

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cullman, Alabama, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds of the City of Cullman, Alabama as of and for the year ended September 30, 2011, as displayed in the City's basic financial statements. These financial statements are the responsibility of the City of Cullman, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

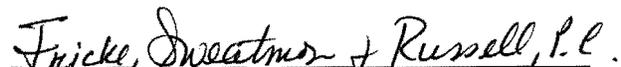
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as the aggregate nonmajor governmental funds, of the City of Cullman, Alabama, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the City of Cullman, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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


CERTIFIED PUBLIC ACCOUNTANTS

March 23, 2012



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

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

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

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

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

The Council is the legislative body which determines the policies to be followed in the administration of the city government. Council members (for terms expiring November 1, 2012) are:

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

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

The City's net assets increased \$5,056,925 over the course of this year's operation: approximately \$2,709,920 in the net assets of the governmental activities and \$2,347,005 in the business-type activities.

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

CONDENSED FINANCIAL STATEMENTS

The following condensed financial statements serve as indicators for management:

CONDENSED STATEMENT
CITY OF CULLMAN,
September 30,

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

OF NET ASSETS
ALABAMA
2011 and 2010

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

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

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

OF ACTIVITIES
ALABAMA
2011 and 2010

<u>Business-type Activities</u>		<u>Total</u>	
<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
\$ 18,204,421	\$ 18,185,680	\$ 25,566,364	\$ 25,077,935
193,896	-	2,032,169	614,129
353,582	162,513	1,129,897	690,918
-	-	4,196,085	4,143,917
-	-	15,596,626	14,719,543
194,945	155,511	1,789,836	1,100,895
-	-	510,226	471,716
110,367	73,299	361,686	491,832
(131,355)	(1,487)	(387,726)	123,488
404,447	-	513,817	-
107,369	121,779	1,555,556	2,089,360
<u>\$ 19,437,672</u>	<u>\$ 18,697,295</u>	<u>\$ 52,864,536</u>	<u>\$ 49,523,733</u>
\$ -	\$ -	\$ 3,833,654	\$ 3,454,782
-	-	9,309,738	7,703,019
-	-	3,398,082	2,780,399
-	-	3,854,534	3,303,015
-	-	410,521	368,610
-	-	259,391	253,275
-	-	5,758,056	5,337,574
-	-	78,118	117,485
-	-	410,753	374,905
5,028,753	4,836,717	5,028,753	4,836,717
7,210,076	5,882,166	7,210,076	5,882,166
3,112,848	2,632,809	3,112,848	2,632,809
882,951	686,977	882,951	686,977
3,564,143	3,449,247	3,564,143	3,449,247
695,993	557,421	695,993	557,421
<u>\$ 20,494,764</u>	<u>\$ 18,045,337</u>	<u>\$ 47,807,611</u>	<u>\$ 41,738,401</u>
\$ (1,057,092)	\$ 651,958	\$ 5,056,925	\$ 7,785,332
3,404,097	4,104,473	-	-
<u>\$ 2,347,005</u>	<u>\$ 4,756,431</u>	<u>\$ 5,056,925</u>	<u>\$ 7,785,332</u>
\$ 69,990,768	\$ 65,234,337	\$140,949,037	\$133,282,062
-	-	-	(118,357)
<u>\$ 69,990,768</u>	<u>\$ 65,234,337</u>	<u>\$140,949,037</u>	<u>\$133,163,705</u>
<u>\$ 72,337,773</u>	<u>\$ 69,990,768</u>	<u>\$146,005,962</u>	<u>\$140,949,037</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 \$25,967,587, as compared with the previous year's balance of \$25,776,822. The general fund's revenues increased by approximately 10.6% due to the improving local economy. The general fund reflected a 22.2% increase in operating expenditures due to overtime and repairs associated with tornadoes and capital outlay. The funds appropriated for the Cullman City Parks and Recreation Board are reflected in "Other Financing Uses" as a transfer to the proprietary Cullman City Parks and Recreation Board.

The City's overall financial position has decreased as a result of the tornadoes on April 27, 2011.

TORNADO DAMAGE

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- (1) To move budgeted amounts from one line item to another to accurately reflect the category to which the expenditure was charged;
- (2) During the year where increases or decreases in the cost of various items made it necessary to adjust the budget, or where the city council found it necessary or expedient to approve an expenditure which was not contemplated when the budget was adopted.
- (3) Increases in appropriations to prevent budget overruns.

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

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

The revenues and expenditures in the school tax fund were not increased to actual amounts. The expenditures were \$257,998 in excess of the budgeted amount, and the revenues were \$239,623 in excess of the budgeted amount. All the revenues in the school tax fund are distributed to the City Board of Education.

CAPITAL ASSETS

Capital Assets are reported at actual or estimated historic cost. Assets are depreciated on a straight-line basis over the estimated useful life. The deprecation threshold for capital assets increased from \$2,500 to \$5,000 during fiscal year 2011.

Governmental Activities:

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

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

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

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

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

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

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

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

In September 2011, the U.S. Environmental Protection Agency awarded the City a grant in the amount of \$200,000 for cleanup of hazardous substances at the Greif property site. The City is to provide a match of \$42,630. As of September 30, 2011, the City had not incurred any expenditures on the grant.

GREIF BROTHERS PROPERTY – BROWNFIELD REMEDIATION

During the fiscal year 2009, the City purchased the Greif Brothers property. The property was designated approximately two years ago as a pollution remediation site when the site was accepted in the Alabama Department of Environmental Management Voluntary Cleanup and Assessment Program. The City became a responsible party at the time the property was purchased. The property is a Brownfield Remediation site as recognized by the Alabama Department of Environmental Management and the U.S. Environmental Protection Agency. The City estimates the cost of site assessment, the corrective measures feasibility study, and site cleanup to be approximately \$640,000. An additional \$400,000 may be needed for monitoring of groundwater after the site cleanup is finished and for additional work on other minor areas on the property. The liability was determined by Goodwyn Mills & Cawood, Inc. based on quotes and their knowledge of similar cleanups. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation estimated costs do not reflect any recovery of outlays because the City does not anticipate that it will be able to recover remediation costs from other parties. The City plans to redevelop the property for its own use. Therefore, the outlays expected to be necessary to place the property into its intended condition for use (including the above pollution remediation outlays) will be capitalized as incurred. The City has not accrued a pollution remediation liability as of September 30, 2011. The City incurred costs of \$409,926 during fiscal year 2011 for the demolition of buildings at the Greif property and to rehabilitate the site.

