# CITY OF CULLMAN, ALABAMA
## BASIC FINANCIAL STATEMENTS
With Supplementary Information
September 30, 2011

CONTENTS


Independent Auditor's Report ..... Page(s) 4-5

Management's Discussion and Analysis ..... 6-23

Basic Financial Statements:

Statement of Net Assets ..... 24-25

Statement of Activities ..... 26-28

Balance Sheet – Governmental Funds ..... 29-32

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets ..... 33

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ..... 34-35

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ..... 36-37

Balance Sheet – Proprietary Funds ..... 38-41

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds ..... 42-45

Statement of Cash Flows – Proprietary Funds ..... 46-49

Schedule of Cash Flows from Operating Activities – Proprietary Funds ..... 50-51

Notes to the Financial Statements ..... 52-85

Required Supplementary Information:

Schedule of Funding Progress for Retirement Plan ..... 86

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund ..... 87

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – School Tax Fund (a major fund) ..... 88

Notes to the Required Supplementary Information ..... 89

CONTENTS - CONTINUED

Supplementary Information:


Combining Balance Sheet – General Fund ..... 90-91

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund ..... 92-93

Combining Balance Sheet – Nonmajor Governmental Funds ..... 94

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds ..... 95

Combining Balance Sheet – Special Revenue Funds – Nonmajor Governmental Funds ..... 96-97

Combining Schedule of Revenues, Expenditures, and Changes In Fund Balances – Special Revenue Funds – Nonmajor Governmental Funds ..... 98-99

Combining Balance Sheet – Capital Project Funds – Nonmajor Governmental Funds ..... 100-101

Combining Schedule of Revenues, Expenditures, and Changes In Fund Balances – Capital Project Funds – Nonmajor Governmental Funds ..... 102-103

Combining Balance Sheet – Water System (Proprietary Fund) ..... 104-105

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets – Water System (Proprietary Fund) ..... 106-107

Combining Schedule of Cash Flows – Water System (Proprietary Fund) ..... 108-109

Combining Schedule of Cash Flows from Operating Activities – Water System (Proprietary Fund) ..... 110-111

Combining Balance Sheet – Parks and Recreation (Proprietary Fund) ..... 112-115

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets – Parks and Recreation (Proprietary Fund) ..... 116-119

Schedule of General Obligation Warrants ..... 120-123

Schedule of Sewer General Obligation Warrants ..... 124-128

Schedule of Water Revenue Warrants and General Obligation Warrant ..... 129-131

Schedule of Water Revenue Bonds ..... 132

Schedule of School Tax Transactions ..... 133

Statistical Data – Unaudited ..... 134-135

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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, 2011, 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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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 23, 2012, 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, Sweatman & Russell, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 23, 2012

# CITY OF CULLMAN

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## Management's Discussion and Analysis Concerning the Audited Financial Statements for the Fiscal Year Ended September 30, 2011

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, 2012) 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/Treasurer, 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. As Treasurer, he is responsible for the financial records of the City and the management of funds. He assists with preparation of the budget and approves purchases 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 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 $5,056,925 over the course of this year's operation: approximately $2,709,920 in the net assets of the governmental activities and $2,347,005 in the business-type activities.

Budgeted revenues in the general fund for fiscal year 2011 were based generally on the previous year's receipts; however, all revenues increased during the year due to the improving local economy. Revenues were $2,332,896 more than budgeted; while at the same time general fund expenditures were approximately $324,242 more than budgeted.

The most important source of revenue for the General Fund is sales taxes, which produced $13,104,126 for general purposes and $2,492,500 for education in fiscal year 2011. The other major sources of revenue in fiscal year 2011 were property taxes in the amount of $1,263,103 for general purposes and $2,932,982 for education; business licenses in the amount of $2,036,000; and sanitation charges in the amount of $3,511,491.

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<br>Statement of activities | Balance Sheet<br>Statement of revenues, expenditures, and changes in fund balances | Statement of net assets<br>Statement of revenues, expenses, and changes in net assets<br>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.

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 | |
|---|---|---|
| | 2011 | 2010 |
| Current assets | $ 50,901,889 | $ 50,695,085 |
| Restricted assets | 4,150,978 | 4,464,296 |
| Capital assets: | | |
| Land and other assets not depreciated | 10,398,924 | 10,318,030 |
| Buildings, improvements, and equipment net of depreciation | 39,346,609 | 38,284,239 |
| Other assets | 1;136,158 | 826,678 |
| TOTAL ASSETS | $105,934,558 | $104,588,328 |
| Current liabilities | $ 2,420,352 | $ 2,396,008 |
| Liabilities payable from restricted assets | 1,198,758 | 1,191,070 |
| Long-term liabilities | 24,492,137 | 25,935,441 |
| Other liabilities | 4,155,122 | 4,107,540 |
| TOTAL LIABILITIES | $ 32,266,369 | $ 33,630,059 |
| Net assets: | | |
| Invested in capital assets, net of related liabilities | $ 43,742,764 | $ 42,530,503 |
| Restricted | 11,000,077 | 5,353,293 |
| Unrestricted | 18,925,348 | 23,074,473 |
| TOTAL NET ASSETS | $ 73,668,189 | $ 70,958,269 |
| TOTAL LIABILITIES AND NET ASSETS | $105,934,558 | $104,588,328 |

OF NET ASSETS
ALABAMA
2011 and 2010

| Business-type Activities | | Total | |
|---|---|---|---|
| 2011 | 2010 | 2011 | 2010 |
| $ (343,798) | $ (2,958,823) | $ 50,558,091 | $ 47,736,262 |
| 53,177,534 | 7,312,903 | 57,328,512 | 11,777,199 |
| 15,072,528 | 18,200,931 | 25,471,452 | 28,518,961 |
| 100,207,548 | 92,614,823 | 139,554,157 | 130,899,062 |
| 2,905,716 | 2,247,389 | 4,041,874 | 3,074,067 |
| $ 171,019,528 | $ 117,417,223 | $276,954,086 | $222,005,551 |
| $ 1,252,258 | $ 1,260,526 | $ 3,672,610 | $ 3,656,534 |
| 4,576,721 | 4,041,189 | 5,775,479 | 5,232,259 |
| 92,497,924 | 41,886,230 | 116,990,061 | 67,821,671 |
| 354,852 | 238,510 | 4,509,974 | 4,346,050 |
| $ 98,681,755 | $ 47,426,455 | $130,948,124 | $ 81,056,514 |
| $ 55,053,600 | $ 56,072,914 | $ 98,796,364 | $ 98,603,417 |
| 3,922,670 | 809,857 | 14,922,747 | 6,163,150 |
| 13,361,503 | 13,107,997 | 32,286,851 | 36,182,470 |
| $ 72,337,773 | $ 69,990,768 | $146,005,962 | $140,949,037 |
| $ 171,019,528 | $ 117,417,223 | $276,954,086 | $222,005,551 |

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

| | Governmental Activities | |
|---|---|---|
| | 2011 | 2010 |
| Program Revenues: | | |
| Charges for services | $ 7,361,943 | $ 6,892,255 |
| Operating grants and contributions | 1,838,273 | 614,129 |
| Capital grants and contributions | 776,315 | 528,405 |
| General Revenues: | | |
| Property taxes | 4,196,085 | 4,143,917 |
| Sales taxes | 15,596,626 | 14,719,543 |
| Other taxes | 1,594,891 | 945,384 |
| City Board of Education for debt service payments | 510,226 | 471,716 |
| Unrestricted investment earnings | 251,319 | 418,533 |
| Sale of capital assets | (256,371) | 124,975 |
| Insurance recoveries | 109,370 | - |
| Miscellaneous | 1,448,187 | 1,967,581 |
| TOTAL REVENUES | $ 33,426,864 | $ 30,826,438 |
| Expenses: | | |
| General government | $ 3,833,654 | $ 3,454,782 |
| Public safety | 9,309,738 | 7,703,019 |
| Highways and streets | 3,398,082 | 2,780,399 |
| Sanitation | 3,854,534 | 3,303,015 |
| Health and social services | 410,521 | 368,610 |
| Culture and recreation | 259,391 | 253,275 |
| Education | 5,758,056 | 5,337,574 |
| Conservation | 78,118 | 117,485 |
| Interest on long-term debt | 410,753 | 374,905 |
| Sewer | - | - |
| Water | - | - |
| Parks and Recreation | - | - |
| Golf course | - | - |
| Wellness and Aquatic Center | - | - |
| Airport | - | - |
| TOTAL EXPENSES | $ 27,312,847 | $ 23,693,064 |
| INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS | $ 6,114,017 | $ 7,133,374 |
| Transfers | (3,404,097) | (4,104,473) |
| INCREASE IN NET ASSETS | $ 2,709,920 | $ 3,028,901 |
| Net assets at October 1, as previously reported | $ 70,958,269 | $ 68,047,725 |
| Prior period adjustment: | | |
| Grants accrued for ineligible costs in prior year | - | (118,357) |
| Net assets at October 1, as restated | $ 70,958,269 | $ 67,929,368 |
| NET ASSETS AT END OF YEAR | $ 73,668,189 | $ 70,958,269 |

OF ACTIVITIES
ALABAMA
2011 and 2010

| Business-type Activities | | Total | |
|---|---|---|---|
| 2011 | 2010 | 2011 | 2010 |
| $ 18,204,421 | $ 18,185,680 | $ 25,566,364 | $ 25,077,935 |
| 193,896 | - | 2,032,169 | 614,129 |
| 353,582 | 162,513 | 1,129,897 | 690,918 |
| - | - | 4,196,085 | 4,143,917 |
| - | - | 15,596,626 | 14,719,543 |
| 194,945 | 155,511 | 1,789,836 | 1,100,895 |
| - | - | 510,226 | 471,716 |
| 110,367 | 73,299 | 361,686 | 491,832 |
| (131,355) | (1,487) | (387,726) | 123,488 |
| 404,447 | - | 513,817 | - |
| 107,369 | 121,779 | 1,555,556 | 2,089,360 |
| $ 19,437,672 | $ 18,697,295 | $ 52,864,536 | $ 49,523,733 |
| $ - | $ - | $ 3,833,654 | $ 3,454,782 |
| - | - | 9,309,738 | 7,703,019 |
| - | - | 3,398,082 | 2,780,399 |
| - | - | 3,854,534 | 3,303,015 |
| - | - | 410,521 | 368,610 |
| - | - | 259,391 | 253,275 |
| - | - | 5,758,056 | 5,337,574 |
| - | - | 78,118 | 117,485 |
| - | - | 410,753 | 374,905 |
| 5,028,753 | 4,836,717 | 5,028,753 | 4,836,717 |
| 7,210,076 | 5,882,166 | 7,210,076 | 5,882,166 |
| 3,112,848 | 2,632,809 | 3,112,848 | 2,632,809 |
| 882,951 | 686,977 | 882,951 | 686,977 |
| 3,564,143 | 3,449,247 | 3,564,143 | 3,449,247 |
| 695,993 | 557,421 | 695,993 | 557,421 |
| $ 20,494,764 | $ 18,045,337 | $ 47,807,611 | $ 41,738,401 |
| $ (1,057,092) | $ 651,958 | $ 5,056,925 | $ 7,785,332 |
| 3,404,097 | 4,104,473 | - | - |
| $ 2,347,005 | $ 4,756,431 | $ 5,056,925 | $ 7,785,332 |
| $ 69,990,768 | $ 65,234,337 | $140,949,037 | $133,282,062 |
| - | - | - | (118,357) |
| $ 69,990,768 | $ 65,234,337 | $140,949,037 | $133,163,705 |
| $ 72,337,773 | $ 69,990,768 | $146,005,962 | $140,949,037 |

## *FINANCIAL ANALYSIS OF THE CITY'S FUNDS*

As the City of Cullman completed the year, its general fund reported a combined fund balance of $25,967,587, as compared with the previous year's balance of $25,776,822. The general fund's revenues increased by approximately 10.6% due to the improving local economy. The general fund reflected a 22.2% increase in operating expenditures due to overtime and repairs associated with tornadoes 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 decreased as a result of the tornadoes on April 27, 2011.

## *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.

At this time, the total economic impact of the storm to the City of Cullman has not yet been determined.

## *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 major unfavorable differences in budgeted and actual expenditures in the general fund are attributable to the tornadoes on April 27, 2011. Public safety incurred additional expenditures of $785,084 in excess of the budgeted amount to ensure the safety of the citizens of Cullman during

the national disaster. Sanitation incurred additional expenditures of $370,656 in excess of the budgeted amount to clean up debris caused by the tornadoes. The total expenditures in the general fund were $324,242 more than budgeted due to the variances listed above. The total revenues in the general fund were $2,332,896 more than budgeted because the amount budgeted for revenues were not increased to match actual receipts.

The revenues and expenditures in the school tax fund were not increased to actual amounts. The expenditures were $257,998 in excess of the budgeted amount, and the revenues were $239,623 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. The deprecation threshold for capital assets increased from $2,500 to $5,000 during fiscal year 2011.

**Governmental Activities:**

The City completed the following projects during the year ended September 30, 2011:

- ✓ Downtown Redevelopment Streetscape Phase I in the amount of $483,374
- ✓ Industrial Park V Access Roadway in the amount of $436,621
- ✓ Sidewalk on Stadium Drive in the amount of $139,441
- ✓ Flume at Fox Meadow in the amount of $151,955
- ✓ Widening of Parker Avenue SW in the amount of $129,733
- ✓ Downtown Redevelopment Streetscape Phase II in the amount of $402,560
- ✓ Downtown Redevelopment Streetscape Phase III in the amount of $378,483

In December 2010, the City awarded a contract to ReidCo General Contracting, Inc. for construction of a new garage at the Greif Property on 2nd Avenue, NE in the amount of $685,500. Subsequent change orders in the amount of $20,635 were issued. As of September 30, 2011, the City had incurred $597,356 in costs associated with the project including $29,868 of retainage.

In December 2010, the City awarded a contract to Sunbelt Fire, Inc. in the amount of $791,301 for a E-ONE Custom Class A Pumper Fire Truck. As of September 30, 2011, the City had not incurred any costs on the fire truck. The fire truck was received in November 2011.

In March 2011, the City awarded a contract to Sunbelt Fire, Inc. in the amount of $1,059,990 for a 2011 E-ONE HP100 Aerial Platform Fire Apparatus. As of September 30, 2011, the City had made a deposit on the truck of $350,000. The Federal Emergency Management Agency (FEMA) and the Department of Homeland Security (DHS) awarded the City a grant in the amount of $712,500 for the above fire apparatus. As of September 30, 2011, none of the funds had been requested on the grant. Expenditures for the fire truck were not eligible for request until the fire apparatus was delivered to the City in November 2011.

In July 2011, the City awarded a contract to Stone & Son in the amount of $34,890 for a traffic signal pole and mast arm installation at Arnold Street and 2nd Avenue, NE. As of September 30, 2011, the City had not incurred any cost on the project.

In September 2011, the City awarded a contract to Walker Brothers, LTD in the amount of $35,864 for repairs to the Cullman County Animal Shelter located at 935 Convent Road NE. As of September 30, 2011, the City had not incurred any cost on the project.

In September 2011, the City awarded a contract to ExoTech in the amount of $171,500 for chemical oxidation at the Greif Property on 2nd Avenue NE. As of September 30, 2011, the City had not incurred any cost 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 City is to provide a match of $42,630. As of September 30, 2011, the City had not incurred any expenditures on the grant.

## 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, 2011. The City incurred costs of $409,926 during fiscal year 2011 for the demolition of buildings at the Greif property and to rehabilitate the site.

**Business-Type Activities:**

Sewer System:

During the fiscal year ending on September 30, 2011, the Sewer Fund completed the Mann Road Pump Station project in the amount of $8,202,903.

As of September 30, 2011, the Sewer Fund has the following ongoing projects: (1) Austin Avenue Gravity Sewer in the amount of $466,640; (2) North Outfall Pump Station in the amount of $534,723; and (3) Industrial Park IV Pump Station in the amount of $76,163.

The City awarded a contract in April 2011 for the Gravity Sewer at Austin Avenue to Ronny D. Jones Enterprises, Inc. of Newnan, Georgia in the amount of $872,636. As of September 30, 2011, the Sewer Fund had incurred $230,230 on the project which includes $23,023 of retainage.

The City awarded a contract for the Rehab and Repairs to the North Outfall Pump Station to Mark Johnson Construction, LLC, of Tuscaloosa, Alabama, in the amount of $823,500 in March of 2011. As of September 30, 2011, the Sewer Fund had incurred $280,749 on the project which includes $14,037 of retainage.

Water System:

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

The Utilities Board – Water Division of the City of Cullman, Alabama's (a component unit of the City) proposal to acquire, construct and equip an additional 650 acre water reservoir capable of furnishing 32 million gallons of water per day to be located on Duck River in Cullman County, together with a pumping station and 36" pipeline to transport water from the reservoir to the Board's existing water treatment plant in the City of Cullman, was issued a permit by the Corps of Engineers. This permit was involved in litigation in the U.S. District Court for several years, where the presiding Judge subsequently ruled that the permit for the Duck River Project should be vacated, citing three issues which needed to be reevaluated: (1) Downstream flows; (2) Downstream effects; and (3) Water Quality. These issues were addressed, and a new permit was issued in November 2006. A portion of the costs incurred in connection with the project were paid for from Appalachian Regional Commission (ARC) Grants. Each Wholesale Customer (except the City of Hanceville) has entered into a contract with the City to proportionally share in the costs of refinancing the Duck River project. The Board continues to pursue the Duck River project. The total cost of the project as of September 30, 2011 was $9,119,233 which includes land purchases of $2,117,981.

As of September 2011, the Utilities Board Water Division awarded a bid to Richard LLC in the amount of $164,960 for flocculator repairs.

B. Water Fund

During the year ended September 30, 2011, the Water Fund completed the following projects: (1) Galvanized Water Line Replacement Phase II in the amount of $1,869,549 and (2) Cullman Golf Course Water Line in the amount of $405,053.

During the year ended September 30, 2011, the Water Fund has the following ongoing projects: (1) South Loop Waterline Phase II in the amount of $211,492, (2) West Loop Waterline Phase II in the amount of $125,405, (3) Golf Course Road & Vinemont Hydropillar Coating in the

amount of $969,921, and (4) Galvanized Water Line Replacement Phase III in the amount of $88,976.

As of November 2010, a contract was awarded to Utility Services for hydropillar coating of the water tanks located on Golf Course Road and at Vinemont at a cost of $892,000. The total cost incurred on the project as of September 30, 2011 was $883,500.

Cullman Regional Airport Board:

During the year ended September 30, 2011, the Board completed the following capital projects: (1) PAPI project in the amount of $369,961 and (2) 100' x 100' T-Hangar in the amount of $420,292.

During the year ended September 30, 2011, the Board has the following ongoing capital projects: (1) General Right-Of-Way Services for Land Acquisition in the amount of $17,495; (2) Two 8 Unit T-Hangar Project in the amount of $13,834; (3) Land Acquisition of Spradlin Tract in the amount of $6,458; and (4) Land Acquisition of Shaffer Tract in the amount of $6,429.

Cullman City Parks and Recreation Board:

The Board, through the City of Cullman, replaced the roof on the McGukin Civic Center and renovated the multi-purpose room in the amount of $338,369 during fiscal year 2011.

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

## *LONG-TERM DEBT*

**Governmental Activities:**

Normal 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

On June 3rd, 2011, the Utilities Board – Water Division of the City of Cullman, Alabama (a component unit of the City) issued Water Revenue Bonds Series 2011 in the amount of $58,485,000 with an average interest rate of 4.7 percent. The Water Revenue Bonds Series 2011

refunded the outstanding DWSRF Series 1998 in the amount of $3,030,000 and the outstanding Series 2002 in the amount of $1,750,000. The remaining funds will be to complete the majority of the Duck River Reservoir. Net proceeds of $3,877,374 plus an additional $1,007,060 of DWSRF Series 1998 and Series 2002 bond sinking fund and reserve fund monies were deposited into an irrevocable trust with an escrow agent to provide for redemption of the DWSRF Series 1998 bonds as of July 5th, 2011 and for redemption of the Series 2002 bonds as of September 1st, 2011. As a result, the DWSRF Series and Series 2002 bonds are considered to be defeased. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $151,563. The difference is being charged to operations through fiscal year 2021 using the straight-line method. The Board completed the refunding to reduce its total debt service payments by $112,105 and to obtain a present value gain of $208,385.
Normal payments for principal and interest required for the various warrant issues was the only activity in the Long-Term Debt.

