

CITY OF CULLMAN, ALABAMA  
BASIC FINANCIAL STATEMENTS  
With Supplementary Information  
September 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, 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, 2013, as displayed in the City's basic financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cullman, Alabama's basic financial statements. The combining and individual fund financial statements and schedules and the statistical data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules listed in the table of contents are fairly stated in all material respects in relation to the financial statements taken as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014, 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* in considering the City of Cullman, Alabama's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Cullman, Alabama  
March 21, 2014



## CITY OF CULLMAN, ALABAMA

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Post Office Box 278  
Cullman, Alabama 35056-0278

City Treasurer (256) 775-7115  
City Clerk (256) 775-7110  
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### **Management's Discussion and Analysis Concerning the Audited Financial Statements for the Fiscal Year Ended September 30, 2013**

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. The City of Cullman was incorporated on March 6<sup>th</sup>, 1875, and 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 is the chief executive officer of the City of Cullman. The Mayor is responsible for the supervision of the daily operations and the officers of the City of Cullman. The Mayor, with assistance from the City Treasurer and the City Clerk, prepares the annual budget for the City of Cullman.

The Council is the legislative body and adopts all policies, procedures, and laws that govern the City of Cullman. The Council is responsible for the financial management and long term planning of the City of Cullman which includes amending and adopting the annual budget. The officers of the Council are the Council President Garlan E. Gudger, Jr. and the President Pro-tem Jenny Folsom.

Council members (for terms expiring November 1, 2016) are as follows:

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		

The Interim City Clerk, Wesley M. Moore, is appointed by the City Council. The City Clerk is responsible for preparation of the agenda and the recording of the minutes of all City Council Meetings. The City Clerk supervises the collection of the revenues for the City of Cullman. The City Clerk serves as custodian of the records and also performs the duties prescribed by law and assigned by the Mayor and Council.

The City Treasurer, Patricia Quick, is appointed by the City Council. The City Treasurer is responsible for management of funds for the City of Cullman and its financial records. The City Treasurer designates all City depositories and authorizes the issuance of payments for the lawful expenditures of City funds. The City Treasurer also performs the duties prescribed by law and assigned by the Mayor and Council.

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

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

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

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

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

### **FINANCIAL HIGHLIGHTS**

The City's net position increased \$6,888,022 over the course of this year's operation: approximately \$667,377 in the net position of the governmental activities and \$6,220,645 in the business-type activities.

Budgeted revenues in the general fund for fiscal year 2013 were based generally on the previous year's receipts; however, budgeted revenues increased during the year due to the improving local economy. Revenues were \$263,773 more than budgeted, while at the same time general fund expenditures were approximately \$1,127,730 less than budgeted.

The most important source of revenue for the General Fund are sales taxes, which produced \$14,091,011 for general purposes and \$2,655,452 for education in fiscal year 2013. The other major sources of revenue in fiscal year 2013 were property taxes in the amount of \$1,265,354 for general purposes and \$3,041,746 for education; business licenses in the amount of \$2,286,774; and sanitation charges in the amount of \$4,151,770.

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

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

	Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (Except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary such as police, fire and public works	Activities the City operates similar to private businesses: the water and sewer systems
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position 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 position 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 position and how they have changed. Net position--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 position are an indicator of whether its financial health is improving or deteriorating, respectively. In order to assess the overall health of the City, however, additional factors such as changes in property tax base, economic growth, unemployment, new and/or expanded businesses and industries, and the condition of the City’s assets and infrastructure must be considered.

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

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

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

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

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

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

		<u>Governmental Activities</u>	
		<u>2013</u>	<u>2012</u>
Current assets		\$ 50,418,594	\$ 51,557,005
Restricted assets		3,535,616	3,669,077
Capital assets:			
Land and other assets not depreciated		12,254,546	12,354,714
Buildings, improvements, and equipment net of depreciation		41,369,443	41,296,375
Other assets		579,940	641,410
	TOTAL ASSETS	<u>\$ 108,158,139</u>	<u>\$ 109,518,581</u>
Current liabilities		\$ 2,266,322	\$ 2,935,709
Liabilities payable from restricted assets		1,328,730	1,307,458
Long-term liabilities		22,326,819	23,770,268
Other liabilities		4,276,559	4,212,814
	TOTAL LIABILITIES	<u>\$ 30,198,430</u>	<u>\$ 32,226,249</u>
Net position:			
Invested in capital assets, net of related liabilities		\$ 48,686,740	\$ 46,433,027
Restricted		4,234,863	3,847,033
Unrestricted		25,038,106	27,012,272
	TOTAL NET POSITION	<u>\$ 77,959,709</u>	<u>\$ 77,292,332</u>
	TOTAL LIABILITIES AND NET POSITION	<u>\$ 108,158,139</u>	<u>\$ 109,518,581</u>

OF NET POSITION  
ALABAMA  
2013 and 2012

Business-type Activities		Total	
2013	2012	2013	2012
\$ 4,553,366	\$ 670,997	\$ 54,971,960	\$ 52,228,002
31,752,455	41,604,901	35,288,071	45,273,978
37,848,287	25,657,758	50,102,833	38,012,472
99,269,115	101,200,563	140,638,558	142,496,938
1,915,539	2,578,500	2,495,479	3,219,910
<u>\$ 175,338,762</u>	<u>\$ 171,712,719</u>	<u>\$283,496,901</u>	<u>\$281,231,300</u>
\$ 1,239,361	\$ 1,392,947	\$ 3,505,683	\$ 4,328,656
5,249,121	3,720,198	6,577,851	5,027,656
84,907,192	88,827,365	107,234,011	112,597,633
334,978	384,744	4,611,537	4,597,558
<u>\$ 91,730,652</u>	<u>\$ 94,325,254</u>	<u>\$121,929,082</u>	<u>\$126,551,503</u>
\$ 65,074,786	\$ 61,028,312	\$113,761,526	\$107,461,339
1,822,185	3,407,868	6,057,048	7,254,901
16,711,139	12,951,285	41,749,245	39,963,557
<u>\$ 83,608,110</u>	<u>\$ 77,387,465</u>	<u>\$161,567,819</u>	<u>\$154,679,797</u>
<u>\$ 175,338,762</u>	<u>\$ 171,712,719</u>	<u>\$283,496,901</u>	<u>\$281,231,300</u>

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

		<u>Governmental Activities</u>	
		<u>2013</u>	<u>2012</u>
Program Revenues:			
Charges for services		\$ 7,906,159	\$ 7,669,628
Operating grants and contributions		980,889	1,048,270
Capital grants and contributions		200,034	1,091,535
General Revenues:			
Property taxes		4,307,100	4,259,107
Sales taxes		16,746,463	16,337,725
Other taxes		1,591,770	1,831,107
City Board of Education for debt service payments		499,936	509,994
Unrestricted investment earnings		83,909	116,397
Sale of capital assets		8,490	14,597
Insurance recoveries		25,172	55,169
Miscellaneous		1,874,479	1,662,326
TOTAL REVENUES		<u>\$ 34,224,401</u>	<u>\$ 34,595,855</u>
Expenses:			
General government		\$ 4,730,933	\$ 4,038,041
Public safety		9,636,480	8,863,156
Highways and streets		2,991,926	3,187,155
Sanitation		3,926,943	3,921,879
Health and social services		738,772	436,761
Culture and recreation		291,157	326,877
Education		5,910,366	5,797,124
Conservation		207,503	88,734
Interest on long-term debt		351,788	390,585
Sewer		-	-
Water		-	-
Parks and Recreation		-	-
Golf course		-	-
Wellness and Aquatic Center		-	-
Airport		-	-
TOTAL EXPENSES		<u>\$ 28,785,868</u>	<u>\$ 27,050,312</u>
INCREASE IN NET POSITION BEFORE TRANSFERS		\$ 5,438,533	\$ 7,545,543
Transfers		(4,771,156)	(3,921,400)
INCREASE IN NET POSITION		<u>\$ 667,377</u>	<u>\$ 3,624,143</u>
Net position at October 1, as previously reported		\$ 77,292,332	\$ 73,668,189
Add adjustment for the cumulative effect on prior years of retroactive application of interest capitalization policy (Note VIII)		-	-
Net position at October 1, as restated		<u>\$ 77,292,332</u>	<u>\$ 73,668,189</u>
NET POSITION AT END OF YEAR		<u>\$ 77,959,709</u>	<u>\$ 77,292,332</u>

OF ACTIVITIES  
ALABAMA  
2013 and 2012

Business-type Activities		Total	
2013	2012	2013	2012
\$ 21,390,591	\$ 20,438,601	\$ 29,296,750	\$ 28,108,229
2,051	700,322	982,940	1,748,592
708,421	74,174	908,455	1,165,709
-	-	4,307,100	4,259,107
-	-	16,746,463	16,337,725
183,925	179,254	1,775,695	2,010,361
-	-	499,936	509,994
53,717	59,517	137,626	175,914
13,510	2,631	22,000	17,228
33,687	-	58,859	55,169
339,593	210,247	2,214,072	1,872,573
<u>\$ 22,725,495</u>	<u>\$ 21,664,746</u>	<u>\$ 56,949,896</u>	<u>\$ 56,260,601</u>
\$ -	\$ -	\$ 4,730,933	\$ 4,038,041
-	-	9,636,480	8,863,156
-	-	2,991,926	3,187,155
-	-	3,926,943	3,921,879
-	-	738,772	436,761
-	-	291,157	326,877
-	-	5,910,366	5,797,124
-	-	207,503	88,734
-	-	351,788	390,585
5,552,702	5,081,346	5,552,702	5,081,346
6,363,280	7,261,130	6,363,280	7,261,130
3,946,046	3,831,685	3,946,046	3,831,685
946,805	848,881	946,805	848,881
3,723,106	3,560,513	3,723,106	3,560,513
744,067	669,071	744,067	669,071
<u>\$ 21,276,006</u>	<u>\$ 21,252,626</u>	<u>\$ 50,061,874</u>	<u>\$ 48,302,938</u>
\$ 1,449,489	\$ 412,120	\$ 6,888,022	\$ 7,957,663
4,771,156	3,921,400	-	-
<u>\$ 6,220,645</u>	<u>\$ 4,333,520</u>	<u>\$ 6,888,022</u>	<u>\$ 7,957,663</u>
\$ 77,387,465	\$ 72,337,773	\$ 154,679,797	\$ 146,005,962
-	716,172	-	716,172
<u>\$ 77,387,465</u>	<u>\$ 73,053,945</u>	<u>\$ 154,679,797</u>	<u>\$ 146,722,134</u>
<u>\$ 83,608,110</u>	<u>\$ 77,387,465</u>	<u>\$ 161,567,819</u>	<u>\$ 154,679,797</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 \$25,191,945, as compared with the previous year's balance of \$25,522,204. The general fund's revenues decreased approximately .57% due to a general decrease in revenues. The general fund reflected a 4.74% decrease in expenditures due to a decrease in 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 Fund balance decreased primarily due to current year outlays for ongoing projects, but the City's net position increased due to the City's improving local economy. Overall, the City's financial position slightly increased.

## **TORNADO DAMAGE**

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

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

For the year ended September 30, 2013, the City has recorded \$191,363 as revenues from FEMA grant funds and had receivables of \$350,914 from FEMA and \$61,889 from the State of Alabama as of year end. In the year ended September 30, 2012, the City had revenues of \$534,224 from FEMA grant funds.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

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

(3) Increases in appropriations to prevent budget overruns.

The expenditures for capital outlay were \$725,655 less than the budgeted amount. The budget was amended to reflect the major projects for the street department during the year. The City of Cullman incurred costs on the following major projects during the year:

Event Lot	\$ 51,915
Rehau Roadway	163,591
Cullman Streetscape	129,766
Grief Brothers project Phase 2 roads, parking, etc.	137,787
Industrial Park 2 Lot 8a	139,243

The expenditures for operating transfers out were \$986,993 less than the budgeted amount. The budget was amended to reflect the additional transfers made to cover the payroll for Cullman City Parks and Recreation Board. The budget was not amended to cover the additional transfers to the Cullman Regional Airport Board for the City's portion of cash outlays in excess of revenues.

The revenues and expenditures in the school tax fund were not increased to actual amounts. The expenditures were \$226,776 in excess of the budgeted amount, and the revenues were \$216,930 in excess of the budgeted amount. All the revenues in the school tax fund are distributed to the City Board of Education.

### **CAPITAL ASSETS**

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

#### **Governmental Activities:**

The City completed the following projects during the year ended September 30, 2013:

- ✓ Hwy 31 & West Main Widening in the amount of \$634,193
- ✓ Completion of Teklinks Network Switches in the amount of \$14,382
- ✓ Event Lot in the amount of \$175,970
- ✓ Cullman Streetscape Busy Bee Streets II & III in the amount of \$182,409

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, 2013, \$856,267 had been expended and requested. The grant does not require a match. The grant completion date was extended to December 1, 2014.

The City awarded a contract in the amount of \$162,250 to Goodwyn, Mills, & Cawood, Inc. for the preliminary design of the Cullman Civic Complex and Bass Fishing Hall of Fame. As of September 30, 2013, \$62,750 had been incurred on the contract.

In September 2011, the U.S. Environmental Protection Agency awarded the City a grant in the amount of \$200,000 for cleanup of hazardous substances at the Greif property site. The grant is for the project period October 1, 2011 through September 30, 2014. The City is to provide a match of \$42,630. As of September 30, 2013, the City had incurred \$185,195 in expenditures on the grant.

As of October 2012, the City received a grant award in the amount of \$400,221 from the Federal Emergency Management Agency (FEMA) for a community safe room. The total estimated cost of the project is \$533,628 and the City is to provide a match of \$133,407. As of September 30, 2013, the City had not incurred any costs on the project.

As of July 2013, the State of Alabama awarded Alabama Transportation Rehabilitation and Improvement Program (ATRIP) grant money to Cullman County, which has to be allocated to various projects within Cullman County. Of the award, the City has currently been allocated the following amounts:

- ✓ \$1,390,497 for the bridge and realignment on Convent Road Northeast and Larkwood Drive over Eightmile Creek. The City expects to provide \$347,624 in matching funds.
- ✓ \$1,634,704 for the raising of the road surface approximately 8 feet of elevation, installation of a new pre-cast concrete arch culvert, and associated site grading and resurfacing of approximately 1,200 feet of roadway on Eva Road over Bridge Creek. The City expects to provide \$408,676 in matching funds.

The City will not receive the actual funding agreements for these projects until all estimates have been finalized. However, these amounts are on the list of selected projects found on the Alabama Department of Transportation (ALDOT) website.

### **Business-Type Activities**

#### **Sewer**

A contract was awarded to St. John & Associates, Inc. in the amount of \$117,000 for the Eight Mile Creek North Interceptor Sewer Study. As of September 30, 2013, the Sewer Fund had incurred costs of \$43,018 on the contract.

A contract was awarded to St. John & Associates, Inc. in the amount of \$109,341 for the Interchange I-65 at 222 Utility Relocation. The Sewer Fund's portion of this contract is 40% or \$43,736. As of September 30, 2013, the Sewer Fund had incurred costs of \$7,966 on the contract.

A contract was awarded to Community Consultants, Inc. in the amount of \$130,000 for the CDBG Disaster Recovery Project. As of September 30, 2013 the Sewer Fund had not incurred any costs associated with this project.

A contract was awarded to St. John & Associates, Inc. in the amount of 6.4% and 3% of total construction cost for the CDBG Disaster Recovery Project. The total construction cost has not been determined, but the contract with St. John & Associates is estimated at \$357,744 for engineering design and \$151,945 for inspection services. As of September 30, 2013, the Sewer Fund had incurred costs of \$107,404 on the contract. The construction portion of the project is expected to be bid on February 4, 2014.

#### Water System

##### A. The Utilities Board of the City of Cullman – Water Division (Board), a Component Unit of the City

The Board has awarded a contract to Brasfield & Gorrie LLC in the amount of \$5,947,233, which includes change orders of \$1,609,241, for the Duck River Reservoir Phase I Project. As of September 30, 2013, the Board had incurred \$5,234,647 on the project, which includes retainage of \$37,397.

The Board has awarded a contract to CH2M Hill Engineers, Inc. for professional engineering services for the Duck River Phase I Construction in the amount of \$1,091,000. As of September 30, 2013, the Board had incurred \$924,043 on the contract.

The Board has awarded a contract to CH2M Hill Engineers, Inc. for professional engineering services for the design and services during construction for Phase II of the Duck River Water Supply Project in the amount of \$1,950,000. As of September 30, 2013, the Board had incurred \$1,694,895 on the contract.

The Board has awarded a contract to Forestry Environmental Services, Inc. for the Duck River Reservoir Phase I Reservoir Footprint Tree Removal in the amount of \$1,984,390. As of September 30, 2013, the Board had incurred \$1,229,974 on the contract, which includes retainage of \$99,220.

The Board has awarded a contract to Forestry Environmental Services, Inc. for the Duck River Recreation Trail Phase I in the amount of \$242,725. As of September 30, 2013, the Board has incurred \$44,622 on the contract, which included retainage of \$2,231.

The Board has awarded a contract to Lowery's Hydrologic Data Collection for the maintenance of the gage at Duck River near Berlin, Alabama in the amount of \$6,500. As of September 30, 2013, the Board had incurred \$3,900 on the contract.

#### B. Water Fund

As of July 22, 2013, the City authorized a contract with St. John & Associates, Inc. for professional engineering services for utility adjustments in the right-of-way at County Road 222 and I-65 in an amount not to exceed \$98,000. As of September 30, 2013, the City had incurred \$11,949 in costs on the contract.

#### Cullman Regional Airport Board (Airport)

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$27,500 for professional services related to the acquisition of the Walker property. As of September 30, 2013, the Airport had incurred \$14,357 on the contract, which includes retainage of \$1,436.

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$53,835 for professional services to update the existing airport layout plan and develop a capital improvement plan at the airport. As of September 30, 2013, the Airport had incurred \$34,525 on the contract, which includes retainage of \$3,453.

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$91,435 for professional services related to the apron rehabilitation at the airport. As of September 30, 2013, the Airport had incurred \$82,213 on the contract, which includes retainage of \$7,474.

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$60,000 for professional services related to the runway extension. As of September 30, 2013, the Airport had incurred \$44,800 on the contract.

The Airport has entered into a contract with Riley Bridge Co., Inc. in the amount of \$880,008 for construction services related to the apron rehabilitation at the airport. As of September 30, 2013 the Airport had incurred \$964,267 on the contract, which includes retainage of \$48,213.

### **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**

On July 31, 2013, the Sewer Fund issued a \$10,000,000 General Obligation Warrant (Series 2013) with an interest rate of 1.72 percent to refund \$10,150,000 of outstanding Series 1999-SRF, 2000-SRF, and 2002-SRF warrants with interest rates of 3.5, 3.85, and 3.50 percent, respectively.

### **Water System**

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 (Airport)**

On October 22, 2012, the City of Cullman, Alabama General Obligation Warrant was issued to BBVA Compass Bank. The original principal of \$1,500,000 will be due in monthly installments of \$14,477.19 with interest at 2.99 percent. Due to the fact that the Airport is a joint venture between the City of Cullman and Cullman County, only 50 percent of this debt has been reflected in the attached financial statements.

## **CURRENT EVENTS**

### **Governmental Activities**

As of October 2013, the City received a grant in the amount of \$194,887 from the Alabama Department of Environmental Management (ADEM) for a recycle truck and container fork truck.

As of October 2013, the City approved the purchase of a street sweeper from the NJPA bid list in the amount of \$190,000.

As of October 2013, the City approved the purchase of a recycle truck from Samson Equipment on the state bid list in the amount of \$135,000.

As of October 2013, the City approved the purchase of five Police SUVs from Capital Chevrolet in the amount of \$140,000.

As of November 2013, the City approved the purchase of 30 Tough Pads with mounts and printers from the USCGPA bid list from Insight Public Sector in the amount of \$94,766.

As of November 2013, the City approved the purchase of a 2013 Ford F650 truck with container forks from the NJPA bid list from Ingram Equipment Company, LLC in the amount of \$86,367.

As of November 2013, the City accepted the proposal from Eco Tech, Inc. in the amount of \$98,000 for ISCO blending at the Greif Property.