Business-Type Activities:

Sewer System:

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

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

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

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

Water System:

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

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

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

B. Water Fund

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

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

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

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

Cullman Regional Airport Board:

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

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

Cullman City Parks and Recreation Board:

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

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

LONG-TERM DEBT

Governmental Activities:

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

Business Type Activities:

Sewer System:

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

Water System:

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

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

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

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

B. Water Fund

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

Cullman Regional Airport Board:

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

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

Cullman City Parks & Recreation Board:

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

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

CURRENT EVENTS

Governmental Activities:

Amendment 666 Bond Commission awarded the City a grant of up to \$1 million for Industrial Park Development and sewer system improvements necessary to support recruiting of industrial prospects. The grant can be used for the design and construction of roads and necessary related infrastructure. As of September 30, 2010, \$628,612 had been expended and requested. No funds

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

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

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

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

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

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

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

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

Business-Type Activities:

Sewer System:

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

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

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

Water System:

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

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

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

A. Water Fund

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

Cullman Regional Airport Board:

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

Other:

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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

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

(Continued)

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

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

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

(Continued)

CULLMAN, ALABAMA
ACTIVITIES
September 30, 2011

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

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

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

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

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

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

(Continued)

ALABAMA
GOVERNMENTAL FUNDS
2011

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

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

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

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

ALABAMA
GOVERNMENTAL FUNDS - CONTINUED
 2011

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

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

Total fund balances - total governmental funds (page 32) \$ 47,726,794

Amounts reported for governmental activities in the statement of net assets
(pages 24-25) are different because:

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

Capital assets	\$ 67,580,916	
Accumulated depreciation	<u>(17,835,383)</u>	49,745,533

Other long-term assets are not available to pay for current-period
expenditures and therefore are deferred in the funds 2,426,370

Long-term liabilities applicable to the City's governmental activities are not due
and payable in the current period and accordingly are not reported as fund
liabilities. Interest on long-term debt is not accrued in governmental funds, but
rather is recognized as an expenditure when due. All liabilities - both current
and long-term - are reported in the statement of net assets. In addition, the
deferred interest on refunding, the deferred issuance costs and discounts, and
the deferred premium are expenditures and revenues at the fund level, but are
deferred and amortized in the statement of net assets.

Balances at September 30, 2011, were:

General Obligation Warrants	\$(25,366,677)	
Less deferred interest from refunding	75,701	
Less deferred issuance costs and discounts	97,487	
Plus deferred premium	(3,645)	
Accrued interest	(75,494)	
Compensated absences	<u>(957,880)</u>	<u>(26,230,508)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 25) \$ 73,668,189

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

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

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

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

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

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 219,864	\$ 21,168,701
-	-	2,630,671
510,226	346,411	3,559,288
-	-	4,241,561
-	104,227	364,643
\$ 4,747	\$ 11,409	\$ 250,759
-	3	108,020
<u>\$ 4,747</u>	<u>\$ 11,412</u>	<u>\$ 358,779</u>
<u>\$ 514,973</u>	<u>\$ 681,914</u>	<u>\$ 32,323,643</u>
\$ -	\$ 19,234	\$ 3,659,676
-	-	8,862,437
-	416,346	2,611,576
-	-	3,642,225
-	-	410,521
-	-	255,673
-	71,407	5,749,856
-	-	62,382
-	690,415	3,049,558
1,197,411	100,000	1,426,603
343,502	18,000	387,868
<u>\$ 1,540,913</u>	<u>\$ 1,315,402</u>	<u>\$ 30,118,375</u>
\$ (1,025,940)	\$ (633,488)	\$ 2,205,268
\$ -	\$ 498,553	\$ 808,449
-	-	4,019
-	-	109,370
1,437,700	546,938	2,010,281
<u>(1,019,752)</u>	<u>(253,392)</u>	<u>(5,414,378)</u>
<u>\$ 417,948</u>	<u>\$ 792,099</u>	<u>\$ (2,482,259)</u>
\$ (607,992)	\$ 158,611	\$ (276,991)
20,558,742	1,843,835	48,003,785
<u>\$ 19,950,750</u>	<u>\$ 2,002,446</u>	<u>\$ 47,726,794</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, 2011

Net change in fund balances - total governmental funds (page 35) \$ (276,991)

Amounts reported for governmental activities in the statement of activities (pages 26-28) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,049,558) exceeded depreciation (\$1,645,904) in the current period. 1,403,654

In the statement of activities, the gain on sale of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold (\$1,122,444) less accumulated depreciation (\$862,054) (260,390)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Revenues reported at the fund level in the current year that were earned and reported in the statement of activities for the year ended September 30, 2010	\$ (1,987,331)	
Revenues deferred at the fund level that were earned and reported as revenues in the statement of activities for the current year	2,426,369	439,038

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Compensated absences	\$ 12,730	
Accrued interest on warrants at beginning of year (\$79,075) less accrued interest on warrants at end of year (\$75,494)	3,581	16,311

(Continued)

CITY OF CULLMAN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CONTINUED

For the year ended September 30, 2011

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

Amortizations on debt:

Debt discount and issuance costs	\$	13,452
Deferred loss on refunding		26,467
Debt premium		<u>(1,614)</u>
TOTAL AMORTIZATIONS ON		
PREVIOUSLY ISSUED DEBT	\$	38,305

Repayments:

To bondholders		\$ (1,426,603)
	NET ADJUSTMENT	<u>\$ (1,388,298)</u>
		<u>1,388,298</u>

CHANGE IN NET ASSETS OF THE GOVERNMENTAL ACTIVITIES (PAGE 28) \$ 2,709,920

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

CITY OF CULLMAN,
BALANCE SHEET -
September 30,

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

(Continued)

