

CITY OF CULLMAN, ALABAMA  
BASIC FINANCIAL STATEMENTS  
With Supplementary Information  
September 30, 2008

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**FRICKE, SWEATMON & Co., P.C.**

Certified Public Accountants  
412 SECOND AVENUE, NORTHEAST  
P. O. BOX 1083  
CULLMAN, ALABAMA 35056-1083

JOHNNY C. FRICKE, JR., CPA  
CHASITY L. SWEATMON, CPA  
ERICA A. RUSSELL, CPA

TELEPHONE (256) 739-0955  
FAX PHONE (256)739-3753  
EMAIL frickepc@hiwaay.net

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, 2008, 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, 2008, 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.

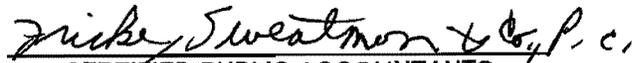
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as well as the aggregate nonmajor governmental funds of the City of Cullman, Alabama, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 January 15, 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 important for 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

January 15, 2010



## CITY OF CULLMAN

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

Administrative Offices  
(256) 775-7109  
City Clerk (256) 775-7103  
Fax (256) 775-7132

### **Management's Discussion and Analysis Concerning the Audited Financial Statements for the Fiscal Year Ended September 30, 2008**

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 400 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 Airport and Parks and Recreation Department are accounted for in enterprise funds.

## **FINANCIAL HIGHLIGHTS**

The City's net assets increased \$5,858,505 over the course of this year's operation: approximately \$430,917 in the net assets of the governmental activities and \$5,427,588 in the business-type activities.

Revenues budgeted in the general fund for FY 2008 were based generally on the previous year's receipts; however, sales tax revenues declined during the year and other revenues exceeded expectations, so that revenues were \$938,336 more than budgeted; while at the same time general fund expenditures were approximately \$1,997,717 less than budgeted.

The most important source of revenue for the General Fund is sales taxes, which produced \$13,325,512 in FY2008. The other major sources of revenue in FY2008 were property taxes in the amount of \$1,147,451; payments in lieu of taxes in the amount of \$1,238,045; business licenses in the amount of \$1,879,895, and sanitation charges in the amount of \$3,133,464.

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), and debt service fund. The basic financial statements include two kinds of statements that present different views of the City.

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

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

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

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

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

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

### Government-wide Statements

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

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

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

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

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

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

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

Also included in the City's report is the Airport Board. The Cullman 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>2008</u>	<u>2007</u>
Current assets		\$ 45,520,224	\$ 36,580,718
Restricted assets		11,613,704	19,583,237
Capital assets:			
Land and other assets not depreciated		8,746,922	8,040,394
Buildings, improvements, and equipment net of depreciation		33,825,795	34,160,438
Other assets		848,769	917,264
	<b>TOTAL ASSETS</b>	<u>\$ 100,555,414</u>	<u>\$ 99,282,051</u>
Current liabilities		\$ 4,182,823	\$ 2,524,647
Liabilities payable from restricted assets		1,000,782	1,146,386
Long-term liabilities		26,240,463	27,232,694
Other liabilities		4,048,010	3,725,905
	<b>TOTAL LIABILITIES</b>	<u>\$ 35,472,078</u>	<u>\$ 34,629,632</u>
Net assets:			
Invested in capital assets, net of related liabilities		\$ 33,453,284	\$ 34,824,276
Restricted		7,321,830	6,872,552
Unrestricted		24,308,222	22,955,591
	<b>TOTAL NET ASSETS</b>	<u>\$ 65,083,336</u>	<u>\$ 64,652,419</u>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 100,555,414</u>	<u>\$ 99,282,051</u>

OF NET ASSETS

ALABAMA

2008 and 2007

<u>Business-type Activities</u>		<u>Total</u>	
<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
\$ 161,176	\$ 7,633,098	\$ 45,681,400	\$ 44,213,816
12,631,162	15,123,759	24,244,866	34,706,996
26,744,252	12,117,173	35,491,174	20,157,567
76,330,597	74,775,182	110,156,392	108,935,620
2,635,005	2,745,621	3,483,774	3,662,885
<u>\$ 118,502,192</u>	<u>\$ 112,394,833</u>	<u>\$219,057,606</u>	<u>\$211,676,884</u>
\$ 1,256,550	\$ 1,035,455	\$ 5,439,373	\$ 3,560,102
5,004,126	5,518,026	6,004,908	6,664,412
48,676,073	47,797,921	74,916,536	75,030,615
100,317	5,893	4,148,327	3,731,798
<u>\$ 55,037,066</u>	<u>\$ 54,357,295</u>	<u>\$ 90,509,144</u>	<u>\$ 88,986,927</u>
\$ 52,141,089	\$ 46,021,217	\$ 85,594,373	\$ 80,845,493
873,658	1,044,054	8,195,488	7,916,606
10,450,379	10,972,267	34,758,601	33,927,858
<u>\$ 63,465,126</u>	<u>\$ 58,037,538</u>	<u>\$128,548,462</u>	<u>\$122,689,957</u>
<u>\$ 118,502,192</u>	<u>\$ 112,394,833</u>	<u>\$219,057,606</u>	<u>\$211,676,884</u>

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

		Governmental Activities	
		2008	2007
<b>Program Revenues:</b>			
Charges for services		\$ 6,397,755	\$ 5,997,305
Operating grants and contributions		714,832	694,454
Capital grants and contributions		212,633	503,593
<b>General Revenues:</b>			
Property taxes		3,796,548	3,778,261
Sales taxes		15,972,430	16,113,335
Other taxes		926,354	1,035,580
City Board of Education for debt service payments		484,200	466,106
Unrestricted investment earnings		1,169,215	1,366,098
Sale of capital assets		-	(165,615)
Miscellaneous		1,645,807	2,017,174
<b>TOTAL REVENUES</b>		<b>\$ 31,319,774</b>	<b>\$ 31,806,291</b>
<b>Expenses:</b>			
General government		\$ 4,004,518	\$ 3,712,572
Public safety		7,519,594	7,451,958
Highways and streets		3,589,629	2,866,248
Sanitation		3,524,431	3,216,273
Health and social services		717,728	511,710
Culture and recreation		241,985	284,970
Education		5,444,772	5,479,923
Conservation		232,646	111,013
Interest on long-term debt		444,708	345,671
Sewer		-	-
Water		-	-
Parks and Recreation		-	-
Golf course		-	-
Wellness and Aquatic Center		-	-
Airport		-	-
<b>TOTAL EXPENSES</b>		<b>\$ 25,720,011</b>	<b>\$ 23,980,338</b>
<b>EXCESS BEFORE TRANSFERS</b>		<b>\$ 5,599,763</b>	<b>\$ 7,825,953</b>
Transfers		(5,168,846)	(3,820,538)
<b>INCREASE IN NET ASSETS</b>		<b>\$ 430,917</b>	<b>\$ 4,005,415</b>
Net assets at beginning of year		64,652,419	37,325,006
Infrastructure additions		-	23,321,998
<b>NET ASSETS AT END OF YEAR</b>		<b>\$ 65,083,336</b>	<b>\$ 64,652,419</b>

OF ACTIVITIES  
ALABAMA  
2008 and 2007

<u>Business-type Activities</u>		<u>Total</u>	
<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
\$ 14,482,883	\$ 14,687,550	\$ 20,880,638	\$ 20,684,855
14,073	93,000	728,905	787,454
39,510	244,680	252,143	748,273
-	-	3,796,548	3,778,261
-	-	15,972,430	16,113,335
172,566	106,413	1,098,920	1,141,993
-	-	484,200	466,106
364,013	545,383	1,533,228	1,911,481
(300)	(2,039)	(300)	(167,654)
-	-	1,645,807	2,017,174
<u>\$ 15,072,745</u>	<u>\$ 15,674,987</u>	<u>\$ 46,392,519</u>	<u>\$ 47,481,278</u>
\$ -	\$ -	\$ 4,004,518	\$ 3,712,572
-	-	7,519,594	7,451,958
-	-	3,589,629	2,866,248
-	-	3,524,431	3,216,273
-	-	717,728	511,710
-	-	241,985	284,970
-	-	5,444,772	5,479,923
-	-	232,646	111,013
-	-	444,708	345,671
4,611,861	4,330,527	4,611,861	4,330,527
5,509,496	5,549,257	5,509,496	5,549,257
2,960,541	3,082,816	2,960,541	3,082,816
761,617	733,169	761,617	733,169
288,112	-	288,112	-
682,376	585,285	682,376	585,285
<u>\$ 14,814,003</u>	<u>\$ 14,281,054</u>	<u>\$ 40,534,014</u>	<u>\$ 38,261,392</u>
\$ 258,742	\$ 1,393,933	\$ 5,858,505	\$ 9,219,886
5,168,846	3,820,538	-	-
<u>\$ 5,427,588</u>	<u>\$ 5,214,471</u>	<u>\$ 5,858,505</u>	<u>\$ 9,219,886</u>
58,037,538	52,823,067	122,689,957	90,148,073
-	-	-	23,321,998
<u>\$ 63,465,126</u>	<u>\$ 58,037,538</u>	<u>\$ 128,548,462</u>	<u>\$ 122,689,957</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 \$25,365,198, as compared with the previous year's balance of \$23,538,634. Revenues decreased by approximately 0.57%. The governmental functions reflected a 5.65% increase in operating expenditures but a major decrease of 62.84% in capital outlay. The funds appropriated for the Parks and Recreation Department are reflected in "Other Financing Uses" as a transfer to the proprietary Park and Recreation Fund.

The City's overall financial position has improved as a result of the year's operations.

### **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 2008, the Sanitation budget was not amended to reflect the following unexpected operating expenditures: landfill fees of \$27,245; tires of \$10,197; fuels of \$69,077; and various repairs and maintenance of \$30,802.
- (2) In 2008, the City did not have an auction which accounted for the variance of \$30,000 in sale of assets.
- (3) In 2008, the City transferred additional funds for Parks & Recreation which accounted for the variance of \$30,672.

In spite of these exceptions, total expenditures were \$1,997,717 less than budgeted.

Budgeted amounts for revenues were not increased 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 completed the following projects and major additions during the year:

- 1) The City purchased fire equipment from Sunbelt Fire, Inc. in the amount of \$183,060 on May 13, 2008.
- 2) The City completed the Highway 278 Sidewalk Project which is located west of Main Avenue in the amount of \$255,666 on June 21, 2008.
- 3) The City completed the rehab and reconstruction of the streets in the Deer Trace Subdivision in the amount of \$169,346 on September 5, 2008.
- 4) The City purchased a front loader from Nextran Truck Center in the amount of \$188,033 on September 24, 2008.
- 5) The City awarded a contract to Lose & Associates, Inc. in the amount of \$1,023,250 for architecture and engineering fees for the Wellness and Aquatic Center project. As of September 30, 2008, the City had incurred \$950,231 on the project.
- 6) 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 \$14,442,854. As of September 30, 2008, the City had incurred \$9,614,646 on the project, which includes \$961,465 of retainage.
- 7) The City awarded a contract for the construction of the Fire Station # 2 on Main Avenue to Eidson & Associates, Inc. in the amount of \$1,461,500. As of September 30, 2008, the City had incurred \$402,445 on the project, which includes \$40,245 of retainage.
- 8) The City awarded a contract for the Police Administration Building to Eidson & Associates, Inc. in the amount of \$2,199,000. As of September 30, 2008, the City had incurred \$88,020 on the project, which includes \$4,401 of retainage.

### *Business Type Activities:*

#### **Sewer System:**

- 1) 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, 2008, the City had incurred \$5,176,593 on the project, which includes \$173,846 of retainage.
- 2) The City awarded a contract for the Days Inn Pump Station project to Apel Machine & Supply Co., Inc. in the amount of \$1,464,755. As of September 30, 2008, the City had incurred \$511,312 on the project, which includes \$25,566 of retainage.
- 3) The City awarded a contract for the renovation of the men's restroom at the Wastewater Treatment Plant to Northwest Building Supply & Equipment Rental, Inc. in the amount of \$66,000. As of September 30, 2008, the City had incurred \$33,000 on the project, which includes \$3,300 of retainage.

Water System:

- 1) The City has an outstanding contract for the West Loop Waterline Phase I project at a cost of \$814,753. As of September 30, 2008, the Water Fund had incurred a total cost of \$806,908 on the contract, which includes \$20,531 of retainage.
- 2) The City has an outstanding contract for the Galvanized Waterline Replacement Phase I project at a cost of \$352,525. As of September 30, 2008, the City had incurred a total cost of \$249,750 on the contract.
- 3) The City has an outstanding contract for the Warnke Road and Woodland Tanks project at a cost of \$651,878. As of September 30, 2008, the City had incurred a total cost of \$651,878, which includes \$16,114 of retainage.
- 4) The City awarded a contract for the West Loop Waterline Phase I project to C.D. Roberts Contracting, Inc. in the amount of \$131,091. As of September 30, 2008, the City had incurred \$130,549 on the project, which includes \$3,277 of retainage.

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

## **LONG-TERM DEBT**

*Governmental Activities:*

The City issued the General Obligation Warrant dated 05-01-08 in the amount of \$120,800 for the Brown Land.

*Business Type Activities:*

Sewer System:

The City issued the Series 2008-CWSRF-DL dated 07-18-08 in the amount of \$3,595,000 for the continued rehabilitation of the sewer system.

Water System:

The City issued the Series 2008-DWSRF-DL dated 07-18-08 in the amount of \$1,200,000 for the continued rehabilitation of the water system.

Parks & Recreation:

The Board approved a capital lease to Citi Capital Commercial Corp in the amount of \$51,528 for Golf Course equipment.

No long-term debt was issued for the Airport

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

## **SUBSEQUENT EVENTS**

The City awarded the following contracts/bids subsequent to September 30, 2008:

- 1) Awarded a contract in October 2008 to Rev Construction, Inc. for the Lake George Rehabilitation in the amount of \$270,400.
- 2) Awarded a contract in November 2008 to K & M Electrical Contractors in the amount of \$173,210 to provide electrical installation of the necessary equipment to provide "quick connect" capabilities for backup or standby generators at the water plant and the raw water pump station.
- 3) Awarded a contract in December 2008 to Apel Machine & Supply Co, Inc. for the Galvanized Waterline Replacement Phase II project in the amount of \$1,280,708.
- 4) Awarded a contract in March 2009 for a garbage truck to Ingram Equipment in the amount of \$156,885.
- 5) Awarded a contract in March 2009 for the traffic signal modification plans for U.S. Highway 31 and U.S. Highway 278 to Stone Electric in the amount of \$163,832.
- 6) Awarded a contract in April 2009 for the Fire Department's Hazmat Trailer to WBI Trailer Sales in the amount of \$80,948.
- 7) Awarded a contract in July 2009 for the water main relocation for downtown revitalization phase III to B & H Contracting, Inc. in the amount of \$79,940.
- 8) Awarded a contract in August 2009 for the Waterline Extension for Industrial Park # 5 to Jones Utility and Contracting Company in the amount of \$133,850.
- 9) Awarded a contract in August 2009 for the West Main Avenue widening and improvements to Wiregrass Construction, Inc. in the amount of \$834,791.
- 10) Awarded a contract in October 2009 for paving on Lee Avenue extension from Heritage Park to Cherokee Avenue to Powe General Contracting in the amount of \$148,032.
- 11) Awarded a contract in October 2009 for a traffic signal on Cherokee Avenue, SW to Shoals Electric Company in the amount of \$119,490.
- 12) Awarded a contract in November 2009 for Water, Sewer, and Base installation for lot 3-A Cullman Industrial Park V for Royal Technologies to Densmore Excavating in the amount of \$403,376.
- 13) Awarded a contract in November 2009 for the Waterline Main Replacement for Highway 157 to Apel Machine & Supply Co., Inc. in the amount of \$583,970.

As of April 2009, the City passed a resolution to extend the contract with Goodwyn, Mills & Cawood, Inc. related to the City of Cullman Police Administration Building. The contract was extended for 70 calendar days and additional expenses of \$177,230 were approved.

As of April 2009, the City purchased a telephone system from Southeastern Telephones in the amount of \$99,120.

On May 28, 2009, the City exercised its Capital Lease with Greif, Inc. for the purchase of 11 acres of land more or less along with improvements thereon. The details of the purchase are as follows:

Contract price	\$3,000,000
Closing cost	<u>8,491</u>
Total purchase price	\$3,008,491
Less charitable donation by Greif, Inc.	<u>2,750,000</u>
Paid by City	<u>\$ 258,491</u>

The Capital Lease for the Greif property was reflected in the financial statements at \$250,000 during the fiscal year ended September 30, 2007. The City incurred additional land costs of \$45,018 during the fiscal year ended September 30, 2008. The intent to make the charitable contribution and acquisition of the entire property was contingent upon the clearance of environmental issues. Due to the uncertainty of environmental resolutions at the date the Capital Lease was executed, the charitable contribution will be recognized in the financial statements for the fiscal year ending September 30, 2009.

