

Report on the

Cullman County Commission

Cullman County, Alabama

October 1, 2019 through September 30, 2020

Filed: June 3, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Cullman County Commission, Cullman County, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Matthew Robinson and Kalandria Morris. I, Matthew Robinson, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Matthew Robinson', is written over a light blue horizontal line.

Matthew Robinson
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Cullman County Commission
October 1, 2019 through September 30, 2020**

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 20. 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 programs. 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 41-5A-12.

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, 2020.

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

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 20, were invited to discuss the results of this report at an exit conference. Individuals in attendance were: Commissioners: Kerry Watson and Garry Marchman. Also in attendance were representatives of the Department of Examiners of Public Accounts: Isabelle Lisenby, Audit Manager; Matthew Robinson, Examiner; and Kalandria Morris, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Cullman County Commission and County Administrator
Cullman, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cullman County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Cullman County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cullman County Water Fund, which represents 68%, 81%, and 61%, respectively, of the assets, net position, and revenues of the Enterprise Funds and 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 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, 2020, 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.

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), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 18), 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.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

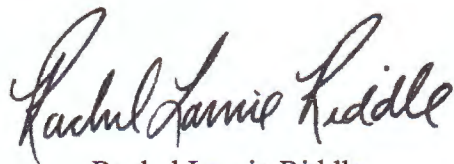
Supplementary Information

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 19), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for the 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of the Cullman County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cullman County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cullman County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 2, 2022

Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 15,493,575.69	\$ 779,255.81	\$ 16,272,831.50
Investments	3,884,352.31		3,884,352.31
Receivables (Note 4)	6,766,089.26	1,911,818.20	8,677,907.46
Property Taxes Receivable	9,790,689.22		9,790,689.22
Inventories	455,486.27	458,445.00	913,931.27
Prepaid Items	8,207.67		8,207.67
Other Assets		34,490.00	34,490.00
Total Current Assets	36,398,400.42	3,184,009.01	39,582,409.43
Noncurrent Assets			
Restricted Cash with Fiscal Agent	56,926.25	537,925.00	594,851.25
Other Noncurrent Assets		33,662.00	33,662.00
Net Investment in Joint Venture (Note 14)		4,758,163.00	4,758,163.00
Capital Assets (Note 5):			
Nondepreciable	32,145,809.03	4,790,140.82	36,935,949.85
Depreciable, Net	50,156,606.23	29,693,753.46	79,850,359.69
Total Noncurrent Assets	82,359,341.51	39,813,644.28	122,172,985.79
Total Assets	118,757,741.93	42,997,653.29	161,755,395.22
Deferred Outflows of Resources			
Debt Refunding		295,232.00	295,232.00
Employer Pension Contributions	1,154,905.39	302,204.61	1,457,110.00
Deferred Outflows Related to Pension Liability	2,040,809.09	544,166.61	2,584,975.70
Deferred Outflows Related to Other Postemployment Benefits Liability	5,520,120.10	1,625,390.89	7,145,510.99
Total Deferred Outflows of Resources	8,715,834.58	2,766,994.11	11,482,828.69
Liabilities			
Current Liabilities			
Accounts Payable	846,292.97	1,607,026.76	2,453,319.73
Due to Other Governments	171,061.55		171,061.55
Unearned Revenue	345,903.27		345,903.27
Accrued Wages Payable	835,642.65	244,616.15	1,080,258.80
Accrued Interest Payable	22,336.42	131,654.00	153,990.42
Other Current Liabilities	338,476.80	48,523.00	386,999.80
Long-Term Liabilities:			
Portion Due and Payable Within One Year:			
Warrants Payable	1,112,049.23	975,000.00	2,087,049.23
Plus: Unamortized Premium		28,169.00	28,169.00
Notes Payable	16,903.84	913,868.95	930,772.79
Estimated Liability for Compensated Absences	265,915.51	54,801.65	320,717.16
Total Current Liabilities	\$ 3,954,582.24	\$ 4,003,659.51	\$ 7,958,241.75

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Totals
Noncurrent Liabilities			
Portion Due or Payable After One Year:			
Warrants Payable	\$ 1,474,297.01	\$ 9,945,000.00	\$ 11,419,297.01
Plus: Unamortized Premium		236,657.00	236,657.00
Notes Payable	119,038.18	3,656,035.89	3,775,074.07
Estimated Liability for Compensated Absences	2,393,239.55	493,214.85	2,886,454.40
Net Pension Liability	12,494,962.99	3,269,218.01	15,764,181.00
Other Postemployment Benefits Liability	23,439,123.19	6,594,887.81	30,034,011.00
Total Noncurrent Liabilities	<u>39,920,660.92</u>	<u>24,195,013.56</u>	<u>64,115,674.48</u>
Total Liabilities	<u>43,875,243.16</u>	<u>28,198,673.07</u>	<u>72,073,916.23</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	9,790,689.22		9,790,689.22
Deferred Inflows Related to Other Postemployment Benefits Liability	697,970.10	228,876.91	926,847.01
Total Deferred Inflows of Resources	<u>10,488,659.32</u>	<u>228,876.91</u>	<u>10,717,536.23</u>
Net Position			
Net Investment in Capital Assets	79,580,127.00	18,892,741.44	98,472,868.44
Restricted for:			
Capital Projects	406,696.91		406,696.91
Debt Service	192,787.27	537,925.00	730,712.27
Highways and Roads	600,986.24		600,986.24
Other Purposes	3,207,657.93		3,207,657.93
Unrestricted	<u>(10,878,581.32)</u>	<u>(2,093,569.02)</u>	<u>(12,972,150.34)</u>
Total Net Position	<u>\$ 73,109,674.03</u>	<u>\$ 17,337,097.42</u>	<u>\$ 90,446,771.45</u>

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

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 8,359,306.45	\$ 2,472,414.62	\$ 501,732.96	\$ 457,018.48	\$ (4,928,140.39)		\$ (4,928,140.39)
Public Safety	17,650,511.38	3,199,086.11	3,078,936.70		(11,372,488.57)		(11,372,488.57)
Highways and Roads	11,581,701.08	482,706.52	4,482,066.46		(6,616,928.10)		(6,616,928.10)
Health	543,735.98				(543,735.98)		(543,735.98)
Welfare	2,392,907.82	58,464.18	1,819,360.34		(515,083.30)		(515,083.30)
Culture and Recreation	389,669.64	62,815.45			(326,854.19)		(326,854.19)
Education	172,821.04				(172,821.04)		(172,821.04)
Interest on Long-Term Debt	104,704.05				(104,704.05)		(104,704.05)
Total Governmental Activities	41,195,357.44	6,275,486.88	9,882,096.46	457,018.48	(24,580,755.62)		(24,580,755.62)
Business-Type Activities							
Sanitation	8,410,420.13	6,361,329.09				(2,049,091.04)	(2,049,091.04)
Other Enterprise Funds	2,528,965.81	1,595,579.65				(933,386.16)	(933,386.16)
Water Sales	12,352,230.00	12,275,080.00				(77,150.00)	(77,150.00)
Total Business-Type Activities	23,291,615.94	20,231,988.74				(3,059,627.20)	(3,059,627.20)
Total Primary Government	\$ 64,486,973.38	\$ 26,507,475.62	\$ 9,882,096.46	\$ 457,018.48	(24,580,755.62)	(3,059,627.20)	(27,640,382.82)
General Revenues and Transfers:							
Taxes:							
Property Taxes for General Purposes					9,015,723.16		9,015,723.16
Property Taxes for Specific Purposes					1,482,825.73		1,482,825.73
General Sales and Use Taxes					14,193,259.56		14,193,259.56
Other County Sales and Use Taxes					88,806.42		88,806.42
Miscellaneous Taxes					782,188.39		782,188.39
Grants and Contributions Not Restricted for Specific Purposes					2,566,123.25		2,566,123.25
Investment Earnings					180,116.88	18,408.00	198,524.88
Gain on Disposition of Assets					339,081.02		339,081.02
Miscellaneous					4,166,156.77	33,695.00	4,199,851.77
Transfers					(1,578,056.41)	1,578,056.41	
Total General Revenues and Transfers					31,236,224.77	1,630,159.41	32,866,384.18
Change in Net Position					6,655,469.15	(1,429,467.79)	5,226,001.36
Net Position - Beginning of Year					66,454,204.88	18,766,565.21	85,220,770.09
Net Position - End of Year					\$ 73,109,674.03	\$ 17,337,097.42	\$ 90,446,771.45

