

Report on the

Cullman County Commission

Cullman County, Alabama

October 1, 2013 through September 30, 2014

Filed: March 11, 2016



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner



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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the Cullman County Commission, Cullman County, Alabama, for the period October 1, 2013 through September 30, 2014.

Sworn to and subscribed before me this
the 20th day of January, 2016.

Anna Richardson
Notary Public
My Commission Expires: 5-22-2017

Sworn to and subscribed before me this
the 25 day of January, 2016.

Naile Jackson
Notary Public

rb

Respectfully submitted,

April S Purser

April S. Purser
Examiner of Public Accounts

Matt Schlosser

Matt Schlosser
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Cullman County Commission
October 1, 2013 through September 30, 2014**

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

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance program. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14.

An unmodified opinion was issued on the financial statements, which means that the Commission's financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2014.

Findings are numbered and reported by the fiscal year in which the finding originally occurred.

A finding was presented in the prior audit that has not been resolved and is shown on the Schedule of State and Local Compliance and Other Findings and it is summarized below.

UNRESOLVED PRIOR FINDING

- ◆ 2013-001 relates to the Commission's failure to provide adequate documentation for amounts charged on the Commission's credit card and failure to prevent payments made for unallowable purposes.

The following officials/employees were invited to an exit conference to discuss the contents of this report: Chairman of the Cullman County Commission: Kenneth Walker; Commission Members: Darrell Hicks and Stanley Yarbrough; and Administrator of the Cullman County Commission: Gary Teichmiller. The following individuals attended the exit conference, held at the offices of the Cullman County Commission: Kenneth Walker, Chairman, Gary Teichmiller, Administrator; and representatives from the Department of Examiners of Public Accounts: April S. Purser, Examiner of Public Accounts and Stephen M. Schlosser, Examiner of Public Accounts.

*Schedule of State and Local
Compliance and Other Findings*

Schedule of State and Local Compliance and Other Findings
For the Year Ended September 30, 2014

Ref. No.	Finding/Noncompliance
2013-001	<p><u>Finding:</u> The <i>Code of Alabama 1975</i>, Section 11-12-5, provides that no claims be paid unless itemized by the claimant. Instances were noted during the review of expenditures that numerous receipts were not itemized for purchases made using the county credit card. Additionally, documentation for some receipts was not available for review.</p> <p><u>Recommendation:</u> The Commission should ensure all claims are itemized before payment is made and adequate supporting documentation is maintained on file for review.</p>

Independent Auditor's Report

Independent Auditor's Report

To: Members of the Cullman County Commission and County Administrator

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cullman County Commission, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Cullman County Commission as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cullman County Water Fund, which represent 80%, 70%, and 59%, respectively, of the assets, net position, and revenues of the Enterprise Funds, business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cullman County Water Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cullman County Commission, as of September 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the fiscal year ended September 30, 2014, the Cullman County Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 65, ***Items Previously Reported as Assets and Liabilities***. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedules of Funding Progress, (Exhibits 12 through 17), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 13, 2016, on our consideration of the Cullman County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Cullman County Commission's internal control over financial reporting and compliance.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 13, 2016

Management's Discussion and Analysis
(Required Supplementary Information)

Cullman County Commission

Management's Discussion and Analysis For the Fiscal Year Ending September 30, 2014

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information (RSI) specified in the Governmental Accounting Standards Board (GASB) statement 34 and is designed to provide an overview of the Cullman County Commission's (the "County") financial performance for the fiscal year ending September 30, 2014. This report should be read in conjunction with the County's basic audited financial statements.

Financial Highlights

Governmental – The County's net position from governmental activities exceeded its liabilities at the close of fiscal year 2014 by \$80.9 million. Of this amount \$5.9 million is unrestricted and may be used to meet the County's future cost of operations (Exhibit 1). The ending fund balance in fiscal year 2014 decreased by \$(2.2) million primarily resulting from infrastructure improvements to highways and roads under the Alabama Transportation Rehabilitation and Improvement Program (A.T.R.I.P.) (Exhibit 5).

Proprietary – The proprietary operations for fiscal year 2014 reflected an increase in net position of \$.4 million (Exhibit 8) which primarily consisted of a net gain in the Cullman County Water Department.

Reporting the County as a Whole

One of the most important questions asked under the current guidelines that govern this annual report is if the County is, as a whole, better off or worse off as a result of the activities of the year reported on. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. The County's net position, defined as the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources can be thought of as one way to measure its financial health or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors need to be considered such as changes in the County's property tax base and the condition of the County's infrastructure, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities.

Governmental Activities – Most of the County’s basic services are reported here. These include general government, public safety, highway operations, health, welfare, culture and recreation. Property taxes, sales and use taxes, license and permits and charges for services finance most of these activities.

Business-Type Activities – The County charges fees to users to cover all or most of the cost of services it provides in the operation of the Water Distribution System, a Sanitation Department and our Parks Departments. The county is also a 50% partner with the City of Cullman in the Cullman Regional Airport.

Reporting the County’s Most Significant Funds

The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds individually as opposed to the County as a whole. Some funds are required to be established by state law. The County Commission has established many other funds to help control and manage the money received for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other monies. The County has three types of funds, governmental, proprietary and fiduciary. Each of these funds uses different accounting approaches.

Governmental Funds - Most of the basic services are reported in governmental funds. These funds focus on how the money flows into and out of those funds. The balances left at year-end are available for spending. The governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the County’s programs.

Proprietary Funds – The County operates enterprise funds, a component of proprietary funds, which provide water, sanitation services and recreation in the county park system. The Water Department and The Sanitation Department are intended to be self-supporting through user fees charged for the services. The Parks Department is also supported through user fees plus appropriations from Governmental funds as needed. The proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities under Business-Type Activities. The proprietary fund statements provide more detail and additional information to allow for an analysis of the short-term view of the general enterprise operations and basic service provided. The proprietary funds are reported using the full accrual accounting method. Included in the proprietary funds is the county’s 50% investment in the Cullman Regional Airport.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government wide financial statements because the resources are not available to support the County’s own programs.

The County as a Whole

A comparative analysis of the Net Position as of fiscal year September 30, 2014 and fiscal year September 30, 2013 is presented below (*use with exhibit 1*).

	Net Position (\$000 Omitted)				Total Primary Government	
	Governmental Activities		Business Activities		FY 2014	FY 2013
	FY 2014	FY 2013	FY 2014	FY 2013		
Current and Other Assets	\$27,052	\$28,590	\$13,346	\$12,542	\$40,398	\$41,132
Capital Assets, Net of Depr.	79,424	80,669	33,559	34,395	112,983	115,064
Total Assets	106,476	109,259	46,905	46,937	153,381	156,196
Deferred Outflows of Resources			410	246	410	246
Current Liabilities	3,026	10,048	1,886	1,672	4,912	11,720
Long-Term Liabilities	14,851	6,943	17,842	17,943	32,693	24,886
Total Liabilities	17,877	16,991	19,728	19,615	37,605	36,606
Deferred Inflows of Resources	7,692	7,981			7,692	7,981
Net Position						
Net Investment in Capital Assets	70,538	70,844	15,646	16,605	86,184	87,449
Restricted	4,503	6,236	4,456	4,604	8,959	10,840
Unrestricted	5,866	7,208	7,485	6,358	13,351	13,566
Total Net Position	\$80,907	\$84,288	\$27,587	\$27,567	\$108,494	\$111,855

The County's assets as a whole exceeded its liabilities by \$108.5 million at the close of the fiscal year with Governmental activities accounting for \$80.9 million or 75% and Business type activities accounting for \$27.6 million or 25%. Of this figure \$13.4 million represents unrestricted assets, which may be used at the County's discretion to meet ongoing obligations to citizens and creditors and for future operations. \$86.2 million reflects the County's investment in capital assets less accumulated depreciation and debt service related to the acquisition of the assets. Since these assets are used in current operations, this portion of net position is not available for future spending or funding of operations.

Changes in Net Position
(000 Omitted)
(See Exhibit 2)

	Government		Business		Total	
	<u>FY</u> <u>2014</u>	<u>FY</u> <u>2013</u>	<u>FY 2014</u>	<u>FY</u> <u>2013</u>	<u>FY 2014</u>	<u>FY 2013</u>
Revenues						
Program Revenues						
Charges for Services-Primary	\$7,097	\$5,949			\$7,097	\$5,949
Charges for Services-Water			8,542	8,223	8,542	8,223
Charges for Services-Landfill			4,847	4,502	4,847	4,502
Charges for Services-Recreation			928	987	928	987
Operating Grants and Contributions	8,645	6,749	0	7	8,645	6,756
Capital Grants and Contributions	837	3,335	483	1,229	1,320	4,564
Total Program Revenues	16,579	16,033	14,800	14,948	31,379	30,981
% Of Total revenue	42%	41%	97%	99%	57%	58%
General Revenues						
Property Taxes – General	5,524	5,348			5,524	5,348
Property Taxes – Specific	3,290	3,298			3,290	3,298
General Sales Taxes	9,112	8,700			9,112	8,700
TVA in Lieu of Taxes - ***	3,116	3,261			3,116	3,261
Miscellaneous Taxes	476	490	0	0	476	490
Interest Revenue	47	63	27	45	74	108
Grants & Contributions Not Restricted	452	704	0	0	452	704
Gain/(Loss) on Disposition Of Capital Assets	264	14	-3	18	261	32
Other General Revenues-Misc.	812	729	379	35	1,191	764
Total General Revenue	23,093	22,607	403	98	23,496	22,705
% Of Total Revenue	58%	59%	3%	1%	43%	42%
Total Revenues	39,672	38,640	15,203	15,046	54,875	53,686
Expense						
General Government	7,620	7,390			7,620	7,390
Public Safety	14,458	14,555			14,458	14,555
Highways and Roads	16,057	9,559			16,057	9,559
Sanitation	0	0			0	0
Health	554	513			554	513
Welfare	2,432	2,318			2,432	2,318
Landfill			4,974	4,696	4,974	4,696
Water			8,992	8,984	8,992	8,984
Culture and Recreation	426	340	1,859	1,466	2,285	1,806
Education	244	246			244	246
Rental	0	0	0	0	0	0
Other Misc.	0	0			0	0
Interest on Long-Term Debt	268	517			268	517
Total Expense	42,059	35,438	15,825	15,146	57,884	50,584
Transfers Between Funds	(994)	(1,110)	994	1,110	0	0
Change in Net Position	(3,381)	2,092	372	1,010	(3,009)	3,102
Net Position - Beginning of Year as Restated	84,288	82,196	27,215	26,557	111,503	108,753
Net Position - End of Year	\$80,907	\$84,288	\$27,587	\$27,567	\$108,494	\$111,855

Analysis of Revenues – Statement of Activities

Governmental Activities- Total revenue (excluding transfers) \$39.7 million

Program revenues provide 42% or \$16.6 million of total revenues.

Operating/Capital Grants and Contributions account for \$9.5 million of program revenues. All revenues in this category are primarily restricted for specific purposes. These revenues consist of motor vehicle license and permits, driver's licenses and permits, state gasoline taxes, petroleum products and inspection fees and federal and state cost sharing, which is primarily earmarked for the cost of building and maintaining County roads and bridges. Also includes grants for the Sheriff's department for software and equipment upgrades.

