



Comprehensive Annual Financial Report

City of Talladega, Alabama

*For fiscal year ending
September 30, 2015*

City of Talladega, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2015

Prepared by
Theresa St. James, Finance Director



CRI CARR
RIGGS &
INGRAM

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City of Talladega, Alabama
Table of Contents
September 30, 2015

INTRODUCTORY SECTION

Transmittal Letters	i
Certificate of Achievement for Excellence in Financial Reporting	xi
Organization Chart	xii
Officials of the City of Talladega	xiii

FINANCIAL SECTION

Independent Auditors' Report	1
Management Discussion Analysis	4.1-4.13
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet—Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities	10
Statement of Net Position—Proprietary Fund	11
Statement of Revenues, Expenses and Changes in Fund Net Position—Proprietary Fund	12
Statement of Cash Flows—Proprietary Fund	13
Statement of Net Position – Fiduciary Fund	15
Statement of Changes in Fiduciary Net Position	16
Statement of Net Position—Component Units	17
Statement of Activities—Component Units	18
Notes to Financial Statements Index	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues and Expenditures	
General Fund—Budget and Actual	57
Schedule of Changes in Net Pension Liability	61
Schedule of Employer Contributions	62
Schedule of Funding Progress – Other Post-Employment Benefits Plan	63
Notes to Required Supplementary Information	64

SUPPLEMENTARY INFORMATION

Talladega Water and Sewer Department, Schedule of Revenues, Expenses and Changes in Fund Net Position—Budget and Actual	67
Combining Balance Sheet—Non-major Governmental Funds (by fund type)	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Non-major Governmental Funds (by fund type)	69
Combining Balance Sheets—Special Revenue Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Special Revenue Funds	71
Combining Balance Sheet—Capital Projects Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Capital Projects Funds	73

STATISTICAL SECTION

Financial Trend Data

Net Position by Component	76
Change in Net Position	77
Governmental Activities—Tax Revenues by Source	79
Fund Balances of Governmental Funds	80
Changes in Fund Balance of Governmental Funds	81
Property Tax Rates per Thousand—Direct and Overlapping Government	82
Principal Sales and Use Taxpayers	83

Debt Capacity Data

Ratios of Outstanding Debt by Type	85
Direct and Overlapping Debt	86
Ratios of General Debt Outstanding	87
Legal Debt Margin Information	88

Demographic and Economic Information

Demographic Economic Statistics	90
Principal Private-Sector Employers in the Talladega Area	91
Budgeted Full-Time Equivalent City Government Employees by Function	92

Operating Information

Operating Indicators by Function	94
Capital Asset Statistics by Function	95



CITY OF TALLADEGA

FOUNDED 1834 MEMBER: ALABAMA LEAGUE OF MUNICIPALITIES

P. O. Box 498 ♦ 203 West South Street ♦ Talladega, Alabama 35161 ♦ Phone (256) 362-8186

Patrick Bryant
City Manager

Jerry Cooper
Mayor

March 31, 2016

Ladies and Gentlemen:

I hereby transmit the annual financial report of the City of Talladega as of and for the year ended September 30, 2015. The accounting firm, Carr, Riggs & Ingram, has audited the financial statements. The auditors' unqualified opinion of governmental activities is included in this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Talladega for its comprehensive annual financial report for the fiscal years 2009 through 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this annual financial report could not have been accomplished without the dedicated effort of the Finance Director and her entire staff. The accounting and financial reporting systems of the City of Talladega have allowed quality information to be reported to the City Council and the citizens of the City of Talladega.

Respectfully submitted,

W. Patrick Bryant
City Manager
City of Talladega



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Patrick Bryant
City Manager

Jerry Cooper
Mayor

March 31, 2016

City Council
The City of Talladega, Alabama

I am pleased to submit the Comprehensive Annual Financial Report of the City of Talladega for the fiscal year ended September 30, 2015. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Carr, Riggs and Ingram, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Talladega’s financial statements for the year ended September 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

The Management Discussion and Analysis section (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Talladega was founded in 1834. Located fifty (50) miles east, southeast of Birmingham, the City is within easy access of both Birmingham and Atlanta (100 miles). Interstate 20 connecting Birmingham and Atlanta is located fifteen (15) miles north of the City. Talladega is the County seat of Talladega County (the “County”) and is the most populous City in the County.

The City is organized under the laws of Alabama pertaining to the council-manager form of government for cities, as modified by Amendment No. 738 to the Constitution of Alabama of 1901. The governing body of the City consists of the five (5) council members who are elected from single-member districts for four-year terms and exercise the legislative functions of the City government and other powers and duties which are or may be vested by law in the City Council or its members. The Mayor is elected at-large for a four-year term. Although the Mayor sits with the Council, he/she does not have a vote in its proceedings. The Mayor serves on a part-time basis and is recognized as the head of the City’s government for all ceremonial purposes but has no other administrative duties. The City Manager is employed by the City Council and is responsible for the administration of City affairs, including the appointment of all department heads.

The City provides a range of municipal services, including police and fire protection; the construction and maintenance of streets and other infrastructure; community and economic development programs; recreational and cultural activities; water production and distribution and sanitary sewer system.

The City Council is required to adopt a final budget no later than the beginning of the fiscal year, i.e. by October 1st. This annual budget, which is prepared on a departmental basis, serves as the foundation for the City of Talladega’s financial planning and control. Though the City Manager may transfer appropriations within a department, the City Council must approve transfers between departments and additions to the budget.

LOCAL ECONOMY

Talladega is a regional retail and employment center with a dense, compact commercial core surrounded by medium to low density residential neighborhoods, the campuses of three major educational institutions, and large industrial sites. Talladega is primarily characterized as a ‘white collar’ city, with the highest percentage of its workforce employed in management, professional and related occupations. Nearly 61% of employed persons living in Talladega also work in Talladega, demonstrating employment opportunities for its residents.

A method of analyzing economic conditions in Talladega is to track trends in sales tax revenue, on which the City is heavily dependent. Talladega has been slow to recover from the recession, but tax revenue has increased slightly since FY 2014 and is monitored carefully. As stipulated by City Council, 25% of the 1% tax increase

implemented in 2011 remains in the General Fund and is available for operating expenditures. An additional \$250,000 is restricted to supplement the fund balance if necessary. All remaining additional tax revenue is dedicated to capital expenditures and funds are transferred to the Capital Improvement Fund on a regular basis. These funds are expended according to the capital improvement budget as approved by Council and have greatly minimized the need of the City to issue debt to fund capital projects.

Service industries, retail trade and manufacturing are the top three employment sectors. The establishment of Honda Manufacturing and related support industries in Talladega County has provided approximately 4,300 jobs in the area since 2002. M-Tek, the most recent addition to the local industrial park and which produces interior trim pieces for Honda, has recently expanded its operations. Retail trade consists largely of basic commodities and is less susceptible to loss of revenue during periods of economic declines.

Talladega County is home to the Talladega SuperSpeedway and International Motorsports Hall of Fame and Museum. With NASCAR races in May and October each year, this tourist attraction brings in about 300,000 people per race, resulting in the need for additional local lodging facilities. Other local attractions include the Talladega Walk of Fame and Davey Allison Memorial Park, Cheaha State Park, Talladega National Forest and DeSoto Caverns. The Public Park Authority administers Top Trails, which has more than 70 miles of trails for off highway vehicles on 2,800 acres. Camping and RV sites have been developed and future plans include equestrian stables and trails and zip lines. The Civilian Marksmanship Program, whose mission is teaching respect for firearms, promoting gun safety and marksmanship principles, opened in June, 2015. This facility features several ranges for pistols and rifles, as well as a range for trap and skeet shooting. As a reflection of the area as a tourist destination, retail sales in the City are 108% and 106% of state and national levels, respectively.

EDUCATIONAL RESOURCES

The City's school system is operated by the City of Talladega Board of Education which consists of five (5) members elected in districts by the City. The system employed 161 certified teachers in the 2014-2015 school year, along with support personnel and administrators. The school system operates (i) four elementary schools (grades K through 6), serving 1,304 students, (ii) one middle school (grades 7 and 8), serving 287 students, and (iii) one high school, serving 588 students. In recent years, a pre-kindergarten program was added through funding made available by a grant award and financial support from the City administration. Additional financial support from the City allowed the continuation of a distance learning center at Talladega High School, which gives students remote access to a wider variety of curriculum. The City schools are accredited by the Alabama State Department of Education and the Southern Association of Colleges and Schools.

Alabama Institute for the Deaf and Blind - Talladega is the home for the Alabama Institute for the Deaf and Blind (AIDB), the world's most comprehensive education and

service program serving children and adults from infancy through aging with hearing and vision loss. Annually, AIDB serves more than 18,500 individuals through five Talladega based campuses and a network of eight regional centers located throughout the state.

Alabama School for the Deaf and Alabama School for the Blind are accredited preschool-12 programs serving individuals from 3 to 21 years of age. The Instructional Resource Center for the Blind, located on the Alabama School for the Blind campus, provides Braille and large print books, materials and other services to all blind and visually impaired students at AIDB and in public schools in Alabama. The Helen Keller School of Alabama is also accredited and serves multi-disabled children ages 3 to 21. Also available to students with sensory or physical disabilities is the Marianna Greene Henry Special Equestrian Arena which offers hippotherapy to motivate the movement of tightened or restricted muscles and limbs, as well as recreational riding opportunities. The program is accredited by the North American Riding for the Handicapped Association.

Adults age 16 and over pursue rehabilitation, technology, job or college prep training at the E. H. Gentry Technical Facility. The E. H. Gentry campus is linked with Regional Centers in eight locations to provide job and skill training in local communities and a lifelong continuum of services for people with hearing and vision loss. Adjustment services focus on practical skills, both for life and work. Vocational training covers a wide range of career options, ranging from carpentry to business education to sewing. Alabama Industries for the Blind provides employment and job training in a sheltered environment for blind or vision impaired adults at two production facilities and also operate Base Supply Centers in Alabama and Georgia. Employees of AIB manufacture or distribute many products used in the home, office or by the military.

Central Alabama Community College – Central Alabama Community College (CACC) was created by action of the Alabama State Board of Education on February 23, 1989. The board action consolidated Alexander City State Junior College and Nunnelley State Technical College. In 2005, CACC expanded with a campus within the City limits of Talladega. Today the Alexander City, Childersburg and Talladega campuses offer resources and expertise which address the education and training needs of central Alabama by awarding the Associate in Science, Associate in Applied Science and the Associate in Occupational Technology degrees. CACC is accredited by the Southern Association of Colleges and Schools Commission on Colleges.

Talladega College - located in the City of Talladega, Talladega College is a four year nationally accredited liberal arts college. The college was founded in 1867 by freedmen William Savery and Thomas Tarrant, who were aided by General Wager Swayne of the Freedmen's Bureau and the American Missionary Association. Talladega College began as a one room school house constructed from salvaged lumber. Over the college's span of history, it has grown to 17 major buildings on 50 acres, surrounded by 80 acres of gently rolling woodlands. Talladega College offers 17 majors in business and administration, humanities and fine arts, science and mathematics, and social sciences and education. In addition, the college offers 7 intercollegiate sports teams

and has an enrollment of approximately 1,000 students. The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges.

CULTURAL OPPORTUNITIES

The City of Talladega offers an array of cultural amenities for its residents to enjoy. Cultural amenities are important because they enhance an area's appeal and play a key role in attracting tourism. At the same time, cultural amenities can help to establish a sense of community pride among residents.

The *Talladega Heritage Commission* was established by the City Council in 1981 to present and interpret the social and cultural history of the area. Monthly rotating exhibits, in a beautifully maintained National Register Library, feature local, regional, and nationally recognized artists representing a variety of art forms. Lecture series on themes of local and regional interest round out a comprehensive arts program. It is also home to the Heritage Hall Jazz Band which performs at various concerts throughout the area.

The *Historic Ritz Theatre* offers a variety of musicals, plays, and concerts in their spring and fall seasons. Some recent examples include "The Great Gatsby," "The Miracle Worker," "The Color Purple", popular gospel and country music artists and "the Black Jacket Symphony" which covers a variety of pop and rock music. This calendar is supplemented by seasonal showings of films such as "It's a Wonderful Life" and "The Polar Express" in December. The Ritz regularly offers programs to local students to supplement and enrich their school curriculum.

The *Talladega International Superspeedway* is located nine (9) miles north of the City. The speedway annually attracts over 300,000 spectators to racing events which occur twice per year. Located adjacent to the speedway is the Motor Sports Hall of Fame which was opened in April 1983 and is a major tourist attraction.

The *International Motorsports Hall of Fame* is located near the Talladega Superspeedway. This museum holds over 100 cars at a value of more than \$25 million dollars. The collection includes stock cars and trucks, Indy cars, drag racers, sprint cars, motorcycles, go-karts, quarter midgets, and a world record off-shore power boat. The Hall of Fame is open daily and has extended hours during race weeks each May and October.

The *Talladega Walk of Fame* is located at Davey Allison Memorial Park in downtown Talladega. The Park features a sidewalk in the shape of the Talladega Superspeedway with the tri-oval area being the memorial to Davey Allison. The track is surrounded by plaques of individuals whom the fans have chosen to be inducted into the Talladega-Texaco Walk of Fame.

HISTORIC SITES

Indian domination over the Talladega area ended in 1832 and the historic City of Talladega was founded in 1834. Because of its importance as a trading center, Talladega was to become the County Seat in preference over other towns. The earliest homeowners were merchants, farmers and statesmen who settled in the County Seat.

The “April in Talladega” Pilgrimage annually welcomes visitors to its many antebellum and turn-of-the century homes. Talladega has four districts on the National Register of Historic Places: the Beautiful Talladega College, the “Silk Stocking District” which reflects the changing architectural styles from 1833 to the early 1900s, the North Street Historical District which is a residential area, and the Historic Talladega Courthouse Square which contains many fine examples of late 19th century architecture.

Talladega College – Talladega College Historic District represents a magnificent range of architectural styles from its period of significance including the mid-nineteenth century Greek revival, Queen Anne, Romanesque, Italianate, and the twentieth century Colonial revival. The beautiful oak-lined campus boasts several landmark buildings. Swayne Hall, named for its founding benefactor, General Swayne, and the first building of the College, has been designated a National Historic Landmark. The President’s Home, built for the College’s first president, Henry Swift DeForest, is listed in the Alabama Historic Register. Also, the Savery Library, named in honor of William Savery, is the home to the historically significant Amistad murals painted by Hale Woodruff, an internationally renowned artist of African American descent. These murals have recently been restored and are currently on a national museum tour.

Silk Stocking District – Located to the south of the Courthouse Square, the Silk Stocking District is an L-shaped area concentrated along two major streets (South Street East and East Street South). Developed in the latter part of the 19th century as the town’s finest residential neighborhood, the district is composed of closely spaced, one- and two-story frame homes. The homes were built mainly between 1885 and 1917. The district has served as the home of a number of prominent Talladega men and women, as well as the Alabama School for the Deaf, but is primarily noted for the quality and concentration of its late 19th and early 20th century homes.

Talladega Courthouse Square – Located around the Talladega County Courthouse, this historic district is comprised of 72 buildings covering an area of approximately four acres in Talladega’s downtown district. The buildings in this historic district date from 1835 through the 1930’s, with the large majority dating from the last two decades of the 19th century. The oldest buildings in the district were soon built after Talladega was surveyed in 1834. There is only one building in the district that was built after the 1930’s.

Construction completed in 1838, the original courthouse was a three-story structure. Although it sustained no damage during the Civil War, the following years found the building repaired and rebuilt many times due to the ravages of storms and fire. In the 1970s, the courthouse was placed on the National Register of Historic Places and

completely renovated and restored to its splendid condition of today. The Alabama Historical Commission states that it is the oldest courthouse in continuous use in the state.

The Ritz Theatre – Located on the Courthouse Square, Talladega’s Ritz Theatre (circa 1936) is considered one of the best surviving examples of the Art Deco main street theatres of the 1930’s. Careful restoration of the landmark’s extraordinary façade – comprised exclusively of opaque structural glass, a common construction material used lavishly during the Deco period in buildings like the Rockefeller Center in New York City – was completed in late 1997 with perfectly matched antique vitrolite glass by renowned St. Louis artisan Timothy J. Dunn. The historic Ritz Theatre reopened on February 16, 1998 as the premiere performing arts center of East Central Alabama with a concert by the National Symphony String Quintet. A primary purpose of the theatre is to bring arts and culture to the young citizens of Talladega and the surrounding areas, as well as to offer quality plays, musicals and concerts to those interested in the arts.

PARKS AND RECREATIONAL FACILITIES

The City of Talladega has a total of ten City parks, five recreational centers and a 9-hole golf course within its City limits to serve the recreational needs of residents. These parks and recreational centers are fairly well-distributed throughout the community.

The *Ben E. Bruner Sports Complex* is located on Sun Valley Road on a 50 acre site. This recreational facility consists of four youth baseball fields, two soccer fields, four practice fields, a football field, a picnic pavilion, and a playground.

The *Amanda Bingham Park* is located on Coosa Street on a 15 acre site. The park consists of two tennis courts, a semi-pro baseball field, a basketball court, a picnic pavilion, a playground and a walking track.

The *Duncan-Pinkston Park* is located on Martin Luther King Drive on a 5 acre site. The park consists of two baseball practice fields, a playground and a picnic pavilion.

The *Jemison Park* is located on Ashland Highway on a 3 acre site. The park consists of eight tennis courts, a playground and a picnic pavilion.

The *Knoxville Park* is located on Scott Street on a 4 acre site. The park consists of a baseball field, picnic pavilion, and basketball court.

The *McMillan Park* is located on Horne Drive on an 8 acre site. The park consists of three practice fields, a Girls Little League Softball field, and a playground.

The *Harman Park* is located on Brignoli Street on a 3 acre site. The park consists of a Little League field and a playground.

The *Veterans Memorial Park* is located on Spring Street South on a 12 acre site including a Veterans' Memorial Monument and a M47 tank. The park also consists of two picnic pavilions, a gazebo, a playground, and a walking track.

The *Westgate Park* is located on Sloan Avenue on a 3 acre site. The park consists of a softball field, a basketball court, and a playground.

The *Hill-Pope Park* is located on McMillan Street on approximately a 3 acre site. The park consists of a walking track and a playground.

Talladega Municipal Golf Course encompasses 100 beautifully landscaped acres including a stream fed pond. It is a 9-hole course, par 36/27, with separate tee boxes for the back 9 holes. The golf course is currently leased to a private management company.

The *B.N. Mabra Nutrition Center* was established in 1979 and is located on 25th Street. The Center is the home for the Senior Nutrition program which serves meals to elderly residents and also offers health programs, counseling, meal planning and budgeting.

The *Bemiston Recreation Center* has an indoor regulation size basketball court which is made available for use in the evening hours and for tournaments.

The *Mattie Simmons Recreation Center* is currently closed.

The *Brecon Recreation Center* has an indoor regulation size basketball court, currently being utilized for gymnastics classes.

The *Spring Street Community Center* has an Olympic size indoor pool, regulation size basketball court, nautilus room, video game room, walking track and is home base for the Federal Rural Transportation Service. The administrative offices for the Recreation Department are housed here as well.