As of December 2013, the City received a grant award in the amount of \$233,000 from the Tennessee Valley Authority Invest Prep Program to mitigate wetlands and extend water and sewer lines to the Burrow Industrial Tract. The total estimated cost of the project is \$466,000 and the City is to provide a match of \$233,000.

### **Business-Type Activities**

#### **Sewer**

In November of 2013, the City issued a General Obligation Sewer Warrant Series 2013–A, in the amount of \$11,745,000, through Regions Capital Advantage, Inc. The Sewer Fund then refunded the following warrants:

✓ General Obligation Sewer Warrant Series 2002-SRF dated November 10, 2002	\$2,600,000
✓ General Obligation Sewer Warrant Series 2004-CWSRF-DL dated January 20, 2004	2,805,000
✓ General Obligation Sewer Warrant Series 2005-CWSRF-DL dated January 1, 2005	3,135,000
✓ General Obligation Sewer Warrant Series 2008-CWSRF-DL dated July 18, 2008	3,205,000

In December of 2013, the City was awarded a Tornadoes of 2011 Supplemental Disaster Recovery Grant through the Alabama Department of Economic and Community Affairs (ADECA) in the amount of \$5.72 million. These funds are to be used to assist in replacing the severely damaged sewer collector main which extends along Eight Mile Creek.

As of February 2014, the City awarded a contract to Cleary Construction, Inc. in the amount of \$4,476,331 for the Eight Mile Creek Sewer Line Replacement project.

#### **Water System**

As of November 2013, the City authorized a contract with St. John & Associates, Inc. for professional engineering services to extend utilities from Industrial Park III to the Burrow Property in an amount not to exceed \$28,000.

As of November 27, 2013, the City issued series General Obligation Water Warrants, Series 2013-B to borrow \$5,695,000 from Peoples Bank of Alabama in order to refund the following outstanding warrants:

✓ General Obligation Water System Warrant, Series 2004-DWSRF-DL dated January 20, 2004	\$1,895,000
✓ General Obligation Water System Warrant, Series 2005-DWSRF-DL dated February 1, 2005	1,805,000
✓ General Obligation Water System Warrant, Series 2005B-DWSRF-BL dated October 6, 2005	1,025,000
✓ General Obligation Warrant, Series 2008-DWSRF-DL Dated July 18, 2008	970,000

As of November 2013, the City approved the purchase of a Volvo EC160D Excavator from HGAC in the amount of \$153,623.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

CITY OF CULLMAN, ALABAMA  
STATEMENT OF NET POSITION  
September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash equivalents	\$ 16,336,577	\$ 12,814,365	\$ 29,150,942
Certificates of deposit	8,892,104	4,404,000	13,296,104
Interest receivable	3,605	1,034	4,639
Accounts receivable (net)	331,008	923,455	1,254,463
Assessments receivable (net)	84,000	-	84,000
Interfund balances	15,643,674	(15,643,674)	-
Due from other governmental units:			
Cullman Power Board	270,685	753,706	1,024,391
Other	8,444,408	661,503	9,105,911
Inventories	74,002	490,544	564,546
Prepaid insurance	338,531	128,433	466,964
Prepaid utility tax	-	20,000	20,000
TOTAL CURRENT ASSETS	\$ 50,418,594	\$ 4,553,366	\$ 54,971,960
Restricted assets:			
Cash equivalents	\$ 906,589	\$ 31,729,355	\$ 32,635,944
OPEB funds held by the Cullman Power Board	-	11,760	11,760
State revolving funds receivable	-	11,340	11,340
Advances to other governments	2,629,027	-	2,629,027
TOTAL RESTRICTED ASSETS	\$ 3,535,616	\$ 31,752,455	\$ 35,288,071
Capital assets:			
Land and other assets not being depreciated	\$ 12,254,546	\$ 37,848,287	\$ 50,102,833
Buildings, improvements, and equipment, net of depreciation	41,369,443	99,269,115	140,638,558
TOTAL CAPITAL ASSETS	\$ 53,623,989	\$137,117,402	\$190,741,391
Other assets:			
Debt discount and expense	\$ 70,877	\$ 1,445,254	\$ 1,516,131
Deposits	-	910	910
Insurance deposit	113,307	-	113,307
Assessments receivable - noncurrent	395,756	469,375	865,131
TOTAL OTHER ASSETS	\$ 579,940	\$ 1,915,539	\$ 2,495,479
TOTAL ASSETS	\$108,158,139	\$175,338,762	\$283,496,901

(Continued)

CITY OF CULLMAN, ALABAMA  
STATEMENT OF NET POSITION - CONTINUED  
September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accounts payable	\$ 1,102,159	\$ 599,861	\$ 1,702,020
Utility tax payable	-	28,173	28,173
Accrued interest payable	16,702	161,579	178,281
Due to other governmental units:			
Cullman Power Board	-	37,762	37,762
Other	347,590	39,676	387,266
Accrued payroll	176,984	92,276	269,260
Current maturities on long-term debt	139,179	128,506	267,685
Estimated compensated absences - current portion	483,708	151,528	635,236
TOTAL CURRENT LIABILITIES	\$ 2,266,322	\$ 1,239,361	\$ 3,505,683
Liabilities payable from restricted assets:			
Accounts payable:			
Contractors	\$ -	\$ 781,587	\$ 781,587
Others	-	508,186	508,186
Accrued interest payable	58,849	307,332	366,181
Police evidence	19,881	-	19,881
Other postemployment benefits	-	3,683	3,683
Current maturities on long-term debt	1,250,000	3,648,333	4,898,333
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 1,328,730	\$ 5,249,121	\$ 6,577,851
Long-term liabilities:			
Warrants/bonds payable	\$ 21,588,844	\$ 84,278,136	\$105,866,980
Capital leases payable	-	28,225	28,225
Estimated compensated absences	737,975	600,831	1,338,806
TOTAL LONG-TERM LIABILITIES	\$ 22,326,819	\$ 84,907,192	\$107,234,011
Other liabilities:			
Debt premium	\$ 416	\$ 167,616	\$ 168,032
Unearned revenue	4,276,143	167,362	4,443,505
TOTAL OTHER LIABILITIES	\$ 4,276,559	\$ 334,978	\$ 4,611,537
TOTAL LIABILITIES	\$ 30,198,430	\$ 91,730,652	\$121,929,082
Net position:			
Invested in capital assets, net of related liabilities	\$ 48,686,740	\$ 65,074,786	\$113,761,526
Restricted for:			
Debt service and capital activity	2,835,222	1,812,114	4,647,336
Highways and streets	677,953	-	677,953
Industrial Development/Recreation	118,621	10,071	128,692
Drug Abuse Resistance Education (DARE)	53,344	-	53,344
Jail/Correction facilities/Court complex	305,210	-	305,210
Nonspendable - Endowment	100,908	-	100,908
Others	143,605	-	143,605
Unrestricted	25,038,106	16,711,139	41,749,245
TOTAL NET POSITION	\$ 77,959,709	\$ 83,608,110	\$161,567,819
TOTAL LIABILITIES AND NET POSITION	\$108,158,139	\$175,338,762	\$283,496,901

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	\$ 4,045,166
Building and housing	402,728
Garage	283,039
Public safety:	
Police	5,029,382
Fire	3,637,437
Traffic maintenance	259,572
Dispatch and miscellaneous	710,089
Highways and streets	2,991,926
Sanitation	3,926,943
Health and social services	738,772
Culture and recreation	291,157
Education	5,910,366
Conservation	207,503
Interest on long-term debt	351,788
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 28,785,868</u>
Business-type activities:	
Sewer	\$ 5,552,702
Water	6,363,280
Parks and recreation	3,430,852
Gymnastics	515,194
Golf course	946,805
Wellness and Aquatic Center	3,723,106
Airport	744,067
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 21,276,006</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 50,061,874</u></u>

(Continued)

CULLMAN, ALABAMA  
ACTIVITIES  
September 30, 2013

Program Revenues			
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
\$ 2,748,478	\$ 407,031	\$ 30,053	\$ (859,604)
189,231	-	-	(213,497)
-	-	-	(283,039)
288,585	32,306	5,500	(4,702,991)
285	394	-	(3,636,758)
8,279	(7,534)	-	(258,827)
-	57,909	-	(652,180)
448,047	463,092	155,181	(1,925,606)
4,151,770	78	-	224,905
-	-	-	(738,772)
23,015	2,153	9,300	(256,689)
48,469	-	-	(5,861,897)
-	25,460	-	(182,043)
-	-	-	(351,788)
<u>\$ 7,906,159</u>	<u>\$ 980,889</u>	<u>\$ 200,034</u>	<u>\$ (19,698,786)</u>
\$ 6,166,973	\$ -	\$ 44,100	\$ 658,371
10,748,023	-	-	4,384,743
798,914	224	-	(2,631,714)
426,159	-	-	(89,035)
474,284	1,781	-	(470,740)
2,305,495	46	-	(1,417,565)
470,743	-	664,321	390,997
<u>\$ 21,390,591</u>	<u>\$ 2,051</u>	<u>\$ 708,421</u>	<u>\$ 825,057</u>
<u>\$ 29,296,750</u>	<u>\$ 982,940</u>	<u>\$ 908,455</u>	<u>\$ (18,873,729)</u>

CITY OF CULLMAN, ALABAMA  
STATEMENT OF ACTIVITIES - CONTINUED  
Year ended September 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense)	\$(19,698,786)	\$ 825,057	\$ (18,873,729)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	\$ 1,265,354	\$ -	\$ 1,265,354
Property taxes, levied for education	3,041,746	-	3,041,746
Sales taxes, levied for general purposes	14,091,011	-	14,091,011
Sales taxes, levied for education	2,655,452	-	2,655,452
Tobacco taxes	139,995	-	139,995
Lodging taxes	-	183,925	183,925
Rent taxes	405,001	-	405,001
Beverage/liquor taxes	849,150	-	849,150
Other taxes	197,624	-	197,624
City Board of Education for debt service payments	499,936	-	499,936
Unrestricted investment earnings	83,909	53,717	137,626
Sale of capital assets	8,490	13,510	22,000
Insurance recoveries	25,172	33,687	58,859
Miscellaneous	1,874,479	339,593	2,214,072
Transfers - internal activities	(4,771,156)	4,771,156	-
TOTAL GENERAL REVENUES AND TRANSFERS	\$ 20,366,163	\$ 5,395,588	\$ 25,761,751
CHANGE IN NET POSITION	\$ 667,377	\$ 6,220,645	\$ 6,888,022
Net position at beginning of year	77,292,332	77,387,465	154,679,797
Net position - ending	\$ 77,959,709	\$ 83,608,110	\$ 161,567,819

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	\$ 13,726,585	\$ 18,613
Certificates of deposit	8,589,519	-
Receivables (net of allowance for uncollectibles):		
Accounts	331,008	-
Assessments	479,756	-
Interest	3,109	-
Interfund receivables	11,066	-
Due from other governmental units:		
Cullman Power Board	270,685	-
Other	4,763,813	3,493,562
Inventories	74,002	-
Prepaid insurance	338,531	-
Interfund receivables - long-term	470,218	-
Restricted assets:		
Cash equivalents	39,501	-
Advances to other governmental units	-	-
Interfund receivables - long-term	-	-
Insurance deposit	113,307	-
TOTAL ASSETS	\$ 29,211,100	\$ 3,512,175

(Continued)

ALABAMA  
GOVERNMENTAL FUNDS  
 2013

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,591,379	\$ 16,336,577
-	302,585	8,892,104
-	-	331,008
-	-	479,756
-	496	3,605
-	152,706	163,772
-	-	270,685
-	187,033	8,444,408
-	-	74,002
-	-	338,531
-	-	470,218
867,088	-	906,589
2,629,027	-	2,629,027
15,251,223	-	15,251,223
-	-	113,307
<u>\$ 18,747,338</u>	<u>\$ 3,234,199</u>	<u>\$ 54,704,812</u>

CITY OF CULLMAN,  
BALANCE SHEET -  
September 30,

	General	School Tax
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable		
Trade	\$ 424,076	\$ 470,447
Contractors	-	-
Accrued liabilities	48,250	-
Accrued payroll	176,984	-
Interfund payables	5,477	-
Due to other governmental units	147,590	-
Interfund payables - long-term	-	-
Deferred revenues	3,012,310	3,242,036
Restricted liabilities - Police evidence	19,881	-
Estimated liability for compensated absences	184,587	-
TOTAL LIABILITIES	\$ 4,019,155	\$ 3,712,483
Fund balances:		
Nonspendable:		
Inventory	\$ 74,002	\$ -
Interfund receivables - long-term	470,218	-
Prepaid expenditures and insurance deposit	451,838	-
Advances to other governmental units	-	-
Permanent fund principal	-	-
Restricted for:		
Municipal Court equipment and training	53,167	-
Fiduciary	3,256	-
Trees	19,584	-
Debt service	-	-
Realty improvements and Ingle Park	-	-
Highways and streets	-	-
Capital improvements	-	-
Jail/correction facilities	-	-
Drug Abuse Resistance Education (DARE)	-	-
Municipal Court	-	-
Industrial development/recreation	-	-
Committed for:		
Landfill improvements	500,074	-
Assigned:		
Realty improvements	55,904	-
Capital projects	-	-
Unassigned	23,563,902	(200,308)
TOTAL FUND BALANCES (DEFICIT)	\$ 25,191,945	\$ (200,308)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 29,211,100	\$ 3,512,175

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

ALABAMA  
GOVERNMENTAL FUNDS - CONTINUED  
 2013

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 18,050	\$ 912,573
-	141,336	141,336
-	-	48,250
-	-	176,984
-	147,228	152,705
-	200,000	347,590
-	88,834	88,834
-	14,448	6,268,794
-	-	19,881
-	-	184,587
<u>\$ -</u>	<u>\$ 609,896</u>	<u>\$ 8,341,534</u>
\$ -	\$ -	\$ 74,002
15,251,214	-	15,721,432
-	-	451,838
2,629,036	-	2,629,036
-	100,908	100,908
-	-	53,167
-	-	3,256
-	-	19,584
867,088	-	867,088
-	16,298	16,298
-	663,504	663,504
-	647,956	647,956
-	305,210	305,210
-	53,344	53,344
-	32,687	32,687
-	118,621	118,621
-	-	500,074
-	-	55,904
-	926,463	926,463
-	(240,688)	23,122,906
<u>\$ 18,747,338</u>	<u>\$ 2,624,303</u>	<u>\$ 46,363,278</u>
<u>\$ 18,747,338</u>	<u>\$ 3,234,199</u>	<u>\$ 54,704,812</u>

CITY OF CULLMAN, ALABAMA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF NET POSITION  
 September 30, 2013

Total fund balances - total governmental funds (page 33) \$ 46,363,278

Amounts reported for governmental activities in the statement of net position  
 (pages 25-26) are different because:

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

Capital assets	\$ 74,399,628	
Accumulated depreciation	<u>(20,775,639)</u>	53,623,989

Other long-term assets are not available to pay for current-period  
 expenditures and therefore are deferred in the funds 1,992,651

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 position. 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 position.

Balances at September 30, 2013, were:

General Obligation Warrants	\$(23,000,790)	
Less deferred interest from refunding	22,767	
Less deferred issuance costs and discounts	70,877	
Plus deferred premium	(416)	
Accrued interest	(75,551)	
Compensated absences	<u>(1,037,096)</u>	<u>(24,020,209)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 26) \$ 77,959,709

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

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

	General	School Tax
Revenues:		
Taxes	\$ 17,113,888	\$ 5,687,352
Licenses and permits	2,866,321	-
Intergovernmental revenues	1,763,074	-
Charges for services	4,647,636	-
Fines and forfeits	259,124	-
Miscellaneous revenues:		
Interest revenue	\$ 78,645	\$ 578
Miscellaneous	84,989	-
TOTAL MISCELLANEOUS REVENUES	\$ 163,634	\$ 578
TOTAL REVENUES	\$ 26,813,677	\$ 5,687,930
Expenditures:		
Current:		
General government	\$ 4,192,035	\$ -
Public safety	9,014,036	-
Highways and streets	2,107,800	-
Sanitation	3,697,142	-
Health and social services	738,772	-
Culture and recreation	279,086	-
Education	139,825	5,697,776
Conservation	194,895	-
Capital outlay	1,410,153	-
Debt service:		
Principal retirement	206,358	-
Interest and fiscal charges	17,148	-
TOTAL EXPENDITURES	\$ 21,997,250	\$ 5,697,776
REVENUES OVER (UNDER) EXPENDITURES	\$ 4,816,427	\$ (9,846)
Other financing sources (uses):		
Capital contributions	\$ 114,079	\$ -
Sale of assets	20,638	-
Insurance proceeds	25,172	-
Operating transfers in	-	-
Operating transfers (out)	(5,306,575)	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ (5,146,686)	\$ -
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (330,259)	\$ (9,846)
Fund balances (deficit) at October 1	25,522,204	(190,462)
FUND BALANCES (DEFICIT) AT SEPTEMBER 30	\$ 25,191,945	\$ (200,308)

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

ALABAMA  
EXPENDITURES, AND CHANGES IN  
GOVERNMENTAL FUNDS  
September 30, 2013

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 12,500	\$ 22,813,740
-	-	2,866,321
499,936	808,306	3,071,316
-	-	4,647,636
-	108,543	367,667
\$ 580	\$ 2,492	\$ 82,295
-	-	84,989
<u>\$ 580</u>	<u>\$ 2,492</u>	<u>\$ 167,284</u>
<u>\$ 500,516</u>	<u>\$ 931,841</u>	<u>\$ 33,933,964</u>
\$ -	\$ 327,882	\$ 4,519,917
-	-	9,014,036
-	68,632	2,176,432
-	-	3,697,142
-	-	738,772
-	-	279,086
-	64,566	5,902,167
-	-	194,895
-	443,865	1,854,018
1,283,636	176,910	1,666,904
288,710	29,090	334,948
<u>\$ 1,572,346</u>	<u>\$ 1,110,945</u>	<u>\$ 30,378,317</u>
\$ (1,071,830)	\$ (179,104)	\$ 3,555,647
\$ -	\$ 155,181	\$ 269,260
-	-	20,638
-	-	25,172
1,502,853	140,000	1,642,853
<u>(1,021,127)</u>	<u>(86,307)</u>	<u>(6,414,009)</u>
<u>\$ 481,726</u>	<u>\$ 208,874</u>	<u>\$ (4,456,086)</u>
\$ (590,104)	\$ 29,770	\$ (900,439)
19,337,442	2,594,533	47,263,717
<u>\$ 18,747,338</u>	<u>\$ 2,624,303</u>	<u>\$ 46,363,278</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, 2013

Net change in fund balances - total governmental funds (page 36) \$ (900,439)

Amounts reported for governmental activities in the statement of activities (pages 27-29) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,854,018) exceeded depreciation (\$1,868,002) in the current period. The amount is also reduced by \$968 for a project capitalized in the prior period that was determined to not be a capital asset of the City. (14,952)

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 (\$88,111) less accumulated depreciation (\$75,963) (12,148)

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, 2012	\$ (2,006,753)	
Revenues deferred at the fund level that were earned and reported as revenues in the statement of activities for the current year	<u>1,992,654</u>	(14,099)

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	\$ (29,502)	
Accrued interest on warrants at beginning of year (\$85,177) less accrued interest on warrants at end of year (\$75,550)	<u>9,627</u>	(19,875)

(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, 2013

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 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	\$	13,161
Deferred loss on refunding		26,467
Debt premium		<u>(1,614)</u>

TOTAL AMORTIZATIONS ON  
PREVIOUSLY ISSUED DEBT \$ 38,014

Repayments to bondholders		<u>(1,666,904)</u>	
	NET ADJUSTMENT	<u>\$ (1,628,890)</u>	<u>1,628,890</u>