As of May 2009, the City passed a resolution authorizing the Fire Department to execute a grant application for services with FEMA for the "Assistance to Firefighters". The grant will provide 95% funding of a \$1,000,000 maximum grant total. The funds would be used to purchase an Aerial Truck for a total cost of \$1,200,000. The City of Cullman will provide 5% matching funds (\$50,000) and pay the balance of \$200,000 for a total of \$250,000.00.

As of June 2009, the City passed a resolution authorizing a change order to the Cullman Police Administration & Investigation building. The Council approved the \$18,883.00 change order.

As of June 2009, the City passed a resolution authorizing a change order for the Days Inn pump station & sewer upgrade. The Council approved the \$52,660.00 change order.

As of October 2009, the City passed a resolution allowing a change order for Days Inn Pump Station & Sewer upgrades for the total amount of \$46,964.00.

As of November 2009, the City passed a resolution authorizing the Mayor to sign a contract for professional services with Goodwyn, Mills & Cawood, Inc. for building demolition on Greif property. This project will be funded by a low interest loan with ADEM in the amount of \$624,000. Goodwyn, Mills & Cawood's fee will be approximately \$11,000 to \$13,500 for their services.

## **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 for the money it receives. Separate audited financial statements for the sewer fund, water fund, parks and recreation board, and airport board are available upon request. If you have questions about this report or need additional financial information, contact the Office of the City Clerk, 204 Second Avenue NE (P.O. Box 278), Cullman, AL 35055, Telephone: (256) 775-7109; FAX (256) 775-7132, e-mail [rrrose@cullmancity.org](mailto:rrrose@cullmancity.org).

CITY OF CULLMAN, ALABAMA  
STATEMENT OF NET ASSETS  
September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash equivalents	\$ 5,547,788	\$ 7,413,334	\$ 12,961,122
Certificates of deposit	20,508,103	2,556,366	23,064,469
Interest receivable	76,471	10,094	86,565
Accounts receivable (net)	221,164	373,162	594,326
Credit card receivables	-	1,920	1,920
Assessments receivable (net)	61,210	8,120	69,330
Interfund balances	11,634,048	(11,634,048)	-
Due from other governmental units:			
Cullman Power Board	198,725	559,008	757,733
Other	6,982,046	267,221	7,249,267
Inventories	61,786	295,691	357,477
Prepaid senior trip expenses	-	65,724	65,724
Prepaid insurance	220,672	93,395	314,067
Prepaid unemployment taxes	8,211	-	8,211
Prepaid interest	-	132,315	132,315
Prepaid utility tax	-	18,874	18,874
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 45,520,224</b>	<b>\$ 161,176</b>	<b>\$ 45,681,400</b>
<b>Restricted assets:</b>			
Cash equivalents	\$ 9,883,129	\$ 4,378,944	\$ 14,262,073
Interest receivable	-	1,055	1,055
State revolving funds receivable	-	8,251,163	8,251,163
Advances to other governments	1,730,575	-	1,730,575
<b>TOTAL RESTRICTED ASSETS</b>	<b>\$ 11,613,704</b>	<b>\$ 12,631,162</b>	<b>\$ 24,244,866</b>
<b>Capital assets:</b>			
Land and other assets not being depreciated	\$ 8,746,922	\$ 26,744,252	\$ 35,491,174
Buildings, improvements, and equipment, net of depreciation	33,825,795	76,330,597	110,156,392
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 42,572,717</b>	<b>\$ 103,074,849</b>	<b>\$ 145,647,566</b>
<b>Other assets:</b>			
Deferred debt expense	\$ 137,841	\$ 2,078,707	\$ 2,216,548
Deposits	-	910	910
Prepaid interest	-	38,498	38,498
Insurance deposit	113,307	-	113,307
Assessments receivable - noncurrent	597,621	516,890	1,114,511
<b>TOTAL OTHER ASSETS</b>	<b>\$ 848,769</b>	<b>\$ 2,635,005</b>	<b>\$ 3,483,774</b>
<b>TOTAL ASSETS</b>	<b>\$ 100,555,414</b>	<b>\$ 118,502,192</b>	<b>\$ 219,057,606</b>

(Continued)

CITY OF CULLMAN, ALABAMA  
STATEMENT OF NET ASSETS - CONTINUED  
September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current liabilities:			
Accounts payable	\$ 2,582,028	\$ 685,606	\$ 3,267,634
Utility tax payable	-	21,006	21,006
Accrued interest payable	22,500	186,339	208,839
Due to other governmental units	541,559	33,861	575,420
Accrued payroll	362,999	159,250	522,249
Current maturities on long-term debt	219,443	88,103	307,546
Estimated compensated absences - current portion	454,294	82,385	536,679
TOTAL CURRENT LIABILITIES	\$ 4,182,823	\$ 1,256,550	\$ 5,439,373
Liabilities payable from restricted assets:			
Accounts payable - contractor	\$ -	\$ 690,526	\$ 690,526
Accrued interest payable	70,782	308,600	379,382
Current maturities on long-term debt	930,000	4,005,000	4,935,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 1,000,782	\$ 5,004,126	\$ 6,004,908
Long-term liabilities:			
Warrants/bonds payable	\$ 25,407,574	\$ 48,189,775	\$ 73,597,349
Capital leases payable	137,500	114,663	252,163
Estimated compensated absences	695,389	371,635	1,067,024
TOTAL LONG-TERM LIABILITIES	\$ 26,240,463	\$ 48,676,073	\$ 74,916,536
Other liabilities:			
Deferred debt premium	\$ 8,490	\$ 4,937	\$ 13,427
Deferred revenue	4,039,520	95,380	4,134,900
TOTAL OTHER LIABILITIES	\$ 4,048,010	\$ 100,317	\$ 4,148,327
TOTAL LIABILITIES	\$ 35,472,078	\$ 55,037,066	\$ 90,509,144
Net assets:			
Invested in capital assets, net of related liabilities	\$ 33,453,284	\$ 52,158,121	\$ 85,611,405
Restricted for:			
Debt service and capital activity	4,962,472	856,626	5,819,098
Landfill improvements	881,756	-	881,756
Realty improvements and Ingle Park	69,030	-	69,030
Fiduciary	265	-	265
Endowments	100,908	-	100,908
Municipal Court equipment and training	34,598	-	34,598
Highways and streets	1,051,693	-	1,051,693
Industrial development/recreation	56,070	-	56,070
Jail/Correction facilities	146,570	-	146,570
Education	18,468	-	18,468
Parks and recreation	-	17,032	17,032
Unrestricted	24,308,222	10,433,347	34,741,569
TOTAL NET ASSETS	\$ 65,083,336	\$ 63,465,126	\$128,548,462
TOTAL LIABILITIES AND NET ASSETS	\$100,555,414	\$118,502,192	\$219,057,606

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	\$ 2,748,529
Building and housing	276,119
Garage	239,955
Public works	500,864
Planning	239,051
Public safety:	
Police	4,621,532
Fire	2,439,278
Dispatch and miscellaneous	458,784
Highways and streets	3,589,629
Sanitation	3,524,431
Health and social services	717,728
Culture and recreation	241,985
Education	5,444,772
Conservation	232,646
Interest on long-term debt	444,708
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 25,720,011</u>
Business-type activities:	
Sewer	\$ 4,611,861
Water	5,509,496
Parks and recreation	2,960,541
Golf course	761,617
Wellness and Aquatic Center	288,112
Airport	682,376
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 14,814,003</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 40,534,014</u></u>

(Continued)

CULLMAN, ALABAMA

ACTIVITIES

September 30, 2008

<u>Program Revenues</u>			
<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
\$ 1,954,326	\$ -	\$ 28,500	\$ (765,703)
219,318	-	-	(56,801)
-	-	-	(239,955)
435,978	-	-	(64,886)
-	-	-	(239,051)
377,701	51,622	-	(4,192,209)
-	-	156,345	(2,282,933)
-	34,949	-	(423,835)
61,710	469,192	27,788	(3,030,939)
3,314,041	-	-	(210,390)
-	59,069	-	(658,659)
21,071	-	-	(220,914)
-	-	-	(5,444,772)
13,610	100,000	-	(119,036)
-	-	-	(444,708)
<u>\$ 6,397,755</u>	<u>\$ 714,832</u>	<u>\$ 212,633</u>	<u>\$(18,394,791)</u>
\$ 4,496,452	\$ -	\$ -	\$ (115,409)
7,982,758	-	-	2,473,262
1,040,492	-	-	(1,920,049)
583,309	-	-	(178,308)
-	-	-	(288,112)
379,872	14,073	39,510	(248,921)
<u>\$ 14,482,883</u>	<u>\$ 14,073</u>	<u>\$ 39,510</u>	<u>\$ (277,537)</u>
<u>\$ 20,880,638</u>	<u>\$ 728,905</u>	<u>\$ 252,143</u>	<u>\$(18,672,328)</u>

CITY OF CULLMAN, ALABAMA  
STATEMENT OF ACTIVITIES - CONTINUED  
Year ended September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$(18,394,791)	\$ (277,537)	\$ (18,672,328)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	\$ 1,159,951	\$ -	\$ 1,159,951
Property taxes, levied for education	2,636,597	-	2,636,597
Sales taxes, levied for general purposes	13,481,153	-	13,481,153
Sales taxes, levied for education	2,491,277	-	2,491,277
Tobacco taxes	146,070	-	146,070
Lodging taxes	189,539	172,566	362,105
Rent taxes	552,877	-	552,877
Other taxes	37,868	-	37,868
City Board of Education for debt service payments	484,200	-	484,200
Unrestricted investment earnings	1,169,215	364,013	1,533,228
Sale of capital assets	-	(300)	(300)
Miscellaneous	1,645,807	-	1,645,807
Transfers - internal activities	(5,168,846)	5,168,846	-
TOTAL GENERAL REVENUES AND TRANSFERS	\$ 18,825,708	\$ 5,705,125	\$ 24,530,833
CHANGE IN NET ASSETS	\$ 430,917	\$ 5,427,588	\$ 5,858,505
Net assets - beginning	64,652,419	58,037,538	122,689,957
Net assets - ending	\$ 65,083,336	\$ 63,465,126	\$ 128,548,462

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

CITY OF CULLMAN,  
BALANCE SHEET -  
September 30,

<u>ASSETS</u>	General	School Tax
Cash equivalents	\$ 4,651,074	\$ 18,468
Certificates of deposit	18,946,231	-
Receivables (net of allowance for uncollectibles):		
Accounts	212,164	-
Assessments	658,831	-
Interest	67,448	-
Interfund receivables	104,101	-
Due from other governmental units:		
Cullman Power Board	198,725	-
Other	3,636,552	3,265,516
Inventories	61,786	-
Prepaid insurance	220,672	-
Prepaid unemployment taxes	8,211	-
Interfund receivables - long-term	564,164	-
Restricted assets:		
Cash equivalents	-	-
Advances to other governmental units	-	-
Interfund receivables - long-term	-	-
Insurance deposit	113,307	-
<b>TOTAL ASSETS</b>	<b>\$ 29,443,266</b>	<b>\$ 3,283,984</b>

(Continued)

ALABAMA  
GOVERNMENTAL FUNDS  
 2008

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 53,506	\$ 824,740	\$ 5,547,788
-	1,561,872	20,508,103
-	9,000	221,164
-	-	658,831
-	9,023	76,471
77	4,605	108,783
-	-	198,725
-	79,978	6,982,046
-	-	61,786
-	-	220,672
-	-	8,211
-	-	564,164
9,883,129	-	9,883,129
1,730,575	-	1,730,575
17,585,213	-	17,585,213
-	-	113,307
<u>\$ 29,252,500</u>	<u>\$ 2,489,218</u>	<u>\$ 64,468,968</u>

CITY OF CULLMAN,  
BALANCE SHEET -  
September 30,

	General	School Tax
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Accounts payable:		
Trade	\$ 350,417	\$ -
Contractors	-	-
Accrued liabilities	29,002	-
Accrued payroll	362,999	-
Interfund payables	55,895	-
Due to other governmental units	124,438	417,000
Interfund payables - long-term	-	-
Deferred revenues	2,981,160	3,048,374
Estimated liability for compensated absences	174,157	-
TOTAL LIABILITIES	\$ 4,078,068	\$ 3,465,374
Fund balances:		
Reserved for:		
Inventory	\$ 61,786	\$ -
Prepaid expenditures and insurance deposit	342,190	-
Landfill improvements	881,756	-
Interfund receivables - long-term	686,909	-
Advances to other governmental units	-	-
Realty improvements and Ingle Park	56,211	-
Fiduciary	265	-
Endowments	-	-
Municipal Court equipment and training	34,598	-
Capital outlay	-	-
Unreserved	23,301,483	(181,390)
Unreserved, reported in nonmajor:		
Special revenue funds	-	-
Capital project funds	-	-
TOTAL FUND BALANCES (DEFICIT)	\$ 25,365,198	\$ (181,390)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 29,443,266	\$ 3,283,984

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

ALABAMA  
 GOVERNMENTAL FUNDS - CONTINUED  
 2008

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 84,961	\$ 435,378
-	2,117,653	2,117,653
-	-	29,002
-	-	362,999
6,435,717	-	6,491,612
121	-	541,559
-	132,500	132,500
-	22,486	6,052,020
-	-	174,157
<u>\$ 6,435,838</u>	<u>\$ 2,357,600</u>	<u>\$ 16,336,880</u>
\$ -	\$ -	\$ 61,786
-	-	342,190
-	-	881,756
17,585,213	-	18,272,122
1,730,575	-	1,730,575
-	12,819	69,030
-	-	265
-	100,908	100,908
-	-	34,598
2,831,816	-	2,831,816
669,058	-	23,789,151
-	2,117,193	2,117,193
-	(2,099,302)	(2,099,302)
<u>\$ 22,816,662</u>	<u>\$ 131,618</u>	<u>\$ 48,132,088</u>
<u>\$ 29,252,500</u>	<u>\$ 2,489,218</u>	<u>\$ 64,468,968</u>

CITY OF CULLMAN, ALABAMA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
September 30, 2008

Total fund balances - total governmental funds (page 30) \$ 48,132,088

Amounts reported for governmental activities in the statement of net assets  
(pages 22-23) are different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds.

Capital assets	\$ 57,196,362	
Accumulated depreciation	<u>(14,623,645)</u>	42,572,717

Other long-term assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds 2,012,500

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, 2008, were:

General Obligation Warrants	\$(26,849,620)	
Less deferred interest from refunding	155,103	
Less deferred issuance costs and discounts	137,841	
Plus deferred premium	(8,490)	
Accrued interest	(93,282)	
Compensated absences	<u>(975,521)</u>	<u>(27,633,969)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 23) \$ 65,083,336

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

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

	General	School Tax
Revenues:		
Taxes	\$ 15,700,512	\$ 5,150,081
Licenses and permits	2,538,417	-
Intergovernmental revenues	1,724,926	-
Charges for services	3,405,927	-
Fines and forfeits	360,633	-
Miscellaneous revenues:		
Interest revenue	\$ 669,181	\$ 9,303
Miscellaneous	86,544	-
TOTAL MISCELLANEOUS REVENUES	\$ 755,725	\$ 9,303
TOTAL REVENUES	\$ 24,486,140	\$ 5,159,384
Expenditures:		
Current:		
General government	\$ 3,699,068	\$ -
Public safety	7,217,872	-
Highways and streets	1,728,151	-
Sanitation	3,252,276	-
Health and social services	717,728	-
Culture and recreation	232,387	-
Education	304,465	5,132,108
Conservation	215,509	-
Capital outlay	805,147	-
Debt service:		
Principal retirement	50,000	-
Interest and fiscal charges	10,000	-
TOTAL EXPENDITURES	\$ 18,232,603	\$ 5,132,108
REVENUES OVER (UNDER) EXPENDITURES	\$ 6,253,537	\$ 27,276
Other financing sources (uses):		
Capital contributions	\$ 213,613	\$ -
Warrant face amount issued	-	-
Operating transfers in	94	-
Operating transfers (out)	(4,640,680)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (4,426,973)	\$ -
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 1,826,564	\$ 27,276
Fund balances (deficit) at October 1	23,538,634	(208,666)
FUND BALANCES (DEFICIT) AT SEPTEMBER 30	\$ 25,365,198	\$ (181,390)

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

ALABAMA  
EXPENDITURES, AND CHANGES IN  
GOVERNMENTAL FUNDS  
September 30, 2008

<u>Debt</u> <u>Service</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 202,039	\$ 21,052,632
-	-	2,538,417
484,200	362,084	2,571,210
-	-	3,405,927
-	69,439	430,072
\$ 439,256	\$ 64,087	\$ 1,181,827
-	-	86,544
<u>\$ 439,256</u>	<u>\$ 64,087</u>	<u>\$ 1,268,371</u>
<u>\$ 923,456</u>	<u>\$ 697,649</u>	<u>\$ 31,266,629</u>
\$ 13	\$ 16,958	\$ 3,716,039
-	-	7,217,872
-	1,103,189	2,831,340
-	-	3,252,276
-	-	717,728
-	-	232,387
-	-	5,436,573
-	-	215,509
120,800	1,062,887	1,988,834
973,680	100,000	1,123,680
360,346	36,000	406,346
<u>\$ 1,454,839</u>	<u>\$ 2,319,034</u>	<u>\$ 27,138,584</u>
\$ (531,383)	\$ (1,621,385)	\$ 4,128,045
\$ -	\$ 27,788	\$ 241,401
120,800	-	120,800
9,309,407	9,751,283	19,060,784
(9,506,815)	(10,082,135)	(24,229,630)
<u>\$ (76,608)</u>	<u>\$ (303,064)</u>	<u>\$ (4,806,645)</u>
\$ (607,991)	\$ (1,924,449)	\$ (678,600)
23,424,653	2,056,067	48,810,688
<u>\$ 22,816,662</u>	<u>\$ 131,618</u>	<u>\$ 48,132,088</u>

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, 2008

Net change in fund balances - total governmental funds (page 33) \$ (678,600)

Amounts reported for governmental activities in the statement of activities (pages 24-26) 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 (\$1,988,834) exceeded depreciation (\$1,492,791) in the current period less construction projects cancelled and expensed (\$26,554). 469,489

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, 2007	\$ (2,202,371)	
Revenues deferred at the fund level that were earned and reported as revenues in the statement of activities for the current year	<u>2,012,501</u>	(189,870)

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	\$ (25,178)	
Accrued interest on warrants at beginning of year (\$81,386) less accrued interest on warrants at end of year (\$93,282)	<u>(11,896)</u>	(37,074)

(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, 2008

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	\$	120,800
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Amortizations on debt:

Debt discount and issuance costs	\$	13,452
Deferred loss on refunding		26,467
Debt premium		<u>(1,614)</u>

TOTAL AMORTIZATIONS ON PREVIOUSLY ISSUED DEBT	\$	38,305
--	----	--------

Repayments:

To bondholders	\$	<u>(1,123,680)</u>
NET ADJUSTMENT	\$	<u><u>(964,575)</u></u>

964,575

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.

