

CITY OF TALLADEGA, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

Theresa St. James
Director of Finance

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INTRODUCTORY SECTION



CITY OF TALLADEGA

FOUNDED 1834 MEMBER: ALABAMA LEAGUE OF MUNICIPALITIES

City Council

Horace L. Patterson, Sr.
Jarvis Elston
Robert D. Miller, Jr.
Ricky Simpson
Joseph C. Ballow

Larry H. Barton
Mayor

Brian Muenger
City Manager

March 31, 2012

Ladies and Gentlemen:

I hereby transmit the annual financial report of the City of Talladega as of and for the year ended September 30, 2011. The accounting firm, Edgar and Associates, has audited the financial statements. The auditors' unqualified opinion 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 ended September 30, 2009 and September 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this annual financial report could not have been accomplished without the dedicated effort of the Finance Director and her entire staff. Their efforts over the past years toward upgrading the accounting and financial reporting systems of the City of Talladega have led to the improved quality of the information being reported to the City Council and the citizens of the City of Talladega.

Respectfully submitted,

W. Brian Muenger
City Manager
City of Talladega



CITY OF TALLADEGA

FOUNDED 1834 MEMBER: ALABAMA LEAGUE OF MUNICIPALITIES

City Council

Horace L. Patterson, Sr.
Jarvis Elston
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Ricky Simpson
Joseph C. Ballow

Larry H. Barton
Mayor

Brian Muenger
City Manager

March 30, 2012

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, 2011. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Edgar and Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Talladega's financial statements for the year ended September 30, 2011. 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. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

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

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

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

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

LOCAL ECONOMY

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

A method of analyzing economic conditions in Talladega is to track trends in sales tax revenue, on which the City is heavily dependent. Although sales tax revenue for FY 2010 was nearly level to 2009, totals were still significantly lower than previous years. The City Council made the difficult decision to adopt 1% sales and use tax increase

effective April 1, 2011. As stipulated by this increase, 50% of the additional revenue is dedicated to capital expenditures.

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 new jobs in the area since 2002. Retail trade consists largely of basic commodities and is less susceptible to loss of revenue due to economic declines.

Talladega County is home to the Talladega SuperSpeedway and International Motorsports Hall of Fame and Museum. With NASCAR races in May and October each year, this tourist attraction brings in about 300,000 people per race, resulting in the need for additional local lodging facilities. Other local attractions include the Texaco Walk of Fame and Davey Allison Memorial Park, Cheaha State Park, Talladega National Forest and DeSoto Caverns. 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 employs 206 teachers and administrators. The school system operates (i) four elementary schools (grades K through 6), serving 1,265 students, (ii) one junior high school (grades 7 and 8), serving 347 students, and (iii) one high school, serving 703 students.

Alabama Institute for the Deaf and Blind - Talladega is the home for the Alabama Institute for the Deaf and Blind, the world's most comprehensive education and service program serving children and adults from infancy through aging with hearing and vision loss. Annually, AIDB serves more than 18,500 individuals through five Talladega based campuses and a network of eight regional centers located throughout the state.

Alabama School for the Deaf and Alabama School for the Blind are accredited preschool-12 programs serving individuals from 3 to 21 years of age. The Instructional Resource Center for the Blind, located on the Alabama School for the Blind campus, provides Braille and large print books, materials and other services to all blind and visually impaired students at AIDB and in public schools in Alabama. The Helen Keller School of Alabama is also accredited and serves multi-disabled children ages 3 to 21. 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 adults and manufactures or distributes many products used in the home, office or by the military.

In fiscal year 2010-2011 AIDB programs served a total of 18,513 persons, inclusive of 5,614 individuals through residential and outreach programs; 8,117 senior citizens with age related hearing and vision loss; 179 blind adults employed at the Alabama Industries for the Blind; and a total of 5,053 children and adults through the Regional Center programs.

Central Alabama Community College – Central Alabama Community College 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.

Talladega College - located in the City of Talladega, Talladega College is a four year nationally accredited liberal arts college offering 16 academic majors. 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.

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 Arts Council* brings many programs and exhibits to Talladega, including the Alabama Symphony Orchestra, dinner theatre presentations, musicals, and lectures. Concerts are performed each year by the Military Bands. In addition, the Second Sunday Concerts Series features varied musical programs by area musicians.

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 *Talladega Community Choir* is very active in offering those interested in music an opportunity to participate in a variety of choral productions.

The *Talladega International Speedway* is located nine (9) miles north of the City. The speedway annually attracts over 300,000 spectators to racing events. 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-Exaco 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-Exaco 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 central business district. The buildings in the 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.

PARKS AND RECREATIONAL FACILITIES

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

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

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

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

The *Jemison Park* is located on Ashland Highway on a 3 acre site. The park consists of eight recently refurbished tennis courts, a playground and a newly added 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 Home 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 *Veteran's 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.

