CITY OF CULLMAN, ALABAMA
BASIC FINANCIAL STATEMENTS
With Supplementary Information
September 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cullman, Alabama, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds of the City of Cullman, Alabama as of and for the year ended September 30, 2012, as displayed in the City's basic financial statements. These financial statements are the responsibility of the City of Cullman, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as the aggregate nonmajor governmental funds, of the City of Cullman, Alabama, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND AICPA DIVISION FOR CPA FIRMS –
ALABAMA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013, on our consideration of the City of Cullman, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Retirement Plan, Budgetary Comparison Information, and Notes to the Required Supplementary Information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cullman, Alabama's financial statements as a whole. The combining and individual fund financial statements and schedules and the statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements taken as a whole. The statistical data as listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Fricke, Sweatmon + Russell, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 25, 2013

CITY OF CULLMAN, ALABAMA

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Management's Discussion and Analysis
Concerning the Audited Financial Statements
for the Fiscal Year Ended September 30, 2012

The City of Cullman, county seat of Cullman County, is located in North Central Alabama, north of Birmingham and southwest of Huntsville, Alabama.

The City was founded in 1873 by Colonel John G. Cullmann as a colony designed to attract German immigrants. Cullman County was created by the Alabama Legislature in 1877 from sparsely settled areas more or less separated from the adjacent counties by natural boundaries.

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

Mayor Max A. Townson serves as executive officer and is responsible for the general management of the City.

The Council is the legislative body which determines the policies to be followed in the administration of the City government. Council members (for terms expiring November 1, 2016) are:

Place No. 1	Andy Page
Place No. 2	Garlan E. Gudger, Jr.
Place No. 3	Johnny Cook
Place No. 4	Clint Hollingsworth
Place No. 5	Jenny Folsom

Officers of the Council are Council President Garlan E. Gudger, Jr. and President Pro-tem Jenny Folsom.

The Interim City Clerk, Wesley M. Moore, is appointed by the City Council and authenticates and records official acts of the City and maintains all records and documents. The City Clerk attends meetings of the Council and is responsible for preparing the agendas and recording the minutes of each meeting. The City Clerk serves as liaison between the Mayor and Council and performs the duties prescribed by law and assigned by the Mayor and Council. The City Treasurer, Patricia Quick, is appointed by the City Council. As City Treasurer, she is responsible for the financial records of the City and the management of funds. She assists with preparation of the budget and the issuance of payments for the lawful expenditures of City funds.

The City Council also appoints a Police Chief and a Fire Chief, Supervisors, Superintendents, and Directors of other City Departments and other non-classified personnel. The City employs approximately 460 people (full-time and part-time) in the various departments. The City does not collectively bargain with any union or association representing City employees.

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

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

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

The Water Department, Wastewater Department, Cullman Regional Airport and Parks & Recreation Department are accounted for in enterprise funds.

FINANCIAL HIGHLIGHTS

The City's net assets increased $7,957,663 over the course of this year's operation: approximately $3,624,143 in the net assets of the governmental activities and $4,333,520 in the business-type activities.

Budgeted revenues in the general fund for fiscal year 2012 were based generally on the previous year's receipts; however, all revenues increased during the year due to the improving local economy. Revenues were $3,204,528 more than budgeted; while at the same time general fund expenditures were approximately $472,334 more than budgeted.

The most important source of revenue for the General Fund is sales taxes, which produced $13,764,872 for general purposes and $2,572,853 for education in fiscal year 2012. The other major sources of revenue in fiscal year 2012 were property taxes in the amount of $1,280,890 for general purposes and $2,978,217 for education; business licenses in the amount of $2,148,153; and sanitation charges in the amount of $3,985,664.

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

The City levies a five mill ad valorem tax for General Fund purposes, a three mill school tax and a seven and one-half mill school tax. The school taxes are deposited in a special fund (School Tax Fund) and transferred to the City School System. The City Council also levies a one-half percent sales tax for the City Schools and the proceeds from this tax are also deposited in the special school tax fund and remitted to the City School System.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts—management's discussion and analysis, the basic financial statements, required supplementary information and an optional section that presents combining statements for non-major governmental funds and the water system. Major governmental funds are the general fund, the property and sales tax fund for schools (school tax fund), and debt service fund. The basic financial statements include two kinds of statements that present different views of the City.

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

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

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

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

The two government-wide statements report the City's net assets and how they have changed. Net assets--the difference between the City's assets and liabilities--are one way to measure the City's financial health.

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds--not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law or by bond covenants. The City Council establishes other funds to control and manage money for particular purposes

The City of Cullman has two kinds of funds: Governmental Funds and Proprietary Funds.

Most of the City's basic services are included in **governmental funds** which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that could be spent in the near future to finance the City's operations. Additional information is furnished in the notes to the financial statements. The City has three major funds - the general fund, school tax fund, and debt service fund.

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

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

CONDENSED FINANCIAL STATEMENTS

The following condensed financial statements serve as indicators for management:

CONDENSED STATEMENT
CITY OF CULLMAN,
September 30,

	Governmental Activities	
	2012	2011
Current assets	$ 51,557,005	$ 50,901,889
Restricted assets	3,669,077	4,150,978
Capital assets:		
Land and other assets not depreciated	12,354,714	10,398,924
Buildings, improvements, and equipment net of depreciation	41,296,375	39,346,609
Other assets	641,410	1,136,158
TOTAL ASSETS	$109,518,581	$105,934,558
Current liabilities	$ 2,935,709	$ 2,420,352
Liabilities payable from restricted assets	1,307,458	1,198,758
Long-term liabilities	23,770,268	24,492,137
Other liabilities	4,212,814	4,155,122
TOTAL LIABILITIES	$ 32,226,249	$ 32,266,369
Net assets:		
Invested in capital assets, net of related liabilities	$ 46,433,027	$ 43,742,764
Restricted	3,847,033	11,000,077
Unrestricted	27,012,272	18,925,348
TOTAL NET ASSETS	$ 77,292,332	$ 73,668,189
TOTAL LIABILITIES AND NET ASSETS	$109,518,581	$105,934,558

OF NET ASSETS
ALABAMA
2012 and 2011

Business-type Activities		Total	
2012	2011	2012	2011
$ 670,997	$ (343,798)	$ 52,228,002	$ 50,558,091
41,604,901	53,177,534	45,273,978	57,328,512
25,657,758	15,072,528	38,012,472	25,471,452
101,200,563	100,207,548	142,496,938	139,554,157
2,578,500	2,905,716	3,219,910	4,041,874
$ 171,712,719	$ 171,019,528	$281,231,300	$276,954,086
$ 1,392,947	$ 1,252,258	$ 4,328,656	$ 3,672,610
3,720,198	4,576,721	5,027,656	5,775,479
88,827,365	92,497,924	112,597,633	116,990,061
384,744	354,852	4,597,558	4,509,974
$ 94,325,254	$ 98,681,755	$126,551,503	$130,948,124
$ 61,028,312	$ 55,053,600	$107,461,339	$ 98,796,364
3,407,868	3,922,670	7,254,901	14,922,747
12,951,285	13,361,503	39,963,557	32,286,851
$ 77,387,465	$ 72,337,773	$154,679,797	$146,005,962
$ 171,712,719	$ 171,019,528	$281,231,300	$276,954,086

CONDENSED STATEMENT
CITY OF CULLMAN,
For the year ended September 30,

	Governmental Activities	
	2012	2011
Program Revenues:		
Charges for services	$ 7,669,628	$ 7,361,943
Operating grants and contributions	1,048,270	1,838,273
Capital grants and contributions	1,091,535	776,315
General Revenues:		
Property taxes	4,259,107	4,196,085
Sales taxes	16,337,725	15,596,626
Other taxes	1,831,107	1,594,891
City Board of Education for debt service payments	509,994	510,226
Unrestricted investment earnings	116,397	251,319
Sale of capital assets	14,597	(256,371)
Insurance recoveries	55,169	109,370
Miscellaneous	1,662,326	1,448,187
TOTAL REVENUES	$ 34,595,855	$ 33,426,864
Expenses:		
General government	$ 4,038,041	$ 3,833,654
Public safety	8,863,156	9,309,738
Highways and streets	3,187,155	3,398,082
Sanitation	3,921,879	3,854,534
Health and social services	436,761	410,521
Culture and recreation	326,877	259,391
Education	5,797,124	5,758,056
Conservation	88,734	78,118
Interest on long-term debt	390,585	410,753
Sewer	-	-
Water	-	-
Parks and Recreation	-	-
Golf course	-	-
Wellness and Aquatic Center	-	-
Airport	-	-
TOTAL EXPENSES	$ 27,050,312	$ 27,312,847
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	$ 7,545,543	$ 6,114,017
Transfers	(3,921,400)	(3,404,097)
INCREASE IN NET ASSETS	$ 3,624,143	$ 2,709,920
Net assets at October 1, as previously reported	$ 73,668,189	$ 70,958,269
Add adjustment for the cumulative effect on prior years of retroactive application of interest capitalization policy (Note VIII)	-	-
Net assets at October 1, as restated	$ 73,668,189	$ 70,958,269
NET ASSETS AT END OF YEAR	$ 77,292,332	$ 73,668,189

OF ACTIVITIES
ALABAMA
2012 and 2011

Business-type Activities		Total	
2012	2011	2012	2011
$ 20,438,601	$ 18,204,421	$ 28,108,229	$ 25,566,364
700,322	193,896	1,748,592	2,032,169
74,174	353,582	1,165,709	1,129,897
-	-	4,259,107	4,196,085
-	-	16,337,725	15,596,626
179,254	194,945	2,010,361	1,789,836
-	-	509,994	510,226
59,517	110,367	175,914	361,686
2,631	(131,355)	17,228	(387,726)
-	404,447	55,169	513,817
210,247	107,369	1,872,573	1,555,556
$ 21,664,746	$ 19,437,672	$ 56,260,601	$ 52,864,536
$ -	$ -	$ 4,038,041	$ 3,833,654
-	-	8,863,156	9,309,738
-	-	3,187,155	3,398,082
-	-	3,921,879	3,854,534
-	-	436,761	410,521
-	-	326,877	259,391
-	-	5,797,124	5,758,056
-	-	88,734	78,118
-	-	390,585	410,753
5,081,346	5,028,753	5,081,346	5,028,753
7,261,130	7,210,076	7,261,130	7,210,076
3,831,685	3,112,848	3,831,685	3,112,848
848,881	882,951	848,881	882,951
3,560,513	3,564,143	3,560,513	3,564,143
669,071	695,993	669,071	695,993
$ 21,252,626	$ 20,494,764	$ 48,302,938	$ 47,807,611
$ 412,120	$ (1,057,092)	$ 7,957,663	$ 5,056,925
3,921,400	3,404,097	-	-
$ 4,333,520	$ 2,347,005	$ 7,957,663	$ 5,056,925
$ 72,337,773	$ 69,990,768	$146,005,962	$140,949,037
716,172	-	716,172	-
$ 73,053,945	$ 69,990,768	$146,722,134	$140,949,037
$ 77,387,465	$ 72,337,773	$154,679,797	$146,005,962

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City of Cullman completed the year, its general fund reported a combined fund balance of $25,522,204, as compared with the previous year's balance of $25,967,587. The general fund's revenues increased approximately 4.9% due to the improving local economy. The general fund reflected a 5.72% increase in operating expenditures due to an increase in appropriations and capital outlay. The funds appropriated for the Cullman City Parks and Recreation Board are reflected in "Other Financing Uses" as a transfer to the proprietary Cullman City Parks and Recreation Board.

The City's overall financial position has slightly increased due to the improving local economy.

TORNADO DAMAGE

A deadly tornado swept through six (6) southern states, including Alabama, on April 27, 2011, resulting in hundreds of deaths and inflicting billions of dollars of damage. The major impact in the City of Cullman was in the historical district in the downtown area of the City. Out of a total of 9,345 homes in the City, an estimated 110 were destroyed and 757 were damaged. In addition, approximately 94 business locations incurred damage, primarily in the downtown area. Out of a total of 1,649 business locations in the City, 25 were destroyed, and 69 were damaged but remain operational. The larger businesses in the City suffered only mild, if any, damages.

The expenditures by the City for storm debris removal and other storm-related purposes have been made (and will continue to be made) from the City's General Fund. The City of Cullman was a presidentially declared disaster area and will be receiving Federal Emergency Management Agency (FEMA) grant funds along with funding from the State of Alabama for reimbursement of storm-related expenses.

For the year ended September 30, 2012, the City has recorded $534,224 as revenues from FEMA grant funds and had receivables of $375,667 from FEMA and $73,625 from the State of Alabama as of year end. In the year ended September 30, 2011, the City had revenues of $490,989 from FEMA grant funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the budget was revised several times:

(1) To move budgeted amounts from one line item to another to accurately reflect the category to which the expenditure was charged;

(2) During the year where increases or decreases in the cost of various items made it necessary to adjust the budget, or where the City council found it necessary or expedient to approve an expenditure which was not contemplated when the budget was adopted.

(3) Increases in appropriations to prevent budget overruns.

The expenditures for capital outlay were $860,089 in excess of budgeted amount. The budget was not amended to reflect the major projects for the street department during the year. The street department incurred costs on the following major projects during the year:

Highway 31 and West Main widening	$580,868
Parking lot at new garage building	159,993
Event lot	124,055
Grief Brothers project Phase 2 roads, parking, etc.	106,476
Industrial Park 2 Lot 8a	124,055

The expenditures for operating transfers out were $544,784 in excess of budgeted amount. The budget was not amended to reflect the additional transfers made to cover the payroll for Cullman City Parks and Recreation Board. The budget was also not amended to cover the additional transfers to the Cullman Regional Airport Board for the City's portion of cash outlays in excess of revenues.

The revenues and expenditures in the school tax fund were not increased to actual amounts. The expenditures were $302,348 in excess of the budgeted amount, and the revenues were $305,875 in excess of the budgeted amount. All the revenues in the school tax fund are distributed to the City Board of Education.

CAPITAL ASSETS

Capital Assets are reported at actual or estimated historic cost. Assets are depreciated on a straight-line basis over the estimated useful life.

Governmental Activities:

The City completed the following projects during the year ended September 30, 2012:

- ✓ Widening of 4th Street SE in the amount of $142,418
- ✓ Completion of Garage in the amount of $781,002
- ✓ Purchase of Burrows property in the amount of $1,412,321
- ✓ Additional work at Grief property in the amount of $297,009

The City awarded a contract in the amount of $70,000 to CDG Engineers & Associates for the downtown streetscape and revitalization project phase II along 5th Street from 2nd Avenue to 3rd Avenue and along 3rd Avenue from 5th Street to 4th Street. As of September 30, 2012, the City had incurred $43,060 on the project.

In September 2011, the US Environmental Protection Agency awarded the City a grant in the amount of $200,000 for cleanup of hazardous substances at the Greif property site. The grant is for the project period October 1, 2011 through September 30, 2014. The City is to provide a match of $42,630. As of September 30, 2012, the City had incurred $6,478 in expenditures on the grant.

In August 2012, the City awarded a bid in the amount of $26,990 to Mitch Smith Chevrolet for a 2012 Police Sedan. The vehicle was not received prior to year end, but will be received in the next fiscal year.

GREIF BROTHERS PROPERTY – BROWNFIELD REMEDIATION

During the fiscal year 2009, the City purchased the Greif Brothers property. The property was designated approximately two years ago as a pollution remediation site when the site was accepted in the Alabama Department of Environmental Management Voluntary Cleanup and Assessment Program. The City became a responsible party at the time the property was purchased. The property is a Brownfield Remediation site as recognized by the Alabama Department of Environmental Management and the U.S. Environmental Protection Agency. The City estimates the cost of site assessment, the corrective measures feasibility study, and site cleanup to be approximately $640,000. An additional $400,000 may be needed for monitoring of groundwater after the site cleanup is finished and for additional work on other minor areas on the property. The liability was determined by Goodwyn Mills & Cawood, Inc. based on quotes and their knowledge of similar cleanups. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation estimated costs do not reflect any recovery of outlays because the City does not anticipate that it will be able to recover remediation costs from other parties. The City plans to redevelop the property for its own use. Therefore, the outlays expected to be necessary to place the property into its intended condition for use (including the above pollution remediation outlays) will be capitalized as incurred. The City has not accrued a pollution remediation liability as of September 30, 2012.

Business-Type Activities:

Sewer System:

A contract was awarded to St. John & Associates, Inc on September 24, 2012 in the amount of $117,000 for the Eight Mile Creek North Interceptor Sewer Study. As of September 30, 2012, the Sewer Fund had not incurred any costs on the contract.

Water System:

The Utilities Board – Water Division of the City of Cullman, Alabama's (a component unit of the City) awarded a contract to Brasfield & Gorrie LLC in the amount of $4,387,922, which includes change orders of $49,930, for the Duck River Reservoir Phase I Project. As of September 30, 2012 the Board had incurred $2,266,443 on the project, which includes retainage of $102,654.

As of September 24, 2012, a contract was awarded to Schmidt Environmental in the amount of $113,000 for an In-Reservoir Water Treatment System for the City of Cullman Water Department.

Cullman Regional Airport Board:

During the year ended September 30, 2012, the Airport completed the following capital projects: (1) Purchase of Spradlin land in the amount of $250,633, (2) Purchase of Burleson land in the amount of $191,311, and (3) Site work by the City and County in the amount of $238,497.

The Airport has entered into a contract with Goodwyn, Mills, and Cawood to provide professional services on the following projects:

(1) Construction of two 8 unit T-hangars at a cost not to exceed $45,000. As of September 30, 2012, the Airport had incurred $13,300 on the contract.
(2) Walker acquisition in the amount of $27,500. As of September 30, 2012, the Airport had incurred $14,357 on the contract, which includes retainage of $1,436.
(3) Update existing Airport layout plan in the amount of $53,835. As of September 30, 2012, the Airport had incurred $33,848 on the contract, which includes retainage of $3,385.
(4) Apron rehabilitation in the amount of $91,435. As of September 30, 2012, the Airport had incurred $39,093 on the contract, which includes retainage of $3,909.
(5) Construction of Skydive Alabama hangar in the amount of $45,000. As of September 30, 2012, the Airport had incurred $43,205 on the contract.
(6) Runway extension in the amount of $60,000. As of September 30, 2012, the Airport had incurred $26,225 on the contract.

The Airport has entered into a contract with Northwest Bama Builders in the amount of $598,871 for the construction of two eight-unit T-hangars. As of September 30, 2012, the Airport had incurred $392,904 on the contract, which includes retainage of $14,972.

As of September 6, 2012, the Airport received a grant from the State of Alabama Department of Transportation for the rehabilitation of the apron and taxiway in the amount of $764,482. The Federal Aviation Administration supplies 90 percent of the funds, the State Airport Development Fund supplies 5 percent of the funds and the Airport will supply the remaining 5 percent of funds. As of September 30, 2012, the Airport had incurred $35,184 in costs related to the grant.

Cullman City Parks and Recreation Board:

There were not any significant additions or removals in capital assets during the current year.

For additional information regarding capital assets or commitments, see the notes to the financial statements.

LONG-TERM DEBT

Governmental Activities:

The City issued a warrant on October 25, 2011 in the amount of $879,750 for the purchase of the Burrows property. Otherwise, payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

Business Type Activities:

Sewer System:

Normal payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

Water System:

A. Utilities Board – Water Division of the City of Cullman, Alabama

Normal payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

B. Water Fund

On February 13, 2012, the Water Fund issued a $1,715,000 General Obligation Warrant (Series 2012-DWSRF-BL) with an interest rate of 2.50 percent to refund $1,715,000 of outstanding Series 2002-SRF warrant with an interest rate of 3.50 percent. The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $51,975. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the straight-line method.

The Water Fund completed the refunding to reduce its total debt service payments over the next nine and half years by $100,275 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $ 91,593.

On April 13, 2012, the Water Fund issued a $2,305,000 General Obligation Refunding Warrant (Series 2012) with an interest rate of 2.46% to refund $2,305,000 of outstanding Series 2001 Water Revenue warrant with interest rates ranging from 4.50 to 5.00 percent. The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $135,346. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight-line method. The Water Fund completed the refunding to reduce its total debt service payments over the next nine years by $212,143 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $189,059.

Cullman Regional Airport Board:

Normal payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

Cullman City Parks & Recreation Board:

The Board financed the purchase of 15 golf carts with a capital lease in the amount of $46,498 through De Lage Landen Public Finance, LLC. The only other long-term debt transactions were the required debt service payments.

For additional information regarding long-term debt, see the notes to the financial statements.

CURRENT EVENTS

Governmental Activities:

Amendment 666 Bond Commission awarded the City a grant of up to $1 million for Industrial Park Development and sewer system improvements necessary to support recruiting of industrial prospects. The grant can be used for the design and construction of roads and necessary related infrastructure. As of September 30, 2010, $628,612 had been expended and requested. No funds were requested in 2011or 2012. The grant does not require a match. The grant completion date was extended to December 1, 2013.

As of October 2012, the City received a grant award in the amount of $400,221 from the Federal Emergency Management Agency (FEMA) for a community safe room. The total estimated cost of the project is $533,628 and the City is to provide a match of $133,407.

As of January 2013, the City entered into a construction agreement with the State of Alabama through the Alabama Department of Transportation for improvements to Trade Drive to benefit Rehau, Incorporated. The total estimated cost of the project is $148,000. The State is to provide up to $148,000 for the project and the City is responsible for all costs in excess of $148,000.

As of December 2012, the City received a grant award in the amount of $197,951 from the Federal Emergency Management Agency (FEMA) for generators. The total estimated cost of the project is $263,935 and the City is to provide a match of $65,984.

As of December 2012, the City awarded a bid in the amount of $34,650 to Mitch Smith Chevrolet for a 4-wheel drive SUV for the Police Department. The City also awarded a bid in the amount of $28,275 to Mitch Smith Chevrolet for a 2-wheel drive SUV for the Police Department.