B. Water Fund

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

Cullman Regional Airport Board:

The City of Cullman, Alabama General Obligation Warrant dated March 29, 2004, to Compass Bank for construction of a 16 unit T-Hangar with the original principal of $372,000 due in monthly installments of $2,500 with an interest rate of 3.0% with a final payment of the unpaid balance due April 2011 in the amount of $228,424.

The City of Cullman, Alabama General Obligation Warrant dated September 14, 2011 to Premier Bank to borrow funds for the 16 unit T-Hangar warrant previously paid in full with the original principal of $228,424 due in monthly installments of $2,168 with an interest rate of 2.6% with the final payment due in September, 2021.

Cullman City Parks & Recreation Board:

The Board issued a Capital Lease payable to Agricredit Acceptance LLC dated May 27, 2011 in the amount of $43,116 for (15) 2011 Electric Club Cars.

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 2011. The grant does not require a match. Due to conditions surrounding the tornado on April 27, 2011, the grant completion date was extended to June 1, 2012.

In October 2011, the City Council approved a request by the Police Department to purchase a 2012 Dodge 1500 Crew Cab Pickup Truck from Ben Atkinson Motors on state bid in the budgeted amount of $21,646.

In October 2011, the City purchased the Burrow property on Highway 222 for $1,520,000. To purchase the property, the City obtained a General Obligation Warrant in the amount of $1,000,000 from the Mary Evelyn Burrow Charitable Remainder Trust.

In November 2011, the City Council approved a change order in the amount of $17,566 concerning the contract with ReidCo General Contracting, Inc. for the construction of the new city garage.

In November 2011, the City Council awarded a contract not to exceed $17,840 to Goodwyn, Mills and Cawood for professional services to design, inspect, and contract administration of the Drinking Water Loan.

In November 2011, the City Council awarded a contract not to exceed $46,000 to Goodwyn, Mills and Cawood for professional services to complete a flow study and preliminary engineering report and to design, inspect, and contract administration of the Clear Water Loan.

In December 2011, the City Council awarded a contract in the amount of $475,121 and an addendum of $45,000 to Carcel & G Construction, LLC for the realignment of the intersection of U.S. Highway 31 and West Main Avenue.

In February 2012, the City approved to enter into a contract with CDG Engineers & Associates for professional services to design the streetscape on the Busy Bee block at a cost not to exceed $35,000.

**Business-Type Activities:**

*Sewer System:*

In November 2011, the City Council awarded a bid to Jim House & Associates Inc. in the amount of $51,990 to replace ultraviolet (UV) equipment at the Wastewater Treatment Plant.

On January 23, 2012, the City approved change order #1 on the Rehab and Repairs to the North Outfall Pump Station which increased the contract amount to Mark Johnson Construction, LLC by $62,829.

As of February 2012, the City awarded a bid in the amount of $198,500 to Apel Machine & Supply Co. for improvements to the North Pump Station.

*Water System:*

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

On September 2011, the Utilities Board – Water Division of the City of Cullman, Alabama (a component unit of the City) awarded a bid to Richard LLC in the amount of $164,960 for flocculator repairs.

In 2012, the Utilities Board – Water Division of the City of Cullman, Alabama (a component unit of the City) plans to move forward with the Duck River Reservoir Project with an estimated cost of $69,000,000 to establish a second water source for this region, which will meet the water needs of this region for the next 75 years. The estimated cost of the Duck River Reservoir Project includes engineering, surveying, legal fees, land acquisition, and all phases of the construction for the dam and pipeline.

A. Water Fund

As of January 2012, the City authorized the issuance of General Obligation Warrant, Series 2012-DWSRF-BL in the principal amount of $1,715,000 to refund the General Obligation Warrant, Series 2002-SRF in order to reduce the interest rate from 3.5% to a rate not to exceed 2.6%.

*Cullman Regional Airport Board:*

As of September 2011, the Board entered into a contract with Goodwyn, Mills and Cawood to provide professional services on the construction of two 8 Unit T-Hangars at the Cullman Regional Airport at a cost not to exceed $45,000.

*Other:*

As of March 2012, the City has approved to move its billing services for its water, sewer and sanitation customers to the Cullman Electric Cooperative (CEC). The City will incur a one-time conversion/set up fee of $7,500 and will be charged $0.88 per customer per month for billings.

## *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/Treasurer 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, 2011

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash equivalents | $ 16,893,947 | $ 7,986,737 | $ 24,880,684 |
| Certificates of deposit | 8,678,016 | 5,604,000 | 14,282,016 |
| Interest receivable | 6,313 | 4,000 | 10,313 |
| Accounts receivable (net) | 416,596 | 781,896 | 1,198,492 |
| Assessments receivable (net) | 24,000 | - | 24,000 |
| Interfund balances | 16,489,743 | (16,489,743) | - |
| Due from other governmental units: | | | |
| Cullman Power Board | 246,361 | 697,628 | 943,989 |
| Other | 7,829,319 | 590,502 | 8,419,821 |
| Inventories | 57,555 | 365,186 | 422,741 |
| Prepaid insurance | 260,039 | 96,280 | 356,319 |
| Prepaid senior trip expenses | - | 7,716 | 7,716 |
| Prepaid utility tax | - | 12,000 | 12,000 |
| TOTAL CURRENT ASSETS | $ 50,901,889 | $ (343,798) | $ 50,558,091 |
| Restricted assets: | | | |
| Cash equivalents | $ 766,856 | $ 51,052,939 | $ 51,819,795 |
| OPEB funds held by the Cullman Power Board | - | 9,408 | 9,408 |
| State revolving funds receivable | 401,508 | 2,115,187 | 2,516,695 |
| Advances to other governments | 2,982,614 | - | 2,982,614 |
| TOTAL RESTRICTED ASSETS | $ 4,150,978 | $ 53,177,534 | $ 57,328,512 |
| Capital assets: | | | |
| Land and other assets not being depreciated | $ 10,398,924 | $ 15,072,528 | $ 25,471,452 |
| Buildings, improvements, and equipment, net of depreciation | 39,346,609 | 100,207,548 | 139,554,157 |
| TOTAL CAPITAL ASSETS | $ 49,745,533 | $115,280,076 | $165,025,609 |
| Other assets: | | | |
| Deferred debt expense | $ 97,487 | $ 2,430,768 | $ 2,528,255 |
| Deposits | - | 910 | 910 |
| Deposit on equipment | 350,000 | - | 350,000 |
| Insurance deposit | 113,307 | - | 113,307 |
| Assessments receivable - noncurrent | 575,364 | 474,038 | 1,049,402 |
| TOTAL OTHER ASSETS | $ 1,136,158 | $ 2,905,716 | $ 4,041,874 |
| TOTAL ASSETS | $105,934,558 | $171,019,528 | $276,954,086 |

(Continued)

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET ASSETS - CONTINUED
September 30, 2011

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilites: | | | |
| Accounts payable | $ 1,365,526 | $ 653,260 | $ 2,018,786 |
| Utility tax payable | - | 28,058 | 28,058 |
| Accrued interest payable | 9,347 | 173,402 | 182,749 |
| Due to other governmental units: | | | |
| Cullman Power Board | - | 9,591 | 9,591 |
| Other | 83,710 | 131,509 | 215,219 |
| Accrued payroll | 129,801 | 57,021 | 186,822 |
| Current maturities on long-term debt | 384,741 | 83,673 | 468,414 |
| Estimated compensated absences - current portion | 447,227 | 115,744 | 562,971 |
| TOTAL CURRENT LIABILITIES | $ 2,420,352 | $ 1,252,258 | $ 3,672,610 |
| Liabilities payable from restricted assets: | | | |
| Accounts payable - contractor | $ - | $ 685,598 | $ 685,598 |
| Accrued interest payable | 66,147 | 443,479 | 509,626 |
| Police evidence | 37,611 | - | 37,611 |
| Other postemployment benefits | - | 7,644 | 7,644 |
| Current maturities on long-term debt | 1,095,000 | 3,440,000 | 4,535,000 |
| TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS | $ 1,198,758 | $ 4,576,721 | $ 5,775,479 |
| Long-term liabilities: | | | |
| Warrants/bonds payable | $ 23,811,235 | $ 91,944,029 | $115,755,264 |
| Capital leases payable | - | 45,884 | 45,884 |
| Estimated compensated absences | 680,902 | 508,011 | 1,188,913 |
| TOTAL LONG-TERM LIABILITIES | $ 24,492,137 | $ 92,497,924 | $116,990,061 |
| Other liabilities: | | | |
| Deferred debt premium | $ 3,645 | $ 181,488 | $ 185,133 |
| Deferred revenue | 4,151,477 | 173,364 | 4,324,841 |
| TOTAL OTHER LIABILITIES | $ 4,155,122 | $ 354,852 | $ 4,509,974 |
| TOTAL LIABILITIES | $ 32,266,369 | $ 98,681,755 | $130,948,124 |
| Net assets: | | | |
| Invested in capital assets, net of related liabilities | $ 43,742,764 | $ 55,053,600 | $ 98,796,364 |
| Restricted for: | | | |
| Debt service and capital activity | 2,735,111 | 3,884,764 | 6,619,875 |
| Brownsfield remediation | 401,508 | - | 401,508 |
| Highways and streets | 7,159,636 | - | 7,159,636 |
| Parks and recreation/tournaments | 104,281 | 37,906 | 142,187 |
| Drug Abuse Resistance Education (DARE) | 241,577 | - | 241,577 |
| Nonspendable - Endowment | 100,908 | - | 100,908 |
| Others | 257,056 | - | 257,056 |
| Unrestricted | 18,925,348 | 13,361,503 | 32,286,851 |
| TOTAL NET ASSETS | $ 73,668,189 | $ 72,337,773 | $146,005,962 |
| TOTAL LIABILITIES AND NET ASSETS | $105,934,558 | $171,019,528 | $276,954,086 |

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 | $ 3,246,689 |
| Building and housing | 342,021 |
| Garage | 244,944 |
| Public safety: | |
| Police | 5,376,644 |
| Fire | 3,092,560 |
| Traffic maintenance | 333,997 |
| Dispatch and miscellaneous | 506,537 |
| Highways and streets | 3,398,082 |
| Sanitation | 3,854,534 |
| Health and social services | 410,521 |
| Culture and recreation | 259,391 |
| Education | 5,758,056 |
| Conservation | 78,118 |
| Interest on long-term debt | 410,753 |
| TOTAL GOVERNMENTAL ACTIVITIES | $ 27,312,847 |
| Business-type activities: | |
| Sewer | $ 5,028,753 |
| Water | 7,210,076 |
| Parks and recreation | 3,112,848 |
| Golf course | 882,951 |
| Wellness and Aquatic Center | 3,564,143 |
| Airport | 695,993 |
| TOTAL BUSINESS-TYPE ACTIVITIES | $ 20,494,764 |
| TOTAL PRIMARY GOVERNMENT | $ 47,807,611 |

(Continued)

CULLMAN, ALABAMA
ACTIVITIES
September 30, 2011

| Program Revenues | | | |
|---|---|---|---|
| Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue |
| $ 2,589,474 | $ 427,301 | $ - | $ (229,914) |
| 169,671 | - | - | (172,350) |
| - | - | - | (244,944) |
| 314,655 | 649,074 | 218,424 | (4,194,491) |
| 1,159 | 108,343 | 52,314 | (2,930,744) |
| - | 60,524 | - | (273,473) |
| - | 146,243 | - | (360,294) |
| 355,386 | 445,873 | 505,577 | (2,091,246) |
| 3,844,257 | 915 | - | (9,362) |
| - | - | - | (410,521) |
| 18,601 | - | - | (240,790) |
| 68,740 | - | - | (5,689,316) |
| - | - | - | (78,118) |
| - | - | - | (410,753) |
| $ 7,361,943 | $ 1,838,273 | $ 776,315 | $(17,336,316) |
| $ 5,280,942 | $ - | $ - | $ 252,189 |
| 8,920,455 | 53,678 | - | 1,764,057 |
| 990,342 | 14,135 | - | (2,108,371) |
| 447,763 | 125,550 | - | (309,638) |
| 2,127,377 | 533 | - | (1,436,233) |
| 437,542 | - | 353,582 | 95,131 |
| $ 18,204,421 | $ 193,896 | $ 353,582 | $ (1,742,865) |
| $ 25,566,364 | $ 2,032,169 | $ 1,129,897 | $(19,079,181) |

CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES - CONTINUED
Year ended September 30, 2011

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| Changes in net assets: | | | |
| Net (expense) | $(17,336,316) | $ (1,742,865) | $ (19,079,181) |
| General revenues: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | $ 1,263,103 | $ - | $ 1,263,103 |
| Property taxes, levied for education | 2,932,982 | - | 2,932,982 |
| Sales taxes, levied for general purposes | 13,104,126 | - | 13,104,126 |
| Sales taxes, levied for education | 2,492,500 | - | 2,492,500 |
| Tobacco taxes | 146,650 | - | 146,650 |
| Lodging taxes | 211,357 | 194,945 | 406,302 |
| Rent taxes | 481,015 | - | 481,015 |
| Beverage/liquor taxes | 595,224 | - | 595,224 |
| Other taxes | 160,645 | - | 160,645 |
| City Board of Education for debt service payments | 510,226 | - | 510,226 |
| Unrestricted investment earnings | 251,319 | 110,367 | 361,686 |
| Sale of capital assets | (256,371) | (131,355) | (387,726) |
| Insurance recoveries | 109,370 | 404,447 | 513,817 |
| Miscellaneous | 1,448,187 | 107,369 | 1,555,556 |
| Transfers - internal activities | (3,404,097) | 3,404,097 | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | $ 20,046,236 | $ 4,089,870 | $ 24,136,106 |
| CHANGE IN NET ASSETS | $ 2,709,920 | $ 2,347,005 | $ 5,056,925 |
| Net assets at October 1 | $ 70,958,269 | $ 69,990,768 | $ 140,949,037 |
| Net assets - ending | $ 73,668,189 | $ 72,337,773 | $ 146,005,962 |

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 | $ 15,105,027 | $ 18,613 |
| Certificates of deposit | 8,577,108 | - |
| Receivables (net of allowance for uncollectibles): | | |
| Accounts | 416,596 | - |
| Assessments | 599,364 | - |
| Interest | 6,261 | - |
| Interfund receivables | 37,117 | - |
| Due from other governmental units: | | |
| Cullman Power Board | 246,361 | - |
| Other | 4,204,804 | 3,358,437 |
| Inventories | 57,555 | - |
| Prepaid insurance | 260,039 | - |
| Interfund receivables - long-term | 305,665 | - |
| Restricted assets: | | |
| Cash equivalents | 37,611 | - |
| Advances to other governmental units | - | - |
| State revolving funds receivable | 401,508 | - |
| Interfund receivables - long-term | - | - |
| Deposit on equipment | 350,000 | - |
| Insurance deposit | 113,307 | - |
| TOTAL ASSETS | $ 30,718,323 | $ 3,377,050 |

(Continued)

ALABAMA
GOVERNMENTAL FUNDS
2011

| Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ 1,468 | $ 1,768,839 | $ 16,893,947 |
| - | 100,908 | 8,678,016 |
| | | |
| - | - | 416,596 |
| - | - | 599,364 |
| - | 52 | 6,313 |
| - | 149,831 | 186,948 |
| | | |
| - | - | 246,361 |
| - | 266,078 | 7,829,319 |
| - | - | 57,555 |
| - | - | 260,039 |
| - | - | 305,665 |
| | | |
| 729,245 | - | 766,856 |
| 2,982,614 | - | 2,982,614 |
| - | - | 401,508 |
| 16,237,423 | - | 16,237,423 |
| - | - | 350,000 |
| - | - | 113,307 |
| $ 19,950,750 | $ 2,285,708 | $ 56,331,831 |

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

| | General | School Tax |
|---|---|---|
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | $ 476,553 | $ 442,486 |
| Accrued liabilities | 430,609 | - |
| Accrued payroll | 129,801 | - |
| Interfund payables | 4,231 | - |
| Due to other governmental units | 83,710 | - |
| Interfund payables - long-term | - | - |
| Deferred revenues | 3,417,971 | 3,128,553 |
| Restricted liabilities - Police evidence | 37,611 | - |
| Estimated liability for compensated absences | 170,250 | - |
| TOTAL LIABILITIES | $ 4,750,736 | $ 3,571,039 |
| Fund balances: | | |
| Nonspendable: | | |
| Inventory | $ 57,555 | $ - |
| Interfund receivables - long-term | 305,665 | - |
| Deposit on equipment | 350,000 | - |
| Prepaid expenditures and insurance deposit | 373,346 | - |
| Advances to other governmental units | - | - |
| Permanent fund principal | - | - |
| Restricted for: | | |
| Brownsfield remediation | 401,508 | - |
| Municipal Court equipment and training | 47,461 | - |
| Fiduciary | 6,909 | - |
| Debt service | - | - |
| Realty improvements and Ingle Park | - | - |
| Highways and streets | - | - |
| Parks and recreation | - | - |
| Capital improvements | - | - |
| Jail/correction facilities | - | - |
| Drug Abuse Resistance Education (DARE) | - | - |
| Industrial development/recreation | - | - |
| Committed for: | | |
| Landfill improvements | 500,074 | - |
| Assigned: | | |
| Realty improvements | 55,715 | - |
| Debt service | - | - |
| Capital projects | - | - |
| Unassigned | 23,869,354 | (193,989) |
| TOTAL FUND BALANCES (DEFICIT) | $ 25,967,587 | $ (193,989) |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICIT) | $ 30,718,323 | $ 3,377,050 |

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

ALABAMA
GOVERNMENTAL FUNDS - CONTINUED
2011

| Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ - | $ 15,877 | $ 934,916 |
| - | - | 430,609 |
| - | - | 129,801 |
| - | 147,228 | 151,459 |
| - | - | 83,710 |
| - | 88,834 | 88,834 |
| - | 31,323 | 6,577,847 |
| - | - | 37,611 |
| - | - | 170,250 |
| $ - | $ 283,262 | $ 8,605,037 |
| | | |
| $ - | $ - | $ 57,555 |
| 16,237,423 | - | 16,543,088 |
| - | - | 350,000 |
| - | - | 373,346 |
| 2,982,614 | - | 2,982,614 |
| - | 100,908 | 100,908 |
| - | - | 401,508 |
| - | - | 47,461 |
| - | - | 6,909 |
| 729,245 | - | 729,245 |
| - | 15,743 | 15,743 |
| - | 715,002 | 715,002 |
| - | 87,592 | 87,592 |
| - | 184,399 | 184,399 |
| - | 241,577 | 241,577 |
| - | 74,709 | 74,709 |
| - | 93,621 | 93,621 |
| - | - | 500,074 |
| - | - | 55,715 |
| 1,468 | - | 1,468 |
| - | 641,528 | 641,528 |
| - | (152,633) | 23,522,732 |
| $ 19,950,750 | $ 2,002,446 | $ 47,726,794 |
| $ 19,950,750 | $ 2,285,708 | $ 56,331,831 |

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2011

| | | |
|---|---|---|
| Total fund balances - total governmental funds (page 32) | | $ 47,726,794 |
| 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 | $ 67,580,916 | |
| Accumulated depreciation | (17,835,383) | 49,745,533 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds | | 2,426,370 |
| 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, 2011, were: | | |
| General Obligation Warrants | $(25,366,677) | |
| Less deferred interest from refunding | 75,701 | |
| Less deferred issuance costs and discounts | 97,487 | |
| Plus deferred premium | (3,645) | |
| Accrued interest | (75,494) | |
| Compensated absences | (957,880) | (26,230,508) |
| TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 25) | | $ 73,668,189 |

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 | $ 15,542,999 | $ 5,405,838 |
| Licenses and permits | 2,630,671 | - |
| Intergovernmental revenues | 2,702,651 | - |
| Charges for services | 4,241,561 | - |
| Fines and forfeits | 260,416 | - |
| Miscellaneous revenues: | | |
| Interest revenue | $ 233,334 | $ 1,269 |
| Miscellaneous | 108,017 | - |
| TOTAL MISCELLANEOUS REVENUES | $ 341,351 | $ 1,269 |
| TOTAL REVENUES | $ 25,719,649 | $ 5,407,107 |
| Expenditures: | | |
| Current: | | |
| General government | $ 3,640,442 | $ - |
| Public safety | 8,862,437 | - |
| Highways and streets | 2,195,230 | - |
| Sanitation | 3,642,225 | - |
| Health and social services | 410,521 | - |
| Culture and recreation | 255,673 | - |
| Education | 252,967 | 5,425,482 |
| Conservation | 62,382 | - |
| Capital outlay | 2,359,143 | - |
| Debt service: | | |
| Principal retirement | 129,192 | - |
| Interest and fiscal charges | 26,366 | - |
| TOTAL EXPENDITURES | $ 21,836,578 | $ 5,425,482 |
| REVENUES OVER (UNDER) EXPENDITURES | $ 3,883,071 | $ (18,375) |
| Other financing sources (uses): | | |
| Capital contributions | $ 309,896 | $ - |
| Sale of assets | 4,019 | - |
| Insurance proceeds | 109,370 | - |
| Operating transfers in | 25,643 | - |
| Operating transfers (out) | (4,141,234) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | $ (3,692,306) | $ - |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | $ 190,765 | $ (18,375) |
| Fund balances (deficit) at October 1 | 25,776,822 | (175,614) |
| FUND BALANCES (DEFICIT) AT SEPTEMBER 30 | $ 25,967,587 | $ (193,989) |

