59	121,605.75
<u>\$ (752,337.75)</u>	<u>\$ 1,700,405.84</u>

Statement of Fiduciary Net Position
September 30, 2015

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,569,532.90	\$ 5,847,260.41
Investments	65,949.33	
Sales Tax Receivable		4,158,020.56
Due from Other Governments	53,836.49	256,665.97
Total Assets	<u>1,689,318.72</u>	<u>10,261,946.94</u>
<u>Liabilities</u>		
Due to External Parties		669.36
Due to Other Governments	51,124.40	8,383,468.13
Employee Benefits Payable		1,877,809.45
Total Liabilities	<u>51,124.40</u>	<u>\$ 10,261,946.94</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>1,638,194.32</u>	
Total Net Position	<u>\$ 1,638,194.32</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2015***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Worthless Check Fees	\$ 84,303.01
District Attorney	26,729.14
Inmate Money	533,000.14
D.A.R.E.	65,410.98
Excess from Land Sales	136,732.82
Community Development Funds	509,520.88
Interest	1,522.81
Total Additions	<u>1,357,219.78</u>
<u>Deductions</u>	
Worthless Check Distributions	93,179.80
District Attorney	26,735.97
Public Safety	409,029.83
Excess Land Sales	163,961.56
Community Development Funds	375,203.66
D.A.R.E.	34,620.21
Miscellaneous	19,717.38
Total Deductions	<u>1,122,448.41</u>
Change in Net Position	234,771.37
Net Position - Beginning of Year	<u>1,403,422.95</u>
Net Position - End of Year	<u>\$ 1,638,194.32</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Cullman County Commission (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Cullman County Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on the application of the criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program 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 Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. The General Fund also accounts for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges. Also accounted for in the General Fund are workers' compensation benefits and employee health insurance to self-insure the Commission against liability claims.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of the seven-cent gasoline tax. Revenues are earmarked for building and maintaining county roads. Also, this fund accounts for revenues and expenditures of motor vehicle license taxes and drivers' license fees for the construction, improvement and maintenance of public highways and streets.
- ◆ **ATRIP Fund** – This fund is used to account for the revenue and the related expenditures of Alabama Transportation Rehabilitation and Improvement Program (ATRIP) for the construction, improvement and supervision of highways, bridges and street using GARVEE Bond Funds for approximately 80% of the project costs and local funding for the remaining 20% match. This fund is classified as a special revenue fund.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The Commission reports the following major enterprise funds:

- ◆ **Sanitation Fund** – This fund is used to account for the costs of providing solid waste service to county residents.
- ◆ **Water Fund** – This fund is used to account for the cost of providing water service to county residents.

The Commission reports the following governmental fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.
- ◆ **Capital Projects Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following proprietary fund type:

Proprietary Fund Type

- ◆ **Other Enterprise Funds** – These funds report the activities for which fees are charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

Notes to the Financial Statements

For the Year Ended September 30, 2015

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's solid waste function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the Statement of Cash Flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit.

Investments are reported at fair value, with the exception of certificates of deposit which are reported at cost.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes are levied at the first regular meeting of the Commission in February of each year. Property is assessed for taxation as of October 1, of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1, and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs, federal inmate housing and capital projects.

3. Inventories

Inventories are valued at cost, which approximated market, using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes to the Financial Statements
For the Year Ended September 30, 2015

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain revenues set aside for county jail maintenance and certain water revenue bonds, as well as resources set aside for their payment, are classified as restricted on the balance sheet because they are maintained in separate bank accounts and their use is limited by either outside parties or by bond covenants.

6. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Notes to the Financial Statements
For the Year Ended September 30, 2015

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
<u>Governmental Activities:</u>		
Infrastructure – Roads	\$250,000.00	20 Years
Infrastructure – Bridges	\$ 50,000.00	40 Years
Building and Improvements	\$ 50,000.00	40 Years
Equipment and Furniture	\$ 5,000.00	3 – 12 Years
<u>Business-Type Activities:</u>		
Water:		
Buildings and Improvements	\$ 500.00	4 – 30 Years
Equipment and Furniture	\$ 500.00	5 – 20 Years
Water Distribution System	\$ 500.00	5 – 50 Years
Sanitation and Parks and Recreation:		
Buildings and Improvements	\$ 50,000.00	40 Years
Equipment and Furniture	\$ 5,000.00	3 – 12 Years

The Water Distribution System Assets are capitalized at the \$500.00 level due to the inclusion of water meters.

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

7. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increases net position, similar to assets.

Notes to the Financial Statements
For the Year Ended September 30, 2015

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Warrant premiums and discounts are deferred and amortized over the life of the debt. Warrants payable are reported gross with a separate line item for the applicable warrant premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

Annual Leave

Annual leave is accrued by employees at the following rates:

0 – 10 Years	4 Hours per pay period
10 – 15 Years	5 Hours per pay period
16 – 20 Years	6 Hours per pay period
20+ Years	8 Hours per pay period

Employees may accumulate up to 480 hours of annual leave. Employees are paid for accrued annual leave upon separation.

Sick Leave

Full-time regular employees accrue sick leave at the rate of 4 hours per pay period. There is no limitation as to the maximum sick leave an employee can accumulate. As of September 30, 2015, no liability for unpaid sick leave is accrued in the financial statements since employees do not receive termination payments for sick leave balances.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Compensatory Leave

Compensatory leave was provided to permanent full-time employees in accordance with the Fair Labor Standards Act through November 9, 2007. On that date, the Commission passed a resolution which ended the earning and accumulation of compensatory leave. Employees who had accumulated compensatory leave balances prior to that date were allowed to retain the leave, to be taken or paid out based on prior policy. Employees may be paid for compensatory time at a date other than retirement or separation for reasons of financial hardship. A request for payment must be submitted through department heads for approval. Compensatory time will only be paid in increments of 40 hours or more if the request is made for reasons of financial hardship. Upon receipt of request, payment will be made the following payday, if payroll processing has not begun.

10. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

11. Pensions

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

Notes to the Financial Statements

For the Year Ended September 30, 2015

12. Net Position/Fund Balances

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in governmental funds in the fund financial statements under the following categories:

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Notes to the Financial Statements

For the Year Ended September 30, 2015

- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the County Administrator or the Commission Chairman to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

General Fund Balance Policy

The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The County General Fund will maintain sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and, lastly, unassigned fund balance.

Special Revenue Fund Balance Policy

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The restricted or committed proceeds of special revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the General Fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The Cullman County Commission established the 40% rule averaged out over a period of 3 years to determine whether a fund is considered to be a Special Revenue Fund for reporting purposes. Any Special Revenue Fund with restricted and committed revenues less than 40% of total inflows shall, for reporting purposes, be considered a part of the County General Fund, or appropriate Special Revenue Fund. Any fund which ceases to exist as a Special Revenue due to the 40% rule may be combined with the General Fund or another Special Revenue Fund, if appropriate.