CHANGE IN NET POSITION OF THE GOVERNMENTAL ACTIVITIES (PAGE 29) \$ 667,377

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
<u>ASSETS</u>		
Current assets:		
Cash equivalents	\$ 1,243,092	\$ 10,630,224
Certificates of deposit	-	4,404,000
Interest receivable	-	1,034
Accounts receivable, net of allowance	262,512	575,783
Interfund receivables	-	5,966
Due from other governmental units:		
Cullman Power Board	424,006	329,700
Other	1,071	258,863
Inventories	47,916	358,215
Prepaid insurance	28,272	89,512
Prepaid utility tax	-	20,000
TOTAL CURRENT ASSETS	\$ 2,006,869	\$ 16,673,297
Restricted assets:		
Cash equivalents	\$ 827,192	\$ 30,902,163
OPEB funds held by		
Cullman Power Board	-	11,760
State revolving funds		
receivable	-	11,340
TOTAL RESTRICTED ASSETS	\$ 827,192	\$ 30,925,263
Capital assets:		
Land	\$ 165,706	\$ 9,305,520
Buildings	6,725,127	6,861,431
Improvements other than buildings	65,845,445	43,295,998
Machinery and equipment	1,872,441	9,573,862
Accumulated depreciation	(29,733,791)	(28,783,670)
	\$ 44,874,928	\$ 40,253,141
Construction in progress	645,499	24,179,170
TOTAL CAPITAL ASSETS	\$ 45,520,427	\$ 64,432,311
Other assets:		
Debt discount and expense	\$ 226,903	\$ 931,461
Deposits	-	-
Assessments receivable - noncurrent	469,375	-
TOTAL OTHER ASSETS	\$ 696,278	\$ 931,461
TOTAL ASSETS	\$ 49,050,766	\$ 112,962,332

(Continued)

ALABAMA  
 PROPRIETARY FUNDS  
 2013

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 886,287	\$ 54,762	\$ 12,814,365
-	-	4,404,000
-	-	1,034
74,015	11,145	923,455
-	-	5,966
-	-	753,706
38,371	363,198	661,503
59,298	25,115	490,544
-	10,649	128,433
-	-	20,000
<u>\$ 1,057,971</u>	<u>\$ 464,869</u>	<u>\$ 20,203,006</u>
\$ -	\$ -	\$ 31,729,355
-	-	11,760
-	-	11,340
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,752,455</u>
\$ 1,935,368	\$ 850,485	\$ 12,257,079
16,766,271	2,584,021	32,936,850
11,289,265	2,454,862	122,885,570
2,585,247	219,950	14,251,500
(9,654,698)	(2,632,646)	(70,804,805)
<u>\$ 22,921,453</u>	<u>\$ 3,476,672</u>	<u>\$ 111,526,194</u>
165,133	601,406	25,591,208
<u>\$ 23,086,586</u>	<u>\$ 4,078,078</u>	<u>\$ 137,117,402</u>
\$ 281,826	\$ 5,064	\$ 1,445,254
910	-	910
-	-	469,375
<u>\$ 282,736</u>	<u>\$ 5,064</u>	<u>\$ 1,915,539</u>
<u>\$ 24,427,293</u>	<u>\$ 4,548,011</u>	<u>\$ 190,988,402</u>

CITY OF CULLMAN,  
BALANCE SHEET -  
September 30,

	Business-Type	
	Sewer Operation	Water System
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 122,512	\$ 275,171
Utility tax payable	-	28,173
Interfund payables	8,156	8,828
Interest payable	-	-
Due to other governmental units:		
Cullman Power Board	28,315	9,447
Other	1,743	930
Accrued payroll	19,059	26,097
Estimated compensated absences - current portion	24,212	80,256
Current maturities on long-term liabilities	-	-
TOTAL CURRENT LIABILITIES	\$ 203,997	\$ 428,902
Liabilities payable from restricted assets:		
Accounts payable:		
Contractors	\$ 376,776	\$ 404,811
Others	-	508,186
Accrued interest payable	59,748	247,584
Other postemployment benefits	-	3,683
Current maturities on long-term liabilities	2,128,333	1,520,000
Interfund payables	10,162	-
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	\$ 2,575,019	\$ 2,684,264
Other Liabilities:		
Debt premium	\$ -	\$ 167,457
Unearned revenue	-	-
OTHER LIABILITIES	\$ -	\$ 167,457
Long-term liabilities:		
Warrants/bonds payable	\$ 19,057,316	\$ 64,448,109
Capital leases payable	-	-
Estimated compensated absences	95,985	307,802
Interfund payables	383,516	-
TOTAL LONG-TERM LIABILITIES	\$ 19,536,817	\$ 64,755,911
TOTAL LIABILITIES	\$ 22,315,833	\$ 68,036,534
Net position:		
Invested in capital assets, net of related liabilities	\$ 26,306,498	\$ 27,164,092
Restricted for debt service and capital activity - (deficit)	(4,922)	1,817,036
Restricted for parks and recreation/tournaments	-	-
Unrestricted	433,357	15,944,670
TOTAL NET POSITION	\$ 26,734,933	\$ 44,925,798
TOTAL LIABILITIES AND NET POSITION	\$ 49,050,766	\$ 112,962,332

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

ALABAMA  
 PROPRIETARY FUNDS - CONTINUED  
 2013

Activities		
Parks and Recreation	Airport	TOTALS
\$ 135,556	\$ 66,622	\$ 599,861
-	-	28,173
386,420	49	403,453
161,579	-	161,579
-	-	37,762
-	37,003	39,676
45,008	2,112	92,276
47,060	-	151,528
56,200	72,306	128,506
<u>\$ 831,823</u>	<u>\$ 178,092</u>	<u>\$ 1,642,814</u>
\$ -	\$ -	\$ 781,587
-	-	508,186
-	-	307,332
-	-	3,683
-	-	3,648,333
-	-	10,162
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,259,283</u>
\$ 159	\$ -	\$ 167,616
152,008	15,354	167,362
<u>\$ 152,167</u>	<u>\$ 15,354</u>	<u>\$ 334,978</u>
\$ 68,006	\$ 704,705	\$ 84,278,136
28,225	-	28,225
177,583	19,461	600,831
14,471,125	381,384	15,236,025
<u>\$ 14,744,939</u>	<u>\$ 1,105,550</u>	<u>\$ 100,143,217</u>
<u>\$ 15,728,929</u>	<u>\$ 1,298,996</u>	<u>\$ 107,380,292</u>
\$ 8,358,277	\$ 3,245,919	\$ 65,074,786
-	-	1,812,114
10,071	-	10,071
330,016	3,096	16,711,139
<u>\$ 8,698,364</u>	<u>\$ 3,249,015</u>	<u>\$ 83,608,110</u>
<u>\$ 24,427,293</u>	<u>\$ 4,548,011</u>	<u>\$ 190,988,402</u>

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

	Business-Type	
	Sewer Operation	Water System
Operating revenues:		
Charges for sales and services	\$ 6,025,397	\$ 10,526,691
Penalties and forfeited discounts	-	27,619
Charges for service connections	69,701	123,463
Service charges	71,875	70,250
Lodging tax	-	-
Miscellaneous	83,955	144,086
TOTAL OPERATING REVENUES	\$ 6,250,928	\$ 10,892,109
Cost of operating revenues	\$ -	\$ -
Operating expenses:		
Salaries and wages	1,083,196	1,448,060
Nonemployee compensation	-	-
Officials and instructors	-	-
Cullman Regional Medical Center	-	-
Payroll taxes	86,738	109,762
Employees retirement	96,497	153,886
Employees insurance	147,988	282,508
Telephone	10,917	19,423
Utilities	542,415	852,729
Billing, accounting, and collection fees	63,330	157,526
Office supplies and expenses	3,709	30,935
Professional services	9,860	32,181
Engineering services	6,120	750
Other contracted services	3,371	26,581
Tournament fees	-	-
Testing services	28,718	19,198
Landfill fees	34,581	-
Competition expense	-	-
Senior programs	-	-
Dues and subscriptions	558	3,948
Travel, registrations, and education	4,546	13,349
Public relations/printing/advertising	-	-
Uniforms	8,301	12,409
Small tools and equipment	69,168	36,053
Chemicals and supplies	70,149	575,099
Repairs and maintenance - system and equipment	328,384	485,567
Equipment rental	21,482	50,465
Gas, fuel, and oil	75,345	84,795
Insurance	57,623	122,052
Permits and licenses	3,925	4,858
Miscellaneous	221	23,186
Director's fees and expenses	-	31,500
Depreciation	1,871,022	1,261,246
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	\$ 4,628,164	\$ 5,838,066
OPERATING INCOME (LOSS)	\$ 1,622,764	\$ 5,054,043

(Continued)

ALABAMA  
EXPENSES AND CHANGES IN  
PROPRIETARY FUNDS  
September 30, 2013

Activities

Parks and Recreation	Airport	TOTALS
\$ 4,004,852	\$ 470,743	\$ 21,027,683
-	-	27,619
-	-	193,164
-	-	142,125
183,925	-	183,925
111,552	-	339,593
\$ 4,300,329	\$ 470,743	\$ 21,914,109
\$ 232,133	\$ 315,333	\$ 547,466
2,768,868	123,538	5,423,662
585	-	585
105,866	-	105,866
95,744	-	95,744
217,150	8,994	422,644
141,688	9,020	401,091
212,843	10,661	654,000
61,060	4,306	95,706
549,031	21,622	1,965,797
-	-	220,856
162,695	625	197,964
88,876	11,247	142,164
-	-	6,870
-	19,428	49,380
5,833	-	5,833
-	-	47,916
-	-	34,581
116,888	-	116,888
162,481	-	162,481
12,548	250	17,304
43,466	1,617	62,978
289,168	424	289,592
-	-	20,710
24,610	6,019	135,850
516,268	1,453	1,162,969
781,118	25,818	1,620,887
-	-	71,947
82,134	1,842	244,116
99,900	13,209	292,784
-	577	9,360
28,135	7,777	59,319
-	-	31,500
1,121,652	136,545	4,390,465
\$ 7,920,740	\$ 720,305	\$ 19,107,275
\$ (3,620,411)	\$ (249,562)	\$ 2,806,834

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

	Business-Type	
	Sewer Operation	Water System
Nonoperating revenues (expenses):		
Interest earned	\$ 425	\$ 50,314
Grants	-	-
Insurance proceeds	-	33,687
Disposal of assets	19,957	(6,447)
Interest expense	(838,139)	(485,814)
Amortization of debt expense	(86,399)	(36,444)
Paying agent/trustee fees	-	(2,956)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ (904,156)</u>	<u>\$ (447,660)</u>
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	\$ 718,608	\$ 4,606,383
Capital contributions	44,100	-
Transfers in	-	-
NET INCREASE IN NET POSITION	<u>\$ 762,708</u>	<u>\$ 4,606,383</u>
Net position, October 1	25,972,225	40,319,415
NET POSITION AT SEPTEMBER 30	<u>\$ 26,734,933</u>	<u>\$ 44,925,798</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, 2013

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 2,978	\$ -	\$ 53,717
2,051	-	2,051
-	-	33,687
-	-	13,510
(681,022)	(23,251)	(2,028,226)
(14,195)	(511)	(137,549)
-	-	(2,956)
<u>\$ (690,188)</u>	<u>\$ (23,762)</u>	<u>\$ (2,065,766)</u>
\$ (4,310,599)	\$ (273,324)	\$ 741,068
-	664,321	708,421
<u>4,452,027</u>	<u>319,129</u>	<u>4,771,156</u>
\$ 141,428	\$ 710,126	\$ 6,220,645
<u>8,556,936</u>	<u>2,538,889</u>	<u>77,387,465</u>
<u>\$ 8,698,364</u>	<u>\$ 3,249,015</u>	<u>\$ 83,608,110</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	\$ 6,186,756	\$ 10,779,936
Cash received from lodging tax	-	-
Cash payments for merchandise sold	-	3,195
Cash payments for operating expenses	(1,672,852)	(3,299,265)
Cash payments to employees	(1,046,491)	(1,413,270)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 3,467,413	\$ 6,070,596
Cash flows from noncapital and related financing activities:		
Interfund transfers	\$ -	\$ -
Grants received	19,269	643,489
Insurance proceeds	-	25,754
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ 19,269	\$ 669,243
Cash flows from capital and related financing activities:		
Proceeds from capital contributions	\$ 44,100	\$ 2,262
Interfund receivables/payables	(9,803)	-
Interfund transfers	-	-
Interest paid	(879,975)	(450,976)
Fiscal charges	(11,000)	(2,956)
Debt discount and expense	-	-
Proceeds from long-term debt	10,000,000	130,395
Principal payments of long-term debt	(12,096,110)	(955,000)
Insurance proceeds	-	7,933
Proceeds from disposal of assets	21,956	20,026
Acquisition and construction of capital assets	(435,745)	(12,216,304)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (3,366,577)	\$ (13,464,620)

(Continued)

ALABAMA  
 PROPRIETARY FUNDS  
 September 30, 2013  
 Cash and Cash Equivalents

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 4,038,101	\$ 484,503	\$ 21,489,296
182,746	-	182,746
(257,862)	(346,060)	(600,727)
(3,841,845)	(152,661)	(8,966,623)
(2,726,299)	(122,938)	(5,308,998)
\$ (2,605,159)	\$ (137,156)	\$ 6,795,694
\$ 3,134,103	\$ 396,653	\$ 3,530,756
49,167	-	711,925
-	-	25,754
\$ 3,183,270	\$ 396,653	\$ 4,268,435
\$ -	\$ 316,272	\$ 362,634
(388,158)	(17,052)	(415,013)
1,317,922	-	1,317,922
(679,972)	(23,251)	(2,034,174)
-	-	(13,956)
-	(5,575)	(5,575)
-	750,000	10,880,395
(63,828)	(77,092)	(13,192,030)
-	-	7,933
22,500	-	64,482
(578,193)	(1,165,432)	(14,395,674)
\$ (369,729)	\$ (222,130)	\$ (17,423,056)

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

	Business-Type	
	Sewer Operation	Water System
Cash flows from investing activities:		
Proceeds from certificates of deposit	\$ -	\$ 4,404,000
Interest received	425	45,646
Payments for purchase of certificates of deposit	-	(4,404,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 425	\$ 45,646
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 120,530	\$ (6,679,135)
Cash and cash equivalents at beginning of year	1,949,754	48,211,522
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,070,284	\$ 41,532,387

Cash and cash equivalents as of September 30, 2013 consisted of the following:

	Sewer Operation	Water System
Cash equivalents - current assets	\$ 1,243,092	\$ 10,630,224
Cash equivalents - restricted assets	827,192	30,902,163
TOTALS	\$ 2,070,284	\$ 41,532,387

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

ALABAMA  
 PROPRIETARY FUNDS - CONTINUED  
 September 30, 2013  
 Cash and Cash Equivalents

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ -	\$ -	\$ 4,404,000
2,022	-	48,093
-	-	(4,404,000)
<u>\$ 2,022</u>	<u>\$ -</u>	<u>\$ 48,093</u>
\$ 210,404	\$ 37,367	\$ (6,310,834)
675,883	17,395	50,854,554
<u>\$ 886,287</u>	<u>\$ 54,762</u>	<u>\$ 44,543,720</u>

<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ 886,287	\$ 54,762	\$ 12,814,365
-	-	31,729,355
<u>\$ 886,287</u>	<u>\$ 54,762</u>	<u>\$ 44,543,720</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)	\$ 1,622,764	\$ 5,054,043
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,871,022	1,261,246
Accounts receivable	(60,741)	(84,860)
Interfund receivables	50,660	18,794
Due from other governments	(3,431)	(23,845)
Assessments receivable	4,500	-
Inventories	(17,235)	(128,741)
Prepaid insurance	(2,668)	(16,346)
Prepaid utility tax	-	(1,125)
Accounts payable	(34,688)	42,262
Utility tax payable	-	3,477
Interfund payables	7,149	(82,711)
Due to other governments	(6,624)	(4,798)
Accrued payroll	7,974	7,330
Other postemployment benefits	-	(1,589)
Compensated absences	28,731	27,459
Unearned revenue	-	-
Other	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 3,467,413	\$ 6,070,596

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

ALABAMA  
OPERATING ACTIVITIES - PROPRIETARY FUNDS  
September 30, 2013  
Cash and Cash Equivalents

Activities		
<u>Parks and Recreation</u>	<u>Airport</u>	<u>TOTALS</u>
\$ (3,620,411)	\$ (249,562)	\$ 2,806,834
1,121,652	136,545	4,390,465
(19,321)	14,988	(149,934)
1,401	-	70,855
(1,178)	(352)	(28,806)
-	-	4,500
(25,729)	13,610	(158,095)
-	(748)	(19,762)
-	-	(1,125)
59,523	(53,224)	13,873
-	-	3,477
(103,280)	-	(178,842)
-	-	(11,422)
16,144	601	32,049
-	-	(1,589)
26,424	1,862	84,476
(41,953)	(876)	(42,829)
(18,431)	-	(18,431)
<u>\$ (2,605,159)</u>	<u>\$ (137,156)</u>	<u>\$ 6,795,694</u>

CITY OF CULLMAN, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2013

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. However, the PRFB can also spend its resources on other agencies of state and local governments. Therefore, the City does not believe it would be misleading to exclude this board.

#### I.B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

##### I.B.1. Basis of Presentation

###### Government-wide Statements

The statement of net position 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:

## 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

##### General Fund

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

##### School Tax

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

##### Debt Service

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

The City reports the following major proprietary funds:

##### Sewer Operation

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

##### Water System

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

##### Parks and Recreation

This fund accounts for three separate activities:

- 1) the maintenance and operations of the Golf Course and its facilities for the general public
- 2) the maintenance and operations of the City's parks and facilities for the general public and the organization of other recreational activities
- 3) the maintenance and operations of the Cullman Wellness and Aquatic Center for the general public
- 4) the maintenance and operations of the Cullman Gymnastics and Cheer Academy 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.1. Basis of Presentation - Continued

##### Fund Financial Statements - Continued

##### Airport

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

##### 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 charges for services are considered to be available as of year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, claims and judgements, and compensated absences are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The financial statements of the City are presented in accordance with accounting principles generally accepted in the United States of America. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included

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 - Continued

Governmental Fund Financial Statements - Continued

in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The City implemented this statement in the fiscal year ending September 30, 2012 for all governmental and business-type activities and enterprise funds.

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>Parks and Recreation</u>	<u>Airport</u>
Accounts receivable at September 30, 2013	<u>\$ 89,231</u>	<u>\$ 24,000</u>	<u>\$47,613</u>	<u>\$80,595</u>	<u>\$3,250</u>
Assessments receivable at September 30, 2013	<u>\$126,164</u>	<u>\$126,223</u>	<u>\$ ---</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.

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### I.C. ASSETS AND LIABILITIES - CONTINUED

##### 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 \$4,276,143 has been accrued as a receivable as of September 30, 2013, for the bills sent out October 1, 2013, 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, 2013, an offsetting balance of \$4,276,143 has also been reflected as deferred revenue in the financial statements.

##### I.C.6. Inventories

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

##### I.C.7. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2013, are recorded as prepaid items. Prepaid insurance is charged to expenditures/expenses over the term of the policies. Prepaid senior trip expenses are charged to expense once the senior citizens have gone on the trips. Prepaid utility tax is offset to utility taxes payable once applied to the next month's utility tax report.

##### I.C.8. Restricted Assets

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

##### I.C.9. Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES - CONTINUED

I.C.9. Capital Assets - Continued

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	5-10
Communication equipment	3-10
Heavy equipment	10-20
Transportation equipment	3-20
Other general equipment	3-15

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, 2013 was as follows:

<u>Proprietary Fund/Component Unit</u>	<u>Amount Capitalized</u>
Water Fund	\$ 1,521
Utilities Board – Water Division	2,400,074

I.C.11. Amortization

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I.C. ASSETS AND LIABILITIES – CONTINUED

I.C.12. Payable from Restricted Assets

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

	Governmental Activities	Business-type Activities
Accounts payable - contractor	\$ -	\$ 781,587
Accounts payable – other	-	508,186
Accrued interest payable	58,849	307,332
Police evidence	19,881	-
Other postemployment benefits	-	3,683
Current maturities on long-term liabilities	<u>1,250,000</u>	<u>3,648,333</u>
TOTAL	<u>\$1,328,730</u>	<u>\$5,249,121</u>

Of the \$3,648,333 shown as current maturities on long-term debt above in the business-type activities, \$2,633,333 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, 2013. Full-time, permanent employees are granted vacation benefits in varying amounts depending on tenure with the City. Limited vacation benefits may be carried from one year to the next and are paid upon the employee's termination. Sick leave accrues to these employees to specified maximums and a percentage of sick leave is payable upon termination in accordance with guidelines established in the City's personnel policies. If an employee does not use his sick leave during the year and would otherwise lose any accumulated time, the employee is paid one-half of the hours accumulated in excess of the maximum allowed to be carried over from year to year. The estimated liabilities include required salary-related payments. The liability for compensated absences is paid by the general fund for all governmental funds and each proprietary fund is responsible for its own liability for compensated absences.

