



Alabama Department of Examiners of Public Accounts

Report on the **Cullman County Commission** **Cullman County, Alabama**

October 1, 2021 through September 30, 2022

Filed: December 22, 2023

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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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, 2021 through September 30, 2022, by Examiners John Posey, Julia Wells and Crystal Hinton. I, John Posey, 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 that reads 'John Posey'. The signature is written in a cursive, flowing style.

John Posey
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Cullman County Commission
October 1, 2021 through September 30, 2022**

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

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance 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, 2022.

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 19, were invited to discuss the results of this report at an exit conference. Individuals in attendance were Commission Chairman Jeff Clemons, Commissioner Kerry Watson and County Administrator John Bullard. Also, in attendance were the following representatives of the Department of Examiners of Public Accounts: Joshua D. Taylor, Audit Manager; John Posey, Examiner; Julia Wells, Examiner and Crystal Hinton, Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of Cullman County Commission and County Administrator
Cullman, Alabama

Report on the Audit of the Financial Statements

Opinions

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, 2022, 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.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2022, 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.

We did not audit the financial statements of the Cullman County Water Fund, which represents 63%, 67%, and 58%, respectively, of the assets, net position, and revenues of the Enterprise Funds and business-type activities as of September 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cullman County Water Fund, is based solely on the report of the other auditors.

Basis for Opinions

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cullman County Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

The Cullman County Commission's basic financial statements for the year ended September 30, 2022, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 87, *Leases*. The Cullman County Commission implemented the requirements of GASB Statement Number 87 during the fiscal year. See Note 18 of the accompanying financial statements for the impact of the standard's implementation. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cullman County Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- ◆ obtain an understanding of internal control relevant to the audit 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 Cullman County Commission's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cullman County Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 17), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

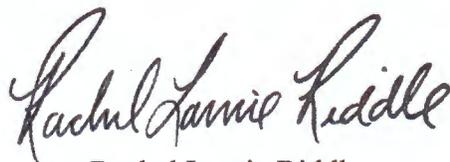
Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is 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 opinions on the basic financial statements are 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 18), 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 November 30, 2023, 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

November 30, 2023

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Basic Financial Statements

Statement of Net Position
September 30, 2022

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 26,225,483.97	\$ 913,745.28	\$ 27,139,229.25
Investments	3,319,055.07		3,319,055.07
Receivables (Note 4)	5,233,038.10	2,157,559.75	7,390,597.85
Property Taxes Receivable	12,204,091.20		12,204,091.20
Inventories	881,304.62	438,260.00	1,319,564.62
Other Assets		75,433.00	75,433.00
Total Current Assets	47,862,972.96	3,584,998.03	51,447,970.99
Noncurrent Assets			
Restricted Cash with Fiscal Agent	19,567.87	522,816.00	542,383.87
Other Noncurrent Assets		222,063.00	222,063.00
Net Investment in Joint Venture (Note 15)		7,276,119.50	7,276,119.50
Capital and Leased Assets (Note 5):			
Nondepreciable	33,090,805.01	3,538,897.26	36,629,702.27
Depreciable, Net	49,453,249.74	27,791,028.39	77,244,278.13
Total Noncurrent Assets	82,563,622.62	39,350,924.15	121,914,546.77
Total Assets	130,426,595.58	42,935,922.18	173,362,517.76
Deferred Outflows of Resources			
Debt Refunding		232,357.00	232,357.00
Employer Pension Contributions	1,256,466.19	328,780.16	1,585,246.35
Deferred Outflows Related to Pension Liability	3,425,133.57	897,053.43	4,322,187.00
Deferred Outflows Related to Other Postemployment Benefits Liability	3,781,874.05	1,187,976.95	4,969,851.00
Total Deferred Outflows of Resources	8,463,473.81	2,646,167.54	11,109,641.35
Liabilities			
Current Liabilities			
Accounts Payable	5,125,098.15	1,548,790.13	6,673,888.28
Unearned Revenue	13,405,128.91		13,405,128.91
Accrued Wages Payable	655,603.00	134,979.00	790,582.00
Accrued Interest Payable		84,333.00	84,333.00
Other Current Liabilities	314,323.20	47,633.00	361,956.20
Long-Term Liabilities:			
Portion Due and Payable Within One Year:			
Warrants Payable	227,054.42	1,050,000.00	1,277,054.42
Plus: Unamortized Premium		64,408.00	64,408.00
Lease Liabilities		66,067.00	66,067.00
Notes from Direct Borrowing	117,255.46	946,626.27	1,063,881.73
Estimated Liability for Compensated Absences	273,416.55	53,878.21	327,294.76
Total Current Liabilities	\$ 20,117,879.69	\$ 3,996,714.61	\$ 24,114,594.30

Statement of Net Position
September 30, 2022

	Governmental Activities	Business-Type Activities	Totals
Noncurrent Liabilities			
Portion Due or Payable After One Year:			
Warrants Payable	\$	\$ 7,965,000.00	\$ 7,965,000.00
Plus: Unamortized Premium		387,430.00	387,430.00
Notes From Direct Borrowing	119,349.66	1,740,865.23	1,860,214.89
Lease Liabilities		93,946.00	93,946.00
Estimated Liability for Compensated Absences	2,460,748.97	484,903.82	2,945,652.79
Net Pension Liability	11,969,957.17	3,005,799.83	14,975,757.00
Other Postemployment Benefit Liability	17,912,946.75	5,190,373.25	23,103,320.00
Total Noncurrent Liabilities	<u>32,463,002.55</u>	<u>18,868,318.13</u>	<u>51,331,320.68</u>
Total Liabilities	<u>52,580,882.24</u>	<u>22,865,032.74</u>	<u>75,445,914.98</u>
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	12,204,091.20		12,204,091.20
Deferred Inflows Related to Pension Liability	3,796,074.10	1,134,528.90	4,930,603.00
Deferred Inflows Related to OPEB Liability	5,304,853.33	1,401,478.67	6,706,332.00
Total Deferred Inflows of Resources	<u>21,305,018.63</u>	<u>2,536,007.57</u>	<u>23,841,026.20</u>
Net Position			
Net Investment in Capital Assets	82,080,395.21	19,323,620.15	101,404,015.36
Restricted for:			
Capital Projects	685,366.41		685,366.41
Debt Service	275,691.02	522,816.00	798,507.02
Highways and Roads	1,191,666.59		1,191,666.59
Other Purposes	3,453,678.90		3,453,678.90
Unrestricted	<u>(22,682,629.61)</u>	<u>334,613.26</u>	<u>(22,348,016.35)</u>
Total Net Position	<u>\$ 65,004,168.52</u>	<u>\$ 20,181,049.41</u>	<u>\$ 85,185,217.93</u>

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

Statement of Activities

For the Year Ended September 30, 2022

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	\$ 10,260,872.28	\$ 5,729,417.09	\$ 1,716,135.19	\$ 472,394.77	\$ (2,342,925.23)		\$ (2,342,925.23)
Public Safety	22,203,069.48	4,520,724.67	344,436.55		(17,337,908.26)		(17,337,908.26)
Highways and Roads	23,088,711.26	755,494.87	9,038,439.98		(13,294,776.41)		(13,294,776.41)
Sanitation	233,603.92				(233,603.92)		(233,603.92)
Health	649,579.49	80,041.26			(569,538.23)		(569,538.23)
Welfare	3,016,782.88		1,556,292.57		(1,460,490.31)		(1,460,490.31)
Culture and Recreation	592,415.51				(592,415.51)		(592,415.51)
Education	336,108.06				(336,108.06)		(336,108.06)
Interest on Long-Term Debt	39,195.44				(39,195.44)		(39,195.44)
Total Governmental Activities	60,420,338.32	11,085,677.89	12,655,304.29	472,394.77	(36,206,961.37)		(36,206,961.37)
Business-Type Activities							
Sanitation	7,651,999.79	7,020,711.91				(631,287.88)	(631,287.88)
Airport		1,445,082.22				1,445,082.22	1,445,082.22
Other Enterprise Funds	2,703,654.88	1,762,282.59				(941,372.29)	(941,372.29)
Water Sales	14,465,837.00	13,999,917.00				(465,920.00)	(465,920.00)
Total Business-Type Activities	24,821,491.67	24,227,993.72				(593,497.95)	(593,497.95)
Total Primary Government	\$ 85,241,829.99	\$ 35,313,671.61	\$ 12,655,304.29	\$ 472,394.77	(36,206,961.37)	(593,497.95)	(36,800,459.32)
General Revenues and Transfers:							
Taxes:							
Property Taxes for General Purposes					10,214,499.70		10,214,499.70
Property Taxes for Specific Purposes					1,713,795.83		1,713,795.83
General Sales and Use Taxes					18,643,822.34		18,643,822.34
Miscellaneous Taxes					1,123,263.54		1,123,263.54
Investment Earnings					34,426.91	299,811.77	334,238.68
Miscellaneous					1,414,175.33		1,414,175.33
Transfers					(2,328,968.75)	2,328,968.75	
Total General Revenues and Transfers					30,815,014.90	2,628,780.52	33,443,795.42
Change in Net Position					(5,391,946.47)	2,035,282.57	(3,356,663.90)
Net Position - Beginning of Year					70,396,114.99	18,145,766.84	88,541,881.83
Net Position - End of Year					\$ 65,004,168.52	\$ 20,181,049.41	\$ 85,185,217.93