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

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 11,237,279.82	\$ 8,392.21	\$ 378,433.96	\$ 3,869,469.70	\$ 15,493,575.69
Cash With Fiscal Agent				56,926.25	56,926.25
Investments	3,884,352.31				3,884,352.31
Property Taxes Receivable	8,109,039.22		1,681,650.00		9,790,689.22
Receivables (Note 4)	5,818,234.54	587,258.34		360,596.38	6,766,089.26
Due from Other Funds	83,984.19				83,984.19
Inventories		455,486.27			455,486.27
Prepaid Items	8,207.67				8,207.67
Total Assets	29,141,097.75	1,051,136.82	2,060,083.96	4,286,992.33	36,539,310.86
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	746,318.56	488.87		99,485.54	846,292.97
Due to Other Funds		83,984.19			83,984.19
Due to Other Governments	171,061.55				171,061.55
Unearned Revenue			345,903.27		345,903.27
Accrued Wages Payable	577,345.46	189,947.17	32,530.69	35,819.33	835,642.65
Other Liabilities	338,476.80				338,476.80
Total Liabilities	1,833,202.37	274,420.23	378,433.96	135,304.87	2,621,361.43
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	8,109,039.22		1,681,650.00		9,790,689.22
Total Deferred Inflows of Resources	8,109,039.22		1,681,650.00		9,790,689.22
Fund Balances					
Nonspendable:					
Inventories		455,486.27			455,486.27
Prepaid Items	8,207.67				8,207.67
Restricted for:					
Debt Service				215,123.69	215,123.69
Highways and Roads				600,986.24	600,986.24
Capital Projects				406,696.91	406,696.91
Other Purposes				3,207,657.93	3,207,657.93
Assigned to:					
Highways and Roads		321,230.32		34,267.41	355,497.73
Other Purposes	59,285.91				59,285.91
Unassigned	19,131,362.58			(313,044.72)	18,818,317.86
Total Fund Balances	19,198,856.16	776,716.59		4,151,687.46	24,127,260.21
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 29,141,097.75	\$ 1,051,136.82	\$ 2,060,083.96	\$ 4,286,992.33	\$ 36,539,310.86

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

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 24,127,260.21

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	\$ 23,486,801.41	
Infrastructure - Roads and Bridges	43,753,564.35	
Buildings and Building Improvement	23,212,712.77	
Equipment	15,111,439.11	
Construction in Progress	8,659,007.62	
Accumulated Depreciation	<u>(31,921,110.00)</u>	
Total Capital Assets		82,302,415.26

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 3,195,714.48

Deferred outflows and inflows of resources related to Other Postemployment
Benefits (OPEB) are applicable to future periods and, therefore, are not reported in
the governmental funds. 4,822,150.00

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:

	<u>Due and Payable Within One Year</u>	<u>Due and Payable After One Year</u>	
Estimated Liability for Compensated Absences	\$ 265,915.51	\$ 2,393,239.55	
Accrued Interest Payable	22,336.42		
Warrants Payable	1,112,049.23	1,474,297.01	
Notes Payable	16,903.84	119,038.18	
Net Pension Liability		12,494,962.99	
Estimated Liability for Other Postemployment Benefits Payable		<u>23,439,123.19</u>	
Total Long-Term Liabilities	<u>\$ 1,417,205.00</u>	<u>\$ 39,920,660.92</u>	<u>(41,337,865.92)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 73,109,674.03

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, 2020

	General Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 21,969,488.87	\$ 1,987,876.81	\$ 1,306,446.73	\$ 62,815.45	\$ 25,326,627.86
Licenses and Permits	83,198.95				83,198.95
Intergovernmental	4,538,256.47	3,697,279.26		6,298,456.55	14,533,992.28
Charges for Services	2,680,347.80	482,706.52		990,723.57	4,153,777.89
Miscellaneous	4,041,112.00	64,561.61	100.00	886,431.39	4,992,205.00
Total Revenues	33,312,404.09	6,232,424.20	1,306,546.73	8,238,426.96	49,089,801.98
Expenditures					
Current:					
General Government	6,200,930.49		1,280,475.73	68,879.42	7,550,285.64
Public Safety	13,739,201.99			3,055,765.38	16,794,967.37
Highways and Roads		8,061,390.47		2,217,004.61	10,278,395.08
Health	534,955.98				534,955.98
Welfare	934,755.29			1,142,466.53	2,077,221.82
Culture and Recreation	315,073.61			53,809.03	368,882.64
Education	172,821.04				172,821.04
Capital Outlay	3,969,216.14	996,200.64	26,071.00	1,008,842.78	6,000,330.56
Debt Service:					
Principal Retirement				1,095,007.04	1,095,007.04
Interest and Fiscal Charges				114,511.38	114,511.38
Total Expenditures	25,866,954.54	9,057,591.11	1,306,546.73	8,756,286.17	44,987,378.55
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,445,449.55	(2,825,166.91)		(517,859.21)	4,102,423.43
Other Financing Sources (Uses)					
Transfers In		1,000,000.00		2,273,600.42	3,273,600.42
Proceeds from Sale or Disposal of Capital Assets	144,616.68	955,246.00			1,099,862.68
Transfers Out	(3,236,841.48)			(1,614,815.35)	(4,851,656.83)
Total Other Financing Sources (Uses)	(3,092,224.80)	1,955,246.00		658,785.07	(478,193.73)
Net Change in Fund Balances	4,353,224.75	(869,920.91)		140,925.86	3,624,229.70
Fund Balances - Beginning of Year	14,845,631.41	1,646,637.50		4,010,761.60	20,503,030.51
Fund Balances - End of Year	\$ 19,198,856.16	\$ 776,716.59	\$	\$ 4,151,687.46	\$ 24,127,260.21

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

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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, 2020

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 3,624,229.70

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which Capital Outlay (\$6,000,330.56) exceeded Depreciation (\$1,955,558.00) in the current period. 4,044,772.56

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. (760,781.66)

Repayment of debt 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. 1,095,007.04

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 Compensated Absences	\$	(86,414.80)	
Net Decrease in Accrued Interest Payable		9,807.33	
Net Increase in Pension Expense		(667,531.43)	
Net Increase in Other Post Employment Benefit Obligation		(603,619.59)	
Total Additional Expenditures		(1,347,758.49)	(1,347,758.49)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 6,655,469.15

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

Statement of Net Position
Proprietary Funds
September 30, 2020

	Major Funds			Other	Total
	Sanitation	Water	Airport	Enterprise	Enterprise
	Fund	Fund	Fund	Funds	Funds
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 307,226.64	\$ 384,644.00	\$	\$ 87,385.17	\$ 779,255.81
Receivables (Note 4)	275,609.89	1,549,819.00		86,389.31	1,911,818.20
Due from Other Funds	168,370.35				168,370.35
Inventories		458,445.00			458,445.00
Other Assets		34,490.00			34,490.00
Total Current Assets	751,206.88	2,427,398.00		173,774.48	3,352,379.36
Noncurrent Assets					
Restricted Cash and Cash Equivalents		537,925.00			537,925.00
Other Noncurrent Assets		33,662.00			33,662.00
Net Investment in Joint Venture (Note 14)			4,758,163.00		4,758,163.00
Capital Assets (Note 5):					
Nondepreciable	150,000.00	2,240,125.00		2,400,015.82	4,790,140.82
Depreciable, Net	4,978,175.96	23,943,419.00		772,158.50	29,693,753.46
Total Noncurrent Assets	5,128,175.96	26,755,131.00	4,758,163.00	3,172,174.32	39,813,644.28
Total Assets	5,879,382.84	29,182,529.00	4,758,163.00	3,345,948.80	43,166,023.64
Deferred Outflows of Resources					
Debt Refunding		295,232.00			295,232.00
Employer Pension Contributions	141,375.47	114,347.34		46,481.80	302,204.61
Deferred Outflows Related to Net Pension Liability	233,992.12	210,743.66		99,430.83	544,166.61
Deferred Outflows Related to Other Postemployment Benefits Liability	750,942.08	531,233.00		343,215.81	1,625,390.89
Total Deferred Outflows of Resources	1,126,309.67	1,151,556.00		489,128.44	2,766,994.11
Liabilities					
Current Liabilities					
Accounts Payable	404.76	1,606,622.00			1,607,026.76
Due to Other Funds				168,370.35	168,370.35
Accrued Wages Payable	114,516.40	78,340.00		51,759.75	244,616.15
Accrued Interest Payable		131,654.00			131,654.00
Other Current Liabilities		48,523.00			48,523.00
Estimated Liability for Compensated Absences	24,284.35	15,263.30		15,254.00	54,801.65
Notes Payable	913,868.95				913,868.95
Warrants Payable		975,000.00			975,000.00
Plus: Unamortized Premium		28,169.00			28,169.00
Total Current Liabilities	\$ 1,053,074.46	\$ 2,883,571.30	\$	\$ 235,384.10	\$ 4,172,029.86

Statement of Net Position
Proprietary Funds
September 30, 2020

	Sanitation Fund	Major Funds Water Fund	Airport Fund	Other Enterprise Funds	Total Enterprise Funds
Noncurrent Liabilities					
Estimated Liability for Compensated Absences	\$ 218,559.19	\$ 137,369.70	\$	\$ 137,285.96	\$ 493,214.85
Net Pension Liability	1,429,149.42	1,232,658.00		607,410.59	3,269,218.01
Other Postemployment Benefits Obligation	3,281,890.86	1,773,165.00		1,539,831.95	6,594,887.81
Notes Payable	3,656,035.89				3,656,035.89
Warrants Payable		9,945,000.00			9,945,000.00
Plus: Unamortized Premium		236,657.00			236,657.00
Total Noncurrent Liabilities	8,585,635.36	13,324,849.70		2,284,528.50	24,195,013.56
Total Liabilities	9,638,709.82	16,208,421.00		2,519,912.60	28,367,043.42
Deferred Inflows of Resources					
Deferred Inflows Related to Other Postemployment Benefits Liability	105,984.66	63,050.00		59,842.25	228,876.91
Total Deferred Outflows of Resources	105,984.66	63,050.00		59,842.25	228,876.91
Net Position					
Net Investment in Capital Assets	558,271.12	15,162,296.00		3,172,174.32	18,892,741.44
Restricted for:					
Debt Service		537,925.00			537,925.00
Unrestricted	(3,297,273.09)	(1,637,607.00)	4,758,163.00	(1,916,851.93)	(2,093,569.02)
Total Net Position	\$ (2,739,001.97)	\$ 14,062,614.00	\$ 4,758,163.00	\$ 1,255,322.39	\$ 17,337,097.42