ALABAMA
PROPRIETARY FUNDS
2011

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

CITY OF CULLMAN
BALANCE SHEET -
September 30,

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

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

ALABAMA
 PROPRIETARY FUNDS - CONTINUED
 2011

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

ALABAMA
 PROPRIETARY FUNDS
 September 30, 2011
 Cash and Cash Equivalents

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

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

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

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

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

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

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

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

<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 361,153	\$ 28,594	\$ 7,986,737
-	-	51,052,939
<u>\$ 361,153</u>	<u>\$ 28,594</u>	<u>\$ 59,039,676</u>

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

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

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

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

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

CITY OF CULLMAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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

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

Excluded Entities

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.A. REPORTING ENTITY

Excluded Entities - Continued

- 5) The Park and Recreation Foundation Board (PRFB)'s members are appointed by the Cullman City Parks and Recreation Board. The PRFB solicits contributions that are for the direct benefit of the City of Cullman's Park and Recreation, but the City does not believe it would be misleading to exclude this board.

I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

I.B.1. Basis of Presentation

Government-wide Statements

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

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

General Fund

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

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

School Tax

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

Debt Service

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

The City reports the following major proprietary funds:

Sewer Operation

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

Water System

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

Parks and Recreation

This fund accounts for three separate activities:

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

Airport

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Government-wide and Proprietary Financial Statements

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

Governmental Fund Financial Statements

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

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

The financial statements of the City are presented in accordance with accounting principles generally accepted in the United States of America. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES

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

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

I.C.2. Accounts Receivable and Assessments Receivable

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

<u>Allowance for Doubtful Accounts</u>	<u>General Fund</u>	<u>Sewer Operation</u>	<u>Water System</u>	<u>Airport</u>
Accounts receivable at September 30, 2011	<u>\$ 64,182</u>	<u>\$ 24,000</u>	<u>\$34,436</u>	<u>\$1,201</u>
Assessments receivable at September 30, 2011	<u>\$126,164</u>	<u>\$126,223</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 \$4,151,477 has been accrued as a receivable as of September 30, 2011, for the bills sent out October 1, 2011, because the City has an enforceable legal claim on these property taxes. However, since these resources were not available for use during the year ended September 30, 2011, an offsetting balance of \$4,151,477 has also been reflected as deferred revenue in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.6. Inventories

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

I.C.7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2011, are recorded as prepaid items. Prepaid insurance is charged to expenditures/expenses over the term of the policies. Prepaid senior trip expenses are charged to expense once the senior citizens have gone on the trips. Prepaid utility tax is offset to utility taxes payable once applied to the next month's utility tax report.

I.C.8. Restricted Assets

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

I.C.9. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The works of art and historical treasures maintained in the Museum have not been capitalized. These are held for public exhibition, are properly cared for, and are replaced if sold or destroyed. Therefore, the items are not required to be capitalized under current reporting standards. The City's infrastructure consists of all major infrastructure that was acquired or that has received substantial improvement since October 1, 1980. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City's capitalization policy was increased from \$2,500 to \$5,000 during the current fiscal year.

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

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

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, 2011 was as follows:

<u>Proprietary Fund/Component Unit</u>	<u>Amount Capitalized</u>
Water Fund	\$ 13,355
Utilities Board – Water Division	72,706
Sewer Fund	31,297

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

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

I.C.12. Payable from Restricted Assets

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable - contractor	\$ ---	\$ 685,598
Accrued interest payable	66,147	443,479
Police evidence	37,611	---
Other postemployment benefits	---	7,644
Current maturities on long-term liabilities	<u>1,095,000</u>	<u>3,440,000</u>
TOTAL	<u>\$1,198,758</u>	<u>\$4,576,721</u>

Of the \$3,440,000 shown as current maturities on long-term debt above in the business-type activities, \$2,245,000 is general obligation debt.

I.C.13. Compensated Absences

The liability for compensated absences consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using only the vested vacation and sick leave amounts available to employees on September 30, 2011. Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with the City. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees to specified maximums and a percentage of sick leave is payable upon termination in accordance with guidelines established in the City's personnel policies. If an employee does not use his sick leave during the year and would otherwise 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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.13. Compensated Absences - Continued

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

I.C.14 Net Assets

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

As of September 30, 2011, the City had \$47,461 in net assets restricted by enabling legislation for the purpose of purchasing new Municipal Court equipment and for training of Municipal Court employees.

As of September 30, 2011, the City had \$37,906 in net assets restricted by enabling legislation for the purpose of constructing parks and recreation facilities, paying principal and interest on debt issued to finance such construction, or for maintenance and operation of parks and recreational facilities in the City of Cullman.

I.C.15. Governmental Fund Balances

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

Nonspendable

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

Restricted

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.15. Governmental Fund Balances - Continued

Committed

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

Assigned

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

Unassigned

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

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

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

I.C.16. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – DEFICIT BALANCE

The \$193,989 deficit of the School Tax Fund is a result of expenditures accrued in excess of resources available within the City's 30 day availability period. The deficit is expected to be covered by resources accrued, but not received within the 30 day availability period.

The \$152,633 deficit of the Industrial Park Fund is a result of capital outlay expenditures and transfers in excess of resources. The deficit is expected to be covered by transfers from General Fund and through available grant resources.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

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, 2011 was as follows:

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

STATEMENTS - CONTINUED

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

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

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

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

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

As of September 30, 2011, the City had conveyed land with a historical cost of \$254,970, by deed, to the ID Board, but the ID Board had not completed a sale of the land to an industry.