I.C.14 Net Position

Net position comprises the various net earnings from operating and non-operating revenues and expenses. Net position is classified in the following three components: invested in capital assets, net of related liabilities; restricted net position; and unrestricted net position. 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 position 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 position not included in the above categories.

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### I.C. ASSETS AND LIABILITIES – CONTINUED

##### I.C.14 Net Position - Continued

As of September 30, 2013, the City had \$53,167 in net position restricted by enabling legislation for the purpose of purchasing new Municipal Court equipment and for training of Municipal Court employees.

As of September 30, 2013, the City had \$10,071 in net position 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.

##### Committed

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

##### Assigned

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

##### Unassigned

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

## 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

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 \$200,308 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 \$240,688 deficit of the Industrial Park Fund is a result of capital outlay and debt service expenditures in excess of resources. The deficit is expected to be covered by transfers from General Fund and through available grant resources.

### III. CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended September 30, 2013 was as follows:

	Balance at Sept. 30, 2012
Governmental activities:	
Capital assets not being depreciated:	
Land	\$ 10,966,817
Historical buildings	208,420
Construction in progress	1,179,477
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	\$ 12,354,714
Capital assets being depreciated:	
Buildings	\$ 10,018,074
Improvements other than buildings	1,548,547
Infrastructure - streets	34,082,270
Infrastructure - bridges	607,683
Machinery and equipment:	
Office equipment	\$ 42,070
Computer equipment	197,382
Communication equipment	286,968
Heavy equipment	1,375,725
Transportation equipment	9,056,547
Other general equipment	3,064,710
TOTAL MACHINERY AND EQUIPMENT	\$ 14,023,402
TOTAL CAPITAL ASSETS BEING DEPRECIATED	\$ 60,279,976
Less accumulated depreciation for:	
Buildings	\$ 1,452,911
Improvements other than buildings	313,760
Infrastructure - streets	8,850,447
Infrastructure - bridges	297,765
Machinery and equipment:	
Office equipment	\$ 39,580
Computer equipment	166,540
Communication equipment	158,441
Heavy equipment	858,613
Transportation equipment	4,758,813
Other general equipment	2,086,731
TOTAL MACHINERY AND EQUIPMENT	\$ 8,068,718
TOTAL ACCUMULATED DEPRECIATION	\$ 18,983,601
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	\$ 41,296,375
TOTAL GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 53,651,089

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2013</u>
\$ 175,459	\$ -	\$ 11,142,276
-	-	208,420
732,297	(1,007,924)	903,850
<hr/>		
\$ 907,756	\$ (1,007,924)	\$ 12,254,546
\$ 17,613	\$ -	\$ 10,035,687
438,579	-	1,987,126
754,114	-	34,836,384
-	-	607,683
\$ -	\$ -	\$ 42,070
18,400	-	215,782
-	-	286,968
178,051	-	1,553,776
397,188	(88,111)	9,365,624
149,272	-	3,213,982
\$ 742,911	\$ (88,111)	\$ 14,678,202
<hr/>		
\$ 1,953,217	\$ (88,111)	\$ 62,145,082
\$ 177,361	\$ -	\$ 1,630,272
64,813	-	378,573
678,624	-	9,529,071
12,154	-	309,919
\$ 1,299	\$ -	\$ 40,879
19,886	-	186,426
34,860	-	193,301
61,775	-	920,388
637,232	(75,964)	5,320,081
179,998	-	2,266,729
\$ 935,050	\$ (75,964)	\$ 8,927,804
\$ 1,868,002	\$ (75,964)	\$ 20,775,639
<hr/>		
\$ 85,215	\$ (12,147)	\$ 41,369,443
<hr/>		
\$ 992,971	\$ (1,020,071)	\$ 53,623,989
<hr/>		

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government:	
Administrative	\$ 173,442
Garage	22,019
Public safety:	
Police	156,428
Fire	397,928
Traffic maintenance	43,585
Dispatch and EMA	12,770
Highways and streets	814,240
Sanitation	225,247
Culture and recreation	9,735
Conservation	12,608
TOTAL	<u>\$1,868,002</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, 2013, the City had conveyed land with a historical cost of \$1,708,685, by deed, to the ID Board, but the ID Board had not completed a sale of the land to an industry.

NOTES TO THE FINANCIAL

IV. CAPITAL ASSETS - CONTINUED

Capital asset activity for the business-type activities for the year ended September 30, 2013 was as follows:

	<u>Balance at Sept. 30, 2012</u>
Business-type activities:	
Capital assets not being depreciated:	
Land	\$ 11,941,266
Construction in progress	13,716,492
	13,716,492
	TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED
	\$ 25,657,758
Capital assets being depreciated:	
Buildings	\$ 25,296,040
Improvements other than buildings	113,529,806
Source of supply	2,348,739
Pumping plant	709,632
Water treatment plant	17,848,718
Transmission and distribution system	1,454,061
Machinery and equipment:	
Office equipment	\$ 421,016
Computer equipment	16,141
Communication equipment	3,319
Heavy equipment	581,179
Transportation equipment	1,879,873
Other general equipment	3,647,546
	3,647,546
	TOTAL MACHINERY AND EQUIPMENT
	\$ 6,549,074
	TOTAL CAPITAL ASSETS BEING DEPRECIATED
	\$ 167,736,070
Less accumulated depreciation for:	
Buildings	\$ 9,124,898
Improvements other than buildings	41,054,825
Source of supply	1,707,365
Pumping plant	661,231
Water treatment plant	8,750,808
Transmission and distribution system	945,106
Machinery and equipment:	
Office equipment	\$ 263,061
Computer equipment	10,880
Communication equipment	2,988
Heavy equipment	490,162
Transportation equipment	1,425,163
Other general equipment	2,099,020
	2,099,020
	TOTAL MACHINERY AND EQUIPMENT
	\$ 4,291,274
	TOTAL ACCUMULATED DEPRECIATION
	\$ 66,535,507
	TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET
	\$ 101,200,563
	TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET
	\$ 126,858,321

STATEMENTS - CONTINUED

<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2013</u>
\$ 669,258	\$ (353,445)	\$ 12,257,079
13,075,470	(1,200,754)	25,591,208
<hr/>	<hr/>	<hr/>
\$ 13,744,728	\$ (1,554,199)	\$ 37,848,287
\$ 847,829	\$ -	\$ 26,143,869
441,737	-	113,971,543
70,385	-	2,419,124
-	-	709,632
377,209	-	18,225,927
-	-	1,454,061
<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 421,016
30,018	-	46,159
-	-	3,319
176,865	(37,295)	720,749
209,778	-	2,089,651
337,740	(116,416)	3,868,870
<hr/>	<hr/>	<hr/>
\$ 754,401	\$ (153,711)	\$ 7,149,764
<hr/>	<hr/>	<hr/>
\$ 2,491,561	\$ (153,711)	\$ 170,073,920
\$ 719,194	\$ -	\$ 9,844,092
2,758,873	-	43,813,698
40,292	-	1,747,657
-	-	661,231
337,338	-	9,088,146
23,455	-	968,561
<hr/>	<hr/>	<hr/>
\$ 47,371	\$ -	\$ 310,432
1,593	-	12,473
-	-	2,988
18,692	(37,295)	471,559
94,628	-	1,519,791
349,029	(83,872)	2,364,177
<hr/>	<hr/>	<hr/>
\$ 511,313	\$ (121,167)	\$ 4,681,420
<hr/>	<hr/>	<hr/>
\$ 4,390,465	\$ (121,167)	\$ 70,804,805
<hr/>	<hr/>	<hr/>
\$ (1,898,904)	\$ (32,544)	\$ 99,269,115
<hr/>	<hr/>	<hr/>
\$ 11,845,824	\$ (1,586,743)	\$ 137,117,402
<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

IV. CAPITAL ASSETS - CONTINUED

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

Sewer	\$1,871,022
Water System	1,261,246
Parks and Recreation	340,739
Gymnastics	17,566
Golf Course	99,016
Wellness Center	664,331
Airport	<u>136,545</u>
TOTAL	<u>\$4,390,465</u>

V. LONG-TERM DEBT

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

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

Year ended September 30	Governmental Activities		Total Debt Service Requirement
	Principal	Interest	
2014	\$ 1,389,179	\$ 952,185	\$ 2,341,364
2015	836,515	912,686	1,749,201
2016	868,920	877,309	1,746,229
2017	906,395	840,463	1,746,858
2018	948,944	801,897	1,750,841
2019-2023	4,295,837	3,460,683	7,756,520
2024-2028	4,430,000	2,592,263	7,022,263
2029-2033	5,455,000	1,569,031	7,024,031
2034-2036	<u>3,870,000</u>	<u>343,437</u>	<u>4,213,437</u>
TOTALS	<u>\$23,000,790</u>	<u>\$12,349,954</u>	<u>\$35,350,744</u>

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>Principal</u>	<u>Interest</u>	<u>Service Requirement</u>
2014	\$ 3,776,839	\$ 3,443,120	\$ 7,219,959
2015	3,885,621	3,358,697	7,244,318
2016	3,953,555	3,256,180	7,209,735
2017	3,999,331	3,151,913	7,151,244
2018	4,075,889	3,049,973	7,125,862
2019-2023	18,371,633	13,358,718	31,730,351
2024-2028	13,885,000	10,385,270	24,270,270
2029-2033	11,985,000	7,784,176	19,769,176
2034-2038	14,470,000	4,789,476	19,259,476
2039-2041	<u>10,495,000</u>	<u>1,066,500</u>	<u>11,561,500</u>
TOTALS	<u>\$88,897,868</u>	<u>\$53,644,023</u>	<u>\$142,541,891</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	\$130,196
Amortization expense included in depreciation expense	23,503
Accumulated amortization	54,553

On July 31, 2013, the Sewer Fund issued a \$10,000,000 General Obligation Warrant (Series 2013) with an interest rate of 1.72 percent to refund \$10,150,000 of outstanding Series 1999-SRF, 2000-SRF, and 2002-SRF warrants with interest rates of 3.50, 3.85, and 3.50 percent, respectively.

The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$537,489. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight-line method. The Sewer Fund completed the refunding to reduce its total debt service payments over the next seven and half years by \$1,052,797 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$918,871.

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2013 were as follows:

Description	Interest Rates	Governmental Balance at Sept. 30, 2012
G.O. Warrants:		
07-01-94 - Graham Property	Variable	\$ 50,000
02-01-03 - School Refunding	3.90 - 4.00%	755,000
07-01-03 - Refunding Various Purpose	2.95 - 3.00%	395,000
02-17-04 - Hartwig Property	6.00%	100,000
02-01-07 - Series 2007	4.00 - 5.00%	20,725,000
05-01-08 - Brown Land	2.70%	23,636
02-01-10 - Series 2010 LRSRF-DL/ARRA	2.00%	455,000
09-27-10 - Howlett Land	6.00%	146,358
09-29-10 - School Warrants	2.96%	1,235,000
10-25-11 - Burrow Property	2.95%	782,700
		\$ 24,667,694
Less deferred amount on refundings		(49,234)
TOTAL G.O. WARRANTS PAYABLE		\$ 24,618,460
Other Liabilities:		
Estimated compensated absences		1,186,816
		\$ 25,805,276
Less current portion		

STATEMENTS - CONTINUED

<u>Activities</u>			
<u>Additions</u>	<u>(Removals)</u>	<u>Balance at Sept. 30, 2013</u>	<u>Due Within One Year</u>
\$ -	\$ (50,000)	\$ -	\$ -
-	(370,000)	385,000	385,000
-	(195,000)	200,000	200,000
-	(100,000)	-	-
-	(505,000)	20,220,000	525,000
-	(23,636)	-	-
-	(60,000)	395,000	60,000
-	(146,358)	-	-
-	(140,000)	1,095,000	140,000
-	(76,910)	705,790	79,179
\$ -	\$ (1,666,904)	\$ 23,000,790	\$ 1,389,179
-	26,467	(22,767)	-
\$ -	\$ (1,640,437)	\$ 22,978,023	\$ 1,389,179
915,681	(880,814)	1,221,683	483,708
<u>\$ 915,681</u>	<u>\$ (2,521,251)</u>	<u>\$ 24,199,706</u>	<u>\$ 1,872,887</u>
		(1,872,887)	
TOTAL LONG-TERM LIABILITIES		<u>\$ 22,326,819</u>	

NOTES TO THE FINANCIAL

V. LONG-TERM DEBT - CONTINUED

Changes in long-term debt during the year ended September 30, 2013  
were as follows:

Description	Interest Rates	Business-type Balance at Sept. 30, 2012
G.O. Sewer Warrants: (a)		
07-01-99 - 1999 SRF	3.50%	\$ 4,070,000
12-22-99 - 2000 SRF	3.85%	6,180,000
02-01-02 - 2002 SRF	3.50%	970,000
11-10-02 - 2002 SRF	3.50%	2,790,000
01-20-04 - 2004 CWSRF-DL	3.05%	2,980,000
04-01-04 - 2004 SRF	2.85%	185,000
01-01-05 - 2005 CWSRF-DL	3.05%	3,310,000
07-18-08 - 2008 CWSRF-DL	3.50%	3,340,000
07-31-13 - 2013	1.72%	-
Water Revenue Bonds - 06-03-11	2.50 - 5-00%	58,160,000
G.O. Water System Warrant - 01-20-04 - 2004-DWSRF-DL	3.05%	2,025,000
G.O. Water System Warrant - 02-01-05 - 2005-DWSRF-DL	3.05%	1,915,000
G.O. Water System Warrant - 10-06-05 - 2005B-DWSRF-BL	3.25%	1,085,000
G.O. Water Warrant - 07-18-08 - 2008-DWSRF-DL	3.50%	1,020,000
G.O. Water Warrant - 02-13-12 - 2012-DWSRF-BL	2.50%	1,585,000
G.O. Water Refunding Warrant - 04-13-12 - Series 2012	2.46%	1,400,000
G.O. Warrant - (a)		
Airport T-Hangar - 09-14-11	2.60%	104,102
Airport Projects - 10-22-12	2.99%	-
Park and Recreation - Lessman Property - 11-28-01	7.00%	130,398
Capital Leases for Golf Course Equipment:		
De Lage Landen Public Finance, LLC - 05-18-10	6.546%	16,571
Agricredit Acceptance LLC - 05-27-11	7.400%	30,951
De Lage Landen Public Finance, LLC - 05-01-12	3.630%	42,875
		<u>\$ 91,339,897</u>
Less deferred amount on refundings		(328,498)
TOTAL G.O. WARRANTS/BONDS PAYABLE		<u>\$ 91,011,399</u>
Other Liabilities:		
Interfund payables		16,150,900
Estimated compensated absences		667,883
		<u>\$ 107,830,182</u>
Less current portion		

STATEMENTS - CONTINUED

Activities			
Additions	(Removals)	Balance at Sept. 30, 2013	Due Within One Year
\$ -	\$ (4,070,000)	\$ -	\$ -
-	(6,180,000)	-	-
-	(970,000)	-	-
-	(190,000)	2,600,000	200,000
-	(175,000)	2,805,000	180,000
-	(90,000)	95,000	95,000
-	(175,000)	3,135,000	180,000
-	(135,000)	3,205,000	140,000
10,000,000	(111,110)	9,888,890	1,333,333
-	(345,000)	57,815,000	1,015,000
-	(130,000)	1,895,000	135,000
-	(110,000)	1,805,000	115,000
-	(60,000)	1,025,000	65,000
-	(50,000)	970,000	50,000
-	(135,000)	1,450,000	140,000
-	(125,000)	1,275,000	-
-	(10,387)	93,715	10,664
750,000	(66,704)	683,296	61,642
-	(27,900)	102,498	29,956
-	(11,409)	5,162	5,162
-	(11,490)	19,461	10,466
-	(13,029)	29,846	10,616
\$ 10,750,000	\$ (13,192,029)	\$ 88,897,868	\$ 3,776,839
(537,489)	51,319	(814,668)	-
\$ 10,212,511	\$ (13,140,710)	\$ 88,083,200	\$ 3,776,839
95,448	(613,741)	15,632,607	396,582
399,022	(314,546)	752,359	151,528
\$ 10,706,981	\$ (14,068,997)	\$ 104,468,166	\$ 4,324,949

TOTAL LONG-TERM LIABILITIES (4,324,949)  
\$ 100,143,217

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, 2013, consist of the following:

\$ 8,827	Payable to the General Fund from the Water System representing monthly allocations of office supplies, telephone charges, and rock purchases
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>13,683</u>	Other balances
<u>\$ 169,738</u>	

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

\$ 163,772	Interfund receivables, Balance Sheet – Governmental Funds
<u>5,966</u>	Interfund receivables, Balance Sheet – Proprietary Funds
<u>\$ 169,738</u>	

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

\$ 152,705	Interfund payables, Balance Sheet – Governmental Funds
(396,582)	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
10,162	Restricted interfund payables, Balance Sheet – Proprietary Funds
<u>403,453</u>	Interfund payables, Balance Sheet – Proprietary Funds
<u>\$ 169,738</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, 2013, consist of the following:

\$ 381,384	Payable to the General Fund from the Airport representing expenditures paid by the General Fund in excess of the City of Cullman's 50 percent ownership in the Airport
88,834	Payable to the General Fund from the Industrial Access Road Fund (a nonmajor capital project fund) to cover expenditures for capital projects
393,678	Payable to the Debt Service Fund from the Sewer Fund representing the Sewer's portion of general obligation warrants
<u>14,857,545</u>	Payable to the Debt Service Fund from the Parks and Recreation Board representing the Parks and Recreation's portion of general obligation warrants
<u>\$15,721,441</u>	

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

\$ 470,218	Interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>15,251,223</u>	Restricted interfund receivables – long-term, Balance Sheet – Governmental Funds
<u>\$15,721,441</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
396,582	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>15,236,025</u>	Interfund payables – long-term, Balance Sheet – Proprietary Funds
<u>\$15,721,441</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, 2013, consist of the following:

\$1,416,546	From the General Fund to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
3,420,284	From the General Fund to Cullman City Parks and Recreation Board representing payments for payroll expenditures, transfer for expenditures for Rock the South event, and transfer for capital improvements
319,129	From the General Fund to the Cullman Regional Airport Board representing the City's 50 percent of cash outlay in excess of revenues in joint venture
140,000	From the General Fund to the capital project funds (nonmajor governmental funds) to supplement other funds for capital project expenditures
86,307	From other governmental funds to the Debt Service Fund to pay debt service on the outstanding general obligation warrants
1,021,127	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
<u>10,616</u>	Other
<u>\$6,414,009</u>	

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

\$1,642,853	Operating transfers in – Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
<u>4,771,156</u>	Transfers in – Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
<u>\$6,414,009</u>	

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

<u>\$6,414,009</u>	Operating transfers (out) – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

VII. NET POSITION

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Invested in Capital Assets, Net of Related Liabilities:		
Capital Assets	\$ 53,623,989	\$ 137,117,402
Less: Warrants/bonds payable	(23,000,790)	(84,494,124)
Less School Warrants not for capital assets	1,480,000	-
Less unspent proceeds from warrants	-	26,415,886
Less amounts payable from restricted assets	1,250,000	-
Capital leases payable	-	(54,469)
Accounts payable	-	(60,212)
Interfund payables - long-term	-	(15,241,061)
Debt premium	(416)	(167,616)
Less School Warrants' debt premium	246	-
Add: State revolving funds receivable	-	-
Interfund receivables - long-term	15,251,223	-
Debt discount and expense	70,877	1,445,254
Deferred loss on refunding	22,767	113,726
Less School Warrants' debt discount and expense	(3,416)	-
Less School Warrants' deferred loss on refunding	(7,740)	-
	<u>\$ 48,686,740</u>	<u>\$ 65,074,786</u>
Restricted for Debt Service and Capital Activity:		
Restricted cash equivalents	\$ 867,088	\$ 31,729,355
Less: Cash equivalents not restricted by an external party	-	(817,671)
Advances to other governments	2,629,027	-
Alabama Trust Fund capital improvements	647,956	-
Restricted state revolving funds receivable	-	11,340
Deductions:		
Less unspent proceeds from warrants	-	(26,415,886)
Liabilities payable from restricted assets	(1,308,849)	(5,259,283)
Less: Liabilities payable from cash equivalents not restricted by an external party		2,564,259
	<u>\$ 2,835,222</u>	<u>\$ 1,812,114</u>
Other restricted net position:		
Municipal Court equipment and training	\$ 85,854	\$ -
Fiduciary	3,256	-
Trees	19,584	-
Realty improvements and Ingle Park	16,298	-
Highways and streets	677,953	-
Parks and recreation/tournaments	-	10,071
Drug Abuse Resistance Education (DARE)	53,344	-
Jail/Correction facilities/Court complex	305,210	-
Industrial development and recreation	118,621	-
Education	18,613	-
Endowment	100,908	-
Unrestricted	25,038,106	16,711,139
<b>TOTAL NET POSITION</b>	<u><u>\$ 77,959,709</u></u>	<u><u>\$ 83,608,110</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 position, 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 attorney, 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.