LONG-TERM FINANCIAL PLANNING

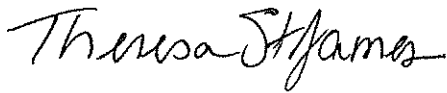
As a planning tool for long-term financing and the annual budget process, the City prepares a capital improvement program. This document, which is updated annually, prioritizes capital projects by their funding source and timing. The City uses the 1% sales and use tax increase implemented in April, 2011 as the major source of funds for future capital improvements rather than relying on financing alone. This policy is further maximized by aggressively pursuing grant opportunities for infrastructure renovation and replacement. Bonded indebtedness is managed in coordination with debt repayment schedules to stay within legal debt limits and to maintain a stable level of debt service. General policy targets debt payments at no more than 10% of General Fund operating expense; currently debt payments are 7.17% of General Fund expense. The City was first rated by Standard & Poors in 2009, achieving a rating of "A, stable" and was upgraded to "AA-" in 2014. This rating was affirmed in March, 2015. The City's

Water and Sewer utility has achieved a rating of A+, stable, which was also affirmed in March, 2015.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. Finally, I would like to thank the City Manager and the members of the City Council for continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Theresa St. James".

Theresa St. James
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

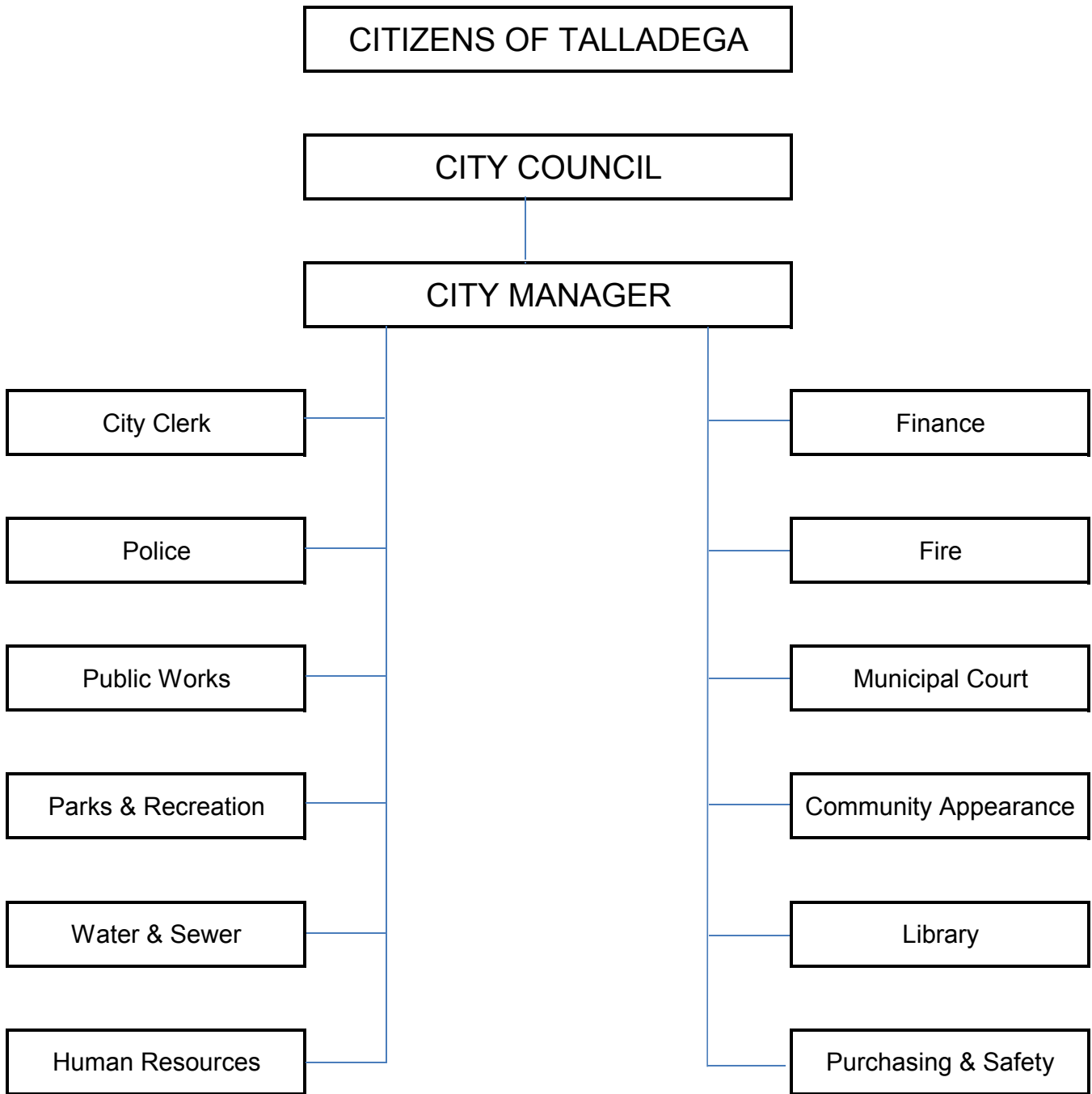
Presented to

**City of Talladega
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



OFFICIALS OF THE CITY OF TALLADEGA

Mayor

Larry Barton

City Council

Dr. Horace Patterson	Ward I
Jarvis Elston	Ward II
David Street	Ward III
Ricky Simpson	Ward IV
Gerald Cooper	Ward V

City Manager

Patrick Bryant

Other City Officials

City Clerk	Beth Cheeks
Community Appearance	Mitch Bast, Director
Finance	Theresa St. James, Director
Fire	Danny Warwick, Chief
Human Resources	Cathy Fuller, Director
Library	Vickie Harkins, Director
Municipal Court	Mark Nelson, Judge
Municipal Court	Robin Tucker, Clerk
Parks and Recreation	Summer Ammons, Director
Police	Jason Busby, Chief
Public Works	Karen Phillips, Director
Purchasing and Safety	Terry Hanner, Director
Water and Environmental Services	Cathy Fuller, Director



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Independent Auditors' Report

To the Manager and City Council
City of Talladega
Talladega, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary fund, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Talladega, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Talladega City Board of Education or the Talladega Municipal Airport Board, which represent the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Talladega City Board of Education and the Talladega Municipal Airport Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions. 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 financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 15 and Note 19 to the basic financial statements, during 2015 the City adopted Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, and Governmental Accounting Standards Board Statements No. 71, Pension Transactions for Contributions Subsequent to the Measurement Date. As a result of the adoption, the City has restated its net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4.1–4.13 and the schedules listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information, although not a 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 and other auditors 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 Talladega, Alabama's basic financial statements. The introductory section, budgetary comparison schedule for proprietary fund, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule for proprietary fund and combining and individual non-major fund financial statements 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. The 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 basic 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Car, Riggs & Ingram, L.L.C.

Birmingham, Alabama

March 31, 2016

**CITY OF TALLADEGA, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

This section of the City of Talladega, Alabama's annual financial statement is intended to provide readers a general overview of the financial activities during the fiscal year that ended September 30, 2015. The material presented in this section should be read in conjunction with the independent auditor's report and the additional information provided in this financial report.

Financial Highlights – Governmental Activities

- The primary government assets and deferred outflows of resources of the City of Talladega exceeded its liabilities and deferred inflows of resources by \$29,136,454 as of September 30, 2015. However, \$13,334,772 (46%) reflects the City's investment in capital assets, less any related debt still outstanding that was issued to acquire those items. The City of Talladega uses these capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City of Talladega's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay the debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional total of \$8,788,995 represents assets that are subject to external restrictions on how they may be used. The remaining balance of net position totaling \$7,012,687 is unrestricted.
- While the statement of net position continues to reflect a positive net position, the total net position of the City of Talladega decreased approximately \$6.03 million over fiscal year 2014. The decrease is primarily related to the establishment and funding from the General Fund of an OPEB Trust Fund and the implementation of GASB 68. With the new reporting change required by GASB 68, the City is allocated its proportionate share of the Employee's Retirement System's net pension liability, deferred outflows, deferred inflows and pension expense. The table below illustrates the effect of these changes on the Governmental Activities Statement of Net Position, with the non-current liabilities increasing from \$10.537 million in fiscal year 2014 to \$14.347 million in fiscal year 2015 while the current assets decreased.

Governmental Activities		
	2014	2015
Current assets	\$ 9,323,288	\$ 7,864,328
Capital and other assets	\$ 18,083,164	\$ 17,935,343
Total Assets	\$ 27,406,452	\$ 25,799,671
Deferred outflows of resources	\$ -	\$ 890,061
Total assets & deferred outflows of resources	\$ 27,406,452	\$ 26,689,732
Current liabilities	\$ 727,499	\$ 883,874
Non-current liabilities	\$ 10,537,395	\$ 14,347,417
Total liabilities	\$ 11,264,894	\$ 15,231,291
Deferred inflows of resources	\$ -	\$ 411,189
Net Position		
Net investment in capital assets	\$ 8,702,500	\$ 8,668,887
Restricted	\$ 2,964,941	\$ 2,180,138
Unrestricted	\$ 4,474,117	\$ 198,227
Total Net Position	\$ 16,141,558	\$ 11,047,252

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$6.939 million. The combined governmental funds' fund balances decreased by \$1,717 million during the fiscal year, primarily due to the initial funding of the OPEB Trust Fund of \$1 million and the completion of a number of capital projects during the year.
- The General Fund closed with a fund balance of \$3.748 million, a decrease from the \$4.648 million balance in the prior year. As previously stated, this decrease is due to the establishment of the OPEB Trust Fund. General fund revenues were \$13.4 million, \$425,089 over budget. General fund operating expenditures were \$261,057 over budget for a total of \$12.369 million. Other financing sources (uses) totaled (\$1.931) million which was \$189,464 over budget. This resulted in a net change in fund balances of (\$899,882) as the various departments were apportioned a share of the OPEB expense. The ending fund balance totaled approximately 30% of expenditures and 28% of operating revenue. Surplus fund balance was used in FY 2015 to finance additional capital projects and expenditures, as well as the OPEB Trust Fund. The fiscal year end fund balance is still well above the City Council's established goal of a minimum fund balance of 8-10% of operating revenue. The overall financial position of the City remains stable.
- The capital projects trust fund closed with a fund balance of \$1,247,106, a small increase from the \$1,014,365 balance in the prior year. Capital projects revenues were \$16,622 and consisted of grant receipts and interest, with an additional \$1,245,825 transferred from the General Fund as sales tax revenue restricted for capital projects per City ordinance. Capital funds expenditures were \$929,706 for fiscal year 2015 and consisted of building and park improvements, as well as equipment and fleet replacement, including a new pumper for the fire department.

- The Special Revenue Funds include nine funds which receive restricted, committed or assigned funds and include the following: 2.5 Mil Property Tax Fund, 4 Cent Gas Tax Fund, 7 Cent Gas Tax Fund, Corrections Fund, Oil Trust Fund, Brownfield Fund, Police Grants Fund, Cemetery Fund and Library Fund. The Special Revenue Funds closed with a combined fund balance of \$1,630,987, a \$1.3 million decrease from the prior year. Funds being held in the Oil Trust Fund, 4 Cent and 7 Cent Gas Tax Funds for a paving project, a total of \$2.18 million, were expended in FY 2015 and this project was the main factor in the decrease in fund balance. Fund balances for other funds included in the Special Revenue Funds Combining Balance Sheet had only a slight variance from FY 2014.
- The RBEG (Rural Business Enterprise Grant) fund and the CDBG (Community Development Block Grant) fund comprise the Capital Projects Funds and closed with a combined fund balance of \$312,406, a significant increase from \$14,869 in FY 2014. The RBEG fund's fund balance increased to \$298,333 as funds were transferred in from the General Fund and the Capital Projects Trust Fund in anticipation of a grant project which began construction very late in fiscal year 2015 and which should be completed in FY 2016. The CDBG fund closed with a balance of \$14,073 - an increase of \$6,314. The drainage grant project was completed in FY 2015, with final grant revenue of approximately \$40,000 pending at year end.

Financial Highlights – Business-type Activities

- The assets and deferred outflows of resources of the Talladega Water and Sewer Department of the City of Talladega, Alabama, exceeded its liabilities and deferred inflows or resources at September 30, 2015, by \$18,089,202 (total net position) down from \$19,026,035 in FY 2014. The main contributing factor to this decrease is the implementation of GASB 68 and the resulting recording of a net pension liability of \$1,144,715. Of the total net position, \$6,814,460 or 38% (unrestricted net position) may be used to meet the Department's ongoing obligations. Total assets and deferred outflows of resources increased by \$4.9 million over fiscal year 2014 and includes \$4.7 million from a revenue bond issuance, while liabilities increased \$5.837 million.
- The Water and Sewer department did not require the use of unrestricted resources to fund expenditures. Operating revenues of \$7,553,779, an increase of \$327,619 from 2014, were more than sufficient to fund operating expenses during the year, which also experienced an increase of \$128,322 for a total of \$5,528,368 for FY 2015. Transfers out include amounts collected by the Water and Sewer Department on behalf of the City for garbage collection service and the cost of resurfacing roads after a major line replacement project.

- During this time period proceeds from the 2010 Capital Improvement Bond continued to be utilized on a number of system improvement projects. The rehabilitation of the Harmon Park Well and the Water Treatment Plant Filters were completed, as well as a major line replacement project, sanitary sewer repairs, and the replacement of an influent screen and grit removal system. Projects in process at year end include the rehabilitation of the Mt. Olive tank and the construction of a booster station for that location, the relocation of the Shocco pump station and micro-screen replacement at the Waste Water Treatment Plant. Proceeds from the 2015 Capital Improvement Bond will be used to target improvements to the sewer system, which will begin in fiscal year 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Talladega's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Talladega.

Government-wide Financial 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 government-wide financial statements are divided into two categories:

- **Governmental Activities** - Most of the City's basic services are included here, such as police, fire, public works, recreation and general administration. Sales and use tax, property taxes, business licenses and other state-shared revenues finance most of these activities.
- **Discretely Presented Component Units** - The City includes other legally separate entities in its report including the Talladega Municipal Airport Board and the Talladega City Board of Education. The City is financially accountable for these entities.

The Statement of Activities presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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 groups that the City uses to keep track of specific sources of funds and expenditures. Some funds are required by federal or state law while others are required by grant agreements. Other funds are established to control and manage City resources designated for specific purposes.

The City uses three types of funds:

- Governmental Funds - Most of the City's basic services are included in governmental funds which focus on (1) how cash and other financial assets can be converted to cash flows into and out of the funds, and (2) balances left at year-end that are available to be spent. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision.
 - The City of Talladega adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided in the supplementary information for the General Fund to demonstrate compliance with this budget.
- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Water and Sewer Department has one enterprise fund to account for its business-type activities. The separate enterprise fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.
- Fiduciary funds allow the government to summarize trust funds by type, such as other post-employment benefit obligations. While these funds represent trust responsibilities, fund assets are restricted in purpose and may not be expended for governmental activities. Therefore, these assets are not presented as part of the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that should be considered in the evaluation of the City's financial position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2015, are in compliance with Governmental Accounting Standards Board (GASB) Statement Number 68.

Statement of Net Position September 30, 2015

ASSETS	Governmental Activities	Business-type Activities	Total All Activities
Cash and cash equivalents	\$ 5,983,796	\$ 7,331,870	\$ 13,315,666
Investments	722,432		722,432
Receivables, net	919,570	641,094	1,560,664
Unbilled revenue	-	643,601	643,601
Internal Balances	84,878	(84,878)	-
Inventories	-	302,300	302,300
Restricted assets	-	9,480,946	9,480,946
Other assets	66,658	21,132	87,790
Net OPEB asset	86,994	-	86,994
Capital assets not being depreciated	4,305,776	1,702,903	6,008,679
Capital assets, net of accumulated depreciation	<u>13,629,567</u>	<u>21,580,597</u>	<u>35,210,164</u>
Total Assets	<u>25,799,671</u>	<u>41,619,565</u>	<u>67,419,236</u>
Deferred outflows of resources			
Employer retirement contributions subsequent to To measurement date	561,177	134,900	696,077
Deferred charges from refunding	<u>328,884</u>	<u>275,562</u>	<u>604,446</u>
Total deferred outflows of resources	<u>890,061</u>	<u>410,462</u>	<u>1,300,523</u>
Total Assets & Deferred Outflows of Resources	<u>\$26,689,732</u>	<u>\$42,030,027</u>	<u>\$68,719,759</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 838,107	\$ 284,971	\$ 1,123,078
Customer meter deposits	-	235,574	235,574
Accrued interest	45,767	-	45,767
Noncurrent liabilities:			
Due within one year:			
Bonds and warrants payable	465,000	442,300	880,000
Capital leases	61,479	79,534	141,013
Compensated absences	31,899	-	31,899
Due in more than one year:			
Bonds and warrants payable	8,006,684	21,559,373	29,592,524
Capital leases	733,293	53,645	786,938
Net pension liability	4,761,967	1,144,715	5,906,682
Compensated absences	<u>287,095</u>	<u>42,701</u>	<u>329,796</u>
Total Liabilities	<u>15,231,291</u>	<u>23,841,980</u>	<u>39,073,271</u>
Deferred inflows of resources	<u>411,189</u>	<u>98,845</u>	<u>510,034</u>
NET POSITION			
Net investment in capital assets	8,668,887	4,665,885	13,334,772
Restricted for:			
Capital projects	1,621,321	-	1,621,321
Special revenues (gas tax and road projects)	413,545	-	413,545
Special revenues (ad valorem tax for schools)	48,071	-	48,071
Special revenues (public safety)	97,201	-	97,201
Debt service fund	-	6,608,857	6,608,857
Unrestricted	<u>198,227</u>	<u>6,814,460</u>	<u>7,012,687</u>
Total Net Position	<u>\$11,047,252</u>	<u>\$18,089,202</u>	<u>\$29,136,454</u>

**Statement of Net Position
September 30, 2014**

ASSETS	Governmental Activities	Business-type Activities	Total All Activities
Cash and cash equivalents	\$ 7,516,724	\$ 7,769,949	\$ 15,286,673
Investments	739,441		739,441
Receivables, net	940,144	568,148	1,508,292
Unbilled revenue	-	660,123	660,123
Internal Balances	84,706	(84,706)	-
Inventories	-	284,335	284,335
Restricted assets	-	7,104,087	7,104,087
Other assets	42,273	13,846	56,119
Capital assets not being depreciated	5,170,653	2,155,521	7,326,174
Capital assets, net	<u>12,912,511</u>	<u>18,339,980</u>	<u>31,252,491</u>
Total Assets	<u>27,406,452</u>	<u>36,811,283</u>	<u>64,217,735</u>
Deferred outflows of resources			
Deferred charges from refunding	-	317,844	317,844
Total Assets & Deferred Outflows of Resources	<u>\$27,406,452</u>	<u>\$37,129,127</u>	<u>\$64,535,579</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 667,136	\$ 434,076	\$ 1,101,212
Customer meter deposits	-	236,767	236,767
Accrued interest	60,363	-	60,363
Noncurrent liabilities;			
Due within one year:			
Bonds and warrants payable	420,000	405,000	825,000
Capital leases	56,546	78,429	134,975
Compensated absences	36,224	-	36,224
Due in more than one year			
Bonds and warrants payable	8,095,000	16,772,729	24,867,729
Deferred charges from refunding	-	-	-
Capital leases	809,118	133,179	942,297
OPEB payable	794,493	-	794,493
Compensated absences	<u>326,014</u>	<u>42,912</u>	<u>368,926</u>
Total Liabilities	<u>11,264,894</u>	<u>18,103,092</u>	<u>29,367,986</u>
NET POSITION			
Net investment in capital assets	8,702,500	9,528,061	18,230,561
Restricted for:			
Capital projects	1,029,835	-	1,029,835
Special revenues (gas tax and road projects)	1,656,563	-	1,656,563
Special revenues (ad valorem tax for schools)	33,979	-	33,979
Special revenues (public safety)	244,564	-	244,564
Debt service fund	-	1,448,412	1,448,412
Unrestricted	<u>4,474,117</u>	<u>8,049,562</u>	<u>12,523,679</u>
Total Net Position	<u>\$16,141,558</u>	<u>\$19,026,035</u>	<u>\$35,167,593</u>

General Fund Budgetary Highlights

A review of the budgeting changes from the original to the final budget reflect minor revenue updates with two major changes:

1. An additional \$109,100 in total license revenue.
2. Anticipated reimbursement to the General Fund of \$493,000, primarily related to the CDBG grant.