Charges for Services account for \$7.1 million revenue, primarily from licenses and permits fees, court fees, commission fees, billings to other county departments and governmental entities, housing non county inmates, Sheriff's revenue held in his accounts for services rendered and income from the county's rural transportation system.

General Revenues provide the largest portion of Governmental activities totaling \$23.1 million or 58%.

Within General revenues, property taxes account for 38% or \$8.8 million, general sales taxes account for 39% or \$9.1 million, TVA payments account for 13% or \$3.1 million, grants/contributions not restricted and other misc. income accounted for 9% or \$2.1 million.

Business Type Activities – Total revenue (including transfers) \$16.2 million

The Cullman County Commission has primarily four business type activities whose revenues primarily consist of user fees .and or support from government funds.

The Water department's revenue of \$9.5 million consist of \$8.5 million for water sales to residential and wholesale customers, new meter taps and service fees, \$.5 in miscellaneous income and \$.5 million in capital grants and contributions resulting from debt forgiveness.

The Sanitation department's revenue primarily consists of \$4.8 million in service fees for residential pick-up and commercial dumpster service.

The Parks department's revenue primarily consists of \$.8 million transfer from General Government to support operations and capital improvements, and user fees \$1.0 million.

Equity Investment in Cullman Regional Airport-Includes the transfer of \$.1 million transfer from governmental funds for the county's 50% share of financial support required for operations in FY 14.

Financial Analysis of the County's Major Funds

Governmental Funds – see exhibit 5

Net Change in Fund Balances

General Fund	Decrease	\$(201,384)
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Decrease is primarily due to lower governmental revenues (TVA Court Fees, etc).

Gasoline Tax Fund	Decrease	\$(77,527)
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Decrease is primarily due to higher capital outlay combined with lower TVA revenue.

Public Buildings, Roads & Bridges Fund	Decrease	\$(176,782)
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Decrease is primarily due to higher capital outlay for the repair of roads and bridges.

Other Governmental Funds	Decrease	\$(1,725,181)
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Decrease is primarily due to proceeds from borrowing \$2.0 in million in FY 13 for the county's match on an additional interchange under the Alabama Transportation Rehabilitation and Improvement Program for road and bridge improvements being expended in FY 14.

Proprietary Funds – see exhibit 8

Change in Net Position

Sanitation Fund	Decrease	\$(114,127)
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Decrease is due to higher employee benefit expense.

Water System Fund	Increase	\$330,025
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Increase is primarily due to higher revenue from user fees.

Park and Recreation Funds	Increase	\$156,388
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Increase is primarily due to higher revenue due to higher user fees from increased attendance.

The County Commission has established an annual budget process whereby all of the operating departments submit an annual budget request to the Commission for the coming year. The Commission reviews, adjust as necessary and then adopts an original budget to fund the operating needs of the department. Throughout the coming year the Commission and Commission management will compare the adopted budget to actual results of operations to determine if adjustments may need to be made to the budget or a reduction in operating expenditures may be necessary to meet budgeted goals. In fiscal Year 2014, there were no amendments made to the budget.

The County historically and current practice does not budget a fund balance. Therefore, "Net Changes in Fund Balance" under "Budgetary Amounts" in Exhibits 12, 13 & 14 will not reflect a fund balance or change in fund balance. An analysis of changes in the actual columns in these exhibits is included in this MD&A under the section titled "Financial Analysis of the County's Major Funds". The County does budget unrestricted cash on hand as stated in the *Code of Alabama*, 11-8-6.

Capital Assets

At the end of fiscal year 2014 the County had \$105.4 million in Governmental funds invested in a broad range of capital assets as follows: land and improvements \$23.6 million, buildings and improvements \$22.5 million, equipment and furniture \$15.6 million, infrastructure-roads infrastructure-bridges \$43.8 million. The Proprietary fund at September 30, 2014 had \$66.2 million invested in water system distribution lines, pumping stations, water storage tanks, sanitation trucks, land, buildings, vehicles/construction equipment, parks and construction in progress.

Governmental Activities				
	Balance			Balance
	9/30/2013	Additions	Retirements	9/30/2014
Non Depreciable				
Land	23,566,484	0	0	23,566,484
Construction in Progress	111,812	34,522	(111,812)	34,522
Tot Cap. Assets Not Depr.	23,678,296	34,522	(111,812)	23,601,006
Cap. Assets being Depr.				
Infrastructure Roads & Bridges	43,753,564	0	0	43,753,564
Blds & Imp-	22,229,016	229,284	0	22,458,300
Equip & Furn-	16,004,074	1,370,376	(1,832,802)	15,541,648
Total Cap Assets -Depr	81,986,654	1,599,660	(1,832,802)	81,753,512
Less Accumulated Depr				
Infrastructure Roads & Bridges	8,447,851	454,555	0	8,902,406
Blds & Imp	5,478,003	573,957	0	6,051,960
Equip & Furn-	11,069,554	1,153,040	(1,246,603)	10,975,991
Total Accum Depr	24,995,408	2,181,552	(1,246,603)	25,930,357
Tot Cap Assets Being Depr-Net	56,991,246	(581,892)	(586,199)	55,823,155
Capital Assets - Net	80,669,542	(547,370)	(698,011)	79,424,161
Business Type Activities				
	Balance			Balance
	9/30/2013	Additions	Retirements	9/30/2014
Non Depreciable				
Land-Sanitation & Parks	2,106,184	0	0	2,106,184
Land-Water dept	534,029	18,502	0	552,531
Const In Prog	3,330,999	741,640	(341,308)	3,731,331
Capital Assets Not Depreciated	5,971,212	760,142	(341,308)	6,390,046
Cap. Assets being Depr.				
Buildings - All Funds	3,826,096	194,469	0	4,020,565
Equipment All Funds	10,572,780	367,452	(128,357)	10,811,875
Water Distribution System	44,675,744	341,552	0	45,017,296
Total Cap Assets -Depr	59,074,620	903,473	(128,357)	59,849,736
Less Accumulated Depr				
Buildings Water Dept	798,492	102,731	0	901,223
General Plant- Waterdept.	4,398,477	350,484	54,000	4,694,961
Water Distribution System	23,069,097	1,195,808	0	24,264,905
Buildings & Equip-Sanitation & Parks	2,384,452	463,082	27,862	2,819,672
Total Accum Depr	30,650,518	2,112,105	81,862	32,680,761
Tot Cap Assets Depr-Net	28,424,102	(1,208,632)	(46,495)	27,168,975
Capital Assets - Net	34,395,314	(448,490)	(387,803)	33,559,021

Debt Administration

At the end of fiscal year 2014, the County had \$26.5 million in outstanding warrants as follows:

<u>Warrants</u>	<u>Matures</u>	<u>Amt</u>	<u>Purpose</u>
Series 2010 Taxable Water	2030	\$ 7.1	Water system improvements
Series 2007 Water Revenue	2025	6.2	Refinancing of series 2003 – Improvements
Series 2010 General Obligation	2022	4.7	Refinancing of series 2002 – jail facility
Series 2005 Water Revenue	2025	4.3	Refinancing series 2000 – system upgrades
Series 2012 Gen warrants – bank	2023	2.2	Refinance 2004 – Jail Admin bldg.
Warrants due to local banks	2027	<u>2.0</u>	20% match for interchange & bldg. purchase
		\$26.5	

The \$26.5 million reflects a decrease of \$(1.7) from FY 13 due to principal payments on the debt service made in FY 14. In addition to the outstanding warrants listed above, the County has additional debt related to compensated absences of \$2.1 million. Under GASB 45 reporting requirements the County is required to disclose other potential liabilities such as “Other Post-Employment Benefits. The OPEB balance at 09/30/2014 was \$6.2 million. An explanation of the “OPEB” balance can be found in the audit report under “Notes to the Financial Statements.”

Economic Factors and Next Year’s Budget

There are several financial facts, decisions and or conditions that have an effect on the financial position or results of operations of the Cullman County Commission. The two major revenue components of the General Fund budget are sales and property taxes, which accounted for 64% of total revenue in the General Fund. In FY 2014 VS. FY 2013 property tax reflected a slight increase while sales tax revenue reflected a more noticeable increase of 5% or \$.4 million which reflects economic recovery is still taking place. Other economic factors also point to continued growth in Cullman. In 2014 the Alabama Department of Commerce rated Cullman #1 in New and Expanding Industries, #2 in New Industry Capital Investment totaling \$143,847,000, #3 in New Industries and #5 in Total Jobs Created totaling 704. Cullman continues to have an unemployment rate well below the state average. The unemployment rate for Cullman County as of November 2014 was 5.0 percent and as of October 31, 2015 it is 4.8%. Cullman County Cullman is centrally located on a major north-south interstate (I-65) and located half-way (*45 miles*) between Birmingham and Huntsville. This makes Cullman an idea location for new and existing industry to locate and remain in Cullman.

Contacting the County’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Commission’s finances and to show the Commission’s accountability for the money it receives. If you have any questions about this report or need additional information, please contact the County Administrator, Cullman County Commission, 500 2nd Avenue SW, Room 105, Cullman Alabama 35055.

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Basic Financial Statements

Statement of Net Position

September 30, 2014

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 10,399,050.68	\$ 3,071,098.02	\$ 13,470,148.70
Investments	4,669,384.99	569,571.29	5,238,956.28
Accounts Receivable	47,132.47	1,510,101.98	1,557,234.45
Property Taxes Receivable	7,692,465.00		7,692,465.00
Due from Other Governments	1,943,125.73		1,943,125.73
Sales Taxes Receivable	1,575,648.91		1,575,648.91
Inventories	271,881.60	411,651.00	683,532.60
Prepaid Items	5,204.65		5,204.65
Other Assets		84,484.00	84,484.00
Total Current Assets	26,603,894.03	5,646,906.29	32,250,800.32
Noncurrent Assets			
Restricted Cash and Cash Equivalents	447,520.20		447,520.20
Restricted Cash with Fiscal Agent		4,456,038.00	4,456,038.00
Net Investment in Joint Venture (Note 13)		3,242,615.00	3,242,615.00
Capital Assets (Note 4):			
Nondepreciable	23,601,006.43	6,390,045.61	29,991,052.04
Depreciable, Net	55,823,153.89	27,168,974.29	82,992,128.18
Total Noncurrent Assets	79,871,680.52	41,257,672.90	121,129,353.42
Total Assets	106,475,574.55	46,904,579.19	153,380,153.74
Deferred Outflows of Resources			
Deferred Amount from Debt Refunding		410,749.00	410,749.00
Total Deferred Outflows of Resources		410,749.00	410,749.00
Liabilities			
Current Liabilities			
Accounts Payable	656,047.19	508,135.19	1,164,182.38
Due to Other Governments	109,135.02		109,135.02
Unearned Revenue	142,889.97		142,889.97
Accrued Wages Payable	506,230.08	157,600.87	663,830.95
Accrued Interest Payable	56,407.29	358,404.00	414,811.29
Other Current Liabilities		25,340.00	25,340.00
Estimated Liability for Claims Costs Payable	422,579.20		422,579.20
Long-Term Liabilities:			
Portion Due and Payable Within One Year:			
Warrants Payable	947,651.63	805,000.00	1,752,651.63
Less: Unamortized Discount		(5,779.00)	(5,779.00)
Notes Payable	13,912.74		13,912.74
Estimated Liability for Compensated Absences	171,124.33	37,587.51	208,711.84
Total Current Liabilities	\$ 3,025,977.45	\$ 1,886,288.57	\$ 4,912,266.02

