

Comprehensive Annual Financial Report

City of Talladega, Alabama

***For fiscal year ending
September 30, 2017***

City of Talladega, Alabama
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2017

Prepared by
Paul Hanebuth, Finance Director

City of Talladega, Alabama
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September 30, 2017

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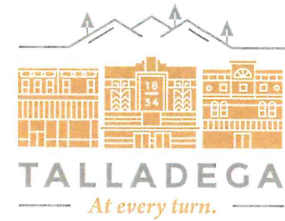
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CITY OF TALLADEGA
255 South Street W., Talladega, AL 35160
(256) 362-8186



April 30, 2018

Ladies and Gentlemen:

I hereby transmit the annual financial report of the City of Talladega as of and for the year ended September 30, 2017. The accounting firm, Carr, Riggs & Ingram, has audited the financial statements. The auditors' unmodified 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 2016. 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.

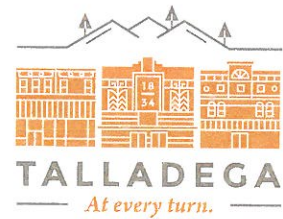
The preparation of this annual financial report could not have been accomplished without the dedicated effort of the Finance Department staff. The accounting and financial reporting systems of the City of Talladega have allowed quality information to be reported to the City Council and the citizens of the City of Talladega, helping to ensure appropriate stewardship of tax revenues.

Respectfully submitted,

A redacted signature consisting of three black circles on a yellow background.

W. Patrick Bryant
City Manager
City of Talladega

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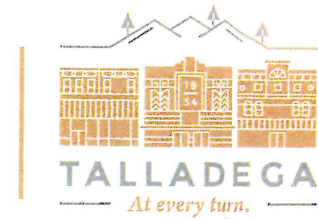
April 30, 2018

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, 2017. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control 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, 2016. 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.

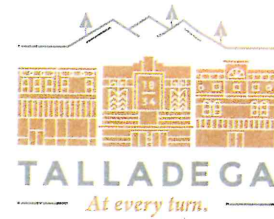
The City is organized under the laws of Alabama pertaining to the council-manager form of government for cities, as modified by Amendment No. 738 to the Constitution of Alabama of 1901. The governing body of the City consists of the five (5) council members who are elected from single-member districts 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 on 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. Over 60% of employed persons living in Talladega also work in Talladega, demonstrating employment opportunities for its residents.



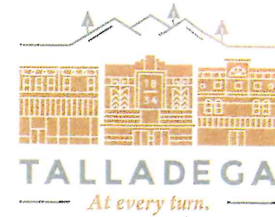
A method of analyzing economic conditions in Talladega is to track trends in sales tax revenue, on which the City is heavily dependent. Talladega has been slow to recover from the recession, but tax revenue has increased slightly since FY 2016 and is monitored carefully. As stipulated by City Council, 25% of the 1% tax increase implemented in 2011 remains in the General Fund and is available for operating expenditures, and another 50% of the increase is transferred to the Capital Improvement Fund. 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. The remaining 25% of the increase is assigned first to ensuring that the City maintains its Annual Required Contribution (ARC) to Other Post-Employment Benefits (OPEB) so that the OPEB liability does not increase over time, with any funds over and above the ARC assigned to building emergency reserves. These reserves are currently at about 14% of annual expenditures, or sufficient to fund 52 days of operations.

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. Kasai Industries (formerly known as M-Tek), which produces interior trim pieces for Honda, has recently expanded its operations. During fiscal 2017, Georgia-Pacific, a division of Koch Industries, announced an investment of over \$100 million to build a lumber processing plant within the City, which will employ over 100 Talladegans upon completion by September 2018.

Talladega County is home to the Talladega SuperSpeedway and International Motorsports Hall of Fame and Museum. With NASCAR races in April or May and October each year, this tourist attraction brings in about 150,000 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 152 certified teachers in the 2016-2017 school year, along with support personnel and administrators. The school system operates (i) four elementary schools (grades K through 6), serving 1,227 students, (ii) one middle school (grades 7 and 8), serving 275 students, and (iii) one high



school, serving 506 students. In recent years, a pre-kindergarten program was added through funding made available by a grant award and financial support from the General Fund of the City. 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.

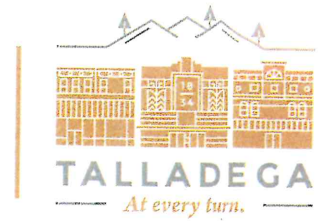
Alabama Institute for the Deaf and Blind - Talladega is the home for the Alabama Institute for the Deaf and Blind (AIDB), the world's most comprehensive education and service program serving children and adults with hearing and vision loss. Annually, AIDB serves more than 18,500 individuals through five 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.

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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 nearly 1,000 students. The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges.

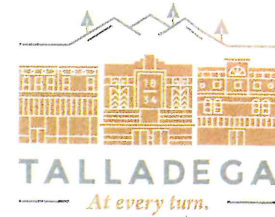
CULTURAL OPPORTUNITIES

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 "Bear Country," "The Little Engine That Could," "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 showings of films such as "It's a Wonderful Life" and "The Polar Express". 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 200,000 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.

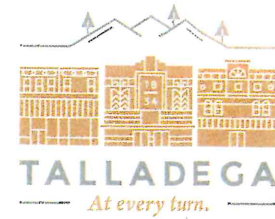
HISTORIC SITES

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.

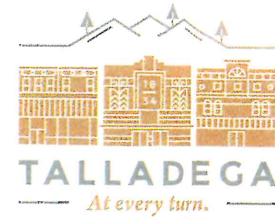
Talladega Courthouse Square – Located around the Talladega County Courthouse, this historic district is comprised of 72 buildings covering an area of approximately four acres in Talladega's downtown district. The buildings in this historic district date from 1835 through the 1930's, with the large majority 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, four 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. Top Trails is another recreational opportunity managed by the Public Parks Authority of the Cities of Lincoln and Talladega, and the Civilian Marksmanship Program is a private park renowned among gun enthusiasts throughout the region and country.



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.

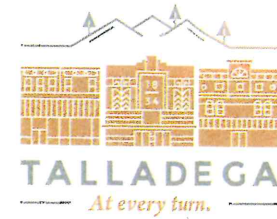
The *Veterans Memorial Park* is located on Spring Street South on a 12-acre site including a Veterans' Memorial Monument and a M47 tank. The park also consists of two picnic pavilions, a gazebo, a playground, and a walking track.

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 *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.

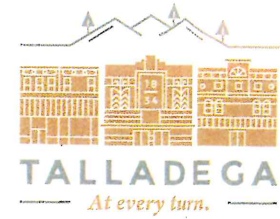
The *Civilian Marksmanship Program* has dedicated itself to providing safety education and presenting gun enthusiasts of all disciplines with venues to learn and grow in marksmanship. The 500-acre outdoor marksmanship facility in Talladega is the first of its kind in the country and is one of the most sophisticated in the world. Each firing point is equipped with electronic targets and monitors, allowing shooters and spectators to see scores without the use of a scope. Marksmen on the line may shoot at 200, 300 and 600 yards without ever having to move firing lines or go down range to change paper. The range also contains pistol and shotgun opportunities, including a 5 Stand Field and Sporting Clays.

Because of the unique and wide variety of riding conditions for many different kinds of vehicles and riding styles, *Top Trails* is quickly becoming one of the top off-road trail destination points in the South. The park contains over 2,800 acres of trails near the Coosa River as well as a full-service campground, primitive camping sites, and archery ranges.

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 a portion of 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 7.9% 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.

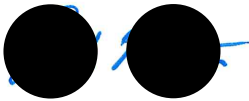
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ACKNOWLEDGMENTS

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. On behalf of the citizens of Talladega, I would like to express my appreciation to Revenue Officer Romy Stamps, Accounts Payable Clerks Shellia Harris and Sandy Owens, and Administrative Clerk Sharon Twymon. Finally, I would like to thank the City Manager and the members of the City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Paul Hanebuth
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

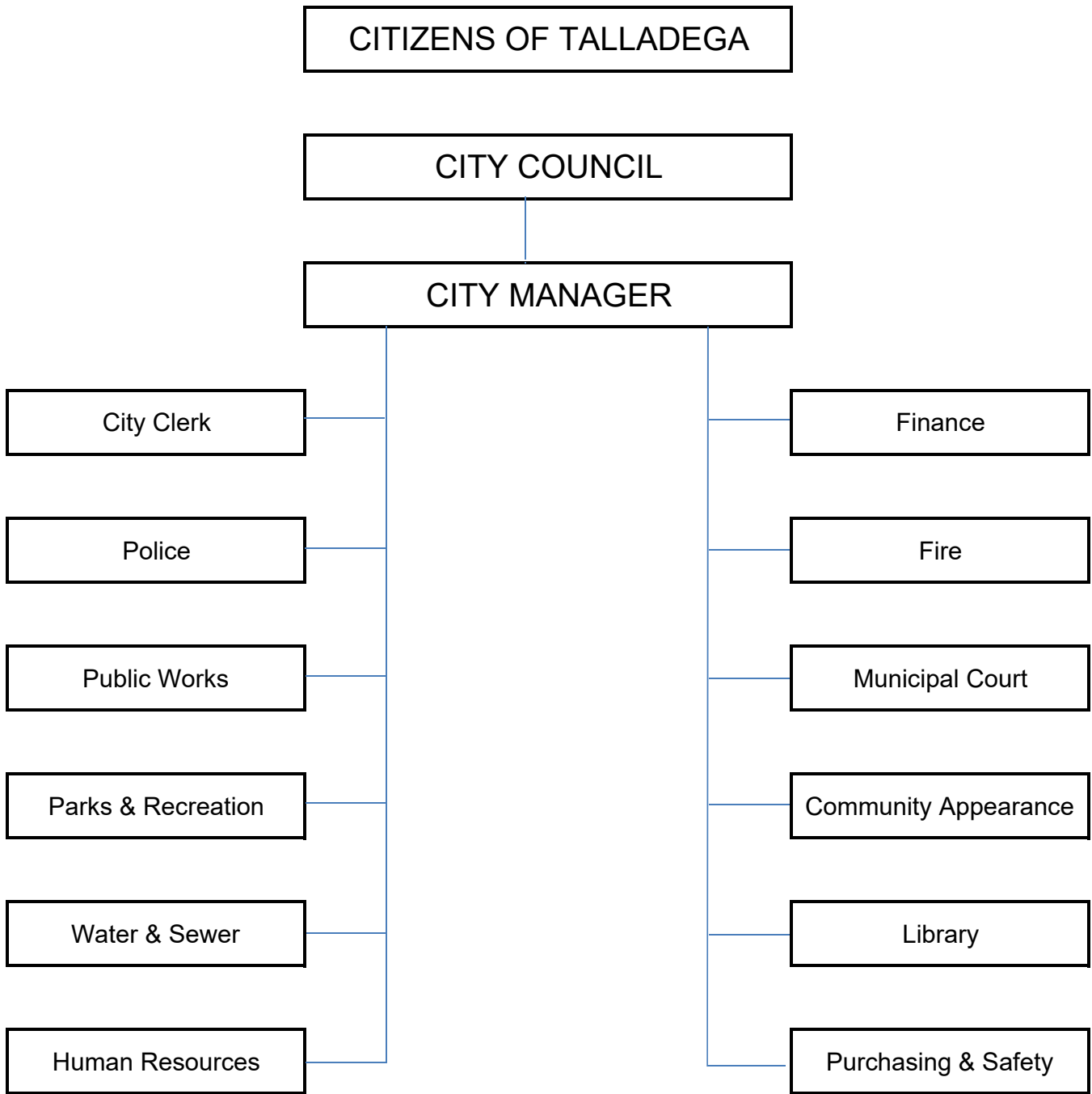
City of Talladega
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrill

Executive Director/CEO



OFFICIALS OF THE CITY OF TALLADEGA

Mayor

Jerry Cooper

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	Paul Hanebuth, Director
Fire	Danny Warwick, Chief
Human Resources	Taylor Drummond, Director
Library	Vickie Harkins, Director
Municipal Court	Mark Nelson, Judge
Municipal Court	David Sparks, 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, 2017, 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 an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3.1–3.12 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Birmingham, Alabama
April 30, 2018

**CITY OF TALLADEGA, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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, 2017. The material presented in this section should be read in conjunction with the independent auditors' 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 \$31,180,135 as of September 30, 2017. However, \$12,369,448 (40%) 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 \$9,412,183 represents assets that are subject to external restrictions on how they may be used. The remaining balance, totaling \$9,398,504, is unrestricted.
- The total net position of the City of Talladega increased by approximately \$290,000 during fiscal year 2017, with a \$1 million budgetary surplus in governmental activities partially offset by a net loss in business-type activities.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$9.77 million. The combined governmental funds' fund balances increased by \$873,064 during the fiscal year, primarily due to the budget surplus and premiums from the refunding of two warrant issues.
- The General Fund balance declined by \$180,000 to a total of \$5.215 million at year end. The city considers \$2.05 million of this balance to be emergency reserves; this amount represents just over 14% of annual expenditures, or 52 days of operations. General Fund revenues were \$13.86 million, about \$100,000 more than the previous fiscal year and \$50,000 more than anticipated in the budget. General Fund operating expenditures, including net transfers, were about \$250,000 under budget for a total of \$14.04 million. This total is \$1.67 million more than FY 2016, the amount transferred to the Capital Projects Fund to reflect prior-year sales tax collections. A portion of sales tax collections is

statutorily restricted to capital project expenditures. The overall financial position of the City remains stable.

- The Capital Projects Trust Fund closed with a fund balance of \$2,472,515, an increase from the \$1,678,454 balance in the prior year. In addition to about \$850,000 transferred from the General Fund from FY2017 sales tax revenue, approximately \$1,670,000 was transferred during the year to reflect prior-year sales tax collections, as noted above. Capital funds expenditures were \$1,718,355 for fiscal year 2017 and consisted of building and park improvements, as well as equipment and fleet replacement. The City invested approximately \$1.1 million in construction projects during fiscal 2017, most of which were nearing completion at the conclusion of the year.
- 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 \$2,083,734, a \$258,701 increase from the prior year.
- The RBEG (Rural Business Enterprise Grant) fund and the CDBG (Community Development Block Grant) fund comprise the Capital Projects Funds. Projects partially funded with these grants were completed during fiscal 2017 and excess fund balances were transferred back to the General Fund.

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, 2017, by \$17,224,219 (total net position) down from \$17,928,701 in FY 2016. Of the total net position, \$7,357,889 or 42.7% (unrestricted net position) may be used to meet the Department's ongoing obligations. Current liabilities were approximately \$463,000 lower than the previous fiscal year because fewer payables were outstanding at year-end and a capital lease expired during the year; in addition, net pension liability increased by approximately \$172,000 and bond proceeds (restricted assets) were used to increase depreciable capital by approximately \$1 million. Other changes in the balance sheet were not significant.
- The Water and Sewer department required the use of unrestricted resources to fund expenditures. Operating revenues of \$7,207,288, a decrease of \$272,081 from 2016, exceeded operating expenses during the year, which increased \$961,136 for a total of \$6,675,925 for FY 2017. However, this operating income was insufficient to cover nonoperating expense and transfers out, so net position declined by \$704,482. Transfers out consist of amounts collected by the Water and Sewer Department for garbage collection service, and nonoperating expenses were primarily interest on long-term debt.
- During this time period proceeds from the 2010 and 2015 Capital Improvement Warrants continued to be utilized on a number of system improvement projects. Water line projects on West St., Church St., Savory St., and Watts Ln. were completed, and work on leak detection and inflow and infiltration continued.