Amended departmental budgeted expenditures include:

1. An increase to the City Manager's budget to reflect the payout of accrued leave to the departing City Manager per contract.
2. An increase to the Public Works budget to reflect an increase in garbage collection fees.
3. An increase to the Transfers out budget to reflect the initial funding of two grant projects, as well as the Council approved use of surplus reserves for additional capital projects.

Before allocating the funding of the OPEB Trust to the various departments, the General Fund would have ended fiscal year 2015 realizing a slight excess of revenues over expenditures. The dramatic effect on the General Fund of the large lump sum funding of the OPEB Trust will likely not be repeated, as future transfers to the Trust will be much smaller amounts. Detailed information regarding the General Fund budget to actual amounts may be found in the Required Supplementary Information, pages 57-60.

Statement of Activities
For the Year Ended September 30, 2015

<i>Program Activities</i>	Expenses	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</i>		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government administration	\$ 3,180,845	\$ 49,868	\$ 62,446	\$ -	\$ (3,068,531)	\$ -	\$ (3,068,531)
Public safety	6,540,547	910,972	10,949	-	(5,618,586)	-	(5,618,586)
Public works	5,911,183	-	40,977	288,219	(5,581,987)	-	(5,581,987)
Parks and Recreation	1,192,742	160,879	116,384	-	(917,479)	-	(917,479)
Interest on long-term debt	<u>352,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(352,077)</u>	<u>-</u>	<u>(352,077)</u>
Total Governmental Activities	17,177,354	1,121,719	230,756	288,219	(15,536,660)	-	(15,536,660)
Business-type Activities:							
Water and sewer	<u>6,366,816</u>	<u>7,553,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,186,963</u>	<u>1,186,963</u>
Total Business-type Activities							
Total Primary Government	<u>\$ 23,544,170</u>	<u>\$ 8,675,498</u>	<u>\$ 230,756</u>	<u>\$ 288,219</u>	<u>\$ (15,536,660)</u>	<u>\$ 1,186,963</u>	<u>\$ (14,349,697)</u>
General Revenues:							
Taxes:							
Ad Valorem					1,062,369	-	1,062,369
Sales and Use					9,404,853	-	9,404,853
Other					837,087	-	837,087
General business licenses and permits					2,103,350	-	2,103,350
Miscellaneous revenues					381,012	192,698	573,710
Interest income					36,395	127,786	164,181
Gain on sale of asset					-	-	-
Transfers					1,315,009	(1,315,009)	-
Total General Revenues and Transfers					<u>15,140,075</u>	<u>(994,525)</u>	<u>14,145,550</u>
Change in Net Position					(396,585)	192,438	(204,147)
Net Position, Beginning of Year					16,141,558	19,026,035	35,167,593
Restatement					(4,697,721)	(1,129,271)	(5,826,992)
Net Position, Beginning of Year, restated					11,443,837	17,896,764	29,340,601
Net Position, End of Year					<u>\$ 11,047,252</u>	<u>\$ 18,089,202</u>	<u>\$ 29,136,454</u>

Statement of Activities
For the Year Ended September 30, 2014

<i>Program Activities</i>	Expenses	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</i>		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government administration	\$ 3,503,698	\$ 63,365	\$ 45,816	\$ -	\$ (3,394,517)	\$ -	\$ (3,394,517)
Public safety:	5,403,512	1,030,795	19,749	-	(4,352,968)	-	(4,352,968)
Public works	3,115,086	-	161,364	12,192	(2,941,530)	-	(2,941,530)
Parks and Recreation	1,071,582	183,513	115,945	-	(772,124)	-	(772,124)
Unallocated depreciation expense	1,474,028	-	-	-	(414,495)	-	(414,495)
Interest on long-term debt	<u>414,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(414,495)</u>	<u>-</u>	<u>(414,495)</u>
Total Governmental Activities	14,982,401	1,277,673	342,874	12,192	(13,349,662)	-	(13,349,662)
Business-type Activities:							
Water and sewer	<u>6,151,870</u>	<u>7,226,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074,290</u>	<u>1,074,290</u>
Total Business-type Activities							
Total Primary Government	<u>\$ 21,134,271</u>	<u>\$ 8,503,833</u>	<u>\$ 342,874</u>	<u>\$ 12,192</u>	<u>\$ (13,349,662)</u>	<u>\$ 1,074,290</u>	<u>\$ (12,275,372)</u>
General Revenues:							
Taxes:							
Ad Valorem					1,343,348	-	1,343,348
Sales and Use					9,387,153	-	9,387,153
Other					570,309	-	570,309
General business licenses and permits					2,160,893	-	2,160,893
Grants not restricted to specific programs					-	-	-
Payments from City of Talladega					-	-	-
Miscellaneous revenues					96,303	1,894,205	1,990,508
Interest income					18,244	17,004	35,248
Gain on sale of asset					37,257	-	37,257
Transfers					<u>1,038,602</u>	<u>(1,038,602)</u>	<u>-</u>
Total General Revenues and Transfers					<u>14,652,109</u>	<u>872,607</u>	<u>15,524,716</u>
Change in Net Position					1,302,447	1,946,897	3,249,344
Net Position, Beginning of Year					<u>14,839,111</u>	<u>17,079,138</u>	<u>31,918,249</u>
Net Position, End of Year					<u>\$ 16,141,558</u>	<u>\$ 19,026,035</u>	<u>\$ 35,167,593</u>

CAPITAL ASSETS AND DEBT OUTSTANDING

Capital Assets: The City of Talladega's investment in capital assets (net of accumulated depreciation) for governmental and business-type activities as of September 30, 2015, totals \$41,218,843. These assets include buildings, land, equipment, facilities and vehicles. Additional detailed information on the capital assets may be found in the notes to the financial statements Note 7 on pages 34-35.

Long-term Debt: As of September 30, 2015, the City of Talladega governmental funds had bonded debt outstanding of \$8,320,000 consisting of four General Obligation Warrants. In 2015, the 2008 GOW was partially defeased to take advantage of lower interest rates. Interest paid on long-term debt was \$405,149 for fiscal year 2015. In addition, the City has two capital leases with terms up to 10 years. These leases had a balance of \$794,772 at 2015 fiscal year end. The Water and Sewer Department of the City had bonds outstanding in the amount of \$22,201,673, payable solely from revenues of the system, and one capital lease outstanding in the amount of \$139,179 as of September 30, 2015. No additional debt activity has occurred subsequent to the close of FY 2015.

The City uses the 1% sales and use tax increase implemented in April, 2011 as the major source of funds for future capital improvements rather than relying on financing alone. Bonded indebtedness is managed in coordination with debt repayment schedules to stay within legal debt limits and to maintain a stable level of debt service. Current governmental indebtedness is 36.77% of the legal debt limit, with a debt margin of \$15.369 million. General policy targets debt payments at no more than 10% of General Fund operating expense; currently debt payments are 7.17% of General Fund expense. The City was first rated by Standard & Poors in 2009, achieving a rating of "A, stable" and was upgraded to "AA-" in 2014. This rating was affirmed in March, 2015. The City's Water and Sewer utility has achieved a rating of A+, stable, which was also affirmed in March, 2015.

Additional detailed information on long-term debt may be found in the notes to the financial statements Note 11 on pages 38-43.

Post-Employment Benefits

In January 2015, the City established a trust fund to provide for other post-employment benefits (OPEB) and initially funded it with \$1,000,000 from the General Fund. This created an OPEB asset for the current year; however, costs are expected to rise in future years. The City will continue to make contributions to the trust until such time as the trust is able to bear the costs of these benefits from investment income. Additional information on post-employment benefits may be found in the notes to the financial statements Note 12 on pages 44-46.

Economic Factors

The City of Talladega continues to be heavily dependent on sales tax revenue, which accounts for approximately 61% of total General Fund operating revenues. Sales tax revenue realized a variance of \$205,909 over the original budget and was comparable to the 2014 year-end figure, so the city is hopeful this slight increase is indicative of continuing recovery from the recession. While overall operating revenue modestly exceeded expectations during this fiscal year most of this is attributed to sales tax while other forms of revenue remain fairly stable. Utility company business licenses increased 6% to \$879,208, the general business license year-end total was \$52,000 over budget and building permits were approximately \$7,000 over the budgeted amount.

At the close of FY15, the City continued to exhibit few indicators of substantive growth, with revenues remaining largely stagnant. In the absence of pronounced revenue growth, the City must still meet increases in areas such as healthcare costs, employee salaries, and retirement costs. As a result of the aforementioned sluggish growth, the City should remain diligent in keeping in place various cost saving measures from previous years, and examine closely the long-term financial effect of any proposed spending. However, as the City transitioned into the next fiscal year, several new retail establishments have opened their doors along the City's main economic corridor. Additionally, one new automotive supplier has located within the City's Police Jurisdiction while another supplier recently made a commitment to expand its operation nearly two-fold. Though no significant immediate impact to the City's General Fund revenue is expected, the City is beginning to exhibit a trend toward future economic growth.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to:

The City of Talladega
203 South Street West
Talladega, Alabama 35160



W. Patrick Bryant
City Manager

City of Talladega, Alabama Statement of Net Position

September 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,983,796	\$ 7,331,870	\$ 13,315,666	\$ 5,830,968
Investments	722,432	-	722,432	4,248,048
Receivables, net	919,570	641,094	1,560,664	192,322
Unbilled revenue	-	643,601	643,601	-
Internal balances	84,878	(84,878)	-	-
Due from other governments	-	-	-	620,082
Inventories	-	302,300	302,300	-
Restricted assets	-	9,480,946	9,480,946	-
Other assets	66,658	21,132	87,790	129,319
Net OPEB asset	86,994	-	86,994	-
Capital assets not being depreciated	4,305,776	1,702,903	6,008,679	-
Capital assets, net of accumulated depreciation	13,629,567	21,580,597	35,210,164	9,943,571
Total assets	25,799,671	41,619,565	67,419,236	20,964,310
Deferred outflows of resources				
Employer retirement contributions subsequent to measurement date	561,177	134,900	696,077	1,282,000
Deferred charges from refunding	328,884	275,562	604,446	-
Total deferred outflows of resources	890,061	410,462	1,300,523	1,282,000
Total assets and deferred outflows of resources	26,689,732	42,030,027	68,719,759	22,246,310
Liabilities				
Bank overdraft	-	-	-	332,128
Accounts payable and accrued liabilities	838,107	284,138	1,122,245	1,962,249
Customer meter deposits	-	235,574	235,574	-
Accrued interest	45,767	-	45,767	-
Noncurrent liabilities:				
Due within one year:				
Bonds and warrants payable	465,000	442,300	907,300	-
Capital leases	61,479	79,534	141,013	-
Compensated absences	31,899	-	31,899	-
Due in more than one year:				
Bonds and warrants payable	8,006,684	21,559,373	29,566,057	-
Capital leases	733,293	53,645	786,938	-
Net pension liability	4,761,967	1,144,715	5,906,682	16,507,000
Compensated absences	287,095	42,701	329,796	95,485
Total liabilities	15,231,291	23,841,980	39,073,271	18,896,862
Deferred inflows of resources	411,189	98,845	510,034	1,416,000
Net position				
Net investment in capital assets	8,668,887	4,665,885	13,334,772	9,943,571
Restricted for:				
Capital projects	1,621,321	-	1,621,321	2,654,213
Special revenues (gas tax and road projects)	413,545	-	413,545	-
Special revenues (ad valorem tax for schools)	48,071	-	48,071	653,719
Special revenues (public safety)	97,201	-	97,201	-
Debt service fund	-	6,608,857	6,608,857	-
Pension liability	-	-	-	17,923,000
Unrestricted	198,227	6,814,460	7,012,687	(29,241,055)
Total net position	\$ 11,047,252	\$ 18,089,202	\$ 29,136,454	\$ 1,933,448

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Government-wide Statement of Activities

Year ended September 30, 2015

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government administration	\$ 3,180,845	\$ 49,868	\$ 62,446	\$ -
Public safety	6,540,507	910,972	10,949	-
Public works	5,911,183	-	40,977	288,219
Parks and recreation	1,192,742	160,879	116,384	-
Interest on long-term debt	352,077	-	-	-
Total governmental activities	17,177,354	1,121,719	230,756	288,219
Business-type activities:				
Water and sewer	6,366,816	7,553,779	-	-
Total primary government	\$ 23,544,170	\$ 8,675,498	\$ 230,756	\$ 288,219
Component units:				
Board of Education	\$ 21,352,595	\$ 1,604,611	\$ 15,212,615	\$ 583,540
Municipal Airport Board	597,444	296,604	383,821	-
Total Component Units	\$ 21,950,039	\$ 1,901,215	\$ 15,596,436	\$ 583,540

General revenues:

Taxes:

Ad Valorem (real and personal property)

Sales and use

Other

General business licenses and permits

Grants not restricted to specific programs

Miscellaneous revenues

Interest income

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year as originally stated

Restatement

Net position at beginning of year, as restated

Net position at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			Component Units
Governmental Activities	Business-type Activities	Total	Totals
\$ (3,068,531)	\$ -	\$ (3,068,531)	-
(5,618,586)	-	(5,618,586)	-
(5,581,987)	-	(5,581,987)	-
(915,479)	-	(915,479)	-
(352,077)	-	(352,077)	-
(15,536,660)	-	(15,536,660)	-
-	1,186,963	1,186,963	-
(15,536,660)	1,186,963	(14,349,697)	-
-	-	-	\$ (3,951,829)
-	-	-	82,981
-	-	-	-
-	-	-	(3,868,848)
1,062,369	-	1,062,369	1,884,500
9,404,853	-	9,404,853	1,509,438
837,087	-	837,087	124,382
2,103,350	-	2,103,350	-
-	-	-	97,250
381,012	192,698	573,710	330,947
36,395	127,786	164,181	37,352
1,315,009	(1,315,009)	-	-
15,140,075	(994,525)	14,145,550	3,983,869
(396,585)	192,438	(204,147)	115,021
16,141,558	19,026,035	35,167,593	18,533,427
(4,697,721)	(1,129,271)	(5,826,992)	(16,715,000)
11,443,837	17,896,764	29,340,601	1,818,427
\$ 11,047,252	\$ 18,089,202	\$ 29,136,454	\$ 1,933,448

City of Talladega, Alabama
Balance Sheet – Governmental Funds

<i>September 30, 2015</i>	General	Capital Projects Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,255,876	\$ 1,403,688	\$ 1,324,232	\$ 5,983,796
Investments	-	-	722,432	722,432
Receivables, net	850,725	-	68,845	919,570
Due from other funds	84,878	-	-	84,878
Other assets	66,658	-	-	66,658
Total assets	\$ 4,258,137	\$ 1,403,688	\$ 2,115,509	\$ 7,777,334
Liabilities				
Accounts payable and accrued liabilities	\$ 509,409	\$ 89,649	\$ 172,116	\$ 771,174
Other liabilities	-	66,933	-	66,933
Total liabilities	509,409	156,582	172,116	838,107
Fund balance				
Restricted	-	1,247,106	933,032	2,180,138
Committed	-	-	833,630	833,630
Assigned	-	-	176,731	176,731
Unassigned:				
General fund	3,748,728	-	-	3,748,728
Total fund balance	3,748,728	1,247,106	1,943,393	6,939,227
Total liabilities and fund balance	\$ 4,258,137	\$ 1,403,688	\$ 2,115,509	\$ 7,777,334

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position

September 30, 2015

Fund balance - total governmental funds \$ 6,939,227

Amounts reported for governmental activities in the statement of net assets are different because:

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

Those assets consist of:

Governmental capital assets not being depreciated	\$ 4,305,776	
Governmental capital assets being depreciated	59,708,076	
Less accumulated depreciation	<u>(46,078,509)</u>	17,935,343

OPEB asset applicable to the City's governmental activities is not current financial resources and therefore is not reported on the governmental funds balance sheet.	86,994
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net assets.

Accrued interest	(45,767)	
Bonds and warrants payable	(8,471,684)	
Capital lease obligations	(794,772)	
Net pension liability	(4,761,967)	
Compensated absences	<u>(318,994)</u>	(14,393,184)

Deferred outflow related to pensions	890,061
Deferred inflow related to pensions	<u>(411,189)</u>

Net position of governmental activities	<u><u>\$ 11,047,252</u></u>
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See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

<i>Year ended September 30, 2015</i>	General	Capital Projects Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 10,701,862	\$ -	\$ 602,447	\$ 11,304,309
Licenses and permits	2,103,350	-	-	2,103,350
Charges for services	289,785	-	831,934	1,121,719
Federal and state grants	150,526	15,920	352,529	518,975
Interest	19,884	702	15,809	36,395
Other revenues	134,927	-	246,085	381,012
Total revenues	13,400,334	16,622	2,048,804	15,465,760
Expenditures				
General government	1,551,000	23,999	729,492	2,304,491
Public safety	4,979,365	-	953,635	5,933,000
Public works	3,319,083	-	2,241,878	5,560,961
Recreation	1,072,266	-	-	1,072,266
Other boards and agencies	257,152	-	-	257,152
Non-departmental	1,083,488	-	-	1,083,488
Capital outlay	28,817	905,707	384,697	1,319,221
Debt service:				
Principal	-	-	773,121	773,121
Interest	-	-	367,307	367,307
Miscellaneous	77,843	-	79,507	157,350
Total expenditures	12,369,014	929,706	5,529,637	18,828,357
Excess of revenues over (under) expenditures	1,031,320	(913,084)	(3,480,833)	(3,362,597)
Other financing sources (uses):				
Issuance of refunding bonds	-	-	2,760,000	2,760,000
Premium on issuance of refunding bonds	-	-	160,111	160,111
Payment to refunded bond escrow agent	-	-	(2,846,677)	(2,846,677)
Transfers in	535,548	1,245,825	2,593,163	4,374,536
Transfers out	(3,738,988)	(100,000)	(535,548)	(4,374,536)
Transfer from Water and Sewer Department	1,015,009	-	300,000	1,315,009
Issuance of capital lease	257,229	-	-	257,229
Total other financing sources (uses)	(1,931,202)	1,145,825	2,431,049	1,645,672
Net change in fund balances	(899,882)	232,741	(1,049,784)	(1,716,925)
Fund balance, beginning of year	4,648,610	1,014,365	2,993,177	8,656,152
Fund balance, end of year	\$ 3,748,728	\$1,247,106	\$ 1,943,393	\$ 6,939,227

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Government-wide Statement of Activities

September 30, 2015

Net change in fund balances - total governmental funds \$(1,716,925)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 1,329,438	
Less current year depreciation and amortization	<u>(1,472,117)</u>	(142,679)

The net effect of transactions involving the sale of capital assets is to decrease net assets.	(5,142)
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Bond proceeds provide current financial resources to governmental funds, but the issuance of this 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.

Net change in long-term debt from bond proceeds, payment of principal, and refunding of debt.	372,200
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in accrued interest	14,596	
Change in OPEB asset	881,487	
Change in capital lease, net	70,892	
Change in pension expense	85,742	
Change in long-term compensated absences, net	<u>43,244</u>	1,095,961

Change in net position of governmental activities	<u><u>\$ (396,585)</u></u>
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See accompanying notes to basic financial statements.