As of January, 2013 the City entered into a Memorandum of Understanding with the Bass Fishing Hall of Fame, Inc to provide utilities, highway access, and other improvements for the project site. At this time, the total costs of this project are unknown.

As of March 2013, the City entered into an agreement with the Cullman Area Chamber of Commerce, City of Good Hope and the Cullman County Commission to share in the costs for an interchange on Interstate 65 at County Road 222. The parties have agreed to jointly fund the project up to $2,000,000, which will be financed in a loan over ten years. The Cullman Area Chamber of Commerce pledges, assigns, and obligates for a period of ten years an amount equal to 70 percent of the receipts from the lodging tax collected. The remaining parties will equally split the remaining cost.

Business-Type Activities:

Sewer System:

There are no current events.

Water System:

A. Utilities Board – Water Division of the City of Cullman, Alabama

As of November 2012, the Board paid the Alabama Department of Conservation and Natural Resources (ADCNR) $437,000 for an in lieu fee agreement with the ADCNR Stream Restoration Trust Fund to mitigate for stream impacts. This fee and agreement were required by the permit for the Duck River Reservoir project.

B. Water Fund

There are no current events.

Cullman Regional Airport Board:

As of October 22, 2012, the Airport awarded a contract to Reidco General Contracting Co., Inc in the amount of $598,975 for the construction of a skydiver hangar. As of September 30, 2012, the Airport had not incurred any costs on the contract.

As of October 22, 2012, the Airport received a General Obligation Taxable Warrant in the amount of $1,500,000, at a rate of 2.99 percent for land acquisition, construction of hangars, and other capital improvements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability and stewardship of the money it receives. Separate audited financial statements for the Sewer Fund, Water Fund, Cullman Regional Airport Board, and Cullman City Parks & Recreation Board are available upon request. If you have questions about this report or need additional financial information, contact the Interim City Clerk Wesley M. Moore at 204 Second Avenue NE, Cullman, AL 35055. Telephone: (256) 775-7109 or Fax (256) 775-7132. E-mail Address - wmoore@cullmancity.org.

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash equivalents	$ 17,184,272	$ 9,403,148	$ 26,587,420
Certificates of deposit	8,884,879	4,404,000	13,288,879
Interest receivable	9,574	2,347	11,921
Accounts receivable (net)	578,974	773,521	1,352,495
Assessments receivable (net)	105,000	-	105,000
Interfund balances	16,166,686	(16,166,686)	-
Due from other governmental units:			
Cullman Power Board	248,853	735,422	984,275
Other	8,009,573	1,059,250	9,068,823
Inventories	66,264	332,449	398,713
Prepaid insurance	296,619	108,671	405,290
Prepaid employment taxes	6,311	-	6,311
Prepaid utility tax	-	18,875	18,875
TOTAL CURRENT ASSETS	$ 51,557,005	$ 670,997	$ 52,228,002
Restricted assets:			
Cash equivalents	$ 808,556	$ 41,451,406	$ 42,259,962
OPEB funds held by the Cullman Power Board	-	11,760	11,760
State revolving funds receivable	50,471	141,735	192,206
Advances to other governments	2,810,050	-	2,810,050
TOTAL RESTRICTED ASSETS	$ 3,669,077	$ 41,604,901	$ 45,273,978
Capital assets:			
Land and other assets not being depreciated	$ 12,354,714	$ 25,657,758	$ 38,012,472
Buildings, improvements, and equipment, net of depreciation	41,296,375	101,200,563	142,496,938
TOTAL CAPITAL ASSETS	$ 53,651,089	$126,858,321	$180,509,410
Other assets:			
Deferred debt expense	$ 84,037	$ 2,103,715	$ 2,187,752
Deposits	-	910	910
Insurance deposit	113,307	-	113,307
Assessments receivable - noncurrent	444,066	473,875	917,941
TOTAL OTHER ASSETS	$ 641,410	$ 2,578,500	$ 3,219,910
TOTAL ASSETS	$109,518,581	$171,712,719	$281,231,300

(Continued)

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET ASSETS - CONTINUED
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES AND NET ASSETS			
Current liabilites:			
Accounts payable	$ 1,883,776	$ 900,799	$ 2,784,575
Utility tax payable	-	24,696	24,696
Accrued interest payable	22,635	168,450	191,085
Due to other governmental units:			
Cullman Power Board	-	14,159	14,159
Other	76,342	37,698	114,040
Accrued payroll	127,948	60,228	188,176
Current maturities on long-term debt	354,465	69,756	424,221
Estimated compensated absences - current portion	470,543	117,161	587,704
TOTAL CURRENT LIABILITIES	$ 2,935,709	$ 1,392,947	$ 4,328,656
Liabilities payable from restricted assets:			
Accounts payable - contractor	$ -	$ 692,195	$ 692,195
Accrued interest payable	62,542	357,731	420,273
Police evidence	34,916	-	34,916
Other postemployment benefits	-	5,272	5,272
Current maturities on long-term debt	1,210,000	2,665,000	3,875,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	$ 1,307,458	$ 3,720,198	$ 5,027,656
Long-term liabilities:			
Warrants/bonds payable	$ 23,053,995	$ 88,217,679	$111,271,674
Capital leases payable	-	58,964	58,964
Estimated compensated absences	716,273	550,722	1,266,995
TOTAL LONG-TERM LIABILITIES	$ 23,770,268	$ 88,827,365	$112,597,633
Other liabilities:			
Deferred debt premium	$ 2,030	$ 174,553	$ 176,583
Deferred revenue	4,210,784	210,191	4,420,975
TOTAL OTHER LIABILITIES	$ 4,212,814	$ 384,744	$ 4,597,558
TOTAL LIABILITIES	$ 32,226,249	$ 94,325,254	$126,551,503
Net assets:			
Invested in capital assets, net of related liabilities	$ 46,433,027	$ 61,028,312	$107,461,339
Restricted for:			
Debt service and capital activity	2,622,977	3,387,992	6,010,969
Highways and streets	492,343	-	492,343
Parks and recreation/tournaments	86,307	19,876	106,183
Drug Abuse Resistance Education (DARE)	69,379	-	69,379
Jail/Correction facilities/Court complex	280,548	-	280,548
Nonspendable - Endowment	100,908	-	100,908
Others	194,571	-	194,571
Unrestricted	27,012,272	12,951,285	39,963,557
TOTAL NET ASSETS	$ 77,292,332	$ 77,387,465	$154,679,797
TOTAL LIABILITIES AND NET ASSETS	$109,518,581	$171,712,719	$281,231,300

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF
STATEMENT OF
Year ended

Functions/Programs:	Expenses
Primary government:	
Governmental activities:	
General government:	
Administrative	$ 3,344,716
Building and housing	403,419
Garage	289,906
Public safety:	
Police	4,758,879
Fire	3,343,162
Traffic maintenance	251,101
Dispatch and miscellaneous	510,014
Highways and streets	3,187,155
Sanitation	3,921,879
Health and social services	436,761
Culture and recreation	326,877
Education	5,797,124
Conservation	88,734
Interest on long-term debt	390,585
TOTAL GOVERNMENTAL ACTIVITIES	$ 27,050,312
Business-type activities:	
Sewer	$ 5,081,346
Water	7,261,130
Parks and recreation	3,831,685
Golf course	848,881
Wellness and Aquatic Center	3,560,513
Airport	669,071
TOTAL BUSINESS-TYPE ACTIVITIES	$ 21,252,626
TOTAL PRIMARY GOVERNMENT	$ 48,302,938

(Continued)

CULLMAN, ALABAMA
ACTIVITIES
September 30, 2012

Program Revenues			
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
$ 2,534,867	$ 511,759	$ -	$ (298,090)
154,301	-	-	(249,118)
-	-	-	(289,906)
295,779	5,118	-	(4,457,982)
126	18,399	718,500	(2,606,137)
9,215	10,376	-	(231,510)
-	53,406	-	(456,608)
604,300	437,893	373,035	(1,771,927)
3,985,664	-	-	63,785
-	-	-	(436,761)
21,991	4,469	-	(300,417)
63,385	-	-	(5,733,739)
-	6,850	-	(81,884)
-	-	-	(390,585)
$ 7,669,628	$ 1,048,270	$ 1,091,535	$ (17,240,879)
$ 5,791,291	$ 20,340	$ -	$ 730,285
10,146,567	643,489	34,463	3,563,389
1,358,070	989	-	(2,472,626)
522,819	35,504	-	(290,558)
2,148,369	-	-	(1,412,144)
471,485	-	39,711	(157,875)
$ 20,438,601	$ 700,322	$ 74,174	$ (39,529)
$ 28,108,229	$ 1,748,592	$ 1,165,709	$ (17,280,408)

CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES - CONTINUED
Year ended September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)	$(17,240,879)	$ (39,529)	$ (17,280,408)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	$ 1,280,890	$ -	$ 1,280,890
Property taxes, levied for education	2,978,217	-	2,978,217
Sales taxes, levied for general purposes	13,764,872	-	13,764,872
Sales taxes, levied for education	2,572,853	-	2,572,853
Tobacco taxes	147,989	-	147,989
Lodging taxes	149,126	179,254	328,380
Rent taxes	455,950	-	455,950
Beverage/liquor taxes	897,825	-	897,825
Other taxes	180,217	-	180,217
City Board of Education for debt service payments	509,994	-	509,994
Unrestricted investment earnings	116,397	59,517	175,914
Sale of capital assets	14,597	2,631	17,228
Insurance recoveries	55,169	-	55,169
Miscellaneous	1,662,326	210,247	1,872,573
Transfers - internal activities	(3,921,400)	3,921,400	-
TOTAL GENERAL REVENUES AND TRANSFERS	$ 20,865,022	$ 4,373,049	$ 25,238,071
CHANGE IN NET ASSETS	$ 3,624,143	$ 4,333,520	$ 7,957,663
Net assets at beginning of year, as previously reported	$ 73,668,189	$ 72,337,773	$ 146,005,962
Add adjustment for the cumulative effect on prior years of retroactive application of interest capitalization policy (Note VIII)	-	716,172	716,172
Net assets at beginning of year, as adjusted	$ 73,668,189	$ 73,053,945	$ 146,722,134
Net assets - ending	$ 77,292,332	$ 77,387,465	$ 154,679,797

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	General	School Tax
ASSETS		
Cash equivalents	$ 14,789,416	$ 18,613
Certificates of deposit	8,583,971	-
Receivables (net of allowance for uncollectibles):		
Accounts	578,974	-
Assessments	549,066	-
Interest	8,672	-
Interfund receivables	20,382	-
Due from other governmental units:		
Cullman Power Board	248,853	-
Other	4,542,055	3,427,958
Inventories	66,264	-
Prepaid insurance	296,619	-
Prepaid unemployment taxes	6,311	-
Interfund receivables - long-term	487,270	-
Restricted assets:		
Cash equivalents	34,952	-
Advances to other governmental units	-	-
State revolving funds receivable	50,471	-
Interfund receivables - long-term	-	-
Insurance deposit	113,307	-
TOTAL ASSETS	$ 30,376,583	$ 3,446,571

(Continued)

ALABAMA
GOVERNMENTAL FUNDS
2012

Debt Service	Other Governmental Funds	Total Governmental Funds
$ 1,324	$ 2,374,919	$ 17,184,272
-	300,908	8,884,879
-	-	578,974
-	-	549,066
-	902	9,574
-	152,619	173,001
-	-	248,853
-	39,560	8,009,573
-	-	66,264
-	-	296,619
-	-	6,311
-	-	487,270
773,604	-	808,556
2,810,050	-	2,810,050
-	-	50,471
15,752,464	-	15,752,464
-	-	113,307
$ 19,337,442	$ 2,868,908	$ 56,029,504

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	General	School Tax
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		
Trade	$ 602,411	$ 440,846
Contractors	437,450	-
Accrued liabilities	378,750	-
Accrued payroll	127,948	-
Interfund payables	9,987	-
Due to other governmental units	76,342	-
Interfund payables - long-term	-	-
Deferred revenues	3,007,355	3,196,187
Restricted liabilities - Police evidence	34,916	-
Estimated liability for compensated absences	179,220	-
TOTAL LIABILITIES	$ 4,854,379	$ 3,637,033
Fund balances:		
Nonspendable:		
Inventory	$ 66,264	$ -
Interfund receivables - long-term	487,270	-
Prepaid expenditures and insurance deposit	416,237	-
Advances to other governmental units	-	-
Permanent fund principal	-	-
Restricted for:		
Brownsfield remediation	50,471	-
Municipal Court equipment and training	50,353	-
Fiduciary	3,236	-
Debt service	-	-
Realty improvements and Ingle Park	-	-
Highways and streets	-	-
Parks and recreation	-	-
Capital improvements	-	-
Jail/correction facilities	-	-
Drug Abuse Resistance Education (DARE)	-	-
Municipal Court	-	-
Industrial development/recreation	-	-
Committed for:		
Landfill improvements	500,074	-
Assigned:		
Realty improvements	55,820	-
Capital projects	-	-
Unassigned	23,892,479	(190,462)
TOTAL FUND BALANCES (DEFICIT)	$ 25,522,204	$ (190,462)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 30,376,583	$ 3,446,571

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
GOVERNMENTAL FUNDS - CONTINUED
2012

Debt Service	Other Governmental Funds	Total Governmental Funds
$ -	$ 24,319	$ 1,067,576
-	-	437,450
-	-	378,750
-	-	127,948
-	147,228	157,215
-	-	76,342
-	88,834	88,834
-	13,994	6,217,536
-	-	34,916
-	-	179,220
$ -	$ 274,375	$ 8,765,787
$ -	$ -	$ 66,264
15,752,464	-	16,239,734
-	-	416,237
2,810,051	-	2,810,051
-	100,908	100,908
-	-	50,471
-	-	50,353
-	-	3,236
774,927	-	774,927
-	16,248	16,248
-	478,349	478,349
-	86,307	86,307
-	311,829	311,829
-	275,359	275,359
-	69,379	69,379
-	5,189	5,189
-	106,121	106,121
-	-	500,074
-	-	55,820
-	1,172,981	1,172,981
-	(28,137)	23,673,880
$ 19,337,442	$ 2,594,533	$ 47,263,717
$ 19,337,442	$ 2,868,908	$ 56,029,504

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2012

Total fund balances - total governmental funds (page 32)		$ 47,263,717
Amounts reported for governmental activities in the statement of net assets (pages 24-25) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets	$ 72,634,690	
Accumulated depreciation	(18,983,601)	53,651,089
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		2,006,752
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. In addition, the deferred interest on refunding, the deferred issuance costs and discounts, and the deferred premium are expenditures and revenues at the fund level, but are deferred and amortized in the statement of net assets.		
Balances at September 30, 2012, were:		
General Obligation Warrants	$(24,667,694)	
Less deferred interest from refunding	49,234	
Less deferred issuance costs and discounts	84,037	
Plus deferred premium	(2,030)	
Accrued interest	(85,177)	
Compensated absences	(1,007,596)	(25,629,226)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 25)		$ 77,292,332

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CULLMAN,
STATEMENT OF REVENUES,
FUND BALANCES -
Year ended

	General	School Tax
Revenues:		
Taxes	$ 17,170,909	$ 5,554,597
Licenses and permits	2,701,399	-
Intergovernmental revenues	1,978,879	-
Charges for services	4,643,692	-
Fines and forfeits	247,619	-
Miscellaneous revenues:		
Interest revenue	$ 115,126	$ 1,278
Miscellaneous	110,758	-
TOTAL MISCELLANEOUS REVENUES	$ 225,884	$ 1,278
TOTAL REVENUES	$ 26,968,382	$ 5,555,875
Expenditures:		
Current:		
General government	$ 3,828,101	$ -
Public safety	8,230,287	-
Highways and streets	1,875,710	-
Sanitation	3,710,829	-
Health and social services	436,761	-
Culture and recreation	316,811	-
Education	167,793	5,552,348
Conservation	73,520	-
Capital outlay	4,291,633	-
Debt service:		
Principal retirement	138,659	-
Interest and fiscal charges	21,672	-
TOTAL EXPENDITURES	$ 23,091,776	$ 5,552,348
REVENUES OVER (UNDER) EXPENDITURES	$ 3,876,606	$ 3,527
Other financing sources (uses):		
Capital contributions	$ 1,135,919	$ -
Sale of assets	91,192	-
Insurance proceeds	55,169	-
Warrant issued	-	-
Operating transfers in	-	-
Operating transfers (out)	(5,604,269)	-
TOTAL OTHER FINANCING SOURCES (USES)	$ (4,321,989)	$ -
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (445,383)	$ 3,527
Fund balances (deficit) at October 1	25,967,587	(193,989)
FUND BALANCES (DEFICIT) AT SEPTEMBER 30	$ 25,522,204	$ (190,462)

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
EXPENDITURES, AND CHANGES IN
GOVERNMENTAL FUNDS
September 30, 2012

Debt Service	Other Governmental Funds	Total Governmental Funds
$ -	$ 178,315	$ 22,903,821
-	-	2,701,399
509,994	380,865	2,869,738
-	-	4,643,692
-	102,775	350,394
$ 568	$ 3,206	$ 120,178
-	107,441	218,199
$ 568	$ 110,647	$ 338,377
$ 510,562	$ 772,602	$ 33,807,421
$ -	$ 8,187	$ 3,836,288
-	-	8,230,287
-	492,458	2,368,168
-	-	3,710,829
-	-	436,761
-	-	316,811
-	68,785	5,788,926
-	-	73,520
-	1,524,735	5,816,368
1,243,024	197,050	1,578,733
317,815	14,950	354,437
$ 1,560,839	$ 2,306,165	$ 32,511,128
$ (1,050,277)	$ (1,533,563)	$ 1,296,293
$ -	$ -	$ 1,135,919
-	-	91,192
-	-	55,169
-	879,750	879,750
1,458,200	1,413,000	2,871,200
(1,021,231)	(167,100)	(6,792,600)
$ 436,969	$ 2,125,650	$ (1,759,370)
$ (613,308)	$ 592,087	$ (463,077)
19,950,750	2,002,446	47,726,794
$ 19,337,442	$ 2,594,533	$ 47,263,717

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2012

Net change in fund balances - total governmental funds (page 35)		$ (463,077)
Amounts reported for governmental activities in the statement of activities (pages 26-28) 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 and reported as depreciation expense. This is the amount by which capital outlays ($5,816,368) exceeded depreciation ($1,834,217) in the current period.		3,982,151
In the statement of activities, the gain on sale of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold ($762,592) less accumulated depreciation ($685,997)		(76,595)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Revenues reported at the fund level in the current year that were earned and reported in the statement of activities for the year ended September 30, 2011	$ (2,426,369)	
Revenues deferred at the fund level that were earned and reported as revenues in the statement of activities for the current year	2,006,753	(419,616)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:		
Compensated absences	$ (49,717)	
Accrued interest on warrants at beginning of year ($75,494) less accrued interest on warrants at end of year ($85,177)	(9,683)	(59,400)

(Continued)

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - CONTINUED
For the year ended September 30, 2012

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Debt premiums, discounts and issuance costs, and defeasance costs are shown as other financing sources (uses) and expenditures in governmental funds, but are deferred and amortized over the life of the new debt in the statement of net assets. Interest is an expenditure at the fund level when legally due, but is reported on the full accrual basis in the statement of activities.

Amortizations on debt:		
Debt discount and issuance costs	$ 13,451	
Deferred loss on refunding	26,467	
Debt premium	(1,615)	
TOTAL AMORTIZATIONS ON PREVIOUSLY ISSUED DEBT	$ 38,303	
Repayments/Issued:		
Warrant issued	$ 879,750	
To bondholders	(1,578,733)	
NET REPAYMENTS/ISSUED	(698,983)	
NET ADJUSTMENT	$ (660,680)	660,680
CHANGE IN NET ASSETS OF THE GOVERNMENTAL ACTIVITIES (PAGE 28)		$ 3,624,143

The accompanying notes to the financial statements are an integral part of this statement.