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

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Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2020

	Major Funds			Other	Total
	Sanitation Fund	Water Fund	Airport Fund	Enterprise Funds	Enterprise Funds
Operating Revenues					
Charges for Services	\$ 6,361,329.09	\$ 12,275,080.00	\$	\$ 1,507,073.57	\$ 20,143,482.66
Investments in Joint Venture			88,506.08		88,506.08
Miscellaneous		5,526.00			5,526.00
Total Operating Revenues	6,361,329.09	12,280,606.00	88,506.08	1,507,073.57	20,237,514.74
Operating Expenses					
Salaries	1,889,571.87	1,298,475.00		852,563.01	4,040,609.88
Employee Benefits and Payroll Taxes	1,374,339.99	729,903.00		536,199.27	2,640,442.26
Contractual and Professional Services	419,846.57	364,956.00		379,814.07	1,164,616.64
Materials and Supplies	2,129,581.48	780,176.00		236,342.20	3,146,099.68
Repairs and Maintenance	267,512.25	30,200.00		133,952.91	431,665.16
Utilities	34,005.51	144,450.00		312,883.25	491,338.76
Communications		60,462.00			60,462.00
Insurance	118,566.00	207,090.00		34,692.31	360,348.31
Purchases for Resale		6,468,003.00			6,468,003.00
Depreciation	566,430.00	1,717,083.00		27,917.00	2,311,430.00
Landfill Expenses	1,567,208.25				1,567,208.25
Miscellaneous	8,950.29	158,770.00		14,601.79	182,322.08
Total Operating Expenses	8,376,012.21	11,959,568.00		2,528,965.81	22,864,546.02
Operating Income (Loss)	(2,014,683.12)	321,038.00	88,506.08	(1,021,892.24)	(2,627,031.28)
Nonoperating Revenues (Expenses)					
Interest Revenue		18,408.00			18,408.00
Interest Expense	(34,407.92)	(387,097.00)			(421,504.92)
Amortization of Debt Premium		28,169.00			28,169.00
Bond Administration and Debt Expense		(5,565.00)			(5,565.00)
Total Nonoperating Revenues (Expenses)	(34,407.92)	(346,085.00)			(380,492.92)
Income (Loss) Before Transfers	(2,049,091.04)	(25,047.00)	88,506.08	(1,021,892.24)	(3,007,524.20)
Operating Transfers					
Transfers In			354,918.42	1,223,137.99	1,578,056.41
Total Operating Transfers			354,918.42	1,223,137.99	1,578,056.41
Change in Net Position	(2,049,091.04)	(25,047.00)	443,424.50	201,245.75	(1,429,467.79)
Net Position - Beginning of Year	(689,910.93)	14,087,661.00	4,314,738.50	1,054,076.64	18,766,565.21
Net Position - End of Year	\$ (2,739,001.97)	\$ 14,062,614.00	\$ 4,758,163.00	\$ 1,255,322.39	\$ 17,337,097.42

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2020

	Major Funds			Other	Total
	Sanitation	Water	Airport	Enterprise	Enterprise
	Fund	Fund	Fund	Funds	Funds
Cash Flows from Operating Activities					
Receipts from Customers	\$ 6,175,587.04	\$ 12,407,811.00	\$ 88,506.08	\$ 1,589,054.61	\$ 20,260,958.73
Payments to Suppliers	(4,547,659.35)	(1,191,587.00)		(1,111,105.53)	(6,850,351.88)
Payments to Employees	(3,079,199.93)	(9,251,284.00)		(1,334,545.96)	(13,665,029.89)
Net Cash Provided (Used) by Operating Activities	(1,451,272.24)	1,964,940.00	88,506.08	(856,596.88)	(254,423.04)
Cash Flows from Noncapital Financing Activities					
Operating Contribution from County				1,223,137.99	1,223,137.99
Net Cash Provided (Used) by Noncapital Financing Activities				1,223,137.99	1,223,137.99
Cash Flows from Capital and Related Financing Activities					
Purchases of Capital Assets	(3,433,499.31)			(327,134.57)	(3,760,633.88)
Issuance of Debt	4,700,000.00				4,700,000.00
Acquisition and Construction of Utility Plant		(1,691,885.00)			(1,691,885.00)
Payment of Bond Administration Fees		(5,565.00)			(5,565.00)
Principal Paid on Capital Debt	(130,095.16)	(945,000.00)			(1,075,095.16)
Interest Paid on Capital Debt	(34,407.92)	(343,417.00)			(377,824.92)
Net Cash Provided (Used) by Capital and Related Financing Activities	1,101,997.61	(2,985,867.00)		(327,134.57)	(2,211,003.96)
Cash Flows from Investing Activities					
Change in Investments			(88,506.08)		(88,506.08)
Interest Received		18,408.00			18,408.00
Net Cash Provided (Used) by Investing Activities		18,408.00	(88,506.08)		(70,098.08)
Net Increase (Decrease) in Cash and Cash Equivalents	(349,274.63)	(1,002,519.00)		39,406.54	(1,312,387.09)
Cash and Cash Equivalents - Beginning of Year	656,501.27	1,925,088.00		47,978.63	2,629,567.90
Cash and Cash Equivalents - End of Year	\$ 307,226.64	\$ 922,569.00	\$	\$ 87,385.17	\$ 1,317,180.81

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2020

	Sanitation Fund	Major Funds Water Fund	Airport Fund	Other Enterprise Funds	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (2,014,683.12)	\$ 321,038.00	\$ 88,506.08	\$ (1,021,892.24)	\$ (2,627,031.28)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	566,430.00	1,717,083.00		27,917.00	2,311,430.00
Change in Assets and Liabilities:					
Decrease/(Increase) in Accounts Receivable	(17,371.70)	81,525.00		(86,389.31)	(22,236.01)
Decrease/(Increase) in Interfund Receivables	(170,359.35)				(170,359.35)
Decrease/(Increase) in Unbilled Receivables		45,682.00			45,682.00
Decrease/(Increase) in Inventories		46,016.00			46,016.00
Decrease/(Increase) in Other Current Assets		(6,191.00)			(6,191.00)
Decrease/(Increase) in Deferred Outflows	(317,777.29)	(238,364.00)		(81,675.49)	(637,816.78)
(Decrease)/Increase in Accounts Payable		(325,166.00)			(325,166.00)
(Decrease)/Increase in Interfund Payable				169,551.35	169,551.35
(Decrease)/Increase in Accrued Salaries and Benefits	18,594.40			10,647.75	29,242.15
(Decrease)/Increase in Compensated Absences	(5,603.72)			(9,612.48)	(15,216.20)
Decrease/(Increase) in Deferred Inflows	(183,341.87)	(139,200.00)		(71,513.27)	(394,055.14)
(Decrease)/Increase in Net Pension Liability	266,798.38	205,503.00		85,848.52	558,149.90
(Decrease)/Increase in Net OPEB Obligations	406,042.03	257,014.00		120,521.29	783,577.32
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,451,272.24)</u>	<u>\$ 1,964,940.00</u>	<u>\$ 88,506.08</u>	<u>\$ (856,596.88)</u>	<u>\$ (254,423.04)</u>

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

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,392,034.26	\$ 8,653,395.70
Receivables (Note 4)	47,051.26	5,979,591.19
Total Assets	<u>1,439,085.52</u>	<u>14,632,986.89</u>
<u>Liabilities</u>		
Accounts Payable	79,714.87	13,901.76
Payable to External Parties		3,370,992.98
Due to Other Governments		11,248,092.15
Total Liabilities	<u>79,714.87</u>	<u>\$ 14,632,986.89</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>1,359,370.65</u>	
Total Net Position	<u>\$ 1,359,370.65</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, 2020***

	Private-Purpose Trust Funds
<u>Additions</u>	
Contributions from:	
Worthless Check Fees	\$ 42,688.65
District Attorney	21,512.01
Probate Judge	154,955.52
Inmate Money	689,236.62
D.A.R.E.	25,889.71
Community Development Funds	443,812.90
Interest	2,463.17
Total Additions	<u>1,380,558.58</u>
<u>Deductions</u>	
Worthless Check Distributions	43,533.54
District Attorney	21,512.04
Commissary	621,019.34
Excess Land Sales	18,821.34
Community Development Funds	433,728.01
D.A.R.E.	42,366.75
Total Deductions	<u>1,180,981.02</u>
Change in Net Position	199,577.56
Net Position - Beginning of Year	<u>1,159,793.09</u>
Net Position - End of Year	<u>\$ 1,359,370.65</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 in the Other Governmental Funds' and Other Enterprise Funds' columns.

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 sales taxes and property taxes collected locally 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. Coronavirus Relief Funds are also reported in this fund.
- ◆ **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.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.