(97,603)

CHANGE IN NET ASSETS OF THE GOVERNMENTAL ACTIVITIES (PAGE 26)	\$	<u><u>430,917</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
<b>ASSETS</b>		
Current assets:		
Cash equivalents	\$ 99,981	\$ 7,131,523
Certificates of deposit	-	2,556,366
Interest receivable	-	10,094
Accounts receivable, net of allowance	83,214	280,508
Credit card receivables	-	-
Assessments receivable, net of allowance	8,120	-
Interfund receivables	82,522	773
Due from other governmental units:		
Cullman Power Board	315,841	243,167
Other	-	221,453
Inventories	25,710	249,928
Prepaid senior trip expenses	-	-
Prepaid insurance	21,560	58,619
Prepaid interest	125,825	6,490
Prepaid utility tax	-	18,874
TOTAL CURRENT ASSETS	\$ 762,773	\$ 10,777,795
Restricted assets:		
Cash equivalents	\$ 875,631	\$ 3,503,313
State revolving funds receivable	5,003,728	3,247,435
Interest receivable	-	1,055
TOTAL RESTRICTED ASSETS	\$ 5,879,359	\$ 6,751,803
Capital assets:		
Land	\$ 152,206	\$ 669,804
Buildings	6,725,127	6,501,181
Improvements other than buildings	51,971,886	35,726,154
Machinery and equipment	1,679,041	8,457,954
Accumulated depreciation	(21,420,369)	(23,040,444)
	\$ 39,107,891	\$ 28,314,649
Construction in progress	7,638,795	5,478,500
TOTAL CAPITAL ASSETS	\$ 46,746,686	\$ 33,793,149
Other assets:		
Deferred debt expense	\$ 1,208,646	\$ 516,906
Deposits	-	-
Prepaid interest	38,498	-
Assessments receivable - noncurrent	516,890	-
TOTAL OTHER ASSETS	\$ 1,764,034	\$ 516,906
TOTAL ASSETS	\$ 55,152,852	\$ 51,839,653

(Continued)

ALABAMA  
PROPRIETARY FUNDS  
2008

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 139,473	\$ 42,357	\$ 7,413,334
-	-	2,556,366
-	-	10,094
1,098	8,342	373,162
1,920	-	1,920
-	-	8,120
6,486,726	-	6,570,021
-	-	559,008
13,194	32,574	267,221
-	20,053	295,691
65,724	-	65,724
3,886	9,330	93,395
-	-	132,315
-	-	18,874
<u>\$ 6,712,021</u>	<u>\$ 112,656</u>	<u>\$ 18,365,245</u>
\$ -	\$ -	\$ 4,378,944
-	-	8,251,163
-	-	1,055
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,631,162</u>
\$ 1,332,054	\$ 341,049	\$ 2,495,113
4,141,180	1,435,809	18,803,297
7,307,394	2,200,938	97,206,372
1,099,589	182,857	11,419,441
(4,786,075)	(1,851,625)	(51,098,513)
<u>\$ 9,094,142</u>	<u>\$ 2,309,028</u>	<u>\$ 78,825,710</u>
11,091,321	40,523	24,249,139
<u>\$ 20,185,463</u>	<u>\$ 2,349,551</u>	<u>\$ 103,074,849</u>
\$ 352,798	\$ 357	\$ 2,078,707
910	-	910
-	-	38,498
-	-	516,890
<u>\$ 353,708</u>	<u>\$ 357</u>	<u>\$ 2,635,005</u>
<u>\$ 27,251,192</u>	<u>\$ 2,462,564</u>	<u>\$ 136,706,261</u>

CITY OF CULLMAN,  
BALANCE SHEET -  
September 30,

	Business-Type	
	Sewer Operation	Water System
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 178,360	\$ 285,898
Utility tax payable	-	21,006
Interfund payables	29,241	143,220
Interest payable	-	-
Due to other governmental units	33,861	-
Accrued payroll	36,441	56,275
Estimated compensated absences - current portion	21,506	39,598
Current maturities on long-term liabilities	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 299,409</b>	<b>\$ 545,997</b>
Liabilities payable from restricted assets:		
Accounts payable - contractor	\$ 609,346	\$ 81,180
Accrued interest payable	123,122	185,478
Current maturities on long-term liabilities	1,790,000	2,215,000
Interfund payables	8,369	-
<b>TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>\$ 2,530,837</b>	<b>\$ 2,481,658</b>
Deferred credits:		
Debt premium	\$ -	\$ -
Deferred revenue	-	-
<b>TOTAL DEFERRED CREDITS</b>	<b>\$ -</b>	<b>\$ -</b>
Long-term liabilities:		
Warrants/bonds payable	\$ 29,127,946	\$ 18,772,437
Capital leases payable	-	-
Estimated compensated absences	91,202	128,248
Interfund payables	518,188	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 29,737,336</b>	<b>\$ 18,900,685</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 32,567,582</b>	<b>\$ 21,928,340</b>
Net assets:		
Invested in capital assets, net of related liabilities	\$ 22,867,903	\$ 17,927,117
Restricted for debt service and capital activity	(247,264)	1,103,890
Restricted for parks and recreation	-	-
Unrestricted	(35,369)	10,880,306
<b>TOTAL NET ASSETS</b>	<b>\$ 22,585,270</b>	<b>\$ 29,911,313</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 55,152,852</b>	<b>\$ 51,839,653</b>

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

ALABAMA  
 PROPRIETARY FUNDS - CONTINUED  
 2008

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 165,246	\$ 56,102	\$ 685,606
-	-	21,006
388,233	1,215	561,909
186,339	-	186,339
-	-	33,861
62,676	3,858	159,250
21,281	-	82,385
77,176	10,927	88,103
<u>\$ 900,951</u>	<u>\$ 72,102</u>	<u>\$ 1,818,459</u>
\$ -	\$ -	\$ 690,526
-	-	308,600
-	-	4,005,000
-	-	8,369
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,012,495</u>
\$ 4,937	\$ -	\$ 4,937
95,380	-	95,380
<u>\$ 100,317</u>	<u>\$ -</u>	<u>\$ 100,317</u>
\$ 159,263	\$ 130,129	\$ 48,189,775
114,663	-	114,663
140,915	11,270	371,635
17,063,987	51,616	17,633,791
<u>\$ 17,478,828</u>	<u>\$ 193,015</u>	<u>\$ 66,309,864</u>
<u>\$ 18,480,096</u>	<u>\$ 265,117</u>	<u>\$ 73,241,135</u>
\$ 9,179,201	\$ 2,183,900	\$ 52,158,121
-	-	856,626
17,032	-	17,032
(425,137)	13,547	10,433,347
<u>\$ 8,771,096</u>	<u>\$ 2,197,447</u>	<u>\$ 63,465,126</u>
<u>\$ 27,251,192</u>	<u>\$ 2,462,564</u>	<u>\$ 136,706,261</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	\$ 4,293,872	\$ 7,726,268
Charges for service connections	149,330	158,955
Service charges	35,975	60,083
Lodging tax	-	-
Miscellaneous	17,275	37,452
TOTAL OPERATING REVENUES	\$ 4,496,452	\$ 7,982,758
Cost of operating revenue	\$ -	\$ -
Operating expenses:		
Salaries and wages	857,178	1,208,880
Nonemployee compensation	-	-
Officials and instructors	-	-
Payroll taxes	62,617	89,051
Employees retirement	77,382	146,095
Employees insurance	124,330	207,380
Telephone	11,813	16,322
Utilities	430,261	710,766
Billing, accounting, and collection fees	49,935	62,799
Office supplies and expenses	2,067	45,159
Professional services	11,269	32,887
Engineering services	34,258	30,212
Other contracted services	7,681	63,390
Tournament fees	-	-
Testing services	8,965	18,081
Landfill fees	31,724	-
Community concerts	-	-
Senior programs	-	-
Dues and subscriptions	420	2,581
Travel, registrations, and education	5,071	9,434
Printing and advertising	-	8,691
Uniforms	7,653	9,505
Small tools and equipment	8,061	22,767
Chemicals and supplies	43,213	362,331
Repairs and maintenance - system and equipment	289,099	516,359
Gas, fuel, and oil	66,410	62,616
Insurance	43,209	85,057
Miscellaneous	1,908	3,902
Director's fees and expenses	-	12,650
Depreciation	1,447,411	1,049,355
TOTAL COST OF OPERATING REVENUE AND OPERATING EXPENSES	\$ 3,621,935	\$ 4,776,270
OPERATING INCOME (LOSS)	\$ 874,517	\$ 3,206,488

(Continued)

ALABAMA  
EXPENSES, AND CHANGES IN  
PROPRIETARY FUNDS  
September 30, 2008

<u>Activities</u>		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 1,573,260	\$ 379,055	\$ 13,972,455
-	-	308,285
-	-	96,058
172,566	-	172,566
50,541	817	106,085
<u>\$ 1,796,367</u>	<u>\$ 379,872</u>	<u>\$ 14,655,449</u>
\$ 191,700	\$ 253,201	\$ 444,901
1,372,934	86,658	3,525,650
8,905	-	8,905
97,290	-	97,290
100,139	6,319	258,126
85,279	4,936	313,692
149,725	6,219	487,654
26,277	3,675	58,087
268,920	15,173	1,425,120
-	-	112,734
27,490	760	75,476
-	6,564	50,720
-	3,991	68,461
-	9,540	80,611
15,504	-	15,504
-	-	27,046
-	-	31,724
5,991	-	5,991
122,880	-	122,880
2,942	584	6,527
24,178	80	38,763
20,541	213	29,445
-	153	17,311
6,520	2,119	39,467
212,857	727	619,128
330,230	50,835	1,186,523
55,641	2,556	187,223
72,522	12,313	213,101
55,674	4,520	66,004
-	-	12,650
<u>404,526</u>	<u>206,625</u>	<u>3,107,917</u>
<u>\$ 3,658,665</u>	<u>\$ 677,761</u>	<u>\$ 12,734,631</u>
<u>\$ (1,862,298)</u>	<u>\$ (297,889)</u>	<u>\$ 1,920,818</u>

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

	Business-Type	
	Sewer Operation	Water System
Nonoperating revenues (expenses):		
Interest earned	\$ 15,200	\$ 345,851
Operating grants	-	-
Interest expense	(894,285)	(663,430)
Amortization of debt expense	(94,846)	(56,691)
Paying agent/trustee fees	(795)	(13,105)
Sale of assets	-	-
	<b>TOTAL NONOPERATING</b>	<b>REVENUES (EXPENSES)</b>
	<b>\$ (974,726)</b>	<b>\$ (387,375)</b>
	<b>INCREASE (DECREASE) IN</b>	
	<b>NET ASSETS BEFORE CAPITAL</b>	
	<b>CONTRIBUTIONS AND TRANSFERS</b>	
	<b>\$ (100,209)</b>	<b>\$ 2,819,113</b>
Capital contributions	-	-
Transfers in	1,365,525	-
Transfers out	-	(1,365,525)
	<b>NET INCREASE</b>	<b>(DECREASE)</b>
	<b>IN NET ASSETS</b>	
	<b>\$ 1,265,316</b>	<b>\$ 1,453,588</b>
Net assets - October 1	21,319,954	28,457,725
	<b>NET ASSETS</b>	<b>AT SEPTEMBER 30</b>
	<b>\$ 22,585,270</b>	<b>\$ 29,911,313</b>

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

ALABAMA  
EXPENSES, AND CHANGES IN  
PROPRIETARY FUNDS - CONTINUED  
September 30, 2008

<u>Activities</u>		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 2,539	\$ 423	\$ 364,013
-	14,073	14,073
(337,411)	(4,472)	(1,899,598)
(14,194)	(143)	(165,874)
-	-	(13,900)
(300)	-	(300)
<hr/>		
\$ (349,366)	\$ 9,881	\$ (1,701,586)
<hr/>		
\$ (2,211,664)	\$ (288,008)	\$ 219,232
-	39,510	39,510
13,061,975	169,441	14,596,941
(8,062,570)	-	(9,428,095)
<hr/>		
\$ 2,787,741	\$ (79,057)	\$ 5,427,588
5,983,355	2,276,504	58,037,538
<hr/>		
\$ 8,771,096	\$ 2,197,447	\$ 63,465,126
<hr/>		

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	\$ 4,515,253	\$ 8,218,697
Cash received from lodging tax	-	-
Cash payments for merchandise sold	-	-
Cash payments for operating expenses	(1,343,431)	(2,417,944)
Cash payments to employees	(839,912)	(1,178,244)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,331,910	\$ 4,622,509
Cash flows from noncapital and related financing activities:		
Grants	\$ -	\$ -
Transfers	-	(1,365,525)
NET CASH PROVIDED BY (USED IN) NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ -	\$ (1,365,525)
Cash flows from capital and related financing activities:		
Proceeds from capital contributions	\$ -	\$ -
Interest and fiscal charges paid	(1,056,329)	(623,710)
Deferred loss on refunding	-	-
Interfund receivables/payables	(8,009)	-
Interfund transfers	1,365,525	-
Proceeds from long-term debt	5,636,778	996,285
Principal payments of long-term debt	(1,740,000)	(2,085,000)
Acquisition and construction of capital assets	(7,089,489)	(2,266,455)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (2,891,524)	\$ (3,978,880)

(Continued)

ALABAMA  
 PROPRIETARY FUNDS  
 September 30, 2008  
 Cash and Cash Equivalents

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 1,739,827	\$ 387,873	\$ 14,861,650
171,222	-	171,222
(191,700)	(261,422)	(453,122)
(1,810,422)	(106,977)	(5,678,774)
(1,336,616)	(85,327)	(3,440,099)
<hr/>		
\$ (1,427,689)	\$ (65,853)	\$ 5,460,877
\$ -	\$ 13,107	\$ 13,107
2,039,432	183,639	857,546
<hr/>		
\$ 2,039,432	\$ 196,746	\$ 870,653
\$ -	\$ 20,019	\$ 20,019
(341,602)	(4,472)	(2,026,113)
7,921	-	7,921
7,348,335	(19,721)	7,320,605
2,959,973	-	4,325,498
51,528	-	6,684,591
(76,216)	(10,528)	(3,911,744)
(10,504,473)	(101,352)	(19,961,769)
<hr/>		
\$ (554,534)	\$ (116,054)	\$ (7,540,992)

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	\$ -	\$ 4,887,565
Interest received	15,200	359,415
Payments for purchase of certificates of deposit	-	(4,902,984)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 15,200	\$ 343,996
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (544,414)	\$ (377,900)
Cash and cash equivalents at beginning of year	1,520,026	11,012,736
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 975,612	\$ 10,634,836

Cash and cash equivalents as of September 30, 2008 consisted of the following:

	Sewer Operation	Water System
Cash equivalents - current assets	\$ 99,981	\$ 7,131,523
Cash equivalents - restricted assets	875,631	3,503,313
TOTALS	\$ 975,612	\$ 10,634,836

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

ALABAMA  
 PROPRIETARY FUNDS - CONTINUED  
 September 30, 2008  
 Cash and Cash Equivalents

Activities			
<u>Parks and Recreation</u>	<u>Airport</u>		<u>TOTALS</u>
\$ -	\$ -		\$ 4,887,565
1,583	423		376,621
-	-		(4,902,984)
<u>\$ 1,583</u>	<u>\$ 423</u>		<u>\$ 361,202</u>
\$ 58,792	\$ 15,262		\$ (848,260)
80,681	27,095		12,640,538
<u>\$ 139,473</u>	<u>\$ 42,357</u>		<u>\$ 11,792,278</u>

<u>Parks and Recreation</u>	<u>Airport</u>		<u>TOTALS</u>
\$ 139,473	\$ 42,357		\$ 7,413,334
-	-		4,378,944
<u>\$ 139,473</u>	<u>\$ 42,357</u>		<u>\$ 11,792,278</u>

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)	\$ 874,517	\$ 3,206,488
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,447,411	1,049,355
Accounts receivable	(82,223)	(160,739)
Credit card receivable	-	-
Interfund receivables	(75,586)	(29,241)
Due from other governments	101,024	361,677
Assessments receivable	8,120	-
Inventories	(1,206)	(62,435)
Prepaid senior trips	-	-
Prepaid insurance	970	(7,757)
Prepaid utility tax	-	(8,025)
Accounts payable	27,111	60,081
Utility tax payable	-	5,658
Interfund payables	13,319	176,811
Due to other governments	1,186	-
Accrued payroll	9,715	14,096
Compensated absences	7,552	16,540
Deferred revenue	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 2,331,910</u>	<u>\$ 4,622,509</u>

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

ALABAMA  
OPERATING ACTIVITIES - PROPRIETARY FUNDS  
September 30, 2008  
Cash and Cash Equivalents

<u>Activities</u>		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ (1,862,298)	\$ (297,889)	\$ 1,920,818
404,526	206,625	3,107,917
(231)	8,001	(235,192)
3,962	-	3,962
16,915	-	(87,912)
(1,344)	-	461,357
-	-	8,120
-	(3,340)	(66,981)
(65,724)	-	(65,724)
(736)	179	(7,344)
-	-	(8,025)
56,675	16,749	160,616
-	-	5,658
(111,132)	-	78,998
-	-	1,186
20,392	1,331	45,534
15,926	2,491	42,509
95,380	-	95,380
<u>\$ (1,427,689)</u>	<u>\$ (65,853)</u>	<u>\$ 5,460,877</u>

CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2008

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.

