

CITY OF CULLMAN, ALABAMA
BASIC FINANCIAL STATEMENTS
With Supplementary Information
September 30, 2009

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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, 2009, 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, 2009, 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 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, 2009, 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.

Honorable Mayor and Members
of the City Council
City of Cullman, Alabama
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In accordance with *Government Auditing Standards*, we have issued our report dated September 1, 2010, 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.

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 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cullman's basic financial statements. 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 express no opinion on them.


CERTIFIED PUBLIC ACCOUNTANTS

September 1, 2010



CITY OF CULLMAN

204 Second Avenue, Northeast
P.O. Box 278
Cullman, Alabama 35056-0278

Management's Discussion and Analysis Concerning the Audited Financial Statements for the Fiscal Year Ended September 30, 2009

Administrative Offices
(256) 775-7109
City Clerk (256) 775-7103
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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 City Clerk/Treasurer, Ruth W. Rose, is appointed by the City Council and authenticates and records official acts of the City and maintains all records and documents. The 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, she is responsible for the financial records of the City and the management of funds. She 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 \$4,733,600 over the course of this year's operation: approximately \$2,964,389 in the net assets of the governmental activities and \$1,769,211 in the business-type activities.

Revenues budgeted in the general fund for FY 2009 were based generally on the previous year's receipts; however, all revenues declined during the year due to the economic conditions. Revenues were \$1,142,229 less than budgeted; while at the same time general fund expenditures were approximately \$3,225,791 less than budgeted.

The most important source of revenue for the General Fund is sales taxes, which produced \$12,557,472 for general purposes and \$2,331,382 for education in FY2009. The other major sources of revenue in FY2009 were property taxes in the amount of \$1,104,779 for general purposes and \$2,866,774 for education; business licenses in the amount of \$1,866,840; and sanitation charges in the amount of \$3,218,171.

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

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

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 Parks & Recreation Board, and also the Cullman Airport.

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,

		<u>Governmental Activities</u>	
		<u>2009</u>	<u>2008</u>
Current assets		\$ 50,758,612	\$ 45,520,224
Restricted assets		2,367,357	11,613,704
Capital assets:			
Land and other assets not depreciated		11,450,525	8,746,922
Buildings, improvements, and equipment net of depreciation		35,632,754	33,825,795
Other assets		869,261	848,769
	TOTAL ASSETS	<u>\$ 101,078,509</u>	<u>\$ 100,555,414</u>
Current liabilities		\$ 2,702,138	\$ 4,182,823
Liabilities payable from restricted assets		1,034,897	1,000,782
Long-term liabilities		25,041,052	26,240,463
Other liabilities		4,252,697	4,048,010
	TOTAL LIABILITIES	<u>\$ 33,030,784</u>	<u>\$ 35,472,078</u>
Net assets:			
Invested in capital assets, net of related liabilities		\$ 41,220,924	\$ 33,453,284
Restricted		4,182,515	7,321,830
Unrestricted		22,644,286	24,308,222
	TOTAL NET ASSETS	<u>\$ 68,047,725</u>	<u>\$ 65,083,336</u>
	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 101,078,509</u>	<u>\$ 100,555,414</u>

OF NET ASSETS
ALABAMA
2009 and 2008

Business-type Activities		Total	
2009	2008	2009	2008
\$ (6,015,952)	\$ 161,176	\$ 44,742,660	\$ 45,681,400
9,309,526	12,631,162	11,676,883	24,244,866
17,369,069	26,744,252	28,819,594	35,491,174
93,168,703	76,330,597	128,801,457	110,156,392
2,428,728	2,635,005	3,297,989	3,483,774
<u>\$ 116,260,074</u>	<u>\$ 118,502,192</u>	<u>\$217,338,583</u>	<u>\$219,057,606</u>
\$ 1,259,334	\$ 1,256,550	\$ 3,961,472	\$ 5,439,373
4,194,733	5,004,126	5,229,630	6,004,908
45,343,687	48,676,073	70,384,739	74,916,536
227,983	100,317	4,480,680	4,148,327
<u>\$ 51,025,737</u>	<u>\$ 55,037,066</u>	<u>\$ 84,056,521</u>	<u>\$ 90,509,144</u>
\$ 54,603,616	\$ 52,141,089	\$ 95,824,540	\$ 85,594,373
635,037	873,658	4,817,552	8,195,488
9,995,684	10,450,379	32,639,970	34,758,601
<u>\$ 65,234,337</u>	<u>\$ 63,465,126</u>	<u>\$133,282,062</u>	<u>\$128,548,462</u>
<u>\$ 116,260,074</u>	<u>\$ 118,502,192</u>	<u>\$217,338,583</u>	<u>\$219,057,606</u>

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

		<u>Governmental Activities</u>	
		<u>2009</u>	<u>2008</u>
Program Revenues:			
Charges for services		\$ 6,266,482	\$ 6,397,755
Operating grants and contributions		593,742	714,832
Capital grants and contributions		1,317,281	212,633
General Revenues:			
Property taxes		3,971,553	3,796,548
Sales taxes		14,888,854	15,972,430
Other taxes		947,170	926,354
City Board of Education for debt service payments		473,546	484,200
Unrestricted investment earnings		590,668	1,169,215
Sale of capital assets		7,764	-
Miscellaneous		1,683,401	1,645,807
TOTAL REVENUES		<u>\$ 30,740,461</u>	<u>\$ 31,319,774</u>
Expenses:			
General government		\$ 3,806,102	\$ 4,004,518
Public safety		7,771,150	7,519,594
Highways and streets		2,517,968	3,589,629
Sanitation		3,302,146	3,524,431
Health and social services		1,425,954	717,728
Culture and recreation		252,287	241,985
Education		5,480,752	5,444,772
Conservation		183,203	232,646
Interest on long-term debt		401,704	444,708
Sewer		-	-
Water		-	-
Parks and Recreation		-	-
Golf course		-	-
Wellness and Aquatic Center		-	-
Airport		-	-
TOTAL EXPENSES		<u>\$ 25,141,266</u>	<u>\$ 25,720,011</u>
EXCESS BEFORE TRANSFERS		<u>\$ 5,599,195</u>	<u>\$ 5,599,763</u>
Transfers		(2,634,806)	(5,168,846)
INCREASE IN NET ASSETS		<u>\$ 2,964,389</u>	<u>\$ 430,917</u>
Net assets at beginning of year		65,083,336	64,652,419
NET ASSETS AT END OF YEAR		<u><u>\$ 68,047,725</u></u>	<u><u>\$ 65,083,336</u></u>

OF ACTIVITIES
ALABAMA
2009 and 2008

<u>Business-type Activities</u>		<u>Total</u>	
<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
\$ 15,486,764	\$ 14,482,883	\$ 21,753,246	\$ 20,880,638
2,400	14,073	596,142	728,905
108,522	39,510	1,425,803	252,143
-	-	3,971,553	3,796,548
-	-	14,888,854	15,972,430
153,724	172,566	1,100,894	1,098,920
-	-	473,546	484,200
92,151	364,013	682,819	1,533,228
32,262	(300)	40,026	(300)
114,968	-	1,798,369	1,645,807
<u>\$ 15,990,791</u>	<u>\$ 15,072,745</u>	<u>\$ 46,731,252</u>	<u>\$ 46,392,519</u>
\$ -	\$ -	\$ 3,806,102	\$ 4,004,518
-	-	7,771,150	7,519,594
-	-	2,517,968	3,589,629
-	-	3,302,146	3,524,431
-	-	1,425,954	717,728
-	-	252,287	241,985
-	-	5,480,752	5,444,772
-	-	183,203	232,646
-	-	401,704	444,708
4,948,685	4,611,861	4,948,685	4,611,861
5,859,262	5,509,496	5,859,262	5,509,496
2,707,721	2,960,541	2,707,721	2,960,541
755,388	761,617	755,388	761,617
2,007,564	288,112	2,007,564	288,112
577,766	682,376	577,766	682,376
<u>\$ 16,856,386</u>	<u>\$ 14,814,003</u>	<u>\$ 41,997,652</u>	<u>\$ 40,534,014</u>
\$ (865,595)	\$ 258,742	\$ 4,733,600	\$ 5,858,505
2,634,806	5,168,846	-	-
<u>\$ 1,769,211</u>	<u>\$ 5,427,588</u>	<u>\$ 4,733,600</u>	<u>\$ 5,858,505</u>
63,465,126	58,037,538	128,548,462	122,689,957
<u>\$ 65,234,337</u>	<u>\$ 63,465,126</u>	<u>\$ 133,282,062</u>	<u>\$ 128,548,462</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City of Cullman completed the year, its general fund reported a combined fund balance of \$24,479,811, as compared with the previous year's balance of \$25,365,198. Revenues decreased by approximately 5.62% due to the declining economy. The general fund reflected a 2.91% increase in operating expenditures (excluding capital outlay and debt service) due to an appropriation of \$1,000,000 to the Cullman Regional Medical Center. The funds appropriated for the Parks and Recreation Department are reflected in "Other Financing Uses" as a transfer to the proprietary Parks and Recreation Fund.

The City's overall financial position has only slightly deteriorated as a result of the year's operations in spite of the "Great Recession".

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 following:

- (1) In 2009, the City revenues declined due to the economy which resulted in a variance of \$1,142,229. In turn, the City decreased operating budgets by \$1,996,122 to cover the declining revenues.
- (2) In 2009, the City paid off the capital lease on the Greif Property which resulted in a variance of \$116,239.

In spite of these exceptions, total expenditures were \$3,225,791 less than budgeted.

Budgeted amounts for revenues were not decreased to match actual receipts.

CAPITAL ASSETS

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

Governmental Activities:

The City purchased an IBM computer infrastructure from Premise, Inc on January 26th, 2009 in the amount of \$84,036.

The City purchased a Toshiba Phone System from Southeastern Telephone on January 26th, 2009 in the amount of \$99,120.

The City awarded a contract for the construction of a Traffic Signal at Highway 157 & Industrial Park 5 to Stone Electrical Co. Inc. On February 5th, 2009, the project was completed for the amount of \$92,510.

On May 31st, 2010, the City paid an additional payment of \$166,667 on the capital lease for the Grief Property.

The City awarded a contract for the construction of Fire Station #2 located on Main Avenue to Eidson & Associates, Inc. On May 31st, 2009, the project was completed for the amount of \$1,661,747.

The City purchased Lowe's Lot 2 and Lot 3 for drainage on July 13th, 2009 in the amounts of \$372,000 and \$22,700.

The City purchased a 2010 Rear Loading Garbage Truck from Nextran Truck Center in the amount of \$156,885 on August 25th, 2009.

The City purchased a Hazmat Trailer from Wray Brothers, Inc. in the amount of \$83,504 on August 31st, 2009.

The City purchased a Fire Truck from Sun Belt Fire, Inc. in the amount of \$684,905 on November 18th, 2008.

The City awarded a contract to Wiregrass Construction Company, LLC in the amount of \$834,791 for the West Main Avenue widening and improvements project. As of September 30, 2009, the City had incurred \$31,875 on the project, which includes \$3,188 of retainage.

The City awarded a contract to Jones Utility & Contracting Co., Inc. in the amount of \$133,850 for the Industrial Park # 5 waterline extension for Royal Technologies. As of September 30, 2009, the City had not incurred any cost on the project.

The City was awarded a grant from the Alabama Industrial Access and Bridge Corporation for up to \$359,000 to construct an access road from Alabama Highway 157 to Cullman Industrial Park V to benefit Royal Technologies. The City is responsible for any excess cost on the project. As of September 30, 2009, the City had not incurred any costs related to the grant.

The City awarded a contract to Eidson & Associates, Inc. in the amount of \$2,400,374 for the construction of the Police Administration Building. As of September 30, 2009, the City had incurred \$2,303,431 on the project, which includes \$115,173 of retainage.

The City awarded a contract to Stone Electric Company in the amount of \$163,832 for a decorative traffic signal upgrade at the intersection of U.S. Highway 31 and U.S. Highway 278. As of September 30, 2009, the City had not incurred any costs on the contract.

Business-Type Activities:

Sewer System:

The City completed the Lot 3 Sewer – Industrial Park V Pump Station for the amount of \$97,203 on October 1, 2008.

The City completed the West Loop Phase I for the amount of \$81,561 on December 22, 2008.

The City renovated the Men's Restroom at the Wastewater Treatment Plant for the amount of \$110,758 on January 1, 2009.

The City completed the Sewer Rehab for the Downtown Redevelopment Phase I for the amount of \$273,517 on June 30, 2009.

The City awarded a contract for the Mann Drive Sanitary Improvements project to Gilco Contracting, Inc. in the amount of \$6,953,825. As of September 30, 2009, the City had incurred \$5,905,628 on the project which includes \$173,846 of retainage.

The City awarded a contract for the Days Inn Pump Station project to Apel Machine & Supply Co., Inc. in the amount of \$1,594,115, which includes change orders in the amount of \$118,264. As of September 30, 2009, the Sewer Fund had incurred \$1,594,115 on the project. The Sewer Fund still owed \$38,446 of retainage as of September 30, 2009.

Water System:

As of September 30, 2009, the Water Fund had completed the following projects: (1) Warnke Road in the amount of \$746,424, (2) Highway 69 in the amount of \$82,699, (3) Galvanized Waterline Replacement in the amount of \$334,730, (4) West Loop Waterline in the amount of \$689,117, (5) Industrial Park V Waterline in the amount of \$157,939, (6) Downtown Redevelopment in the amount of \$422,459, and (7) Water Main under Highway 157 in the amount of \$73,104.

The Water Fund has an outstanding contract for the Galvanized Waterline Replacement Phase II project at a cost of \$1,280,708. As of September 30, 2009, the Water Fund has incurred a total cost of \$540,242 on the contract, including retainage of \$27,012.

The Water Fund has an outstanding contract for the Industrial Park V Waterline Extension project at a cost of \$133,850. As of September 30, 2009, the Water Fund has not incurred any costs on the project.

Cullman Regional Airport Board:

In October 2008, the Board completed the Obstruction Survey for the amount of \$77,281 and purchased a 2000 International Jet Fuel Truck with a capacity of 2,200 gallons for the amount of \$60,000.

Parks and Recreation:

The City awarded a contract to McCrory Building Company, Inc. in the amount of \$14,253,000 to construct the Wellness and Aquatic Center. Through additional change orders, the contract has been increased to \$14,443,799. As of September 30, 2009, the Board had incurred \$14,443,799 on the project, which includes \$100,000 in retainage.

**GREIF BROTHERS PROPERTY –
BROWNFIELD REMEDIATION**

During the year, 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 quotations 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, 2009.

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

LONG-TERM DEBT

Governmental Activities:

The City issued a Capital Lease payable to BancorpSouth dated January 26, 2009 in the amount of \$84,036 for IBM Computer Infrastructure.

Business Type Activities:

Parks & Recreation:

The Board issued a Capital Lease payable to Ervin Leasing Company dated March 27, 2009 in the amount of \$12,094 for a scrubber.

The Board issued a Capital Lease payable to Leaf Funding, Inc. dated April 9, 2009 in the amount of \$8,198 for a video conference system.

The Board issued a Capital Lease payable Celia M. Hubbard dated May 1, 2009 in the amount of \$3,500 for a Baldwin Grand Piano.

The Board issued a Capital Lease payable GPS Technologies, Inc. dated August 31, 2009 in the amount of \$15,015 for 75 CSX golf cart yardage displays.

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

CURRENT EVENTS

Governmental Activities:

As of October 2009, a contract was awarded to Powe General Contracting for the Lee Avenue extension from Heritage Park to Cherokee Avenue in the amount of \$148,031.

As of October 2009, a contract was awarded to Shoals Electric Company for a traffic signal on Cherokee Avenue SW at Lee Avenue extension in the amount of \$119,490.

As of November 2009, a contract was awarded to Densmore Excavating to install the water and sewer base for Lot 3A (Royal Technologies Corporation site) at Cullman Industrial Park V at a cost of \$403,376. The first \$300,000 of the project will be reimbursed to the City through Amendment 666 funds from the State of Alabama. The remainder of the cost of the project will be billed to Royal Technologies Corporation.

As of February 2010, the City approved to issue General Obligation Warrant, Series 2010 LRSRF-DL/ARRA in the amount of \$630,000 for pollution remediation costs to be incurred on the Greif property.

As of March 2010, a contract was awarded to Carcel & G Construction LLC in the amount of \$375,677 for construction of access road from Alabama Highway 157 to Cullman Industrial Park V to benefit Royal Technologies.

As of April 2010, a contract was awarded to CiviCon, LLC in the amount of \$124,950 for building demolition Greif Brothers property.

As of May 2010, the City awarded a bid to Southland International Trucks in the amount of \$96,000 for a knuckle boom loader for the Sanitation department.

As of June 2010, the City awarded a contract to CDG Engineers and Associates for an amount not to exceed \$51,225 for professional services for Streetscape for Downtown Cullman U.S. Highway 31, Phase II.

As of June 2010, the City awarded a contract to CDG Engineers and Associates for an amount not to exceed \$65,600 for professional services for Streetscape for Downtown Cullman U.S. Highway 278, Phase III.

As of July 2010, the City approved an agreement with St. John & Associates to provide engineering services for the Eva Road Bridge project at an estimated cost of \$40,000 plus 6% of construction cost.

Business-Type Activities:

Sewer System:

As of October 2009, a change order was approved in the amount of \$46,964 for the Days Inn Pump Station and Sewer Upgrade to Apel Machine & Supply Co., Inc. in order to replace one screw pump deflector plate and two thickener weir and scum baffles.

As of April 2010, a contract was awarded to Apel Machine & Supply Company, Inc. in the amount of \$808,461 to complete the Mann Drive Sewer project.