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.
- ◆ **Airport Fund** – this fund is used to account for the Commission's 50 percent equity in the Cullman Regional Airport, which is a joint venture with the City of Cullman.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 represent primarily parks owned and operated by the county commission which fees are charged to external users for goods or services.

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, 2020

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 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, 2020

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 twelve 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, which consist of certificates of deposit, are reported at cost.

2. Receivables

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 by the Commission. 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.

Accounts receivable in proprietary funds include amounts due from customers for services provided by the County.

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 approximates 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, 2020

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 financial statements 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 and proprietary fund 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, 2020

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 and proprietary fund statements 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>		
<u>Water</u>		
Buildings and Improvements	\$ 500.00	4 – 30 Years
Equipment and Furniture	\$ 500.00	5 – 20 Years
Water Distribution System	\$ 500.00	5 – 50 Years
<u>Sanitation and Other Enterprise Funds:</u>		
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 government-wide and proprietary funds 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 increase net position, similar to assets.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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 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.

In the governmental 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 and Over 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. Beginning October 1, 2016, employees have the option of being paid for one half of their sick leave upon retirement or having that time applied to their years of service calculated by the Retirement System of Alabama. Employees hired before October 1, 2016, are grandfathered in and can carry forward all sick leave accrued. Employees hired on or after October 1, 2016, can only accrue a total of 480 hours. Employees who leave service prior to retirement lose all sick leave accrued.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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 governmental 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. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ **Unrestricted** – 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.
- ◆ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

12. Minimum Fund Balance Policies

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

E. Pensions

For the 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 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 the 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, 2020

F. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commission's OPEB Plan (the "Plan") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Commission. For this purpose, the Commission's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The Commission has no financial accounting asset, which is defined as assets held in a separate Trust established for the sole purpose of providing benefits to retirees and their beneficiaries.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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, 2020

Note 4 – Receivables

On September 30, 2020, receivables for the Commission’s individual major and nonmajor funds and fiduciary funds in the aggregate are as follows:

	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total
<u>Governmental Activities:</u>				
Receivables:				
Accounts Receivable	\$3,240,416.20	\$	\$	\$3,240,416.20
Due from Other Governments	2,577,818.34	587,258.34	360,596.38	3,525,673.06
Total Receivables	\$5,818,234.54	\$587,258.34	\$360,596.38	\$6,766,089.26

	Sanitation Fund	Water Fund	Other Enterprise Funds	Total Proprietary Funds
<u>Business-Type Activities:</u>				
Receivables:				
Accounts Receivable	\$275,609.89	\$1,549,819.00	\$86,389.38	\$1,911,818.20
Total Receivables	\$275,609.89	\$1,549,819.00	\$86,389.38	\$1,911,818.20

	Private-Purpose Trust Funds	Agency Funds	Total Fiduciary Funds
<u>Fiduciary Funds:</u>			
Receivables:			
Due from Other Governments	\$47,051.26	\$ 242,054.36	\$ 289,105.62
Other		5,737,536.83	5,737,536.83
Total Receivables	\$47,051.26	\$5,979,591.19	\$6,026,642.45

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land – Including Easements	\$ 23,566,485.41	\$	\$ (79,684.00)	\$ 23,486,801.41
Construction in Progress	4,884,579.46	3,877,160.66	(102,732.50)	8,659,007.62
Total Capital Assets, Not Being Depreciated	<u>28,451,064.87</u>	<u>3,877,160.66</u>	<u>(182,416.50)</u>	<u>32,145,809.03</u>
Capital Assets Being Depreciated:				
Infrastructure Roads and Bridges	43,753,564.35			43,753,564.35
Buildings and Improvements	23,007,247.77	205,465.00		23,212,712.77
Equipment	14,316,365.37	2,020,437.40	(1,225,363.66)	15,111,439.11
Total Capital Assets Being Depreciated	<u>81,077,177.49</u>	<u>2,225,902.40</u>	<u>(1,225,363.66)</u>	<u>82,077,716.23</u>
Less: Accumulated Depreciation for:				
Infrastructure Roads and Bridges	(11,071,101.00)	(411,538.00)		(11,482,639.00)
Buildings and Improvements	(8,984,117.00)	(593,119.00)		(9,577,236.00)
Equipment	(10,454,600.00)	(950,901.00)	544,266.00	(10,861,235.00)
Total Accumulated Depreciation	<u>(30,509,818.00)</u>	<u>(1,955,558.00)</u>	<u>544,266.00</u>	<u>(31,921,110.00)</u>
Total Capital Assets, Being Depreciated, Net	<u>50,567,359.49</u>	<u>270,344.40</u>	<u>(681,097.66)</u>	<u>50,156,606.23</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 79,018,424.36</u>	<u>\$ 4,147,505.06</u>	<u>\$ (863,514.16)</u>	<u>\$ 82,302,415.26</u>
(*) Construction in Progress in the amount of \$102,732.50 was reclassified to Buildings and Improvements.				

Notes to the Financial Statements
For the Year Ended September 30, 2020

	Balance 10/01/2019	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2020
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,658,714.97	\$	\$	\$ 2,658,714.97
Construction in Progress	1,083,110.28	2,002,778.57	(954,463.00)	2,131,425.85
Total Capital Assets, Not Being Depreciated	3,741,825.25	2,002,778.57	(954,463.00)	4,790,140.82
Capital Assets Being Depreciated:				
Buildings	4,324,827.42			4,324,827.42
Equipment	7,385,705.00	883,723.00		8,269,428.00
Water Distribution System	52,344,382.00	86,981.00		52,431,363.00
Other Equipment	6,517,697.73	3,434,307.31		9,952,005.04
Total Capital Assets Being Depreciated	70,572,612.15	4,405,011.31		74,977,623.46
Less Accumulated Depreciation:				
Buildings	(1,432,482.00)	(107,385.00)		(1,539,867.00)
Equipment	(5,954,173.00)	(334,380.00)		(6,288,553.00)
Water Distribution System	(31,258,670.00)	(1,289,372.00)		(32,548,042.00)
Other Equipment	(4,327,115.00)	(580,293.00)		(4,907,408.00)
Total Accumulated Depreciation	(42,972,440.00)	(2,311,430.00)		(45,283,870.00)
Total Capital Assets Being Depreciated, Net	27,600,172.15	2,093,581.31		29,693,753.46
Total Business-Type Activities Capital Assets, Net	\$ 31,341,997.40	\$ 4,096,359.88	\$(954,463.00)	\$ 34,483,894.28
(*) Construction in Progress of \$954,463.00 was reclassified as Water Distribution System and Water Equipment.				

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 298,889.00
Public Safety	431,827.00
Highways and Roads	879,589.00
Health	8,780.00
Welfare	315,686.00
Culture and Recreation	20,787.00
Total Depreciation Expense – Governmental Activities	<u>\$1,955,558.00</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Water	\$1,717,083.00
Parks – Recreation	566,430.00
Sanitation	27,917.00
Total Depreciation Expense – Business-Type Activities	<u>\$2,311,430.00</u>

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees’ Retirement System of Alabama (the “ERS”), an agent multiple-employer plan, (the “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 its 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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP retired member still in active service	98
Total	<u>93,986</u>

Contributions

Tier 1 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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

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, 2020, the Commission's active employee contribution rate was 5.67% of covered payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 7.98% of covered payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2020, was 8.74% of the pensionable pay for Tier 1 employees, and 6.00% of the pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 \$1,457,110.00 for the year ended September 30, 2020.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll Forward	
	Expected	Actual
(a) Total Pension Liability as of September 30, 2018	\$60,813,980.00	\$61,281,919.00
(b) Discount Rate	7.70%	7.70%
(c) Entry Rate Normal Cost for the period October 1, 2018 – September 30, 2019	1,443,002.00	1,443,002.00
(d) Transfer Among Employees		88,541.00
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 – September 30, 2019	(3,641,627.00)	(3,641,627.00)
(f) TPL as of September 30, 2019 [(a) x (1+(b))] + (c) = (d) + [(e) x (1 + 0.5*(b))]	<u>\$63,157,829.00</u>	<u>\$63,750,340.00</u>
(g) Difference between Expected and Actual		\$ 592,511.00
(h) Less: Liability Transferred for Immediate Recognition		<u>88,541.00</u>
(i) Experience (Gain)/Loss = (g) – (h)		<u>\$ 503,970.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25 - 5.00%
Investment Rate of Return (*)	7.70%
(*) Net of pension plan investment expense, including inflation	

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

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

Notes to the Financial Statements
For the Year Ended September 30, 2020

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates 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	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation at 2.50%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. 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, 2020

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, 2018	\$60,813,980.00	\$47,740,975.00	\$13,073,005.00
Changes for the year:			
Service cost	1,443,002.00		1,443,002.00
Interest	4,542,474.00		4,542,474.00
Differences between expected and actual experience	503,970.00		503,970.00
Contributions – employer		1,524,055.00	(1,524,055.00)
Contributions – employee		1,060,750.00	(1,060,750.00)
Net investment income		1,213,465.00	(1,213,465.00)
Benefit payments, including refunds of employee contributions	(3,641,627.00)	(3,641,627.00)	
Transfers Among Employers	88,541.00	88,541.00	
Net Changes	<u>2,936,360.00</u>	<u>245,184.00</u>	<u>2,691,176.00</u>
Balances at September 30, 2019	<u>\$63,750,340.00</u>	<u>\$47,986,159.00</u>	<u>\$15,764,181.00</u>

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 7.70%, 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 (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Commission's Net Pension Liability	\$23,383,906	\$15,764,181	\$9,352,896

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, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor’s report dated August 27, 2020, 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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

For the year ended September 30, 2020, the Commission recognized pension expense of \$2,212,967. At September 30, 2020, 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	\$1,079,850.00	\$
Changes of Assumptions	928,968.00	
Net difference between projected and actual earnings on plan investments	576,158.00	
Employer contributions subsequent to the measurement date	1,457,110.00	
Total	\$4,042,086.00	\$

The \$1,457,110.00 reported as deferred outflows related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other 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, 2021	\$426,311
2022	\$532,621
2023	\$823,621
2024	\$673,026
2025	\$105,296
Thereafter	\$ 24,000

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 7 – Other Postemployment Benefits (OPEB)

A. General Information about OPEB

Plan Description

The Commission provides a single-employer defined benefit postemployment healthcare plan for eligible retirees and their spouses included within the Local Government Health Insurance Program (LGHIP), in which the county participates. 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. The Commission does not have a special funding situation. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit*.