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS - CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2011 was as follows:

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

STATEMENTS - CONTINUED

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

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

Sewer	\$1,721,504
Water System	1,199,969
Parks and Recreation	334,160
Golf Course	82,339
Wellness Center	650,200
Airport	<u>151,481</u>
TOTAL	<u>\$4,139,653</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:

<u>Year ended</u> <u>September 30</u>	<u>Governmental Activities</u>		<u>Total Debt</u>
	<u>Principal</u>	<u>Interest</u>	<u>Service Requirement</u>
2012	\$ 1,479,741	\$ 1,050,998	\$ 2,530,739
2013	1,489,497	993,994	2,483,491
2014	1,360,706	936,071	2,296,777
2015	806,733	895,897	1,702,630
2016	785,000	861,229	1,646,229
2017-2021	4,165,000	3,777,769	7,942,769
2022-2026	4,075,000	2,949,800	7,024,800
2027-2031	5,015,000	2,004,444	7,019,444
2032-2036	<u>6,190,000</u>	<u>833,987</u>	<u>7,023,987</u>
TOTALS	<u>\$25,366,677</u>	<u>\$14,304,189</u>	<u>\$39,670,866</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:

<u>Year ended</u> <u>September 30</u>	<u>Business-Type Activities</u>		<u>Total Debt</u> <u>Service Requirement</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 3,523,673	\$ 3,938,528	\$ 7,462,201
2013	3,628,741	3,810,426	7,439,167
2014	3,608,079	3,694,329	7,302,408
2015	3,626,077	3,570,949	7,197,026
2016	3,735,679	3,446,590	7,182,269
2017-2021	20,621,809	15,134,633	35,756,442
2022-2026	15,205,000	11,548,617	26,753,617
2027-2031	11,895,000	8,810,836	20,705,836
2032-2036	13,190,000	6,072,213	19,262,213
2037-2041	<u>16,690,000</u>	<u>2,576,688</u>	<u>19,266,688</u>
TOTALS	<u>\$95,724,058</u>	<u>\$62,603,809</u>	<u>\$158,327,867</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	\$251,770
Amortization expense included in depreciation expense	30,018
Accumulated amortization	92,071

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

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

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

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

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

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

STATEMENTS - CONTINUED

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

STATEMENTS - CONTINUED

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

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

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, 2011, consist of the following:

\$ 26,506	Payable to the General Fund from the Water System representing sanitation charges collected by the Water System for the General Fund
112,437	Payable to the Water Fund from the Sewer Fund representing Sewer charges billed and collected by the Water Fund
147,228	Payable to the Industrial Access Road (a nonmajor governmental fund) from the Industrial Park Fund (a nonmajor governmental fund) for state grant funds received for capital project expenditures
<u>20,181</u>	Other balances
<u>\$306,352</u>	

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

\$186,948	Interfund receivables, Balance Sheet – Governmental Funds
<u>119,404</u>	Interfund receivables, Balance Sheet – Proprietary Funds
<u>\$306,352</u>	

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

\$151,459	Interfund payables, Balance Sheet – Governmental Funds
(553,241)	Short-term portion of long-term interfund balance that is long-term in governmental funds at fund level due to not being received within 30 day availability period
9,444	Restricted interfund payables, Balance Sheet – Proprietary Funds
<u>698,690</u>	Interfund payables, Balance Sheet – Proprietary Funds
<u>\$306,352</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, 2011, consist of the following:

\$ 146,233	Payable to the General Fund from the Airport representing expenditures paid by the General Fund in excess of the City of Cullman's 50 percent ownership in the Airport
70,599	Payable to the General Fund from Parks and Recreation Board representing payments made by General Fund to light the soccer field, to separate the lighting for the Heritage Park ball field from the main meter, and to construct the Gymnastic Facility
88,834	Payable to the General Fund from the Industrial Access Road Fund (a nonmajor capital project fund) to cover expenditures for capital projects
412,926	Payable to the Debt Service Fund from the Sewer Fund representing the Sewer's portion of general obligation warrants
15,410,000	Payable to the Debt Service Fund from the Parks and Recreation Board representing the Parks and Recreation's portion of general obligation warrants
<u>414,496</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>\$16,543,088</u>	

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

\$ 305,665	Interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>16,237,423</u>	Restricted interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>\$16,543,088</u>	

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

\$ 88,834	Interfund payables – long-term, Balance Sheet – Governmental Funds
553,241	Short-term portion of long-term interfund balance that is long-term in governmental funds at fund level due to not being received within 30 day availability period
<u>15,901,013</u>	Interfund payables – long-term, Balance Sheet – Proprietary Funds
<u>\$16,543,088</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 during the year ended September 30, 2011, consist of the following:

\$1,279,600	From the General Fund to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
2,358,515	From the General Fund to Cullman City Parks and Recreation Board representing payments for payroll expenditures and to help supplement other fund sources
462,938	From the General Fund to the capital project funds (nonmajor governmental funds) to supplement other funds for capital project expenditures
158,100	From other governmental funds to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
1,019,753	From the Debt Service Fund to Cullman City Parks and Recreation Board representing Parks and Recreation's portion of the principal and interest paid on the G.O. Warrants Series 2007
210,000	From the Water System to the Sewer System to supplement funds for debt service payments
80,000	From the Transportation Enhancement Fund (a nonmajor governmental fund) to the Downtown Redevelopment Fund (a nonmajor governmental fund) to supplement other funds for downtown redevelopment project.
<u>106,995</u>	Other
<u>\$5,675,901</u>	

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

VII. NET ASSETS

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

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

VIII. JOINT VENTURE

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

IX. CONTINGENT LIABILITIES

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

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

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

X. RETIREMENT

X.A. PLAN DESCRIPTION

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

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members with at least one year of service.

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

X. RETIREMENT - CONTINUED

X.A. PLAN DESCRIPTION - CONTINUED

The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150.

X.B. FUNDING POLICY

Employees are required by statute to contribute 5 percent of their salary to the Employees' Retirement System. The City is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the City are established by the Employees' Retirement System based on annual actuarial valuations. The contribution rate for the year ended September 30, 2011 was 9.51 percent based on the actuarial valuation performed as of September 30, 2008.

X.C. ANNUAL PENSION COST

For the year ended September 30, 2011, the City's annual pension contribution of \$1,019,113 was equal to the required and actual contribution. The required contribution was determined using the "entry age" method. The actuarial assumptions included (1) 8 percent investment rate of return on present and future assets, and (2) projected salary increases ranging from 4.61 percent at age 20 to 7.75 percent at age 65. Both (1) and (2) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2010 was 30 years.