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 three 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.
- **Business-type Activities** – The costs and revenues of the City's Water and Sewer Department are reported here.
- **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

Statement of Net Position September 30, 2017

ASSETS	Governmental Activities	Business-type Activities	Total	Component Units
Cash and cash equivalents	\$ 8,325,664	\$7,363,176	\$15,688,840	\$6,799,178
Investments	1,034,232	-	1,034,232	4,650,824
Receivables, net	1,007,101	632,969	1,640,070	35,985
Unbilled revenue	-	609,779	609,779	-
Internal balances	69,829	-	69,829	-
Due from other governments	-	-	-	340,947
Inventories	-	280,669	280,669	-
Restricted assets	-	6,285,733	6,285,733	-
Other assets	155,409	21,132	176,541	116,947
Net OPEB asset	113,270	-	113,270	-
Capital assets not being depreciated	5,505,889	1,446,339	6,952,228	-
Capital assets, net	<u>11,811,455</u>	<u>23,526,944</u>	<u>35,338,399</u>	<u>10,892,355</u>
Total Assets	<u>28,022,849</u>	<u>40,166,741</u>	<u>68,189,590</u>	<u>22,836,236</u>
Deferred outflows of resources				
Employer retirement contributions subsequent to measurement date	496,998	135,983	632,981	5,138,517
Net difference between projected and actual earnings on pension plan investments	997,181	265,074	1,262,255	-
Deferred charges from refunding	<u>405,259</u>	<u>190,998</u>	<u>596,257</u>	-
Total Assets & Deferred Outflows of Resources	<u>29,922,287</u>	<u>40,758,796</u>	<u>70,681,083</u>	<u>27,974,753</u>
LIABILITIES				
Bank overdraft	-	-	-	318,369
Accounts payable and accrued liabilities	696,830	443,240	1,140,070	1,551,473
Internal balances	69,829	-	69,829	-
Customer meter deposits	-	229,212	229,212	-
Other liabilities	54,572	-	54,572	-
Accrued interest	36,416	-	36,416	-
Noncurrent liabilities:				
Due within one year:				
Bonds and warrants payable	535,000	462,300	997,300	143,787
Capital leases	64,428	-	64,428	-
Compensated absences	34,165	-	34,165	106,685
Due in more than one year:				
Bonds and warrants payable	7,165,464	20,648,523	27,813,987	3,401,471
Capital leases	603,138	-	603,138	-
Net pension liability	6,399,045	1,701,012	8,100,057	18,816,000
Compensated absences	<u>307,484</u>	<u>50,290</u>	<u>357,774</u>	-
Total Liabilities	<u>15,966,371</u>	<u>23,534,577</u>	<u>39,500,948</u>	
Deferred inflows of resources	-	-	-	<u>2,009,000</u>
NET POSITION				
Net investment in capital assets	8,544,055	3,825,393	12,369,448	7,347,097
Restricted for:				
Capital projects	2,474,147	-	2,474,147	2,463,153
Special revenues (gas tax and road projects)	861,593	-	861,593	-
Special revenues (ad valorem tax for schools)	34,674	-	34,674	2,166,702
Special revenues (public safety)	832	-	832	-
Debt service fund	-	5,811,725	5,811,725	-
Unrestricted	<u>2,041,802</u>	<u>7,587,101</u>	<u>9,627,716</u>	<u>(10,348,984)</u>
Total Net Position	<u>\$13,955,916</u>	<u>\$17,224,219</u>	<u>\$31,180,135</u>	<u>1,627,968</u>

**Statement of Net Position
September 30, 2016**

ASSETS	Governmental Activities	Business-type Activities	Total	Component Units
Cash and cash equivalents	\$ 7,458,586	\$ 7,346,258	\$ 14,804,844	\$5,604,415
Investments	1,005,983	-	1,005,983	4,275,023
Receivables, net	966,652	589,566	1,556,218	14,130
Unbilled revenue	-	659,646	659,646	-
Internal Balances	84,360	(84,360)	-	-
Due from other governments	-	-	-	450,424
Inventories	-	284,958	284,958	-
Restricted assets	-	7,425,701	7,425,701	-
Other assets	76,808	23,657	100,465	94,521
Net OPEB asset	90,268	-	90,268	-
Capital assets not being depreciated	4,305,726	1,702,903	6,008,629	-
Capital assets, net of accumulated depreciation	<u>13,010,047</u>	<u>23,662,632</u>	<u>36,672,679</u>	<u>10,193,168</u>
Total Assets	<u>26,998,430</u>	<u>41,610,961</u>	<u>68,609,391</u>	<u>22,631,681</u>
Deferred outflows of resources				
Employer retirement contributions subsequent to measurement date	508,265	134,227	642,492	2,435,000
Net difference between projected and actual earnings on pension plan investments	659,712	175,367	835,079	-
Deferred charges from refunding	<u>310,180</u>	<u>233,280</u>	<u>543,460</u>	-
Total Assets & Deferred Outflows of Resources	<u>\$28,476,587</u>	<u>\$42,153,835</u>	<u>\$70,630,422</u>	<u>23,066,681</u>
LIABILITIES				
Bank overdraft	-	-	-	349,753
Accounts payable and accrued liabilities	694,449	806,000	1,500,449	247,417
Customer meter deposits	-	232,405	232,405	-
Accrued interest	52,355	-	52,355	-
Noncurrent liabilities;				
Due within one year:				
Bonds and warrants payable	485,000	447,300	932,300	-
Capital leases	64,428	53,645	118,073	115,907
Compensated absences	29,091	-	29,091	-
Due in more than one year				
Bonds and warrants payable	7,513,257	21,112,073	28,625,330	-
Capital leases	662,500	-	662,500	545,258
Net pension liability	5,751,882	1,528,981	7,280,863	16,602,000
Compensated absences	<u>261,815</u>	<u>44,730</u>	<u>306,545</u>	<u>1,455,814</u>
Total Liabilities	<u>15,514,777</u>	<u>24,225,134</u>	<u>39,739,911</u>	19,316,149
Deferred inflows of resources	-	-	-	<u>2,088,000</u>
NET POSITION				
Net investment in capital assets	8,280,408	5,020,591	13,300,999	9,593,623
Restricted for:				
Capital projects	1,680,278	-	1,680,278	2,921,026
Special revenues (gas tax and road projects)	608,438	-	608,438	-
Special revenues (ad valorem tax for schools)	45,101	-	45,101	546,663
Special revenues (public safety)	79,947	-	79,947	-
Debt service fund	-	6,079,882	6,079,882	-
Unrestricted	<u>2,267,638</u>	<u>6,828,228</u>	<u>9,095,866</u>	<u>(11,398,780)</u>
Total Net Position	<u>\$12,961,810</u>	<u>\$17,928,701</u>	<u>\$30,890,511</u>	<u>\$1,662,532</u>

General Fund Budgetary Highlights

The FY 2017 budget was amended late in the year with two significant changes from the original budget:

1. Garbage collection expenses began to be paid directly from the Enterprise Fund midway through the year, obviating the necessity for a transfer to the General Fund to reimburse these expenses.
2. Governmental departments restricted expenditures during the year in preparation for the implementation of a revised classification and compensation plan, which went into effect August 24, 2017.

Detailed information regarding the General Fund budget to actual amounts may be found in the Required Supplementary Information, pages 61-64.

Government-Wide Statement of Activities
Year Ended September 30, 2017

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit Totals
Primary Government								
Governmental Activities:								
General Government	\$ 4,647,566	\$ 64,710	\$ 147,039	\$ -	\$ (4,435,817)	\$ -	\$ (4,435,817)	\$ -
Public Safety	5,875,953	585,249	44,096	-	(5,246,608)	-	(5,246,608)	-
Public Works	2,630,550	-	-	-	(2,630,550)	-	(2,630,550)	-
Parks and Recreation	1,067,252	166,294	13,989	-	(886,969)	-	(886,969)	-
Interest on long-term debt	250,403	-	-	-	(250,403)	-	(250,403)	-
Total governmental activities	14,471,724	816,253	205,124	-	(13,450,347)	-	(13,450,347)	-
Business-type activities:								
Water and sewer	7,615,383	7,207,288	-	-	-	(408,095)	(408,095)	-
Total primary government	\$ 22,087,107	\$ 8,023,541	\$ 205,124	\$ -	\$ (13,450,347)	\$ (408,095)	\$ (13,858,442)	\$ -
Component Units:								
Board of Education	\$ 21,707,064	\$ 1,602,606	\$ 15,157,007	\$ 592,925	\$ -	\$ -	\$ -	\$ (4,354,526)
Municipal Airport Board	326,012	293,868	201,835	-	-	-	-	169,691
Total Component Units	\$ 22,033,076	\$ 1,896,474	\$ 15,358,842	\$ 592,925	\$ -	\$ -	\$ -	\$ (4,184,835)
General Revenues:								
Taxes:								
Ad Valorem (real and personal property)					1,091,275	-	1,091,275	1,909,153
Sales and Use					9,790,908	-	9,790,908	1,565,756
Other					886,591	-	886,591	116,262
General business licenses and permits					2,188,370	-	2,188,370	-
Grants not restricted to specific programs					-	-	-	109,500
Miscellaneous Revenues					57,558	31,924	89,482	411,330
Interest Income					81,628	19,812	101,440	38,268
Transfers					348,123	(348,123)	-	-
Total general revenues and transfers					14,444,453	(296,387)	14,148,066	4,150,269
Change in net position					994,106	(704,482)	289,624	(34,566)
Net position at beginning of year					12,961,810	17,928,701	30,890,511	1,662,534
Net position at end of year					\$ 13,955,916	\$ 17,224,219	\$ 31,180,135	\$ 1,627,968

Government-Wide Statement of Activities
Year Ended September 30, 2016

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 4,098,149	\$ 54,713	\$ 174,782	\$ -	\$ (3,868,654)	\$ -	\$ (3,868,654)	\$ -
Public Safety	5,993,740	769,988	86,049	122,000	(5,015,703)	-	(5,015,703)	-
Public Works	3,449,780	-	31,221	40,311	(3,378,248)	-	(3,378,248)	-
Parks and Recreation	1,071,100	155,673	123,726	-	(791,701)	-	(791,701)	-
Interest on long-term debt	360,675	-	-	-	(360,675)	-	(360,675)	-
Total governmental activities	14,973,444	980,374	415,778	162,311	(13,414,981)	-	(13,414,981)	-
Business-type activities:								
Water and sewer	6,666,566	7,479,369	-	-	-	812,803	812,803	-
Total primary government	\$ 21,640,010	\$ 8,459,743	\$ 415,778	\$ 162,311	\$ (13,414,981)	\$ 812,803	\$ (12,602,178)	\$ -
Component Units:								
Board of Education	\$ 21,622,728	\$ 1,589,921	\$ 14,798,537	\$ 587,499	-	-	-	\$ (4,646,771)
Municipal Airport Board	566,785	287,645	308,917	-	-	-	-	29,777
Total Component Units	\$ 22,189,513	\$ 1,877,566	\$ 15,107,454	\$ 587,499	\$ -	\$ -	\$ -	\$ (4,616,994)
General Revenues:								
Taxes:								
Ad Valorem (real and personal property)					1,053,026	-	1,053,026	2,008,757
Sales and Use					9,750,940	-	9,750,940	1,723,408
Other					901,096	-	901,096	113,801
General business licenses and permits					2,171,942	-	2,171,942	-
Grants not restricted to specific programs					-	-	-	90,000
Miscellaneous Revenues					120,336	31,605	151,941	370,668
Interest Income					64,706	9,272	73,978	39,444
Transfers					1,014,181	(1,014,181)	-	-
Total general revenues and transfers					15,076,227	(973,304)	14,102,923	4,346,078
Change in net position					1,661,246	(160,501)	1,500,745	(270,916)
Net position at beginning of year, original					11,047,252	18,089,202	29,136,454	1,933,448
Restatement					253,312	-	253,312	-
Net position at beginning of year as restated					11,300,564	18,089,202	29,389,766	1,933,448
Net position at end of year					\$ 12,961,810	\$ 17,928,701	\$ 30,890,511	\$ 1,662,532

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, 2017, totals \$42,290,627. These assets include buildings, land, equipment, facilities and vehicles. Additional detailed information on the capital assets may be found in Note 7 on pages 34-35.

Long-term Debt: As of September 30, 2017, the City of Talladega governmental funds had debt outstanding of \$7,700,464 consisting of three General Obligation Warrants and a Revenue Bond. Interest paid on long-term debt was \$328,444 for fiscal year 2017. In addition, the City has two capital leases with terms up to 10 years. The total present value of future minimum lease payments plus interest equaled \$667,566 at 2017 fiscal year end. The Water and Sewer Department of the City had warrants outstanding in the amount of \$21,110,823, payable solely from revenues of the system, and no capital leases outstanding as of September 30, 2017. No additional debt activity has occurred subsequent to the close of FY 2017.

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. The City's 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 33.85% of the legal debt limit, with a debt margin of \$16.355 million. General policy targets debt payments at no more than 10% of General Fund operating expense; currently debt payments are 7.9% 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 39-44.

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 which grew slightly during FY 2017; however, costs are expected to rise in future years. 5% of general sales and use tax revenues are assigned to meeting the City's actuarially determined Annual Required Contribution to help ensure that the City does not develop a significant OPEB liability. Additional information on post-employment benefits may be found in the notes to the financial statements Note 12 on pages 45-51.

Economic Factors

The City of Talladega continues to be heavily dependent on sales tax revenue, which accounts for approximately 62.5% of total General Fund operating revenues. 2017 sales tax revenue increased by 1%, or about \$80,000, over fiscal year 2016; the average annual increase since 2011 is about 2.5%. While overall operating revenue exceeded expectations during this fiscal year, most of this is attributed to sales tax while other forms of revenue remain fairly stable.