Benefits Provided

Medical benefits are provided through a comprehensive self-insured medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or age 60 and 10 years of service (called “Tier 1” members). Employees hired on and after January 1, 2013, (called “Tier 2” members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

Employees Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Membership	
Active	411
Retired and Spouse	170
Beneficiary	9
Total	<u>590</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Contributions

The Commission's contributions were on a pay-as-you-go basis through September 30, 2020. The Commission does not plan to set up a trust fund to fund the postemployment medical plan. Retired employees contribute a percentage of their medical insurance premiums for family and single coverage established by the Commission. Total retiree contributions for fiscal year 2020 were \$202,010.00. During the period ended September 30, 2020, the Commission paid healthcare premiums for retired employees in the amount of \$947,810.00.

B. Total OPEB Liability

The Commission's total OPEB liability of \$30,034,011.00, as of the reporting date of September 30, 2020, was measured as of September 30, 2020, and was determined by an actuarial valuation as of September 30, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.50%, including inflation
Discount Rate	2.21%% annually
Healthcare Cost Trend Rates	5.60 % for 2020 fiscal year

The discount rate was based on the return on the Bond Buyer General Obligation 20-Year Municipal Bond Index. The September 30, 2020, year-end disclosures was based on the index as of September 2020, which was 2.21% per annum.

Mortality rates were set forth in the 2019 PPA Mortality Table (RP-2014 Mortality, base year 2006, adjusted to 2019 with Mortality Improvement Scale MP-2017).

The actuarial assumptions used in the September 30, 2020, valuation were based on the results of an actuarial experience study for the period October 1, 2018 through September 30, 2019.

Notes to the Financial Statements
For the Year Ended September 30, 2020

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21 percent. The projection of cash flows used to determine the discount rate assumed that Entity contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability – September 30, 2019	\$26,255,914.00
Service Cost	327,677.00
Interest Cost	740,795.00
Differences between expected and actual experience	3,878,300.00
Benefit Payments	(1,168,675.00)
Net Change in Total OPEB Liability	<u>3,778,097.00</u>
Total OPEB Liability – September 30, 2020	<u>\$30,034,011.00</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Commission, calculated using the discount rate of 2.21%, as well as what the Commission's total liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate.

	1.0% Decrease (1.66% graded down to 1.21%)	Current Discount Rate (2.66% graded down to 2.21%)	1.0% Increase (3.66% graded down to 3.21%)
Total OPEB liability	\$36,003,037	\$30,034,011	\$25,513,638

Notes to the Financial Statements
For the Year Ended September 30, 2020

Sensitivity Analysis-Change in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, calculated using the current healthcare cost trend rates as well as what the Commission’s total OPEB liability would be if it were calculated using trend rates that are 1-percentage point lower or 1-percentage point higher than the current trend rates.

	1.0% Decrease	Current Trend	1.0% Increase
Total OPEB liability	\$25,842,064	\$30,034,011	\$35,441,637

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Commission recognized OPEB expenses of \$1,068,472 prior to recording the actual OPEB benefit amounts. At September 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Collective differences between expected and actual experience	\$926,847.00	\$7,145,511.00
Total	\$926,847.00	\$7,145,511.00

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

Year Ending:	
September 30, 2021	\$ 861,772
2022	\$ 861,772
2023	\$ 861,772
2024	\$ 861,772
2025	\$ 965,952
Thereafter	\$1,805,629

Notes to the Financial Statements

For the Year Ended September 30, 2020

E. OPEB Expense

The OPEB Expense (OE) consists of a number of different items. GASB Statement Number 75 refers to the first item as Service Cost which is the Normal Cost using the Entry Age Normal actuarial funding method. The second item is interest on the TOL at 2.21%, the Discount Rate in effect as of the Prior Measurement Date.

The next three items refer to any changes that occurred in the TOL due to:

- ◆ benefit changes, or
- ◆ actual versus expected experience, or
- ◆ changes in assumptions or other inputs.

Benefit changes, which are reflected immediately, will increase OE, if there is a benefit improvement for existing Plan members, or decrease OE, if there is a benefit reduction. For the year ended September 30, 2019, there were no benefit changes to be recognized.

The next item to be recognized is the portion of current year changes in TOL due to actual versus expected Plan experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership at the beginning of the measurement period. The average expected remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts (not less than 1 year). The recognition period is 9.15 years.

The last item under changes in TOL is changes in assumptions or other inputs. There was a change in the TOL arising from the change in the Discount Rate from 2.66% on the Prior Measurement Date to 2.21% on the Measurement Date. Therefore, the change in TOL resulting from the change in the Discount Rate is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 9.15 years, using the same approach applied to Plan experience as described in the prior paragraph.

Notes to the Financial Statements
For the Year Ended September 30, 2020

The current year portions of previously determined experience and assumption amounts recognized as Deferred Outflows of Resources and Deferred Inflows of Resources. Deferred Outflows of Resources are added to the OE while Deferred Inflows of Resources are subtracted from the OE. Finally, other miscellaneous items are included.

OPEB Expense For the Year Ended September 30, 2020	
Service Cost at End of Year (*)	\$ 327,677
Interest on the Total OPEB Liability	740,795
OPEB Expense	<u>\$1,068,472</u>
(*) The service cost includes interest for the year.	

Note 8 – 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, made 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, 2020, amounted to \$26,553.94, 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. The former sheriff began drawing his supernumerary retirement on April 1, 2020.

Note 9 – 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.

Notes to the Financial Statements

For the Year Ended September 30, 2020

During the 2011 fiscal year, the Commission issued \$6,550,4000.00 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.

During the fiscal year 2013, the Commission issued a commercial promissory note through direct borrowings of \$249,900.00 for fifteen years 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 a commercial promissory note through direct borrowings of \$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. In the event of default The Trustee shall, upon the occurrence and continuance of an Event of Default specified in (a) or (b) above, and the Trustee may, and upon written request of the Holders of not less than twenty-five (25%) percent in aggregate principal amount of the Warrants Outstanding, shall, upon the occurrence and continuance of an Event of Default specified in (c) or (d) or (e) above, by notice in writing delivered to the County, immediately declare the principal of all of the Warrants then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable, anything in the Indenture or the Warrants to the contrary notwithstanding; subject, however, to the discretionary right of the Trustee, and upon written direction to the Trustee by the Holders of not less than a majority in aggregate principal amount of the Warrants Outstanding, the duty of the Trustee, to annul such declaration and destroy its effect if all covenants with respect to which default shall have been made shall be fully performed, and all arrears of principal and interest upon all Warrants Outstanding hereunder and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other payments required by the Indenture (except the principal of any Warrants not then due by their terms) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto; provided, however, that no such annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Notes to the Financial Statements

For the Year Ended September 30, 2020

During the 2016 fiscal year, the Commission issued a commercial promissory note through direct borrowings \$6,640,000.00 in Series 2016 Water Revenue Warrants to refinance the Series 2010 Water Revenue Warrants, with interest rates ranging from 2.00% to 4.00% per annum. Upon the occurrence of any event of default with respect to a lendee, lender shall have the right, at its option and without any further demand or notice to one or more or all of the following remedies with respect to the promissory note:

- (a) Lender, with or without terminating the note, may declare all rental payments payable under the promissory note to the end of the then-current fiscal year of lendee to be immediately due and payable by lendee, whereupon such rental payments shall be immediately due and payable.
- (b) Lender may require lendee to promptly return all equipment to lender in the manner set forth in Section 11.3 (and lendee agrees that it shall so return the equipment), or lender may, at its option, enter upon the premises where any equipment is located and repossess such equipment without demand, without any court order or other process of law and without liability for any damage occasioned by such repossession; and lender may thereafter dispose of the equipment. If lender terminates the note payable and disposes of any or all of the equipment, lender shall apply the proceeds of any such disposition to pay the following items in the following order: (i) all costs and expenses (including, but not limited to, attorneys' fees) incurred in securing possession of the equipment; (ii) all costs and expenses incurred in completing the disposition of the equipment; (iii) any sales or transfer taxes incurred in the disposition of the equipment; (iv) any rental payments payable under the promissory note to the end of the then-current fiscal year of lendee; (v) the outstanding principal component of rental payments under the promissory note; and (vi) any other amounts then due under the promissory note. Any disposition proceeds remaining after the requirements of clauses (i), (ii), (iii), (iv), (v) and (vi) have been met shall be paid to lendee. No deficiency shall be allowed against lendee, except with respect to any unpaid rental payments to the then-current fiscal year of lendee and unpaid costs and expenses incurred by lender in connection with the repossession and disposition of the equipment.
- (c) By written notice to any escrow agent that is holding proceeds of the promissory note under an Escrow Agreement, lender may instruct such escrow agent to release all such proceeds and any earnings thereon to lender, such sums to be credited to payment of lendee's obligations under the promissory note; or
- (d) Lender may exercise any other remedy available, at law or in equity, with respect to such event of default. Lendee shall pay the reasonable attorneys' fees and expenses incurred by lender in exercising any remedy hereunder.