Three-year trend information is as follows:

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

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

XI. CONCENTRATIONS OF CREDIT RISK

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

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	\$204,226	\$697,628
Taxes in lieu	42,135	---
TOTALS	<u>\$246,361</u>	<u>\$697,628</u>

XIV. POSTEMPLOYMENT BENEFITS

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

XIV.A. PLAN DESCRIPTION

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

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

The number of participants as of July 1, 2008, the effective date of the OPEB valuation was 12 active employees and no retired employees. There have been no significant changes in the number covered or the type of coverage since that date.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

XIV.B. FUNDING POLICY

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

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

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

XIV.C. ANNUAL OTHER POSTEMPLOYMENT BENEFIT COST

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

Benefit Obligations and Normal Cost

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

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Method

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

XIV.C. ANNUAL OTHER POSTEMPLOYMENT BENEFIT COST - CONTINUED

The trend information is as follows:

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

XIV.D. ACTUARIAL METHODS AND ASSUMPTIONS

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The unfunded actuarial accrued liability is being amortized over 30 years on a level open dollar basis.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculation.

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

XV. LEASES

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

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

<u>Year</u>	<u>Amount</u>
2012	\$9,760
2013	7,200

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVI. GREIF BROTHERS PROPERTY – BROWNFIELD REMEDIATION

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

The City plans to redevelop the property for its own use. Therefore, the outlays expected to be necessary to place the property into its intended condition for use (including the above pollution remediation outlays) will be capitalized as incurred. The City has not accrued a pollution remediation liability as of September 30, 2011.

XVII. COMMITMENTS AND CONTINGENCIES

Governmental Activities

Amendment 666 Bond Commission awarded the City a grant of up to \$1 million for Industrial Park Development and sewer system improvements necessary to support recruiting of industrial prospects. The grant can be used for the design and construction of roads and necessary related infrastructure. As of September 30, 2010, \$628,612 had been expended and requested. No funds were requested in 2011. The grant does not require a match. Due to conditions surrounding the tornado on April 27, 2011, the grant completion date was extended to June 1, 2012.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVII. COMMITMENTS AND CONTINGENCIES - CONTINUED

Governmental Activities - Continued

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

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

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

In September 2011, the U.S. Environmental Protection Agency awarded the City a grant in the amount of \$200,000 for cleanup of hazardous substances at the Greif property site. The City is to provide a match of \$42,630. As of September 30, 2011, the City had not incurred any expenditures on the grant.

Business- Type Activities

Sewer

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

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

Water System

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

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

Cullman Regional Airport Board

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVIII. SUBSEQUENT EVENTS

Governmental Activities

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

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

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

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

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

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

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

Business-Type Activities

Sewer

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

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

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

Water System

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XVIII. SUBSEQUENT EVENTS

Business-Type Activities - Continued

Cullman Regional Airport Board

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

Other

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Actuarial Valuation Date	Actuarial Value of Assets [^] (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2005	\$26,005,913	\$30,895,310	\$4,889,397	84.2%	\$ 8,571,500	57.0%
**9/30/2006	27,665,666	34,082,785	6,417,119	81.2	9,704,559	66.1
9/30/2007	29,707,906	35,492,535	5,784,629	83.7	10,029,651	57.7
9/30/2008	30,178,559	37,069,037	6,890,478	81.4	10,467,210	65.8
9/30/2009	30,440,354	40,116,401	9,676,047	75.9	10,783,462	89.7
***9/30/2010	29,715,849	41,062,481	11,346,632	72.4	10,657,843	106.5
****9/30/2010	29,715,849	41,176,961	11,461,112	72.2	10,657,843	107.5

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

** Reflects changes in actuarial assumptions.

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

**** Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

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

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

Year ended September 30, 2011

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

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

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

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

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

CITY OF CULLMAN, ALABAMA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2011

BUDGETARY DATA

Budget Policy and Practice

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

Budget

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

Expenditures in Excess of Budget Appropriations

General Fund

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

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

School Tax Fund

The expenditures for the school tax fund were \$257,998 in excess of the budgeted amount. All revenues collected in the school tax fund are distributed to the City Board of Education. The revenues for the school tax fund increased \$239,623 during the year.

SUPPLEMENTARY INFORMATION

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

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

(Continued)

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

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

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

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

(Continued)

CITY OF CULLMAN, ALABAMA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GENERAL FUND - CONTINUED

Year ended September 30, 2011

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

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

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

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

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

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

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

ALABAMA
SPECIAL REVENUE FUNDS -
GOVERNMENTAL FUNDS
2011

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

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

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

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

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

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

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

ALABAMA
CAPITAL PROJECT FUNDS -
GOVERNMENTAL FUNDS
2011

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

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

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

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

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

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

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

(Continued)

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

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

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

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

(Continued)

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

Year ended September 30, 2011

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

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

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

Cash and cash equivalents consisted of the following:

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

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

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

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

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

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

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

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

CITY OF
COMBINING BALANCE SHEET - PARKS
September 30,

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

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

(Continued)