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

ALABAMA
EXPENDITURES, AND CHANGES IN
GOVERNMENTAL FUNDS
September 30, 2011

| Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ - | $ 219,864 | $ 21,168,701 |
| - | - | 2,630,671 |
| 510,226 | 346,411 | 3,559,288 |
| - | - | 4,241,561 |
| - | 104,227 | 364,643 |
| $ 4,747 | $ 11,409 | $ 250,759 |
| - | 3 | 108,020 |
| $ 4,747 | $ 11,412 | $ 358,779 |
| $ 514,973 | $ 681,914 | $ 32,323,643 |
| $ - | $ 19,234 | $ 3,659,676 |
| - | - | 8,862,437 |
| - | 416,346 | 2,611,576 |
| - | - | 3,642,225 |
| - | - | 410,521 |
| - | - | 255,673 |
| - | 71,407 | 5,749,856 |
| - | - | 62,382 |
| - | 690,415 | 3,049,558 |
| 1,197,411 | 100,000 | 1,426,603 |
| 343,502 | 18,000 | 387,868 |
| $ 1,540,913 | $ 1,315,402 | $ 30,118,375 |
| $ (1,025,940) | $ (633,488) | $ 2,205,268 |
| $ - | $ 498,553 | $ 808,449 |
| - | - | 4,019 |
| - | - | 109,370 |
| 1,437,700 | 546,938 | 2,010,281 |
| (1,019,752) | (253,392) | (5,414,378) |
| $ 417,948 | $ 792,099 | $ (2,482,259) |
| $ (607,992) | $ 158,611 | $ (276,991) |
| 20,558,742 | 1,843,835 | 48,003,785 |
| $ 19,950,750 | $ 2,002,446 | $ 47,726,794 |

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, 2011

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds (page 35) | | $ (276,991) |
| 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 ($3,049,558) exceeded depreciation ($1,645,904) in the current period. | | 1,403,654 |
| 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 ($1,122,444) less accumulated depreciation ($862,054) | | (260,390) |
| 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, 2010 | $ (1,987,331) | |
| Revenues deferred at the fund level that were earned and reported as revenues in the statement of activities for the current year | 2,426,369 | 439,038 |
| 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 | $ 12,730 | |
| Accrued interest on warrants at beginning of year ($79,075) less accrued interest on warrants at end of year ($75,494) | 3,581 | 16,311 |

(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, 2011

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 | $ 13,452 | |
| Deferred loss on refunding | 26,467 | |
| Debt premium | (1,614) | |
| TOTAL AMORTIZATIONS ON PREVIOUSLY ISSUED DEBT | $ 38,305 | |
| Repayments: | | |
| To bondholders | $ (1,426,603) | |
| NET ADJUSTMENT | $ (1,388,298) | 1,388,298 |
| CHANGE IN NET ASSETS OF THE GOVERNMENTAL ACTIVITIES (PAGE 28) | | $ 2,709,920 |

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 | $ 677,247 | $ 6,919,743 |
| Certificates of deposit | - | 5,604,000 |
| Interest receivable | - | 4,000 |
| Accounts receivable, net of allowance | 94,096 | 344,149 |
| Interfund receivables | 116,032 | 2,831 |
| Due from other governmental units: | | |
| Cullman Power Board | 390,803 | 306,825 |
| Other | - | 227,020 |
| Inventories | 31,085 | 258,570 |
| Prepaid insurance | 21,884 | 64,675 |
| Prepaid senior trip expenses | - | - |
| Prepaid utility tax | - | 12,000 |
| TOTAL CURRENT ASSETS | $ 1,331,147 | $ 13,743,813 |
| Restricted assets: | | |
| Cash equivalents | $ 1,064,496 | $ 49,988,443 |
| OPEB funds held by Cullman Power Board | - | 9,408 |
| State revolving funds receivable | 1,644,198 | 470,989 |
| TOTAL RESTRICTED ASSETS | $ 2,708,694 | $ 50,468,840 |
| Capital assets: | | |
| Land | $ 164,206 | $ 2,808,174 |
| Buildings | 6,725,127 | 6,491,786 |
| Improvements other than buildings | 62,773,287 | 41,396,168 |
| Machinery and equipment | 1,603,996 | 9,106,320 |
| Accumulated depreciation | (26,088,362) | (26,345,334) |
| | $ 45,178,254 | $ 33,457,114 |
| Construction in progress | 1,278,589 | 8,397,046 |
| TOTAL CAPITAL ASSETS | $ 46,456,843 | $ 41,854,160 |
| Other assets: | | |
| Deferred debt expense | $ 929,582 | $ 1,190,971 |
| Deposits | - | - |
| Assessments receivable - noncurrent | 474,038 | - |
| TOTAL OTHER ASSETS | $ 1,403,620 | $ 1,190,971 |
| TOTAL ASSETS | $ 51,900,304 | $ 107,257,784 |

(Continued)

ALABAMA
PROPRIETARY FUNDS
2011

| Activities | | |
|---|---|---|
| Parks and Recreation | Airport | TOTALS |
| $ 361,153 | $ 28,594 | $ 7,986,737 |
| - | - | 5,604,000 |
| - | - | 4,000 |
| 317,915 | 25,736 | 781,896 |
| 541 | - | 119,404 |
| - | - | 697,628 |
| 169,170 | 194,312 | 590,502 |
| 37,042 | 38,489 | 365,186 |
| - | 9,721 | 96,280 |
| 7,716 | - | 7,716 |
| - | - | 12,000 |
| $ 893,537 | $ 296,852 | $ 16,265,349 |
| $ - | $ - | $ 51,052,939 |
| - | - | 9,408 |
| - | - | 2,115,187 |
| $ - | $ - | $ 53,177,534 |
| $ 1,850,367 | $ 552,038 | $ 5,374,785 |
| 16,758,170 | 1,645,954 | 31,621,037 |
| 11,066,477 | 2,437,568 | 117,673,500 |
| 2,252,032 | 219,288 | 13,181,636 |
| (7,463,146) | (2,371,783) | (62,268,625) |
| $ 24,463,900 | $ 2,483,065 | $ 105,582,333 |
| - | 22,108 | 9,697,743 |
| $ 24,463,900 | $ 2,505,173 | $ 115,280,076 |
| $ 310,215 | $ - | $ 2,430,768 |
| 910 | - | 910 |
| - | - | 474,038 |
| $ 311,125 | $ - | $ 2,905,716 |
| $ 25,668,562 | $ 2,802,025 | $ 187,628,675 |

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

| | Business-Type | |
|---|---|---|
| | Sewer Operation | Water System |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | $ 99,134 | $ 401,689 |
| Utility tax payable | - | 28,058 |
| Interfund payables | 8,293 | 141,419 |
| Interest payable | - | - |
| Due to other governmental units: | | |
| Cullman Power Board | - | 9,591 |
| Other | 34,798 | 8,545 |
| Accrued payroll | 10,250 | 18,355 |
| Estimated compensated absences - current portion | 19,190 | 71,997 |
| Current maturities on long-term liabilities | - | - |
| TOTAL CURRENT LIABILITIES | $ 171,665 | $ 679,654 |
| Liabilities payable from restricted assets: | | |
| Accounts payable - contractor | $ 363,248 | $ 322,350 |
| Accrued interest payable | 115,475 | 328,004 |
| Other postemployment benefits | - | 7,644 |
| Current maturities on long-term liabilities | 1,775,000 | 1,665,000 |
| Interfund payables | 9,444 | - |
| TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS | $ 2,263,167 | $ 2,322,998 |
| Deferred credits: | | |
| Debt premium | $ - | $ 179,418 |
| Deferred revenue - memberships | - | - |
| Deferred revenue - senior trips | - | - |
| TOTAL DEFERRED CREDITS | $ - | $ 179,418 |
| Long-term liabilities: | | |
| Warrants/bonds payable | $ 23,810,679 | $ 67,919,227 |
| Capital leases payable | - | - |
| Estimated compensated absences | 75,973 | 251,015 |
| Interfund payables | 403,481 | - |
| TOTAL LONG-TERM LIABILITIES | $ 24,290,133 | $ 68,170,242 |
| TOTAL LIABILITIES | $ 26,724,965 | $ 71,352,312 |
| Net assets: | | |
| Invested in capital assets, net of related liabilities | $ 24,453,215 | $ 19,563,072 |
| Restricted for debt service and capital activity | (3,328) | 3,888,092 |
| Restricted for parks and recreation/tournaments | - | - |
| Unrestricted | 725,452 | 12,454,308 |
| TOTAL NET ASSETS | $ 25,175,339 | $ 35,905,472 |
| TOTAL LIABILITIES AND NET ASSETS | $ 51,900,304 | $ 107,257,784 |

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

ALABAMA
PROPRIETARY FUNDS - CONTINUED
2011

| Activities | | |
|---|---|---|
| Parks and Recreation | Airport | TOTALS |
| $ 107,507 | $ 44,930 | $ 653,260 |
| - | - | 28,058 |
| 547,392 | 1,586 | 698,690 |
| 173,402 | - | 173,402 |
| - | - | 9,591 |
| - | 88,166 | 131,509 |
| 27,134 | 1,282 | 57,021 |
| 24,557 | - | 115,744 |
| 73,564 | 10,109 | 83,673 |
| $ 953,556 | $ 146,073 | $ 1,950,948 |
| $ - | $ - | $ 685,598 |
| - | - | 443,479 |
| - | - | 7,644 |
| - | - | 3,440,000 |
| - | - | 9,444 |
| $ - | $ - | $ 4,586,165 |
| $ 2,070 | $ - | $ 181,488 |
| 162,605 | - | 162,605 |
| 10,759 | - | 10,759 |
| $ 175,434 | $ - | $ 354,852 |
| $ 110,020 | $ 104,103 | $ 91,944,029 |
| 45,884 | - | 45,884 |
| 163,036 | 17,987 | 508,011 |
| 15,351,299 | 146,233 | 15,901,013 |
| $ 15,670,239 | $ 268,323 | $ 108,398,937 |
| $ 16,799,229 | $ 414,396 | $ 115,290,902 |
| $ 8,647,481 | $ 2,389,832 | $ 55,053,600 |
| - | - | 3,884,764 |
| 37,906 | - | 37,906 |
| 183,946 | (2,203) | 13,361,503 |
| $ 8,869,333 | $ 2,387,629 | $ 72,337,773 |
| $ 25,668,562 | $ 2,802,025 | $ 187,628,675 |

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

| | Business-Type | |
|---|---|---|
| | Sewer Operation | Water System |
| Operating revenues: | | |
| Charges for sales and services | $ 5,172,703 | $ 8,795,939 |
| Charges for service connections | 38,714 | 47,599 |
| Service charges | 69,525 | 76,917 |
| Lodging tax | - | - |
| Miscellaneous | 21,040 | 32,386 |
| TOTAL OPERATING REVENUES | $ 5,301,982 | $ 8,952,841 |
| Cost of operating revenues | $ - | $ - |
| Operating expenses: | | |
| Salaries and wages | 861,174 | 1,416,834 |
| Nonemployee compensation | - | - |
| Officials and instructors | - | - |
| Cullman Regional Medical Center | - | - |
| Payroll taxes | 64,137 | 104,786 |
| Employees retirement | 79,989 | 154,231 |
| Employees insurance | 123,403 | 268,977 |
| Telephone | 15,697 | 17,430 |
| Utilities | 494,765 | 889,387 |
| Billing, accounting, and collection fees | 51,020 | 113,342 |
| Office supplies and expenses | 2,756 | 47,347 |
| Professional services | 8,830 | 25,880 |
| Engineering services | 95,952 | 33,239 |
| Other contracted services | 17,651 | 30,382 |
| Tournament fees | - | - |
| Testing services | 7,130 | 10,745 |
| Landfill fees | 23,114 | - |
| Competition expense | - | - |
| Senior programs | - | - |
| Dues and subscriptions | - | 4,331 |
| Travel, registrations, and education | 600 | 11,710 |
| Public relations/printing/advertising | - | 682 |
| Uniforms | 6,861 | 10,233 |
| Small tools and equipment | 20,735 | 29,053 |
| Chemicals and supplies | 49,316 | 694,416 |
| Repairs and maintenance - system and equipment | 251,428 | 394,084 |
| Equipment rental | 6,249 | 44,019 |
| Gas, fuel, and oil | 77,453 | 101,885 |
| Insurance | 43,137 | 107,016 |
| Permits and licenses | - | 1,020 |
| Miscellaneous | 19 | 13,166 |
| Director's fees and expenses | - | 30,025 |
| Depreciation | 1,721,504 | 1,199,969 |
| TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES | $ 4,022,920 | $ 5,754,189 |
| OPERATING INCOME (LOSS) | $ 1,279,062 | $ 3,198,652 |

(Continued)

ALABAMA
EXPENSES, AND CHANGES IN
PROPRIETARY FUNDS
September 30, 2011

| Activities | | |
|---|---|---|
| Parks and Recreation | Airport | TOTALS |
| $ 3,565,482 | $ 437,542 | $ 17,971,666 |
| - | - | 86,313 |
| - | - | 146,442 |
| 194,945 | - | 194,945 |
| 51,614 | 2,329 | 107,369 |
| $ 3,812,041 | $ 439,871 | $ 18,506,735 |
| $ 170,427 | $ 323,564 | $ 493,991 |
| 2,205,787 | 101,446 | 4,585,241 |
| 11,315 | - | 11,315 |
| 84,882 | - | 84,882 |
| 340,464 | - | 340,464 |
| 174,219 | 7,295 | 350,437 |
| 118,582 | 5,802 | 358,604 |
| 191,692 | 7,103 | 591,175 |
| 47,764 | 3,621 | 84,512 |
| 619,348 | 18,912 | 2,022,412 |
| - | - | 164,362 |
| 103,594 | 879 | 154,576 |
| 112,876 | 6,685 | 154,271 |
| - | - | 129,191 |
| 6,944 | 17,201 | 72,178 |
| 10,835 | - | 10,835 |
| - | - | 17,875 |
| - | - | 23,114 |
| 55,788 | - | 55,788 |
| 146,442 | - | 146,442 |
| 6,200 | 131 | 10,662 |
| 49,168 | 545 | 62,023 |
| 90,826 | 527 | 92,035 |
| - | - | 17,094 |
| 22,063 | 5,918 | 77,769 |
| 289,161 | 422 | 1,033,315 |
| 720,749 | 18,710 | 1,384,971 |
| - | - | 50,268 |
| 67,375 | 1,673 | 248,386 |
| 98,602 | 14,142 | 262,897 |
| - | - | 1,020 |
| 10,994 | 8,099 | 32,278 |
| - | - | 30,025 |
| 1,066,699 | 151,481 | 4,139,653 |
| $ 6,822,796 | $ 694,156 | $ 17,294,061 |
| $ (3,010,755) | $ (254,285) | $ 1,212,674 |

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

| | Business-Type | |
|---|---|---|
| | Sewer Operation | Water System |
| Nonoperating revenues (expenses): | | |
| Interest earned | $ 3,110 | $ 103,680 |
| Grants | - | 53,678 |
| Insurance proceeds | - | 25,000 |
| (Loss) on disposal of assets | (37,195) | (91,992) |
| Interest expense | (916,041) | (1,405,536) |
| Amortization of debt expense | (89,792) | (44,887) |
| Paying agent/trustee fees | - | (5,464) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | $ (1,039,918) | $ (1,365,521) |
| INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | $ 239,144 | $ 1,833,131 |
| Capital contributions | - | - |
| Transfers in | 210,000 | - |
| Transfers out | - | (210,000) |
| NET INCREASE IN NET ASSETS | $ 449,144 | $ 1,623,131 |
| Net assets - October 1 | 24,726,195 | 34,282,341 |
| NET ASSETS AT SEPTEMBER 30 | $ 25,175,339 | $ 35,905,472 |

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

ALABAMA
EXPENSES, AND CHANGES IN
PROPRIETARY FUNDS - CONTINUED
September 30, 2011

| Activities | | |
|---|---|---|
| Parks and Recreation | Airport | TOTALS |
| $ 3,577 | $ - | $ 110,367 |
| 140,218 | - | 193,896 |
| 379,447 | - | 404,447 |
| (389) | (1,779) | (131,355) |
| (722,951) | (1,766) | (3,046,294) |
| (14,195) | (71) | (148,945) |
| - | - | (5,464) |
| $ (214,293) | $ (3,616) | $ (2,623,348) |
| $ (3,225,048) | $ (257,901) | $ (1,410,674) |
| - | 353,582 | 353,582 |
| 3,455,620 | - | 3,665,620 |
| (25,880) | (25,643) | (261,523) |
| $ 204,692 | $ 70,038 | $ 2,347,005 |
| 8,664,641 | 2,317,591 | 69,990,768 |
| $ 8,869,333 | $ 2,387,629 | $ 72,337,773 |

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 | $ 5,272,991 | $ 9,032,388 |
| Cash received from lodging tax | - | - |
| Cash payments for merchandise sold | - | - |
| Cash payments for operating expenses | (1,270,632) | (3,013,931) |
| Cash payments to employees | (909,064) | (1,401,090) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | $ 3,093,295 | $ 4,617,367 |
| Cash flows from noncapital and related financing activities: | | |
| Interfund transfers | $ - | $ (210,000) |
| Grants received | - | 53,678 |
| Insurance proceeds | - | 25,000 |
| OPEB funds held by Cullman Power Board | - | (2,352) |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL AND RELATED FINANCING ACTIVITIES | $ - | $ (133,674) |
| Cash flows from capital and related financing activities: | | |
| Proceeds from capital contributions | $ - | $ - |
| Interfund receivables/payables | (96,536) | - |
| Interfund transfers | 210,000 | - |
| Interest paid | (921,067) | (1,188,587) |
| Fiscal charges | - | (5,464) |
| Deferred debt discount and expense | - | (946,654) |
| Deferred loss on refunding | - | (17,500) |
| Deferred debt premium | - | 181,412 |
| Proceeds from long-term debt | 923,183 | 59,125,086 |
| Principal payments of long-term debt | (1,710,000) | (6,070,000) |
| Proceeds from disposal of assets | 3,595 | - |
| Acquisition and construction of capital assets | (1,194,043) | (6,349,917) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | $ (2,784,868) | $ 44,728,376 |

(Continued)

ALABAMA
PROPRIETARY FUNDS
September 30, 2011
Cash and Cash Equivalents

| Activities | | |
|---|---|---|
| Parks and Recreation | Airport | TOTALS |
| $ 3,575,346 | $ 428,558 | $ 18,309,283 |
| 188,061 | - | 188,061 |
| (161,084) | (291,563) | (452,647) |
| (3,457,243) | (147,630) | (7,889,436) |
| (2,273,271) | (104,920) | (4,688,345) |
| $ (2,128,191) | $ (115,555) | $ 5,466,916 |
| | | |
| $ 2,345,000 | $ 218,598 | $ 2,353,598 |
| - | - | 53,678 |
| 200,000 | - | 225,000 |
| - | - | (2,352) |
| $ 2,545,000 | $ 218,598 | $ 2,629,924 |
| | | |
| $ - | $ 195,757 | $ 195,757 |
| (553,546) | (48,890) | (698,972) |
| 1,084,740 | - | 1,294,740 |
| (719,652) | (1,766) | (2,831,072) |
| - | - | (5,464) |
| - | - | (946,654) |
| - | - | (17,500) |
| - | - | 181,412 |
| 43,116 | 114,212 | 60,205,597 |
| (82,543) | (118,990) | (7,981,533) |
| - | - | 3,595 |
| (529,286) | (281,168) | (8,354,414) |
| $ (757,171) | $ (140,845) | $ 41,045,492 |