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

Balance Sheet
Governmental Funds
September 30, 2022

	General Fund	Gasoline Tax Fund	Coronavirus Rescue Act Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 7,567,659.00	\$ 39,916.98	\$ 13,172,801.74	\$ 5,445,106.25	\$ 26,225,483.97
Cash With Fiscal Agent				19,567.87	19,567.87
Investments	3,319,055.07				3,319,055.07
Property Taxes Receivable	10,309,667.20			1,894,424.00	12,204,091.20
Receivables (Note 4)	3,405,750.57	1,513,329.72		313,957.81	5,233,038.10
Due from Other Funds	1,564,581.94				1,564,581.94
Inventories		881,304.62			881,304.62
Total Assets	<u>26,166,713.78</u>	<u>2,434,551.32</u>	<u>13,172,801.74</u>	<u>7,673,055.93</u>	<u>49,447,122.77</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable	4,703,049.69	184,514.50		237,533.96	5,125,098.15
Due to Other Funds		1,564,581.94			1,564,581.94
Unearned Revenue			13,172,801.74	232,327.17	13,405,128.91
Accrued Wages Payable	451,075.00	154,331.00		50,197.00	655,603.00
Other Liabilities	314,323.20				314,323.20
Total Liabilities	<u>5,468,447.89</u>	<u>1,903,427.44</u>	<u>13,172,801.74</u>	<u>520,058.13</u>	<u>21,064,735.20</u>
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	10,309,667.20			1,894,424.00	12,204,091.20
Total Deferred Inflows of Resources	<u>10,309,667.20</u>			<u>1,894,424.00</u>	<u>12,204,091.20</u>
Fund Balances					
Nonspendable:					
Inventories		881,304.62			881,304.62
Restricted for:					
Debt Service				275,691.02	275,691.02
Highways and Roads		51,123.88		1,140,542.71	1,191,666.59
Capital Projects				685,366.41	685,366.41
Other Purposes	278,205.54			3,175,473.36	3,453,678.90
Assigned to:					
Highways and Roads				108,324.68	108,324.68
Other Purposes	45,957.72				45,957.72
Unassigned	10,064,435.43	(401,304.62)		(126,824.38)	9,536,306.43
Total Fund Balances	<u>10,388,598.69</u>	<u>531,123.88</u>		<u>5,258,573.80</u>	<u>16,178,296.37</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 26,166,713.78</u>	<u>\$ 2,434,551.32</u>	<u>\$ 13,172,801.74</u>	<u>\$ 7,673,055.93</u>	<u>\$ 49,447,122.77</u>

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, 2022***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 16,178,296.37

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,
net of depreciation, are: 82,544,054.75

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

Deferred Outflows Related to Defined Benefit Pension Plan	\$	4,681,599.76	
Deferred Outflows Related to Other Postemployment Benefits		3,781,874.05	
Deferred Inflows Related to Defined Benefit Pension Plan		(3,796,074.10)	
Deferred Inflows Related to Other Postemployment Benefits		<u>(5,304,853.33)</u>	(637,453.62)

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

		Current Liabilities	Noncurrent Liabilities	
Estimated Liability for Compensated Absences	\$	273,416.55	\$ 2,460,748.97	
Warrants Payable		227,054.42		
Notes From Direct Borrowing		117,255.46	119,349.66	
Net Pension Liability			11,969,957.17	
Other Postemployment Benefits Liability			17,912,946.75	
Total Long-Term Liabilities	\$	<u>617,726.43</u>	<u>\$ 32,463,002.55</u>	(33,080,728.98)

Total Net Position - Governmental Activities (Exhibit 1) \$ 65,004,168.52

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 End September 30, 2022

	General Fund	Gasoline Tax Fund	Coronavirus Rescue Act Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 27,246,045.34	\$ 2,525,253.94	\$	\$ 1,529,399.83	\$ 31,300,699.11
Licenses and Permits	91,594.48				91,594.48
Intergovernmental	2,444,150.15	4,650,156.92	3,098,150.26	8,055,735.46	18,248,192.79
Charges for Services	3,020,303.77	755,494.87		976,100.55	4,751,899.19
Miscellaneous	1,144,706.92	31,773.36	3,800.63	1,784,694.12	2,964,975.03
Total Revenues	33,946,800.66	7,962,679.09	3,101,950.89	12,345,929.96	57,357,360.60
Expenditures					
Current:					
General Government	7,013,216.54		761,554.45	1,593,686.42	9,368,457.41
Public Safety	17,103,263.93		345,776.27	4,234,794.24	21,683,834.44
Highways and Roads	19,381.80	18,810,164.59	254,500.79	2,955,981.45	22,040,028.63
Sanitation	29,073.61		204,530.31		233,603.92
Health	611,549.66		19,387.83		630,937.49
Welfare	1,072,336.00		96,022.44	1,565,636.70	2,733,995.14
Culture and Recreation	336,683.98		82,097.56	163,251.20	582,032.74
Education	336,108.06				336,108.06
Capital Outlay	647,768.50	871,652.66		449,557.00	1,968,978.16
Debt Service:					
Principal Retirement	13,885.14	115,194.88		1,191,646.84	1,320,726.86
Interest and Fiscal Charges		5,135.79		45,227.85	50,363.64
Total Expenditures	27,183,267.22	19,802,147.92	1,763,869.65	12,199,781.70	60,949,066.49
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,763,533.44	(11,839,468.83)	1,338,081.24	146,148.26	(3,591,705.89)
Other Financing Sources (Uses)					
Transfers In	7,571.52	11,357,237.62		1,977,114.72	13,341,923.86
Proceeds from Sale or Disposal of Capital Assets	16,025.00	20,850.00			36,875.00
Transfers Out	(12,260,951.90)		(1,338,081.24)	(2,071,859.47)	(15,670,892.61)
Total Other Financing Sources (Uses)	(12,237,355.38)	11,378,087.62	(1,338,081.24)	(94,744.75)	(2,292,093.75)
Net Change in Fund Balances	(5,473,821.94)	(461,381.21)		51,403.51	(5,883,799.64)
Fund Balances - Beginning of Year	15,862,420.63	992,505.09		5,207,170.29	22,062,096.01
Fund Balances - End of Year	\$ 10,388,598.69	\$ 531,123.88	\$	\$ 5,258,573.80	\$ 16,178,296.37

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, 2022

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (5,883,799.64)

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 (\$1,968,978.16) is exceeded by depreciation (\$2,222,790.01) in the current period. (253,811.85)

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. (97,434.72)

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. 1,320,726.86

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	\$	(99,026.36)	
Net Decrease in Accrued Interest Payable		11,168.20	
Net Increase in Pension Expense		(255,270.89)	
Net Increase in Other Post Employment Benefit Expense		(134,498.07)	
Total Additional Expenditures		(477,627.12)	(477,627.12)

Change in Net Position of Governmental Activities (Exhibit 2) \$ (5,391,946.47)

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

Statement of Net Position
Proprietary Funds
September 30, 2022

	Major Funds			Other	Total
	Sanitation	Water	Airport	Enterprise	Enterprise
	Fund	Fund	Fund	Funds	Funds
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 100.00	\$ 493,214.00	\$	\$ 420,431.28	\$ 913,745.28
Receivables (Note 4)	314,152.75	1,843,407.00			2,157,559.75
Inventories		438,260.00			438,260.00
Other Assets		75,433.00			75,433.00
Total Current Assets	314,252.75	2,850,314.00		420,431.28	3,584,998.03
Noncurrent Assets					
Restricted Cash with Fiscal Agent		522,816.00			522,816.00
Other Noncurrent Assets		222,063.00			222,063.00
Net Investment in Joint Venture (Note 15)			7,276,119.50		7,276,119.50
Capital and Leased Assets (Note 5):					
Nondepreciable	150,000.00	564,644.00		2,824,253.26	3,538,897.26
Depreciable, Net	3,990,995.06	22,841,753.00		958,280.33	27,791,028.39
Total Noncurrent Assets	4,140,995.06	24,151,276.00	7,276,119.50	3,782,533.59	39,350,924.15
Total Assets	4,455,247.81	27,001,590.00	7,276,119.50	4,202,964.87	42,935,922.18
Deferred Outflows of Resources					
Debt Refunding		232,357.00			232,357.00
Employer Pension Contributions	159,475.81	118,734.97		50,569.38	328,780.16
Deferred Outflows Related to Net Pension Liability	408,755.55	333,450.03		154,847.85	897,053.43
Deferred Outflows Related to Other Postemployment Benefits Liability	532,070.68	382,094.00		273,812.27	1,187,976.95
Total Deferred Outflows of Resources	1,100,302.04	1,066,636.00		479,229.50	2,646,167.54
Liabilities					
Current Liabilities					
Accounts Payable	142,343.98	1,400,029.00		6,417.15	1,548,790.13
Accrued Wages Payable	64,561.00	35,413.00		35,005.00	134,979.00
Accrued Interest Payable		84,333.00			84,333.00
Other Current Liabilities		47,633.00			47,633.00
Estimated Liability for Compensated Absences	24,414.21	13,504.90		15,959.10	53,878.21
Lease Liabilities		66,067.00			66,067.00
Warrants Payable		1,050,000.00			1,050,000.00
Plus: Unamortized Premium		64,408.00			64,408.00
Notes from Direct Borrowing	946,626.27				946,626.27
Total Current Liabilities	\$ 1,177,945.46	\$ 2,761,387.90	\$	\$ 57,381.25	\$ 3,996,714.61