As of July 2010, a contract was awarded to Mid South Trenchless in the amount of \$1,116,000 for the Austin Avenue Gravity Sewer Repairs.

Water System:

As of November 2009, a contract was awarded to Apel Machine & Supply Co., Inc. in the amount of \$583,970 for the Waterline Main Replacement for Highway 157.

As of May 2010, a contract was awarded to Apel Machine & Supply Co., Inc. in the amount of \$330,180 for a Waterline Extension on Golf Course Road.

Cullman Regional Airport:

As of March 2010, the City awarded a bid in the amount of \$322,238 to Jerry Tidwell Construction for the Cullman Regional Airport Hangar Project.

As of June 2010, the City approved to purchase 31.69 acres of property identified as the Mobley Tract for the future growth and development of the Airport for \$366,200. The price of the property is to be shared by the Federal Aviation Administration (95%), State of Alabama (2.5%), Cullman County Commission (1.25%), and the City (1.25%).

As of July 2010, the City awarded a bid in the amount of \$125,356 to Precision Approach for system removal and replacement for path indicator for Airport transformer.

As of July 2010, the City awarded a bid in the amount of \$146,961 to Carcel and G Construction for a drainage rehabilitation project for the Airport runway.

Parks & Recreation:

As of June 2010, a contract was awarded to Platinum Construction in the amount of \$314,400 for the McGukin Civic Center Roof Replacement and Multi-Purpose Room Ceiling Renovations.

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 Parks & Recreation Board are available upon request.

If you have questions about this report or need additional financial information, contact the City Clerk/Treasury Ruth W. Rose at 204 Second Avenue NE, Cullman, AL 35055. Telephone: (256) 775-7109 or Fax (256) 775-7132. E-mail Address - rrose@cullmancity.org.

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash equivalents	\$ 12,382,295	\$ 7,083,841	\$ 19,466,136
Certificates of deposit	13,082,106	2,564,116	15,646,222
Interest receivable	41,978	4,491	46,469
Accounts receivable (net)	162,178	379,937	542,115
Credit card receivables	-	1,453	1,453
Assessments receivable (net)	45,000	6,500	51,500
Interfund balances	17,469,004	(17,469,004)	-
Due from other governmental units:			
Cullman Power Board	212,308	576,167	788,475
Other	7,085,795	332,736	7,418,531
Inventories	58,303	344,931	403,234
Prepaid insurance	219,645	91,821	311,466
Prepaid interest	-	38,498	38,498
Prepaid utility tax	-	28,561	28,561
TOTAL CURRENT ASSETS	<u>\$ 50,758,612</u>	<u>\$ (6,015,952)</u>	<u>\$ 44,742,660</u>
Restricted assets:			
Cash equivalents	\$ 669,668	\$ 3,645,857	\$ 4,315,525
OPEB funds held by the Cullman Power Board	-	4,704	4,704
Interest receivable	-	75	75
State revolving funds receivable	-	5,658,890	5,658,890
Advances to other governments	1,697,689	-	1,697,689
TOTAL RESTRICTED ASSETS	<u>\$ 2,367,357</u>	<u>\$ 9,309,526</u>	<u>\$ 11,676,883</u>
Capital assets:			
Land and other assets not being depreciated	\$ 11,450,525	\$ 17,369,069	\$ 28,819,594
Buildings, improvements, and equipment, net of depreciation	35,632,754	93,168,703	128,801,457
TOTAL CAPITAL ASSETS	<u>\$ 47,083,279</u>	<u>\$110,537,772</u>	<u>\$157,621,051</u>
Other assets:			
Deferred debt expense	\$ 124,390	\$ 1,915,868	\$ 2,040,258
Deposits	-	910	910
Insurance deposit	113,307	-	113,307
Assessments receivable - noncurrent	631,564	511,950	1,143,514
TOTAL OTHER ASSETS	<u>\$ 869,261</u>	<u>\$ 2,428,728</u>	<u>\$ 3,297,989</u>
TOTAL ASSETS	<u>\$101,078,509</u>	<u>\$116,260,074</u>	<u>\$217,338,583</u>

(Continued)

CITY OF CULLMAN, ALABAMA
STATEMENT OF NET ASSETS - CONTINUED
September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable	\$ 1,020,684	\$ 789,405	\$ 1,810,089
Utility tax payable	-	21,094	21,094
Accrued interest payable	21,085	182,354	203,439
Due to other governmental units	471,108	37,156	508,264
Accrued payroll	499,478	19,416	518,894
Current maturities on long-term debt	218,346	93,116	311,462
Estimated compensated absences - current portion	471,437	116,793	588,230
TOTAL CURRENT LIABILITIES	\$ 2,702,138	\$ 1,259,334	\$ 3,961,472
Liabilities payable from restricted assets:			
Accounts payable - contractor	\$ -	\$ 468,622	\$ 468,622
Accrued interest payable	69,897	283,171	353,068
Other postemployment benefits	-	2,940	2,940
Current maturities on long-term debt	965,000	3,440,000	4,405,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 1,034,897	\$ 4,194,733	\$ 5,229,630
Long-term liabilities:			
Warrants/bonds payable	\$ 24,340,344	\$ 44,801,049	\$ 69,141,393
Capital leases payable	-	87,343	87,343
Estimated compensated absences	700,708	455,295	1,156,003
TOTAL LONG-TERM LIABILITIES	\$ 25,041,052	\$ 45,343,687	\$ 70,384,739
Other liabilities:			
Deferred debt premium	\$ 6,875	\$ 3,982	\$ 10,857
Deferred revenue	4,245,822	224,001	4,469,823
TOTAL OTHER LIABILITIES	\$ 4,252,697	\$ 227,983	\$ 4,480,680
TOTAL LIABILITIES	\$ 33,030,784	\$ 51,025,737	\$ 84,056,521
Net assets:			
Invested in capital assets, net of related liabilities	\$ 41,220,924	\$ 54,603,616	\$ 95,824,540
Restricted for:			
Debt service and capital activity	1,391,493	600,740	1,992,233
Landfill improvements	911,334	-	911,334
Realty improvements and Ingle Park	70,290	-	70,290
Fiduciary	8,276	-	8,276
Endowments	100,908	-	100,908
Municipal Court equipment and training	39,691	-	39,691
Highways and streets	1,268,848	-	1,268,848
Industrial development/recreation	171,333	-	171,333
Jail/Correction facilities	201,675	-	201,675
Education	18,667	-	18,667
Parks and recreation	-	34,297	34,297
Unrestricted	22,644,286	9,995,684	32,639,970
TOTAL NET ASSETS	\$ 68,047,725	\$ 65,234,337	\$133,282,062
TOTAL LIABILITIES AND NET ASSETS	\$101,078,509	\$116,260,074	\$217,338,583

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

CITY OF
STATEMENT OF
Year ended

<u>Functions/Programs:</u>	<u>Expenses</u>
Primary government:	
Governmental activities:	
General government:	
Administrative	\$ 2,658,108
Building and housing	298,767
Garage	216,497
Public works	561,964
Planning/downtown redevelopment	70,766
Public safety:	
Police	4,493,551
Fire	2,804,603
Dispatch and miscellaneous	472,996
Highways and streets	2,517,968
Sanitation	3,302,146
Health and social services	1,425,954
Culture and recreation	252,287
Education	5,480,752
Conservation	183,203
Interest on long-term debt	401,704
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 25,141,266</u>
Business-type activities:	
Sewer	\$ 4,948,685
Water	5,859,262
Parks and recreation	2,707,721
Golf course	755,388
Wellness and Aquatic Center	2,007,564
Airport	577,766
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 16,856,386</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 41,997,652</u></u>

(Continued)

CULLMAN, ALABAMA
ACTIVITIES
September 30, 2009

Charges for Services	Program Revenues		Net (Expense) Revenue
	Operating Grants and Contributions	Capital Grants and Contributions	
\$ 1,925,588	\$ -	\$ 410,250	\$ (322,270)
120,974	-	-	(177,793)
-	-	96,827	(119,670)
484,184	-	-	(77,780)
-	6,518	118,357	54,109
369,150	25,515	59,487	(4,039,399)
-	-	36,575	(2,768,028)
-	62,731	-	(410,265)
117,482	465,384	490,019	(1,445,083)
3,218,171	-	105,766	21,791
-	33,594	-	(1,392,360)
18,588	-	-	(233,699)
-	-	-	(5,480,752)
12,345	-	-	(170,858)
-	-	-	(401,704)
<u>\$ 6,266,482</u>	<u>\$ 593,742</u>	<u>\$ 1,317,281</u>	<u>\$ (16,963,761)</u>
\$ 4,539,887	\$ -	\$ 78,278	\$ (330,520)
8,237,685	-	25,044	2,403,467
1,009,448	-	-	(1,698,273)
449,655	-	-	(305,733)
954,780	-	5,200	(1,047,584)
295,309	2,400	-	(280,057)
<u>\$ 15,486,764</u>	<u>\$ 2,400</u>	<u>\$ 108,522</u>	<u>\$ (1,258,700)</u>
<u>\$ 21,753,246</u>	<u>\$ 596,142</u>	<u>\$ 1,425,803</u>	<u>\$ (18,222,461)</u>

CITY OF CULLMAN, ALABAMA
STATEMENT OF ACTIVITIES - CONTINUED
Year ended September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)	\$(16,963,761)	\$ (1,258,700)	\$ (18,222,461)
General revenues:			
Taxes:			
Property taxes, levied for			
general purposes	\$ 1,104,779	\$ -	\$ 1,104,779
Property taxes, levied for education	2,866,774	-	2,866,774
Sales taxes, levied for			
general purposes	12,557,472	-	12,557,472
Sales taxes, levied for education	2,331,382	-	2,331,382
Tobacco taxes	144,270	-	144,270
Lodging taxes	182,326	153,724	336,050
Rent taxes	513,864	-	513,864
Other taxes	106,710	-	106,710
City Board of Education for			
debt service payments	473,546	-	473,546
Unrestricted investment earnings	590,668	92,151	682,819
Sale of capital assets	7,764	32,262	40,026
Miscellaneous	1,683,401	114,968	1,798,369
Transfers - internal activities	(2,634,806)	2,634,806	-
TOTAL GENERAL REVENUES AND TRANSFERS	\$ 19,928,150	\$ 3,027,911	\$ 22,956,061
CHANGE IN NET ASSETS	\$ 2,964,389	\$ 1,769,211	\$ 4,733,600
Net assets - beginning	65,083,336	63,465,126	128,548,462
Net assets - ending	\$ 68,047,725	\$ 65,234,337	\$ 133,282,062

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

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	General	School Tax
<u>ASSETS</u>		
Cash equivalents	\$ 11,003,604	\$ 18,668
Certificates of deposit	12,285,313	-
Receivables (net of allowance for uncollectibles):		
Accounts	162,178	-
Assessments	676,564	-
Interest	41,492	-
Interfund receivables	133,263	-
Due from other governmental units:		
Cullman Power Board	212,308	-
Other	3,495,540	3,377,080
Inventories	58,303	-
Prepaid insurance	219,645	-
Interfund receivables - long-term	475,425	-
Restricted assets:		
Cash equivalents	-	-
Advances to other governmental units	-	-
Interfund receivables - long-term	-	-
Insurance deposit	113,307	-
TOTAL ASSETS	\$ 28,876,942	\$ 3,395,748

(Continued)

ALABAMA
GOVERNMENTAL FUNDS
 2009

<u>Debt Service</u>	<u>Cullman Building Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 53,757	\$ 10,300	\$ 1,295,966	\$ 12,382,295
-	-	796,793	13,082,106
-	-	-	162,178
-	-	-	676,564
30	-	456	41,978
-	-	3,924	137,187
-	-	-	212,308
-	-	213,176	7,085,796
-	-	-	58,303
-	-	-	219,645
-	-	-	475,425
669,668	-	-	669,668
1,697,689	-	-	1,697,689
17,152,423	-	-	17,152,423
-	-	-	113,307
<u>\$ 19,573,567</u>	<u>\$ 10,300</u>	<u>\$ 2,310,315</u>	<u>\$ 54,166,872</u>

CITY OF CULLMAN
BALANCE SHEET -
September 30,

	General	School Tax
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable:		
Trade	\$ 420,820	\$ -
Contractors	-	-
Accrued liabilities	81,566	-
Accrued payroll	499,478	-
Interfund payables	163,532	-
Due to other governmental units	87,550	383,558
Interfund payables - long-term	-	-
Deferred revenues	2,951,648	3,177,462
Estimated liability for compensated absences	192,537	-
TOTAL LIABILITIES	\$ 4,397,131	\$ 3,561,020
Fund balances:		
Reserved for:		
Inventory	\$ 58,503	\$ -
Prepaid expenditures and insurance deposit	332,952	-
Landfill improvements	911,334	-
Interfund receivables - long-term	475,425	-
Advances to other governmental units	-	-
Realty improvements and Ingle Park	56,228	-
Fiduciary	8,276	-
Endowments	-	-
Municipal Court equipment and training	39,691	-
Unreserved	22,597,402	(165,272)
Unreserved, reported in nonmajor:		
Special revenue funds	-	-
Capital project funds	-	-
TOTAL FUND BALANCES (DEFICIT)	\$ 24,479,811	\$ (165,272)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 28,876,942	\$ 3,395,748

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

ALABAMA
GOVERNMENTAL FUNDS - CONTINUED
 2009

Debt Service	Cullman Building Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,184	\$ 20,394	\$ 444,398
-	362,845	131,875	494,720
-	-	-	81,566
-	-	-	499,478
-	-	-	163,532
-	-	-	471,108
-	-	132,500	132,500
-	-	27,774	6,156,884
-	-	-	192,537
<u>\$ -</u>	<u>\$ 366,029</u>	<u>\$ 312,543</u>	<u>\$ 8,636,723</u>
\$ -	\$ -	\$ -	\$ 58,503
-	-	-	332,952
-	-	-	911,334
17,152,423	-	-	17,627,848
1,697,689	-	-	1,697,689
-	-	14,062	70,290
-	-	-	8,276
-	-	100,908	100,908
-	-	-	39,691
723,455	(355,729)	-	22,799,856
-	-	1,673,115	1,673,115
-	-	209,687	209,687
<u>\$ 19,573,567</u>	<u>\$ (355,729)</u>	<u>\$ 1,997,772</u>	<u>\$ 45,530,149</u>
<u>\$ 19,573,567</u>	<u>\$ 10,300</u>	<u>\$ 2,310,315</u>	<u>\$ 54,166,872</u>

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
September 30, 2009

Total fund balances - total governmental funds (page 32) \$ 45,530,149

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	\$ 62,719,202	
Accumulated depreciation	<u>(15,635,923)</u>	47,083,279

Other long-term assets are not available to pay for current-period
expenditures and therefore are deferred in the funds 1,911,062

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, 2009, were:		
General Obligation Warrants	\$(25,652,326)	
Less deferred interest from refunding	128,636	
Less deferred issuance costs and discounts	124,390	
Plus deferred premium	(6,875)	
Accrued interest	(90,982)	
Compensated absences	<u>(979,608)</u>	<u>(26,476,765)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 25) \$ 68,047,725

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

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

	<u>General</u>	<u>School Tax</u>
Revenues:		
Taxes	\$ 14,742,466	\$ 5,211,030
Licenses and permits	2,469,885	-
Intergovernmental revenues	1,571,992	-
Charges for services	3,372,964	-
Fines and forfeits	298,220	-
Miscellaneous revenues:		
Interest revenue	\$ 552,834	\$ 4,432
Miscellaneous	100,683	-
TOTAL MISCELLANEOUS REVENUES	<u>\$ 653,517</u>	<u>\$ 4,432</u>
TOTAL REVENUES	<u>\$ 23,109,044</u>	<u>\$ 5,215,462</u>
Expenditures:		
Current:		
General government	\$ 3,629,113	\$ -
Public safety	7,376,664	-
Highways and streets	1,742,631	-
Sanitation	3,018,487	-
Health and social services	1,425,954	-
Culture and recreation	240,492	-
Education	273,210	5,199,344
Conservation	167,467	-
Capital outlay	2,840,757	-
Debt service:		
Principal retirement	180,096	-
Interest and fiscal charges	7,143	-
TOTAL EXPENDITURES	<u>\$ 20,902,014</u>	<u>\$ 5,199,344</u>
REVENUES OVER (UNDER) EXPENDITURES	\$ 2,207,030	\$ 16,118
Other financing sources (uses):		
Capital contributions	\$ 1,163,957	\$ -
Warrant face amount issued	84,036	-
Sale of assets	130,035	-
Operating transfers in	-	-
Operating transfers (out)	(4,470,445)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (3,092,417)</u>	<u>\$ -</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (885,387)	\$ 16,118
Fund balances (deficit) at October 1	25,365,198	(181,390)
FUND BALANCES (DEFICIT) AT SEPTEMBER 30	<u>\$ 24,479,811</u>	<u>\$ (165,272)</u>

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

ALABAMA
EXPENDITURES, AND CHANGES IN
GOVERNMENTAL FUNDS
September 30, 2009

Debt Service	Cullman Building Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 182,223	\$ 20,135,719
-	-	-	2,469,885
473,546	-	431,178	2,476,716
-	-	-	3,372,964
-	-	55,133	353,353
\$ 15,315	\$ 285	\$ 41,102	\$ 613,968
-	-	-	100,683
\$ 15,315	\$ 285	\$ 41,102	\$ 714,651
\$ 488,861	\$ 285	\$ 709,636	\$ 29,523,288
\$ -	\$ -	\$ 12,931	\$ 3,642,044
-	-	-	7,376,664
-	-	13,894	1,756,525
-	-	-	3,018,487
-	-	-	1,425,954
-	-	580	241,072
-	-	-	5,472,554
-	-	-	167,467
-	3,458,566	233,606	6,532,929
1,001,234	-	100,000	1,281,330
340,395	-	30,000	377,538
\$ 1,341,629	\$ 3,458,566	\$ 391,011	\$ 31,292,564
\$ (852,768)	\$ (3,458,281)	\$ 318,625	\$ (1,769,276)
\$ -	\$ -	\$ 145,277	\$ 1,309,234
-	-	-	84,036
-	-	-	130,035
7,910,591	3,298,962	7,405,221	18,614,774
(10,300,918)	-	(6,199,379)	(20,970,742)
\$ (2,390,327)	\$ 3,298,962	\$ 1,351,119	\$ (832,663)
\$ (3,243,095)	\$ (159,319)	\$ 1,669,744	\$ (2,601,939)
22,816,662	(196,410)	328,028	48,132,088
\$ 19,573,567	\$ (355,729)	\$ 1,997,772	\$ 45,530,149

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, 2009

Net change in fund balances - total governmental funds (page 35) \$ (2,601,939)

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 (\$6,532,929) exceeded depreciation (\$1,621,257) in the current period. 4,911,672

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 (\$731,249) less accumulated depreciation (\$608,978) (122,271)

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, 2008	\$ (2,012,501)	
Revenues deferred at the fund level that were earned and reported as revenues in the statement of activities for the current year	<u>1,911,063</u>	(101,438)

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	\$ (4,088)	
Accrued interest on warrants at beginning of year (\$93,282) less accrued interest on warrants at end of year (\$90,982)	<u>2,300</u>	(1,788)

(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, 2009

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.