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 | $ - | $ 8,528,211 |
| Interest received | 3,110 | 101,765 |
| Payments for purchase of certificates of deposit | - | (7,765,021) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | $ 3,110 | $ 864,955 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ 311,537 | $ 50,077,024 |
| Cash and cash equivalents at beginning of year | 1,430,206 | 6,831,162 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 1,741,743 | $ 56,908,186 |

Cash and cash equivalents as of September 30, 2011 consisted of the following:

| | Sewer Operation | Water System |
|---|---|---|
| Cash equivalents - current assets | $ 677,247 | $ 6,919,743 |
| Cash equivalents - restricted assets | 1,064,496 | 49,988,443 |
| TOTALS | $ 1,741,743 | $ 56,908,186 |

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

ALABAMA
PROPRIETARY FUNDS - CONTINUED
September 30, 2011
Cash and Cash Equivalents

| Activities | | |
|---|---|---|
| Parks and Recreation | Airport | TOTALS |
| $ - | $ - | $ 8,528,211 |
| 2,621 | - | 107,496 |
| - | - | (7,765,021) |
| $ 2,621 | $ - | $ 870,686 |
| $ (337,741) | $ (37,802) | $ 50,013,018 |
| 698,894 | 66,396 | 9,026,658 |
| $ 361,153 | $ 28,594 | $ 59,039,676 |

| Parks and Recreation | Airport | TOTALS |
|---|---|---|
| $ 361,153 | $ 28,594 | $ 7,986,737 |
| - | - | 51,052,939 |
| $ 361,153 | $ 28,594 | $ 59,039,676 |

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) | $ 1,279,062 | $ 3,198,652 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 1,721,504 | 1,199,969 |
| Accounts receivable | (7,821) | 6,584 |
| Interfund receivables | 135,998 | 290,943 |
| Due from other governments | (21,170) | 13,331 |
| Assessments receivable | 5,320 | - |
| Inventories | (3,200) | (20,820) |
| Prepaid senior trips | - | - |
| Prepaid insurance | (561) | (4,048) |
| Prepaid utility tax | - | 15,443 |
| Accounts payable | 14,897 | 100,971 |
| Utility tax payable | - | 2,180 |
| Interfund payables | 8,192 | (203,934) |
| Due to other governments | 8,964 | - |
| Accrued payroll | (32,752) | (21,483) |
| Other postemployment benefits | - | 2,352 |
| Compensated absences | (15,138) | 37,227 |
| Deferred revenue | - | - |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | $ 3,093,295 | $ 4,617,367 |

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

ALABAMA
OPERATING ACTIVITIES - PROPRIETARY FUNDS
September 30, 2011
Cash and Cash Equivalents

| Activities | | |
|---|---|---|
| Parks and Recreation | Airport | TOTALS |
| $ (3,010,755) | $ (254,284) | $ 1,212,675 |
| 1,066,699 | 151,481 | 4,139,653 |
| (82,519) | (11,313) | (95,069) |
| 102,889 | - | 529,830 |
| (6,884) | (2,334) | (17,057) |
| - | - | 5,320 |
| 9,343 | (17,576) | (32,253) |
| 18,967 | - | 18,967 |
| - | 1,128 | (3,481) |
| - | - | 15,443 |
| (105,252) | 16,639 | 27,255 |
| - | - | 2,180 |
| 8,925 | - | (186,817) |
| - | - | 8,964 |
| (79,034) | (3,475) | (136,744) |
| - | - | 2,352 |
| 11,550 | 4,179 | 37,818 |
| (62,120) | - | (62,120) |
| $ (2,128,191) | $ (115,555) | $ 5,466,916 |

## 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 VIII).

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, but 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:

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.

## 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

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. All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

## 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 | Airport |
|---|---|---|---|---|
| Accounts receivable at September 30, 2011 | $ 64,182 | $ 24,000 | $34,436 | $1,201 |
| Assessments receivable at September 30, 2011 | $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 $4,151,477 has been accrued as a receivable as of September 30, 2011, for the bills sent out October 1, 2011, 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, 2011, an offsetting balance of $4,151,477 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, 2011, 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, are properly cared for, and are replaced if sold or destroyed. 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 was increased from $2,500 to $5,000 during the current fiscal year.

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, 2011 was as follows:

| Proprietary Fund/Component Unit | Amount Capitalized |
|---|---|
| Water Fund | $ 13,355 |
| Utilities Board – Water Division | 72,706 |
| Sewer Fund | 31,297 |

#### I.C.11. Deferred Debt Expense and Bond Discount

Bond issuance costs, bond discounts, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the straight-line method.

#### 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 | $ --- | $ 685,598 |
| Accrued interest payable | 66,147 | 443,479 |
| Police evidence | 37,611 | --- |
| Other postemployment benefits | --- | 7,644 |
| Current maturities on long-term liabilities | 1,095,000 | 3,440,000 |
| TOTAL | $1,198,758 | $4,576,721 |

Of the $3,440,000 shown as current maturities on long-term debt above in the business-type activities, $2,245,000 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, 2011. 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 loose 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, 2011, the City had $47,461 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, 2011, the City had $37,906 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, City Clerk, or City Assistant 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 $193,989 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 $152,633 deficit of the Industrial Park Fund is a result of capital outlay expenditures and transfers 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, 2011 was as follows:

| | | Balance at Sept. 30, 2010 |
|---|---|---|
| Governmental activities: | | |
| Capital assets not being depreciated: | | |
| Land | $ | 8,846,349 |
| Historical buildings | | 209,420 |
| Construction in progress | | 1,262,261 |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | $ | 10,318,030 |
| Capital assets being depreciated: | | |
| Buildings | $ | 9,201,373 |
| Improvements other than buildings | | 1,263,046 |
| Infrastructure - streets | | 31,573,160 |
| Infrastructure - bridges | | 607,683 |
| Machinery and equipment: | | |
| Office equipment | $ | 71,012 |
| Computer equipment | | 246,822 |
| Communication equipment | | 322,651 |
| Heavy equipment | | 1,298,550 |
| Transportation equipment | | 7,086,142 |
| Other general equipment | | 3,669,061 |
| TOTAL MACHINERY AND EQUIPMENT | $ | 12,694,238 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | $ | 55,339,500 |
| Less accumulated depreciation for: | | |
| Buildings | $ | 1,143,811 |
| Improvements other than buildings | | 225,502 |
| Infrastructure - streets | | 7,527,444 |
| Infrastructure - bridges | | 273,457 |
| Machinery and equipment: | | |
| Office equipment | $ | 56,677 |
| Computer equipment | | 158,129 |
| Communication equipment | | 158,106 |
| Heavy equipment | | 772,529 |
| Transportation equipment | | 4,359,649 |
| Other general equipment | | 2,379,957 |
| TOTAL MACHINERY AND EQUIPMENT | $ | 7,885,047 |
| TOTAL ACCUMULATED DEPRECIATION | $ | 17,055,261 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET | $ | 38,284,239 |
| TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET | $ | 48,602,269 |

STATEMENTS - CONTINUED

| Additions | (Removals) | Balance at Sept. 30, 2011 |
|---|---|---|
| $ 411,138 | $ - | $ 9,257,487 |
| - | (1,000) | 208,420 |
| 1,512,635 | (1,841,879) | 933,017 |
| $ 1,923,773 | $ (1,842,879) | $ 10,398,924 |
| $ 129,182 | $ (140,896) | $ 9,189,659 |
| 6,883 | (11,891) | 1,258,038 |
| 2,126,156 | - | 33,699,316 |
| - | - | 607,683 |
| $ - | $ (28,942) | $ 42,070 |
| - | (56,872) | 189,950 |
| 31,424 | (84,844) | 269,231 |
| 71,597 | (8,150) | 1,361,997 |
| 589,011 | (83,498) | 7,591,655 |
| 136,916 | (833,584) | 2,972,393 |
| $ 828,948 | $ (1,095,890) | $ 12,427,296 |
| $ 3,091,169 | $ (1,248,677) | $ 57,181,992 |
| $ 149,291 | $ (12,425) | $ 1,280,677 |
| 45,563 | (9,067) | 261,998 |
| 648,020 | - | 8,175,464 |
| 12,154 | - | 285,611 |
| $ 1,493 | $ (19,889) | $ 38,281 |
| 25,807 | (43,370) | 140,566 |
| 32,369 | (65,564) | 124,911 |
| 50,933 | (8,150) | 815,312 |
| 503,779 | (70,094) | 4,793,334 |
| 176,495 | (637,223) | 1,919,229 |
| $ 790,876 | $ (844,290) | $ 7,831,633 |
| $ 1,645,904 | $ (865,782) | $ 17,835,383 |
| $ 1,445,265 | $ (382,895) | $ 39,346,609 |
| $ 3,369,038 | $ (2,225,774) | $ 49,745,533 |

## IV. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government: | |
| Administrative | $ 164,214 |
| Building and housing | 2,639 |
| Garage | 10,951 |
| Public safety: | |
| Police | 172,323 |
| Fire | 223,540 |
| Traffic maintenance | 33,885 |
| Dispatch and EMA | 12,746 |
| Highways and streets | 788,927 |
| Sanitation | 212,382 |
| Culture and recreation | 8,561 |
| Conservation | 15,736 |
| TOTAL | $1,645,904 |

### 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, 2011, the City had conveyed land with a historical cost of $254,970, 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, 2011 was as follows:

| | Balance at Sept. 30, 2010 |
|---|---|
| Business-type activities: | |
| Capital assets not being depreciated: | |
| Land | $ 3,244,863 |
| Construction in progress | 14,956,068 |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | $ 18,200,931 |
| Capital assets being depreciated: | |
| Buildings | $ 24,649,629 |
| Improvements other than buildings | 98,206,534 |
| Source of supply | 2,348,738 |
| Pumping plant | 717,398 |
| Water treatment plant | 17,686,317 |
| Transmission and distribution system | 1,454,061 |
| Machinery and equipment: | |
| Office equipment | $ 352,029 |
| Computer equipment | 23,653 |
| Communication equipment | 7,800 |
| Heavy equipment | 585,394 |
| Transportation equipment | 1,865,420 |
| Other general equipment | 3,173,871 |
| TOTAL MACHINERY AND EQUIPMENT | $ 6,008,167 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | $ 151,070,844 |
| Less accumulated depreciation for: | |
| Buildings | $ 7,698,588 |
| Improvements other than buildings | 35,828,057 |
| Source of supply | 1,628,721 |
| Pumping plant | 640,353 |
| Water treatment plant | 8,126,773 |
| Transmission and distribution system | 892,760 |
| Machinery and equipment: | |
| Office equipment | $ 172,560 |
| Computer equipment | 21,648 |
| Communication equipment | 7,304 |
| Heavy equipment | 496,500 |
| Transportation equipment | 1,330,595 |
| Other general equipment | 1,612,162 |
| TOTAL MACHINERY AND EQUIPMENT | $ 3,640,769 |
| TOTAL ACCUMULATED DEPRECIATION | $ 58,456,021 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET | $ 92,614,823 |
| TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | $ 110,815,754 |

STATEMENTS - CONTINUED

| Additions | (Removals) | Balance at Sept. 30, 2011 |
|---|---|---|
| $ 2,131,783 | $ (1,861) | $ 5,374,785 |
| 5,964,513 | (11,222,838) | 9,697,743 |
| $ 8,096,296 | $ (11,224,699) | $ 15,072,528 |
| $ 551,964 | $ (3,892) | $ 25,197,701 |
| 10,932,957 | (128,010) | 109,011,481 |
| 1 | - | 2,348,739 |
| - | (7,766) | 709,632 |
| 5,700 | (17,358) | 17,674,659 |
| - | - | 1,454,061 |
| $ 73,467 | $ (4,480) | $ 421,016 |
| 5,770 | (13,282) | 16,141 |
| - | (4,481) | 3,319 |
| 35,000 | (39,215) | 581,179 |
| 32,585 | (59,382) | 1,838,623 |
| 231,461 | (185,710) | 3,219,622 |
| $ 378,283 | $ (306,550) | $ 6,079,900 |
| $ 11,868,905 | $ (463,576) | $ 162,476,173 |
| $ 709,776 | $ (3,503) | $ 8,404,861 |
| 2,558,302 | (36,424) | 38,349,935 |
| 39,322 | - | 1,668,043 |
| 18,414 | (7,766) | 651,001 |
| 316,981 | (13,929) | 8,429,825 |
| 26,173 | - | 918,933 |
| $ 45,965 | $ (4,032) | $ 214,493 |
| 519 | (11,807) | 10,360 |
| 165 | (4,481) | 2,988 |
| 15,426 | (38,765) | 473,161 |
| 94,536 | (55,608) | 1,369,523 |
| 314,074 | (150,734) | 1,775,502 |
| $ 470,685 | $ (265,427) | $ 3,846,027 |
| $ 4,139,653 | $ (327,049) | $ 62,268,625 |
| $ 7,729,252 | $ (136,527) | $ 100,207,548 |
| $ 15,825,548 | $ (11,361,226) | $ 115,280,076 |

## IV. CAPITAL ASSETS - CONTINUED

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

| | |
|---|---|
| Sewer | $1,721,504 |
| Water System | 1,199,969 |
| Parks and Recreation | 334,160 |
| Golf Course | 82,339 |
| Wellness Center | 650,200 |
| Airport | 151,481 |
| TOTAL | $4,139,653 |

## 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 |
| 2012 | $ 1,479,741 | $ 1,050,998 | $ 2,530,739 |
| 2013 | 1,489,497 | 993,994 | 2,483,491 |
| 2014 | 1,360,706 | 936,071 | 2,296,777 |
| 2015 | 806,733 | 895,897 | 1,702,630 |
| 2016 | 785,000 | 861,229 | 1,646,229 |
| 2017-2021 | 4,165,000 | 3,777,769 | 7,942,769 |
| 2022-2026 | 4,075,000 | 2,949,800 | 7,024,800 |
| 2027-2031 | 5,015,000 | 2,004,444 | 7,019,444 |
| 2032-2036 | 6,190,000 | 833,987 | 7,023,987 |
| TOTALS | $25,366,677 | $14,304,189 | $39,670,866 |

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 |
| 2012 | $ 3,523,673 | $ 3,938,528 | $ 7,462,201 |
| 2013 | 3,628,741 | 3,810,426 | 7,439,167 |
| 2014 | 3,608,079 | 3,694,329 | 7,302,408 |
| 2015 | 3,626,077 | 3,570,949 | 7,197,026 |
| 2016 | 3,735,679 | 3,446,590 | 7,182,269 |
| 2017-2021 | 20,621,809 | 15,134,633 | 35,756,442 |
| 2022-2026 | 15,205,000 | 11,548,617 | 26,753,617 |
| 2027-2031 | 11,895,000 | 8,810,836 | 20,705,836 |
| 2032-2036 | 13,190,000 | 6,072,213 | 19,262,213 |
| 2037-2041 | 16,690,000 | 2,576,688 | 19,266,688 |
| TOTALS | $95,724,058 | $62,603,809 | $158,327,867 |

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

Included in machinery and equipment:

| | |
|---|---|
| Cost | $251,770 |
| Amortization expense included in depreciation expense | 30,018 |
| Accumulated amortization | 92,071 |

## V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2011 were as follows:

| Description | Interest Rates | Governmental Balance at Sept. 30, 2010 |
|---|---|---|
| G.O. Warrants: | | |
| 07-01-94 - Graham Property | Variable | $ 150,000 |
| 02-01-03 - School Refunding | 3.90 - 4.00% | 1,460,000 |
| 07-01-03 - Refunding Various Purpose | 2.80 - 3.00% | 770,000 |
| 02-17-04 - Hartwig Property | 6.00% | 300,000 |
| 02-01-07 - Series 2007 | 4.00 - 5.00% | 21,675,000 |
| 05-01-08 - Brown Land | 2.70% | 69,071 |
| 01-26-09 - BancorpSouth Equipment Finance | 3.34% | 43,069 |
| 02-01-10 - Series 2010 LRSRF-DL/ARRA | 2.00% | 575,000 |
| 09-27-10 - Howlett Land | 6.00% | 230,307 |
| 09-29-10 - School Warrants | 2.96% | 1,500,000 |
| Capital Lease for Greif Property: | | |
| 07-31-07 - Greif, Inc. | | 20,833 |
| | | $ 26,793,280 |
| Less deferred amount on refundings | | (102,168) |
| TOTAL G.O. WARRANTS PAYABLE | | $ 26,691,112 |
| Other Liabilities: | | |
| Estimated compensated absences | | 1,141,996 |
| | | $ 27,833,108 |
| Less current portion | | |

## V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2011 were as follows:

| Description | Interest Rates | Business-type Balance at Sept. 30, 2010 |
|---|---|---|
| G.O. Sewer Warrants: (a) | | |
| 07-01-99 - 1999 SRF | 3.50% | $ 4,815,000 |
| 12-22-99 - 2000 SRF | 3.85% | 7,285,000 |
| 02-01-02 - 2002 SRF | 3.50% | 1,145,000 |
| 11-10-02 - 2002 SRF | 3.50% | 3,155,000 |
| 01-20-04 - 2004 CWSRF-DL | 3.05% | 3,315,000 |
| 04-01-04 - 2004 SRF | 2.85% | 355,000 |
| 01-01-05 - 2005 CWSRF-DL | 3.05% | 3,645,000 |
| 07-18-08 - 2008 CWSRF-DL | 3.50% | 3,595,000 |
| Water Revenue Bonds - 02-01-99 | 3.75% | 3,030,000 |
| Water Revenue Bonds - 03-01-02 | 4.35 - 5.00% | 1,750,000 |
| Water Revenue Bonds - 06-03-11 | 2.00 - 5-00% | - |
| Water Revenue Warrants - 12-01-01 | 4.30 - 5.00% | 4,010,000 |
| G.O. Water Warrant: (a) | | |
| 08-03-02 - 2002 SRF | 3.50% | 1,840,000 |
| G.O. Water System Warrant - 01-20-04 - 2004 DWSRF-DL | 3.05% | 2,270,000 |
| G.O. Water System Warrant - 02-01-05 - 2005 DWSRF-DL | 3.05% | 2,130,000 |
| G.O. Water System Warrant - 10-06-05 - 2005B DWSRF-BL | 3.25% | 1,205,000 |
| G.O. Water System Warrant - 07-18-08 - 2008 DWSRF-DL | 3.50% | 1,110,000 |
| G.O. Warrant - (a) | | |
| Airport T-Hangar - 03-29-04 | 3.00% | 118,990 |
| Airport T-Hangar - 09-14-11 | 2.60% | - |
| Park and Recreation - Lessman Property - 11-28-01 | 7.00% | 180,746 |
| Capital Leases for Golf Course Equipment: | | |
| CitiCapital Commercial Corp - 04-01-07 | 5.58% | 6,422 |
| National City Commercial Capital Company, LLC - 06-06-07 | 7.00% | 37,686 |
| CitiCapital Commercial Corp - 04-01-08 | 4.671% | 21,552 |
| Ervin Leasing Company - 03-27-09 | 5.00% | 6,273 |
| Leaf Funding, Inc. - 04-09-09 | 5.00% | 3,760 |
| De Lage Landen Public Finance, LLC - 05-18-10 | 6.546% | 32,833 |
| Agricredit Acceptance LLC - 05-27-11 | 7.400% | - |
| | | $ 45,063,262 |
| Less deferred amount on refundings | | (105,673) |
| TOTAL G.O. WARRANTS/BONDS PAYABLE | | $ 44,957,589 |
| | | |
| Other Liabilities: | | |
| Interfund payables | | 17,134,381 |
| Estimated compensated absences | | 585,936 |
| | | $ 62,677,906 |
| | | |
| Less current portion | | |

STATEMENTS - CONTINUED

| Activities | | | |
|---|---|---|---|
| Additions | (Removals) | Balance at Sept. 30, 2011 | Due Within One Year |
| $ - | $ (50,000) | $ 100,000 | $ 50,000 |
| - | (345,000) | 1,115,000 | 360,000 |
| - | (185,000) | 585,000 | 190,000 |
| - | (100,000) | 200,000 | 100,000 |
| - | (465,000) | 21,210,000 | 485,000 |
| - | (22,411) | 46,660 | 21,081 |
| - | (28,473) | 14,596 | 14,596 |
| - | (60,000) | 515,000 | 60,000 |
| - | (40,719) | 189,588 | 43,231 |
| - | (130,000) | 1,370,000 | 135,000 |
| - | - | 20,833 | 20,833 |
| $ - | $ (1,426,603) | $ 25,366,677 | $ 1,479,741 |
| - | 26,467 | (75,701) | - |
| $ - | $ (1,400,136) | $ 25,290,976 | $ 1,479,741 |
| 818,383 | (832,250) | 1,128,129 | 447,227 |
| $ 818,383 | $ (2,232,386) | $ 26,419,105 | $ 1,926,968 |
| | | (1,926,968) | |
| TOTAL LONG-TERM LIABILITIES | | $ 24,492,137 | |