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	Business-Type	
	Sewer Operation	Water System
ASSETS		
Current assets:		
Cash equivalents	$ 660,937	$ 8,048,933
Certificates of deposit	-	4,404,000
Interest receivable	-	2,347
Accounts receivable, net of allowance	201,771	490,923
Interfund receivables	50,660	5,693
Due from other governmental units:		
Cullman Power Board	420,575	314,847
Other	20,340	895,622
Inventories	30,681	229,474
Prepaid insurance	25,604	73,166
Prepaid utility tax	-	18,875
TOTAL CURRENT ASSETS	$ 1,410,568	$ 14,483,880
Restricted assets:		
Cash equivalents	$ 1,288,817	$ 40,162,589
OPEB funds held by Cullman Power Board	-	11,760
State revolving funds receivable	-	141,735
TOTAL RESTRICTED ASSETS	$ 1,288,817	$ 40,316,084
Capital assets:		
Land	$ 164,206	$ 9,118,602
Buildings	6,725,127	6,491,786
Improvements other than buildings	65,728,825	43,003,037
Machinery and equipment	1,847,876	9,178,648
Accumulated depreciation	(27,880,757)	(27,588,978)
	$ 46,585,277	$ 40,203,095
Construction in progress	201,063	13,127,703
TOTAL CAPITAL ASSETS	$ 46,786,340	$ 53,330,798
Other assets:		
Deferred debt expense	$ 839,790	$ 967,905
Deposits	-	-
Assessments receivable - noncurrent	473,875	-
TOTAL OTHER ASSETS	$ 1,313,665	$ 967,905
TOTAL ASSETS	$ 50,799,390	$ 109,098,667

(Continued)

ALABAMA
PROPRIETARY FUNDS
2012

Activities		
Parks and Recreation	Airport	TOTALS
$ 675,883	$ 17,395	$ 9,403,148
-	-	4,404,000
-	-	2,347
54,694	26,133	773,521
1,401	-	57,754
-	-	735,422
84,309	58,979	1,059,250
33,569	38,725	332,449
-	9,901	108,671
-	-	18,875
$ 849,856	$ 151,133	$ 16,895,437
$ -	$ -	$ 41,451,406
-	-	11,760
-	-	141,735
$ -	$ -	$ 41,604,901
$ 1,850,368	$ 808,090	$ 11,941,266
16,766,271	1,736,192	31,719,376
11,179,160	2,454,862	122,365,884
2,407,985	216,301	13,650,810
(8,569,671)	(2,496,101)	(66,535,507)
$ 23,634,113	$ 2,719,344	$ 113,141,829
-	387,726	13,716,492
$ 23,634,113	$ 3,107,070	$ 126,858,321
$ 296,020	$ -	$ 2,103,715
910	-	910
-	-	473,875
$ 296,930	$ -	$ 2,578,500
$ 24,780,899	$ 3,258,203	$ 187,937,159

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	Business-Type	
	Sewer Operation	Water System
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 110,908	$ 532,484
Utility tax payable	-	24,696
Interfund payables	1,007	72,472
Interest payable	-	-
Due to other governmental units:		
Cullman Power Board	-	14,159
Other	36,682	1,016
Accrued payroll	11,085	18,767
Estimated compensated absences - current portion	18,633	72,956
Current maturities on long-term liabilities	-	-
TOTAL CURRENT LIABILITIES	$ 178,315	$ 736,550
Liabilities payable from restricted assets:		
Accounts payable - contractor	$ 251,701	$ 440,494
Accrued interest payable	107,628	250,103
Other postemployment benefits	-	5,272
Current maturities on long-term liabilities	1,835,000	830,000
Interfund payables	9,803	-
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	$ 2,204,132	$ 1,525,869
Deferred credits:		
Debt premium	$ -	$ 173,438
Deferred revenue - hangar rental	-	-
Deferred revenue - senior trips	-	-
Deferred revenue - memberships	-	-
TOTAL DEFERRED CREDITS	$ -	$ 173,438
Long-term liabilities:		
Warrants/bonds payable	$ 21,978,207	$ 66,055,752
Capital leases payable	-	-
Estimated compensated absences	72,833	287,643
Interfund payables	393,678	-
TOTAL LONG-TERM LIABILITIES	$ 22,444,718	$ 66,343,395
TOTAL LIABILITIES	$ 24,827,165	$ 68,779,252
Net assets (deficit):		
Invested in capital assets, net of related liabilities	$ 26,041,601	$ 23,733,786
Restricted for debt service and capital activity	(5,866)	3,393,858
Restricted for parks and recreation/tournaments	-	-
Unrestricted	(63,510)	13,191,771
TOTAL NET ASSETS	$ 25,972,225	$ 40,319,415
TOTAL LIABILITIES AND NET ASSETS	$ 50,799,390	$ 109,098,667

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
PROPRIETARY FUNDS - CONTINUED
2012

Activities		
Parks and Recreation	Airport	TOTALS
$ 76,033	$ 181,374	$ 900,799
-	-	24,696
489,700	61	563,240
168,450	-	168,450
-	-	14,159
-	-	37,698
28,864	1,512	60,228
25,572	-	117,161
59,369	10,387	69,756
$ 847,988	$ 193,334	$ 1,956,187
$ -	$ -	$ 692,195
-	-	357,731
-	-	5,272
-	-	2,665,000
-	-	9,803
$ -	$ -	$ 3,730,001
$ 1,115	$ -	$ 174,553
-	16,230	16,230
33,855	-	33,855
160,106	-	160,106
$ 195,076	$ 16,230	$ 384,744
$ 90,005	$ 93,715	$ 88,217,679
58,964	-	58,964
172,647	17,599	550,722
14,859,283	398,436	15,651,397
$ 15,180,899	$ 509,750	$ 104,478,762
$ 16,223,963	$ 719,314	$ 110,549,694
$ 8,371,697	$ 2,881,228	$ 61,028,312
-	-	3,387,992
19,876	-	19,876
165,363	(342,339)	12,951,285
$ 8,556,936	$ 2,538,889	$ 77,387,465
$ 24,780,899	$ 3,258,203	$ 187,937,159

CITY OF CULLMAN,
STATEMENT OF REVENUES,
FUND NET ASSETS -
Year ended

	Business-Type	
	Sewer Operation	Water System
Operating revenues:		
Charges for sales and services	$ 5,638,863	$ 9,979,410
Charges for service connections	80,492	93,655
Service charges	71,936	73,502
Lodging tax	-	-
Miscellaneous	61,462	80,851
TOTAL OPERATING REVENUES	$ 5,852,753	$ 10,227,418
Cost of operating revenues	$ -	$ -
Operating expenses:		
Salaries and wages	837,833	1,516,907
Nonemployee compensation	-	-
Officials and instructors	-	-
Cullman Regional Medical Center	-	-
Payroll taxes	65,952	110,528
Employees retirement	71,043	140,599
Employees insurance	123,208	273,149
Telephone	16,943	18,818
Utilities	469,441	887,038
Billing, accounting, and collection fees	58,387	141,517
Office supplies and expenses	3,212	42,308
Professional services	10,330	29,582
Engineering services	1,797	11,179
Other contracted services	1,695	28,242
Tournament fees	-	-
Testing services	7,160	9,951
Landfill fees	48,380	-
Competition expense	-	-
Senior programs	-	-
Dues and subscriptions	385	5,464
Travel, registrations, and education	937	15,023
Public relations/printing/advertising	-	-
Uniforms	7,254	11,308
Small tools and equipment	15,592	24,714
Chemicals and supplies	54,986	674,930
Repairs and maintenance - system and equipment	250,934	455,964
Equipment rental	101,281	-
Gas, fuel, and oil	134,084	70,235
Insurance	45,677	111,740
Permits and licenses	-	4,535
Miscellaneous	745	14,660
Director's fees and expenses	-	31,500
Depreciation	1,814,005	1,265,051
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	$ 4,141,261	$ 5,894,942
OPERATING INCOME (LOSS)	$ 1,711,492	$ 4,332,476

(Continued)

ALABAMA
EXPENSES, AND CHANGES IN
PROPRIETARY FUNDS
September 30, 2012

Activities		
Parks and Recreation	Airport	TOTALS
$ 4,029,258	$ 471,485	$ 20,119,016
-	-	174,147
-	-	145,438
179,254	-	179,254
67,934	-	210,247
$ 4,276,446	$ 471,485	$ 20,828,102
$ 444,070	$ 319,983	$ 764,053
2,354,463	92,324	4,801,527
12,689	-	12,689
82,406	-	82,406
340,612	-	340,612
178,287	6,888	361,655
116,714	5,407	333,763
205,293	8,286	609,936
49,399	3,905	89,065
602,039	17,333	1,975,851
-	-	199,904
144,274	860	190,654
167,190	14,371	221,473
-	-	12,976
-	12,059	41,996
9,621	-	9,621
-	-	17,111
-	-	48,380
79,436	-	79,436
105,151	-	105,151
9,093	308	15,250
59,242	524	75,726
190,615	413	191,028
-	-	18,562
21,942	3,749	65,997
311,083	2,862	1,043,861
723,716	26,629	1,457,243
-	-	101,281
72,889	1,477	278,685
134,648	13,103	305,168
-	385	4,920
4,048	8,261	27,714
-	-	31,500
1,106,525	127,007	4,312,588
$ 7,525,445	$ 666,134	$ 18,227,782
$ (3,248,999)	$ (194,649)	$ 2,600,320

CITY OF CULLMAN,
STATEMENT OF REVENUES,
FUND NET ASSETS -
Year ended

	Business-Type	
	Sewer Operation	Water System
Nonoperating revenues (expenses):		
Interest earned	$ 1,816	$ 54,340
Grants	20,340	643,489
Tornado debris removal	-	(736,187)
Disposal of assets	3,323	(809)
Interest expense	(850,293)	(578,889)
Amortization of debt expense	(89,792)	(44,744)
Paying agent/trustee fees	-	(6,368)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (914,606)	$ (669,168)
INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	$ 796,886	$ 3,663,308
Capital contributions	-	34,463
Transfers in	-	-
NET INCREASE (DECREASE) IN NET ASSETS	$ 796,886	$ 3,697,771
Net assets at beginning of year, as previously reported	$ 25,175,339	$ 35,905,472
Add adjustment for the cumulative effect on prior years of retroactive application of interest capitalization policy (Note VIII)	-	716,172
Net assets at beginning of year, as adjusted	$ 25,175,339	$ 36,621,644
NET ASSETS AT SEPTEMBER 30	$ 25,972,225	$ 40,319,415

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
EXPENSES, AND CHANGES IN
PROPRIETARY FUNDS - CONTINUED
September 30, 2012

Activities		
Parks and Recreation	Airport	TOTALS
$ 3,361	$ -	$ 59,517
36,493	-	700,322
-	-	(736,187)
-	117	2,631
(701,439)	(2,937)	(2,133,558)
(14,195)	-	(148,731)
-	-	(6,368)
$ (675,780)	$ (2,820)	$ (2,262,374)
$ (3,924,779)	$ (197,469)	$ 337,946
-	142,434	176,897
3,612,382	206,295	3,818,677
$ (312,397)	$ 151,260	$ 4,333,520
$ 8,869,333	$ 2,387,629	$ 72,337,773
-	-	716,172
$ 8,869,333	$ 2,387,629	$ 73,053,945
$ 8,556,936	$ 2,538,889	$ 77,387,465

CITY OF CULLMAN,
STATEMENT OF CASH FLOWS -
Year ended
Increase (Decrease) in

	Business-Type	
	Sewer Operation	Water System
Cash flows from operating activities:		
Cash received from customers	$ 5,715,305	$ 10,046,909
Cash received from lodging tax	-	-
Cash payments for merchandise sold	-	-
Cash payments for operating expenses	(1,364,595)	(3,291,024)
Cash payments to employees	(840,693)	(1,478,909)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 3,510,017	$ 5,276,976
Cash flows from noncapital and related financing activities:		
Interfund transfers	$ -	$ -
Grants received	-	-
Tornado debris removal	-	(736,187)
OPEB funds held by Cullman Power Board	-	(2,352)
NET CASH PROVIDED BY (USED IN) NONCAPITAL AND RELATED FINANCING ACTIVITIES	$ -	$ (738,539)
Cash flows from capital and related financing activities:		
Proceeds from capital contributions	$ -	$ 32,201
Interfund receivables/payables	(9,444)	-
Interfund transfers	-	-
Interest paid	(855,613)	(597,943)
Fiscal charges	-	(6,368)
Deferred debt discount and expense	-	(9,000)
Proceeds from long-term debt	1,644,198	4,349,254
Principal payments of long-term debt	(1,775,000)	(6,590,000)
Proceeds from disposal of assets	5,724	22
Acquisition and construction of capital assets	(2,313,687)	(11,663,278)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	$ (3,303,822)	$ (14,485,112)

(Continued)

ALABAMA
PROPRIETARY FUNDS
September 30, 2012
Cash and Cash Equivalents

Activities		
Parks and Recreation	Airport	TOTALS
$ 4,380,149	$ 487,917	$ 20,630,280
180,422	-	180,422
(440,597)	(306,328)	(746,925)
(3,701,837)	(125,446)	(8,482,902)
(2,342,107)	(92,094)	(4,753,803)
$ (1,923,970)	$ (35,951)	$ 6,827,072
$ 2,554,970	$ 76,070	$ 2,631,040
120,187	-	120,187
-	-	(736,187)
-	-	(2,352)
$ 2,675,157	$ 76,070	$ 2,012,688
$ -	$ 317,700	$ 349,901
(492,016)	252,204	(249,256)
1,057,412		1,057,412
(698,470)	(2,937)	(2,154,963)
-	-	(6,368)
-	-	(9,000)
46,498	-	6,039,950
(75,549)	(10,110)	(8,450,659)
-	416	6,162
(276,738)	(608,591)	(14,862,294)
$ (438,863)	$ (51,318)	$(18,279,115)

CITY OF CULLMAN,
STATEMENT OF CASH FLOWS -
Year ended
Increase (Decrease) in

	Business-Type	
	Sewer Operation	Water System
Cash flows from investing activities:		
Proceeds from certificates of deposit	$ -	$ 1,604,000
Interest received	1,816	50,011
Payments for purchase of certificates of deposit	-	(404,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ 1,816	$ 1,250,011
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 208,011	$ (8,696,664)
Cash and cash equivalents at beginning of year	1,741,743	56,908,186
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,949,754	$ 48,211,522

Cash and cash equivalents as of September 30, 2012 consisted of the following:

	Sewer Operation	Water System
Cash equivalents - current assets	$ 660,937	$ 8,048,933
Cash equivalents - restricted assets	1,288,817	40,162,589
TOTALS	$ 1,949,754	$ 48,211,522

The accompanying notes to the financial statements are an integral part of this statement.

ALABAMA
PROPRIETARY FUNDS - CONTINUED
September 30, 2012
Cash and Cash Equivalents

Activities		
Parks and Recreation	Airport	TOTALS
$ -	$ -	$ 1,604,000
2,406	-	54,233
-	-	(404,000)
$ 2,406	$ -	$ 1,254,233
$ 314,730	$ (11,199)	$ (8,185,122)
361,153	28,594	59,039,676
$ 675,883	$ 17,395	$ 50,854,554

Parks and Recreation	Airport	TOTALS
$ 675,883	$ 17,395	$ 9,403,148
-	-	41,451,406
$ 675,883	$ 17,395	$ 50,854,554

CITY OF CULLMAN,
SCHEDULE OF CASH FLOWS FROM
Year ended
Increase (Decrease) in

	Business-Type	
	Sewer Operation	Water System
Cash flows from operating activities:		
Operating income (loss)	$ 1,711,492	$ 4,332,476
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,814,005	1,265,051
Accounts receivable	(107,675)	(146,774)
Interfund receivables	65,372	(159,006)
Due from other governments	(29,772)	(30,873)
Assessments receivable	163	-
Inventories	404	29,096
Prepaid senior trips	-	-
Prepaid insurance	(3,720)	(8,491)
Prepaid utility tax	-	(6,875)
Accounts payable	68,012	(41,657)
Utility tax payable	-	(3,362)
Interfund payables	(7,286)	14,725
Due to other governments	1,884	(2,961)
Accrued payroll	835	412
Other postemployment benefits	-	(2,372)
Compensated absences	(3,697)	37,587
Deferred revenue	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 3,510,017	$ 5,276,976

The accompanying notes to the financial statements are an integral part of this schedule.

ALABAMA
OPERATING ACTIVITIES - PROPRIETARY FUNDS
September 30, 2012
Cash and Cash Equivalents

Activities		
Parks and Recreation	Airport	TOTALS
$ (3,248,999)	$ (194,649)	$ 2,600,320
1,106,525	127,007	4,312,588
263,221	(397)	8,375
(860)	-	(94,494)
1,167	600	(58,878)
-	-	163
3,473	(236)	32,737
7,716	-	7,716
-	(181)	(12,392)
-	-	(6,875)
(31,474)	15,833	10,714
-	-	(3,362)
(57,692)	-	(50,253)
-	-	(1,077)
1,730	230	3,207
-	-	(2,372)
10,626	(388)	44,128
20,597	16,230	36,827
$ (1,923,970)	$ (35,951)	$ 6,827,072

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A. REPORTING ENTITY

The City of Cullman was incorporated under the laws of the State of Alabama in 1875 and operates under an elected Mayor-Council form of government. The accompanying financial statements present the City's primary government and its component unit, legally separate organization over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Units

Component units that are so intertwined with the City that they are, in substance, the same as the City are blended and reported as if they were part of the City. The Utilities Board of the City of Cullman – Water Division (UBWD) is governed by a five-member board appointed by the City Council. By contract, the only customer of the UBWD is the City of Cullman.

Component Units	Included in the Reporting Entity Because	Separate Financial Statements
Utilities Board of the City of Cullman – Water Division (UBWD): Gathers, collects, and impounds water and filters said water to sell to the City of Cullman, Alabama	City appoints and may remove members of the board of UBWD	Available at the City Clerk's office

The Cullman City Parks and Recreation Board was formed in November 1979 under Section 11-86-1 of the Code of Alabama 1975. The Board is an unincorporated board and can not legally incur debt. They City provides a substantial amount of the Board's funding each year through payments for payroll and debt service expenditures. Therefore, the Board is reported as part of the City's operations.

The City's 50% interest in the Airport Board, which is a joint venture with Cullman County, is also reported as part of the City's operations (see Note IX).

Excluded Entities

The following **related** organizations are **excluded** from the financial reporting entity because the City's accountability does not extend beyond making appointments:

1) The City Council appoints all or a voting majority of the members of the Utilities Board – Power Division of the City of Cullman and to the City of Cullman Industrial Development Board.
2) The Mayor appoints the members of the Cullman Housing Authority.
3) The City Council appoints directors to the City of Cullman Public Education and Governmental Access Television, Inc., a non-profit organization.
4) The City Council also appoints four members to the nine-member Cullman-Jefferson Counties Gas District.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.A. REPORTING ENTITY

Excluded Entities - Continued

5) The Park and Recreation Foundation Board (PRFB)'s members are appointed by the Cullman City Parks and Recreation Board. The PRFB solicits contributions that are for the direct benefit of the City of Cullman's Park and Recreation. However, the PRFB can also spend its resources on other agencies of state and local governments. Therefore, the City does not believe it would be misleading to exclude this board.

I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

I.B.1. Basis of Presentation

Government-wide Statements

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

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING - CONTINUED

I.B.1. Basis of Presentation - Continued

Fund Financial Statements - Continued

General Fund

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

School Tax

This fund accounts for the collections and disbursements of the 3 mill ad valorem tax, 7.5 mill ad valorem tax, and .5 percent sales tax collected for the City School System.

Debt Service

This fund accounts for the resources accumulated and payments made for the principal, interest, and other expenses on general long-term debt associated with the City's governmental activities.

The City reports the following major proprietary funds:

Sewer Operation

This fund accounts for the system maintenance and the sewage disposal service provided to its customers.

Water System

The Water System accounts for the activities of two separate units – the Utilities Board – Water Division of the City of Cullman, Alabama (Utilities Board) and the Water Department. The Utilities Board's primary activity is the gathering, collecting, or impounding of water and filtering said water to sell to the Water Department. The Water Department's primary activity is the system maintenance and distribution of water to wholesale and retail customers.

Parks and Recreation

This fund accounts for three separate activities:

1) the maintenance and operations of the Golf Course and its facilities for the general public
2) the maintenance and operations of the City's parks and facilities for the general public and the organization of other recreational activities
3) the maintenance and operations of the Cullman Wellness and Aquatic Center for the general public

Airport

This fund accounts for the construction, maintenance, and operation of the airport facilities for the general public.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING - CONTINUED

I.B.2. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Financial Statements

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

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. However, all grants earned and sanitation charges are considered to be available as of year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, claims and judgements, and compensated absences are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The financial statements of the City are presented in accordance with accounting principles generally accepted in the United States of America. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Although this Statement is effective for periods beginning after December 15, 2011, the City elected to early implement it in fiscal year ending September 30, 2012 for all governmental and business-type activities and enterprise funds.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES

I.C.1. Cash Equivalents and Certificates of Deposit

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

I.C.2. Accounts Receivable and Assessments Receivable

Accounts and assessments receivable are presented net of allowances for doubtful accounts. The allowances for doubtful accounts are presented below:

Allowance for Doubtful Accounts	General Fund	Sewer Operation	Water System	Parks and Recreation	Airport
Accounts receivable at September 30, 2012	$ 89,231	$ 24,000	$34,436	$60,071	$3,250
Assessments receivable at September 30, 2012	$126,164	$126,223	$ ---	$ ---	$ ---

I.C.3. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In addition, short-term interfund loans are made as necessary from one fund to another.

I.C.4. Interfund Receivables – Long-term

Long-term interfund loan receivables are reported as "interfund receivables – long-term" and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

I.C.5. Property Tax Calendar

Cullman County is responsible for the assessment, collection, and apportionment of property taxes for the City of Cullman. The County levies property taxes on October 1 on property values for the previous year ended September 30. Secured property tax payments are due by December 31. As prescribed by Governmental Accounting Standards Board (GASB) Statement 33, a receivable of $4,210,785 has been accrued as a receivable as of September 30, 2012, for the bills sent out October 1, 2012, because the City has an enforceable legal claim on these property taxes. However, since these resources were not available for use during the year ended September 30, 2012, an offsetting balance of $4,210,785 has also been reflected as deferred revenue in the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.6. Inventories

Inventories in governmental activities consist of expendable supplies held for consumption stated principally on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Business-type activities inventories are reported at cost on a first-in, first-out basis.

I.C.7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2012, are recorded as prepaid items. Prepaid insurance is charged to expenditures/expenses over the term of the policies. Prepaid senior trip expenses are charged to expense once the senior citizens have gone on the trips. Prepaid utility tax is offset to utility taxes payable once applied to the next month's utility tax report.

I.C.8. Restricted Assets

Certain proceeds of general long-term debt and proprietary fund warrants and bonds, as well as certain resources set aside for their repayment and other amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and contractual obligations.

I.C.9. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The works of art and historical treasures maintained in the Museum have not been capitalized. These are held for public exhibition and are properly cared for. Proceeds from disposals of works of arts and historical treasures are used to acquire additional items for the collection. Therefore, the items are not required to be capitalized under current reporting standards. The City's infrastructure consists of all major infrastructure that was acquired or that has received substantial improvement since October 1, 1980. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City's capitalization policy is to capitalize all capital assets with a cost of $5,000 or more.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	10-75
Improvements other than buildings	10-75
Infrastructure – streets	20-50
Infrastructure – bridges	50
Office equipment	5-10
Computer equipment	5
Communication equipment	3-10
Heavy equipment	10-20
Transportation equipment	3-20
Other general equipment	3-15

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.10. Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. Capitalized interest for the year ended September 30, 2012 was as follows:

Proprietary Fund/Component Unit	Amount Capitalized
Water Fund	$ 10,948
Utilities Board – Water Division	2,388,238
Sewer Fund	36,185

I.C.11. Amortization

Deferred debt expense (bond issuance costs and discounts) is amortized on the straight-line method over the life of the bonds/warrants. Deferred amount on refunding is amortized on the straight-line method over the lesser of the life of the old bonds/warrants refunded or the life of the new bonds/warrants issued. Deferred debt premium is amortized on the straight-line method over the life of the bonds/warrants.