Statement of Net Position
Proprietary Funds
September 30, 2022

	Sanitation Fund	Major Funds Water Fund	Airport Fund	Other Enterprise Funds	Total Enterprise Funds
Noncurrent Liabilities					
Estimated Liability for Compensated Absences	\$ 219,727.85	\$ 121,544.10	\$	\$ 143,631.87	\$ 484,903.82
Net Pension Liability	1,349,833.97	1,073,706.00		582,259.86	3,005,799.83
Other Postemployment Benefit Obligation	2,584,663.35	1,286,967.00		1,318,742.90	5,190,373.25
Lease Liabilities		93,946.00			93,946.00
Warrants Payable		7,965,000.00			7,965,000.00
Plus: Unamortized Premium		387,430.00			387,430.00
Notes from Direct Borrowing	1,740,865.23				1,740,865.23
Total Noncurrent Liabilities	<u>5,895,090.40</u>	<u>10,928,593.10</u>		<u>2,044,634.63</u>	<u>18,868,318.13</u>
Total Liabilities	<u>7,073,035.86</u>	<u>13,689,981.00</u>		<u>2,102,015.88</u>	<u>22,865,032.74</u>
Deferred Inflows of Resources					
Deferred Inflows Related to Net Pension Liability	496,018.66	481,224.00		157,286.24	1,134,528.90
Deferred Inflows Related to Other Postemployment Benefits Liability	687,400.85	469,870.00		244,207.82	1,401,478.67
Total Deferred Outflows of Resources	<u>1,183,419.51</u>	<u>951,094.00</u>		<u>401,494.06</u>	<u>2,536,007.57</u>
Net Position					
Net Investment in Capital Assets	1,453,503.56	14,087,583.00		3,782,533.59	19,323,620.15
Restricted for:					
Debt Service		522,816.00			522,816.00
Unrestricted	<u>(4,154,409.08)</u>	<u>(1,183,248.00)</u>	7,276,119.50	<u>(1,603,849.16)</u>	<u>334,613.26</u>
Total Net Position	<u>\$ (2,700,905.52)</u>	<u>\$ 13,427,151.00</u>	<u>\$ 7,276,119.50</u>	<u>\$ 2,178,684.43</u>	<u>\$ 20,181,049.41</u>

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, 2022

	Major Funds			Other	Total
	Sanitation	Water	Airport	Enterprise	Enterprise
	Fund	Fund	Fund	Funds	Funds
Operating Revenues					
Charges for Services	\$ 7,020,711.91	\$ 13,972,695.00	\$	\$ 1,707,985.71	\$ 22,701,392.62
Miscellaneous		27,222.00	1,445,082.22	54,296.88	1,526,601.10
Total Operating Revenues	7,020,711.91	13,999,917.00	1,445,082.22	1,762,282.59	24,227,993.72
Operating Expenses					
Salaries and Benefits	3,088,666.60	2,803,238.00		1,489,497.68	7,381,402.28
Contractual and Professional Services	2,382,485.17	386,595.00		186,404.23	2,955,484.40
Materials and Supplies	1,057,098.09	978,105.00		302,770.22	2,337,973.31
Repairs and Maintenance	268,857.16	184,521.00		288,831.22	742,209.38
Utilities	37,776.46	222,523.00		355,210.91	615,510.37
Insurance	141,939.22	314,014.00		37,162.06	493,115.28
Purchases for Resale		7,427,355.00			7,427,355.00
Depreciation	618,675.81	1,629,440.00		41,445.49	2,289,561.30
Miscellaneous	1.25	258,508.00		2,333.07	260,842.32
Total Operating Expenses	7,595,499.76	14,204,299.00		2,703,654.88	24,503,453.64
Operating Income (Loss)	(574,787.85)	(204,382.00)	1,445,082.22	(941,372.29)	(275,459.92)
Nonoperating Revenues (Expenses)					
Interest Revenue		235,284.00		120.77	235,404.77
Interest Expense	(56,500.03)	(261,538.00)			(318,038.03)
Amortization of Debt Premium		64,407.00			64,407.00
Total Nonoperating Revenues (Expenses)	(56,500.03)	38,153.00		120.77	(18,226.26)
Income (Loss) Before Transfers	(631,287.88)	(166,229.00)	1,445,082.22	(941,251.52)	(293,686.18)
Operating Transfers					
Transfers In	947,160.69		550,611.78	831,196.28	2,328,968.75
Total Operating Transfers	947,160.69		550,611.78	831,196.28	2,328,968.75
Change in Net Position	315,872.81	(166,229.00)	1,995,694.00	(110,055.24)	2,035,282.57
Net Position - Beginning of Year	(3,016,778.33)	13,593,380.00	5,280,425.50	2,288,739.67	18,145,766.84
Net Position - End of Year	\$ (2,700,905.52)	\$ 13,427,151.00	\$ 7,276,119.50	\$ 2,178,684.43	\$ 20,181,049.41

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, 2022

	Major Funds			Other	Total
	Sanitation	Water	Airport	Enterprise	Enterprise
	Fund	Fund	Fund	Funds	Funds
Cash Flows from Operating Activities					
Receipts from Customers	\$ 6,992,161.04	\$ 13,851,477.00	\$ 1,445,082.22	\$ 2,097,094.90	\$ 24,385,815.16
Payments to Suppliers	(3,746,218.13)	(1,982,417.00)		(1,166,294.56)	(6,894,929.69)
Payments to Employees	(3,027,357.64)	(10,507,952.00)		(1,475,005.02)	(15,010,314.66)
Net Cash Provided (Used) by Operating Activities	218,585.27	1,361,108.00	1,445,082.22	(544,204.68)	2,480,570.81
Cash Flows from Noncapital Financing Activities					
Operating Contribution from County	947,160.69		550,611.78	831,196.28	2,328,968.75
Net Cash Provided (Used) by Noncapital Financing Activities	947,160.69		550,611.78	831,196.28	2,328,968.75
Cash Flows from Capital and Related Financing Activities					
Purchases of Capital Assets	(178,700.00)			(242,784.42)	(421,484.42)
Sale of Capital Assets		213,900.00			213,900.00
Operating Lease Liability		1,691.00			1,691.00
Acquisition and Construction of Utility Plant		(431,471.00)			(431,471.00)
Payment of Bond Administration Fees		(9,165.00)			(9,165.00)
Principal Paid on Capital Debt	(930,545.93)	(850,000.00)			(1,780,545.93)
Interest Paid on Capital Debt	(56,500.03)	(187,100.00)			(243,600.03)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,165,745.96)	(1,262,145.00)		(242,784.42)	(2,670,675.38)
Cash Flows from Investing Activities					
Change in Investments in Joint Venture			(1,995,694.00)		(1,995,694.00)
Interest Received		235,284.00		120.77	235,404.77
Net Cash Provided (Used) by Investing Activities		235,284.00	(1,995,694.00)	120.77	(1,760,289.23)
Net Increase (Decrease) in Cash and Cash Equivalents		334,247.00		44,327.95	378,574.95
Cash and Cash Equivalents - Beginning of Year	100.00	681,783.00		376,103.33	1,057,986.33
Cash and Cash Equivalents - End of Year	\$ 100.00	\$ 1,016,030.00	\$	\$ 420,431.28	\$ 1,436,561.28

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2022

	Major Funds			Other	Total
	Sanitation	Water	Airport	Enterprise	Enterprise
	Fund	Fund	Fund	Funds	Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ (574,787.85)	\$ (204,382.00)	\$ 1,445,082.22	\$ (941,372.29)	\$ (275,459.92)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	618,675.81	1,629,440.00		41,445.49	2,289,561.30
Gain on Sale of Capital Assets		(84,305.00)			(84,305.00)
Change in Assets and Liabilities:					
Decrease/(Increase) in Accounts Receivable	(28,550.87)	(100,650.00)		334,812.31	205,611.44
Decrease/(Increase) in Unbilled Receivables		36,513.00			36,513.00
Decrease/(Increase) in Inventories		146,145.00			146,145.00
Decrease/(Increase) in Other Current Assets		(11,220.00)			(11,220.00)
Decrease/(Increase) in Deferred Outflows		152,303.00			152,303.00
(Decrease)/Increase in Accounts Payable	141,939.22	(139,833.00)		6,417.15	8,523.37
(Decrease)/Increase in Accrued Salaries and Benefits	(31,361.00)			(6,107.00)	(37,468.00)
(Decrease)/Increase in Compensated Absences	37,140.03			2,991.28	40,131.31
Decrease/(Increase) in Deferred Inflows		875,436.00			875,436.00
(Decrease)/Increase in Net Pension Liability		(480,797.00)			(480,797.00)
Pension and OPEB Activity	55,529.93	(457,542.00)		17,608.38	(384,403.69)
Net Cash Provided (Used) by Operating Activities	\$ 218,585.27	\$ 1,361,108.00	\$ 1,445,082.22	\$ (544,204.68)	\$ 2,480,570.81