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

	Governmental Activities	Business-Type Activities	Totals
<u>Noncurrent Liabilities</u>			
Portion Due and Payable After One Year:			
Warrants Payable	\$ 7,711,784.38	\$ 16,750,000.00	\$ 24,461,784.38
Less: Unamortized Discount		(73,520.00)	(73,520.00)
Notes Payable	212,700.53		212,700.53
Estimated Liability for Compensated Absences	1,540,118.96	338,256.99	1,878,375.95
Net Other Post Employment Benefit Obligation	5,386,258.26	827,410.86	6,213,669.12
Total Noncurrent Liabilities	<u>14,850,862.13</u>	<u>17,842,147.85</u>	<u>32,693,009.98</u>
Total Liabilities	<u>17,876,839.58</u>	<u>19,728,436.42</u>	<u>37,605,276.00</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	<u>7,692,465.00</u>		<u>7,692,465.00</u>
Total Deferred Inflows of Resources	<u>7,692,465.00</u>		<u>7,692,465.00</u>
<u>Net Position</u>			
Net Investment in Capital Assets	70,538,111.04	15,645,615.90	86,183,726.94
Restricted for:			
Capital Projects	879,168.26	1,841,916.00	2,721,084.26
Debt Service	431,624.56	2,614,122.00	3,045,746.56
Highways and Roads	419,716.70		419,716.70
Other Purposes	2,772,055.35		2,772,055.35
Unrestricted	<u>5,865,594.06</u>	<u>7,485,237.87</u>	<u>13,350,831.93</u>
Total Net Position	<u>\$ 80,906,269.97</u>	<u>\$ 27,586,891.77</u>	<u>\$ 108,493,161.74</u>

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<u>Primary Government</u>			
<u>Governmental Activities:</u>			
General Government	\$ 7,619,518.97	\$ 2,184,836.79	\$ 386,509.51
Public Safety	14,457,885.60	3,714,182.84	3,934,666.56
Highways and Roads	16,056,515.74	870,189.22	4,264,474.76
Health	554,496.18	110,655.04	
Welfare	2,432,047.32	216,820.53	59,645.89
Culture and Recreation	426,400.20		
Education	243,632.33		
Interest on Long-Term Debt	268,252.38		
Total Governmental Activities	42,058,748.72	7,096,684.42	8,645,296.72
<u>Business-Type Activities:</u>			
Sanitation	4,974,280.09	4,847,129.13	
Water Sales	8,991,764.00	8,542,410.00	
Other Business-Type Activities	1,859,166.26	928,347.61	
Total Business-Type Activities	15,825,210.35	14,317,886.74	
Total Primary Government	\$ 57,883,959.07	\$ 21,414,571.16	\$ 8,645,296.72

General Revenues:

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

Change in Net Position

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

Net Position - End of Year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$	\$	\$	\$
180,761.58	(5,048,172.67)		(5,048,172.67)
656,047.19	(6,628,274.62)		(6,628,274.62)
	(10,265,804.57)		(10,265,804.57)
	(443,841.14)		(443,841.14)
	(2,155,580.90)		(2,155,580.90)
	(426,400.20)		(426,400.20)
	(243,632.33)		(243,632.33)
	(268,252.38)		(268,252.38)
836,808.77	(25,479,958.81)		(25,479,958.81)
		(127,150.96)	(127,150.96)
482,684.00		33,330.00	33,330.00
		(930,818.65)	(930,818.65)
482,684.00		(1,024,639.61)	(1,024,639.61)
\$ 1,319,492.77	(25,479,958.81)	(1,024,639.61)	(26,504,598.42)
	5,523,995.37		5,523,995.37
	3,289,834.14		3,289,834.14
	9,111,618.92		9,111,618.92
	475,589.75		475,589.75
	452,411.80		452,411.80
	3,115,576.51		3,115,576.51
	47,152.80	27,217.97	74,370.77
	264,181.51	(2,707.35)	261,474.16
	811,587.53	378,694.25	1,190,281.78
	(993,720.79)	993,720.79	
	22,098,227.54	1,396,925.66	23,495,153.20
	(3,381,731.27)	372,286.05	(3,009,445.22)
	84,288,001.24	27,214,605.72	111,502,606.96
\$	\$ 80,906,269.97	\$ 27,586,891.77	\$ 108,493,161.74

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Gasoline Tax Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 3,324,333.01	\$ 2,431.55
Investments	4,669,384.99	
Accounts Receivable		34,131.18
Property Taxes Receivable	4,720,000.00	
Due from Other Governments	743,903.15	287,445.73
Sales Taxes Receivable	1,332,575.50	243,073.41
Inventories		271,881.60
Prepaid Items	5,204.65	
Total Assets	<u>14,795,401.30</u>	<u>838,963.47</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable		
Due to Other Governments	41,017.68	
Unearned Revenue		
Accrued Wages Payable	337,822.08	123,393.00
Estimated Liability for Claims Costs Payable	422,579.20	
Total Liabilities	<u>801,418.96</u>	<u>123,393.00</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	4,720,000.00	
Total Deferred Inflows of Resources	<u>4,720,000.00</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		271,881.60
Prepaid Items	5,204.65	
Restricted for:		
Debt Service		
Highways and Roads		
Capital Projects		
Other Purposes		
Assigned to:		
Highways and Roads		443,688.87
Other Purposes	321,598.88	
Unassigned	8,947,178.81	
Total Fund Balances	<u>9,273,982.34</u>	<u>715,570.47</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,795,401.30</u>	<u>\$ 838,963.47</u>

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

Public Buildings, Roads and Bridges Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,671,932.64	\$ 163,979.97	\$ 4,683,893.71	\$ 10,846,570.88
			4,669,384.99
		13,001.29	47,132.47
1,650,000.00	1,322,465.00		7,692,465.00
36,148.07		875,628.78	1,943,125.73
			1,575,648.91
			271,881.60
			5,204.65
<u>4,358,080.71</u>	<u>1,486,444.97</u>	<u>5,572,523.78</u>	<u>27,051,414.23</u>
		656,047.19	656,047.19
		68,117.34	109,135.02
	142,889.97		142,889.97
	21,090.00	23,925.00	506,230.08
			422,579.20
	<u>163,979.97</u>	<u>748,089.53</u>	<u>1,836,881.46</u>
1,650,000.00	1,322,465.00		7,692,465.00
<u>1,650,000.00</u>	<u>1,322,465.00</u>		<u>7,692,465.00</u>
			271,881.60
			5,204.65
		488,031.85	488,031.85
		419,716.70	419,716.70
		879,168.26	879,168.26
		2,772,055.35	2,772,055.35
			443,688.87
		265,462.09	587,060.97
2,708,080.71			11,655,259.52
<u>2,708,080.71</u>		<u>4,824,434.25</u>	<u>17,522,067.77</u>
<u>\$ 4,358,080.71</u>	<u>\$ 1,486,444.97</u>	<u>\$ 5,572,523.78</u>	<u>\$ 27,051,414.23</u>

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***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2014***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 17,522,067.77

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

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

Land	\$	23,566,484.41	
Construction in Progress		34,522.02	
Infrastructure		43,753,564.35	
Buildings and Improvements		22,458,300.54	
Equipment		15,541,646.00	
Accumulated Depreciation		<u>(25,930,357.00)</u>	
			79,424,160.32

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

	Due and Payable Within One Year	Due and Payable After One Year	
Warrants Payable	\$ 947,651.63	7,711,784.38	
Notes Payable	13,912.74	212,700.53	
Compensated Absences	171,124.33	1,540,118.96	
Accrued Interest Payable	56,407.29		
Net Other Post Employment Benefit Obligation		5,386,258.26	
Total Long-Term Liabilities	<u>\$ 1,189,095.99</u>	<u>\$ 14,850,862.13</u>	<u>(16,039,958.12)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 80,906,269.97

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Gasoline Tax Fund
<u>Revenues</u>		
Taxes	\$ 13,707,300.79	\$ 1,506,219.81
Licenses and Permits	79,557.04	
Intergovernmental	2,096,207.03	4,827,874.54
Charges for Services	2,690,979.65	870,189.22
Miscellaneous	974,123.46	123,673.09
Total Revenues	<u>19,548,167.97</u>	<u>7,327,956.66</u>
<u>Expenditures</u>		
Current:		
General Government	5,688,644.10	
Public Safety	10,674,790.08	
Highways and Roads		7,973,239.76
Health	537,182.14	
Welfare	860,738.91	
Culture and Recreation	362,757.67	
Education	243,632.33	
Capital Outlay	239,127.95	1,067,958.51
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>18,606,873.18</u>	<u>9,041,198.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>941,294.79</u>	<u>(1,713,241.61)</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	250,000.00	802,035.14
Proceeds from Sale of Assets	5,197.50	833,679.42
Transfers Out	(1,397,876.05)	
Total Other Financing Sources (Uses)	<u>(1,142,678.55)</u>	<u>1,635,714.56</u>
Net Change in Fund Balances	(201,383.76)	(77,527.05)
Fund Balances - Beginning of Year	<u>9,475,366.10</u>	<u>793,097.52</u>
Fund Balances - End of Year	<u>\$ 9,273,982.34</u>	<u>\$ 715,570.47</u>

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

Public Buildings, Roads and Bridges Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,950,062.11	\$ 1,184,960.03	\$ 52,495.44	\$ 18,401,038.18
62,679.78		7,112,035.12	79,557.04
8,847.09	855.83	1,877,495.02	14,098,796.47
2,021,588.98	1,185,815.86	281,001.68	5,438,663.89
		9,323,027.26	1,388,501.15
			39,406,556.73
15,974.64	1,185,815.86	113,209.80	6,987,669.76
		2,867,896.47	13,558,661.19
		6,931,039.47	14,904,279.23
			537,182.14
		1,202,191.23	2,062,930.14
		51,000.00	413,757.67
			243,632.33
		215,283.58	1,522,370.04
		939,887.29	939,887.29
		273,721.13	273,721.13
15,974.64	1,185,815.86	12,594,228.97	41,444,090.92
2,005,614.34		(3,271,201.71)	(2,037,534.19)
		1,908,987.47	2,961,022.61
		11,503.99	850,380.91
(2,182,396.38)		(374,470.97)	(3,954,743.40)
(2,182,396.38)		1,546,020.49	(143,339.88)
(176,782.04)		(1,725,181.22)	(2,180,874.07)
2,884,862.75		6,549,615.47	19,702,941.84
\$ 2,708,080.71	\$	\$ 4,824,434.25	\$ 17,522,067.77

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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, 2014

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (2,180,874.07)

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

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

Capital Outlay Expenditures	\$ 1,522,370.04	
Depreciation Expense	<u>(2,181,552.00)</u>	
Total		(659,181.96)

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

Book Value of Assets Sold/Deleted		(586,199.40)
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Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		939,887.29
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These items consist of:

Net Increase in Other Post Employment Benefit Obligation	\$ (776,056.71)	
Net Increase in Compensated Absences	(124,775.17)	
Net Decrease in Accrued Interest Payable	<u>5,468.75</u>	
Total		<u>(895,363.13)</u>

Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ (3,381,731.27)</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
September 30, 2014

	Major Funds	
	Sanitation Fund	Water Fund
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 418,475.49	\$ 2,600,537.00
Investments	569,571.29	
Accounts Receivable	182,667.98	1,327,434.00
Inventories		411,651.00
Other Assets		84,484.00
Total Current Assets	1,170,714.76	4,424,106.00
Noncurrent Assets		
Restricted Cash with Fiscal Agent		4,456,038.00
Net Investment in Joint Venture (Note 13)		
Capital Assets (Note 4):		
Nondepreciable	150,000.00	3,994,449.00
Depreciable, Net	2,063,050.23	24,456,431.00
Total Noncurrent Assets	2,213,050.23	32,906,918.00
Total Assets	3,383,764.99	37,331,024.00
Deferred Outflows of Resources		
Deferred Amount from Debt Refunding		410,749.00
Total Deferred Outflows of Resources		410,749.00
Liabilities		
Current Liabilities		
Accounts Payable		369,819.00
Accrued Wages Payable	61,957.00	67,619.87
Other Liabilities		25,340.00
Estimated Liability for Compensated Absences	19,651.65	10,327.71
Warrants Payable		805,000.00
Less: Unamortized Discount		(5,779.00)
Accrued Interest Payable		358,404.00
Total Current Liabilities	\$ 81,608.65	\$ 1,630,731.58

Other Enterprise Funds	Total Enterprise Funds
\$ 52,085.53	\$ 3,071,098.02
	569,571.29
	1,510,101.98
	411,651.00
	84,484.00
<u>52,085.53</u>	<u>5,646,906.29</u>
	4,456,038.00
3,242,615.00	3,242,615.00
2,245,596.61	6,390,045.61
649,493.06	27,168,974.29
<u>6,137,704.67</u>	<u>41,257,672.90</u>
<u>6,189,790.20</u>	<u>46,904,579.19</u>
	410,749.00
	<u>410,749.00</u>
138,316.19	508,135.19
28,024.00	157,600.87
	25,340.00
7,608.15	37,587.51
	805,000.00
	(5,779.00)
	358,404.00
<u>\$ 173,948.34</u>	<u>\$ 1,886,288.57</u>

Statement of Net Position
Proprietary Funds
September 30, 2014

	Major Funds	
	Sanitation Fund	Water Fund
<u>Noncurrent Liabilities</u>		
Estimated Liability for Compensated Absences	\$ 176,860.95	\$ 92,949.42
Net Other Post Employment Benefit Obligation	589,799.66	
Warrants Payable		16,750,000.00
Less: Unamortized Discount		(73,520.00)
Total Noncurrent Liabilities	766,660.61	16,769,429.42
Total Liabilities	848,269.26	18,400,161.00
<u>Net Position</u>		
Net Investment in Capital Assets	2,213,050.23	10,537,476.00
Restricted for:		
Capital Projects		1,841,916.00
Debt Service		2,614,122.00
Unrestricted	322,445.50	4,348,098.00
Total Net Position	\$ 2,535,495.73	\$ 19,341,612.00

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

Other Enterprise Funds	Total Enterprise Funds
\$ 68,446.62	\$ 338,256.99
237,611.20	827,410.86
	16,750,000.00
	(73,520.00)
<u>306,057.82</u>	<u>17,842,147.85</u>
<u>480,006.16</u>	<u>19,728,436.42</u>
2,895,089.67	15,645,615.90
	1,841,916.00
	2,614,122.00
<u>2,814,694.37</u>	<u>7,485,237.87</u>
<u>\$ 5,709,784.04</u>	<u>\$ 27,586,891.77</u>

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	Major Funds	
	Sanitation Fund	Water Fund
<u>Operating Revenues</u>		
Charges for Services	\$ 4,847,129.13	\$ 8,542,410.00
Miscellaneous	11,914.58	22,291.00
Total Operating Revenues	<u>4,859,043.71</u>	<u>8,564,701.00</u>
<u>Operating Expenses</u>		
Salaries and Benefits	2,441,201.69	1,483,895.00
Contractual and Professional Services	266,740.90	340,035.00
Landfill Expenses	948,202.96	
Materials and Supplies	127,888.20	734,255.00
Repairs and Maintenance	219,272.19	129,676.00
Fuel	353,395.44	146,776.00
Rentals		178,882.00
Utilities	29,768.47	94,068.00
Insurance	101,765.90	129,676.00
Depreciation	436,272.00	1,637,400.00
Purchase of Water		3,191,340.00
Miscellaneous	49,772.34	113,188.00
Total Operating Expenses	<u>4,974,280.09</u>	<u>8,179,191.00</u>
Operating Income (Loss)	<u>(115,236.38)</u>	<u>385,510.00</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest Revenue	3,202.97	24,015.00
Forgiveness of Debt (Note 15)		482,684.00
Other Nonoperating Revenue	614.00	
Refund of Construction Work in Progress		250,389.00
Amortization of Bond Issue Costs		(5,779.00)
Gain (Loss) on Disposition of Capital Assets	(2,707.35)	
Other Nonoperating Expense		(800,169.00)
Bond Administration and Debt Expense		(6,625.00)
Total Nonoperating Revenues (Expenses)	<u>1,109.62</u>	<u>(55,485.00)</u>
Income (Loss) Before Transfers	<u>\$ (114,126.76)</u>	<u>\$ 330,025.00</u>

Other Enterprise Funds	Total Enterprise Funds
\$ 928,347.61	\$ 14,317,886.74
93,485.67	127,691.25
<u>1,021,833.28</u>	<u>14,445,577.99</u>
967,071.49	4,892,168.18
57,405.79	664,181.69
	948,202.96
173,037.14	1,035,180.34
149,595.06	498,543.25
42,523.88	542,695.32
2,309.12	181,191.12
238,583.11	362,419.58
20,350.00	251,791.90
38,433.00	2,112,105.00
	3,191,340.00
153,630.63	316,590.97
<u>1,842,939.22</u>	<u>14,996,410.31</u>
<u>(821,105.94)</u>	<u>(550,832.32)</u>
	27,217.97
	482,684.00
	614.00
	250,389.00
	(5,779.00)
	(2,707.35)
(16,227.04)	(816,396.04)
	(6,625.00)
<u>(16,227.04)</u>	<u>(70,602.42)</u>
<u>\$ (837,332.98)</u>	<u>\$ (621,434.74)</u>

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	Major Funds	
	Sanitation Fund	Water Fund
<u>Operating Transfers</u>		
Transfers In	\$	\$
Total Operating Transfers		
Change in Net Position	(114,126.76)	330,025.00
Net Position - Beginning of Year, as Restated (Note 17)	2,649,622.49	19,011,587.00
Net Position - End of Year	<u>\$ 2,535,495.73</u>	<u>\$ 19,341,612.00</u>

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



Other Enterprise Funds	Total Enterprise Funds
<u>\$ 993,720.79</u>	<u>\$ 993,720.79</u>
993,720.79	993,720.79
156,387.81	372,286.05
<u>5,553,396.23</u>	<u>27,214,605.72</u>
<u><u>\$ 5,709,784.04</u></u>	<u><u>\$ 27,586,891.77</u></u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Major Funds	
	Sanitation Fund	Water Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers	\$ 4,856,464.44	\$ 8,510,140.00
Payments to Suppliers	(2,096,806.40)	(5,627,329.00)
Payments to Employees	(2,305,301.67)	(1,009,245.00)
Net Cash Provided (Used) by Operating Activities	<u>454,356.37</u>	<u>1,873,566.00</u>
<u>Cash Flows from Noncapital Financing Activities</u>		
Operating Contribution from County		
Other Nonoperating Revenue	614.00	
Other Nonoperating Expenses		
Net Cash Provided (Used) by Noncapital Financing Activities	<u>614.00</u>	
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchases of Capital Assets	(284,425.18)	(697,735.00)
Sale of Capital Assets	7,787.55	250,389.00
Increase in Restricted Liabilities		(12,395.00)
Payment of Bond Administration Fees		(6,625.00)
State Revolving Fund Proceeds		482,684.00
Principal Paid on Capital Debt		(775,000.00)
Interest Paid on Capital Debt		(738,194.00)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(276,637.63)</u>	<u>(1,496,876.00)</u>
<u>Cash Flows from Investing Activities</u>		
Proceeds from Sale of Capital Assets		36,000.00
Interest and Other Income on Investments Received	1,071.70	24,015.00
Net Cash Provided (Used) by Investing Activities	<u>1,071.70</u>	<u>60,015.00</u>
Net Increase (Decrease) in Cash and Cash Equivalents	179,404.44	436,705.00
Cash and Cash Equivalents - Beginning of Year	<u>239,071.05</u>	<u>6,619,870.00</u>
Cash and Cash Equivalents - End of Year	<u>\$ 418,475.49</u>	<u>\$ 7,056,575.00</u>

Other Enterprise Funds	Total Enterprise Funds
\$ 1,021,833.28	\$ 14,388,437.72
(571,775.58)	(8,295,910.98)
(914,786.98)	(4,229,333.65)
<u>(464,729.28)</u>	<u>1,863,193.09</u>
872,777.83	872,777.83
(16,227.04)	614.00
<u>(16,227.04)</u>	<u>(16,227.04)</u>
<u>856,550.79</u>	<u>857,164.79</u>
(340,142.61)	(1,322,302.79)
	258,176.55
	(12,395.00)
	(6,625.00)
	482,684.00
	(775,000.00)
	<u>(738,194.00)</u>
<u>(340,142.61)</u>	<u>(2,113,656.24)</u>
	36,000.00
	<u>25,086.70</u>
	<u>61,086.70</u>
51,678.90	667,788.34
406.63	6,859,347.68
<u>52,085.53</u>	<u>7,527,136.02</u>

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Major Funds	
	Sanitation Fund	Water Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income (Loss)	\$ (115,236.38)	\$ 385,511.00
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>		
Depreciation Expense	436,272.00	1,637,400.00
Change in Assets and Liabilities:		
Decrease/(Increase) in Accounts Receivable	(2,579.27)	(59,559.00)
Decrease/(Increase) in Unbilled Receivables		4,999.00
Decrease/(Increase) in Inventories		(83,602.00)
Decrease/(Increase) in Other Current Assets		137.00
(Decrease)/Increase in Accounts Payable		(11,320.00)
(Decrease)/Increase in Accrued Salaries and Benefits	15,537.00	
(Decrease)/Increase in Compensated Absences	35,964.28	
(Decrease)/Increase in Net OPEB Obligations	84,398.74	
Net Cash Provided (Used) by Operating Activities	<u>\$ 454,356.37</u>	<u>\$ 1,873,566.00</u>

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

Other Enterprise Funds	Total Enterprise Funds
\$ (693,762.98)	\$ (423,488.36)
38,433.00	2,112,105.00
	(62,138.27)
	4,999.00
	(83,602.00)
	137.00
138,316.19	126,996.19
9,683.00	25,220.00
9,665.31	45,629.59
32,936.20	117,334.94
<u>\$ (464,729.28)</u>	<u>\$ 1,863,193.09</u>