I.C.12. Payable from Restricted Assets

Certain assets are restricted for debt service and capital improvements. Liabilities payable from restricted assets in the various fund types are as follows:

	Governmental Activities	Business-type Activities
Accounts payable - contractor	$ -	$ 692,195
Accrued interest payable	62,542	357,731
Police evidence	34,916	-
Other postemployment benefits	-	5,272
Current maturities on long-term liabilities	1,210,000	2,665,000
TOTAL	$1,307,458	$3,720,198

Of the $2,665,000 shown as current maturities on long-term debt above in the business-type activities, $2,320,000 is general obligation debt.

I.C.13. Compensated Absences

The liability for compensated absences consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using only the vested vacation and sick leave amounts available to employees on September 30, 2012. Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with the City. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees to specified maximums and a percentage of sick leave is payable upon termination in accordance with guidelines established in the City's personnel policies. If an employee does not use his sick leave during the year and would otherwise lose any accumulated time, the employee is paid one-half of the hours accumulated in excess of the maximum allowed to be carried over from year to year. The estimated liabilities include required

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.13. Compensated Absences - Continued

salary-related payments. The liability for compensated absences is paid by the general fund for all governmental funds and each proprietary fund is responsible for its own liability for compensated absences.

I.C.14 Net Assets

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

As of September 30, 2012, the City had $50,353 in net assets restricted by enabling legislation for the purpose of purchasing new Municipal Court equipment and for training of Municipal Court employees.

As of September 30, 2012, the City had $19,876 in net assets restricted by enabling legislation for the purpose of constructing parks and recreation facilities, paying principal and interest on debt issued to finance such construction, or for maintenance and operation of parks and recreational facilities in the City of Cullman.

I.C.15. Governmental Fund Balances

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Nonspendable

Nonspendable fund balances include fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted

Restricted fund balances include fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.15. Governmental Fund Balances - Continued

Committed

Committed fund balances include fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the City Council) and does not lapse at year end. The City Council is required to adopt an Ordinance in order to establish, modify, or rescind a fund balance commitment.

Assigned

Assigned fund balances include fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Mayor, Interim City Clerk, or City Treasurer.

Unassigned

Unassigned fund balances include positive fund balances within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spend first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

I.C.16. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – DEFICIT BALANCE

The $190,462 deficit of the School Tax Fund is a result of expenditures accrued in excess of resources available within the City's 30 day availability period. The deficit is expected to be covered by resources accrued, but not received within the 30 day availability period.

The $28,137 deficit of the Industrial Park Fund is a result of capital outlay and debt service expenditures in excess of resources. The deficit is expected to be covered by transfers from General Fund and through available grant resources.

III. CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

The City is allowed by State law to invest funds in obligations of the United States of America, in bonds of the State of Alabama, any Alabama county or any Alabama municipality, or in U.S. dollar denominated deposit accounts and certificates of deposit with banks or savings institutions organized under the laws of the United States or any state thereof which are fully insured or otherwise collateralized.

IV. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2012 was as follows:

		Balance at Sept. 30, 2011
Governmental activities:		
Capital assets not being depreciated:		
Land	$	9,257,487
Historical buildings		208,420
Construction in progress		933,017
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	$	10,398,924
Capital assets being depreciated:		
Buildings	$	9,189,659
Improvements other than buildings		1,258,038
Infrastructure - streets		33,699,316
Infrastructure - bridges		607,683
Machinery and equipment:		
Office equipment	$	42,070
Computer equipment		189,950
Communication equipment		269,231
Heavy equipment		1,361,997
Transportation equipment		7,591,655
Other general equipment		2,972,393
TOTAL MACHINERY AND EQUIPMENT	$	12,427,296
TOTAL CAPITAL ASSETS BEING DEPRECIATED	$	57,181,992
Less accumulated depreciation for:		
Buildings	$	1,280,677
Improvements other than buildings		261,998
Infrastructure - streets		8,175,464
Infrastructure - bridges		285,611
Machinery and equipment:		
Office equipment	$	38,281
Computer equipment		140,566
Communication equipment		124,911
Heavy equipment		815,312
Transportation equipment		4,793,334
Other general equipment		1,919,229
TOTAL MACHINERY AND EQUIPMENT	$	7,831,633
TOTAL ACCUMULATED DEPRECIATION	$	17,835,383
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	$	39,346,609
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$	49,745,533

STATEMENTS - CONTINUED

Additions	(Removals)	Balance at Sept. 30, 2012
$ 1,709,330	$ -	$ 10,966,817
-	-	208,420
2,755,641	(2,509,181)	1,179,477
$ 4,464,971	$ (2,509,181)	$ 12,354,714
$ 828,415	$ -	$ 10,018,074
290,509	-	1,548,547
382,954	-	34,082,270
-	-	607,683
$ -	$ -	$ 42,070
7,432	-	197,382
17,737	-	286,968
26,228	(12,500)	1,375,725
2,202,684	(737,792)	9,056,547
104,617	(12,300)	3,064,710
$ 2,358,698	$ (762,592)	$ 14,023,402
$ 3,860,576	$ (762,592)	$ 60,279,976
$ 172,234	$ -	$ 1,452,911
51,762	-	313,760
674,983	-	8,850,447
12,154	-	297,765
$ 1,299	$ -	$ 39,580
25,974	-	166,540
33,530	-	158,441
55,801	(12,500)	858,613
626,678	(661,199)	4,758,813
179,802	(12,300)	2,086,731
$ 923,084	$ (685,999)	$ 8,068,718
$ 1,834,217	$ (685,999)	$ 18,983,601
$ 2,026,359	$ (76,593)	$ 41,296,375
$ 6,491,330	$ (2,585,774)	$ 53,651,089

IV. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government:	
Administrative	$ 178,849
Garage	20,546
Public safety:	
Police	168,891
Fire	373,083
Traffic maintenance	35,437
Dispatch and EMA	12,551
Highways and streets	811,467
Sanitation	207,881
Culture and recreation	10,297
Conservation	15,215
TOTAL	$1,834,217

Land Conveyed to the Industrial Development Board of the City of Cullman (ID Board)

When the City declares land to be surplus for industrial development purposes, the land is conveyed to the ID Board and the ID Board is given a deed to the property. The City does not remove the land from its capital asset records and the ID Board does not reflect the land as an asset on its books. The land is not removed from the City's capital asset records until the land is sold to an industry.

At the time the City conveys the property to the ID Board, the industry has normally been selected and the sale to the industry is close to completion. The ID Board then conveys the deed to the industry and conveys the proceeds from the sale to the City. The transaction is normally complete within six months but occasionally may take longer due to the industry waiting for approval of tax abatements.

As of September 30, 2012, the City had conveyed land with a historical cost of $1,708,685, by deed, to the ID Board, but the ID Board had not completed a sale of the land to an industry.

IV. CAPITAL ASSETS - CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2012 was as follows:

	Balance at Sept. 30, 2011
Business-type activities:	
Capital assets not being depreciated:	
Land	$ 5,374,785
Construction in progress	9,697,743
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	$ 15,072,528
Capital assets being depreciated:	
Buildings	$ 25,197,701
Improvements other than buildings	109,011,481
Source of supply	2,348,739
Pumping plant	709,632
Water treatment plant	17,674,659
Transmission and distribution system	1,454,061
Machinery and equipment:	
Office equipment	$ 421,016
Computer equipment	16,141
Communication equipment	3,319
Heavy equipment	581,179
Transportation equipment	1,838,623
Other general equipment	3,219,622
TOTAL MACHINERY AND EQUIPMENT	$ 6,079,900
TOTAL CAPITAL ASSETS BEING DEPRECIATED	$ 162,476,173
Less accumulated depreciation for:	
Buildings	$ 8,404,861
Improvements other than buildings	38,349,935
Source of supply	1,668,043
Pumping plant	651,001
Water treatment plant	8,429,825
Transmission and distribution system	918,933
Machinery and equipment:	
Office equipment	$ 214,493
Computer equipment	10,360
Communication equipment	2,988
Heavy equipment	473,161
Transportation equipment	1,369,523
Other general equipment	1,775,502
TOTAL MACHINERY AND EQUIPMENT	$ 3,846,027
TOTAL ACCUMULATED DEPRECIATION	$ 62,268,625
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	$ 100,207,548
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 115,280,076

STATEMENTS - CONTINUED

Additions	(Removals)	Balance at Sept. 30, 2012
$ 6,566,481	$ -	$ 11,941,266
8,403,981	(4,385,232)	13,716,492
$ 14,970,462	$ (4,385,232)	$ 25,657,758
$ 98,339	$ -	$ 25,296,040
4,518,325	-	113,529,806
-	-	2,348,739
-	-	709,632
174,059	-	17,848,718
-	-	1,454,061
$ -	$ -	$ 421,016
-	-	16,141
-	-	3,319
-	-	581,179
91,185	(49,935)	1,879,873
427,924	-	3,647,546
$ 519,109	$ (49,935)	$ 6,549,074
$ 5,309,832	$ (49,935)	$ 167,736,070
$ 720,037	$ -	$ 9,124,898
2,704,890	-	41,054,825
39,322	-	1,707,365
10,230	-	661,231
320,983	-	8,750,808
26,173	-	945,106
$ 48,568	$ -	$ 263,061
520	-	10,880
-	-	2,988
17,001	-	490,162
101,346	(45,706)	1,425,163
323,518	-	2,099,020
$ 490,953	$ (45,706)	$ 4,291,274
$ 4,312,588	$ (45,706)	$ 66,535,507
$ 997,244	$ (4,229)	$ 101,200,563
$ 15,967,706	$ (4,389,461)	$ 126,858,321

IV. CAPITAL ASSETS - CONTINUED

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

Sewer	$1,814,005
Water System	1,265,051
Parks and Recreation	360,144
Golf Course	92,882
Wellness Center	653,499
Airport	127,007
TOTAL	$4,312,588

V. LONG-TERM DEBT

The indentures with respect to the warrants and bonds payable as detailed in the supplementary schedules of this report contain pledges of revenues and pledges of the full faith and credit of the City as is applicable to each issue.

The restricted assets presented in the financial statements are monies set aside for the payment of the debt or construction of related projects of these entities as required by the respective indentures. Annual principal maturities and debt service requirements of the long-term debt for the governmental activities during the next five years followed by five year increments to maturity are as follows:

	Governmental Activities		
Year ended September 30	Principal	Interest	Total Debt Service Requirement
2013	$ 1,564,465	$ 1,017,027	$ 2,581,492
2014	1,439,885	956,892	2,396,777
2015	888,248	914,382	1,802,630
2016	868,920	877,309	1,746,229
2017	906,395	840,463	1,746,858
2018-2022	4,464,781	3,637,592	8,102,373
2023-2027	4,250,000	2,773,819	7,023,819
2028-2032	5,230,000	1,791,306	7,021,306
2033-2036	5,055,000	564,594	5,619,594
TOTALS	$24,667,694	$13,373,384	$38,041,078

The amount of the interest for the Graham Property Warrants dated 7-1-94 is computed at 6.0% per annum for purposes of the above schedule. The interest rate is based on the New York Prime Rate as published by the Wall Street Journal on the day before (or the day after if not available) each quarterly due date. The interest is computed on a 365 or 366 day basis, as applicable, and is not to exceed 10% or go below 6% per annum.

V. LONG-TERM DEBT – CONTINUED

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

Business-Type Activities			
Year ended September 30	Principal	Interest	Total Debt Service Requirement
2013	$ 2,734,756	$ 3,724,984	$ 6,459,740
2014	3,620,393	3,648,736	7,269,129
2015	3,639,036	3,529,038	7,168,074
2016	3,743,904	3,408,642	7,152,546
2017	3,832,483	3,285,726	7,118,209
2018-2022	19,894,325	14,286,198	34,180,523
2023-2027	14,605,000	10,952,277	25,557,277
2028-2032	11,790,000	8,307,200	20,097,200
2033-2037	13,815,000	5,445,689	19,260,689
2038-2041	13,665,000	1,749,750	15,414,750
TOTALS	$91,339,897	$58,338,240	$149,678,137

Capital assets acquired through capital lease arrangements included in Business-Type Activities (Parks and Recreation) are as follows:

Included in machinery and equipment:

Cost	$298,268
Amortization expense included in depreciation expense	39,839
Accumulated amortization	131,910

On February 13, 2012, the Water Fund issued a $1,715,000 General Obligation Warrant (Series 2012-DWSRF-BL) with an interest rate of 2.50 percent to refund $1,715,000 of outstanding Series 2002-SRF warrant with an interest rate of 3.50 percent.

The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $51,975. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the straight-line method. The Water Fund completed the refunding to reduce its total debt service payments over the next nine and half years by $100,275 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $91,593.

On April 13, 2012, the Water Fund issued a $2,305,000 General Obligation Refunding Warrant (Series 2012) with an interest rate of 2.46% to refund $2,305,000 of outstanding Series 2001 Water Revenue warrant with interest rates ranging from 4.50 to 5.00 percent.

The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of $135,346. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight-line method. The Water Fund completed the refunding to reduce its total debt service payments over the next nine years by $212,143 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $189,059.

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2012 were as follows:

Description	Interest Rates	Governmental Balance at Sept. 30, 2011
G.O. Warrants:		
07-01-94 - Graham Property	Variable	$ 100,000
02-01-03 - School Refunding	3.90 - 4.00%	1,115,000
07-01-03 - Refunding Various Purpose	2.80 - 3.00%	585,000
02-17-04 - Hartwig Property	6.00%	200,000
02-01-07 - Series 2007	4.00 - 5.00%	21,210,000
05-01-08 - Brown Land	2.70%	46,660
01-26-09 - BancorpSouth Equipment Finance	3.34%	14,596
02-01-10 - Series 2010 LRSRF-DL/ARRA	2.00%	515,000
09-27-10 - Howlett Land	6.00%	189,588
09-29-10 - School Warrants	2.96%	1,370,000
10-25-11 - Burrow Property	2.95%	-
Capital Lease for Greif Property:		
07-31-07 - Greif, Inc.		20,833
		$ 25,366,677
Less deferred amount on refundings		(75,701)
TOTAL G.O. WARRANTS PAYABLE		$ 25,290,976
Other Liabilities:		
Estimated compensated absences		1,128,129
		$ 26,419,105

Less current portion

Activities			
Additions	(Removals)	Balance at Sept. 30, 2012	Due Within One Year
$ -	$ (50,000)	$ 50,000	$ 50,000
-	(360,000)	755,000	370,000
-	(190,000)	395,000	195,000
-	(100,000)	100,000	100,000
-	(485,000)	20,725,000	505,000
-	(23,024)	23,636	21,658
-	(14,596)	-	-
-	(60,000)	455,000	60,000
-	(43,230)	146,358	45,897
-	(135,000)	1,235,000	140,000
879,750	(97,050)	782,700	76,910
-	(20,833)	-	-
$ 879,750	$ (1,578,733)	$ 24,667,694	$ 1,564,465
-	26,467	(49,234)	-
$ 879,750	$ (1,552,266)	$ 24,618,460	$ 1,564,465
847,417	(788,730)	1,186,816	470,543
$ 1,727,167	$ (2,340,996)	$ 25,805,276	$ 2,035,008
		(2,035,008)	
TOTAL LONG-TERM LIABILITIES		$ 23,770,268	

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2012 were as follows:

Description	Interest Rates	Business-type Balance at Sept. 30, 2011
G.O. Sewer Warrants: (a)		
07-01-99 - 1999 SRF	3.50%	$ 4,450,000
12-22-99 - 2000 SRF	3.85%	6,745,000
02-01-02 - 2002 SRF	3.50%	1,060,000
11-10-02 - 2002 SRF	3.50%	2,975,000
01-20-04 - 2004 CWSRF-DL	3.05%	3,150,000
04-01-04 - 2004 SRF	2.85%	270,000
01-01-05 - 2005 CWSRF-DL	3.05%	3,480,000
07-18-08 - 2008 CWSRF-DL	3.50%	3,470,000
Water Revenue Bonds - 06-03-11	2.00 - 5-00%	58,485,000
Water Revenue Warrants - 12-01-01	4.30 - 5.00%	3,175,000
G.O. Water Warrant - 08-03-02 - 2002 SRF(a)	3.50%	1,715,000
G.O. Water System Warrant - 01-20-04 - 2004-DWSRF-DL	3.05%	2,150,000
G.O. Water System Warrant - 02-01-05 - 2005-DWSRF-DL	3.05%	2,025,000
G.O. Water System Warrant - 10-06-05 - 2005B-DWSRF-BL	3.25%	1,145,000
G.O. Water Warrant - 07-18-08 - 2008-DWSRF-DL	3.50%	1,065,000
G.O. Water Warrant - 02-13-12 - 2012-DWSRF-BL	2.50%	-
G.O. Water Refunding Warrant - 04-13-12 - Series 2012	2.46%	-
G.O. Warrant - (a)		
Airport T-Hangar - 09-14-11	2.60%	114,212
Park and Recreation - Lessman Property - 11-28-01	7.00%	156,451
Capital Leases for Golf Course Equipment:		
National City Commercial Capital Company, LLC - 06-06-07	7.00%	16,912
CitiCapital Commercial Corp - 04-01-08	4.671%	8,126
Ervin Leasing Company - 03-27-09	5.00%	2,496
Leaf Funding, Inc. - 04-09-09	5.00%	935
De Lage Landen Public Finance, LLC - 05-18-10	6.546%	24,945
Agricredit Acceptance LLC - 05-27-11	7.400%	39,981
De Lage Landen Public Finance, LLC - 05-01-12	3.630%	-
		$ 95,724,058
Less deferred amount on refundings		(210,472)
TOTAL G.O. WARRANTS/BONDS PAYABLE		$ 95,513,586
Other Liabilities:		
Interfund payables		16,454,254
Estimated compensated absences		623,755
		$ 112,591,595
Less current portion		

STATEMENTS - CONTINUED

Activities			
Additions	(Removals)	Balance at Sept. 30, 2012	Due Within One Year
$ -	$ (380,000)	$ 4,070,000	$ 390,000
-	(565,000)	6,180,000	585,000
-	(90,000)	970,000	95,000
-	(185,000)	2,790,000	190,000
-	(170,000)	2,980,000	175,000
-	(85,000)	185,000	90,000
-	(170,000)	3,310,000	175,000
-	(130,000)	3,340,000	135,000
-	(325,000)	58,160,000	345,000
-	(3,175,000)	-	-
-	(1,715,000)	-	-
-	(125,000)	2,025,000	130,000
-	(110,000)	1,915,000	110,000
-	(60,000)	1,085,000	60,000
-	(45,000)	1,020,000	50,000
1,715,000	(130,000)	1,585,000	135,000
2,305,000	(905,000)	1,400,000	-
-	(10,110)	104,102	10,387
-	(26,053)	130,398	27,936
-	(16,912)	-	-
-	(8,126)	-	-
-	(2,496)	-	-
-	(935)	-	-
-	(8,374)	16,571	9,726
-	(9,030)	30,951	10,573
46,498	(3,623)	42,875	11,134
$ 4,066,498	$ (8,450,659)	$ 91,339,897	$ 2,734,756
(187,322)	69,296	(328,498)	-
$ 3,879,176	$ (8,381,363)	$ 91,011,399	$ 2,734,756
575,435	(878,789)	16,150,900	499,503
345,602	(301,474)	667,883	117,161
$ 4,800,213	$ (9,561,626)	$ 107,830,182	$ 3,351,420

	(3,351,420)
TOTAL LONG-TERM LIABILITIES	$ 104,478,762

V. LONG-TERM DEBT – CONTINUED

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

VI. INTERFUND BALANCES AND ACTIVITY

VI.A. Interfund Receivables/Payables – Short-term

Interfund receivables/payables – short-term at September 30, 2012, consist of the following:

$ 21,812	Payable to the General Fund from the Water System representing sanitation labor and equipment usage for the Eight Mile Creek and Buck Creek project
50,660	Payable to the Sewer Fund from the Water Fund representing Sewer labor and equipment usage for the Eight Mile Creek and Buck Creek project
147,228	Payable to the Industrial Access Road (a nonmajor governmental fund) from the Industrial Park Fund (a nonmajor governmental fund) for state grant funds received for capital project expenditures
11,055	Other balances
$230,755	

The following is a summary of interfund receivables – short-term reported in the financial statements:

$173,001	Interfund receivables, Balance Sheet – Governmental Funds
57,754	Interfund receivables, Balance Sheet – Proprietary Funds
$230,755	

The following is a summary of interfund payables – short-term reported in the financial statements:

$ 157,215	Interfund payables, Balance Sheet – Governmental Funds
(499,503)	Short-term portion of long-term interfund balance that is long-term in governmental funds at fund level due to not being received within 30 day availability period
9,803	Restricted interfund payables, Balance Sheet – Proprietary Funds
563,240	Interfund payables, Balance Sheet – Proprietary Funds
$230,755	

VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

VI.B. Interfund Receivables/Payables – Long-term

Interfund receivables/payables – long-term at September 30, 2012, consist of the following:

$ 398,436	Payable to the General Fund from the Airport representing expenditures paid by the General Fund in excess of the City of Cullman's 50 percent ownership in the Airport
88,834	Payable to the General Fund from the Industrial Access Road Fund (a nonmajor capital project fund) to cover expenditures for capital projects
403,481	Payable to the Debt Service Fund from the Sewer Fund representing the Sewer's portion of general obligation warrants
15,057,000	Payable to the Debt Service Fund from the Parks and Recreation Board representing the Parks and Recreation's portion of general obligation warrants
291,983	Payable to the Debt Service Fund from the Golf Course (part of Parks and Recreation) representing the Golf Course's portion of general obligation warrants
$16,239,734	

The following is a summary of interfund receivables – long-term in the fund financial statements:

$ 487,270	Interfund receivables – long-term, Balance Sheet – Governmental Funds
15,752,464	Restricted interfund receivables – long-term, Balance Sheet – Governmental Funds
$16,239,734	

The following is a summary of interfund payables – long-term in the fund financial statements:

$ 88,834	Interfund payables – long-term, Balance Sheet – Governmental Funds
499,503	Short-term portion of long-term interfund balance that is long-term in governmental funds at fund level due to not being received within 30 day availability period
15,651,397	Interfund payables – long-term, Balance Sheet – Proprietary Funds
$16,239,734	

VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

VI.C. Transfers to/from Other Funds

Transfers to/from other funds during the year ended September 30, 2012, consist of the following:

$1,291,100	From the General Fund to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
2,454,970	From the General Fund to Cullman City Parks and Recreation Board representing payments for payroll expenditures and to help supplement other fund sources
206,295	From the General Fund to the Cullman Regional Airport Board representing the City's 50 percent of cash outlay in excess of revenues in joint venture
1,413,000	From the General Fund to the capital project funds (nonmajor governmental funds) to supplement other funds for capital project expenditures
167,100	From other governmental funds to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
1,021,231	From the Debt Service Fund to Cullman City Parks and Recreation Board representing Parks and Recreation's portion of the principal and interest paid on the G.O. Warrants Series 2007
136,181	Other
$6,689,877	

The following is a summary of transfers from other funds in the financial statements:

$2,871,200	Operating transfers in – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
3,818,677	Transfers in – Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds
$6,689,877	

The following is a summary of transfers to other funds in the financial statements:

$6,792,600	Operating transfers (out) – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
(102,723)	Transfers from General Fund to the Cullman Regional Airport Board treated as contributed capital in the Cullman Regional Airport Board at fund level
$6,689,877	

VII. NET ASSETS

Net assets represent the difference between assets and liabilities. The net assets amounts were determined as follows:

	Governmental Activities	Business-Type Activities
Invested in Capital Assets, Net of Related Liabilities:		
Capital Assets	$ 53,651,089	$ 126,858,320
Less: Warrants/bonds payable	(24,667,694)	(88,395,809)
Less School Warrants not for capital assets	1,990,000	-
Less unspent proceeds from warrants	-	35,389,869
Capital leases payable	-	(90,397)
Accounts payable	(437,450)	(121,739)
Interfund payables - long-term	-	(15,027,777)
Debt premium	(2,030)	172,323
Less School Warrants' debt premium	836	-
Add: State revolving funds receivable	50,471	-
Interfund receivables - long-term	15,752,464	-
Debt discount and expense	84,037	2,103,715
Deferred loss on refunding	49,234	139,807
Less School Warrants' debt discount and expense	(11,615)	-
Less School Warrants' deferred loss on refunding	(26,315)	-
	$ 46,433,027	$ 61,028,312
Restricted for Debt Service and Capital Activity:		
Restricted cash equivalents and interest receivable	$ 808,556	$ 41,451,406
Less: Cash equivalents not restricted by an external party	-	(1,280,502)
Advances to other governments	2,810,050	-
Alabama Trust Fund capital improvements	311,829	-
Restricted state revolving funds receivable	-	141,735
Deductions:		
Less unspent proceeds from warrants	-	(35,389,869)
Liabilities payable from restricted assets	(1,307,458)	(3,730,001)
Less: Liabilities payable from cash equivalents not restricted by an external party	-	2,195,223
	$ 2,622,977	$ 3,387,992
Other restricted net assets:		
Municipal Court equipment and training	$ 50,353	$ -
Fiduciary	3,236	-
Realty improvements and Ingle Park	16,248	-
Highways and streets	492,343	-
Parks and recreation/tournaments	86,307	19,876
Drug Abuse Resistance Education (DARE)	69,379	-
Jail/Correction facilities/Court complex	280,548	-
Industrial development and recreation	106,121	-
Education	18,613	-
Endowment	100,908	-
Unrestricted	27,012,272	12,951,285
TOTAL NET ASSETS	$ 77,292,332	$ 77,387,465

VIII. CHANGE IN METHOD OF ACCOUNTING FOR CAPITALIZED INTEREST

The City has accounted for capitalized interest under Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, for the year ended September 30, 2012, whereas in all prior years capitalized interest was determined under Financial Accounting Standards Board (FASB) Statement No. 34, *Capitalization of Interest Cost.* Under FASB Statement No. 34, interest was capitalized on capital projects based on accumulated outlays for the project less interest earned. Under GASB Statement No. 62, the total interest incurred on tax-free borrowings where the proceeds are externally restricted to finance the acquisition of qualifying assets is capitalized. Any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings from the date of the borrowing until the assets are ready for their intended use are offset against the capitalized interest. The new method of accounting for capitalized interest was adopted to comply with GASB 62. The effect of the accounting change in net assets for the year ended September 30, 2012 was an increase of $2,388,238 for the Utilities Board Water Division (a part of the Water System). The change in net assets for the year ended September 30, 2011, as previously reported, was an increase of $716,172. The balances of net assets for the year ended September 30, 2012 has been adjusted for the effect of applying retroactively the new method of accounting.

IX. JOINT VENTURE

The Cullman Airport is jointly owned by the City of Cullman, Alabama, and Cullman County, Alabama. The Airport is operated by an appointed Board. Appropriations are made by the City and County to operate the Board. Included in the Proprietary Funds of the City is 50 percent of the Board's assets, liabilities, net assets, revenues, and expenses. Separately issued financial statements are available at the Clerk's office at the City of Cullman.

X. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City has outstanding General Obligation debt reported in proprietary funds which remains a contingent liability of the City as stated in Note V.

XI. RETIREMENT

XI.A. PLAN DESCRIPTION

The City 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, departments and political subdivisions of the State of Alabama.

XI. RETIREMENT - CONTINUED

XI.A. PLAN DESCRIPTION - CONTINUED

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. 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, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. 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 is provided to plan members with at least one year of service.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 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 Board authority to accept or reject various Cost-of-Living-Adjustments (COLAs) granted to retirees.

The Retirement System 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, P.O. Box 302150, Montgomery, Alabama 36130-2150.

XI.B. FUNDING POLICY

Employees are required by statute to contribute 5 percent (6 percent for police officers and firefighters) of their salary to the Employees' Retirement System. The City 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 City are established by the Employees' Retirement System based on annual actuarial valuations. The contribution rate for the year ended September 30, 2012 was 9.47 percent based on the actuarial valuation performed as of September 30, 2009.

XI.C. ANNUAL PENSION COST

For the year ended September 30, 2012, the City's annual pension contribution of $1,013,274 was equal to the required and actual contribution. The required contribution was determined using the "entry age" method. The actuarial assumptions included (1) 8 percent investment rate of return on present and future assets, and (2) projected salary increases ranging from 3.75 percent at age 20 to 7.25 percent at age 65. Both (1) and (2) include an inflation component of 3 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 an open basis. The remaining amortization period as of September 30, 2011 was 30 years.

XI. RETIREMENT - CONTINUED

XI.C. ANNUAL PENSION COST - CONTINUED

Three-year trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/09	$1,046,237	100 %	$ - 0 -
9/30/10	995,393	100	- 0 -
9/30/11	1,136,994	100	- 0 -

The Schedule of Funding Progress is contained in the required supplementary information.

XII. CONCENTRATIONS OF CREDIT RISK

The City grants unsecured credit for water, sewer, and sanitation charges to various customers who are generally located within Cullman County, Alabama. The unsecured credit amount would be an amount in excess of security deposit and the customer would be subject to discontinuance of service for nonpayment. The City sells water to wholesale customers and of these customers, Cullman County is considered a major customer.

XIII. RISK MANAGEMENT

The City is exposed to various risks such as losses related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and other people, and natural disasters. These risks are handled through the purchase of commercial insurance.

XIV. RELATED PARTIES

The City appoints the directors of the Cullman Power Board (Board). The Board handles the revenue billing and collections for the water, sewer, and sanitation departments of the City. The balance sheet item "Due from other governmental units" includes collections to be received from the Board as follows:

	Governmental Activities	Business-Type Activities
Water, sewer, and sanitation revenues	$205,026	$735,422
Taxes in lieu	43,827	- - -
TOTALS	$248,853	$735,422

XV. POSTEMPLOYMENT BENEFITS

From an accrual perspective, the cost of postemployment health insurance benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended September 30, 2009, the Utilities Board of the City of Cullman – Water Division (Board), a component unit of the City, recognizes the cost of postemployment health insurance benefits in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Board's future cash flows. Because the Board is adopting the requirements of

XV. POSTEMPLOYMENT BENEFITS - CONTINUED

GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

XV.A. PLAN DESCRIPTION

The Board currently offers any employee retiring with at least 25 years of service or having reached the age of 60 the option to maintain health insurance after they retire (including subsidized beneficial coverage) until they reach age 65. The retired employee must pay the full amount of the monthly insurance coverage, with the Board paying for any subsidization of that retiree's cost.

The Utilities Board of the City of Cullman – Power Division (Cullman Power Board) is administering the other postemployment benefits (OPEB) for the Board. No separate financial statements are issued.

The number of participants as of July 1, 2008, the effective date of the OPEB valuation, was 12 active employees and no retired employees. An actuarial valuation report was completed as of July 1, 2011 for the year ended June 30, 2012. The number of participants was 29 active employees and 6 retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

XV.B. FUNDING POLICY

Currently, the Board is expensing the health insurance benefits on a pay-as-you-go basis (when premiums and claims are due).

The Board has approved for the Utilities Board of the City of Cullman – Power Division (Cullman Power Board) to set up a restricted account to fund this liability each year. This account will be maintained for the Water and Power Divisions in total since the Cullman Power Board currently handles all of the Board's payroll and related expenses, including health insurance. As of September 30, 2012 and 2011, the Cullman Power Board is maintaining $11,760 and $9,408 in this restricted account.

The Board has decided not to establish a trust to accumulate and invest assets necessary to pay for the accumulated liability until the above restricted account increases to a value that would make the trust more economically feasible. Therefore, these financial statements assume that pay-as-you-go funding will continue as far as accumulating the Board's liability for the OPEB.

XV.C. ANNUAL OPEB AND NET OPEB OBLIGATION

The Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB Obligation.

XV. POSTEMPLOYMENT BENEFITS - CONTINUED

XV.C. ANNUAL OPEB AND NET OPEB OBLIGATION - CONTINUED

	September 30	
	2012	2011
ARC Normal Cost	$ 633	$ 606
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	3,569	3,669
Annual required contribution (ARC)	$ 4,202	$ 4,275
Interest on Net OPEB Obligation	529	-
Adjustment to ARC	(454)	-
Annual OPEB cost (expense)	$ 4,277	$ 4,275
Contributions made	(5,704)	(1,923)
Change in net OPEB Obligation	$(1,427)	$ 2,352
Adjustment of previous OPEB accruals	(945)	-
OPEB Obligation – beginning of year	7,644	5,292
OPEB Obligation – end of year	$ 5,272	$ 7,644

See the Board's separately issued financial statements for additional disclosure information.

The trend information is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
9/30/10	$2,352	0%	$5,292
9/30/11	2,352	0	7,644
9/30/12	(1,427)	0	5,272

XV.D. FUNDED STATUS AND FUNDING PROGRESS

Although the Board has established a bank account through the Cullman Power Board to begin accumulating funds (as noted under Funding Policy), the Board has elected not to establish a trust/plan under GASB Statement No. 43.

As of July 1, 2011, the most recent actuarial valuation date, the plan was -0- percent funded. The actuarial liability for benefits was $40,834 and $39,696 as of September 30, 2012 and 2011, respectively. Since the actuarial value of assets was $-0-, the unfunded actuarial accrued liability (UAAL) was $40,834 and $39,696 as of September 30, 2012 and 2011, respectively.

XV.E. ACTUARIAL METHODS AND ASSUMPTIONS

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial

XV. POSTEMPLOYMENT BENEFITS - CONTINUED

XV.E. ACTUARIAL METHODS AND ASSUMPTIONS - CONTINUED

methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculation.

The actuarial accrued liabilities were computed using the projected unit credit method. The actuarial assumptions utilized a 7.5 percent investment rate of return (net of administrative expenses). The valuation assumes an annual healthcare cost trend rate of 8 percent initially and decreasing linearly each year for 10 years to a rate of 5 percent. The unfunded actuarial accrued liability is being amortized over 30 years on a level open dollar basis. The remaining amortization period as of July 1, 2011 was 27 years.

XVI. LEASES

The Cullman Regional Airport Board (Airport) leases Corporate Hangars, T-Hangars, and Maintenance Hangars under operating leases varying from $100 to $1,200 per month. The hangar rental revenue was $71,853 for the year ended September 30, 2012.

As of August 2, 2012, the Airport purchased the Burleson property. As part of the purchase price, Mike Burleson will be provided one T-hangar and an adjacent storage space rent free for a period of fifteen years. The fair rental value of the T-hangar and storage space is $225 per month. The present value of the hangar lease, calculated at 2.99 percent, is $16,302, which was recorded as additional cost for the purchase of the Burleson property and as deferred revenue to be recognized as rental revenue over the length of the lease. Included in the calculation of minimum future rentals on noncancelable operating leases with original terms of one year or longer is $113 (City's 50 percent) per month for the length of the lease.

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

Year	Amount
2013	$27,939
2014	6,135
2015	5,260
2016	4,389
2017	4,480
2018-2022	6,750
2023-2027	6,750

Hangars under operating leases were $1,416,477 as of September 30, 2012 and were included in buildings. Accumulated depreciation on hangars under operating leases was $325,036 for the year ended September 30, 2012.

XVII. TORNADO DEBRIS REMOVAL

The Water System incurred costs of $736,187 during the year to remove debris from the Eight Mile Creek and Buck Branch Creek. The debris was caused by a tornado on April 27, 2011. The City received a grant in the amount of $643,489 for the debris removal.

XVIII. GREIF BROTHERS PROPERTY – BROWNFIELD REMEDIATION

During the year ended September 30, 2009, the City purchased the Greif Brothers property. The property was designated approximately three years ago as a pollution remediation site when the site was accepted in the Alabama Department of Environmental Management Voluntary Cleanup and Assessment Program. The City became a responsible party at the time the property was purchased. The property is a Brownfield Remediation site as recognized by the Alabama Department of Environmental Management and the U.S. Environmental Protection Agency. The City estimates the cost of site assessment, the corrective measures feasibility study, and site cleanup to be approximately $640,000. An additional $400,000 may be needed for monitoring of groundwater after the site cleanup is finished and for additional work on other minor areas on the property. The liability was determined by Goodwyn Mills & Cawood, Inc. based on quotes and their knowledge of similar cleanups. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation estimated costs do not reflect any recovery of outlays because the City does not anticipate that it will be able to recover remediation costs from other parties.

The City plans to redevelop the property for its own use. Therefore, the outlays expected to be necessary to place the property into its intended condition for use (including the above pollution remediation outlays) will be capitalized as incurred. The City has not accrued a pollution remediation liability as of September 30, 2012.

XIX. COMMITMENTS AND CONTINGENCIES

Governmental Activities

Amendment 666 Bond Commission awarded the City a grant of up to $1 million for Industrial Park Development and sewer system improvements necessary to support recruiting of industrial prospects. The grant can be used for the design and construction of roads and necessary related infrastructure. As of September 30, 2010, $628,612 had been expended and requested. No funds were requested in 2011 or 2012. The grant does not require a match. The grant completion date was extended to December 1, 2013.

The City awarded a contract in the amount of $70,000 to CDG Engineers & Associates for the downtown streetscape and revitalization project phase II along 5th Street from 2nd Avenue to 3rd Avenue and along 3rd Avenue from 5th Street to 4th Street and phase III along 4th Street from 3rd Avenue to 1st Avenue and along 1st Avenue from 4th Street to 5th Street. As of September 30, 2012, the City had incurred $43,060 on the project.

In September 2011, the U.S. Environmental Protection Agency awarded the City a grant in the amount of $200,000 for cleanup of hazardous substances at the Greif property site. The grant is for the project period October 1, 2011 through September 30, 2014. The City is to provide a match of $42,630. As of September 30, 2012, the City had incurred $6,478 in expenditures on the grant.

In August 2012, the City awarded a bid in the amount of $26,990 to Mitch Smith Chevrolet for a 2012 Police Sedan. The vehicle was not received prior to year end, but will be received in the next fiscal year.

XIX. COMMITMENTS AND CONTINGENCIES - CONTINUED

Business- Type Activities

Sewer

A contract was awarded to St. John & Associates, Inc. on September 24, 2012 in the amount of $117,000 for the Eight Mile Creek North Interceptor Sewer Study. As of September 30, 2012, the City had not incurred any costs on the contract.

Water System

The Utilities Board of the City of Cullman – Water Division (Board), a component unit of the City, awarded a contract to Brasfield & Gorrie, LLC in the amount of $4,387,922, which includes change orders of $49,930, for the Duck River Reservoir Phase I Project. As of September 30, 2012, the Board had incurred $2,266,443 on the project, which includes retainage of $102,654.

As of September 24, 2012, a contract was awarded to Schmidt Environmental in the amount of $113,000 for an In-Reservoir Water Treatment System for the City of Cullman Water Department.

Cullman Regional Airport Board

The Board has entered into contracts with Goodwyn, Mills, and Cawood to provide professional services on the following:

- ✓ Professional services related to the construction of two 8 unit T-hangars at the Cullman Regional Airport, at a cost not to exceed $45,000. As of September 30, 2012, the Board had incurred $13,300 on the contract.
- ✓ Professional services related to the acquisition of the Walker property in the amount of $27,500. As of September 30, 2012, the Board had incurred $14,357 on the contract, which includes retainage of $1,436.
- ✓ Updating the existing airport layout plan and develop a capital improvement plan at the airport in the amount of $53,835. As of September 30, 2012, the Board had incurred $33,848 on the contract, which includes retainage of $3,385.
- ✓ Professional services related to the apron rehabilitation in the amount of $91,435. As of September 30, 2012, the Board had incurred $39,093 on the contract, which includes retainage of $3,909.
- ✓ Professional services related to the construction of the Skydive Alabama hangar in the amount of $45,000. As of September 30, 2012, the Board had incurred $43,205 on the contract.
- ✓ Professional services related to the runway extension in the amount of $60,000. As of September 30, 2012, the Board had incurred $26,225 on the contract

The Board has entered into a contract with Northwest Bama Builders in the amount of $598,871 for the construction of two eight-unit T-hangars. As of September 30, 2012, the Board had incurred $392,904 on the contract, which includes retainage of $14,972.

As of September 6, 2012, the Board received a grant from the State of Alabama Department of Transportation for the rehabilitation of the apron and taxiway in the amount of $764,482. The Federal Aviation Administration supplies 90 percent of the funds, the State Airport Development Fund supplies 5 percent of the funds and the Board will supply the remaining 5 percent of funds. As of September 30, 2012, the Board had incurred $35,184 in costs related to the grant.

XX. SUBSEQUENT EVENTS

Governmental Activities

As of October 2012, the City received a grant award in the amount of $400,221 from the Federal Emergency Management Agency (FEMA) for a community safe room. The total estimated cost of the project is $533,628 and the City is to provide a match of $133,407.

As of January 2013, the City entered into a construction agreement with the State of Alabama through the Alabama Department of Transportation for improvements to Trade Drive to benefit Rehau, Incorporated. The total estimated cost of the project is $148,000. The State is to provide up to $148,000 for the project and the City is responsible for all costs in excess of $148,000.

As of December 2012, the City received a grant award in the amount of $197,951 from the Federal Emergency Management Agency (FEMA) for generators. The total estimated cost of the project is $263,935 and the City is to provide a match of $65,984.

As of December 2012, the City awarded a bid in the amount of $34,650 to Mitch Smith Chevrolet for a 4-wheel drive SUV for the police department. The City also awarded a bid in the amount of $28,275 to Mitch Smith Chevrolet for a 2-wheel drive SUV for the police department.

As of January 2013, the City entered into a Memorandum of Understanding with the Bass Fishing Hall of Fame, Inc. to provide utilities, highway access, and other improvements for the project site. At this time, the total costs of this project are unknown.

As of March 2013, the City entered into an agreement with the Cullman Area Chamber of Commerce, City of Good Hope, and Cullman County Commission to share in the costs for an interchange on Interstate 65 at County Road 222. The parties have agreed to jointly fund the project up to $2,000,000, which will be financed in a loan over ten years. The Cullman Area Chamber of Commerce pledges, assigns, and obligates for a period of ten years an amount equal to 70 percent of the receipts from the lodging tax collected. The remaining parties will equally split the remaining cost.

Business-Type Activities

Water System

As of November 2012, the Utilities Board of the City of Cullman – Water Division (Board), a component unit of the City, paid the Alabama Department of Conservation and Natural Resources (ADCNR) $437,000 for an in lieu fee agreement with the ADCNR Stream Restoration Trust Fund to mitigate for stream impacts. This fee and agreement were required by the permit for the Duck River Reservoir project.

Cullman Regional Airport Board

As of October 22, 2012, the Board received a General Obligation Taxable Warrant in the amount of $1,500,000, at a rate of 2.99 percent for land acquisitions, construction of hangars, and other capital imrovements.