CULLMAN, ALABAMA
AND RECREATION (PROPRIETARY FUND)
2011

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

CITY OF
COMBINING BALANCE SHEET - PARKS AND
September 30,

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

CULLMAN, ALABAMA
RECREATION (PROPRIETARY FUND) - CONTINUED
2011

<u>Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ 13,888	\$ 46,407	\$ -	\$ -	\$ 107,507
123,793	374,655	-	(21,655)	547,392
6,328	167,074	-	-	173,402
-	-	27,134	-	27,134
6,318	6,995	-	-	24,557
-	-	-	-	26,053
44,081	3,430	-	-	47,511
<u>\$ 194,408</u>	<u>\$ 598,561</u>	<u>\$ 27,134</u>	<u>\$ (21,655)</u>	<u>\$ 953,556</u>
\$ 2,070	\$ -	\$ -	\$ -	\$ 2,070
-	-	-	-	10,759
-	162,605	-	-	162,605
<u>\$ 2,070</u>	<u>\$ 162,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,434</u>
\$ -	\$ -	\$ -	\$ -	\$ 130,398
(20,378)	-	-	-	(20,378)
45,884	-	-	-	45,884
40,772	47,778	-	-	163,036
294,299	15,057,000	-	-	15,351,299
<u>\$ 360,577</u>	<u>\$ 15,104,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,670,239</u>
<u>\$ 557,055</u>	<u>\$ 15,865,944</u>	<u>\$ 27,134</u>	<u>\$ (21,655)</u>	<u>\$ 16,799,229</u>
\$ 769,093	\$ 321,030	\$ -	\$ -	\$ 8,647,481
-	-	37,906	-	37,906
185,425	(358,758)	137,404	-	183,946
<u>\$ 954,518</u>	<u>\$ (37,728)</u>	<u>\$ 175,310</u>	<u>\$ -</u>	<u>\$ 8,869,333</u>
<u>\$ 1,511,573</u>	<u>\$ 15,828,216</u>	<u>\$ 202,444</u>	<u>\$ (21,655)</u>	<u>\$ 25,668,562</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	\$ 990,342	\$ 447,763
Lodging tax	-	-
Miscellaneous	45,006	5,582
TOTAL OPERATING REVENUES	<u>\$ 1,035,348</u>	<u>\$ 453,345</u>
 Cost of operating revenues	 \$ 131,146	 \$ 18,618
 Operating expenses:		
Salaries and wages	\$ 930,995	\$ 330,170
Nonemployee compensation	10,402	300
Officials and instructors	82,616	-
Cullman Regional Medical Center	-	-
Payroll taxes	74,874	26,283
Employees retirement	60,144	21,975
Employees insurance	105,657	30,036
Telephone	30,941	699
Utilities	286,014	35,758
Office supplies and expenses	56,142	3,222
Professional fees	112,055	821
Other contracted services	2,175	1,088
Tournament fees	10,835	-
Competition expense	55,788	-
Senior programs	146,442	-
Dues and subscriptions	4,113	1,461
Travel, registrations, and education	41,219	4,574
Public relations	4,611	-
Printing and advertising	69,596	1,648
Small tools and equipment	13,892	748
Chemicals and supplies	124,363	25,241
Repairs and maintenance - system and equipment	305,673	228,949
Gas, fuel, and oil	32,709	29,769
Insurance	74,205	4,838
Miscellaneous	-	525
Depreciation	334,160	82,339
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	<u>\$ 3,100,767</u>	<u>\$ 849,062</u>
OPERATING (LOSS)	<u>\$ (2,065,419)</u>	<u>\$ (395,717)</u>

(Continued)

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

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

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

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

NOTE:

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

The "Parks and Recreation/Golf Course Payroll" column is a fund maintained by the City of Cullman's accounting department to account for payroll, debt service, and other expenditures paid by the City of Cullman for the Cullman City Parks and Recreation Board.

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

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

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

GENERAL OBLIGATION WARRANTS

Dated 7-01-94

Maturing July 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	6.00%	\$ 50,000	\$ 5,250
2013	6.00	50,000	2,242
TOTALS		<u>\$ 100,000</u>	<u>\$ 7,492</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

Dated 2-01-03

Maturing March 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	4.00%	\$ 360,000	\$ 37,030
2013	3.90	370,000	22,615
2014	4.00	385,000	7,700
TOTALS		<u>\$ 1,115,000</u>	<u>\$ 67,345</u>

GENERAL OBLIGATION WARRANTS

Series 2003-B Dated 7-01-03

Maturing November 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	2.80%	\$ 190,000	\$ 14,413
2013	2.95	195,000	8,876
2014	3.00	200,000	3,000
TOTALS		<u>\$ 585,000</u>	<u>\$ 26,289</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, 2011

GENERAL OBLIGATION WARRANT

Dated 2-17-04

Maturing February 17

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	6.00%	\$ 100,000	\$ 12,000
2013	6.00	100,000	6,000
	TOTALS	<u>\$ 200,000</u>	<u>\$ 18,000</u>

GENERAL OBLIGATION WARRANTS

Series 2007 Dated 2-01-07

Maturing July 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	4.00%	\$ 485,000	\$ 919,163
2013	4.00	505,000	899,762
2014	4.00	525,000	879,563
2015	5.00	545,000	858,562
2016	5.00	570,000	831,313
2017	5.00	600,000	802,812
2018	5.00	630,000	772,813
2019	4.00	665,000	741,312
2020	4.00	690,000	714,713
2021	4.00	715,000	687,112
2022	4.50	745,000	658,513
2023	4.50	780,000	624,987
2024	4.125	815,000	589,888
2025	4.25	850,000	556,269
2026	4.25	885,000	520,144
2027	4.25	920,000	482,531
2028	4.25	960,000	443,431
2029	4.25	1,000,000	402,631
2030	4.25	1,045,000	360,131
2031	4.25	1,090,000	315,719
2032	4.25	1,135,000	269,394
2033	4.375	1,185,000	221,156
2034	4.375	1,235,000	169,313
2035	4.375	1,290,000	115,281
2036	4.375	1,345,000	58,844
	TOTALS	<u>\$ 21,210,000</u>	<u>\$ 13,895,357</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, 2011

GENERAL OBLIGATION WARRANTS

Dated 5-01-08

Maturing November 1

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

GENERAL OBLIGATION WARRANTS

Dated 1-26-09

Maturing November 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.34%	\$ 14,596	\$ 143
	TOTALS	<u>\$ 14,596</u>	<u>\$ 143</u>

GENERAL OBLIGATION WARRANTS

Series 2010 LRSRF-DL/ARRA Dated 2-01-10

Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	2.00%	\$ 60,000	\$ 11,330
2013	2.00	60,000	10,010
2014	2.00	60,000	8,690
2015	2.00	65,000	7,370
2016	2.00	65,000	5,940
2017	2.00	65,000	4,510
2018	2.00	70,000	3,080
2019	2.00	70,000	1,540
	TOTALS	<u>\$ 515,000</u>	<u>\$ 52,470</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, 2011