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.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Under Act 2012-377, as enacted by the Alabama Legislature, a new defined benefit plan tier was created for employees with no previous creditable retirement services hired on or after January 1, 2013, called Tier 2. All employees hired prior to January 1, 2013 are Tier 1 employees. The benefits for Tier 1 and Tier 2 employees vest after 10 years of creditable service.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

X. RETIREMENT - CONTINUED

XI.A. PLAN DESCRIPTION – CONTINUED

Vested employees are eligible for retirement as follows:

<u>Tier 1 Employees</u>	<u>Tier 2 Employees</u>
25 years of service at any age or 10 years of service at age 60	No 25 year retirement  10 years of service at age 62 (age 56 for firefighters, law enforcement, and correctional officers (FLC))

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, retirement benefits are calculated as follows:

<u>Tier 1 Employees</u>	<u>Tier 2 Employees</u>
Employees are allowed 2.0125% of average final salary. Average final salary is calculated as average of highest three years of last ten years.	Employees are allowed 1.650% of average final salary. Average final salary is calculated as average of highest five years of last ten years.
Computation will not include earnable compensations (example – overtime pay) in excess of 120% of base pay.	Computation will not include earnable compensation (example – overtime pay) in excess of 125% of base pay.
There is no benefit cap.	There is a benefit cap of 80% of average final salary.
Sick leave conversion is allowed.	Sick leave conversion is not allowed.
FLC bonus year is allowed.	FLC bonus year is not allowed.

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 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

X. RETIREMENT - CONTINUED

X.B. FUNDING POLICY

Employees are required by statute to contribute the following to the Employees' Retirement System:

<u>Tier 1 Employees</u> 5 percent of salary	<u>Tier 2 Employees</u> 6 percent of salary
FLC – 6 percent of salary	FLC – 7 percent of salary

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, 2013 was 9.47 percent for Tier 1 Employees and 7.17 percent for Tier 2 Employees based on the actuarial valuation performed as of September 30, 2010.

X.C. ANNUAL PENSION COST

For the year ended September 30, 2013, the City's annual pension contribution of \$1,210,284 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 ultimate investment rate of return on present and future assets, and (2) projected salary increases ranging from 3.75 percent at age 20 to 7.25 percent at age 65. Both (1) and (2) include an inflation component of 3 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of September 30, 2012 was 25 years.

Three-year trend information is as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Ending</u> 9/30/10	\$ 995,393	100 %	\$ - 0 -
9/30/11	1,136,994	100	- 0 -
9/30/12	1,013,274	100	- 0 -

The Schedule of Funding Progress is contained in the required supplementary information. The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XI. CONCENTRATIONS OF CREDIT RISK

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

XII. RISK MANAGEMENT

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

XIII. RELATED PARTIES

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Water, sewer, and sanitation revenues	\$224,028	\$753,706
Taxes in lieu	<u>46,657</u>	<u>---</u>
TOTALS	<u>\$270,685</u>	<u>\$753,706</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 prospectively adopting the requirements of GASB Statement No. 45, recognition of the liability accumulated from prior years will be phased in over 30 years, which commenced with the 2009 liability.

XIV.A. PLAN DESCRIPTION

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

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

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

#### XIV.A. PLAN DESCRIPTION - CONTINUED

The number of participants as of July 1, 2008, the effective date of the OPEB valuation, was 12 active employees and no retired employees. An actuarial valuation report was completed as of July 1, 2011 for the year ended June 30, 2012. The number of participants was 13 active employees and 1 retired employee. There have been no significant changes in the number covered or the type of coverage since that date.

#### 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, 2013 and 2012, the Cullman Power Board is maintaining \$11,760 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 OPEB AND NET OPEB OBLIGATION

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

The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB Obligation.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

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

	<u>September 30</u>	
	<u>2013</u>	<u>2012</u>
ARC Normal Cost	\$ 633	\$ 633
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>3,569</u>	<u>3,569</u>
Annual required contribution (ARC)	\$ 4,202	\$ 4,202
Interest on Net OPEB Obligation	367	529
Adjustment to ARC	<u>(454)</u>	<u>(454)</u>
Annual OPEB cost (expense)	\$ 4,115	\$ 4,277
Contributions made	<u>(5,704)</u>	<u>(5,704)</u>
Change in net OPEB Obligation	\$(1,589)	\$ (1,427)
Adjustment of previous OPEB accruals	-	(945)
OPEB Obligation – beginning of year	<u>5,272</u>	<u>7,644</u>
OPEB Obligation – end of year	<u>\$ 3,683</u>	<u>\$ 5,272</u>

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

The trend information is as follows:

Fiscal Year <u>Ending</u>	Annual OPEB Cost (AOC)	Percentage of AOC <u>Contributed</u>	Net OPEB <u>Obligation</u>
9/30/11	\$2,352	0%	\$7,644
9/30/12	(1,427)	0	5,272
9/30/13	(1,589)	0	3,683

XIV.D. FUNDED STATUS AND FUNDING PROGRESS

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

As of July 1, 2011, the most recent actuarial valuation date, the plan was -0- percent funded. The actuarial liability for benefits was \$40,834 as of September 30, 2013 and 2012. Since the actuarial value of assets was \$-0-, the unfunded actuarial accrued liability (UAAL) was \$40,834 as of September 30, 2013 and 2012.

XIV.E. ACTUARIAL METHODS AND ASSUMPTIONS

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

XIV. POSTEMPLOYMENT BENEFITS - CONTINUED

XIV.E. ACTUARIAL METHODS AND ASSUMPTIONS - CONTINUED

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

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

XV. LEASES

The Cullman Regional Airport Board (Airport) leases Corporate Hangars, T-Hangars, and Maintenance Hangars under operating leases varying from \$100 to \$1,200 per month. The hangar rental revenue was \$159,704 for the year ended September 30, 2013.

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

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

<u>Year</u>	<u>Amount</u>
2014	\$6,135
2015	5,260
2016	4,389
2017	4,480
2018	1,350
2019-2023	6,750
2024-2027	5,400

Cost of hangars under operating leases were \$2,264,305 as of September 30, 2013, and were included in buildings. Accumulated depreciation on hangars under operating leases was \$374,720 for the year ended September 30, 2013.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### XVI. EQUIPMENT RENTAL

The Utilities Board of the City of Cullman – Water Division (Board), a component unit of the City entered into a lease agreement with Medora Corporation as of August 7, 2013 for two SolarBee machines (solar-powered reservoir circulators). The SolarBee machine lease agreement is for a period of 12 months at \$2,790 per month, with an initial installation and training fee of \$16,355. At the end of the 12 months, the Board will have the option to purchase the machines for \$109,150, the fair market value of the machines at the date the lease began. If the Board chooses to purchase the machines, Medora Corporation will give the Board a credit of 75 percent of the total lease payments, or \$25,110 towards the purchase price. The Board's intentions are to use this 12 month period as a trial period to evaluate the savings through the reduction of the cost of chemicals from the use of the machines. The Board will then review the costs and benefits of purchasing the machines. Therefore, the lease is reported as an operating lease for the year ended September 30, 2013. As of September 30, 2013, the equipment rental expense was \$19,145, one month's rent plus the initial installation and training fee.

### XVII. GREIF BROTHERS PROPERTY – BROWNFIELD REMEDIATION

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

The City plans to redevelop the property for its own use. Therefore, the outlays expected to be necessary to place the property into its intended condition for use (including the above pollution remediation outlays) will be capitalized as incurred. The City has not accrued a pollution remediation liability as of September 30, 2013.

### XVIII. 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, 2013, \$856,267 had been expended and requested. The grant does not require a match. The grant completion date was extended to December 1, 2014.

The City awarded a contract in the amount of \$162,250 to Goodwyn, Mills, & Cawood, Inc. for the preliminary design of the Cullman Civic Complex and Bass Fishing Hall of Fame. As of September 30, 2013, \$62,750 had been incurred on the contract.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### XVIII. COMMITMENTS AND CONTINGENCIES - CONTINUED

#### Governmental Activities - Continued

In September 2011, the U.S. Environmental Protection Agency awarded the City a grant in the amount of \$200,000 for cleanup of hazardous substances at the Greif property site. The grant is for the project period October 1, 2011 through September 30, 2014. The City is to provide a match of \$42,630. As of September 30, 2013, the City had incurred \$185,195 in expenditures on the grant.

As of October 2012, the City received a grant award in the amount of \$400,221 from the Federal Emergency Management Agency (FEMA) for a community safe room. The total estimated cost of the project is \$533,628 and the City is to provide a match of \$133,407. As of September 30, 2013, the City had not incurred any costs on the project.

As of July 2013, the State of Alabama awarded Alabama Transportation Rehabilitation and Improvement Program (ATRIP) grant money to Cullman County, which was to be allocated to various projects within Cullman County. Of the total award, the City has currently been allocated the following amounts:

- ✓ \$1,390,497 for the bridge and realignment on Convent Road Northeast and Larkwood Drive over Eightmile Creek. The City expects to provide \$347,624 in matching funds.
- ✓ \$1,634,704 for the raising of the road surface approximately 8 feet of elevation, installation of a new pre-cast concrete arch culvert, and associated site grading and resurfacing of approximately 1,200 feet of roadway on Eva Road over Bridge Creek. The City expects to provide \$408,676 in matching funds.

The City will not receive the actual funding agreements for these projects until all estimates have been finalized. However, these amounts are on the list of selected projects found on the Alabama Department of Transportation (ALDOT) website.

#### Business- Type Activities

##### Sewer

A contract was awarded to St. John & Associates, Inc. in the amount of \$117,000 for the Eight Mile Creek North Interceptor Sewer Study. As of September 30, 2013, the Sewer Fund had incurred costs of \$43,018 on the contract.

A contract was awarded to St. John & Associates, Inc. in the amount of \$109,341 for the Interchange I-65 at 222 Utility Relocation. The Sewer Fund's portion of this contract is 40% or \$43,736. As of September 30, 2013, the Sewer Fund had incurred costs of \$7,966 on the contract.

A contract was awarded to Community Consultants, Inc. in the amount of \$130,000 for the CDBG Disaster Recovery Project. As of September 30, 2013 the Sewer Fund had not incurred any costs associated with this project.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### XVIII. COMMITMENTS AND CONTINGENCIES - CONTINUED

#### Business- Type Activities - Continued

##### Sewer - Continued

A contract was awarded to St. John & Associates, Inc. in the amount of 6.4% and 3% of total construction cost for the CDBG Disaster Recovery Project. The total construction cost has not been determined, but the contract with St. John & Associates is estimated at \$357,744 for engineering design and \$151,945 for inspection services. As of September 30, 2013, the Sewer Fund had incurred costs of \$107,404 on the contract. The construction portion of the project is expected to be bid on February 4, 2014.

##### Water System

#### A. The Utilities Board of the City of Cullman – Water Division (Board), a Component Unit of the City

The Board has awarded a contract to Brasfield & Gorrie LLC in the amount of \$5,947,233, which includes change orders of \$1,609,241, for the Duck River Reservoir Phase I Project. As of September 30, 2013, the Board had incurred \$5,234,647 on the project, which includes retainage of \$37,397.

The Board has awarded a contract to CH2M Hill Engineers, Inc. for professional engineering services for the Duck River Phase I Construction in the amount of \$1,091,000. As of September 30, 2013, the Board had incurred \$924,043 on the contract.

The Board has awarded a contract to CH2M Hill Engineers, Inc. for professional engineering services for the design and services during construction for Phase II of the Duck River Water Supply Project in the amount of \$1,950,000. As of September 30, 2013, the Board had incurred \$1,694,895 on the contract.

The Board has awarded a contract to Forestry Environmental Services, Inc. for the Duck River Reservoir Phase I Reservoir Footprint Tree Removal in the amount of \$1,984,390. As of September 30, 2013, the Board had incurred \$1,229,974 on the contract, which includes retainage of \$99,220.

The Board has awarded a contract to Forestry Environmental Services, Inc. for the Duck River Recreation Trail Phase I in the amount of \$242,725. As of September 30, 2013, the Board has incurred \$44,622 on the contract, which included retainage of \$2,231.

The Board has awarded a contract to Lowery's Hydrologic Data Collection for the maintenance of the gage at Duck River near Berlin, Alabama in the amount of \$6,500. As of September 30, 2013, the Board had incurred \$3,900 on the contract.

#### B. Water Fund

As of July 22, 2013, the City authorized a contract with St. John & Associates, Inc. for professional engineering services for utility adjustments in the right-of-way at County Road 222 and I-65 in an amount not to exceed \$98,000. As of September 30, 2013, the City had incurred \$11,949 in costs on the contract.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### XVIII. COMMITMENTS AND CONTINGENCIES - CONTINUED

#### Business- Type Activities - Continued

##### Cullman Regional Airport Board (Airport)

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$27,500 for professional services related to the acquisition of the Walker property. As of September 30, 2013, the Airport had incurred \$14,357 on the contract, which includes retainage of \$1,436.

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$53,835 for professional services to update the existing airport layout plan and develop a capital improvement plan at the airport. As of September 30, 2013, the Airport had incurred \$34,525 on the contract, which includes retainage of \$3,453.

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$91,435 for professional services related to the apron rehabilitation at the airport. As of September 30, 2013, the Airport had incurred \$82,213 on the contract, which includes retainage of \$7,474.

The Airport has entered into a contract with Goodwyn, Mills, and Cawood in the amount of \$60,000 for professional services related to the runway extension. As of September 30, 2013, the Airport had incurred \$44,800 on the contract.

The Airport has entered into a contract with Riley Bridge Co., Inc. in the amount of \$880,008 for construction services related to the apron rehabilitation at the airport. As of September 30, 2013 the Airport had incurred \$964,267 on the contract, which includes retainage of \$48,213.

### XIX. SUBSEQUENT EVENTS

#### Governmental Activities

As of October 2013, the City received a grant in the amount of \$194,887 from the Alabama Department of Environmental Management (ADEM) for a recycle truck and container fork truck.

As of October 2013, the City approved the purchase of a street sweeper from the NJPA bid list in the amount of \$190,000.

As of October 2013, the City approved the purchase of a recycle truck from Samson Equipment on the state bid list in the amount of \$135,000.

As of October 2013, the City approved the purchase of five Police SUVs from Capital Chevrolet in the amount of \$140,000.

As of November 2013, the City approved the purchase of 30 Tough Pads with mounts and printers from the USCGPA bid list from Insight Public Sector in the amount of \$94,766.

As of November 2013, the City approved the purchase of a 2013 Ford F650 truck with container forks from the NJPA bid list from Ingram Equipment Company, LLC in the amount of \$86,367.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XIX. SUBSEQUENT EVENTS - CONTINUED

Governmental Activities - Continued

As of November 2013, the City accepted the proposal from Eco Tech, Inc. in the amount of \$98,000 for ISCO blending at the Greif Property.

As of December 2013, the City received a grant award in the amount of \$233,000 from the Tennessee Valley Authority Invest Prep Program to mitigate wetlands and extend water and sewer lines to the Burrow Industrial Tract. The total estimated cost of the project is \$466,000 and the City is to provide a match of \$233,000.

Business-Type Activities

Sewer

In November of 2013, the City issued a General Obligation Sewer Warrant Series 2013–A, in the amount of \$11,745,000, through Regions Capital Advantage, Inc. The Sewer Fund then refunded the following warrants:

✓ General Obligation Sewer Warrant Series 2002-SRF dated November 10, 2002	\$2,600,000
✓ General Obligation Sewer Warrant Series 2004-CWSRF-DL dated January 20, 2004	2,805,000
✓ General Obligation Sewer Warrant Series 2005-CWSRF-DL dated January 1, 2005	3,135,000
✓ General Obligation Sewer Warrant Series 2008-CWSRF-DL dated July 18, 2008	3,205,000

In December of 2013, the City was awarded a Tornadoes of 2011 Supplemental Disaster Recovery Grant through the Alabama Department of Economic and Community Affairs (ADECA) in the amount of \$5.72 million. These funds are to be used to assist in replacing the severely damaged sewer collector main which extends along Eight Mile Creek.

As of February 2014, the City awarded a contract to Cleary Construction, Inc. in the amount of \$4,476,331 for the Eight Mile Creek Sewer Line Replacement project.

Water System

As of November 2013, the City authorized a contract with St. John & Associates, Inc. for professional engineering services to extend utilities from Industrial Park III to the Burrow Property in an amount not to exceed \$28,000.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

XIX. SUBSEQUENT EVENTS - CONTINUED

Water System - Continued

As of November 27, 2013, the City issued series General Obligation Water Warrants, Series 2013-B to borrow \$5,695,000 from Peoples Bank of Alabama in order to refund the following outstanding warrants:

✓ General Obligation Water System Warrant, Series 2004-DWSRF-DL dated January 20, 2004	\$1,895,000
✓ General Obligation Water System Warrant, Series 2005-DWSRF-DL dated February 1, 2005	1,805,000
✓ General Obligation Water System Warrant, Series 2005B-DWSRF-BL dated October 6, 2005	1,025,000
✓ General Obligation Warrant, Series 2008-DWSRF-DL Dated July 18, 2008	970,000

As of November 2013, the City approved the purchase of a Volvo EC160D Excavator from HGAC in the amount of \$153,623.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT PLAN  
For the Year Ended September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets <sup>^</sup> (a)	Actuarial Accrued Liability (AAL) Entry Age (b) (1)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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
(2) 9/30/2010	29,715,849	41,062,481	11,346,632	72.4	10,657,843	106.5
(4) 9/30/2011	29,333,635	43,679,734	14,346,099	67.2	12,007,371	119.5
(5) 9/30/2012	28,903,595	41,670,054	12,766,459	69.4	11,258,952	113.4
(3,5) 9/30/2012	28,903,595	41,769,500	12,865,905	69.2	11,258,952	114.3

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

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

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

(4) Reflects changes in actuarial assumptions.

(5) Reflects changes to interest smoothing methodology.

<sup>^</sup> The actuarial value of assets was set equal to market value of assets as of September 30, 2012.