As of October 22, 2012, the Board awarded a contract to Reidco General Contracting Co., Inc in the amount of $598,975 for the construction of a skydiver hangar. As of September 30, 2012, the Board had not incurred any costs on the contract.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT PLAN
For the Year Ended September 30, 2012

	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]
(2)	9/30/2006	$27,665,666	$34,082,785	$ 6,417,119	81.2%	$ 9,704,559	66.1%
	9/30/2007	29,707,906	35,492,535	5,784,629	83.7	10,029,651	57.7
	9/30/2008	30,178,559	37,069,037	6,890,478	81.4	10,467,210	65.8
	9/30/2009	30,440,354	40,116,401	9,676,047	75.9	10,783,462	89.7
(3)	9/30/2010	29,715,849	41,062,481	11,346,632	72.4	10,657,843	106.5
(3,4)	9/30/2010	29,715,849	41,176,961	11,461,112	72.2	10,657,843	107.5
(5)	9/30/2011	29,333,635	43,679,734	14,346,099	67.2	12,007,371	119.5
(4,5)	9/30/2011	29,333,635	43,789,905	14,456,270	67.0	12,007,371	120.4

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

(2) Reflects changes in actuarial assumptions.

(3) Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

(4) Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

(5) Reflects changes in actuarial assumptions.

^ Market Value of Assets as of September 30, 2011: $25,047,077

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
Year ended September 30, 2012

	Budgeted Amounts			Variance With Final Budget- Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Taxes	$ 15,105,004	$ 15,105,004	$ 17,170,909	$ 2,065,905
Licenses and permits	2,667,500	2,667,500	2,701,399	33,899
Intergovernmental revenues	1,475,000	1,475,000	1,978,879	503,879
Charges for services	3,924,100	3,924,100	4,643,692	719,592
Fines and forfeits	291,750	291,750	247,619	(44,131)
Miscellaneous revenues	300,500	300,500	225,884	(74,616)
TOTAL REVENUES	$ 23,763,854	$ 23,763,854	$ 26,968,382	$ 3,204,528
Expenditures:				
Current:				
General government	$ 3,905,903	$ 3,985,903	$ 3,828,101	$ 157,802
Public safety	8,021,359	8,201,359	8,230,287	(28,928)
Highways and streets	2,043,623	2,043,623	1,875,710	167,913
Sanitation	3,453,916	3,798,916	3,710,829	88,087
Health and social services	438,181	438,181	436,761	1,420
Culture and recreation	254,215	319,215	316,811	2,404
Education	90,000	160,000	167,793	(7,793)
Conservation	85,429	85,429	73,520	11,909
Capital outlay	2,127,544	3,431,544	4,291,633	(860,089)
Debt service	155,272	155,272	160,331	(5,059)
TOTAL EXPENDITURES	$ 20,575,442	$ 22,619,442	$ 23,091,776	$ (472,334)
REVENUES OVER EXPENDITURES	$ 3,188,412	$ 1,144,412	$ 3,876,606	$ 2,732,194
Other financing sources (uses):				
Capital contributions	$ 1,212,500	$ 1,212,500	$ 1,135,919	$ (76,581)
Sale of assets	8,500	8,500	91,192	82,692
Insurance proceeds	-	-	55,169	55,169
Operating transfers (out)	(5,004,485)	(5,059,485)	(5,604,269)	(544,784)
TOTAL OTHER FINANCING SOURCES (USES)	$ (3,783,485)	$ (3,838,485)	$ (4,321,989)	$ (483,504)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	$ (595,073)	$ (2,694,073)	$ (445,383)	$ 2,248,690
Fund balances at October 1	25,967,587	25,967,587	25,967,587	-
FUND BALANCES AT SEPTEMBER 30	$ 25,372,514	$ 23,273,514	$ 25,522,204	$ 2,248,690

The accompanying notes to the required supplementary information are an integral part of this statement.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - SCHOOL TAX FUND (A MAJOR FUND)
Year ended September 30, 2012

	Budget - Original and Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
Revenues:			
Taxes	$ 5,250,000	$ 5,554,597	$ 304,597
Miscellaneous revenues:			
Interest revenues	-	1,278	1,278
TOTAL REVENUES	$ 5,250,000	$ 5,555,875	$ 305,875
Expenditures:			
Current:			
Education	5,250,000	5,552,348	(302,348)
REVENUES (UNDER) EXPENDITURES	$ -	$ 3,527	$ 3,527
Fund (deficit) at October 1	(193,989)	(193,989)	-
FUND (DEFICIT) AT SEPTEMBER 30	$ (193,989)	$ (190,462)	$ 3,527

The accompanying notes to the required supplementary information are an integral part of this statement.

BUDGETARY DATA

Budget Policy and Practice

The City Department Managers submit annual budget requests to the City Council which adopts annual fiscal year appropriated budgets for General and Special Revenue Funds. Once approved, the City Council may amend the legally adopted budgets when unexpected modifications are required in estimated revenues and appropriations.

Budget

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by function. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made throughout the year.

Expenditures in Excess of Budget Appropriations

General Fund

The expenditures for capital outlay were $860,089 in excess of budgeted amount. The budget was not amended to reflect the major projects for the street department during the year. The street department incurred costs on the following major projects during the year:

✓ Highway 31 and West Main widening	$580,868
✓ Parking lot at new garage building	159,993
✓ Event lot	124,055
✓ Grief Brothers project Phase 2 roads, parking, etc	106,476
✓ Industrial Park 2 Lot 8a	124,055

The expenditures for operating transfers out were $544,784 in excess of budgeted amount. The budget was not amended to reflect to additional transfers made to cover the payroll for the Cullman City Parks and Recreation Board. The budget was also not amended to cover the additional transfers to the Cullman Regional Airport Board for the City's portion of cash outlays in excess of revenues.

School Tax Fund

The expenditures for the school tax fund were $302,348 in excess of the budgeted amount. All revenues collected in the school tax fund are distributed to the City Board of Education. The revenues for the school tax fund increased $305,875 during the year.

SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - GENERAL FUND
September 30, 2012

	General	Payroll	Eliminations	TOTALS
ASSETS				
Cash equivalents	$ 14,287,691	$ 501,725	$ -	$ 14,789,416
Certificates of deposit	8,583,971	-	-	8,583,971
Receivables (net of allowance for uncollectibles):				
Accounts	578,930	44	-	578,974
Assessments	549,066	-	-	549,066
Interest	8,672	-	-	8,672
Interfund receivables	20,004	378	-	20,382
Due from other governmental units:				
Cullman Power Board	248,853	-	-	248,853
Other	4,542,055	-	-	4,542,055
Inventories	66,264	-	-	66,264
Prepaid insurance	296,619	-	-	296,619
Prepaid unemployment taxes	6,311	-	-	6,311
Interfund receivables - long-term	610,519	-	(123,249)	487,270
Restricted assets:				
Cash equivalents	34,952	-	-	34,952
State revolving funds receivable	50,471	-	-	50,471
Insurance deposit	113,307	-	-	113,307
TOTAL ASSETS	$ 29,997,685	$ 502,147	$ (123,249)	$ 30,376,583

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - GENERAL FUND - CONTINUED
September 30, 2012

	General	Payroll	Eliminations	TOTALS
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable:				
Trade	$ 602,411	$ -	$ -	$ 602,411
Contractors	437,450	-	-	437,450
Accrued liabilities	-	378,750	-	378,750
Accrued payroll	127,948	-	-	127,948
Interfund payables	9,987	-	-	9,987
Due to other governmental units	76,342	-	-	76,342
Deferred revenues	3,007,355	-	-	3,007,355
Interfund payables - long-term	-	123,249	(123,249)	-
Restricted liabilities:				
Police evidence	34,916	-	-	34,916
Estimated liability for compensated absences	179,220	-	-	179,220
TOTAL LIABILITIES	$ 4,475,629	$ 501,999	$ (123,249)	$ 4,854,379
Fund balances:				
Nonspendable:				
Inventory	$ 66,264	$ -	$ -	$ 66,264
Interfund receivables - long-term	610,519	-	(123,249)	487,270
Prepaid expenditures and insurance deposit	416,237	-	-	416,237
Restricted for:				
Brownsfield remediation	50,471	-	-	50,471
Municipal Court equipment and training	50,353	-	-	50,353
Fiduciary	3,236	-	-	3,236
Committed to:				
Landfill improvements	500,074	-	-	500,074
Assigned to:				
Realty improvements	55,820	-	-	55,820
Unassigned	23,769,082	148	123,249	23,892,479
TOTAL FUND BALANCES	$ 25,522,056	$ 148	$ -	$ 25,522,204
TOTAL LIABILITIES AND FUND BALANCES	$ 29,997,685	$ 502,147	$ (123,249)	$ 30,376,583

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
Year ended September 30, 2012

	General	Payroll	Total
Revenues:			
Taxes	$ 17,170,909	$ -	$ 17,170,909
Licenses and permits	2,701,399	-	2,701,399
Intergovernmental revenues	1,978,879	-	1,978,879
Charges for services	4,643,692	-	4,643,692
Fines and forfeits	247,619	-	247,619
Miscellaneous revenues:			
Interest revenue	$ 115,126	$ -	$ 115,126
Miscellaneous	110,758	-	110,758
TOTAL MISCELLANEOUS REVENUES	$ 225,884	$ -	$ 225,884
TOTAL REVENUES	$ 26,968,382	$ -	$ 26,968,382
Expenditures:			
Current:			
General government:			
Administrative	$ 3,164,170	$ -	$ 3,164,170
Building and housing	392,038	-	392,038
Garage	271,893	-	271,893
Total General Government	$ 3,828,101	$ -	$ 3,828,101
Public safety:			
Police	$ 4,552,588	$ -	$ 4,552,588
Fire	2,964,547	-	2,964,547
Traffic maintenance	217,809	-	217,809
Dispatch and EMA	495,343	-	495,343
Total Public Safety	$ 8,230,287	$ -	$ 8,230,287
Highways and streets	1,875,710	-	1,875,710
Sanitation	3,710,829	-	3,710,829
Health and social services	436,761	-	436,761
Culture and recreation	316,811	-	316,811
Education	167,793	-	167,793
Conservation	73,520	-	73,520
TOTAL CURRENT EXPENDITURES	$ 18,639,812	$ -	$ 18,639,812

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND - CONTINUED
Year ended September 30, 2012

	General	Payroll	Total
Capital outlay:			
General government:			
Administrative	$ 390,321	$ -	$ 390,321
Garage	150,573	-	150,573
Total General Government	$ 540,894	$ -	$ 540,894
Public safety:			
Police	$ 108,798	$ -	$ 108,798
Fire	1,901,303	-	1,901,303
Traffic Maintenance	86,674	-	86,674
Total Public Safety	$ 2,096,775	$ -	$ 2,096,775
Highways and streets	$ 1,399,836	$ -	$ 1,399,836
Sanitation	246,908	-	246,908
Culture and recreation	7,220	-	7,220
TOTAL CAPITAL OUTLAY	$ 4,291,633	$ -	$ 4,291,633
Debt service:			
Principal retirement	$ 138,659	$ -	$ 138,659
Interest	21,672	-	21,672
TOTAL DEBT SERVICE	$ 160,331	$ -	$ 160,331
TOTAL EXPENDITURES	$ 23,091,776	$ -	$ 23,091,776
REVENUES OVER EXPENDITURES	$ 3,876,606	$ -	$ 3,876,606
Other financing sources (uses):			
Capital contributions	$ 1,135,919	$ -	$ 1,135,919
Sale of assets	91,192	-	91,192
Insurance proceeds	55,169	-	55,169
Operating transfers (out)	(5,604,269)	-	(5,604,269)
TOTAL OTHER FINANCING SOURCES (USES)	$ (4,321,989)	$ -	$ (4,321,989)
REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	$ (445,383)	$ -	$ (445,383)
Fund balances at October 1	25,967,439	148	25,967,587
FUND BALANCES AT SEPTEMBER 30	$ 25,522,056	$ 148	$ 25,522,204

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
ASSETS				
Cash equivalents	$ 1,100,677	$ 1,257,997	$ 16,245	$ 2,374,919
Certificates of deposit	200,000	-	100,908	300,908
Interest receivable	899	-	3	902
Interfund receivable	5,391	147,228	-	152,619
Due from other governmental units	39,560	-	-	39,560
TOTAL ASSETS	$ 1,346,527	$ 1,405,225	$ 117,156	$ 2,868,908
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable:				
Trade	$ -	$ 24,319	$ -	$ 24,319
Interfund payables	-	147,228	-	147,228
Interfund payables - long-term	-	88,834	-	88,834
Deferred revenue	13,994	-	-	13,994
TOTAL LIABILITIES	$ 13,994	$ 260,381	$ -	$ 274,375
Fund balances:				
Nonspendable:				
Permanent fund principal	$ -	$ -	$ 100,908	$ 100,908
Restricted for:				
Realty improvements and Ingle Park	-	-	16,248	16,248
Highways and streets	478,349	-	-	478,349
Parks and recreation	86,307	-	-	86,307
Capital improvements	311,829	-	-	311,829
Jail/correction facilities	275,359	-	-	275,359
Drug Abuse Resistance Education	69,379	-	-	69,379
Municipal Court	5,189	-	-	5,189
Industrial development/recreation	106,121	-	-	106,121
Assigned for:				
Capital projects	-	1,172,981	-	1,172,981
Unassigned	-	(28,137)	-	(28,137)
TOTAL FUND BALANCES	$ 1,332,533	$ 1,144,844	$ 117,156	$ 2,594,533
TOTAL LIABILITIES AND FUND BALANCES	$ 1,346,527	$ 1,405,225	$ 117,156	$ 2,868,908

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year ended September 30, 2012

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
Revenues:				
Taxes	$ 178,315	$ -	$ -	$ 178,315
Intergovernmental revenues	380,865	-	-	380,865
Fines and forfeits	102,775	-	-	102,775
Miscellaneous revenues:				
Interest revenues	$ 2,440	$ 261	$ 505	$ 3,206
Miscellaneous	-	107,441	-	107,441
TOTAL MISCELLANEOUS REVENUES	$ 2,440	$ 107,702	$ 505	$ 110,647
TOTAL REVENUES	$ 664,395	$ 107,702	$ 505	$ 772,602
Expenditures:				
Current:				
General government	$ 419	$ 7,768	$ -	$ 8,187
Highways and streets	492,458	-	-	492,458
Education	68,785	-	-	68,785
Capital outlay	-	1,524,735	-	1,524,735
Debt service:				
Principal retirement	-	197,050	-	197,050
Interest and fiscal charges	-	14,950	-	14,950
TOTAL EXPENDITURES	$ 561,662	$ 1,744,503	$ -	$ 2,306,165
REVENUES OVER (UNDER) EXPENDITURES	$ 102,733	$ (1,636,801)	$ 505	$ (1,533,563)
Other financing sources (uses):				
Warrants issued	$ -	$ 879,750	$ -	$ 879,750
Operating transfers in	-	1,413,000	-	1,413,000
Operating transfers (out)	(167,100)	-	-	(167,100)
TOTAL OTHER FINANCING SOURCES (USES)	$ (167,100)	$ 2,292,750	$ -	$ 2,125,650
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	$ (64,367)	$ 655,949	$ 505	$ 592,087
Fund balances at October 1	1,396,900	488,895	116,651	2,002,446
FUND BALANCES AT SEPTEMBER 30	$ 1,332,533	$ 1,144,844	$ 117,156	$ 2,594,533

CITY OF CULLMAN,
COMBINING BALANCE SHEET -
NONMAJOR
September 30,

	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Capital Improvement Fund
ASSETS			
Cash equivalents	$ 243,895	$ 212,922	$ 110,930
Certificates of deposit	-	-	200,000
Interest receivable	-	-	899
Interfund receivable	-	-	-
Due from other governmental units	15,591	19,935	-
TOTAL ASSETS	$ 259,486	$ 232,857	$ 311,829
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	$ 6,947	$ 7,047	$ -
Fund balances:			
Restricted for:			
Highways and streets	$ 252,539	$ 225,810	$ -
Parks and recreation	-	-	-
Capital improvements	-	-	311,829
Jail/correction facilities	-	-	-
Drug Abuse Resistance Education	-	-	-
Municipal Court	-	-	-
Industrial development/recreation	-	-	-
TOTAL FUND BALANCES	$ 252,539	$ 225,810	$ 311,829
TOTAL LIABILITIES AND FUND BALANCES	$ 259,486	$ 232,857	$ 311,829

ALABAMA
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
2012

Industrial Purpose	Lodging Tax	Corrections/ Court Fund	DARE	Court Judicial Admin Fund	TOTALS
$ 106,121	$ 86,307	$ 272,779	$ 64,566	$ 3,157	$ 1,100,677
-	-	-	-	-	200,000
-	-	-	-	-	899
-	-	2,580	779	2,032	5,391
-	-	-	4,034	-	39,560
$ 106,121	$ 86,307	$ 275,359	$ 69,379	$ 5,189	$ 1,346,527
$ -	$ -	$ -	$ -	$ -	$ 13,994
$ -	$ -	$ -	$ -	$ -	$ 478,349
-	86,307	-	-	-	86,307
-	-	-	-	-	311,829
-	-	275,359	-	-	275,359
-	-	-	69,379	-	69,379
-	-	-	-	5,189	5,189
106,121	-	-	-	-	106,121
$ 106,121	$ 86,307	$ 275,359	$ 69,379	$ 5,189	$ 1,332,533
$ 106,121	$ 86,307	$ 275,359	$ 69,379	$ 5,189	$ 1,346,527

CITY OF CULLMAN,
COMBINING SCHEDULE OF REVENUES,
FUND BALANCES -
NONMAJOR
Year ended

	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Capital Improvement Fund
Revenues:			
Taxes	$ -	$ -	$ -
Intergovernmental revenues	96,184	158,454	126,227
Fines and forfeits	-	-	-
Miscellaneous revenues:			
Interest revenue	-	1,167	1,203
TOTAL REVENUES	$ 96,184	$ 159,621	$ 127,430
Expenditures:			
Current:			
General government	$ -	$ -	$ -
Highways and streets	-	492,458	-
Education	-	-	-
TOTAL EXPENDITURES	$ -	$ 492,458	$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 96,184	$ (332,837)	$ 127,430
Other financing (uses):			
Operating transfers (out)	$ -	$ -	$ -
REVENUES OVER (UNDER) EXPENDITURES AND OTHER (USES)	$ 96,184	$ (332,837)	$ 127,430
Fund balances at October 1	156,355	558,647	184,399
FUND BALANCES AT SEPTEMBER 30	$ 252,539	$ 225,810	$ 311,829

ALABAMA
EXPENDITURES, AND CHANGES IN
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
September 30, 2012

Industrial Purpose	Lodging Tax	Corrections/ Court Fund	DARE	Court Judicial Admin Fund	TOTALS
$ 12,500	$ 165,815	$ -	$ -	$ -	$ 178,315
-	-	-	-	-	380,865
-	-	33,782	63,385	5,608	102,775
-	-	-	70	-	2,440
$ 12,500	$ 165,815	$ 33,782	$ 63,455	$ 5,608	$ 664,395
$ -	$ -	$ -	$ -	$ 419	$ 419
-	-	-	-	-	492,458
-	-	-	68,785	-	68,785
$ -	$ -	$ -	$ 68,785	$ 419	$ 561,662
$ 12,500	$ 165,815	$ 33,782	$ (5,330)	$ 5,189	$ 102,733
$ -	$ (167,100)	$ -	$ -	$ -	$ (167,100)
$ 12,500	$ (1,285)	$ 33,782	$ (5,330)	$ 5,189	$ (64,367)
93,621	87,592	241,577	74,709	-	1,396,900
$ 106,121	$ 86,307	$ 275,359	$ 69,379	$ 5,189	$ 1,332,533

CITY OF CULLMAN,
COMBINING BALANCE SHEET -
NONMAJOR
September 30,

	Industrial Park	Industrial Access Road
ASSETS		
Cash equivalents	$ 125,343	$ 10,772
Interfund receivable	-	147,228
TOTAL ASSETS	$ 125,343	$ 158,000
LIABILITIES AND FUND BALANCES (DEFICIT)		
Liabilities:		
Accounts payable:		
Trade	$ 6,252	$ -
Interfund payables	147,228	-
Interfund payables - long-term	-	88,834
TOTAL LIABILITIES	$ 153,480	$ 88,834
Fund balances (deficit):		
Assigned for:		
Capital projects	$ -	$ 69,166
Unassigned	(28,137)	-
TOTAL FUND BALANCES (DEFICIT)	$ (28,137)	$ 69,166
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 125,343	$ 158,000

ALABAMA
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
2012

Park and Recreation Construction	Transportation Enhancement	Downtown Redevelopment	Building Construction	TOTALS
$ 16,113	$ 42,968	$ 616,652	$ 446,149	$ 1,257,997
-	-	-	-	147,228
$ 16,113	$ 42,968	$ 616,652	$ 446,149	$ 1,405,225
$ -	$ -	$ 18,067	$ -	$ 24,319
-	-	-	-	147,228
-	-	-	-	88,834
$ -	$ -	$ 18,067	$ -	$ 260,381
$ 16,113	$ 42,968	$ 598,585	$ 446,149	$ 1,172,981
-	-	-	-	(28,137)
$ 16,113	$ 42,968	$ 598,585	$ 446,149	$ 1,144,844
$ 16,113	$ 42,968	$ 616,652	$ 446,149	$ 1,405,225

CITY OF CULLMAN,
COMBINING SCHEDULE OF REVENUES,
FUND BALANCES -
NONMAJOR
Year ended

	Industrial Park	Industrial Access Road
Revenues:		
Miscellaneous revenues:		
Interest revenues	$ -	$ -
Miscellaneous	100,000	-
TOTAL REVENUES	$ 100,000	$ -
Expenditures:		
Current:		
General government	$ 7,768	$ -
Capital outlay	1,423,486	-
Debt service:		
Principal retirement	197,050	-
Interest and fiscal charges	14,950	-
TOTAL EXPENDITURES	$ 1,643,254	$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (1,543,254)	$ -
Other financing sources:		
Warrants issued	$ 879,750	$ -
Operating transfers in	788,000	-
TOTAL OTHER FINANCING SOURCES	$ 1,667,750	$ -
REVENUES AND OTHER SOURCES OVER EXPENDITURES	$ 124,496	$ -
Fund balances (deficits) at October 1	(152,633)	69,166
FUND BALANCES (DEFICITS) AT SEPTEMBER 30	$ (28,137)	$ 69,166