## 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

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.

##### Debt Service

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

The City reports the following major proprietary funds:

##### Sewer Operation

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

##### Water System

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

##### Parks and Recreation

This fund accounts for two 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

##### 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.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.

#### 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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

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, 2008	<u>\$ 27,620</u>	<u>\$ 12,189</u>	<u>\$34,697</u>	<u>\$3,039</u>
Assessments receivable at September 30, 2008	<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 \$4,039,520 has been accrued as a receivable as of September 30, 2008, for the bills sent out October 1, 2008, 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, 2008, an offsetting balance of \$4,039,520 has also been reflected as deferred revenue in the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2008, 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	10-15
Infrastructure – streets	50
Infrastructure – bridges	50
Office equipment	5-10
Computer equipment	3-5
Communication equipment	3-5
Heavy equipment	20
Transportation equipment	5-20
Other general equipment	5-10

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, 2008 was as follows:

<u>Proprietary Fund/Component Unit</u>	<u>Amount Capitalized</u>
Utilities Board – Water Division	\$146,927
Water Fund	55,759
Sewer Fund	149,324
Parks and Recreation	439,325

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 proprietary fund 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	\$ ---	\$ 690,526
Accrued interest payable	70,782	308,600
Current maturities on long-term liabilities	930,000	4,005,000
TOTAL	<u>\$1,000,782</u>	<u>\$5,004,126</u>

Of the \$4,005,000 shown as current maturities on long-term debt above in the business-type activities, \$2,225,000 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, 2008. 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, 2008, the City had \$34,598 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, 2008, the City had \$17,032 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 \$181,390 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 \$1,964,589 deficit of the Park and Recreation Construction Fund, the \$27,244 deficit of the Transportation Enhancement Fund, the \$196,410 deficit of the Cullman Building Construction Fund, and the \$13,153 deficit of the Downtown Redevelopment 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, 2008 was as follows:

	<u>Balance at Sept. 30, 2007</u>
Governmental activities:	
Capital assets not being depreciated:	
Land	\$ 7,262,453
Historical buildings	209,420
Construction in progress	<u>568,521</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 8,040,394
Capital assets being depreciated:	
Buildings	\$ 4,649,378
Improvements other than buildings	585,656
Infrastructure - streets	29,950,916
Infrastructure - bridges	607,683
Machinery and equipment:	
Office equipment	\$ 57,392
Computer equipment	94,092
Communication equipment	320,140
Heavy equipment	1,419,012
Transportation equipment	6,513,496
Other general equipment	<u>3,093,529</u>
TOTAL MACHINERY AND EQUIPMENT	\$ 11,497,661
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 47,291,294
Less accumulated depreciation for:	
Buildings	\$ 881,054
Improvements other than buildings	140,600
Infrastructure - streets	5,713,469
Infrastructure - bridges	236,996
Machinery and equipment:	
Office equipment	\$ 40,216
Computer equipment	88,557
Communication equipment	203,480
Heavy equipment	711,669
Transportation equipment	3,484,077
Other general equipment	<u>1,630,736</u>
TOTAL MACHINERY AND EQUIPMENT	\$ 6,158,735
TOTAL ACCUMULATED DEPRECIATION	<u>\$ 13,130,854</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>\$ 34,160,440</u>
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 42,200,834</u>

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2008</u>
\$ 180,478	\$ -	\$ 7,442,931
-	-	209,420
905,875	(379,825)	1,094,571
<hr/>	<hr/>	<hr/>
\$ 1,086,353	\$ (379,825)	\$ 8,746,922
\$ 17,285	\$ -	\$ 4,666,663
255,666	-	841,322
169,346	-	30,120,262
-	-	607,683
\$ -	\$ -	\$ 57,392
64,667	-	158,759
13,785	-	333,925
-	-	1,419,012
311,301	-	6,824,797
326,096	-	3,419,625
<hr/>	<hr/>	<hr/>
\$ 715,849	\$ -	\$ 12,213,510
<hr/>	<hr/>	<hr/>
\$ 1,158,146	\$ -	\$ 48,449,440
\$ 79,893	\$ -	\$ 960,947
19,830	-	160,430
599,765	-	6,313,234
12,154	-	249,150
\$ 5,835	\$ -	\$ 46,051
12,209	-	100,766
17,427	-	220,907
58,449	-	770,118
425,206	-	3,909,283
262,023	-	1,892,759
<hr/>	<hr/>	<hr/>
\$ 781,149	\$ -	\$ 6,939,884
<hr/>	<hr/>	<hr/>
\$ 1,492,791	\$ -	\$ 14,623,645
<hr/>	<hr/>	<hr/>
\$ (334,645)	\$ -	\$ 33,825,795
<hr/>	<hr/>	<hr/>
\$ 751,708	\$ (379,825)	\$ 42,572,717
<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government:		
Administrative	\$	106,422
Building and housing		6,738
Garage		16,194
Public works		13,041
Planning		2,880
Public safety:		
Police		212,618
Fire		59,831
Dispatch and EMA		21,581
Highways and streets		757,263
Sanitation		270,323
Culture and recreation		8,763
Conservation		17,137
	TOTAL	<u>\$1,492,791</u>

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS - CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2008 was as follows:

	<u>Balance at Sept. 30, 2007</u>
Business-type activities:	
Capital assets not being depreciated:	
Land	\$ 2,467,113
Construction in progress	9,650,060
	9,650,060
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 12,117,173
Capital assets being depreciated:	
Buildings	\$ 12,293,300
Improvements other than buildings	84,497,449
Source of supply	2,078,338
Pumping plant	717,398
Water treatment plant	17,658,017
Transmission and distribution system	1,454,061
Machinery and equipment:	
Office equipment	\$ 168,870
Computer equipment	19,771
Communication equipment	7,304
Heavy equipment	605,459
Transportation equipment	1,357,984
Other general equipment	1,956,489
	1,956,489
TOTAL MACHINERY AND EQUIPMENT	\$ 4,115,877
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 122,814,440
Less accumulated depreciation for:	
Buildings	\$ 6,138,555
Improvements other than buildings	28,947,666
Source of supply	1,472,010
Pumping plant	585,111
Water treatment plant	7,140,561
Transmission and distribution system	814,241
Machinery and equipment:	
Office equipment	\$ 129,352
Computer equipment	17,653
Communication equipment	7,304
Heavy equipment	471,097
Transportation equipment	1,025,745
Other general equipment	1,289,963
	1,289,963
TOTAL MACHINERY AND EQUIPMENT	\$ 2,941,114
TOTAL ACCUMULATED DEPRECIATION	\$ 48,039,258
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	\$ 74,775,182
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 86,892,355

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2008</u>
\$ 28,000	\$ -	\$ 2,495,113
17,527,445	(2,928,366)	24,249,139
<hr/>	<hr/>	<hr/>
\$ 17,555,445	\$ (2,928,366)	\$ 26,744,252
\$ 77,266	\$ -	\$ 12,370,566
3,888,970	-	88,386,419
-	-	2,078,338
-	-	717,398
22,500	-	17,680,517
-	-	1,454,061
<hr/>	<hr/>	<hr/>
\$ 22,328	\$ (3,499)	\$ 187,699
3,882	-	23,653
-	-	7,304
-	-	605,459
463,532	(4,800)	1,816,716
189,995	(45,504)	2,100,980
<hr/>	<hr/>	<hr/>
\$ 679,737	\$ (53,803)	\$ 4,741,811
<hr/>	<hr/>	<hr/>
\$ 4,668,473	\$ (53,803)	\$ 127,429,110
\$ 345,345	\$ -	\$ 6,483,900
2,070,820	-	31,018,486
34,515	-	1,506,525
18,414	-	603,525
354,822	-	7,495,383
26,173	-	840,414
<hr/>	<hr/>	<hr/>
\$ 7,674	\$ (3,499)	\$ 133,527
1,230	-	18,883
-	-	7,304
16,947	-	488,044
88,521	(4,800)	1,109,466
148,297	(45,204)	1,393,056
<hr/>	<hr/>	<hr/>
\$ 262,669	\$ (53,503)	\$ 3,150,280
<hr/>	<hr/>	<hr/>
\$ 3,112,758	\$ (53,503)	\$ 51,098,513
<hr/>	<hr/>	<hr/>
\$ 1,555,715	\$ (300)	\$ 76,330,597
<hr/>	<hr/>	<hr/>
\$ 19,111,160	\$ (2,928,666)	\$ 103,074,849
<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

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

Sewer	\$1,447,411
Water System	1,049,355
Parks and Recreation	328,778
Golf Course	75,748
Airport	<u>206,625</u>
TOTAL	<u>\$3,107,917</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	Governmental Activities		Total Debt Service Requirement
	Principal	Interest	
2009	\$ 1,149,443	\$ 1,128,719	\$ 2,278,162
2010	1,186,765	1,088,014	2,274,779
2011	1,217,361	1,045,563	2,262,924
2012	1,245,472	996,383	2,241,855
2013	1,243,600	939,896	2,183,496
2014-2018	3,456,979	4,155,767	7,612,746
2019-2023	3,595,000	3,426,638	7,021,638
2024-2028	4,430,000	2,592,263	7,022,263
2029-2033	5,455,000	1,569,031	7,024,031
2034-2036	<u>3,870,000</u>	<u>343,438</u>	<u>4,213,438</u>
TOTALS	<u>\$26,849,620</u>	<u>\$17,285,712</u>	<u>\$44,135,332</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:

Year ended September 30	Business-Type Activities		Total Debt Service Requirement
	Principal	Interest	
2009	\$ 4,093,103	\$ 1,738,345	\$ 5,831,448
2010	3,522,350	1,602,273	5,124,623
2011	3,538,719	1,587,534	5,126,253
2012	3,536,730	1,456,185	4,992,915
2013	3,637,936	1,322,223	4,960,159
2014-2018	15,447,462	4,920,296	20,367,758
2019-2023	13,745,000	1,986,863	15,731,863
2024-2028	4,630,000	375,534	5,005,534
2029-2030	<u>485,000</u>	<u>17,062</u>	<u>502,062</u>
TOTALS	<u>\$52,636,300</u>	<u>\$15,006,315</u>	<u>\$67,642,615</u>

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

Included in machinery and equipment:

Cost	\$291,312
Amortization expense included in depreciation expense	41,377
Accumulated amortization	98,713

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2008 were as follows:

Description	Interest Rates	Governmental Balance at Sept. 30, 2007
G.O. Warrants:		
07-01-94 - Graham Property	Variable	\$ 300,000
02-01-03 - School Refunding	3.00 - 4.00%	2,445,000
07-01-03 - Refunding Various Purpose	2.10 - 3.00%	1,300,000
02-17-04 - Hartwig Property	6.00%	600,000
02-01-07 - Series 2007	3.68 - 5.00%	22,970,000
05-01-08 - Brown Land	2.70%	-
Capital Lease for Greif Property:		
07-31-07 - Greif, Inc.		237,500
		<u>\$ 27,852,500</u>
Less deferred amount on refundings		(181,570)
TOTAL G.O. WARRANTS PAYABLE		<u>\$ 27,670,930</u>
Other Liabilities:		
Estimated compensated absences		1,125,502
		<u>\$ 28,796,432</u>
Less current portion		

STATEMENTS - CONTINUED

<u>Activities</u>			
<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2008</u>	<u>Due Within One Year</u>
\$ -	\$ (50,000)	\$ 250,000	\$ 50,000
-	(325,000)	2,120,000	325,000
-	(175,000)	1,125,000	175,000
-	(100,000)	500,000	100,000
-	(415,000)	22,555,000	430,000
120,800	(8,680)	112,120	19,443
-	(50,000)	187,500	50,000
<u>\$ 120,800</u>	<u>\$ (1,123,680)</u>	<u>\$ 26,849,620</u>	<u>\$ 1,149,443</u>
-	26,467	(155,103)	-
<u>\$ 120,800</u>	<u>\$ (1,097,213)</u>	<u>\$ 26,694,517</u>	<u>\$ 1,149,443</u>
814,685	(790,504)	1,149,683	454,294
<u>\$ 935,485</u>	<u>\$ (1,887,717)</u>	<u>\$ 27,844,200</u>	<u>\$ 1,603,737</u>
TOTAL LONG-TERM LIABILITIES		<u>(1,603,737)</u>	
		<u>\$ 26,240,463</u>	

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2008 were as follows:

Description	Interest Rates	Business-type Balance at Sept. 30, 2007
G.O. Sewer Warrants: (a)		
07-01-99 - 1999 SRF	3.50%	\$ 5,840,000
12-22-99 - 2000 SRF	3.85%	8,790,000
02-01-02 - 2002 SRF	3.50%	1,390,000
11-10-02 - 2002 SRF	3.50%	3,650,000
07-01-03 - 2003-C	2.65 - 3.40%	950,000
01-20-04 - 2004 CWSRF-DL	3.05%	3,780,000
04-01-04 - 2004 SRF	2.85%	590,000
01-01-05 - 2005 CWSRF-DL	3.05%	4,110,000
07-18-08 - 2008 CWSRF-DL	3.50%	-
Water Revenue Bonds - 02-01-99	3.75%	3,955,000
Water Revenue Bonds - 03-01-02	4.35 - 5.00%	1,775,000
Water Revenue Warrants - 12-01-01	3.95 - 5.00%	6,315,000
G.O. Water Warrant: (a)		
08-03-02 - 2002 SRF	3.50%	2,195,000
Water Revenue Refunding Bonds 02-01-03:		
Series 2003-A	2.75 - 3.10%	1,220,000
Series 2003-B	4.00%	165,000
G.O. Water System Warrant - 01-20-04 - 2004 DWSRF-DL	3.05%	2,615,000
G.O. Water System Warrant - 02-01-05 - 2005 DWSRF-DL	3.05%	2,425,000
G.O. Water System Warrant - 10-06-05 - 2005B DWSRF-BL	3.25%	1,365,000
G.O. Water System Warrant - 07-18-08 - 2008 DWSRF-DL	3.50%	-
G.O. Warrant - (a)		
Airport T-Hangar - 03-29-04	3.00%	151,584
Park and Recreation - Lessman Property - 11-28-01	7.00%	244,243
Capital Leases for Golf Course Equipment:		
Peoples Bank - 07-26-05	5.25%	16,702
CitiCapital Commercial Corp - 04-01-06	5.224%	24,280
CitiCapital Commercial Corp - 05-01-04	3.77%	5,035
CitiCapital Commercial Corp - 04-01-07	5.58%	36,345
National City Commercial Capital Company, LLC - 06-06-07	7.00%	93,327
CitiCapital Commercial Corp - 04-01-08	4.671%	-
		<u>\$ 51,701,516</u>
Less deferred amount on refundings		(333,385)
TOTAL G.O. WARRANTS/BONDS PAYABLE		<u>\$ 51,368,131</u>
Other Liabilities:		
Estimated compensated absences		411,511
		<u>\$ 51,779,642</u>
Less current portion		