At the close of FY17, the City continued to enjoy the benefits of economic recovery, although long-term macroeconomic trends indicate a need for stronger economic development strategy. In the absence of pronounced revenue growth, the City must still meet increases in areas such as healthcare costs, employee salaries, and retirement costs. Thus, 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, the City is hopeful that its significant rebranding and community-building efforts during fiscal year 2017 will pay dividends to the local economy and quality of life over the next several years. 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
255 South Street West
Talladega, Alabama 35160

W. Patrick Bryant
City Manager

City of Talladega, Alabama Statement of Net Position

September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,325,664	\$ 7,363,176	\$ 15,688,840	\$ 6,799,178
Investments	1,034,232	-	1,034,232	4,650,824
Receivables, net	1,007,101	632,969	1,640,070	35,985
Unbilled revenue	-	609,779	609,779	-
Internal balances	69,829	-	69,829	-
Due from other governments	-	-	-	340,947
Inventories	-	280,669	280,669	-
Restricted assets	-	6,285,733	6,285,733	-
Other assets	155,409	21,132	176,541	116,947
Net OPEB asset	113,270	-	113,270	-
Capital assets not being depreciated	5,505,889	1,446,339	6,952,228	-
Capital assets, net of accumulated depreciation	11,811,455	23,526,944	35,338,399	10,892,355
Total assets	28,022,849	40,166,741	68,189,590	22,836,236
Deferred outflows of resources				
Employer retirement contributions subsequent to measurement date	496,998	135,983	632,981	5,138,517
Net difference between projected and actual earnings on pension plan investments and differences between expected and actual experience	997,181	265,074	1,262,255	-
Deferred charges from refunding	405,259	190,998	596,257	-
Total deferred outflows of resources	1,899,438	592,055	2,491,493	5,138,517
Total assets and deferred outflows of resources	29,922,287	40,758,796	70,681,083	27,974,753
Liabilities				
Bank overdraft	-	-	-	318,369
Accounts payable and accrued liabilities	696,830	443,240	1,140,070	1,551,473
Internal balances	69,829	-	69,829	-
Customer meter deposits	-	229,212	229,212	-
Other liabilities	54,572	-	54,572	-
Accrued interest	36,416	-	36,416	-
Noncurrent liabilities:				
Due within one year:				
Warrants payable	535,000	462,300	997,300	143,787
Capital leases	64,428	-	64,428	-
Compensated absences	34,165	-	34,165	106,685
Due in more than one year:				
Warrants payable	7,165,464	20,648,523	27,813,987	3,401,471
Capital leases	603,138	-	603,138	-
Net pension liability	6,399,045	1,701,012	8,100,057	18,816,000
Compensated absences	307,484	50,290	357,774	-
Total liabilities	15,966,371	23,534,577	39,500,948	24,337,785
Deferred inflows of resources	-	-	-	2,009,000
Net position				
Net investment in capital assets	8,544,055	3,825,393	12,369,448	7,347,097
Restricted for:				
Capital projects	2,474,147	-	2,474,147	2,463,153
Special revenues (gas tax and road projects)	861,593	-	861,593	-
Special revenues (ad valorem tax for schools)	34,674	-	34,674	2,166,702
Special revenues (public safety)	832	-	832	-
Debt service	-	5,811,725	5,811,725	-
Unrestricted	2,040,615	7,587,101	9,627,716	(10,348,984)
Total net position	\$ 13,955,916	\$ 17,224,219	\$ 31,180,135	\$ 1,627,968

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Government – Wide Statement of Activities

Year ended September 30, 2017

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government administration	\$ 4,647,566	\$ 64,710	\$ 147,039	\$ -
Public safety	5,875,953	585,249	44,096	-
Public works	2,630,550	-	-	-
Parks and recreation	1,067,252	166,294	13,989	-
Interest on long-term debt	250,403	-	-	-
Total governmental activities	14,471,724	816,253	205,124	-
Business-type activities:				
Water and sewer	7,615,383	7,207,288	-	-
Total primary government	\$ 22,087,107	\$ 8,023,541	\$ 205,124	\$ -
Component units:				
Board of Education	\$ 21,707,064	\$ 1,602,606	\$ 15,157,007	\$ 592,925
Municipal Airport Board	326,012	293,868	201,835	-
Total Component Units	\$ 22,033,076	\$ 1,896,474	\$ 15,358,842	\$ 592,925

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

Net position at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position			Component Units
Governmental Activities	Business-type Activities	Total	Totals
\$ (4,435,817)	\$ -	\$ (4,435,817)	\$ -
(5,246,608)	-	(5,246,608)	-
(2,630,550)	-	(2,630,550)	-
(886,969)	-	(886,969)	-
(250,403)	-	(250,403)	-
(13,450,347)	-	(13,450,347)	-
-	(408,095)	(408,095)	-
(13,450,347)	(408,095)	(13,858,442)	-
\$ -	\$ -	\$ -	\$ (4,354,526)
-	-	-	169,691
-	-	-	-
-	-	-	(4,184,835)
1,091,275	-	1,091,275	1,909,153
9,790,908	-	9,790,908	1,565,756
886,591	-	886,591	116,262
2,188,370	-	2,188,370	-
-	-	-	109,500
57,558	31,924	89,482	411,330
81,628	19,812	101,440	38,268
348,123	(348,123)	-	-
14,444,453	(296,387)	14,148,066	4,150,269
994,106	(704,482)	289,624	(34,566)
12,961,810	17,928,701	30,890,511	1,662,534
\$ 13,955,916	\$ 17,224,219	\$ 31,180,135	\$ 1,627,968

City of Talladega, Alabama
Balance Sheet – Governmental Funds

<i>September 30, 2017</i>	General	Capital Projects Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,427,957	\$ 2,552,385	\$ 1,345,322	\$ 8,325,664
Investments	265,439	-	768,793	1,034,232
Receivables, net	935,098	-	72,003	1,007,101
Interfund receivable	-	69,829	-	69,829
Other assets	155,409	-	-	155,409
Total assets	\$ 5,783,903	\$ 2,622,214	\$ 2,186,118	\$ 10,592,235
Liabilities				
Accounts payable and accrued liabilities	\$ 520,719	\$ 95,127	\$ 80,984	\$ 696,830
Interfund payable	48,429	-	21,400	69,829
Other liabilities	-	54,572	-	54,572
Total liabilities	569,148	149,699	102,384	821,231
Fund balance				
Restricted	-	2,472,515	898,731	3,371,246
Committed	-	-	945,079	945,079
Assigned	-	-	244,591	244,591
Unassigned:				
General fund	5,214,755	-	-	5,214,755
Capital projects - community development	-	-	(4,667)	(4,667)
Total fund balance	5,214,755	2,472,515	2,083,734	9,771,004
Total liabilities and fund balance	\$ 5,783,903	\$ 2,622,214	\$ 2,186,118	\$ 10,592,235

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, 2017

Fund balance - total governmental funds \$ 9,771,004

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	\$ 5,505,889	
Governmental capital assets being depreciated	60,411,783	
Less accumulated depreciation	<u>(48,600,328)</u>	17,317,344

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.	113,270
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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	(36,416)	
Warrants payable	(7,700,464)	
Capital lease obligations	(667,566)	
Net pension liability	(6,399,045)	
Compensated absences	<u>(341,649)</u>	(15,145,140)

Deferred outflow related to pensions	<u>1,899,438</u>
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Net position of governmental activities	<u><u>\$ 13,955,916</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, 2017</i>	General	Capital Projects Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 11,147,631	\$ -	\$ 621,143	\$ 11,768,774
Licenses and permits	2,188,370	-	-	2,188,370
Charges for services	300,063	-	516,190	816,253
Federal and state grants	147,198	-	57,926	205,124
Interest	6,676	1,360	73,592	81,628
Other revenues	67,915	-	3,343	71,258
Total revenues	13,857,853	1,360	1,272,194	15,131,407
Expenditures				
General government	1,287,489	116,953	680,650	2,085,092
Public safety	4,628,229	-	567,431	5,195,660
Public works	2,247,251	4,231	-	2,251,482
Recreation	936,570	285	-	936,855
Other boards and agencies	269,458	-	-	269,458
Non-departmental	1,405,765	-	-	1,405,765
Capital outlay	-	1,596,886	4,062	1,600,948
Debt service:				
Principal	-	-	577,367	577,367
Interest	-	-	278,357	278,357
Miscellaneous	-	-	128,930	128,930
Total expenditures	10,774,762	1,718,355	2,236,797	14,729,914
Excess of revenues over (under) expenditures	3,083,091	(1,716,995)	(964,603)	401,493
Other financing sources (uses):				
Issuance of refunding warrants	-	-	4,440,000	4,440,000
Premium on issuance of refunding warrants	-	-	222,926	222,926
Payment to refunded warrant and bond escrow agent	-	-	(4,539,478)	(4,539,478)
Transfers in	226,619	2,511,056	1,326,475	4,064,150
Transfers out	(3,837,531)	-	(226,619)	(4,064,150)
Transfer from Water and Sewer Department	348,123	-	-	348,123
Total other financing sources (uses)	(3,262,789)	2,511,056	1,223,304	471,571
Net change in fund balances	(179,698)	794,061	258,701	873,064
Fund balance at beginning of year	5,394,453	1,678,454	1,825,033	8,897,940
Fund balance, end of year	\$ 5,214,755	\$ 2,472,515	\$ 2,083,734	\$ 9,771,004

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

Year ended September 30, 2017

Net change in fund balances - total governmental funds \$ 873,064

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	\$ 1,594,935	
Less current year depreciation	<u>(1,593,364)</u>	1,571

For governmental funds, the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:

Proceeds from issuance of 2017-A and 2017-B warrants payable	(4,440,000)	
Premiums on 2017-A and 2017-B warrants payable	(222,926)	
Principal payments	504,305	
Defeasance of warrants and bonds payable	4,425,695	
Deferred charges on refunding	113,783	
Amortization of premiums	30,719	
Amortization of deferred charges on refunding	(18,704)	

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	15,939	
Change in OPEB	23,002	
Change in capital lease, net	59,362	
Change in pension expense	(320,961)	
Change in long-term compensated absences, net	<u>(50,743)</u>	<u>(273,401)</u>

Change in net position of governmental activities \$ 994,106

See accompanying notes to basic financial statements.

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

September 30, 2017

Assets

Current assets

Cash and cash equivalents	\$ 7,363,176
Accounts receivable (net of allowance for doubtful accounts for \$559,051)	632,969
Unbilled revenue	609,779
Accrued interest	205
Prepaid expenses	17,927
Inventory of supplies	280,669

Total current assets	8,904,725
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Noncurrent assets

Noncurrent restricted assets

Investments - money market	6,285,733
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Utility plant and equipment

Land and improvements	389,890
Buildings and improvements	42,566,899
Machinery and equipment	5,182,369
Construction in progress	1,167,013

Less accumulated depreciation	49,306,171
	24,332,888

Total utility plant and equipment	24,973,283
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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	31,262,016
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Deferred outflows of resources

Employer retirement contributions subsequent to measurement date	135,983
Net difference between projected and actual earnings on pension plan investments	265,074
Deferred charges from refunding	190,998

Total deferred outflows	592,055
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Total assets and deferred outflows of resources	\$ 40,758,796
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See accompanying notes to basic financial statements.

September 30, 2017

Liabilities and net position

Current liabilities

Accounts payable and accrued expenses	\$ 443,240
Current portion of long-term debt	462,300

Total current liabilities 905,540

Noncurrent liabilities

Accrued annual leave	50,290
Customer meter deposits	229,212
Revenue warrants payable, net	20,648,523
Net pension liability	1,701,012

Total noncurrent liabilities 22,629,037

Total liabilities 23,534,577

Net position

Net investment in capital assets	3,825,393
Restricted for:	
Debt service	5,811,725
Unrestricted	7,587,101

Total net position 17,224,219

Total liabilities and net position \$ 40,758,796

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

Year ended September 30, 2017

Operating revenues	
Water revenues	\$ 3,457,653
Sewer revenues	2,486,137
Garbage revenues	1,031,090
Other operating revenues	232,408
Total operating revenues	7,207,288
Operating expenses	
Water and sewer department expenses	969,862
Waste water plants	1,188,659
Water filters and wells	777,379
General and administrative expenses	2,297,211
Depreciation and amortization	1,442,814
Total operating expenses	6,675,925
Operating income	531,363
Nonoperating income (expense)	
Interest income	19,812
Miscellaneous income	31,924
Interest expense	(939,458)
Total nonoperating income (expense)	(887,722)
Total income	(356,359)
Transfers	
Transfers out	(348,123)
Change in net position	(704,482)
Net position, beginning of year	17,928,701
Net position, end of year	\$ 17,224,219

See accompanying notes to basic financial statements.

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

Year ended September 30, 2017

Operating activities	
Cash received from customers	\$ 7,213,752
Cash paid to suppliers	(3,963,722)
Cash paid to employees	(1,611,778)
Net cash and cash equivalents provided by operating activities	1,638,252
Non-capital financing activities	
Transfers to other departments	(348,123)
Net cash and cash equivalents (used by) noncapital financing activities	(348,123)
Capital and related financing activities	
Acquisition and construction of capital assets	(1,050,562)
Principal payments for items under capital lease	(53,645)
Proceeds from county \$0.02 tax distribution	31,924
Principal paid on long-term debt	(421,250)
Interest paid on long-term debt and capital lease obligations	(939,458)
Net cash and cash equivalents (used by) by capital and related financing activities	(2,432,991)
Investing activities	
Interest received on investments	19,812
Net cash and cash equivalents provided by investing activities	19,812
Net decrease in cash and cash equivalents	(1,123,050)
Cash and cash equivalents, beginning of year	14,771,959
Cash and cash equivalents, end of year	\$ 13,648,909
Shown in the financial statements as:	
Cash and cash equivalents	\$ 7,363,176
Investments - money market	6,285,733
Total	\$ 13,648,909

(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, 2017

Reconciliation of net income to net cash provided

by operating activities:

Operating income	\$	531,363
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in allowance for doubtful accounts		(22,823)
Depreciation		1,442,814
Amortization of premium and deferred charges		(27,300)
Change in assets and liabilities:		
Accounts receivable		(20,580)
Unbilled revenue		49,867
Prepaid expenses		2,525
Inventory of supplies		4,289
Deferred outflows of resources		(49,181)
Accounts payable and accrued expenses		(362,760)
Due to City		(84,360)
Accrued annual leave		5,560
Customer deposits		(3,193)
Net pension liability		172,031
Net cash provided by operating activities	\$	1,638,252

See accompanying notes to basic financial statements.

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

September 30, 2017

	OPEB Trust Fund
Assets	
Cash and cash equivalents	\$ 46,786
Investments, at fair value:	
Mutual funds	1,045,029
Total assets	1,091,815
 Liabilities	
Accounts payable	-
Net position held in trust for OPEB benefits	\$ 1,091,815

See accompanying notes to basic financial statements.

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

Year ended September 30, 2017

	OPEB Trust Fund
Additions	
Contributions:	
Employer	\$ 168,371
<hr/>	
Investment activity:	
Investment income	23,717
Net gain on investments	58,233
Less investment expense	(2,559)
<hr/>	
Total investment activity	79,391
<hr/>	
Total additions	247,762
<hr/>	
Deductions	
Benefit payments:	
Employer	168,371
<hr/>	
Total deductions	168,371
<hr/>	
Net increase in net position	79,391
<hr/>	
Net position held in OPEB trust - beginning of year	1,012,424
<hr/>	
Net position held in OPEB trust - end of year	\$ 1,091,815
<hr/> <hr/>	

See accompanying notes to basic financial statements.