Debt issued:

Warrants issued	\$	84,036
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Amortizations on debt:

Debt discount and issuance costs	\$	13,450
Deferred loss on refunding		26,466
Debt premium		<u>(1,614)</u>

TOTAL AMORTIZATIONS ON PREVIOUSLY ISSUED DEBT	\$	38,302
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Repayments:

To bondholders	\$	<u>(1,281,330)</u>
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NET ADJUSTMENT	\$	<u><u>(1,158,992)</u></u>	1,158,992
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Governmental funds do not report capital assets. However, in the statement of net assets the cost of those assets are reported less depreciation. The governmental funds incurred costs in a prior year related to a construction in progress project in the business-type activities. The governmental funds contributed these costs to the business-type activities.

(278,839)

CHANGE IN NET ASSETS OF THE GOVERNMENTAL ACTIVITIES (PAGE 28)	\$	<u><u>2,964,389</u></u>
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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	\$ 262,133	\$ 6,324,440
Certificates of deposit	-	2,564,116
Interest receivable	-	4,491
Accounts receivable, net of allowance	80,721	267,395
Credit card receivables	-	-
Assessments receivable, net of allowance	6,500	-
Interfund receivables	83,416	9,578
Due from other governmental units:		
Cullman Power Board	331,235	244,932
Other	78,278	235,276
Inventories	30,835	261,627
Prepaid insurance	20,643	59,005
Prepaid interest	38,498	-
Prepaid utility tax	-	28,561
TOTAL CURRENT ASSETS	<u>\$ 932,259</u>	<u>\$ 9,999,421</u>
Restricted assets:		
Cash equivalents	\$ 1,000,312	\$ 2,645,545
OPEB funds held by Cullman Power Board	-	4,704
State revolving funds receivable	2,848,846	2,810,044
Interest receivable	24	51
TOTAL RESTRICTED ASSETS	<u>\$ 3,849,182</u>	<u>\$ 5,460,344</u>
Capital assets:		
Land	\$ 152,206	\$ 692,054
Buildings	6,725,127	6,501,181
Improvements other than buildings	52,582,635	38,249,951
Machinery and equipment	1,637,992	9,159,234
Accumulated depreciation	(22,897,814)	(24,080,512)
	<u>\$ 38,200,146</u>	<u>\$ 30,521,908</u>
Construction in progress	9,750,957	4,571,043
TOTAL CAPITAL ASSETS	<u>\$ 47,951,103</u>	<u>\$ 35,092,951</u>
Other assets:		
Deferred debt expense	\$ 1,113,799	\$ 463,251
Deposits	-	-
Assessments receivable - noncurrent	511,950	-
TOTAL OTHER ASSETS	<u>\$ 1,625,749</u>	<u>\$ 463,251</u>
TOTAL ASSETS	<u><u>\$ 54,358,293</u></u>	<u><u>\$ 51,015,967</u></u>

(Continued)

ALABAMA
 PROPRIETARY FUNDS
 2009

Activities		
Parks and Recreation	Airport	TOTALS
\$ 483,006	\$ 14,262	\$ 7,083,841
-	-	2,564,116
-	-	4,491
23,707	8,114	379,937
1,453	-	1,453
-	-	6,500
49,803	599	143,396
-	-	576,167
11,532	7,650	332,736
29,065	23,404	344,931
2,896	9,277	91,821
-	-	38,498
-	-	28,561
<u>\$ 601,462</u>	<u>\$ 63,306</u>	<u>\$ 11,596,448</u>
\$ -	\$ -	\$ 3,645,857
-	-	4,704
-	-	5,658,890
-	-	75
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,309,526</u>
\$ 1,850,367	\$ 341,049	\$ 3,035,676
16,344,571	1,435,808	31,006,687
10,771,532	2,239,579	103,843,697
1,820,944	212,857	12,831,027
(5,465,878)	(2,068,504)	(54,512,708)
<u>\$ 25,321,536</u>	<u>\$ 2,160,789</u>	<u>\$ 96,204,379</u>
-	11,393	14,333,393
<u>\$ 25,321,536</u>	<u>\$ 2,172,182</u>	<u>\$ 110,537,772</u>
\$ 338,603	\$ 215	\$ 1,915,868
910	-	910
-	-	511,950
<u>\$ 339,513</u>	<u>\$ 215</u>	<u>\$ 2,428,728</u>
<u>\$ 26,262,511</u>	<u>\$ 2,235,703</u>	<u>\$ 133,872,474</u>

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

	Business-Type	
	Sewer Operation	Water System
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 98,089	\$ 414,186
Utility tax payable	-	21,094
Interfund payables	6,901	96,636
Interest payable	-	-
Due to other governmental units	37,001	-
Accrued payroll	3,199	5,167
Estimated compensated absences - current portion	23,540	69,380
Current maturities on long-term liabilities	-	-
TOTAL CURRENT LIABILITIES	\$ 168,730	\$ 606,463
Liabilities payable from restricted assets:		
Accounts payable - contractor	\$ 320,007	\$ 148,615
Accrued interest payable	115,425	167,746
Other postemployment benefits	-	2,940
Current maturities on long-term liabilities	1,855,000	1,585,000
Interfund payables	8,727	-
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 2,299,159	\$ 1,904,301
Deferred credits:		
Debt premium	\$ -	\$ -
Deferred revenue - memberships	-	-
TOTAL DEFERRED CREDITS	\$ -	\$ -
Long-term liabilities:		
Warrants/bonds payable	\$ 27,283,379	\$ 17,254,211
Capital leases payable	-	-
Estimated compensated absences	97,239	187,948
Interfund payables	509,461	-
TOTAL LONG-TERM LIABILITIES	\$ 27,890,079	\$ 17,442,159
TOTAL LIABILITIES	\$ 30,357,968	\$ 19,952,923
Net assets:		
Invested in capital assets, net of related liabilities	\$ 23,839,399	\$ 20,321,864
Restricted for debt service and capital activity	(266,862)	867,602
Restricted for parks and recreation	-	-
Unrestricted	427,788	9,873,578
TOTAL NET ASSETS	\$ 24,000,325	\$ 31,063,044
TOTAL LIABILITIES AND NET ASSETS	\$ 54,358,293	\$ 51,015,967

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

ALABAMA
 PROPRIETARY FUNDS - CONTINUED
 2009

Activities		
Parks and Recreation	Airport	TOTALS
\$ 251,130	\$ 26,000	\$ 789,405
-	-	21,094
525,391	-	628,928
182,354	-	182,354
-	155	37,156
10,632	418	19,416
23,873	-	116,793
81,856	11,260	93,116
<u>\$ 1,075,236</u>	<u>\$ 37,833</u>	<u>\$ 1,888,262</u>
\$ -	\$ -	\$ 468,622
-	-	283,171
-	-	2,940
-	-	3,440,000
-	-	8,727
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,203,460</u>
\$ 3,982	\$ -	\$ 3,982
224,001	-	224,001
<u>\$ 227,983</u>	<u>\$ -</u>	<u>\$ 227,983</u>
\$ 144,527	\$ 118,932	\$ 44,801,049
87,343	-	87,343
157,028	13,080	455,295
16,430,407	34,877	16,974,745
<u>\$ 16,819,305</u>	<u>\$ 166,889</u>	<u>\$ 62,318,432</u>
<u>\$ 18,122,524</u>	<u>\$ 204,722</u>	<u>\$ 68,638,137</u>
\$ 8,400,148	\$ 2,042,205	\$ 54,603,616
-	-	600,740
34,297	-	34,297
(294,458)	(11,224)	9,995,684
<u>\$ 8,139,987</u>	<u>\$ 2,030,981</u>	<u>\$ 65,234,337</u>
<u>\$ 26,262,511</u>	<u>\$ 2,235,703</u>	<u>\$ 133,872,474</u>

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

	Business-Type	
	Sewer Operation	Water System
Operating revenues:		
Charges for sales and services	\$ 4,410,444	\$ 8,095,070
Charges for service connections	77,575	75,700
Service charges	51,868	66,915
Lodging tax	-	-
Miscellaneous	56,429	16,353
TOTAL OPERATING REVENUES	<u>\$ 4,596,316</u>	<u>\$ 8,254,038</u>
Cost of operating revenues	\$ -	\$ -
Operating expenses:		
Salaries and wages	827,454	1,294,368
Officials and instructors	-	-
Cullman Regional Medical Center	-	-
Payroll taxes	60,823	91,852
Employees retirement	81,044	144,036
Employees insurance	120,721	212,744
Telephone	10,872	16,796
Utilities	552,933	828,645
Billing, accounting, and collection fees	48,334	52,953
Office supplies and expenses	2,578	42,622
Professional services	10,664	29,335
Engineering services	118,803	62,746
Other contracted services	7,798	30,539
Tournament fees	-	-
Testing services	9,255	8,906
Landfill fees	36,470	-
Community concerts	-	-
Senior programs	-	-
Proximity keys	-	-
Dues and subscriptions	525	5,308
Travel, registrations, and education	7,710	9,247
Public relations	-	-
Printing and advertising	-	-
Uniforms	6,995	9,240
Small tools and equipment	7,889	8,929
Chemicals and supplies	54,601	498,674
Repairs and maintenance - system and equipment	277,799	395,078
Gas, fuel, and oil	39,289	36,441
Insurance	48,418	96,999
Permits and licenses	-	2,895
Miscellaneous	-	11,896
Director's fees and expenses	-	3,403
Depreciation	1,515,882	1,082,590
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	<u>\$ 3,846,857</u>	<u>\$ 4,976,242</u>
OPERATING INCOME (LOSS)	<u>\$ 749,459</u>	<u>\$ 3,277,796</u>

(Continued)

ALABAMA
EXPENSES, AND CHANGES IN
PROPRIETARY FUNDS
September 30, 2009

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 2,413,883	\$ 295,309	\$ 15,214,706
-	-	153,275
-	-	118,783
153,724	-	153,724
41,841	345	114,968
<u>\$ 2,609,448</u>	<u>\$ 295,654</u>	<u>\$ 15,755,456</u>
\$ 142,238	\$ 167,814	\$ 310,052
1,835,998	91,516	4,049,336
47,123	-	47,123
149,893	-	149,893
134,913	6,730	294,318
104,171	5,291	334,542
170,548	6,419	510,432
35,735	3,768	67,171
423,219	15,181	1,819,978
-	-	101,287
70,613	904	116,717
19,997	8,678	68,674
-	2,740	184,289
16,336	9,676	64,349
6,034	-	6,034
-	-	18,161
-	-	36,470
4,180	-	4,180
206,779	-	206,779
14,955	-	14,955
2,764	250	8,847
14,361	604	31,922
11,207	-	11,207
22,635	12	22,647
-	18	16,253
84,036	423	101,277
299,183	739	853,197
399,997	19,210	1,092,084
35,969	968	112,667
101,088	12,318	258,823
-	-	2,895
61,008	3,349	76,253
-	-	3,403
692,228	216,879	3,507,579
<u>\$ 5,107,208</u>	<u>\$ 573,487</u>	<u>\$ 14,503,794</u>
<u>\$ (2,497,760)</u>	<u>\$ (277,833)</u>	<u>\$ 1,251,662</u>

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

	Business-Type	
	Sewer Operation	Water System
Nonoperating revenues (expenses):		
Interest earned	\$ 11,252	\$ 76,467
Operating grants	-	-
Sale of assets	33,185	3,126
Interest expense	(1,005,392)	(819,530)
Amortization of debt expense	(94,846)	(53,655)
Paying agent/trustee fees	(1,590)	(9,835)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ (1,057,391)</u>	<u>\$ (803,427)</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>\$ (307,932)</u>	<u>\$ 2,474,369</u>
Capital contributions	114,282	267,879
Transfers in	1,839,855	8,483
Transfers out	(231,150)	(1,599,000)
NET INCREASE (DECREASE) IN NET ASSETS	<u>\$ 1,415,055</u>	<u>\$ 1,151,731</u>
Net assets - October 1	22,585,270	29,911,313
NET ASSETS AT SEPTEMBER 30	<u>\$ 24,000,325</u>	<u>\$ 31,063,044</u>

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

ALABAMA
 EXPENSES, AND CHANGES IN
 PROPRIETARY FUNDS - CONTINUED
 September 30, 2009

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 4,432	\$ -	\$ 92,151
-	2,400	2,400
(4,049)	-	32,262
(349,270)	(4,136)	(2,178,328)
(14,195)	(143)	(162,839)
-	-	(11,425)
<u>\$ (363,082)</u>	<u>\$ (1,879)</u>	<u>\$ (2,225,779)</u>
\$ (2,860,842)	\$ (279,712)	\$ (974,117)
5,200	-	387,361
8,798,338	113,246	10,759,922
(6,573,805)	-	(8,403,955)
\$ (631,109)	\$ (166,466)	\$ 1,769,211
8,771,096	2,197,447	63,465,126
<u>\$ 8,139,987</u>	<u>\$ 2,030,981</u>	<u>\$ 65,234,337</u>

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	\$ 4,583,415	\$ 8,243,191
Cash received from lodging tax	-	-
Cash payments for merchandise sold	-	-
Cash payments for operating expenses	(1,555,263)	(2,547,677)
Cash payments to employees	(852,624)	(1,250,970)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,175,528	\$ 4,444,544
Cash flows from noncapital and related financing activities:		
Grants	\$ -	\$ -
Interfund transfers	-	(1,599,000)
OPEB funds held by Cullman Power Board	-	(4,704)
NET CASH PROVIDED BY (USED IN) NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ -	\$ (1,603,704)
Cash flows from capital and related financing activities:		
Proceeds from capital contributions	\$ 36,004	\$ 267,879
Interest and fiscal charges paid	(878,421)	(773,833)
Deferred loss on refunding	-	-
Interfund receivables/payables	(8,369)	-
Interfund transfers	1,608,705	8,483
Proceeds from long-term debt	2,154,882	437,391
Principal payments of long-term debt	(1,790,000)	(2,215,000)
Proceeds from sale of capital assets	57,485	12,482
Acquisition and construction of capital assets	(3,080,209)	(2,318,417)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,899,923)	\$ (4,581,015)

(Continued)

ALABAMA
 PROPRIETARY FUNDS
 September 30, 2009
 Cash and Cash Equivalents

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 2,563,442	\$ 295,883	\$ 15,685,931
155,386	-	155,386
(171,303)	(156,331)	(327,634)
(2,146,988)	(115,243)	(6,365,171)
(1,869,337)	(94,957)	(4,067,888)
<hr/>		
\$ (1,468,800)	\$ (70,648)	\$ 5,080,624
\$ -	\$ 3,365	\$ 3,365
2,447,000	115,103	963,103
-	-	(4,704)
<hr/>		
\$ 2,447,000	\$ 118,468	\$ 961,764
\$ 5,200	\$ 20,288	\$ 329,371
(353,255)	(4,136)	(2,009,645)
7,922	-	7,922
5,802,104	(16,739)	5,776,996
(222,467)	-	1,394,721
38,807	-	2,631,080
(84,105)	(10,864)	(4,099,969)
-	-	69,967
(5,832,350)	(64,464)	(11,295,440)
<hr/>		
\$ (638,144)	\$ (75,915)	\$ (7,194,997)

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	\$ -	\$ 3,409,840
Interest received	11,228	83,074
Payments for purchase of certificates of deposit	-	(3,417,590)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 11,228	\$ 75,324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 286,833	\$ (1,664,851)
Cash and cash equivalents at beginning of year	975,612	10,634,836
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,262,445	\$ 8,969,985

Cash and cash equivalents as of September 30, 2009 consisted of the following:

	Sewer Operation	Water System
Cash equivalents - current assets	\$ 262,133	\$ 6,324,440
Cash equivalents - restricted assets	1,000,312	2,645,545
TOTALS	\$ 1,262,445	\$ 8,969,985

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

ALABAMA
PROPRIETARY FUNDS - CONTINUED
 September 30, 2009
 Cash and Cash Equivalents

<u>Activities</u>		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ -	\$ -	\$ 3,409,840
3,477	-	97,779
-	-	(3,417,590)
<hr/>		
\$ 3,477	\$ -	\$ 90,029
<hr/>		
\$ 343,533	\$ (28,095)	\$ (1,062,580)
139,473	42,357	11,792,278
<hr/>		
\$ 483,006	\$ 14,262	\$ 10,729,698
<hr/>		

<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 483,006	\$ 14,262	\$ 7,083,841
-	-	3,645,857
<hr/>		
\$ 483,006	\$ 14,262	\$ 10,729,698
<hr/>		

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

	<u>Business-Type</u>	
	<u>Sewer Operation</u>	<u>Water System</u>
Cash flows from operating activities:		
Operating income (loss)	\$ 749,459	\$ 3,277,796
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,515,882	1,082,590
Accounts receivable	2,493	13,113
Credit card receivable	-	-
Interfund receivables	(894)	(194,329)
Due from other governments	(15,394)	(15,588)
Assessments receivable	6,560	-
Inventories	(5,125)	(11,699)
Prepaid senior trips	-	-
Prepaid insurance	917	(386)
Prepaid utility tax	-	(9,687)
Accounts payable	(33,999)	122,392
Utility tax payable	-	88
Interfund payables	(22,340)	138,940
Due to other governments	3,140	-
Accrued payroll	(33,242)	(51,108)
Other postemployment benefits	-	2,940
Compensated absences	8,071	89,482
Deferred revenue	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,175,528	\$ 4,444,544

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

ALABAMA
OPERATING ACTIVITIES - PROPRIETARY FUNDS
September 30, 2009
Cash and Cash Equivalents

<u>Activities</u>		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ (2,497,760)	\$ (277,833)	\$ 1,251,662
692,228	216,879	3,507,579
(22,609)	229	(6,774)
467	-	467
1,239	-	(193,984)
1,662	-	(29,320)
-	-	6,560
(29,065)	(3,352)	(49,241)
65,724	-	65,724
990	54	1,575
-	-	(9,687)
85,884	(5,149)	169,128
-	-	88
137,158	-	253,758
-	155	3,295
(52,044)	(3,441)	(139,835)
-	-	2,940
18,705	1,810	118,068
128,621	-	128,621
<u>\$ (1,468,800)</u>	<u>\$ (70,648)</u>	<u>\$ 5,080,624</u>

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009

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.