STATEMENTS - CONTINUED

Activities			
<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2008</u>	<u>Due Within One Year</u>
\$ -	\$ (330,000)	\$ 5,510,000	\$ 340,000
-	(485,000)	8,305,000	500,000
-	(80,000)	1,310,000	80,000
-	(160,000)	3,490,000	165,000
-	(310,000)	640,000	315,000
-	(150,000)	3,630,000	155,000
-	(75,000)	515,000	80,000
-	(150,000)	3,960,000	155,000
3,595,000	-	3,595,000	-
-	(295,000)	3,660,000	310,000
-	-	1,775,000	-
-	(740,000)	5,575,000	765,000
-	(115,000)	2,080,000	120,000
-	(515,000)	705,000	705,000
-	(165,000)	-	-
-	(110,000)	2,505,000	115,000
-	(95,000)	2,330,000	100,000
-	(50,000)	1,315,000	55,000
1,200,000	-	1,200,000	45,000
-	(10,528)	141,056	10,927
-	(19,707)	224,536	21,131
-	(8,908)	7,794	7,794
-	(9,013)	15,267	9,495
-	(5,035)	-	-
-	(9,424)	26,921	9,964
-	(18,201)	75,126	16,513
51,528	(5,928)	45,600	12,279
<u>\$ 4,846,528</u>	<u>\$ (3,911,744)</u>	<u>\$ 52,636,300</u>	<u>\$ 4,093,103</u>
-	94,626	(238,759)	-
<u>\$ 4,846,528</u>	<u>\$ (3,817,118)</u>	<u>\$ 52,397,541</u>	<u>\$ 4,093,103</u>
290,966	(248,457)	454,020	82,385
<u>\$ 5,137,494</u>	<u>\$ (4,065,575)</u>	<u>\$ 52,851,561</u>	<u>\$ 4,175,488</u>

TOTAL LONG-TERM LIABILITIES (4,175,488)  
\$ 48,676,073

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, 2008, consist of the following:

\$ 13,515	Payable to the General Fund from the Golf Course (part of Parks and Recreation) representing expenditures paid by the General Fund in excess of the Golf Course's appropriations for the year
34,000	Payable to the Parks and Recreation from the General Fund representing payroll expenditures for September 2008 to be paid by General Fund
42,834	Payable to the General Fund from the Water System representing expenditures paid by the General Fund for the Water System
17,887	Payable to the General Fund from the Water System representing sanitation charges collected by the Water System for the General Fund
28,650	Payable to the General Fund from the Sewer Fund representing expenditures paid by the General Fund for the Sewer Fund
2,430	Payable to the Cullman Airport Board from the General Fund representing expenditures paid by the Cullman Airport Board for the General Fund
17,032	Payable to the Parks and Recreation from the General Fund representing lodging tax collected for parks and recreation
6,435,694	Payable to the Parks and Recreation from Debt Service for unspent proceeds on the 2007 G.O. Warrants
<u>86,762</u>	Other balances
<u>\$6,678,804</u>	

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

\$ 108,783	Interfund receivables, Balance Sheet – Governmental Funds
<u>6,570,021</u>	Interfund receivables, Balance Sheet – Proprietary Funds
<u>\$6,678,804</u>	

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

\$6,491,612	Interfund payables, Balance Sheet – Governmental Funds
(374,717)	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>561,909</u>	Interfund payables, Balance Sheet – Proprietary Funds
<u>\$6,678,804</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, 2008, consist of the following:

\$ 87,449	Payable to the General Fund from the Sewer Fund representing sewer system improvements paid by the General Fund
51,616	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
292,599	Payable to the General Fund from Parks and Recreation 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
439,107	Payable to the Debt Service Fund from the Sewer Fund representing the Sewer's portion of general obligation warrants
16,388,000	Payable to the Debt Service Fund from the Parks and Recreation representing the Parks and Recreation's portion of general obligation warrants
<u>758,106</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>\$18,149,377</u>	

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

\$ 564,164	Interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>17,585,213</u>	Restricted interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>\$18,149,377</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
8,369	Restricted interfund payables, Balance Sheet – Proprietary Funds
374,717	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>17,633,791</u>	Interfund payables – long-term, Balance Sheet – Proprietary Funds
<u>\$18,149,377</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, 2008, consist of the following:	
\$ 1,219,930	From the General Fund to the Debt Service Fund to pay debt service on the outstanding general obligation warrants (including \$152,197 in lodging tax collected for the Parks and Recreation Board)
169,441	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
2,039,432	From the General Fund to Parks and Recreation representing payments for payroll expenditures and to help supplement other fund sources
1,075,000	From the General Fund to the Industrial Access Road Fund (a nonmajor capital projects fund) to supplement other fund sources in the rehabilitation and widening of County Road 222 in conjunction with the Cullman County Commission and State of Alabama
179,104	From other governmental funds to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
582,150	From the Debt Service Fund to the Cullman Building Fund (a nonmajor capital project fund) to expend the G.O. Warrants Series 2007 proceeds in the construction of Fire Station # 2 on Main Avenue
7,901,334	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
7,901,334	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
1,019,965	From the Debt Service Fund to Parks and Recreation representing Parks and Recreation's portion of the principal and interest paid on the G.O. Warrants Series 2007
1,365,525	From the Water System to the Sewer System to supplement funds for debt service payments
9,903,031	From the Parks and Recreation Construction Fund (a nonmajor capital projects fund) to Parks and Recreation representing payments made for the construction of Parks and Recreation capital assets
<u>301,479</u>	Other
<u>\$33,657,725</u>	

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

\$19,060,784	Operating transfers in – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
<u>14,596,941</u>	Transfers in – Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds
<u>\$33,657,725</u>	

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

\$24,229,630	Operating transfers (out) – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
<u>9,428,095</u>	Operating transfers (out) – Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds
<u>\$33,657,725</u>	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VII. NET ASSETS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Invested in Capital Assets, Net of Related		
Liabilities:		
Capital Assets	\$ 42,572,717	\$ 103,074,849
Less: Accounts payable	(2,117,653)	(24,952)
Warrants/bonds payable	(26,507,017)	(48,221,833)
Less School Warrants not for capital assets	2,019,384	---
Capital leases payable	(187,500)	(170,708)
Interfund payables – long-term	---	(18,740,139)
Debt premium	(8,490)	(4,937)
Less School Warrants' debt premium	3,199	---
Add: State revolving funds receivable	---	7,560,637
Interfund receivables – long-term	17,585,213	6,435,684
Debt discount and expense	137,841	2,078,707
Prepaid interest	---	170,813
Less School Warrants' debt discount and expense	(44,410)	---
	<u>\$ 33,453,284</u>	<u>\$ 52,158,121</u>
Restricted for Debt Service and Capital Activity:		
Restricted cash equivalents and interest receivable	\$ 9,883,129	\$ 4,379,999
Less: Cash equivalents not restricted by an external party	---	(792,250)
Advances to other governments	1,730,575	---
Alabama Trust Fund capital improvements	785,267	---
Restricted state revolving funds receivable	---	690,526
Deductions:		
Liabilities payable from restricted assets	(1,000,782)	(5,012,495)
Interfund payables	(6,435,717)	---
Less: Liabilities payable from cash equivalents not restricted by an external party	---	1,590,846
	<u>\$ 4,962,472</u>	<u>\$ 856,626</u>
Other restricted net assets:		
Landfill improvements	\$ 881,756	\$ ---
Realty improvements and Ingle Park	69,030	---
Fiduciary	265	---
Endowments	100,908	---
Municipal Court equipment and training	34,598	---
Highways and streets	1,051,693	---
Industrial development and recreation	56,070	---
Jail/Correction facilities	146,570	---
Education	18,468	---
Parks and recreation	---	17,032
Unrestricted	<u>24,308,222</u>	<u>10,433,347</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 65,083,336</b></u>	<u><b>\$ 63,465,126</b></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, 2008 was 8.93 percent based on the actuarial valuation performed as of September 30, 2005.

#### X.C. ANNUAL PENSION COST

For the year ended September 30, 2008, the City's annual pension contribution of \$929,348 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, 2007 was 17 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>
9/30/05	\$678,273	100 %	\$ - 0 -
9/30/06	769,875	100	- 0 -
9/30/07	887,790	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 and sewer 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	\$157,988	\$559,008
Taxes in lieu	<u>40,737</u>	<u>- - -</u>
TOTALS	<u>\$198,725</u>	<u>\$559,008</u>

XIV. COMMITMENTS AND CONTINGENCIES

The City awarded a contract to Lose & Associates, Inc. in the amount of \$1,023,250 for architecture and engineering fees for the Wellness and Aquatic Center project. As of September 30, 2008, the City had incurred \$950,231 on the project.

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 \$14,442,854. As of September 30, 2008, the City had incurred \$9,614,646 on the project, which includes \$961,465 of retainage.

The City has an outstanding contract for the West Loop Waterline Phase I project at a cost of \$814,753. As of September 30, 2008, the Water Fund had incurred a total cost of \$806,908 on the contract, which includes \$20,531 of retainage.

The City has an outstanding contract for the Galvanized Waterline Replacement Phase I project at a cost of \$352,525. As of September 30, 2008, the City had incurred a total cost of \$249,570 on the contract.

The City has an outstanding contract for the Warnke Road and Woodland Tanks project at a cost of \$651,878. As of September 30, 2008, the City had incurred a total cost of \$651,878, which includes \$16,114 of retainage.

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, 2008, the City had incurred \$5,176,593 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 \$1,464,755. As of September 30, 2008, the City had incurred \$511,312 on the project, which includes \$25,566 of retainage.

The City awarded a contract for the West Loop Waterline Phase I project to C.D. Roberts Contracting, Inc. in the amount of \$131,091. As of September 30, 2008, the City had incurred \$130,549 on the project, which includes \$3,277 of retainage.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### XIV. COMMITMENTS AND CONTINGENCIES - CONTINUED

The City awarded a contract for the renovation of the men's restroom at the Wastewater Treatment Plant to Northwest Building Supply & Equipment Rental, Inc. in the amount of \$66,000. As of September 30, 2008, the City had incurred \$33,000 on the project, which includes \$3,300 of retainage.

The City awarded a contract for the construction of the Fire Station # 2 on Main Avenue to Eidson & Associates, Inc. in the amount of \$1,461,500. As of September 30, 2008, the City had incurred \$402,445 on the project, which includes \$40,245 of retainage.

The City awarded a contract for the Police Administration Building to Eidson & Associates, Inc. in the amount of \$2,199,000. As of September 30, 2008, the City had incurred \$88,020 on the project, which includes \$4,401 of retainage.

### XV. SUBSEQUENT EVENTS

The City awarded the following contracts/bids subsequent to September 30, 2008:

- 1) Awarded a contract in October 2008 to Rev Construction, Inc. for the Lake George Rehabilitation in the amount of \$270,400.
- 2) Awarded a contract in November 2008 to K & M Electrical Contractors in the amount of \$173,210 to provide electrical installation of the necessary equipment to provide "quick connect" capabilities for backup or standby generators at the water plant and the raw water pump station.
- 3) Awarded a contract in December 2008 to Apel Machine & Supply Co, Inc. for the Galvanized Waterline Replacement Phase II project in the amount of \$1,280,708.
- 4) Awarded a contract in March 2009 for a garbage truck to Ingram Equipment in the amount of \$156,885.
- 5) Awarded a contract in March 2009 for the traffic signal modification plans for U.S. Highway 31 and U.S. Highway 278 to Stone Electric in the amount of \$163,832.
- 6) Awarded a contract in April 2009 for the Fire Department's Hazmat Trailer to WBI Trailer Sales in the amount of \$80,948.
- 7) Awarded a contract in July 2009 for the water main relocation for downtown revitalization phase III to B & H Contracting, Inc. in the amount of \$79,940.
- 8) Awarded a contract in August 2009 for the Waterline Extension for Industrial Park # 5 to Jones Utility and Contracting Company in the amount of \$133,850.
- 9) Awarded a contract in August 2009 for the West Main Avenue widening and improvements to Wiregrass Construction, Inc. in the amount of \$834,791.
- 10) Awarded a contract in October 2009 for paving on Lee Avenue extension from Heritage Park to Cherokee Avenue to Powe General Contracting in the amount of \$148,032.
- 11) Awarded a contract in October 2009 for a traffic signal on Cherokee Avenue, SW to Shoals Electric Company in the amount of \$119,490.
- 12) Awarded a contract in November 2009 for Water, Sewer, and Base installation for lot 3-A Cullman Industrial Park V for Royal Technologies to Densmore Excavating in the amount of \$403,376.
- 13) Awarded a contract in November 2009 for the Waterline Main Replacement for Highway 157 to Apel Machine & Supply Co., Inc. in the amount of \$583,970.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XV. SUBSEQUENT EVENTS - CONTINUED

As of April 2009, the City passed a resolution to extend the contract with Goodwyn, Mills & Cawood, Inc. related to the City of Cullman Police Administration Building. The contract was extended for 70 calendar days and additional expenses of \$177,230 were approved.

As of April 2009, the City purchased a telephone system from Southeastern Telephones in the amount of \$99,120.

On May 28, 2009, the City exercised its Capital Lease with Greif, Inc. for the purchase of 11 acres of land more or less along with improvements thereon. The details of the purchase are as follows:

Contract price	\$3,000,000
Closing cost	<u>8,491</u>
Total purchase price	\$3,008,491
Less charitable donation by Greif, Inc.	<u>2,750,000</u>
Paid by City	<u>\$ 258,491</u>

The Capital Lease for the Greif property was reflected in the financial statements at \$250,000 during the fiscal year ended September 30, 2007. The City incurred additional land costs of \$45,018 during the fiscal year ended September 30, 2008. The intent to make the charitable contribution and acquisition of the entire property was contingent upon the clearance of environmental issues. Due to the uncertainty of environmental resolutions at the date the Capital Lease was executed, the charitable contribution will be recognized in the financial statements for the fiscal year ending September 30, 2009.

As of May 2009, the City passed a resolution authorizing the Fire Department to execute a grant application for services with FEMA for the "Assistance to Firefighters". The grant will provide 95% funding of a \$1,000,000 maximum grant total. The funds would be used to purchase an Aerial Truck for a total cost of \$1,200,000. The City of Cullman will provide 5% matching funds (\$50,000) and pay the balance of \$200,000 for a total of \$250,000.00.

As of June 2009, the City passed a resolution authorizing a change order to the Cullman Police Administration & Investigation building. The Council approved the \$18,883.00 change order.

As of June 2009, the City passed a resolution authorizing a change order for the Days Inn pump station & sewer upgrade. The Council approved the \$52,660.00 change order.

As of October 2009, the City passed a resolution allowing a change order for Days Inn Pump Station & Sewer upgrades for the total amount of \$46,964.00.

As of November 2009, the City passed a resolution authorizing the Mayor to sign a contract for professional services with Goodwyn, Mills & Cawood, Inc. for building demolition on Greif property. This project will be funded by a low interest loan with ADEM in the amount of \$624,000. Goodwyn, Mills & Cawood's fee will be approximately \$11,000 to \$13,500 for their services.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT PLAN  
For the Year Ended September 30, 2008

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]
**9/30/2002	\$22,596,367	\$24,562,364	\$1,965,997	92.0%	\$8,146,361	24.1%
***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

\* 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 June 20, 2003.

\*\*\* 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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 15,101,004	\$ 15,101,004	\$ 15,700,512	\$ 599,508
Licenses and permits	2,384,500	2,384,500	2,538,417	153,917
Intergovernmental revenues	1,819,000	1,843,900	1,724,926	(118,974)
Charges for services	3,281,400	3,281,400	3,405,927	124,527
Fines and forfeits	242,000	221,000	360,633	139,633
Miscellaneous revenues	716,000	716,000	755,725	39,725
<b>TOTAL REVENUES</b>	<b>\$ 23,543,904</b>	<b>\$ 23,547,804</b>	<b>\$ 24,486,140</b>	<b>\$ 938,336</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 4,497,326	\$ 4,486,570	\$ 3,699,068	\$ 787,502
Public safety	7,469,739	7,550,782	7,217,872	332,910
Highways and streets	1,874,057	1,867,989	1,728,151	139,838
Sanitation	3,008,546	3,115,848	3,252,276	(136,428)
Health and social services	703,659	703,659	717,728	(14,069)
Culture and recreation	279,364	280,703	232,387	48,316
Education	299,000	299,000	304,465	(5,465)
Conservation	370,335	383,495	215,509	167,986
Capital outlay	1,512,278	1,482,274	805,147	677,127
Debt service	60,000	60,000	60,000	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 20,074,304</b>	<b>\$ 20,230,320</b>	<b>\$ 18,232,603</b>	<b>\$ 1,997,717</b>
<b>REVENUES OVER EXPENDITURES</b>	<b>\$ 3,469,600</b>	<b>\$ 3,317,484</b>	<b>\$ 6,253,537</b>	<b>\$ 2,936,053</b>
<b>Other financing sources (uses):</b>				
Capital contributions	\$ 30,000	\$ 30,000	\$ 213,613	\$ 183,613
Sale of assets	30,000	30,000	-	(30,000)
Operating transfers in	-	-	94	94
Operating transfers (out)	(4,610,008)	(4,610,008)	(4,640,680)	(30,672)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (4,550,008)</b>	<b>\$ (4,550,008)</b>	<b>\$ (4,426,973)</b>	<b>\$ 123,035</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ (1,080,408)</b>	<b>\$ (1,232,524)</b>	<b>\$ 1,826,564</b>	<b>\$ 3,059,088</b>
Fund balances at October 1	23,538,634	23,538,634	23,538,634	-
<b>FUND BALANCES AT SEPTEMBER 30</b>	<b>\$ 22,458,226</b>	<b>\$ 22,306,110</b>	<b>\$ 25,365,198</b>	<b>\$ 3,059,088</b>

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, 2008

	Budget - Original and Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 5,285,000	\$ 5,150,081	\$ (134,919)
Miscellaneous revenues:			
Interest revenues	3,000	9,303	6,303
TOTAL REVENUES	\$ 5,288,000	\$ 5,159,384	\$ (128,616)
Expenditures:			
Current:			
Education	5,288,000	5,132,108	155,892
REVENUES OVER EXPENDITURES	\$ -	\$ 27,276	\$ 27,276
Fund (deficit) at October 1	(208,666)	(208,666)	-
FUND (DEFICIT) AT SEPTEMBER 30	\$ (208,666)	\$ (181,390)	\$ 27,276

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, 2008

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 sanitation expenditures were \$136,428 in excess of the budget amount due to an increase in sanitation services provided during the fiscal year. The sanitation charges for services were \$3,314,041, which was in excess of the total sanitation expenditures of \$3,252,276.