Statement of Fiduciary Net Position
September 30, 2014

	Private-Purpose Trust Funds	Agency Funds
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,308,699.02	\$ 5,775,771.10
Investments	65,683.34	
Due from Other Governments	65,720.26	260,920.30
Sales Tax Receivable		3,842,717.31
Total Assets	<u>1,440,102.62</u>	<u>9,879,408.71</u>
<u>Liabilities</u>		
Due to External Parties		669.36
Due to Other Governments	36,679.67	7,874,020.00
Employee Benefits Payable		2,004,719.35
Total Liabilities	<u>36,679.67</u>	<u>\$ 9,879,408.71</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	<u>1,403,422.95</u>	
Total Net Position	<u>\$ 1,403,422.95</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, 2014***

	Private-Purpose Trust Funds
<u>Additions</u>	
Worthless Check Fees	\$ 117,481.58
District Attorney	25,135.22
Inmate Money	443,856.74
D.A.R.E.	30,702.99
Excess from Land Sales	451,338.11
Community Development Funds	523,420.27
Miscellaneous	2,232.60
Interest	1,421.05
Total Additions	<u>1,595,588.56</u>
<u>Deductions</u>	
Worthless Check Distributions	119,340.72
District Attorney	25,143.21
Public Safety	462,096.75
Excess Land Sales	376,384.50
Community Development Funds	528,102.62
D.A.R.E.	36,082.75
Total Deductions	<u>1,547,150.55</u>
Change in Net Position	48,438.01
Net Position - Beginning of Year	<u>1,354,984.94</u>
Net Position - End of Year	<u>\$ 1,403,422.95</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, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column. Remaining enterprise funds are reported as nonmajor funds in the 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 property taxes and revenues collected by the State of Alabama and shared with the Commission. 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.
- ◆ **Public Buildings, Roads and Bridges Fund** – This fund is used to account for the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes and other revenues for the property reappraisal and appraisal update programs.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 cost of providing water service to county residents.

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

Governmental Fund Types

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

The Commission reports the following Proprietary Fund type:

Proprietary Fund Type

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

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 parks and recreation and airport function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

1. Deposits and Investments

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

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

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

2. Receivables

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

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

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

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

3. Inventories

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

4. Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

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

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

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

7. Deferred Outflows of Resources

Deferred outflows of resources are reported in the 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, 2014

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 discounts are deferred and amortized over the life of the debt. Warrants payable are reported gross with a separate line item for the applicable warrant discount.

9. Compensated Absences

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

Annual Leave

Annual leave is accrued by employees at the following rates:

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

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

Sick Leave

Full-time regular employees accrue sick leave at the rate of 4 hours per pay period. There is no limitation as to the maximum sick leave an employee can accumulate. As of September 30, 2014, no liability for unpaid sick leave is accrued in the financial statements since employees do not receive termination payments for sick leave balances.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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, 2014

- ◆ **Unrestricted** – Is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

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

- ◆ **Nonspendable** – Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained in-tact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.
- ◆ **Restricted** – Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.
- ◆ **Committed** – Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- ◆ **Assigned** – Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the County Administrator or the Commission Chairman to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- ◆ **Unassigned** – Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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 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.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2014

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.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

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

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance 10/01/2013	Additions (*)	Retirements (*)	Balance 09/30/2014
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 23,566,484.41	\$	\$	\$ 23,566,484.41
Construction in Progress	111,811.78	34,522.01	(111,811.77)	34,522.02
Total Capital Assets, Not Being Depreciated	<u>23,678,296.19</u>	<u>34,522.01</u>	<u>(111,811.77)</u>	<u>23,601,006.43</u>
Capital Assets Being Depreciated:				
Infrastructure Roads	43,753,564.35			43,753,564.35
Buildings and Improvements	22,229,016.83	229,283.71		22,458,300.54
Equipment	16,004,072.31	1,370,376.09	(1,832,802.40)	15,541,646.00
Total Capital Assets Being Depreciated	<u>81,986,653.49</u>	<u>1,599,659.80</u>	<u>(1,832,802.40)</u>	<u>81,753,510.89</u>
Less Accumulated Depreciation for:				
Infrastructure Roads	(8,447,851.00)	(454,555.00)		(8,902,406.00)
Buildings and Improvements	(5,478,003.00)	(573,957.00)		(6,051,960.00)
Equipment	(11,069,554.00)	(1,153,040.00)	1,246,603.00	(10,975,991.00)
Total Accumulated Depreciation	<u>(24,995,408.00)</u>	<u>(2,181,552.00)</u>	<u>1,246,603.00</u>	<u>(25,930,357.00)</u>
Total Capital Assets Being Depreciated, Net	<u>56,991,245.49</u>	<u>(581,892.20)</u>	<u>(586,199.40)</u>	<u>55,823,153.89</u>
Governmental Activities Capital Assets, Net	<u>\$ 80,669,541.68</u>	<u>\$ (547,370.19)</u>	<u>\$ (698,011.17)</u>	<u>\$ 79,424,160.32</u>
(*) The Additions and Retirements columns include \$111,811.77 for construction in progress reclassified to Buildings.				

	Balance 10/01/2013	Additions (*)	Retirements (*)	Balance 09/30/2014
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,640,212.97	\$ 18,502.00	\$	\$ 2,658,714.97
Construction in Progress	3,330,999.06	741,639.58	(341,308.00)	3,731,330.64
Total Capital Assets, Not Being Depreciated	<u>5,971,212.03</u>	<u>760,141.58</u>	<u>(341,308.00)</u>	<u>6,390,045.61</u>
Capital Assets Being Depreciated:				
Buildings	3,826,095.75	194,469.03		4,020,564.78
Equipment	5,805,784.00	83,026.00	(90,000.00)	5,798,810.00
Water Distribution System	44,675,744.00	341,552.00		45,017,296.00
Other Equipment	4,766,995.87	284,425.54	(38,356.90)	5,013,064.51
Total Capital Assets Being Depreciated	<u>59,074,619.62</u>	<u>903,472.57</u>	<u>(128,356.90)</u>	<u>59,849,735.29</u>
Less Accumulated Depreciations for:				
Buildings	(798,492.00)	(102,731.00)		(901,223.00)
Equipment	(4,398,477.00)	(350,484.00)	54,000.00	(4,694,961.00)
Water Distribution System	(23,069,097.00)	(1,195,808.00)		(24,264,905.00)
Other Equipment	(2,384,452.00)	(463,082.00)	27,862.00	(2,819,672.00)
Total Accumulated Depreciation	<u>(30,650,518.00)</u>	<u>(2,112,105.00)</u>	<u>81,862.00</u>	<u>(32,680,761.00)</u>
Total Capital Assets Being Depreciated, Net	<u>28,424,101.62</u>	<u>(1,208,632.43)</u>	<u>(46,494.90)</u>	<u>27,168,974.29</u>
Business-Type Activities Capital Assets, Net	<u>\$ 34,395,313.65</u>	<u>\$ (448,490.85)</u>	<u>\$(387,802.90)</u>	<u>\$ 33,559,019.90</u>
(*) The Additions and Retirements columns include \$341,308 for construction in progress reclassified to Water Distribution System.				

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

	Depreciation Current Year Expense
<u>Governmental Activities:</u>	
General Government	\$ 315,633.00
Public Safety	580,156.00
Highways and Roads	971,088.00
Health	4,963.00
Welfare	307,362.00
Culture and Recreation	2,350.00
Total Depreciation Expense – Governmental Activities	<u>2,181,552.00</u>
<u>Business-Type Activities:</u>	
Water	1,637,400.00
Parks	38,433.00
Sanitation	436,272.00
Total Depreciation Expense – Business-Type Activities	<u>\$2,112,105.00</u>

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Commission contributes to the Employees’ Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees of the Commission are members of the Employees’ Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the Commission. Benefits vest after 10 years of creditable service.

The provisions of Act Number 2012-377, Acts of Alabama, established a new defined benefit plan tier for employees (Tier 2). Tier 2 employees are those hired on or after January 1, 2013. Employees who were hired before January 1, 2013 are considered to be Tier 1 employees.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Vested Tier 1 employees may retire with full benefits at age 60 or after 25 years of service. Vested Tier 2 employees may retire after completing at least 10 years of service at the age of 62. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method Tier 1 retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service, whereas Tier 2 retirees are allowed 1.6500% of their average final salary (best five of the last ten years) for each year of service with a benefit cap of 80% of the average final salary. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the *Code of Alabama 1975*, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

Notes to the Financial Statements
For the Year Ended September 30, 2014

B. Funding Policy

Employees of the Commission, with the exception of full-time law enforcement officers, are required by statute to contribute 5 (Tier 1) or 6 (Tier 2) percent of their salary to the Employees' Retirement System. Full-time law enforcement officers are required by statute to contribute 6 (Tier 1) or 7 (Tier 2) percent of their salary to the Employees' Retirement System. The Alabama Legislature enacted a mandatory defined benefit plan tier for employees with no previous creditable retirement service hired on or after January 1, 2013, "Tier 2"; and employees hired before January 1, 2013 are considered "Tier 1". The Commission is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the Commission are established by the Employees' Retirement System based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2014 was 8.50 percent for Tier 1 Employees and 6.20 percent for Tier 2 Employees based on the actuarial valuation performed as of September 30, 2011.

C. Annual Pension Cost

For the year ended September 30, 2014, the Commission's annual pension cost of \$1,382,078 was equal to the Commission's required and actual contribution. The required contribution was determined using the "entry age normal" method. The actuarial assumptions as of September 30, 2013, the latest actuarial valuation date, were: (a) 8 percent investment rate of return on present and future assets, and (b) projected salary increases ranging from 7.25 percent at age 20 to 3.75 percent at age 65. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of September 30, 2013 was 30 years.

The following is three-year trend information for the Commission:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2014	\$1,382,078	100%	\$0
09/30/2013	\$1,106,768	100%	\$0
09/30/2012	\$1,039,374	100%	\$0

Notes to the Financial Statements
For the Year Ended September 30, 2014

D. Funded Status and Funding Progress

As of September 30, 2013, the most recent actuarial valuation date, the plan was 73.4% percent funded. The actuarial accrued liability for benefits was \$43,105,430 and the actuarial value of assets was \$31,657,453 resulting in an unfunded actuarial accrued liability (UAAL) of \$11,447,977. The covered payroll (annual payroll of active employees covered by the plan) was \$14,893,548 and the ratio of the UAAL to the covered payroll was 76.9 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

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

B. Funding Policy

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

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

The Commission's contributions are on a pay-as-you-go basis, and does not plan to set up a trust fund to fund its postemployment medical insurance plan. For the year ended September 30, 2014, the Commission's expenditures to cover approximately 104 participants totaled \$550,618.