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

September 30, 2017

	Talladega City Board of Education	Talladega Municipal Airport Board	Total
Assets			
Cash and cash equivalents	\$ 6,517,810	\$ 281,368	\$ 6,799,178
Investments	3,070,546	1,580,278	4,650,824
Receivables	35,460	-	35,460
Due from other governments	325,906	15,041	340,947
Accrued interest receivable	-	525	525
Other assets	111,269	5,678	116,947
Capital assets, net	10,881,283	11,072	10,892,355
Total assets	20,942,274	1,893,962	22,836,236
Deferred outflows of resources - pension	5,138,517	-	5,138,517
Total assets and deferred outflows of resources	26,080,791	1,893,962	27,974,753
Liabilities			
Bank overdraft	318,369	-	318,369
Accounts payable and accruals	1,535,467	16,006	1,551,473
Noncurrent liabilities:			
Due within one year:			
Bonds, warrants, and notes payable	143,787	-	143,787
Compensated absences	106,685	-	106,685
Due in more than one year:			
Bonds, warrants, and notes payable	3,401,471	-	3,401,471
Net pension liability	18,816,000	-	18,816,000
Total liabilities	24,321,779	16,006	24,337,785
Deferred inflows of resources - pension	2,009,000	-	2,009,000
Net position			
Net investment in capital assets	7,336,025	11,072	7,347,097
Restricted	4,614,814	15,041	4,629,855
Unrestricted	(12,200,827)	1,851,843	(10,348,984)
Total net position	\$ (249,988)	\$ 1,877,956	\$ 1,627,968

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Activities – Component Units

Year ended September 30, 2017

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Talladega City Board of Education				
Education	\$ 21,707,064	\$ 1,602,606	\$ 15,157,007	\$ 592,925
Talladega Municipal Airport Board				
Community Development	326,012	293,868	201,835	-
Total component units	\$ 22,033,076	\$ 1,896,474	\$ 15,358,842	\$ 592,925

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

Net position at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Talladega City	Talladega	
Board of	Municipal	
Education	Airport Board	Total
\$ (4,354,526)	\$ -	\$ (4,354,526)
-	169,691	169,691
(4,354,526)	169,691	(4,184,835)
3,591,171	-	3,591,171
109,500	-	109,500
21,227	17,041	38,268
392,882	18,448	411,330
4,114,780	35,489	4,150,269
(239,746)	205,180	(34,566)
(10,242)	1,672,776	1,662,534
\$ (249,988)	\$ 1,877,956	\$ 1,627,968



City of Talladega, Alabama
Notes to Financial Statements

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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.

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



City of Talladega, Alabama Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets certain criteria based on the size of its assets, liabilities, revenues, or expenses/expenditures.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The types of funds used in accounting for the financial operations of the City and their nature and purpose are as follows:

City of Talladega, Alabama
Notes to Financial Statements

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 debt obligations.

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 Projects Trust Fund
3. RBEG Fund

The Capital Projects Trust fund is considered a major 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 considered a major 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 and compensated absences 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.

City of Talladega, Alabama
Notes to Financial Statements

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 cash equivalents

Cash and cash equivalents consist of cash and certificates of deposit with maturities of six months or less. Interest earned on cash and cash equivalents is recorded in the fund in which it is earned.

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.

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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 acquisition 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 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, 2017, no amount was accrued in the governmental funds financial statements. The current portion of accrued compensated absences at September 30, 2017 reported in the government-wide financial statements is \$34,165. The remaining long-term incurred portion of accrued compensated absences of the governmental activities at September 30, 2017 totaled \$307,484.

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. Warrant premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The difference between the reacquisition price of refunding debt 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. Warrants payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Amortization of premiums

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-term liabilities (continued)

or discounts and deferred amounts on refunding are included in interest expense. Debt issuance costs are expensed in the period incurred.

In the governmental fund financial statements, debt premiums and discounts, as well as debt 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. Pensions

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. See also Note 15.

P. 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, warrants, 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."

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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- 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. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund. As of September 30, 2017, the Community Development Capital Project Fund reported a deficit of \$4,667.

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)

P. Equity classifications (continued)

Fund Financial Statements (continued)

The City has restricted \$2,472,515 of the Capital Projects Trust Fund fund balance and \$898,731 of the Other Governmental Funds fund balance. The purposes of these restrictions are described in Note 14.

The City has committed \$945,079 of the Other Governmental Funds fund balance to maintain the City's Cemetery.

The City has assigned \$244,591 of the Other Governmental Funds fund balance for the City's Library.

Q. 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.

R. 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.

S. Subsequent events

The City has evaluated subsequent events through April 30, 2018, the date these financial statements were available to be issued.

NOTE 3 – CASH AND CASH EQUIVALENTS

City cash balances are maintained in cash and cash equivalent accounts to improve earning opportunities.

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

City of Talladega, Alabama
Notes to Financial Statements

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

Each of the banks holding the 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, 2017. At year-end, the carrying amount of the City's cash and cash equivalents was \$8,325,664. 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. Cash and cash equivalents at September 30, 2017 was \$7,363,176.

NOTE 4 – RECEIVABLES AND UNBILLED REVENUE

Governmental activities receivables at September 30, 2017:

Receivables:

Taxes receivable	\$	935,098
Restitution receivable		51,737
Other receivables		20,266
Total receivables	\$	1,007,101

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	\$	1,192,020
Less: allowance for doubtful accounts		559,051
Net accounts receivable	\$	632,969

Unbilled revenues receivable at September 30, 2017 was \$609,779.

City of Talladega, Alabama
Notes to Financial Statements

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, 2017 was \$280,669.

NOTE 6 – INVESTMENTS AND RESTRICTED ASSETS

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.

The City's investments are held at fair value. The City classifies its fair value measurements in accordance with GASB Statement No. 72, Fair Value Measurement and Application, which categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are inputs – other than quoted prices included in level 1 – that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. The City does not have any assets that are categorized as Level 2 or Level 3 inputs.

A. Governmental Activities

In addition to a long term certificate of deposit held by the General Fund, the City uses investments to maintain the Oak Hill Cemetery and the Armstrong-Osborne Public Library. As of September 30, 2017, the value of the investments held in the General Fund, the Cemetery Trust Fund and the Library Fund are \$265,439, \$730,178 and \$38,615, respectively. The following schedule displays the investments held in governmental funds as of September 30, 2017, and their fair value measurements:

Governmental Activities:

Investment type	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Certificate of deposit	\$ 265,439	\$ 265,439	\$ -	\$ -
Common Stock	270,732	270,732	-	-
Mutual Funds	38,615	38,615	-	-
Corporate Bonds	454,594	454,594	-	-
Net investments	1,029,380	1,029,380	-	-
Accrued income	4,852	-	-	-
Total Portfolio	\$ 1,034,232	\$ 1,029,380	\$ -	\$ -

City of Talladega, Alabama
Notes to Financial Statements

NOTE 6 – INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

B. Business-type Activities

The Water and Sewer Department has investments that are classified as restricted assets that consist of monies held in trust by Regions Bank to cover debt indenture expenses and repayment of warrants. Restricted assets also include money collected from customers and held as deposits. At September 30, 2017, the monies held in trust were \$6,285,733. The following schedule displays the restricted assets held by the Department as of September 30, 2017, and their fair value measurements:

Business-type Activities:

Investment type	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Money Market Treasury Portfolio	\$ 6,285,733	\$ 6,285,733	\$ -	\$ -
Total Restricted Assets	\$ 6,285,733	\$ 6,285,733	\$ -	\$ -

C. Fiduciary Fund

In fiscal year 2015, the City established an irrevocable trust to be used to accumulate and invest assets to pay for the accumulated liability for post-employment healthcare benefits. The following schedule displays the investments held within the irrevocable trust as of September 30, 2017, and their fair value measurements:

Fiduciary Fund:

Investment type	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Certificate of deposit	\$ 97,412	\$ 97,412	\$ -	\$ -
Mutual Funds	947,617	947,617	-	-
Total Portfolio	\$ 1,045,029	\$ 1,045,029	\$ -	\$ -

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, 2017:

	Balance at 9/30/2016	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2017
Capital assets not being depreciated:				
Land and improvements	\$ 3,832,454	\$ -	\$ -	\$ 3,832,454
Construction progress	473,272	1,224,513	(24,350)	1,673,435
Total capital assets not being depreciated	4,305,726	1,224,513	(24,350)	5,505,889
Capital assets being depreciated:				
Building and improvements	13,419,091	24,350	-	13,443,441
Infrastructure	41,110,907	-	-	41,110,907
Machinery and equipment	5,749,350	370,422	(262,337)	5,857,435
Total capital assets being depreciated	60,279,348	394,772	(262,337)	60,411,783
Less accumulated depreciation for:				
Building and improvements	8,274,243	394,226	-	8,668,469
Infrastructure	35,065,643	769,090	-	35,834,733
Machinery and equipment	3,929,415	430,048	(262,337)	4,097,126
Total accumulated depreciation	47,269,301	1,593,364	(262,337)	48,600,328
Total capital assets being depreciated, net	13,010,047	(1,198,592)	-	11,811,455
Governmental activities capital assets, net	\$ 17,315,773	\$ 25,921	\$ (24,350)	\$ 17,317,344

Depreciation expense was charged to governmental functions as follows:

General government administration	\$ 426,357
Public safety	657,542
Public works	379,068
Parks and recreation	130,397
Total depreciation expense	\$ 1,593,364

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, 2017:

	Balance at 9/30/2016	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2017
Capital assets not being depreciated:				
Land and improvements	\$ 279,326	\$ -	\$ -	\$ 279,326
Construction progress	874,621	861,710	(569,318)	1,167,013
Total capital assets not being depreciated	1,153,947	861,710	(569,318)	1,446,339
Capital assets being depreciated:				
Land improvements	110,564	-	-	110,564
Building and improvements	41,997,958	568,941	-	42,566,899
Machinery and equipment	5,084,256	189,230	(91,117)	5,182,369
Total capital assets being depreciated	47,192,778	758,171	(91,117)	47,859,832
Less accumulated depreciation for:				
Land improvements	31,369	3,658	-	35,027
Building and improvements	20,067,779	1,149,111	-	21,216,890
Machinery and equipment	2,882,042	290,046	(91,117)	3,080,971
Total accumulated depreciation	22,981,190	1,442,815	(91,117)	24,332,888
Total capital assets being depreciated, net	24,211,588	(684,644)	-	23,526,944
Business-type activities capital assets, net	\$ 25,365,535	\$ 177,066	\$ (569,318)	\$ 24,973,283

Depreciation expense at September 30, 2017 was \$1,442,815.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for governmental activities at September 30, 2017 were as follows:

Accounts payable	\$ 439,534
Accrued salaries and wages	102,956
Payroll liabilities	60,961
Other liabilities	93,379
Total	\$ 696,830

Accounts payable and accrued expenses for the Water and Sewer Department consisted of the following at September 30, 2017:

Accounts payable	\$ 261,444
Payroll liabilities	25,445
Accrued interest payable	57,445
Accrued salaries and wages	29,882
Compensated absences	69,024
Total	\$ 443,240

City of Talladega, Alabama
Notes to Financial Statements

NOTE 9 – INTERFUND TRANSFERS

Interfund transfers among governmental funds for the year ended September 30, 2017 were:

	Transfers In	Transfers Out
General fund		
Other nonmajor funds	\$ 226,619	\$ 1,326,475
Capital projects funds	-	2,511,056
Total general fund	226,619	3,837,531
Capital projects trust fund		
General fund	2,511,056	-
Total capital projects trust fund	2,511,056	-
Other nonmajor funds		
General fund	1,326,475	226,619
Total nonmajor funds	1,326,475	226,619
Total governmental fund interfund transfers	\$ 4,064,150	\$ 4,064,150

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, 2017 were:

	Transfers In	Transfers Out
General fund		
Water and Sewer Department	\$ 348,123	\$ -
Total general fund	348,123	-
Water and Sewer Department		
General fund	-	348,123
Total Water and Sewer Department	-	348,123
Total proprietary fund transfers	\$ 348,123	\$ 348,123

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 an outside vendor from City residents on monthly water bills and pays a consolidated invoice.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as “interfund receivables/payables” include subsidy commitments outstanding at year-end and other miscellaneous receivables/payables between funds.

Interfund receivables and payables at September 30, 2017:

	Interfund Receivable	Interfund Payable
Capital Projects fund		
General fund	\$ 69,829	\$ -
General fund		
Capital projects fund	-	48,429
Other governmental funds		
Capital projects fund	-	21,400
Total interfund receivable/payable	\$ 69,829	\$ 69,829

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT

General obligation warrants provide funds for the acquisition and construction of major capital projects. The general and limited obligation warrants of the City include the following at September 30, 2017:

\$3,650,000; 2008 Series General Obligation Warrants; due at rates 3.00% to 5.125% per annum; maturing August 1, 2033.	\$ 245,000
\$2,760,000; 2015 Series General Obligation Warrants; due at rates ranging from 2.00% to 4.00% per annum; maturing August 1, 2033.	2,700,000
\$3,120,000; 2017-A Series General Obligation Warrants; due at rates 1.50% to 3.00% per annum; maturing August 1, 2027.	3,100,000
\$1,320,000; 2017-B Series General Obligation Warrants; due at rates ranging from 2.00% to 3.00% per annum; maturing August 1, 2027.	1,320,000
	7,365,000
Unamortized premium, 2015 Series General Obligation Warrants	134,830
Unamortized premium, 2017-A Series General Obligation Warrants	148,350
Unamortized premium, 2017-B Series General Obligation Warrants	52,284
	335,464
Total warrants payable	\$ 7,700,464

Warrants payable

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

Fiscal year ending September 30,	Principal	Interest	Total
2018	\$ 535,000	\$ 339,627	\$ 874,627
2019	550,000	330,435	880,435
2020	570,000	190,913	760,913
2021	580,000	173,813	753,813
2022	595,000	160,913	755,913
2023 – 2027	3,250,000	536,100	3,786,100
2028 – 2032	1,050,000	164,650	1,214,650
2033 – 2037	235,000	9,400	244,400
Total	\$ 7,365,000	\$ 1,905,851	\$ 9,270,851

NOTE 11 – LONG-TERM DEBT (CONTINUED)

General obligation debt refundings

Series 2015 General Obligation Warrants

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 warrants. As a result, that portion of the Series 2008 warrants is considered defeased, and the City has removed the liability from its accounts. As of September 30, 2017, the outstanding principal of the defeased warrants is \$2,150,000 and the remaining unrefunded warrants outstanding were \$360,000.

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.

Series 2017-A General Obligation Warrants

In 2017, the City issued \$3,284,833, including premium, of Series 2017-A General Obligation Warrants to refund \$3,145,695 of the City's previously issued and outstanding Series 2007 General Obligation Warrants. The proceeds were deposited with an escrow agent to provide for all future debt service on the refunded Series 2007 warrants. As a result, the Series 2007 warrants are considered defeased, and the City has removed the liability from its accounts. As of September 30, 2017, the outstanding principal of the defeased warrants is was fully paid.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$325,229, and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$289,753.

Series 2017-B General Obligation Warrants

Also in 2017, the City issued \$1,378,093, including premium, of Series 2017-B General Obligation Warrants to refund \$1,280,000 of the City's previously issued and outstanding 2008 Industrial Development Authority (IDA) revenue bond. The proceeds were deposited with an escrow agent to provide for all future debt service on the refunded 2008 revenue bond. As a result, the 2008 revenue bond is considered defeased, and the City has removed the liability from its accounts. As of September 30, 2017, the outstanding principal of the defeased revenue bond is \$1,280,000.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$119,956, and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$108,518.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Interest paid on long-term debt was \$278,357 for the year ended September 30, 2017.