**SUPPLEMENTARY INFORMATION**

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - GENERAL FUND  
September 30, 2008

	<u>General</u>	<u>Payroll</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash equivalents	\$ 4,499,327	\$ 151,747	\$ 4,651,074
Certificates of deposit	18,946,231	-	18,946,231
Receivables (net of allowance for uncollectibles):			
Accounts	212,164	-	212,164
Assessments	658,831	-	658,831
Interest	67,448	-	67,448
Interfund receivables	104,101	-	104,101
Due from other governmental units:			
Cullman Power Board	198,725	-	198,725
Other	3,636,552	-	3,636,552
Inventories	61,786	-	61,786
Prepaid insurance	220,672	-	220,672
Prepaid unemployment taxes	8,211	-	8,211
Interfund receivables - long-term	686,909	(122,745)	564,164
Insurance deposit	113,307	-	113,307
TOTAL ASSETS	<u>\$ 29,414,264</u>	<u>\$ 29,002</u>	<u>\$ 29,443,266</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 350,417	\$ -	\$ 350,417
Accrued liabilities	-	29,002	29,002
Accrued payroll	362,999	-	362,999
Interfund payables	55,895	-	55,895
Due to other governmental units	124,438	-	124,438
Deferred revenues	2,981,160	-	2,981,160
Estimated liability for compensated absences	174,157	-	174,157
TOTAL LIABILITIES	<u>\$ 4,049,066</u>	<u>\$ 29,002</u>	<u>\$ 4,078,068</u>
Fund balances	25,365,198	-	25,365,198
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,414,264</u>	<u>\$ 29,002</u>	<u>\$ 29,443,266</u>

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GENERAL FUND  
Year ended September 30, 2008

	General	Cullman County Museum Board	Total
	<hr/>	<hr/>	<hr/>
Revenues:			
Taxes	\$ 15,700,512	\$ -	\$ 15,700,512
Licenses and permits	2,538,417	-	2,538,417
Intergovernmental revenues	1,724,926	-	1,724,926
Charges for services	3,405,927	-	3,405,927
Fines and forfeits	360,633	-	360,633
Miscellaneous revenues:			
Interest revenue	\$ 669,181	\$ -	\$ 669,181
Miscellaneous	86,544	-	86,544
TOTAL MISCELLANEOUS REVENUES	<hr/> \$ 755,725	<hr/> \$ -	<hr/> \$ 755,725
TOTAL REVENUES	\$ 24,486,140	\$ -	\$ 24,486,140
Expenditures:			
Current:			
General government:			
Administrative	\$ 2,503,503	\$ -	\$ 2,503,503
Building and housing	268,256	-	268,256
Garage	220,559	-	220,559
Public works	485,122	-	485,122
Planning	221,628	-	221,628
Total General Government	<hr/> \$ 3,699,068	<hr/> \$ -	<hr/> \$ 3,699,068
Public safety:			
Police	\$ 4,416,476	\$ -	\$ 4,416,476
Fire	2,360,877	-	2,360,877
Dispatch and EMA	440,519	-	440,519
Total Public Safety	<hr/> \$ 7,217,872	<hr/> \$ -	<hr/> \$ 7,217,872
Highways and streets	\$ 1,728,151	\$ -	\$ 1,728,151
Sanitation	3,252,276	-	3,252,276
Health and social services	717,728	-	717,728
Culture and recreation	232,387	-	232,387
Education	304,465	-	304,465
Conservation	215,509	-	215,509
TOTAL CURRENT EXPENDITURES	<hr/> \$ 17,367,456	<hr/> \$ -	<hr/> \$ 17,367,456

(Continued)

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GENERAL FUND - CONTINUED  
Year ended September 30, 2008

	General	Cullman County Museum Board	Total
Capital outlay:			
General government:			
Administrative	\$ 159,631	\$ -	\$ 159,631
Garage	4,100	-	4,100
Total General Government	<u>\$ 163,731</u>	<u>\$ -</u>	<u>\$ 163,731</u>
Public safety:			
Police	\$ 36,462	\$ -	\$ 36,462
Fire	247,050	-	247,050
Dispatch and EMA	25,241	-	25,241
Total Public Safety	<u>\$ 308,753</u>	<u>\$ -</u>	<u>\$ 308,753</u>
Highways and streets	\$ 92,171	\$ -	\$ 92,171
Sanitation	240,492	-	240,492
Conservation		-	-
TOTAL CAPITAL OUTLAY	<u>\$ 805,147</u>	<u>\$ -</u>	<u>\$ 805,147</u>
Debt service:			
Principal retirement	\$ 50,000	\$ -	\$ 50,000
Interest	10,000	-	10,000
TOTAL DEBT SERVICE	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>
TOTAL EXPENDITURES	<u>\$ 18,232,603</u>	<u>\$ -</u>	<u>\$ 18,232,603</u>
REVENUES OVER EXPENDITURES	\$ 6,253,537	\$ -	\$ 6,253,537
Other financing sources (uses):			
Capital contributions	\$ 213,613	\$ -	\$ 213,613
Operating transfers in	94	-	94
Operating transfers (out)	(4,640,586)	(94)	(4,640,680)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (4,426,879)</u>	<u>\$ (94)</u>	<u>\$ (4,426,973)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 1,826,658	\$ (94)	\$ 1,826,564
Fund balances at October 1	23,538,540	94	23,538,634
FUND BALANCES AT SEPTEMBER 30	<u>\$ 25,365,198</u>	<u>\$ -</u>	<u>\$ 25,365,198</u>

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2008

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash equivalents	\$ 613,034	\$ 198,995	\$ 12,711	\$ 824,740
Certificates of deposit	1,460,964	-	100,908	1,561,872
Interest receivable	8,886	29	108	9,023
Accounts receivable	-	9,000	-	9,000
Interfund receivable	4,605	-	-	4,605
Due from other governmental units	52,190	27,788	-	79,978
TOTAL ASSETS	<u>\$ 2,139,679</u>	<u>\$ 235,812</u>	<u>\$ 113,727</u>	<u>\$ 2,489,218</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable:				
Trade	\$ -	\$ 84,961	\$ -	\$ 84,961
Contractors	-	2,117,653	-	2,117,653
Interfund payables - long-term	-	132,500	-	132,500
Deferred revenue	22,486	-	-	22,486
TOTAL LIABILITIES	<u>\$ 22,486</u>	<u>\$ 2,335,114</u>	<u>\$ -</u>	<u>\$ 2,357,600</u>
Fund balances (deficit):				
Reserved for:				
Realty improvements and Ingle Park	\$ -	\$ -	\$ 12,819	\$ 12,819
Endowments	-	-	100,908	100,908
Unreserved	2,117,193	(2,099,302)	-	17,891
TOTAL FUND BALANCES (DEFICIT)	<u>\$ 2,117,193</u>	<u>\$ (2,099,302)</u>	<u>\$ 113,727</u>	<u>\$ 131,618</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 2,139,679</u>	<u>\$ 235,812</u>	<u>\$ 113,727</u>	<u>\$ 2,489,218</u>

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
Year ended September 30, 2008

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 202,039	\$ -	\$ -	\$ 202,039
Intergovernmental revenues	361,505	579	-	362,084
Fines and forfeits	69,439	-	-	69,439
Miscellaneous revenues:				
Interest revenues	55,674	5,281	3,132	64,087
TOTAL REVENUES	\$ 688,657	\$ 5,860	\$ 3,132	\$ 697,649
<b>Expenditures:</b>				
Current:				
General government	\$ 20	\$ 16,938	\$ -	\$ 16,958
Highways and streets	11,164	1,092,025	-	1,103,189
Capital outlay	157,011	905,876	-	1,062,887
Debt service:				
Principal retirement	-	100,000	-	100,000
Interest and fiscal charges	-	36,000	-	36,000
TOTAL EXPENDITURES	\$ 168,195	\$ 2,150,839	\$ -	\$ 2,319,034
REVENUES OVER (UNDER) EXPENDITURES	\$ 520,462	\$ (2,144,979)	\$ 3,132	\$ (1,621,385)
<b>Other financing sources (uses):</b>				
Capital contributions	\$ -	\$ 27,788	\$ -	\$ 27,788
Operating transfers in	-	9,751,283	-	9,751,283
Operating transfers (out)	(179,104)	(9,903,031)	-	(10,082,135)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (179,104)	\$ (123,960)	\$ -	\$ (303,064)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 341,358	\$ (2,268,939)	\$ 3,132	\$ (1,924,449)
Fund balances at October 1	1,775,835	169,637	110,595	2,056,067
FUND BALANCES (DEFICIT) AT SEPTEMBER 30	\$ 2,117,193	\$ (2,099,302)	\$ 113,727	\$ 131,618

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	\$ 250,831	\$ 73,624	\$ 6,814
Certificates of deposit	290,537	400,427	770,000
Interest receivable	98	335	8,453
Interfund receivable	-	-	-
Due from other governmental units	15,845	19,996	-
TOTAL ASSETS	\$ 557,311	\$ 494,382	\$ 785,267
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Deferred revenue	\$ 7,049	\$ 6,984	\$ 8,453
Fund balances	550,262	487,398	776,814
TOTAL LIABILITIES AND FUND BALANCES	\$ 557,311	\$ 494,382	\$ 785,267

ALABAMA  
SPECIAL REVENUE FUNDS -  
GOVERNMENTAL FUNDS  
2008

<u>Industrial Purpose</u>	<u>Lodging Tax</u>	<u>Corrections/ Court Fund</u>	<u>TOTALS</u>
\$ 56,070	\$ 83,730	\$ 141,965	\$ 613,034
-	-	-	1,460,964
-	-	-	8,886
-	-	4,605	4,605
-	16,349	-	52,190
<u>\$ 56,070</u>	<u>\$ 100,079</u>	<u>\$ 146,570</u>	<u>\$ 2,139,679</u>
\$ -	\$ -	\$ -	\$ 22,486
56,070	100,079	146,570	2,117,193
<u>\$ 56,070</u>	<u>\$ 100,079</u>	<u>\$ 146,570</u>	<u>\$ 2,139,679</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	100,089	159,990	101,426
Fines and forfeits	-	-	-
Miscellaneous revenues:			
Interest revenue	9,821	17,523	28,036
TOTAL REVENUES	\$ 109,910	\$ 177,513	\$ 129,462
Expenditures:			
Current:			
General government	\$ -	\$ -	\$ -
Highways and streets	-	11,164	-
Capital outlay	-	157,011	-
TOTAL EXPENDITURES	\$ -	\$ 168,175	\$ -
EXCESS OF REVENUES OVER EXPENDITURES	\$ 109,910	\$ 9,338	\$ 129,462
Other financing (uses):			
Operating transfers (out)	\$ -	\$ -	\$ -
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	\$ 109,910	\$ 9,338	\$ 129,462
Fund balances at October 1	440,352	478,060	647,352
FUND BALANCES AT SEPTEMBER 30	\$ 550,262	\$ 487,398	\$ 776,814

ALABAMA  
EXPENDITURES, AND CHANGES IN  
SPECIAL REVENUE FUNDS -  
GOVERNMENTAL FUNDS  
September 30, 2008

<u>Industrial Purpose</u>	<u>Lodging Tax</u>	<u>Corrections/ Court Fund</u>	<u>TOTALS</u>
\$ 12,500	\$ 189,539	\$ -	\$ 202,039
-	-	-	361,505
-	-	69,439	69,439
294	-	-	55,674
<u>\$ 12,794</u>	<u>\$ 189,539</u>	<u>\$ 69,439</u>	<u>\$ 688,657</u>
\$ -	\$ -	\$ 20	\$ 20
-	-	-	11,164
-	-	-	157,011
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 168,195</u>
\$ 12,794	\$ 189,539	\$ 69,419	\$ 520,462
\$ -	\$ (179,104)	\$ -	\$ (179,104)
\$ 12,794	\$ 10,435	\$ 69,419	\$ 341,358
43,276	89,644	77,151	1,775,835
<u>\$ 56,070</u>	<u>\$ 100,079</u>	<u>\$ 146,570</u>	<u>\$ 2,117,193</u>

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

	Industrial Park	Industrial Access Road
<b><u>ASSETS</u></b>		
Cash equivalents	\$ 41,462	\$ 60,713
Interest receivable	29	-
Accounts receivable	-	-
Due from other governmental units	-	-
TOTAL ASSETS	\$ 41,491	\$ 60,713
 <b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities:		
Accounts payable:		
Trade	\$ 110	\$ -
Contractors	-	-
Interfund payables - long-term	-	-
TOTAL LIABILITIES	\$ 110	\$ -
Fund balances (deficits)	41,381	60,713
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 41,491	\$ 60,713

ALABAMA  
 CAPITAL PROJECT FUNDS -  
 GOVERNMENTAL FUNDS  
 2008

<u>Park and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Cullman Building</u>	<u>Downtown Redevelopment</u>	<u>TOTALS</u>
\$ 16,456	\$ 77,468	\$ 949	\$ 1,947	\$ 198,995
-	-	-	-	29
9,000	-	-	-	9,000
-	27,788	-	-	27,788
<u>\$ 25,456</u>	<u>\$ 105,256</u>	<u>\$ 949</u>	<u>\$ 1,947</u>	<u>\$ 235,812</u>
\$ 39,279	\$ -	\$ 30,472	\$ 15,100	\$ 84,961
1,950,766	-	166,887	-	2,117,653
-	132,500	-	-	132,500
<u>\$ 1,990,045</u>	<u>\$ 132,500</u>	<u>\$ 197,359</u>	<u>\$ 15,100</u>	<u>\$ 2,335,114</u>
(1,964,589)	(27,244)	(196,410)	(13,153)	(2,099,302)
<u>\$ 25,456</u>	<u>\$ 105,256</u>	<u>\$ 949</u>	<u>\$ 1,947</u>	<u>\$ 235,812</u>

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

	Industrial Park	Industrial Access Road
Revenues:		
Intergovernmental revenues	\$ -	\$ 579
Miscellaneous revenues:		
Interest revenues	1,638	-
TOTAL REVENUES	\$ 1,638	\$ 579
Expenditures:		
Current:		
General government	\$ 15,218	\$ -
Highways and streets	-	1,092,025
Capital outlay	1,155	-
Debt service:		
Principal retirement	100,000	-
Interest and fiscal charges	36,000	-
TOTAL EXPENDITURES	\$ 152,373	\$ 1,092,025
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (150,735)	\$ (1,091,446)
Other financing sources (uses):		
Capital contributions	\$ -	\$ -
Operating transfers in	49,999	1,075,000
Operating transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 49,999	\$ 1,075,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ (100,736)	\$ (16,446)
Fund balances (deficits) at October 1	142,117	77,159
FUND BALANCES (DEFICITS) AT SEPTEMBER 30	\$ 41,381	\$ 60,713

