

Comprehensive Annual Financial Report

City of Talladega, Alabama

*For fiscal year ending
September 30, 2018*

City of Talladega, Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2018

Prepared by
Finance Department
Romy Stamps, Finance Director

City of Talladega, Alabama
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September 30, 2018

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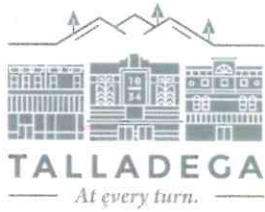
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CITY OF TALLADEGA

255 South Street W.
P.O. Box 498
Talladega, AL 35161
(256) 362-8186

May 31, 2019

Ladies and Gentlemen:

I hereby transmit the annual financial report of the City of Talladega as of and for the year ended September 30, 2018. The accounting firm, Carr, Riggs & Ingram, has audited the financial statements. The auditors' unmodified opinion of governmental activities is included in this report.

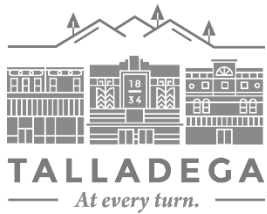
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Talladega for its comprehensive annual financial report for the fiscal years 2009 through 2017. In order to be awarded a Certificate 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,

Elizabeth Cheeks
City Manager
City of Talladega



CITY OF TALLADEGA

255 South Street W.
P.O. Box 498
Talladega, AL 35161
(256) 362-8186

May 31, 2019

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, 2018. 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, 2018. 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.

GOVERNMENT PROFILE

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.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary fund activities are maintained on the accrual basis.

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. The annual operating budget process starts in July with preliminary meetings between each Department Head and the Finance Director. Proposed departmental budgets are then submitted to the City Manager for review. After reviewing the department budget proposal with each Department Head and the Finance Director, the City Manager presents the proposed budget to the City Council in September. The budget is reviewed the City Council and is formally adopted by the passage of a budget ordinance.

In addition, the City maintains budgetary controls. These controls ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the General, Special Revenue, Capital Projects and Enterprise (proprietary funds) are included in the annual budget. Interim financial statements are distributed to management and elected officials monthly to provide information on the status of actual revenue and expenditures as compared to the originally budgeted amounts. The level of budgetary control (the level at which expenditures cannot exceed the budgeted amount) is established at the individual fund level. Though the City Manager is authorized to transfer budgeted amounts between line items and departments within any fund, the City Council must approve any revision that increases the total appropriations of any fund.

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 continued to increase slightly since FY 2017 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 15% of annual expenditures, or sufficient to fund 55 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 Talladega residents 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. 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 7.6% of General Fund expense. The City was first rated by Standard & Poors in 2009, achieving a rating of "A, stable" and was upgraded to "AA-" in 2014. This rating was affirmed in March, 2015. The City's Water and Sewer utility has achieved a rating of A+, stable, which was also affirmed in March, 2015.

ACKNOWLEDGMENTS

The preparation of this report 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 Shashana Hill, 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,



Romy Stamps
Finance Director



Government Finance Officers Association

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

Presented to

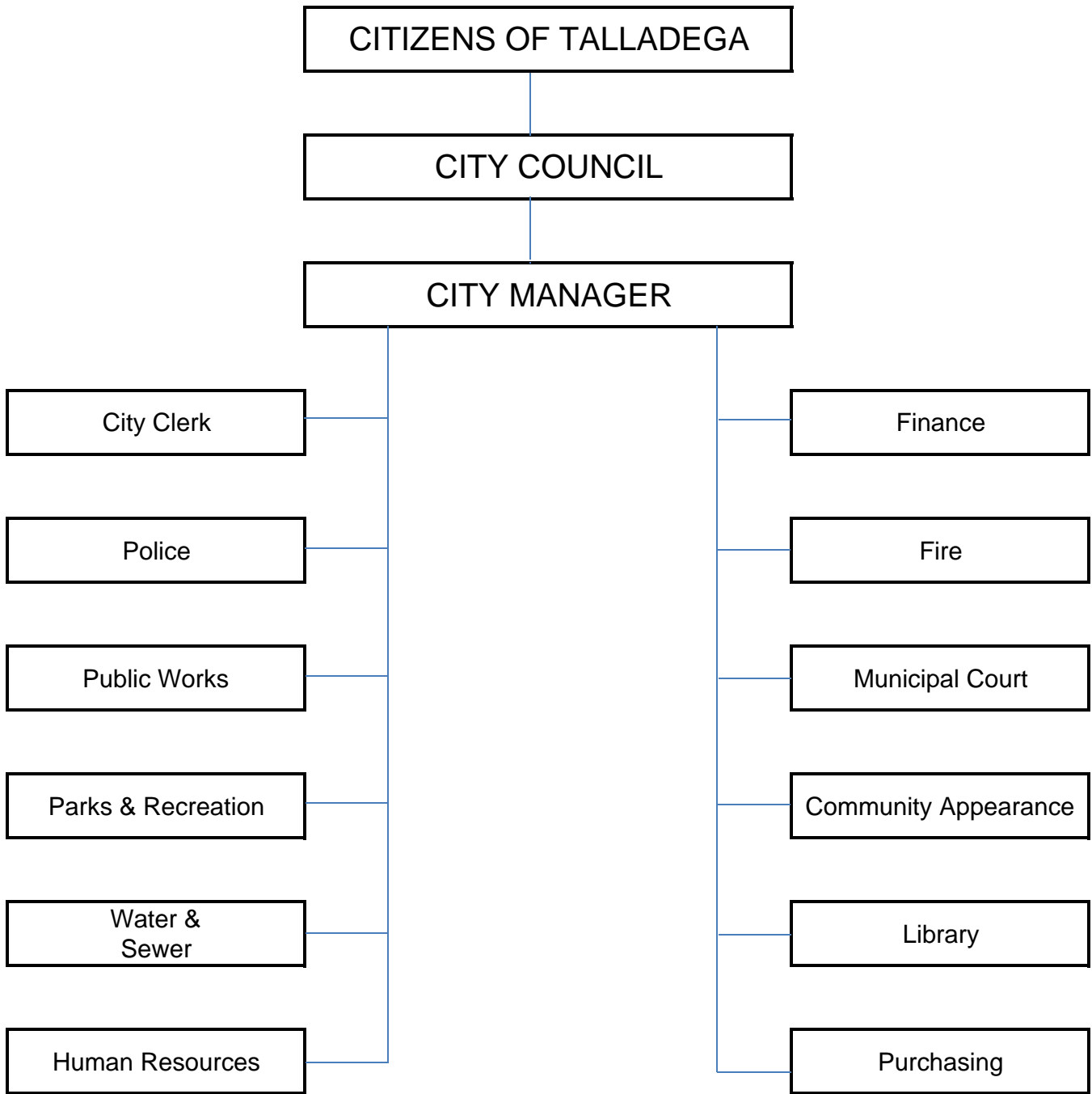
**City of Talladega
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

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

Beth Cheeks

Other City Officials

Acting City Clerk	Joanna Medlen
Community Appearance	Mitch Bast, Director
Finance	Romy Stamps, Director
Fire	Danny Warwick, Chief
Human Resources	Tayler 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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2018, 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 reports 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter*Adoption of New Accounting Pronouncement*

As described in note 20 to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions, which resulted in a cumulative effect of change in accounting principle of (\$3,449,424) to the September 30, 2017 net position for the governmental activities. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4.1–4.10 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 May 31, 2019 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

May 31, 2019



CITY OF TALLADEGA

255 South Street W.
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CITY OF TALLADEGA, ALABAMA MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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, 2018. 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 \$27,935,420 as of September 30, 2018. However, \$16,892,141 (61%) reflects the City's investment in capital assets, less any related debt still outstanding that was issued to acquire those items. The City of Talladega uses these capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City of Talladega's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay the debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional total of \$8,574,909 represents assets that are subject to external restrictions on how they may be used. The remaining balance, totaling \$2,378,370, is unrestricted.
- The total net position of the City of Talladega declined by approximately \$3.5 million during fiscal year 2018; however, this was primarily due to the implementation of GASB 75, "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions (OPEB), which resulted in a prior period adjustment of \$3,449,424.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$10.905 million. The combined governmental funds' fund balances increased by \$1,134,142 during the fiscal year, primarily due to the budget surplus.
- The General Fund balance increased by \$1,475,564 to a total of \$6.69 million at year end. The city considers \$2.245 million of this balance to be emergency reserves; this amount represents just over 15% of annual expenditures, or 55 days of operations. General Fund revenues were \$14.892 million, which exceeded the

- previous fiscal year by \$1.034 million and \$212,569 more than anticipated in the budget. The overall financial position of the City remains stable.
- The Capital Projects Trust Fund closed with a fund balance of \$1,893,201, a 23% decrease from the prior year balance. Capital funds expenditures were \$1,689,753 for fiscal year 2018 and consisted of building and park improvements, software upgrades, as well as equipment and fleet replacement. The City invested approximately \$920,000 in construction projects during fiscal 2018.
- 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 \$2,321,626, a \$237,892 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 2018 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, 2018, by \$15,547,972 (total net position) down from \$17,224,219 in FY 2017. Of the total net position, \$1,837,002 or 12% (unrestricted net position) may be used to meet the Department's ongoing obligations. Current liabilities were about \$451,000 higher than the previous fiscal year due to increased outstanding payables at year end. The City's noncurrent liabilities increased in total, due to the addition of the net OPEB liability of \$662,305; however, net pension liability decreased by approximately \$133K. 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 \$7,547,518, an increase of \$340,230 from 2017, were exceeded by operating expenses during the year, which increased \$982,400 for a total of \$8,597,783 for FY 2018. This deficit combined with increases in nonoperating expense and transfers out, caused a decline of \$975,655 in net position. Additionally, the implementation of GASB 75, "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions (OPEB)", resulted in a prior period adjustment that decreased net position by \$700,592.
- During this time period proceeds from the 2010 and 2015 Capital Improvement Warrants continued to be utilized on a number of system improvement projects.

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 Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements are divided into two categories:

- **Governmental Activities** - Most of the City's basic services are included here, such as police, fire, public works, recreation and general administration. Sales and use tax, property taxes, business licenses and other state-shared revenues finance most of these activities.
- **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, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,529,564	\$ 7,043,608	\$ 16,573,172
Investments	1,033,027	-	1,033,027
Receivables, net	989,100	670,804	1,659,904
Unbilled revenue	-	557,388	557,388
Internal balances	46,411	-	46,411
Inventories	-	276,470	276,470
Restricted assets	-	5,507,330	5,507,330
Other assets	68,895	24,100	92,995
Capital assets not being depreciated	5,318,014	1,446,339	6,764,353
Capital assets, net of accumulated depreciation	11,566,326	23,893,040	35,459,366
Total assets	28,551,337	39,419,079	67,970,416
Deferred outflows of resources			
Employer retirement contributions subsequent to measurement date - pension	525,586	147,216	672,802
Net difference between projected and actual earnings on pension plan investments and differences between expected and actual experience - pension	692,149	195,222	887,371
Deferred charges from refunding	375,177	148,716	523,893
Total deferred outflows of resources	1,592,912	491,154	2,084,066
Total assets and deferred outflows of resources	30,144,249	39,910,233	70,054,482
Liabilities			
Accounts payable and accrued liabilities	707,279	865,185	1,572,464
Internal balances	-	46,411	46,411
Customer meter deposits	-	231,110	231,110
Other liabilities	54,572	-	54,572
Accrued interest	33,615	-	33,615
Noncurrent liabilities:			
Due within one year:			
Warrants payable	550,000	445,000	995,000
Capital leases	70,558	-	70,558
Compensated absences	60,059	-	60,059
Due in more than one year:			
Warrants payable	6,584,745	20,202,689	26,787,434
Capital leases	525,359	-	525,359
Net pension liability	5,558,620	1,567,816	7,126,436
Net OPEB liability	2,491,530	662,305	3,153,835
Compensated absences	340,331	124,359	464,690
Total liabilities	16,976,668	24,144,875	41,121,543
Deferred inflows of resources			
Deferred inflows of resources - pension	616,705	173,943	790,648
Deferred inflows of resources - OPEB	163,428	43,443	206,871
Deferred inflows of resources	780,133	217,386	997,519
Net position (deficit)			
Net investment in capital assets	8,778,501	8,203,640	16,982,141
Restricted for:			
Capital projects	1,893,201	-	1,893,201
Special revenues (gas tax and road projects)	1,115,468	-	1,115,468
Special revenues (ad valorem tax for schools)	34,890	-	34,890
Special revenues (public safety)	24,020	-	24,020
Debt service fund	-	5,507,330	5,507,330
Unrestricted	541,368	1,837,002	2,378,370
Total net position	\$ 12,387,448	\$ 15,547,972	\$ 27,935,420