Notes to the Financial Statements

For the Year Ended September 30, 2020

During the 2020 fiscal year, the Commission issued a commercial promissory note through direct borrowings of \$4,700,000.00. The note is payable in five years at a fixed rate of 1.750% per annum for the purchase automated sanitation pick-up trucks for the Sanitation Department. In the event of default under this agreement, the Lender may declare all indebtedness of this note immediately due and payable without further notice.

The following is a summary of long-term debt obligations for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
Series 2012	\$ 1,041,877.49	\$	\$ (264,238.08)	\$ 777,639.41	\$ 272,469.31
Series 2010	1,880,000.00		(605,000.00)	1,275,000.00	625,000.00
Series 2013	743,111.77		(209,404.94)	533,706.83	214,579.92
Sub-Total	3,664,989.26		(1,078,643.02)	2,586,346.24	1,112,049.23
Notes Payable from Direct Borrowing	152,306.04		(16,364.02)	135,942.02	16,903.84
Other Postemployment Benefit Obligation	20,444,603.51	2,994,519.68		23,439,123.19	
Estimated Liability for Compensated Absences	2,572,740.26	86,414.80		2,659,155.06	265,915.51
Net Pension Liability	10,361,936.89	2,133,026.10		12,494,962.99	
Total Governmental Activities	<u>37,196,575.96</u>	<u>5,213,960.58</u>	<u>(1,095,007.04)</u>	<u>41,315,529.50</u>	<u>1,394,868.58</u>
Business-Type Activities:					
Warrants Payable:					
2015 Revenue Warrants	5,485,000.00		(855,000.00)	4,630,000.00	880,000.00
2016 Revenue Warrants	6,380,000.00		(90,000.00)	6,290,000.00	95,000.00
Sub-Total Warrants Outstanding	11,865,000.00		(945,000.00)	10,920,000.00	975,000.00
Sanitation Notes Payable from Direct Borrowings		4,700,000.00	(130,095.16)	4,569,904.84	913,868.95
Plus: Unamortized Premium (Rounded)	292,995.00		(28,169.00)	264,826.00	28,169.00
Other Postemployment Benefit Obligation	5,811,310.49	783,577.32		6,594,887.81	
Net Pension Liability	2,711,068.11	558,149.90		3,269,218.01	
Estimated Liability for Compensated Absences	554,500.70		(6,484.20)	548,016.50	54,801.65
Total Business-Type Activities	<u>\$21,234,874.30</u>	<u>\$6,041,727.22</u>	<u>\$(1,109,748.36)</u>	<u>\$26,166,853.16</u>	<u>\$1,971,839.60</u>

The 2012 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 note payable and the 2013 General Obligation Warrant 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, 2020

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

Fiscal Year Ending	Governmental Activities			
	Series 2012 General Obligation Warrants		Series 2010 General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2021	\$272,469.31	\$19,874.57	\$ 625,000.00	\$44,625.00
2022	280,873.43	11,470.45	650,000.00	22,750.00
2023	224,296.67	2,951.34		
Total	<u>\$777,639.41</u>	<u>\$34,296.36</u>	<u>\$1,275,000.00</u>	<u>\$67,375.00</u>

Fiscal Year Ending	Business-Type Activities			
	Series 2015A Taxable Warrants		Series 2016A Taxable Warrants	
	Principal	Interest	Principal	Interest
September 30, 2021	\$ 880,000.00	\$111,443.76	\$ 95,000.00	\$ 204,525.00
2022	910,000.00	92,743.76	85,000.00	202,625.00
2023	925,000.00	72,268.76	90,000.00	200,925.00
2024	945,000.00	50,300.00	95,000.00	199,125.00
2025	970,000.00	26,675.00	100,000.00	196,275.00
2026-2030			5,825,000.00	627,225.00
Total	<u>\$4,630,000.00</u>	<u>\$353,431.28</u>	<u>\$6,290,000.00</u>	<u>\$1,630,700.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Governmental Activities				
Series 2013 General Obligation Warrants		Notes Payable from Direct Borrowing		Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	Interest	
\$214,579.92	\$10,859.48	\$ 16,903.84	\$ 4,167.80	\$1,208,480.92
219,838.77	5,601.63	93,260.04	12,097.37	1,295,891.69
99,288.14	791.49	25,778.14	562.03	353,666.81
\$533,706.83	\$17,252.60	\$135,942.02	\$16,827.20	\$2,858,039.42

Business-Type Activities		
Sanitation Notes Payable from Direct Borrowing		Total Principal and Interest Requirements to Maturity
Principal	Interest	
\$ 913,868.95	\$ 73,149.53	\$ 2,277,987.24
930,103.45	56,915.06	2,277,387.27
946,626.27	40,392.21	2,275,212.24
963,375.44	23,643.01	2,276,443.45
815,930.73	6,585.01	2,115,465.74
		6,452,255.00
\$4,569,904.84	\$200,684.82	\$17,674,720.94

Deferred Charges on Refunding, and Premiums

The Commission has deferred loss on refunding and premiums in connection with the issuance of its 2015 and 2016 Revenue Warrants in the business-type activities. The deferred loss on refunding and premiums are being amortized using the straight-line method over the term of the related debt.

	Premium	Deferred Outflows on Refunding
Total Deferred Inflows and Outflows on Refunding and Premium	\$ 393,969.55	\$ 551,159.09
Amount Amortized in Prior Years	(100,974.55)	(200,811.09)
Balance Deferred Inflows and Outflows on Refunding and Premium	292,995.00	350,348.00
Current Amount Amortized	(28,169.00)	(55,116.00)
Balance Deferred Inflows and Outflows on Refunding and Premium	\$ 264,826.00	\$ 295,232.00

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 10 – Pledged Revenues

During the 2015 fiscal year, the Commission issued Taxable Water Revenue Warrants, Series 2015-A to refinance the Series 2005 and 2007 Water Revenue Warrants. The Commission pledged to repay the warrants from revenues derived from the operation of the County's water system. Future revenues of \$4,983,431.28 are pledged to repay the principal and interest on the warrants as of September 30, 2020. Operating revenues for fiscal year 2020 totaled \$12,280,606.00. Of these operating revenues, \$992,093.76 was used to pay principal and interest on the warrants. The warrants will mature in 2025.

During the 2016 fiscal year, the Commission issued Taxable Water Revenue Warrants, Series 2016-A to refinance the Series 2010-A Water Revenue Warrants. The Commission pledged to repay the warrants from revenues derived from the operation of the County's water system. Future revenues of \$7,920,700.00 are pledged to repay the principal and interest on the warrants as of September 30, 2020. Operating revenues for fiscal year 2020 totaled \$12,280,606.00. Of these operating revenues, \$296,325.00 was used to pay principal and interest on the warrants. The warrants will mature in 2030.

Note 11 – 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, 2020, the outstanding balance of the lease is \$3,285,000.00.

Note 12 – 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.

Notes to the Financial Statements
For the Year Ended September 30, 2020

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.

The Commission is self-insured with regard to employee health insurance. The Commission retains the risk of loss of \$125,000 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 Estimate	Claim Payments	Balance at Fiscal Year-End
2016-2017	\$569,894.40	\$6,160,576.92	\$6,080,935.32	\$649,536.00
2017-2018	\$649,536.00	\$6,152,800.09	\$6,222,541.09	\$579,975.00
2018-2019	\$579,795.00	\$7,405,191.13	\$7,206,957.33	\$778,028.80
2019-2020	\$778,028.80	\$5,012,324.44	\$5,451,876.44	\$338,476.80

Notes to the Financial Statements
For the Year Ended September 30, 2020

Note 13 – Interfund Transactions

Interfund Receivables and Payables

The amounts of interfund payables and receivables during the fiscal year ended September 30, 2020, were as follows:

	Interfund Receivables	
	General Fund	Totals
<u>Governmental Activities:</u>		
<u>Interfund Payables:</u>		
Gasoline Tax Fund	\$83,984.19	\$83,984.19
Totals	<u>\$83,984.19</u>	<u>\$83,984.19</u>

	Interfund Receivables	
	Sanitation Fund	Totals
<u>Business-Type Activities:</u>		
<u>Interfund Payables:</u>		
Other Enterprise Funds	\$168,370.35	\$168,370.35
Totals	<u>\$168,370.35</u>	<u>\$168,370.35</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers Out		
	General Fund	Other Governmental Funds	Total
<u>Transfers In:</u>			
Gasoline Tax Fund	\$ 800,000.00	\$ 200,000.00	\$1,000,000.00
Other Governmental Funds	858,785.07	1,414,815.35	2,273,600.42
Other Enterprise Funds	1,578,056.41		1,578,056.41
Total	<u>\$3,236,841.48</u>	<u>\$1,614,815.35</u>	<u>\$4,851,656.83</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

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.