Talladega Water and Sewer Department Statement of Net Position - Proprietary Funds

September 30, 2015

Assets

Current assets

Cash and cash equivalents	\$ 7,331,870
Accounts receivable (net of \$492,996 allowance for doubtful accounts)	641,094
Unbilled revenue	643,601
Accrued interest	205
Prepaid expenses	17,927
Inventory of supplies	302,300

Total current assets	8,936,997
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Noncurrent assets

Noncurrent restricted assets

Cash and cash equivalents	9,480,946
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Utility plant and equipment

Land and improvements	389,890
Buildings and improvements	38,689,334
Machinery and equipment	4,525,666
Construction in progress	1,313,013

44,917,903

Less accumulated depreciation	21,634,403
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Total utility plant and equipment	23,283,500
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Other assets

Street deposit	3,000
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Total other assets	3,000
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Total noncurrent assets	32,767,446
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Deferred outflows of resources

Employer retirement contributions subsequent to measurement date	134,900
Deferred charges from refunding	275,562

Total deferred outflows	410,462
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Total assets and deferred outflows of resources	\$ 42,114,905
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See accompanying notes to basic financial statements.

September 30, 2015

Liabilities and net position

Current liabilities

Accounts payable and accrued expenses	\$	284,138
Due to the City		84,878
Current portion of capital leases		79,534
Current portion of long-term debt		442,300

Total current liabilities 890,850

Noncurrent liabilities

Accrued annual leave		42,701
Capital lease payable		53,645
Customer meter deposits		235,574
Revenue bonds payable, net		21,559,373
Net pension liability		1,144,715

Total noncurrent liabilities 23,036,008

Total liabilities 23,926,858

Deferred inflows of resources 98,845

Net position

Net investment in capital assets		4,665,885
Restricted for:		
Debt service		6,373,283
Customer deposits		235,574
Unrestricted		6,814,460

Total net position 18,089,202

Total liabilities, deferred inflows of resources and net position \$ 42,114,905

**Talladega Water and Sewer Department
Statement of Revenues, Expenses and Changes in Fund Net
Position – Proprietary Funds**

Year ended September 30, 2015

Operating revenues	
Water revenues	\$ 3,625,001
Sewer revenues	2,608,667
Garbage revenues	1,040,676
Other operating revenues	279,435
Total operating revenues	7,553,779
Operating expenses	
Water and sewer department expenses	896,592
Waste water plants	1,030,256
Water filters and wells	803,073
General and administrative expenses	1,474,945
Depreciation and amortization	1,323,502
Total operating expenses	5,528,368
Operating income	2,025,411
Nonoperating income (expense)	
Interest income	127,786
Miscellaneous income	192,698
Interest expense	(838,448)
Total nonoperating income (expense)	(517,964)
Total income	1,507,447
Transfers	
Transfers out	(1,315,009)
Total transfers	(1,315,009)
Change in net position	192,438
Net position - beginning of year as originally stated	19,026,035
Restatement	(1,129,271)
Net position - beginning of year as restated	17,896,764
Net position, end of year	\$ 18,089,202

See accompanying notes to basic financial statements.

**Talladega Water and Sewer Department
Statement of Cash Flows – Proprietary Fund**

Year ended September 30, 2015

Operating activities

Cash received from customers	\$	7,497,355
Cash paid to suppliers		(2,473,166)
Cash paid to employees		(1,477,976)
Net cash and cash equivalents provided by operating activities		3,546,213

Non-capital financing activities

Transfers to other departments		(1,315,009)
Net cash and cash equivalents (used by) noncapital financing activities		(1,315,009)

Capital and related financing activities

Proceeds from 2015 GOW bond issuance		4,700,000
Acquisition and construction of capital assets		(3,990,198)
Principal payments for items under capital lease		(78,429)
Proceeds from county \$0.02 tax distribution		191,864
Principal paid on long-term debt		(405,000)
Interest paid on long-term debt and capital lease obligations		(838,448)
Net cash and cash equivalents (used by) by capital and related financing activities		(420,211)

Investing activities

Interest received on investments		127,787
Net cash and cash equivalents provided by investing activities		127,787

Net increase in cash and cash equivalents 1,938,780

Cash and cash equivalents, beginning of year 14,874,036

Cash and cash equivalents, end of year \$ 16,812,816

(Continued on the following page.)
See accompanying notes to basic financial statements.

**Talladega Water and Sewer Department
Statement of Cash Flows – Proprietary Fund (Continued)**

Year ended September 30, 2015

Reconciliation of net income to net cash provided

by operating activities:

Operating income	\$	2,025,411
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in allowance for doubtful accounts		102,378
Depreciation and amortization of bond costs		1,202,202
Amortization of premium and deferred charges		571,227
Change in assets and liabilities:		
Accounts receivable		(175,325)
Unbilled revenue		16,522
Prepaid expenses		(7,286)
Inventory of supplies		(17,965)
Deferred outflows of resources		(134,900)
Accounts payable and accrued expenses		(149,108)
Due to City		172
Accrued annual leave		(211)
Customer deposits		(1,193)
Net pension liability		15,444
Deferred inflows of resources		98,845
Net cash provided by operating activities	\$	3,546,213

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Net Position – Fiduciary Fund

September 30, 2015

	OPEB Trust Fund
Assets	
Cash and cash equivalents	\$ 111,764
Investments	832,478
Total assets	944,242
Liabilities	
Accounts payable	-
Net position held in trust for OPEB	\$ 944,242

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Changes in Fiduciary Net Position

Year ended September 30, 2015

	OPEB Trust Fund
Additions	
Contributions:	
Employer	\$ 1,000,000
Investment activity:	
Investment income	12,107
Net loss on investments	(67,865)
Total investment activity	(55,758)
Total additions	944,242
Change in fiduciary net position	944,242
Net position held in OPEB trust - beginning of year	-
Net position held in OPEB trust - end of year	\$ 944,242

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Net Position – Component Units

September 30, 2015

	Talladega City Board of Education	Talladega Municipal Airport Board	Total
Assets			
Cash and cash equivalents	\$ 5,421,648	\$ 409,320	\$ 5,830,968
Investments	3,052,179	1,195,869	4,248,048
Receivables	189,491	-	189,491
Due from other governments	620,082	-	620,082
Accrued interest receivable	-	2,831	2,831
Other assets	106,888	22,431	129,319
Capital assets, net	9,943,571	-	9,943,571
Total assets	19,333,859	1,630,451	20,964,310
Deferred outflows of resources - pension	1,282,000	-	1,282,000
Total assets and deferred outflows of resources	20,615,859	1,630,451	22,246,310
Liabilities			
Bank overdraft	332,128	-	332,128
Accounts payable and accruals	1,959,149	3,100	1,962,249
Compensated absences	95,485	-	95,485
Net pension liability	16,507,000	-	16,507,000
Total liabilities	18,893,762	3,100	18,896,862
Deferred inflows of resources - pension	1,416,000	-	1,416,000
Net position			
Net investment in capital assets	9,943,571	-	9,943,571
Restricted	21,230,932	-	21,230,932
Unrestricted	(30,868,406)	1,627,351	(29,241,055)
Total net position	\$ 306,097	\$ 1,627,351	\$ 1,933,448

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Activities – Component Units

Year ended September 30, 2015

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Talladega City Board of Education				
Education	\$ 21,352,595	\$ 1,604,611	\$ 15,212,615	\$ 583,540
Talladega Municipal Airport Board				
Community Development	597,444	296,604	383,821	-
Total component units	\$ 21,950,039	\$ 1,901,215	\$ 15,596,436	\$ 583,540

General revenues:

Taxes for general, debt, capital purposes
 Grants, entitlements and contributions not
 restricted to specific programs

Interest income

Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year, as originally st
 Restatement

Net position at beginning of year, as restated

Net position at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Talladega City Board of Education	Talladega Municipal Airport Board	Total
\$ (3,951,829)	\$ -	\$ (3,951,829)
-	82,981	82,981
(3,951,829)	82,981	(3,868,848)

3,518,320	-	3,518,320
97,250	-	97,250
22,347	15,005	37,352
329,367	1,580	330,947
3,967,284	16,585	3,983,869
15,455	99,566	115,021
17,005,642	1,527,785	18,533,427
(16,715,000)	-	(16,715,000)
290,642	1,527,785	1,818,427
\$ 306,097	\$ 1,627,351	\$ 1,933,448



City of Talladega, Alabama
Notes to Financial Statement Index

<u>Note</u>	<u>Page #</u>
Note 1—Organization and Reporting Entity	20
Note 2—Summary of Significant Accounting Policies	21
Note 3—Cash and Cash Equivalents	31
Note 4—Receivables and Unbilled Revenue	32
Note 5—Inventory of Supplies	33
Note 6—Restricted Assets	33
Note 7—Capital Assets	34
Note 8—Accounts Payable and Accrued Liabilities	35
Note 9—Interfund Transfers	36
Note 10—Interfund Receivables and Payables	38
Note 11—Long-Term Debt	38
Note 12—Post-Employment Benefits	44
Note 13—Deferred Charges from Refunding	46
Note 14—Restricted Fund Balances	47
Note 15—Employee Retirement Plan	47
Note 16—Commitments and Contingencies	54
Note 17—Risk Management	54
Note 18—Future Accounting Pronouncements	54
Note 19—Change in Accounting Principle and Restatement	55



City of Talladega, Alabama Notes to Financial Statements

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

A. Organization

The City of Talladega, Alabama, (the "City") was founded in 1834. The City operates under a Manager-Council form of government with a City Council consisting of five council members elected for concurrent terms of four years. One official is elected at large by the qualified voters of the City and has the title of Mayor. The City Manager is appointed by the City Council. The City Manager has full administrative authority for all operations of the City. Members of the City Council serve part-time and are responsible for adopting all legislative ordinances and setting policies of the City, including the appropriation of money.

B. Reporting entity

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement was developed to make annual reports easier to understand and more useful to the people who use government financial information to make decisions.

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government and its component units, entities for which the City is considered financially accountable. The component units are included in the reporting entity because of the significance of their operational relationship with the primary government. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities, are in substance part of the primary government's operations and data from these units would be combined with the data of the City. The City has no blended component units. Each discretely presented component unit is presented in a separate column in the combined financial statements to emphasize it is legally separate from the City.



City of Talladega, Alabama
Notes to Financial Statements

NOTE 1 – ORGANIZATION AND REPORTING ENTITY (CONTINUED)

B. Reporting entity (continued)

The discretely presented component units are as follows:

- Talladega City Board of Education is a component unit of the City because it is reliant upon the City for tax revenue collections and for bond issues because the Board of Education is precluded from issuing bonds directly. The audited financial information for Talladega City Board of Education is included in this audit report.

- Talladega Municipal Airport Board is a component unit because the governing body of the Board is appointed by the City Council and because of the existence of a financial benefit/burden relationship. The audited information for the Talladega Municipal Airport Board is included in this report.

Audited financial statements for the Talladega City Board of Education and Talladega Municipal Airport Board are available at City Hall.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant of the government's accounting policies are described below.

A. Government-wide and Fund Financial Statements

The City's basic financial statements include both government-wide (based on the City as a whole) and fund financial Statements. The focus is on either the City as a whole or on major individual funds, within the fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, economic development, library and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts — net investment in capital assets, restricted, and unrestricted.



City of Talladega, Alabama Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Government-wide and Fund Financial Statements (continued)

The government-wide Statement of Activities reports both the gross and net cost per functional category (public works, public safety, etc.), which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.) and business-type activities. The Statement of Activities reduces gross expenses; including depreciation, by related program revenues (charges for services, operating and capital grants and contributions). The program revenues must be directly associated with a function or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The City first utilizes restricted resources to finance qualifying activities.

The governmental funds financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the governmental fund statements to the government-wide statements' governmental column.

The focus of this reporting model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type activities, as well as the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's business-type activities, sewer, water and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The City's accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on the specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations.

The types of funds used in accounting for the financial operations of the City and their nature and purpose are as follows:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Government-wide and Fund Financial Statements (continued)

Governmental funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental funds:

1. General Fund

The General Fund is the general operating fund of the City and is considered a major governmental fund. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

2. Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The special revenue funds are considered nonmajor governmental funds.

3. Debt Service Fund

The debt service funds are nonmajor governmental funds used to account for the repayment of principal and interest on the City's outstanding bond issues and other debt obligations of the City.

4. Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Project Fund accounts for revenues for the acquisition or construction of major capital facilities. Capital projects funds used by the City are as follows:

1. Community Development Fund
2. Capital Project Fund
3. RBEG Fund

Proprietary funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Government-Wide and Fund Financial Statements (continued)

Proprietary funds (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative and personnel expenses, repairs and supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds include the following fund types:

- Enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's Water and Sewer Department is an enterprise fund that provides water and sewer service for the citizens in and around the City of Talladega, Alabama.

Fiduciary funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The City has a fiduciary fund for its Other Post-Employment Benefit (OPEB) trust.

B. Measurement focus and basis of accounting

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

C. Government-wide financial statements

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains,

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide financial statements (continued)

losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

D. Fund financial statements

Governmental funds

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both "measurable and available" to finance current expenditures. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the City considers revenue available if it is collected within 60 days after year end). Gross receipts and selective sales and use taxes are considered available and measurable when the underlying exchange has occurred (i.e., September gross receipts taxes are recorded as revenue in September even though the taxpayers remit taxes in October) and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Property taxes are recognized as revenue when the enforceable legal claim has occurred. Grant revenues are recognized when all eligibility requirements have been met. Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures (including capital outlay) are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt are exceptions to this rule and are recognized when due. Also, expenditures related to insurance claims, employee pension liability, compensated absences and the sinking fund are recognized when payable from expendable available financial resources in future years.

E. Budgets and budgetary accounting

The City follows these procedures in establishing the budgetary data presented in the accompanying financial statements:

- Normally, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st.
- Expenditures in excess of the originally approved budget are not formally approved by the City Council until an amended budget is adopted.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation indenture provisions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and budgetary accounting (continued)

- The basis of accounting for the budget is the same as used in the governmental fund accounting (generally accepted accounting principles).
- All budget appropriations lapse at year end.

F. Revenue Recognition

Advalorem taxes are assessed on property valuations and statutory liens are attached to such properties as of October 1st each year. These taxes are due October 1st but do not become delinquent until January 1st after which penalties are levied.

Other material revenue which is susceptible to accrual includes gross receipts, interest income and state-share revenue. Revenue which is not both available and measurable and thus not susceptible to accrual includes property and franchise taxes and business licenses.

G. Program revenues

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

H. Cash and investments

Cash and investments consist of cash, government securities, and certificates of deposit. Cash balances and the requirements of all funds are considered in determining the amount to be invested. Interest earned on cash and investments is recorded in the fund in which it is earned. In accordance with Governmental Accounting Standards Board No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*, the City reports its money market investments and investments in short-term debt securities that have remaining maturities of one year or less at amortized cost.

I. Receivables and unbilled revenues

In the Water and Sewer Department, revenues are recognized on the basis of monthly billings to customers for services provided. The City therefore extends credit to its customers. As a result of this billing method, the City accrues unbilled service revenue at the end of the fiscal period with respect to service provided but not billed at such date. The City analyzes current and past due accounts and provides an allowance for doubtful accounts for the accounts deemed uncollectible.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Inventories

Inventories of unused supplies and pipe are physically counted at the end of each fiscal year and recorded at cost. The cost of inventories expended for repairs are recorded as expenditures when consumed. Inventories expended for capital improvements are capitalized once a year. The cost is calculated on a first in, first out basis.

K. Customer meter deposits

The Water and Sewer Department requires customers to pay a one-time deposit of \$50 for water service, with the exception of customers who provide proof of home ownership. When a customer terminates service, the deposit is applied to the last bill and the balance is refunded.

L. Capital assets

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide financial statements

In the government-wide financial statements, capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair market value on the date donated. The City capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur.

Prior to October 1, 2001, government funds' infrastructure-assets were not capitalized. In accordance with GASB Statement No. 34, infrastructure has been capitalized for additions since October 1, 2001. Pre-existing infrastructure was included the City's financial statements starting September 30, 2006.

Depreciation is recorded as an unallocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset for the City's governmental activities is as follows:

Buildings	40 years
Improvements	40 years
Machinery and equipment	5-10 years
Automotive equipment	5 years
Office equipment	5-10 years

Utility plant in service is stated at cost when purchased, constructed or contributed. The Water and Sewer Department records water and sewer lines constructed by sub-dividers as a part of the utility plant, upon completion of subdivision. Contributed assets are recorded at the contributor's basis. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Interest has not been capitalized during the construction of assets.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital assets (continued)

Depreciation is recorded using the straight-line method over the estimated service lives of the assets as follows:

Plants and systems	5-40 years
Buildings	20-40 years
Building improvements	20-40 years
Office equipment	5 years
Tools and equipment	5 years
Vehicles	5 years
Parking lot and landscaping	10 years
Computers	3 years

Fund financial statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

M. Compensated absences

The City follows Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, which requires that accrued liabilities for compensated absences be recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable, and (4) where amounts can be reasonably estimated. All compensated absences are accrued as long-term debt when incurred in the government-wide statements. The current portion of this debt is estimated based on historical trends. A liability for compensated absences is reported in the governmental funds only if the obligation has matured, for example, as a result of an employee's resignation or retirement. At September 30, 2015, no amount was accrued in the governmental funds financial statements. The current portion of accrued compensated absences at September 30, 2015 reported in the government-wide financial statements is \$31,899. The remaining long-term incurred portion of accrued compensated absences of the governmental activities at September 30, 2015 totaled \$287,095.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-term liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the life of the refunding debt or remaining life of the refunded debt, whichever is shorter. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense. Bond issuance costs are expensed in the period incurred.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

O. Equity classifications

Government-wide financial statements

In the government-wide financial statements, equity is reported as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds and mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Equity classifications (continued)

Fund Financial Statements

In the fund financial statements, governmental funds report equity as fund balance. Reporting standards establish a hierarchy for fund balance classifications and constraints imposed on the uses of those resources. The following is a description of the City's various fund balance accounts:

Nonspendable. Fund balances that cannot be spent because they are either:

Not in Spendable Form- generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts.

Legally or Contractually Required to be Maintained Intact- amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted- amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints.

Committed- amounts that can be used only for specific purposes because of a formal resolution by the City Council – the government's highest level of decision-making authority. City Council action by formal resolution is required to establish, modify or rescind a fund balance commitment.

Assigned Fund Balance- comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by a body (for example a budget or finance committee) or official to whom the City Council has delegated the authority to assign amounts to be used for specific purposes. The City Council has delegated such authority to the City Manager.

Unassigned- residual classification for the general fund (i.e. everything that is not in another classification or in another fund). It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Equity classifications (continued)

Fund Financial Statements (continued)

The City has committed \$833,630 of the Other Governmental Funds fund balance to maintain the City's Cemetery.

The City has assigned \$176,731 of the Other Governmental Funds fund balance for the City's Library.

P. Interfund transfers

In the fund financial statements, receivables and payables resulting from outstanding balances between funds are classified as "interfund receivables/payables". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The government-wide statements eliminate interfund transfers and receivables/payables as reported within the segregated governmental and business activities column. Only transfers and receivables/payables between the two columns appear in this statement, which zero in total.

Q. Use of estimates

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

R. Subsequent events

The City has evaluated subsequent events through the date these financial statements were available to be issued.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash balances available for investment by City funds are maintained in cash and investment accounts to improve investment opportunities.

Cash equivalents consist of investments with a maturity date of six months or less.