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 17,679,004	\$ 17,679,004	\$ 17,113,888	\$ (565,116)
Licenses and permits	2,698,500	2,698,500	2,866,321	167,821
Intergovernmental revenues	1,466,500	1,466,500	1,763,074	296,574
Charges for services	4,280,200	4,280,200	4,647,636	367,436
Fines and forfeits	237,500	237,500	259,124	21,624
Miscellaneous revenues	188,200	188,200	163,634	(24,566)
TOTAL REVENUES	<u>\$ 26,549,904</u>	<u>\$ 26,549,904</u>	<u>\$ 26,813,677</u>	<u>\$ 263,773</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 4,271,516	\$ 4,368,516	\$ 4,192,035	\$ 176,481
Public safety	8,378,970	8,966,946	9,014,036	(47,090)
Highways and streets	2,280,900	2,280,900	2,107,800	173,100
Sanitation	3,701,250	3,751,250	3,697,142	54,108
Health and social services	665,004	781,004	738,772	42,232
Culture and recreation	257,380	289,380	279,086	10,294
Education	90,000	126,752	139,825	(13,073)
Conservation	71,210	196,987	194,895	2,092
Capital outlay	1,655,855	2,135,808	1,410,153	725,655
Debt service	123,440	227,437	223,506	3,931
TOTAL EXPENDITURES	<u>\$ 21,495,525</u>	<u>\$ 23,124,980</u>	<u>\$ 21,997,250</u>	<u>\$ 1,127,730</u>
REVENUES OVER EXPENDITURES	<u>\$ 5,054,379</u>	<u>\$ 3,424,924</u>	<u>\$ 4,816,427</u>	<u>\$ 1,391,503</u>
<b>Other financing sources (uses):</b>				
Capital contributions	\$ 200,000	\$ 200,000	\$ 114,079	\$ (85,921)
Sale of assets	61,200	61,200	20,638	(40,562)
Insurance proceeds	-	-	25,172	25,172
Operating transfers (out)	(5,257,423)	(6,293,568)	(5,306,575)	986,993
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (4,996,223)</u>	<u>\$ (6,032,368)</u>	<u>\$ (5,146,686)</u>	<u>\$ 885,682</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 58,156</u>	<u>\$ (2,607,444)</u>	<u>\$ (330,259)</u>	<u>\$ 2,277,185</u>
Fund balances at October 1	25,522,204	25,522,204	25,522,204	-
FUND BALANCES AT SEPTEMBER 30	<u>\$ 25,580,360</u>	<u>\$ 22,914,760</u>	<u>\$ 25,191,945</u>	<u>\$ 2,277,185</u>

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

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL -  
SCHOOL TAX FUND (A MAJOR FUND)  
 Year ended September 30, 2013

	Budget - Original and Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
Revenues:			
Taxes	\$ 5,470,000	\$ 5,687,352	\$ 217,352
Miscellaneous revenues:			
Interest revenues	1,000	578	(422)
TOTAL REVENUES	\$ 5,471,000	\$ 5,687,930	\$ 216,930
Expenditures:			
Current:			
Education	5,471,000	5,697,776	(226,776)
REVENUES (UNDER)			
EXPENDITURES	\$ -	\$ (9,846)	\$ (9,846)
Fund (deficit) at October 1	(190,462)	(190,462)	-
FUND (DEFICIT) AT SEPTEMBER 30	\$ (190,462)	\$ (200,308)	\$ (9,846)

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, 2013

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**

There were no material expenditures in excess of budget appropriations for General Fund.

**School Tax Fund**

The expenditures for the school tax fund were \$226,776 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 \$216,930 during the year.

SUPPLEMENTARY INFORMATION

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - GENERAL FUND  
September 30, 2013

	<u>General</u>	<u>Payroll</u>	<u>Eliminations</u>	<u>TOTALS</u>
<u>ASSETS</u>				
Cash equivalents	\$ 13,563,531	\$ 163,054	\$ -	\$ 13,726,585
Certificates of deposit	8,589,519	-	-	8,589,519
Receivables (net of allowance for uncollectibles):				
Accounts	330,964	44	-	331,008
Assessments	479,756	-	-	479,756
Interest	3,109	-	-	3,109
Interfund receivables	11,160	-	(94)	11,066
Due from other governmental units:				
Cullman Power Board	270,685	-	-	270,685
Other	4,763,813	-	-	4,763,813
Inventories	74,002	-	-	74,002
Prepaid insurance	338,531	-	-	338,531
Interfund receivables - long-term	595,384	-	(125,166)	470,218
Restricted assets:				
Cash equivalents	39,501	-	-	39,501
Insurance deposit	113,307	-	-	113,307
TOTAL ASSETS	<u>\$ 29,173,262</u>	<u>\$ 163,098</u>	<u>\$ (125,260)</u>	<u>\$ 29,211,100</u>

(Continued)

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - GENERAL FUND - CONTINUED  
September 30, 2013

<u>LIABILITIES AND FUND BALANCES</u>	<u>General</u>	<u>Payroll</u>	<u>Eliminations</u>	<u>TOTALS</u>
<b>Liabilities:</b>				
Accounts payable	\$ 424,076	\$ -	\$ -	\$ 424,076
Accrued liabilities	10,560	37,690	-	48,250
Accrued payroll	176,984	-	-	176,984
Interfund payables	5,477	94	(94)	5,477
Due to other governmental units	147,590	-	-	147,590
Deferred revenues	3,012,310	-	-	3,012,310
Interfund payables - long-term	-	125,166	(125,166)	-
<b>Restricted liabilities:</b>				
Police evidence	19,881	-	-	19,881
Estimated liability for compensated absences	184,587	-	-	184,587
<b>TOTAL LIABILITIES</b>	<b>\$ 3,981,465</b>	<b>\$ 162,950</b>	<b>\$ (125,260)</b>	<b>\$ 4,019,155</b>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ 74,002	\$ -	\$ -	\$ 74,002
Interfund receivables - long-term	595,384	-	(125,166)	470,218
Prepaid expenditures and insurance deposit	451,838	-	-	451,838
<b>Restricted for:</b>				
Municipal Court equipment and training	53,167	-	-	53,167
Fiduciary	3,256	-	-	3,256
Trees	19,584	-	-	19,584
<b>Committed to:</b>				
Landfill improvements	500,074	-	-	500,074
<b>Assigned to:</b>				
Realty improvements	55,904	-	-	55,904
Unassigned	23,438,588	148	125,166	23,563,902
<b>TOTAL FUND BALANCES</b>	<b>\$ 25,191,797</b>	<b>\$ 148</b>	<b>\$ -</b>	<b>\$ 25,191,945</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 29,173,262</b>	<b>\$ 163,098</b>	<b>\$ (125,260)</b>	<b>\$ 29,211,100</b>

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GENERAL FUND  
Year ended September 30, 2013

	<u>General</u>	<u>Payroll</u>	<u>Total</u>
Revenues:			
Taxes	\$ 17,113,888	\$ -	\$ 17,113,888
Licenses and permits	2,866,321	-	2,866,321
Intergovernmental revenues	1,763,074	-	1,763,074
Charges for services	4,647,636	-	4,647,636
Fines and forfeits	259,124	-	259,124
Miscellaneous revenues:			
Interest revenue	\$ 78,645	\$ -	\$ 78,645
Miscellaneous	84,989	-	84,989
TOTAL MISCELLANEOUS REVENUES	<u>\$ 163,634</u>	<u>\$ -</u>	<u>\$ 163,634</u>
TOTAL REVENUES	<u>\$ 26,813,677</u>	<u>\$ -</u>	<u>\$ 26,813,677</u>
Expenditures:			
Current:			
General government:			
Administrative	\$ 3,537,858	\$ -	\$ 3,537,858
Building and housing	395,907	-	395,907
Garage	258,270	-	258,270
Total General Government	<u>\$ 4,192,035</u>	<u>\$ -</u>	<u>\$ 4,192,035</u>
Public safety:			
Police	\$ 4,854,753	\$ -	\$ 4,854,753
Fire	3,242,219	-	3,242,219
Traffic maintenance	217,710	-	217,710
Dispatch and EMA	699,354	-	699,354
Total Public Safety	<u>\$ 9,014,036</u>	<u>\$ -</u>	<u>\$ 9,014,036</u>
Highways and streets	2,107,800	-	2,107,800
Sanitation	3,697,142	-	3,697,142
Health and social services	738,772	-	738,772
Culture and recreation	279,086	-	279,086
Education	139,825	-	139,825
Conservation	194,895	-	194,895
TOTAL CURRENT EXPENDITURES	<u>\$ 20,363,591</u>	<u>\$ -</u>	<u>\$ 20,363,591</u>

(Continued)

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GENERAL FUND - CONTINUED  
Year ended September 30, 2013

	General	Payroll	Total
Capital outlay:			
General government:			
Administrative	\$ 182,021	\$ -	\$ 182,021
Public safety:			
Police	\$ 217,747	\$ -	\$ 217,747
Fire	146,973	-	146,973
Traffic Maintenance	26,894	-	26,894
Dispatch and EMA	9,718	-	9,718
Total Public Safety	\$ 401,332	\$ -	\$ 401,332
Highways and streets	\$ 527,695	\$ -	\$ 527,695
Sanitation	289,305	-	289,305
Culture and recreation	9,800	-	9,800
TOTAL CAPITAL OUTLAY	\$ 1,410,153	\$ -	\$ 1,410,153
Debt service:			
Principal retirement	\$ 206,358	\$ -	\$ 206,358
Interest	17,148	-	17,148
TOTAL DEBT SERVICE	\$ 223,506	\$ -	\$ 223,506
TOTAL EXPENDITURES	\$ 21,997,250	\$ -	\$ 21,997,250
REVENUES OVER			
EXPENDITURES	\$ 4,816,427	\$ -	\$ 4,816,427
Other financing sources (uses):			
Capital contributions	\$ 114,079	\$ -	\$ 114,079
Sale of assets	20,638	-	20,638
Insurance proceeds	25,172	-	25,172
Operating transfers (out)	(5,306,575)	-	(5,306,575)
TOTAL OTHER FINANCING			
SOURCES (USES)	\$ (5,146,686)	\$ -	\$ (5,146,686)
REVENUES AND OTHER SOURCES			
(UNDER) EXPENDITURES			
AND OTHER USES	\$ (330,259)	\$ -	\$ (330,259)
Fund balances at October 1	25,522,056	148	25,522,204
FUND BALANCES			
AT SEPTEMBER 30	\$ 25,191,797	\$ 148	\$ 25,191,945

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2013

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash equivalents	\$ 1,589,089	\$ 985,995	\$ 16,295	\$ 2,591,379
Certificates of deposit	201,677	-	100,908	302,585
Interest receivable	493	-	3	496
Interfund receivable	5,478	147,228	-	152,706
Due from other governmental units	39,033	148,000	-	187,033
TOTAL ASSETS	<u>\$ 1,835,770</u>	<u>\$ 1,281,223</u>	<u>\$ 117,206</u>	<u>\$ 3,234,199</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable:				
Contractors	\$ -	\$ 141,336	\$ -	\$ 141,336
Trade	-	18,050	-	18,050
Due to other governmental units	-	200,000	-	200,000
Interfund payables	-	147,228	-	147,228
Interfund payables - long-term	-	88,834	-	88,834
Deferred revenue	14,448	-	-	14,448
TOTAL LIABILITIES	<u>\$ 14,448</u>	<u>\$ 595,448</u>	<u>\$ -</u>	<u>\$ 609,896</u>
Fund balances:				
Nonspendable:				
Permanent fund principal	\$ -	\$ -	\$ 100,908	\$ 100,908
Restricted for:				
Realty improvements and Ingle Park	-	-	16,298	16,298
Highways and streets	663,504	-	-	663,504
Capital improvements	647,956	-	-	647,956
Jail/correction facilities	305,210	-	-	305,210
Drug Abuse Resistance Education	53,344	-	-	53,344
Municipal Court	32,687	-	-	32,687
Industrial development/recreation	118,621	-	-	118,621
Assigned for:				
Capital projects	-	926,463	-	926,463
Unassigned (deficit)	-	(240,688)	-	(240,688)
TOTAL FUND BALANCES	<u>\$ 1,821,322</u>	<u>\$ 685,775</u>	<u>\$ 117,206</u>	<u>\$ 2,624,303</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,835,770</u>	<u>\$ 1,281,223</u>	<u>\$ 117,206</u>	<u>\$ 3,234,199</u>

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS

Year ended September 30, 2013

	Special Revenue	Capital Projects	Permanent Fund Roy Ingle	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 12,500	\$ -	\$ -	\$ 12,500
Intergovernmental revenues	587,832	220,474	-	808,306
Fines and forfeits	108,543	-	-	108,543
Miscellaneous revenues:				
Interest revenues	2,144	298	50	2,492
TOTAL REVENUES	\$ 711,019	\$ 220,772	\$ 50	\$ 931,841
<b>Expenditures:</b>				
Current:				
General government	\$ 2,725	\$ 325,157	\$ -	\$ 327,882
Highways and streets	68,632	-	-	68,632
Education	64,566	-	-	64,566
Capital outlay	-	443,865	-	443,865
Debt service:				
Principal retirement	-	176,910	-	176,910
Interest and fiscal charges	-	29,090	-	29,090
TOTAL EXPENDITURES	\$ 135,923	\$ 975,022	\$ -	\$ 1,110,945
REVENUES OVER (UNDER) EXPENDITURES	\$ 575,096	\$ (754,250)	\$ 50	\$ (179,104)
<b>Other financing sources (uses):</b>				
Capital contributions	\$ -	\$ 155,181	\$ -	\$ 155,181
Operating transfers in	-	140,000	-	140,000
Operating transfers (out)	(86,307)	-	-	(86,307)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (86,307)	\$ 295,181	\$ -	\$ 208,874
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$ 488,789	\$ (459,069)	\$ 50	\$ 29,770
Fund balances at October 1	1,332,533	1,144,844	117,156	2,594,533
FUND BALANCES AT SEPTEMBER 30	\$ 1,821,322	\$ 685,775	\$ 117,206	\$ 2,624,303

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	\$ 338,746	\$ 303,256	\$ 445,786
Certificates of deposit	-	-	201,677
Interest receivable	-	-	493
Interfund receivable	-	-	-
Due from other governmental units	15,883	20,067	-
TOTAL ASSETS	\$ 354,629	\$ 323,323	\$ 647,956
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Deferred revenue	\$ 7,234	\$ 7,214	\$ -
Fund balances:			
Restricted for:			
Highways and streets	\$ 347,395	\$ 316,109	\$ -
Capital improvements	-	-	647,956
Jail/correction facilities	-	-	-
Drug Abuse Resistance Education	-	-	-
Municipal Court	-	-	-
Industrial development/recreation	-	-	-
TOTAL FUND BALANCES	\$ 347,395	\$ 316,109	\$ 647,956
TOTAL LIABILITIES AND FUND BALANCES	\$ 354,629	\$ 323,323	\$ 647,956

ALABAMA  
SPECIAL REVENUE FUNDS -  
GOVERNMENTAL FUNDS  
2013

<u>Industrial Purpose</u>	<u>Corrections/ Court Fund</u>	<u>DARE</u>	<u>Court Judicial Admin Fund</u>	<u>TOTALS</u>
\$ 118,621	\$ 302,815	\$ 49,521	\$ 30,344	\$ 1,589,089
-	-	-	-	201,677
-	-	-	-	493
-	2,395	740	2,343	5,478
-	-	3,083	-	39,033
<u>\$ 118,621</u>	<u>\$ 305,210</u>	<u>\$ 53,344</u>	<u>\$ 32,687</u>	<u>\$ 1,835,770</u>
\$ -	\$ -	\$ -	\$ -	\$ 14,448
\$ -	\$ -	\$ -	\$ -	\$ 663,504
-	-	-	-	647,956
-	305,210	-	-	305,210
-	-	53,344	-	53,344
-	-	-	32,687	32,687
118,621	-	-	-	118,621
<u>\$ 118,621</u>	<u>\$ 305,210</u>	<u>\$ 53,344</u>	<u>\$ 32,687</u>	<u>\$ 1,821,322</u>
<u>\$ 118,621</u>	<u>\$ 305,210</u>	<u>\$ 53,344</u>	<u>\$ 32,687</u>	<u>\$ 1,835,770</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	94,856	158,515	334,461
Fines and forfeits	-	-	-
Miscellaneous revenues:			
Interest revenue	-	416	1,666
TOTAL REVENUES	\$ 94,856	\$ 158,931	\$ 336,127
Expenditures:			
Current:			
General government	\$ -	\$ -	\$ -
Highways and streets	-	68,632	-
Education	-	-	-
TOTAL EXPENDITURES	\$ -	\$ 68,632	\$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 94,856	\$ 90,299	\$ 336,127
Other financing (uses):			
Operating transfers (out)	\$ -	\$ -	\$ -
REVENUES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$ 94,856	\$ 90,299	\$ 336,127
Fund balances at October 1	252,539	225,810	311,829
FUND BALANCES AT SEPTEMBER 30	\$ 347,395	\$ 316,109	\$ 647,956

ALABAMA  
EXPENDITURES, AND CHANGES IN  
SPECIAL REVENUE FUNDS -  
GOVERNMENTAL FUNDS  
September 30, 2013

Industrial Purpose	Lodging Tax	Corrections/ Court Fund	DARE	Court Judicial Admin Fund	TOTALS
\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ 12,500
-	-	-	-	-	587,832
-	-	32,576	48,469	27,498	108,543
-	-	-	62	-	2,144
\$ 12,500	\$ -	\$ 32,576	\$ 48,531	\$ 27,498	\$ 711,019
\$ -	\$ -	\$ 2,725	\$ -	\$ -	\$ 2,725
-	-	-	-	-	68,632
-	-	-	64,566	-	64,566
\$ -	\$ -	\$ 2,725	\$ 64,566	\$ -	\$ 135,923
\$ 12,500	\$ -	\$ 29,851	\$ (16,035)	\$ 27,498	\$ 575,096
\$ -	\$ (86,307)	\$ -	\$ -	\$ -	\$ (86,307)
\$ 12,500	\$ (86,307)	\$ 29,851	\$ (16,035)	\$ 27,498	\$ 488,789
106,121	86,307	275,359	69,379	5,189	1,332,533
\$ 118,621	\$ -	\$ 305,210	\$ 53,344	\$ 32,687	\$ 1,821,322

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

	Industrial Park	Industrial Access Road
<u>ASSETS</u>		
Cash equivalents	\$ 102,566	\$ 10,772
Due from other governmental units	148,000	-
Interfund receivable	-	147,228
TOTAL ASSETS	\$ 250,566	\$ 158,000
 <u>LIABILITIES AND FUND BALANCES (DEFICIT)</u>		
Liabilities:		
Accounts payable:		
Contractors	\$ 141,336	\$ -
Trade	2,690	-
Due to other governmental units	200,000	-
Interfund payables	147,228	-
Interfund payables - long-term	-	88,834
TOTAL LIABILITIES	\$ 491,254	\$ 88,834
 Fund balances (deficit):		
Assigned for:		
Capital projects	\$ -	\$ 69,166
Unassigned (deficit)	(240,688)	-
TOTAL FUND BALANCES (DEFICIT)	\$ (240,688)	\$ 69,166
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 250,566	\$ 158,000

ALABAMA  
 CAPITAL PROJECT FUNDS -  
 GOVERNMENTAL FUNDS  
 2013

Park and Recreation Construction	Transportation Enhancement	Downtown Redevelopment	Building Construction	TOTALS
\$ 16,151	\$ 42,968	\$ 416,639	\$ 396,899	\$ 985,995
-	-	-	-	148,000
-	-	-	-	147,228
<u>\$ 16,151</u>	<u>\$ 42,968</u>	<u>\$ 416,639</u>	<u>\$ 396,899</u>	<u>\$ 1,281,223</u>

\$ -	\$ -	\$ -	\$ -	\$ 141,336
-	-	-	15,360	18,050
-	-	-	-	200,000
-	-	-	-	147,228
-	-	-	-	88,834
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,360</u>	<u>\$ 595,448</u>

\$ 16,151	\$ 42,968	\$ 416,639	\$ 381,539	\$ 926,463
-	-	-	-	(240,688)
<u>\$ 16,151</u>	<u>\$ 42,968</u>	<u>\$ 416,639</u>	<u>\$ 381,539</u>	<u>\$ 685,775</u>
<u>\$ 16,151</u>	<u>\$ 42,968</u>	<u>\$ 416,639</u>	<u>\$ 396,899</u>	<u>\$ 1,281,223</u>