The Cullman County Commission authorizes the County Administrator to maintain separate funds for various revenues and/or expenditure/department codes for the purposes of providing budgetary and accountability to elected officials and/or departments.

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, and lastly assigned fund balance.

Capital Projects Fund Balance Policy

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance and, lastly, assigned fund balance.

Debt Service Fund Balance Policy

Debt Service Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, even if it is being accumulated for future years' payments. Debt Service Funds should be used to report resources if legally mandated.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for all governmental funds except the capital projects funds, which adopt project-length budgets. All appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures, and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Note 3 – Deposits and Investments

Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

The Commission also reports Cash with Fiscal Agent which consists of U. S. Treasury Funds.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 4 – Capital Assets

Capital asset activity governmental assets for the year ended September 30, 2015, was as follows:

	Balance 10/01/2014	Additions	Retirements	Balance 09/30/2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land – Including Easements	\$ 23,566,484.41	\$ 1.00	\$	\$ 23,566,485.41
Construction In Progress	34,522.02	244,658.38		279,180.40
Total Capital Assets, Not Being Depreciated	23,601,006.43	244,659.38		23,845,665.81
Capital Assets Being Depreciated:				
Infrastructure Roads and Bridges	43,753,564.35			43,753,564.35
Buildings and Improvements	22,458,300.54			22,458,300.54
Equipment	15,541,646.00	1,622,166.14	(2,353,538.89)	14,810,273.25
Total Capital Assets Being Depreciated	81,753,510.89	1,622,166.14	(2,353,538.89)	81,022,138.14
Less Accumulated Depreciation for:				
Infrastructure Roads and Bridges	(8,902,406.00)	(447,554.00)		(9,349,960.00)
Buildings and Improvements	(6,051,960.00)	(576,820.00)		(6,628,780.00)
Equipment	(10,975,991.00)	(1,082,372.00)	1,574,010.00	(10,484,353.00)
Total Accumulated Depreciation	(25,930,357.00)	(2,106,746.00)	1,574,010.00	(26,463,093.00)
Total Capital Assets, Being Depreciated, Net	55,823,153.89	(484,579.86)	(779,528.89)	54,559,045.14
Total Governmental Activities Capital Assets, Net	\$ 79,424,160.32	\$ (239,920.48)	\$ (779,528.89)	\$ 78,404,710.95

	Balance 10/01/2014	Additions	Retirements	Balance 09/30/2015
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,658,714.97	\$	\$	\$ 2,658,714.97
Construction in Progress	3,731,330.64	1,372,127.00	(4,112,819.00)	990,638.64
Total Capital Assets Not Being Depreciated	6,390,045.61	1,372,127.00	(4,112,819.00)	3,649,353.61
Capital Assets Being Depreciated:				
Buildings	4,020,564.78			4,020,564.78
Equipment	5,798,810.00	173,087.00		5,971,897.00
Water Distribution System	45,017,296.00	4,112,819.00		49,130,115.00
Other Equipment	5,013,064.51	483,669.54	(258,880.00)	5,237,854.05
Total Capital Assets Being Depreciated	59,849,735.29	4,769,575.54	(258,880.00)	64,360,430.83
Less Accumulated Depreciation for:				
Buildings	(901,223.00)	(105,162.00)		(1,006,385.00)
Equipment	(4,694,961.00)	(321,169.00)		(5,016,130.00)
Water Distribution System	(24,264,905.00)	(1,259,741.00)		(25,524,646.00)
Other Equipment	(2,819,672.00)	(474,156.00)	155,328.00	(3,138,500.00)
Total Accumulated Depreciation	(32,680,761.00)	(2,160,228.00)	155,328.00	(34,685,661.00)
Total Capital Assets Being Depreciated, Net	27,168,974.29	2,609,347.54	(103,552.00)	29,674,769.83
Total Business-Type Activities Capital Assets, Net	\$ 33,559,019.90	\$ 3,981,474.54	\$(4,216,371.00)	\$ 33,324,123.44
The Additions and Retirements columns include \$4,112,819.00 for Construction in Progress reclassified to Water Distribution System.				

Notes to the Financial Statements
For the Year Ended September 30, 2015

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 303,594.00
Public Safety	544,822.00
Highways and Roads	913,609.00
Health	8,499.00
Welfare	333,872.00
Culture	2,350.00
Total Depreciation Expense – Governmental Activities	<u>2,106,746.00</u>
<u>Business-Type Activities:</u>	
Water	1,672,018.00
Parks – Recreation	43,174.00
Sanitation	445,036.00
Total Depreciation Expense – Business-Type Activities	<u>\$2,160,228.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 5 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System (the "ERS"), an agency multiple-employer plan, was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of ERS is vested in the Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2015

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 Number 2012-377, Acts of Alabama, 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 for State Police) are allowed 1.65% of their average final compensation (highest 5 of 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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement. The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	55,883
Total	83,874

Notes to the Financial Statements

For the Year Ended September 30, 2015

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. ERS local participating employers are not required by the statute to increase contribution rates for their members. Cullman County elected not to increase the rates for their members.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the Commission's active employee contribution rate was 5.24 percent of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 8.11 percent of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2015, was 8.5% of the pensionable pay for Tier 1 employees, and 6.20% of the pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$1,344,863.62 for the year ended September 30, 2015.

Notes to the Financial Statements

For the Year Ended September 30, 2015

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, rolled forward to September 30, 2014, using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2013 (a)	\$44,821,191
Entry Age Normal Cost for October 1, 2013 – September 30, 2014 (b)	1,315,634
Actual Benefit Payments and Refunds for October 1, 2013 – September 30, 2014 (c)	(2,446,313)
Total Pension Liability as of September 30, 2014 = [(a) x (1.08)] + (b) – [(c) x (1.04)]	<u>\$47,178,355</u>

Actuarial Assumptions

The total pension liability in the September 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		3.00%
Salary increases	3.75% - 7.25%	
Investment rate of return (*)		8.00%
(*) Net of pension plan investment expense		

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2015

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 or 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 or return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

(*) Net assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. 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.