The City is restricted by State statute to investments in U.S. Government Treasury and Agency securities, certificates of deposit and money market accounts, repurchase agreements and reverse repurchase agreements, banker's acceptances and commercial paper. Each of the banks holding the

City of Talladega, Alabama
Notes to Financial Statements

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

City's deposits, as well as those of the Component Units, is a certified participant in the SAFE Program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Due to the requirements of the SAFE program, the City has no formal custodial risk or interest risk rating policy. State statute requirement for investments are followed.

The City's governmental activities deposits, including certificates of deposit were fully insured or collateralized at September 30, 2015. At year-end, the carrying amount of the City's cash and cash equivalents was \$5,983,796. Investments consist of certificates of deposit, U. S. Treasury Notes and other fixed income securities totaling \$722,432. Cash deposits and savings held at local banks are insured by the FDIC or collateralized by assets administered by the state treasurer's office in accordance with the SAFE program.

The Water and Sewer Department's cash and cash equivalents consist of cash in checking accounts and certificates of deposit. Restricted cash consists of certificates of deposit and other investments carried at market value. Cash and cash equivalents at September 30, 2015 was \$7,331,870. Restricted cash consisted of cash of \$9,480,946. The market value of the investments is the same as the carrying value.

NOTE 4 – RECEIVABLES AND UNBILLED REVENUE

Governmental activities receivables at September 30, 2015:

Receivables:		
Taxes receivable	\$	850,725
Restitution receivable		51,737
Other receivables		17,108
Total receivables	\$	919,570

City of Talladega, Alabama
Notes to Financial Statements

NOTE 4 – RECEIVABLES AND UNBILLED REVENUE (CONTINUED)

The Water and Sewer Department uses cycle billing and customers are billed at various times during each month. Income and unbilled receivables are recorded for the portion of customers' usage of water and sewage from the time of their last billing until September 30.

Accounts receivable	\$	1,276,454
Less: allowance for doubtful accounts		635,360
Net accounts receivable	\$	641,094

Unbilled revenues receivable at September 30, 2015 was \$643,601.

NOTE 5 – INVENTORY OF SUPPLIES

The Water and Sewer Department maintains an inventory of water pipe, fittings, meters and other materials that will be used to repair or improve the existing water and sewer system. The items are valued at cost. The value of inventories at September 30, 2015 was \$302,300.

NOTE 6 – RESTRICTED ASSETS

Restricted assets consist of monies held in trust by The Bank of New York to cover bond indenture expenses and repayment of bonds. Also included is money collected from customers and held as deposits. At September 30, 2015 monies held in trust were \$9,480,946 and customer deposits were \$235,574.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2015:

	Balance at 9/30/2014	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2015
Capital assets not being depreciated:				
Land and improvements	\$ 3,832,454	\$ -	\$ -	\$ 3,832,454
Construction progress	1,338,199	601,850	(1,466,727)	473,322
Total capital assets not being depreciated	5,170,653	601,850	(1,466,727)	4,305,776
Capital assets being depreciated:				
Building and improvements	13,243,132	119,274	-	13,362,406
Infrastructure	39,156,369	1,401,717	-	40,558,086
Machinery and equipment	5,306,900	673,324	(192,640)	5,787,584
Total capital assets being depreciated	57,706,401	2,194,315	(192,640)	59,708,076
Less accumulated depreciation for:				
Building and improvements	7,492,600	389,341	-	7,881,941
Infrastructure	33,590,145	720,228	-	34,310,373
Machinery and equipment	3,711,145	362,548	(187,498)	3,886,195
Total accumulated depreciation	44,793,890	1,472,117	(187,498)	46,078,509
Total capital assets being depreciated, net	12,912,511	722,198	(5,142)	13,629,567
Governmental activities capital assets, net	\$ 18,083,164	\$ 1,324,048	\$ (1,471,869)	\$ 17,935,343

Depreciation expense was charged to governmental functions as follows:

General government administration	\$ 393,913
Public safety	607,508
Public works	350,222
Parks and recreation	120,476
Total depreciation expense	\$ 1,472,117

City of Talladega, Alabama
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

The following is a summary of additions and retirements to capital assets associated with the Water and Sewer Department during the year ended September 30, 2015:

	Balance at 9/30/14	Additions	Deletions	Balance at 9/30/15
Land (not depreciable)	\$ 279,326	\$ -	\$ -	\$ 279,326
Land improvements	110,564	-	-	110,564
Buildings and improvements	34,728,012	3,961,322	-	38,689,334
Machinery and equipment	3,933,604	592,062	-	4,525,666
Construction in process	1,876,195	3,140,658	(3,703,840)	1,313,013
Total capital assets	40,927,701	7,694,042	(3,703,840)	44,917,903
Less accumulated depreciation:				
Land improvements	24,054	3,657	-	27,711
Buildings and improvements	18,080,315	936,928	-	19,017,243
Machinery and equipment	2,327,831	261,618	-	2,589,449
Total accumulated depreciation	20,432,200	1,202,203	-	21,634,403
Utility plant, net	\$ 20,495,501	\$ 6,491,839	\$ (3,703,840)	\$ 23,283,500

Depreciation expense at September 30, 2015 was \$1,202,203.

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for governmental activities at September 30, 2015 were as follows:

Accounts payable	\$ 572,879
Accrued salaries and wages	69,162
Payroll liabilities	35,557
Other liabilities	160,509
Total	\$ 838,107

City of Talladega, Alabama
Notes to Financial Statements

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (CONTINUED)

Accounts payable and accrued expenses for the Water and Sewer Department consisted of the following at September 30, 2015:

Accounts payable	\$ 148,227
Payroll liabilities	15,885
Accrued interest payable	57,445
Accrued salaries and wages	19,274
Compensated absences	43,307
Total	\$ 284,138

NOTE 9 – INTERFUND TRANSFERS

Interfund transfers among governmental funds for the year ended September 30, 2015 were:

	Transfers In	Transfers Out
General fund		
Other nonmajor funds	\$ 535,548	\$2,493,163
Capital projects funds	-	1,245,825
Total general fund	535,548	3,738,988
Capital projects trust fund		
General fund	1,245,825	-
Other nonmajor funds	-	100,000
Total capital projects trust fund	1,245,825	100,000
Other nonmajor funds		
General fund	2,493,163	535,548
Capital projects funds	100,000	-
Total nonmajor funds	2,593,163	535,548
Total governmental fund interfund transfers	\$4,374,536	\$4,374,536

Transfers are primarily used to move funds from:

- The general fund to finance various grant projects accounted for in other funds pending the receipt of grant revenue.
- The general fund to the corrections and library funds for personnel expense.
- The general fund to the library fund for operating expenses.
- The general fund to the capital projects fund to finance capital projects and expenditures.
- Grant project funds to the general fund as reimbursement upon receipt of grant revenue.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 9 – INTERFUND TRANSFERS (CONTINUED)

Interfund transfers among governmental and proprietary funds for the year ended September 30, 2015 were:

	Transfers In	Transfers Out
General fund		
Water and Sewer Department	\$1,015,009	\$ -
Total general fund	1,015,009	-
Capital projects trust fund		
Water and Sewer Department	300,000	-
Total capital projects trust fund	300,000	-
Water and Sewer Department		
General fund	-	1,015,009
Capital projects trust fund	-	300,000
Total Water and Sewer Department	-	1,315,009
Total proprietary fund transfers	\$1,315,009	\$1,315,009

Transfers are primarily used to move funds from:

- The Water and Sewer Department to the General fund, as the Water and Sewer Department collects garbage fees for the City on the monthly water billing and the General fund pays the invoice for this service.
- The Water Department transferred to the capital projects fund for paving expense following a major line replacement project.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as "due to/from other funds" include subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Interfund receivables and payables at September 30, 2015:

	Interfund Receivable	Interfund Payable
General fund		
Water and Sewer Department	\$ 84,878	\$ -
Water and Sewer Department		
General fund	-	84,878
Total interfund receivable/payable	\$ 84,878	\$ 84,878

NOTE 11 – LONG-TERM DEBT

General obligation bonds provide funds for the acquisition and construction of major capital projects. The general and limited obligation bonds/warrants and notes of the City include the following at September 30, 2015:

\$4,905,000; 2007 Series General Obligation Warrants; due at rates ranging from 3.75% to 4.25% per annum; maturing August 1, 2027.	\$ 3,635,000
\$2,070,000; 2008 Series General Obligation Warrants; due at rates ranging from 2.50% to 5.00% per annum; maturing August 1, 2027.	1,475,000
\$3,650,000; 2008 Series General Obligation Warrants; due at rates 3.00% to 5.125% per annum; maturing August 1, 2033.	470,000
\$2,760,000; 2015 Series General Obligation Warrants; due at rates ranging from 2.00% to 4.00% per annum; maturing August 1, 2033.	2,740,000
	8,320,000
Unamortized bond premium, 2015 Series General Obligation Warrants	151,684
Total obligations/warrants payable	\$ 8,471,684

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Bonds and warrants payable

The principal and maturities and related interest requirements for the bonds, warrants and notes payable for the next five fiscal years and thereafter are as follows:

Fiscal year ending	Principal	Interest	Total
September 30,			
2016	\$ 465,000	\$ 451,045	\$ 916,045
2017	485,000	432,845	917,845
2018	505,000	413,730	918,730
2019	530,000	393,810	923,810
2020	550,000	249,203	799,203
2021 – 2025	3,085,000	907,385	3,992,385
2026 – 2030	2,020,000	285,300	2,305,300
2031 – 2033	680,000	55,000	735,000
Total	\$ 8,320,000	\$ 3,188,318	\$ 11,508,318

General obligation bonds refunding

Due to favorable interest rates, during fiscal year 2015, \$2,920,111, including premium, of Series 2015 General Obligation Warrants were issued to refund \$2,510,000 of the City's previously issued and outstanding Series 2008 General Obligation Warrants. The proceeds were deposited with an escrow agent to provide for all future debt service on the refunded portion of the Series 2008 bonds. As a result, that portion of the Series 2008 bonds is considered defeased, and the City has removed the liability from its accounts. As of September 30, 2015, the outstanding principal of the defeased bonds is \$2,510,000 and the remaining unrefunded bonds outstanding were \$470,000.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$197,503, and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$155,242.

Interest paid on long-term debt was \$405,149 for the year ended September 30, 2015.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Capital leases payable

The City has entered into capital leases for various amounts with terms up to 10 years. The lease purchase value of the equipment totals \$1,339,521. These assets have been added to the capital asset list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2015 are as follows:

Fiscal year ending September 30,	Present value of minimum lease payments		Interest	Total lease payments
2016	\$	61,479	\$ 14,244	\$ 75,723
2017		64,428	13,295	77,723
2018		67,454	12,269	79,723
2019		70,559	11,164	81,723
2020		73,745	9,978	83,723
Thereafter		457,107	29,396	486,503
Total	\$	794,772	\$ 90,346	\$ 885,118

The changes in long-term debt for the governmental activities of the City for the year ended September 30, 2015 is as follows:

Description	Beginning Balance 9/30/2014	Additions	Deletions	Ending Balance 9/30/2015	Due within one year
Bonds and warrants payable	\$ 8,515,000	\$ 2,920,111	\$ 2,963,427	\$ 8,471,684	\$ 465,000
Capital leases	865,664	257,229	328,121	794,772	61,479
Compensated absences	362,238	207,360	250,604	318,994	31,899
Total changes in long-term debt	\$ 9,742,902	\$ 3,384,700	\$ 3,542,152	\$ 9,585,450	\$ 558,378

The City's General Fund is typically used to liquidate long-term liabilities with the exception of bond debt service which is paid from the City's Debt Service Fund.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Water and Sewer Department Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consists of Subordinated Water and Sewer Revenue bonds issued as special obligations of the Water and Sewer Department secured by the net revenues of the water and sewer system. This debt is not a general obligation of the City. The bond principal and interest is paid by revenue earned by the system and trust restricted assets. The following schedule summarizes the changes in revenue bonds for the year ended September 30, 2015:

Description	Beginning balance 9/30/2014	Additions	Deletions	Ending Balance 9/30/2015	Amount Due Within one year	Interest paid
2010 Bonds	\$ 16,950,000	\$ -	\$ (405,000)	\$ 16,545,000	\$ 415,000	\$ 714,750
Premium	227,727	-	(8,758)	218,969	8,758	-
2015 Bonds	-	\$ 4,700,000	\$ -	\$ 4,700,000	-	\$ 93,347
Premium	-	556,245	(18,541)	537,704	18,542	-
Total	\$ 17,177,727	\$ 5,256,245	\$ (432,299)	\$ 22,001,673	\$ 442,300	\$ 808,097

Revenue bonds outstanding at September 30, 2015:

Series 2010 Bonds

On November 1, 2010, the Water and Sewer Department issued revenue bonds totaling \$18,435,000 with interest rates ranging from 2.00% to 5.00%. The proceeds were used for the following:

- 1) To make improvements to the system.
- 2) To provide funds to prepay on an advance refunding basis, all of the bonds now outstanding that were heretofore issued by The Water and Sewer Department of the City of Talladega.
- 3) To fund a debt Service reserve fund for the benefit of the Series 2010 Warrants.
- 4) To pay expenses for issuing the bonds.

The Series 2010 bonds are limited obligation bonds of the Water and Sewer Department, payable solely out of revenues of the system.

Cash in the amount of \$7,162,734 was deposited with an escrow agent pursuant to an escrow agreement. The maturities of these securities and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased Series 2003 and Series 2004 Bonds as they mature. This transaction effectively released the City from its obligation to repay the defeased Series 2003 and Series 2004 Bonds and constitutes an in-substance defeasance. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the City's financial statements.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Water and Sewer Department Long-term Debt (continued)

The principal and maturities and related interest requirements for the Series 2010 bonds for the next five fiscal years and thereafter are as follows:

Fiscal year ending September 30,	Principal	Interest	Total
2016	\$ 415,000	\$ 700,650	\$ 1,115,650
2017	420,000	691,312	1,111,312
2018	435,000	680,813	1,115,813
2019	445,000	668,850	1,113,850
2020	465,000	651,050	1,116,050
2021 – 2025	2,590,000	2,984,550	5,574,550
2026 – 2030	3,130,000	2,433,950	5,563,950
2031 – 2035	3,830,000	1,736,375	5,566,375
2036 – 2040	4,815,000	746,000	5,561,000
Total	\$ 16,545,000	\$ 11,293,550	\$ 27,838,550

Series 2015 Bonds

On April 8, 2015, the the Water and Sewer Department issued revenue bonds totaling \$4,700,000 with an interest rate of 5.00%. The proceeds were used for the following:

- 1) To make improvements to the system.
- 2) To fund a Debt Service reserve fund for the benefit of the Series 2015 Warrants.
- 3) To pay expenses for issuing the bonds.

The Series 2015 bonds are limited obligation bonds of the Water and Sewer Department, payable solely out of revenues of the system.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Water and Sewer Department Long-term Debt (continued)

The following schedule shows the future debt service requirements for the Series 2015 bonds for the next five fiscal years and thereafter are as follows:

	Principal	Interest	Total
2016	\$ -	\$ 235,000	\$ 235,000
2017	-	235,000	235,000
2018	-	235,000	235,000
2019	-	235,000	235,000
2020	-	235,000	235,000
2021 – 2025	-	1,175,000	1,175,000
2026 – 2030	-	1,175,000	1,175,000
2031 – 2035	-	1,175,000	1,175,000
2036 – 2040	-	1,175,000	1,175,000
2041 – 2045	4,700,000	595,250	5,295,250
Total	\$ 4,700,000	\$ 6,470,250	\$ 11,170,250

Capital Lease Payable

On May 20, 2013, the Water and Sewer Department entered into a capital lease agreement with Sun Trust Equipment Finance and Leasing Corporation to purchase equipment for \$314,488. The lease requires 48 monthly payments of \$6,741 with an annual interest rate of 1.4%. The balance at September 30, 2015 was \$139,179.

These assets have been added to the capital assets list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2015 are as follows:

Fiscal year ending September 30,	Present Value of Minimum Lease Payments	Interest	Total Lease Payments
2016	\$ 79,534	\$ 1,355	\$ 80,889
2017	53,645	282	53,927
Total	\$ 133,179	\$ 1,637	\$ 134,816

NOTE 12 – POST-EMPLOYMENT BENEFITS

Plan description

The City has adopted the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions".

The City, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain post-retirement healthcare benefits to all former employees who have 25 years of continuous service, regardless of age, or who have 10 years of continuous service and are age 62. Such benefits are also available to retirees' spouses or dependents, but the cost of that coverage is the retiree's responsibility. Specific details of the Plan include coverage offered through the Alabama Local Government Health Insurance Program. Retirees with 25 years of continuous service have 100% of their health and life insurance coverage paid for by the City. Retirees with 10 years of continuous service must pay the entire cost of the premium and are not eligible for life insurance through the City. Medical, drug, dental, and life benefits are offered for pre-Medicare retirees.

Funding policy

Prior to 2015, the City recognized the cost of providing postemployment healthcare benefits as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. For the year ended September 30, 2015, the City established an irrevocable trust to be used to accumulate and invest assets necessary to pay for the accumulated liability for post-employment healthcare benefits. During the year, the City contributed \$1,000,000 to the trust.

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post-employment Benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 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 of 30 years.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – POST-EMPLOYMENT BENEFITS (CONTINUED)

The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending September 30, 2015:

Annual required contribution	\$ 253,551
Interest on net OPEB obligation	27,635
ARC adjustment	(21,888)
Annual OPEB cost	259,298
Contributions	(1,000,000)
Current year retiree premium	(140,785)
Change in net OPEB obligation	(881,487)
Beginning net OPEB obligation, beginning of year	794,493
Ending net OPEB obligation (asset)	\$ (86,994)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Asset
September 30, 2015	\$259,298	100.00%	\$ 86,994
September 30, 2014	236,248	56.14%	794,493
September 30, 2013	248,489	49.08%	690,871

Funded status and funding progress

During 2015, the City established an irrevocable trust to accumulate and invest assets necessary to pay for the accumulated liability and contributed \$1,000,000 to this irrevocable trust. This contribution created a net OPEB asset of \$86,994 as of September 30, 2015.

As of October 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits equaled \$3,443,973, all of which was unfunded because the City's irrevocable trust did not exist at that valuation date. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$7,222,578, and the ratio of the UAAL to the covered payroll equaled 47.68%.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is

NOTE 12 – POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (continued)

increasing or decreasing over time relative to the actuarial accrued liability for benefits. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the City and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated October 1, 2013, the projected unit credit cost actuarial method was used. Based on the market value of assets method of asset valuation, the actuarial assumptions included a 4.0% discount rate, which approximates the expected rate of return on non-pension investments held by the City, including inflation at 4.5%. Actuarial assumptions also included an annual medical cost trend rate of 7.0% initially, reduced to an ultimate rate of 5.0% for costs after four years. The UAAL is being amortized as a level percentage of pay over thirty years on an open basis.

NOTE 13 – DEFERRED CHARGES FROM REFUNDING

City of Talladega

The defeasement of Series 2008 revenue bonds resulted in a difference of \$336,677 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through 2033 and is reported in the accompanying financial statements as a deferred outflow of resources. The unamortized portion at September 30, 2015 were \$328,884.

Water and Sewer Department

The defeasement of Series 2003 and 2004 revenue bonds resulted in a difference of \$629,855 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through 2022 and is reported in the accompanying financial statements as a deferred outflow of resources. The unamortized portion of the deferred charges at September 30, 2015 were \$275,562.