Statement of Net Position September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,325,664	\$ 7,363,176	\$ 15,688,840
Investments	1,034,232	-	1,034,232
Receivables, net	1,007,101	632,969	1,640,070
Unbilled revenue	-	609,779	609,779
Internal balances	69,829	-	69,829
Inventories	-	280,669	280,669
Restricted assets	-	6,285,733	6,285,733
Other assets	155,409	21,132	176,541
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
Total assets	28,022,849	40,166,741	68,189,590
Deferred outflows of resources			
Employer retirement contributions subsequent to measurement date	496,998	135,983	632,981
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
Total assets and deferred outflows of resources	29,922,287	40,758,796	70,681,083
Liabilities			
Accounts payable and accrued liabilities	696,830	443,240	1,140,070
Customer meter deposits	69,829	-	69,829
Accrued interest	-	229,212	229,212
Noncurrent liabilities:	54,572	-	54,572
Due within one year:	36,416	-	36,416
Bonds and warrants payable	535,000	462,300	997,300
Capital leases	64,428	-	64,428
Compensated absences	34,165	-	34,165
Due in more than one year:	7,165,464	20,648,523	27,813,987
Bonds and warrants payable	7,165,464	20,648,523	27,813,987
Capital leases	603,138	-	603,138
Net pension liability	6,399,045	1,701,012	8,100,057
Compensated absences	307,484	50,290	357,774
Total liabilities	15,966,371	23,534,577	39,500,948
Net position			
Net investment in capital assets	8,544,055	3,825,393	12,369,448
Restricted for:			
Capital projects	2,474,147	-	2,474,147
Special revenues (gas tax and road projects)	861,593	-	861,593
Special revenues (ad valorem tax for schools)	34,674	-	34,674
Special revenues (public safety)	832	-	832
Debt service fund	-	5,811,725	5,811,725
Unrestricted	2,040,615	7,587,101	9,627,716
Total net position	\$ 13,955,916	\$ 17,224,219	\$ 31,180,135

Statement of Activities For the Year Ended September 30, 2018

Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government administration	\$ 4,245,141	\$ 64,744	\$ 238,367	\$ 107,411	\$ (3,834,619)	\$ -	\$ (3,834,619)
Public safety	6,725,848	473,871	11,458	-	(6,240,519)	-	(6,240,519)
Public works	2,451,608	-	-	-	(2,451,608)	-	(2,451,608)
Parks and recreation	1,268,791	130,749	49,277	-	(1,088,765)	-	(1,088,765)
Interest on long-term debt	228,258	-	-	-	(228,258)	-	(228,258)
Total governmental activities	14,919,646	669,364	299,102	107,411	(13,843,769)	-	(13,843,769)
Business-type activities:							
Water and sewer	8,597,783	7,547,518	-	-	-	(1,050,265)	(1,050,265)
Total primary government	\$ 23,517,429	\$ 8,216,882	\$ 299,102	\$ 107,411	(13,843,769)	(1,050,265)	(14,894,034)

General revenues:

Taxes:		
Ad Valorem (real and personal property)	1,022,661	1,022,661
Sales and use	10,496,401	10,496,401
Other	821,291	821,291
General business licenses and permits	2,381,730	2,381,730
Grants not restricted to specific programs	-	-
Payments from City of Talladega	-	-
Miscellaneous revenues	249,481	272,839
Interest income	34,245	103,821
Interest income	-	-
Transfers	18,324	-
Total general revenues and transfers	15,024,133	15,098,743
Change in net position	1,180,364	204,709
Net position at beginning of year, as originally stated	13,955,916	31,180,135
Prior period adjustment (note 20)	(2,748,832)	(3,449,424)
Net position at beginning of year, as restated	11,207,084	27,730,711
Net position at end of year	\$ 12,387,448	\$ 27,935,420

Statement of Activities For the Year Ended September 30, 2017

Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government administration	\$ 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)
Library	-	-	-	-	-	-	-
Parks and recreation	1,067,252	166,294	13,989	-	(886,969)	-	(886,969)
Unallocated depreciation expense	-	-	-	-	-	-	-
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	\$ -	\$ -	-
Municipal Airport Board	326,012	293,868	201,835	-	-	-	-
Heritage Hall	-	-	-	-	-	-	-
Total Component Units	\$ 22,033,076	\$ 1,896,474	\$ 15,358,842	\$ 592,925	-	-	-
General revenues:							
Taxes:							
Ad Valorem (real and personal property)					1,091,275	-	1,091,275
Sales and use					9,790,908	-	9,790,908
Other					886,591	-	886,591
General business licenses and permits					2,188,370	-	2,188,370
Grants not restricted to specific programs					-	-	-
Payments from City of Talladega					-	-	-
Miscellaneous revenues					57,558	31,924	89,482
Interest income					81,628	19,812	101,440
Gain on sale of asset					-	-	-
Transfers					348,123	(348,123)	-
Total general revenues and transfers					14,444,453	(296,387)	14,148,066
Change in net position					994,106	(704,482)	289,624
Net position at beginning of year as originally stated					12,961,810	17,928,701	30,890,511
Net position at end of year					\$ 13,955,916	\$ 17,224,219	\$ 31,180,135

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, 2018, totals \$42,223,719. These assets include buildings, land, equipment, facilities and vehicles. Additional detailed information on the capital assets may be found in Note 7 on pages 36-37.

Long-term Debt: As of September 30, 2018, the City of Talladega governmental activities had debt outstanding of \$7,134,745 consisting of four General Obligation Warrants. Interest paid on long-term debt was \$228,258 for fiscal year 2018. In addition, the City has two capital leases with terms up to 10 years. The total present value of future minimum lease payments equaled \$595,917 at 2018 fiscal year end. The Water and Sewer Department of the City had warrants outstanding in the amount of \$20,647,689, payable solely from revenues of the system, and no capital leases outstanding as of September 30, 2018. No additional debt activity has occurred subsequent to the close of FY 2018.

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 31.43% of the legal debt limit, with a debt margin of \$16.863 million. General policy targets debt payments at no more than 10% of General Fund operating expense; currently debt payments are 7.6% 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 41-46.

POST-EMPLOYMENT BENEFIT PLAN

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 2018; 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.

Effective for fiscal year 2018, GASB 75, "Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions (OPEB)" has replaced the previous authoritative guidance regarding the City's retiree health care benefits. Implementing this new standard requires the replacement of the previously

reported Net OPEB Obligation with the newly required Total OPEB Liability (TOL). Additional information on post-employment benefits may be found in the notes to the financial statements Note 12 on pages 47-51.

ECONOMIC FACTORS

The City of Talladega continues to be heavily dependent on sales tax revenue, which accounts for approximately 60% of total General Fund operating revenues. 2018 sales tax revenue increased by 5.5%, or about \$470K, over fiscal year 2017; the average annual increase since 2012 is about 2.5%. Business license revenue also increased by \$238K during 2018 or 11.8% over 2017.

At the close of FY18, 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 community-building efforts during fiscal year 2018 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 – Finance Department
255 South Street West
Talladega, Alabama 35160

City of Talladega, Alabama Statement of Net Position

September 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 9,529,564	\$ 7,043,608	\$ 16,573,172	\$ 5,536,457
Investments	1,033,027	-	1,033,027	4,674,383
Receivables, net	989,100	670,804	1,659,904	13,917
Unbilled revenue	-	557,388	557,388	-
Internal balances	46,411	-	46,411	-
Due from other governments	-	-	-	682,318
Inventories	-	276,470	276,470	-
Restricted assets	-	5,507,330	5,507,330	-
Other assets	68,895	24,100	92,995	118,081
Capital assets not being depreciated	5,318,014	2,757,600	8,075,614	-
Capital assets, net of accumulated depreciation	11,566,326	22,581,779	34,148,105	11,863,617
Total assets	28,551,337	39,419,079	67,970,416	22,888,773
Deferred outflows of resources				
Employer retirement contributions subsequent to measurement date - pension	525,586	147,216	672,802	3,471,000
Net difference between projected and actual earnings on pension plan investments and differences between expected and actual experience - pension	692,149	195,222	887,371	-
Deferred outflows of resources - OPEB	-	-	-	2,500,720
Deferred charges from refunding	375,177	148,716	523,893	-
Total deferred outflows of resources	1,592,912	491,154	2,084,066	5,971,720
Total assets and deferred outflows of resources	30,144,249	39,910,233	70,054,482	28,860,493
Liabilities				
Bank overdraft	-	-	-	476,180
Accounts payable and accrued liabilities	707,279	865,185	1,572,464	1,964,718
Internal balances	-	46,411	46,411	-
Customer meter deposits	-	231,110	231,110	-
Other liabilities	54,572	-	54,572	75,561
Accrued interest	33,615	-	33,615	-
Noncurrent liabilities:				
Due within one year:				
Warrants payable	550,000	445,000	995,000	325,846
Capital leases	70,558	-	70,558	-
Compensated absences	60,059	-	60,059	46,913
Due in more than one year:				
Warrants payable	6,584,745	20,202,689	26,787,434	3,075,625
Capital leases	525,359	-	525,359	-
Net pension liability	5,558,620	1,567,816	7,126,436	17,238,000
Net OPEB liability	2,491,530	662,305	3,153,835	15,540,112
Compensated absences	340,331	124,359	464,690	-
Total liabilities	16,976,668	24,144,875	41,121,543	38,742,955
Deferred inflows of resources				
Deferred inflows of resources - pension	616,705	173,943	790,648	2,779,000
Deferred inflows of resources - OPEB	163,428	43,443	206,871	2,797,764
Deferred inflows of resources	780,133	217,386	997,519	5,576,764
Net position (deficit)				
Net investment in capital assets	8,778,501	8,203,640	16,982,141	8,462,146
Restricted for:				
Capital projects	1,893,201	-	1,893,201	2,332,455
Special revenues (gas tax and road projects)	1,115,468	-	1,115,468	-
Special revenues (ad valorem tax for schools)	34,890	-	34,890	420,059
Special revenues (public safety)	24,020	-	24,020	-
Debt service	-	5,507,330	5,507,330	-
Unrestricted	541,368	1,837,002	2,378,370	(26,673,886)
Total net position (deficit)	\$ 12,387,448	\$ 15,547,972	\$ 27,935,420	\$ (15,459,226)

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Government – Wide Statement of Activities

Year ended September 30, 2018

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government administration	\$ 4,245,141	\$ 64,744	\$ 238,367	\$ 107,411
Public safety	6,725,848	473,871	11,458	-
Public works	2,451,608	-	-	-
Parks and recreation	1,268,791	130,749	49,277	-
Interest on long-term debt	228,258	-	-	-
Total governmental activities	14,919,646	669,364	299,102	107,411
Business-type activities:				
Water and sewer	8,597,783	7,547,518	-	-
Total primary government	\$ 23,517,429	\$ 8,216,882	\$ 299,102	\$ 107,411
Component units:				
Board of Education	\$ 20,484,961	\$ 1,723,146	\$ 14,863,880	\$ 538,859
Municipal Airport Board	506,297	311,347	309,564	-
Total component units	\$ 20,991,258	\$ 2,034,493	\$ 15,173,444	\$ 538,859

General revenues:

Taxes:

Ad Valorem (real and personal property)

Sales and use

Other

General business licenses and permits

Grants not restricted to specific programs

Miscellaneous revenues

Interest income

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as originally stated

Prior period adjustment (note 20)

Net position at beginning of year, as restated

Net position (deficit) 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	
\$ (3,834,619)	\$ -	\$ (3,834,619)	\$ -	-
(6,240,519)	-	(6,240,519)	-	-
(2,451,608)	-	(2,451,608)	-	-
(1,088,765)	-	(1,088,765)	-	-
(228,258)	-	(228,258)	-	-
(13,843,769)	-	(13,843,769)	-	-
-	(1,050,265)	(1,050,265)	-	-
(13,843,769)	(1,050,265)	(14,894,034)	-	-
\$ -	\$ -	\$ -	\$ (3,359,076)	-
-	-	-	-	114,614
-	-	-	-	-
-	-	-	-	(3,244,462)
1,022,661	-	1,022,661	2,154,395	-
10,496,401	-	10,496,401	1,744,563	-
821,291	-	821,291	113,815	-
2,381,730	-	2,381,730	-	-
-	-	-	110,452	-
249,481	23,358	272,839	425,729	-
34,245	69,576	103,821	37,262	-
18,324	(18,324)	-	-	-
15,024,133	74,610	15,098,743	4,586,216	-
1,180,364	(975,655)	204,709	1,341,754	-
13,955,916	17,224,219	31,180,135	808,785	-
(2,748,832)	(700,592)	(3,449,424)	(17,609,765)	-
11,207,084	16,523,627	27,730,711	(16,800,980)	-
\$ 12,387,448	\$ 15,547,972	\$ 27,935,420	\$ (15,459,226)	-

City of Talladega, Alabama
Balance Sheet – Governmental Funds

<i>September 30, 2018</i>	General	Capital Projects Trust Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,837,602	\$ 2,105,892	\$ 1,586,070	\$ 9,529,564
Investments	265,439	-	767,588	1,033,027
Receivables, net	961,906	-	27,194	989,100
Interfund receivable	-	-	56	56
Interfund receivable - proprietary fund	46,411	-	-	46,411
Other assets	68,895	-	-	68,895
Total assets	\$ 7,180,253	\$ 2,105,892	\$ 2,380,908	\$ 11,667,053
Liabilities				
Accounts payable and accrued liabilities	\$ 489,878	\$ 158,119	\$ 59,282	\$ 707,279
Interfund payable	56	-	-	56
Other liabilities	-	54,572	-	54,572
Total liabilities	489,934	212,691	59,282	761,907
Fund balance				
Restricted	-	1,893,201	1,174,378	3,067,579
Committed	-	-	938,902	938,902
Assigned	-	-	213,100	213,100
Unassigned:				
Capital projects - community development	-	-	(4,754)	(4,754)
General fund	6,690,319	-	-	6,690,319
Total fund balance	6,690,319	1,893,201	2,321,626	10,905,146
Total liabilities and fund balance	\$ 7,180,253	\$ 2,105,892	\$ 2,380,908	\$ 11,667,053

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

September 30, 2018

Fund balance - total governmental funds \$ 10,905,146

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	\$ 5,318,014	
Governmental capital assets being depreciated	61,725,721	
Less accumulated depreciation	<u>(50,159,395)</u>	16,884,340

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.