Notes to the Financial Statements
For the Year Ended September 30, 2015

C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2013	\$44,821,191	\$33,202,117	\$11,619,074
Changes for the Year:			
Service Cost	1,315,634		1,315,634
Interest	3,487,843		3,487,843
Contributions – Employer		1,246,489	(1,246,489)
Contributions – Employee		828,872	(828,872)
Net Investment Income		3,960,786	(3,960,786)
Benefit Payments, including Refunds of Employee Contributions	(2,446,313)	(2,446,313)	
Transfers Among Employers		(12,446)	12,446
Net Changes	2,357,164	3,577,388	(1,220,224)
Balances at September 30, 2014	\$47,178,355	\$36,779,505	\$10,398,850

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

The following table presents the Commission’s net pension liability calculated using the discount rate of 8%, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Commission’s Net Pension Liability	\$15,974,193	\$10,398,850	\$5,706,988

Notes to the Financial Statements

For the Year Ended September 30, 2015

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, 2014. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

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

For the year ended September 30, 2015, the Commission recognized pension expense of \$1,082,227.00. At September 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		1,057,781.66
Employer contributions subsequent to the measurement date	1,344,863.62	
Total	<u>\$1,344,863.62</u>	<u>\$1,057,781.66</u>

Notes to the Financial Statements
For the Year Ended September 30, 2015

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2016	\$263,991
2017	\$263,991
2018	\$263,991
2019	\$263,989
2020	\$
Thereafter	\$

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Cullman County Commission provides a single-employer defined benefit medical insurance plan for eligible retirees and their spouses. The medical insurance plan covers both active and retired members. The *Code of Alabama 1975*, Sections 11-91-1 through 11-91-8, gives authority to the Commission to establish and amend benefit provisions. The plan does not issue a stand-alone financial report.

B. Funding Policy

The Commission, by resolution, allows retired employees and officials to continue to participate in the Commission's health insurance plan. The Commission's match is equal to the cost to regular full-time employees until the retired employee becomes eligible for Medicare, at which time the Commission pays 50% of the premium.

Retirees under age of 65 pay \$40.18 a month for single coverage and \$184.44 a month for family coverage. When retirees reach age 65 they must go on C-plus and pay \$68.50 a month and their spouse loses coverage unless they elect COBRA.

The Commission's contributions are on a pay-as-you-go basis, and does not plan to set up a trust fund to fund its postemployment medical insurance plan. For the year ended September 30, 2015, the Commission's expenditures to cover approximately 118 participants totaled \$554,394.

Notes to the Financial Statements
For the Year Ended September 30, 2015

C. Annual OPEB Cost

For fiscal year 2015, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical insurance was \$1,546,565.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2015	\$1,546,565.00	35.85%	\$7,143,154.88
09/30/2014	\$1,503,706.00	36.62%	\$6,273,365.00
09/30/2013	\$1,434,183.00	31.83%	\$5,320,277.00

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2015, was as follows:

Actuarial Accrued Liability (AAL)	\$16,591,500
Actuarial Value of Plan Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$16,591,500
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0
Covered Payroll (Active Plan Members)	\$15,474,445
UAAL as a Percentage of Covered Payroll	107.22%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will in future years present multiyear trend information that will show whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Notes to the Financial Statements

For the Year Ended September 30, 2015

E. Actuarial Methods and Assumptions

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

The actuarial cost method used was the projected unit credit method. The actuarial assumptions included a 4 percent investment return assumption (or discount rate) and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. It was assumed that 90 percent of future retirees would elect medical insurance coverage and 60 percent of retirees electing coverage who have spouses would elect spousal coverage. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years.

Note 7 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Cullman County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2015, amounted to \$52,136.44. Act Number 2014-84, Acts of Alabama which passed February 25, 2014, states that no county official including the sheriff may assume a supernumerary position after the effective date of this amendment but is entitled to participate in the Employee Retirement System of Alabama. The last contribution made to the supernumerary plan was in fiscal year 2014.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 8 – Long-Term Debt

In 2004, \$4,000,000 in General Obligation Warrants, with an interest rate of 4.00 percent, was issued to provide additional funds for the construction of the new jail. During the 2012 fiscal year, the Commission refinanced the Series 2004 General Obligation Warrants lowering the interest rate from 4 percent to 3 percent leaving the annual debt service obligation unchanged but reducing the length of payments. As a result of the refinancing, the Commission reduced its total debt service requirements by \$284,353.78, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$266,952.10.

In 2005, Water Revenue Refunding Warrants, with interest rates ranging from 2.70 to 4.25 percent, were issued to refund the 2000 Water Revenue Warrants.

During the 2008 fiscal year, the Commission issued Series 2007 Water Revenue Warrants, with interest rates ranging from 3.25 to 4.125 percent, to refund Series 2003 Water Revenue Warrants and to complete an office building used to house the Water Department and the Emergency Management Department.

During the 2010 fiscal year, the Commission issued Taxable Water Revenue Warrants, with interest rates ranging from 3.80 to 6.25 percent, to finance additional expansion of the water system.

During the 2011 fiscal year, the Commission issued \$6,550,000.00 in Series 2010 General Obligation Refunding Warrants dated December 16, 2010 to currently refund and redeem the Commission's outstanding Series 2002 General Obligation Warrants. Interest rates for the various scheduled maturities range from 2.0% to 3.50%.

During the 2013 fiscal year, the Commission issued Series 2013 General Obligation Warrants for \$2,000,000.00 payable in ten years at a fixed interest rate of 2.39% for the county's matching funds as part of the Alabama Transportation Rehabilitation and Improvement Program (ATRIP) to construct a new interchange on I-65 and County Road 222. The principal and interest will be paid for through a joint agreement between the Cullman Chamber of Commerce who will contribute 70% of its tourism lodging tax with the remaining balance evenly divided between the Cullman County Commission, the City of Cullman and the City of Good Hope.

Also during the fiscal year 2013, the Commission issued a fifteen year note in the amount of \$249,900.00 at a fixed interest rate of 3.25% for the purchase of an office building to house the Cullman County Economic Development Department.

During the 2015 fiscal year, the Commission issued \$8,320,000 in Series 2015 Water Revenue Warrants to refinance the Series 2005 and 2007 Bonds with interest rates ranging from 2.125% to 3.00% per annum.

Notes to the Financial Statements

For the Year Ended September 30, 2015

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2015:

	Debt Outstanding 10/01/2014	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2015	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable, Series 2004	\$ 2,249,313.67	\$	\$ (227,076.58)	\$ 2,022,237.09	\$ 233,915.59
Warrants Payable, Series 2010	4,680,000.00		(535,000.00)	4,145,000.00	545,000.00
Warrants Payable, Series 2013	1,730,122.34		(185,575.05)	1,544,547.29	190,023.67
Sub-Total	8,659,436.01		(947,651.63)	7,711,784.38	968,939.26
Notes Payable	226,613.27		(13,912.74)	212,700.53	14,371.70
Other Post Employment Benefit Obligation	5,386,258.26	807,880.01		6,194,138.27	
Estimated Liability for Compensated Absences	1,711,243.29	15,832.99		1,727,076.28	172,707.63
Net Pension Liability	9,295,259.20		(976,179.20)	8,319,080.00	
Total Governmental Activities	<u>25,278,810.03</u>	<u>823,713.00</u>	<u>(1,937,743.57)</u>	<u>24,164,779.46</u>	<u>1,156,018.59</u>
Business-Type Activities:					
Warrants Payable:					
2005 Refunding Warrants	4,265,000.00		(310,000.00)	3,955,000.00	325,000.00
2007 Refunding Warrants	6,170,000.00		(465,000.00)	5,705,000.00	480,000.00
2010-A Taxable Warrants	7,120,000.00		(30,000.00)	7,090,000.00	30,000.00
2015 Warrants		8,320,000.00		8,320,000.00	410,000.00
Sub-Total	17,555,000.00	8,320,000.00	(805,000.00)	25,070,000.00	1,245,000.00
Less: Unamortized Discount	(79,299.00)		5,780.00	(73,519.00)	(5,779.00)
Plus: Unamortized Premium		57,155.00		57,155.00	5,715.50
Other Post Employment Benefit Obligation	827,410.86	121,605.75		949,016.61	
Estimated Liability for Compensated Absences	375,844.50	34,459.10		410,303.60	41,030.36
Net Pension Liability	2,343,837.62		(246,147.12)	2,097,690.50	
Total Business-Type Activities	<u>\$21,022,793.98</u>	<u>\$8,533,219.85</u>	<u>\$(1,045,367.12)</u>	<u>\$28,510,646.71</u>	<u>\$1,285,966.86</u>