STATEMENTS - CONTINUED

| Activities | | | |
|---|---|---|---|
| Additions | (Removals) | Balance at Sept. 30, 2011 | Due Within One Year |
| $ - | $ (365,000) | $ 4,450,000 | $ 380,000 |
| - | (540,000) | 6,745,000 | 565,000 |
| - | (85,000) | 1,060,000 | 90,000 |
| - | (180,000) | 2,975,000 | 185,000 |
| - | (165,000) | 3,150,000 | 170,000 |
| - | (85,000) | 270,000 | 85,000 |
| - | (165,000) | 3,480,000 | 170,000 |
| - | (125,000) | 3,470,000 | 130,000 |
| - | (3,030,000) | - | - |
| - | (1,750,000) | - | - |
| 58,485,000 | - | 58,485,000 | 325,000 |
| - | (835,000) | 3,175,000 | 870,000 |
| - | (125,000) | 1,715,000 | 130,000 |
| - | (120,000) | 2,150,000 | 125,000 |
| - | (105,000) | 2,025,000 | 110,000 |
| - | (60,000) | 1,145,000 | 60,000 |
| - | (45,000) | 1,065,000 | 45,000 |
| - | (118,990) | - | - |
| 114,212 | - | 114,212 | 10,109 |
| - | (24,295) | 156,451 | 26,053 |
| - | (6,422) | - | - |
| - | (20,774) | 16,912 | 16,912 |
| - | (13,426) | 8,126 | 8,126 |
| - | (3,778) | 2,495 | 2,495 |
| - | (2,825) | 935 | 935 |
| - | (7,888) | 24,945 | 9,161 |
| 43,116 | (3,134) | 39,982 | 9,882 |
| $ 58,642,328 | $ (7,981,532) | $ 95,724,058 | $ 3,523,673 |
| (151,563) | 46,764 | (210,472) | - |
| $ 58,490,765 | $ (7,934,768) | $ 95,513,586 | $ 3,523,673 |
| 134,212 | (814,339) | 16,454,254 | 553,241 |
| 369,990 | (332,171) | 623,755 | 115,744 |
| $ 58,994,967 | $ (9,081,278) | $ 112,591,595 | $ 4,192,658 |

| | |
|---|---|
| | (4,192,658) |
| TOTAL LONG-TERM LIABILITIES | $ 108,398,937 |

## 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, 2011, consist of the following:

| | |
|---|---|
| $ 26,506 | Payable to the General Fund from the Water System representing sanitation charges collected by the Water System for the General Fund |
| 112,437 | Payable to the Water Fund from the Sewer Fund representing Sewer charges billed and collected by the Water Fund |
| 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 |
| 20,181 | Other balances |
| $306,352 | |

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

| | |
|---|---|
| $186,948 | Interfund receivables, Balance Sheet – Governmental Funds |
| 119,404 | Interfund receivables, Balance Sheet – Proprietary Funds |
| $306,352 | |

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

| | |
|---|---|
| $151,459 | Interfund payables, Balance Sheet – Governmental Funds |
| (553,241) | 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 |
| 9,444 | Restricted interfund payables, Balance Sheet – Proprietary Funds |
| 698,690 | Interfund payables, Balance Sheet – Proprietary Funds |
| $306,352 | |

## VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

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

Interfund receivables/payables – long-term at September 30, 2011, consist of the following:

| | |
|---|---|
| $ 146,233 | 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 |
| 70,599 | Payable to the General Fund from Parks and Recreation Board representing payments made by General Fund to light the soccer field, to separate the lighting for the Heritage Park ball field from the main meter, and to construct the Gymnastic Facility |
| 88,834 | Payable to the General Fund from the Industrial Access Road Fund (a nonmajor capital project fund) to cover expenditures for capital projects |
| 412,926 | Payable to the Debt Service Fund from the Sewer Fund representing the Sewer's portion of general obligation warrants |
| 15,410,000 | Payable to the Debt Service Fund from the Parks and Recreation Board representing the Parks and Recreation's portion of general obligation warrants |
| 414,496 | 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 |
| $16,543,088 | |

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

| | |
|---|---|
| $ 305,665 | Interfund receivables – long-term, Balance Sheet – Governmental Funds |
| 16,237,423 | Restricted interfund receivables – long-term, Balance Sheet – Governmental Funds |
| $16,543,088 | |

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 |
| 553,241 | 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 |
| 15,901,013 | Interfund payables – long-term, Balance Sheet – Proprietary Funds |
| $16,543,088 | |

## VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

### VI.C. Transfers to/from Other Funds

Transfers to/from other funds during the year ended September 30, 2011, consist of the following:

| | |
|---|---|
| $1,279,600 | From the General Fund to the Debt Service Fund to pay debt service on the outstanding general obligation warrants |
| 2,358,515 | From the General Fund to Cullman City Parks and Recreation Board representing payments for payroll expenditures and to help supplement other fund sources |
| 462,938 | From the General Fund to the capital project funds (nonmajor governmental funds) to supplement other funds for capital project expenditures |
| 158,100 | From other governmental funds to the Debt Service Fund to pay debt service on the outstanding general obligation warrants |
| 1,019,753 | 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 |
| 210,000 | From the Water System to the Sewer System to supplement funds for debt service payments |
| 80,000 | From the Transportation Enhancement Fund (a nonmajor governmental fund) to the Downtown Redevelopment Fund (a nonmajor governmental fund) to supplement other funds for downtown redevelopment project. |
| 106,995 | Other |
| $5,675,901 | |

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

| | |
|---|---|
| $2,010,281 | Operating transfers in – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds |
| 3,665,620 | Transfers in – Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds |
| $5,675,901 | |

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

| | |
|---|---|
| $5,414,378 | Operating transfers (out) – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds |
| 261,523 | Operating transfers (out) – Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds |
| $5,675,901 | |

## 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 | $ 49,745,533 | $ 115,280,076 |
| Less: Warrants/bonds payable | (24,250,844) | (92,146,078) |
| Less School Warrants not for capital assets | 1,990,000 | - |
| Less unspent proceeds from warrants | - | 44,109,111 |
| Capital leases payable | (20,833) | (93,394) |
| Accounts payable | (80,313) | (1,129) |
| Interfund payables - long-term | - | (16,298,578) |
| Debt premium | (3,645) | 177,348 |
| Less School Warrants' debt premium | 1,427 | - |
| Add: State revolving funds receivable | 15,531 | 1,429,589 |
| Interfund receivables - long-term | 16,237,423 | - |
| Debt discount and expense | 97,487 | 2,430,767 |
| Deferred loss on refunding | 75,701 | 165,888 |
| Less School Warrants' debt discount and expense | (19,813) | - |
| Less School Warrants' deferred loss on refunding | (44,890) | - |
| | $ 43,742,764 | $ 55,053,600 |
| Restricted for Debt Service and Capital Activity: | | |
| Restricted cash equivalents and interest receivable | $ 766,856 | $ 51,052,939 |
| Less: Cash equivalents not restricted by an external party | - | (1,053,907) |
| Advances to other governments | 2,982,614 | - |
| Alabama Trust Fund capital improvements | 184,399 | - |
| Restricted state revolving funds receivable | - | 685,598 |
| Restricted OPEB funds held by CPB | - | 9,408 |
| Deductions: | | |
| Less unspent proceeds from warrants | - | (44,109,111) |
| Liabilities payable from restricted assets | (1,198,758) | (4,586,165) |
| Less: Liabilities payable from cash equivalents not restricted by an external party | - | 1,886,002 |
| | $ 2,735,111 | $ 3,884,764 |
| Other restricted net assets: | | |
| Brownsfield remediation | $ 401,508 | $ - |
| Municipal Court equipment and training | 47,461 | - |
| Fiduciary | 6,909 | - |
| Realty improvements and Ingle Park | 15,743 | - |
| Highways and streets | 7,159,636 | - |
| Parks and recreation/tournaments | 104,281 | 37,906 |
| Drug Abuse Resistance Education (DARE) | 241,577 | - |
| Jail/Correction facilities | 74,709 | - |
| Industrial development and recreation | 93,621 | - |
| Education | 18,613 | - |
| Endowment | 100,908 | - |
| Unrestricted | 18,925,348 | 13,361,503 |
| TOTAL NET ASSETS | $ 73,668,189 | $ 72,337,773 |

## VIII. 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.

## IX. 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.

## X. RETIREMENT

### X.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.

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.

## X. RETIREMENT - CONTINUED

### X.A. PLAN DESCRIPTION - CONTINUED

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.

### X.B. FUNDING POLICY

Employees are required by statute to contribute 5 percent 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, 2011 was 9.51 percent based on the actuarial valuation performed as of September 30, 2008.

### X.C. ANNUAL PENSION COST

For the year ended September 30, 2011, the City's annual pension contribution of $1,019,113 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 4.61 percent at age 20 to 7.75 percent at age 65. Both (1) and (2) include an inflation component of 4.5 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, 2010 was 30 years.

Three-year trend information is as follows:

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 9/30/08 | $ 929,420 | 100 % | $ - 0 - |
| 9/30/09 | 1,046,237 | 100 | - 0 - |
| 9/30/10 | 995,393 | 100 | - 0 - |

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

## XI. 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.

## XII. 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.

## XIII. 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 | $204,226 | $697,628 |
| Taxes in lieu | 42,135 | --- |
| TOTALS | $246,361 | $697,628 |

## XIV. 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 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.

### XIV.A. PLAN DESCRIPTION

The Board currently offers any employee retiring with at least 25 years of service 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. There have been no significant changes in the number covered or the type of coverage since that date.

## XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

### XIV.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, 2011, the Cullman Power Board is maintaining $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.

### XIV.C. ANNUAL OTHER POSTEMPLOYMENT BENEFIT COST

For the year ended September 30, 2011, the Board's annual cost (i.e, expense) of $2,352 is not equal to the Annual Required Contribution, which is $4,275. The Annual Required Contribution (ARC) of $4,275 is reduced by an Adjustment to ARC in the amount of $1,923 for the pay-as-you-go premiums contributed in the current year.

**Benefit Obligations and Normal Cost**

| | |
|---|---|
| Actuarial Accrued Liability (AAL): | |
| Actuarial Present Value of All Future Benefits | $46,485 |
| Unfunded Past Service Liability | 39,696 |
| Current Year Cost (Normal Cost) | 606 |
| Unfunded Actuarial Accrued Liability (UAAL) | $86,787 |

**Level Dollar Amortization**
Calculation of ARC under Projected Unit Credit Method

| | |
|---|---|
| ARC Normal Cost | $ 606 |
| Amortization of Unfunded Actuarial Accrued Liability (UAAL) | 3,669 |
| Annual required contribution (ARC) | $4,275 |
| Adjustment to ARC | (1,923) |
| Annual OPEB cost (expense) | $2,352 |
| Net OPEB Obligation September 30, 2011 | $7,644 |

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

## XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

### XIV.C. ANNUAL OTHER POSTEMPLOYMENT BENEFIT COST - CONTINUED

The trend information is as follows:

| Fiscal Year Ending | Annual OPEB Cost (AOC) | Percentage of AOC Contributed | Net OPEB Obligation |
|---|---|---|---|
| 9/30/09 | $2,940 | 0% | $2,940 |
| 9/30/10 | 2,352 | 0 | 5,292 |
| 9/30/11 | 2,352 | 0 | 7,644 |

### XIV.D. 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 unfunded actuarial accrued liability is being amortized over 30 years on a level open dollar basis.

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 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.

In the July 1, 2008, actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 7.5 percent discount rate. The valuation assumes a 8 percent healthcare cost trend increase for fiscal year 2008-2009, decreasing linearly each year for 10 years to a rate of 5 percent. The valuation assumes that 100 percent of employees retiring will elect to participate in the plan.

## XV. LEASES

The Cullman Regional Airport Board leases Corporate Hangars, T-Hangars, and Maintenance Hangars under operating leases varying from $100 to $1,200 per month. The hangar rental revenue was $71,865 for the year ended September 30, 2011.

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

| Year | Amount |
|---|---|
| 2012 | $9,760 |
| 2013 | 7,200 |

Hangars under operating leases were $1,339,756 as of September 30, 2011 and were included in buildings. Accumulated depreciation on hangars under operating leases was $284,460 for the year ended September 30, 2011.

## XVI. GREIF BROTHERS PROPERTY – BROWNFIELD REMEDIATION

During the year ended September 30, 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, 2011.

## XVII. 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. The grant does not require a match. Due to conditions surrounding the tornado on April 27, 2011, the grant completion date was extended to June 1, 2012.

In December 2010, the City awarded a contract to ReidCo General Contracting, Inc. for construction of a new garage at the Greif Property on 2nd Avenue, NE in the amount of $685,500. Subsequent change orders in the amount of $20,635 were issued. As of September 30, 2011, the City had incurred $597,356 in costs associated with the project including $29,868 of retainage.

In December 2010, the City awarded a contract to Sunbelt Fire, Inc. in the amount of $791,301 for a E-ONE Custom Class A Pumper Fire Truck. As of September 30, 2011, the City had not incurred any costs on the fire truck. The fire truck was received in November 2011.

In March 2011, the City awarded a contract to Sunbelt Fire, Inc. in the amount of $1,059,990 for a 2011 E-ONE HP100 Aerial Platform Fire Apparatus. As of September 30, 2011, the City had made a deposit on the truck of $350,000. The Federal Emergency Management Agency (FEMA) and the Department of Homeland Security (DHS) awarded the City a grant in the amount of $712,500 for the above fire apparatus. As of September 30, 2011, none of the funds had been requested on the grant. Expenditures for the fire truck were not eligible for request until the fire apparatus was delivered to the City in November 2011.

## XVII. COMMITMENTS AND CONTINGENCIES - CONTINUED

*Governmental Activities - Continued*

In July 2011, the City awarded a contract to Stone & Son in the amount of $34,890 for a traffic signal pole and mast arm installation at Arnold Street and 2nd Avenue, NE. As of September 30, 2011, the City had not incurred any cost on the project.

In September 2011, the City awarded a contract to Walker Brothers, LTD in the amount of $35,864 for repairs to the Cullman County Animal Shelter located at 935 Convent Road NE. As of September 30, 2011, the City had not incurred any cost on the project.

In September 2011, the City awarded a contract to ExoTech in the amount of $171,500 for chemical oxidation at the Greif Property on 2nd Avenue NE. As of September 30, 2011, the City had not incurred any cost 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 City is to provide a match of $42,630. As of September 30, 2011, the City had not incurred any expenditures on the grant.

*Business- Type Activities*

Sewer

The City awarded a contract in April 2011 for the Gravity Sewer at Austin Avenue to Ronny D. Jones Enterprises, Inc. of Newnan, Georgia in the amount of $872,636. As of September 30, 2011, the Sewer Fund had incurred $230,230 on the project, which includes $23,023 of retainage.

The City awarded a contract for the North Outfall Pump Station Rehab and Repairs to Mark Johnson Construction, LLC, of Tuscaloosa Alabama, in the amount of $823,500 in March of 2011. As of September 30, 2011, the Sewer Fund had incurred $280,749 on the project which includes $14,037 of retainage.

Water System

As of November 2010, a contract was awarded to Utility Services for hydropillar coating of the water tanks located on Golf Course Road and at Vinemont at a cost of $892,000. The total cost incurred on the project as of September 30, 2011 was $883,500.

As of September 2011, the Utilities Board Water Division awarded a bid to Richard LLC in the amount of $164,960 for flocculator repairs.

Cullman Regional Airport Board

As of September 2011, the Board was authorized to enter into a contract with Goodwyn, Mills, and Cawood to provide professional services on the construction of two 8 unit T-hangars at the Cullman Regional Airport, at a cost not to exceed $45,000.

## XVIII. SUBSEQUENT EVENTS

*Governmental Activities*

In October 2011, the City approved a request by the Police Department to purchase a 2012 Dodge 1500 Crew Cab Pickup Truck from Ben Atkinson Motors on state bid in the budgeted amount of $21,646.

In October 2011, the City purchased the Burrow property on Highway 222 for $1,520,000. To purchase the property, the City obtained a General Obligation Warrant in the amount of $1,000,000 from the Mary Evelyn Burrow Charitable Remainder Trust.

In November 2011, the City approved a change order in the amount of $17,566 concerning the contract with ReidCo General Contracting, Inc. for the construction of the new city garage.

In November 2011, the City awarded a contract not to exceed $17,840 to Goodwyn, Mills and Cawood for professional services to design, inspect, and contract administration of the Drinking Water Loan.

In November 2011, the City awarded a contract not to exceed $46,000 to Goodwyn, Mills and Cawood for professional services to complete a flow study and preliminary engineering report and to design, inspect, and contract administration of the Clear Water Loan.

In December 2011, the City awarded a contract in the amount of $475,121 and an addendum of $45,000 to Carcel & G Construction, LLC for the realignment of the intersection of U.S. Highway 31 and West Main Avenue.

In February 2012, the City approved to enter into a contract with CDG Engineers & Associates for professional services to design the streetscape on the Busy Bee block at a cost not to exceed $35,000.

*Business-Type Activities*

Sewer

The City of Cullman, Alabama approved a change order to the contract for the North Outfall Pump Station Rehab and Repairs on January 23, 2012, increasing the contact in the amount of $62,829.

As of November 2011, the City awarded a bid in the amount of $51,990 to Jim House & Associates, Inc. to replace the ultraviolet (UV) equipment at the Wastewater Treatment Plant.

As of February 2012, the City awarded a bid in the amount of $198,500 to Apel Machine & Supply Co. for improvements to the North Pump Station.

Water System

As of January 2012, the City authorized the issuance of General Obligation Warrant, Series 2012-DWSRF-BL in the principal amount of $1,715,000 to refund the General Obligation Warrant, Series 2002-SRF in order to reduce the interest rate from 3.5% to a rate not to exceed 2.6%.

## XVIII. SUBSEQUENT EVENTS

*Business-Type Activities - Continued*

Cullman Regional Airport Board

As of October 2011, the Board was authorized to enter into an agreement with Goodwyn, Mills, and Cawood to provide professional services to update the existing Airport layout plan and develop a capital improvement plan for the Cullman Regional Airport at a cost not to exceed $53,624.

Other

As of March 2012, the City has approved to move its billing services for its water, sewer and sanitation customers to the Cullman Electric Cooperative (CEC). The City will incur a one-time conversion/set up fee of $7,500 and will be charged $0.88 per customer per month for billings.

# REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT PLAN
For the Year Ended September 30, 2011

| Actuarial Valuation Date | Actuarial Value of Assets^ (a) | Actuarial Accrued Liability (AAL) Entry Age (b)* | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 9/30/2005 | $26,005,913 | $30,895,310 | $4,889,397 | 84.2% | $ 8,571,500 | 57.0% |
| **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 |
| ***9/30/2010 | 29,715,849 | 41,062,481 | 11,346,632 | 72.4 | 10,657,843 | 106.5 |
| ****9/30/2010 | 29,715,849 | 41,176,961 | 11,461,112 | 72.2 | 10,657,843 | 107.5 |

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

** Reflects changes in actuarial assumptions.

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

**** Reflects the impact of Act 2011-27 as well as 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.

^ Market Value of Assets as of September 30, 2010: $24,688,041

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
Year ended September 30, 2011

| | Budgeted Amounts | | | Variance With Final Budget- Favorable (Unfavorable) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Taxes | $ 14,572,466 | $ 14,600,466 | $ 15,542,999 | $ 942,533 |
| Licenses and permits | 2,696,874 | 2,755,874 | 2,630,671 | (125,203) |
| Intergovernmental revenues | 1,453,386 | 1,523,386 | 2,702,651 | 1,179,265 |
| Charges for services | 3,684,452 | 3,684,952 | 4,241,561 | 556,609 |
| Fines and forfeits | 364,472 | 364,472 | 260,416 | (104,056) |
| Miscellaneous revenues | 436,103 | 457,603 | 341,351 | (116,252) |
| TOTAL REVENUES | $ 23,207,753 | $ 23,386,753 | $ 25,719,649 | $ 2,332,896 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | $ 3,667,820 | $ 3,766,220 | $ 3,640,442 | $ 125,778 |
| Public safety | 7,642,053 | 8,077,353 | 8,862,437 | (785,084) |
| Highways and streets | 2,102,739 | 2,431,239 | 2,195,230 | 236,009 |
| Sanitation | 3,188,069 | 3,271,569 | 3,642,225 | (370,656) |
| Health and social services | 365,205 | 368,205 | 410,521 | (42,316) |
| Culture and recreation | 264,772 | 274,272 | 255,673 | 18,599 |
| Education | 310,000 | 310,000 | 252,967 | 57,033 |
| Conservation | 77,325 | 79,825 | 62,382 | 17,443 |
| Capital outlay | - | 2,845,900 | 2,359,143 | 486,757 |
| Debt service | 87,753 | 87,753 | 155,558 | (67,805) |
| TOTAL EXPENDITURES | $ 17,705,736 | $ 21,512,336 | $ 21,836,578 | $ (324,242) |
| REVENUES OVER EXPENDITURES | $ 5,502,017 | $ 1,874,417 | $ 3,883,071 | $ 2,008,654 |
| Other financing sources (uses): | | | | |
| Capital contributions | $ 220,000 | $ 225,000 | $ 309,896 | $ 84,896 |
| Sale of assets | 34,172 | 34,172 | 4,019 | (30,153) |
| Insurance proceeds | 10,000 | 52,000 | 109,370 | 57,370 |
| Operating transfers in | - | - | 25,643 | 25,643 |
| Operating transfers (out) | (5,765,889) | (4,569,889) | (4,141,234) | 428,655 |
| TOTAL OTHER FINANCING SOURCES (USES) | $ (5,501,717) | $ (4,258,717) | $ (3,692,306) | $ 566,411 |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | $ 300 | $ (2,384,300) | $ 190,765 | $ 2,575,065 |
| Fund balances at October 1 | 25,776,822 | 25,776,822 | 25,776,822 | - |
| FUND BALANCES AT SEPTEMBER 30 | $ 25,777,122 | $ 23,392,522 | $ 25,967,587 | $ 2,575,065 |

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, 2011

| | Budget - Original and Final | Actual | Variance With Final Budget- Favorable (Unfavorable) |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 5,166,324 | $ 5,405,838 | $ 239,514 |
| Miscellaneous revenues: | | | |
| Interest revenues | 1,160 | 1,269 | 109 |
| TOTAL REVENUES | $ 5,167,484 | $ 5,407,107 | $ 239,623 |
| Expenditures: | | | |
| Current: | | | |
| Education | 5,167,484 | 5,425,482 | (257,998) |
| REVENUES (UNDER) EXPENDITURES | $ - | $ (18,375) | $ (18,375) |
| Fund (deficit) at October 1 | (175,614) | (175,614) | - |
| FUND (DEFICIT) AT SEPTEMBER 30 | $ (175,614) | $ (193,989) | $ (18,375) |

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 public safety were $785,084 in excess of budgeted amount. Due to the tornado on April 27, 2011, emergency service employees worked additional overtime to respond to the needs of the citizens. The City received a grant from FEMA to cover 75 percent of these expenditures.

The expenditures for sanitation were $370,656 in excess of budgeted amount. Due the tornado on April 27, 2011, the sanitation employees worked additional overtime to assist in the cleanup efforts after the tornado. The City received a grant from FEMA to cover 75 percent of these expenditures.

**School Tax Fund**

The expenditures for the school tax fund were $257,998 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 $239,623 during the year.

SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - GENERAL FUND
September 30, 2011

| | General | Payroll | Eliminations | TOTALS |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash equivalents | $ 14,551,015 | $ 554,012 | $ - | $ 15,105,027 |
| Certificates of deposit | 8,577,108 | - | - | 8,577,108 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts | 416,552 | 44 | - | 416,596 |
| Assessments | 599,364 | - | - | 599,364 |
| Interest | 6,261 | - | - | 6,261 |
| Interfund receivables | 37,117 | - | - | 37,117 |
| Due from other governmental units: | | | | |
| Cullman Power Board | 246,361 | - | - | 246,361 |
| Other | 4,204,804 | - | - | 4,204,804 |
| Inventories | 57,555 | - | - | 57,555 |
| Prepaid insurance | 260,039 | - | - | 260,039 |
| Interfund receivables - long-term | 429,536 | - | (123,871) | 305,665 |
| Restricted assets: | | | | |
| Cash equivalents | 37,611 | - | - | 37,611 |
| State revolving funds receivable | 401,508 | - | - | 401,508 |
| Deposit on equipment | 350,000 | - | - | 350,000 |
| Insurance deposit | 113,307 | - | - | 113,307 |
| TOTAL ASSETS | $ 30,288,138 | $ 554,056 | $ (123,871) | $ 30,718,323 |

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - GENERAL FUND - CONTINUED
September 30, 2011

| | General | Payroll | Eliminations | TOTALS |
|---|---|---|---|---|
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable: | | | | |
| Trade | $ 396,240 | $ - | $ - | $ 396,240 |
| Contractors | 80,313 | - | - | 80,313 |
| Accrued liabilities | 2,200 | 428,409 | - | 430,609 |
| Accrued payroll | 129,801 | - | - | 129,801 |
| Interfund payables | 2,603 | 1,628 | - | 4,231 |
| Due to other governmental units | 83,710 | - | - | 83,710 |
| Deferred revenues | 3,417,971 | - | - | 3,417,971 |
| Interfund payables - long-term | - | 123,871 | (123,871) | - |
| Restricted liabilities: | | | | |
| Police evidence | 37,611 | - | - | 37,611 |
| Estimated liability for compensated absences | 170,250 | - | - | 170,250 |
| TOTAL LIABILITIES | $ 4,320,699 | $ 553,908 | $ (123,871) | $ 4,750,736 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Inventory | $ 57,555 | $ - | $ - | $ 57,555 |
| Interfund receivables - long-term | 305,665 | - | - | 305,665 |
| Deposit on equipment | 350,000 | - | - | 350,000 |
| Prepaid expenditures and insurance deposit | 373,346 | - | - | 373,346 |
| Restricted for: | | | | |
| Brownsfield remediation | 401,508 | - | - | 401,508 |
| Municipal Court equipment and training | 47,461 | - | - | 47,461 |
| Fiduciary | 6,909 | - | - | 6,909 |
| Committed to: | | | | |
| Landfill improvements | 500,074 | - | - | 500,074 |
| Assigned to: | | | | |
| Realty improvements | 55,715 | - | - | 55,715 |
| Unassigned | 23,869,206 | 148 | - | 23,869,354 |
| TOTAL FUND BALANCES | $ 25,967,439 | $ 148 | $ - | $ 25,967,587 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 30,288,138 | $ 554,056 | $ (123,871) | $ 30,718,323 |

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
Year ended September 30, 2011

| | General | Payroll | Total |
|---|---|---|---|
| Revenues: | | | |
| Taxes | $ 15,542,999 | $ - | $ 15,542,999 |
| Licenses and permits | 2,630,671 | - | 2,630,671 |
| Intergovernmental revenues | 2,702,651 | - | 2,702,651 |
| Charges for services | 4,241,561 | - | 4,241,561 |
| Fines and forfeits | 260,416 | - | 260,416 |
| Miscellaneous revenues: | | | |
| Interest revenue | $ 233,334 | $ - | $ 233,334 |
| Miscellaneous | 108,017 | - | 108,017 |
| TOTAL MISCELLANEOUS REVENUES | $ 341,351 | $ - | $ 341,351 |
| TOTAL REVENUES | $ 25,719,649 | $ - | $ 25,719,649 |
| Expenditures: | | | |
| Current: | | | |
| General government: | | | |
| Administrative | $ 3,046,203 | $ - | $ 3,046,203 |
| Building and housing | 352,694 | - | 352,694 |
| Garage | 241,545 | - | 241,545 |
| Total General Government | $ 3,640,442 | $ - | $ 3,640,442 |
| Public safety: | | | |
| Police | $ 5,208,183 | $ - | $ 5,208,183 |
| Fire | 2,859,374 | - | 2,859,374 |
| Traffic maintenance | 300,533 | - | 300,533 |
| Dispatch and EMA | 494,347 | - | 494,347 |
| Total Public Safety | $ 8,862,437 | $ - | $ 8,862,437 |
| Highways and streets | 2,195,230 | - | 2,195,230 |
| Sanitation | 3,642,225 | - | 3,642,225 |
| Health and social services | 410,521 | - | 410,521 |
| Culture and recreation | 255,673 | - | 255,673 |
| Education | 252,967 | - | 252,967 |
| Conservation | 62,382 | - | 62,382 |
| TOTAL CURRENT EXPENDITURES | $ 19,321,877 | $ - | $ 19,321,877 |

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND - CONTINUED
Year ended September 30, 2011

| | General | Payroll | Total |
|---|---|---|---|
| Capital outlay: | | | |
| General government: | | | |
| Administrative | $ 261,108 | $ - | $ 261,108 |
| Garage | 629,790 | - | 629,790 |
| Total General Government | $ 890,898 | $ - | $ 890,898 |
| Public safety: | | | |
| Police | $ 394,238 | $ - | $ 394,238 |
| Fire | 54,002 | - | 54,002 |
| Traffic Maintenance | 35,556 | - | 35,556 |
| Total Public Safety | $ 483,796 | $ - | $ 483,796 |
| Highways and streets | $ 657,471 | $ - | $ 657,471 |
| Sanitation | 242,281 | - | 242,281 |
| Culture and recreation | 51,320 | - | 51,320 |
| Conservation | 33,377 | - | 33,377 |
| TOTAL CAPITAL OUTLAY | $ 2,359,143 | $ - | $ 2,359,143 |
| Debt service: | | | |
| Principal retirement | $ 129,192 | $ - | $ 129,192 |
| Interest | 26,366 | - | 26,366 |
| TOTAL DEBT SERVICE | $ 155,558 | $ - | $ 155,558 |
| TOTAL EXPENDITURES | $ 21,836,578 | $ - | $ 21,836,578 |
| REVENUES OVER EXPENDITURES | $ 3,883,071 | $ - | $ 3,883,071 |
| Other financing sources (uses): | | | |
| Capital contributions | $ 309,896 | $ - | $ 309,896 |
| Sale of assets | 4,019 | - | 4,019 |
| Insurance proceeds | 109,370 | - | 109,370 |
| Operating transfers in | 25,643 | - | 25,643 |
| Operating transfers (out) | (4,141,234) | - | (4,141,234) |
| TOTAL OTHER FINANCING SOURCES (USES) | $ (3,692,306) | $ - | $ (3,692,306) |
| REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | $ 190,765 | $ - | $ 190,765 |
| Fund balances at October 1 | 25,776,674 | 148 | 25,776,822 |
| FUND BALANCES AT SEPTEMBER 30 | $ 25,967,439 | $ 148 | $ 25,967,587 |

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

| | Special Revenue | Capital Projects | Permanent Fund Roy Ingle | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash equivalents | $ 1,352,068 | $ 401,080 | $ 15,691 | $ 1,768,839 |
| Certificates of deposit | - | - | 100,908 | 100,908 |
| Taxes receivable | 31,851 | - | - | 31,851 |
| Interest receivable | - | - | 52 | 52 |
| Interfund receivable | 2,603 | 147,228 | - | 149,831 |
| Due from other governmental units | 41,701 | 192,526 | - | 234,227 |
| TOTAL ASSETS | $ 1,428,223 | $ 740,834 | $ 116,651 | $ 2,285,708 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable: | | | | |
| Trade | $ - | $ 15,877 | $ - | $ 15,877 |
| Interfund payables | - | 147,228 | - | 147,228 |
| Interfund payables - long-term | - | 88,834 | - | 88,834 |
| Deferred revenue | 31,323 | - | - | 31,323 |
| TOTAL LIABILITIES | $ 31,323 | $ 251,939 | $ - | $ 283,262 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund principal | $ - | $ - | $ 100,908 | $ 100,908 |
| Restricted for: | | | | |
| Realty improvements and Ingle Park | - | - | 15,743 | 15,743 |
| Highways and streets | 715,002 | - | - | 715,002 |
| Parks and recreation | 87,592 | - | - | 87,592 |
| Capital improvements | 184,399 | - | - | 184,399 |
| Jail/correction facilities | 241,577 | - | - | 241,577 |
| Drug Abuse Resistance Education | 74,709 | - | - | 74,709 |
| Industrial development/recreation | 93,621 | - | - | 93,621 |
| Assigned for: | | | | |
| Capital projects | - | 641,528 | - | 641,528 |
| Unassigned | - | (152,633) | - | (152,633) |
| TOTAL FUND BALANCES | $ 1,396,900 | $ 488,895 | $ 116,651 | $ 2,002,446 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 1,428,223 | $ 740,834 | $ 116,651 | $ 2,285,708 |

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year ended September 30, 2011

| | Special Revenue | Capital Projects | Permanent Fund Roy Ingle | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| Revenues: | | | | |
| Taxes | $ 219,864 | $ - | $ - | $ 219,864 |
| Intergovernmental revenues | 346,411 | - | - | 346,411 |
| Fines and forfeits | 104,227 | - | - | 104,227 |
| Miscellaneous revenues: | | | | |
| Interest revenues | $ 9,948 | $ 366 | $ 1,095 | $ 11,409 |
| Miscellaneous | - | 3 | - | 3 |
| TOTAL MISCELLANEOUS REVENUES | $ 9,948 | $ 369 | $ 1,095 | $ 11,412 |
| TOTAL REVENUES | $ 680,450 | $ 369 | $ 1,095 | $ 681,914 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | $ 957 | $ 18,277 | $ - | $ 19,234 |
| Highways and streets | 416,346 | - | - | 416,346 |
| Education | 71,407 | - | - | 71,407 |
| Capital outlay | 46,552 | 643,863 | - | 690,415 |
| Debt service: | | | | |
| Principal retirement | - | 100,000 | - | 100,000 |
| Interest and fiscal charges | - | 18,000 | - | 18,000 |
| TOTAL EXPENDITURES | $ 535,262 | $ 780,140 | $ - | $ 1,315,402 |
| REVENUES OVER (UNDER) EXPENDITURES | $ 145,188 | $ (779,771) | $ 1,095 | $ (633,488) |
| Other financing sources (uses): | | | | |
| Capital contributions | $ - | $ 498,553 | $ - | $ 498,553 |
| Operating transfers in | 4,000 | 542,938 | - | 546,938 |
| Operating transfers (out) | (158,100) | (95,292) | - | (253,392) |
| TOTAL OTHER FINANCING SOURCES (USES) | $ (154,100) | $ 946,199 | $ - | $ 792,099 |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | $ (8,912) | $ 166,428 | $ 1,095 | $ 158,611 |
| Fund balances at October 1 | 1,405,812 | 322,467 | 115,556 | 1,843,835 |
| FUND BALANCES AT SEPTEMBER 30 | $ 1,396,900 | $ 488,895 | $ 116,651 | $ 2,002,446 |

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

| | Four Cent Gasoline Tax | Seven Cent Gasoline Tax | Capital Improvement Fund |
|---|---|---|---|
| ASSETS | | | |
| Cash equivalents | $ 147,551 | $ 545,796 | $ 184,399 |
| Taxes receivable | - | - | - |
| Interfund receivable | - | - | - |
| Due from other governmental units | 16,105 | 20,184 | - |
| TOTAL ASSETS | $ 163,656 | $ 565,980 | $ 184,399 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Deferred revenue | $ 7,301 | $ 7,333 | $ - |
| Fund balances: | | | |
| Restricted for: | | | |
| Highways and streets | $ 156,355 | $ 558,647 | $ - |
| Parks and recreation | - | - | - |
| Capital improvements | - | - | 184,399 |
| Jail/correction facilities | - | - | - |
| Drug Abuse Resistance Education | - | - | - |
| Industrial development/recreation | - | - | - |
| TOTAL FUND BALANCES | $ 156,355 | $ 558,647 | $ 184,399 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 163,656 | $ 565,980 | $ 184,399 |

ALABAMA
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
2011

| Industrial Purpose | Lodging Tax | Corrections/ Court Fund | DARE | TOTALS |
|---|---|---|---|---|
| $ 93,621 | $ 72,430 | $ 239,486 | $ 68,785 | $ 1,352,068 |
| - | 31,851 | - | - | 31,851 |
| - | - | 2,091 | 512 | 2,603 |
| - | - | - | 5,412 | 41,701 |
| $ 93,621 | $ 104,281 | $ 241,577 | $ 74,709 | $ 1,428,223 |
| $ - | $ 16,689 | $ - | $ - | $ 31,323 |
| $ - | $ - | $ - | $ - | $ 715,002 |
| - | 87,592 | - | - | 87,592 |
| - | - | - | - | 184,399 |
| - | - | 241,577 | - | 241,577 |
| - | - | - | 74,709 | 74,709 |
| 93,621 | - | - | - | 93,621 |
| $ 93,621 | $ 87,592 | $ 241,577 | $ 74,709 | $ 1,396,900 |
| $ 93,621 | $ 104,281 | $ 241,577 | $ 74,709 | $ 1,428,223 |

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 | 99,762 | 157,344 | 89,305 |
| Fines and forfeits | - | - | - |
| Miscellaneous revenues: | | | |
| Interest revenue | 18 | 8,973 | 690 |
| TOTAL REVENUES | $ 99,780 | $ 166,317 | $ 89,995 |
| Expenditures: | | | |
| Current: | | | |
| General government | $ - | $ - | $ - |
| Highways and streets | - | 416,346 | - |
| Education | - | - | - |
| Capital outlay | - | - | - |
| TOTAL EXPENDITURES | $ - | $ 416,346 | $ - |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ 99,780 | $ (250,029) | $ 89,995 |
| Other financing sources (uses): | | | |
| Operating transfers in | $ - | $ - | $ - |
| Operating transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | $ - | $ - | $ - |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | $ 99,780 | $ (250,029) | $ 89,995 |
| Fund balances at October 1 | 56,575 | 808,676 | 94,404 |
| FUND BALANCES AT SEPTEMBER 30 | $ 156,355 | $ 558,647 | $ 184,399 |

ALABAMA
EXPENDITURES, AND CHANGES IN
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
September 30, 2011

| Industrial Purpose | Lodging Tax | Corrections/ Court Fund | DARE | TOTALS |
|---|---|---|---|---|
| $ 12,500 | $ 207,364 | $ - | $ - | $ 219,864 |
| - | - | - | - | 346,411 |
| - | - | 35,487 | 68,740 | 104,227 |
| 28 | 32 | - | 207 | 9,948 |
| $ 12,528 | $ 207,396 | $ 35,487 | $ 68,947 | $ 680,450 |
| $ - | $ - | $ 957 | $ - | $ 957 |
| - | - | - | - | 416,346 |
| - | - | - | 71,407 | 71,407 |
| - | - | 46,552 | - | 46,552 |
| $ - | $ - | $ 47,509 | $ 71,407 | $ 535,262 |
| $ 12,528 | $ 207,396 | $ (12,022) | $ (2,460) | $ 145,188 |
| $ - | $ 4,000 | $ - | $ - | $ 4,000 |
| - | (158,100) | - | - | (158,100) |
| $ - | $ (154,100) | $ - | $ - | $ (154,100) |
| $ 12,528 | $ 53,296 | $ (12,022) | $ (2,460) | $ (8,912) |
| 81,093 | 34,296 | 253,599 | 77,169 | 1,405,812 |
| $ 93,621 | $ 87,592 | $ 241,577 | $ 74,709 | $ 1,396,900 |

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

| | Industrial Park | Industrial Access Road |
|---|---|---|
| ASSETS | | |
| Cash equivalents | $ 3,032 | $ 10,772 |
| Interfund receivable | - | 147,228 |
| Due from other governmental units | - | - |
| TOTAL ASSETS | $ 3,032 | $ 158,000 |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | |
| Liabilities: | | |
| Accounts payable: | | |
| Trade | $ 8,437 | $ - |
| Interfund payables | 147,228 | - |
| Interfund payables - long-term | - | 88,834 |
| TOTAL LIABILITIES | $ 155,665 | $ 88,834 |
| Fund balances (deficit): | | |
| Assigned for: | | |
| Capital projects | $ - | $ 69,166 |
| Unassigned | (152,633) | - |
| TOTAL FUND BALANCES (DEFICIT) | $ (152,633) | $ 69,166 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICIT) | $ 3,032 | $ 158,000 |