All liabilities both current and long-term are reported in the statement of net assets.

Accrued interest	(33,615)	
Warrants payable	(7,134,745)	
Capital lease obligations	(595,917)	
OPEB liability	(2,491,530)	
Net pension liability	(5,558,620)	
Compensated absences	<u>(400,390)</u>	(16,214,817)

Deferred outflows	1,592,912	
Deferred inflows	<u>(780,133)</u>	

Net position of governmental activities \$ 12,387,448

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

<i>Year ended September 30, 2018</i>	General	Capital Projects Trust Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 11,825,350	\$ -	\$ 515,003	\$ 12,340,353
Licenses and permits	2,381,730	-	-	2,381,730
Charges for services	247,944	-	421,420	669,364
Federal and state grants	195,683	107,411	103,419	406,513
Interest	5,321	1,097	27,827	34,245
Other revenues	235,491	-	13,988	249,479
Total revenues	14,891,519	108,508	1,081,657	16,081,684
Expenditures				
General government	1,454,613	304,668	789,151	2,548,432
Public safety	5,399,928	-	490,262	5,890,190
Public works	1,993,849	6,395	-	2,000,244
Recreation	1,102,374	-	-	1,102,374
Other boards and agencies	324,516	-	-	324,516
Non-departmental	818,293	-	-	818,293
Capital outlay	-	1,378,690	64,782	1,443,472
Debt service:				
Principal	-	-	606,649	606,649
Interest	-	-	231,696	231,696
Total expenditures	11,093,573	1,689,753	2,182,540	14,965,866
Excess of revenues over (under) expenditures	3,797,946	(1,581,245)	(1,100,883)	1,115,818
Other financing sources (uses):				
Transfers in	25,000	1,001,931	1,363,775	2,390,706
Transfers out	(2,365,706)	-	(25,000)	(2,390,706)
Transfer from Water and Sewer Department	18,324	-	-	18,324
Total other financing sources (uses)	(2,322,382)	1,001,931	1,338,775	18,324
Net change in fund balances	1,475,564	(579,314)	237,892	1,134,142
Fund balance at beginning of year	5,214,755	2,472,515	2,083,734	9,771,004
Fund balance, end of year	\$ 6,690,319	\$ 1,893,201	\$ 2,321,626	\$ 10,905,146

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, 2018

Net change in fund balances - total governmental funds \$ 1,134,142

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	\$ 1,134,663	
Less current year depreciation	<u>(1,567,667)</u>	(433,004)

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 in the government-wide statement of 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:

Principal payments		535,000
Amortization of premiums		30,719
Amortization of deferred charges on refunding		(30,082)

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	2,801	
Change in OPEB expense	(19,396)	
Change in capital lease, net	71,649	
Change in pension expense	(52,724)	
Change in long-term compensated absences, net	<u>(58,741)</u>	<u>(56,411)</u>

Change in net position of governmental activities \$ 1,180,364

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

September 30, 2018

Assets

Current assets

Cash and cash equivalents	\$ 7,043,608
Accounts receivable (net of allowance for doubtful accounts for \$668,035)	670,804
Unbilled revenue	557,388
Prepaid expenses	24,100
Inventory of supplies	276,470

Total current assets	8,572,370
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Noncurrent assets

Noncurrent restricted assets

Investments - money market	5,507,330
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Utility plant and equipment

Land and improvements	389,890
Buildings and improvements	42,810,384
Machinery and equipment	5,302,903
Construction in progress	2,478,274

50,981,451

Less accumulated depreciation	25,642,072
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Total utility plant and equipment	25,339,379
--	-------------------

Total noncurrent assets	30,846,709
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Deferred outflows of resources

Employer retirement contributions subsequent to measurement date	147,216
Net difference between projected and actual earnings on pension plan investments	195,222
Deferred charges from refunding	148,716

Total deferred outflows	491,154
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Total assets and deferred outflows of resources	\$ 39,910,233
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See accompanying notes to basic financial statements.

September 30, 2018

Liabilities and net position

Current liabilities

Accounts payable and accrued expenses	\$	865,185
Interfund payable		46,411
Current portion of long-term debt		445,000

Total current liabilities 1,356,596

Noncurrent liabilities

Accrued annual leave		124,359
Customer meter deposits		231,110
Revenue warrants payable, net		20,202,689
Net pension liability		1,567,816
Net OPEB liability		662,305

Total noncurrent liabilities 22,788,279

Total liabilities 24,144,875

Deferred inflows of resources

Deferred inflows of resources - pension		173,943
Deferred inflows of resources - OPEB		43,443

Total deferred inflows of resources 217,386

Net position

Net investment in capital assets		8,203,640
Restricted for:		
Debt service		5,507,330
Unrestricted		1,837,002

Total net position 15,547,972

Total liabilities and net position \$ 39,910,233

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

Year ended September 30, 2018

Operating revenues	
Water revenues	\$ 3,657,770
Sewer revenues	2,576,362
Garbage revenues	1,039,351
Other operating revenues	274,035
Total operating revenues	7,547,518
Operating expenses	
Water and sewer department expenses	1,021,992
Waste water plants	1,321,319
Water filters and wells	928,917
Garbage collection expenses	1,008,110
General and administrative expenses	1,978,237
Depreciation and amortization	1,413,911
Total operating expenses	7,672,486
Operating income (loss)	(124,968)
Nonoperating income (expense)	
Interest income	69,576
Miscellaneous income	23,358
Interest expense	(925,297)
Total nonoperating income (expense)	(832,363)
Total income (loss)	(957,331)
Transfers	
Transfers out	(18,324)
Change in net position	(975,655)
Net position, beginning of year as originally stated	17,224,219
Prior period adjustment (Note 20)	(700,592)
Net position - beginning of year as restated	16,523,627
Net position, end of year	\$ 15,547,972

(Continued on the following page.)

See accompanying notes to basic financial statements.

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

Year ended September 30, 2018

Operating activities	
Cash received from customers	\$ 7,562,074
Cash paid to suppliers	(3,724,299)
Cash paid to employees	(1,875,629)
Net cash and cash equivalents provided by operating activities	1,962,146
Non-capital financing activities	
Transfers to other departments	(18,324)
Net cash and cash equivalents (used) by noncapital financing activities	(18,324)
Capital and related financing activities	
Acquisition and construction of capital assets	(1,780,007)
Proceeds from sale of capital assets	14,786
Principal paid on long-term debt	(435,833)
Interest paid on long-term debt and capital lease obligations	(910,315)
Net cash and cash equivalents (used) by capital and related financing activities	(3,111,369)
Investing activities	
Interest received on investments	69,576
Net cash and cash equivalents provided by investing activities	69,576
Net decrease in cash and cash equivalents	(1,097,971)
Cash and cash equivalents, beginning of year	13,648,909
Cash and cash equivalents, end of year	\$ 12,550,938
Shown in the financial statements as:	
Cash and cash equivalents	\$ 7,043,608
Investments - money market	5,507,330
Total	\$ 12,550,938

(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, 2018

Reconciliation of net income to net cash provided

by operating activities:

Operating income	\$ (124,968)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,413,911
Amortization of premium and deferred charges	(27,301)
Change in assets and liabilities:	
Accounts receivable	(37,835)
Unbilled revenue	52,391
Prepaid expenses	(6,173)
Inventory of supplies	4,199
Deferred outflows of resources	100,901
Accounts payable and accrued expenses	490,969
Due to City	46,411
Accrued annual leave	4,840
Customer deposits	1,898
Street deposit	(3,000)
Net pension liability	(133,196)
Net OPEB liability	(38,287)
Deferred inflows of resources	217,386

Net cash provided by operating activities	\$ 1,962,146
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See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Fiduciary Net Position

September 30, 2018

	OPEB Trust Fund
Assets	
Cash and cash equivalents	\$ 43,616
Investments, at fair value:	
Mutual funds	1,092,687
Total assets	1,136,303
Liabilities	
Accounts payable	-
Net position restricted for OPEB	\$ 1,136,303

See accompanying notes to basic financial statements.

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

Year ended September 30, 2018

	OPEB Trust Fund
Additions	
Contributions:	
Employer	\$ 203,472
<hr/>	
Net investment income:	
Investment income	27,863
Net gain on investments	19,426
Less investment expense	(2,801)
<hr/>	
Net investment income	44,488
<hr/>	
Total additions	247,960
<hr/>	
Deductions	
Benefit payments:	
Employer	200,664
Administrative expenses	2,808
<hr/>	
Total deductions	203,472
<hr/>	
Net increase in net position	44,488
<hr/>	
Net position restricted for OPEB - beginning of year	1,091,815
<hr/>	
Net position restricted for OPEB - end of year	\$ 1,136,303
<hr/>	

See accompanying notes to basic financial statements.

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

September 30, 2018

	Talladega City Board of Education	Talladega Municipal Airport Board	Total
Assets			
Cash and cash equivalents	\$ 5,104,437	\$ 432,020	\$ 5,536,457
Investments	3,073,651	1,600,732	4,674,383
Receivables	13,385	-	13,385
Due from other governments	682,318	-	682,318
Accrued interest receivable	-	532	532
Other assets	111,269	6,812	118,081
Capital assets, net	11,855,565	8,052	11,863,617
Total assets	20,840,625	2,048,148	22,888,773
Deferred outflows of resources - pension	3,471,000	-	3,471,000
Deferred outflows of resources - OPEB	2,500,720	-	2,500,720
Total deferred outflows of resources	5,971,720	-	5,971,720
Total assets and deferred outflows of resources	26,812,345	2,048,148	28,860,493
Liabilities			
Bank overdraft	476,180	-	476,180
Accounts payable and accruals	1,959,548	5,170	1,964,718
Deferred revenue	75,561	-	75,561
Noncurrent liabilities:			
Due within one year:			
Bonds, warrants, and notes payable	325,846	-	325,846
Compensated absences	46,913	-	46,913
Due in more than one year:			
Bonds, warrants, and notes payable	3,075,625	-	3,075,625
Net pension liability	17,238,000	-	17,238,000
Net OPEB liability	15,540,112	-	15,540,112
Total liabilities	38,737,785	5,170	38,742,955
Deferred inflows of resources - pension	2,779,000	-	2,779,000
Deferred inflows of resources - OPEB	2,797,764	-	2,797,764
Total deferred outflows of resources	5,576,764	-	5,576,764
Net position			
Net investment in capital assets	8,454,094	8,052	8,462,146
Restricted	2,752,514	-	2,752,514
Unrestricted (deficit)	(28,708,812)	2,034,926	(26,673,886)
Total net position (deficit)	\$ (17,502,204)	\$ 2,042,978	\$ (15,459,226)

See accompanying notes to basic financial statements.

City of Talladega, Alabama
Statement of Activities – Component Units

Year ended September 30, 2018

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Talladega City Board of Education				
Education	\$20,484,961	\$ 1,723,146	\$ 14,863,880	\$ 538,859
Talladega Municipal Airport Board				
Community Development	506,297	311,347	309,564	-
Total component units	\$20,991,258	\$ 2,034,493	\$ 15,173,444	\$ 538,859

General revenues:

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

Total general revenues

Change in net position

Net position at beginning of year, as originally stated
 Prior period adjustment
 Net position (deficit) at beginning of year, as restated

Net position (deficit) at end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Talladega City Board of Education	Talladega Municipal Airport Board	Total
\$ (3,359,076)	\$ -	\$ (3,359,076)
-	114,614	114,614
(3,359,076)	114,614	(3,244,462)
4,012,773	-	4,012,773
110,452	-	110,452
15,223	22,039	37,262
413,194	12,535	425,729
4,551,642	34,574	4,586,216
1,192,566	149,188	1,341,754
(1,085,005)	1,893,790	808,785
(17,609,765)	-	(17,609,765)
(18,694,770)	1,893,790	(16,800,980)
\$ (17,502,204)	\$ 2,042,978	\$ (15,459,226)



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 the City's local school system that provides educational services to citizens. It 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 provides air traffic services to the geographic area that includes the City. It 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. 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.

City of Talladega, Alabama
Notes to Financial Statements

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, sewer and garbage 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.

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. Investments

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. 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.

M. 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)

M. 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.

N. 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, 2018, no amount was accrued in the governmental funds financial statements. The current portion of accrued compensated absences at September 30, 2018 reported in the government-wide financial statements is \$60,059. The remaining long-term incurred portion of accrued compensated absences of the governmental activities at September 30, 2018 totaled \$340,331.

O. 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 or discounts

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Long-term liabilities (continued)

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.

P. 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.

Q. Other post-employment benefits

The fiduciary net position of the City's retiree benefit plan (OPEB Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

R. 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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Equity classifications (continued)

- 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."

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

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Equity classifications (continued)

Fund Financial Statements (continued)

fund. As of September 30, 2018, the Community Development Capital Project Fund reported a deficit of \$4,754.

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.

The City has restricted \$1,893,201 of the Capital Projects Trust Fund fund balance and \$1,174,378 of the Other Governmental Funds fund balance. The purposes of these restrictions are described in note 14.

The City has committed \$938,902 of the Other Governmental Funds fund balance to maintain the City's Cemetery.

The City has assigned \$213,100 of the Other Governmental Funds fund balance for the City's Library.

S. 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.

T. 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.

U. Subsequent events

The City has evaluated subsequent events through May 31, 2019, the date these financial statements were available to be issued.