The *Mattie Simmons Recreation Center* is currently closed.

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

The *Spring Street Community Center* has an Olympic size indoor pool, regulation size basketball court, nautilus room, video game room, walking track and is home base for the Federal Rural Transportation Service. The administrative offices for the Recreation Department are housed here as well. Major renovations to this community center were completed in FY 2011 as part of the capital improvement program.

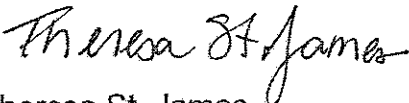
LONG-TERM FINANCIAL PLANNING

As a planning tool for long-term financing and the annual budget process, the City prepares a five-year capital improvement program. This document, which is updated annually, prioritizes capital projects by their funding source and timing. The City will use the 1% sales and use tax implemented in April, 2011 as the major source of funds for future capital improvements. 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.

ACKNOWLEDGMENTS

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

Respectfully submitted,

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

Theresa St. James
Finance Director

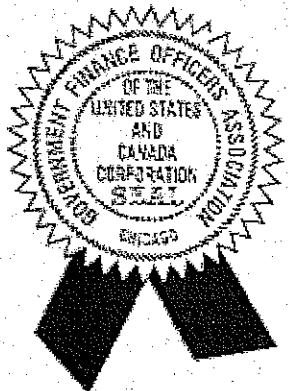
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Talladega
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