<u>Component Units</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
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 Parks and Recreation Board of the City of Cullman is not a legally separate entity and is, therefore, 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.
- 5) The Park and Recreation Foundation Board (PRFB)'s members are appointed by the City's 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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

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.

Cullman Building Construction

This fund accounts for the construction of the Fire Station # 2 and construction of the Police Administrative Building.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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 judgments, 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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:

<u>Allowance for Doubtful Accounts</u>	<u>General Fund</u>	<u>Sewer Operation</u>	<u>Water System</u>	<u>Airport</u>
Accounts receivable at September 30, 2009	<u>\$ 45,801</u>	<u>\$ 24,000</u>	<u>\$45,932</u>	<u>\$3,039</u>
Assessments receivable at September 30, 2009	<u>\$130,106</u>	<u>\$100,750</u>	<u>\$ ---</u>	<u>\$ ---</u>

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 \$4,245,822 has been accrued as a receivable as of September 30, 2009, for the bills sent out October 1, 2009, 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, 2009, an offsetting balance of \$4,245,822 has also been reflected as deferred revenue in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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, 2009, are recorded as prepaid items. Prepaid insurance is charged to expenditures/expenses over the term of the policies. Prepaid utility tax is charged to expense 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 is \$2,500.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-75
Improvements other than buildings	10-75
Infrastructure – streets	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	5-15

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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, 2009 was as follows:

<u>Proprietary Fund/Component Unit</u>	<u>Amount Capitalized</u>
Water Fund	\$ 10,408
Sewer Fund	78,639
Parks and Recreation	410,212

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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable - contractor	\$ ---	\$ 468,622
Accrued interest payable	69,897	283,171
Other postemployment benefits	---	2,940
Current maturities on long-term liabilities	<u>965,000</u>	<u>3,440,000</u>
TOTAL	<u>\$1,034,897</u>	<u>\$4,194,733</u>

Of the \$3,440,000 shown as current maturities on long-term debt above in the business-type activities, \$2,295,000 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, 2009. Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with the City. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees to specified maximums and a percentage of sick leave is payable upon termination in accordance with guidelines established in the City's personnel policies. If an employee does not use his sick leave during the year and would otherwise lose any accumulated time, the employee is paid one-half of the hours accumulated in excess of the maximum allowed to be carried over from year to year. The estimated liabilities include required 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

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, 2009, the City had \$39,691 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, 2009, the City had \$34,297 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. 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 \$165,272 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 \$27,025 deficit of the Transportation Enhancement Fund and the \$355,729 deficit of the Cullman Building Construction Fund are a result of capital outlay expenditures and transfers in excess of resources. The deficits are 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.

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2009 was as follows:

	Balance at Sept. 30, 2008
Governmental activities:	
Capital assets not being depreciated:	
Land	\$ 7,442,931
Historical buildings	209,420
Construction in progress	1,094,571
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 8,746,922
Capital assets being depreciated:	
Buildings	\$ 4,666,663
Improvements other than buildings	841,322
Infrastructure - streets	30,120,262
Infrastructure - bridges	607,683
Machinery and equipment:	
Office equipment	\$ 57,392
Computer equipment	158,759
Communication equipment	333,925
Heavy equipment	1,419,012
Transportation equipment	6,824,797
Other general equipment	3,419,625
TOTAL MACHINERY AND EQUIPMENT	\$ 12,213,510
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 48,449,440
Less accumulated depreciation for:	
Buildings	\$ 960,947
Improvements other than buildings	160,430
Infrastructure - streets	6,313,234
Infrastructure - bridges	249,150
Machinery and equipment:	
Office equipment	\$ 46,051
Computer equipment	100,766
Communication equipment	220,907
Heavy equipment	770,118
Transportation equipment	3,909,283
Other general equipment	1,892,759
TOTAL MACHINERY AND EQUIPMENT	\$ 6,939,884
TOTAL ACCUMULATED DEPRECIATION	\$ 14,623,645
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	\$ 33,825,795
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 42,572,717

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2009</u>
\$ 833,231	\$ -	\$ 8,276,162
-	-	209,420
<u>3,810,958</u>	<u>(1,940,586)</u>	<u>2,964,943</u>
\$ 4,644,189	\$ (1,940,586)	\$ 11,450,525
\$ 1,964,536	\$ -	\$ 6,631,199
132,327	-	973,649
87,717	-	30,207,979
-	-	607,683
\$ 13,620	\$ -	\$ 71,012
88,063	-	246,822
102,666	(123,415)	313,176
41,988	(162,450)	1,298,550
943,295	(435,955)	7,332,137
176,273	(9,428)	3,586,470
<u>\$ 1,365,905</u>	<u>\$ (731,248)</u>	<u>\$ 12,848,167</u>
\$ 3,550,485	\$ (731,248)	\$ 51,268,677
\$ 91,144	\$ -	\$ 1,052,091
27,485	-	187,915
603,260	-	6,916,494
12,154	-	261,304
\$ 5,174	\$ -	\$ 51,225
25,967	-	126,733
23,420	(123,415)	120,912
55,731	(104,781)	721,068
516,672	(371,355)	4,054,600
260,250	(9,428)	2,143,581
<u>\$ 887,214</u>	<u>\$ (608,979)</u>	<u>\$ 7,218,119</u>
<u>\$ 1,621,257</u>	<u>\$ (608,979)</u>	<u>\$ 15,635,923</u>
\$ 1,929,228	\$ (122,269)	\$ 35,632,754
<u>\$ 6,573,417</u>	<u>\$ (2,062,855)</u>	<u>\$ 47,083,279</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government:	
Administrative	\$ 130,232
Building and housing	6,816
Garage	16,364
Public works	14,091
Planning	2,880
Public safety:	
Police	174,807
Fire	184,548
Dispatch and EMA	21,753
Highways and streets	771,456
Sanitation	273,811
Culture and recreation	8,763
Conservation	15,736
TOTAL	<u>\$1,621,257</u>

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS - CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2009 was as follows:

	<u>Balance at Sept. 30, 2008</u>
Business-type activities:	
Capital assets not being depreciated:	
Land	\$ 2,495,113
Construction in progress	<u>24,249,139</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 26,744,252
Capital assets being depreciated:	
Buildings	\$ 12,370,566
Improvements other than buildings	88,555,853
Source of supply	2,078,338
Pumping plant	717,398
Water treatment plant	17,680,517
Transmission and distribution system	1,454,061
Machinery and equipment:	
Office equipment	\$ 187,699
Computer equipment	23,653
Communication equipment	7,304
Heavy equipment	605,459
Transportation equipment	1,816,716
Other general equipment	<u>1,931,547</u>
TOTAL MACHINERY AND EQUIPMENT	\$ 4,572,378
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 127,429,111
Less accumulated depreciation for:	
Buildings	\$ 6,483,900
Improvements other than buildings	31,187,920
Source of supply	1,506,525
Pumping plant	603,525
Water treatment plant	7,495,383
Transmission and distribution system	840,414
Machinery and equipment:	
Office equipment	\$ 133,527
Computer equipment	18,883
Communication equipment	7,304
Heavy equipment	488,044
Transportation equipment	1,126,296
Other general equipment	<u>1,206,792</u>
TOTAL MACHINERY AND EQUIPMENT	\$ 2,980,846
TOTAL ACCUMULATED DEPRECIATION	\$ 51,098,513
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	\$ 76,330,598
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 103,074,850</u>

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2009</u>
\$ 540,563	\$ -	\$ 3,035,676
8,896,602	(18,812,348)	14,333,393
<hr/>		
\$ 9,437,165	\$(18,812,348)	\$ 17,369,069
\$ 12,203,390	\$ -	\$ 24,573,956
6,637,325	-	95,193,178
270,400	-	2,348,738
-	-	717,398
-	-	17,680,517
-	-	1,454,061
\$ 111,048	\$ (5,350)	\$ 293,397
-	-	23,653
-	-	7,304
-	(20,065)	585,394
113,664	(71,460)	1,858,920
1,047,564	(34,216)	2,944,895
<hr/>		
\$ 1,272,276	\$ (131,091)	\$ 5,713,563
\$ 20,383,391	\$ (131,091)	\$ 147,681,411
\$ 511,509	\$ -	\$ 6,995,409
2,240,526	-	33,428,446
34,516	-	1,541,041
18,414	-	621,939
323,045	-	7,818,428
26,173	-	866,587
\$ 17,320	\$ (4,815)	\$ 146,032
1,600	-	20,483
-	-	7,304
14,671	(20,065)	482,650
130,731	(54,270)	1,202,757
189,074	(14,234)	1,381,632
<hr/>		
\$ 353,396	\$ (93,384)	\$ 3,240,858
<hr/>		
\$ 3,507,579	\$ (93,384)	\$ 54,512,708
<hr/>		
\$ 16,875,812	\$ (37,707)	\$ 93,168,703
<hr/>		
\$ 26,312,977	\$(18,850,055)	\$ 110,537,772
<hr/>		

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

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

Sewer	\$1,515,882
Water System	1,082,590
Parks and Recreation	318,063
Golf Course	81,656
Wellness Center	292,509
Airport	<u>216,879</u>
TOTAL	<u>\$3,507,579</u>

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:

Year ended September 30	<u>Governmental Activities</u>		Total Debt Service Requirement
	<u>Principal</u>	<u>Interest</u>	
2010	\$ 1,183,346	\$ 1,079,745	\$ 2,263,091
2011	1,195,833	1,036,568	2,232,401
2012	1,222,568	989,026	2,211,594
2013	1,243,600	939,896	2,183,496
2014	1,111,979	890,267	2,002,246
2015-2019	3,010,000	4,006,813	7,016,813
2020-2024	3,745,000	3,275,213	7,020,213
2025-2029	4,615,000	2,405,006	7,020,006
2030-2034	5,690,000	1,335,713	7,025,713
2035-2036	<u>2,635,000</u>	<u>174,125</u>	<u>2,809,125</u>
TOTALS	<u>\$25,652,326</u>	<u>\$16,132,372</u>	<u>\$41,784,698</u>

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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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		Total Debt
Year ended September 30	Principal	Interest	Service Requirement
2010	\$ 3,533,116	\$ 1,603,293	\$ 5,136,409
2011	3,551,247	1,588,268	5,139,515
2012	3,545,378	1,456,390	5,001,768
2013	3,637,936	1,322,223	4,960,159
2014	2,964,955	1,201,836	4,166,791
2015-2019	15,872,506	4,361,580	20,234,086
2020-2024	11,815,000	1,493,038	13,308,038
2025-2029	3,410,000	239,014	3,649,014
2030	245,000	4,288	249,288
TOTALS	\$48,575,138	\$13,269,930	\$61,845,068

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

Included in machinery and equipment:

Cost	\$304,777
Amortization expense included in depreciation expense	48,062
Accumulated amortization	146,775

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2009 were as follows:

Description	Interest Rates	Governmental Balance at Sept. 30, 2008
G.O. Warrants:		
07-01-94 - Graham Property	Variable	\$ 250,000
02-01-03 - School Refunding	3.00 - 4.00%	2,120,000
07-01-03 - Refunding Various Purpose	2.10 - 3.00%	1,125,000
02-17-04 - Hartwig Property	6.00%	500,000
02-01-07 - Series 2007	4.00 - 5.00%	22,555,000
05-01-08 - Brown Land	2.70%	112,120
01-26-09 - BancorpSouth Equipment Finance	3.34%	-
Capital Lease for Greif Property:		
07-31-07 - Greif, Inc.		187,500
		\$ 26,849,620
Less deferred amount on refundings		(155,103)
TOTAL G.O. WARRANTS PAYABLE		\$ 26,694,517
Other Liabilities:		
Estimated compensated absences		1,149,683
		\$ 27,844,200
Less current portion		

STATEMENTS - CONTINUED

<u>Activities</u>			
<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2009</u>	<u>Due Within One Year</u>
\$ -	\$ (50,000)	\$ 200,000	\$ 50,000
-	(325,000)	1,795,000	335,000
-	(175,000)	950,000	180,000
-	(100,000)	400,000	100,000
-	(430,000)	22,125,000	450,000
-	(21,234)	90,886	19,974
84,036	(13,429)	70,607	27,539
-	(166,667)	20,833	20,833
<u>\$ 84,036</u>	<u>\$ (1,281,330)</u>	<u>\$ 25,652,326</u>	<u>\$ 1,183,346</u>
-	26,467	(128,636)	-
<u>\$ 84,036</u>	<u>\$ (1,254,863)</u>	<u>\$ 25,523,690</u>	<u>\$ 1,183,346</u>
831,845	(809,383)	1,172,145	471,437
<u>\$ 915,881</u>	<u>\$ (2,064,246)</u>	<u>\$ 26,695,835</u>	<u>\$ 1,654,783</u>
		(1,654,783)	
TOTAL LONG-TERM LIABILITIES		<u>\$ 25,041,052</u>	

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2009 were as follows:

Description	Interest Rates	Business-type Balance at Sept. 30, 2008
G.O. Sewer Warrants: (a)		
07-01-99 - 1999 SRF	3.50%	\$ 5,510,000
12-22-99 - 2000 SRF	3.85%	8,305,000
02-01-02 - 2002 SRF	3.50%	1,310,000
11-10-02 - 2002 SRF	3.50%	3,490,000
07-01-03 - 2003-C	3.00 - 3.40%	640,000
01-20-04 - 2004 CWSRF-DL	3.05%	3,630,000
04-01-04 - 2004 SRF	2.85%	515,000
01-01-05 - 2005 CWSRF-DL	3.05%	3,960,000
07-18-08 - 2008 CWSRF-DL	3.50%	3,595,000
Water Revenue Bonds - 02-01-99	3.75%	3,660,000
Water Revenue Bonds - 03-01-02	4.10 - 5.00%	1,775,000
Water Revenue Warrants - 12-01-01	3.95 - 5.00%	5,575,000
G.O. Water Warrant: (a)		
08-03-02 - 2002 SRF	3.50%	2,080,000
Water Revenue Refunding Bonds - 02-01-03 - Series 2003-A	3.10%	705,000
G.O. Water System Warrant - 01-20-04 - 2004 DWSRF-DL	3.05%	2,505,000
G.O. Water System Warrant - 02-01-05 - 2005 DWSRF-DL	3.05%	2,330,000
G.O. Water System Warrant - 10-06-05 - 2005B DWSRF-BL	3.25%	1,315,000
G.O. Water System Warrant - 07-18-08 - 2008 DWSRF-DL	3.50%	1,200,000
G.O. Warrant - (a)		
Airport T-Hangar - 03-29-04	3.00%	141,056
Park and Recreation - Lessman Property - 11-28-01	7.00%	224,536
Capital Leases for Golf Course Equipment:		
Peoples Bank - 07-26-05	5.25%	7,794
CitiCapital Commercial Corp - 04-01-06	5.224%	15,267
CitiCapital Commercial Corp - 04-01-07	5.58%	26,921
National City Commercial Capital Company, LLC - 06-06-07	7.00%	75,126
CitiCapital Commercial Corp - 04-01-08	4.671%	45,600
Ervin Leasing Company - 03-27-09	5.00%	-
Leaf Funding, Inc. - 04-09-09	5.00%	-
Celia M. Hubbard - 05-01-09	0.00%	-
GPS Technologies, Inc. - 08-31-09	5.00%	-
		<u>\$ 52,636,300</u>
Less deferred amount on refundings		(238,759)
TOTAL G.O. WARRANTS/BONDS PAYABLE		<u>\$ 52,397,541</u>
Other Liabilities:		
Interfund payables		18,016,878
Estimated compensated absences		454,020
		<u>\$ 70,868,439</u>
Less current portion		