NOTE 14 – RESTRICTED FUND BALANCES

The restricted fund balances in the amount of \$2,180,138 are restricted for various capital outlay projects and various other purposes. The following amounts are restricted:

1. \$128,901 was derived from the 4 cent, 5 cent, and 7 cent special taxes. These revenues are restricted for street and road maintenance and improvements.
2. \$284,644 is derived from the City's share of the Oil Trust Fund and is restricted for capital improvements.
3. \$1,247,106 is derived from sales tax receipts held in the Capital Projects Trust Fund.
4. \$48,071 was derived from the 2.5 Mil Property Tax Fund and is restricted for education.
5. \$77,834 was derived from the Corrections Fund and is restricted for corrections related functions.
6. \$61,809 is derived from the Brownfield Fund and is restricted for use on the Brownfield Project.
7. \$19,367 is derived from the Police Grant and is restricted for use on the Police Grant Fund.
8. \$298,333 is derived from grant monies held in the RBEG capital projects fund.
9. \$14,073 is derived from grant monies held in the Community Development capital projects fund.

NOTE 15 – EMPLOYEE RETIREMENT PLAN

Plan description

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

ERS 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 ERS 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 of Control authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	<u>55,883</u>
Total	<u>83,874</u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's active employee contribution rate was 10.82% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 10.58% of pensionable pay for Tier 1 employees and 7.40% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$718,888 for the year ended September 30, 2015, and \$139,320 (19.38%) of this amount was related to Water and Sewer Department employees.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward		
Total Pension Liability		
as of September 30, 2013 (a)	\$	22,730,063
Entry Age Normal Cost for		
October 1, 2013 – September 30, 2014 (b)		592,326
Actual Benefit Payment and Refunds for		
October 1, 2013 – September 30, 2014 (c)		(1,414,985)
Total Pension Liability		
as of September 30, 2014		
$[(a) \times (1.08)] + (b) - [(c) \times (1.04)]$	\$	23,669,210

Actuarial assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%-7.25%
Investment rate of return	8.00%*

*Net of pension plan investment expense

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

* Included assumed rate of Inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2013	\$ 22,730,063	\$ 16,162,179	\$ 6,567,884
Changes for the year:			
Service cost	592,326	-	592,326
Interest	1,761,806	-	1,761,806
Changes in assumptions	-	-	-
Difference between expected and actual experience	-	-	-
Contributions – employer	-	740,892	(740,892)
Contributions – employee	-	360,594	(360,594)
Net investment income	-	1,917,819	(1,917,819)
Benefit payments, including refunds of employee contributions	(1,414,985)	(1,414,985)	-
Administrative expense	-	-	-
Transfers among employers	-	(3,971)	3,971
Net Changes	939,147	1,600,349	(661,202)
Balances at September 30, 2014	\$ 23,669,210	\$ 17,762,528	\$ 5,906,682

The above net pension liability is shared between the City’s general fund and proprietary fund. The City has allocated 19.38% or \$1,144,715 to the proprietary fund. The allocation is based on the fund’s relative share of employee and employer pension contributions.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the City’s net pension liability calculated using the discount rate of 8%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan’s Net Pension Liability	\$8,609,669	\$5,906,682	\$3,616,622

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$718,888, \$139,320 of which was related to proprietary fund employees. At September 30, 2015, the reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	510,034
Employer contributions subsequent to the measurement date	696,077	-
Total	\$ 696,077	\$ 510,034

Year Ended September 30:

2016	\$ 127,509
2017	127,509
2018	127,509
2019	127,507
2020	-
Thereafter	-
Total	\$ 510,034

The above deferred outflow and inflow of resources is shared between the City’s general fund and proprietary fund. The City has allocated 19.38% of outflow (\$134,900) and inflow (\$98,845) to the water fund. The allocation is based on the fund’s relative share of employee and employer pension contributions. The deferred inflows of resources will be recognized in each fund’s pension expense account in future periods.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The City is a defendant in various litigation of which the City's management is of the opinion that none will have a material adverse effect on the financial statements of the City. These actions include both asserted and unasserted claims. The City's management feels that damages on any asserted claims, should an unfavorable judgment be reached, will be within the limits of the City's insurance coverage and therefore should not impact upon municipal assets. The City's maximum liability is estimated to be the \$5,000 insurance deductible for claims covered by insurance. No accrual has been included in these financial statements for these matters.

In August 1991, the City authorized construction of an office building financed by a bond issue in the amount of \$1,820,000. The City has agreed to lease the building to Alabama Department of Human Resources under a lease agreement. The Department of Human Resources agreed to make the bond payments of \$16,895 per month beginning 1993 through 2008. The lease agreement provided for two additional sixty month periods at a rental rate of \$33,407 annually. The lease was extended for the second sixty month period on November 1, 2012 and will expire October 31, 2017.

NOTE 17 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Except for collision on most vehicles, plate glass coverage, and employee dishonesty in excess of \$5,000, these risks are covered by commercial insurance with various deductibles. The amount of coverage limits of commercial insurance policies, except for increased deductibles, did not change materially over the last three fiscal years. Additionally, the amount of settlements did not exceed insurance coverage for each of the three fiscal years.

NOTE 18 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. These statements address:

- Fair value measurement and application;
- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.



City of Talladega, Alabama
Notes to Financial Statements

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ended September 30, 2015. The implementation of the statement required the City to record a beginning net pension liability and a beginning net pension asset and the effect on net position of contributions made by the City during the measurement period (fiscal year ended September 30, 2014). As a result, beginning net position for the year ended September 30, 2015 decreased by \$4,697,721 for the City and \$1,129,271 for the Water and Sewer Department.

Required Supplementary Information

City of Talladega, Alabama
Schedule of Revenues and Expenditures
General Fund—Budget and Actual

<i>Year ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes				
Sales and use tax	\$ 8,000,000	\$ 8,000,000	\$ 8,205,909	\$ 205,909
Rental tax	135,000	145,000	179,780	34,780
Lodging tax	140,000	150,000	178,733	28,733
Automobile sales tax	14,000	1,600	22,732	21,132
Motor vehicle license tax	3,500	3,500	3,616	116
Wholesale gasoline tax	195,000	195,000	198,136	3,136
Alcoholic beverage tax	20,000	20,000	20,134	134
Beer tax	110,000	110,000	107,448	(2,552)
Wine tax	5,000	5,000	4,506	(494)
Liquor tax - ABC profit	4,000	6,700	7,129	429
Cigarette tax	385,000	385,000	367,598	(17,402)
Alabama Gas franchise tax	40,000	55,600	55,637	37
Charter Cable franchise tax	178,000	180,000	194,645	14,645
10 mil property tax	1,045,000	1,045,000	1,062,369	17,369
Excise tax on financial institutions	80,000	80,000	62,866	(17,134)
County business privilege tax	30,000	30,000	30,624	624
Total taxes	10,384,500	10,412,400	10,701,862	289,462
Licenses				
Business license	1,050,000	1,100,000	1,152,616	52,616
Business license - Alabama Gas Corp.	140,000	149,000	149,374	374
Business license - Alabama Power Co.	662,000	711,000	711,138	138
Business license - Coosa Valley Electric	12,600	13,600	13,662	62
Business license - telephone	5,300	5,300	5,034	(266)
Alcohol license	25	125	125	-
Automobile license	35,000	35,000	40,536	5,536
Chauffeur license	90	90	50	(40)
Total licenses and permits	1,905,015	2,014,115	2,072,535	58,420
Permits				
Building permits	20,000	20,000	27,118	7,118
Miscellaneous permits	2,000	2,000	3,309	1,309
Yard sale permits	400	400	388	(12)
Total permits	22,400	22,400	30,815	8,415

(Continued on the following page.)

See accompanying notes to required supplementary information.

City of Talladega, Alabama
Schedule of Revenues and Expenditures
General Fund—Budget and Actual (Continued)

<i>Year ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance
Revenues (continued)				
Fees				
Motor vehicle registration fees	\$ 1,000	\$ 1,000	\$ 533	\$ (467)
Returned check fees	150	150	180	30
Zoning fees	500	500	500	-
Total fees	1,650	1,650	1,213	(437)
Police department				
Impound fees	12,000	12,000	12,024	24
Click-it or Ticket grant	5,000	14,400	18,787	4,387
Accident reports	4,500	4,500	3,670	(830)
Sex offenders registration	1,230	1,230	1,094	(136)
Animal control revenue	80,000	85,000	88,676	3,676
I & O reports	2,800	2,800	2,220	(580)
Bail bond fees	2,000	1,500	1,222	(278)
Total police department	107,530	121,430	127,693	6,263
Donations	2,000	6,300	4,770	(1,530)
Recreation department				
Spring Street Recreation Center	100,000	100,000	109,649	9,649
Refunds - Recreation Center	(1,000)	(1,000)	(3,024)	(2,024)
Bemiston Recreation Center	1,800	1,800	1,093	(707)
Brecon Recreation Center	4,500	4,500	3,850	(650)
Mabra Recreation Center	1,500	250	51	(199)
Bruner Sports Complex	40,000	40,000	33,448	(6,552)
Transportation farebox	9,300	9,300	9,968	668
Golf course revenue	-	5,600	5,120	(480)
Golf course rent	-	-	724	724
Total recreation department	156,100	160,450	160,879	429

(Continued on the following page.)

See accompanying notes to required supplementary information.

City of Talladega, Alabama
Schedule of Revenues and Expenditures
General Fund—Budget and Actual (Continued)

<i>Year ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance
Revenues (continued)				
Miscellaneous				
Senior citizens grant	\$ 10,800	\$ 10,800	\$ 11,351	\$ 551
Transportation grant	24,500	24,500	36,328	11,828
Children's summer nutrition grant	80,000	86,500	92,649	6,149
HPC grant	1,000	1,600	10,198	8,598
Weed abatement	2,000	6,400	12,472	6,072
Condemnation revenue	1,000	1,000	4,590	3,590
Rental revenue	38,500	38,500	38,807	307
Reimbursements	4,000	20,000	21,927	1,927
Insurance reimbursements	1,000	1,000	65	(935)
Interest revenue	4,000	4,000	19,884	15,884
Other revenue	39,700	42,200	52,296	10,096
Total miscellaneous	206,500	236,500	300,567	64,067
Total revenues	\$ 12,785,695	\$ 12,975,245	\$ 13,400,334	\$ 425,089

(Continued on the following page.)
See accompanying notes to required supplementary information.
- 59 -

City of Talladega, Alabama
Schedule of Revenues and Expenditures
General Fund—Budget and Actual (Continued)

<i>Year ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance
Expenditures				
City Council	\$ 372,450	\$ 372,450	\$ 338,937	\$ 33,513
City Manager's office	456,950	551,250	614,331	(63,081)
Finance department	292,150	292,150	301,176	(9,026)
City Clerk's office	267,500	274,000	304,269	(30,269)
Human resources	128,700	128,700	122,221	6,479
Purchasing and safety	125,250	125,250	114,488	10,762
Police department	2,751,138	2,774,138	2,754,992	19,146
Police communications	260,000	260,000	261,803	(1,803)
Animal control	182,190	182,190	159,024	23,166
Fire department	1,654,200	1,654,200	1,838,503	(184,303)
Public Works department	2,110,755	2,205,255	2,454,143	(248,888)
Community Appearance department	940,650	940,650	871,529	69,121
Parks and recreation	1,172,325	1,172,125	1,072,266	99,859
City building expenditures	166,100	166,100	152,268	13,832
General government expenditures	989,500	1,003,500	1,000,824	2,676
Debt service	6,000	6,000	8,241	(2,241)
Total expenditures	11,875,858	12,107,958	12,369,015	(261,057)
Excess revenues over (under) expenditures	909,837	867,287	1,031,319	164,032
Other financing sources (uses):				
Issuance of capital lease	257,228	257,228	257,229	(1)
Transfers in from other funds	1,175,000	1,668,000	1,550,557	117,443
Transfers out to other funds	(2,471,340)	(3,666,965)	(3,738,987)	72,022
Total other financing sources (uses)	(1,039,112)	(1,741,737)	(1,931,201)	189,464
Net change in fund balances	(129,275)	(874,450)	(899,882)	353,496
Beginning fund balance	-	-	4,648,610	-
Ending fund balance	\$ (129,275)	\$ (874,450)	\$ 3,748,728	\$ 353,496

See accompanying notes to required supplementary information.

City of Talladega, Alabama
Schedule of Changes in Net Pension Liability

	2014
Total pension liability	
Service Cost	\$ 592,326
Interest	1,761,806
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,414,985)
Net change in total pension liability	939,147
Total pension liability - beginning	22,730,063
Total pension liability - ending (a)	\$ 23,669,210
 Plan Fiduciary Net Position	
Contributions - employer	\$ 740,892
Contributions - employee	360,594
Net investment income	1,917,819
Benefit payments, including refunds of employee contributions	(1,414,985)
Transfers among employers	(3,971)
Net change in plan fiduciary net position	1,600,349
Plan net position - beginning	16,162,179
Plan net position - ending (b)	\$ 17,762,528
 Net pension liability (asset) - ending (a) - (b)	\$ 5,906,682
 Plan fiduciary net position as a percentage of total pension liability	75.04%
 Covered employee payroll	\$ 6,643,729
 Net pension liability as a percentage of covered employee payroll	88.91%

City of Talladega, Alabama
Schedule of Employer Contributions

Fiscal Year	Actuarially Determined Contribution (a)	Employer Contributions to Pension Plan (b)	Annual Contribution Deficiency (Excess) (b-a)	Covered Employee Payroll (c)	Employer Contributions to Pension Plan as a % of Covered Employee Payroll (b/c)
2015	\$ 718,888	\$ 718,888	\$ -	\$ 6,643,729	10.82%
2014	595,409	595,409	-	6,313,746	9.43%
2013	616,154	616,154	-	6,313,746	9.76%
2012	506,870	506,870	-	5,922,110	8.56%
2011	550,188	550,188	-	6,688,593	8.23%
2010	507,653	507,653	-	6,586,748	7.71%
2009	513,507	513,507	-	7,068,194	7.27%
2008	455,256	455,256	-	6,639,046	6.86%
2007	450,201	450,201	-	6,533,879	6.89%
2006	379,076	379,076	-	6,388,942	5.93%

City of Talladega, Alabama

Schedule of Funding Progress - Other Post – Employment Benefits Plan

Post-employment benefits (See also Note 12)

- A. The following table shows the City’s annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability for last four years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
September 30, 2015	\$ 259,298	100.00%	\$ (86,994)
September 30, 2014	236,248	56.14%	794,493
September 30, 2013	248,489	49.08%	690,871
September 30, 2012	226,251	56.32%	564,343

- B. **Funded Status and Funding Progress.**

During 2015, the City established an irrevocable trust to accumulate and invest assets necessary to pay for the accumulated liability and contributed \$1,000,000 to this irrevocable trust. This contribution created a net OPEB asset of \$86,994 as of September 30, 2015.

As of October 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits equaled \$3,443,973, all of which was unfunded because the City’s irrevocable trust did not exist at that valuation date. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$7,222,578, and the ratio of the UAAL to the covered payroll equaled 47.68%.

The development of the funded ratio and UAAL as a percentage of valuation payroll are set forth in the following table.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1,	(a)	Entry Age (b)	(b-a)	(a/b)	(c)	(b-a/c)
2013	-	3,433,973	3,433,973	0.00%	7,222,578	47.54%
2011	-	3,397,851	3,397,851	0.00%	5,831,921	58.26%
2007	-	2,942,765	2,942,765	0.00%	5,096,428	57.74%



City of Talladega, Alabama
Notes to Required Supplementary Information

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The City adopts an annual budget for the general fund that is prepared on a basis consistent with generally accepted accounting principles. Any revisions that alter the total expenditures must be approved by the City Council. The budget of the General fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

Budget information presented in the financial statements is based on the amended budget as adopted by the City Council on September 21, 2015.

NOTE 2 – SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND SCHEDULE OF PENSION LIABILITY AND FIDUCIARY NET POSITION

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

NOTE 3 – SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The employer contribution rates for fiscal year 2015 were 17.2% for tier 1 employees (hired before January 1, 2013) and 14.82% for tier 2 employees (hired after January 1, 2013).

City of Talladega, Alabama
Notes to Required Supplementary Information

NOTE 4 – ACTUARIAL ASSUMPTIONS

The actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2015 were based on the September 30, 2012 actuarial valuation. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry age
Amortization Method	Level percent closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return:	8.00%
Projected Salary Increases:	3.75 - 7.25%

Changes to benefit terms

Members hired after January 1, 2013 are covered under a new benefit structure.

Changes to assumptions

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Supplementary Information

**Talladega Water and Sewer Department
Schedule of Revenues, Expenses and Changes in Fund Net Position –
Budget and Actual**

<i>Year ended September 30, 2015</i>	Original Budget	Final Budget	Actual	Variance
Operating revenues				
Water revenues	\$ 3,811,380	\$ 3,811,380	\$ 3,625,001	\$ (186,379)
Sewer revenues	2,904,995	2,904,995	2,608,667	(296,328)
Garbage revenues	950,000	950,000	1,040,676	90,676
Other operating revenues	288,650	288,650	279,435	(9,215)
Total revenues	7,955,025	7,955,025	7,553,779	(401,246)
Operating expenses				
Water and sewer department expenses	978,480	978,480	896,592	81,888
Waste water plants	1,424,165	1,424,165	1,030,256	393,909
Water filters and wells	1,205,125	1,205,125	803,073	402,052
General and administrative expenses	1,735,444	1,735,444	1,474,945	260,499
Depreciation and amortization	1,000,000	1,000,000	1,323,502	(323,502)
Total operating expenses	6,343,214	6,343,214	5,528,368	814,846
Operating income	1,611,811	1,611,811	2,025,411	413,600
Nonoperating income (expense)				
Interest income	13,600	13,600	127,786	114,186
Miscellaneous income	-	-	192,698	192,698
Interest expense	(716,300)	(824,300)	(838,448)	(14,148)
Total nonoperating income (expense)	(702,700)	(810,700)	(517,964)	292,736
Transfers				
Transfers out	(924,000)	(924,000)	(1,315,009)	(391,009)
Change in net position	\$ (14,889)	\$ (122,889)	\$ 192,438	\$ 315,327

City of Talladega, Alabama
Combining Balance Sheet – Non-major Governmental Funds

<i>September 30, 2015</i>	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,004,657	\$ -	\$ 319,575	\$ 1,324,232
Investments	722,432	-	-	722,432
Receivables	68,845	-	-	68,845
Total assets	\$ 1,795,934	\$ -	\$ 319,575	\$ 2,115,509
Liabilities				
Accounts payable and accrued liabilities	\$ 164,947	\$ -	\$ 7,169	\$ 172,116
Fund balances				
Restricted	620,626	-	312,406	933,032
Committed	833,630	-	-	833,630
Assigned	176,731	-	-	176,731
Total fund balance	1,630,987	-	312,406	1,943,393
Total liabilities and fund balance	\$ 1,795,934	\$ -	\$ 319,575	\$ 2,115,509

City of Talladega, Alabama
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Non-major Governmental Funds