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, 2017 are as follows:

Fiscal year ending September 30,	Present value of minimum lease payments	Interest	Total lease payments
2018	\$ 64,428	\$ 12,269	\$ 76,697
2019	70,559	11,164	81,723
2020	73,745	9,978	83,723
2021	79,028	8,695	87,723
2022	82,435	7,287	89,722
Thereafter	297,371	13,413	310,784
Total	\$ 667,566	\$ 62,806	\$ 730,372

The changes in long-term debt for the governmental activities of the City for the year ended September 30, 2017 is as follows:

Description	Beginning Balance 9/30/2016	Additions	Deletions	Ending Balance 9/30/2017	Due within one year
Warrants payable	\$ 7,998,257	\$ 4,662,926	\$ 4,960,719	\$ 7,700,464	\$ 535,000
Capital leases	726,928	13,700	73,062	667,566	64,428
Net pension liability	5,751,882	647,163	-	6,399,045	-
Compensated absences	290,906	218,115	167,372	341,649	34,165
Total changes in long-term debt	\$ 14,767,973	\$ 5,541,904	\$ 5,201,153	\$ 15,108,724	\$ 633,593

The City's General Fund is typically used to liquidate long-term liabilities with the exception warrant 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 Warrants Payable

Revenue warrants payable consists of Subordinated Water and Sewer Revenue warrants 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 principal and interest is paid by revenue earned by the system and trust restricted assets. The following schedule summarizes the changes in revenue warrants for the year ended September 30, 2017:

Description	Beginning balance 9/30/2016	Additions	Deletions	Ending Balance 9/30/2017	Amount Due Within one year	Interest paid
2010 Warrant	\$ 16,130,000	\$ -	\$ (421,250)	\$ 15,708,750	\$ 435,000	\$ 689,196
Premium	210,210	-	(8,759)	201,451	8,759	-
2015 Warrant	4,700,000	-	-	4,700,000	-	235,000
Premium	519,163	-	(18,541)	500,622	18,541	-
Total	\$ 21,559,373	\$ -	\$ (448,550)	\$ 21,110,823	\$ 462,300	\$ 924,196

Revenue warrants outstanding at September 30, 2017:

Series 2010 Warrants

On November 1, 2010, the Water and Sewer Department issued revenue warrants 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 debt 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 warrants.

The Series 2010 warrants are limited obligation warrants 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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the City's financial statements.

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

Fiscal year ending September 30,	Principal	Interest	Total
2018	\$ 435,000	\$ 691,313	\$ 1,126,313
2019	445,000	680,813	1,126,313
2020	465,000	668,850	1,125,813
2021	480,000	651,050	1,133,850
2022	500,000	616,850	1,131,050
2023 – 2027	2,790,000	2,781,950	5,571,950
2028 – 2032	3,390,000	2,176,788	5,566,788
2033 – 2037	4,175,000	1,384,838	5,559,838
2038 – 2042	3,028,750	308,000	3,336,750
Total	\$ 15,708,750	\$ 9,960,452	\$ 25,678,665

Series 2015 Warrants

On April 8, 2015, the Water and Sewer Department issued revenue warrants 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 warrants.

The Series 2015 warrants are limited obligation warrants 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 warrants for the next five fiscal years and thereafter are as follows:

	Principal	Interest	Total
2018	\$ -	\$ 235,000	\$ 235,000
2019	-	235,000	235,000
2020	-	235,000	235,000
2021	-	235,000	235,000
2022	-	235,000	235,000
2023 – 2027	-	1,175,000	1,175,000
2028 – 2032	-	1,175,000	1,175,000
2033 – 2037	-	1,175,000	1,175,000
2038 – 2042	2,280,000	1,119,500	3,399,500
2043 – 2047	2,420,000	180,750	2,600,750
Total	\$ 4,700,000	\$ 6,000,250	\$ 10,700,250

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

At September 30, 2017, the Department has implemented GASBS No. 74, Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans. This Statement requires that notes disclose certain details of the Plan as well as total OPEB liability and net OPEB liability information. While the Plan reporting falls under GASBS No. 74, the accounting for the Plan continues to be under GASBS No. 45 until GASBS No. 75 is implemented in fiscal year 2018. Because of this transition, certain OPEB notes are related to GASBS No. 45 and GASBS No. 74, respectively.

Plan Disclosures Under GASB Statement No. 45

Annual required contribution

The City's annual required contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the normal cost plus the contribution to amortize the actuarial accrued liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total estimated ARC for the fiscal year beginning October 1, 2016 is \$183,122, as set forth below:

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

	OPEB
Service cost	\$ 87,579
30 year AAL amortization amount	95,543
Annual required contribution	\$ 183,122

Net post-employment benefit obligation (asset)

The table below shows the City’s net other post-employment benefit (OPEB) obligation (asset) for fiscal year ending September 30, 2017:

Annual required contribution	\$ 183,122
Interest on net OPEB obligation	(4,785)
ARC adjustment	3,408
Annual OPEB cost	181,745
Contributions	-
Current year retiree premium	(204,747)
Change in net OPEB obligation	(23,002)
Beginning net OPEB obligation, beginning of year	(90,268)
Ending net OPEB obligation (asset)	\$ (113,270)

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 as of September 30, 2017.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB (Asset) Liability
September 30, 2017	\$ 181,744	100.00%	\$ (113,270)
September 30, 2016	165,097	100.00%	(90,268)
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

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Funded status and funding progress

As of September 30, 2016, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan was \$2,897,526. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2016 are set forth in the following table.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1,	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
2015	\$ 944,242	\$ 2,897,526	\$ 1,953,284	32.59%	\$ 7,280,000	26.83%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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 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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

In the actuarial valuation for the year ending September 30, 2016, the projected unit cost actuarial method was used. Based on the market value of assets method of asset valuation, the actuarial assumptions included a 5.5% discount rate, which approximates the expected rate of return on non-pension investments held by the City, including inflation at 3.0%. Actuarial assumptions also included an annual medical cost trend rate of 5.0%. The UAAL is being amortized as a level percentage of pay over thirty years on an open basis.

Actuarial cost method

The ARC is determined using the projected unit cost method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Turnover rate

An age-related turnover scale based on actual experience has been used. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
25	11.00%
40	6.50%
55	4.00%

Post-employment benefit plan eligibility requirements

The eligibility provisions are as follows: Earlier of retirement with 25 years of service or age 60 and 10 years of service. Complete plan provisions are contained in the official plan documents.

Investment return assumption (discount rate)

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Since the ARC is being funded, a 5.5% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health care cost trend rate

Because the amount of the retiree medical benefit premium paid by the employer is fixed and has historically been changed on an ad hoc basis, a conventional medical trend assumption has not been used. Instead, a level 5% annual increase in future employer paid premium costs has been assumed to account implicitly for anticipated general inflation at roughly the CPI level.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Mortality rate

The RP-2014 Total Table M/F Projection MP-2015 Fully Generational mortality table was used. This is a recently published mortality rate which has been used in determining the value of accrued benefits in defined benefit pension plans.

Plan Disclosures Under GASB Statement No. 74

Plan description

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.

Management of the Plan is invested in the City's elected council members, who may vary from time to time and who may designate certain administration officials as signatories on the Trust's investment accounts.

Plan membership

At September 30, 2016, the Plan's membership consisted of 176 active employees and 33 retirees.

Benefits provided

Medical plan benefits are provided through Local Government Health Insurance Programs (LGHIP) which is administered by the Alabama State Employee Insurance Board. The City contributes the full monthly premium for single retiree medical coverage for retirees with 24 or more years of service at retirement. The retiree is responsible for the cost of dependent coverage in excess of this amount. The subsidy continues until the retiree reaches age 65. Dental benefits are included in the medical contribution. The City also provides certain life insurance benefits for retirees.

Contribution rates

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Investment policy

The Plan’s policy regarding the allocation of invested assets is established and may be amended by the City. It is the City’s policy to invest public funds in a manner than will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds. As of September 30, 2017, the City’s investments are weighted as follows:

<u>Asset Class</u>	<u>Allocation</u>
Domestic Equity	91%
Certificates of Deposit	9%

Concentrations

The plan has three investments each exceeding 5% of total assets. The funds and corresponding allocations are: First Trust 60/40 Strategic Allocation 3rd Quarter 2016, 23%; First Trust 60/40 Strategic Allocation 1st Quarter 2017, 38%; and First Trust 60/40 Strategic Allocation 3rd Quarter 2017, 28%.

Rate of return

For the year ended September 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 7.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability

The components of the City’s OPEB liability as of September 30, 2017 were as follows:

Total OPEB liability	\$ 3,059,375
Plan fiduciary net position	1,091,815
Net OPEB liability (asset)	<u>\$ 1,967,560</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.31%

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2015, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	4.50%
Investment rate of return	5.50% (2.50% real rate of return plus 3.00% inflation)
Healthcare cost trend rates	Level 5% annually

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Mortality rates were based on the RP-2014 Total Table M/F Projection MP-2015 Fully Generational mortality table.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6%
Certificates of Deposit	1%

Discount rate

The GASB statement requires that the discount rate used to determine the retiree healthcare liabilities should be the estimated long-term yield on the "investments that are expected to be used to finance the payment of benefits". The discount rate used to measure the total OPEB liability was 5.50%.

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

The following represents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current discount rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ 2,193,112	\$ 1,967,560	\$ 1,778,529

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following represents the City’s net OPEB liability, as well as what the City’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 1,807,241	\$ 1,967,560	\$ 2,152,203

NOTE 13 – DEFERRED CHARGES FROM REFUNDING

City of Talladega

The defeasance of Series 2008 revenue warrants 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, 2017 was \$291,475.

The defeasance of Series 2007 revenue warrants resulted in a difference of \$64,355 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through 2027 and is reported in the accompanying financial statements as a deferred outflow of resources. The unamortized portion at September 30, 2017 was \$64,355.

The defeasance of 2008 IDA revenue bonds resulted in a difference of \$49,428 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through 2027 and is reported in the accompanying financial statements as a deferred outflow of resources. The unamortized portion at September 30, 2017 was \$49,428.

Water and Sewer Department

The defeasance 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, 2017 was \$190,998.

NOTE 14 – RESTRICTED FUND BALANCES

The restricted fund balances in the amount of \$3,371,246 are restricted for various capital outlay projects and various other purposes. The following amounts are restricted:

1. \$294,672 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. \$566,921 is derived from the City's share of the Oil Trust Fund and is restricted for capital improvements.
3. \$2,472,515 is derived from sales tax receipts held in the Capital Projects Trust Fund.
4. \$34,674 was derived from the 2.5 Mil Property Tax Fund and is restricted for education.
5. \$139 was derived from the Corrections Fund and is restricted for corrections related functions.
6. \$838 is derived from the Brownfield Fund and is restricted for use on the Brownfield Project.
7. \$693 is derived from the Police Grant and is restricted for use on the Police Grant Fund.
8. \$794 is derived from grant monies held in the RBEG 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 plan 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.

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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

- 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 Code of Alabama 1975, Section 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 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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

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 84,393 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active members	54,826
Post-Drop Participants who are still in active service	<u>235</u>
Total	<u>84,393</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 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, 2016, the City's active employee contribution rate was 10.60% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2017 was 10.60% of pensionable pay for Tier 1 employees and 7.22% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

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 \$632,981 for the year ended September 30, 2017, and \$135,983 (21%) were related to Water and Sewer Department employees.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward			
	<u>Expected</u>	<u>Actual</u>	
(a) Total Pension Liability			
as of September 30, 2015	\$ 24,897,145	\$ 24,922,048	\$ 25,938,658
(b) Discount Rate	8.00%	8.00%	8.00%
(c) Entry Age Normal Cost for			
October 1, 2015 – September 30, 2016	602,738	602,738	595,074
(d) Transfers Among Employers		(84,352)	(84,352)
(e) Actual Benefit Payment and Refunds for			
October 1, 2015 – September 30, 2016	(1,585,868)	(1,585,868)	(1,585,868)
(f) Total Pension Liability			
as of September 30, 2016			
[(a) x (1+(b))] + (c) + (d) + [(e) x (1 + .5 x (b))]	\$ 25,842,352	\$ 25,784,895	\$ 26,812,306
(g) Difference between Expected and Actual Experience (Gain)/Loss		\$ (57,457)	
(h) Less Liability Transferred for Immediate Recognition		(84,352)	
(i) Experience (Gain)/Loss = (g) - (h)		\$ 26,895	
(j) Difference between Actual (2015 Assumptions) and			
Actual (2016 Assumptions): Assumption Change (Gain)/Loss			\$ 1,027,411

Actuarial assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%-5.00%
Investment rate of return	7.75%*

*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 BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality table with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

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	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	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, 7.75%. 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, 2015	\$ 24,897,145	\$ 17,616,282	\$ 7,280,863
Changes for the year:			
Service cost	602,738	-	602,738
Interest	1,928,337	-	1,928,337
Changes in assumptions	1,027,411	-	1,027,411
Difference between expected and actual experience	26,895	-	26,895
Contributions – employer	-	640,034	(640,034)
Contributions – employee	-	365,914	(365,914)
Net investment income	-	1,760,239	(1,760,239)
Benefit payments, including refunds of employee contributions	(1,585,868)	(1,585,868)	-
Administrative expense	-	-	-
Transfers among employers	(84,352)	(84,352)	-
Net Changes	1,915,161	1,095,967	819,194
Balances at September 30, 2016	\$ 26,812,306	\$ 18,712,249	\$ 8,100,057

The above net pension liability is shared between the City’s general fund and proprietary fund. The City has allocated 21% or \$1,701,012 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan’s Net Pension Liability	\$ 11,179,589	\$ 8,100,057	\$ 5,497,190

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor’s report dated September 18, 2017 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, 2017, the City recognized pension expense of \$1,057,404, \$222,055 of which was related to proprietary fund employees. At September 30, 2017, 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	\$ 231,020	\$ -
Changes of assumptions	869,348	-
Net difference between projected and actual earnings on plan investments	161,887	-
Employer contributions subsequent to the measurement date	632,981	-
Total	\$ 1,895,236	\$ -

Year Ended September 30:	
2017	\$ 249,623
2018	249,625
2019	377,133
2020	137,494
2021	167,280
Thereafter	81,100
Total	\$ 1,262,255

The above deferred outflow of resources is shared between the City’s general fund and proprietary fund. The City has allocated 21% or \$265,074 to the water fund. The allocation is based on the fund’s relative share of employee and employer pension contributions. The deferred outflows 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 2018. These statements address:

- OPEB – accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

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

Required Supplementary Information

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

<i>Year ended September 30, 2017</i>	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes				
Sales and use tax	\$ 8,588,400	\$ 8,478,400	\$ 8,482,051	\$ 3,651
Rental tax	175,000	175,000	182,907	7,907
Lodging tax	175,000	175,000	165,463	(9,537)
Automobile sales tax	16,000	126,000	179,807	53,807
Motor vehicle license tax	3,500	3,500	3,824	324
Wholesale gasoline tax	180,000	180,000	161,010	(18,990)
Alcoholic beverage tax	20,000	20,000	24,069	4,069
Beer tax	105,000	105,000	97,701	(7,299)
Wine tax	4,500	4,500	5,369	869
Liquor tax - ABC profit	5,750	5,750	3,773	(1,977)
Cigarette tax	360,000	360,000	371,417	11,417
Alabama Gas franchise tax	50,000	50,000	37,188	(12,812)
Charter Cable franchise tax	180,000	180,000	190,485	10,485
10 mil property tax	1,050,000	1,050,000	1,091,275	41,275
M2 Connections franchise	2,500	2,500	464	(2,036)
Excise tax on financial institutions	80,000	80,000	119,743	39,743
County business privilege tax	30,000	30,000	31,085	1,085
Total taxes	11,025,650	11,025,650	11,147,631	121,981
Licenses				
Business license	1,175,000	1,175,000	1,211,456	36,456
Business license - Alabama Gas Corp.	138,000	138,000	96,394	(41,606)
Business license - Alabama Power Co.	730,000	730,000	728,394	(1,606)
Business license - Coosa Valley Electric	64,000	64,000	75,501	11,501
Business license - telephone	5,900	5,900	7,776	1,876
Alcohol license	50	50	150	100
Automobile license	35,000	35,000	43,447	8,447
Chauffeur license	50	50	10	(40)
Total license revenue	2,148,000	2,148,000	2,163,128	15,128
Permits				
Building permits	25,000	25,000	20,908	(4,092)
Miscellaneous permits	2,500	2,500	4,044	1,544
Yard sale permits	400	400	290	(110)
Total permits	27,900	27,900	25,242	(2,658)