STATEMENTS - CONTINUED

Activities			Balance at	Due Within
Additions	(Removals)		Sept. 30, 2009	One Year
\$ -	\$ (340,000)	\$	5,170,000	\$ 355,000
-	(500,000)		7,805,000	520,000
-	(80,000)		1,230,000	85,000
-	(165,000)		3,325,000	170,000
-	(315,000)		325,000	325,000
-	(155,000)		3,475,000	160,000
-	(80,000)		435,000	80,000
-	(155,000)		3,805,000	160,000
-	-		3,595,000	-
-	(310,000)		3,350,000	320,000
-	-		1,775,000	25,000
-	(765,000)		4,810,000	800,000
-	(120,000)		1,960,000	120,000
-	(705,000)		-	-
-	(115,000)		2,390,000	120,000
-	(100,000)		2,230,000	100,000
-	(55,000)		1,260,000	55,000
-	(45,000)		1,155,000	45,000
-	(10,864)		130,192	11,260
-	(21,131)		203,405	22,658
-	(7,794)		-	-
-	(9,495)		5,772	5,772
-	(9,965)		16,956	10,534
-	(18,067)		57,059	17,707
-	(11,233)		34,367	13,910
12,094	(1,892)		10,202	3,929
8,198	(1,751)		6,447	2,458
3,500	(2,000)		1,500	500
15,015	(777)		14,238	4,388
\$ 38,807	\$ (4,099,969)	\$	48,575,138	\$ 3,533,116
-	85,129		(153,630)	-
\$ 38,807	\$ (4,014,840)	\$	48,421,508	\$ 3,533,116
50,000	(571,530)		17,495,348	520,603
400,473	(282,405)		572,088	116,793
\$ 489,280	\$ (4,868,775)	\$	66,488,944	\$ 4,170,512

TOTAL LONG-TERM LIABILITIES (4,170,512)
\$ 62,318,432

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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, 2009, consist of the following:

\$ 13,515	Payable to the General Fund from the Golf Course (part of Parks and Recreation Board) representing expenditures paid by the General Fund in excess of the Golf Course's appropriations for the year
15,506	Payable to the Parks and Recreation Board from the General Fund representing payroll expenditures for September 2009 to be paid by General Fund
34,297	Payable to the Parks and Recreation Board from the General Fund representing lodging tax collected and held for tournaments
5,716	Payable to the General Fund from the Water System representing expenditures paid by the General Fund for the Water System
20,194	Payable to the General Fund from the Water System representing sanitation charges collected by the Water System for the General Fund
86,207	Payable to the General Fund from the Payroll Fund for prepaid payroll expenditures for the October 2, 2009 payroll
10,461	Payable to the Sewer Fund from the Payroll Fund for prepaid payroll expenditures for the October 2, 2009 payroll
8,354	Payable to the Water Fund from the Payroll Fund for prepaid payroll expenditures for the October 2, 2009 payroll
15,506	Payable to the Parks and Recreation Board from the Payroll fund for prepaid payroll expenditures for the October 2, 2009 payroll
<u>70,827</u>	Other balances
<u>\$280,583</u>	

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

\$137,187	Interfund receivables, Balance Sheet – Governmental Funds
<u>143,396</u>	Interfund receivables, Balance Sheet – Proprietary Funds
<u>\$280,583</u>	

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

\$163,532	Interfund payables, Balance Sheet – Governmental Funds
(511,877)	Parks and Recreation 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
<u>628,928</u>	Interfund payables, Balance Sheet – Proprietary Funds
<u>\$280,583</u>	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

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

Interfund receivables/payables – long-term at September 30, 2009, consist of the following:

\$ 87,449	Payable to the General Fund from the Sewer Fund representing sewer system improvements paid by the General Fund
34,877	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
220,599	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
132,500	Payable to the General Fund from the Transportation Enhancement Fund (a nonmajor capital project fund) to cover expenditures for the U.S. Highway 278 Project
430,739	Payable to the Debt Service Fund from the Sewer Fund representing the Sewer's portion of general obligation warrants
16,075,000	Payable to the Debt Service Fund from the Parks and Recreation Board representing the Parks and Recreation's portion of general obligation warrants
<u>646,684</u>	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
<u>\$17,627,848</u>	

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

\$ 475,425	Interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>17,152,423</u>	Restricted interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>\$17,627,848</u>	

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

\$ 132,500	Interfund payables – long-term, Balance Sheet – Governmental Funds
8,727	Restricted interfund payables, Balance Sheet – Proprietary Funds
511,876	Parks and Recreation 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
<u>16,974,745</u>	Interfund payables – long-term, Balance Sheet – Proprietary Funds
<u>\$17,627,848</u>	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VI. INTERFUND BALANCES AND ACTIVITY – CONTINUED

VI.C. Transfers to/from Other Funds

Transfers to/from other funds at September 30, 2009, consist of the following:	
\$ 1,295,195	From the General Fund to the Debt Service Fund to pay debt service on the outstanding general obligation warrants (including \$138,121 in lodging tax collected for the Parks and Recreation Board)
113,246	From the General Fund to the Airport to provide the City of Cullman's portion of the funds needed to operate the Airport in its 50/50 venture with Cullman County
2,447,000	From the General Fund to Parks and Recreation representing payments for payroll expenditures and to help supplement other fund sources
179,712	From other governmental funds to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
3,298,962	From the Debt Service Fund (\$2,390,000) and from other governmental funds (\$908,962) to the Cullman Building Construction Fund to expend the G.O. Warrants Series 2007 proceeds in the construction of Fire Station # 2 on Main Avenue
6,435,684	From Parks and Recreation to the Debt Service Fund representing proceeds from the G.O. Warrants Series 2007 payable to the Parks and Recreation, but kept and transferred to capital project fund
6,691,621	From the Debt Service Fund to the Parks and Recreation Construction Fund (a nonmajor capital project fund) to supplement other fund sources in the construction of the Wellness and Aquatic Center
1,019,297	From the Debt Service Fund to Parks and Recreation Board representing Parks and Recreation's portion of the principal and interest paid on the G.O. Warrants Series 2007 and an additional \$200,000 for equipment for the Cullman Wellness and Aquatics Center
1,599,000	From the Water System to the Sewer System to supplement funds for debt service payments
5,095,860	From the Parks and Recreation Construction Fund (a nonmajor capital projects fund) to Parks and Recreation Board representing payments made for the construction of Parks and Recreation Board's capital assets
<u>1,199,120</u>	Other
<u>\$29,374,697</u>	

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

\$18,614,774	Operating transfers in – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
10,759,922	Transfers in – Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds
<u>1</u>	Rounding
<u>\$29,374,697</u>	

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

\$20,970,742	Operating transfers (out) – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
<u>8,403,955</u>	Operating transfers (out) – Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds
<u>\$29,374,697</u>	

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

VII. NET ASSETS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Invested in Capital Assets, Net of Related Liabilities:		
Capital Assets	\$ 47,083,279	\$ 110,537,772
Less: Warrants/bonds payable	(24,537,857)	(44,834,967)
Less School Warrants not for capital assets	1,460,000	-
Capital leases payable	(20,833)	(146,541)
Interfund payables - long-term	-	(18,363,518)
Debt premium	(6,875)	(3,982)
Less School Warrants' debt premium	2,608	-
Add: State revolving funds receivable	-	5,460,486
Interfund receivables - long-term	17,152,423	-
Debt discount and expense	124,390	1,915,868
Prepaid interest	-	38,498
Less School Warrants' debt discount and expense	(36,211)	-
	<u>\$ 41,220,924</u>	<u>\$ 54,603,616</u>
Restricted for Debt Service and Capital Activity:		
Restricted cash equivalents and interest receivable	\$ 669,668	\$ 3,650,612
Less: Cash equivalents not restricted by an external party	-	(927,423)
Advances to other governments	1,697,689	-
Alabama Trust Fund capital improvements	59,033	-
Restricted state revolving funds receivable	-	441,610
Deductions:		
Liabilities payable from restricted assets	(1,034,897)	(4,203,460)
Less: Liabilities payable from cash equivalents not restricted by an external party	-	1,639,401
	<u>\$ 1,391,493</u>	<u>\$ 600,740</u>
Other restricted net assets:		
Landfill improvements	\$ 911,334	\$ -
Realty improvements and Ingle Park	70,290	-
Fiduciary	8,276	-
Endowments	100,908	-
Municipal Court equipment and training	39,691	-
Highways and streets	1,268,848	-
Industrial development and recreation	171,333	-
Jail/Correction facilities	201,675	-
Education	18,667	-
Parks and recreation	-	34,297
Unrestricted	22,644,286	9,995,684
TOTAL NET ASSETS	<u><u>\$ 68,047,725</u></u>	<u><u>\$ 65,234,337</u></u>

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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, 2009 was 9.76 percent based on the actuarial valuation performed as of September 30, 2006.

X.C. ANNUAL PENSION COST

For the year ended September 30, 2009, the City's annual pension contribution of \$1,046,313 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, 2008 was 20 years.

Three-year trend information is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/06	\$769,875	100 %	\$ - 0 -
9/30/07	887,790	100	- 0 -
9/30/08	929,420	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 its 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Water, sewer, and sanitation revenues	\$170,460	\$576,167
Taxes in lieu	<u>41,848</u>	<u>---</u>
TOTALS	<u>\$212,308</u>	<u>\$576,167</u>

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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, 2009, the Cullman Power Board is maintaining \$4,704 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, 2009, the Board's annual cost (i.e, expense) of \$2,940 is not equal to the Annual Required Contribution, which is \$5,344.

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)	<u>758</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$86,939</u>

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Method

ARC Normal Cost	\$ 758
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>4,586</u>
Annual required contribution (ARC)	<u>\$5,344</u>
Adjustment to ARC	<u>(2,404)</u>
Annual OPEB cost (expense)	<u>\$2,940</u>
 Net OPEB Obligation September 30, 2009	 <u>\$2,940</u>

In future years, three-year trend information will be presented. Fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the Board elected to implement prospectively, therefore, prior year comparative data is not available.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

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 \$71,112 for the year ended September 30, 2009.

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

<u>Year</u>	<u>Amount</u>
2010	\$11,310
2011	9,600
2012	8,800
2013	7,200

Hangars under operating leases were \$1,129,610 as of September 30, 2009 and were included in buildings. Accumulated depreciation on hangars under operating leases was \$212,479 for the year ended September 30, 2009.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVI. GREIF BROTHERS PROPERTY – BROWNFIELD REMEDIATION

During the year, 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 quotations 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, 2009.

XVII. COMMITMENTS AND CONTINGENCIES

Governmental Activities

The City awarded a contract to Wiregrass Construction Company, LLC in the amount of \$834,791 for the West Main Avenue widening and improvements project. As of September 30, 2009, the City had incurred \$31,875 on the project, which includes \$3,188 of retainage.

The City awarded a contract to Jones Utility & Contracting Co., Inc. in the amount of \$133,850 for the Industrial Park # 5 waterline extension for Royal Technologies. As of September 30, 2009, the City had not incurred any cost on the project.

The City was awarded a grant from the Alabama Industrial Access and Bridge Corporation for up to \$359,000 to construct an access road from Alabama Highway 157 to Cullman Industrial Park V to benefit Royal Technologies. The City is responsible for any excess cost on the project. As of September 30, 2009, the City had not incurred any costs related to the grant.

The City awarded a contract to Eidson & Associates, Inc. in the amount of \$2,400,374 for the construction of the Police Administration Building. As of September 30, 2009, the City had incurred \$2,303,431 on the project, which includes \$115,173 of retainage.

The City awarded a contract to Stone Electric Company in the amount of \$163,832 for a decorative traffic signal upgrade at the intersection of U.S. Highway 31 and U.S. Highway 278. As of September 30, 2009, the City had not incurred any costs on the contract.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVII. COMMITMENTS AND CONTINGENCIES - CONTINUED

Business-Type Activities

Sewer

The City awarded a contract for the Mann Drive Sanitary Improvements project to Gilco Contracting, Inc. in the amount of \$6,953,825. As of September 30, 2009, the Sewer Fund had incurred \$5,905,628 on the project, which includes \$173,846 of retainage.

The City awarded a contract for the Days Inn Pump Station project to Apel Machine & Supply Co., Inc. in the amount of \$1,594,115, which includes change orders in the amount of \$118,264. As of September 30, 2009, the Sewer Fund had incurred \$1,594,115 on the project. The Sewer Fund still owed \$38,446 of retainage as of September 30, 2009.

Water

The City has an outstanding contract for the Galvanized Waterline Replacement Phase II project at a cost of \$1,280,708. As of September 30, 2009, the Water Fund has incurred a total cost of \$540,242 on the contract, including retainage of \$27,012.

The City has an outstanding contract for the Industrial Park V Waterline Extension project at a cost of \$133,850. As of September 30, 2009, the Water Fund had not incurred any costs on the project.

Parks and Recreation

The City awarded a contract to McCrory Building Company, Inc. in the amount of \$14,253,000 to construct the Wellness and Aquatic Center. Through additional change orders, the contract has been increased to \$14,443,799. As of September 30, 2009, the Board had incurred \$14,443,799 on the project, which includes \$100,000 in retainage.

XVIII. SUBSEQUENT EVENTS

Governmental Activities

As of October 2009, a contract was awarded to Powe General Contracting for the Lee Avenue extension from Heritage Park to Cherokee Avenue in the amount of \$148,031.

As of October 2009, a contract was awarded to Shoals Electric Company for a traffic signal on Cherokee Avenue SW at Lee Avenue extension in the amount of \$119,490.

As of November 2009, a contract was awarded to Densmore Excavating to install the water and sewer base for Lot 3A (Royal Technologies Corporation site) at Cullman Industrial Park V at a cost of \$403,376. The first \$300,000 of the project will be reimbursed to the City through Amendment 666 funds from the State of Alabama. The remainder of the cost of the project will be billed to Royal Technologies Corporation.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVIII. SUBSEQUENT EVENTS - CONTINUED

Governmental Activities - Continued

As of February 2010, the City approved to issue General Obligation Warrant, Series 2010 LRSRF-DL/ARRA in the amount of \$630,000 for pollution remediation costs to be incurred on the Greif property.

As of March 2010, a contract was awarded to Carcel & G Construction LLC in the amount of \$375,677 for construction of access road from Alabama Highway 157 to Cullman Industrial Park V to benefit Royal Technologies.

As of April 2010, a contract was awarded to CiviCon, LLC in the amount of \$124,950 for building demolition Greif Brothers property.

As of May 2010, the City awarded a bid to Southland International Trucks in the amount of \$96,000 for a knuckle boom loader for the Sanitation department.

As of June 2010, the City awarded a contract to CDG Engineers and Associates for an amount not to exceed \$51,225 for professional services for Streetscape for Downtown Cullman U.S. Highway 31, Phase II.

As of June 2010, the City awarded a contract to CDG Engineers and Associates for an amount not to exceed \$65,600 for professional services for Streetscape for Downtown Cullman U.S. Highway 278, Phase III.

As of July 2010, the City approved an agreement with St. John & Associates to provide engineering services for the Eva Road Bridge project at an estimated cost of \$40,000 plus 6% of construction cost.

Business-Type Activities

Sewer

As of October 2009, a change order was approved in the amount of \$46,964 for the Days Inn Pump Station and Sewer Upgrade to Apel Machine & Supply Co., Inc. in order to replace one screw pump deflector plate and two thickener weir and scum baffles.

As of April 2010, a contract was awarded to Apel Machine & Supply Company, Inc. in the amount of \$808,461 to complete the Mann Drive Sewer project.

As of July 2010, a contract was awarded to Mid South Trenchless in the amount of \$1,116,000 for the Austin Avenue Gravity Sewer Repairs.

Water

As of November 2009, a contract was awarded to Apel Machine & Supply Co., Inc. in the amount of \$583,970 for the Waterline Main Replacement for Highway 157.

As of May 2010, a contract was awarded to Apel Machine & Supply Co., Inc. in the amount of \$330,180 for a Waterline Extension on Golf Course Road.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVIII. SUBSEQUENT EVENTS - CONTINUED

Business-Type Activities - Continued

Parks and Recreation

As of June 2010, a contract was awarded to Platinum Construction in the amount of \$314,400 for the McGukin Civic Center Roof Replacement and Multi-Purpose Room Ceiling Renovations.

Airport

As of March 2010, the City awarded a bid in the amount of \$322,238 to Jerry Tidwell Construction for the Cullman Regional Airport Hangar Project.

As of June 2010, the City approved to purchase 31.69 acres of property identified as the Mobley Tract for the future growth and development of the Airport for \$366,200. The price of the property is to be shared by the Federal Aviation Administration (95%), State of Alabama (2.5%), Cullman County Commission (1.25%), and the City (1.25%).

As of July 2010, the City awarded a bid in the amount of \$125,356 to Precision Approach for system removal and replacement for path indicator for Airport transformer.

As of July 2010, the City awarded a bid in the amount of \$146,961 to Carcel and G Construction for a drainage rehabilitation project for the Airport runway.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT PLAN
For the Year Ended September 30, 2009

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]
**9/30/2003	\$23,251,606	\$26,246,100	\$2,994,494	88.6%	\$ 8,193,946	36.5%
***9/30/2004	24,542,746	27,290,145	2,747,399	89.9	8,615,277	31.9
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	35,492,534	5,784,628	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

- * Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- ** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.
- *** Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.
- **** Reflects changes in actuarial assumptions.