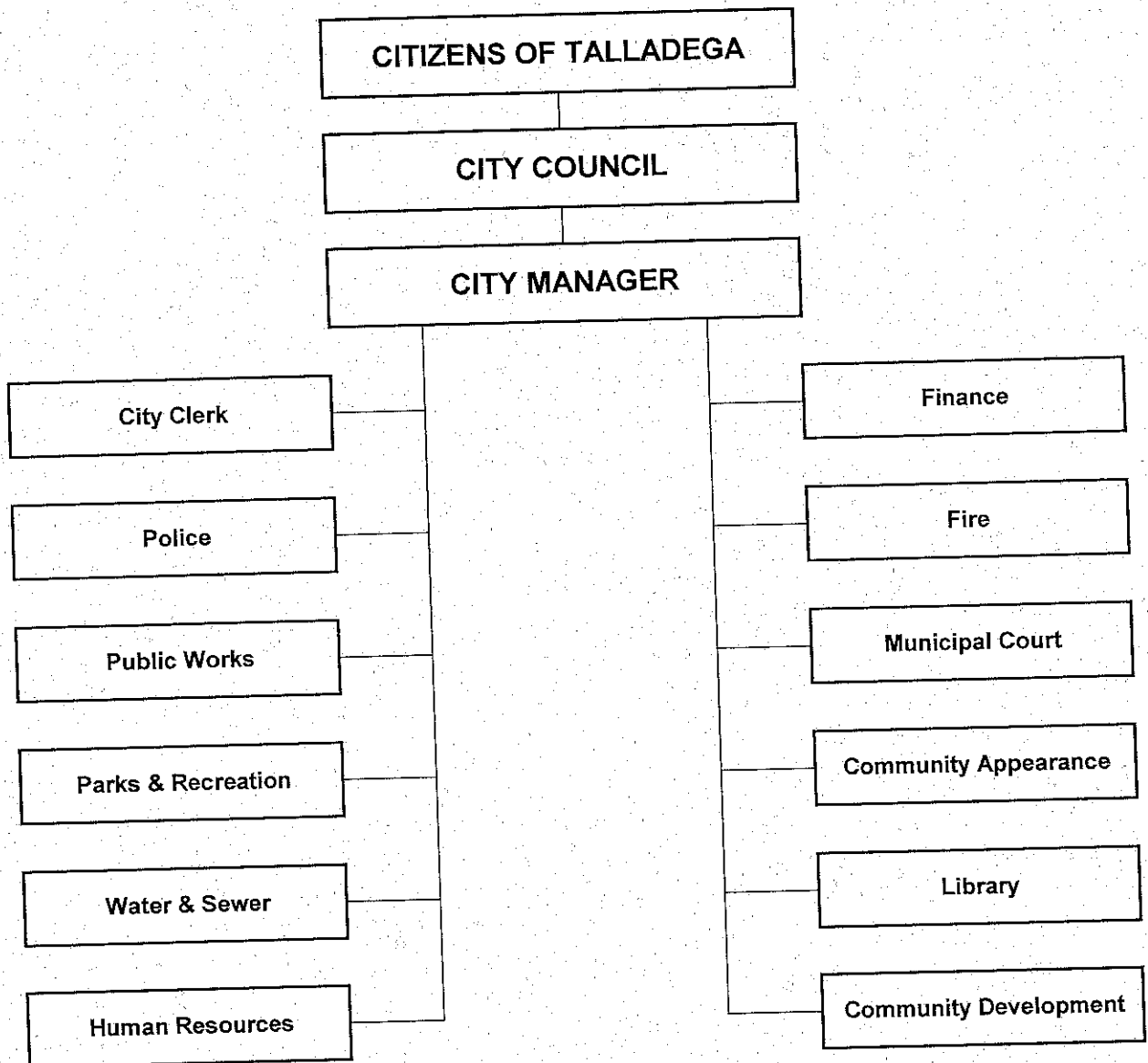


Linda C. Davidson

President

Jeffrey R. Enen

Executive Director



OFFICIALS OF THE CITY OF TALLADEGA

Mayor

Brian York

City Council

Dr. Horace Patterson

Eddie Tucker

Donnie Miller

Dr. Jim Davis

Elizabeth Grissett

City Manager

W. Brian Muenger

Other City Officials

City Clerk

Beth Cheeks

Community Appearance

Mitch Bast, Director

Community Development

Chris Stone, Director

Finance

Theresa St. James, Director

Fire

Danny Warwick, Chief

Human Resources

Cathy Fuller, Director

Library

Brian Fielder, Director

Municipal Court

Hank Fannin, Judge

Municipal Court

Rick Nixon, Clerk

Police

Alan Watson, Chief

Public Works

Karen Phillips, Director

Purchasing and Safety

Terry Hanner, Director

Recreation

Parvin Neloms, Director

Water and Sewer Department

Cathy Fuller, Acting Director

FINANCIAL SECTION

Edgar and Associates, LLC
Certified Public Accountants

218 East 12th Street, Anniston, AL 36207
256.237.1773

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Talladega, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, on our consideration of the City of Talladega, Alabama'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 14 and 64 through 68 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Talladega, Alabama's financial statements as a whole. The introductory section, 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 financial statements. The 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section 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 it.

Edgar and Associates, LLC

Anniston, Alabama
March 15, 2012

Required Supplementary Information



CITY OF TALLADEGA

FOUNDED 1834 MEMBER: ALABAMA LEAGUE OF MUNICIPALITIES

City Council

Horace L. Patterson, Sr.
Jarvis Elston
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Joseph C. Ballow

Larry H. Barton
Mayor

Brian Muenger
City Manager

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Talladega, Alabama's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information provided in this financial report.

Financial Highlights – Governmental Activities

- The assets of the City of Talladega (primary government) exceeded its liabilities at the close of the fiscal year 2011 by \$30.52 million.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$6.00 million. The combined governmental funds' fund balances increased by \$0.10 million during the fiscal year.
- The general fund closed with a fund balance of \$2.66 million, an increase of \$596,736 from the \$2.07 million balance in the prior year. General fund revenues were \$12.24 million. General fund expenditures were \$10.77 million. Although an increase in the fund balance occurred it is largely attributable to the sales tax rate being increased. Additionally, the City continued to employ many of the budget reduction strategies from previous fiscal years. These combined factors led to an increase in the fund balance, which the City considers to be a positive indicator.
- The capital projects funds closed with a combined fund balance of \$0.88 million, a decrease of \$1,116,259 from the \$2.00 million balance in the prior year. Capital projects revenues were \$97,964. Capital funds expenditures were \$1,643,323. This reduction in the capital projects fund is primarily due to work that took place as a part of the planned Capital Improvement Plan (CIP), including the extensive of the Spring Street Recreation Center. Additional CIP funds were allocated towards the mitigation of safety issues relating to the lighting system of the Bruner Sports Complex.

Financial Highlights – Business-type Activities

- The assets of The Talladega Water and Sewer Department of the City of Talladega, Alabama, exceeded its liabilities at September 30, 2011, by \$16,908,341 (net assets). Of this amount \$5,743,654 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets increased by \$104,507.
- Proprietary Fund operating revenues for the year were \$7,306,496.
- As of September 30, 2011, the Talladega Water and Sewer Department of the City of Talladega, Alabama's Proprietary funds reported a combined ending fund balance of \$16,908,341, an increase of \$104,507 in comparison with the prior year. Approximately 34.0% (percent) of this amount is available for spending at the Council's discretion (undesignated net assets).

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.
- **Discretely Presented Component Units** - The City includes other legally separate entities in its report including the Talladega Municipal Airport Board, Heritage Hall Commission, Antique Talladega and the Talladega City Board of Education. The City is financially accountable for these entities.

The Statement of Net Assets includes all the government's assets and liabilities. 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.