GENERAL OBLIGATION WARRANT			
Dated 9-27-10			
Maturing 17th of Each Month			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	6.00%	\$ 43,230	\$ 10,199
2013	6.00	45,897	7,533
2014	6.00	48,728	4,702
2015	6.00	51,733	1,697
	TOTALS	\$ 189,588	\$ 24,131

GENERAL OBLIGATION WARRANT			
Dated 9-29-10			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	2.96%	\$ 135,000	\$ 40,552
2013	2.96	140,000	36,556
2014	2.96	140,000	32,412
2015	2.96	145,000	28,268
2016	2.96	150,000	23,976
2017	2.96	155,000	19,536
2018	2.96	160,000	14,948
2019	2.96	170,000	10,212
2020	2.96	175,000	5,180
	TOTALS	\$ 1,370,000	\$ 211,640

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

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

GENERAL OBLIGATION SEWER WARRANT

Series 1999-SRF Dated 7-1-99			
Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.50%	\$ 380,000	\$ 149,100
2013	3.50	390,000	135,625
2014	3.50	405,000	121,713
2015	3.50	420,000	107,275
2016	3.50	435,000	92,312
2017	3.50	450,000	76,825
2018	3.50	465,000	60,813
2019	3.50	485,000	44,187
2020	3.50	500,000	26,950
2021	3.50	520,000	9,100
TOTALS		<u>\$ 4,450,000</u>	<u>\$ 823,900</u>

GENERAL OBLIGATION SEWER WARRANT

Series 2000-SRF Dated 12-22-99			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
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>\$ 6,745,000</u>	<u>\$ 1,509,777</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, 2011

GENERAL OBLIGATION SEWER WARRANT

Series 2002-SRF Dated 02-01-02

Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.50%	\$ 90,000	\$ 37,100
2013	3.50	95,000	33,950
2014	3.50	95,000	30,625
2015	3.50	100,000	27,300
2016	3.50	105,000	23,800
2017	3.50	105,000	20,125
2018	3.50	110,000	16,450
2019	3.50	115,000	12,600
2020	3.50	120,000	8,575
2021	3.50	125,000	4,375
TOTALS		\$ 1,060,000	\$ 214,900

GENERAL OBLIGATION SEWER WARRANT

Series 2002-SRF Dated 11-10-02

Maturing August 15

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.50%	\$ 185,000	\$ 104,125
2013	3.50	190,000	97,650
2014	3.50	200,000	91,000
2015	3.50	205,000	84,000
2016	3.50	210,000	76,825
2017	3.50	220,000	69,475
2018	3.50	225,000	61,775
2019	3.50	235,000	53,900
2020	3.50	245,000	45,675
2021	3.50	250,000	37,100
2022	3.50	260,000	28,350
2023	3.50	270,000	19,250
2024	3.50	280,000	9,800
TOTALS		\$ 2,975,000	\$ 778,925

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

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

<u>GENERAL OBLIGATION SEWER WARRANT</u>			
Series 2004-CWSRF-DL Dated 01-20-04			
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>
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>\$ 3,150,000</u>	<u>\$ 773,328</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, 2011

GENERAL OBLIGATION SEWER WARRANT

<u>Series 2004-SRF Dated 4-1-04</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>
2012	2.85%	\$ 85,000	\$ 7,695
2013	2.85	90,000	5,273
2014	2.85	95,000	2,707
	TOTALS	<u>\$ 270,000</u>	<u>\$ 15,675</u>

GENERAL OBLIGATION SEWER WARRANT

<u>Series 2005-CWSRF-DL Dated 1-1-05</u>			
<u>Maturing February 15</u>			
<u>Fiscal Year</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Amount of</u> <u>Maturity</u>	<u>Amount of</u> <u>Interest</u>
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	<u>\$ 3,480,000</u>	<u>\$ 918,507</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, 2011

<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>
2012	3.50%	\$ 130,000	\$ 119,175
2013	3.50	135,000	114,537
2014	3.50	140,000	109,725
2015	3.50	145,000	104,738
2016	3.50	150,000	99,575
2017	3.50	155,000	94,237
2018	3.50	160,000	88,725
2019	3.50	165,000	83,038
2020	3.50	175,000	77,087
2021	3.50	180,000	70,875
2022	3.50	185,000	64,488
2023	3.50	195,000	57,836
2024	3.50	200,000	50,925
2025	3.50	205,000	43,838
2026	3.50	215,000	36,488
2027	3.50	220,000	28,875
2028	3.50	230,000	21,000
2029	3.50	240,000	12,775
2030	3.50	245,000	4,288
TOTALS		<u>\$ 3,470,000</u>	<u>\$ 1,282,225</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, 2011

<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>
2012	4.40%	\$ 870,000	\$ 127,805	2012	3.50%	\$ 130,000	\$ 60,025
2013	4.50	905,000	88,302	2013	3.50	135,000	55,475
2014	4.60	125,000	65,065	2014	3.50	140,000	50,750
2015	4.65	130,000	59,168	2015	3.50	145,000	45,850
2016	4.70	140,000	52,855	2016	3.50	150,000	40,775
2017	4.75	150,000	46,002	2017	3.50	155,000	35,525
2018	4.80	155,000	38,720	2018	3.50	160,000	30,100
2019	5.00	160,000	31,000	2019	3.50	165,000	24,500
2020	5.00	170,000	22,750	2020	3.50	170,000	18,725
2021	5.00	180,000	14,000	2021	3.50	180,000	12,775
2022	5.00	190,000	4,750	2022	3.50	185,000	6,475
	TOTALS	<u>\$ 3,175,000</u>	<u>\$ 550,417</u>		TOTALS	<u>\$1,715,000</u>	<u>\$ 380,975</u>

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

CITY OF CULLMAN, ALABAMA
SCHEDULE OF WATER REVENUE WARRANTS
AND GENERAL OBLIGATION WARRANT - CONTINUED
September 30, 2011