Note 14 – 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, 2020, Cullman County’s investment in the joint venture was \$4,758,163.00. 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 15 – 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 related organizations 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
- ◆ Walter Water Authority
- ◆ Cullman County Building Authority
- ◆ Cullman County Public Library

Note 16 – Subsequent Event

On June 24, 2021, the Commission approved the issuance of \$3,310,00.00 of Water Revenue Warrants, Series 2021-A for the refunding of the Series 2015 Water Revenue Warrants.

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Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2020

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 1,443,002	\$ 1,433,521	\$ 1,397,591	\$ 1,437,994	\$ 1,355,938	\$ 1,315,634
Interest	4,542,474	4,340,598	4,114,260	3,891,071	3,672,474	3,487,843
Differences between expected and actual experience	503,970	200,324	496,470	440,672	421,106	
Changes of assumptions		330,945		1,744,693		
Benefit payments, including refunds of employee contributions	(3,641,627)	(3,328,000)	(2,971,330)	(2,889,246)	(2,544,867)	(2,446,313)
Transfers among employers	88,541	164,880	61,831	(135,300)		
Net change in total pension liability	2,936,360	3,142,268	3,098,822	4,489,884	2,904,651	2,357,164
Total pension liability - beginning	60,813,980	57,671,712	54,572,890	50,083,006	47,178,355	44,821,191
Total pension liability - ending (a)	\$ 63,750,340	\$ 60,813,980	\$ 57,671,712	\$ 54,572,890	\$ 50,083,006	\$ 47,178,355
Plan fiduciary net position						
Contributions - employer	\$ 1,524,055	\$ 1,232,132	\$ 1,304,338	\$ 1,354,669	\$ 1,293,481	\$ 1,246,489
Contributions - employee	1,060,750	996,579	944,345	935,242	958,127	828,872
Net investment income	1,213,465	4,083,607	5,098,988	3,745,279	435,914	3,960,786
Benefit payments, including refunds of employee contributions	(3,641,627)	(3,328,000)	(2,971,330)	(2,889,246)	(2,544,867)	(2,446,313)
Other (Transfers among employers)	88,541	164,880	61,831	(135,300)	220,801	(12,446)
Net change in plan fiduciary net position	245,184	3,149,198	4,438,172	3,010,644	363,456	3,577,388
Plan fiduciary net position - beginning	47,740,975	44,591,777	40,153,605	37,142,961	36,779,505	33,202,117
Plan fiduciary net position - ending (b)	47,986,159	47,740,975	44,591,777	40,153,605	37,142,961	36,779,505
Net pension liability - ending (a) - (b)	\$ 15,764,181	\$ 13,073,005	\$ 13,079,935	\$ 14,419,285	\$ 12,940,045	\$ 10,398,580
Plan fiduciary net position as a percentage of the total pension liability	75.27%	78.50%	77.32%	73.58%	74.16%	77.96%
Covered payroll (*)	\$ 18,891,917	\$ 17,311,131	\$ 17,195,092	\$ 16,781,001	\$ 16,534,043	\$ 15,506,812
Net pension liability as a percentage of covered payroll	83.44%	75.52%	76.07%	85.93%	78.26%	67.06%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020 the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

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 - Pension
For the Year Ended September 30, 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 1,457,110	\$ 1,524,055	\$ 1,232,132	\$ 1,304,338	\$ 1,354,669	\$ 1,293,481	\$ 1,246,489
Contributions in relation to the actuarially determined contribution (*)	\$ 1,457,110	\$ 1,524,055	\$ 1,232,132	\$ 1,304,338	\$ 1,354,669	\$ 1,293,481	\$ 1,246,489
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 18,259,767	\$ 18,891,917	\$ 17,311,131	\$ 17,195,092	\$ 16,781,001	\$ 16,534,043	\$ 15,506,812
Contributions as a percentage of covered payroll	7.98%	8.07%	7.12%	7.59%	8.07%	7.82%	8.04%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refund or error service payments. The Schedule of Employer's Contributions is based on the 12 month period of the underlying financial statements.

(**) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.6 years
Asset valuation method	Five year smoothed market
Inflation	2.750%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, 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 Changes in the Employer's Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2020***

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 327,677	\$ 659,406	\$ 700,195
Interest	740,795	873,924	814,486
Benefit Payments	(1,168,675)	(1,185,681)	(1,733,642)
Differences between Expected and Actual Experience	3,878,300	4,414,221	783,145
Changes of Assumptions			(1,605,015)
Net change in total OPEB liability	3,778,097	4,761,870	(1,040,831)
Total OPEB Liability - Beginning	26,255,914	21,494,044	22,534,875
Total OPEB Liability - Ending	<u>\$ 30,034,011</u>	<u>\$ 26,255,914</u>	<u>\$ 21,494,044</u>
Covered-employee payroll (*)	\$ 17,652,000	\$ 16,423,000	\$ 16,054,000
Total OPEB liability as a percentage of covered-employee payroll	170.15%	159.87%	133.89%

Notes to Schedule:

Benefit Changes . There were no changes of benefit terms for the year ended September 30, 2020.

Changes in Assumptions . Assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

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 - Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2020

	2020	2019	2018
Actuarially determined contribution (*)	\$ 1,064,834	\$ 947,810	\$ 829,220
Contributions in relation to the actuarially determined contribution	\$ 1,064,834	\$ 947,810	\$ 829,220
Contribution deficiency (excess)	\$	\$	\$
Covered-employee payroll	\$ 17,652,000	\$ 16,423,000	\$ 16,054,000
Contributions as a percentage of covered-employee payroll	6.03%	5.77%	5.17%

(*) Per Actuary Report, there were no actuarially determined contributions (ADC). However, premiums charged to the employer by the Plan are shown here.

Notes to Schedule:

Valuation date: September 30, 2019

Actuarially determined contribution rates are calculated as of September 30, of the last day of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Healthcare cost trend rates	5.60%
Salary increases including inflation	2.50% per annum
Discount Rate	2.21% per annum, compounded annually
Retirement age	Participants hired before January 1, 2013 (Tier 1) are eligible for benefits under the plan upon attaining age 60 with 10 years of service or attaining 25 years of service. Participants hired on or after January 1, 2013 (Tier 2) are eligible for benefits under the plan upon attaining age 62 with 10 years of service.
Mortality rates	2019 PPA Mortality Table (RP-2014 Mortality, base year 2006, adjusted to 2019 with Mortality Improvement Scale MP-2017).
Participation Assumption	It is assumed that 90% of retirees elect medical plan coverage and 90% of retirees continue coverage after Medicare eligibility. It is also assumed that no spouse or dependent coverage continues after Medicare eligibility.
Marriage Assumptions	It is assumed that 80% of employees are married and that husbands and wives are the same age.

This schedule is intended to show information for 10 years. Additional years should 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, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 17,532,458.00	\$ 17,532,458.00	\$ 19,628,492.98	(1) \$ 2,340,995.89	\$ 21,969,488.87
Licenses and Permits	83,000.00	83,000.00	83,198.95		83,198.95
Intergovernmental	1,820,943.00	1,820,943.00	1,704,149.49	(1) 2,834,106.98	4,538,256.47
Charges for Services	2,511,265.00	2,511,265.00	2,580,703.69	(1) 99,644.11	2,680,347.80
Miscellaneous	890,034.00	890,034.00	3,988,234.73	(1) 52,877.27	4,041,112.00
Total Revenues	<u>22,837,700.00</u>	<u>22,837,700.00</u>	<u>27,984,779.84</u>	<u>5,327,624.25</u>	<u>33,312,404.09</u>
Expenditures					
Current:					
General Government	6,353,425.00	6,353,425.00	5,807,914.73	(2) 393,015.76	6,200,930.49
Public Safety	12,547,459.00	12,547,459.00	13,636,649.19	(2) 102,552.80	13,739,201.99
Health	531,761.00	531,761.00	534,955.98		534,955.98
Welfare	66,000.00	66,000.00	64,400.00	(2) 870,355.29	934,755.29
Culture and Recreation	326,435.00	326,435.00	315,073.61		315,073.61
Education	188,000.00	188,000.00	172,821.04		172,821.04
Capital Outlay	12,000.00	12,000.00	3,793,551.53	(2) 175,664.61	3,969,216.14
Total Expenditures	<u>20,025,080.00</u>	<u>20,025,080.00</u>	<u>24,325,366.08</u>	<u>1,541,588.46</u>	<u>25,866,954.54</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,812,620.00</u>	<u>2,812,620.00</u>	<u>3,659,413.76</u>	<u>3,786,035.79</u>	<u>7,445,449.55</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets			144,616.68		144,616.68
Transfers Out	(2,812,620.00)	(2,812,620.00)	(2,895,101.68)	(3) (341,739.80)	(3,236,841.48)
Total Other Financing Sources (Uses)	<u>(2,812,620.00)</u>	<u>(2,812,620.00)</u>	<u>(2,750,485.00)</u>	<u>(341,739.80)</u>	<u>(3,092,224.80)</u>
Net Change in Fund Balances			908,928.76	3,444,295.99	4,353,224.75
Fund Balances - Beginning of Year			11,686,223.83	(4) 3,159,407.58	14,845,631.41
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 12,595,152.59</u>	<u>\$ 6,603,703.57</u>	<u>\$ 19,198,856.16</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020***