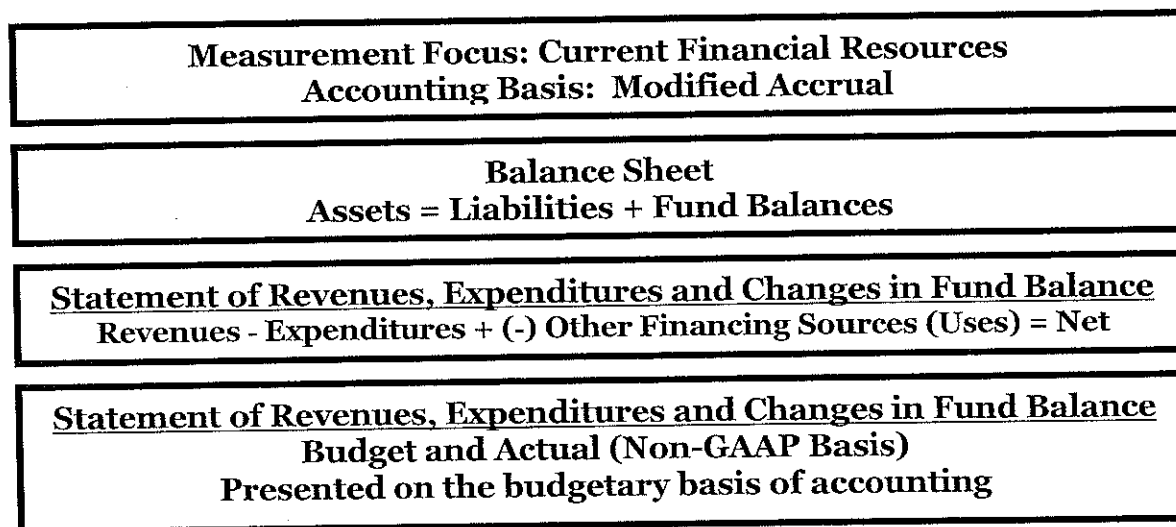
The City uses two types of funds:

- 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 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 agency-wide financial statements. The Water and Sewer Department has one enterprise fund to account for its business type activities. Proprietary funds provide the same type of information as the agency-wide financial statements, only in more detail. Proprietary activities increased the Water and Sewer Department's net assets by \$104,507 thereby accounting for than 0.62% (percent) of the total net assets of the Department at year-end.

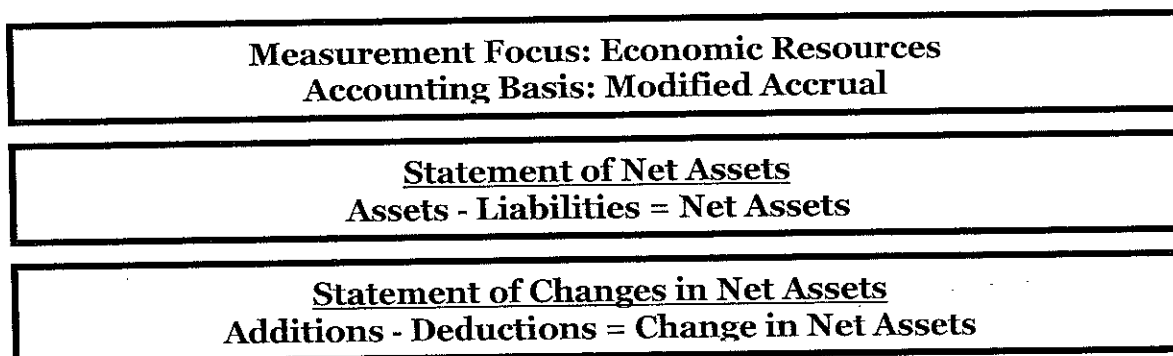
The following diagram presents the major features of the fund financial statements including the types of information contained therein.

Fund Financial Statements

Governmental Funds



Fiduciary Funds



Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2011, are in compliance with Governmental Accounting Standards Board (GASB) Statement Number 34.

Statement of Net Assets September 30, 2011

ASSETS	Govern- mental Activities	Business- type Activities	Total All Activities
Cash and cash equivalents	\$ 4,621,641	\$ 3,801,991	\$ 8,423,632
Investments	742,549	-	742,549
Receivables, net	819,418	738,173	1,564,456
Unbilled revenue	-	617,307	617,307
Due to / from other funds	131,008	(131,008)	-
Due from other governments	274,708	-	274,708
Inventories	-	248,523	248,523
Restricted assets	-	11,344,381	11,344,381
Other assets	369,724	121,488	491,212
Capital assets, net	<u>18,590,254</u>	<u>18,703,197</u>	<u>37,293,441</u>
Total Assets	<u>\$ 25,549,302</u>	<u>\$ 35,444,042</u>	<u>\$ 60,993,344</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 954,712	\$ 185,969	\$ 1,140,681
Customer meter deposits	-	222,300	222,300
Accrued interest	48,344	-	48,344
Liabilities due within one year	482,448	426,592	909,040
Liabilities due in more than one year	<u>10,455,506</u>	<u>17,700,840</u>	<u>28,156,346</u>
Total Liabilities	11,941,010	18,535,701	30,476,711
NET ASSETS			
Invested in capital assets, net of debt	8,270,695	9,953,242	18,223,937
Restricted for:			
Capital projects	947,169	-	947,169
Special revenues	1,198,908	-	1,198,908
Customer deposits	-	-	-
Law enforcement fund	-	-	-
Cemetery fund	742,549	-	742,549
Debt service fund	300,776	1,211,445	1,512,221
Unrestricted	<u>2,148,195</u>	<u>5,743,654</u>	<u>7,891,849</u>
Total Net Assets	<u>\$ 13,608,292</u>	<u>\$16,908,341</u>	<u>\$ 30,516,633</u>