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

Statement of Fiduciary Net Position
September 30, 2022

	Custodial Funds
<u>Assets</u>	
Cash and Cash Equivalents	\$ 8,763,820.84
Receivables (Note 4)	7,335,792.52
Total Assets	<u>16,099,613.36</u>
<u>Liabilities</u>	
Payables (Note 8)	14,727,629.38
Total Liabilities	<u>14,727,629.38</u>
<u>Net Position</u>	
Restricted for:	
Individuals, Organizations and Other Governments	1,371,983.98
Total Net Position	<u>\$ 1,371,983.98</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, 2022***

	Custodial Funds
<u>Additions</u>	
Contributions from:	
Worthless Check Fees	\$ 37,312.18
District Attorney	26,625.34
Probate Judge Fiduciary	158,634.53
Inmate Money	942,157.90
D.A.R.E.	28,155.97
Community Development Funds	424,352.18
Sales Tax Fund Collections for Other Governments	64,016,113.29
TVA Fund Collections for Other Governments	999,985.35
Revenue Commissioner Collections for Other Governments	29,074,985.95
Probate Judge	3,027,080.64
Tourism Bureau	7,949.49
Interest	257.36
Total Additions	<u>98,743,610.18</u>
<u>Deductions</u>	
Worthless Check Distributions	37,710.78
District Attorney	26,625.30
Commissary	1,109,638.14
Probate Judge Fiduciary	134,697.39
Excess Land Sales	6,032.96
Community Development Funds	461,197.96
Sales Tax Fund Payments for Other Governments	64,016,113.29
TVA Fund Payments for Other Governments	999,985.35
Revenue Commissioner Payments for Other Governments	29,074,985.95
Probate Judge	3,027,080.64
Tourism Bureau	99,559.84
Total Deductions	<u>98,993,627.60</u>
Change in Net Position	(250,017.42)
Net Position - Beginning of Year	<u>1,622,001.40</u>
Net Position - End of Year	<u>\$ 1,371,983.98</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, 2022

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 Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of the criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Notes to the Financial Statements

For the Year Ended September 30, 2022

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column or Other Enterprise Funds' column.

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.
- ◆ **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.
- ◆ **Coronavirus Rescue Act Fund** – This fund is used to account for the expenditure of federal funds received to assist the County in recovering from the COVID pandemic.

Notes to the Financial Statements
For the Year Ended September 30, 2022

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 fifty percent equity in the Cullman Regional Airport which is a joint venture with the city of Cullman.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

The Commission reports the following fiduciary fund type:

Fiduciary Fund Type

- ◆ **Custodial Funds** – These funds are used to account for fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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 positions 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.

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

1. Deposits and Investments

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

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

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

2. Receivables

Sales tax receivables 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 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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

Receivables in proprietary funds consist primarily of amounts due from customers who are charged fees for services provided by the Commission.

Receivables from external parties are amounts that are being held in a custodial capacity by the fiduciary funds.

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.

4. 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.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at their original historical cost-plus ancillary charges such as transportation, installation, and site preparation costs. Donated capital assets are valued at their acquisition value (plus any ancillary costs) at the acquisition date. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. 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, 2022

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Intangible right-to-use lease assets are amortized over the shorter of the lease term or the asset's estimated useful life, unless the lease contains a purchase option the Board is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset's estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
<u>Governmental Activities:</u>		
Infrastructure – Roads	\$250,000	20 years
Infrastructure – Bridges	\$ 50,000	40 years
Buildings and Improvements	\$ 50,000	40 years
Equipment and Furniture	\$ 5,000	3-12 years
<u>Business-Type Activities:</u>		
Water		
Buildings and Improvements	\$ 500	4-30 years
Equipment and Furniture	\$ 500	5-20 Years
Water Distribution System	\$ 500	5-50 Years
Right-to-use Lease Assets (Equipment)	\$ 5000	Not Applicable
<u>Sanitation and Other Enterprise Funds:</u>		
Buildings and Improvements	\$ 50,000	40 Years
Equipment and Furniture	\$ 5,000	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.

6. 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, 2022

7. Right-to-Use Assets and Lease Liability

The Commission has recorded, in the Water Fund, right-to-use lease assets and liabilities as a result of implementing GASB Statement Number 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus any ancillary charges necessary to place the lease into service. The right-to use assets are amortized on a straight-line basis over the life of the related lease.

In accordance with GASB Statement Number 87, payments on leases with a term of 12 months or less or leases with a present value of less than \$5,000 (for equipment leases) are expensed as incurred. These leases are not included in assets or liabilities on the Statement of Net Position.

Payments included in the measurement of present value include:

1. Fixed payments,
2. Variable payments that depend on an index or a rate, initially measured using the index or rate as of the commencement of the lease term,
3. Variable payments that are fixed in substance,
4. Amounts that are reasonably certain of being required to be paid by the Commission under residual value guarantees,
5. The exercise price of a purchase option if it is reasonably certain that the Commission will exercise that option
6. Payments for penalties for terminating the lease, if the lease term reflects the Commission exercising (1) an option to terminate the lease or (2) a fiscal funding or cancellation clause,
7. Any lease incentives receivable from the lessor,
8. Any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Warrant premiums and discounts are deferred and amortized over the life of the bonds/warrants. Bond/warrants payable are reported gross with the applicable bond/warrant premium or discount reported separately. Bond/warrant issuance costs are reported as an expense in the period incurred.

Notes to the Financial Statements
For the Year Ended September 30, 2022

In the fund financial statements, governmental fund types recognize bond 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, 2022

Compensatory Leave

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

10. Deferred Inflows of Resources

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

11. 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, 2022

- ◆ **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 the fund financial statements under the following five categories:

- A. **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.
- B. **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.
- C. **Committed** – Committed fund balances consist of amounts that are subject to a specific purpose imposed by formal action 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.
- D. **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator 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.
- E. **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, 2022

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, 2022

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 Annual Comprehensive Financial Report.

Notes to the Financial Statements
For the Year Ended September 30, 2022

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

A. 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 adopts project-length budgets. All appropriations lapse at fiscal year-end. The Coronavirus Rescue Act Fund did not approve a formal budget due to uncertainty of allowable expenditures related to this grant. Expenditures of the Coronavirus Rescue Act Fund were authorized by the Commission throughout the fiscal year.

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 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, 2022

B. Deficit Fund Balances/Net Position of Individual Funds

At September 30, 2022, the following governmental funds had a deficit fund balance:

EMA Grant	\$ 6,336.00
Community Storm Shelters	\$83,130.00
Premier Bank 222 Interchange	\$37,358.38

The deficit in the EMA Grant Fund and Community Storm Shelters Fund will be eliminated in 2023 when grant funds are received. The Premier Bank 222 Interchange Fund is a loan paid by a dedicated lodging tax from the Chamber of Commerce and will be eliminated when funds are received from Chamber of Commerce.

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, 2022

Note 4 – Receivables

On September 30, 2022, receivables for the Commission’s individual major and nonmajor funds, and fiduciary funds in the aggregate, are as follows:

Governmental Funds	General Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Receivables:</u>				
Due from Other Governments	\$3,405,750.57	\$1,513,329.72	\$313,957.81	\$5,233,038.10
Total Receivables	<u>\$3,405,750.57</u>	<u>\$1,513,329.72</u>	<u>\$313,957.81</u>	<u>\$5,233,038.10</u>

Business-Type Activities	Sanitation Fund	Water Fund	Total Enterprise Funds
<u>Receivables:</u>			
Accounts Receivable	\$314,152.75	\$1,843,407.00	\$2,157,559.75
Total Receivables	<u>\$314,152.75</u>	<u>\$1,843,407.00</u>	<u>\$2,157,559.75</u>

Fiduciary Funds	Custodial Funds
<u>Receivables:</u>	
Due from Other Governments	\$ 297,804.38
Sales Tax Receivable	7,037,988.14
Total Receivables	<u>\$7,335,792.52</u>

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At September 30, 2022, the Commission has unexpended reappraisal funds of \$232,327.17 and Coronavirus Rescue Act grant funds received prior to meeting eligibility requirements of \$13,172,801.74 which were reported as unearned revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 5 – Capital and Leased Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance 10/01/2021	Additions	Retirements	Balance 09/30/2022
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 23,486,801.41	\$	\$	\$ 23,486,801.41
Construction in Progress	9,559,213.60	44,790.00		9,604,003.60
Total Capital Assets, Not Being Depreciated	33,046,015.01	44,790.00		33,090,805.01
Capital Assets Being Depreciated:				
Infrastructure Roads and Bridges	43,753,564.35			43,753,564.35
Buildings and Improvements	23,269,677.77			23,269,677.77
Equipment	15,561,510.25	1,924,188.16	(730,987.72)	16,754,710.69
Total Capital Assets Being Depreciated	82,584,752.37	1,924,188.16	(730,987.72)	83,777,952.81
Less Accumulated Depreciation for:				
Infrastructure Roads and Bridges	(11,885,365.00)	(396,450.68)		(12,281,815.68)
Buildings and Improvements	(10,177,879.00)	(594,162.31)		(10,772,041.31)
Equipment	(10,672,222.06)	(1,232,177.02)	633,553.00	(11,270,846.08)
Total Accumulated Depreciation	(32,735,466.06)	(2,222,790.01)	633,553.00	(34,324,703.07)
Total Capital Assets, Being Depreciated, Net	49,849,286.31	(298,601.85)	(97,434.72)	49,453,249.74
Governmental Activities Capital Assets, Net	\$ 82,895,301.32	\$ (253,811.85)	\$ (97,434.72)	\$ 82,544,054.75