V. Adoption of new accounting pronouncements

The following new accounting pronouncement was recently issued by the GASB and adopted by the Department for the year ended September 30, 2018.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Adoption of new accounting pronouncements (continued)

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The standard was adopted for the year ended September 30, 2018, resulting in a cumulative change in accounting principle as described in note 20.

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.

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, 2018. At year-end, the carrying amount of the City's cash and cash equivalents was \$9,529,564. 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, 2018 was \$7,043,608.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 4 – RECEIVABLES AND UNBILLED REVENUE

Governmental activities receivables at September 30, 2018:

Receivables:		
Taxes receivable	\$	961,906
Restitution receivable		11,103
Other receivables		16,091
Total receivables	\$	989,100

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	\$	1,338,839
Less: allowance for doubtful accounts		668,035
Net accounts receivable	\$	670,804

Unbilled revenues receivable at September 30, 2018 was \$557,388.

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, 2018 was \$276,470.

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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 6 – INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

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, 2018, the value of the investments held in the General Fund, the Cemetery Trust Fund and the Library Fund are \$265,439, \$727,754 and \$39,834, respectively. The following schedule displays the investments held in governmental funds as of September 30, 2018, 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	287,918	287,918	-	-
Mutual Funds	39,834	39,834	-	-
Corporate Bonds	439,836	439,836	-	-
Net investments	\$ 1,033,027	\$ 1,033,027	\$ -	\$ -

The debt securities held by the City have credit ratings from Standard and Poor's ranging from BBB to AAA.

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, 2018, the monies held in trust were \$5,507,330. The following schedule displays the restricted assets held by the Department as of September 30, 2018, and their fair value measurements:

Business-type Activities:

Investment type	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Money Market Treasury Portfolio	\$ 5,507,330	\$ 5,507,330	\$ -	\$ -
Total restricted assets	\$ 5,507,330	\$ 5,507,330	\$ -	\$ -

City of Talladega, Alabama
Notes to Financial Statements

NOTE 6 – INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

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, 2018, and their fair value measurements:

Fiduciary Fund:

Investment type	Fair Value Measurements			
	Fair Value	Level 1	Level 2	Level 3
Certificate of deposit	\$ 98,754	\$ 98,754	\$ -	\$ -
Mutual funds	993,933	993,933	-	-
Total portfolio	\$ 1,092,687	\$ 1,092,687	\$ -	\$ -

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, 2018:

	Balance at 9/30/2017	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2018
Capital assets not being depreciated:				
Land and improvements	\$ 3,832,454	\$ -	\$ -	\$ 3,832,454
Construction progress	1,673,435	945,490	(1,133,365)	1,485,560
Total capital assets not being depreciated	5,505,889	945,490	(1,133,365)	5,318,014
Capital assets being depreciated:				
Building and improvements	13,443,441	941,410	-	14,384,851
Infrastructure	41,110,907	250,958	-	41,361,865
Machinery and equipment	5,857,435	130,170	(8,600)	5,979,005
Total capital assets being depreciated	60,411,783	1,322,538	(8,600)	61,725,721
Less accumulated depreciation for:				
Building and improvements	8,668,469	410,570	-	9,079,039
Infrastructure	35,834,733	771,439	-	36,606,172
Machinery and equipment	4,097,126	385,658	(8,600)	4,474,184
Total accumulated depreciation	48,600,328	1,567,667	(8,600)	50,159,395
Total capital assets being depreciated, net	11,811,455	(245,129)	-	11,566,326
Governmental activities capital assets, net	\$ 17,317,344	\$ 700,361	\$ (1,133,365)	\$ 16,884,340

Depreciation expense was charged to governmental functions as follows:

General government administration	\$ 419,481
Public safety	646,937
Public works	372,955
Parks and recreation	128,294
Total depreciation expense	\$ 1,567,667

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, 2018:

	Balance at 9/30/2017	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2018
Capital assets not being depreciated:				
Land and improvements	\$ 279,326	\$ -	\$ -	\$ 279,326
Construction progress	1,167,013	1,573,804	(262,543)	2,478,274
Total capital assets not being depreciated	1,446,339	1,573,804	(262,543)	2,757,600
Capital assets being depreciated:				
Land improvements	110,564	-	-	110,564
Building and improvements	42,566,899	243,485	-	42,810,384
Machinery and equipment	5,182,369	225,261	(104,727)	5,302,903
Total capital assets being depreciated	47,859,832	468,746	(104,727)	48,223,851
Less accumulated depreciation for:				
Land improvements	35,027	3,658	-	38,685
Building and improvements	21,216,890	1,134,572	-	22,351,462
Machinery and equipment	3,080,971	275,681	(104,727)	3,251,925
Total accumulated depreciation	24,332,888	1,413,911	(104,727)	25,642,072
Total capital assets being depreciated, net	23,526,944	(945,165)	-	22,581,779
Business-type activities capital assets, net	\$ 24,973,283	\$ 628,639	\$ (262,543)	\$ 25,339,379

Depreciation expense at September 30, 2018 was \$1,413,911.

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, 2018 were as follows:

Accounts payable	\$ 452,206
Accrued salaries and wages	109,022
Payroll liabilities	59,957
Other liabilities	86,094
Total	\$ 707,279

Accounts payable and accrued expenses for the Water and Sewer Department consisted of the following at September 30, 2018:

Accounts payable	\$ 725,541
Payroll liabilities	49,822
Accrued interest payable	57,445
Accrued salaries and wages	32,377
Total	\$ 865,185

NOTE 9 – INTERFUND TRANSFERS

Interfund transfers among governmental funds for the year ended September 30, 2018 were:

	Transfers In	Transfers Out
General fund		
Other nonmajor funds	\$ 25,000	\$ 1,363,775
Capital projects funds	-	1,001,931
Total general fund	25,000	2,365,706
Capital projects trust fund		
General fund	1,001,931	-
Total capital projects trust fund	1,001,931	-
Other nonmajor funds		
General fund	1,363,775	25,000
Total nonmajor funds	1,363,775	25,000
Total governmental fund interfund transfers	\$ 2,390,706	\$ 2,390,706

City of Talladega, Alabama
Notes to Financial Statements

NOTE 9 – INTERFUND TRANSFERS (CONTINUED)

Transfers are primarily used to move funds from:

- The general fund to the library fund for operating expenses.
- The general fund to the corrections fund for operating expenses.
- The general fund to the debt service fund for debt service.
- The general fund to the capital projects fund to finance capital projects and expenditures.
- The corrections fund to the general fund for personnel expenses.

Interfund transfers among governmental and proprietary funds for the year ended September 30, 2018 were:

	Transfers In	Transfers Out
General fund		
Water and Sewer Department	\$ 18,324	\$ -
Total general fund	18,324	-
Water and Sewer Department		
General fund	-	18,324
Total Water and Sewer Department	-	18,324
Total proprietary fund transfers	\$ 18,324	\$ 18,324

Transfers are primarily used to move funds from the Water and Sewer Department to the General fund for operating expenses.

City of Talladega, Alabama
Notes to Financial Statements

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, 2018:

	Interfund Receivable	Interfund Payable
General fund		
Water and Sewer Department	\$ 46,411	\$ -
Other governmental funds	-	56
Other governmental funds		
General fund	56	-
Water and Sewer Department		
General fund	-	46,411
Total interfund receivable/payable	\$ 46,467	\$ 46,467

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, 2018:

\$3,650,000; 2008 Series General Obligation Warrants; due at rates 3.00% to 5.125% per annum; maturing August 1, 2033.	\$ 125,000
\$2,760,000; 2015 Series General Obligation Warrants; due at rates ranging from 2.00% to 4.00% per annum; maturing August 1, 2033.	2,680,000
\$3,120,000; 2017-A Series General Obligation Warrants; due at rates 1.50% to 3.00% per annum; maturing August 1, 2027.	2,825,000
\$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.	1,200,000
	6,830,000
Unamortized premium, 2015 Series General Obligation Warrants	126,404
Unamortized premium, 2017-A Series General Obligation Warrants	131,866
Unamortized premium, 2017-B Series General Obligation Warrants	46,475
	304,745
Total warrants payable	\$ 7,134,745

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 Years Ending September 30,	Principal	Interest	Total
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	620,000	144,363	764,363
2024 – 2028	2,830,000	438,088	3,268,088
2029 – 2033	1,085,000	127,700	1,212,700
Total	\$ 6,830,000	\$ 1,566,225	\$ 8,396,225

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, 2018, the outstanding principal of the defeased warrants is \$2,150,000 and the remaining unrefunded warrants outstanding were \$125,000.

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, 2018, 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, 2018, the outstanding principal of the defeased revenue bond is \$1,200,000.

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 \$224,335 for the year ended September 30, 2018.

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, 2018 are as follows:

Fiscal Years Ending September 30,	Present Value of Minimum Lease Payments		Interest	Total Lease Payments
2019	\$	70,558	\$ 11,164	\$ 81,722
2020		73,745	9,978	83,723
2021		79,028	8,695	87,723
2022		82,435	7,287	89,722
2023		85,933	5,790	91,723
2024 – 2028		204,218	7,623	211,841
Total	\$	595,917	\$ 50,537	\$ 646,454

The changes in long-term debt for the governmental activities of the City for the year ended September 30, 2018 is as follows:

Description	Beginning Balance 9/30/2017	Additions	Deletions	Ending Balance 9/30/2018	Due Within One Year
Warrants payable	\$ 7,700,464	\$ -	\$ (565,719)	\$ 7,134,745	\$ 550,000
Capital leases	667,566	-	(71,649)	595,917	70,558
Net pension liability	6,399,045	-	(840,425)	5,558,620	-
Net OPEB liability	-	2,491,530	-	2,491,530	-
Compensated absences	341,649	246,758	188,017	400,390	60,059
Total changes in long-term debt	\$ 15,108,724	\$ 2,738,288	\$ (1,289,776)	\$ 16,181,202	\$ 680,617

The City's General Fund is typically used to liquidate long-term liabilities with the exception of 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, 2018:

Description	Beginning balance 9/30/2017	Additions	Deletions	Ending Balance 9/30/2018	Amount Due Within One Year	Interest Paid
2010 Warrant	\$ 15,708,750	\$ -	\$ (435,835)	\$ 15,272,915	\$ 445,000	\$ 691,313
Premium	201,451	-	(8,759)	192,692	8,759	-
2015 Warrant	4,700,000	-	-	4,700,000	-	235,000
Premium	500,622	-	(18,540)	482,082	18,541	-
Total	\$ 21,110,823	\$ -	\$ (463,134)	\$ 20,647,689	\$ 472,300	\$ 926,313

Revenue warrants outstanding at September 30, 2018:

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)

Water and Sewer Department 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 Years Ending September 30,	Principal	Interest	Total
2019	\$ 445,000	\$ 680,813	\$ 1,125,813
2020	465,000	668,850	1,133,850
2021	480,000	651,050	1,131,050
2022	500,000	616,850	1,116,850
2023	515,000	559,350	1,074,350
2024 – 2028	2,900,000	2,670,350	5,570,350
2029 – 2033	3,530,000	2,037,588	5,567,588
2034 – 2038	4,370,000	1,187,788	5,557,788
2039 – 2043	2,067,915	156,500	2,224,415
Total	\$ 15,272,915	\$ 9,229,139	\$ 24,502,054

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:

Fiscal Years Ending September 30,	Principal	Interest	Total
2019	\$ -	\$ 235,000	\$ 235,000
2020	-	235,000	235,000
2021	-	235,000	235,000
2022	-	235,000	235,000
2023	-	235,000	235,000
2024 – 2028	-	1,175,000	1,175,000
2029 – 2033	-	1,175,000	1,175,000
2034 – 2038	-	1,175,000	1,175,000
2039 – 2043	3,505,000	1,005,500	4,510,500
2044 – 2048	1,195,000	59,750	1,254,750
Total	\$ 4,700,000	\$ 5,765,250	\$ 10,465,250

At September 30, 2018, the City was not in compliance with the provisions of the Water Department’s 2010 and 2015 Water and Sewer bond covenants that require the City make and maintain rates and charges for the water and other services supplied from the water and sewer system and make collections from the users thereof in such manner that shall produce revenues during each fiscal year at least equal to the sum of a) Operation and Maintenance Expenses during such fiscal year plus b) 1.25 times the Annual Debt Service Requirements. Management has evaluated the effects of this non-compliance with bond documents and determined that the failure to meet the rate covenant does not automatically accelerate.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS

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.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Plan description (continued)

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, 2017, the Plan’s membership consisted of 159 active employees receiving benefits and 18 retirees receiving benefits.

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.

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 that 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, 2018, the City’s investments are weighted as follows:

Asset Class	Allocation
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 2017, 28%; First Trust 60/40 Strategic Allocation 4th Quarter 2017, 24%; and First Trust 60/40 Strategic Allocation 2nd Quarter 2019, 40%.

Rate of return

For the year ended September 30, 2018, the annual money-weighted rate of return on investments, net of investment expense was 6.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Net OPEB liability

The components of the City’s OPEB liability as of September 30, 2018 were as follows:

Total OPEB liability	\$ 4,290,138
Plan fiduciary net position	1,136,303
Net OPEB liability (asset)	\$ 3,153,835

Plan fiduciary net position as a percentage of the total OPEB liability 26.49%

The above net OPEB liability is shared between the City and the Water and Sewer Department. The City has allocated 21% or \$662,305 to the Water and Sewer Department. The allocation is based on the relative share of employer OPEB contributions.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2017, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00%
Investment rate of return	4.18%
Healthcare cost trend rates	Level 5.50% annually

Mortality rates were based on the RP-2000 Total without projection with 50%/50% unisex blend.