(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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Revenues (continued)				
Fees				
Motor vehicle registration fees	\$ 500	\$ 500	\$ -	\$ (500)
Returned check fees	150	150	82	(68)
Zoning fees	500	500	-	(500)
Total fees	1,150	1,150	82	(1,068)
Police department				
Impound fees	12,000	12,000	9,000	(3,000)
Accident reports	4,500	4,500	3,640	(860)
Sex offender registration	1,000	1,000	1,022	22
Animal control reimbursement	90,000	90,000	117,625	27,625
I&O reports	2,800	2,800	1,665	(1,135)
Total police department	110,300	110,300	132,952	22,652
Corrections				
Bail bond fees	2,000	2,000	735	(1,265)
Total corrections	2,000	2,000	735	(1,265)
Donations				
Donations to animal control	2,500	2,500	7,011	4,511
Donations to fire department	-	-	219	219
Total Donations	2,500	2,500	7,230	4,730
Recreation department				
Spring Street Recreation Center	117,500	156,000	147,534	(8,466)
Refunds - Recreation Center	(2,500)	(2,500)	(1,715)	785
Bemiston Recreation Center	1,800	1,800	-	(1,800)
Brecon Recreation Center	4,000	4,000	3,850	(150)
Mabra Recreation Center	1,000	1,000	100	(900)
Bruner Sports Complex	40,000	1,500	1,500	-
Transportation farebox	10,000	10,000	8,353	(1,647)
Golf course revenue	12,500	12,500	6,672	(5,828)
Total recreation department	184,300	184,300	166,294	(18,006)

(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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Revenues (continued)				
Miscellaneous				
Senior citizens grant	\$ 10,800	\$ 10,800	\$ 12,480	\$ 1,680
Transportation grant	24,500	24,500	27,228	2,728
Children's summer nutrition grant	95,000	95,000	103,381	8,381
HPC grant	12,000	12,000	1,509	(10,491)
Weed abatement assessments	8,000	8,000	14,195	6,195
Traffic light grant	-	-	2,600	2,600
Condemnation revenue	2,000	2,000	-	(2,000)
Water detention review	800	800	-	(800)
Proceeds from sale of property	20,000	20,000	30,616	10,616
Rental revenue	10,800	10,800	7,550	(3,250)
Insurance reimbursements	1,000	1,000	-	(1,000)
Reimbursements	4,000	4,000	(7,546)	(11,546)
Interest revenue	5,000	5,000	6,676	1,676
Park authority LOC repayment	50,000	-	-	-
Hospital revenue	100,000	100,000	-	(100,000)
Cell tower application fee	2,000	2,000	7,000	5,000
Other revenue	9,000	9,000	8,870	(130)
Total miscellaneous	354,900	304,900	214,559	(90,341)
Total revenues	\$ 13,566,260	\$ 12,996,940	\$ 13,857,853	\$ 2,504,182

(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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Expenditures				
City Council	\$ 381,550	\$ 381,550	\$ 369,914	\$ 11,636
City Manager's office	308,800	305,450	283,731	21,719
Finance department	285,130	285,880	268,789	17,091
City Clerk's office	246,500	240,150	222,494	17,656
Human resources	100,500	114,677	103,404	11,273
Purchasing and safety	339,650	350,450	308,615	41,835
Police department	2,927,721	2,707,481	2,602,402	105,079
Emergency communications	295,000	265,000	261,803	3,197
Animal control	186,950	160,690	155,763	4,927
Fire department	1,640,750	1,627,300	1,608,261	19,039
Public works department	2,210,675	1,478,372	1,450,116	28,256
Community appearance	891,290	811,975	797,135	14,840
Parks and recreation	1,033,950	1,002,275	936,570	65,705
City building expenditures	161,100	177,345	166,738	10,607
General government expenditures	2,852,640	2,701,653	1,239,027	1,462,626
Total expenditures	13,862,206	12,610,249	10,774,762	1,835,487
Excess revenues over (under) expenditures	(295,946)	386,691	3,083,091	2,696,400
Other financing sources (uses):				
Transfers in from other funds	1,297,500	569,250	574,742	(5,492)
Transfers out to other funds	(1,587,940)	(1,379,010)	(3,837,531)	2,458,521
Total other financing sources (uses)	(290,440)	(809,760)	(3,262,789)	2,453,029
Net change in fund balances	(586,386)	(423,069)	(179,698)	5,149,429
Beginning fund balance	3,746,214	4,046,434	5,394,453	-
Ending fund balance	\$ 3,159,828	\$ 3,623,365	\$ 5,214,755	\$ 5,149,429

See accompanying notes to required supplementary information.

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 602,738	\$ 608,309	\$ 592,326
Interest	1,928,337	1,832,623	1,761,806
Changes in benefit terms	-	-	-
Differences between expected and actual experience	26,895	309,855	-
Changes of assumptions	1,027,411	-	-
Benefit payments, including refunds of employee contributions	(1,585,868)	(1,522,852)	(1,414,985)
Transfers among employers	(84,352)	-	-
Net change in total pension liability	1,915,161	1,227,935	939,147
Total pension liability - beginning	24,897,145	23,669,210	22,730,063
Total pension liability - ending (a)	26,812,306	24,897,145	23,669,210
Plan Fiduciary Net Position			
Contributions - employer	640,034	699,653	740,892
Contributions - employee	365,914	404,420	360,594
Net investment income	1,760,239	208,626	1,917,819
Benefit payments, including refunds of employee contributions	(1,585,868)	(1,522,852)	(1,414,985)
Transfers among employers	(84,352)	63,907	(3,971)
Net change in plan fiduciary net position	1,095,967	(146,246)	1,600,349
Plan net position - beginning	17,616,282	17,762,528	16,162,179
Plan net position - ending (b)	\$18,712,249	\$17,616,282	\$17,762,528
Net pension liability (asset) - ending (a) - (b)	\$ 8,100,057	\$ 7,280,863	\$ 5,906,682
Plan fiduciary net position as a percentage of total pension liability	69.79%	70.76%	75.04%
Covered employee payroll	\$ 6,713,736	\$ 6,313,716	\$ 6,643,729
Net pension liability as a percentage of covered employee payroll	120.65%	115.32%	88.91%

See accompanying notes to required supplementary information.

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)
2017	\$ 632,981	\$ 632,981	-	\$ 6,713,736	9.43%
2016	642,492	642,492	-	6,313,716	10.18%
2015	718,888	718,888	-	6,643,729	10.82%
2014	595,409	595,409	-	6,643,729	8.96%
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%

City of Talladega, Alabama
Schedule of Funding Progress - Other Post – Employment Benefits Plan

Other post-employment benefits (See also Note 12)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB (Asset) Liability
September 30, 2017	\$ 181,744	100.00%	\$ (113,270)
September 30, 2016	165,097	100.00%	(90,268)
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

As of September 30, 2016, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan was \$2,897,526. The development of the funded ratio and UAAL as a percentage of valuation payroll as of September 30, 2016, are set forth in the following table:

Funded status and funding progress:

Actuarial Valuation Date October 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2015	\$ 944,242	\$ 2,897,526	\$ 1,953,284	32.59%	\$ 7,280,000	26.83%
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
Schedule of Changes in Net OPEB Liability

B. Schedule of Changes in Net OPEB Liability

Total OPEB Liability	2017
Service cost	\$ 87,579
Interest	163,882
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	168,371
Net change in total OPEB liability	83,090
Total OPEB liability, beginning of year	2,976,285
Total OPEB liability, end of year	3,059,375
 Plan Fiduciary Net Position	
Contributions - employer	-
Contributions - other	-
Net investment income	79,392
Benefit payments and net transfers	-
Administrative expense	-
Net change in fiduciary net position	79,392
Plan fiduciary net position, beginning of year	1,012,423
Plan fiduciary net position, end of year	1,091,815
Net OPEB liability, end of year	1,967,560
Plan fiduciary net position as a percentage of the total OPEB liability	35.69%
Covered employee payroll in year ending September 30, 2017	7,571,200
Net OPEB liability as a percentage of covered-employee payroll	25.99%

Note to schedule:

This schedule is intended to cover 10 fiscal years. As each year ensues in the future, the information will be added until the schedule covers 10 years.



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 August 21, 2017.

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 ERS's 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 2017 were 10.60% for tier 1 employees (hired before January 1, 2013) and 7.22% 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, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2017 were based on the September 30, 2015 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	29 years
Asset Valuation Method	5-year smoothed market
Investment Rate of Return:	7.75%
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, 2017</i>	Original Budget	Final Budget	Actual	Variance
Operating revenues				
Water revenues	\$ 3,826,625	\$ 3,546,625	\$ 3,457,653	\$ (88,972)
Sewer revenues	2,911,600	2,482,600	2,486,137	3,537
Garbage revenues	1,044,000	1,041,300	1,031,090	(10,210)
Other operating revenues	281,150	248,950	232,408	(16,542)
Total revenues	8,063,375	7,319,475	7,207,288	(112,187)
Operating expenses				
Water and sewer department expenses	894,000	978,425	969,862	8,563
Waste water plants	1,162,835	1,174,685	1,188,659	(13,974)
Water filters and wells	908,400	812,050	777,379	34,671
General and administrative expenses	1,607,550	1,666,600	2,297,211	(630,611)
Depreciation and amortization	1,000,000	1,266,600	1,442,814	(176,214)
Total operating expenses	5,572,785	5,898,360	6,675,925	(777,565)
Operating income	2,490,590	1,421,115	531,363	(889,752)
Nonoperating income (expense)				
Interest income	10,000	10,000	19,812	9,812
Miscellaneous income	15,000	46,600	31,924	(14,676)
Interest expense	(977,360)	(977,360)	(939,458)	37,902
Total nonoperating income (expense)	(952,360)	(920,760)	(887,722)	33,038
Transfers				
Transfers out	(996,000)	(996,000)	(348,123)	647,877
Change in net position	\$ 542,230	\$ (495,645)	\$ (704,482)	\$ (208,837)

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

<i>September 30, 2017</i>	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,344,433	\$ -	\$ 889	\$ 1,345,322
Investments	768,793	-	-	768,793
Receivables	72,003	-	-	72,003
Total assets	\$ 2,185,229	\$ -	\$ 889	\$ 2,186,118
Liabilities				
Accounts payable and accrued liabilities	\$ 76,222	\$ -	\$ 4,762	\$ 80,984
Due to other funds	21,400	-	-	21,400
Total liabilities	97,622	-	4,762	102,384
Fund balances				
Restricted	897,937	-	794	898,731
Committed	945,079	-	-	945,079
Assigned	244,591	-	-	244,591
Unassigned	-	-	(4,667)	(4,667)
Total fund balance (deficit)	2,087,607	-	(3,873)	2,083,734
Total liabilities and fund balance	\$ 2,185,229	\$ -	\$ 889	\$ 2,186,118

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

<i>Year ended September 30, 2017</i>	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues				
Intergovernmental revenues:				
Federal and state grants	\$ 57,926	\$ -	\$ -	\$ 57,926
State taxes	621,143	-	-	621,143
Other operating revenues:				
Fees, fines and charges for services	516,190	-	-	516,190
Interest on investments	73,592	-	-	73,592
Other	3,343	-	-	3,343
Total revenues	1,272,194	-	-	1,272,194
Expenditures				
Current operations:				
General government	680,458	-	192	680,650
Public safety	567,431	-	-	567,431
Public works	-	-	-	-
Capital outlay	4,062	-	-	4,062
Debt service:				
Principal	-	577,367	-	577,367
Interest	-	278,357	-	278,357
Miscellaneous	-	128,930	-	128,930
Total expenditures	1,251,951	984,654	192	2,236,797
Excess of revenues over (under) expenditures	20,243	(984,654)	(192)	(964,603)
Other financing sources (uses):				
Issuance of bonds	-	4,440,000	-	4,440,000
Premium on issuance of bonds	-	222,926	-	222,926
Payment to refunded bond escrow agent	-	(4,539,478)	-	(4,539,478)
Transfers in	465,169	861,206	100	1,326,475
Transfer (out)	(226,619)	-	-	(226,619)
Transfer from Water and Sewer Department	-	-	-	-
Total other financing sources	238,550	984,654	100	1,223,304
Net change in fund balance	258,793	-	(92)	258,701
Fund balance, beginning of year	1,828,814	-	(3,781)	1,825,033
Fund balance, end of year (deficit)	\$ 2,087,607	\$ -	\$ (3,873)	\$ 2,083,734

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

<i>September 30, 2017</i>	2.5 Mil Property Tax Fund	4 Cent Gas Tax Fund	7 Cent Gas Tax Fund	Corrections Fund
Assets				
Cash and cash equivalents	\$ 30,180	\$ 127,292	\$ 157,004	\$ 20,442
Investments	-	-	-	-
Receivables	4,494	4,567	5,809	53,193
Total assets	\$ 34,674	\$ 131,859	\$ 162,813	\$ 73,635
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 73,496
Due to other funds	-	-	-	-
Total liabilities	-	-	-	73,496
Fund balances				
Restricted	34,674	131,859	162,813	139
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balance	34,674	131,859	162,813	139
Total liabilities and fund balance	\$ 34,674	\$ 131,859	\$ 162,813	\$ 73,635

Oil Trust Fund	Brownfield Fund	Police Grant	Cemetery Fund	Library Fund	Total Special Revenue Funds
\$ 566,921	\$ 838	\$ 22,093	\$ 213,687	\$ 205,976	\$ 1,344,433
-	-	-	730,178	38,615	768,793
-	-	-	3,940	0	72,003
<u>\$ 566,921</u>	<u>\$ 838</u>	<u>\$ 22,093</u>	<u>\$ 947,805</u>	<u>\$ 244,591</u>	<u>\$ 2,185,229</u>
\$ -	\$ -	\$ -	\$ 2,726	\$ -	\$ 76,222
-	-	21,400	-	-	21,400
-	-	21,400	2,726	-	97,622
566,921	838	693	-	-	897,937
-	-	-	945,079	-	945,079
-	-	-	-	244,591	244,591
<u>566,921</u>	<u>838</u>	<u>693</u>	<u>945,079</u>	<u>244,591</u>	<u>2,087,607</u>
<u>\$ 566,921</u>	<u>\$ 838</u>	<u>\$ 22,093</u>	<u>\$ 947,805</u>	<u>\$ 244,591</u>	<u>\$ 2,185,229</u>