ALABAMA
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
2011

| Park and Recreation Construction | Transportation Enhancement | Downtown Redevelopment | Building Construction | TOTALS |
|---|---|---|---|---|
| $ 16,069 | $ 42,968 | $ 232,090 | $ 96,149 | $ 401,080 |
| - | - | - | - | 147,228 |
| - | - | 192,526 | - | 192,526 |
| $ 16,069 | $ 42,968 | $ 424,616 | $ 96,149 | $ 740,834 |
| | | | | |
| $ - | $ - | $ 7,440 | $ - | $ 15,877 |
| - | - | - | - | 147,228 |
| - | - | - | - | 88,834 |
| $ - | $ - | $ 7,440 | $ - | $ 251,939 |
| | | | | |
| $ 16,069 | $ 42,968 | $ 417,176 | $ 96,149 | $ 641,528 |
| - | - | - | - | (152,633) |
| $ 16,069 | $ 42,968 | $ 417,176 | $ 96,149 | $ 488,895 |
| $ 16,069 | $ 42,968 | $ 424,616 | $ 96,149 | $ 740,834 |

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

| | Industrial Park | Industrial Access Road |
|---|---|---|
| Revenues: | | |
| Miscellaneous revenues: | | |
| Interest revenues | $ - | $ 34 |
| Miscellaneous | - | 3 |
| TOTAL REVENUES | $ - | $ 37 |
| Expenditures: | | |
| Current: | | |
| General government | $ 10,837 | $ - |
| Capital outlay | 27,635 | (1,317) |
| Debt service: | | |
| Principal retirement | 100,000 | - |
| Interest and fiscal charges | 18,000 | - |
| TOTAL EXPENDITURES | $ 156,472 | $ (1,317) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | $ (156,472) | $ 1,354 |
| Other financing sources (uses): | | |
| Capital contributions | $ 11,011 | $ - |
| Operating transfers in | - | - |
| Operating transfers (out) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | $ 11,011 | $ - |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | $ (145,461) | $ 1,354 |
| Fund balances (deficits) at October 1 | (7,172) | 67,812 |
| FUND BALANCES (DEFICITS) AT SEPTEMBER 30 | $ (152,633) | $ 69,166 |

ALABAMA
EXPENDITURES, AND CHANGES IN
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
September 30, 2011

| Park and Recreation Construction | Transportation Enhancement | Downtown Redevelopment | Building Construction | TOTALS |
|---|---|---|---|---|
| $ 229 | $ 21 | $ 82 | $ - | 366 |
| - | - | - | - | 3 |
| $ 229 | $ 21 | $ 82 | $ - | $ 369 |
| $ - | $ - | $ 7,440 | $ - | $ 18,277 |
| - | - | 617,545 | - | 643,863 |
| - | - | - | - | 100,000 |
| - | - | - | - | 18,000 |
| $ - | $ - | $ 624,985 | $ - | $ 780,140 |
| $ 229 | $ 21 | $ (624,903) | $ - | $ (779,771) |
| $ - | $ - | $ 487,542 | $ - | $ 498,553 |
| - | - | 542,938 | - | 542,938 |
| (15,292) | (80,000) | - | - | (95,292) |
| $ (15,292) | $ (80,000) | $ 1,030,480 | $ - | $ 946,199 |
| $ (15,063) | $ (79,979) | $ 405,577 | $ - | $ 166,428 |
| 31,132 | 122,947 | 11,599 | 96,149 | 322,467 |
| $ 16,069 | $ 42,968 | $ 417,176 | $ 96,149 | $ 488,895 |

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND)
September 30, 2011

| | Water Department | Utilities Board Water Division | Elimination | TOTALS |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash equivalents | $ 6,238,375 | $ 681,368 | $ - | $ 6,919,743 |
| Certificates of deposit | 5,604,000 | - | - | 5,604,000 |
| Interest receivable | 4,000 | - | - | 4,000 |
| Accounts receivable | 344,089 | 60 | - | 344,149 |
| Interfund receivables | 2,831 | 360,132 | (360,132) | 2,831 |
| Due from other governmental units: | | | | |
| Cullman Power Board | 306,825 | - | - | 306,825 |
| Other | 227,020 | - | - | 227,020 |
| Inventories | 258,570 | - | - | 258,570 |
| Prepaid insurance | 29,896 | 34,779 | - | 64,675 |
| Prepaid utility tax | 12,000 | - | - | 12,000 |
| TOTAL CURRENT ASSETS | $ 13,027,606 | $ 1,076,339 | $ (360,132) | $ 13,743,813 |
| Restricted assets: | | | | |
| Cash equivalents | $ 1,773,710 | $ 48,214,733 | $ - | $ 49,988,443 |
| OPEB funds held by Cullman Power Board | - | 9,408 | - | 9,408 |
| State revolving funds receivable | 470,989 | - | - | 470,989 |
| TOTAL RESTRICTED ASSETS | $ 2,244,699 | $ 48,224,141 | $ - | $ 50,468,840 |
| Capital assets: | | | | |
| Land | $ 208,094 | $ 2,600,080 | $ - | $ 2,808,174 |
| Buildings | 68,450 | 6,423,336 | - | 6,491,786 |
| Improvements other than buildings | 32,734,149 | 8,662,019 | - | 41,396,168 |
| Machinery and equipment | 1,159,169 | 7,947,151 | - | 9,106,320 |
| Less accumulated depreciation | (14,293,583) | (12,051,751) | - | (26,345,334) |
| | $ 19,876,279 | $ 13,580,835 | $ - | $ 33,457,114 |
| Construction in progress | 1,395,794 | 7,001,252 | - | 8,397,046 |
| TOTAL CAPITAL ASSETS | $ 21,272,073 | $ 20,582,087 | $ - | $ 41,854,160 |
| Other assets: | | | | |
| Deferred debt expense | $ 254,720 | $ 936,251 | - | $ 1,190,971 |
| TOTAL ASSETS | $ 36,799,098 | $ 70,818,818 | $ (360,132) | $ 107,257,784 |

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED
September 30, 2011

| | Water Department | Utilities Board Water Division | Elimination | TOTALS |
|---|---|---|---|---|
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 35,151 | $ 366,538 | $ - | $ 401,689 |
| Utility tax payable | 28,058 | - | - | 28,058 |
| Interfund payables | 501,544 | 7 | (360,132) | 141,419 |
| Due to other governmental units: | | | | |
| Cullman Power Board | 9,591 | - | - | 9,591 |
| Other | 8,545 | - | - | 8,545 |
| Accrued payroll | 8,078 | 10,277 | - | 18,355 |
| Estimated compensated absences - current portion | 11,997 | 60,000 | - | 71,997 |
| TOTAL CURRENT LIABILITIES | $ 602,964 | $ 436,822 | $ (360,132) | $ 679,654 |
| Liabilities payable from restricted assets: | | | | |
| Accounts payable - contractor | $ 322,350 | $ - | $ - | $ 322,350 |
| Accrued interest payable | 106,204 | 221,800 | - | 328,004 |
| Other postemployment benefits | - | 7,644 | - | 7,644 |
| Current maturities on long-term liabilities | 1,340,000 | 325,000 | - | 1,665,000 |
| TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS | $ 1,768,554 | $ 554,444 | $ - | $ 2,322,998 |
| Long-term liabilities: | | | | |
| Warrants/bonds payable | $ 9,904,737 | $ 58,014,490 | $ - | $ 67,919,227 |
| Estimated compensated absences | 33,083 | 217,932 | - | 251,015 |
| TOTAL LONG-TERM LIABILITIES | $ 9,937,820 | $ 58,232,422 | $ - | $ 68,170,242 |
| Other liabilities: | | | | |
| Deferred debt premium | $ - | $ 179,418 | $ - | $ 179,418 |
| TOTAL LIABILITIES | $ 12,309,338 | $ 59,403,106 | $ (360,132) | $ 71,352,312 |
| Net assets: | | | | |
| Invested in capital assets, net of related liabilities | $ 11,770,695 | $ 7,792,377 | $ - | $ 19,563,072 |
| Restricted for debt service and capital activity | 327,506 | 3,560,586 | - | 3,888,092 |
| Unrestricted | 12,391,559 | 62,749 | - | 12,454,308 |
| TOTAL NET ASSETS | $ 24,489,760 | $ 11,415,712 | $ - | $ 35,905,472 |
| TOTAL LIABILITIES AND NET ASSETS | $ 36,799,098 | $ 70,818,818 | $ (360,132) | $ 107,257,784 |

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - WATER SYSTEM (PROPRIETARY FUND)
Year ended September 30, 2011

| | Water Department | Utilities Board Water Division | Elimination | TOTALS |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Charges for sales and services | $ 8,755,623 | $ 4,372,955 | $ (4,372,955) | $ 8,755,623 |
| Penalties and forfeited discounts | 40,316 | - | - | 40,316 |
| Charges for service connections | 47,599 | - | - | 47,599 |
| Service charges | 76,917 | - | - | 76,917 |
| Miscellaneous | 28,982 | 3,404 | - | 32,386 |
| TOTAL OPERATING REVENUES | $ 8,949,437 | $ 4,376,359 | $ (4,372,955) | $ 8,952,841 |
| Cost of purchased water | $ 4,372,955 | $ - | $ (4,372,955) | $ - |
| Operating expenses: | | | | |
| Salaries and wages | $ 616,345 | $ 800,489 | $ - | $ 1,416,834 |
| Payroll taxes | 47,519 | 57,267 | - | 104,786 |
| Employees retirement | 56,932 | 97,299 | - | 154,231 |
| Employees insurance | 100,875 | 168,102 | - | 268,977 |
| Telephone | 10,781 | 6,649 | - | 17,430 |
| Utilities | 20,330 | 869,057 | - | 889,387 |
| Billing, accounting, and collection fees | 113,342 | - | - | 113,342 |
| Office supplies and expenses | 27,560 | 19,787 | - | 47,347 |
| Professional services | 11,253 | 14,627 | - | 25,880 |
| Engineering services | 8,126 | 25,113 | - | 33,239 |
| Other contracted services | 6,413 | 23,969 | - | 30,382 |
| Testing services | 4,158 | 6,587 | - | 10,745 |
| Dues and subscriptions | 1,490 | 2,841 | - | 4,331 |
| Travel, registrations, and education | 2,451 | 9,259 | - | 11,710 |
| Uniforms | 5,429 | 4,804 | - | 10,233 |
| Small tools and equipment | 10,190 | 18,863 | - | 29,053 |
| Chemicals and supplies | 2,596 | 691,820 | - | 694,416 |
| Repairs and maintenance - system and equipment | 276,445 | 117,639 | - | 394,084 |
| Equipment rental | - | 44,019 | - | 44,019 |
| Gas, fuel, and oil | 55,906 | 45,979 | - | 101,885 |
| Insurance | 54,793 | 52,223 | - | 107,016 |
| Advertisements | - | 682 | - | 682 |
| Permits and licenses | - | 1,020 | - | 1,020 |
| Miscellaneous | 5,854 | 7,312 | - | 13,166 |
| Director's fees and expenses | - | 30,025 | - | 30,025 |
| Depreciation | 723,273 | 476,696 | - | 1,199,969 |
| TOTAL COST OF PURCHASED WATER AND OPERATING EXPENSES | $ 6,535,016 | $ 3,592,128 | $ (4,372,955) | $ 5,754,189 |
| OPERATING INCOME | $ 2,414,421 | $ 784,231 | $ - | $ 3,198,652 |

(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, 2011

| | Water Department | Utilities Board Water Division | Elimination | TOTALS |
|---|---|---|---|---|
| Nonoperating revenues (expenses): | | | | |
| Interest earned | $ 79,067 | $ 24,613 | $ - | $ 103,680 |
| Grants | - | 53,678 | - | 53,678 |
| Insurance proceeds | - | 25,000 | - | 25,000 |
| (Loss) on disposal of assets | (79,840) | (12,152) | - | (91,992) |
| Interest expense | (434,402) | (971,134) | - | (1,405,536) |
| Amortization of debt expense | (23,486) | (21,401) | - | (44,887) |
| Paying agent/trustee fees | (3,180) | (2,284) | - | (5,464) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | $ (461,841) | $ (903,680) | $ - | $ (1,365,521) |
| INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS | $ 1,952,580 | $ (119,449) | $ - | $ 1,833,131 |
| Transfers | (210,000) | - | - | (210,000) |
| NET INCREASE (DECREASE) IN NET ASSETS | $ 1,742,580 | $ (119,449) | $ - | $ 1,623,131 |
| Net assets - October 1 | 22,747,180 | 11,535,161 | - | 34,282,341 |
| NET ASSETS AT SEPTEMBER 30 | $ 24,489,760 | $ 11,415,712 | $ - | $ 35,905,472 |

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

| | Water Department |
|---|---|
| Cash flows from operating activities: | |
| Cash received from customers | $ 9,026,777 |
| Cash payments for purchased water | (4,604,266) |
| Cash payments for operating expenses | (785,137) |
| Cash payments to employees | (649,116) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 2,988,258 |
| Cash flows from noncapital and related financing activities: | |
| Interfund transfers | $ (210,000) |
| Grants received | - |
| Insurance proceeds | - |
| OPEB funds held by Cullman Power Board | - |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL AND RELATED FINANCING ACTIVITIES | $ (210,000) |
| Cash flows from capital and related financing activities: | |
| Interfund receivables - long-term | $ 1,266,649 |
| Acquisition and construction of capital assets | (904,427) |
| Interest paid | (423,937) |
| Fiscal charges | (3,180) |
| Deferred debt discount and expense | - |
| Deferred loss on refunding | - |
| Deferred debt premium | - |
| Proceeds from long-term debt | 640,086 |
| Principal payments of long-term debt | (1,290,000) |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | $ (714,809) |
| Cash flows from investing activities: | |
| Proceeds from certificates of deposit | $ 8,528,211 |
| Interest received | 79,146 |
| Payments for purchase of certificates of deposit | (7,765,021) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | $ 842,336 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | $ 2,905,785 |
| Cash and cash equivalents at beginning of year | 5,106,300 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 8,012,085 |

Cash and cash equivalents consisted of the following:

| | Water Department |
|---|---|
| Cash equivalents - current assets | $ 6,238,375 |
| Cash equivalents - restricted assets | 1,773,710 |
| TOTALS | $ 8,012,085 |

ALABAMA
CASH FLOWS -
(PROPRIETARY FUND)
September 30, 2011
Cash and Cash Equivalents

| Utilities Board Water Division | Elimination | TOTALS |
|---|---|---|
| $ 4,609,877 | $ (4,604,266) | $ 9,032,388 |
| - | 4,604,266 | - |
| (2,228,794) | - | (3,013,931) |
| (751,974) | - | (1,401,090) |
| $ 1,629,109 | $ - | $ 4,617,367 |
| | | |
| $ - | $ - | $ (210,000) |
| 53,678 | - | 53,678 |
| 25,000 | - | 25,000 |
| (2,352) | - | (2,352) |
| $ 76,326 | $ - | $ (133,674) |
| | | |
| $ (1,266,649) | $ - | $ - |
| (5,445,490) | - | (6,349,917) |
| (764,650) | - | (1,188,587) |
| (2,284) | - | (5,464) |
| (946,654) | - | (946,654) |
| (17,500) | - | (17,500) |
| 181,412 | - | 181,412 |
| 58,485,000 | - | 59,125,086 |
| (4,780,000) | - | (6,070,000) |
| $ 45,443,185 | $ - | $ 44,728,376 |
| | | |
| $ - | $ - | $ 8,528,211 |
| 22,619 | - | 101,765 |
| - | - | (7,765,021) |
| $ 22,619 | $ - | $ 864,955 |
| | | |
| $ 47,171,239 | $ - | $ 50,077,024 |
| 1,724,862 | - | 6,831,162 |
| $ 48,896,101 | $ - | $ 56,908,186 |

| Utilities Board Water Division | Elimination | TOTALS |
|---|---|---|
| $ 681,368 | $ - | $ 6,919,743 |
| 48,214,733 | - | 49,988,443 |
| $ 48,896,101 | $ - | $ 56,908,186 |

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 | $ 2,414,421 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 723,273 |
| Accounts receivable | 6,584 |
| Interfund receivables | 57,425 |
| Due from other governments | 13,331 |
| Inventories | (20,820) |
| Prepaid insurance | (2,003) |
| Prepaid utility tax | 15,443 |
| Accounts payable | 15,032 |
| Utility tax payable | 2,180 |
| Interfund payables | (203,837) |
| Accrued payroll | (23,965) |
| Other postemployment benefits | - |
| Compensated absences | (8,806) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 2,988,258 |

ALABAMA
FROM OPERATING ACTIVITIES -
(PROPRIETARY FUND)
September 30, 2011
and Cash Equivalents

| Utilities Board Water Division | TOTALS |
|---|---|
| $ 784,231 | $ 3,198,652 |
| 476,696 | 1,199,969 |
| - | 6,584 |
| 233,518 | 290,943 |
| - | 13,331 |
| - | (20,820) |
| (2,045) | (4,048) |
| - | 15,443 |
| 85,939 | 100,971 |
| - | 2,180 |
| (97) | (203,934) |
| 2,482 | (21,483) |
| 2,352 | 2,352 |
| 46,033 | 37,227 |
| $ 1,629,109 | $ 4,617,367 |

CITY OF
COMBINING BALANCE SHEET - PARKS
September 30,

| | | Parks and Recreation |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash equivalents | | $ 207,307 |
| Accounts receivable | | 121,172 |
| Interfund receivables | | - |
| Due from other governmental units | | 14,135 |
| Inventory | | 12,971 |
| Prepaid senior trip expenses | | 7,716 |
| | TOTAL CURRENT ASSETS | $ 363,301 |
| Capital assets: | | |
| Land | | $ 1,050,263 |
| Buildings | | 3,484,154 |
| Improvements other than buildings | | 6,970,372 |
| Machinery and equipment | | 539,228 |
| Less accumulated depreciation | | (4,259,609) |
| | TOTAL CAPITAL ASSETS | $ 7,784,408 |
| Other assets: | | |
| Deferred debt expense | | $ - |
| Utility deposits | | 275 |
| | TOTAL OTHER ASSETS | $ 275 |
| | TOTAL ASSETS | $ 8,147,984 |

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.