GENERAL OBLIGATION WATER SYSTEM WARRANT			
Series 2004-DWSRF-DL Dated 01-20-04			
Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.05%	\$ 125,000	\$ 63,669
2013	3.05	130,000	59,780
2014	3.05	135,000	55,739
2015	3.05	135,000	51,621
2016	3.05	140,000	47,428
2017	3.05	145,000	43,081
2018	3.05	150,000	38,583
2019	3.05	155,000	33,931
2020	3.05	160,000	29,128
2021	3.05	165,000	24,171
2022	3.05	170,000	19,062
2023	3.05	175,000	13,801
2024	3.05	180,000	8,387
2025	3.05	185,000	2,821
TOTALS		<u>\$2,150,000</u>	<u>\$ 491,202</u>

GENERAL OBLIGATION WATER SYSTEM WARRANT			
Series 2005-DWSRF-DL Dated 02-01-05			
Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.05%	\$ 110,000	\$ 60,085
2013	3.05	110,000	56,730
2014	3.05	115,000	53,299
2015	3.05	120,000	49,715
2016	3.05	120,000	46,055
2017	3.05	125,000	42,319
2018	3.05	130,000	38,430
2019	3.05	135,000	34,389
2020	3.05	140,000	30,195
2021	3.05	145,000	25,849
2022	3.05	145,000	21,426
2023	3.05	150,000	16,927
2024	3.05	155,000	12,276
2025	3.05	160,000	7,473
2026	3.05	165,000	2,516
TOTALS		<u>\$2,025,000</u>	<u>\$ 497,684</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, 2011

GENERAL OBLIGATION WATER SYSTEM WARRANT			
Series 2005B-DWSRF-BL Dated 10-06-05			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.25%	\$ 60,000	\$ 37,212
2013	3.25	60,000	35,262
2014	3.25	65,000	33,312
2015	3.25	65,000	31,200
2016	3.25	70,000	29,088
2017	3.25	70,000	26,812
2018	3.25	75,000	24,538
2019	3.25	75,000	22,100
2020	3.25	80,000	19,662
2021	3.25	80,000	17,063
2022	3.25	85,000	14,462
2023	3.25	85,000	11,700
2024	3.25	90,000	8,938
2025	3.25	90,000	6,013
2026	3.25	95,000	3,088
TOTALS		<u>\$ 1,145,000</u>	<u>\$ 320,450</u>

GENERAL OBLIGATION WATER SYSTEM WARRANT			
Series 2008-DWSRF-DL Dated 07-18-08			
Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	3.50%	\$ 45,000	\$ 36,488
2013	3.50	50,000	34,825
2014	3.50	50,000	33,075
2015	3.50	50,000	31,325
2016	3.50	55,000	29,487
2017	3.50	55,000	27,563
2018	3.50	60,000	25,550
2019	3.50	60,000	23,450
2020	3.50	60,000	21,350
2021	3.50	65,000	19,162
2022	3.50	65,000	16,888
2023	3.50	70,000	14,525
2024	3.50	70,000	12,075
2025	3.50	75,000	9,537
2026	3.50	75,000	6,913
2027	3.50	80,000	4,200
2028	3.50	80,000	1,400
TOTALS		<u>\$ 1,065,000</u>	<u>\$ 347,813</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, 2011

Water Revenue Bonds			
Series 2011 Dated 6-03-2011			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2012	2.00 %	\$ 325,000	\$ 2,661,600
2013	2.50	345,000	2,655,100
2014	3.00	1,015,000	2,646,475
2015	3.00	1,050,000	2,616,025
2016	3.00	1,075,000	2,584,525
2017	2.75	1,105,000	2,552,275
2018	5.00	1,135,000	2,521,888
2019	5.00	1,195,000	2,465,137
2020	3.13	1,255,000	2,405,387
2021	5.00	1,290,000	2,366,169
2022	5.00	1,355,000	2,301,669
2023	5.00	1,620,000	2,233,919
2024	4.00	1,700,000	2,152,919
2025	4.13	1,770,000	2,084,918
2026	5.00	1,840,000	2,011,906
2027	4.13	1,935,000	1,919,906
2028	4.25	2,010,000	1,840,087
2029	4.38	2,100,000	1,754,663
2030	4.50 - 5.00	2,190,000	1,662,787
2031	4.50	2,295,000	1,556,738
2032	4.75	2,400,000	1,453,462
2033	4.75	2,515,000	1,339,463
2034	4.75	2,630,000	1,220,000
2035	4.75	2,755,000	1,095,075
2036	4.75	2,890,000	964,213
2037	4.75	3,025,000	826,938
2038	5.00	3,170,000	683,250
2039	5.00	3,330,000	524,750
2040	5.00	3,495,000	358,250
2041	5.00	3,670,000	183,500
TOTALS		<u>\$ 58,485,000</u>	<u>\$ 53,642,994</u>

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

	<u>Fund Level</u>	<u>Adjustments</u>	<u>Government- Wide Level</u>
Revenues:			
3 mill ad valorem tax	\$ 837,995	\$ ---	\$ 837,995
7.5 mill ad valorem tax	2,094,987	---	2,094,987
.5 percent sales tax	2,472,856	19,644	2,492,500
Interest	1,269	(1,237)	32
TOTAL REVENUES	<u>\$5,407,107</u>	<u>\$18,407</u>	<u>\$5,425,514</u>
Expenditures:			
Transfers to Cullman City Board of Education	<u>\$5,425,482</u>	<u>\$ ---</u>	<u>\$5,425,482</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, 2011 and 2010.

September, 2010 revenues received after 30 day availability period	\$(194,195)
September, 2011 revenues received after 30 day availability period	<u>212,602</u>
	<u>\$ 18,407</u>

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

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

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

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

Note 3 – The computation of legal debt margin above is to disclose the City's compliance with the constitutional limitations on outstanding debt. The amount of legal debt margin at September 30, 2011, has no relationship to the City's financial capacity to repay the amount of debt.

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:	
2010	14,775
2000	13,995
1990	13,367
1980	13,069
1970	12,601
1960	10,866
1950	7,523
1940	5,074
1930	2,886
1920	2,486

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

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

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

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

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

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