	Balance 10/01/2021	Additions	Retirements	Balance 09/30/2022
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,658,714.97	\$	\$	\$ 2,658,714.97
Construction in Progress:	849,567.29	30,615.00		880,182.29
Total Capital Assets Not Being Depreciated	3,508,282.26	30,615.00		3,538,897.26
Capital Assets Being Depreciated:				
Buildings	4,324,827.42	147,635.37		4,472,462.79
Equipment	8,489,501.00	180,081.32	(388,784.00)	8,280,798.32
Water Distribution System	54,163,466.00			54,163,466.00
Other Equipment	8,400,735.10	273,849.05	(10,106.00)	8,664,478.15
Right-To-Use Assets		220,774.68		220,774.68
Total Capital Assets Being Depreciated	75,378,529.52	822,340.42	(398,890.00)	75,801,979.94
Less Accumulated Depreciation for:				
Buildings	(1,633,198.00)	(84,678.00)		(1,717,876.00)
Equipment	(6,663,294.00)	(261,769.82)	259,189.00	(6,665,874.82)
Water Distribution System	(33,775,633.00)	(1,222,230.00)		(34,997,863.00)
Other Equipment	(3,918,560.25)	(660,121.30)	10,106.00	(4,568,575.55)
Right-To-Use Assets		(60,762.18)		(60,762.18)
Total Accumulated Depreciation	(45,990,685.25)	(2,289,561.30)	269,295.00	(48,010,951.55)
Total Capital Assets Being Depreciated, Net	29,387,844.27	(1,467,220.88)	(129,595.00)	27,791,028.39
Total Business-Type Activities Capital Assets, Net	\$ 32,896,126.53	\$ (1,436,605.88)	\$ (129,595.00)	\$ 31,329,925.65

Notes to the Financial Statements
For the Year Ended September 30, 2022

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

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 343,059.83
Public Safety	519,235.04
Highway and Roads	1,048,682.63
Health	18,642.00
Welfare	282,787.74
Culture and Recreation	10,382.77
Total Depreciation Expense – Governmental Activities	<u>\$2,222,790.01</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Sanitation	\$ 618,675.81
Water	1,629,440.00
Other Enterprise Funds	41,445.49
Total Depreciation Expense – Business-Type Activities	<u>\$2,289,561.30</u>

The Commission has recorded six right to use leased assets in the Business-Type Activities, Water Fund. The assets are right to use assets for leased equipment and motor vehicles. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (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 the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Effective October 1, 2021, Act Number 2021-390, Acts of Alabama, created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
 - d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
 - e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.
 - f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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 State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

Act Number 2019-316, Acts of Alabama, allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of the partial lump sum distribution selected.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active Members	56,184
Post-DROP retired member still in active service	54
Total	104,510

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.

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2022, the Cullman County Commission's active employee contribution rate was 7.75% of covered employee payroll, and the County's average contribution rate to fund the normal and accrued liability costs was 7.56% of pensionable payroll.

The Cullman County Commission's contractually required contribution rate for the year ended September 30, 2022, was 9.72% of pensionable pay for Tier 1 employees, and 7.94% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 \$1,585,246.35 for the year ended September 30, 2022.

Notes to the Financial Statements
For the Year Ended September 30, 2022

B. Net Pension Liability

The Cullman County Commission's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward			
	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) Total Pension Liability as of September 30, 2020	\$69,220,920.00	\$68,466,598.00	\$68,466,598.00	\$70,920,048.00
(b) Discount Rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 through September 30, 2021	1,617,647.00	1,617,647.00	1,617,647.00	1,792,384.00
(d) Transfers Among Employers:		198,511.00	198,511.00	198,511.00
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 through September 30, 2021	(3,985,633.00)	(3,985,633.00)	(3,985,633.00)	(3,985,633.00)
(f) Total Pension Liability as of September 30, 2021 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$72,029,498.00</u>	<u>\$71,415,604.00</u>	<u>\$71,415,604.00</u>	<u>\$74,060,389.00</u>
(g) Difference between Expected and Actual:		\$ (613,894.00)		
(h) Less Liability Transferred for Immediate Recognition:		<u>198,511.00</u>		
(i) Difference between Expected and Actual – Experience (Gain)/Loss		<u>\$ (812,405.00)</u>		
(j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss			<u>\$</u>	
(k) Difference between Actual TPL Before and After 2020 Experience Study – Assumption Change (Gain)/Loss				<u>\$ 2,644,785.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2022

Actuarial Assumptions

The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected Salary Increases, including inflation:	
State and Local Employees	3.25-6.00%
State Police	4.00-7.75%
Investment Rate of Return (*)	7.45%
(*) Net of pension plan investment expense	

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019.

Group	Membership Table	Set Forward (+)/Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages <65, 96% ages >=65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

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, 2015 through September 30, 2020.

Notes to the Financial Statements
For the Year Ended September 30, 2022

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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, 2022

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, 2020	\$69,220,920.00	\$49,318,938.00	\$ 19,901,982.00
Changes for the Year:			
Service cost	1,617,647.00		1,617,647.00
Interest	5,176,564.00		5,176,564.00
Changes in assumptions	2,644,785.00		2,644,785.00
Differences between expected and actual experience	(812,405.00)		(812,405.00)
Contributions – employer		1,541,849.00	(1,541,849.00)
Contributions – employee		1,177,490.00	(1,177,490.00)
Net investment income		10,833,477.00	(10,833,477.00)
Benefit payments, including refunds of employee contributions	(3,985,633.00)	(3,985,633.00)	
Transfers among employers	198,511.00	198,511.00	
Net Changes	4,839,469.00	9,765,694.00	(4,926,225.00)
Balances at September 30, 2021	\$74,060,389.00	\$59,084,632.00	\$ 14,975,757.00

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 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Commission’s Net Pension Liability	\$24,021,266	\$14,975,757	\$7,405,893

Notes to the Financial Statements

For the Year Ended September 30, 2022

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated August 19, 2022 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.

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

For the year ended September 30, 2022, the Cullman County Commission recognized pension expense of \$1,873,293.00. At September 30, 2022, the Cullman County 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	\$1,838,297.00	\$ 669,878.00
Changes of assumptions	2,483,890.00	
Net difference between projected and actual earnings on pension plan investments		4,260,725.00
Employer contributions subsequent to the measurement date	1,585,246.35	
Total	\$5,907,433.35	\$4,930,603.00

The \$1,585,246.35 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. 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, 2023	\$ 304,122
2024	\$ 153,426
2025	\$(414,302)
2026	\$(876,692)
2027	\$ 225,030
Thereafter	\$ 0

Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 7 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

A. 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 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. Effective September 26, 2020, both Tier 1 and Tier 2 employees receive the same retirement benefit. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or age 60 and 10 years of service.

Employees Covered by Benefit Terms

At September 30, 2022, the following employees were covered by the benefit terms:

Membership	
Inactive Employees or Beneficiaries Currently Receiving Benefits	215
Inactive Members Entitled to But Not Yet Receiving Benefits	0
Active Employees	449
Total	664

Notes to the Financial Statements

For the Year Ended September 30, 2022

Contributions

The Commission's contributions were on a pay-as-you-go basis through September 30, 2022. 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 as established by the Commission. Total retiree contributions for fiscal year 2022 were \$241,708.10. During the period ended September 30, 2022, the Commission paid healthcare premiums for retired employees in the amount of \$1,148,756.00.

B. Total OPEB Liability

The Commission's total OPEB liability of \$23,103,320.00 as of the reporting date September 30, 2022, was measured as of September 30, 2021, and was determined by an actuarial valuation as of October 1, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2021, 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	2.5%, per annum
Discount Rate	2.26% per annum. This is the Bond Buyer's 20-Bond GO Index for September 2021. The September 30, 2022 year-end disclosure will be based on the index as of September 2022, which is 4.02%.
Healthcare Cost Trend Rates	5.4%
Cost-of-Living Increases	Assumed to increase in accordance with the healthcare cost trend rates

The discount rate was based on the return on the Bond Buyer's 20-Bond GO Index as of September 2021. The September 30, 2022 year-end disclosures were based on the index as of September 2022, which was 4.02% per annum.

Mortality rates were set forth in the 2021 PPA Mortality Table (RP-2014 Mortality, base year 2006, adjusted to 2021 with Mortality Improvement Scale MP-2019)

The actuarial assumptions used in the September 30, 2022 valuation were based on the results of an actuarial experience study for the period October 1, 2019 through September 30, 2020.