Statement of Net Assets
September 30, 2010

ASSETS	Govern- mental Activities	Business- type Activities	Total All Activities
Cash and cash equivalents	\$ 4,616,722	\$ 3,131,884	\$ 7,748,606
Investments	789,130	-	789,130
Receivables, net	668,383	1,090,404	1,758,787
Unbilled revenue	-	288,651	288,651
Due from other funds	174,825	(174,825)	-
Due from other governments	152,358	-	152,358
Inventories	-	224,712	224,712
Restricted assets	-	513,687	513,687
Other assets	384,940	208,497	593,437
Capital assets, net	<u>18,576,983</u>	<u>18,750,909</u>	<u>37,327,892</u>
Total Assets	<u>\$ 25,363,341</u>	<u>\$ 24,033,919</u>	<u>\$ 49,397,260</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 878,769	\$ 292,955	\$ 1,171,724
Cash deficit	3,415	-	3,415
Customer meter deposits	-	217,727	217,727
Accrued interest	48,515	-	48,515
Liabilities due within one year	571,667	408,157	979,824
Liabilities due in more than one year	<u>10,783,931</u>	<u>6,311,246</u>	<u>17,095,177</u>
Total Liabilities	12,286,297	7,230,085	19,516,382
NET ASSETS			
Invested in capital assets, net of debt	10,056,395	12,070,621	22,127,016
Restricted for:			
Capital projects	2,000,294	-	2,000,294
Special revenues	631,242	-	631,242
Customer deposits	-	295,961	295,961
Cemetery fund	789,130	-	789,130
Debt service fund	322,954	-	322,954
Unrestricted	<u>(722,971)</u>	<u>4,437,252</u>	<u>3,714,281</u>
Total Net Assets	<u>\$ 13,077,044</u>	<u>16,803,834</u>	<u>\$ 29,880,878</u>

The assets of the City of Talladega (primary government) exceeded its liabilities by \$30,516,633 as of September 30, 2011. However, the largest portion (60%) 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 \$4,400,847 represents net assets that are subject to external restrictions on how they may be used. The remaining balance of \$7,891,849 is unrestricted. Unrestricted net assets increased by \$4,177,568 from the prior year. The largest portion of the increase is associated with the 2008 bond issue for capital construction which had remained unused at the prior year end.

Business-type activities did not require the use of any of the Talladega Water and Sewer Department of the City of Talladega's unrestricted resources to fund expenditures. Charges for services were sufficient to cover all expenditures.

General Fund Budgetary Highlights

Revenues for the year were \$232,426 above the budgeted amount. The primary sources of the overage were taxes, a FEMA disaster grant and transfers.

All general categories in the General Fund realized a favorable variance in budgeted to actual expenditures.

Statement of Activities For the Year Ended September 30, 2011

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 3,603,718	\$ 67,673	\$ 113,755	\$ -	\$ (3,422,290)	\$ (3,422,290)
Public protection:						
Police	2,545,762	74,299	104,773	12,213	(2,354,477)	(2,354,477)
Fire	1,323,748	-	-	-	(1,323,748)	(1,323,748)
Other	1,016,090	602,808	-	-	(413,282)	(413,282)
Public works	4,289,657	-	180,032	1,542,725	(2,566,900)	(2,566,900)
Recreational	1,097,026	206,704	23,836	-	(866,486)	(866,486)
Depreciation expense	1,479,284	-	-	-	(1,479,284)	(1,479,284)
Interest and fiscal charges	488,969	-	-	-	(488,969)	(488,969)
Total Governmental Activities	<u>15,844,254</u>	<u>951,484</u>	<u>422,396</u>	<u>1,554,938</u>	<u>(12,915,436)</u>	<u>(12,915,436)</u>
Business-type Activities:						
Water and sewer	5,867,908	7,306,496	-	-	1,438,588	1,438,588
Total Business-type Activities						
Total Primary Government	<u>\$ 21,712,162</u>	<u>\$ 8,257,980</u>	<u>\$ 422,396</u>	<u>\$ 1,554,938</u>	<u>(12,915,436)</u>	<u>(11,476,848)</u>
General Revenues:						
Taxes:						
Sales, property, other for general purposes					10,060,229	10,060,229
General business licenses and permits					2,027,174	2,027,174
Miscellaneous income					93,764	93,764
Interest income					37,281	55,966
Gain on sale of asset					69,703	69,703
Transfers					(1,158,533)	-
Total General Revenues and Transfers					<u>(1,139,848)</u>	<u>12,306,836</u>
Change in Net Assets					531,248	829,988
Net Assets, Beginning					13,077,044	29,880,878
Prior Period Adjustment					-	(194,233)
Net Assets, Ending					<u>\$ 13,608,292</u>	<u>\$ 30,516,633</u>