Notes to the Financial Statements
For the Year Ended September 30, 2014

C. Annual OPEB Cost

For fiscal year 2014, the Commission's annual other postemployment benefit (OPEB) cost (expense) for medical insurance was \$1,503,706.00. The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Cost Contributed Annual OPEB	Net OPEB Obligation
09/30/2014	\$1,503,706.00	36.62%	\$6,213,669.12
09/30/2013	\$1,434,183.00	31.83%	\$5,320,277.47
09/30/2012	\$1,434,183.00	31.83%	\$4,464,462.86

D. Funded Status and Funding Progress

The funding status of the plan as of September 30, 2014, was as follows:

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

E. Actuarial Methods and Assumptions

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

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

Note 7 – Contingent Liabilities

Under the provisions of Act Number 79-357, Acts of Alabama, a sheriff is eligible to become a supernumerary sheriff upon retirement after sixteen (16) years of service credit as a law enforcement officer, twelve (12) of which have been as a sheriff, and who has attained the age of fifty-five (55) years. The Cullman County Sheriff, who has elected to participate in this retirement plan, makes monthly contributions out of his salary as required by law. The Commission has a responsibility to properly manage these funds in order to provide the necessary monthly payments to the Sheriff when he retires. Should the Sheriff decide to withdraw from the plan for whatever reason, the Commission is obligated to refund the Sheriff's total contribution which at September 30, 2014, amounted to \$52,130.48.

Note 8 – Long-Term Debt

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

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

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

During the 2013 fiscal year, the Commission issued \$2,000,000.00 in Series 2013 General Obligation Warrants, with an interest rate of 2.39 percent, 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 through a joint agreement between the Cullman County Chamber of Commerce who will contribute 70 percent of its tourism lodging tax, with the remaining balance evenly divided between the Cullman County Commission, the City of Cullman and the City of Good Hope.

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

Notes to the Financial Statements

For the Year Ended September 30, 2014

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2014:

	Debt Outstanding 10/01/2013	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2014	Amounts Due Within One Year
Governmental Activities:					
General Obligation Warrant Series 2004	\$ 2,469,595.82	\$	\$220,282.15	\$ 2,249,313.67	\$ 227,076.58
General Obligation Refunding Warrants Series 2010	5,205,000.00		525,000.00	4,680,000.00	535,000.00
General Obligation Warrant Warrants Series 2013	1,911,259.05		181,136.71	1,730,122.34	185,575.05
Notes Payable	240,081.70		13,468.43	226,613.27	13,912.74
Net Other Post Employment Benefit Obligation	4,610,201.55	776,056.71		5,386,258.26	
Estimated Liability for Compensated Absences	1,586,468.12	124,775.17		1,711,243.29	171,124.33
Total Governmental Activities	16,022,606.24	900,831.88	939,887.29	15,983,550.83	1,132,688.70
Business-Type Activities:					
Warrants Payable:					
2005 Refunding Warrants	4,565,000.00		300,000.00	4,265,000.00	310,000.00
2007 Refunding Warrants	6,420,000.00		250,000.00	6,170,000.00	465,000.00
2008 Refunding Warrants	200,000.00		200,000.00		
2010-A Taxable Warrants	7,145,000.00		25,000.00	7,120,000.00	30,000.00
Unamortized Discount	(85,077.00)		(5,778.00)	(79,299.00)	(5,779.00)
Net Other Post Employment Benefit Obligation	710,075.92	117,334.94		827,410.86	
Estimated Liability for Compensated Absences	318,831.48	57,013.02		375,844.50	37,587.51
Total Business-Type Activities	\$19,273,830.40	\$174,347.96	\$769,222.00	\$18,678,956.36	\$ 836,808.51

The 2004 and 2010 General Obligation Warrants will be repaid from the Public Buildings, Roads and Bridges Fund, Jail Construction Fund and/or the Capital Improvement Fund. The 2013 General Obligation Warrants and Notes Payable will be paid out of the General Fund and Public Buildings, Roads and Bridges Fund, excluding the amount obligated by the Cullman Chamber of Commerce, the City of Cullman and the City of Good Hope.

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Fiscal Year Ending	Governmental Activities			
	Series 2004 General Obligation Warrants		Series 2010 General Obligation Warrants	
	Principal	Interest	Principal	Interest
September 30, 2015	\$ 227,076.58	\$ 65,267.30	\$ 535,000.00	\$135,377.50
2016	233,915.59	58,428.29	545,000.00	122,002.50
2017	241,295.57	51,048.31	560,000.00	111,102.50
2018	248,738.15	43,605.73	570,000.00	97,662.50
2019	256,410.29	35,933.59	590,000.00	81,987.50
2020-2024	1,041,877.49	62,402.16	1,880,000.00	131,662.50
2025-2028				
Totals	<u>\$2,249,313.67</u>	<u>\$316,685.38</u>	<u>\$4,680,000.00</u>	<u>\$679,795.00</u>

Fiscal Year Ending	Business-Type Activities			
	Series 2005 Refunding Warrants		Series 2007 Refunding Warrants	
	Principal	Interest	Principal	Interest
September 30, 2015	\$ 310,000.00	\$ 185,620.00	\$ 465,000.00	\$ 239,261.28
2016	325,000.00	174,150.00	480,000.00	222,986.28
2017	335,000.00	161,150.00	495,000.00	205,586.28
2018	350,000.00	147,750.00	515,000.00	187,642.52
2019	365,000.00	133,750.00	535,000.00	168,330.02
2020-2024	2,100,000.00	386,675.00	3,005,000.00	511,975.06
2025-2029	480,000.00	20,400.00	675,000.00	27,843.76
2030				
Totals	<u>\$4,265,000.00</u>	<u>\$1,209,495.00</u>	<u>\$6,170,000.00</u>	<u>\$1,563,625.20</u>

Notes to the Financial Statements
For the Year Ended September 30, 2014

Governmental Activities				Total Principal and Interest Requirements to Maturity
Series 2013 General Obligation Warrants		Notes Payable		
Principal	Interest	Principal	Interest	
\$ 185,575.05	\$ 39,865.35	\$ 13,912.74	\$ 7,158.90	\$ 1,209,233.42
190,023.67	35,416.73	14,371.70	6,699.94	1,205,858.42
194,778.33	30,662.07	14,845.79	6,225.85	1,209,958.42
199,550.95	25,889.45	15,335.55	5,736.09	1,206,518.42
204,440.51	20,999.89	15,841.45	5,230.19	1,210,843.42
755,753.83	33,288.06	87,399.40	17,958.81	4,010,342.25
		64,906.64	3,576.01	68,482.65
\$1,730,122.34	\$186,121.55	\$226,613.27	\$52,585.79	\$10,121,237.00

Business-Type Activities		Total Principal and Interest Requirements to Maturity
Series 2010 A Taxable Warrants		
Principal	Interest	
\$ 30,000.00	\$ 435,287.50	\$ 1,665,168.78
30,000.00	434,147.50	1,666,283.78
35,000.00	432,587.50	1,664,323.78
35,000.00	430,767.50	1,666,160.02
35,000.00	428,947.50	1,666,027.52
185,000.00	2,115,307.50	8,303,957.56
5,315,000.00	1,610,795.00	8,129,038.76
1,455,000.00	90,937.50	1,545,937.50
\$7,120,000.00	\$5,978,777.50	\$26,306,897.70

Notes to the Financial Statements
For the Year Ended September 30, 2014

Issuance Costs, Deferred Charges on Refunding and Discounts

The Commission has issuance costs, deferred loss on refunding and discounts in connection with the issuance of its 2005, 2007, 2008, and 2010-A Revenue Warrants in the business-type activities. The issuance costs were expensed in conjunction with GASB 65. Deferred loss on refunding and bond discounts are being amortized using the straight-line method over the term of the related debt.

	Business-Type Activities		
	Issuance Costs	Deferred Loss on Refunding	Discount
Total Issuance Costs, Deferred Loss on Refunding and Discount	\$372,595.84	\$950,987.14	\$109,841.60
Amounts Amortized in Prior Years	126,243.84	371,686.14	24,764.60
Balance Issuance Costs, Deferred Loss on Refunding and Discount	246,352.00	579,301.00	85,077.00
Current Amount Amortized	246,352.00	168,552.00	5,778.00
Balance Issuance Costs, Deferred Loss on Refunding and Discount	<u>\$</u>	<u>\$410,749.00</u>	<u>\$ 79,299.00</u>

Prior Year Defeasance of Debt

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

The Commission entered into a Refunding Escrow Agreement dated December 27, 2007 and January 10, 2008 with the Bank of New York Mellon Trust Company as trustee, and has deposited with the trustee, funds sufficient in amount to pay the advanced refunded portion of the principal and interest on the Series 2003 when they are called on May 1, 2016. An analysis of the Escrow Fund for the year ended September 30, 2014, is as follows:

	Series 2003 Warrants
Balance, Beginning of Year	\$1,174,705.00
Interest Earned	44,907.00
Total Available Funds	<u>1,219,612.00</u>
<u>Disbursements:</u>	
Interest Paid	47,680.00
Principal Paid	585,000.00
Total Disbursements	<u>632,680.00</u>
Balance, End of Year	<u>\$ 586,932.00</u>

Notes to the Financial Statements
For the Year Ended September 30, 2014

Escrowed Water Revenue Warrants, Series 2003, amounted to \$585,000.00 at September 30, 2014.

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

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

Note 9 – Pledged Revenues

In 2005, the Commission issued Water Revenue Refunding Warrants to refund the 2000 Water Revenue Warrants. The Commission pledged to repay the 2005 warrants from revenues derived from the operation of the County's water system. Future revenues of \$5,474,495.00 are pledged to repay the principal and interest on the warrants as of September 30, 2014. Operating revenues for fiscal year 2014 totaled \$8,564,701.00. Of these operating revenues, \$496,420.00 was used to pay principal and interest on the warrants. This amount represents 5.80% of pledged revenues received from the operation of the County's water system. These warrants will mature in 2025.

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

At September 30, 2014, future revenues of \$7,733,625.20 are pledged to repay the principal and interest on the Series 2007 warrants. Operating revenues for fiscal year 2014 totaled \$8,564,701.00. Of these operating revenues, \$499,261.28 was used to pay principal and interest on the Series 2007 warrants. This amount represents 5.83% of pledged revenues received from the operation of the County's water system. These warrants will mature in 2025.

At September 30, 2014, operating revenues for the fiscal year 2014 totaled \$8,564,701.00. Of these operating revenues, \$208,000.00 was used to pay principal and interest on the Series 2008 warrants. This amount represents 2.43% of pledged revenues received from the operation of the County's water system. These warrants matured in 2014.

Notes to the Financial Statements
For the Year Ended September 30, 2014

During the 2010 fiscal year, the Commission issued Taxable Water Revenue Warrants, Series 2010-A to finance additional expansion of the water system. The Commission pledged to repay the warrants from revenues derived from the operation of the County's water system. Future revenues of \$13,098,777.50 are pledged to repay the principal and interest on the warrants as of September 30, 2014. Operating revenues for fiscal year 2014 totaled \$8,564,701.00. Of these operating revenues, \$461,237.50 was used to pay principal and interest on the warrants. This amount represents 5.39% of pledged revenues received from the operation of the County's water system. The warrants will mature in 2030.

Note 10 – Conduit Debt Obligations

On February 1, 2008, the Cullman County Public Building Authority (PBA), which is a related organization of Cullman County, issued \$5,985,000.00 of Building Revenue Warrants (DHR Project), Series 2008 for the purpose of financing the acquisition, construction, and installation of an office building for use by the Cullman County Department of Human Resources. Simultaneously, with the issuance of the warrants, a lease agreement was executed between the PBA and Cullman County in addition to a sub-lease agreement between Cullman County and the State of Alabama, acting by and through its Department of Human Resources. The lease is limited obligation debt of the County and is payable solely from the revenues generated through the sub-lease agreement. The warrants and the lease do not constitute a debt or pledge of the faith and credit of the County and accordingly have not been reported in the accompanying financial statements. As of September 30, 2014, the outstanding balance of the lease is \$4,910,000.00.