Notes to the Financial Statements
For the Year Ended September 30, 2022

Discount Rate

The discount rate used to measure the total OPEB liability was 4.02 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

Balance at September 30, 2021	\$29,633,687
Changes for the year:	
Service Cost	417,478
Expected Interest Growth	685,497
Differences between Expected and Actual Experience	(6,485,370)
Benefit Payments and Refunds	(1,147,972)
Net Changes	<u>(6,530,367)</u>
Balance at September 30, 2022	<u>\$23,103,320</u>

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

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.02%) or 1-percentage point higher (5.02%) than the current discount rate:

	1.0% Decrease (3.02%)	Current Discount Rate (4.02%)	1.0% Increase (5.02%)
Total OPEB liability	\$26,582,168	\$23,103,320	\$20,348,033

Notes to the Financial Statements
For the Year Ended September 30, 2022

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1.0% Decrease (4.40%)	Current Trend (5.40%)	1.0% Increase (6.40%)
Total OPEB liability	\$20,310,112	\$23,103,320	\$26,585,697

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

For the year ended September 30, 2022, the Commission recognized OPEB expense of \$1,102,975 prior to recording the actual OPEB benefit amounts. At September 30, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$4,969,851	\$6,706,326
Total	<u>\$4,969,851</u>	<u>\$6,706,326</u>

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

Years Ending	
September 30, 2023	\$ 251,872
2024	\$ 251,872
2025	\$ 356,052
2026	\$ (191,911)
2027	\$ (254,093)
Thereafter	\$(2,150,267)

Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 8 – Payables

On September 30, 2022, payables for the Commission’s individual major and nonmajor funds and fiduciary funds in the aggregate are as follows:

	Accounts Payable	Due to Other Governments	Total
<u>Governmental Funds:</u>			
General Fund	\$4,703,049.69	\$	\$ 4,703,049.69
Gasoline Tax Fund	184,514.50		184,514.50
Other Governmental Funds	237,533.96		237,533.96
Total Governmental Funds	<u>5,125,098.15</u>		<u>5,125,098.15</u>
<u>Business-Type Activities:</u>			
Sanitation Fund	142,343.98		142,343.98
Water Fund	1,400,029.00		1,400,029.00
Other Enterprise Funds	6,417.15		6,417.15
Total Business-Type Activities	<u>1,548,790.13</u>		<u>1,548,790.13</u>
<u>Fiduciary Funds:</u>			
Custodial	380,942.33	14,346,687.05	14,727,629.38
Total Fiduciary Funds	<u>\$ 380,942.33</u>	<u>\$14,346,687.05</u>	<u>\$14,727,629.38</u>

Note 9 – Long-Term Debt and Lease Obligations

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.

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

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

During the 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.

During the fiscal year ending September 30, 2021, the Commission issued \$3,310,000 in Series 2021A Water Revenue Warrants with a 3.00% interest rate in a current refunding of the Series 2015 Water Revenue Warrants which had interest rates ranging between 2.125% and 3.00%. Also, during the year ended September 30, 2021, the Commission issued \$6,555,000 in Series 2021B Water Revenue Warrants with interest rates ranging between 2.00% and 4.00% to advance refund the Series 2016 Water Revenue Warrants.

During the fiscal year ending September 30, 2022, the Commission issued a lease agreement for leases five vehicles under 24-month leases. Monthly payments on each lease are \$952 with an interest rate of 12.14%. After the initial lease term, the Water Department has the option to continue the lease on a month-to-month basis. The Water Department also leases a piece of equipment under a 60-month lease. Monthly payments are \$2,324 with an interest rate of 3.00%.

Notes to the Financial Statements

For the Year Ended September 30, 2022

The following is a summary of long-term obligations, including lease obligation, for the Commission for the year ended September 30, 2022:

	Debt Outstanding 10/01/2021	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2022	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable:					
Series 2004 (Modified in 2012)	\$ 506,482.27	\$	\$ (279,427.85)	\$ 227,054.42	\$ 227,054.42
Series 2010	650,000.00		(650,000.00)		
Series 2013	276,104.13		(276,104.13)		
Total Warrants Payable	1,432,586.40		(1,205,531.98)	227,054.42	227,054.42
Notes Payable from Direct Borrowings	351,800.00		(115,194.88)	236,605.12	117,255.46
Other Postemployment Benefits Liability	23,120,498.12		(5,207,551.37)	17,912,946.75	
Estimated Liability for Compensated Absences	2,635,139.16	99,026.36		2,734,165.52	273,416.55
Net Pension Liability	15,762,660.36		(3,792,703.19)	11,969,957.17	
Total Governmental Activities	43,302,684.04	99,026.36	(10,320,981.42)	33,080,728.98	617,726.43
Business-Type Activities:					
Warrants Payable:					
2021 A&B Water Revenue Warrants	9,865,000.00		(850,000.00)	9,015,000.00	1,050,000.00
Total Water Revenue Warrants	9,865,000.00		(850,000.00)	9,015,000.00	1,050,000.00
Notes Payable from Direct Borrowing	3,618,037.43		(930,545.93)	2,687,491.50	946,626.27
Lease Obligations		160,013.00		160,013.00	66,067.00
Plus: Unamortized Premium	516,246.00		(64,408.00)	451,838.00	64,408.00
Other Postemployment Benefits Obligation	6,513,188.88		(1,322,815.63)	5,190,373.25	
Net Pension Liability	4,139,321.64		(1,133,521.81)	3,005,799.83	
Estimated Liability for Compensated Absences	363,601.72	175,180.31		538,782.03	53,878.21
Total Business-Type Activities	\$25,015,395.67	\$335,193.31	\$ (4,301,291.37)	\$21,049,297.61	\$2,180,979.48

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 from direct borrowing 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, leases payable and notes from direct borrowing that pertain to the Business-Type Activities will be repaid from the Water System Fund and the Sanitation 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, 2022

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

Fiscal Year Ending	Governmental Activities						Total Principal and Interest
	Series 2012 General Obligation Warrants		Notes Payable		Total Principal	Total Interest	
	Principal	Interest	Principal	Interest			
September 30, 2023	\$227,054.42	\$2,951.34	\$117,255.46	\$3,244.94	\$344,309.88	\$6,196.28	\$350,506.16
2024			119,349.66	1,150.88	119,349.66	1,150.88	120,500.54
Totals	\$227,054.42	\$2,951.34	\$236,605.12	\$4,395.82	\$463,659.54	\$7,347.16	\$471,006.70

Fiscal Year Ending	Business-Type Activities						Total Principal and Interest Requirements
	Water Department, Series 2021A&B		Sanitation Department Warrants 2020		Lease Obligations		
	Principal	Interest	Principal	Interest	Principal	Interest	
September 30, 2023	\$1,050,000.00	\$ 202,400.00	\$ 946,626.27	\$40,392.21	\$ 66,067.00	\$18,917.00	\$ 2,324,402.48
2024	1,075,000.00	181,400.00	963,375.44	23,643.01	53,099.00	7,983.00	2,304,500.45
2025	1,100,000.00	159,900.00	777,489.79	6,585.01	27,027.00	856.00	2,071,857.80
2026	1,105,000.00	148,900.00			13,820.00	121.00	1,267,841.00
2027	4,685,000.00	339,750.00					5,024,780.00
Totals	\$9,015,000.00	\$1,032,350.00	\$2,687,491.50	\$70,620.23	\$160,013.00	\$27,877.00	\$12,993,381.73

Pledged Revenues

During the 2021 fiscal year, the Commission issued Taxable Water Revenue Warrants, Series 2021-A&B to refinance the Series 2015 and 2016 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 \$10,047,350.00 are pledged to repay the principal and interest on the warrants as of September 30, 2022. Operating revenues for fiscal year 2022 totaled \$13,999,917.00. The Warrants will mature in 2027.

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 10 – Prior Year Defeasance of Debt

During the year ending September 30, 2021, the Commission issued \$6,555,000 in Series 2021B bonds to advance refund the 2016 Series bonds. The Department used the net proceeds to purchase U. S. Treasury obligations, which were deposited in an escrow account to provide for all future debt service on the 2016 Series bonds, which are expected to be redeemed in May 2023. As a result, the 2016 Series bonds are considered defeased and neither the trust account asset or the liability are included in the Commission's accounts. The outstanding principal of the defeased bonds is \$6,110,000 at September 30, 2022.

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 paid by the State of Alabama solely from the revenues provided by the Department of Human Resources. 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, 2022, the outstanding balance of the lease is \$2,655,000.00.

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, 2022

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 claim's 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	\$579,795.00
2018-2019	\$579,795.00	\$7,405,191.13	\$7,206,957.33	\$778,028.80
2019-2020	\$778,028.80	\$5,012,624.44	\$5,451,876.44	\$338,476.80
2020-2021	\$338,476.80	\$5,850,649.00	\$5,714,540.20	\$474,585.60
2021-2022	\$474,585.60	\$5,681,368.70	\$5,841,631.10	\$314,323.20

Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 13 – Interfund Transactions

Interfund Receivables/Payables

Interfund Receivables /Payables at September 30, 2022, were as follows:

	Interfund Receivables	
	General Fund	Totals
<u>Interfund Payables:</u>		
Gasoline Tax Fund	\$1,564,581.94	\$1,564,581.94
Totals	<u>\$1,564,581.94</u>	<u>\$1,564,581.94</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2022, were as follows:

	Transfers Out			Totals
	General Fund	Coronavirus Rescue Act Fund	Other Governmental Funds	
<u>Transfers In:</u>				
General Fund	\$	\$	\$ 7,571.52	\$ 7,571.52
Gasoline Tax Fund	8,707,327.15	1,338,081.24	1,311,829.23	11,357,237.62
Other Governmental Funds	1,224,656.00		752,458.72	1,977,114.72
Total Governmental Funds	<u>9,931,983.15</u>	<u>1,338,081.24</u>	<u>2,071,859.47</u>	<u>13,341,923.86</u>
Sanitation Fund	947,160.69			947,160.69
Airport Fund	550,611.78			550,611.78
Other Enterprise Funds	831,196.28			831,196.28
Total Business-Type Funds	<u>2,328,968.75</u>			<u>2,328,968.75</u>
Totals	<u>\$12,260,951.90</u>	<u>\$1,338,081.24</u>	<u>\$2,071,859.47</u>	<u>\$15,670,892.61</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2022

Note 14 – Related Organizations

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

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

Note 15 – 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 the Cullman County's investment in the joint venture is shown on the financial statements. As of September 30, 2022, Cullman County's investment in the joint venture was \$7,276,119.50. Records of the airport are maintained by personnel of the City of Cullman. Financial Statements regarding the airport may be obtained from the City of Cullman.