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

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

(1) Revenues			
Aging Fund	\$	44,377.27	
Road and Bridge Fund		2,394,049.68	
AOA Fund		66,545.87	
Work Release Fund		99,644.11	
Industrial Development Fund		12,500.00	
CARES Fund		<u>2,710,507.32</u>	\$ 5,327,624.25
(2) Expenditures			
Aging Fund	\$	(32,937.09)	
Road and Bridge Fund		(218,180.63)	
AOA Fund		(837,418.20)	
Work Release Fund		(39,399.30)	
Industrial Development Fund		(203,602.31)	
CARES Fund		<u>(210,050.93)</u>	(1,541,588.46)
(3) Other Financing Sources/(Uses), Net			
Public Buildings, Roads and Bridges	\$	(1,359,727.80)	
AOA Fund		813,006.00	
Industrial Development Fund		<u>204,982.00</u>	<u>(341,739.80)</u>
Net Change in Fund Balance - Budget to GAAP			<u>\$ 3,444,295.99</u>

(4) The amounts 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 cumulative effect of transactions such as those described above.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 2,065,000.00	\$ 2,065,000.00	\$ 1,987,876.81	\$	\$ 1,987,876.81
Intergovernmental	3,310,000.00	3,310,000.00	3,213,481.98	(1) 483,797.28	3,697,279.26
Charges for Services	635,000.00	635,000.00	482,706.52		482,706.52
Miscellaneous			64,561.61		64,561.61
Total Revenues	6,010,000.00	6,010,000.00	5,748,626.92	483,797.28	6,232,424.20
Expenditures					
Current:					
Highways and Roads	7,322,405.00	7,322,405.00	8,061,390.47		8,061,390.47
Capital Outlay	1,120,000.00	1,120,000.00	996,200.64		996,200.64
Total Expenditures	8,442,405.00	8,442,405.00	9,057,591.11		9,057,591.11
Excess (Deficiency) of Revenues Over Expenditures	(2,432,405.00)	(2,432,405.00)	(3,308,964.19)	483,797.28	(2,825,166.91)
Other Financing Sources (Uses)					
Transfers In	2,432,405.00	2,432,405.00	1,700,365.15	(2) (700,365.15)	1,000,000.00
Sale of Capital Assets			955,246.00		955,246.00
Total Other Financing Sources (Uses)	2,432,405.00	2,432,405.00	2,655,611.15	(700,365.15)	1,955,246.00
Net Change in Fund Balances			(653,353.04)	(216,567.87)	(869,920.91)
Fund Balances - Beginning of Year			1,421,702.42	(3) 224,935.08	1,646,637.50
Fund Balances - End of Year	\$	\$	\$ 768,349.38	\$ 8,367.21	\$ 776,716.59

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020***

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts GAAP Basis:

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

(1) Revenues		
Public Highway and Traffic Fund	\$	483,797.28
(2) Other Financing Sources/(Uses), Net		
Public Highway and Traffic Fund		<u>(700,365.15)</u>
Net Change in Fund Balance- Budget to GAAP	\$	<u><u>(216,567.87)</u></u>

(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. (See Note 2 for a description of the Commission's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2020***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 1,652,350.00	\$ 1,652,350.00	\$ 1,306,446.73	\$	\$ 1,306,446.73
Miscellaneous			100.00		100.00
Total Revenues	1,652,350.00	1,652,350.00	1,306,546.73		1,306,546.73
Expenditures					
Current:					
General Government	1,567,350.00	1,567,350.00	1,280,475.73		1,280,475.73
Capital Outlay	85,000.00	85,000.00	26,071.00		26,071.00
Total Expenditures	1,652,350.00	1,652,350.00	1,306,546.73		1,306,546.73
Excess (Deficiency) of Revenues Over Expenditures					
Fund Balances - Beginning of Year					
Fund Balances - End of Year	\$	\$	\$	\$	\$

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	CY-ED-PF-18-011	\$ 180,000.00
<u>U. S. Department of Transportation</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Recreational Trails Program	20.219	17-RT-55-01	252,234.98
Recreational Trails Program	20.219	19-RT-55-01	163,378.97
Sub-Total Recreational Trails Program			<u>415,613.95</u>
<u>Passed Through Alabama Department of Transportation</u>			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	752,192.00
Formula Grants for Rural Areas and Tribal Transit Program - Non Cash Assistance	20.509	N/A	749,360.80
COVID-19 Formula Grants for Rural Areas and Tribal Transit Program	20.509	N/A	257,061.00
Sub-Total Formula Grants for Rural Areas and Tribal Transit Program			<u>1,758,613.80</u>
Job Access and Reverse Commute Program	20.516	N/A	260.00
<u>Passed Through Franklin County Commission</u>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	20-FP-PT-003	1,853.91
State and Community Highway Safety	20.600	20-FP-PT-007	281.10
Sub-Total State and Community Highway Safety			<u>2,135.01</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	20-ID-M5-003	1,363.16
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	20-ID-M5-007	337.64
Sub-Total Alcohol Impaired Driving Countermeasures Incentive Grants I			<u>1,700.80</u>
Total Highway Safety Cluster			<u>3,835.81</u>
Total U. S. Department of Transportation			<u>2,178,323.56</u>
<u>U. S. Department of the Treasury</u>			
<u>Passed Through Alabama Department of Finance</u>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	2,668,367.25
<u>U. S. Election Assistance Commission</u>			
<u>Passed Through Alabama Secretary of State</u>			
2020 Supplemental COVID-19 Election Security Grants	90.404	N/A	42,140.07
<u>U. S. General Services Administration</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Donation of Federal Surplus Personal Property	39.003	N/A	78,645.66
Sub-Total Forward			<u>\$ 5,147,476.54</u>

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			\$ 5,147,476.54
<u>U. S. Department of Health and Human Services</u>			
<u>Passed Through North-Central Alabama Regional Council of Governments</u>			
Special Programs for the Aging, Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	45,250.00
<u>Passed Through Alabama Department of Public Health</u>			
Public Health Emergency Preparedness	93.069	CEP-39-PV0-20	5,649.45
Total U. S. Department of Health and Human Services			50,899.45
<u>U. S. Department of Homeland Security</u>			
<u>Passed Through Alabama Department of Emergency Management</u>			
<u>Hazard Mitigation Grant Program</u>			
Pre-Disaster Mitigation	97.047	HMGP-DR-4251-0009	85,411.03
Emergency Management Performance Grants	97.042	20EMF	43,153.00
Emergency Management Performance Grants	97.042	20EMS	12,000.00
Sub-Total Emergency Management Performance Grants			55,153.00
<u>Passed Through Alabama Law Enforcement Agency</u>			
Homeland Security Grant Program	97.067	7FIL	8,105.25
Homeland Security Grant Program	97.067	8LOC	29,445.00
Homeland Security Grant Program	97.067	8ICC	3,920.00
Homeland Security Grant Program	97.067	8FIL	9,485.57
Homeland Security Grant Program	97.067	9ICC	1,415.56
Sub-Total Homeland Security Grant Program			52,371.38
Total U. S. Department of Homeland Security			192,935.41
Total Expenditures of Federal Awards			\$ 5,391,311.40

(N) = Non-Cash 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.

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2020***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Cullman County Commission under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Cullman County Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cullman County Commission.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Cullman County Commission has not elected to use the 10-percent de minimis cost rate as allowed in the *Uniform Guidance*.

Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

<u>Commission Members</u>		<u>Term Expires</u>
Hon. Kenneth Walker	Chairman	2020
Hon. Kerry Watson	Associate Commissioner	2022
Hon. Garry Marchman	Associate Commissioner	2022
<u>Administrative Personnel</u>		
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

Members of the Cullman County Commission and County Administrator
Cullman, Alabama

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, 2020, 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 May 2, 2022. Our report includes a reference to other auditors who audited the financial statements of the Cullman County Water Fund, as described in our report on the Cullman County Commission's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on 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) as a basis for designing 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 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***

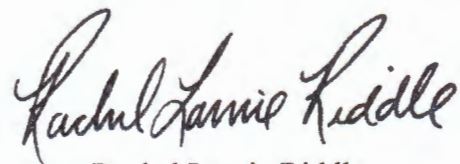
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 2, 2022

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Independent Auditor's Report

Members of the Cullman County Commission and County Administrator
Cullman, Alabama

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 Compliance Supplement*** that could have a direct and material effect on each of the Cullman County Commission's major federal programs for the year ended September 30, 2020. The Cullman County Commission's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Cullman County Commission's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

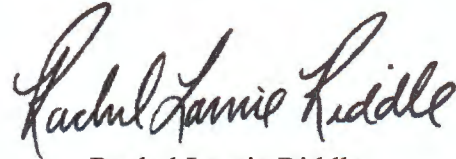
Management of the Cullman County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cullman County Commission's internal 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the Uniform Guidance***

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 2, 2022

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

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 federal 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 federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

_____ Yes X No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.