CITY OF CULLMAN, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
Year ended September 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 15,815,723	\$ 15,539,023	\$ 14,742,466	\$ (796,557)
Licenses and permits	2,483,500	2,543,500	2,469,885	(73,615)
Intergovernmental revenues	1,552,000	1,582,000	1,571,992	(10,008)
Charges for services	3,568,800	3,576,300	3,372,964	(203,336)
Fines and forfeits	315,750	315,850	298,220	(17,630)
Miscellaneous revenues	672,500	694,600	653,517	(41,083)
TOTAL REVENUES	<u>\$ 24,408,273</u>	<u>\$ 24,251,273</u>	<u>\$ 23,109,044</u>	<u>\$ (1,142,229)</u>
Expenditures:				
Current:				
General government	\$ 4,717,876	\$ 4,667,081	\$ 3,629,113	\$ 1,037,968
Public safety	8,708,395	7,861,264	7,376,664	484,600
Highways and streets	1,993,034	1,986,534	1,742,631	243,903
Sanitation	3,441,892	3,269,892	3,018,487	251,405
Health and social services	1,412,360	1,412,360	1,425,954	(13,594)
Culture and recreation	234,446	234,446	240,492	(6,046)
Education	269,000	269,000	273,210	(4,210)
Conservation	150,563	169,563	167,467	2,096
Capital outlay	-	4,186,665	2,840,757	1,345,908
Debt service	60,000	71,000	187,239	(116,239)
TOTAL EXPENDITURES	<u>\$ 20,987,566</u>	<u>\$ 24,127,805</u>	<u>\$ 20,902,014</u>	<u>\$ 3,225,791</u>
REVENUES OVER EXPENDITURES	<u>\$ 3,420,707</u>	<u>\$ 123,468</u>	<u>\$ 2,207,030</u>	<u>\$ 2,083,562</u>
Other financing sources (uses):				
Capital contributions	\$ -	\$ 2,827,000	\$ 1,163,957	\$ (1,663,043)
Warrant face amount issued	-	-	84,036	84,036
Sale of assets	15,000	145,000	130,035	(14,965)
Operating transfers (out)	(4,985,149)	(5,674,149)	(4,470,445)	1,203,704
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (4,970,149)</u>	<u>\$ (2,702,149)</u>	<u>\$ (3,092,417)</u>	<u>\$ (390,268)</u>
REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (1,549,442)</u>	<u>\$ (2,578,681)</u>	<u>\$ (885,387)</u>	<u>\$ 1,693,294</u>
Fund balances at October 1	25,365,198	25,365,198	25,365,198	-
FUND BALANCES AT SEPTEMBER 30	<u>\$ 23,815,756</u>	<u>\$ 22,786,517</u>	<u>\$ 24,479,811</u>	<u>\$ 1,693,294</u>

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, 2009

	Budget - Original and Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 5,285,000	\$ 5,211,030	\$ (73,970)
Miscellaneous revenues:			
Interest revenues	10,000	4,432	(5,568)
TOTAL REVENUES	\$ 5,295,000	\$ 5,215,462	\$ (79,538)
Expenditures:			
Current:			
Education	5,295,000	5,199,344	95,656
REVENUES OVER EXPENDITURES	\$ -	\$ 16,118	\$ 16,118
Fund (deficit) at October 1	(181,390)	(181,390)	-
FUND (DEFICIT) AT SEPTEMBER 30	\$ (181,390)	\$ (165,272)	\$ 16,118

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

CITY OF CULLMAN, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2009

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 debt service expenditures were \$116,239 in excess of the budget amount due to the payoff of the Greif property lease during the year.

SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - GENERAL FUND
September 30, 2009

	General	Payroll	TOTALS
<u>ASSETS</u>			
Cash equivalents	\$ 10,223,027	\$ 780,577	\$ 11,003,604
Certificates of deposit	12,285,313	-	12,285,313
Receivables (net of allowance for uncollectibles):			
Accounts	162,178	-	162,178
Assessments	676,564	-	676,564
Interest	41,492	-	41,492
Interfund receivables	133,263	-	133,263
Due from other governmental units:			
Cullman Power Board	212,308	-	212,308
Other	3,495,540	-	3,495,540
Inventories	58,303	-	58,303
Prepaid insurance	219,645	-	219,645
Interfund receivables - long-term	593,684	(118,259)	475,425
Insurance deposit	113,307	-	113,307
TOTAL ASSETS	\$ 28,214,624	\$ 662,318	\$ 28,876,942
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 420,820	\$ -	\$ 420,820
Accrued liabilities	9,740	71,826	81,566
Accrued payroll	31,361	468,117	499,478
Interfund payables	41,871	121,661	163,532
Due to other governmental units	86,984	566	87,550
Deferred revenues	2,951,648	-	2,951,648
Estimated liability for compensated absences	192,537	-	192,537
TOTAL LIABILITIES	\$ 3,734,961	\$ 662,170	\$ 4,397,131
Fund balances	24,479,663	148	24,479,811
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,214,624	\$ 662,318	\$ 28,876,942

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GENERAL FUND
Year ended September 30, 2009

	<u>General</u>	<u>Payroll</u>	<u>Total</u>
Revenues:			
Taxes	\$ 14,742,466	\$ -	\$ 14,742,466
Licenses and permits	2,469,885	-	2,469,885
Intergovernmental revenues	1,571,992	-	1,571,992
Charges for services	3,372,964	-	3,372,964
Fines and forfeits	298,220	-	298,220
Miscellaneous revenues:			
Interest revenue	\$ 552,834	\$ -	\$ 552,834
Miscellaneous	100,535	148	100,683
TOTAL MISCELLANEOUS REVENUES	\$ 653,369	\$ 148	\$ 653,517
TOTAL REVENUES	\$ 23,108,896	\$ 148	\$ 23,109,044
Expenditures:			
Current:			
General government:			
Administrative	\$ 2,525,121	\$ -	\$ 2,525,121
Building and housing	286,694	-	286,694
Garage	197,886	-	197,886
Public works	564,340	-	564,340
Planning	55,072	-	55,072
Total General Government	\$ 3,629,113	\$ -	\$ 3,629,113
Public safety:			
Police	\$ 4,328,724	\$ -	\$ 4,328,724
Fire	2,597,998	-	2,597,998
Dispatch and EMA	449,942	-	449,942
Total Public Safety	\$ 7,376,664	\$ -	\$ 7,376,664
Highways and streets	1,742,631	-	1,742,631
Sanitation	3,018,487	-	3,018,487
Health and social services	1,425,954	-	1,425,954
Culture and recreation	240,492	-	240,492
Education	273,210	-	273,210
Conservation	167,467	-	167,467
TOTAL CURRENT EXPENDITURES	\$ 17,874,018	\$ -	\$ 17,874,018

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GENERAL FUND - CONTINUED
Year ended September 30, 2009

	<u>General</u>	<u>Payroll</u>	<u>Total</u>
Capital outlay:			
General government:			
Administrative	\$ 624,320	\$ -	\$ 624,320
Building and housing	1,739	-	1,739
Garage	142,528	-	142,528
Public works	15,000	-	15,000
Total General Government	<u>\$ 783,587</u>	<u>\$ -</u>	<u>\$ 783,587</u>
Public safety:			
Police	\$ 296,285	\$ -	\$ 296,285
Fire	851,619	-	851,619
Total Public Safety	<u>\$ 1,147,904</u>	<u>\$ -</u>	<u>\$ 1,147,904</u>
Highways and streets	\$ 632,387	\$ -	\$ 632,387
Sanitation	276,879	-	276,879
TOTAL CAPITAL OUTLAY	<u>\$ 2,840,757</u>	<u>\$ -</u>	<u>\$ 2,840,757</u>
Debt service:			
Principal retirement	\$ 180,096	\$ -	\$ 180,096
Interest	7,143	-	7,143
TOTAL DEBT SERVICE	<u>\$ 187,239</u>	<u>\$ -</u>	<u>\$ 187,239</u>
TOTAL EXPENDITURES	<u>\$ 20,902,014</u>	<u>\$ -</u>	<u>\$ 20,902,014</u>
REVENUES OVER EXPENDITURES	\$ 2,206,882	\$ 148	\$ 2,207,030
Other financing sources (uses):			
Capital contributions	\$ 1,163,957	\$ -	\$ 1,163,957
Warrant issued	84,036	-	84,036
Sale of assets	130,035	-	130,035
Operating transfers (out)	(4,470,445)	-	(4,470,445)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (3,092,417)</u>	<u>\$ -</u>	<u>\$ (3,092,417)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (885,535)	\$ 148	\$ (885,387)
Fund balances at October 1	25,365,198	-	25,365,198
FUND BALANCES AT SEPTEMBER 30	<u>\$ 24,479,663</u>	<u>\$ 148</u>	<u>\$ 24,479,811</u>

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2009

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash equivalents	\$ 979,037	\$ 302,885	\$ 14,044	\$ 1,295,966
Certificates of deposit	695,885	-	100,908	796,793
Taxes receivable	24,790	-	-	24,790
Interest receivable	438	-	18	456
Interfund receivable	3,924	-	-	3,924
Due from other governmental units	36,591	151,795	-	188,386
TOTAL ASSETS	<u>\$ 1,740,665</u>	<u>\$ 454,680</u>	<u>\$ 114,970</u>	<u>\$ 2,310,315</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable:				
Trade	\$ 7,901	\$ 12,493	\$ -	\$ 20,394
Contractors	31,875	100,000	-	131,875
Interfund payables - long-term	-	132,500	-	132,500
Deferred revenue	27,774	-	-	27,774
TOTAL LIABILITIES	<u>\$ 67,550</u>	<u>\$ 244,993</u>	<u>\$ -</u>	<u>\$ 312,543</u>
Fund balances:				
Reserved for:				
Realty improvements and Ingle Park	\$ -	\$ -	\$ 14,062	\$ 14,062
Endowments	-	-	100,908	100,908
Unreserved	1,673,115	209,687	-	1,882,802
TOTAL FUND BALANCES	<u>\$ 1,673,115</u>	<u>\$ 209,687</u>	<u>\$ 114,970</u>	<u>\$ 1,997,772</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,740,665</u>	<u>\$ 454,680</u>	<u>\$ 114,970</u>	<u>\$ 2,310,315</u>

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year ended September 30, 2009

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 182,223	\$ -	\$ -	\$ 182,223
Intergovernmental revenues	424,660	6,518	-	431,178
Fines and forfeits	55,133	-	-	55,133
Miscellaneous revenues:				
Interest revenues	36,057	3,802	1,243	41,102
TOTAL REVENUES	\$ 698,073	\$ 10,320	\$ 1,243	\$ 709,636
Expenditures:				
Current:				
General government	\$ 53	\$ 12,878	\$ -	\$ 12,931
Highways and streets	13,647	247	-	13,894
Culture and recreation	-	580	-	580
Capital outlay	39,777	193,829	-	233,606
Debt service:				
Principal retirement	-	100,000	-	100,000
Interest and fiscal charges	-	30,000	-	30,000
TOTAL EXPENDITURES	\$ 53,477	\$ 337,534	\$ -	\$ 391,011
REVENUES OVER (UNDER) EXPENDITURES	\$ 644,596	\$ (327,214)	\$ 1,243	\$ 318,625
Other financing sources (uses):				
Capital contributions	\$ -	\$ 145,277	\$ -	\$ 145,277
Operating transfers in	-	7,405,221	-	7,405,221
Operating transfers (out)	(1,088,674)	(5,110,705)	-	(6,199,379)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (1,088,674)	\$ 2,439,793	\$ -	\$ 1,351,119
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (444,078)	\$ 2,112,579	\$ 1,243	\$ 1,669,744
Fund balances (deficit) at October 1	2,117,193	(1,902,892)	113,727	328,028
FUND BALANCES AT SEPTEMBER 30	\$ 1,673,115	\$ 209,687	\$ 114,970	\$ 1,997,772

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

	Four Cent Gasoline Tax	Seven Cent Gasoline Tax	Capital Improvement Fund
<u>ASSETS</u>			
Cash equivalents	\$ 351,725	\$ 224,023	\$ 58,995
Certificates of deposit	293,016	402,869	-
Taxes receivable	-	-	-
Interest receivable	17	383	38
Interfund receivable	-	-	-
Due from other governmental units	16,242	20,349	-
TOTAL ASSETS	\$ 661,000	\$ 647,624	\$ 59,033
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable:			
Trade	\$ 7,901	\$ -	\$ -
Contractors	31,875	-	-
Deferred revenue	7,546	7,625	-
TOTAL LIABILITIES	\$ 47,322	\$ 7,625	\$ -
Fund balances	613,678	639,999	59,033
TOTAL LIABILITIES AND FUND BALANCES	\$ 661,000	\$ 647,624	\$ 59,033

ALABAMA
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
2009

<u>Industrial Purpose</u>	<u>Lodging Tax</u>	<u>Corrections/ Court Fund</u>	<u>TOTALS</u>
\$ 68,640	\$ 77,903	\$ 197,751	\$ 979,037
-	-	-	695,885
-	24,790	-	24,790
-	-	-	438
-	-	3,924	3,924
-	-	-	36,591
<u>\$ 68,640</u>	<u>\$ 102,693</u>	<u>\$ 201,675</u>	<u>\$ 1,740,665</u>

\$ -	\$ -	\$ -	\$ 7,901
-	-	-	31,875
-	12,603	-	27,774
<u>\$ -</u>	<u>\$ 12,603</u>	<u>\$ -</u>	<u>\$ 67,550</u>
68,640	90,090	201,675	1,673,115
<u>\$ 68,640</u>	<u>\$ 102,693</u>	<u>\$ 201,675</u>	<u>\$ 1,740,665</u>

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	99,308	153,803	171,549
Fines and forfeits	-	-	-
Miscellaneous revenues:			
Interest revenue	3,885	12,445	19,632
TOTAL REVENUES	\$ 103,193	\$ 166,248	\$ 191,181
Expenditures:			
Current:			
General government	\$ -	\$ -	\$ -
Highways and streets	-	13,647	-
Capital outlay	39,777	-	-
TOTAL EXPENDITURES	\$ 39,777	\$ 13,647	\$ -
EXCESS OF REVENUES OVER EXPENDITURES	\$ 63,416	\$ 152,601	\$ 191,181
Other financing (uses):			
Operating transfers (out)	-	-	(908,962)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 63,416	\$ 152,601	\$ (717,781)
Fund balances at October 1	550,262	487,398	776,814
FUND BALANCES AT SEPTEMBER 30	\$ 613,678	\$ 639,999	\$ 59,033

ALABAMA
EXPENDITURES, AND CHANGES IN
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
September 30, 2009

<u>Industrial Purpose</u>	<u>Lodging Tax</u>	<u>Corrections/ Court Fund</u>	<u>TOTALS</u>
\$ 12,500	\$ 169,723	\$ -	\$ 182,223
-	-	-	424,660
-	-	55,133	55,133
95	-	-	36,057
<u>\$ 12,595</u>	<u>\$ 169,723</u>	<u>\$ 55,133</u>	<u>\$ 698,073</u>
\$ 25	\$ -	\$ 28	\$ 53
-	-	-	13,647
-	-	-	39,777
<u>\$ 25</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 53,477</u>
\$ 12,570	\$ 169,723	\$ 55,105	\$ 644,596
-	(179,712)	-	(1,088,674)
\$ 12,570	\$ (9,989)	\$ 55,105	\$ (444,078)
56,070	100,079	146,570	2,117,193
<u>\$ 68,640</u>	<u>\$ 90,090</u>	<u>\$ 201,675</u>	<u>\$ 1,673,115</u>

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

	Industrial Park	Industrial Access Road
<u>ASSETS</u>		
Cash equivalents	\$ 30,233	\$ 37,310
Due from other governmental units	6,518	26,920
TOTAL ASSETS	\$ 36,751	\$ 64,230
 <u>LIABILITIES AND FUND BALANCES (DEFICITS)</u>		
Liabilities:		
Accounts payable:		
Trade	\$ 1,666	\$ 3,828
Contractors	-	-
Interfund payables - long-term	-	-
TOTAL LIABILITIES	\$ 1,666	\$ 3,828
Fund balances (deficits)	35,085	60,402
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 36,751	\$ 64,230

ALABAMA
 CAPITAL PROJECT FUNDS -
 GOVERNMENTAL FUNDS
 2009

<u>Park and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>TOTALS</u>
\$ 127,471	\$ 105,475	\$ 2,396	\$ 302,885
-	-	118,357	151,795
<u>\$ 127,471</u>	<u>\$ 105,475</u>	<u>\$ 120,753</u>	<u>\$ 454,680</u>

\$ 5,301	\$ -	\$ 1,698	\$ 12,493
100,000	-	-	100,000
-	132,500	-	132,500
<u>\$ 105,301</u>	<u>\$ 132,500</u>	<u>\$ 1,698</u>	<u>\$ 244,993</u>
22,170	(27,025)	119,055	209,687
<u>\$ 127,471</u>	<u>\$ 105,475</u>	<u>\$ 120,753</u>	<u>\$ 454,680</u>

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

	Industrial Park	Industrial Access Road
Revenues:		
Intergovernmental revenues	\$ 6,518	\$ -
Miscellaneous revenues:		
Interest revenues	-	-
TOTAL REVENUES	\$ 6,518	\$ -
Expenditures:		
Current:		
General government	\$ 12,814	\$ 64
Highways and streets	-	247
Culture and recreation	-	-
Capital outlay	-	26,920
Debt service:		
Principal retirement	100,000	-
Interest and fiscal charges	30,000	-
TOTAL EXPENDITURES	\$ 142,814	\$ 27,231
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (136,296)	\$ (27,231)
Other financing sources (uses):		
Capital contributions	\$ -	\$ 26,920
Operating transfers in	130,000	-
Operating transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 130,000	\$ 26,920
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ (6,296)	\$ (311)
Fund balances (deficits) at October 1	41,381	60,713
FUND BALANCES (DEFICITS) AT SEPTEMBER 30	\$ 35,085	\$ 60,402

ALABAMA
EXPENDITURES, AND CHANGES IN
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
September 30, 2009