ALABAMA  
EXPENDITURES AND CHANGES IN  
CAPITAL PROJECT FUNDS -  
GOVERNMENTAL FUNDS  
September 30, 2008

<u>Park and Recreation Construction</u>	<u>Transportation Enhancement</u>	<u>Cullman Building</u>	<u>Downtown Redevelopment</u>	<u>TOTALS</u>
\$ -	\$ -	\$ -	\$ -	\$ 579
1,808	1,774	-	61	5,281
<u>\$ 1,808</u>	<u>\$ 1,774</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 5,860</u>
\$ -	\$ -	\$ 1,720	\$ -	\$ 16,938
-	-	-	-	1,092,025
-	4,979	779,728	120,014	905,876
-	-	-	-	100,000
-	-	-	-	36,000
<u>\$ -</u>	<u>\$ 4,979</u>	<u>\$ 781,448</u>	<u>\$ 120,014</u>	<u>\$ 2,150,839</u>
\$ 1,808	\$ (3,205)	\$ (781,448)	\$ (119,953)	\$ (2,144,979)
\$ -	\$ 27,788	\$ -	\$ -	\$ 27,788
7,937,334	-	582,150	106,800	9,751,283
(9,903,031)	-	-	-	(9,903,031)
<u>\$ (1,965,697)</u>	<u>\$ 27,788</u>	<u>\$ 582,150</u>	<u>\$ 106,800</u>	<u>\$ (123,960)</u>
\$ (1,963,889)	\$ 24,583	\$ (199,298)	\$ (13,153)	\$ (2,268,939)
(700)	(51,827)	2,888	-	169,637
<u>\$ (1,964,589)</u>	<u>\$ (27,244)</u>	<u>\$ (196,410)</u>	<u>\$ (13,153)</u>	<u>\$ (2,099,302)</u>

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND)  
September 30, 2008

	<u>Water Department</u>	<u>Utilities Board Water Division</u>	<u>Elimination</u>	<u>TOTALS</u>
<b>ASSETS</b>				
Current assets:				
Cash equivalents	\$ 6,889,417	\$ 242,106	\$ -	\$ 7,131,523
Certificates of deposit	2,556,366	-	-	2,556,366
Interest receivable	10,094	-	-	10,094
Accounts receivable	280,458	50	-	280,508
Interfund receivables	515	457,573	(457,315)	773
Due from other governmental units:				
Cullman Power Board	243,167	-	-	243,167
Other	221,453	-	-	221,453
Inventories	249,928	-	-	249,928
Prepaid insurance	28,471	30,148	-	58,619
Prepaid interest	6,490	-	-	6,490
Prepaid utility tax	18,874	-	-	18,874
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 10,505,233</b>	<b>\$ 729,877</b>	<b>\$ (457,315)</b>	<b>\$ 10,777,795</b>
Restricted assets:				
Cash equivalents	\$ 1,892,410	\$ 1,610,903	\$ -	\$ 3,503,313
State revolving funds receivable	3,247,435	-	-	3,247,435
Interest receivable	-	1,055	-	1,055
<b>TOTAL RESTRICTED ASSETS</b>	<b>\$ 5,139,845</b>	<b>\$ 1,611,958</b>	<b>\$ -</b>	<b>\$ 6,751,803</b>
Capital assets:				
Land	\$ 185,844	\$ 483,960	\$ -	\$ 669,804
Buildings	68,450	6,432,731	-	6,501,181
Improvements other than buildings	27,075,635	8,650,519	-	35,726,154
Machinery and equipment	1,239,330	7,218,624	-	8,457,954
Less accumulated depreciation	(12,370,833)	(10,669,611)	-	(23,040,444)
	<b>\$ 16,198,426</b>	<b>\$ 12,116,223</b>	<b>\$ -</b>	<b>\$ 28,314,649</b>
Construction in progress	2,245,429	3,233,071	-	5,478,500
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 18,443,855</b>	<b>\$ 15,349,294</b>	<b>\$ -</b>	<b>\$ 33,793,149</b>
Other assets:				
Deferred debt expense	\$ 325,178	\$ 191,728	\$ -	\$ 516,906
Interfund receivables - long-term	783,246	-	(783,246)	-
<b>TOTAL OTHER ASSETS</b>	<b>\$ 1,108,424</b>	<b>\$ 191,728</b>	<b>\$ (783,246)</b>	<b>\$ 516,906</b>
<b>TOTAL ASSETS</b>	<b>\$ 35,197,357</b>	<b>\$ 17,882,857</b>	<b>\$ (1,240,561)</b>	<b>\$ 51,839,653</b>

(Continued)

**CITY OF CULLMAN, ALABAMA**  
**COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED**  
September 30, 2008

	<u>Water Department</u>	<u>Utilities Board Water Division</u>	<u>Elimination</u>	<u>TOTALS</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Current liabilities:				
Accounts payable	\$ 75,554	\$ 210,344	\$ -	\$ 285,898
Utility tax payable	21,006	-	-	21,006
Interfund payables	600,535	-	(457,315)	143,220
Accrued payroll	24,541	31,734	-	56,275
Estimated compensated absences - current portion	13,689	25,909	-	39,598
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 735,325</b>	<b>\$ 267,987</b>	<b>\$ (457,315)</b>	<b>\$ 545,997</b>
Liabilities payable from restricted assets:				
Accounts payable - contractor	\$ 81,180	\$ -	\$ -	\$ 81,180
Accrued interest payable	159,244	26,234	-	185,478
Current maturities on long-term liabilities	1,200,000	1,015,000	-	2,215,000
<b>TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>\$ 1,440,424</b>	<b>\$ 1,041,234</b>	<b>\$ -</b>	<b>\$ 2,481,658</b>
Long-term liabilities:				
Warrants/bonds payable	\$ 13,683,948	\$ 5,088,489	\$ -	\$ 18,772,437
Estimated compensated absences	37,225	91,023	-	128,248
Interfund payables	-	783,246	(783,246)	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 13,721,173</b>	<b>\$ 5,962,758</b>	<b>\$ (783,246)</b>	<b>\$ 18,900,685</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 15,896,922</b>	<b>\$ 7,271,979</b>	<b>\$ (1,240,561)</b>	<b>\$ 21,928,340</b>
Net assets:				
Invested in capital assets, net of related liabilities	\$ 8,257,830	\$ 9,669,287	\$ -	\$ 17,927,117
Restricted for debt service and capital activity	533,166	570,724	-	1,103,890
Unrestricted	10,509,439	370,867	-	10,880,306
<b>TOTAL NET ASSETS</b>	<b>\$ 19,300,435</b>	<b>\$ 10,610,878</b>	<b>\$ -</b>	<b>\$ 29,911,313</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 35,197,357</b>	<b>\$ 17,882,857</b>	<b>\$ (1,240,561)</b>	<b>\$ 51,839,653</b>

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - WATER SYSTEM (PROPRIETARY FUND)  
Year ended September 30, 2008

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Operating revenues:				
Charges for sales and services	\$ 7,726,268	\$ 3,766,439	\$ (3,766,439)	\$ 7,726,268
Charges for service connections	158,955	-	-	158,955
Service charges	60,083	-	-	60,083
Miscellaneous	36,852	600	-	37,452
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 7,982,158</b>	<b>\$ 3,767,039</b>	<b>\$ (3,766,439)</b>	<b>\$ 7,982,758</b>
Cost of purchased water	\$ 3,766,439	\$ -	\$ (3,766,439)	\$ -
Operating expenses:				
Salaries and wages	\$ 496,845	\$ 712,035	\$ -	\$ 1,208,880
Payroll taxes	35,810	53,241	-	89,051
Employees retirement	45,220	100,875	-	146,095
Employees insurance	78,543	128,837	-	207,380
Telephone	11,452	4,870	-	16,322
Utilities	19,564	691,202	-	710,766
Billing, accounting, and collection fees	62,799	-	-	62,799
Office supplies and expenses	20,020	25,139	-	45,159
Professional services	19,727	13,160	-	32,887
Engineering services	30,212	-	-	30,212
Other contracted services	21,757	41,633	-	63,390
Testing services	13,130	4,951	-	18,081
Dues and subscriptions	1,613	968	-	2,581
Travel, registrations, and education	2,136	7,298	-	9,434
Advertisements	-	8,691	-	8,691
Uniforms	5,017	4,488	-	9,505
Small tools and equipment	18,301	4,466	-	22,767
Chemicals and supplies	3,862	358,469	-	362,331
Repairs and maintenance - system and equipment	339,007	177,352	-	516,359
Gas, fuel, and oil	50,479	12,137	-	62,616
Insurance	45,861	39,196	-	85,057
Miscellaneous	1,607	2,295	-	3,902
Director's fees and expenses	-	12,650	-	12,650
Depreciation	591,527	457,828	-	1,049,355
<b>TOTAL COST OF PURCHASED WATER AND OPERATING EXPENSES</b>	<b>\$ 5,680,928</b>	<b>\$ 2,861,781</b>	<b>\$ (3,766,439)</b>	<b>\$ 4,776,270</b>
<b>OPERATING INCOME</b>	<b>\$ 2,301,230</b>	<b>\$ 905,258</b>	<b>\$ -</b>	<b>\$ 3,206,488</b>

(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, 2008

	<u>Water Department</u>	<u>Utilities Board Water Division</u>	<u>Elimination</u>	<u>TOTALS</u>
Nonoperating revenues (expenses):				
Interest earned	\$ 307,405	\$ 38,446	\$ -	\$ 345,851
Interest expense	(489,453)	(173,977)	-	(663,430)
Amortization of debt expense	(23,486)	(33,205)	-	(56,691)
Paying agent/trustee fees	(3,180)	(9,925)	-	(13,105)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ (208,714)</u>	<u>\$ (178,661)</u>	<u>\$ -</u>	<u>\$ (387,375)</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>\$ 2,092,516</u>	<u>\$ 726,597</u>	<u>\$ -</u>	<u>\$ 2,819,113</u>
Transfers	(1,365,525)	-	-	(1,365,525)
NET INCREASE IN NET ASSETS	<u>\$ 726,991</u>	<u>\$ 726,597</u>	<u>\$ -</u>	<u>\$ 1,453,588</u>
Net assets - October 1	18,573,444	9,884,281	-	28,457,725
NET ASSETS AT SEPTEMBER 30	<u>\$ 19,300,435</u>	<u>\$ 10,610,878</u>	<u>\$ -</u>	<u>\$ 29,911,313</u>

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	\$ 8,217,864
Cash payments for purchased water	(3,727,898)
Cash payments for operating expenses	(771,450)
Cash payments to employees	<u>(484,952)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,233,564
Cash flows from noncapital and related financing activities:	
Interfund transfers	\$ (1,365,525)
Cash flows from capital and related financing activities:	
Interfund receivables - long-term	\$ (176,916)
Acquisition and construction of capital assets	(1,739,309)
Interest paid	(479,522)
Fiscal charges	(3,180)
Proceeds from long-term debt	996,285
Principal payments of long-term debt	<u>(1,110,000)</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (2,512,642)
Cash flows from investing activities:	
Proceeds from certificates of deposit	\$ 4,887,565
Interest received	317,622
Payments for purchase of certificates of deposit	<u>(4,902,984)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 302,203</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (342,400)
Cash and cash equivalents at beginning of year	<u>9,124,227</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 8,781,827</u></u>
Cash and cash equivalents consisted of the following:	
Cash equivalents - current asset	<u>\$ 6,889,417</u>
Cash equivalents - restricted asset	1,892,410
TOTALS	<u><u>\$ 8,781,827</u></u>

ALABAMA  
 CASH FLOWS -  
 (PROPRIETARY FUND)  
 September 30, 2008  
 Cash and Cash Equivalents

Utilities Board Water Division	Elimination	TOTALS
\$ 3,728,731	\$ (3,727,898)	\$ 8,218,697
-	3,727,898	-
(1,646,494)	-	(2,417,944)
(693,292)	-	(1,178,244)
<hr/>		
\$ 1,388,945	\$ -	\$ 4,622,509
\$ -	\$ -	\$ (1,365,525)
\$ 176,916	\$ -	\$ -
(527,146)	-	(2,266,455)
(131,083)	-	(610,605)
(9,925)	-	(13,105)
-	-	996,285
(975,000)	-	(2,085,000)
<hr/>		
\$ (1,466,238)	\$ -	\$ (3,978,880)
\$ -	\$ -	\$ 4,887,565
41,793	-	359,415
-	-	(4,902,984)
<hr/>		
\$ 41,793	\$ -	\$ 343,996
\$ (35,500)	\$ -	\$ (377,900)
1,888,509	-	11,012,736
<hr/>		
\$ 1,853,009	\$ -	\$ 10,634,836

Utilities Board Water Division	Elimination	TOTALS
\$ 242,106	\$ -	\$ 7,131,523
1,610,903	-	3,503,313
<hr/>		
\$ 1,853,009	\$ -	\$ 10,634,836

CITY OF CULLMAN,  
COMBINING SCHEDULE OF CASH FLOWS  
WATER SYSTEM

Year ended  
Increase (Decrease) in Cash

	Water Department
Cash flows from operating activities:	
Operating income	\$ 2,301,230
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	591,527
Accounts receivable	(160,739)
Interfund receivables	9,067
Due from other governments	361,677
Inventories	(62,435)
Prepaid insurance	(2,909)
Prepaid utility tax	(8,025)
Accounts payable	9,802
Utility tax payable	5,658
Interfund payables	176,819
Accrued payroll	6,121
Compensated absences	5,771
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,233,564

ALABAMA  
FROM OPERATING ACTIVITIES -  
(PROPRIETARY FUND)  
September 30, 2008  
and Cash Equivalents

<u>Utilities Board</u> <u>Water Division</u>	<u>TOTALS</u>
\$ 905,258	\$ 3,206,488
457,828	1,049,355
-	(160,739)
(38,308)	(29,241)
-	361,677
-	(62,435)
(4,848)	(7,757)
-	(8,025)
50,279	60,081
-	5,658
(8)	176,811
7,975	14,096
10,769	16,540
<u>\$ 1,388,945</u>	<u>\$ 4,622,509</u>

CITY OF  
COMBINING BALANCE SHEET - PARKS  
September 30,

	<u>Parks and Recreation</u>
<b><u>ASSETS</u></b>	
Current assets:	
Cash equivalents	\$ 73,210
Accounts receivable	1,098
Credit cards receivable	-
Interfund receivables	17,032
Due from other governmental units	13,194
Prepaid senior trip expenses	65,724
Prepaid insurance	-
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 170,258</b>
Capital assets:	
Land	\$ 1,050,263
Buildings	3,070,130
Improvements other than buildings	6,685,603
Machinery and equipment	467,740
Less accumulated depreciation	(3,383,913)
	<b>\$ 7,889,823</b>
Construction in progress	-
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 7,889,823</b>
Other assets:	
Deferred debt expense	\$ -
Utility deposits	275
<b>TOTAL OTHER ASSETS</b>	<b>\$ 275</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,060,356</b>

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)  
2008

<u>Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>TOTALS</u>
\$ 12,082	\$ -	\$ 54,181	\$ 139,473
-	-	-	1,098
1,920	-	-	1,920
10	6,435,684	34,000	6,486,726
-	-	-	13,194
-	-	-	65,724
3,886	-	-	3,886
<u>\$ 17,898</u>	<u>\$ 6,435,684</u>	<u>\$ 88,181</u>	<u>\$ 6,712,021</u>
\$ 281,791	\$ -	\$ -	\$ 1,332,054
1,071,050	-	-	4,141,180
621,791	-	-	7,307,394
631,849	-	-	1,099,589
(1,402,162)	-	-	(4,786,075)
<u>\$ 1,204,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,094,142</u>
-	11,091,321	-	11,091,321
<u>\$ 1,204,319</u>	<u>\$ 11,091,321</u>	<u>\$ -</u>	<u>\$ 20,185,463</u>
\$ 12,077	\$ 340,721	\$ -	\$ 352,798
635	-	-	910
<u>\$ 12,712</u>	<u>\$ 340,721</u>	<u>\$ -</u>	<u>\$ 353,708</u>
<u>\$ 1,234,929</u>	<u>\$ 17,867,726</u>	<u>\$ 88,181</u>	<u>\$ 27,251,192</u>

CITY OF  
COMBINING BALANCE SHEET - PARKS AND  
September 30,

	Parks and Recreation
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Current liabilities:	
Accounts payable	\$ 118,117
Interfund payables	60,000
Interest payable	-
Accrued payroll	-
Estimated compensated absences - current portion	14,951
Current portion of warrants payable	21,131
Current portion of capital leases payable	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 214,199</b>
Deferred credits:	
Debt premium	\$ -
Deferred revenue	95,380
<b>TOTAL DEFERRED CREDITS</b>	<b>\$ 95,380</b>
Long-term liabilities:	
Warrants	\$ 203,405
Deferred loss on refunding	-
Capital leases payable	-
Estimated compensated absences	99,739
Interfund payables	232,599
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 535,743</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 845,322</b>
Net assets (deficit):	
Invested in capital assets, net of related liabilities	\$ 7,372,688
Unrestricted	(157,654)
<b>TOTAL NET ASSETS</b>	<b>\$ 7,215,034</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,060,356</b>