The 2004 and 2010 General Obligation Warrants will be repaid from the Public Buildings, Roads and Bridges Fund, Jail Construction Fund and/or the Capital Improvement Fund. The long term notes will be paid out of the General Fund and Roads and Bridges Fund, excluding the amount obligated by the Cullman Chamber of Commerce, the City of Cullman and the City of Good Hope.

The warrants payable that pertain to the Business-Type Activities will be repaid from the Water System Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds, while those attributable to the business-type activities will be liquidated from those funds.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Governmental Activities			
	Series 2004 General Obligation Warrants		Series 2010 General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2016	\$ 233,915.59	\$ 58,428.29	\$ 545,000.00	\$122,002.50
2017	241,295.57	51,048.31	560,000.00	111,102.50
2018	248,738.15	43,605.73	570,000.00	97,662.50
2019	256,410.29	35,933.59	590,000.00	81,987.50
2020	264,238.08	28,105.80	605,000.00	64,287.50
2021-2025	777,639.41	34,296.36	1,275,000.00	67,375.00
2026-2028				
Total	<u>\$2,022,237.09</u>	<u>\$251,418.08</u>	<u>\$4,145,000.00</u>	<u>\$544,417.50</u>

Fiscal Year Ending	Business-Type Activities			
	Series 2005 Refunding Warrants		Series 2007 Refunding Warrants	
	Principal	Interest	Principal	Interest
September 30, 2016	\$ 325,000.00	\$ 174,150.00	\$ 480,000.00	\$ 222,986.28
2017	335,000.00	161,150.00	495,000.00	205,586.28
2018	350,000.00	147,750.00	515,000.00	187,642.52
2019	365,000.00	133,750.00	535,000.00	168,330.02
2020	380,000.00	115,500.00	555,000.00	148,000.02
2021-2025	2,200,000.00	291,575.00	3,125,000.00	391,818.80
2026-2028				
Total	<u>\$3,955,000.00</u>	<u>\$1,023,875.00</u>	<u>\$5,705,000.00</u>	<u>\$1,324,363.92</u>

Notes to the Financial Statements
For the Year Ended September 30, 2015

Governmental Activities				Total Principal and Interest Requirements
Series 2013 General Obligation Warrants		Notes Payable		
Principal	Interest	Principal	Interest	
\$ 190,023.67	\$ 35,416.73	\$ 14,371.70	\$ 6,699.94	\$1,205,858.42
194,778.33	30,662.07	14,845.79	6,225.85	1,209,958.42
199,550.95	25,889.45	15,335.55	5,736.09	1,206,518.42
204,440.51	20,999.89	15,841.45	5,230.19	1,210,843.42
209,404.94	16,035.46	16,364.02	4,707.62	1,208,143.42
546,348.89	17,252.60	90,282.56	15,075.65	2,823,270.47
		45,659.46	1,751.55	47,411.01
\$1,544,547.29	\$146,256.20	\$212,700.53	\$45,426.89	\$8,912,003.58

Business-Type Activities				Total Principal and Interest Requirements
Series 2010A Taxable Warrants		Series 2015A Taxable Warrants		
Principal	Interest	Principal	Interest	
\$ 30,000.00	\$ 434,147.50	\$ 410,000.00	\$ 134,520.39	\$ 2,210,804.17
35,000.00	432,587.50	780,000.00	209,843.76	2,654,167.54
35,000.00	430,767.50	810,000.00	186,443.76	2,662,603.78
35,000.00	428,947.50	835,000.00	162,143.76	2,663,171.28
35,000.00	427,127.50	855,000.00	137,093.76	2,652,721.28
190,000.00	2,104,787.50	4,630,000.00	353,431.28	13,286,612.58
6,730,000.00	1,285,125.00			8,015,125.00
\$7,090,000.00	\$5,543,490.00	\$8,320,000.00	\$1,183,476.71	\$34,145,205.63

Notes to the Financial Statements
For the Year Ended September 30, 2015

Deferred Charges on Refunding and Discounts

The Commission has deferred loss on refunding and discounts in connection with the issuance of its 2005, 2007, and 2010-A Revenue Warrants and has a premium in connection with the issuance of its 2015 Warrants in the business-type activities. The deferred loss on refunding, discounts and premiums are being amortized using the straight-line method over the term of the related debt.

	Deferred Loss on Refunding	Premium	Discount
Total Deferred Loss on Refunding, Discount and Premium	\$ 950,987.14	\$	\$109,841.60
Amounts Amortized in Prior Years	(540,238.14)		(30,542.60)
Balance Deferred Loss on Refunding, Discount and Premium	410,749.00		79,299.00
Current Year Additions		57,155.00	
Current Year Amortized	61,974.00		5,780.00
Balance Deferred Loss on Refunding, Discount and Premium	<u>\$ 348,775.00</u>	<u>\$57,155.00</u>	<u>\$ 73,519.00</u>

Prior Year Defeasance of Debt

The Commission issued its Water Revenue Warrants, Series 2003, dated February 2003.

The Commission entered into a Refunding Escrow Agreement dated December 27, 2007 and January 10, 2008, with the Bank of New York Mellon Trust Company as trustee, and has deposited with the trustee, funds sufficient in amount to pay the advance refunded portion of the principal and interest on the Series 2003 when they are called on May 1, 2016. An analysis of the Escrow Fund for the year ended September 30, 2015, is as follows:

	Series 2003 Warrants
Balance – Beginning of Year	\$586,932.00
Interest Earned	11,492.00
Total Available Funds	<u>598,424.00</u>
Disbursements:	
Interest Paid	24,280.00
Principal Paid	290,000.00
Total Disbursements	<u>314,280.00</u>
Balance – End of Year	<u>\$284,144.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2015

Escrowed Water Revenue Warrants, Series 2003 amounted to \$284,144.00 at September 30, 2015.