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, 2018 are summarized in the following table:

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

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB liability

	Increases (Decreases)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2017	\$ 4,427,969	\$ 1,091,815	\$ 3,336,154
Service cost	122,473	-	122,473
Interest cost at 3.58%	154,929	-	154,929
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(8,338)	-	(8,338)
Employer contributions	-	-	-
Net investment income	-	47,296	(47,296)
Changes of assumptions	(206,231)	-	(206,231)
Benefit payments			
a. From trust	-	-	-
b. Direct	(200,664)	-	(200,664)
Administrative expenses			
a. From trust	-	(2,808)	2,808
b. Direct	-	-	-
Net changes	(137,831)	44,488	(182,319)
Balance at September 30, 2018	\$ 4,290,138	\$ 1,136,303	\$ 3,153,835

The above net OPEB liability is shared between the City and the Water and Sewer Department. The City has allocated 21% or \$662,305 to the Water and Sewer Department. The allocation is based on the relative share of employer OPEB contributions.

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 4.18%.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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 (3.18%) or 1-percentage-point higher (5.18%) than the current discount rate:

	1% Decrease (3.18%)	Current Discount Rate (4.18%)	1% Increase (5.18%)
Net OPEB Liability	\$ 3,514,967	\$ 3,153,835	\$ 2,834,902

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 (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ 2,824,934	\$ 3,153,835	\$ 3,524,586

OPEB expense and deferred inflows of resources related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$225,216. At September 30, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between projected and actual earnings on OPEB investments	\$ 6,607
Differences between expected and actual experience	7,782
Changes in assumption	192,482
Total	\$ 206,871

The above deferred inflow of resources is shared between the City and the Water and Sewer Department. The City has allocated 21% or \$43,443 to the Water and Sewer Department. The allocation is based on the relative share of employer OPEB contributions.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Amounts will be reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Years Ending September 30,	Net Amount to be Recognized
2019	\$ 15,957
2020	15,957
2021	15,957
2022	15,957
2023	14,305
Thereafter	128,738
Total	\$ 206,871

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, 2018 was \$272,771.

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, 2018 was \$57,920.

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, 2018 was \$44,485.

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, 2018 was \$148,716.

City of Talladega, Alabama Notes to Financial Statements

NOTE 14 – RESTRICTED FUND BALANCES

The restricted fund balances in the amount of \$3,067,579 are restricted for various capital outlay projects and various other purposes. The following amounts are restricted:

1. \$408,538 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. \$706,930 is derived from the City's share of the Oil Trust Fund and is restricted for capital improvements.
3. \$1,893,201 is derived from sales tax receipts held in the Capital Projects Trust Fund.
4. \$34,890 was derived from the 2.5 Mil Property Tax Fund and is restricted for education.
5. \$15,170 was derived from the Corrections Fund and is restricted for corrections related functions.
6. \$8,850 is derived from the Police Grant and is restricted for use on the Police Grant 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.
- 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.

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

Plan description (continued)

- 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)

Benefits provided (continued)

The ERS membership includes approximately 88,517 participants from approximately 906 local participating employers. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to, but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post Drop Participants who are still in active service	168
	<hr/> <hr/> 88,517

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, 2017, the City's active employee contribution rate was 10.58% of covered employee payroll.

City of Talladega, Alabama
Notes to Financial Statements

NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)
Contributions (continued)

The City’s contractually required contribution rate for the year ended September 30, 2018 was 10.58% of pensionable pay for Tier 1 employees and 7.40% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$672,802 for the year ended September 30, 2018, and \$147,216 (22%) were related to Water and Sewer Department employees.

Net pension liability

The City’s net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward		
	Expected	Actual
(a) Total Pension Liability		
as of September 30, 2016	\$ 26,812,306	\$ 26,622,886
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for		
October 1, 2016 – September 30, 2017	583,545	583,545
(d) Transfers Among Employers	-	31,663
(e) Actual Benefit Payment and Refunds for		
October 1, 2016 – September 30, 2017	(1,654,058)	(1,654,058)
(f) Total Pension Liability		
as of September 30, 2017		
$[(a) \times (1+(b))] + (c) + (d) + [(e) \times (1 + .5 \times (b))]$	\$ 27,755,652	\$ 27,583,215
(g) Difference between Expected and Actual Experience (Gain)/Loss		\$ (172,437)
(h) Less Liability Transferred for Immediate Recognition		31,663
(i) Experience (Gain)/Loss = (g) - (h)		(204,100)

Actuarial assumptions

The total pension liability in the September 30, 2016 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, 2016 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, 2016	\$ 26,812,306	\$ 18,712,249	\$ 8,100,057
Changes for the year:			
Service cost	583,545	-	583,545
Interest	2,013,859	-	2,013,859
Changes in assumptions	-	-	-
Difference between expected and actual experience	(204,100)	-	(204,100)
Contributions – employer	-	635,966	(635,966)
Contributions – employee	-	374,226	(374,226)
Net investment income	-	2,356,733	(2,356,733)
Benefit payments, including refunds of employee contributions	(1,654,058)	(1,654,058)	-
Administrative expense	-	-	-
Transfers among employers	31,663	31,663	-
Net changes	770,909	1,744,530	(973,621)
Balances at September 30, 2017	\$ 27,583,215	\$ 20,456,779	\$ 7,126,436

The above net pension liability is shared between the City’s general fund and proprietary fund. The City has allocated 22% or \$1,567,816 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	\$ 10,256,894	\$ 7,126,436	\$ 4,480,863

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor’s report dated August 31, 2018 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, 2018, the City recognized pension expense of \$917,604, \$201,873 of which was related to proprietary fund employees. At September 30, 2018, 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	\$ 176,086	\$ 171,703
Changes of assumptions	711,285	-
Net difference between projected and actual earnings on plan investments	-	618,945
Employer contributions subsequent to the measurement date	672,802	-
Total	\$ 1,560,173	\$ 790,648

Amounts reported as deferred outflows of resources and inflows of resources related to pensions at September 30, 2018 will be recognized in pension expense as follows:

For Years Ending September 30	
2019	\$ 31,177
2020	158,685
2021	(80,954)
2022	(51,170)
2023	48,703
Thereafter	(9,718)
Total	\$ 96,723

The above deferred outflow and inflow of resources is shared between the City’s general fund and proprietary fund. The City has allocated 22% or \$195,222 and \$173,943 to the water fund for deferred outflows and inflows, respectively. 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.

City of Talladega, Alabama
Notes to Financial Statements

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.

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 – TAX ABATEMENTS

The City has entered into a tax abatement agreement with a business for the purpose of recruiting new business development within the City. The agreement has limited terms and are entered into by the City as they are expected to benefit the City to increase revenue. These incentive agreements require approval by the City Council and are authorized by Amendment 772 to the Constitution of Alabama (1901) (Article 94.01 of the Recompiled Constitution of Alabama). The incentive agreements generally expire upon the earlier of a specified term of years or the satisfaction of the agreed upon incentive amount. A summary is as follows:

Nature of Incentive	Type of Tax	% of City Taxes Abated	Amount Abated in FYE September 30, 2018	Expiration of Incentive	Maximum Incentive Amount
Business development	Business licenses ¹	100%	\$ -	3 years	None
	Construction-related transaction taxes	100%	-	None	None
	Noneducational ad valorem tax	100%	-	10 years, to begin on October 1st following the date each property becomes owned by the Company	None

¹ Business license taxes will be abated for a period of three years, beginning with the first year that gross receipts for the project exceed \$1,000,000

City of Talladega, Alabama
Notes to Financial Statements

NOTE 19 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Fiduciary activities;
- Lease assets and liabilities;
- Certain disclosures related to debt, including direct borrowings and direct placements; and
- Accounting for interest cost incurred before the end of a construction period.

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

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE

During the preparation of the financial statements for the year ended September 30, 2018, the City adopted GASB 75 related to the post-employment benefits other than pension. The implementation required the City to record beginning net OPEB liability and the effect on net position of OPEB activity during the measurement period (fiscal year ended September 30, 2018). As a result, beginning net position for the year ended September 30, 2017 decreased as follows:

	Governmental Activities	Business Activities
Net position - September 30, 2017	\$ 13,955,916	\$ 17,224,219
Prior period adjustment:		
Cumulative effect of changes in accounting principle:		
GASB 75 - Accounting and Financial Reporting for Postemployment Benefits		
Other than Pension	(2,748,832)	(700,592)
Net position - September 30, 2017, as restated	\$ 11,207,084	\$ 16,523,627

REQUIRED SUPPLEMENTARY INFORMATION

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

<i>Year ended September 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes				
Sales and use tax	\$ 8,771,500	\$ 8,946,500	\$ 8,980,584	\$ 34,084
Rental tax	185,000	225,000	240,960	15,960
Lodging tax	182,500	207,500	228,940	21,440
Automobile sales tax	113,500	216,000	217,238	1,238
Wholesale gasoline tax	179,250	190,000	200,624	10,624
Motor vehicle license tax	3,800	3,800	4,041	241
Alcoholic beverage tax	20,000	25,000	23,416	(1,584)
Beer tax	103,500	103,500	96,207	(7,293)
Wine tax	5,000	5,000	4,706	(294)
Liquor tax - ABC profit	5,750	5,750	4,655	(1,095)
Cigarette tax	366,000	366,000	381,581	15,581
Alabama Gas franchise tax	37,500	41,500	41,865	365
Charter Cable franchise tax	182,500	190,000	192,602	2,602
10 mil property tax	1,100,000	1,025,000	1,022,661	(2,339)
M2 Connections franchise	1,500	1,500	1,134	(366)
Excise tax on financial institutions	120,000	120,000	152,818	32,818
County business privilege tax	30,000	30,000	31,318	1,318
Total taxes	11,407,300	11,702,050	11,825,350	123,300
Licenses				
Business license	1,250,000	1,265,000	1,359,517	94,517
Business license - Spire	100,000	106,000	106,343	343
Business license - Alabama Power Co.	737,500	719,500	719,358	(142)
Business license - Coosa Valley Electric	75,000	66,600	66,600	-
Business license - telephone	7,500	7,500	7,644	144
Alcohol license	100	100	150	50
Automobile license	40,000	40,000	28,077	(11,923)
Chauffeur license	50	50	-	(50)
Total license revenue	2,210,150	2,204,750	2,287,689	82,939
Permits				
Building permits	25,000	100,000	92,918	(7,082)
Miscellaneous permits	3,500	1,250	877	(373)
Yard sale permits	400	400	246	(154)
Total permits	28,900	101,650	94,041	(7,609)

(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, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues (continued)				
Fees				
Motor vehicle registration fees	\$ 500	\$ 500	\$ -	\$ (500)
Returned check fees	100	100	1,500	1,400
Recycling fee revenue	-	8,000	9,035	1,035
Zoning fees	500	1,500	6	(1,494)
Total fees	1,100	10,100	10,541	441
Police department				
Impound fees	9,000	9,000	9,175	175
Sex offender registration	1,000	1,000	856	(144)
Accident reports	3,750	3,750	3,425	(325)
Animal control reimbursement	95,000	95,000	90,725	(4,275)
I&O reports	2,000	2,000	1,535	(465)
Total police department	110,750	110,750	105,716	(5,034)
Corrections				
Bail bond fees	600	900	938	38
Total corrections	600	900	938	38
Donations				
Donations to animal control	5,000	5,000	4,386	(614)
Donations to parks and recreation	250	250	670	420
Other donations	500	500	3,500	3,000
Total donations	5,750	5,750	8,556	2,806
Recreation department				
Recreation Center	170,000	140,000	133,560	(6,440)
Refunds - Recreation Center	2,000	(3,000)	(2,811)	189
Total recreation department	172,000	137,000	130,749	(6,251)

(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, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues (continued)				
Miscellaneous				
Senior citizens grant	\$ 10,000	\$ 12,500	\$ 12,443	\$ (57)
Transportation grant	30,000	35,000	35,036	36
Transportation farebox	8,000	8,000	8,513	513
Children's summer nutrition grant	110,000	110,000	111,370	1,370
Miscellaneous grant revenue	2,500	2,500	36,834	34,334
Weed abatement assessments	12,000	12,000	11,724	(276)
Water detention review	400	1,800	3,700	1,900
Vending machine	-	500	544	44
Proceeds from sale of property	25,000	5,000	5,307	307
Rental revenue	17,200	27,200	39,123	11,923
Insurance reimbursements	1,000	1,000	2,291	1,291
Reimbursements	41,000	41,000	3,911	(37,089)
Interest revenue	5,000	5,000	5,321	321
Cell tower application fee	5,000	17,500	17,500	-
Other revenue	52,000	127,000	134,322	7,322
Total miscellaneous	319,100	406,000	427,939	21,939
Total revenues	\$ 14,255,650	\$ 14,678,950	\$ 14,891,519	\$ 212,569

(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, 2018</i>	Original Budget	Final Budget	Actual	Variance
Expenditures				
City Council	\$ 53,550	\$ 66,050	\$ 57,957	\$ 8,093
City Manager's office	318,575	344,940	298,096	46,844
Finance department	315,585	367,685	328,250	39,435
City Clerk's office	162,946	274,400	265,735	8,665
Human resources	129,941	151,721	118,231	33,490
Purchasing and safety	370,440	426,750	370,936	55,814
Police department	3,417,457	3,474,607	3,046,146	428,461
Emergency communications	265,000	280,000	248,430	31,570
Animal control	236,090	232,990	213,347	19,643
Fire department	1,887,700	1,996,515	1,892,005	104,510
Public works department	1,351,957	1,327,882	1,163,347	164,535
Community appearance	922,660	938,585	830,502	108,083
Parks and recreation	1,173,040	1,222,545	1,102,374	120,171
Other boards and agencies	400,000	400,000	339,924	60,076
Nondepartmental	588,340	876,857	818,293	58,564
Total expenditures	11,593,281	12,381,527	11,093,573	1,287,954
Excess revenues over (under) expenditures	2,662,369	2,297,423	3,797,946	1,500,523
Other financing sources (uses):				
Transfers in from other funds	141,380	36,100	43,324	7,224
Transfers out to other funds	(1,570,158)	(1,455,158)	(2,365,706)	(910,548)
Total other financing sources (uses)	(1,428,778)	(1,419,058)	(2,322,382)	(903,324)
Net change in fund balances	\$ 1,233,591	\$ 878,365	\$ 1,475,564	\$ 597,199

See accompanying notes to required supplementary information.