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

	Industrial Park	Industrial Access Road
Revenues:		
Intergovernmental revenues	\$ 220,474	\$ -
Miscellaneous revenues:		
Interest revenues	-	-
TOTAL REVENUES	\$ 220,474	\$ -
Expenditures:		
Current:		
General government	\$ 325,157	\$ -
Capital outlay	197,049	-
Debt service:		
Principal retirement	176,910	-
Interest and fiscal charges	29,090	-
TOTAL EXPENDITURES	\$ 728,206	\$ -
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (507,732)	\$ -
Other financing sources:		
Capital contributions	\$ 155,181	\$ -
Operating transfers in	140,000	-
TOTAL OTHER FINANCING SOURCES	\$ 295,181	\$ -
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$ (212,551)	\$ -
Fund balances (deficits) at October 1	(28,137)	69,166
FUND BALANCES (DEFICITS) AT SEPTEMBER 30	\$ (240,688)	\$ 69,166

ALABAMA  
 EXPENDITURES, AND CHANGES IN  
 CAPITAL PROJECT FUNDS -  
 GOVERNMENTAL FUNDS  
 September 30, 2013

Park and Recreation Construction	Transportation Enhancement	Downtown Redevelopment	Building Construction	TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 220,474
38	-	260	-	298
\$ 38	\$ -	\$ 260	\$ -	\$ 220,772
\$ -	\$ -	\$ -	\$ -	\$ 325,157
-	-	182,206	64,610	443,865
-	-	-	-	176,910
-	-	-	-	29,090
\$ -	\$ -	\$ 182,206	\$ 64,610	\$ 975,022
\$ 38	\$ -	\$ (181,946)	\$ (64,610)	\$ (754,250)
\$ -	\$ -	\$ -	\$ -	\$ 155,181
-	-	-	-	140,000
\$ -	\$ -	\$ -	\$ -	\$ 295,181
\$ 38	\$ -	\$ (181,946)	\$ (64,610)	\$ (459,069)
16,113	42,968	598,585	446,149	1,144,844
\$ 16,151	\$ 42,968	\$ 416,639	\$ 381,539	\$ 685,775

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND)  
September 30, 2013

	Water Department	Utilities Board Water Division	Elimination	TOTALS
<u>ASSETS</u>				
Current assets:				
Cash equivalents	\$ 10,068,739	\$ 561,485	\$ -	\$ 10,630,224
Certificates of deposit	4,404,000	-	-	4,404,000
Interest receivable	1,034	-	-	1,034
Accounts receivable	575,723	60	-	575,783
Interfund receivables	5,966	497,209	(497,209)	5,966
Due from other governmental units:				
Cullman Power Board	329,700	-	-	329,700
Other	258,863	-	-	258,863
Inventories	358,215	-	-	358,215
Prepaid insurance	43,424	46,088	-	89,512
Prepaid utility tax	20,000	-	-	20,000
TOTAL CURRENT ASSETS	<u>\$ 16,065,664</u>	<u>\$ 1,104,842</u>	<u>\$ (497,209)</u>	<u>\$ 16,673,297</u>
Restricted assets:				
Cash equivalents	\$ 326,235	\$ 30,575,928	\$ -	\$ 30,902,163
OPEB funds held by Cullman Power Board	-	11,760	-	11,760
State revolving funds receivable	11,340	-	-	11,340
TOTAL RESTRICTED ASSETS	<u>\$ 337,575</u>	<u>\$ 30,587,688</u>	<u>\$ -</u>	<u>\$ 30,925,263</u>
Capital assets:				
Land	\$ 208,094	\$ 9,097,426	\$ -	\$ 9,305,520
Buildings	68,450	6,792,981	-	6,861,431
Improvements other than buildings	34,381,971	8,914,027	-	43,295,998
Machinery and equipment	1,497,095	8,076,767	-	9,573,862
Less accumulated depreciation	(15,788,741)	(12,994,929)	-	(28,783,670)
	<u>\$ 20,366,869</u>	<u>\$ 19,886,272</u>	<u>\$ -</u>	<u>\$ 40,253,141</u>
Construction in progress	11,949	24,167,221	-	24,179,170
TOTAL CAPITAL ASSETS	<u>\$ 20,378,818</u>	<u>\$ 44,053,493</u>	<u>\$ -</u>	<u>\$ 64,432,311</u>
Other assets:				
Debt discount and expense	\$ 57,626	\$ 873,835	\$ -	\$ 931,461
TOTAL ASSETS	<u>\$ 36,839,683</u>	<u>\$ 76,619,858</u>	<u>\$ (497,209)</u>	<u>\$ 112,962,332</u>

(Continued)

CITY OF CULLMAN, ALABAMA  
COMBINING BALANCE SHEET - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED  
September 30, 2013

	<u>Water Department</u>	<u>Utilities Board Water Division</u>	<u>Elimination</u>	<u>TOTALS</u>
<u>LIABILITIES AND NET POSITION</u>				
Current liabilities:				
Accounts payable	\$ 37,355	\$ 237,816	\$ -	\$ 275,171
Utility tax payable	28,173	-	-	28,173
Interfund payables	503,515	2,522	(497,209)	8,828
Due to other governmental units:				
Cullman Power Board	9,447	-	-	9,447
Other	930	-	-	930
Accrued payroll	10,428	15,669	-	26,097
Estimated compensated absences - current portion	11,256	69,000	-	80,256
TOTAL CURRENT LIABILITIES	<u>\$ 601,104</u>	<u>\$ 325,007</u>	<u>\$ (497,209)</u>	<u>\$ 428,902</u>
Liabilities payable from restricted assets:				
Accounts payable:				
Contractors	\$ -	\$ 404,811	\$ -	\$ 404,811
Others	-	508,186	-	508,186
Accrued interest payable	27,045	220,539	-	247,584
Other postemployment benefits	-	3,683	-	3,683
Current maturities on				
long-term liabilities	505,000	1,015,000	-	1,520,000
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>\$ 532,045</u>	<u>\$ 2,152,219</u>	<u>\$ -</u>	<u>\$ 2,684,264</u>
Long-term liabilities:				
Warrants/bonds payable	\$ 7,757,299	\$ 56,690,810	\$ -	\$ 64,448,109
Estimated compensated absences	30,997	276,805	-	307,802
TOTAL LONG-TERM LIABILITIES	<u>\$ 7,788,296</u>	<u>\$ 56,967,615</u>	<u>\$ -</u>	<u>\$ 64,755,911</u>
Other liabilities:				
Debt premium	\$ -	\$ 167,457	\$ -	\$ 167,457
TOTAL LIABILITIES	<u>\$ 8,921,445</u>	<u>\$ 59,612,298</u>	<u>\$ (497,209)</u>	<u>\$ 68,036,534</u>
Net position:				
Invested in capital assets, net of related liabilities	\$ 12,679,145	\$ 14,484,947	\$ -	\$ 27,164,092
Restricted for debt service and capital activity (deficit)	(194,470)	2,011,506	-	1,817,036
Unrestricted	15,433,563	511,107	-	15,944,670
TOTAL NET POSITION	<u>\$ 27,918,238</u>	<u>\$ 17,007,560</u>	<u>\$ -</u>	<u>\$ 44,925,798</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 36,839,683</u>	<u>\$ 76,619,858</u>	<u>\$ (497,209)</u>	<u>\$ 112,962,332</u>

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - WATER SYSTEM (PROPRIETARY FUND)  
Year ended September 30, 2013

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Operating revenues:				
Charges for sales and services	\$ 10,526,691	\$ 6,148,034	\$ (6,148,034)	\$ 10,526,691
Penalties and forfeited discounts	27,619	-	-	27,619
Charges for service connections	123,463	-	-	123,463
Service charges	70,250	-	-	70,250
Credit Bureau collection charges	22,016	-	-	22,016
Miscellaneous	121,350	720	-	122,070
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 10,891,389</b>	<b>\$ 6,148,754</b>	<b>\$ (6,148,034)</b>	<b>\$ 10,892,109</b>
Cost of purchased water	\$ 6,148,034	\$ -	\$ (6,148,034)	\$ -
Operating expenses:				
Salaries and wages	\$ 516,069	\$ 931,991	\$ -	\$ 1,448,060
Payroll taxes	41,620	68,142	-	109,762
Employees retirement	50,611	103,275	-	153,886
Employees insurance	87,720	194,788	-	282,508
Telephone	11,089	8,334	-	19,423
Utilities	22,921	829,808	-	852,729
Billing, accounting, and collection fees	157,526	-	-	157,526
Office supplies and expenses	11,474	19,461	-	30,935
Professional services	16,651	15,530	-	32,181
Engineering services	750	-	-	750
Other contracted services	5,007	21,574	-	26,581
Testing services	11,460	7,738	-	19,198
Dues and subscriptions	1,300	2,648	-	3,948
Travel, registrations, and education	-	13,349	-	13,349
Uniforms	7,080	5,329	-	12,409
Small tools and equipment	25,347	10,706	-	36,053
Chemicals and supplies	1,437	573,662	-	575,099
Repairs and maintenance - system and equipment	376,931	108,636	-	485,567
Equipment rental	31,320	19,145	-	50,465
Gas, fuel, and oil	67,554	17,241	-	84,795
Insurance	61,927	60,125	-	122,052
Permits and licenses	-	4,858	-	4,858
Miscellaneous	8,712	14,474	-	23,186
Director's fees and expenses	-	31,500	-	31,500
Depreciation	775,749	485,497	-	1,261,246
<b>TOTAL COST OF PURCHASED WATER AND OPERATING EXPENSES</b>	<b>\$ 8,438,289</b>	<b>\$ 3,547,811</b>	<b>\$ (6,148,034)</b>	<b>\$ 5,838,066</b>
<b>OPERATING INCOME</b>	<b>\$ 2,453,100</b>	<b>\$ 2,600,943</b>	<b>\$ -</b>	<b>\$ 5,054,043</b>

(Continued)

CITY OF CULLMAN, ALABAMA  
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET POSITION - WATER SYSTEM (PROPRIETARY FUND) - CONTINUED  
 Year ended September 30, 2013

	Water Department	Utilities Board Water Division	Elimination	TOTALS
Nonoperating revenues (expenses):				
Interest earned	\$ 36,594	\$ 13,720	\$ -	\$ 50,314
Insurance proceeds	7,933	25,754	-	33,687
(Loss) on disposal of assets	(6,447)	-	-	(6,447)
Interest expense	(276,539)	(209,275)	-	(485,814)
Amortization of debt expense	(5,236)	(31,208)	-	(36,444)
Paying agent/trustee fees	-	(2,956)	-	(2,956)
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (243,695)	\$ (203,965)	\$ -	\$ (447,660)
NET INCREASE IN NET POSITION	\$ 2,209,405	\$ 2,396,978	\$ -	\$ 4,606,383
Net position - October 1	25,708,833	14,610,582	-	40,319,415
NET POSITION AT SEPTEMBER 30	\$ 27,918,238	\$ 17,007,560	\$ -	\$ 44,925,798

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

	Water Department
Cash flows from operating activities:	
Cash received from customers	\$ 10,779,216
Cash payments for purchased water	(6,167,101)
Cash payments for operating expenses	(1,194,190)
Cash payments to employees	(520,378)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,897,547
Cash flows from noncapital and related financing activities:	
Grants	\$ 643,489
Insurance proceeds	-
CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ 643,489
Cash flows from capital and related financing activities:	
Contributed capital	\$ -
Proceeds from disposal of capital assets	20,026
Acquisition and construction of capital assets	(710,426)
Insurance proceeds	7,933
Interest paid	(259,142)
Fiscal charges	-
Proceeds from long-term debt	130,395
Principal payments of long-term debt	(610,000)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,421,214)
Cash flows from investing activities:	
Proceeds from certificates of deposit	\$ 4,404,000
Interest received	37,907
Payments for purchase of certificates of deposit	(4,404,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 37,907
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 2,157,729
Cash and cash equivalents at beginning of year	8,237,245
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 10,394,974

Cash and cash equivalents consisted of the following:

	Water Department
Cash equivalents - current assets	\$ 10,068,739
Cash equivalents - restricted assets	326,235
TOTALS	\$ 10,394,974

ALABAMA  
 CASH FLOWS -  
 (PROPRIETARY FUND)  
 September 30, 2013  
 Cash and Cash Equivalents

Utilities Board Water Division	Elimination	TOTALS
\$ 6,171,016	\$ (6,170,296)	\$ 10,779,936
-	6,170,296	3,195
(2,105,075)	-	(3,299,265)
(892,892)	-	(1,413,270)
<u>\$ 3,173,049</u>	<u>\$ -</u>	<u>\$ 6,070,596</u>

\$ -	\$ -	\$ 643,489
25,754	-	25,754

\$ 25,754	\$ -	\$ 669,243
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\$ 2,262	\$ -	\$ 2,262
-	-	20,026
(11,505,878)	-	(12,216,304)
-	-	7,933
(191,834)	-	(450,976)
(2,956)	-	(2,956)
-	-	130,395
(345,000)	-	(955,000)

<u>\$(12,043,406)</u>	<u>\$ -</u>	<u>\$(13,464,620)</u>
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\$ -	\$ -	\$ 4,404,000
7,739	-	45,646
-	-	(4,404,000)
<u>\$ 7,739</u>	<u>\$ -</u>	<u>\$ 45,646</u>

\$ (8,836,864)	\$ -	\$ (6,679,135)
39,974,277	-	48,211,522
<u>\$ 31,137,413</u>	<u>\$ -</u>	<u>\$ 41,532,387</u>

Utilities Board Water Division	Elimination	TOTALS
\$ 561,485	\$ -	\$ 10,630,224
30,575,928	-	30,902,163
<u>\$ 31,137,413</u>	<u>\$ -</u>	<u>\$ 41,532,387</u>

CITY OF CULLMAN,  
COMBINING SCHEDULE OF CASH FLOWS  
WATER SYSTEM

Year ended  
Increase (Decrease) in Cash

	<u>Water Department</u>
Cash flows from operating activities:	
Operating income	\$ 2,453,100
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	775,749
Accounts receivable	(84,860)
Interfund receivables	(3,468)
Due from other governments	(23,845)
Inventories	(128,741)
Prepaid insurance	(7,204)
Prepaid utility tax	(1,125)
Accounts payable	8,805
Utility tax payable	3,477
Interfund payables	(85,233)
Due to other governments	(4,798)
Accrued payroll	2,055
Other postemployment benefits	-
Compensated absences	(6,365)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,897,547

ALABAMA  
 FROM OPERATING ACTIVITIES -  
 (PROPRIETARY FUND)  
 September 30, 2013  
 and Cash Equivalents

<u>Utilities Board Water Division</u>	<u>TOTALS</u>
\$ 2,600,943	\$ 5,054,043
485,497	1,261,246
-	(84,860)
22,262	18,794
-	(23,845)
-	(128,741)
(9,142)	(16,346)
-	(1,125)
33,457	42,262
-	3,477
2,522	(82,711)
-	(4,798)
5,275	7,330
(1,589)	(1,589)
33,824	27,459
<u>\$ 3,173,049</u>	<u>\$ 6,070,596</u>

CITY OF  
COMBINING BALANCE SHEET - PARKS  
September 30,

	Parks and Recreation	Gymnastics
<u>ASSETS</u>		
Current assets:		
Cash equivalents	\$ 844,616	\$ -
Accounts receivable	22,958	-
Interfund receivables	-	-
Due from other governmental units	808	-
Inventories	13,987	928
TOTAL CURRENT ASSETS	\$ 882,369	\$ 928
Capital assets:		
Land	\$ 1,020,264	\$ 30,000
Buildings	2,950,284	541,971
Improvements other than buildings	7,064,377	34,715
Machinery and equipment	659,960	30,179
Less accumulated depreciation	(4,731,858)	(246,200)
	\$ 6,963,027	\$ 390,665
Construction in progress	-	-
TOTAL CAPITAL ASSETS	\$ 6,963,027	\$ 390,665
Other assets:		
Debt discount and expense	\$ -	\$ -
Utility deposits	-	275
TOTAL OTHER ASSETS	\$ -	\$ 275
TOTAL ASSETS	\$ 7,845,396	\$ 391,868

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

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

CULLMAN, ALABAMA  
AND RECREATION (PROPRIETARY FUND)  
2013

<u>Golf Course</u>	<u>Wellness and Aquatic Center</u>	<u>Parks and Recreation/ Golf Course Payroll</u>	<u>Eliminations</u>	<u>TOTALS</u>
\$ 750	\$ 2,100	\$ 38,821	\$ -	\$ 886,287
-	51,057	-	-	74,015
-	-	25,581	(25,581)	-
8,570	30	28,963	-	38,371
1,602	42,781	-	-	59,298
<u>\$ 10,922</u>	<u>\$ 95,968</u>	<u>\$ 93,365</u>	<u>\$ (25,581)</u>	<u>\$ 1,057,971</u>
\$ 366,791	\$ 518,313	\$ -	\$ -	\$ 1,935,368
1,070,298	12,203,718	-	-	16,766,271
667,214	3,522,959	-	-	11,289,265
989,128	905,980	-	-	2,585,247
(1,762,400)	(2,914,240)	-	-	(9,654,698)
<u>\$ 1,331,031</u>	<u>\$ 14,236,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,921,453</u>
165,133	-	-	-	165,133
<u>\$ 1,496,164</u>	<u>\$ 14,236,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,086,586</u>
\$ 3,054	\$ 278,772	\$ -	\$ -	\$ 281,826
635	-	-	-	910
<u>\$ 3,689</u>	<u>\$ 278,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,736</u>
<u>\$ 1,510,775</u>	<u>\$ 14,611,470</u>	<u>\$ 93,365</u>	<u>\$ (25,581)</u>	<u>\$ 24,427,293</u>

CITY OF  
COMBINING BALANCE SHEET - PARKS AND  
September 30,

	Parks and Recreation	Gymnastics
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 96,717	\$ 146
Interfund payables	9,418	1,902
Interest payable	-	-
Accrued payroll	-	-
Estimated compensated absences - current portion	24,223	482
Current portion of warrants payable	29,956	-
Current portion of capital leases payable	-	-
TOTAL CURRENT LIABILITIES	\$ 160,314	\$ 2,530
Other Liabilities		
Debt premium	\$ -	\$ -
Unearned revenue - senior trips	12,514	-
Unearned revenue - memberships	-	-
TOTAL OTHER LIABILITIES	\$ 12,514	\$ -
Long-term liabilities:		
Warrants payable	\$ 72,542	\$ -
Deferred loss on refunding	-	-
Capital leases payable	-	-
Estimated compensated absences	91,702	1,707
Interfund payables	-	-
TOTAL LONG-TERM LIABILITIES	\$ 164,244	\$ 1,707
TOTAL LIABILITIES	\$ 337,072	\$ 4,237
Net position (deficit):		
Invested in capital assets, net of related liabilities	\$ 6,851,111	\$ 388,763
Restricted - Tournaments	-	-
Unrestricted	657,213	(1,132)
TOTAL NET POSITION (DEFICIT)	\$ 7,508,324	\$ 387,631
TOTAL LIABILITIES AND NET POSITION	\$ 7,845,396	\$ 391,868

CULLMAN, ALABAMA  
 RECREATION (PROPRIETARY FUND) - CONTINUED  
 2013

Golf Course	Wellness and Aquatic Center	Parks and Recreation/ Golf Course Payroll	Eliminations	TOTALS
\$ 22,929	\$ 15,464	\$ 300	\$ -	\$ 135,556
8,305	392,376	-	(25,581)	386,420
1,719	159,860	-	-	161,579
-	-	45,008	-	45,008
9,647	12,708	-	-	47,060
-	-	-	-	29,956
26,244	-	-	-	26,244
<u>\$ 68,844</u>	<u>\$ 580,408</u>	<u>\$ 45,308</u>	<u>\$ (25,581)</u>	<u>\$ 831,823</u>
\$ 159	\$ -	\$ -	\$ -	\$ 159
-	-	-	-	12,514
-	139,494	-	-	139,494
<u>\$ 159</u>	<u>\$ 139,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,167</u>
\$ -	\$ -	\$ -	\$ -	\$ 72,542
(4,536)	-	-	-	(4,536)
28,225	-	-	-	28,225
36,765	47,409	-	-	177,583
163,125	14,308,000	-	-	14,471,125
<u>\$ 223,579</u>	<u>\$ 14,355,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,744,939</u>
<u>\$ 292,582</u>	<u>\$ 15,075,311</u>	<u>\$ 45,308</u>	<u>\$ (25,581)</u>	<u>\$ 15,728,929</u>
\$ 1,277,696	\$ (159,293)	\$ -	\$ -	\$ 8,358,277
-	-	10,071	-	10,071
(59,503)	(304,548)	37,986	-	330,016
<u>\$ 1,218,193</u>	<u>\$ (463,841)</u>	<u>\$ 48,057</u>	<u>\$ -</u>	<u>\$ 8,698,364</u>
<u>\$ 1,510,775</u>	<u>\$ 14,611,470</u>	<u>\$ 93,365</u>	<u>\$ (25,581)</u>	<u>\$ 24,427,293</u>