Statement of Activities **For the Year Ended September 30, 2010**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 3,700,715	\$ 31,100	\$ 105,893	\$ -	\$ (3,563,722)	\$ -	\$ (3,563,722)
Public protection:							
Police	2,684,831	84,267	7,834	97,751	(2,494,979)	-	(2,494,979)
Fire	1,347,488	-	-	-	(1,347,488)	-	(1,347,488)
Other	645,216	639,451	-	-	(5,765)	-	(5,765)
Public works	2,910,835	-	124,198	-	(2,786,637)	-	(2,786,637)
Recreational	1,511,976	266,604	15,117	-	(1,230,255)	-	(1,230,255)
Depreciation expense	1,416,649	-	-	-	(1,416,649)	-	(1,416,649)
Interest and fiscal charges	506,695	-	-	-	(506,695)	-	(506,695)
Total Governmental Activities	<u>14,724,405</u>	<u>1,021,422</u>	<u>253,042</u>	<u>97,751</u>	<u>(13,632,190)</u>	<u>-</u>	<u>(13,976,910)</u>
Business-type Activities:							
Water and sewer	5,473,304	7,388,493	-	350,000	-	2,265,189	2,265,189
Total Business-type Activities							
					(13,362,190)	2,265,189	(11,097,001)
Total Primary Government	<u>\$ 20,197,709</u>	<u>\$ 8,409,915</u>	<u>\$ 253,042</u>	<u>\$ 447,751</u>			
General Revenues:							
Taxes:					9,635,086	-	9,635,086
Sales, property, other for general purposes					1,944,017	-	1,944,017
General business licenses and permits					51,316	-	51,316
Miscellaneous income					47,507	13,243	60,750
Interest income					14,955	-	14,955
Gain on sale of asset					1,198,909	(1,198,909)	-
Transfers					12,891,790	(1,185,666)	11,706,124
Total General Revenues and Transfers					(470,400)	1,079,523	609,123
Change in Net Assets					13,547,444	15,724,311	29,271,755
Net Assets, Beginning							
Net Assets, Ending					<u>\$ 13,077,044</u>	<u>\$ 16,803,834</u>	<u>\$ 29,880,878</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City of Talladega's investment in capital assets for its governmental activities as of September 30, 2011, totals \$18,590,254. These assets included buildings, land, equipment, facilities and vehicles.

Long-term Debt: As of September 30, 2011, the City of Talladega governmental funds had bonded debt outstanding of \$9,987,645. General obligation warrants, a Honda Funding Agreement and two additional issues of general obligation warrants are included. The Water Department had revenue bonds outstanding in the amount of \$18,120,000 as of September 30, 2011.

Additional detailed information on the capital assets and long-term debt can be found in the notes to the financial statements on pages 45 and 49 to 59.


Economic Factors

The City of Talladega is heavily dependent on sales tax revenue, which accounts for approximately 60% of total General Fund revenues. Throughout previous fiscal years this stream of revenue has been suppressed to a degree that forced the City to employ drastic cost-cutting methods, including employee reductions and furloughs, in order to maintain the Council mandated fund balance. These reductions were not sufficient to maintain the level of service demanded by the City, leading to the implementation of an additional sales tax. The combined factors of spending reductions and the sales tax increase have led to a more positive fund balance outlook than in previous years, however, in looking forward to the next fiscal year it will be necessary to exercise restraint during the reintroduction of certain programs and in the area of staffing.

Request for Information

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

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

A handwritten signature in black ink, appearing to read "W. B. Muenger", followed by a long, horizontal, slightly wavy line that extends to the right.