ALABAMA
EXPENDITURES, AND CHANGES IN
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
September 30, 2012

Park and Recreation Construction	Transportation Enhancement	Downtown Redevelopment	Building Construction	TOTALS
$ 44	$ -	$ 217	$ -	261
-	-	7,441	-	107,441
$ 44	$ -	$ 7,658	$ -	$ 107,702
$ -	$ -	$ -	$ -	$ 7,768
-	-	101,249	-	1,524,735
-	-	-	-	197,050
-	-	-	-	14,950
$ -	$ -	$ 101,249	$ -	$ 1,744,503
$ 44	$ -	$ (93,591)	$ -	$ (1,636,801)
$ -	$ -	$ -	$ -	$ 879,750
-	-	275,000	350,000	1,413,000
$ -	$ -	$ 275,000	$ 350,000	$ 2,292,750
$ 44	$ -	$ 181,409	$ 350,000	$ 655,949
16,069	42,968	417,176	96,149	488,895
$ 16,113	$ 42,968	$ 598,585	$ 446,149	$ 1,144,844

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND)
September 30, 2012

	Water Department	Utilities Board Water Division	Elimination	TOTALS
ASSETS				
Current assets:				
Cash equivalents	$ 7,568,328	$ 480,605	$ -	$ 8,048,933
Certificates of deposit	4,404,000	-	-	4,404,000
Interest receivable	2,347	-	-	2,347
Accounts receivable	490,863	60	-	490,923
Interfund receivables	2,498	519,471	(516,276)	5,693
Due from other governmental units:				
Cullman Power Board	314,847	-	-	314,847
Other	893,360	2,262	-	895,622
Inventories	229,474	-	-	229,474
Prepaid insurance	36,220	36,946	-	73,166
Prepaid utility tax	18,875	-	-	18,875
TOTAL CURRENT ASSETS	$ 13,960,812	$ 1,039,344	$ (516,276)	$ 14,483,880
Restricted assets:				
Cash equivalents	$ 668,917	$ 39,493,672	$ -	$ 40,162,589
OPEB funds held by Cullman Power Board	-	11,760	-	11,760
State revolving funds receivable	141,735	-	-	141,735
TOTAL RESTRICTED ASSETS	$ 810,652	$ 39,505,432	$ -	$ 40,316,084
Capital assets:				
Land	$ 208,094	$ 8,910,508	$ -	$ 9,118,602
Buildings	68,450	6,423,336	-	6,491,786
Improvements other than buildings	34,166,959	8,836,078	-	43,003,037
Machinery and equipment	1,176,599	8,002,049	-	9,178,648
Less accumulated depreciation	(15,079,546)	(12,509,432)	-	(27,588,978)
	$ 20,540,556	$ 19,662,539	$ -	$ 40,203,095
Construction in progress	76	13,127,627	-	13,127,703
TOTAL CAPITAL ASSETS	$ 20,540,632	$ 32,790,166	$ -	$ 53,330,798
Other assets:				
Deferred debt expense	$ 62,862	$ 905,043	$ -	$ 967,905
TOTAL ASSETS	$ 35,374,958	$ 74,239,985	$ (516,276)	$ 109,098,667

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED
September 30, 2012

	Water Department	Utilities Board Water Division	Elimination	TOTALS
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 98,568	$ 433,916	$ -	$ 532,484
Utility tax payable	24,696	-	-	24,696
Interfund payables	588,748	-	(516,276)	72,472
Due to other governmental units:				
Cullman Power Board	14,159	-	-	14,159
Other	1,016	-	-	1,016
Accrued payroll	8,373	10,394	-	18,767
Estimated compensated absences - current portion	12,956	60,000	-	72,956
TOTAL CURRENT LIABILITIES	$ 748,516	$ 504,310	$ (516,276)	$ 736,550
Liabilities payable from restricted assets:				
Accounts payable - contractors	$ -	$ 440,494	$ -	$ 440,494
Accrued interest payable	28,845	221,258	-	250,103
Other postemployment benefits	-	5,272	-	5,272
Current maturities on long-term liabilities	485,000	345,000	-	830,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	$ 513,845	$ 1,012,024	$ -	$ 1,525,869
Long-term liabilities:				
Warrants/bonds payable	$ 8,368,102	$ 57,687,650	$ -	$ 66,055,752
Estimated compensated absences	35,662	251,981	-	287,643
TOTAL LONG-TERM LIABILITIES	$ 8,403,764	$ 57,939,631	$ -	$ 66,343,395
Other liabilities:				
Deferred debt premium	$ -	$ 173,438	$ -	$ 173,438
TOTAL LIABILITIES	$ 9,666,125	$ 59,629,403	$ (516,276)	$ 68,779,252
Net assets:				
Invested in capital assets, net of related liabilities	$ 12,162,920	$ 11,570,866	$ -	$ 23,733,786
Restricted for debt service and capital activity	296,807	3,097,051	-	3,393,858
Unrestricted (deficit)	13,249,106	(57,335)	-	13,191,771
TOTAL NET ASSETS	$ 25,708,833	$ 14,610,582	$ -	$ 40,319,415
TOTAL LIABILITIES AND NET ASSETS	$ 35,374,958	$ 74,239,985	$ (516,276)	$ 109,098,667

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - WATER SYSTEM (PROPRIETARY FUND)
Year ended September 30, 2012

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Operating revenues:				
Charges for sales and services	$ 9,944,716	$ 6,124,186	$ (6,124,186)	$ 9,944,716
Penalties and forfeited discounts	34,694	-	-	34,694
Charges for service connections	93,655	-	-	93,655
Service charges	73,502	-	-	73,502
Miscellaneous	80,131	720	-	80,851
TOTAL OPERATING REVENUES	$ 10,226,698	$ 6,124,906	$ (6,124,186)	$ 10,227,418
Cost of purchased water	$ 6,124,186	$ -	$ (6,124,186)	$ -
Operating expenses:				
Salaries and wages	$ 691,459	$ 825,448	$ -	$ 1,516,907
Payroll taxes	47,448	63,080	-	110,528
Employees retirement	51,513	89,086	-	140,599
Employees insurance	99,807	173,342	-	273,149
Telephone	11,981	6,837	-	18,818
Utilities	22,470	864,568	-	887,038
Billing, accounting, and collection fees	141,517	-	-	141,517
Office supplies and expenses	19,785	22,523	-	42,308
Professional services	15,798	13,784	-	29,582
Engineering services	2,922	8,257	-	11,179
Other contracted services	5,826	22,416	-	28,242
Testing services	5,670	4,281	-	9,951
Dues and subscriptions	1,440	4,024	-	5,464
Travel, registrations, and education	857	14,166	-	15,023
Uniforms	6,332	4,976	-	11,308
Small tools and equipment	16,425	8,289	-	24,714
Chemicals and supplies	2,419	672,511	-	674,930
Repairs and maintenance - system and equipment	390,276	65,688	-	455,964
Gas, fuel, and oil	55,515	14,720	-	70,235
Insurance	57,280	54,460	-	111,740
Permits and licenses	3,970	565	-	4,535
Miscellaneous	8,539	6,121	-	14,660
Director's fees and expenses	-	31,500	-	31,500
Depreciation	785,963	479,088	-	1,265,051
TOTAL COST OF PURCHASED WATER AND OPERATING EXPENSES	$ 8,569,398	$ 3,449,730	$ (6,124,186)	$ 5,894,942
OPERATING INCOME	$ 1,657,300	$ 2,675,176	$ -	$ 4,332,476

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED
Year ended September 30, 2012

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Nonoperating revenues (expenses):				
Interest earned	$ 40,620	$ 13,720	$ -	$ 54,340
Grant	643,489	-	-	643,489
Tornado debris removal	(736,187)	-	-	(736,187)
(Loss) on disposal of assets	-	(809)	-	(809)
Interest expense	(369,133)	(209,756)	-	(578,889)
Amortization of debt expense	(13,536)	(31,208)	-	(44,744)
Paying agent/trustee fees	(3,480)	(2,888)	-	(6,368)
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (438,227)	$ (230,941)	$ -	$ (669,168)
INCREASE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	$ 1,219,073	$ 2,444,235	$ -	$ 3,663,308
Capital contributions	-	34,463	-	34,463
NET INCREASE IN NET ASSETS	$ 1,219,073	$ 2,478,698	$ -	$ 3,697,771
Net assets at beginning of year, as previously reported	$ 24,489,760	$ 11,415,712	$ -	$ 35,905,472
Add adjustment for the cumulative effect on prior years of retroactive application of interest capitalization policy (Note VIII)	-	716,172	-	716,172
Net assets at beginning of year, as adjusted	$ 24,489,760	$ 12,131,884	$ -	$ 36,621,644
NET ASSETS AT SEPTEMBER 30	$ 25,708,833	$ 14,610,582	$ -	$ 40,319,415

CITY OF CULLMAN,
COMBINING SCHEDULE OF
WATER SYSTEM
Year ended
Increase (Decrease) in

	Water Department
Cash flows from operating activities:	
Cash received from customers	$ 10,049,384
Cash payments for purchased water	(5,968,042)
Cash payments for operating expenses	(1,114,506)
Cash payments to employees	(687,627)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,279,209
Cash flows from noncapital and related financing activities:	
OPEB funds held by Cullman Power Board	$ -
Tornado debris removal	(736,187)
CASH (USED IN) NONCAPITAL AND RELATED FINANCING ACTIVITIES	$ (736,187)
Cash flows from capital and related financing activities:	
Contributed capital	$ -
Proceeds from disposal of capital assets	-
Acquisition and construction of capital assets	(226,103)
Interest paid	(405,805)
Fiscal charges	(3,480)
Deferred debt discount and expense	(9,000)
Proceeds from long-term debt	4,349,254
Principal payments of long-term debt	(6,265,000)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	$ (2,560,134)
Cash flows from investing activities:	
Proceeds from certificates of deposit	$ 1,604,000
Interest received	42,272
Payments for purchase of certificates of deposit	(404,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	$ 1,242,272
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 225,160
Cash and cash equivalents at beginning of year	8,012,085
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,237,245

Cash and cash equivalents consisted of the following:

	Water Department
Cash equivalents - current assets	$ 7,568,328
Cash equivalents - restricted assets	668,917
TOTALS	$ 8,237,245

ALABAMA
CASH FLOWS -
(PROPRIETARY FUND)
September 30, 2012
Cash and Cash Equivalents

Utilities Board Water Division	Elimination	TOTALS
$ 5,965,567	$ (5,968,042)	$ 10,046,909
-	5,968,042	-
(2,176,518)	-	(3,291,024)
(791,282)	-	(1,478,909)
$ 2,997,767	$ -	$ 5,276,976
$ (2,352)	$ -	$ (2,352)
-	-	(736,187)
$ (2,352)	$ -	$ (738,539)
$ 32,201	$ -	$ 32,201
22	-	22
(11,437,175)	-	(11,663,278)
(192,138)	-	(597,943)
(2,888)	-	(6,368)
-	-	(9,000)
-	-	4,349,254
(325,000)	-	(6,590,000)
$(11,924,978)	$ -	$(14,485,112)
$ -	$ -	$ 1,604,000
7,739	-	50,011
-	-	(404,000)
$ 7,739	$ -	$ 1,250,011
$ (8,921,824)	$ -	$ (8,696,664)
48,896,101	-	56,908,186
$ 39,974,277	$ -	$ 48,211,522

Utilities Board Water Division	Elimination	TOTALS
$ 480,605	$ -	$ 8,048,933
39,493,672	-	40,162,589
$ 39,974,277	$ -	$ 48,211,522

CITY OF CULLMAN,
COMBINING SCHEDULE OF CASH FLOWS
WATER SYSTEM
Year ended
Increase (Decrease) in Cash

	Water Department
Cash flows from operating activities:	
Operating income	$ 1,657,300
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	785,963
Accounts receivable	(146,774)
Interfund receivables	333
Due from other governments	(30,873)
Inventories	29,096
Prepaid insurance	(6,324)
Prepaid utility tax	(6,875)
Accounts payable	(14,879)
Utility tax payable	(3,362)
Interfund payables	14,732
Due to other governments	(2,961)
Accrued payroll	295
Other postemployment benefits	-
Compensated absences	3,538
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,279,209

ALABAMA
FROM OPERATING ACTIVITIES -
(PROPRIETARY FUND)
September 30, 2012
and Cash Equivalents

Utilities Board Water Division	TOTALS
$ 2,675,176	$ 4,332,476
479,088	1,265,051
-	(146,774)
(159,339)	(159,006)
-	(30,873)
-	29,096
(2,167)	(8,491)
-	(6,875)
(26,778)	(41,657)
-	(3,362)
(7)	14,725
-	(2,961)
117	412
(2,372)	(2,372)
34,049	37,587
$ 2,997,767	$ 5,276,976

CITY OF
COMBINING BALANCE SHEET - PARKS
September 30,

		Parks and Recreation
ASSETS		
Current assets:		
Cash equivalents		$ 634,798
Accounts receivable		16,335
Interfund receivables		1,401
Due from other governmental units		3,009
Inventory		14,408
	TOTAL CURRENT ASSETS	$ 669,951
Capital assets:		
Land		$ 1,050,264
Buildings		3,492,255
Improvements other than buildings		7,071,551
Machinery and equipment		627,014
Less accumulated depreciation		(4,619,753)
	TOTAL CAPITAL ASSETS	$ 7,621,331
Other assets:		
Deferred debt expense		$ -
Utility deposits		275
	TOTAL OTHER ASSETS	$ 275
	TOTAL ASSETS	$ 8,291,557

NOTE: The "Parks and Recreation", "Golf Course", and "Wellness and Aquatic Center" columns are segregated amounts from one fund that is maintained by the Cullman City Parks and Recreation Board.
The "Parks and Recreation/Golf Course Payroll" column is a fund maintained by the City of Cullman's accounting department to account for payroll, debt service, and other expenditures paid by the City of Cullman for the Cullman City Parks and Recreation Board.

CULLMAN, ALABAMA
AND RECREATION (PROPRIETARY FUND)
2012

Golf Course	Wellness and Aquatic Center	Parks and Recreation/ Golf Course Payroll	Eliminations	TOTALS
$ 750	$ 1,300	$ 39,035	$ -	$ 675,883
22	38,337	-	-	54,694
-	-	21,655	(21,655)	1,401
53,440	76	27,784	-	84,309
1,077	18,084	-	-	33,569
$ 55,289	$ 57,797	$ 88,474	$ (21,655)	$ 849,856
$ 281,791	$ 518,313	$ -	$ -	$ 1,850,368
1,070,298	12,203,718	-	-	16,766,271
633,296	3,474,313	-	-	11,179,160
941,744	839,227	-	-	2,407,985
(1,700,008)	(2,249,910)	-	-	(8,569,671)
$ 1,227,121	$ 14,785,661	$ -	$ -	$ 23,634,113
$ 4,858	$ 291,162	$ -	$ -	$ 296,020
635	-	-	-	910
$ 5,493	$ 291,162	$ -	$ -	$ 296,930
$ 1,287,903	$ 15,134,620	$ 88,474	$ (21,655)	$ 24,780,899

CITY OF
COMBINING BALANCE SHEET - PARKS AND
September 30,

		Parks and Recreation
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable		$ 36,544
Interfund payables		-
Interest payable		-
Accrued payroll		-
Estimated compensated absences - current portion		12,071
Current portion of warrants payable		27,936
Current portion of capital leases payable		-
	TOTAL CURRENT LIABILITIES	$ 76,551
Deferred credits:		
Debt premium		$ -
Deferred revenue - senior trips		33,855
Deferred revenue - memberships		-
	TOTAL DEFERRED CREDITS	$ 33,855
Long-term liabilities:		
Warrants payable		$ 102,462
Deferred loss on refunding		-
Capital leases payable		-
Estimated compensated absences		83,070
Interfund payables		-
	TOTAL LONG-TERM LIABILITIES	$ 185,532
	TOTAL LIABILITIES	$ 295,938
Net assets (deficit):		
Invested in capital assets, net of related liabilities		$ 7,490,933
Restricted - Tournaments		-
Unrestricted		504,686
	TOTAL NET ASSETS (DEFICIT)	$ 7,995,619
	TOTAL LIABILITIES AND NET ASSETS	$ 8,291,557

CULLMAN, ALABAMA
RECREATION (PROPRIETARY FUND) - CONTINUED
2012

Golf Course	Wellness and Aquatic Center	Parks and Recreation/ Golf Course Payroll	Eliminations	TOTALS
$ 4,306	$ 28,183	$ 7,000	$ -	$ 76,033
122,700	388,655	-	(21,655)	489,700
4,918	163,532	-	-	168,450
-	-	28,864	-	28,864
6,099	7,402	-	-	25,572
-	-	-	-	27,936
31,433	-	-	-	31,433
$ 169,456	$ 587,772	$ 35,864	$ (21,655)	$ 847,988
$ 1,115	$ -	$ -	$ -	$ 1,115
-	-	-	-	33,855
-	160,106	-	-	160,106
$ 1,115	$ 160,106	$ -	$ -	$ 195,076
$ -	$ -	$ -	$ -	$ 102,462
(12,457)	-	-	-	(12,457)
58,964	-	-	-	58,964
40,038	49,539	-	-	172,647
169,283	14,690,000	-	-	14,859,283
$ 255,828	$ 14,739,539	$ -	$ -	$ 15,180,899
$ 426,399	$ 15,487,417	$ 35,864	$ (21,655)	$ 16,223,963
$ 860,941	$ 19,823	$ -	$ -	$ 8,371,697
-	-	19,876	-	19,876
563	(372,620)	32,734	-	165,363
$ 861,504	$ (352,797)	$ 52,610	$ -	$ 8,556,936
$ 1,287,903	$ 15,134,620	$ 88,474	$ (21,655)	$ 24,780,899

CITY OF
COMBINING SCHEDULE OF
IN FUND NET ASSETS - PARKS
Year ended

	Parks and Recreation	Golf Course
Operating revenues:		
Charges for sales and services	$ 1,358,070	$ 522,819
Lodging tax	-	-
Miscellaneous	59,308	8,592
TOTAL OPERATING REVENUES	$ 1,417,378	$ 531,411
Cost of operating revenues	$ 393,252	$ 26,964
Operating expenses:		
Salaries and wages	$ 1,016,650	$ 358,165
Nonemployee compensation	8,492	275
Officials and instructors	78,482	-
Cullman Regional Medical Center	-	-
Payroll taxes	75,553	27,961
Employees retirement	57,546	19,864
Employees insurance	107,216	29,662
Telephone	35,359	1,340
Utilities	268,086	30,716
Office supplies and expenses	73,208	11,238
Audit fees	28,608	-
Accounting services	51,000	-
Other professional fees	81,536	6,046
Tournament fees	8,230	-
Competition expense	79,436	-
Senior programs	105,151	-
Dues and subscriptions	3,220	3,047
Travel, registrations, and education	52,628	2,678
Public relations	51,939	135
Printing and advertising	118,363	4,578
Small tools and equipment	15,248	3,304
Chemicals and supplies	219,608	43,377
Repairs and maintenance - system and equipment	396,407	124,378
Gas, fuel, and oil	39,507	28,643
Insurance	92,593	5,339
Miscellaneous	-	-
Depreciation	360,144	92,882
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	$ 3,817,462	$ 820,592
OPERATING (LOSS)	$ (2,400,084)	$ (289,181)

(Continued)

CULLMAN, ALABAMA
REVENUES, EXPENSES, AND CHANGES
AND RECREATION (PROPRIETARY FUND)
September 30, 2012

Wellness and Aquatic Center	Parks and Recreation/ Golf Course Payroll	Lessman Warrants Debt Service	Eliminations	TOTALS
$ 2,148,369	$ -	$ -	$ -	$ 4,029,258
-	179,254	-	-	179,254
4	-	-	30	67,934
$ 2,148,373	$ 179,254	$ -	$ 30	$ 4,276,446
$ 23,854	$ -	$ -	$ -	$ 444,070
$ 979,648	$ 2,343,757	$ -	$ (2,343,757)	$ 2,354,463
3,922	-	-	-	12,689
3,924	-	-	-	82,406
340,612	-	-	-	340,612
74,773	174,244	-	(174,244)	178,287
39,304	116,714	-	(116,714)	116,714
68,415	205,293	-	(205,293)	205,293
12,700	-	-	-	49,399
303,237	-	-	-	602,039
59,828	-	-	-	144,274
-	-	-	-	28,608
-	-	-	-	51,000
-	-	-	-	87,582
1,391	-	-	-	9,621
-	-	-	-	79,436
-	-	-	-	105,151
2,826	-	-	-	9,093
3,936	-	-	-	59,242
381	-	-	-	52,455
15,219	-	-	-	138,160
3,390	-	-	-	21,942
48,098	-	-	-	311,083
202,931	-	-	-	723,716
4,739	-	-	-	72,889
36,716	-	-	-	134,648
-	4,048	-	-	4,048
653,499	-	-	-	1,106,525
$ 2,883,343	$ 2,844,056	$ -	$ (2,840,008)	$ 7,525,445
$ (734,970)	$ (2,664,802)	$ -	$ 2,840,038	$ (3,248,999)

CITY OF
COMBINING SCHEDULE OF
IN FUND NET ASSETS - PARKS AND
Year ended

	Parks and Recreation	Golf Course
Nonoperating revenues (expenses):		
Interest earned	$ 1,745	$ 956
Grants	989	35,504
Interest expense	(10,175)	(26,484)
Amortization of debt expense	-	(1,805)
Debt service expenditures:		
Principal retirement	-	-
Interest and fiscal charges	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	$ (7,441)	$ 8,171
(DECREASE) IN NET ASSETS BEFORE TRANSFERS	$ (2,407,525)	$ (281,010)
Transfers in:		
General Fund	$ 100,000	$ -
Debt Service Funds	36,181	139,128
Parks and Recreation/Golf Course Payroll	1,280,701	436,046
Parks and Recreation Board	1,322,895	-
Transfers out:		
Debt Service Funds	-	-
Parks and Recreation/Golf Course Payroll	(113,866)	(41,519)
Parks and Recreation Board	-	(345,659)
TOTAL TRANSFERS IN (OUT)	$ 2,625,911	$ 187,996
NET INCREASE (DECREASE) IN NET ASSETS	$ 218,386	$ (93,014)
Net assets (deficit) - October 1	7,777,233	954,518
NET ASSETS (DEFICIT) AT SEPTEMBER 30	$ 7,995,619	$ 861,504

NOTE:
The "Parks and Recreation", "Golf Course", and "Wellness and Aquatic Center" columns are segregated amounts from one fund that is maintained by the Cullman City Parks and Recreation Board.
The "Parks and Recreation/Golf Course Payroll" column is a fund maintained by the City of Cullman's accounting department to account for payroll, debt service, and other expenditures paid by the City of Cullman for the Cullman City Parks and Recreation Board.