<i>Year ended September 30, 2015</i>	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues				
Intergovernmental revenues:				
Federal and state grants	\$ 64,310	\$ -	\$ 288,219	\$ 352,529
State taxes	602,447	-	-	602,447
Other operating revenues:				
Fees, fines and charges for services	831,934	-	-	831,934
Interest on investments	15,809	-	-	15,809
Other	246,085	-	-	246,085
Total revenues	1,760,585	-	288,219	2,048,804
Expenditures				
Current operations:				
General government	711,664	-	17,828	729,492
Public safety	953,635	-	-	953,635
Public works	2,241,878	-	-	2,241,878
Capital outlay	-	-	384,697	384,697
Debt service:				
Principal	-	773,121	-	773,121
Interest	-	367,307	-	367,307
Miscellaneous	-	79,507	-	79,507
Total expenditures	3,907,177	1,219,935	402,525	5,529,637
Excess of revenues over (under) expenditures	(2,146,592)	(1,219,935)	(114,306)	(3,480,833)
Other financing sources (uses):				
Issuance of bonds	-	2,760,000	-	2,760,000
Premium on issuance of bonds	-	160,111	-	160,111
Payment to refunded bond escrow agent	-	(2,846,677)	-	(2,846,677)
Transfers in	746,600	1,146,501	700,062	2,593,163
Transfer (out)	(247,329)	-	(288,219)	(535,548)
Transfer from Water and Sewer Department	300,000	-	-	300,000
Total other financing sources	799,271	1,219,935	411,843	2,431,049
Net change in fund balance	(1,347,321)	-	297,537	(1,049,784)
Fund balance, beginning of year	2,978,308	-	14,869	2,993,177
Fund balance, end of year	\$ 1,630,987	\$ -	\$ 312,406	\$ 1,943,393

City of Talladega, Alabama
Combining Balance Sheets – Special Revenue Funds

<i>September 30, 2015</i>	2.5 Mil Property Tax Fund	4 Cent Gas Tax Fund	7 Cent Gas Tax Fund	Corrections Fund
Assets				
Cash and cash equivalents	\$ 43,625	\$ 28,411	\$ 109,472	\$ 119,671
Investments	-	-	-	-
Receivables	4,446	4,442	5,667	54,290
Total assets	\$ 48,071	\$ 32,853	\$ 115,139	\$ 173,961
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 19,091	\$ 96,127
Fund balances				
Restricted	48,071	32,853	96,048	77,834
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balance	48,071	32,853	96,048	77,834
Total liabilities and fund balance	\$ 48,071	\$ 32,853	\$ 115,139	\$ 173,961

Oil Trust Fund	Brownfield Fund	Police Grant	Cemetery Fund	Library Fund	Total Special Revenue Funds
\$ 302,802	\$ 93,030	\$ 19,367	\$ 111,548	\$ 176,731	\$ 1,004,657
-	-	-	722,432	-	722,432
-	-	-	-	-	68,845
\$ 302,802	\$ 93,030	\$ 19,367	\$ 833,980	\$ 176,731	\$ 1,795,934
\$ 18,158	\$ 31,221	\$ -	\$ 350	\$ -	\$ 164,947
284,644	61,809	19,367	-	-	620,626
-	-	-	833,630	-	833,630
-	-	-	-	176,731	176,731
284,644	61,809	19,367	833,630	176,731	1,630,987
\$ 302,802	\$ 93,030	\$ 19,367	\$ 833,980	\$ 176,731	\$ 1,795,934

City of Talladega, Alabama
Combining Statement of Revenues, Expenditures and Changes in Fund
Balances—Special Revenue Funds

<i>Year ended September 30, 2015</i>	2.5 Mil Property Tax Fund	4 Cent Gas Tax Fund	7 Cent Gas Tax Fund	Corrections Fund
Revenues				
Intergovernmental revenues:				
Federal and state grants	\$ -	\$ -	\$ -	\$ -
State taxes	270,413	47,791	61,341	-
Other operating revenues:				
Fees, fines and charges for services	-	-	-	783,279
Interest on investments	290	-	542	-
Other	-	-	-	-
Total revenues	270,703	47,791	61,883	783,279
Expenditures				
Current operations:				
General	256,611	96	-	-
Public safety	-	-	-	865,997
Public works	-	292,354	339,350	-
Total expenditures	256,611	292,450	339,350	865,997
Excess of revenues over (under) expenditures	14,092	(244,659)	(277,467)	(82,718)
Other financing sources (uses):				
Transfers in	-	-	-	180,094
Transfers (out)	-	-	-	(178,986)
Transfer from Water and Sewer Department	-	-	-	-
Total other financing sources (uses)	-	-	-	1,108
Net change in fund balance	14,092	(244,659)	(277,467)	(81,610)
Fund balance, beginning of year	33,979	277,512	373,515	159,444
Fund balance, end of year	\$ 48,071	\$ 32,853	\$ 96,048	\$ 77,834

Oil Trust Fund	Brownfield Fund	Police Grant	Cemetery Fund	Library Fund	Total Special Revenue Funds
\$ -	\$ 40,977	\$ 10,949	\$ -	\$ 12,384	\$ 64,310
137,975	-	-	-	84,927	602,447
-	-	-	38,181	10,474	831,934
1,658	-	5	12,611	703	15,809
185,621	-	60,464	-	-	246,085
325,254	40,977	71,418	50,792	108,488	1,760,585
-	96	-	47,766	407,095	711,664
-	-	87,638	-	-	953,635
1,546,147	64,027	-	-	-	2,241,878
1,546,147	64,123	87,638	47,766	407,095	3,907,177
(1,220,893)	(23,146)	(16,220)	3,026	(298,607)	(2,146,592)
200,000	-	77,692	-	288,814	746,600
-	-	(42,270)	(26,073)	-	(247,329)
300,000	-	-	-	-	300,000
500,000	-	35,422	(26,073)	288,814	799,271
(720,893)	(23,146)	19,202	(23,047)	(9,793)	(1,347,321)
1,005,537	84,955	165	856,677	186,524	2,978,308
\$ 284,644	\$ 61,809	\$ 19,367	\$ 833,630	\$ 176,731	\$ 1,630,987

City of Talladega, Alabama
Combining Balance Sheet – Capital Projects Fund

<i>September 30, 2015</i>	RBEG Fund	Community Development	Total Capital Projects
Assets			
Cash and cash equivalents	\$ 298,333	\$ 21,242	\$ 319,575
Total assets	\$ 298,333	\$ 21,242	\$ 319,575
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 7,169	\$ 7,169
Fund balances			
Restricted	298,333	14,073	312,406
Total fund balance	298,333	14,073	312,406
Total liabilities and fund balance	\$ 298,333	\$ 21,242	\$ 319,575

City of Talladega, Alabama
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances – Capital Projects Funds

<i>Year ended September 30, 2015</i>	RBEG Fund	Community Development	Total Capital Projects
Revenues			
Intergovernmental revenues:			
Federal and state grants	\$ -	\$ 288,219	\$ 288,219
Total revenues	-	288,219	288,219
Expenditures			
Current operations:			
General government	17,732	96	17,828
Capital outlay	6,045	378,652	384,697
Total expenditures	23,777	378,748	402,525
Excess of revenues over (under) expenditures	(23,777)	(90,529)	(114,306)
Other financing sources:			
Operating transfers in	315,000	385,062	700,062
Operating transfers out	-	(288,219)	(288,219)
Total other financing sources (uses)	315,000	96,843	411,843
Net change in fund balances	291,223	6,314	297,537
Fund balance, beginning of year	7,110	7,759	14,869
Fund balance, end of year	\$ 298,333	\$ 14,073	\$ 312,406

Statistical Section



Financial Trend Data

These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

City of Talladega, Alabama
Net Position by Component—Last Ten Fiscal Years

	2006	2007	2008
Governmental activities			
Net investment in capital assets	\$ 12,941,379	\$ 13,636,161	\$ 11,030,088
Restricted			
Special revenue funds	294,277	628,694	587,450
Future capital projects	41,818	13,313	32,407
Perpetual care fund	709,362	685,738	685,738
Law enforcement fund	-	-	51,878
Debt service fund	437	262,330	224,269
Unrestricted, general fund	963,162	1,546,946	2,152,166
Total governmental activities	\$ 14,950,435	\$ 16,773,182	\$ 14,763,996
Business-type activities			
Net investment in capital assets	\$ 9,608,580	\$ 11,131,900	\$ 11,397,594
Restricted			
Capital projects	1,164,327	676,380	242,561
Debt service fund	87,574	97,786	101,550
Unrestricted	3,164,617	3,773,957	4,051,767
Total business-type activities	\$ 14,025,098	\$ 15,680,023	\$ 15,793,472
Primary government			
Net investment in capital assets	\$ 22,549,959	\$ 24,768,061	\$ 22,427,682
Restricted			
Capital projects	1,206,145	689,693	274,968
Special revenues	294,277	628,694	587,450
Perpetual care fund	709,362	685,738	685,738
Law enforcement fund	-	-	51,878
Debt service fund	88,011	360,116	325,819
Unrestricted	4,127,779	5,320,903	6,203,933
Total primary government	\$ 28,975,533	\$ 32,453,205	\$ 30,557,468

2009	2010	2011	2012	2013	2014	2015
\$ 10,261,167	\$ 10,056,395	\$ 8,270,373	\$ 8,470,055	\$ 8,485,428	\$ 8,702,500	\$ 8,668,887
612,807	631,242	1,198,908	856,473	1,678,716	1,935,106	558,817
2,889,926	2,000,294	947,169	921,330	1,446,726	1,029,835	1,621,321
770,649	789,130	742,549	-	-	-	-
43,380	-	-	-	-	-	-
345,132	322,954	300,776	-	-	-	-
(1,375,617)	(722,971)	2,148,195	4,358,747	3,228,241	4,474,117	198,227
<u>\$ 13,547,444</u>	<u>\$ 13,077,044</u>	<u>\$ 13,607,970</u>	<u>\$ 14,606,605</u>	<u>\$ 14,839,111</u>	<u>\$ 16,141,558</u>	<u>\$ 11,047,252</u>

\$ 11,917,237	\$ 12,070,621	\$ 9,953,242	\$ 10,399,739	\$ 9,625,354	\$ 9,528,061	\$ 4,665,885
-	-	-	-	-	-	-
-	-	1,211,445	1,211,644	1,710,193	1,448,412	6,608,857
3,807,074	4,733,213	16,908,341	5,972,835	5,743,591	8,049,562	6,814,460
<u>\$ 15,724,311</u>	<u>\$ 16,803,834</u>	<u>\$ 28,073,028</u>	<u>\$ 17,584,218</u>	<u>\$ 17,079,138</u>	<u>\$ 19,026,035</u>	<u>\$ 18,089,202</u>

\$ 22,178,404	\$ 22,127,016	\$ 18,223,615	\$ 18,869,794	\$ 18,110,782	\$ 18,230,561	\$ 13,334,772
2,889,926	200,294	947,169	921,330	1,446,726	1,029,835	1,621,321
612,807	631,242	1,198,908	856,473	1,678,716	1,935,106	558,817
770,649	789,130	742,549	-	-	-	-
43,380	-	-	-	-	-	-
345,132	322,954	1,512,221	1,211,644	1,710,193	1,448,412	6,608,857
2,431,457	4,010,242	7,891,849	10,331,582	8,971,832	12,523,679	7,012,687
<u>\$ 29,271,755</u>	<u>\$ 28,080,878</u>	<u>\$ 30,516,311</u>	<u>\$ 32,190,823</u>	<u>\$ 31,918,249</u>	<u>\$ 35,167,593</u>	<u>\$ 29,136,454</u>

City of Talladega, Alabama
Change in Net Position—Last Ten Fiscal Years

	2006	2007	2008	2009
Expenses				
Governmental activities				
General government	\$ 2,092,098	\$ 1,632,271	\$ 1,176,495	\$ 3,659,053
Public protection				
Police	2,386,454	2,211,048	2,699,857	2,689,707
Fire	1,242,758	1,110,832	1,253,348	1,316,881
Corrections	770,545	719,899	496,677	544,946
Public works	2,804,541	2,501,237	1,955,829	3,198,716
Recreational	1,363,914	1,479,971	1,563,574	1,901,936
Nondepartmental	2,067,870	1,391,957	4,421,622	-
Other boards and agencies	125,663	279,229	366,280	-
Capital outlay	-	760,515	211,178	-
Depreciation expense	1,495,415	1,581,174	1,637,870	1,510,112
Interest and fiscal charges	342,126	296,949	331,330	496,301
Total governmental activities	14,691,384	13,965,082	16,114,060	15,317,652
Business-type activities				
Water and sewer	4,844,529	4,996,112	5,409,804	5,498,018
Total primary government	\$ 19,535,913	\$ 18,961,194	\$ 21,523,864	\$ 20,815,670
Program revenues				
Governmental activities				
Fees, fines and charges for service				
General government	\$ 40,456	\$ 77,510	\$ 48,944	\$ 23,585
Police	-	71,123	45,232	60,830
Fire	-	55	5	-
Other public protection	996,009	831,968	654,817	643,423
Public works	-	-	-	32,850
Recreational	300,782	292,277	367,995	313,823
Operating grants and contributions	141,152	123,435	113,951	124,923
Capital grants and contributions	-	825,138	179,984	141,310
Total governmental activities	1,478,399	2,221,506	1,410,928	1,340,744

2010	2011	2012	2013	2014	2015
\$ 3,700,715	\$ 3,603,718	\$ 3,612,283	\$ 4,032,660	\$ 3,503,698	\$ 3,180,845
2,684,831	2,545,762	2,655,797	2,739,752	2,939,897	3,175,819
1,347,488	1,323,748	1,414,782	1,528,048	1,576,920	1,838,503
645,216	1,016,090	692,669	644,982	886,695	1,526,185
2,920,835	4,289,657	3,407,964	3,201,587	3,115,086	5,911,183
1,511,976	1,097,026	1,162,741	964,970	1,071,582	1,192,742
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,416,649	1,479,284	1,476,188	1,498,964	1,474,028	-
506,695	489,291	453,617	428,798	414,495	352,077
14,734,405	15,844,576	14,876,041	15,039,761	14,982,401	17,177,354
5,473,304	5,867,908	5,777,985	5,966,932	6,151,870	6,366,816
\$ 20,207,709	\$ 21,712,484	\$ 20,654,026	\$ 21,006,693	\$ 21,134,271	\$ 23,544,170

\$ 31,100	\$ 67,673	\$ 95,371	\$ 128,815	\$ 63,365	\$ 49,868
84,267	74,299	79,469	107,546	95,987	95,987
-	-	-	-	-	-
639,451	602,808	644,754	650,775	934,808	814,985
-	-	-	-	-	-
266,604	206,704	179,121	174,458	183,513	160,879
253,042	-	-	629,196	342,874	230,756
97,751	-	-	34,431	12,192	288,219
1,372,215	951,484	998,715	1,725,221	1,632,739	1,640,694

(Continued on the following page.)

City of Talladega, Alabama
Change in Net Position—Last Ten Fiscal Years (Continued)

	2006	2007	2008	2009
Program revenues (continued)				
Business-type activities				
Water and sewer revenues	\$ 6,265,703	\$ 6,087,785	\$ 5,964,989	\$ 6,394,726
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	1,150,000	111,505	-
Total business-type activities	6,265,703	7,237,785	6,076,494	6,394,726
Total program revenues	\$ 7,744,102	\$ 9,459,291	\$ 7,487,422	\$ 7,735,470
Net (expense) revenue				
Governmental activities	\$ (13,212,985)	\$ (11,743,576)	\$ (14,703,132)	\$ (13,976,908)
Business-type activities	1,421,174	2,241,673	666,690	896,708
Total primary government net expense	\$ (11,791,811)	\$ (9,501,903)	\$ (14,036,442)	\$ (13,080,200)
General revenues				
Governmental activities				
Taxes				
Sales, property, other for general purposes	\$ 10,057,979	\$ 9,882,202	\$ 10,047,294	\$ 9,490,399
General business licenses and permits	1,672,397	1,849,809	1,914,460	2,014,668
Miscellaneous income	228,906	95,798	56,404	197,044
Interest income	46,823	53,887	65,171	69,183
Gain on sale of asset	-	-	-	-
Transfers	669,284	625,802	610,617	989,064
Total governmental activities	12,675,389	12,507,498	12,693,946	12,760,358
Business-type activities				
Miscellaneous income	-	-	-	-
Interest income	159,104	86,894	57,376	23,195
Transfers	(669,284)	(625,802)	(610,617)	(989,064)
Total business-type activities	(510,180)	(538,908)	(553,241)	(965,869)
Total general revenues	\$ 12,165,209	\$ 11,968,590	\$ 12,140,705	\$ 11,794,489
Change in net position				
Governmental activities	\$ (537,596)	\$ 763,922	\$ (2,009,186)	\$ (1,216,552)
Business-type activities	910,994	1,702,765	113,449	(69,161)
Total primary government	\$ 373,398	\$ 2,466,687	\$ (1,895,737)	\$ (1,285,713)

2010	2011	2012	2013	2014	2015
\$ 7,388,493	\$ 7,306,496	\$ 7,156,929	\$ 6,920,902	\$ 7,226,160	\$ 7,553,779
-	-	-	-	-	-
350,000	-	-	-	-	-
<u>7,738,493</u>	<u>7,306,496</u>	<u>7,156,929</u>	<u>6,920,902</u>	<u>7,226,160</u>	<u>7,553,779</u>
<u>\$ 9,110,708</u>	<u>\$ 8,257,980</u>	<u>\$ 8,155,644</u>	<u>\$ 8,646,123</u>	<u>\$ 8,858,899</u>	<u>\$ 9,194,473</u>
\$ (13,362,190)	\$ (14,893,092)	\$ (13,877,326)	\$ (13,314,540)	\$ (13,349,662)	\$ (15,536,660)
2,265,189	1,438,588	1,378,944	953,970	1,074,290	1,186,963
<u>\$ (11,097,001)</u>	<u>\$ (13,454,504)</u>	<u>\$ (12,498,382)</u>	<u>\$ (12,360,570)</u>	<u>\$ (12,275,372)</u>	<u>\$ (14,349,697)</u>
\$ 9,635,086	\$ 10,060,229	\$ 10,612,516	\$ 10,899,473	\$ 11,300,810	\$ 11,304,309
1,944,017	2,027,174	2,001,838	1,868,145	2,160,893	2,103,350
66,271	93,764	101,305	17,094	96,303	381,012
47,507	37,281	28,593	16,739	18,244	36,395
-	69,703	32,953	96,989	37,257	-
1,198,909	1,158,533	908,880	922,718	1,038,602	1,315,009
<u>12,891,790</u>	<u>13,446,684</u>	<u>13,686,085</u>	<u>13,821,158</u>	<u>14,652,109</u>	<u>15,140,075</u>
-	-	-	49,577	1,894,205	192,698
13,243	18,685	17,311	13,565	17,004	127,786
(1,198,909)	(1,158,533)	(908,880)	(922,718)	(1,038,602)	(1,315,009)
<u>(1,185,666)</u>	<u>(1,139,848)</u>	<u>(891,569)</u>	<u>(859,576)</u>	<u>872,607</u>	<u>(994,525)</u>
<u>\$ 11,706,124</u>	<u>\$ 12,306,836</u>	<u>\$ 12,794,516</u>	<u>\$ 12,961,582</u>	<u>\$ 15,524,716</u>	<u>\$ 14,145,550</u>
\$ (470,400)	\$ 530,926	\$ 890,292	\$ 506,618	\$ 1,302,447	\$ (396,585)
1,079,523	298,740	487,375	94,394	1,946,897	192,438
<u>\$ 609,123</u>	<u>\$ 829,666</u>	<u>\$ 1,377,667</u>	<u>\$ 601,012</u>	<u>\$ 3,249,344</u>	<u>\$ (204,147)</u>

City of Talladega, Alabama
Governmental Activities—Tax Revenues by Source—Last Ten Fiscal Years

	2006	2007	2008	2009
Sales and use tax	\$ 7,166,874	\$ 6,974,881	\$ 7,455,008	\$ 6,479,715
Business licenses	1,598,429	1,789,634	1,832,046	1,956,931
10 mil tax	860,022	948,439	933,693	1,045,033
Other taxes and licenses	2,105,051	2,019,057	1,741,007	2,022,713
Total taxes and licenses	\$ 11,730,376	\$ 11,732,011	\$ 11,961,754	\$ 11,504,392