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 583,545	\$ 602,738	\$ 608,309	\$ 592,326
Interest	2,013,859	1,928,337	1,832,623	1,761,806
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(204,100)	26,895	309,855	-
Changes of assumptions	-	1,027,411	-	-
Benefit payments, including refunds of employee contributions	(1,654,058)	(1,585,868)	(1,522,852)	(1,414,985)
Transfers among employers	31,663	(84,352)	-	-
Net change in total pension liability	770,909	1,915,161	1,227,935	939,147
Total pension liability - beginning	26,812,306	24,897,145	23,669,210	22,730,063
Total pension liability - ending (a)	27,583,215	26,812,306	24,897,145	23,669,210
Plan Fiduciary Net Position				
Contributions - employer	635,966	640,034	699,653	740,892
Contributions - employee	374,226	365,914	404,420	360,594
Net investment income	2,356,733	1,760,239	208,626	1,917,819
Benefit payments, including refunds of employee contributions	(1,654,058)	(1,585,868)	(1,522,852)	(1,414,985)
Transfers among employers	31,663	(84,352)	63,907	(3,971)
Net change in plan fiduciary net position	1,744,530	1,095,967	(146,246)	1,600,349
Plan net position - beginning	18,712,249	17,616,282	17,762,528	16,162,179
Plan net position - ending (b)	\$ 20,456,779	\$ 18,712,249	\$ 17,616,282	\$ 17,762,528
Net pension liability (asset) - ending (a) - (b)	\$ 7,126,436	\$ 8,100,057	\$ 7,280,863	\$ 5,906,682
Plan fiduciary net position as a percentage of total pension liability	74.16%	69.79%	70.76%	75.04%
Covered employee payroll	\$ 6,911,019	\$ 6,713,736	\$ 6,313,716	\$ 6,643,729

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)
2018	\$ 697,135	\$ 697,135	\$ -	\$ 7,606,318	9.17%
2017	632,981	632,981	-	6,911,019	9.16%
2016	642,492	642,492	-	6,713,736	9.57%
2015	718,888	718,888	-	6,313,716	11.39%
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%

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

Other post-employment benefits (See also note 12)

A. Schedule of Changes in Net OPEB Liability

OPEB liability	2018
Service cost	\$ 122,473
Interest	154,929
Changes in benefit terms	-
Difference between expected and actual experience	(8,338)
Changes of assumptions	(206,231)
Benefit payments	<u>(200,664)</u>
Net change in total OPEB liability	(137,831)
Total OPEB liability, beginning of year	<u>4,427,969</u>
Total OPEB liability, end of year	<u><u>\$ 4,290,138</u></u>
Fiduciary net position	
Contributions - employer	-
Contributions - other	-
Net investment income	47,296
Benefit payments and net transfers	-
Administrative expense	<u>(2,808)</u>
Net change in fiduciary net position	44,488
Plan fiduciary net position, beginning of year	<u>1,091,815</u>
Plan fiduciary net position, end of year	<u><u>\$ 1,136,303</u></u>
Net OPEB liability, end of year	<u><u>\$ 3,153,835</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	26.49%
Covered employee payroll in year ending September 30	\$ 5,784,562
Net OPEB liability as a percentage of covered-employee payroll	54.52%

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

Schedule of Employer Contributions – Other Post-Employment Benefits

Other post-employment benefits (See also note 12)

B. Schedule of employer contributions

	2018
Actuarially determined contribution	\$ 305,687
Contributions in relation to the actuarially determined contribution	
Employer contributions to the trust	-
Employer-paid retiree premiums	200,664
Employer-paid expenses	-
Contribution deficiency	\$ 105,023
Covered annual payroll	\$ 5,784,562
Contributions as a percentage of covered employee payroll	3.47%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

C. Annual money-weighted rate of return, net of investment expense

	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	6.06%	8.03%	5.77%	6.70%

Source: Raymond James

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Talladega, Alabama
Notes to Required Supplementary Information

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

Budget information presented in the financial statements is based on the amended budget as adopted by the City Council on September 10, 2018.

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 ACTUARIALY DETERMINED CONTRIBUTIONS - PENSION

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 2018 were 10.58% for Tier 1 employees (hired before January 1, 2013) and 7.40% for Tier 2 employees (hired after January 1, 2013).

NOTE 4 – ACTUARIAL ASSUMPTIONS - PENSION

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 2018 were based on the September 30, 2016 actuarial valuation. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported:

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%



City of Talladega, Alabama
Notes to Required Supplementary Information

NOTE 4 – ACTUARIAL ASSUMPTIONS – PENSION (CONTINUED)

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.

NOTE 5 – SCHEDULE OF CHANGES IN NET OPEB LIABILITY

The net OPEB liability presented in these schedules were provided by the City's actuarial consultants, Fontenot Benefits and Actuarial Consulting. The net OPEB liability is measured as the total OPEB liability less the components of the plan net position reserved to fund the total OPEB liability. The related ratios show plan net position as a percentage of the total OPEB liability and the net OPEB liability as a percentage of employee covered payroll.

NOTE 6 – SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

There were no contributions to the plan outside of employer-paid retiree premiums for the year ended September 30, 2018.

City of Talladega, Alabama
Notes to Required Supplementary Information

NOTE 7 – ACTUARIAL ASSUMPTIONS – OPEB

The schedule of employer contributions is based on the following actuarial assumptions:

Valuation date	10/1/2017 Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.5% annually
Healthcare trend	Flat 5.5% annually
Salary increases	4.0% annually
Investment return	3.58% annually (Beginning of Year to Determine ADC) 4.18% annually (As of End of Year Measurement Date)
Retirement age	Attainment of 25 years or service at any age; or, attainment of age 60 and 10 years of service; employees hired on and after January 1, 2013 are not eligible to retire until age 62 (age 56 for Fire and Police).
Mortality	RP-2000 without projection, 50% unisex blend
Turnover	Age specific table with an average of 14% when applied to the active census

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, 2018</i>	Original Budget	Final Budget	Actual	Variance
Operating revenues				
Water revenues	\$ 3,550,000	\$ 3,640,000	\$ 3,657,770	\$ 17,770
Sewer revenues	2,475,000	2,585,000	2,576,362	(8,638)
Garbage revenues	1,040,000	1,030,000	1,039,351	9,351
Other operating revenues	252,100	246,850	274,035	27,185
Total revenues	7,317,100	7,501,850	7,547,518	45,668
Operating expenses				
Water and sewer department expenses	980,225	1,095,525	1,021,992	73,533
Waste water plants	1,151,775	1,327,860	1,321,319	6,541
Water filters and wells	855,581	990,731	928,917	61,814
Garbage collection expenses	992,000	992,000	1,008,110	(16,110)
General and administrative expenses	1,638,975	1,979,600	1,978,237	1,363
Depreciation and amortization	1,320,000	1,320,000	1,413,911	(93,911)
Total operating expenses	6,938,556	7,705,716	7,672,486	33,230
Operating income	378,544	(203,866)	(124,968)	78,898
Nonoperating income (expense)				
Interest income	8,500	48,500	69,576	21,076
Miscellaneous income	7,500	16,150	23,358	7,208
Interest expense	(913,820)	(913,820)	(925,297)	(11,477)
Total nonoperating income (expense)	(897,820)	(849,170)	(832,363)	16,807
Transfers				
Transfers out	-	-	(18,324)	(18,324)
Change in net position	\$ (519,276)	\$ (1,053,036)	\$ (975,655)	\$ 77,381

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

<i>September 30, 2018</i>	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,586,070	\$ -	\$ -	\$ 1,586,070
Investments	767,588	-	-	767,588
Receivables	27,186	-	8	27,194
Due from other funds	56	-	-	56
Total assets	\$ 2,380,900	\$ -	\$ 8	\$ 2,380,908
Liabilities				
Accounts payable and accrued liabilities	\$ 54,520	\$ -	\$ 4,762	\$ 59,282
Total liabilities	54,520	-	4,762	59,282
Fund balances				
Restricted	1,174,378	-	-	1,174,378
Committed	938,902	-	-	938,902
Assigned	213,100	-	-	213,100
Unassigned	-	-	(4,754)	(4,754)
Total fund balance (deficit)	2,326,380	-	(4,754)	2,321,626
Total liabilities and fund balance	\$ 2,380,900	\$ -	\$ 8	\$ 2,380,908

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

<i>Year ended September 30, 2018</i>	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues				
Intergovernmental revenues:				
Federal and state grants	\$ 103,419	\$ -	\$ -	\$ 103,419
State taxes	515,003	-	-	515,003
Other operating revenues:				
Fees, fines and charges for services	421,420	-	-	421,420
Interest on investments	27,827	-	-	27,827
Other	13,988	-	-	13,988
Total revenues	1,081,657	-	-	1,081,657
Expenditures				
Current operations:				
General government	788,270	-	881	789,151
Public safety	490,262	-	-	490,262
Capital outlay	64,782	-	-	64,782
Debt service:				
Principal	-	606,649	-	606,649
Interest	-	231,696	-	231,696
Total expenditures	1,343,314	838,345	881	2,182,540
Excess of revenues over (under) expenditures	(261,657)	(838,345)	(881)	(1,100,883)
Other financing sources (uses):				
Transfers in	525,430	838,345	-	1,363,775
Transfer (out)	(25,000)	-	-	(25,000)
Total other financing sources	500,430	838,345	-	1,338,775
Net change in fund balance	238,773	-	(881)	237,892
Fund balance, beginning of year	2,087,607	-	(3,873)	2,083,734
Fund balance, end of year (deficit)	\$ 2,326,380	\$ -	\$ (4,754)	\$ 2,321,626

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

<i>September 30, 2018</i>	2.5 Mil Property Tax Fund	4 Cent Gas Tax Fund	7 Cent Gas Tax Fund	Corrections Fund
Assets				
Cash and cash equivalents	\$ 29,265	\$ 177,026	\$ 221,054	\$ 46,975
Investments	-	-	-	-
Receivables	5,625	4,622	5,836	11,103
Due from other funds	-	-	-	56
Total assets	\$ 34,890	\$ 181,648	\$ 226,890	\$ 58,134
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 42,964
Total liabilities	-	-	-	42,964
Fund balances				
Restricted	34,890	181,648	226,890	15,170
Committed	-	-	-	-
Assigned	-	-	-	-
Total fund balance	34,890	181,648	226,890	15,170
Total liabilities and fund balance	\$ 34,890	\$ 181,648	\$ 226,890	\$ 58,134

Oil Trust Fund	Brownfield Fund	Police Grant	Cemetery Fund	Library Fund	Total Special Revenue Funds
\$ 706,930	\$ -	\$ 8,850	\$ 216,476	\$ 179,494	\$ 1,586,070
-	-	-	727,754	39,834	767,588
-	-	-	-	-	27,186
-	-	-	-	-	56
\$ 706,930	\$ -	\$ 8,850	\$ 944,230	\$ 219,328	\$ 2,380,900
\$ -	\$ -	\$ -	\$ 5,328	\$ 6,228	\$ 54,520
-	-	-	5,328	6,228	54,520
706,930	-	8,850	-	-	1,174,378
-	-	-	938,902	-	938,902
-	-	-	-	213,100	213,100
706,930	-	8,850	938,902	213,100	2,326,380
\$ 706,930	\$ -	\$ 8,850	\$ 944,230	\$ 219,328	\$ 2,380,900

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

<i>Year ended September 30, 2018</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	263,249	49,885	63,564	-
Other operating revenues:				
Fees, fines and charges for services	-	-	-	368,155
Interest on investments	460	-	513	-
Other	-	-	-	-
Total revenues	263,709	49,885	64,077	368,155
Expenditures				
Current operations:				
General	263,493	96	-	-
Public safety	-	-	-	486,957
Capital outlay	-	-	-	-
Total expenditures	263,493	96	-	486,957
Excess of revenues over (under) expenditures	216	49,789	64,077	(118,802)
Other financing sources (uses):				
Transfers in	-	-	-	158,833
Transfers (out)	-	-	-	(25,000)
Total other financing sources (uses)	-	-	-	133,833
Net change in fund balance	216	49,789	64,077	15,031
Fund balance, beginning of year	34,674	131,859	162,813	139
Fund balance, end of year	\$ 34,890	\$ 181,648	\$ 226,890	\$ 15,170