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

	Parks and Recreation	Gymnastics	Golf Course
Operating revenues:			
Charges for sales and services	\$ 798,914	\$ 426,159	\$ 474,284
Lodging tax	-	-	-
Miscellaneous	56,762	-	45,248
TOTAL OPERATING REVENUES	\$ 855,676	\$ 426,159	\$ 519,532
Cost of operating revenues	\$ 150,354	\$ 19,019	\$ 26,879
Operating expenses:			
Salaries and wages	\$ 937,011	\$ 209,619	\$ 385,128
Nonemployee compensation	585	-	-
Officials and instructors	96,083	-	-
Cullman Regional Medical Center	-	-	-
Payroll taxes	69,506	15,717	38,099
Employees retirement	59,802	10,538	22,969
Employees insurance	99,707	11,707	31,557
Telephone	34,690	7,280	4,030
Utilities	221,938	23,222	35,171
Office supplies and expenses	67,548	12,386	11,398
Audit fees	29,436	-	-
Accounting services	51,000	-	-
Other professional fees	7,289	-	1,151
Tournament fees	4,586	-	-
Competition expense	-	116,888	-
Senior programs	162,481	-	-
Dues and subscriptions	6,330	449	2,684
Travel, registrations, and education	28,490	8,677	2,733
Public relations	96,649	1,849	6,245
Printing and advertising	159,946	-	-
Small tools and equipment	11,225	-	4,849
Chemicals and supplies	260,518	46,075	34,181
Repairs and maintenance - system and equipment	373,192	9,940	187,080
Gas, fuel, and oil	48,583	271	25,624
Insurance	76,710	3,991	3,959
Miscellaneous	13,947	-	-
Depreciation	340,739	17,566	99,016
TOTAL COST OF OPERATING REVENUES AND OPERATING EXPENSES	\$ 3,408,345	\$ 515,194	\$ 922,753
OPERATING (LOSS)	\$ (2,552,669)	\$ (89,035)	\$ (403,221)

(Continued)

CULLMAN, ALABAMA  
REVENUES, EXPENSES, AND CHANGES  
AND RECREATION (PROPRIETARY FUND)  
September 30, 2013

<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>
\$ 2,305,495	\$ -	\$ -	\$ -	\$ 4,004,852
-	183,925	-	-	183,925
5,698	3,844	-	-	111,552
<u>\$ 2,311,193</u>	<u>\$ 187,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,300,329</u>
\$ 35,881	\$ -	\$ -	\$ -	\$ 232,133
\$ 1,237,110	\$ 2,742,443	\$ -	\$ (2,742,443)	\$ 2,768,868
-	-	-	-	585
9,783	-	-	-	105,866
95,744	-	-	-	95,744
93,828	205,156	-	(205,156)	217,150
48,379	141,687	-	(141,687)	141,688
69,872	212,876	-	(212,876)	212,843
15,060	-	-	-	61,060
268,700	-	-	-	549,031
71,363	-	-	-	162,695
-	-	-	-	29,436
-	-	-	-	51,000
-	-	-	-	8,440
1,247	-	-	-	5,833
-	-	-	-	116,888
-	-	-	-	162,481
3,085	-	-	-	12,548
3,566	-	-	-	43,466
24,479	-	-	-	129,222
-	-	-	-	159,946
8,536	-	-	-	24,610
175,494	-	-	-	516,268
210,906	-	-	-	781,118
7,656	-	-	-	82,134
15,240	-	-	-	99,900
-	14,188	-	-	28,135
664,331	-	-	-	1,121,652
<u>\$ 3,060,260</u>	<u>\$ 3,316,350</u>	<u>\$ -</u>	<u>\$ (3,302,162)</u>	<u>\$ 7,920,740</u>
<u>\$ (749,067)</u>	<u>\$ (3,128,581)</u>	<u>\$ -</u>	<u>\$ 3,302,162</u>	<u>\$ (3,620,411)</u>

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

	<u>Parks and Recreation</u>	<u>Gymnastics</u>	<u>Golf Course</u>
Nonoperating revenues (expenses):			
Interest earned	\$ 1,537	\$ -	\$ 956
Grants	224	-	1,781
Interest expense	(8,319)	-	(22,247)
Amortization of debt expense	-	-	(1,805)
Debt service expenditures:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ (6,558)</u>	<u>\$ -</u>	<u>\$ (21,315)</u>
(DECREASE) IN NET POSITION BEFORE TRANSFERS	<u>\$ (2,559,227)</u>	<u>\$ (89,035)</u>	<u>\$ (424,536)</u>
Transfers in:			
General Fund	\$ 400,000	\$ -	\$ -
Debt Service Funds	36,181	-	137,509
Parks and Recreation/Golf Course Payroll	1,162,596	247,585	468,732
Parks and Recreation Board	578,844	252,887	219,471
Transfers out:			
Debt Service Funds	-	-	-
Parks and Recreation/Golf Course Payroll	(105,689)	(23,806)	(44,487)
Parks and Recreation Board	-	-	-
TOTAL TRANSFERS IN NET INCREASE (DECREASE) IN NET POSITION	<u>\$ 2,071,932</u>	<u>\$ 476,666</u>	<u>\$ 781,225</u>
Net position (deficit) - October 1	7,995,619	-	861,504
NET POSITION (DEFICIT) AT SEPTEMBER 30	<u>\$ 7,508,324</u>	<u>\$ 387,631</u>	<u>\$ 1,218,193</u>

NOTE:

The "Parks and Recreation", "Gymnastics", "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, 2013

<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>
\$ -	\$ 485	\$ -	\$ -	\$ 2,978
46	-	-	-	2,051
(650,456)	-	-	-	(681,022)
(12,390)	-	-	-	(14,195)
-	-	(27,936)	27,936	-
-	-	(8,245)	8,245	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (662,800)	\$ 485	\$ (36,181)	\$ 36,181	\$ (690,188)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (1,411,867)	\$ (3,128,096)	\$ (36,181)	\$ 3,338,343	\$ (4,310,599)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ 2,984,103	\$ 36,181	\$ -	\$ 3,420,284
1,021,127	-	-	(173,690)	1,021,127
1,463,886	-	-	(3,332,183)	10,616
-	306,970	-	(1,358,172)	-
-	(137,509)	-	137,509	-
(132,988)	-	-	306,970	-
(1,051,202)	(30,021)	-	1,081,223	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,300,823	\$ 3,123,543	\$ 36,181	\$ (3,338,343)	\$ 4,452,027
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (111,044)	\$ (4,553)	\$ -	\$ -	\$ 141,428
(352,797)	52,610	-	-	8,556,936
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\$ (463,841)	\$ 48,057	\$ -	\$ -	\$ 8,698,364
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CITY OF CULLMAN, ALABAMA  
SCHEDULE OF GENERAL OBLIGATION WARRANTS  
September 30, 2013

GENERAL OBLIGATION SCHOOL WARRANTS

Dated 2-01-03  
Maturing March 1

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	4.00%	\$ 385,000	\$ 7,700
	TOTALS	<u>\$ 385,000</u>	<u>\$ 7,700</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
2014	3.00%	\$ 200,000	\$ 3,000
	TOTALS	<u>\$ 200,000</u>	<u>\$ 3,000</u>

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

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF GENERAL OBLIGATION WARRANTS - CONTINUED  
September 30, 2013

GENERAL OBLIGATION WARRANTS			
Series 2007 Dated 2-01-07			
Maturing July 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	4.00%	\$ 525,000	\$ 879,563
2015	5.00	545,000	858,562
2016	5.00	570,000	831,313
2017	5.00	600,000	802,812
2018	5.00	630,000	772,813
2019	4.00	665,000	741,312
2020	4.00	690,000	714,713
2021	4.00	715,000	687,112
2022	4.50	745,000	658,513
2023	4.50	780,000	624,987
2024	4.125	815,000	589,888
2025	4.25	850,000	556,269
2026	4.25	885,000	520,144
2027	4.25	920,000	482,531
2028	4.25	960,000	443,431
2029	4.25	1,000,000	402,631
2030	4.25	1,045,000	360,131
2031	4.25	1,090,000	315,719
2032	4.25	1,135,000	269,394
2033	4.375	1,185,000	221,156
2034	4.375	1,235,000	169,313
2035	4.375	1,290,000	115,281
2036	4.375	1,345,000	58,844
	TOTALS	\$ 20,220,000	\$ 12,076,432

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, 2013

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
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	\$ 395,000	\$ 31,130

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, 2013

GENERAL OBLIGATION WARRANT

Dated 9-29-10			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
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	<u>\$ 1,095,000</u>	<u>\$ 134,532</u>

GENERAL OBLIGATION WARRANT

Dated 10-25-11			
Maturing December 31			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	2.95%	\$ 79,179	\$ 20,821
2015	2.95	81,515	18,485
2016	2.95	83,920	16,080
2017	2.95	86,395	13,605
2018	2.95	88,944	11,056
2019	2.95	91,568	8,432
2020	2.95	94,269	5,731
2021	2.95	100,000	2,950
	TOTALS	<u>\$ 705,790</u>	<u>\$ 97,160</u>

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

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF SEWER GENERAL OBLIGATION WARRANTS  
September 30, 2013

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
2014	3.50%	\$ 200,000	\$ 91,000
2015	3.50	205,000	84,000
2016	3.50	210,000	76,825
2017	3.50	220,000	69,475
2018	3.50	225,000	61,775
2019	3.50	235,000	53,900
2020	3.50	245,000	45,675
2021	3.50	250,000	37,100
2022	3.50	260,000	28,350
2023	3.50	270,000	19,250
2024	3.50	280,000	9,800
TOTALS		<u>\$ 2,600,000</u>	<u>\$ 577,150</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, 2013

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

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
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>\$ 2,805,000</u>	<u>\$ 591,624</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, 2013

GENERAL OBLIGATION SEWER WARRANT			
Series 2004-SRF Dated 4-1-04			
Maturing August 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	2.85%	\$ 95,000	\$ 2,707
	TOTALS	\$ 95,000	\$ 2,707

GENERAL OBLIGATION SEWER WARRANT			
Series 2005-CWSRF-DL Dated 1-1-05			
Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	3.05%	\$ 180,000	\$ 92,873
2015	3.05	190,000	87,230
2016	3.05	195,000	81,359
2017	3.05	200,000	75,335
2018	3.05	205,000	69,159
2019	3.05	210,000	62,830
2020	3.05	220,000	56,273
2021	3.05	225,000	49,486
2022	3.05	235,000	42,471
2023	3.05	240,000	35,228
2024	3.05	245,000	27,831
2025	3.05	255,000	20,206
2026	3.05	265,000	12,276
2027	3.05	270,000	4,117
	TOTALS	\$ 3,135,000	\$ 716,674

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, 2013

GENERAL OBLIGATION SEWER WARRANT			
Series 2008-CWSRF-DL Dated 07-18-08			
Maturing February 15			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	3.50%	\$ 140,000	\$ 109,725
2015	3.50	145,000	104,738
2016	3.50	150,000	99,575
2017	3.50	155,000	94,237
2018	3.50	160,000	88,725
2019	3.50	165,000	83,038
2020	3.50	175,000	77,087
2021	3.50	180,000	70,875
2022	3.50	185,000	64,488
2023	3.50	195,000	57,836
2024	3.50	200,000	50,925
2025	3.50	205,000	43,838
2026	3.50	215,000	36,488
2027	3.50	220,000	28,875
2028	3.50	230,000	21,000
2029	3.50	240,000	12,775
2030	3.50	245,000	4,288
TOTALS		\$ 3,205,000	\$ 1,048,513

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, 2013

GENERAL OBLIGATION SEWER WARRANT			
Series 2013 Dated 07-31-13			
Maturing Monthly on the 15th			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	1.72%	\$ 1,333,333	\$ 161,765
2015	1.72	1,333,333	138,513
2016	1.72	1,333,333	115,580
2017	1.72	1,333,333	92,009
2018	1.72	1,333,333	68,758
2019	1.72	1,333,334	45,506
2020	1.72	1,333,334	22,318
2021	1.72	555,557	2,426
	TOTALS	\$ 9,888,890	\$ 646,875

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, 2013

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
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>\$ 1,895,000</u>	<u>\$ 367,753</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
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>\$ 1,805,000</u>	<u>\$ 380,869</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, 2013

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
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>\$ 1,025,000</u>	<u>\$ 247,976</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
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>\$ 970,000</u>	<u>\$ 276,500</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, 2013

<u>GENERAL OBLIGATION WARRANT</u>				<u>GENERAL OBLIGATION REFUNDING WARRANT</u>			
Series 2012-DWSRF-BL Dated 02-13-12				Series 2012 Dated 04-13-12			
Maturing August 15				Maturing October 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest	Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	2.50%	\$ 140,000	\$ 36,250	2014	2.46%	\$ -	\$ 15,683
2015	2.50	145,000	32,750	2015	2.46	130,000	29,766
2016	2.50	150,000	29,125	2016	2.46	140,000	26,445
2017	2.50	155,000	25,375	2017	2.46	150,000	22,878
2018	2.50	160,000	21,500	2018	2.46	155,000	19,127
2019	2.50	165,000	17,500	2019	2.46	160,000	15,252
2020	2.50	170,000	13,375	2020	2.46	170,000	11,193
2021	2.50	180,000	9,125	2021	2.46	180,000	6,888
2022	2.50	185,000	4,625	2022	2.46	190,000	2,337
TOTALS		<u>\$ 1,450,000</u>	<u>\$ 189,625</u>	TOTALS		<u>\$1,275,000</u>	<u>\$ 149,569</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, 2013

Water Revenue Bonds			
Series 2011 Dated 6-03-2011			
Maturing September 1			
Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
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>\$ 57,815,000</u>	<u>\$ 48,326,294</u>

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

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF CULLMAN CITY PARKS AND RECREATION BOARD'S  
GENERAL OBLIGATION WARRANT AND CAPITAL LEASES  
September 30, 2013

General Obligation Warrant  
Dated November 28, 2001

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	7.00 %	\$ 29,956	\$ 6,225
2015	7.00	32,121	4,060
2016	7.00	34,443	1,738
2017	7.00	5,978	17
TOTALS		<u>\$ 102,498</u>	<u>\$ 12,040</u>

De Lage Landen Public Finance, LLC  
(Capital Lease)

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	6.546 %	\$ 5,162	\$ 99
TOTALS		<u>\$ 5,162</u>	<u>\$ 99</u>

Agricredit Acceptance, LLC  
(Capital Lease)

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	7.40 %	\$ 10,466	\$ 1,001
2015	7.40	8,995	277
TOTALS		<u>\$ 19,461</u>	<u>\$ 1,278</u>

De Lage Landen Public Finance, LLC  
(Capital Lease)

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	3.63 %	\$ 10,616	\$ 772
2015	3.63	11,005	535
2016	3.63	8,225	112
TOTALS		<u>\$ 29,846</u>	<u>\$ 1,419</u>

NOTE: All principal debt shown on this schedule is recorded in the Cullman City Parks and Recreation Board (a Proprietary Fund).

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF CULLMAN REGIONAL AIRPORT BOARD'S LOAN  
AND GENERAL OBLIGATION WARRANT  
September 30, 2013

Cullman Regional Airport Loan  
Dated September 14, 2011

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	2.60 %	\$ 21,329	\$ 4,684
2015	2.60	21,898	4,114
2016	2.60	22,472	3,540
2017	2.60	23,082	2,931
2018	2.60	23,697	2,315
2019	2.60	24,330	1,682
2020	2.60	24,976	1,036
2021	2.60	25,646	367
TOTALS		<u>\$ 187,430</u>	<u>\$ 20,669</u>

General Obligation Warrant (Taxable)  
Dated October 22, 2012

Fiscal Year Maturing	Interest Rate	Amount of Maturity	Amount of Interest
2014	2.99 %	\$ 123,285	\$ 35,937
2015	2.99	138,438	35,289
2016	2.99	142,634	31,092
2017	2.99	146,958	26,769
2018	2.99	151,413	22,314
2019	2.99	156,002	17,724
2020	2.99	160,731	12,995
2021	2.99	165,603	8,123
2022	2.99	170,623	3,103
2023	2.99	10,905	27
TOTALS		<u>\$ 1,366,592</u>	<u>\$ 193,373</u>

NOTE: All principal debt shown on this schedule is recorded in the Cullman Regional Airport Board (Board) (a Proprietary Fund).

The above Warrants are 100 percent of the debt service maturities for the Board. However, the Board is a 50/50 joint venture with Cullman County. Therefore, only 50 percent of the above debt service is included in the Board's balance sheet as reported in the City's financial statements.

CITY OF CULLMAN, ALABAMA  
SCHEDULE OF SCHOOL TAX TRANSACTIONS  
Year ended September 30, 2013

	<u>Fund Level</u>	<u>Adjustments</u>	<u>Government- Wide Level</u>
Revenues:			
3 mill ad valorem tax	\$ 869,070	\$ -	\$ 869,070
7.5 mill ad valorem tax	2,172,676	-	2,172,676
.5 percent sales tax	2,645,606	9,846	2,655,452
Interest	578	-	578
TOTAL REVENUES	<u>\$5,687,930</u>	<u>\$9,846</u>	<u>\$5,697,776</u>
Expenditures:			
Transfers to Cullman City Board of Education	<u>\$5,697,776</u>	<u>\$ - - -</u>	<u>\$5,697,776</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, 2013 and 2012.

September, 2012 revenues received after 30 day availability period	\$(209,075)
September, 2013 revenues received after 30 day availability period	<u>218,921</u>
	<u>\$ 9,846</u>

CITY OF CULLMAN, ALABAMA  
STATISTICAL DATA - UNAUDITED  
September 30, 2013

Computation of legal debt margin:		
Assessed value of real and personal property located within the city limits – Note 1		<u>\$275,930,660</u>
Constitutional debt limit (20% of assessed value – Note 2)		\$ 55,186,132
Amount of debt applicable to debt limit – Note 2:		
General long-term debt outstanding – Governmental Activities	\$23,000,790	
Long-term portion of compensated absences	737,975	
Plus general obligation warrants included in the Business-type Activities:		
Lessman Property General Obligation Warrant dated 11-28-01	102,498	
Airport General Obligation Warrant Dated 9-14-11	93,715	
Airport General Obligation Warrant Dated 10-22-12	683,296	
Less portions of warrants not subject to Constitutional debt limit as follows:		
2-1-03 General Obligation School Warrants, Series 2003	(385,000)	
2-1-07 General Obligation Warrants, Series 2007	(1,945,729)	
9-29-10 General Obligation School Warrants	(1,095,000)	
Less estimated liability for compensated absences – long-term	<u>(737,975)</u>	
	\$20,454,570	
Accounts payable of the General Fund	<u>424,076</u>	
Debt applicable to constitutional debt limit	\$20,878,646	
Less assets available in Debt Service Fund for payment of principal	<u>(867,088)</u>	\$ 20,011,558
LEGAL DEBT MARGIN – Note 3		<u>\$ 35,174,574</u>

Note 1 – Obtained from unaudited records maintained by the County of Cullman, Alabama and excludes exempt property (\$119,447,560).

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.

STATISTICAL DATA – UNAUDITED – CONTINUED

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, 2013, has no relationship to the City's financial capacity to repay the amount of debt.

City ad valorem tax rates:

General purposes (Section 216 of the Constitution)	5 mills
School purposes – general (Section 216 of the Constitution)	3 mills
School bond service (Amendment LVI of the Constitution)	7.5 mills

Population per Federal census:

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

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

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

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

Note D – 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 E – 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.