	2006	2007	2008	2009
City of Talladega	4.00%	4.00%	4.00%	4.00%
Talladega County	1.00%	1.00%	1.00%	1.00%
State of Alabama	4.00%	4.00%	4.00%	4.00%
Total overlapping sales and use tax	9.00%	9.00%	9.00%	9.00%

2010	2011	2012	2013	2014	2015
\$ 6,355,749	\$ 6,987,196	\$ 7,784,557	\$ 8,003,987	\$ 8,237,253	\$ 9,404,853
1,861,447	1,949,387	2,001,838	1,868,146	2,160,893	2,103,350
1,022,336	1,053,801	971,921	1,049,494	1,071,589	1,062,369
2,339,571	2,097,019	1,856,038	1,405,179	1,991,968	837,087
\$ 11,579,103	\$ 12,087,403	\$ 12,614,354	\$ 12,326,806	\$ 13,461,703	\$ 13,407,659

Sales and Use Tax
Direct and Overlapping
Last Ten Fiscal Year

2010	2011	2012	2013	2014	2015
4.00%	5.00%	5.00%	5.00%	5.00%	5.00%
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
9.00%	10.00%	10.00%	10.00%	10.00%	10.00%

City of Talladega, Alabama
Fund Balances of Governmental Funds—Last Ten Fiscal Years

	2006	2007	2008	2009
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,177,660	1,399,420	2,438,232	1,933,969
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	1,177,660	1,399,420	2,438,232	1,933,969
All other governmental funds				
Reserved				
Special revenues funds	284,222	614,892	587,450	612,807
Debt service funds	-	262,330	224,269	345,132
Other nonmajor funds	719,417	695,893	737,616	814,029
Other governmental funds	-	-	-	-
Future capital projects	41,818	13,313	32,407	2,889,926
Unreserved, reported in:				
Special revenues funds	-	-	-	-
Debt service funds	437	-	-	-
Capital projects fund	-	-	-	-
Other governmental funds	-	-	-	-
Other nonmajor funds	195,731	200,147	154,439	100,535
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	1,241,625	1,786,575	1,736,181	4,762,429
Total governmental funds	\$ 2,419,285	\$ 3,185,995	\$ 4,174,413	\$ 6,696,398

2010	2011	2012	2013	2014	2015
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,066,862	-	-	-	-	-
-	17,244	-	-	-	-
-	1,377,358	-	-	-	-
-	-	-	300,000	300,000	-
-	1,268,996	4,057,672	3,012,259	4,348,610	3,748,728
<u>2,066,862</u>	<u>2,663,598</u>	<u>4,057,672</u>	<u>3,312,259</u>	<u>4,648,610</u>	<u>3,748,728</u>
631,242	-	-	-	-	-
322,954	-	-	-	-	-
789,130	-	-	-	-	-
-	-	-	-	-	-
200,294	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
93,692	-	-	-	-	-
-	3,185,805	1,777,803	3,125,442	2,964,341	2,180,138
-	-	826,225	848,233	856,677	833,630
-	-	134,040	154,356	186,524	176,731
-	154,933	-	-	-	-
<u>2,037,312</u>	<u>3,340,738</u>	<u>2,738,068</u>	<u>4,128,031</u>	<u>4,007,542</u>	<u>3,190,499</u>
<u>\$ 4,104,174</u>	<u>\$ 6,004,336</u>	<u>\$ 6,795,740</u>	<u>\$ 7,440,290</u>	<u>\$ 8,656,152</u>	<u>\$ 6,939,227</u>

In fiscal year 2011 the City implemented GASB 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement redefined the classifications of fund balance.

City of Talladega, Alabama

Changes in Fund Balance of Governmental Funds—Last Ten Fiscal Years

	2006	2007	2008	2009
Revenues				
Taxes	\$ 10,057,979	\$ 9,882,202	\$ 10,047,294	\$ 9,490,399
Licenses and permits	1,672,397	1,849,809	1,914,460	2,014,668
Changes for services	1,337,247	1,272,933	1,116,993	1,074,511
Federal and state grants	141,152	948,573	293,935	266,233
Interest	46,823	53,887	65,171	69,183
Proceeds from long-term debt	352,579	761,428	2,208,038	3,705,700
Other	228,906	95,798	254,289	197,044
Total revenues	13,837,083	14,864,630	15,900,180	16,817,738
Expenditures				
General government	2,083,578	1,563,646	1,166,909	2,071,339
Public safety	4,399,757	4,041,779	4,423,568	4,441,888
Public works	2,804,541	2,501,237	2,021,327	1,725,131
Recreation	1,363,914	1,479,971	1,572,190	1,599,223
Other boards and agencies	125,663	279,229	362,640	380,600
Non-departmental	2,009,870	1,391,957	4,421,622	2,819,353
Capital outlay	819,923	2,186,700	685,541	1,102,902
Debt service				
Principal	973,116	952,810	602,335	654,634
Interest and fees	342,126	321,327	252,962	467,350
Miscellaneous	77,020	5,066	13,285	22,397
Total expenditures	14,999,508	14,723,722	15,522,379	15,284,817
Excess revenues over (under) expenditures	(1,162,425)	140,908	377,801	1,532,921
Other financing sources (uses)				
Operating transfers in	5,439,979	4,721,070	2,390,304	3,116,754
Operating transfers out	(4,770,695)	(4,095,268)	(1,779,687)	(2,127,690)
Proceeds from long-term debt	-	-	-	-
Total other financing sources (uses)	669,284	625,802	610,617	989,064
Net change in fund balance	(493,141)	766,710	988,418	2,521,985
Fund balance, beginning of year	2,845,908	2,419,285	3,185,995	4,174,413
Prior period adjustment	66,518	-	-	-
Fund balance, end of year	\$ 2,419,285	\$ 3,185,995	\$ 4,174,413	\$ 6,696,398
Ratio of debt service expenditures to noncapital expenditures	9.28%	10.16%	5.76%	7.91%

2010	2011	2012	2013	2014	2015
\$ 9,635,086	\$ 10,060,229	\$ 11,345,272	\$ 11,262,199	\$ 11,300,810	\$ 11,304,309
1,944,017	2,027,174	2,001,838	1,868,146	2,160,893	2,103,350
1,021,422	951,484	960,054	1,013,951	1,277,673	1,121,719
350,793	1,977,334	200,354	295,421	355,066	518,975
47,507	37,281	28,592	16,741	18,244	36,395
-	-	-	-	-	-
78,796	163,467	323,467	170,466	155,205	381,012
13,077,621	15,216,969	14,859,577	14,626,924	15,267,891	15,465,760
2,093,373	1,606,559	1,699,523	1,930,072	2,011,405	2,304,491
4,625,364	4,871,600	4,734,510	4,912,782	5,403,512	5,933,000
1,727,601	3,197,571	2,236,637	3,201,587	3,115,086	5,560,961
1,363,563	994,526	1,052,011	964,970	1,071,582	1,072,266
343,854	304,850	323,900	338,173	291,524	257,152
2,677,089	2,965,022	2,598,400	1,600,356	1,057,294	1,083,488
1,121,126	1,375,357	1,142,607	1,552,034	1,274,483	1,319,221
599,890	571,495	584,204	820,565	436,649	773,121
487,594	458,985	445,199	432,558	417,435	367,307
29,300	30,477	26,333	6,992	11,661	157,350
15,068,754	16,376,442	14,843,324	15,760,089	15,090,631	18,828,357
(1,991,133)	(1,159,473)	16,253	(1,133,165)	177,260	(3,362,597)
3,194,294	3,985,545	4,132,577	5,373,111	3,346,937	5,689,545
(1,995,385)	(2,827,310)	(3,223,697)	(4,450,394)	(2,308,335)	(4,374,536)
-	101,400	49,140	854,998	-	330,663
1,198,909	1,259,635	958,020	1,777,715	1,038,602	1,645,672
(792,224)	100,162	974,273	644,550	1,215,862	(1,716,925)
6,696,398	5,904,174	6,004,337	6,795,740	7,440,290	8,656,152
-	-	(182,870)	-	-	-
\$ 5,904,174	\$ 6,004,336	\$ 6,795,740	\$ 7,440,290	\$ 8,656,152	\$ 6,939,227
7.80%	6.87%	7.51%	8.82%	6.18%	6.51%

City of Talladega, Alabama

**Property Tax Rates per Thousand—Direct and Overlapping Governments—
Last Ten Fiscal Years**

Fiscal Year	City of Talladega			Overlapping Rate		Total Direct and Overlapping Rate
	General Municipal Purposes	School Purposes	Total	Talladega County	State of Alabama	
2006	10.0	12.5	22.5	9.5	6.5	38.5
2007	10.0	12.5	22.5	9.5	6.5	38.5
2008	10.0	12.5	22.5	9.5	6.5	38.5
2009	10.0	12.5	22.5	9.5	6.5	38.5
2010	10.0	12.5	22.5	9.5	6.5	38.5
2011	10.0	12.5	22.5	9.5	6.5	38.5
2012	10.0	12.5	22.5	9.5	6.5	38.5
2013	10.0	12.5	22.5	9.5	6.5	38.5
2014	10.0	12.5	22.5	9.5	6.5	38.5
2015	10.0	12.5	22.5	9.5	6.5	38.5

City of Talladega, Alabama

Principal Sales and Use Taxpayers—Current Fiscal Year and Nine Years Prior

	2015				2006			
	Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected		Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected	
Retail/Grocery	\$ 2,086,702	1	25.43%		\$ 1,823,168	1	25.37%	
Grocery	563,865	2	6.87%		453,136	2	6.31%	
Railroad	222,875	3	2.72%		66,316		0.92%	
Building Supply	169,071	4	2.06%		86,989		1.21%	
Car Dealership	145,742	5	1.78%		89,147		1.24%	
Retail/Grocery	145,435	6	1.77%		97,059		1.35%	
Building Supply	141,165	7	1.72%		126,812		1.76%	
Fast Food Resturant	136,829	8	1.67%		77,465		1.08%	
Agriculture Supply	118,683	9	1.45%		87,059		1.21%	
Fast Food Resturant	107,385	10	1.31%		73,347		1.02%	




Debt Capacity Data

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

City of Talladega, Alabama
Ratios of Outstanding Debt by Type—Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government
	General Obligation Bonds	Capital Leases	Revenue Bonds	Other General Debt	
2006	6,074,781	690,073	7,715,000	785,474	15,265,328
2007	5,826,203	967,707	7,445,000	708,624	14,947,534
2008	7,776,434	562,365	7,165,000	422,149	15,925,948
2009	10,925,578	464,288	6,880,000	276,808	18,546,674
2010	10,789,976	565,622	6,680,288	39,115	18,075,001
2011	10,319,881	618,395	18,501,520	34,181	29,473,977
2012	9,466,665	317,828	17,740,000	7,820	27,532,313
2013	8,935,000	883,926	17,586,487	288,948	27,694,361
2014	8,515,000	865,664	16,763,136	211,608	26,355,408
2015	8,471,684	794,772	22,001,673	175,880	31,444,009



Percentage of Personal Income	Per Capita
2.8%	896
2.6%	880
3.2%	1,084
3.2%	1,092
4.7%	1,384
6.3%	1,880
7.1%	2,108
4.1%	1,758
3.8%	1,651
5.8%	1,954

**City of Talladega, Alabama
Direct and Overlapping Debt**

September 30, 2015

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City of Talladega*	Amount Applicable to City of Talladega
City of Talladega	\$ 8,938,175	100.00%	\$ 8,938,175
Talladega County	27,697,127	10.10%	2,797,410
Total	\$ 36,635,302		\$ 11,735,585

*The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

City of Talladega, Alabama
Ratios of General Debt Outstanding—Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available for Debt	Net Bonded Debt Total	Percentage Estimated Actual Taxable Value of Property	Per Capita
2006	6,074,781	214,086	5,860,695	16.63%	971
2007	5,826,203	229,489	5,596,714	14.83%	939
2008	7,776,434	221,043	7,555,391	15.09%	1,134
2009	10,925,578	171,516	10,754,062	17.46%	1,121
2010	10,789,976	322,954	10,467,022	18.56%	1,612
2011	10,319,881	300,776	10,019,105	25.96%	1,879
2012	9,466,665	441,680	9,466,665	8.03%	725
2013	8,935,000	439,006	8,935,000	7.27%	573
2014	8,515,000	476,546	8,991,546	7.32%	533
2015	8,471,684	526,479	8,998,163	7.40%	526

City of Talladega, Alabama
Legal Debt Margin Information—Last Ten Fiscal Years

	2006	2007	2008
Assessed property value	\$ 99,556,920	\$ 107,588,100	\$ 110,402,080
Debt limited to	20%	20%	20%
Debt limit	\$ 19,911,384	\$ 21,517,620	\$ 22,080,416
Total net debt applicable to limit	6,732,410	6,671,199	8,338,803
Legal debt margin	\$ 13,178,974	\$ 14,846,421	\$ 13,741,613
Total net debt applicable to the limit as a percentage of debt limit	33.81%	31.00%	37.77%

2009	2010	2011	2012	2013	2014	2015
\$ 109,099,890 20%	\$ 113,448,000 20%	\$ 113,694,240 20%	\$ 117,887,180 20%	\$ 122,970,640 20%	\$ 122,875,960 20%	\$ 121,534,440 20%
\$ 21,819,978	\$ 22,689,600	\$ 22,738,848	\$ 23,577,436	\$ 24,594,128	\$ 24,575,192	\$ 24,307,488
11,389,866	11,355,598	10,937,954	9,784,493	9,818,926	9,380,664	8,938,175
\$ 10,430,112	\$ 11,334,002	\$ 11,800,894	\$ 13,792,943	\$ 14,775,202	\$ 15,194,528	\$ 15,369,313
52.20%	50.05%	48.10%	41.50%	39.92%	38.17%	36.77%



Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments

City of Talladega, Alabama
Demographic Economic Statistics—Last Ten Calendar Years

	2006	2007	2008	2009	2010
Population¹	17,041	16,991	14,698	16,991	13,062
Total personal income					
Household income-City	\$ 32,166	\$ 33,677	\$ 34,067	\$ 34,067	\$ 29,660
Talladega County	\$ 32,166	\$ 33,677	\$ 47,603	\$ 38,013	\$ 48,400
Per capita¹					
Personal income*	\$ 28,102	\$ 17,435	\$ 17,557	\$ 17,435	\$ 18,583
Talladega County	\$ 28,102	\$ 18,473	\$ 18,686	\$ 18,473	\$ 19,762
School district³					
Enrollment	2,721	2,606	2,573	2,395	2,576
Unemployment²					
Rate	4.6	4.5	5.9	12.1	13.2
Employed²					
Talladega County	38,223	38,291	36,258	32,296	31,958

* Personal Income is for Talladega-Sylacauga, AL

¹ U.S. Census Bureau, the Bureau of Economic Analysis

² Alabama Department of Industrial Relations

³ Talladega City Board of Education

2011	2012	2013	2014	2015
15,676	13,062	15,591	15,966	16,092
\$ 29,942	\$ 29,874	\$ 31,122	\$ 32,304	\$ 33,686
\$ 56,300	\$ 46,800	\$ 47,500	\$ 41,700	\$ 42,000
\$ 18,583	\$ 18,583	\$ 15,855	\$ 16,536	\$ 16,203
\$ 19,762	\$ 19,762	\$ 18,744	\$ 19,410	\$ 19,134
2,315	2,622	2,206	2,196	2,179
8.4	11.5	7.2	6.9	6.4
32,067	32,067	35,199	34,828	35,167

City of Talladega, Alabama
Principal Private-Sector Employers in the Talladega Area—Current Year
And Nine Years Prior

	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Alabama Institute for Deaf & Blind	1266	1	3.38%	628	2	1.91%
Talladega County Board of Education	952	2	2.54%	952	1	2.90%
Baptist Citizens Medical Center	348	3	0.93%	332	6	9.80%
Talladega Healthcare and Rehab	343	4	0.92%	-		0.00%
Federal Correction Institution	330	5	0.88%	317	7	0.97%
MasterBrand Cabinets	288	6	0.77%	400	4	1.08%
Talladega City Board of Education	287	7	0.77%	347	5	1.06%
Wal-Mart Talladega	220	8	0.59%	252	8	0.77%
City of Talladega	180	9	0.48%	-		0.00%
Precision Strip, Inc.	135	10	0.36%	-		0.00%

Source: Talladega County Economic Development Authority

City of Talladega, Alabama
Budgeted Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Department	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administrative/City Clerk	5	5	5	2	2	2	2	2	2	2
Animal Control	3	3	4	4	4	3	3	3	4	4
City Council	6	6	6	6	6	6	6	6	6	6
City Manager	2	2	2	3	4	5	5	4	5	5
Comm. Appearance	24	24	22	22	18	23	22	22	20	20
Comm. Development	-	-	-	7	-	-	-	-	-	-
Fire	26	24	26	26	27	31	28	28	27	27
Human Resources	-	-	-	2	2	2	2	2	2	2
Library	6	7	6	6	10	8	7	7	7	7
Municipal Court	3	3	3	3	3	3	3	3	4	4
Parks and Recreation	29	31	28	28	32	27	12	11	10	10
Police	45	41	42	42	40	48	44	43	47	47
Police Communications ¹	4	4	4	4	-	-	-	-	-	-
Public Works	25	21	22	23	17	15	17	18	16	16
Purchasing	-	-	-	-	3	2	2	2	2	2
Revenue/Finance	3	3	3	5	5	5	5	5	5	5
Total	181	174	173	183	173	180	158	156	157	157

¹ The Police Communication Department was discontinued with the institution of a county-wide E911 in 2010.



Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

City of Talladega, Alabama
Operating Indicators by Function—Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Emergency communications										
Calls received ¹	2,534	2,161	2,890	52,712	23,267	31,185	29,991	33,985	34,307	31,834
Police										
Calls for service	23,544	21,198	20,713	20,538	20,300	23,826	23,203	28,965	29,238	26,849
Reported crimes	3,460	3,849	3,829	3,277	4,035	6,732	6,204	4,357	4,359	4,334
Fire										
Fire responses	395	512	424	321	492	627	432	424	420	380
Medical calls	23	31	19	23	34	-	152	239	290	271
	<u>418</u>	<u>543</u>	<u>443</u>	<u>344</u>	<u>526</u>	<u>627</u>	<u>584</u>	<u>663</u>	<u>710</u>	<u>651</u>
Water										
Millions of gallons per day										
Filtration plant production	4.18	3.96	3.59	3.44	3.65	3.78	3.73	3.37	3.45	3.73
City water demand	3.08	2.91	2.55	2.53	2.58	2.08	2.12	1.85	2.44	2.12

¹ Talladega County 911
Source: City departments

City of Talladega, Alabama Capital Asset Statistics by Function

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	38	38	38	38	38	38	38	38	38	38
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (lane miles)	420	420	420	420	420	420	420	420	420	420
Number of traffic signals	32	32	32	32	32	32	32	32	32	32
Culture and recreation										
Acreage	86	86	86	86	86	86	86	86	86	86
Number of parks	7	7	7	7	7	7	7	7	7	7
Number of playgrounds	7	7	7	7	7	7	7	7	7	7
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Recreation center	5	5	5	5	5	5	5	5	5	5
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Historical park	1	1	1	1	1	1	1	1	1	1
Utilities										
Water mains (miles)	125.52	125.52	125.52	125.52	125.52	125.52	125.52	125.52	126.5	126.5
Number of fire hydrants	950	950	950	950	950	950	950	950	1,000	1,000
Storage capacity (millions of gallons)										
raw water storage	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
finished water	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000
Sanitary sewers (miles)	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2

Sources: Various City departments