The defeased warrants listed above and the related trust account assets are not included in the Commission's statements.

The Series 2007 and 2008 Warrants were issued to advance refund \$5,960,000.00 of outstanding Series 2003 Water Revenue Warrants. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$326,433. The difference, reported on the accompanying financial statements as a deduction from warrants payable, is being amortized evenly over the life of the Series 2007 and 2008 Warrants and is being charged to operations. The Commission completed the advance refunding to provide for construction of a facility for the Commission's Water Department and the Emergency Management Agency.

Note 9 – Pledged Revenues

In 2005, the Commission issued Water Revenue Refunding Warrants to refund the 2000 Water Revenue Warrants. The Commission pledged to repay the 2005 warrants from revenues derived from the operation of the County's water system. Future revenues of \$4,978,875.00 are pledged to repay the principal and interest on the warrants as of September 30, 2015. Operating revenues for fiscal year 2015 totaled \$8,825,151.00. Of these operating revenues, \$495,620.00 was used to pay principal and interest on the warrants. This amount represents 5.62% of pledged revenues received from the operation of the County's water system. These warrants will mature in 2025.

During the 2008 fiscal year, the Commission issued Series 2007 and Series 2008 Water Revenue Warrants to refund Series 2003 Water Revenue Warrants and to complete an office building used to house the Water Department and the Emergency Management Department. The Commission pledged to repay the 2007 and 2008 warrants from revenues derived from the operation of the County's water system.

At September 30, 2015, future revenues of \$7,029,363.92 are pledged to repay the principal and interest on the Series 2007 warrants. Operating revenues for fiscal year 2015 totaled \$8,825,151.00. Of these operating revenues, \$704,261.28 was used to pay principal and interest on the Series 2007 warrants. This amount represents 7.98% of pledged revenues received from the operation of the County's water system. These warrants will mature in 2025.

During the 2010 fiscal year, the Commission issued Taxable Water Revenue Warrants, Series 2010-A to finance additional expansion of the water system. The Commission pledged to repay the warrants from revenues derived from the operation of the County's water system. Future revenues of \$12,633,490.00 are pledged to repay the principal and interest on the warrants as of September 30, 2015. Operating revenues for fiscal year 2015 totaled \$8,825,151.00. Of these operating revenues, \$465,287.50 was used to pay principal and interest on the warrants. This amount represents 5.27% of pledged revenues received from the operation of the County's water system. The warrants will mature in 2030.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 10 – Conduit Debt Obligations

On February 1, 2008, the Cullman County Public Building Authority (PBA), which is a related organization of Cullman County, issued \$5,985,000.00 of Building Revenue Warrants (DHR Project), Series 2008 for the purpose of financing the acquisition, construction, and installation of an office building for use by the Cullman County Department of Human Resources. Simultaneously, with the issuance of the warrants, a lease agreement was executed between the PBA and Cullman County in addition to a sub-lease agreement between Cullman County and the State of Alabama, acting by and through its Department of Human Resources. The lease is limited obligation debt of the County and is payable solely from the revenues generated through the sub-lease agreement. The warrants and the lease do not constitute a debt or pledge of the faith and credit of the County and accordingly have not been reported in the accompanying financial statements. As of September 30, 2015, the outstanding balance of the lease is \$4,665,000.00.

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's exposure, individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs. County specific coverages and limits can be added by endorsement.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the Fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Member premiums are then calculated on a rate per \$100 of estimated remuneration for each job class, which is adjusted by an experience modifier for the individual county. The Commission may qualify for additional discounts based on losses and premium size. Pool participants are eligible to receive refunds of unused premiums and the related investment earnings.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The Commission is self-insured with regard to employee health insurance. The Commission retains the risk of loss of \$100,000 for specific stop loss per person per agreement year and \$1,000,000 Maximum Aggregate Stop Loss per agreement year. The Commission purchases insurance for claims in excess of specific and aggregate limits. An estimate of the claims liability is reported in the General Fund. These liabilities are based on estimates utilizing past experience.

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2012-2013	\$393,000.00	\$3,948,520.04	\$3,992,920.04	\$348,600.00
2013-2014	\$348,600.00	\$4,895,232.18	\$4,821,252.98	\$422,579.20
2014-2015	\$422,579.20	\$5,069,858.54	\$4,964,757.74	\$527,682.00

Estimated Claims Costs Payable at September 30, 2015, also includes an administrative fee liability of \$42,680.00, for a total of \$527,680.00.

Note 12 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2015, were as follows:

	Transfers Out		Totals
	General Fund	Other Governmental Funds	
Transfers In:			
General Fund	\$	\$ 68,907.55	\$ 68,907.55
Gasoline Tax Fund	450,000.00	202,528.74	652,528.74
ATRIP Fund	1,647,789.79		1,647,789.79
Other Governmental Funds	1,096,086.83		1,096,086.83
Other Enterprise Funds	917,608.34		917,608.34
Totals	\$4,111,484.96	\$271,436.29	\$4,382,921.25

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the Road and Bridge and Judicial Jail Construction Funds to the Debt Service Funds to service current-year debt requirements.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 13 – Joint Ventures

The Cullman County Commission is involved in a joint venture with the City of Cullman. The entities each own a 50% share of an airport located in Cullman County. The airport provides services in the city and county. As of September 30, 2013, the operations of the airport are recorded as a separate entity. Only the equity share of Cullman County's investment in the joint venture is shown on the financial statements. As of September 30, 2015, Cullman County's investment in the joint venture was \$3,114,861.00. Records of the airport are maintained by personnel of the City of Cullman. Financial Statements of the airport may be obtained from the City of Cullman.

Note 14 – Related Organizations

The following organizations were considered related organizations because a majority of the respective members of boards are appointed by the Cullman County Commission. The Commission, however, is not financially accountable, because it does not impose its will and have a financial benefit or burden relationship, for the organizations and the organizations are not considered part of the Commission's financial reporting entity. The organizations are considered a related organization of the County Commission.

- ◆ Cullman County Center for the Developmentally Disabled
- ◆ Department of Human Resources Board
- ◆ E-911 Board of Commissioners
- ◆ Health Care Authority Board
- ◆ Industrial Development Board
- ◆ Cullman Area Mental Health Authority
- ◆ Solid Waste Authority
- ◆ Tennessee Valley Rehabilitation Board
- ◆ Walter Water Authority
- ◆ Cullman County Building Authority
- ◆ Cullman County Public Library

Note 15 – Forgiveness of Debt

The Cullman County Water Department is a recipient of a loan being disbursed under an agreement with Cullman County, the Alabama Drinking Water Finance Authority and the Alabama Department of Environmental Management. The agreement allows a maximum borrowing amount of \$3,253,184 to be used for water system improvements. The agreement provides repayment forgiveness of the principal, as disbursed to the county. As of September 30, 2015, the Water Department has received \$3,253,184 of the allowable amount, which \$83,059 has been recognized as non-operating revenues in the current year.