Note 16 – Subsequent Events

On January 26, 2023, the Commission approved the contract with Stateline Mechanical for the use of \$3,385,000 of ARPA funds for Courthouse HVAC Upgrades.

On September 19, 2023, the Commission approved the issuance of \$17,220,000.00 of General Obligation Improvement Warrants, Series 2023 to provide for capital improvements throughout the county and the cost of issuance.

Notes to the Financial Statements
For the Year Ended September 30, 2022

Note 17 – Construction and Other Significant Commitments

As of September 30, 2022, the Commission was obligated under the following significant construction contract:

	Contract Amount	Remaining Balance
Hail Damage Repairs	\$ 8,864,586.58	\$
OHV Car Wash	649,590.35	
OHV Bathhouse	318,206.06	
OHV Community Storm Shelter	149,336.56	
Bus Wash	461,381.80	161,063.57
Community Storm Shelter – New Caanan	89,580.00	
Courthouse HVAC	3,385,000.00	3,318,045.21
Pandemic Response Center	803,861.00	788,862.98
Total	\$14,721,542.32	\$4,267,971.46

The Commission’s significant encumbrances by major fund and nonmajor fund in the aggregate at September 30, 2022 are as follows: \$10,453,570.89.

Note 18 – New Accounting Pronouncement

For 2022, the Commission implemented Governmental Accounting Standards Board (GASB) Statement Number 87, ***Leases***. GASB Statement Number 87, enhances the relevance and consistency of information of the Commission’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. These changes were incorporated in the Commission’s 2022 financial statements and had no effect on beginning net position as all leases began in 2022.

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Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2022

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 1,617,647	\$ 1,492,182	\$ 1,443,002	\$ 1,433,521	\$ 1,397,591	\$ 1,437,994	\$ 1,355,938	\$ 1,315,634
Interest	5,176,564	4,767,640	4,542,474	4,340,598	4,114,260	3,891,071	3,672,474	3,487,843
Change of Benefit Terms		896,466						
Differences between expected and actual experience	(812,405)	2,125,657	503,970	200,324	496,470	440,672	421,106	
Changes of assumptions	2,644,785			330,945		1,744,693		
Benefit payments, including refunds of employee contributions	(3,985,633)	(3,665,872)	(3,641,627)	(3,328,000)	(2,971,330)	(2,889,246)	(2,544,867)	(2,446,313)
Transfers among employers	198,511	(145,493)	88,541	164,880	61,831	(135,300)		
Net change in total pension liability	4,839,469	5,470,580	2,936,360	3,142,268	3,098,822	4,489,884	2,904,651	2,357,164
Total pension liability - beginning	69,220,920	63,750,340	60,813,980	57,671,712	54,572,890	50,083,006	47,178,355	44,821,191
Total pension liability - ending (a)	\$ 74,060,389	\$ 69,220,920	\$ 63,750,340	\$ 60,813,980	\$ 57,671,712	\$ 54,572,890	\$ 50,083,006	\$ 47,178,355
Plan fiduciary net position								
Contributions - employer	\$ 1,541,849	\$ 1,398,859	\$ 1,524,055	\$ 1,232,132	\$ 1,304,338	\$ 1,354,669	\$ 1,293,481	\$ 1,246,489
Contributions - employee	1,177,490	1,042,368	1,060,750	996,579	944,345	935,242	958,127	828,872
Net investment income	10,833,477	2,702,917	1,213,465	4,083,607	5,098,988	3,745,279	435,914	3,960,786
Benefit payments, including refunds of employee contributions	(3,985,633)	(3,665,872)	(3,641,627)	(3,328,000)	(2,971,330)	(2,889,246)	(2,544,867)	(2,446,313)
Other (Transfers among employers)	198,511	(145,493)	88,541	164,880	61,831	(135,300)	220,801	(12,446)
Net change in plan fiduciary net position	9,765,694	1,332,779	245,184	3,149,198	4,438,172	3,010,644	363,456	3,577,388
Plan fiduciary net position - beginning	49,318,938	47,986,159	47,740,975	44,591,777	40,153,605	37,142,961	36,779,505	33,202,117
Plan fiduciary net position - ending (b)	\$ 59,084,632	\$ 49,318,938	\$ 47,986,159	\$ 47,740,975	\$ 44,591,777	\$ 40,153,605	\$ 37,142,961	\$ 36,779,505
Net pension liability - ending (a) - (b)	\$ 14,975,757	\$ 19,901,982	\$ 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	79.78%	71.25%	75.27%	78.50%	77.32%	73.58%	74.16%	77.96%
Covered payroll (*)	\$ 19,146,334	\$ 18,259,767	\$ 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	78.22%	108.99%	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 2022 the measurement period is October 1, 2020 through September 30, 2021. 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 Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2022***

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 1,585,247	\$ 1,541,849	\$ 1,398,859	\$ 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 (*)	\$ 1,585,247	\$ 1,541,849	\$ 1,398,859	\$ 1,524,055	\$ 1,232,132	\$ 1,304,338	\$ 1,354,669	\$ 1,293,481	\$ 1,246,489
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 20,961,274	\$ 19,146,334	\$ 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	7.56%	8.05%	7.66%	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 2022 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Valuation date:

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 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	27.7 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

This schedule is 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, 2022***

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 417,478	\$ 371,945	\$ 327,677	\$ 659,406	\$ 700,195
Interest	685,497	678,313	740,795	873,924	814,486
Differences between expected and actual experience	(6,485,370)	(392,104)	3,878,300	4,414,221	783,145
Changes of assumptions					(1,605,015)
Benefit payments	(1,147,972)	(1,058,478)	(1,168,675)	(1,185,681)	(1,733,642)
Net change in total OPEB liability	(6,530,367)	(400,324)	3,778,097	4,761,870	(1,040,831)
Total OPEB Liability - Beginning	29,633,687	30,034,011	26,255,914	21,494,044	22,534,875
Total OPEB Liability - Ending	<u>\$ 23,103,320</u>	<u>\$ 29,633,687</u>	<u>\$ 30,034,011</u>	<u>\$ 26,255,914</u>	<u>\$ 21,494,044</u>
Covered-employee payroll (*)	\$ 21,157,606	\$ 19,709,540	\$ 17,652,000	\$ 16,423,000	\$ 16,054,000
Total OPEB liability as a percentage of covered-employee payroll	109.20%	150.35%	170.15%	159.87%	133.89%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the year ended September 30, 2022.

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, 2022

	2022	2021	2020	2019	2018
Actuarially determined contribution (*)	\$ 1,148,756	\$ 1,084,174	\$ 1,064,834	\$ 947,810	\$ 829,220
Contributions in relation to the actuarially determined contribution	\$ 1,148,756	\$ 1,084,174	\$ 1,064,834	\$ 947,810	\$ 829,220
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Covered-employee payroll	\$ 21,157,606	\$ 19,709,540	\$ 17,652,000	\$ 16,423,000	\$ 16,054,000
Contributions as a percentage of covered-employee payroll	5.43%	5.50%	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: October 1, 2021