(Continued)

CULLMAN, ALABAMA
AND RECREATION (PROPRIETARY FUND)
2011

| Golf Course | Wellness and Aquatic Center | Parks and Recreation/ Golf Course Payroll | Eliminations | TOTALS |
|---|---|---|---|---|
| $ 1,150 | $ 1,400 | $ 151,296 | $ - | $ 361,153 |
| 127,785 | 68,958 | - | - | 317,915 |
| - | - | 22,196 | (21,655) | 541 |
| 125,550 | 533 | 28,952 | - | 169,170 |
| 1,207 | 22,864 | - | - | 37,042 |
| - | - | - | - | 7,716 |
| $ 255,692 | $ 93,755 | $ 202,444 | $ (21,655) | $ 893,537 |
| $ 281,791 | $ 518,313 | $ - | $ - | $ 1,850,367 |
| 1,070,298 | 12,203,718 | - | - | 16,758,170 |
| 621,791 | 3,474,314 | - | - | 11,066,477 |
| 881,829 | 830,975 | - | - | 2,252,032 |
| (1,607,126) | (1,596,411) | - | - | (7,463,146) |
| $ 1,248,583 | $ 15,430,909 | $ - | $ - | $ 24,463,900 |
| $ 6,663 | $ 303,552 | $ - | $ - | $ 310,215 |
| 635 | - | - | - | 910 |
| $ 7,298 | $ 303,552 | $ - | $ - | $ 311,125 |
| $ 1,511,573 | $ 15,828,216 | $ 202,444 | $ (21,655) | $ 25,668,562 |

CITY OF
COMBINING BALANCE SHEET - PARKS AND
September 30,

| | | Parks and Recreation |
|---|---|---|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | | $ 47,212 |
| Interfund payables | | 70,599 |
| Interest payable | | - |
| Accrued payroll | | - |
| Estimated compensated absences - current portion | | 11,244 |
| Current portion of warrants payable | | 26,053 |
| Current portion of capital leases payable | | - |
| | TOTAL CURRENT LIABILITIES | $ 155,108 |
| Deferred credits: | | |
| Debt premium | | $ - |
| Deferred revenue - senior trips | | 10,759 |
| Deferred revenue - memberships | | - |
| | TOTAL DEFERRED CREDITS | $ 10,759 |
| Long-term liabilities: | | |
| Warrants payable | | $ 130,398 |
| Deferred loss on refunding | | - |
| Capital leases payable | | - |
| Estimated compensated absences | | 74,486 |
| Interfund payables | | - |
| | TOTAL LONG-TERM LIABILITIES | $ 204,884 |
| | TOTAL LIABILITIES | $ 370,751 |
| Net assets (deficit): | | |
| Invested in capital assets, net of related liabilities | | $ 7,557,358 |
| Restricted - Tournaments | | - |
| Unrestricted | | 219,875 |
| | TOTAL NET ASSETS (DEFICIT) | $ 7,777,233 |
| | TOTAL LIABILITIES AND NET ASSETS | $ 8,147,984 |

CULLMAN, ALABAMA
RECREATION (PROPRIETARY FUND) - CONTINUED
2011

| Golf Course | Wellness and Aquatic Center | Parks and Recreation/ Golf Course Payroll | Eliminations | TOTALS |
|---|---|---|---|---|
| $ 13,888 | $ 46,407 | $ - | $ - | $ 107,507 |
| 123,793 | 374,655 | - | (21,655) | 547,392 |
| 6,328 | 167,074 | - | - | 173,402 |
| - | - | 27,134 | - | 27,134 |
| 6,318 | 6,995 | - | - | 24,557 |
| - | - | - | - | 26,053 |
| 44,081 | 3,430 | - | - | 47,511 |
| $ 194,408 | $ 598,561 | $ 27,134 | $ (21,655) | $ 953,556 |
| $ 2,070 | $ - | $ - | $ - | $ 2,070 |
| - | - | - | - | 10,759 |
| - | 162,605 | - | - | 162,605 |
| $ 2,070 | $ 162,605 | $ - | $ - | $ 175,434 |
| $ - | $ - | $ - | $ - | $ 130,398 |
| (20,378) | - | - | - | (20,378) |
| 45,884 | - | - | - | 45,884 |
| 40,772 | 47,778 | - | - | 163,036 |
| 294,299 | 15,057,000 | - | - | 15,351,299 |
| $ 360,577 | $ 15,104,778 | $ - | $ - | $ 15,670,239 |
| $ 557,055 | $ 15,865,944 | $ 27,134 | $ (21,655) | $ 16,799,229 |
| $ 769,093 | $ 321,030 | $ - | $ - | $ 8,647,481 |
| - | - | 37,906 | - | 37,906 |
| 185,425 | (358,758) | 137,404 | - | 183,946 |
| $ 954,518 | $ (37,728) | $ 175,310 | $ - | $ 8,869,333 |
| $ 1,511,573 | $ 15,828,216 | $ 202,444 | $ (21,655) | $ 25,668,562 |

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

| | Parks and Recreation | Golf Course |
|---|---|---|
| Operating revenues: | | |
| Charges for sales and services | $ 990,342 | $ 447,763 |
| Lodging tax | - | - |
| Miscellaneous | 45,006 | 5,582 |
| TOTAL OPERATING REVENUES | $ 1,035,348 | $ 453,345 |
| Cost of operating revenues | $ 131,146 | $ 18,618 |
| Operating expenses: | | |
| Salaries and wages | $ 930,995 | $ 330,170 |
| Nonemployee compensation | 10,402 | 300 |
| Officials and instructors | 82,616 | - |
| Cullman Regional Medical Center | - | - |
| Payroll taxes | 74,874 | 26,283 |
| Employees retirement | 60,144 | 21,975 |
| Employees insurance | 105,657 | 30,036 |
| Telephone | 30,941 | 699 |
| Utilities | 286,014 | 35,758 |
| Office supplies and expenses | 56,142 | 3,222 |
| Professional fees | 112,055 | 821 |
| Other contracted services | 2,175 | 1,088 |
| Tournament fees | 10,835 | - |
| Competition expense | 55,788 | - |
| Senior programs | 146,442 | - |
| Dues and subscriptions | 4,113 | 1,461 |
| Travel, registrations, and education | 41,219 | 4,574 |
| Public relations | 4,611 | - |
| Printing and advertising | 69,596 | 1,648 |
| Small tools and equipment | 13,892 | 748 |
| Chemicals and supplies | 124,363 | 25,241 |
| Repairs and maintenance - system and equipment | 305,673 | 228,949 |
| Gas, fuel, and oil | 32,709 | 29,769 |
| Insurance | 74,205 | 4,838 |
| Miscellaneous | - | 525 |
| Depreciation | 334,160 | 82,339 |
| TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES | $ 3,100,767 | $ 849,062 |
| OPERATING (LOSS) | $ (2,065,419) | $ (395,717) |

(Continued)

CULLMAN, ALABAMA
REVENUES, EXPENSES, AND CHANGES
AND RECREATION (PROPRIETARY FUND)
September 30, 2011

| Wellness and Aquatic Center | Parks and Recreation/ Golf Course Payroll | Lessman Warrants Debt Service | Eliminations | TOTALS |
|---|---|---|---|---|
| $ 2,127,377 | $ - | $ - | $ - | $ 3,565,482 |
| - | 194,945 | - | - | 194,945 |
| 1,018 | 8 | - | - | 51,614 |
| $ 2,128,395 | $ 194,953 | $ - | $ - | $ 3,812,041 |
| $ 20,663 | $ - | $ - | $ - | $ 170,427 |
| $ 944,622 | $ 2,194,237 | $ - | $ (2,194,237) | $ 2,205,787 |
| 613 | - | - | - | 11,315 |
| 2,266 | - | - | - | 84,882 |
| 340,464 | - | - | - | 340,464 |
| 73,062 | 163,727 | - | (163,727) | 174,219 |
| 36,463 | 118,583 | - | (118,583) | 118,582 |
| 55,999 | 191,692 | - | (191,692) | 191,692 |
| 16,124 | - | - | - | 47,764 |
| 297,576 | - | - | - | 619,348 |
| 44,230 | - | - | - | 103,594 |
| - | - | - | - | 112,876 |
| 3,681 | - | - | - | 6,944 |
| - | - | - | - | 10,835 |
| - | - | - | - | 55,788 |
| - | - | - | - | 146,442 |
| 626 | - | - | - | 6,200 |
| 3,375 | - | - | - | 49,168 |
| 2,220 | - | - | - | 6,831 |
| 12,751 | - | - | - | 83,995 |
| 7,423 | - | - | - | 22,063 |
| 139,557 | - | - | - | 289,161 |
| 186,127 | - | - | - | 720,749 |
| 4,897 | - | - | - | 67,375 |
| 19,559 | - | - | - | 98,602 |
| 10,443 | 26 | - | - | 10,994 |
| 650,200 | - | - | - | 1,066,699 |
| $ 2,872,941 | $ 2,668,265 | $ - | $ (2,668,239) | $ 6,822,796 |
| $ (744,546) | $ (2,473,312) | $ - | $ 2,668,239 | $ (3,010,755) |

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

| | Parks and Recreation | Golf Course |
|---|---|---|
| Nonoperating revenues (expenses): | | |
| Interest earned | $ 1,196 | $ 956 |
| Grants | 14,135 | 125,550 |
| Interest expense | (12,055) | (32,084) |
| Amortization of debt expense | - | (1,805) |
| Insurance proceeds | 94,910 | 209,473 |
| Sale of assets | - | (389) |
| Debt service expenditures: | | |
| Principal retirement | - | - |
| Interest and fiscal charges | - | - |
| TOTAL NONOPERATING REVENUES (EXPENSES) | $ 98,186 | $ 301,701 |
| (DECREASE) IN NET ASSETS BEFORE TRANSFERS | $ (1,967,233) | $ (94,016) |
| Transfers in: | | |
| General Fund | $ 14,500 | $ 13,515 |
| Capital Project Funds | 15,292 | - |
| Debt Service Funds | 36,181 | 138,420 |
| Parks and Recreation/Golf Course Payroll | 1,162,432 | 408,639 |
| Wellness and Aquatic Center | - | - |
| Parks and Recreation Board | 782,812 | 54,246 |
| Transfers out: | | |
| Debt Service Funds | - | - |
| Parks and Recreation/Golf Course Payroll | (157,088) | (56,809) |
| Parks and Recreation Board | - | - |
| General Fund | - | - |
| TOTAL TRANSFERS IN (OUT) | $ 1,854,129 | $ 558,011 |
| NET INCREASE (DECREASE) IN NET ASSETS | $ (113,104) | $ 463,995 |
| Net assets - October 1 | 7,890,337 | 490,523 |
| NET ASSETS (DEFICIT) AT SEPTEMBER 30 | $ 7,777,233 | $ 954,518 |

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, 2011

| Wellness and Aquatic Center | Parks and Recreation/ Golf Course Payroll | Lessman Warrants Debt Service | Eliminations | TOTALS |
|---|---|---|---|---|
| $ - | $ 1,425 | $ - | $ - | $ 3,577 |
| 533 | - | - | - | 140,218 |
| (678,812) | - | - | - | (722,951) |
| (12,390) | - | - | - | (14,195) |
| 75,064 | - | - | - | 379,447 |
| - | - | - | - | (389) |
| - | - | (24,296) | 24,296 | - |
| - | - | (11,885) | 11,885 | - |
| $ (615,605) | $ 1,425 | $ (36,181) | $ 36,181 | $ (214,293) |
| $ (1,360,151) | $ (2,471,887) | $ (36,181) | $ 2,704,420 | $ (3,225,048) |
| $ 11,380 | $ 2,345,000 | $ 36,181 | $ - | $ 2,420,576 |
| - | - | - | - | 15,292 |
| 1,019,753 | - | - | (174,602) | 1,019,752 |
| 1,097,168 | - | - | (2,668,239) | - |
| - | 362,655 | - | (362,655) | - |
| - | - | - | (837,058) | - |
| - | (138,420) | - | 138,420 | - |
| (148,759) | - | - | 362,656 | - |
| (837,058) | - | - | 837,058 | - |
| - | (25,880) | - | - | (25,880) |
| $ 1,142,484 | $ 2,543,355 | $ 36,181 | $ (2,704,420) | $ 3,429,740 |
| $ (217,667) | $ 71,468 | $ - | $ - | $ 204,692 |
| 179,939 | 103,842 | - | - | 8,664,641 |
| $ (37,728) | $ 175,310 | $ - | $ - | $ 8,869,333 |

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
September 30, 2011

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

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 6.00% | $ 50,000 | $ 5,250 |
| 2013 | 6.00 | 50,000 | 2,242 |
| | TOTALS | $ 100,000 | $ 7,492 |

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 |
|---|---|---|---|
| 2012 | 4.00% | $ 360,000 | $ 37,030 |
| 2013 | 3.90 | 370,000 | 22,615 |
| 2014 | 4.00 | 385,000 | 7,700 |
| | TOTALS | $ 1,115,000 | $ 67,345 |

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

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 2.80% | $ 190,000 | $ 14,413 |
| 2013 | 2.95 | 195,000 | 8,876 |
| 2014 | 3.00 | 200,000 | 3,000 |
| | TOTALS | $ 585,000 | $ 26,289 |

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, 2011

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

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 6.00% | $ 100,000 | $ 12,000 |
| 2013 | 6.00 | 100,000 | 6,000 |
| | TOTALS | $ 200,000 | $ 18,000 |

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

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 4.00% | $ 485,000 | $ 919,163 |
| 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 | $ 21,210,000 | $ 13,895,357 |

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, 2011

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

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 2.70% | $ 21,081 | $ 919 |
| 2013 | 2.70 | 23,600 | 400 |
| 2014 | 2.70 | 1,979 | 4 |
| | TOTALS | $ 46,660 | $ 1,323 |

GENERAL OBLIGATION WARRANTS
Dated 1-26-09
Maturing November 1

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 3.34% | $ 14,596 | $ 143 |
| | TOTALS | $ 14,596 | $ 143 |

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 |
|---|---|---|---|
| 2012 | 2.00% | $ 60,000 | $ 11,330 |
| 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 | $ 515,000 | $ 52,470 |

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, 2011

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

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 6.00% | $ 43,230 | $ 10,199 |
| 2013 | 6.00 | 45,897 | 7,533 |
| 2014 | 6.00 | 48,728 | 4,702 |
| 2015 | 6.00 | 51,733 | 1,697 |
| | TOTALS | $ 189,588 | $ 24,131 |

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

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 2.96% | $ 135,000 | $ 40,552 |
| 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 | $ 1,370,000 | $ 211,640 |

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, 2011

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 |
|---|---|---|---|
| 2012 | 3.50% | $ 380,000 | $ 149,100 |
| 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 | $ 4,450,000 | $ 823,900 |

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 |
|---|---|---|---|
| 2012 | 3.85% | $ 565,000 | $ 259,682 |
| 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 | $ 6,745,000 | $ 1,509,777 |

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, 2011

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 |
|---|---|---|---|
| 2012 | 3.50% | $ 90,000 | $ 37,100 |
| 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 | $ 1,060,000 | $ 214,900 |

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 |
|---|---|---|---|
| 2012 | 3.50% | $ 185,000 | $ 104,125 |
| 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 | $ 2,975,000 | $ 778,925 |

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, 2011

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 |
|---|---|---|---|
| 2012 | 3.05% | $ 170,000 | $ 93,483 |
| 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 | $ 3,150,000 | $ 773,328 |

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, 2011

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 |
|---|---|---|---|
| 2012 | 2.85% | $ 85,000 | $ 7,695 |
| 2013 | 2.85 | 90,000 | 5,273 |
| 2014 | 2.85 | 95,000 | 2,707 |
| | TOTALS | $ 270,000 | $ 15,675 |

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 |
|---|---|---|---|
| 2012 | 3.05% | $ 170,000 | $ 103,547 |
| 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 | $ 3,480,000 | $ 918,507 |

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, 2011

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 |
|---|---|---|---|
| 2012 | 3.50% | $ 130,000 | $ 119,175 |
| 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 | $ 3,470,000 | $ 1,282,225 |

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, 2011

| WATER REVENUE WARRANTS | | | | GENERAL OBLIGATION WARRANT | | | |
|---|---|---|---|---|---|---|---|
| Series 2001 Dated 12-01-01 | | | | Series 2002-SRF Dated 8-03-02 | | | |
| Maturing October 1 | | | | Maturing August 15 | | | |
| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest | Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
| 2012 | 4.40% | $ 870,000 | $ 127,805 | 2012 | 3.50% | $ 130,000 | $ 60,025 |
| 2013 | 4.50 | 905,000 | 88,302 | 2013 | 3.50 | 135,000 | 55,475 |
| 2014 | 4.60 | 125,000 | 65,065 | 2014 | 3.50 | 140,000 | 50,750 |
| 2015 | 4.65 | 130,000 | 59,168 | 2015 | 3.50 | 145,000 | 45,850 |
| 2016 | 4.70 | 140,000 | 52,855 | 2016 | 3.50 | 150,000 | 40,775 |
| 2017 | 4.75 | 150,000 | 46,002 | 2017 | 3.50 | 155,000 | 35,525 |
| 2018 | 4.80 | 155,000 | 38,720 | 2018 | 3.50 | 160,000 | 30,100 |
| 2019 | 5.00 | 160,000 | 31,000 | 2019 | 3.50 | 165,000 | 24,500 |
| 2020 | 5.00 | 170,000 | 22,750 | 2020 | 3.50 | 170,000 | 18,725 |
| 2021 | 5.00 | 180,000 | 14,000 | 2021 | 3.50 | 180,000 | 12,775 |
| 2022 | 5.00 | 190,000 | 4,750 | 2022 | 3.50 | 185,000 | 6,475 |
| | TOTALS | $ 3,175,000 | $ 550,417 | | TOTALS | $1,715,000 | $ 380,975 |

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, 2011

GENERAL OBLIGATION
WATER SYSTEM WARRANT
Series 2004-DWSRF-DL Dated 01-20-04
Maturing February 15

| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
|---|---|---|---|
| 2012 | 3.05% | $ 125,000 | $ 63,669 |
| 2013 | 3.05 | 130,000 | 59,780 |
| 2014 | 3.05 | 135,000 | 55,739 |
| 2015 | 3.05 | 135,000 | 51,621 |
| 2016 | 3.05 | 140,000 | 47,428 |
| 2017 | 3.05 | 145,000 | 43,081 |
| 2018 | 3.05 | 150,000 | 38,583 |
| 2019 | 3.05 | 155,000 | 33,931 |
| 2020 | 3.05 | 160,000 | 29,128 |
| 2021 | 3.05 | 165,000 | 24,171 |
| 2022 | 3.05 | 170,000 | 19,062 |
| 2023 | 3.05 | 175,000 | 13,801 |
| 2024 | 3.05 | 180,000 | 8,387 |
| 2025 | 3.05 | 185,000 | 2,821 |
| | TOTALS | $2,150,000 | $ 491,202 |

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 |
|---|---|---|---|
| 2012 | 3.05% | $ 110,000 | $ 60,085 |
| 2013 | 3.05 | 110,000 | 56,730 |
| 2014 | 3.05 | 115,000 | 53,299 |
| 2015 | 3.05 | 120,000 | 49,715 |
| 2016 | 3.05 | 120,000 | 46,055 |
| 2017 | 3.05 | 125,000 | 42,319 |
| 2018 | 3.05 | 130,000 | 38,430 |
| 2019 | 3.05 | 135,000 | 34,389 |
| 2020 | 3.05 | 140,000 | 30,195 |
| 2021 | 3.05 | 145,000 | 25,849 |
| 2022 | 3.05 | 145,000 | 21,426 |
| 2023 | 3.05 | 150,000 | 16,927 |
| 2024 | 3.05 | 155,000 | 12,276 |
| 2025 | 3.05 | 160,000 | 7,473 |
| 2026 | 3.05 | 165,000 | 2,516 |
| | TOTALS | $2,025,000 | $ 497,684 |

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, 2011

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 |
|---|---|---|---|
| 2012 | 3.25% | $ 60,000 | $ 37,212 |
| 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 | $1,145,000 | $ 320,450 |

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 |
|---|---|---|---|
| 2012 | 3.50% | $ 45,000 | $ 36,488 |
| 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 | $1,065,000 | $ 347,813 |

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, 2011

| Water Revenue Bonds<br>Series 2011 Dated 6-03-2011<br>Maturing September 1 | | | |
|---|---|---|---|
| Fiscal Year Maturing | Interest Rate | Amount of Maturity | Amount of Interest |
| 2012 | 2.00 % | $ 325,000 | $ 2,661,600 |
| 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 | $ 58,485,000 | $ 53,642,994 |

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SCHOOL TAX TRANSACTIONS
Year ended September 30, 2011

| | Fund Level | Adjustments | Government-Wide Level |
|---|---|---|---|
| Revenues: | | | |
| 3 mill ad valorem tax | $ 837,995 | $ --- | $ 837,995 |
| 7.5 mill ad valorem tax | 2,094,987 | --- | 2,094,987 |
| .5 percent sales tax | 2,472,856 | 19,644 | 2,492,500 |
| Interest | 1,269 | (1,237) | 32 |
| TOTAL REVENUES | $5,407,107 | $18,407 | $5,425,514 |
| Expenditures: | | | |
| Transfers to Cullman City Board of Education | $5,425,482 | $ --- | $5,425,482 |

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, 2011 and 2010.

| | |
|---|---|
| September, 2010 revenues received after 30 day availability period | $(194,195) |
| September, 2011 revenues received after 30 day availability period | 212,602 |
| | $ 18,407 |

CITY OF CULLMAN, ALABAMA
STATISTICAL DATA - UNAUDITED
September 30, 2011

| | | |
|---|---|---|
| Computation of legal debt margin: | | |
| Assessed value of real and personal property located within the city limits – Note 1 | | $269,304,200 |
| Constitutional debt limit (20% of assessed value – Note 2) | | $ 53,860,840 |
| Amount of debt applicable to debt limit – Note 2: | | |
| General long-term debt outstanding – Governmental Activities | $25,366,677 | |
| Long-term portion of compensated absences | 680,902 | |
| Plus general obligation warrants included in the Business-type Activities: | | |
| Lessman Property General Obligation Warrant dated 11-28-01 | 156,451 | |
| Airport General Obligation Warrant Dated 9-14-11 | 114,212 | |
| Less portions of warrants not subject to Constitutional debt limit as follows: | | |
| 2-1-03 General Obligation School Warrants, Series 2003 | (1,115,000) | |
| 2-1-07 General Obligation Warrants, Series 2007 | (2,040,615) | |
| 9-29-10 General Obligation School Warrants | (1,370,000) | |
| Less estimated liability for compensated absences – long-term | (680,902) | |
| | $21,111,725 | |
| Accounts payable of the General Fund | 476,553 | |
| Debt applicable to constitutional debt limit | $21,588,278 | |
| Less assets available in Debt Service Fund for payment of principal | (730,714) | $ 20,857,564 |
| LEGAL DEBT MARGIN – Note 3 | | $ 33,003,276 |

Note 1 – Obtained from unaudited records maintained by the County of Cullman, Alabama and excludes exempt property ($114,003,200).

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, 2011, 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.