Notes to the Financial Statements

For the Year Ended September 30, 2015

Note 16 – Subsequent Event

On October 23, 2015, the Commission redeemed and retired the Series 2005 and 2007 Water Revenue Warrants. As a result, the Series 2005 and 2007 Water Revenue Warrants are considered to be defeased and the liability for those warrants was removed.

On March 22, 2016, the Commission issued Water Revenue Warrants, Series 2016 in the amount of \$6,640,000 for the purpose of refunding Water Revenue Warrants, Series 2010. These warrants have an average interest rate of 3.3% and will mature in 2030.

Note 17 – Restatements

In fiscal year 2015, the Cullman County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement requires a restatement to beginning net position. The adoption of this statement has a significant impact on the Cullman County Commission's financial statements. For fiscal year 2015, the Cullman County Commission made prior period adjustments due to the adoption of GASB Statement Number 68 which require the restatement of the September 30, 2014, net position in governmental and business-type activities. The result is a decrease of net position at October 1, 2014, of \$8,298,068.00 in the governmental activities and \$2,092,391.05 in the business-type activities.

The impact of the restatements on the net position as previously reported is as follows:

Governmental Activities – Net Position, September 30, 2014, as Previously Reported	\$80,906,269.97
Net Pension Liability Due to Adoption of GASB 68	(8,298,068.00)
Governmental Activities – Net Position, September 30, 2014, as Restated	<u>\$72,608,201.97</u>

Business-Type Activities – Net Position, September 30, 2014, as Previously Reported	\$27,586,891.77
Net Position Liability Due to Adoption of GASB 68	(2,092,391.05)
Business-Type Activities – Net Position, September 30, 2014, as Restated	<u>\$25,494,500.72</u>

A reclassification was made to the beginning fund balance of the General Fund due to a reclassification of the Public Buildings, Roads and Bridges Fund from a Special Revenue Fund to the General Fund. The reclassification was necessary due to the re-evaluation of funds in regard to Governmental Accounting Standards Board Statement Number 54.

Notes to the Financial Statements
For the Year Ended September 30, 2015

The impact of the restatement on the fund balances as previously reported is as follows:

	General Fund	Public Buildings, Roads and Bridges Fund	Total
Fund Balance, September 30, 2014, as Previously Reported	\$ 9,273,982.34	\$ 2,708,080.71	\$11,982,063.05
<u>Fund Reclassification:</u>			
Public Buildings, Roads and Bridges Fund	2,708,080.71	(2,708,080.71)	
Fund Balance, September 30, 2014, as Reported	<u>\$11,982,063.05</u>	<u>\$</u>	<u>\$11,982,063.05</u>

Required Supplementary Information

***Schedule of Changes in the Net Pension Liability
For the Year Ended September 30, 2015***

	2015
<u>Total pension liability</u>	
Service cost	\$ 1,315,634
Interest	3,487,843
Benefit payments, including refunds of employee contributions	<u>(2,446,313)</u>
Net change in total pension liability	2,357,164
Total pension liability - beginning	<u>44,821,191</u>
Total pension liability - ending (a)	<u><u>\$ 47,178,355</u></u>
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 1,246,489
Contributions - employee	828,872
Net investment income	3,960,786
Benefit payments, including refunds of employee contributions	(2,446,313)
Other (Transfers among employers)	<u>(12,446)</u>
Net change in plan fiduciary net position	3,577,388
Plan fiduciary net positions - beginning	<u>33,202,117</u>
Plan fiduciary net positions - ending (b)	<u><u>\$ 36,779,505</u></u>
Commission's net pension liability - ending (a) - (b)	\$ 10,398,850
Plan fiduciary net position as a percentage of the total pension liability	77.96%
Covered-employee payroll (*)	\$ 15,506,812
Commission's net pension liability as a percentage of covered-employee payroll	67.06%

(*) Employer's covered-employee payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is October 1, 2013 through September 30, 2014.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions
For the Year Ended September 30, 2015***

	2015	2014
Actuarially determined contribution	\$ 1,344,864	\$ 1,246,489
Contributions in relation to the actuarially determined contribution	<u>\$ 1,344,864</u>	<u>\$ 1,246,489</u>
Contribution deficiency (excess)	\$	\$
Covered-employee payroll	\$ 16,534,043	\$ 15,506,812
Contributions as a percentage of covered-employee payroll	8.13%	8.04%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 13,642,700.00	\$ 13,642,700.00	\$ 14,437,795.80
License and Permits	79,000.00	79,000.00	80,998.57
Intergovernmental	1,880,095.00	1,880,095.00	1,869,268.20
Charges for Services	2,354,497.00	2,354,497.00	2,449,738.93
Miscellaneous	720,715.00	720,715.00	908,884.44
Total Revenues	18,677,007.00	18,677,007.00	19,746,685.94
Expenditures			
Current:			
General Government	5,715,938.00	5,715,938.00	5,469,898.00
Public Safety	10,442,399.00	10,442,399.00	10,562,518.86
Health	576,754.00	576,754.00	553,819.27
Welfare	86,500.00	86,500.00	77,550.00
Culture and Recreation	302,700.00	302,700.00	304,508.62
Education	226,659.00	226,659.00	204,181.40
Capital Outlay			138,169.50
Total Expenditures	17,350,950.00	17,350,950.00	17,310,645.65
Excess (Deficiency) of Revenues Over Expenditures	1,326,057.00	1,326,057.00	2,436,040.29
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets			6,366.62
Transfers In	660,000.00	660,000.00	68,907.55
Transfers Out	(1,985,647.00)	(1,985,647.00)	(2,405,650.34)
Total Other Financing Sources (Uses)	(1,325,647.00)	(1,325,647.00)	(2,330,376.17)
Net Changes in Fund Balances	410.00	410.00	105,664.12
Fund Balances - Beginning of Year	2,462.00	2,462.00	12,491,451.43
Fund Balances - End of Year	\$ 2,872.00	\$ 2,872.00	\$ 12,597,115.55

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 1,952,518.85	\$ 16,390,314.65
		80,998.57
(1)	166,224.99	2,035,493.19
(1)	149,114.51	2,598,853.44
(1)	94,330.79	1,003,215.23
	2,362,189.14	22,108,875.08
(2)	297,299.20	5,767,197.20
(2)	148,099.51	10,710,618.37
		553,819.27
(2)	759,375.83	836,925.83
(2)	78,799.58	383,308.20
		204,181.40
		138,169.50
	1,283,574.12	18,594,219.77
	1,078,615.02	3,514,655.31
(3)	1,387.50	7,754.12
		68,907.55
(3)	(1,705,834.62)	(4,111,484.96)
	(1,704,447.12)	(4,034,823.29)
	(625,832.10)	(520,167.98)
(4)	(509,388.38)	11,982,063.05
	\$ (1,135,220.48)	\$ 11,461,895.07

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2015***

Explanation of differences:

Some amounts are combined with the General Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Aging Fund	\$	156,634.66
Work Release Fund		149,114.51
Industrial Development Fund		12,500.00
Clarkston Bridge Fund		35,950.00
Road and Bridge Fund		2,007,989.97
Total		<u>2,007,989.97</u>
 (2) Expenditures		
Aging Fund	\$	(759,375.83)
Work Release Fund		(148,099.51)
Industrial Development Fund		(297,299.20)
Clarkston Bridge Fund		(78,799.58)
Total		<u>(78,799.58)</u>
 (3) Other Financing Sources/(Uses), Net		
Aging Fund	\$	594,868.50
Industrial Development Fund		321,871.00
Road and Bridge Fund		(2,621,186.62)
Total		<u>(2,621,186.62)</u>

Net Decrease in Fund Balance - Budget to GAAP

- (4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.