W. Brian Muenger
City Manager

Basic Financial Statements

CITY OF TALLADEGA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 4,621,641	\$ 3,801,991	\$ 8,423,632	\$ 3,583,441
Investments	742,549	-	742,549	4,087,158
Receivables, net	819,418	738,173	1,557,591	-
Unbilled revenue	-	617,307	617,307	-
Due (to) / from other funds	131,008	(131,008)	-	-
Due from other governments	274,708	-	274,708	309,921
Inventories	-	248,523	248,523	-
Restricted assets	-	11,344,381	11,344,381	-
Other assets	369,724	121,488	491,212	186,756
Capital assets, net	18,590,254	18,703,187	37,293,441	11,132,386
Total Assets	\$ 25,549,302	\$ 35,444,042	\$ 60,993,344	\$ 19,299,662
LIABILITIES				
Cash deficit	\$ -	\$ -	\$ -	\$ 192,502
Accounts payable and accrued liabilities	954,712	185,969	1,140,681	2,480,153
Customer meter deposits	-	222,300	222,300	-
Accrued interest	48,344	-	48,344	-
Noncurrent liabilities:				
Due within one year	425,920	380,000	805,920	225,439
Bonds and warrants payable	56,528	31,382	87,910	-
Capital leases	-	-	-	-
Due in more than one year:				
Bonds and warrants payable	9,561,725	17,740,000	27,301,725	55,909
Deferred charges from refunding	-	(336,105)	(336,105)	-
Premium on bond issue	-	262,764	262,764	-
Capital leases	275,386	15,210	290,596	-
OPEB payable	465,518	-	465,518	-
Compensated absences	152,877	34,181	187,058	103,646
Total Liabilities	11,941,010	18,535,701	30,476,711	3,057,649
NET ASSETS				
Invested in capital assets, net of debt	8,270,695	9,953,242	18,223,937	10,785,224
Restricted for:				
Capital projects	947,169	-	947,169	1,109,920
Special revenues	1,198,908	-	1,198,908	512,442
Cemetery fund	742,549	-	742,549	-
Debt service fund	300,776	1,211,445	1,512,221	62,400
Unrestricted	2,148,195	5,743,654	7,891,849	3,772,027
Total Net Assets	13,608,292	16,908,341	30,516,633	16,242,013
Total Liabilities and Net Assets	\$ 25,549,302	\$ 35,444,042	\$ 60,993,344	\$ 19,299,662

CITY OF TALLADEGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Units
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 3,603,718	\$ 67,673	\$ 113,755	\$ -	\$ (3,422,290)	\$ -	\$ (3,984,552)
Public protection:							
Police	2,545,762	74,299	104,773	12,213	(2,354,477)	-	-
Fire	1,323,748	-	-	-	(1,323,748)	-	-
Corrections	1,016,090	602,808	-	-	(413,282)	-	-
Public works	4,289,657	-	180,032	1,542,725	(2,566,900)	-	49,821
Recreational	1,097,026	206,704	23,836	-	(866,486)	-	(354,559)
Unallocated Depreciation expense	1,479,284	-	-	-	(1,479,284)	-	-
Interest and fiscal charges	488,969	-	-	-	(488,969)	-	-
Total Governmental Activities	15,844,254	951,484	422,396	1,554,938	(12,915,436)	-	(4,289,290)
Business-type Activities:							
Water and sewer	5,857,908	7,306,496	-	-	-	1,438,588	-
Total Business-type Activities						1,438,588	
Total Primary Government	\$ 21,712,162	\$ 8,257,980	\$ 422,396	\$ 1,554,938	(12,915,436)	1,438,588	(4,289,290)
General Revenues:							
Taxes:					8,333,700	-	3,522,367
Sales					1,321,205	-	-
Property					405,324	-	-
Other					2,027,174	-	-
General business licenses and permits					93,764	-	545,732
Miscellaneous income					-	-	198,379
Grants not restricted to specific programs					-	-	294,144
Payments from City of Talladega					37,281	18,685	77,615
Interest income					69,703	-	-
Gain on sale of asset					1,158,533	(1,158,533)	-
Transfers					13,446,684	(1,139,848)	4,638,237
Total General Revenues and Transfers					12,306,836	-	4,638,237
Change in Net Assets					531,248	298,740	348,947
Net Assets, Beginning					13,077,044	16,803,834	15,224,984
Prior Period Adjustment					-	(194,233)	668,082
Net Assets, Ending					\$ 13,608,292	\$ 16,908,341	\$ 16,242,013

CITY OF TALLADEGA
BALANCE SHEETS - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

ASSETS

Cash and cash equivalents
Investments
Receivables, net
Due from other funds
Due from other governments
Other assets

General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
\$ 2,153,163	\$ 903,601	\$ 1,564,877	\$ 4,621,641
724,519	-	742,549	742,549
131,008	-	94,899	819,418
248,572	-	26,136	131,008
78,833	-	290,891	274,708
			<u>369,724</u>
\$ 3,336,095	\$ 903,601	\$ 2,719,352	\$ 6,959,048

Total Assets

LIABILITIES AND FUND BALANCES

Cash deficit
Accounts payable and accrued liabilities
Due to other funds

\$ -	\$ -	\$ -	\$ -
672,497	19,680	262,535	954,712
672,497	19,680	262,535	954,712

Total Liabilities

Fund Balances

Unspendable
Restricted
Committed
Unassigned

General Fund
Capital Projects Fund
Special Revenue - Library Fund
Special Revenue - Cemetery Fund
Total Unassigned Fund Balance
Total Fund Balances

17,244	885,086	2,300,719	3,203,049
1,377,358			1,377,358
1,268,996	(1,165)		1,268,996
			(1,165)
		60,755	60,755
		95,343	95,343
		156,098	1,423,929
		2,456,817	6,004,336
1,268,996	(1,165)		
2,663,598	883,921		
\$ 3,336,095	\$ 903,601	\$ 2,719,352	\$ 6,959,048