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	5.50%
Salary increases including inflation	2.50% per annum
Discount Rate	4.02% per annum
Retirement age	Tier 1 and Tier 2 are eligible for benefits under the plan upon attaining age 60 with 10 years if service or attaining 25 years of service. Effective September 26, 2020, both Tier 1 and Tier 2 employees receive the same retirement benefit.
Mortality rates	2021 PPA Mortality Table (RP-2014 Mortality, base year 2006, adjusted to 2021 with Mortality Improvement Scale MP-2019).
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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 20,008,263.00	\$ 20,008,263.00	\$ 24,623,988.75	(1) \$ 2,622,056.59	\$ 27,246,045.34
Licenses and Permits	90,000.00	90,000.00	91,594.48		91,594.48
Intergovernmental	1,970,458.46	1,970,458.46	2,319,993.91	(1) 124,156.24	2,444,150.15
Charges for Services	2,395,829.00	2,395,829.00	2,901,636.37	(1) 118,667.40	3,020,303.77
Miscellaneous	811,252.00	811,252.00	1,086,109.23	(1) 58,597.69	1,144,706.92
Total Revenues	<u>25,275,802.46</u>	<u>25,275,802.46</u>	<u>31,023,322.74</u>	<u>2,923,477.92</u>	<u>33,946,800.66</u>
Expenditures					
Current:					
General Government	7,097,703.00	7,097,703.00	6,616,021.29	(2) 397,195.25	7,013,216.54
Public Safety	14,148,928.00	14,148,928.00	16,152,410.31	(2) 950,853.62	17,103,263.93
Highways and Roads				(2) 19,381.80	19,381.80
Sanitation				(2) 29,073.61	29,073.61
Health	558,172.00	558,172.00	611,549.66		611,549.66
Welfare	66,000.00	66,000.00	62,550.00	(2) 1,009,786.00	1,072,336.00
Culture and Recreation	330,405.00	330,405.00	330,223.38	(2) 6,460.60	336,683.98
Education	188,000.00	188,000.00	336,108.06		336,108.06
Capital Outlay			647,768.50		647,768.50
Debt Service:					
Principal Retirement			13,885.14		13,885.14
Total Expenditures	<u>22,389,208.00</u>	<u>22,389,208.00</u>	<u>24,770,516.34</u>	<u>2,412,750.88</u>	<u>27,183,267.22</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,886,594.46</u>	<u>2,886,594.46</u>	<u>6,252,806.40</u>	<u>510,727.04</u>	<u>6,763,533.44</u>
Other Financing Sources (Uses)					
Transfers In			7,571.52		7,571.52
Proceeds from Sale of Capital Assets			16,025.00		16,025.00
Transfers Out	(2,680,141.00)	(2,680,141.00)	(8,837,458.80)	(3) (3,423,493.10)	(12,260,951.90)
Total Other Financing Sources (Uses)	<u>(2,680,141.00)</u>	<u>(2,680,141.00)</u>	<u>(8,813,862.28)</u>	<u>(3,423,493.10)</u>	<u>(12,237,355.38)</u>
Net Change in Fund Balances	206,453.46	206,453.46	(2,561,055.88)	(4) (2,912,766.06)	(5,473,821.94)
Fund Balances - Beginning of Year	1,910,580.00	1,910,580.00	10,665,674.40	5,196,746.23	15,862,420.63
Fund Balances - End of Year	<u>\$ 2,117,033.46</u>	<u>\$ 2,117,033.46</u>	<u>\$ 8,104,618.52</u>	<u>\$ 2,283,980.17</u>	<u>\$ 10,388,598.69</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2022

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	\$	49,658.26
Road and Bridge Fund		2,678,374.50
AOA Fund		64,277.76
Work Release Fund		118,667.40
Industrial Development Fund		<u>12,500.00</u>
		2,923,477.92
(2) Expenditures		
Aging Fund	\$	(58,158.39)
AOA Fund		(945,167.01)
Work Release Fund		(132,363.62)
Industrial Development Fund		(334,857.91)
CARES Fund		<u>(942,203.95)</u>
		(2,412,750.88)
(3) Other Financing Sources/(Uses), Net		
Public Buildings, Roads and Bridges Fund	\$	(4,637,014.10)
AOA Fund		873,554.00
Industrial Development Fund		<u>339,967.00</u>
		(3,423,493.10)
Net Decrease in Fund Balance - Budget to GAAP		<u>\$ (2,912,766.06)</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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 2,150,000.00	\$ 2,150,000.00	\$ 2,524,542.69 (1)	\$ 711.25	\$ 2,525,253.94
Intergovernmental	3,310,000.00	3,310,000.00	4,110,447.96 (1)	539,708.96	4,650,156.92
Charges for Services	595,000.00	595,000.00	755,494.87		755,494.87
Miscellaneous			16,452.36 (1)	15,321.00	31,773.36
Total Revenues	6,055,000.00	6,055,000.00	7,406,937.88	555,741.21	7,962,679.09
Expenditures					
Current:					
General Government					
Highways and Roads	10,235,428.34	10,235,428.34	18,810,164.59		18,810,164.59
Capital Outlay			871,652.66		871,652.66
Debt Service					
Principal Retirement			115,194.88		115,194.88
Interest and Fiscal Charges			5,135.79		5,135.79
Total Expenditures	10,235,428.34	10,235,428.34	19,802,147.92		19,802,147.92
Excess (Deficiency) of Revenues Over Expenditures	(4,180,428.34)	(4,180,428.34)	(12,395,210.04)	555,741.21	(11,839,468.83)
Other Financing Sources (Uses)					
Transfers In	3,200,899.00	3,200,899.00	11,901,060.68 (2)	(543,823.06)	11,357,237.62
Sale of Capital Assets			20,850.00		20,850.00
Total Other Financing Sources (Uses)	3,200,899.00	3,200,899.00	11,921,910.68	(543,823.06)	11,378,087.62
Net Change in Fund Balances	(979,529.34)	(979,529.34)	(473,299.36) (3)	11,918.15	(461,381.21)
Fund Balances - Beginning of Year	979,529.34	979,529.34	952,588.11	39,916.98	992,505.09
Fund Balances - End of Year	\$	\$	\$ 479,288.75	\$ 51,835.13	\$ 531,123.88

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2022

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 purposed, but are budgeted separately.

(1) Revenues		
Public Highway and Traffic Fund	\$	555,741.21
(2) Other Financing Sources		
Public Building, Roads and Bridges Fund		<u>(543,823.06)</u>
Net Change in Fund Balance - Budget to GAAP	\$	<u>11,918.15</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. 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.

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing 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 Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDBG-CY	\$ 400,000.00
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CV-NC-20-041	<u>80,041.26</u>
Sub-Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>480,041.26</u>
Total U. S. Department of Housing and Urban Development			<u>480,041.26</u>
<u>U. S. Department of Transportation</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Recreational Trails Program - Trail Improvements	20.219	21-RT-55-02	52,694.50
<u>Passed Through Franklin County Commission</u>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	22-FP-PT-035	8,609.86
National Priority Safety Programs	20.616	22-ID-M5-034	<u>394.66</u>
Sub-Total Highway Safety Cluster			9,004.52
<u>Passed Through Alabama Department of Transportation</u>			
Formula Grants for Rural Areas and Tribal Transit Program	20.509	Section 5311	1,239,038.00
Highway Planning and Construction	20.205	CCP-22-11A-20	<u>77,179.71</u>
Total U. S. Department of Transportation			<u>1,377,916.73</u>
<u>U. S. Department of Treasury</u>			
<u>Direct Program</u>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	3,260,122.79
<u>U. S. General Services Administration</u>			
<u>Passed Through Alabama Department of Economic and Community Affairs</u>			
Donation of Federal Surplus Personal Property (N)	39.003	N/A	<u>152,754.71</u>
Sub-Total Forward			\$ 5,270,835.49

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
Sub-Total Brought Forward			\$ 5,270,835.49
<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 - Grant 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	C10114202	9,993.97
Public Health Emergency Preparedness	93.069	C00119193	25,404.00
Sub-Total Public Health Emergency Preparedness			<u>35,397.97</u>
Total U. S. Department of Health and Human Services			<u>80,647.97</u>
<u>U. S. Department of Homeland Security</u>			
<u>Passed Through Alabama Emergency Management Agency</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4546-PA-AL	61,190.35
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4555-PA-AL	158,326.83
Sub-Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>219,517.18</u>
Emergency Management Performance Grants	97.042	22EMF	43,153.00
Emergency Management Performance Grants	97.042	22EMS	12,000.00
Sub-Total Emergency Management Performance Grants			<u>55,153.00</u>
Pre-Disaster Mitigation	97.047	PDMC-04-AL-2017-001	33,592.50
<u>Passed Through Alabama Law Enforcement Agency</u>			
Homeland Security Grant Program	97.067	9FIL	9,090.63
Total U. S. Department of Homeland Security			<u>317,353.31</u>
Total Expenditures of Federal Awards			<u>\$ 5,668,836.77</u>

(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, 2022***

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, 2022. 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 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.

Note 3 – Indirect Cost Rate

The Cullman County Commission has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Commission Members and Administrative Personnel
October 1, 2021 through September 30, 2022

Commission Members **Term Expires**

Hon. Jeff Clemons	Chairman	2024
Hon. Kerry Watson	Associate Commissioner	2026
Hon. Garry Marchman	Associate Commissioner	2026

Administrative Personnel

John Bullard	Administrator	Indefinite
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***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 (***Government Auditing Standards***), 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, 2022, 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 November 30, 2023. 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.

Report on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

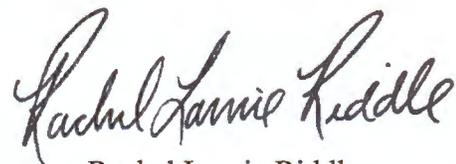
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Report on 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

November 30, 2023

***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

Opinion on Each Major Federal Program

We have audited the Cullman County Commission's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the Cullman County Commission complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***); 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)***. Our responsibilities under those standards and the ***Uniform Guidance*** are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cullman County Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cullman County Commission's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Cullman County Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cullman County Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cullman County Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance*, we

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cullman County Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ obtain an understanding of the Cullman County Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Cullman County Commission's internal control over compliance. Accordingly, no such opinion is expressed.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

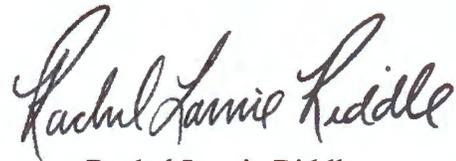
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

November 30, 2023

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

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:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery 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, 2022

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.