Oil Trust Fund	Brownfield Fund	Police Grant	Cemetery Fund	Library Fund	Total Special Revenue Funds
\$ -	\$ -	\$ 11,458	\$ -	\$ 91,961	\$ 103,419
138,305	-	-	-	-	515,003
-	-	-	39,844	13,421	421,420
1,704	-	4	22,645	2,501	27,827
-	-	-	-	13,988	13,988
140,009	-	11,462	62,489	121,871	1,081,657
-	838	-	68,666	455,177	788,270
-	-	3,305	-	-	490,262
-	-	-	-	64,782	64,782
-	838	3,305	68,666	519,959	1,343,314
140,009	(838)	8,157	(6,177)	(398,088)	(261,657)
-	-	-	-	366,597	525,430
-	-	-	-	-	(25,000)
-	-	-	-	366,597	500,430
140,009	(838)	8,157	(6,177)	(31,491)	238,773
566,921	838	693	945,079	244,591	2,087,607
\$ 706,930	\$ -	\$ 8,850	\$ 938,902	\$ 213,100	\$ 2,326,380

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

<i>September 30, 2018</i>	RBE Fund	Community Development	Total Capital Projects
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables	-	8	8
Total assets	\$ -	\$ 8	\$ 8
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ 4,762	\$ 4,762
Fund balances			
Unassigned	-	(4,754)	(4,754)
Total fund balance (deficit)	-	(4,754)	(4,754)
Total liabilities and fund balance	\$ -	\$ 8	\$ 8

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

<i>Year ended September 30, 2018</i>	RBE Fund	Community Development	Total Capital Projects
Revenues			
Intergovernmental revenues:			
Federal and state grants	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures			
Current operations:			
General government	794	87	881
Capital outlay	-	-	-
Total expenditures	794	87	881
Excess of revenues over (under) expenditures	(794)	(87)	(881)
Other financing sources:			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(794)	(87)	(881)
Fund balance, beginning of year	794	(4,667)	(3,873)
Fund balance, end of year (deficit)	\$ -	\$ (4,754)	\$ (4,754)

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

	2009	2010	2011	2012
Governmental activities				
Net investment in capital assets	\$ 10,261,167	\$ 10,056,395	\$ 8,270,373	\$ 8,470,055
Restricted				
Special revenue	612,807	631,242	1,198,908	856,473
Future capital projects	2,889,926	2,000,294	947,169	921,330
Perpetual care	770,649	789,130	742,549	-
Law enforcement	43,380	-	-	-
Debt service	345,132	322,954	300,776	-
Unrestricted	(1,375,617)	(722,971)	2,148,195	4,358,747
Total governmental activities	\$ 13,547,444	\$ 13,077,044	\$ 13,607,970	\$ 14,606,605
Business-type activities				
Net investment in capital assets	\$ 11,917,237	\$ 12,070,621	\$ 9,953,242	\$ 10,399,739
Restricted				
Capital projects	-	-	-	-
Debt service	-	-	1,211,445	1,211,644
Unrestricted	3,807,074	4,733,213	16,908,341	5,972,835
Total business-type activities	\$ 15,724,311	\$ 16,803,834	\$ 28,073,028	\$ 17,584,218
Primary government				
Net investment in capital assets	\$ 22,178,404	\$ 22,127,016	\$ 18,223,615	\$ 18,869,794
Restricted				
Capital projects	2,889,926	200,294	947,169	921,330
Special revenues	612,807	631,242	1,198,908	856,473
Perpetual care	770,649	789,130	742,549	-
Law enforcement	43,380	-	-	-
Debt service	345,132	322,954	1,512,221	1,211,644
Unrestricted	2,431,457	4,010,242	7,891,849	10,331,582
Total primary government	\$ 29,271,755	\$ 28,080,878	\$ 30,516,311	\$ 32,190,823

2013	2014	2015	2016	2017	2018
\$ 8,485,428	\$ 8,702,500	\$ 8,668,887	\$ 8,280,408	\$ 8,544,055	\$ 8,778,501
1,678,716	1,935,106	558,817	733,486	897,099	1,174,378
1,446,726	1,029,835	1,621,321	1,680,278	2,474,147	1,893,201
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,228,241	4,474,117	198,227	2,267,638	2,040,615	541,368
<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>	<u>\$ 12,387,448</u>
\$ 9,625,354	\$ 9,528,061	\$ 4,665,885	\$ 5,020,591	\$ 3,825,393	\$ 8,203,640
-	-	-	-	-	-
1,710,193	1,448,412	6,608,857	6,079,882	5,811,725	5,507,330
5,743,591	8,049,562	6,814,460	6,828,228	7,587,101	1,837,002
<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>	<u>\$ 15,547,972</u>
\$ 18,110,782	\$ 18,230,561	\$ 13,334,772	\$ 13,300,999	\$ 12,369,448	\$ 16,982,141
1,446,726	1,029,835	1,621,321	1,680,278	2,474,147	1,893,201
1,678,716	1,935,106	558,817	733,486	897,099	1,174,378
-	-	-	-	-	-
-	-	-	-	-	-
1,710,193	1,448,412	6,608,857	6,079,882	5,811,725	5,507,330
8,971,832	12,523,679	7,012,687	9,095,866	9,627,716	2,378,370
<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>	<u>\$ 27,935,420</u>

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

	2009	2010	2011	2012
Expenses				
Governmental activities				
General government	\$ 3,659,053	\$ 3,700,715	\$ 3,603,718	\$ 3,612,283
Public protection				
Police	2,689,707	2,684,831	2,545,762	2,655,797
Fire	1,316,881	1,347,488	1,323,748	1,414,782
Corrections	544,946	645,216	1,016,090	692,669
Public works	3,198,716	2,920,835	4,289,657	3,407,964
Recreational	1,901,936	1,511,976	1,097,026	1,162,741
Nondepartmental	-	-	-	-
Other boards and agencies	-	-	-	-
Capital outlay	-	-	-	-
Depreciation expense	1,510,112	1,416,649	1,479,284	1,476,188
Interest and fiscal charges	496,301	506,695	489,291	453,617
Total governmental activities	15,317,652	14,734,405	15,844,576	14,876,041
Business-type activities				
Water and sewer	5,498,018	5,473,304	5,867,908	5,777,985
Total primary government	\$ 20,815,670	\$ 20,207,709	\$ 21,712,484	\$ 20,654,026
Program revenues				
Governmental activities				
Fees, fines and charges for service				
General government	\$ 23,585	\$ 31,100	\$ 67,673	\$ 95,371
Police	60,830	84,267	74,299	79,469
Fire	-	-	-	-
Other public protection	643,423	639,451	602,808	644,754
Public works	32,850	-	-	-
Recreational	313,823	266,604	206,704	179,121
Operating grants and contributions	124,923	253,042	-	-
Capital grants and contributions	141,310	97,751	-	-
Total governmental activities	1,340,744	1,372,215	951,484	998,715

	2013	2014	2015	2016	2017	2018
\$	4,032,660	\$ 3,503,698	\$ 3,180,845	\$ 4,098,149	\$ 4,647,566	\$ 4,245,141
	2,739,752	2,939,897	3,175,819	3,035,750	3,019,968	3,507,923
	1,528,048	1,576,920	1,838,503	1,587,401	1,608,261	1,892,005
	644,982	886,695	1,526,185	1,370,589	1,247,724	1,325,920
	3,201,587	3,115,086	5,911,183	3,449,780	2,630,550	2,451,608
	964,970	1,071,582	1,192,742	1,071,100	1,067,252	1,268,791
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,498,964	1,474,028	-	-	-	-
	428,798	414,495	352,077	360,675	250,403	228,258
	15,039,761	14,982,401	17,177,354	14,973,444	14,471,724	14,919,646
	5,966,932	6,151,870	6,366,816	6,666,566	7,615,383	8,597,783
\$	21,006,693	\$ 21,134,271	\$ 23,544,170	\$ 21,640,010	\$ 22,087,107	\$ 23,517,429
\$	128,815	\$ 63,365	\$ 49,868	\$ 54,713	\$ 64,710	\$ 64,744
	107,546	95,987	95,987	92,933	133,687	105,716
	-	-	-	-	-	-
	650,775	934,808	814,985	677,055	451,562	368,155
	-	-	-	-	-	-
	174,458	183,513	160,879	155,673	166,294	130,749
	629,196	342,874	230,756	415,778	205,124	299,102
	34,431	12,192	288,219	162,311	-	107,411
	1,725,221	1,632,739	1,640,694	1,558,463	1,021,377	1,075,877

(Continued on the following page.)

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

	2009	2010	2011	2012
Program revenues (continued)				
Business-type activities				
Water and sewer revenues	\$ 6,394,726	\$ 7,388,493	\$ 7,306,496	\$ 7,156,929
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	350,000	-	-
Total business-type activities	6,394,726	7,738,493	7,306,496	7,156,929
Total program revenues	\$ 7,735,470	\$ 9,110,708	\$ 8,257,980	\$ 8,155,644
Net (expense) revenue				
Governmental activities	\$ (13,976,908)	\$ (13,362,190)	\$ (14,893,092)	\$ (13,877,326)
Business-type activities	896,708	2,265,189	1,438,588	1,378,944
Total primary government net expense	\$ (13,080,200)	\$ (11,097,001)	\$ (13,454,504)	\$ (12,498,382)
General revenues				
Governmental activities				
Taxes				
Sales, property, other for general purposes	\$ 9,490,399	\$ 9,635,086	\$ 10,060,229	\$ 10,612,516
General business licenses and permits	2,014,668	1,944,017	2,027,174	2,001,838
Miscellaneous income	197,044	66,271	93,764	101,305
Interest income	69,183	47,507	37,281	28,593
Gain on sale of asset	-	-	69,703	32,953
Transfers	989,064	1,198,909	1,158,533	908,880
Total governmental activities	12,760,358	12,891,790	13,446,684	13,686,085
Business-type activities				
Miscellaneous income	-	-	-	-
Interest income	23,195	13,243	18,685	17,311
Transfers	(989,064)	(1,198,909)	(1,158,533)	(908,880)
Total business-type activities	(965,869)	(1,185,666)	(1,139,848)	(891,569)
Total general revenues	\$ 11,794,489	\$ 11,706,124	\$ 12,306,836	\$ 12,794,516
Change in net position				
Governmental activities	\$ (1,216,552)	\$ (470,400)	\$ 530,926	\$ 890,292
Business-type activities	(69,161)	1,079,523	298,740	487,375
Total primary government	\$ (1,285,713)	\$ 609,123	\$ 829,666	\$ 1,377,667

2013	2014	2015	2016	2017	2018
\$ 6,920,902	\$ 7,226,160	\$ 7,553,779	\$ 7,479,369	\$ 7,207,288	\$ 7,547,518
-	-	-	-	-	-
-	-	-	-	-	-
6,920,902	7,226,160	7,553,779	7,479,369	7,207,288	7,547,518
\$ 8,646,123	\$ 8,858,899	\$ 9,194,473	\$ 9,037,832	\$ 8,228,665	\$ 8,623,395
\$ (13,314,540)	\$ (13,349,662)	\$ (15,536,660)	\$ (13,414,981)	\$ (13,450,347)	\$ (13,843,769)
953,970	1,074,290	1,186,963	812,803	(408,095)	(1,050,265)
\$ (12,360,570)	\$ (12,275,372)	\$ (14,349,697)	\$ (12,602,178)	\$ (13,858,442)	\$ (14,894,034)
\$ 10,899,473	\$ 11,300,810	\$ 11,304,309	\$ 11,705,062	\$ 11,768,774	\$ 12,340,353
1,868,145	2,160,893	2,103,350	2,171,942	2,188,370	2,381,730
17,094	96,303	381,012	120,336	57,558	249,481
16,739	18,244	36,395	64,706	81,628	34,245
96,989	37,257	-	-	-	-
922,718	1,038,602	1,315,009	1,014,181	348,123	18,324
13,821,158	14,652,109	15,140,075	15,076,227	14,444,453	15,024,133
49,577	1,894,205	192,698	31,605	31,924	23,358
13,565	17,004	127,786	9,272	19,812	69,576
(922,718)	(1,038,602)	(1,315,009)	(1,014,181)	(348,123)	(18,324)
(859,576)	872,607	(994,525)	(973,304)	(296,387)	74,610
\$ 12,961,582	\$ 15,524,716	\$ 14,145,550	\$ 14,102,923	\$ 14,148,066	\$ 15,098,743
\$ 506,618	\$ 1,302,447	\$ (396,585)	\$ 1,661,246	\$ 994,106	\$ 1,180,364
94,394	1,946,897	192,438	(160,501)	(704,482)	(975,655)
\$ 601,012	\$ 3,249,344	\$ (204,147)	\$ 1,500,745	\$ 289,624	\$ 204,709

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

	2009	2010	2011	2012
Sales and use tax	\$ 6,479,715	\$ 6,355,749	\$ 6,987,196	\$ 7,784,557
Business licenses	1,956,931	1,861,447	1,949,387	2,001,838
10 mil tax	1,045,033	1,022,336	1,053,801	971,921
Other taxes and licenses	2,022,713	2,339,571	2,097,019	1,856,038
Total taxes and licenses	\$ 11,504,392	\$ 11,579,103	\$ 12,087,403	\$ 12,614,354

	2009	2010	2011	2012
City of Talladega	4.00%	4.00%	5.00%	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%	10.00%	10.00%

	2013	2014	2015	2016	2017	2018
\$	8,003,987	\$ 8,237,253	\$ 9,404,853	\$ 9,750,940	\$ 9,789,736	\$ 10,496,401
	1,868,146	2,160,893	2,103,350	2,171,942	2,188,370	2,381,730
	1,049,494	1,071,589	1,062,369	1,053,026	1,091,275	1,022,661
	1,405,179	1,991,968	837,087	901,096	887,763	821,291
\$	12,326,806	\$ 13,461,703	\$ 13,407,659	\$ 13,877,004	\$ 13,957,144	\$ 14,722,083