Note 11 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's exposure, individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$500,000 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, 2014

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2011-2012	\$309,620.80	\$4,047,485.79	\$3,964,106.59	\$393,000.00
2012-2013	\$393,000.00	\$3,948,520.04	\$3,992,920.04	\$348,600.00
2013-2014	\$348,600.00	\$4,895,232.18	\$4,821,252.98	\$422,579.20

Estimated Claims Costs Payable at September 30, 2014, also includes an administrative fee liability of \$34,179.20, for a total of \$422,579.20.

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note 12 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ending September 30, 2014, were as follows:

	Transfers Out			Totals
	General Fund	Public Buildings, Roads and Bridges Fund	Other Governmental Funds	
Transfers In:				
General Fund	\$	\$ 250,000.00	\$	\$ 250,000.00
Gasoline Tax Fund		600,000.00	202,035.14	802,035.14
Other Governmental Funds	576,591.09	1,332,396.38		1,908,987.47
Other Enterprise Funds	821,284.96		172,435.83	993,720.79
Total	<u>\$1,397,876.05</u>	<u>\$2,182,396.38</u>	<u>\$374,470.97</u>	<u>\$3,954,743.40</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.

Note 13 – Joint Ventures

The Cullman County Commission is involved in a joint venture with the City of Cullman. The entities each own a 50% share of an airport located in Cullman County. The airport provides services in the city and county. As of September 30, 2014, the operations of the airport are recorded as a separate entity. Only the equity share of Cullman County’s investment in the joint venture is shown on the financial statements. As of September 30, 2014, Cullman County’s investment in the joint venture was \$3,242,615. Records of the airport are maintained by personnel of the City of Cullman. Financial statements of the airport may be obtained from the City of Cullman.

Notes to the Financial Statements

For the Year Ended September 30, 2014

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
- ◆ Water Water Authority
- ◆ Cullman County Building Authority
- ◆ Cullman County Public Library

Note 15 – Forgiveness of Debt

The Cullman County Water Department is a recipient of a loan being disbursed under an agreement with Cullman County, the Alabama Drinking Water Finance Authority and the Alabama Department of Environmental Management. The agreement allows a maximum borrowing amount of \$3,253,184 to be used for water system improvements. The agreement provides repayment forgiveness of the principal, as disbursed to the county. As of September 30, 2014, the Water Department has received \$3,166,053 of the allowable amount, of which \$482,684 has been recognized as non-operating revenues in the current year financial statements.

Note 16 – Subsequent Event

On September 22, 2015, the Commission authorized the issuance of Water Revenue Warrant, Series 2015 in the amount of \$8,320,000 for the purpose of refunding Water Revenue Warrants, Series 2005 and 2007. This warrant has an average interest rate of 2.7% and will mature in 2025.

Notes to the Financial Statements

For the Year Ended September 30, 2014

Note 17 – Reclassification/Restatements

During the fiscal year ended September 30, 2014, the Cullman County Commission adopted GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), that established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The implementation of GASB 65 resulted in the reclassification of certain items previously reported as assets and liabilities, and required the write-off of deferred bond issuance costs that were previously classified as assets, therefore, the Commission’s beginning net position has been restated. The implementation of GASB 65 resulted in reclassifications and restatements by the Commission.

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

	Water Fund
Restatement of Water Fund Net Position:	
Net Position – Balance, September 30, 2013, as Previously Reported	\$19,364,516.00
Expense of Debt Issuance Costs Due to Adoption of GASB 65	(352,929.00)
Water Fund Net Position, September 30, 2013, as Restated	19,011,587.00
Net Position – Business-Type Activities Balance, September 30, 2013, as Previously Reported	27,567,534.72
Expense of Debt Issuance Costs Due to Adoption of GASB 65	(352,929.00)
Business-Type Activities Net Position, September 30, 2013, as Restated	\$27,214,605.72

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<u>Revenues</u>			
Taxes	\$ 13,241,824.00	\$ 13,241,824.00	\$ 13,694,750.79
License and Permits	78,747.00	78,747.00	79,557.04
Intergovernmental	1,938,669.00	1,938,669.00	2,007,921.14
Charges for Services	2,556,449.00	2,556,449.00	2,531,572.98
Miscellaneous	669,089.00	669,089.00	877,683.46
Total Revenues	<u>18,484,778.00</u>	<u>18,484,778.00</u>	<u>19,191,485.41</u>
<u>Expenditures</u>			
Current:			
General Government	5,616,641.00	5,616,641.00	5,363,010.67
Public Safety	9,950,847.00	9,950,847.00	10,519,838.35
Health	542,598.00	542,598.00	537,182.14
Welfare	86,500.00	86,500.00	86,700.00
Culture and Recreation	298,716.00	298,716.00	296,757.67
Education	218,559.00	218,559.00	243,632.33
Capital Outlay			239,127.95
Total Expenditures	<u>16,713,861.00</u>	<u>16,713,861.00</u>	<u>17,286,249.11</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,770,917.00</u>	<u>1,770,917.00</u>	<u>1,905,236.30</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In			250,000.00
Proceeds from Sale of Capital Assets			5,197.50
Transfers Out	(1,768,455.00)	(1,768,455.00)	(2,296,399.05)
Total Other Financing Sources (Uses)	<u>(1,768,455.00)</u>	<u>(1,768,455.00)</u>	<u>(2,041,201.55)</u>
Net Changes in Fund Balances	2,462.00	2,462.00	(135,965.25)
Fund Balances - Beginning of Year			<u>9,919,335.97</u>
Fund Balances - End of Year	<u>\$ 2,462.00</u>	<u>\$ 2,462.00</u>	<u>\$ 9,783,370.72</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 12,550.00	\$ 13,707,300.79
		79,557.04
(1)	88,285.89	2,096,207.03
(1)	159,406.67	2,690,979.65
(1)	96,440.00	974,123.46
	<u>356,682.56</u>	<u>19,548,167.97</u>
(2)	325,633.43	5,688,644.10
(2)	154,951.73	10,674,790.08
		537,182.14
(2)	774,038.91	860,738.91
(2)	66,000.00	362,757.67
		243,632.33
		239,127.95
	<u>1,320,624.07</u>	<u>18,606,873.18</u>
	<u>(963,941.51)</u>	<u>941,294.79</u>
		250,000.00
		5,197.50
(3)	<u>898,523.00</u>	<u>(1,397,876.05)</u>
	<u>898,523.00</u>	<u>(1,142,678.55)</u>
	(65,418.51)	(201,383.76)
(4)	<u>(443,969.87)</u>	<u>9,475,366.10</u>
	<u>\$ (509,388.38)</u>	<u>\$ 9,273,982.34</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2014***

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	\$	176,925.89
Work Release Fund		159,406.67
Industrial Development Fund		12,550.00
Clarkston Bridge Fund		<u>7,800.00</u>
 (2) Expenditures		
Aging Fund		(774,038.91)
Work Release Fund		(154,951.73)
Industrial Development Fund		(325,633.43)
Clarkston Bridge Fund		<u>(66,000.00)</u>
 (3) Other Financing Sources/Uses, Net		
Aging Fund		586,293.00
Industrial Development Fund	\$	<u>312,230.00</u>

Net Decrease in Fund Balance - Budget to GAAP

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

\$ 356,682.56

(1,320,624.07)

898,523.00

\$ (65,418.51)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,406,507.00	\$ 1,406,507.00	\$ 1,506,209.96
Intergovernmental	3,635,780.00	3,635,780.00	4,341,597.50
Charges for Services	521,367.00	521,367.00	870,189.22
Miscellaneous			123,673.09
Total Revenues	<u>5,563,654.00</u>	<u>5,563,654.00</u>	<u>6,841,669.77</u>
Expenditures			
Current:			
Highways and Roads	6,904,000.00	6,904,000.00	7,973,239.76
Capital Outlay	100,000.00	100,000.00	1,067,958.51
Total Expenditures	<u>7,004,000.00</u>	<u>7,004,000.00</u>	<u>9,041,198.27</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,440,346.00)</u>	<u>(1,440,346.00)</u>	<u>(2,199,528.50)</u>
Other Financing Sources (Uses)			
Transfers In	1,290,346.00	1,290,346.00	802,035.14
Proceeds from Sale of Capital Assets			833,679.42
Transfers Out			486,321.14
Total Other Financing Sources (Uses)	<u>1,290,346.00</u>	<u>1,290,346.00</u>	<u>2,122,035.70</u>
Net Changes in Fund Balances	(150,000.00)	(150,000.00)	(77,492.80)
Fund Balances - Beginning of Year	<u>150,000.00</u>	<u>150,000.00</u>	<u>762,950.07</u>
Fund Balances - End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 685,457.27</u>

	Budget to GAAP Differences	Actual Amounts GAAP Basis
(1)	\$ 9.85	\$ 1,506,219.81
(1)	486,277.04	4,827,874.54
		870,189.22
		123,673.09
	<u>486,286.89</u>	<u>7,327,956.66</u>
		7,973,239.76
		<u>1,067,958.51</u>
		<u>9,041,198.27</u>
	<u>486,286.89</u>	<u>(1,713,241.61)</u>
		802,035.14
		833,679.42
(2)	<u>(486,321.14)</u>	<u>1,635,714.56</u>
	(486,321.14)	
	(34.25)	(77,527.05)
(3)	<u>30,147.45</u>	<u>793,097.52</u>
	<u>\$ 30,113.20</u>	<u>\$ 715,570.47</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2014***

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

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

(1) Revenues		
Public Highway and Traffic Fund	\$	486,277.04
Coal Severance Fund		<u>9.85</u>
 (2) Other Financing Sources/(Uses), Net		
Public Highway and Traffic Fund		(486,311.29)
Coal Severance Fund	\$	<u>(9.85)</u>

Net Decrease in Fund Balance - Budget to GAAP

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

\$ 486,286.89

(486,321.14)

\$ (34.25)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Public Buildings, Roads and Bridges Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,850,000.00	\$ 1,850,000.00	\$ 1,950,062.11
Intergovernmental			62,679.78
Miscellaneous	2,000.00	2,000.00	8,847.09
Total Revenues	<u>1,852,000.00</u>	<u>1,852,000.00</u>	<u>2,021,588.98</u>
Expenditures			
General Government	413,335.00	413,335.00	15,974.64
Total Expenditures	<u>413,335.00</u>	<u>413,335.00</u>	<u>15,974.64</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,438,665.00</u>	<u>1,438,665.00</u>	<u>2,005,614.34</u>
Other Financing Sources (Uses)			
Transfers Out	(1,438,665.00)	(1,438,665.00)	(2,182,396.38)
Total Other Financing Sources (Uses)	<u>(1,438,665.00)</u>	<u>(1,438,665.00)</u>	<u>(2,182,396.38)</u>
Net Changes in Fund Balances			(176,782.04)
Fund Balances - Beginning of Year	<u>133,700.00</u>	<u>133,700.00</u>	<u>2,884,862.75</u>
Fund Balances - End of Year	<u>\$ 133,700.00</u>	<u>\$ 133,700.00</u>	<u>\$ 2,708,080.71</u>