<u>Park and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Downtown Redevelopment</u>	<u>TOTALS</u>
\$ -	\$ -	\$ -	\$ 6,518
3,578	219	5	3,802
<u>\$ 3,578</u>	<u>\$ 219</u>	<u>\$ 5</u>	<u>\$ 10,320</u>
\$ -	\$ -	\$ -	\$ 12,878
-	-	-	247
580	-	-	580
-	-	166,909	193,829
-	-	-	100,000
-	-	-	30,000
<u>\$ 580</u>	<u>\$ -</u>	<u>\$ 166,909</u>	<u>\$ 337,534</u>
\$ 2,998	\$ 219	\$ (166,904)	\$ (327,214)
\$ -	\$ -	\$ 118,357	\$ 145,277
7,079,621	-	195,600	7,405,221
(5,095,860)	-	(14,845)	(5,110,705)
<u>\$ 1,983,761</u>	<u>\$ -</u>	<u>\$ 299,112</u>	<u>\$ 2,439,793</u>
\$ 1,986,759	\$ 219	\$ 132,208	\$ 2,112,579
(1,964,589)	(27,244)	(13,153)	(1,902,892)
<u>\$ 22,170</u>	<u>\$ (27,025)</u>	<u>\$ 119,055</u>	<u>\$ 209,687</u>

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND)
September 30, 2009

	<u>Water Department</u>	<u>Utilities Board Water Division</u>	<u>Elimination</u>	<u>TOTALS</u>
ASSETS				
Current assets:				
Cash equivalents	\$ 5,319,307	\$ 1,005,133	\$ -	\$ 6,324,440
Certificates of deposit	2,564,116	-	-	2,564,116
Interest receivable	4,491	-	-	4,491
Accounts receivable	266,912	483	-	267,395
Interfund receivables	9,012	643,405	(642,839)	9,578
Due from other governmental units:				
Cullman Power Board	244,932	-	-	244,932
Other	235,276	-	-	235,276
Inventories	261,627	-	-	261,627
Prepaid insurance	26,876	32,129	-	59,005
Prepaid utility tax	28,561	-	-	28,561
TOTAL CURRENT ASSETS	\$ 8,961,110	\$ 1,681,150	\$ (642,839)	\$ 9,999,421
Restricted assets:				
Cash equivalents	\$ 1,875,552	\$ 769,993	\$ -	\$ 2,645,545
OPEB funds held by Cullman Power Board	-	4,704	-	4,704
State revolving funds receivable	2,810,044	-	-	2,810,044
Interest receivable	-	51	-	51
TOTAL RESTRICTED ASSETS	\$ 4,685,596	\$ 774,748	\$ -	\$ 5,460,344
Capital assets:				
Land	\$ 208,094	\$ 483,960	\$ -	\$ 692,054
Buildings	68,450	6,432,731	-	6,501,181
Improvements other than buildings	29,599,432	8,650,519	-	38,249,951
Machinery and equipment	1,229,380	7,929,854	-	9,159,234
Less accumulated depreciation	(12,978,613)	(11,101,899)	-	(24,080,512)
	\$ 18,126,743	\$ 12,395,165	\$ -	\$ 30,521,908
Construction in progress	1,344,877	3,226,166	-	4,571,043
TOTAL CAPITAL ASSETS	\$ 19,471,620	\$ 15,621,331	\$ -	\$ 35,092,951
Other assets:				
Deferred debt expense	\$ 301,692	\$ 161,559	\$ -	\$ 463,251
Interfund receivables - long-term	911,774	-	(911,774)	-
TOTAL OTHER ASSETS	\$ 1,213,466	\$ 161,559	\$ (911,774)	\$ 463,251
TOTAL ASSETS	\$ 34,331,792	\$ 18,238,788	\$ (1,554,613)	\$ 51,015,967

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED
September 30, 2009

	<u>Water Department</u>	<u>Utilities Board Water Division</u>	<u>Elimination</u>	<u>TOTALS</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 149,273	\$ 264,913	\$ -	\$ 414,186
Utility tax payable	21,094	-	-	21,094
Interfund payables	738,087	1,388	(642,839)	96,636
Accrued payroll	2,883	2,284	-	5,167
Estimated compensated absences - current portion	14,380	55,000	-	69,380
TOTAL CURRENT LIABILITIES	\$ 925,717	\$ 323,585	\$ (642,839)	\$ 606,463
Liabilities payable from restricted assets:				
Accounts payable - contractor	\$ 148,615	\$ -	\$ -	\$ 148,615
Accrued interest payable	144,786	22,960	-	167,746
Other postemployment benefits	-	2,940	-	2,940
Current maturities on long-term liabilities	1,240,000	345,000	-	1,585,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 1,533,401	\$ 370,900	\$ -	\$ 1,904,301
Long-term liabilities:				
Warrants/bonds payable	\$ 12,474,211	\$ 4,780,000	\$ -	\$ 17,254,211
Estimated compensated absences	39,270	148,678	-	187,948
Interfund payables	-	911,774	(911,774)	-
TOTAL LONG-TERM LIABILITIES	\$ 12,513,481	\$ 5,840,452	\$ (911,774)	\$ 17,442,159
TOTAL LIABILITIES	\$ 14,972,599	\$ 6,534,937	\$ (1,554,613)	\$ 19,952,923
Net assets:				
Invested in capital assets, net of related liabilities	\$ 10,230,748	\$ 10,091,116	\$ -	\$ 20,321,864
Restricted for debt service and capital activity	463,754	403,848	-	867,602
Unrestricted	8,664,691	1,208,887	-	9,873,578
TOTAL NET ASSETS	\$ 19,359,193	\$ 11,703,851	\$ -	\$ 31,063,044
TOTAL LIABILITIES AND NET ASSETS	\$ 34,331,792	\$ 18,238,788	\$ (1,554,613)	\$ 51,015,967

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - WATER SYSTEM (PROPRIETARY FUND)
Year ended September 30, 2009

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Operating revenues:				
Charges for sales and services	\$ 8,095,070	\$ 4,449,279	\$ (4,449,279)	\$ 8,095,070
Charges for service connections	75,700	-	-	75,700
Service charges	66,915	-	-	66,915
Miscellaneous	15,753	600	-	16,353
TOTAL OPERATING REVENUES	\$ 8,253,438	\$ 4,449,879	\$ (4,449,279)	\$ 8,254,038
Cost of purchased water	\$ 4,449,279	\$ -	\$ (4,449,279)	\$ -
Operating expenses:				
Salaries and wages	\$ 544,084	\$ 750,284	\$ -	\$ 1,294,368
Payroll taxes	41,555	50,297	-	91,852
Employees retirement	51,833	92,203	-	144,036
Employees insurance	90,717	122,027	-	212,744
Telephone	11,388	5,408	-	16,796
Utilities	21,248	807,397	-	828,645
Billing, accounting, and collection fees	52,953	-	-	52,953
Office supplies and expenses	23,707	18,915	-	42,622
Professional services	17,090	12,245	-	29,335
Engineering services	21,955	40,791	-	62,746
Other contracted services	8,949	21,590	-	30,539
Testing services	5,133	3,773	-	8,906
Dues and subscriptions	1,753	3,555	-	5,308
Travel, registrations, and education	1,672	7,575	-	9,247
Uniforms	5,034	4,206	-	9,240
Small tools and equipment	7,902	1,027	-	8,929
Chemicals and supplies	2,421	496,253	-	498,674
Repairs and maintenance - system and equipment	291,267	103,811	-	395,078
Gas, fuel, and oil	29,336	7,105	-	36,441
Insurance	47,804	49,195	-	96,999
Permits and licenses	750	2,145	-	2,895
Miscellaneous	3,917	7,979	-	11,896
Director's fees and expenses	-	3,403	-	3,403
Depreciation	649,132	433,458	-	1,082,590
TOTAL COST OF PURCHASED WATER AND OPERATING EXPENSES	\$ 6,380,879	\$ 3,044,642	\$ (4,449,279)	\$ 4,976,242
OPERATING INCOME	\$ 1,872,559	\$ 1,405,237	\$ -	\$ 3,277,796

(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, 2009

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Nonoperating revenues (expenses):				
Interest earned	\$ 73,785	\$ 2,682	\$ -	\$ 76,467
Gain on sale of assets	1,826	1,300	-	3,126
Interest expense	(540,108)	(279,422)	-	(819,530)
Amortization of debt expense	(23,486)	(30,169)	-	(53,655)
Paying agent/trustee fees	(3,180)	(6,655)	-	(9,835)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (491,163)	\$ (312,264)	\$ -	\$ (803,427)
INCREASE IN NET ASSETS BEFORE CONTRIBUTED CAPITAL AND TRANSFERS	\$ 1,381,396	\$ 1,092,973	\$ -	\$ 2,474,369
Contributed capital	267,879	-	-	267,879
Transfers	(1,590,517)	-	-	(1,590,517)
NET INCREASE IN NET ASSETS	\$ 58,758	\$ 1,092,973	\$ -	\$ 1,151,731
Net assets - October 1	19,300,435	10,610,878	-	29,911,313
NET ASSETS AT SEPTEMBER 30	\$ 19,359,193	\$ 11,703,851	\$ -	\$ 31,063,044

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

	<u>Water Department</u>
Cash flows from operating activities:	
Cash received from customers	\$ 8,242,899
Cash payments for purchased water	(4,263,755)
Cash payments for operating expenses	(738,235)
Cash payments to employees	<u>(563,007)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,677,902
Cash flows from noncapital and related financing activities:	
Interfund transfers	\$ (1,599,000)
OPEB funds held by Cullman Power Board	<u>-</u>
NET CASH (USED IN) NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,599,000)
Cash flows from capital and related financing activities:	
Interfund receivables - long-term	\$ (128,528)
Interfund transfers	8,483
Capital contributions	267,879
Proceeds from sale of capital assets	11,052
Acquisition and construction of capital assets	(1,612,792)
Interest paid	(517,813)
Fiscal charges	(3,180)
Proceeds from long-term debt	437,391
Principal payments of long-term debt	<u>(1,200,000)</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (2,737,508)
Cash flows from investing activities:	
Proceeds from certificates of deposit	\$ 3,409,840
Interest received	79,388
Payments for purchase of certificates of deposit	<u>(3,417,590)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 71,638</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,586,968)
Cash and cash equivalents at beginning of year	<u>8,781,827</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 7,194,859</u></u>

Cash and cash equivalents consisted of the following:

	<u>Water Department</u>
Cash equivalents - current asset	\$ 5,319,307
Cash equivalents - restricted asset	1,875,552
TOTALS	<u><u>\$ 7,194,859</u></u>

ALABAMA
 CASH FLOWS -
 (PROPRIETARY FUND)
 September 30, 2009
 Cash and Cash Equivalents

Utilities Board Water Division	Elimination	TOTALS
\$ 4,264,047	\$ (4,263,755)	\$ 8,243,191
-	4,263,755	-
(1,809,442)	-	(2,547,677)
(687,963)	-	(1,250,970)
<hr/>		
\$ 1,766,642	\$ -	\$ 4,444,544
\$ -	\$ -	\$ (1,599,000)
(4,704)	-	(4,704)
<hr/>		
\$ (4,704)	\$ -	\$ (1,603,704)
\$ 128,528	\$ -	\$ -
-	-	8,483
-	-	267,879
1,430	-	12,482
(705,625)	-	(2,318,417)
(246,185)	-	(763,998)
(6,655)	-	(9,835)
-	-	437,391
(1,015,000)	-	(2,215,000)
<hr/>		
\$ (1,843,507)	\$ -	\$ (4,581,015)
\$ -	\$ -	\$ 3,409,840
3,686	-	83,074
-	-	(3,417,590)
<hr/>		
\$ 3,686	\$ -	\$ 75,324
\$ (77,883)	\$ -	\$ (1,664,851)
1,853,009	-	10,634,836
<hr/>		
\$ 1,775,126	\$ -	\$ 8,969,985

Utilities Board Water Division	Elimination	TOTALS
\$ 1,005,133	\$ -	\$ 6,324,440
769,993	-	2,645,545
<hr/>		
\$ 1,775,126	\$ -	\$ 8,969,985

CITY OF CULLMAN,
COMBINING SCHEDULE OF CASH FLOWS
WATER SYSTEM

Year ended
Increase (Decrease) in Cash

	<u>Water Department</u>
Cash flows from operating activities:	
Operating income	\$ 1,872,559
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	649,132
Accounts receivable	13,546
Interfund receivables	(8,497)
Due from other governments	(15,588)
Inventories	(11,699)
Prepaid insurance	1,595
Prepaid utility tax	(9,687)
Accounts payable	67,823
Utility tax payable	88
Interfund payables	137,552
Accrued payroll	(21,658)
Other postemployment benefits	-
Compensated absences	2,736
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,677,902

ALABAMA
FROM OPERATING ACTIVITIES -
(PROPRIETARY FUND)
September 30, 2009
and Cash Equivalents

<u>Utilities Board</u> <u>Water Division</u>	<u>TOTALS</u>
\$ 1,405,237	\$ 3,277,796
433,458	1,082,590
(433)	13,113
(185,832)	(194,329)
-	(15,588)
-	(11,699)
(1,981)	(386)
-	(9,687)
54,569	122,392
-	88
1,388	138,940
(29,450)	(51,108)
2,940	2,940
86,746	89,482
<u>\$ 1,766,642</u>	<u>\$ 4,444,544</u>

CITY OF
COMBINING BALANCE SHEET - PARKS
September 30,

	<u>Parks and Recreation</u>
<u>ASSETS</u>	
Current assets:	
Cash equivalents	\$ 478,786
Accounts receivable	-
Credit cards receivable	-
Interfund receivables	34,297
Due from other governmental units	11,532
Inventory	19,278
Prepaid insurance	-
TOTAL CURRENT ASSETS	\$ 543,893
Capital assets:	
Land	\$ 1,050,263
Buildings	3,100,130
Improvements other than buildings	6,703,041
Machinery and equipment	377,476
Less accumulated depreciation	(3,619,670)
	\$ 7,611,240
Construction in progress	-
TOTAL CAPITAL ASSETS	\$ 7,611,240
Other assets:	
Deferred debt expense	\$ 328,331
Utility deposits	275
TOTAL OTHER ASSETS	\$ 328,606
TOTAL ASSETS	\$ 8,483,739

NOTE: The "Parks and Recreation", "Golf Course", and "Wellness and Aquatic Center" columns are segregated amounts from one fund that is maintained by the 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 Parks and Recreation Board.

(Continued)

CULLMAN, ALABAMA
AND RECREATION (PROPRIETARY FUND)
2009

<u>Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>TOTALS</u>
\$ 900	\$ 1,200	\$ 2,120	\$ 483,006
-	23,707	-	23,707
811	642	-	1,453
-	-	15,506	49,803
-	-	-	11,532
-	9,787	-	29,065
2,896	-	-	2,896
<u>\$ 4,607</u>	<u>\$ 35,336</u>	<u>\$ 17,626</u>	<u>\$ 601,462</u>
\$ 281,791	\$ 518,313	\$ -	\$ 1,850,367
1,071,050	12,173,391	-	16,344,571
621,791	3,446,700	-	10,771,532
732,274	711,194	-	1,820,944
(1,530,341)	(315,867)	-	(5,465,878)
<u>\$ 1,176,565</u>	<u>\$ 16,533,731</u>	<u>\$ -</u>	<u>\$ 25,321,536</u>
-	-	-	-
<u>\$ 1,176,565</u>	<u>\$ 16,533,731</u>	<u>\$ -</u>	<u>\$ 25,321,536</u>
\$ 10,272	\$ -	\$ -	\$ 338,603
635	-	-	910
<u>\$ 10,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,513</u>
<u>\$ 1,192,079</u>	<u>\$ 16,569,067</u>	<u>\$ 17,626</u>	<u>\$ 26,262,511</u>

CITY OF
COMBINING BALANCE SHEET - PARKS AND
September 30,

	Parks and Recreation
<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Accounts payable	\$ 105,580
Interfund payables	72,000
Interest payable	-
Accrued payroll	-
Estimated compensated absences - current portion	11,728
Current portion of warrants payable	22,658
Current portion of capital leases payable	500
TOTAL CURRENT LIABILITIES	\$ 212,466
Deferred credits:	
Debt premium	\$ -
Deferred revenue - memberships	-
TOTAL DEFERRED CREDITS	\$ -
Long-term liabilities:	
Warrants	\$ 180,747
Deferred loss on refunding	-
Capital leases payable	1,000
Estimated compensated absences	77,392
Interfund payables	148,599
TOTAL LONG-TERM LIABILITIES	\$ 407,738
TOTAL LIABILITIES	\$ 620,204
Net assets (deficit):	
Invested in capital assets, net of related liabilities	\$ 7,514,067
Unrestricted	349,468
TOTAL NET ASSETS	\$ 7,863,535
TOTAL LIABILITIES AND NET ASSETS	\$ 8,483,739

CULLMAN, ALABAMA
RECREATION (PROPRIETARY FUND) - CONTINUED
2009

<u>Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>TOTALS</u>
\$ 30,300	\$ 114,050	\$ 1,200	\$ 251,130
126,391	327,000	-	525,391
8,828	173,526	-	182,354
-	4,340	6,292	10,632
6,480	5,665	-	23,873
-	-	-	22,658
52,311	6,387	-	59,198
<u>\$ 224,310</u>	<u>\$ 630,968</u>	<u>\$ 7,492</u>	<u>\$ 1,075,236</u>
\$ 3,982	\$ -	\$ -	\$ 3,982
-	224,001	-	224,001
<u>\$ 3,982</u>	<u>\$ 224,001</u>	<u>\$ -</u>	<u>\$ 227,983</u>
\$ -	\$ -	\$ -	\$ 180,747
(36,220)	-	-	(36,220)
76,081	10,262	-	87,343
42,253	37,383	-	157,028
533,808	15,748,000	-	16,430,407
<u>\$ 615,922</u>	<u>\$ 15,795,645</u>	<u>\$ -</u>	<u>\$ 16,819,305</u>
<u>\$ 844,214</u>	<u>\$ 16,650,614</u>	<u>\$ 7,492</u>	<u>\$ 18,122,524</u>
\$ 443,999	\$ 442,082	\$ -	\$ 8,400,148
(96,134)	(523,629)	10,134	(260,161)
<u>\$ 347,865</u>	<u>\$ (81,547)</u>	<u>\$ 10,134</u>	<u>\$ 8,139,987</u>
<u>\$ 1,192,079</u>	<u>\$ 16,569,067</u>	<u>\$ 17,626</u>	<u>\$ 26,262,511</u>