\$ 2,362,189.14

(1,283,574.12)

(1,704,447.12)

\$ (625,832.10)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2015***

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<u>Revenues</u>			
Taxes	\$ 1,460,000.00	\$ 1,460,000.00	\$ 1,631,418.65
Intergovernmental	3,528,973.00	3,528,973.00	3,560,939.05
Charges for Services	510,000.00	510,000.00	563,162.86
Miscellaneous			34,094.43
Total Revenues	<u>5,498,973.00</u>	<u>5,498,973.00</u>	<u>5,789,614.99</u>
<u>Expenditures</u>			
Current:			
General Government	6,551,973.00	6,551,973.00	6,660,566.37
Capital Outlay	290,000.00	290,000.00	995,415.34
Total Expenditures	<u>6,841,973.00</u>	<u>6,841,973.00</u>	<u>7,655,981.71</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,343,000.00)</u>	<u>(1,343,000.00)</u>	<u>(1,866,366.72)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Capital Assets			1,499,118.75
Transfers In	1,143,000.00	1,143,000.00	652,528.74
Transfers Out			467,990.61
Total Other Financing Sources (Uses)	<u>1,143,000.00</u>	<u>1,143,000.00</u>	<u>2,619,638.10</u>
Net Changes in Fund Balances	(200,000.00)	(200,000.00)	753,271.38
Fund Balances - Beginning of Year	<u>200,000.00</u>	<u>200,000.00</u>	<u>685,457.27</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 1,438,728.65</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 94.08	\$ 1,631,512.73
(1)	490,342.80	4,051,281.85
		563,162.86
		34,094.43
	<u>490,436.88</u>	<u>6,280,051.87</u>
		6,660,566.37
		<u>995,415.34</u>
		<u>7,655,981.71</u>
	<u>490,436.88</u>	<u>(1,375,929.84)</u>
		1,499,118.75
		652,528.74
(2)	<u>(467,990.61)</u>	<u>2,151,647.49</u>
	22,446.27	775,717.65
(3)	<u>30,113.20</u>	<u>715,570.47</u>
	<u>\$ 52,559.47</u>	<u>\$ 1,491,288.12</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2015***

Explanation of differences:

Some amounts are combined with the Gasoline Tax Fund for reporting purposes, but are budgeted separately.

(1) Revenues		
Public Highway and Traffic Fund	\$	490,342.80
Coal Severance Fund		94.08
Total		<u>94.08</u>
(2) Other Financing Sources/(Uses), Net		
Public Highway and Traffic Fund	\$	(467,896.53)
Coal Severance Fund		(94.08)
Total		<u>(94.08)</u>

Net Increase in Fund Balance - Budget to GAAP

- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.

\$ 490,436.88

(467,990.61)

\$ 22,446.27

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - ATRIP Fund
For the Year Ended September 30, 2015***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Intergovernmental	\$	\$	\$ 6,816,783.63
Total Revenues			6,816,783.63
Expenditures			
Current:			
Highways and Roads	1,785,619.00	1,785,619.00	8,445,425.71
Total Expenditures	1,785,619.00	1,785,619.00	8,445,425.71
Excess (Deficiency) of Revenues Over Expenditures	(1,785,619.00)	(1,785,619.00)	(1,628,642.08)
Other Financing Sources (Uses)			
Transfers In	1,785,619.00	1,785,619.00	1,647,789.79
Total Other Financing Sources (Uses)	1,785,619.00	1,785,619.00	1,647,789.79
Net Changes in Fund Balances			19,147.71
Fund Balances - Beginning of Year			28.00
Fund Balances - End of Year	\$	\$	\$ 19,175.71

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 6,816,783.63
	<u>6,816,783.63</u>
	8,445,425.71
	<u>8,445,425.71</u>
	<u>(1,628,642.08)</u>
	1,647,789.79
	<u>1,647,789.79</u>
	19,147.71
	<u>28.00</u>
<u>\$</u>	<u>\$ 19,175.71</u>

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2015***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2014 (*)	\$0	\$16,591,500	\$16,591,500	0%	\$15,474,445	107.22%
09/30/2012	\$0	\$15,039,821	\$15,039,821	0%	\$13,347,858	112.68%
09/30/2010	\$0	\$13,483,975	\$13,483,975	0%	\$15,103,894	89.27%

(*) Includes the updated actuarial assumptions and plan design based on the introduction of a new tier of membership for those hired on or after January 1, 2013.

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Housing and Urban Development Passed Through Alabama Department of Economic and Community Affairs</u> Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269	DTR-13-17
<u>U. S. Department of Justice Direct Program</u> Public Safety Partnership and Community Policing Grants	16.710	2014-DJ-BX-0501
<u>U. S. Department of Transportation Passed Through Alabama Department of Transportation</u> Formula Grants for Rural Areas (M) Total U. S. Department of Transportation	20.509	RPT-22
<u>General Services Administration Passed Through Alabama Department of Economic and Community Affairs</u> Donation of Federal Surplus Personal Property (N)	39.003	N/A
<u>U. S. Department of Health and Human Services Passed Through North-Central Alabama Regional Council of Governments (NARCOG)</u> Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A
<u>Passed Through Alabama Department of Public Health</u> National Bioterrorism Hospital Preparedness Program Total U. S. Department of Health and Human Services	93.889	CEP-39-QW5-15
Sub-Total Brought Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
12/16/2013-12/15/2015	\$ 1,294,892.00	\$ 1,294,892.00	\$ 128,330.10	\$ 128,330.10
10/01/2013-09/30/2015	11,705.00	11,705.00	11,705.00	11,705.00
10/01/2014-09/30/2015	1,772,870.00	1,204,490.00	1,011,778.84	1,011,778.84
	<u>1,772,870.00</u>	<u>1,204,490.00</u>	<u>1,011,778.84</u>	<u>1,011,778.84</u>
10/01/2014-09/30/2015			141,474.40	141,474.40
10/01/2014-09/30/2015	46,573.00	46,573.00	46,573.00	46,573.00
07/01/2014-06/30/2015	23,500.00	23,500.00	23,500.00	23,500.00
	<u>70,073.00</u>	<u>70,073.00</u>	<u>70,073.00</u>	<u>70,073.00</u>
	\$ 3,149,540.00	\$ 2,581,160.00	\$ 1,363,361.34	\$ 1,363,361.34