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

<i>Year ended September 30, 2017</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	276,456	49,826	63,691	-
Other operating revenues:				
Fees, fines and charges for services	-	-	-	452,297
Interest on investments	507	-	331	-
Other	-	-	-	-
Total revenues	276,963	49,826	64,022	452,297
Expenditures				
Current operations:				
General	287,390	96	-	-
Public safety	-	-	-	522,431
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	287,390	96	-	522,431
Excess of revenues over (under) expenditures	(10,427)	49,730	64,022	(70,134)
Other financing sources (uses):				
Transfers in	-	-	-	143,232
Transfers (out)	-	-	-	(133,834)
Total other financing sources (uses)	-	-	-	9,398
Net change in fund balance	(10,427)	49,730	64,022	(60,736)
Fund balance, beginning of year	45,101	82,129	98,791	60,875
Fund balance, end of year	\$ 34,674	\$ 131,859	\$ 162,813	\$ 139

Oil Trust Fund	Brownfield Fund	Police Grant	Cemetery Fund	Library Fund	Total Special Revenue Funds
\$ -	\$ -	\$ 44,096	\$ -	\$ 13,830	\$ 57,926
138,080	-	-	-	93,090	621,143
-	-	-	50,286	13,607	516,190
1,323	-	6	70,481	944	73,592
-	-	1	-	3,342	3,343
139,403	-	44,103	120,767	124,813	1,272,194
-	96	-	41,892	350,984	680,458
-	-	45,000	-	-	567,431
-	-	-	-	-	-
-	-	-	-	4,062	4,062
-	96	45,000	41,892	355,046	1,251,951
139,403	(96)	(897)	78,875	(230,233)	20,243
-	-	44,999	-	276,938	465,169
-	-	(62,481)	(30,304)	-	(226,619)
-	-	(17,482)	(30,304)	276,938	238,550
139,403	(96)	(18,379)	48,571	46,705	258,793
427,518	934	19,072	896,508	197,886	1,828,814
\$ 566,921	\$ 838	\$ 693	\$ 945,079	\$ 244,591	\$ 2,087,607

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

<i>September 30, 2017</i>	RBEG Fund	Community Development	Total Capital Projects
Assets			
Cash and cash equivalents	\$ 794	\$ 95	\$ 889
Total assets	\$ 794	\$ 95	\$ 889
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 4,762	\$ 4,762
Fund balances			
Restricted	794		794
Unassigned	-	(4,667)	(4,667)
Total fund balance (deficit)	794	(4,667)	(3,873)
Total liabilities and fund balance	\$ 794	\$ 95	\$ 889

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

<i>Year ended September 30, 2017</i>	RBE Fund	Community Development	Total Capital Projects
Revenues			
Intergovernmental revenues:			
Federal and state grants	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures			
Current operations:			
General government	96	96	192
Capital outlay	-	-	-
Total expenditures	96	96	192
Excess of revenues over (under) expenditures	(96)	(96)	(192)
Other financing sources:			
Operating transfers in	-	100	100
Operating transfers out	-	-	-
Total other financing sources (uses)	-	100	100
Net change in fund balances	(96)	4	(92)
Fund balance, beginning of year	890	(4,671)	(3,781)
Fund balance, end of year (deficit)	\$ 794	\$ (4,667)	\$ (3,873)

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

	2008	2009	2010
Governmental activities			
Net investment in capital assets	\$ 11,030,088	\$ 10,261,167	\$ 10,056,395
Restricted			
Special revenue funds	587,450	612,807	631,242
Future capital projects	32,407	2,889,926	2,000,294
Perpetual care fund	685,738	770,649	789,130
Law enforcement fund	51,878	43,380	-
Debt service fund	224,269	345,132	322,954
Unrestricted, general fund	2,152,166	(1,375,617)	(722,971)
Total governmental activities	\$ 14,763,996	\$ 13,547,444	\$ 13,077,044
Business-type activities			
Net investment in capital assets	\$ 11,397,594	\$ 11,917,237	\$ 12,070,621
Restricted			
Capital projects	242,561	-	-
Debt service fund	101,550	-	-
Unrestricted	4,051,767	3,807,074	4,733,213
Total business-type activities	\$ 15,793,472	\$ 15,724,311	\$ 16,803,834
Primary government			
Net investment in capital assets	\$ 22,427,682	\$ 22,178,404	\$ 22,127,016
Restricted			
Capital projects	274,968	2,889,926	200,294
Special revenues	587,450	612,807	631,242
Perpetual care fund	685,738	770,649	789,130
Law enforcement fund	51,878	43,380	-
Debt service fund	325,819	345,132	322,954
Unrestricted	6,203,933	2,431,457	4,010,242
Total primary government	\$ 30,557,468	\$ 29,271,755	\$ 28,080,878

2011	2012	2013	2014	2015	2016	2017
\$ 8,270,373	\$ 8,470,055	\$ 8,485,428	\$ 8,702,500	\$ 8,668,887	\$ 8,280,408	\$ 8,544,055
1,198,908	856,473	1,678,716	1,935,106	558,817	733,486	897,099
947,169	921,330	1,446,726	1,029,835	1,621,321	1,680,278	2,474,147
742,549	-	-	-	-	-	-
-	-	-	-	-	-	-
300,776	-	-	-	-	-	-
2,148,195	4,358,747	3,228,241	4,474,117	198,227	2,267,638	2,040,615
<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>	<u>\$ 12,961,810</u>	<u>\$ 13,955,916</u>

\$ 9,953,242	\$ 10,399,739	\$ 9,625,354	\$ 9,528,061	\$ 4,665,885	\$ 5,020,591	\$ 3,825,393
-	-	-	-	-	-	-
1,211,445	1,211,644	1,710,193	1,448,412	6,608,857	6,079,882	5,811,725
16,908,341	5,972,835	5,743,591	8,049,562	6,814,460	6,828,228	7,587,101
<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>	<u>\$ 17,928,701</u>	<u>\$ 17,224,219</u>

\$ 18,223,615	\$ 18,869,794	\$ 18,110,782	\$ 18,230,561	\$ 13,334,772	\$ 13,300,999	\$ 12,369,448
947,169	921,330	1,446,726	1,029,835	1,621,321	1,680,278	2,474,147
1,198,908	856,473	1,678,716	1,935,106	558,817	733,486	897,099
742,549	-	-	-	-	-	-
-	-	-	-	-	-	-
1,512,221	1,211,644	1,710,193	1,448,412	6,608,857	6,079,882	5,811,725
7,891,849	10,331,582	8,971,832	12,523,679	7,012,687	9,095,866	9,627,716
<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>	<u>\$ 30,890,511</u>	<u>\$ 31,180,135</u>

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

	2008	2009	2010	2011
Expenses				
Governmental activities				
General government	\$ 1,176,495	\$ 3,659,053	\$ 3,700,715	\$ 3,603,718
Public protection				
Police	2,699,857	2,689,707	2,684,831	2,545,762
Fire	1,253,348	1,316,881	1,347,488	1,323,748
Corrections	496,677	544,946	645,216	1,016,090
Public works	1,955,829	3,198,716	2,920,835	4,289,657
Recreational	1,563,574	1,901,936	1,511,976	1,097,026
Nondepartmental	4,421,622	-	-	-
Other boards and agencies	366,280	-	-	-
Capital outlay	211,178	-	-	-
Depreciation expense	1,637,870	1,510,112	1,416,649	1,479,284
Interest and fiscal charges	331,330	496,301	506,695	489,291
Total governmental activities	16,114,060	15,317,652	14,734,405	15,844,576
Business-type activities				
Water and sewer	5,409,804	5,498,018	5,473,304	5,867,908
Total primary government	\$ 21,523,864	\$ 20,815,670	\$ 20,207,709	\$ 21,712,484
Program revenues				
Governmental activities				
Fees, fines and charges for service				
General government	\$ 48,944	\$ 23,585	\$ 31,100	\$ 67,673
Police	45,232	60,830	84,267	74,299
Fire	5	-	-	-
Other public protection	654,817	643,423	639,451	602,808
Public works	-	32,850	-	-
Recreational	367,995	313,823	266,604	206,704
Operating grants and contributions	113,951	124,923	253,042	-
Capital grants and contributions	179,984	141,310	97,751	-
Total governmental activities	1,410,928	1,340,744	1,372,215	951,484

2012	2013	2014	2015	2016	2017
\$ 3,612,283	\$ 4,032,660	\$ 3,503,698	\$ 3,180,845	\$ 4,098,149	\$ 4,647,566
2,655,797	2,739,752	2,939,897	3,175,819	3,035,750	3,019,968
1,414,782	1,528,048	1,576,920	1,838,503	1,587,401	1,608,261
692,669	644,982	886,695	1,526,185	1,370,589	1,247,724
3,407,964	3,201,587	3,115,086	5,911,183	3,449,780	2,630,550
1,162,741	964,970	1,071,582	1,192,742	1,071,100	1,067,252
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,476,188	1,498,964	1,474,028	-	-	-
453,617	428,798	414,495	352,077	360,675	250,403
14,876,041	15,039,761	14,982,401	17,177,354	14,973,444	14,471,724
5,777,985	5,966,932	6,151,870	6,366,816	6,666,566	7,615,383
\$ 20,654,026	\$ 21,006,693	\$ 21,134,271	\$ 23,544,170	\$ 21,640,010	\$ 22,087,107

\$ 95,371	\$ 128,815	\$ 63,365	\$ 49,868	\$ 54,713	\$ 64,710
79,469	107,546	95,987	95,987	92,933	133,687
-	-	-	-	-	-
644,754	650,775	934,808	814,985	677,055	451,562
-	-	-	-	-	-
179,121	174,458	183,513	160,879	155,673	166,294
-	629,196	342,874	230,756	415,778	205,124
-	34,431	12,192	288,219	162,311	-
998,715	1,725,221	1,632,739	1,640,694	1,558,463	1,021,377

(Continued on the following page.)

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

	2008	2009	2010	2011
Program revenues (continued)				
Business-type activities				
Water and sewer revenues	\$ 5,964,989	\$ 6,394,726	\$ 7,388,493	\$ 7,306,496
Operating grants and contributions	-	-	-	-
Capital grants and contributions	111,505	-	350,000	-
Total business-type activities	6,076,494	6,394,726	7,738,493	7,306,496
Total program revenues	\$ 7,487,422	\$ 7,735,470	\$ 9,110,708	\$ 8,257,980
Net (expense) revenue				
Governmental activities	\$ (14,703,132)	\$ (13,976,908)	\$ (13,362,190)	\$ (14,893,092)
Business-type activities	666,690	896,708	2,265,189	1,438,588
Total primary government net expense	\$ (14,036,442)	\$ (13,080,200)	\$ (11,097,001)	\$ (13,454,504)
General revenues				
Governmental activities				
Taxes				
Sales, property, other for general purposes	\$ 10,047,294	\$ 9,490,399	\$ 9,635,086	\$ 10,060,229
General business licenses and permits	1,914,460	2,014,668	1,944,017	2,027,174
Miscellaneous income	56,404	197,044	66,271	93,764
Interest income	65,171	69,183	47,507	37,281
Gain on sale of asset	-	-	-	69,703
Transfers	610,617	989,064	1,198,909	1,158,533
Total governmental activities	12,693,946	12,760,358	12,891,790	13,446,684
Business-type activities				
Miscellaneous income	-	-	-	-
Interest income	57,376	23,195	13,243	18,685
Transfers	(610,617)	(989,064)	(1,198,909)	(1,158,533)
Total business-type activities	(553,241)	(965,869)	(1,185,666)	(1,139,848)
Total general revenues	\$ 12,140,705	\$ 11,794,489	\$ 11,706,124	\$ 12,306,836
Change in net position				
Governmental activities	\$ (2,009,186)	\$ (1,216,552)	\$ (470,400)	\$ 530,926
Business-type activities	113,449	(69,161)	1,079,523	298,740
Total primary government	\$ (1,895,737)	\$ (1,285,713)	\$ 609,123	\$ 829,666

2012	2013	2014	2015	2016	2017
\$ 7,156,929	\$ 6,920,902	\$ 7,226,160	\$ 7,553,779	\$ 7,479,369	\$ 7,207,288
-	-	-	-	-	-
-	-	-	-	-	-
7,156,929	6,920,902	7,226,160	7,553,779	7,479,369	7,207,288
\$ 8,155,644	\$ 8,646,123	\$ 8,858,899	\$ 9,194,473	\$ 9,037,832	\$ 8,228,665
\$ (13,877,326)	\$ (13,314,540)	\$ (13,349,662)	\$ (15,536,660)	\$ (13,414,981)	\$ (13,450,347)
1,378,944	953,970	1,074,290	1,186,963	812,803	(408,095)
\$ (12,498,382)	\$ (12,360,570)	\$ (12,275,372)	\$ (14,349,697)	\$ (12,602,178)	\$ (13,858,442)
\$ 10,612,516	\$ 10,899,473	\$ 11,300,810	\$ 11,304,309	\$ 11,705,062	\$ 11,768,774
2,001,838	1,868,145	2,160,893	2,103,350	2,171,942	2,188,370
101,305	17,094	96,303	381,012	120,336	57,558
28,593	16,739	18,244	36,395	64,706	81,628
32,953	96,989	37,257	-	-	-
908,880	922,718	1,038,602	1,315,009	1,014,181	348,123
13,686,085	13,821,158	14,652,109	15,140,075	15,076,227	14,444,453
-	49,577	1,894,205	192,698	31,605	31,924
17,311	13,565	17,004	127,786	9,272	19,812
(908,880)	(922,718)	(1,038,602)	(1,315,009)	(1,014,181)	(348,123)
(891,569)	(859,576)	872,607	(994,525)	(973,304)	(296,387)
\$ 12,794,516	\$ 12,961,582	\$ 15,524,716	\$ 14,145,550	\$ 14,102,923	\$ 14,148,066
\$ 890,292	\$ 506,618	\$ 1,302,447	\$ (396,585)	\$ 1,661,246	\$ 994,106
487,375	94,394	1,946,897	192,438	(160,501)	(704,482)
\$ 1,377,667	\$ 601,012	\$ 3,249,344	\$ (204,147)	\$ 1,500,745	\$ 289,624

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

	2008	2009	2010	2011
Sales and use tax	\$ 7,455,008	\$ 6,479,715	\$ 6,355,749	\$ 6,987,196
Business licenses	1,832,046	1,956,931	1,861,447	1,949,387
10 mil tax	933,693	1,045,033	1,022,336	1,053,801
Other taxes and licenses	1,741,007	2,022,713	2,339,571	2,097,019
Total taxes and licenses	\$ 11,961,754	\$ 11,504,392	\$ 11,579,103	\$ 12,087,403

	2008	2009	2010	2011
City of Talladega	4.00%	4.00%	4.00%	5.00%
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%	10.00%

2012	2013	2014	2015	2016	2017
\$ 7,784,557	\$ 8,003,987	\$ 8,237,253	\$ 9,404,853	\$ 9,750,940	\$ 9,789,736
2,001,838	1,868,146	2,160,893	2,103,350	2,171,942	2,188,370
971,921	1,049,494	1,071,589	1,062,369	1,053,026	1,091,275
1,856,038	1,405,179	1,991,968	837,087	901,096	887,763
\$ 12,614,354	\$ 12,326,806	\$ 13,461,703	\$ 13,407,659	\$ 13,877,004	\$ 13,957,144

Sales and Use Tax
Direct and Overlapping
Last Ten Fiscal Years

2012	2013	2014	2015	2016	2017
5.00%	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%
10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