CULLMAN, ALABAMA  
RECREATION (PROPRIETARY FUND) - CONTINUED  
2008

<u>Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>TOTALS</u>
\$ 36,129	\$ -	\$ 11,000	\$ 165,246
15,233	313,000	-	388,233
9,765	176,574	-	186,339
-	-	62,676	62,676
6,330	-	-	21,281
-	-	-	21,131
56,045	-	-	56,045
<u>\$ 123,502</u>	<u>\$ 489,574</u>	<u>\$ 73,676</u>	<u>\$ 900,951</u>
\$ 4,937	\$ -	\$ -	\$ 4,937
-	-	-	95,380
<u>\$ 4,937</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,317</u>
\$ -	\$ -	\$ -	\$ 203,405
(44,142)	-	-	(44,142)
114,663	-	-	114,663
41,176	-	-	140,915
756,388	16,075,000	-	17,063,987
<u>\$ 868,085</u>	<u>\$ 16,075,000</u>	<u>\$ -</u>	<u>\$ 17,478,828</u>
<u>\$ 996,524</u>	<u>\$ 16,564,574</u>	<u>\$ 73,676</u>	<u>\$ 18,480,096</u>
\$ 326,787	\$ 1,479,726	\$ -	\$ 9,179,201
(88,382)	(176,574)	14,505	(408,105)
<u>\$ 238,405</u>	<u>\$ 1,303,152</u>	<u>\$ 14,505</u>	<u>\$ 8,771,096</u>
<u>\$ 1,234,929</u>	<u>\$ 17,867,726</u>	<u>\$ 88,181</u>	<u>\$ 27,251,192</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	\$ 1,001,692	\$ 571,568
Lodging tax	172,566	-
Miscellaneous	38,800	11,741
TOTAL OPERATING REVENUES	<u>\$ 1,213,058</u>	<u>\$ 583,309</u>
Cost of operating revenues	\$ 162,158	\$ 29,542
Operating expenses:		
Salaries and wages	\$ 1,020,803	\$ 336,206
Nonemployee compensation	7,174	1,731
Officials and instructors	97,290	-
Payroll taxes	74,776	25,363
Employees retirement	66,071	19,208
Employees insurance	120,933	28,792
Employees compensated absences	9,965	5,961
Telephone	24,726	1,551
Utilities	242,796	26,124
Office supplies and expenses	23,080	4,410
Tournament fees	15,504	-
Community concerts	5,991	-
Senior programs	122,880	-
Dues and subscriptions	2,942	-
Travel, registrations, and education	24,178	-
Public relations	5,659	-
Printing and advertising	14,882	-
Small tools and equipment	5,917	603
Chemicals and supplies	148,861	63,996
Repairs and maintenance - system and equipment	272,044	58,186
Gas, fuel, and oil	32,198	23,443
Insurance	63,014	9,508
Miscellaneous	51,407	4,267
Depreciation	328,778	75,748
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	<u>\$ 2,944,027</u>	<u>\$ 714,639</u>
OPERATING (LOSS)	<u>\$ (1,730,969)</u>	<u>\$ (131,330)</u>

(Continued)

CULLMAN, ALABAMA  
REVENUES, EXPENSES, AND CHANGES  
AND RECREATION (PROPRIETARY FUND)  
September 30, 2008

<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>Golf Course Debt Service - 1998 and 2003 Warrants</u>	<u>Lessman Warrants Debt Service</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,573,260
-	-	-	-	-	172,566
-	-	-	-	-	50,541
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,796,367
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,700
\$ -	\$ 1,357,008	\$ -	\$ -	\$ (1,357,009)	\$ 1,357,008
-	-	-	-	-	8,905
-	-	-	-	-	97,290
-	100,085	-	-	(100,085)	100,139
-	85,279	-	-	(85,279)	85,279
-	148,908	-	-	(148,908)	149,725
-	-	-	-	-	15,926
-	-	-	-	-	26,277
-	-	-	-	-	268,920
-	-	-	-	-	27,490
-	-	-	-	-	15,504
-	-	-	-	-	5,991
-	-	-	-	-	122,880
-	-	-	-	-	2,942
-	-	-	-	-	24,178
-	-	-	-	-	5,659
-	-	-	-	-	14,882
-	-	-	-	-	6,520
-	-	-	-	-	212,857
-	49	-	-	(49)	330,230
-	-	-	-	-	55,641
-	-	-	-	-	72,522
-	-	-	-	-	55,674
-	-	-	-	-	404,526
\$ -	\$ 1,691,329	\$ -	\$ -	\$ (1,691,330)	\$ 3,658,665
\$ -	\$ (1,691,329)	\$ -	\$ -	\$ 1,691,330	\$ (1,862,298)

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	\$ 852	\$ 956
Interest expense	(16,515)	(45,173)
Amortization of debt expense	-	(1,805)
Sale of assets	(300)	-
Capital outlay	-	-
Debt service expenditures:		
Principal retirement	-	-
Interest and fiscal charges	-	-
	<hr/>	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (15,963)	\$ (46,022)
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	\$ (1,746,932)	\$ (177,352)
Transfers in:		
General Fund	\$ -	\$ -
Capital Project Funds	-	-
Debt Service Funds	36,181	3,366
Parks and Recreation/Golf Course Payroll	1,394,126	649,890
Golf Course	281,392	-
Wellness and Aquatic Center	1,430,398	-
Transfers out:		
Debt Service Funds	(152,197)	-
Parks and Recreation Board	-	(281,392)
	<hr/>	<hr/>
TOTAL TRANSFERS IN (OUT)	\$ 2,989,900	\$ 371,864
NET INCREASE (DECREASE) IN NET ASSETS	\$ 1,242,968	\$ 194,512
Net assets (deficit) - October 1	5,972,066	43,893
NET ASSETS AT SEPTEMBER 30	<u>\$ 7,215,034</u>	<u>\$ 238,405</u>

NOTE:

The "Parks and Recreation" and "Golf Course" 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, 2008

<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>Golf Course Debt Service - 1998 and 2003 Warrants</u>	<u>Lessman Warrants Debt Service</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ -	\$ 720	\$ 11	\$ -	\$ -	\$ 2,539
(275,723)	-	-	-	-	(337,411)
(12,389)	-	-	-	-	(14,194)
-	-	-	-	-	(300)
-	(91,175)	-	-	91,175	-
-	-	-	(19,706)	19,706	-
-	-	-	(16,475)	16,475	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (288,112)	\$ (90,455)	\$ 11	\$ (36,181)	\$ 127,356	\$ (349,366)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (288,112)	\$ (1,781,784)	\$ 11	\$ (36,181)	\$ 1,818,686	\$ (2,211,664)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ 2,039,432	\$ 60,000	\$ 36,181	\$ -	\$ 2,135,613
9,903,031	-	-	-	-	9,903,031
1,019,965	-	-	-	(36,181)	1,023,331
-	-	-	-	(2,044,016)	-
-	-	-	-	(281,392)	-
-	-	-	-	(1,430,398)	-
(7,901,334)	(254,111)	(9,039)	-	254,111	(8,062,570)
(1,430,398)	(7,400)	-	-	1,719,190	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,591,264	\$ 1,777,921	\$ 50,961	\$ 36,181	\$ (1,818,686)	\$ 4,999,405
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,303,152	\$ (3,863)	\$ 50,972	\$ -	\$ -	\$ 2,787,741
-	18,368	(50,972)	-	-	5,983,355
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,303,152	\$ 14,505	\$ -	\$ -	\$ -	\$ 8,771,096
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CITY OF CULLMAN, ALABAMA  
SCHEDULE OF GENERAL OBLIGATION WARRANTS  
September 30, 2008

GENERAL OBLIGATION WARRANTS

<u>Dated 7-1-94</u>			
<u>Maturing July 1</u>			
<u>Fiscal</u> <u>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>
2009	6.00%	\$ 50,000	\$ 14,233
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
<b>TOTALS</b>		<u>\$ 250,000</u>	<u>\$ 41,213</u>

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

<u>Dated 2-01-03</u>			
<u>Maturing March 1</u>			
<u>Fiscal</u> <u>Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u> <u>of Maturity</u>	<u>Amount</u> <u>of Interest</u>
2009	3.00%	\$ 325,000	\$ 72,748
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
<b>TOTALS</b>		<u>\$ 2,120,000</u>	<u>\$ 252,794</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, 2008

GENERAL OBLIGATION WARRANTS			
Series 2003-B Dated 7-01-03			
Maturing November 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2009	2.10%	\$ 175,000	\$ 27,860
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	\$ 1,125,000	\$ 97,579

GENERAL OBLIGATION WARRANT			
Dated 2-17-04			
Maturing February 17			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2009	6.00%	\$ 100,000	\$ 30,000
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	\$ 500,000	\$ 90,000

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, 2008

<u>GENERAL OBLIGATION WARRANTS</u>			
Series 2007 Dated 2-01-07			
Maturing July 1			
<u>Fiscal Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u> <u>of Maturity</u>	<u>Amount</u> <u>of Interest</u>
2009	4.00 %	\$ 430,000	\$ 971,523
2010	3.68	450,000	954,323
2011	4.00	465,000	937,762
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
	<u>TOTALS</u>	<u>\$ 22,555,000</u>	<u>\$ 16,758,964</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, 2008

GENERAL OBLIGATION WARRANTS			
Dated 5-01-08			
Maturing November 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2009	2.70%	\$ 19,443	\$ 2,356
2010	2.70	21,766	2,234
2011	2.70	22,361	1,639
2012	2.70	22,972	1,028
2013	2.70	23,600	400
2014	2.70	1,978	5
	TOTALS	\$ 112,120	\$ 7,662

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, 2008

GENERAL OBLIGATION SEWER WARRANT

Series 1999-SRF Dated 7-1-99

Maturing February 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>
2009	3.50%	\$ 340,000	\$ 186,900
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>\$ 5,510,000</u>	<u>\$ 1,347,675</u>

GENERAL OBLIGATION SEWER WARRANT

Series 2000-SRF Dated 12-22-99

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>
2009	3.85%	\$ 500,000	\$ 319,743
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>\$ 8,305,000</u>	<u>\$ 2,410,485</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, 2008

<u>GENERAL OBLIGATION SEWER WARRANT</u>			
<u>Series 2002-SRF Dated 02-01-02</u>			
<u>Maturing August 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>
2009	3.50%	\$ 80,000	\$ 45,850
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>\$ 1,310,000</u>	<u>\$ 343,875</u>

<u>GENERAL OBLIGATION SEWER WARRANT</u>			
<u>Series 2002-SRF Dated 11-10-02</u>			
<u>Maturing August 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>
2009	3.50%	\$ 165,000	\$ 122,150
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>\$ 3,490,000</u>	<u>\$ 1,127,875</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, 2008

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
2009	3.00%	\$ 315,000	\$ 20,500
2010	3.40	325,000	11,050
	TOTALS	<u>\$ 640,000</u>	<u>\$ 31,550</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
2009	3.05%	\$ 155,000	\$ 108,351
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>\$ 3,630,000</u>	<u>\$ 1,083,817</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, 2008

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
2009	2.85%	\$ 80,000	\$ 14,677
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	\$ 515,000	\$ 52,867

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
2009	3.05%	\$ 155,000	\$ 118,416
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	\$ 3,960,000	\$ 1,259,192

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, 2008

<u>GENERAL OBLIGATION SEWER WARRANT</u>			
Series 2008-CWSRF-DL Dated 07-18-08			
Maturing February 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>
2009	3.50	\$ -	\$ -
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
<b>TOTALS</b>		<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, 2008

<u>WATER REVENUE WARRANTS</u>				<u>GENERAL OBLIGATION WARRANT</u>			
Series 2001 Dated 12-01-01				Series 2002-SRF Dated 8-03-02			
Maturing October 1				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>	<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>
2009	4.10%	\$ 765,000	\$ 232,532	2009	3.50%	\$ 120,000	\$ 72,800
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
<b>TOTALS</b>		<u>\$ 5,575,000</u>	<u>\$1,147,697</u>	<b>TOTALS</b>		<u>\$2,080,000</u>	<u>\$ 586,775</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, 2008

GENERAL OBLIGATION WATER SYSTEM WARRANT				GENERAL OBLIGATION WATER SYSTEM WARRANT			
Series 2004-DWSRF-DL Dated 01-20-04				Series 2005-DWSRF-DL Dated 02-01-05			
Maturing February 15				Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest	Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2009	3.05%	\$ 115,000	\$ 74,649	2009	3.05%	\$ 100,000	\$ 69,540
2010	3.05	120,000	71,065	2010	3.05	100,000	66,490
2011	3.05	120,000	67,405	2011	3.05	105,000	63,364
2012	3.05	125,000	63,669	2012	3.05	110,000	60,085
2013	3.05	130,000	59,780	2013	3.05	110,000	56,730
2014	3.05	135,000	55,739	2014	3.05	115,000	53,299
2015	3.05	135,000	51,621	2015	3.05	120,000	49,715
2016	3.05	140,000	47,428	2016	3.05	120,000	46,055
2017	3.05	145,000	43,081	2017	3.05	125,000	42,319
2018	3.05	150,000	38,583	2018	3.05	130,000	38,430
2019	3.05	155,000	33,931	2019	3.05	135,000	34,389
2020	3.05	160,000	29,128	2020	3.05	140,000	30,195
2021	3.05	165,000	24,171	2021	3.05	145,000	25,849
2022	3.05	170,000	19,062	2022	3.05	145,000	21,426
2023	3.05	175,000	13,801	2023	3.05	150,000	16,927
2024	3.05	180,000	8,387	2024	3.05	155,000	12,276
2025	3.05	185,000	2,821	2025	3.05	160,000	7,472
				2026	3.05	165,000	2,516
		<u>TOTALS</u>	<u>\$ 704,321</u>			<u>TOTALS</u>	<u>\$ 697,077</u>
		<u>\$2,505,000</u>				<u>\$2,330,000</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, 2008

<u>WATER REVENUE BONDS</u>			
DWSRF Series 1998 Dated 2-01-99			
Maturing August 15			
<u>Fiscal Year</u>	<u>Interest</u>	<u>Amount of</u>	<u>Amount of</u>
<u>Maturing</u>	<u>Rate</u>	<u>Maturity</u>	<u>Interest</u>
2009	3.75%	\$ 310,000	\$ 137,250
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
	<b>TOTALS</b>	<u>\$ 3,660,000</u>	<u>\$ 796,688</u>

<u>WATER REVENUE BONDS</u>			
Series 2002 Dated 3-01-02			
Maturing September 1			
<u>Fiscal Year</u>	<u>Interest</u>	<u>Amount of</u>	<u>Amount of</u>
<u>Maturing</u>	<u>Rate</u>	<u>Maturity</u>	<u>Interest</u>
2009	4.35%	\$ ---	\$ 87,080
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
	<b>TOTALS</b>	<u>\$ 1,775,000</u>	<u>\$ 981,188</u>

<u>WATER REVENUE REFUNDING BONDS</u>			
Series 2003-A Dated 2-01-03			
Maturing September 1			
<u>Fiscal Year</u>	<u>Interest</u>	<u>Amount of</u>	<u>Amount of</u>
<u>Maturing</u>	<u>Rate</u>	<u>Maturity</u>	<u>Interest</u>
2009	3.10%	\$ 705,000	\$ 21,855
	<b>TOTALS</b>	<u>\$ 705,000</u>	<u>\$ 21,855</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, 2008

	<u>Fund Level</u>	<u>Adjustments</u>	<u>Government- Wide Level</u>
Revenues:			
3 mill ad valorem tax	\$ 753,314	\$ ---	\$ 753,314
7.5 mill ad valorem tax	1,883,284	---	1,883,284
.5 percent sales tax	2,513,483	(22,207)	2,491,276
Interest	9,303	(1,895)	7,408
<b>TOTAL REVENUES</b>	<u>\$5,159,384</u>	<u>\$(24,102)</u>	<u>\$5,135,282</u>
Expenditures:			
Transfers to Cullman City Board of Education	<u>\$5,132,108</u>	<u>\$ ---</u>	<u>\$5,132,108</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, 2008 and 2007.

September, 2007 revenues received after 30 day availability period	\$(223,960)
September, 2008 revenues received after 30 day availability period	<u>199,858</u>
	<u>\$ (24,102)</u>

CITY OF CULLMAN, ALABAMA  
STATISTICAL DATA - UNAUDITED  
September 30, 2008

Computation of legal debt margin:		
Assessed value of real and personal property located within the city limits – Note 1		<u>\$261,291,500</u>
Constitutional debt limit (20% of assessed value – Note 2)		\$ 52,258,300
Amount of debt applicable to debt limit – Note 2:		
General long-term debt outstanding – Governmental Activities	\$26,849,620	
Long-term portion of compensated absences	695,385	
Plus general obligation warrants included in the Business-type Activities:		
Lessman Property General Obligation Warrant dated 11-28-01	224,536	
Airport General Obligation Warrant Dated 3-29-04	141,056	
Less portions of warrants not subject to Constitutional debt limit as follows:		
2-1-03 General Obligation School Warrants, Series 2003	(2,120,000)	
2-1-07 General Obligation Warrants, Series 2007	(2,169,683)	
Less estimated liability for compensated absences – long-term	<u>(695,385)</u>	
	\$22,925,529	
Accounts payable of the General Fund	<u>350,417</u>	
Debt applicable to constitutional debt limit	\$23,275,946	
Less assets available in Debt Service Fund for payment of principal	<u>(617,412)</u>	\$ 22,658,534
LEGAL DEBT MARGIN – Note 3		<u>\$ 29,599,766</u>

Note 1 – Obtained from unaudited records maintained by the County of Cullman, Alabama and excludes exempt property (\$106,804,540).

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, 2008, 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.