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
Sub-Total Brought Forward		
<u>U. S. Department of Homeland Security</u>		
<u>Passed Through Alabama Emergency Management Agency</u>		
Hazard Mitigation Grant	97.039	DR-1971-096
Hazard Mitigation Grant	97.039	DR-1971-098
Hazard Mitigation Grant	97.039	DR-1971-100
Hazard Mitigation Grant	97.039	DR-1971-110
Hazard Mitigation Grant	97.039	DR-1971-118
Hazard Mitigation Grant	97.039	DR-1971-122
Hazard Mitigation Grant	97.039	DR-1971-129
Hazard Mitigation Grant	97.039	DR-1971-233
Hazard Mitigation Grant	97.039	DR-1971-455
Hazard Mitigation Grant	97.039	DR-1971-665
Hazard Mitigation Grant	97.039	DR-1971-669
Hazard Mitigation Grant	97.039	DR-1971-670
Hazard Mitigation Grant	97.039	DR-1971-671
Hazard Mitigation Grant	97.039	DR-1971-672
Hazard Mitigation Grant	97.039	DR-1971-733
Sub-Total Hazard Mitigation Grant		
Emergency Management Performance Grants	97.042	4EMS
Emergency Management Performance Grants	97.042	5EMF
Sub-Total Emergency Management Performance Grants		
Homeland Security Grant Program	97.067	3FIL
Homeland Security Grant Program	97.067	4FIL
Sub-Total Homeland Security Grant Program		
Total U. S. Department of Homeland Security		
Total Expenditures of Federal Awards		

(M) = Major Program
(N) = Noncash Assistance
N/A = Not Available or Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 3,149,540.00	\$ 2,581,160.00	\$ 1,363,361.34	\$ 1,363,361.34
12/15/2011-12/14/2014	139,985.00	100,772.00	5,531.96	5,531.96
12/21/2011-12/20/2014	140,474.00	99,494.00	6,270.45	6,270.45
12/20/2011-12/19/2014	142,788.00	100,944.00	6,021.89	6,021.89
01/24/2012-01/23/2015	140,381.00	100,198.00	5,974.10	5,974.10
02/17/2012-02/16/2015	140,511.00	97,886.00	17,404.25	17,404.25
02/17/2011-02/16/2015	152,577.00	102,959.00	22,160.00	22,160.00
03/01/2012-02/28/2015	146,916.00	99,671.00	6,225.65	6,225.65
03/28/2012-03/27/2015	87,489.00	64,261.00	3,714.00	3,714.00
08/03/2012-08/02/2015	138,647.00	97,410.00	5,886.00	5,886.00
02/28/2013-02/27/2016	110,446.00	82,835.00	40,675.29	40,675.29
02/28/2013-02/27/2016	127,746.00	95,810.00	47,617.99	47,617.99
02/28/2013-02/27/2016	153,340.00	115,005.00	50,662.92	50,662.92
02/28/2013-02/27/2016	156,940.00	117,705.00	840.00	840.00
02/28/2013-02/27/2016	143,899.00	107,924.00	43,969.08	43,969.08
11/18/2013-12/31/2015	27,500.00	20,625.00	6,875.00	6,875.00
	<u>1,809,654.00</u>	<u>1,302,727.00</u>	<u>269,828.58</u>	<u>269,828.58</u>
10/01/2014-09/30/2015	11,616.00	11,616.00	11,616.00	11,616.00
10/01/2013-09/30/2014	49,672.00	49,672.00	49,672.00	49,672.00
	<u>61,288.00</u>	<u>61,288.00</u>	<u>61,288.00</u>	<u>61,288.00</u>
10/08/2013-02/27/2015	17,000.00	17,000.00	9,479.38	9,479.38
09/29/2014-02/28/2016	17,000.00	17,000.00	601.45	601.45
	<u>34,000.00</u>	<u>34,000.00</u>	<u>10,080.83</u>	<u>10,080.83</u>
	<u>1,904,942.00</u>	<u>1,398,015.00</u>	<u>341,197.41</u>	<u>341,197.41</u>
	<u>\$ 5,054,482.00</u>	<u>\$ 3,979,175.00</u>	<u>\$ 1,704,558.75</u>	<u>\$ 1,704,558.75</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2015***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cullman County Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the primary government financial statements.

Additional Information

Commission Members and Administrative Personnel
October 1, 2014 through September 30, 2015

<u>Commission Members</u>		<u>Term Expires</u>
Hon. Kenneth Walker	Chairman	2020
Hon. Kerry Watson	Associate Commissioner	2018
Hon. Garry Marchman	Associate Commissioner	2018
Hon. Darrell Hicks	Associate Commissioner	2014
Hon. Stanley Yarbrough	Associate Commissioner	2014
<u>Administrative Personnel</u>		
Mr. Gary Teichmiller	Administrator	Indefinite

***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***

Independent Auditor's Report

To: Members of the Cullman County Commission and County Administrator

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cullman County Commission as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Cullman County Commission's basic financial statements and have issued our report thereon dated March 30, 2017. We did not audit the financial statements of the Cullman County Water Fund, which represents 83%, 73% and 60% respectively of the assets, net position and revenues of the Enterprise Funds, business-type activities. Those financial statements were audited by other auditors in accordance with ***Government Auditing Standards*** and whose report has been furnished to us. This report does not include the results of those auditors' testing of internal controls over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cullman County Commission'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 Cullman County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cullman County Commission'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.

***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***

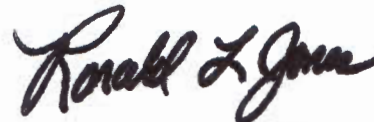
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Cullman County Commission'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.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 30, 2017

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by
OMB Circular A-133***

Independent Auditor's Report

To: Members of the Cullman County Commission and County Administrator

Report on Compliance for Each Major Federal Program

We have audited the Cullman County Commission's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Cullman County Commission's major federal program for the year ended September 30, 2015. The Cullman County Commission's major federal program is identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with the Cullman County Commission's major federal program 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 OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 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 Cullman County Commission'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 the major federal program. However, our audit does not provide a legal determination of the Cullman County Commission's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Opinion on Each Major Federal Program

In our opinion, the Cullman County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

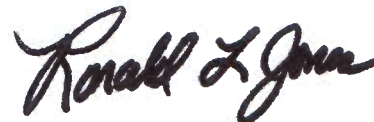
Management of the Cullman County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cullman County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Cullman County Commission'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 the 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 Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by
OMB Circular A-133***

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

March 30, 2017

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.509	Formula Grants for Rural Areas

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	