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

	<u>Parks and Recreation</u>	<u>Golf Course</u>
Operating revenues:		
Charges for sales and services	\$ 1,009,448	\$ 449,655
Lodging tax	17,265	-
Miscellaneous	28,010	8,870
TOTAL OPERATING REVENUES	<u>\$ 1,054,723</u>	<u>\$ 458,525</u>
Cost of operating revenues	\$ 104,279	\$ 23,157
Operating expenses:		
Salaries and wages	\$ 806,103	\$ 351,663
Nonemployee compensation	16,336	-
Officials and instructors	47,123	-
Cullman Regional Medical Center	-	-
Payroll taxes	61,866	26,443
Employees retirement	46,709	22,032
Employees insurance	79,612	30,549
Telephone	28,719	1,944
Utilities	263,110	31,103
Office supplies and expenses	24,174	4,218
Professional fees	11,260	-
Professional software fees	-	-
Tournament fees	6,034	-
Community concerts	4,180	-
Senior programs	206,779	-
Proximity keys	-	-
Dues and subscriptions	2,764	-
Travel, registrations, and education	14,361	-
Public relations	6,274	-
Printing and advertising	15,142	-
Small tools and equipment	16,181	2,279
Chemicals and supplies	161,022	49,051
Repairs and maintenance - system and equipment	280,957	57,600
Gas, fuel, and oil	20,014	15,955
Insurance	88,482	12,606
Miscellaneous	47,863	2,687
Depreciation	318,063	81,656
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	<u>\$ 2,677,407</u>	<u>\$ 712,943</u>
OPERATING (LOSS)	<u>\$ (1,622,684)</u>	<u>\$ (254,418)</u>

(Continued)

CULLMAN, ALABAMA
REVENUES, EXPENSES, AND CHANGES
AND RECREATION (PROPRIETARY FUND)
September 30, 2009

<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>Lessman Warrants Debt Service</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ 954,780	\$ -	\$ -	\$ -	\$ 2,413,883
136,459	-	-	-	153,724
4,961	-	-	-	41,841
<u>\$ 1,096,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,609,448</u>
\$ 14,802	\$ -	\$ -	\$ -	\$ 142,238
\$ 678,232	\$ 1,812,953	\$ -	\$ (1,812,953)	\$ 1,835,998
-	-	-	-	16,336
-	-	-	-	47,123
149,893	-	-	-	149,893
46,604	134,487	-	(134,487)	134,913
35,430	104,171	-	(104,171)	104,171
60,387	170,548	-	(170,548)	170,548
5,072	-	-	-	35,735
129,006	-	-	-	423,219
42,221	-	-	-	70,613
-	2,840	-	-	14,100
5,897	-	-	-	5,897
-	-	-	-	6,034
-	-	-	-	4,180
-	-	-	-	206,779
14,955	-	-	-	14,955
-	-	-	-	2,764
-	-	-	-	14,361
4,933	-	-	-	11,207
7,493	-	-	-	22,635
65,576	-	-	-	84,036
89,110	-	-	-	299,183
61,440	-	-	-	399,997
-	-	-	-	35,969
-	-	-	-	101,088
10,425	22	-	11	61,008
<u>292,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>692,228</u>
<u>\$ 1,713,985</u>	<u>\$ 2,225,021</u>	<u>\$ -</u>	<u>\$ (2,222,148)</u>	<u>\$ 5,107,208</u>
<u>\$ (617,785)</u>	<u>\$ (2,225,021)</u>	<u>\$ -</u>	<u>\$ 2,222,148</u>	<u>\$ (2,497,760)</u>

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

	<u>Parks and Recreation</u>	<u>Golf Course</u>
Nonoperating revenues (expenses):		
Interest earned	\$ 2,431	\$ 956
Interest expense	(15,051)	(40,640)
Amortization of debt expense	(12,390)	(1,805)
Sale of assets	(4,049)	-
Debt service expenditures:		
Principal retirement	-	-
Interest and fiscal charges	-	-
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES) (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	\$ (29,059)	\$ (41,489)
	<hr/>	<hr/>
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS IN (OUT) NET INCREASE (DECREASE) IN NET ASSETS	\$ (1,651,743)	\$ (295,907)
	<hr/>	<hr/>
Capital Contributions	\$ -	\$ -
Transfers in:		
General Fund	-	-
Capital Project Funds	-	-
Debt Service Funds	36,181	-
Parks and Recreation/Golf Course Payroll	1,064,737	566,542
Golf Course	161,175	-
Wellness and Aquatic Center	1,038,151	-
Transfers out:		
Debt Service Funds	-	-
Parks and Recreation Board	-	(161,175)
	<hr/>	<hr/>
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS IN (OUT) NET INCREASE (DECREASE) IN NET ASSETS	\$ 2,300,244	\$ 405,367
	<hr/>	<hr/>
Net assets - October 1	7,215,034	238,405
NET ASSETS (DEFICIT) AT SEPTEMBER 30	<u>\$ 7,863,535</u>	<u>\$ 347,865</u>

NOTE:

The "Parks and Recreation", "Golf Course", and "Wellness and Aquatic Center" columns are segregated amounts from one fund that is maintained by the Parks and Recreation Board.

The "Parks and Recreation/Golf Course Payroll" and Warrant columns are funds 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 Parks and Recreation Board.

CULLMAN, ALABAMA
REVENUES, EXPENSES, AND CHANGES
RECREATION (PROPRIETARY FUND) - CONTINUED
September 30, 2009

<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>Lessman Warrants Debt Service</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ -	\$ 1,045	\$ -	\$ -	\$ 4,432
(293,579)	-	-	-	(349,270)
-	-	-	-	(14,195)
-	-	-	-	(4,049)
-	-	(21,131)	21,131	-
-	-	(15,050)	15,050	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (293,579)	\$ 1,045	\$ (36,181)	\$ 36,181	\$ (363,082)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (911,364)	\$ (2,223,976)	\$ (36,181)	\$ 2,258,329	\$ (2,860,842)
\$ 5,200	\$ -	\$ -	\$ -	\$ 5,200
-	2,447,000	36,181	-	2,483,181
5,095,860	-	-	-	5,095,860
1,219,297	-	-	(36,181)	1,219,297
818,264	-	-	(2,449,543)	-
-	-	-	(161,175)	-
-	-	-	(1,038,151)	-
(6,573,805)	(136,632)	-	136,632	(6,573,805)
(1,038,151)	(90,763)	-	1,290,089	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (473,335)	\$ 2,219,605	\$ 36,181	\$ (2,258,329)	\$ 2,229,733
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (1,384,699)	\$ (4,371)	\$ -	\$ -	\$ (631,109)
1,303,152	14,505	-	-	8,771,096
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (81,547)	\$ 10,134	\$ -	\$ -	\$ 8,139,987
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF CULLMAN, ALABAMA
SCHEDULE OF GENERAL OBLIGATION WARRANTS
September 30, 2009

GENERAL OBLIGATION WARRANTS

Dated 7-1-94			
Maturing July 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	6.00%	\$ 50,000	\$ 11,244
2011	6.00	50,000	8,244
2012	6.00	50,000	5,250
2013	6.00	50,000	2,242
TOTALS		\$ 200,000	\$ 26,980

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
2010	3.35%	\$ 335,000	\$ 62,261
2011	3.60	345,000	50,440
2012	4.00	360,000	37,030
2013	3.90	370,000	22,615
2014	4.00	385,000	7,700
TOTALS		\$ 1,795,000	\$ 180,046

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, 2009

GENERAL OBLIGATION WARRANTS

Series 2003-B Dated 7-01-03

Maturing November 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	2.30%	\$ 180,000	\$ 23,953
2011	2.60	185,000	19,477
2012	2.80	190,000	14,413
2013	2.95	195,000	8,876
2014	3.00	200,000	3,000
	TOTALS	<u>\$ 950,000</u>	<u>\$ 69,719</u>

GENERAL OBLIGATION WARRANT

Dated 2-17-04

Maturing February 17

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	6.00%	\$ 100,000	\$ 24,000
2011	6.00	100,000	18,000
2012	6.00	100,000	12,000
2013	6.00	100,000	6,000
	TOTALS	<u>\$ 400,000</u>	<u>\$ 60,000</u>

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, 2009

GENERAL OBLIGATION WARRANTS

Series 2007 Dated 2-01-07

Maturing July 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	3.68 %	\$ 450,000	\$ 954,323
2011	4.00	465,000	937,763
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	556,268
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	<u>\$ 22,125,000</u>	<u>\$ 15,787,442</u>

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, 2009

GENERAL OBLIGATION WARRANTS

Dated 5-01-08

Maturing November 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	2.70%	\$ 19,974	\$ 2,025
2011	2.70	22,361	1,639
2012	2.70	22,972	1,028
2013	2.70	23,600	400
2014	2.70	1,979	5
TOTALS		<u>\$ 90,886</u>	<u>\$ 5,097</u>

GENERAL OBLIGATION WARRANTS

Dated 1-26-09

Maturing November 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	3.34%	\$ 27,539	\$ 1,939
2011	3.34	28,472	1,005
2012	3.34	14,596	143
TOTALS		<u>\$ 70,607</u>	<u>\$ 3,087</u>

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, 2009

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
2010	3.50%	\$ 355,000	\$ 174,738
2011	3.50	365,000	162,137
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	<u>\$ 5,170,000</u>	<u>\$ 1,160,775</u>

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
2010	3.85%	\$ 520,000	\$ 300,492
2011	3.85	540,000	280,473
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	<u>\$ 7,805,000</u>	<u>\$ 2,090,742</u>

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, 2009

<u>GENERAL OBLIGATION SEWER WARRANT</u>			
Series 2002-SRF Dated 02-01-02			
Maturing August 15			
<u>Fiscal Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount of</u> <u>Maturity</u>	<u>Amount of</u> <u>Interest</u>
2010	3.50%	\$ 85,000	\$ 43,050
2011	3.50	85,000	40,075
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		<u>\$ 1,230,000</u>	<u>\$ 298,025</u>

<u>GENERAL OBLIGATION SEWER WARRANT</u>			
Series 2002-SRF Dated 11-10-02			
Maturing August 15			
<u>Fiscal Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount of</u> <u>Maturity</u>	<u>Amount of</u> <u>Interest</u>
2010	3.50%	\$ 170,000	\$ 116,375
2011	3.50	180,000	110,425
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		<u>\$ 3,325,000</u>	<u>\$ 1,005,725</u>

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, 2009

GENERAL OBLIGATION TAXABLE WARRANTS

Series 2003-C Dated 07-01-03
Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	3.40%	\$ 325,000	\$ 11,050
	TOTALS	<u>\$ 325,000</u>	<u>\$ 11,050</u>

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
2010	3.05%	\$ 160,000	\$ 103,547
2011	3.05	165,000	98,591
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	<u>\$ 3,475,000</u>	<u>\$ 975,466</u>

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, 2009

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
2010	2.85%	\$ 80,000	\$ 12,398
2011	2.85	85,000	10,117
2012	2.85	85,000	7,695
2013	2.85	90,000	5,273
2014	2.85	95,000	2,707
	TOTALS	\$ 435,000	\$ 38,190

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
2010	3.05%	\$ 160,000	\$ 113,613
2011	3.05	165,000	108,656
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	\$ 3,805,000	\$ 1,140,776

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, 2009

<u>GENERAL OBLIGATION SEWER WARRANT</u>			
<u>Series 2008-CWSRF-DL Dated 07-18-08</u>			
<u>Maturing February 15</u>			
<u>Fiscal Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount of</u> <u>Maturity</u>	<u>Amount of</u> <u>Interest</u>
2010	3.50	\$ -	\$ 4,893
2011	3.50	125,000	123,638
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		<u>\$ 3,595,000</u>	<u>\$ 1,410,756</u>

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, 2009

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
2010	4.25%	\$ 800,000	\$ 199,850	2010	3.50%	\$ 120,000	\$ 68,600
2011	4.30	835,000	164,898	2011	3.50	125,000	64,400
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		<u>\$ 4,810,000</u>	<u>\$ 915,165</u>	TOTALS		<u>\$ 1,960,000</u>	<u>\$ 513,975</u>

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, 2009

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
2010	3.05%	\$ 120,000	\$ 71,065
2011	3.05	120,000	67,405
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		<u>\$2,390,000</u>	<u>\$ 629,672</u>

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
2010	3.05%	\$ 100,000	\$ 66,490
2011	3.05	105,000	63,364
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	7,472
2026	3.05	165,000	2,516
TOTALS		<u>\$2,230,000</u>	<u>\$ 627,537</u>

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, 2009

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
2010	3.25%	\$ 55,000	\$ 40,950
2011	3.25	60,000	39,163
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	6,012
2026	3.25	95,000	3,088
TOTALS		<u>\$1,260,000</u>	<u>\$ 400,562</u>

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
2010	3.50%	\$ 45,000	\$ 39,638
2011	3.50	45,000	38,062
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		<u>\$1,155,000</u>	<u>\$ 425,513</u>

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, 2009

WATER REVENUE BONDS			
DWSRF Series 1998 Dated 2-01-99			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	3.75%	\$ 320,000	\$ 125,625
2011	3.75	330,000	113,625
2012	3.75	345,000	101,250
2013	3.75	355,000	88,313
2014	3.75	370,000	75,000
2015	3.75	385,000	61,125
2016	3.75	400,000	46,688
2017	3.75	415,000	31,687
2018	3.75	430,000	16,125
TOTALS		<u>\$ 3,350,000</u>	<u>\$ 659,438</u>

WATER REVENUE BONDS			
Series 2002 Dated 3-01-02			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2010	4.35%	\$ 25,000	\$ 87,080
2011	4.35	25,000	85,992
2012	4.35	25,000	84,905
2013	4.35	30,000	83,818
2014	4.35	30,000	82,512
2015	4.75	30,000	81,208
2016	4.75	30,000	79,782
2017	4.75	30,000	78,358
2018	4.75	35,000	76,933
2019	4.90	480,000	75,270
2020	5.00	505,000	51,750
2021	5.00	530,000	26,500
TOTALS		<u>\$ 1,775,000</u>	<u>\$ 894,108</u>

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

CITY OF CULLMAN, ALABAMA
SCHEDULE OF SCHOOL TAX TRANSACTIONS
Year ended September 30, 2009

	<u>Fund Level</u>	<u>Adjustments</u>	<u>Government- Wide Level</u>
Revenues:			
3 mill ad valorem tax	\$ 819,078	\$ ---	\$ 819,078
7.5 mill ad valorem tax	2,047,695	---	2,047,695
.5 percent sales tax	2,344,257	(12,873)	2,331,384
Interest	4,432	(3,046)	1,386
TOTAL REVENUES	<u>\$5,215,462</u>	<u>\$(15,919)</u>	<u>\$5,199,543</u>
Expenditures:			
Transfers to Cullman City Board of Education	<u>\$5,199,344</u>	<u>\$ ---</u>	<u>\$5,199,344</u>

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, 2009 and 2008.

September, 2008 revenues received after 30 day availability period	\$(199,858)
September, 2009 revenues received after 30 day availability period	<u>183,939</u>
	<u>\$ (15,919)</u>

CITY OF CULLMAN, ALABAMA
STATISTICAL DATA - UNAUDITED
September 30, 2009

Computation of legal debt margin:		
Assessed value of real and personal property located within the city limits – Note 1		<u>\$272,338,060</u>
Constitutional debt limit (20% of assessed value – Note 2)		\$ 54,467,612
Amount of debt applicable to debt limit – Note 2:		
General long-term debt outstanding – Governmental Activities	\$25,652,326	
Long-term portion of compensated absences	700,708	
Plus general obligation warrants included in the Business-type Activities:		
Lessman Property General Obligation Warrant dated 11-28-01	203,405	
Airport General Obligation Warrant Dated 3-29-04	130,192	
Less portions of warrants not subject to Constitutional debt limit as follows:		
2-1-03 General Obligation School Warrants, Series 2003	(1,795,000)	
2-1-07 General Obligation Warrants, Series 2007	(2,128,429)	
Less estimated liability for compensated absences – long-term	<u>(700,708)</u>	
	\$22,062,494	
Accounts payable of the General Fund	<u>420,820</u>	
Debt applicable to constitutional debt limit	\$22,483,314	
Less assets available in Debt Service Fund for payment of principal	<u>(671,724)</u>	\$ 21,811,590
LEGAL DEBT MARGIN – Note 3		<u>\$ 32,656,022</u>

Note 1 – Obtained from unaudited records maintained by the County of Cullman, Alabama and excludes exempt property (\$108,370,000).

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, 2009, has no relationship to the City's financial capacity to repay the amount of debt.

STATISTICAL DATA – UNAUDITED – CONTINUED

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:	
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 Water Revenue Bonds Series 2002 dated March 1, 2002, were rated Aaa by Moody's Investors Services, Inc.

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

Note E – The Water Revenue Refunding Bonds, Series 2003-A, dated February 1, 2003, were rated Aaa by Moody's Investors Service, Inc.

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

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

Note H – 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.