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,950,062.11
	62,679.78
	8,847.09
	<u>2,021,588.98</u>
	15,974.64
	<u>15,974.64</u>
	2,005,614.34
	<u>(2,182,396.38)</u>
	<u>(2,182,396.38)</u>
	(176,782.04)
	<u>2,884,862.75</u>
<u>\$</u>	<u>\$ 2,708,080.71</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2014***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Taxes	\$ 1,327,850.00	\$ 1,327,850.00	\$ 1,184,960.03
Miscellaneous			855.83
Total Revenues	1,327,850.00	1,327,850.00	1,185,815.86
Expenditures			
Current:			
General Government	1,282,850.00	1,282,850.00	1,185,815.86
Capital Outlay	45,000.00	45,000.00	
Total Expenditures	1,327,850.00	1,327,850.00	1,185,815.86
Excess (Deficiency) of Revenues Over Expenditures			
Net Changes in Fund Balances			
Fund Balances - Beginning of Year			
Fund Balances - End of Year	\$	\$	\$

Budget to GAAP Differences	Actual Amounts GAAP Basis
\$	\$ 1,184,960.03
	855.83
	<u>1,185,815.86</u>
	1,185,815.86
	<u>1,185,815.86</u>
<u>\$</u>	<u>\$</u>

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***Schedule of Funding Progress
Defined Benefit Pension Plan
For the Year Ended September 30, 2014***

Actuarial Valuation Date	Actuarial Value of Assets (a)*	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/2013 ⁴	\$31,657,453	\$43,105,430	\$11,447,977	73.4%	\$14,893,548	76.9%
09/30/2012 ³	\$29,435,848	\$39,702,582	\$10,266,734	74.1%	\$13,356,048	76.9%
09/30/2011 ²	\$29,301,896	\$40,170,999	\$10,869,103	72.9%	\$14,383,230	75.6%

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

² Reflects changes in actuarial assumptions.

³ Reflects changes to interest smoothing methodology.

⁴ Reflects implementation of Board Funding Policy.

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market Value of Assets as of September 30, 2013: \$33,175,204.

***Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2014***

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

* Retirement rates have been adjusted to reflect the discontinuance of the DROP.

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Housing and Urban Development Passed Through Alabama Department of Economic and Community Affairs</u>		
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (M)	14.269	DTR-13-17
<u>U. S. Department of Justice Direct Program</u>		
Public Safety Partnership and Community Policing Grants	16.710	N/A
<u>U. S. Department of Transportation Passed Through Alabama Department of Economic and Community Affairs</u>		
Recreational Trails Program	20.219	09-RT-55-001
<u>Passed Through Alabama Department of Transportation</u>		
Formula Grants for Rural Areas (M) Total U. S. Department of Transportation	20.509	RPT-22
<u>U. S. General Services Administration Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	N/A
<u>U. S. Department of Health and Human Services Passed Through North-Central Alabama Regional Council of Governments (NARCOG)</u>		
Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A
<u>Passed Through Alabama Secretary of State</u>		
Voting Access for Individuals With Disabilities-Grants to States	93.617	N/A
<u>Passed Through Alabama Department of Public Health</u>		
National Bioterrorism Hospital Preparedness Program Total U. S. Department of Health and Human Services	93.889	CEP25-QW4-14A
Sub-Total Brought Forward		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
12/16/2013-12/16/2015	\$ 1,294,892.00	\$ 1,294,892.00	\$ 956,667.86	\$ 956,667.86
12/16/2012-09/30/2014	10,255.00	10,255.00	10,255.00	10,255.00
10/01/2009-12/31/2013	677,575.00	542,060.00	40,580.55	40,580.55
10/01/2013-09/30/2014	1,039,273.30	957,523.84	811,287.58	811,287.58
	<u>1,716,848.30</u>	<u>1,499,583.84</u>	<u>851,868.13</u>	<u>851,868.13</u>
10/01/2013-09/30/2014			23,060.86	23,060.86
10/01/2013-09/30/2014	46,573.00	46,573.00	46,573.00	46,573.00
10/01/2013-09/30/2014	50,377.38	50,377.38	50,377.38	50,377.38
03/01/2014-06/30/2014	68,498.00	50,000.00	44,979.00	44,979.00
	<u>165,448.38</u>	<u>146,950.38</u>	<u>141,929.38</u>	<u>141,929.38</u>
	\$ 3,187,443.68	\$ 2,951,681.22	\$ 1,983,781.23	\$ 1,983,781.23

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
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Sub-Total Brought Forward

**U. S. Department of Homeland Security
Passed Through Alabama Emergency Management Agency**

Hazard Mitigation Grant	97.039	DR-1971-098
Hazard Mitigation Grant	97.039	DR-1971-100
Hazard Mitigation Grant	97.039	DR-1971-118
Hazard Mitigation Grant	97.039	DR-1971-122
Hazard Mitigation Grant	97.039	DR-1971-233
Hazard Mitigation Grant	97.039	DR-1971-455
Hazard Mitigation Grant	97.039	DR-1971-596
Hazard Mitigation Grant	97.039	DR-1971-665
Hazard Mitigation Grant	97.039	DR-1971-669
Hazard Mitigation Grant	97.039	DR-1971-670
Hazard Mitigation Grant	97.039	DR-1971-672
Hazard Mitigation Grant	97.039	DR-1971-733

Sub-Total Hazard Mitigation Grant

Emergency Management Performance Grants	97.042	3EMS
Emergency Management Performance Grants	97.042	4EMF

Sub-Total Emergency Management Performance Grants

Homeland Security Grant Program	97.067	3FIL
Homeland Security Grant Program	97.067	1MAL

Sub-Total Homeland Security Grant Program

Total U. S. Department of Homeland Security

Total Expenditures of Federal Awards

(M) = Major Program

(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.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
	\$ 3,187,443.68	\$ 2,951,681.22	\$ 1,983,781.23	\$ 1,983,781.23
12/21/2011-12/20/2014	140,474.00	99,494.00	3,375.00	3,375.00
12/20/2011-12/19/2014	142,788.00	100,944.00	6,750.00	6,750.00
02/27/2012-02/16/2015	140,511.00	97,886.00	3,671.25	3,671.25
02/17/2011-02/16/2015	152,577.00	102,959.00	7,971.25	7,971.25
03/28/2012-03/28/2015	87,489.00	64,261.00	4,000.00	4,000.00
08/03/2012-08/02/2015	138,647.00	97,410.00	3,971.25	3,971.25
02/28/2013-02/27/2016	120,824.00	90,618.00	36,667.13	36,667.13
02/28/2013-02/27/2016	110,446.00	82,835.00	8,630.50	8,630.50
02/28/2013-02/27/2016	127,746.00	95,810.00	8,630.50	8,630.50
02/28/2013-02/27/2016	153,340.00	115,005.00	8,630.50	8,630.50
02/28/2013-02/27/2016	143,899.00	107,924.00	8,630.50	8,630.50
02/28/2013-02/27/2016	27,500.00	20,625.00	13,750.00	13,750.00
	1,486,241.00	1,075,771.00	114,677.88	114,677.88
10/01/2013-09/30/2014	10,382.00	10,382.00	10,382.00	10,382.00
10/01/2013-09/30/2014	49,672.00	49,672.00	49,672.00	49,672.00
	60,054.00	60,054.00	60,054.00	60,054.00
09/01/2013-08/31/2015	17,000.00	17,000.00	7,334.80	7,334.80
09/01/2011-08/31/2014	11,548.65	11,548.65	11,548.65	11,548.65
	28,548.65	28,548.65	18,883.45	18,883.45
	1,574,843.65	1,164,373.65	193,615.33	193,615.33
	\$ 4,762,287.33	\$ 4,116,054.87	\$ 2,177,396.56	\$ 2,177,396.56

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2014***

Note 1 – Basis of Presentation

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

Additional Information

Commission Members and Administrative Personnel
October 1, 2013 through September 30, 2014

Commission Members		Term Expires
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Hon. Kenneth Walker	Chairman	2016
Hon. Darrell Hicks	Associate Commissioner	2014
Hon. Stanley Yarbrough	Associate Commissioner	2014

Administrative Personnel

Mr. Gary Teichmiller	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

To: Members of the Cullman County Commission and County Administrator

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cullman County Commission as of and for the year ended September 30, 2014, 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 January 13, 2016. We did not audit the financial statements of the Cullman County Water Fund, which represents 80%, 70% and 59% respectively of the assets, net position and revenues of the Enterprise Funds, business-type activities. Those financial statements were audited by other auditors in accordance with ***Government Auditing Standards*** and whose report has been furnished to us. This report does not include the results of those auditors' testing of internal controls over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Cullman County Commission's Response to Findings

The Cullman County Commission's response to the finding identified in our audit is described in the accompanying Auditee Response. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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***

Purpose of this Report

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



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 13, 2016

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

Independent Auditor's Report

To: Members of the Cullman County Commission and County Administrator

Report on Compliance for Each Major Federal Program

We have audited the Cullman County Commission's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the Cullman County Commission's major federal programs for the year ended September 30, 2014. The Cullman County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cullman County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cullman County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the Cullman County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the Cullman County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cullman County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cullman County Commission's internal control over compliance.

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 13, 2016

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified

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

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants
20.509	Formula Grants for Rural Areas

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

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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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

Auditee Response

Kenneth Walker
Chairman

Gary Teichmiller
County Administrator

Cullman County

COMMISSION

Kerry Watson
Associate Commissioner, Place 1

Garry Marchman
Associate Commissioner, Place 2

Date: February 24, 2016
To: State of Alabama
Department of Examiners of Public Accounts
P.O. Box 302251
Montgomery, AL 36130-2251

Attn: Ronald L. Jones – Chief Examiner

Re: Response to Audit Finding

Corrective Action Plan
For the Year Ended September 30, 2014

As required by the Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Section .315(c), the Cullman County Commission has prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2014.

**Finding
Reference
Number**

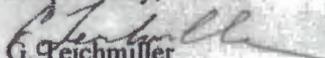
Corrective Action Plan Details

Finding #2014-001: The Code of Alabama 1975, Section 11-12-5 provides that no claims be paid unless itemized by the claimant. Instances were noted during the review of expenditures that some receipts were not itemized for purchases made with the county credit card. Additionally, documentation for some receipts was not available.

Response: The Commission had reissued instructions to department heads and other employees having access to county credit cards as to the allowable uses and the requirement of providing itemized receipts right after the FY 2013 audit finding. Since the audits are normally a year behind, the FY 2014 credit card expenditures in question had already occurred prior to the completion of the FY 2013 audit. These were allowable charges but there were instances of just picking up the total receipt instead of the itemized copy for meals and when traveling and getting fuel at the pump not picking up the receipt when it printed out at the pump. Do to the FY 2013 audit release not occurring until after FY 2014 expenditures were made we feel this should not be a repeat finding for FY 2014 because as stated earlier corrective action was taken immediately after the FY 2013 audit.

Contact Person: Gary Teichmiller @ 256-775-4925 or gary@co.cullman.al.us

Respectively,


G. Teichmiller
County Administrator