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

	2008	2009	2010	2011
General fund				
Unreserved	\$ 2,438,232	\$ 1,933,969	\$ 2,066,862	\$ -
Restricted	-	-	-	17,244
Committed	-	-	-	1,377,358
Assigned	-	-	-	-
Unassigned	-	-	-	1,268,996
Total general fund	2,438,232	1,933,969	2,066,862	2,663,598
All other governmental funds				
Reserved:				
Special revenues funds	587,450	612,807	631,242	-
Debt service funds	224,269	345,132	322,954	-
Other nonmajor funds	737,616	814,029	789,130	-
Future capital projects	32,407	2,889,926	200,294	-
Unreserved, reported in:				
Other nonmajor funds	154,439	100,535	93,692	-
Restricted	-	-	-	3,185,805
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	154,933
Total all other governmental funds	1,736,181	4,762,429	2,037,312	3,340,738
Total governmental funds	\$ 4,174,413	\$ 6,696,398	\$ 4,104,174	\$ 6,004,336

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	300,000	300,000	-	1,608,025	-
4,057,672	3,012,259	4,348,610	3,748,728	3,786,428	5,214,755
4,057,672	3,312,259	4,648,610	3,748,728	5,394,453	5,214,755
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,777,803	3,125,442	2,964,341	2,180,138	2,413,764	3,371,246
826,225	848,233	856,677	833,630	896,508	945,079
134,040	154,356	186,524	176,731	197,886	244,591
-	-	-	-	(4,671)	(4,667)
2,738,068	4,128,031	4,007,542	3,190,499	3,503,487	4,556,249
\$ 6,795,740	\$ 7,440,290	\$ 8,656,152	\$ 6,939,227	\$ 8,897,940	\$ 9,771,004

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

	2008	2009	2010	2011
Revenues				
Taxes	\$ 10,047,294	\$ 9,490,399	\$ 9,635,086	\$ 10,060,229
Licenses and permits	1,914,460	2,014,668	1,944,017	2,027,174
Changes for services	1,116,993	1,074,511	1,021,422	951,484
Federal and state grants	293,935	266,233	350,793	1,977,334
Interest	65,171	69,183	47,507	37,281
Proceeds from long-term debt	2,208,038	3,705,700	-	-
Other revenues	254,289	197,044	78,796	163,467
Total revenues	15,900,180	16,817,738	13,077,621	15,216,969
Expenditures				
General government	1,166,909	2,071,339	2,093,373	1,606,559
Public safety	4,423,568	4,441,888	4,625,364	4,871,600
Public works	2,021,327	1,725,131	1,727,601	3,197,571
Recreation	1,572,190	1,599,223	1,363,563	994,526
Other boards and agencies	362,640	380,600	343,854	304,850
Non-departmental	4,421,622	2,819,353	2,677,089	2,965,022
Capital outlay	685,541	1,102,902	1,121,126	1,375,357
Debt service:				
Principal	602,335	654,634	599,890	571,495
Interest	252,962	467,350	487,594	458,985
Miscellaneous	13,285	22,397	29,300	30,477
Total expenditures	15,522,379	15,284,817	15,068,754	16,376,442
Excess revenues over (under) expenditures	377,801	1,532,921	(1,991,133)	(1,159,473)
Other financing sources (uses)				
Operating transfers in	2,390,304	3,116,754	3,194,294	3,985,545
Operating transfers out	(1,779,687)	(2,127,690)	(1,995,385)	(2,827,310)
Proceeds from long-term debt	-	-	-	101,400
Total other financing sources	610,617	989,064	1,198,909	1,259,635
Net change in fund balance	988,418	2,521,985	(792,224)	100,162
Fund balance, beginning of year	3,185,995	4,174,413	6,696,398	5,904,174
Prior period adjustment	-	-	-	-
Fund balance, end of year	\$ 4,174,413	\$ 6,696,398	\$ 5,904,174	\$ 6,004,336
Ratio of debt service expenditures to noncapital expenditures	5.76%	7.91%	7.80%	6.87%

2012	2013	2014	2015	2016	2017
\$ 11,345,272	\$ 11,262,199	\$ 11,300,810	\$ 11,304,309	\$ 11,705,062	\$ 11,768,774
2,001,838	1,868,146	2,160,893	2,103,350	2,171,942	2,188,370
960,054	1,013,951	1,277,673	1,121,719	980,374	816,253
200,354	295,421	355,066	518,975	578,089	205,124
28,592	16,741	18,244	36,395	64,706	81,628
-	-	-	-	-	-
323,467	170,466	155,205	381,012	120,336	71,258
14,859,577	14,626,924	15,267,891	15,465,760	15,620,509	15,131,407
1,699,523	1,930,072	2,011,405	2,304,491	2,068,738	2,085,092
4,734,510	4,912,782	5,403,512	5,933,000	5,351,668	5,195,660
2,236,637	3,201,587	3,115,086	5,560,961	3,079,661	2,251,482
1,052,011	964,970	1,071,582	1,072,266	943,781	936,855
323,900	338,173	291,524	257,152	251,637	269,458
2,598,400	1,600,356	1,057,294	1,083,488	1,237,085	1,405,765
1,142,607	1,552,034	1,274,483	1,319,221	1,111,417	1,600,948
584,204	820,565	436,649	773,121	532,842	577,367
445,199	432,558	417,435	367,307	343,812	278,357
26,333	6,992	11,661	157,350	8,648	128,930
14,843,324	15,760,089	15,090,631	18,828,357	14,929,289	14,729,914
16,253	(1,133,165)	177,260	(3,362,597)	691,220	401,493
4,132,577	5,373,111	3,346,937	5,689,545	3,915,867	4,412,273
(3,223,697)	(4,450,394)	(2,308,335)	(4,374,536)	(2,901,686)	(4,064,150)
49,140	854,998	-	330,663	-	123,448
958,020	1,777,715	1,038,602	1,645,672	1,014,181	471,571
974,273	644,550	1,215,862	(1,716,925)	1,705,401	873,064
6,004,337	6,795,740	7,440,290	8,656,152	6,939,227	8,897,940
(182,870)	-	-	-	253,312	-
\$ 6,795,740	\$ 7,440,290	\$ 8,656,152	\$ 6,939,227	\$ 8,897,940	\$ 9,771,004
7.51%	8.82%	6.18%	6.51%	6.34%	6.52%

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	
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
2016	10.0	12.5	22.5	9.5	6.5	38.5
2017	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

	2017			2008		
	Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected	Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected
Wal-Mart	\$ 2,085,433	1	24.59%	\$ 1,857,431	1	25.31%
Baker Foods	548,303	2	6.46%	464,004	2	6.32%
CSX Transportation	222,159	3	2.62%	156,766	3	2.14%
Talladega Home Center	167,566	4	1.98%	101,839	5	1.39%
Dollar General	148,541	5	1.75%			
Marvins, Inc.	132,728	6	1.56%	123,121	4	1.68%
Spann Enterprises	132,052	7	1.56%	81,769	9	1.11%
Tractor Supply	122,249	8	1.44%	87,118	6	1.19%
Mapco Express, Inc.	109,749	9	1.29%			
Murphy Oil USA	79,973	10	0.94%			
Jack's Family Restaurant				83,939	7	1.14%
Dolgencorp, Inc.				83,722	8	1.14%
MSP Distribution Services				72,397	10	0.99%

The taxpayers listed above represent the City's top 10 payers of sales tax, which is the City's largest revenue source. These taxpayers are representative of the City's sales tax base.

Sales tax of 5% is charged for the sale of tangible personal property and sales at places of amusement or entertainment.

Sales tax of 1% is charged for the sale of machines used in mining, quarrying, planting, cultivating, etc.

Sales tax of .75% is charged for the sale of automobiles, trucks and trailers.



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	Percentage of Personal Income	Per Capita
	General Obligation Warrants	Revenue Bonds	Capital Leases	Revenue Warrants	Capital Leases			
2008	\$ 7,776,434	\$ -	\$ 562,365	\$ 7,165,000	\$ 422,149	\$ 15,925,948	3.2%	1,084
2009	8,940,578	1,985,000	464,288	6,880,000	276,808	18,546,674	3.2%	1,092
2010	8,884,976	1,905,000	565,622	6,680,288	39,115	18,075,001	4.7%	1,384
2011	8,494,881	1,825,000	618,395	18,501,520	46,592	29,486,388	6.3%	1,881
2012	7,726,665	1,740,000	317,828	17,740,000	7,820	27,532,313	7.1%	2,108
2013	7,280,000	1,655,000	883,926	17,586,487	288,948	27,694,361	4.1%	1,758
2014	6,950,000	1,565,000	865,664	16,763,136	211,608	26,355,408	3.8%	1,651
2015	6,996,684	1,475,000	794,772	22,001,673	133,179	31,401,308	5.8%	1,684
2016	6,618,257	1,380,000	726,928	21,559,373	53,645	30,338,203	6.6%	1,905
2017	7,700,464	-	667,566	21,110,823	-	29,478,853	6.5%	2,453

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

September 30, 2017

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City of Talladega*	Amount Applicable to City of Talladega
City of Talladega	\$ 8,368,030	100.00%	\$ 8,368,030
Talladega County	25,815,800	10.00%	2,581,580
Total	\$ 34,183,830		\$ 10,949,610

*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	Revenue Bonds	Less: Amounts Restricted for Debt	Net Bonded Debt Total	Percentage Estimated Actual Taxable Value of Property	Per Capita
2008	\$ -	\$ -	\$ -	0.00%	-
2009	1,985,000	-	1,985,000	1.82%	117
2010	1,905,000	-	1,905,000	1.68%	146
2011	1,825,000	-	1,825,000	1.61%	116
2012	1,740,000	-	1,740,000	1.48%	133
2013	1,655,000	-	1,655,000	1.35%	106
2014	1,565,000	-	1,565,000	1.27%	98
2015	1,475,000	-	1,475,000	1.21%	92
2016	1,380,000	-	1,380,000	1.12%	88
2017	-	-	-	0.00%	-

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

	2008	2009	2010	2011
Assessed property value	\$ 110,402,080	\$ 109,099,890	\$ 113,448,000	\$ 113,694,240
Debt limited to	20%	20%	20%	20%
Debt limit:	22,080,416	21,819,978	22,689,600	22,738,848
Total net debt applicable to limit	8,338,803	11,389,866	11,355,598	10,937,954
Legal debt margin	\$ 13,741,613	\$ 10,430,112	\$ 11,334,002	\$ 11,800,894
Total net debt applicable to the limit as a percentage of debt limit	37.77%	52.20%	50.05%	48.10%

2012	2013	2014	2015	2016	2017
\$ 117,887,180	\$ 122,970,640	\$ 122,875,960	\$ 121,537,440	\$ 123,594,320	\$ 123,614,880
20%	20%	20%	20%	20%	20%
23,577,436	24,594,128	24,575,192	24,307,488	24,718,864	24,722,976
9,784,493	9,818,926	9,380,664	8,938,175	8,725,185	8,368,030
\$ 13,792,943	\$ 14,775,202	\$ 15,194,528	\$ 15,369,313	\$ 15,993,679	\$ 16,354,946
41.50%	39.92%	38.17%	36.77%	35.30%	33.85%



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

	2008	2009	2010	2011
Population¹	14,698	16,991	13,062	15,676
Total personal income				
Household income-City	\$ 34,067	\$ 34,067	\$ 29,660	\$ 29,942
Talladega County	\$ 47,603	\$ 38,013	\$ 48,400	\$ 56,300
Per capita¹				
Personal income*	\$ 17,557	\$ 17,435	\$ 18,583	\$ 18,583
Talladega County	\$ 18,686	\$ 18,473	\$ 19,762	\$ 19,762
School district³				
Enrollment	2,573	2,395	2,576	2,315
Unemployment²				
Rate	5.9	12.1	13.2	8.4
Employed²				
Talladega County	36,258	32,296	31,958	32,067

* 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

2012	2013	2014	2015	2016	2017
13,062	15,591	15,966	16,092	15,709	15,676
\$ 29,874	\$ 31,122	\$ 32,304	\$ 33,686	\$ 29,482	\$ 29,074
\$ 46,800	\$ 47,500	\$ 41,700	\$ 42,000	\$ 35,155	\$ 37,923
\$ 18,583	\$ 15,855	\$ 16,536	\$ 16,203	\$ 16,882	\$ 17,421
\$ 19,762	\$ 18,744	\$ 19,410	\$ 19,134	\$ 19,598	\$ 20,430
2,622	2,206	2,196	2,179	1,965	2,008
11.5	7.2	6.9	6.4	7.0	6.0
32,067	35,199	34,828	35,167	34,756	32,466

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

	2017			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Alabama Institute for Deaf & Blind	1266	1	3.38%	628	2	1.64%
Talladega County Board of Education	955	2	2.55%	952	1	2.49%
MasterBrand Cabinets	388	3	0.92%	237	7	0.62%
Baptist Citizens Medical Center	346	4	0.92%	322	5	0.84%
Talladega Healthcare and Rehab	343	5	0.88%			
Federal Correction Institution	330	6	0.86%	330	4	0.86%
Talladega City Board of Education	321	7	0.77%	347	3	0.91%
City of Talladega	244	8	0.65%			
Wal-Mart Talladega	235	9	0.63%			
International Enterprises Industries	135	10	0.33%			

Source: Talladega County Economic Development Authority

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

Department	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administrative/City Clerk	5	2	2	2	2	2	2	2	2	2
Animal Control	4	4	4	3	3	3	4	4	4	4
City Council	6	6	6	6	6	6	6	6	6	6
City Manager	2	3	4	5	5	4	5	5	5	2
Comm. Appearance	22	22	18	23	22	22	20	20	20	20
Comm. Development	-	7	-	-	-	-	-	-	-	-
Fire	26	26	27	31	28	28	27	27	27	27
Human Resources	-	2	2	2	2	2	2	2	2	2
Library	6	6	10	8	7	7	7	7	7	7
Municipal Court	3	3	3	3	3	3	4	4	4	3
Parks and Recreation	28	28	32	27	12	11	10	10	10	10
Police	42	42	40	48	44	43	47	47	47	41
Police Communications ¹	4	4	-	-	-	-	-	-	-	-
Public Works	22	23	17	15	17	18	16	16	16	13
Purchasing	-	-	3	2	2	2	2	2	2	5
Revenue/Finance	3	5	5	5	5	5	5	5	5	5
Total	173	183	173	180	158	156	157	157	157	147

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Emergency communications										
Calls received ¹	2,890	52,712	23,267	31,185	29,991	33,985	34,307	31,834	29,603	27,250
Police										
Calls for service	20,713	20,538	20,300	23,826	23,203	28,965	29,238	26,849	24,736	22,549
Reported crimes	3,829	3,277	4,035	6,732	6,204	4,357	4,359	4,334	4,165	3,903
Fire										
Fire responses	424	321	492	627	432	424	420	380	241	159
Medical calls	19	23	34	-	152	239	290	271	461	489
	443	344	526	627	584	663	710	651	702	648
Water										
Millions of gallons per day										
Filtration plant production	3.59	3.44	3.65	3.78	3.73	3.37	3.45	3.73	3.10	2.85
City water demand	2.55	2.53	2.58	2.08	2.12	1.85	2.44	2.12	1.93	1.86

¹ Talladega County 911
Source: City departments

City of Talladega, Alabama Capital Asset Statistics by Function

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	126.5	126.5	126.5	126.5
Number of fire hydrants	950	950	950	950	950	950	1,000	1,000	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