	2013	2014	2015	2016	2017	2018
	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

	2009	2010	2011	2012
General fund				
Unreserved	\$ 1,933,969	\$ 2,066,862	\$ -	\$ -
Restricted	-	-	17,244	-
Committed	-	-	1,377,358	-
Assigned	-	-	-	-
Unassigned	-	-	1,268,996	4,057,672
Total general fund	1,933,969	2,066,862	2,663,598	4,057,672
All other governmental funds				
Reserved:				
Special revenue funds	612,807	631,242	-	-
Debt service funds	345,132	322,954	-	-
Other nonmajor funds	814,029	789,130	-	-
Future capital projects	2,889,926	200,294	-	-
Unreserved, reported in:				
Other nonmajor funds	100,535	93,692	-	-
Restricted	-	-	3,185,805	1,777,803
Committed	-	-	-	826,225
Assigned	-	-	-	134,040
Unassigned	-	-	154,933	-
Total all other governmental funds	4,762,429	2,037,312	3,340,738	2,738,068
Total governmental funds	\$ 6,696,398	\$ 4,104,174	\$ 6,004,336	\$ 6,795,740

2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
300,000	300,000	-	1,608,025	-	-
3,012,259	4,348,610	3,748,728	3,786,428	5,214,755	6,690,319
3,312,259	4,648,610	3,748,728	5,394,453	5,214,755	6,690,319
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,125,442	2,964,341	2,180,138	2,413,764	3,371,246	3,067,579
848,233	856,677	833,630	896,508	945,079	938,902
154,356	186,524	176,731	197,886	244,591	213,100
-	-	-	(4,671)	(4,667)	(4,754)
4,128,031	4,007,542	3,190,499	3,503,487	4,556,249	4,214,827
\$ 7,440,290	\$ 8,656,152	\$ 6,939,227	\$ 8,897,940	\$ 9,771,004	\$ 10,905,146

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

	2009	2010	2011	2012
Revenues				
Taxes	\$ 9,490,399	\$ 9,635,086	\$ 10,060,229	\$ 11,345,272
Licenses and permits	2,014,668	1,944,017	2,027,174	2,001,838
Changes for services	1,074,511	1,021,422	951,484	960,054
Federal and state grants	266,233	350,793	1,977,334	200,354
Interest	69,183	47,507	37,281	28,592
Proceeds from long-term debt	3,705,700	-	-	-
Other revenues	197,044	78,796	163,467	323,467
Total revenues	16,817,738	13,077,621	15,216,969	14,859,577
Expenditures				
General government	2,071,339	2,093,373	1,606,559	1,699,523
Public safety	4,441,888	4,625,364	4,871,600	4,734,510
Public works	1,725,131	1,727,601	3,197,571	2,236,637
Recreation	1,599,223	1,363,563	994,526	1,052,011
Other boards and agencies	380,600	343,854	304,850	323,900
Non-departmental	2,819,353	2,677,089	2,965,022	2,598,400
Capital outlay	1,102,902	1,121,126	1,375,357	1,142,607
Debt service:				
Principal	654,634	599,890	571,495	584,204
Interest	467,350	487,594	458,985	445,199
Miscellaneous	22,397	29,300	30,477	26,333
Total expenditures	15,284,817	15,068,754	16,376,442	14,843,324
Excess revenues over (under) expenditures	1,532,921	(1,991,133)	(1,159,473)	16,253
Other financing sources (uses)				
Operating transfers in	3,116,754	3,194,294	3,985,545	4,132,577
Operating transfers out	(2,127,690)	(1,995,385)	(2,827,310)	(3,223,697)
Proceeds from long-term debt	-	-	101,400	49,140
Total other financing sources	989,064	1,198,909	1,259,635	958,020
Net change in fund balance	2,521,985	(792,224)	100,162	974,273
Fund balance, beginning of year	4,174,413	6,696,398	5,904,174	6,004,337
Prior period adjustment	-	-	-	(182,870)
Fund balance, end of year	\$ 6,696,398	\$ 5,904,174	\$ 6,004,336	\$ 6,795,740
Ratio of debt service expenditures to noncapital expenditures	8.59%	8.46%	7.38%	8.12%

	2013	2014	2015	2016	2017	2018
\$	11,262,199	\$ 11,300,810	\$ 11,304,309	\$ 11,705,062	\$ 11,768,774	\$ 12,340,353
	1,868,146	2,160,893	2,103,350	2,171,942	2,188,370	2,381,730
	1,013,951	1,277,673	1,121,719	980,374	816,253	669,364
	295,421	355,066	518,975	578,089	205,124	406,513
	16,741	18,244	36,395	64,706	81,628	34,245
	-	-	-	-	-	-
	170,466	155,205	381,012	120,336	71,258	249,479
	14,626,924	15,267,891	15,465,760	15,620,509	15,131,407	16,081,684
	1,930,072	2,011,405	2,304,491	2,068,738	2,085,092	2,548,432
	4,912,782	5,403,512	5,933,000	5,351,668	5,195,660	5,890,190
	3,201,587	3,115,086	5,560,961	3,079,661	2,251,482	2,000,244
	964,970	1,071,582	1,072,266	943,781	936,855	1,102,374
	338,173	291,524	257,152	251,637	269,458	324,516
	1,600,356	1,057,294	1,083,488	1,237,085	1,405,765	818,293
	1,552,034	1,274,483	1,319,221	1,111,417	1,600,948	1,443,472
	820,565	436,649	773,121	532,842	577,367	606,649
	432,558	417,435	367,307	343,812	278,357	231,696
	6,992	11,661	157,350	8,648	128,930	-
	15,760,089	15,090,631	18,828,357	14,929,289	14,729,914	14,965,866
	(1,133,165)	177,260	(3,362,597)	691,220	401,493	1,115,818
	5,373,111	3,346,937	5,689,545	3,915,867	4,412,273	2,409,030
	(4,450,394)	(2,308,335)	(4,374,536)	(2,901,686)	(4,064,150)	(2,390,706)
	854,998	-	330,663	-	123,448	-
	1,777,715	1,038,602	1,645,672	1,014,181	471,571	18,324
	644,550	1,215,862	(1,716,925)	1,705,401	873,064	1,134,142
	6,795,740	7,440,290	8,656,152	6,939,227	8,897,940	9,771,004
	-	-	-	253,312	-	-
\$	7,440,290	\$ 8,656,152	\$ 6,939,227	\$ 8,897,940	\$ 9,771,004	\$ 10,905,146
	9.67%	6.59%	6.97%	6.77%	6.97%	6.77%

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	
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
2018	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

	2018			2009		
	Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected	Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected
Wal-Mart	\$ 2,105,408	1	23.44%	\$ 1,798,122	1	26.49%
Baker Foods	553,280	2	6.16%	443,680	2	6.54%
GP Building Products	300,332	3	3.34%			
Dollar General	273,530	4	3.05%			
Talladega Home Center	195,585	5	2.18%	92,455	7	1.36%
Spann Enterprises	139,999	6	1.56%			
Marvins, Inc.	138,695	7	1.54%	116,952	5	1.72%
CSX Transportation	123,734	8	1.38%	237,272	3	3.50%
Tractor Supply	121,796	9	1.36%	88,972	8	1.31%
Jack's Family Restaurant	119,720	10	1.33%	83,688	10	1.23%
Dolgencorp, Inc.				124,631	4	1.84%
MSP Distribution Services				92,882	6	1.37%
Merck & Co.				87,137	9	1.28%

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			
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
2018	7,134,745	-	595,917	20,647,689	-	28,378,351	6.1%	1,810

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

September 30, 2018

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City of Talladega*	Amount Applicable to City of Talladega
City of Talladega	\$ 7,730,662	100.00%	\$ 7,730,662
Talladega County	26,751,032	10.00%	2,675,103
Total	\$ 34,481,694		\$ 10,405,765

*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
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%	-
2018	-	-	-	0.00%	-

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

	2013		2014		2015		2016		2017		2018
\$	122,970,640	\$	122,875,960	\$	121,537,440	\$	123,594,320	\$	123,614,880	\$	122,969,740
	20%		20%		20%		20%		20%		20%
	24,594,128		24,575,192		24,307,488		24,718,864		24,722,976		24,593,948
	9,818,926		9,380,664		8,938,175		8,725,185		8,368,030		7,730,662
\$	14,775,202	\$	15,194,528	\$	15,369,313	\$	15,993,679	\$	16,354,946	\$	16,863,286
	39.92%		38.17%		36.77%		35.30%		33.85%		31.43%

	2013	2014	2015	2016	2017	2018
\$	122,970,640	\$ 122,875,960	\$ 121,537,440	\$ 123,594,320	\$ 123,614,880	\$ 122,969,740
	20%	20%	20%	20%	20%	20%
	24,594,128	24,575,192	24,307,488	24,718,864	24,722,976	24,593,948
	9,818,926	9,380,664	8,938,175	8,725,185	8,368,030	7,730,662
\$	14,775,202	\$ 15,194,528	\$ 15,369,313	\$ 15,993,679	\$ 16,354,946	\$ 16,863,286
	39.92%	38.17%	36.77%	35.30%	33.85%	31.43%



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

	2009	2010	2011	2012
Population¹	16,991	13,062	15,676	13,062
Total personal income				
Household income-City	\$ 34,067	\$ 29,660	\$ 29,942	\$ 29,874
Talladega County	\$ 38,013	\$ 48,400	\$ 56,300	\$ 46,800
Per capita¹				
Personal income*	\$ 17,435	\$ 18,583	\$ 18,583	\$ 18,583
Talladega County	\$ 18,473	\$ 19,762	\$ 19,762	\$ 19,762
School district³				
Enrollment	2,395	2,576	2,315	2,622
Unemployment²				
Rate	12.1	13.2	8.4	11.5
Employed²				
Talladega County	32,296	31,958	32,067	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

	2013	2014	2015	2016	2017	2018
	15,591	15,966	16,092	15,709	15,676	15,676
\$	31,122	\$ 32,304	\$ 33,686	\$ 29,482	\$ 29,074	\$ 29,755
\$	47,500	\$ 41,700	\$ 42,000	\$ 35,155	\$ 37,923	\$ 39,219
\$	15,855	\$ 16,536	\$ 16,203	\$ 16,882	\$ 17,421	\$ 17,832
\$	18,744	\$ 19,410	\$ 19,134	\$ 19,598	\$ 20,430	\$ 21,382
	2,206	2,196	2,179	1,965	2,008	1,956
	7.2	6.9	6.4	7.0	6.0	4.0
	35,199	34,828	35,167	34,756	32,466	34,329

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

	2018			2009		
	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	952	2	2.54%	952	1	2.49%
Baptist Citizens Medical Center	346	3	0.92%	322	5	0.84%
Federal Correction Institution	330	4	0.79%	330	4	0.86%
Talladega City Board of Education	321	5	0.88%	347	3	0.91%
Talladega Healthcare and Rehab	297	6	0.86%			
MasterBrand Cabinets	288	7	0.77%	237	7	0.62%
City of Talladega	244	8	0.65%			
Wal-Mart Talladega	235	9	0.63%			
International Enterprises Industries	123	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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administrative/City Clerk	2	2	2	2	2	2	2	2	2	1
Animal Control	4	4	3	3	3	4	4	4	4	4
City Council	6	6	6	6	6	6	6	6	6	6
City Manager	3	4	5	5	4	5	5	5	2	6
Comm. Appearance	22	18	23	22	22	20	20	20	20	18
Comm. Development	7	-	-	-	-	-	-	-	-	-
Fire	26	27	31	28	28	27	27	27	27	30
Human Resources	2	2	2	2	2	2	2	2	2	2
Library	6	10	8	7	7	7	7	7	7	7
Municipal Court	3	3	3	3	3	4	4	4	3	4
Parks and Recreation	28	32	27	12	11	10	10	10	10	10
Police	42	40	48	44	43	47	47	47	41	48
Police Communications ¹	4	-	-	-	-	-	-	-	-	-
Public Works	23	17	15	17	18	16	16	16	13	11
Purchasing	-	3	2	2	2	2	2	2	5	2
Revenue/Finance	5	5	5	5	5	5	5	5	5	5
Total	183	173	180	158	156	157	157	157	147	154

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Emergency communications										
Calls received ¹	52,712	23,267	31,185	29,991	33,985	34,307	31,834	29,603	27,250	26,819
Police										
Calls for service	20,538	20,300	23,826	23,203	28,965	29,238	26,849	24,736	22,549	22,081
Reported crimes	3,277	4,035	6,732	6,204	4,357	4,359	4,334	4,165	3,903	3,991
Fire										
Fire responses	321	492	627	432	424	420	380	241	159	159
Medical calls	23	34	-	152	239	290	271	461	489	588
	344	526	627	584	663	710	651	702	648	747
Water										
Millions of gallons per day										
Filtration plant production	3.44	3.65	3.78	3.73	3.37	3.45	3.73	3.10	2.85	2.80
City water demand	2.53	2.58	2.08	2.12	1.85	2.44	2.12	1.93	1.86	1.22

¹ Talladega County 911
Source: City departments

City of Talladega, Alabama Capital Asset Statistics by Function

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	126.5	126.5	126.5	126.5	126.5
Number of fire hydrants	950	950	950	950	950	1,000	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