CULLMAN, ALABAMA
REVENUES, EXPENSES, AND CHANGES
RECREATION (PROPRIETARY FUND) - CONTINUED
September 30, 2012

Wellness and Aquatic Center	Parks and Recreation/ Golf Course Payroll	Lessman Warrants Debt Service	Eliminations	TOTALS
$ -	$ 660	$ -	$ -	$ 3,361
-	-	-	-	36,493
(664,780)	-	-	-	(701,439)
(12,390)	-	-	-	(14,195)
-	-	(26,053)	26,053	-
-	-	(10,128)	10,128	-
$ (677,170)	$ 660	$ (36,181)	$ 36,181	$ (675,780)
$ (1,412,140)	$ (2,664,142)	$ (36,181)	$ 2,876,219	$ (3,924,779)
$ -	$ 2,454,970	$ 36,181	$ -	$ 2,591,151
1,021,231	-	-	(175,309)	1,021,231
1,157,551	-	-	(2,874,298)	-
-	259,890	-	(1,582,785)	-
-	(139,128)	-	139,128	-
(104,475)	-	-	259,860	-
(977,236)	(34,290)	-	1,357,185	-
$ 1,097,071	$ 2,541,442	$ 36,181	$ (2,876,219)	$ 3,612,382
$ (315,069)	$ (122,700)	$ -	$ -	$ (312,397)
(37,728)	175,310	-	-	8,869,333
$ (352,797)	$ 52,610	$ -	$ -	$ 8,556,936

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
September 30, 2012

GENERAL OBLIGATION WARRANTS
Dated 7-01-94
Maturing July 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	6.00%	$ 50,000	$ 2,242
	TOTALS	$ 50,000	$ 2,242

NOTE: Amount of interest for warrants dated 7-1-94 is computed at 6.0% per annum for purposes of this schedule and the debt service disclosure in the Notes to the Financial Statements.

GENERAL OBLIGATION SCHOOL WARRANTS
Dated 2-01-03
Maturing March 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.90%	$ 370,000	$ 22,615
2014	4.00	385,000	7,700
	TOTALS	$ 755,000	$ 30,315

GENERAL OBLIGATION WARRANTS
Series 2003-B Dated 7-01-03
Maturing November 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.95%	$ 195,000	$ 8,876
2014	3.00	200,000	3,000
	TOTALS	$ 395,000	$ 11,876

NOTE: All principal debt shown on this schedule is recorded in the Governmental Activities.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2012

GENERAL OBLIGATION WARRANT
Dated 2-17-04
Maturing February 17

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	6.00%	$ 100,000	$ 6,000
	TOTALS	$ 100,000	$ 6,000

GENERAL OBLIGATION WARRANTS
Series 2007 Dated 2-01-07
Maturing July 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	4.00%	$ 505,000	$ 899,762
2014	4.00	525,000	879,563
2015	5.00	545,000	858,562
2016	5.00	570,000	831,313
2017	5.00	600,000	802,812
2018	5.00	630,000	772,813
2019	4.00	665,000	741,312
2020	4.00	690,000	714,713
2021	4.00	715,000	687,112
2022	4.50	745,000	658,513
2023	4.50	780,000	624,987
2024	4.125	815,000	589,888
2025	4.25	850,000	556,269
2026	4.25	885,000	520,144
2027	4.25	920,000	482,531
2028	4.25	960,000	443,431
2029	4.25	1,000,000	402,631
2030	4.25	1,045,000	360,131
2031	4.25	1,090,000	315,719
2032	4.25	1,135,000	269,394
2033	4.375	1,185,000	221,156
2034	4.375	1,235,000	169,313
2035	4.375	1,290,000	115,281
2036	4.375	1,345,000	58,844
	TOTALS	$ 20,725,000	$ 12,976,194

NOTE: All principal debt shown on this schedule is recorded in the Governmental Activities.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2012

GENERAL OBLIGATION WARRANTS
Dated 5-01-08
Maturing November 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.70%	$ 21,658	$ 342
2014	2.70	1,978	4
	TOTALS	$ 23,636	$ 346

GENERAL OBLIGATION WARRANTS
Series 2010 LRSRF-DL/ARRA Dated 2-01-10
Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.00%	$ 60,000	$ 10,010
2014	2.00	60,000	8,690
2015	2.00	65,000	7,370
2016	2.00	65,000	5,940
2017	2.00	65,000	4,510
2018	2.00	70,000	3,080
2019	2.00	70,000	1,540
	TOTALS	$ 455,000	$ 41,140

NOTE: All principal debt shown on this schedule is recorded in the Governmental Activities.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2012

GENERAL OBLIGATION WARRANT
Dated 9-27-10
Maturing 17th of Each Month

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	6.00%	$ 45,897	$ 7,533
2014	6.00	48,728	4,702
2015	6.00	51,733	1,697
	TOTALS	$ 146,358	$ 13,932

GENERAL OBLIGATION WARRANT
Dated 9-29-10
Maturing September 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.96%	$ 140,000	$ 36,556
2014	2.96	140,000	32,412
2015	2.96	145,000	28,268
2016	2.96	150,000	23,976
2017	2.96	155,000	19,536
2018	2.96	160,000	14,948
2019	2.96	170,000	10,212
2020	2.96	175,000	5,180
	TOTALS	$ 1,235,000	$ 171,088

GENERAL OBLIGATION WARRANT
Dated 10-25-11
Maturing December 31

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.95%	$ 76,910	$ 23,090
2014	2.95	79,179	20,821
2015	2.95	81,515	18,485
2016	2.95	83,920	16,080
2017	2.95	86,395	13,605
2018	2.95	88,944	11,056
2019	2.95	91,568	8,432
2020	2.95	94,269	5,731
2021	2.95	100,000	2,950
	TOTALS	$ 782,700	$ 120,250

NOTE: All principal debt shown on this schedule is recorded in the Governmental Activities.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS
September 30, 2012

GENERAL OBLIGATION SEWER WARRANT
Series 1999-SRF Dated 7-1-99
Maturing February 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.50%	$ 390,000	$ 135,625
2014	3.50	405,000	121,713
2015	3.50	420,000	107,275
2016	3.50	435,000	92,312
2017	3.50	450,000	76,825
2018	3.50	465,000	60,813
2019	3.50	485,000	44,187
2020	3.50	500,000	26,950
2021	3.50	520,000	9,100
	TOTALS	$ 4,070,000	$ 674,800

GENERAL OBLIGATION SEWER WARRANT
Series 2000-SRF Dated 12-22-99
Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.85%	$ 585,000	$ 237,930
2014	3.85	610,000	215,408
2015	3.85	635,000	191,922
2016	3.85	655,000	167,475
2017	3.85	685,000	142,258
2018	3.85	710,000	115,885
2019	3.85	740,000	88,550
2020	3.85	765,000	60,060
2021	3.85	795,000	30,607
	TOTALS	$ 6,180,000	$ 1,250,095

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2012

GENERAL OBLIGATION SEWER WARRANT
Series 2002-SRF Dated 02-01-02
Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.50%	$ 95,000	$ 33,950
2014	3.50	95,000	30,625
2015	3.50	100,000	27,300
2016	3.50	105,000	23,800
2017	3.50	105,000	20,125
2018	3.50	110,000	16,450
2019	3.50	115,000	12,600
2020	3.50	120,000	8,575
2021	3.50	125,000	4,375
	TOTALS	$ 970,000	$ 177,800

GENERAL OBLIGATION SEWER WARRANT
Series 2002-SRF Dated 11-10-02
Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.50%	$ 190,000	$ 97,650
2014	3.50	200,000	91,000
2015	3.50	205,000	84,000
2016	3.50	210,000	76,825
2017	3.50	220,000	69,475
2018	3.50	225,000	61,775
2019	3.50	235,000	53,900
2020	3.50	245,000	45,675
2021	3.50	250,000	37,100
2022	3.50	260,000	28,350
2023	3.50	270,000	19,250
2024	3.50	280,000	9,800
	TOTALS	$ 2,790,000	$ 674,800

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2012

GENERAL OBLIGATION SEWER WARRANT
Series 2004-CWSRF-DL Dated 01-20-04
Maturing February 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.05%	$ 175,000	$ 88,221
2014	3.05	180,000	82,807
2015	3.05	185,000	77,241
2016	3.05	190,000	71,523
2017	3.05	195,000	65,651
2018	3.05	200,000	59,628
2019	3.05	210,000	53,375
2020	3.05	215,000	46,894
2021	3.05	220,000	40,260
2022	3.05	230,000	33,397
2023	3.05	235,000	26,306
2024	3.05	240,000	19,063
2025	3.05	250,000	11,590
2026	3.05	255,000	3,889
	TOTALS	$ 2,980,000	$ 679,845

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2012

GENERAL OBLIGATION SEWER WARRANT
Series 2004-SRF Dated 4-1-04
Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.85%	$ 90,000	$ 5,273
2014	2.85	95,000	2,707
	TOTALS	$ 185,000	$ 7,980

GENERAL OBLIGATION SEWER WARRANT
Series 2005-CWSRF-DL Dated 1-1-05
Maturing February 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.05%	$ 175,000	$ 98,286
2014	3.05	180,000	92,873
2015	3.05	190,000	87,230
2016	3.05	195,000	81,359
2017	3.05	200,000	75,335
2018	3.05	205,000	69,159
2019	3.05	210,000	62,830
2020	3.05	220,000	56,273
2021	3.05	225,000	49,486
2022	3.05	235,000	42,471
2023	3.05	240,000	35,228
2024	3.05	245,000	27,831
2025	3.05	255,000	20,206
2026	3.05	265,000	12,276
2027	3.05	270,000	4,117
	TOTALS	$ 3,310,000	$ 814,960

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS - CONTINUED
September 30, 2012

GENERAL OBLIGATION SEWER WARRANT
Series 2008-CWSRF-DL Dated 07-18-08
Maturing February 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.50%	$ 135,000	$ 114,537
2014	3.50	140,000	109,725
2015	3.50	145,000	104,738
2016	3.50	150,000	99,575
2017	3.50	155,000	94,237
2018	3.50	160,000	88,725
2019	3.50	165,000	83,038
2020	3.50	175,000	77,087
2021	3.50	180,000	70,875
2022	3.50	185,000	64,488
2023	3.50	195,000	57,836
2024	3.50	200,000	50,925
2025	3.50	205,000	43,838
2026	3.50	215,000	36,488
2027	3.50	220,000	28,875
2028	3.50	230,000	21,000
2029	3.50	240,000	12,775
2030	3.50	245,000	4,288
	TOTALS	$ 3,340,000	$ 1,163,050

NOTE: All principal debt shown on this schedule is recorded in the Sewer Fund (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE WARRANTS
AND GENERAL OBLIGATION WARRANT
September 30, 2012

GENERAL OBLIGATION WATER SYSTEM WARRANT Series 2004-DWSRF-DL Dated 01-20-04 Maturing February 15				GENERAL OBLIGATION WATER SYSTEM WARRANT Series 2005-DWSRF-DL Dated 02-01-05 Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest	Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.05%	$ 130,000	$ 59,780	2013	3.05%	$ 110,000	$ 56,730
2014	3.05	135,000	55,739	2014	3.05	115,000	53,299
2015	3.05	135,000	51,621	2015	3.05	120,000	49,715
2016	3.05	140,000	47,428	2016	3.05	120,000	46,055
2017	3.05	145,000	43,081	2017	3.05	125,000	42,319
2018	3.05	150,000	38,583	2018	3.05	130,000	38,430
2019	3.05	155,000	33,931	2019	3.05	135,000	34,389
2020	3.05	160,000	29,128	2020	3.05	140,000	30,195
2021	3.05	165,000	24,171	2021	3.05	145,000	25,849
2022	3.05	170,000	19,062	2022	3.05	145,000	21,426
2023	3.05	175,000	13,801	2023	3.05	150,000	16,927
2024	3.05	180,000	8,387	2024	3.05	155,000	12,276
2025	3.05	185,000	2,821	2025	3.05	160,000	7,473
				2026	3.05	165,000	2,516
	TOTALS	$2,025,000	$ 427,533		TOTALS	$1,915,000	$ 437,599

NOTE: All principal debt shown on this schedule is recorded in the Water Department (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE WARRANTS
AND GENERAL OBLIGATION WARRANT - CONTINUED
September 30, 2012

GENERAL OBLIGATION
WATER SYSTEM WARRANT
Series 2005B-DWSRF-BL Dated 10-06-05
Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.25%	$ 60,000	$ 35,262
2014	3.25	65,000	33,312
2015	3.25	65,000	31,200
2016	3.25	70,000	29,088
2017	3.25	70,000	26,812
2018	3.25	75,000	24,538
2019	3.25	75,000	22,100
2020	3.25	80,000	19,662
2021	3.25	80,000	17,063
2022	3.25	85,000	14,462
2023	3.25	85,000	11,700
2024	3.25	90,000	8,938
2025	3.25	90,000	6,013
2026	3.25	95,000	3,088
	TOTALS	$1,085,000	$ 283,238

GENERAL OBLIGATION
WATER SYSTEM WARRANT
Series 2008-DWSRF-DL Dated 07-18-08
Maturing February 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	3.50%	$ 50,000	$ 34,825
2014	3.50	50,000	33,075
2015	3.50	50,000	31,325
2016	3.50	55,000	29,487
2017	3.50	55,000	27,563
2018	3.50	60,000	25,550
2019	3.50	60,000	23,450
2020	3.50	60,000	21,350
2021	3.50	65,000	19,162
2022	3.50	65,000	16,888
2023	3.50	70,000	14,525
2024	3.50	70,000	12,075
2025	3.50	75,000	9,537
2026	3.50	75,000	6,913
2027	3.50	80,000	4,200
2028	3.50	80,000	1,400
	TOTALS	$1,020,000	$ 311,325

NOTE: All principal debt shown on this schedule is recorded in the Water Department (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE WARRANTS
AND GENERAL OBLIGATION WARRANT - CONTINUED
September 30, 2012

GENERAL OBLIGATION WARRANT			
Series 2012-DWSRF-BL Dated 02-13-12			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.50%	$ 135,000	$ 39,625
2014	2.50	140,000	36,250
2015	2.50	145,000	32,750
2016	2.50	150,000	29,125
2017	2.50	155,000	25,375
2018	2.50	160,000	21,500
2019	2.50	165,000	17,500
2020	2.50	170,000	13,375
2021	2.50	180,000	9,125
2022	2.50	185,000	4,625
	TOTALS	$ 1,585,000	$ 229,250

GENERAL OBLIGATION REFUNDING WARRANT			
Series 2012 Dated 04-13-12			
Maturing October 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.46%	$ -	$ 17,220
2014	2.46	125,000	32,903
2015	2.46	130,000	29,766
2016	2.46	140,000	26,445
2017	2.46	150,000	22,878
2018	2.46	155,000	19,127
2019	2.46	160,000	15,252
2020	2.46	170,000	11,193
2021	2.46	180,000	6,888
2022	2.46	190,000	2,337
	TOTALS	$1,400,000	$ 184,009

NOTE: All principal debt shown on this schedule is recorded in the Water Department (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE BONDS
September 30, 2012

Water Revenue Bonds Series 2011 Dated 6-03-2011 Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2013	2.50 %	$ 345,000	$ 2,655,100
2014	3.00	1,015,000	2,646,475
2015	3.00	1,050,000	2,616,025
2016	3.00	1,075,000	2,584,525
2017	2.75	1,105,000	2,552,275
2018	5.00	1,135,000	2,521,888
2019	5.00	1,195,000	2,465,137
2020	3.13	1,255,000	2,405,387
2021	5.00	1,290,000	2,366,169
2022	5.00	1,355,000	2,301,669
2023	5.00	1,620,000	2,233,919
2024	4.00	1,700,000	2,152,919
2025	4.13	1,770,000	2,084,918
2026	5.00	1,840,000	2,011,906
2027	4.13	1,935,000	1,919,906
2028	4.25	2,010,000	1,840,087
2029	4.38	2,100,000	1,754,663
2030	4.50 - 5.00	2,190,000	1,662,787
2031	4.50	2,295,000	1,556,738
2032	4.75	2,400,000	1,453,462
2033	4.75	2,515,000	1,339,463
2034	4.75	2,630,000	1,220,000
2035	4.75	2,755,000	1,095,075
2036	4.75	2,890,000	964,213
2037	4.75	3,025,000	826,938
2038	5.00	3,170,000	683,250
2039	5.00	3,330,000	524,750
2040	5.00	3,495,000	358,250
2041	5.00	3,670,000	183,500
	TOTALS	$ 58,160,000	$ 50,981,394

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SCHOOL TAX TRANSACTIONS
Year ended September 30, 2012

	Fund Level	Adjustments	Government-Wide Level
Revenues:			
3 mill ad valorem tax	$ 850,919	$ -	$ 850,919
7.5 mill ad valorem tax	2,127,297	-	2,127,297
.5 percent sales tax	2,576,381	(3,527)	2,572,854
Interest	1,278	-	1,278
TOTAL REVENUES	$5,555,875	$(3,527)	$5,552,348
Expenditures:			
Transfers to Cullman City Board of Education	$5,552,348	$ ---	$5,552,348

The City enacted an additional one-half of one percent sales tax effective September 1, 2003 for the purpose of funding the City School System.

Adjustments are to adjust the City's records from the modified accrual basis to the full accrual basis for revenues not collected within the City's 30 day availability period at September 30, 2012 and 2011.

September, 2011 revenues received after 30 day availability period	$(212,602)
September, 2012 revenues received after 30 day availability period	209,075
	$ (3,527)

CITY OF CULLMAN, ALABAMA
STATISTICAL DATA - UNAUDITED
September 30, 2012

Computation of legal debt margin:		
Assessed value of real and personal property located within the city limits – Note 1		$268,794,760
Constitutional debt limit (20% of assessed value – Note 2)		$ 53,758,952
Amount of debt applicable to debt limit – Note 2:		
General long-term debt outstanding – Governmental Activities	$24,667,694	
Long-term portion of compensated absences	716,273	
Plus general obligation warrants included in the Business-type Activities:		
Lessman Property General Obligation Warrant dated 11-28-01	130,398	
Airport General Obligation Warrant Dated 9-14-11	104,102	
Less portions of warrants not subject to Constitutional debt limit as follows:		
2-1-03 General Obligation School Warrants, Series 2003	(755,000)	
2-1-07 General Obligation Warrants, Series 2007	(1,994,056)	
9-29-10 General Obligation School Warrants	(1,235,000)	
Less estimated liability for compensated absences – long-term	(716,273)	
	$20,918,138	
Accounts payable of the General Fund	1,039,861	
Debt applicable to constitutional debt limit	$21,957,999	
Less assets available in Debt Service Fund for payment of principal	(774,928)	$ 21,183,071
LEGAL DEBT MARGIN – Note 3		$ 32,575,881

Note 1 – Obtained from unaudited records maintained by the County of Cullman, Alabama and excludes exempt property ($121,049,880).

Note 2 – Section 225 as amended of the Constitution of Alabama, limits the amount of the City's outstanding debt to 20% of the assessed value of property within the City limits. Excluded from this limitation are school warrants, special assessment warrants, sewer warrants, and water warrants/bonds.

Note 3 – The computation of legal debt margin above is to disclose the City's compliance with the constitutional limitations on outstanding debt. The amount of legal debt margin at September 30, 2012, has no relationship to the City's financial capacity to repay the amount of debt.

City ad valorem tax rates:	
General purposes (Section 216 of the Constitution)	5 mills
School purposes – general (Section 216 of the Constitution)	3 mills
School bond service (Amendment LVI of the Constitution)	7.5 mills
Population per Federal census:	
2010	14,775
2000	13,995
1990	13,367
1980	13,069
1970	12,601
1960	10,866
1950	7,523
1940	5,074
1930	2,886
1920	2,486

Note A – The City of Cullman is currently listed with Dunn and Bradstreet, Inc.

Note B – The Water Revenue Warrants Series 2001 dated December 1, 2001, were rated Aaa by Moody's Investors Service, Inc.

Note C – The General Obligation School Warrants dated February 1, 2003, were rated AAA by Standard & Poor's Corporation.

Note D – The General Obligation Warrants, Series 2003-B, dated July 1, 2003, were rated AAA by Standard & Poor's Corporation.

Note E – The General Obligation Warrants, Series 2007, dated February 1, 2007, were rated Aaa by Moody's Investors Service, Inc. and AAA by Standard & Poor's Corporation.

Note F – The Water Revenue Bonds Series 2011 dated June 3, 2011, were rated Aa3 by Moody's Investors Service, Inc. and AA+ by Standard & Poor's Corporation.