Total Liabilities and Fund Balances

CITY OF TALLADEGA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total fund balances of governmental funds	\$ 6,004,336
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Governmental capital assets	59,616,387
Less: Accumulated depreciation	<u>(41,026,133)</u>
Total Capital Assets	18,590,254
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities both current and long-term are reported in the statement of net assets:	
Accrued interest	(48,344)
Bonds and warrants payable	(9,987,645)
Capital leases	(331,914)
OPEB liability	(465,518)
Compensated absences	<u>(152,877)</u>
	<u>(10,986,298)</u>
Net assets of governmental activities	\$ <u>13,608,292</u>

CITY OF TALLADEGA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 9,498,154	\$ -	\$ 562,075	\$ 10,060,229
Licenses and permits	2,027,174	-	-	2,027,174
Charges for services	289,976	-	651,508	951,484
Federal and state grants	227,853	95,293	1,654,188	1,977,334
Interest	11,408	2,671	23,202	37,281
Other	173,124	-	(9,657)	163,467
	<u>12,237,689</u>	<u>97,964</u>	<u>2,881,316</u>	<u>15,216,969</u>
Expenditures:				
General government	1,015,910	292	590,657	1,606,859
Public safety	3,855,511	325,027	691,062	4,871,600
Public works	1,631,229	139,885	1,426,457	3,197,571
Recreation	994,526	-	-	994,526
Other boards and agencies	304,850	-	-	304,850
Nondepartmental	2,965,022	-	-	2,965,022
Capital expenditures	4,197	1,178,119	193,041	1,375,357
Debt Service:				
Principal	-	-	571,817	571,817
Interest and fees	-	-	458,663	458,663
Miscellaneous	-	1,643,323	30,477	30,477
	<u>10,771,245</u>	<u>1,643,323</u>	<u>3,962,174</u>	<u>16,376,742</u>
	1,466,444	(1,545,359)	(1,080,858)	(1,159,773)
Excess Revenues Over (Under) Expenditures				
Other Financing Sources (Uses):				
Operating transfers in	1,957,602	356,200	2,553,245	4,867,047
Operating transfers out	(2,827,311)	(28,500)	(852,702)	(3,708,513)
Proceeds from long term debt	-	101,400	-	101,400
	<u>(869,709)</u>	<u>429,100</u>	<u>1,700,543</u>	<u>1,259,934</u>
Total				
	596,735	(1,116,259)	619,685	100,161
Net Change in Fund Balance				
	<u>2,066,862</u>	<u>2,000,180</u>	<u>1,837,132</u>	<u>5,904,174</u>
Fund Balance, Beginning				
	<u>\$ 2,663,597</u>	<u>\$ 883,921</u>	<u>\$ 2,456,817</u>	<u>\$ 6,004,335</u>
Fund Balance, Ending				

See Notes to Financial Statements

CITY OF TALLADEGA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances total governmental funds \$ 100,161

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives.

Expenditures for capital assets	1,375,375	
Loss on disposal of assets	15,459	
Less: current year depreciation	<u>(1,479,284)</u>	(88,450)

Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Net Change in Long-Term Debt from Bond Proceeds, payment of principal, and refunding of debt 571,817

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	171	
Change in OPEB liability	(42,522)	
Change in long term compensated absences	<u>(9,929)</u>	<u>(52,280)</u>

Change in net assets of governmental activities \$ 531,248

**TALLADEGA WATER AND SEWER DEPARTMENT
OF THE CITY OF TALLADEGA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Continued
SEPTEMBER 30, 2011**

ASSETS	<u>2011</u>
<u>Current Assets</u>	
Cash and cash equivalents	\$ 3,801,991
Accounts receivable (net of \$6,124 allowance for doubtful accounts)	738,173
Unbilled revenue	617,307
Accrued interest	205
Prepaid expenses	15,969
Restricted assets - current	-
Inventory of supplies	248,523
Total Current Assets	<u>5,422,168</u>
<u>Noncurrent Restricted Assets</u>	<u>11,344,381</u>
Total Restricted Assets	11,344,381
<u>Utility Plant and Equipment</u>	
Land and improvements	309,356
Buildings and improvements	33,304,338
Machinery and equipment	2,449,201
Construction in progress	83,430
Total Utility Plant in Service	<u>36,146,325</u>
Less: accumulated depreciation	<u>(17,443,138)</u>
Utility Plant and Equipment, net	18,703,187
<u>Other Assets</u>	
Street deposit	3,000
Bond issuance cost and discount, net	102,314
Total Other Assets	<u>105,314</u>
Total Noncurrent Assets	<u>30,152,882</u>
Total Assets	<u>\$ 35,575,050</u>

**TALLADEGA WATER AND SEWER DEPARTMENT
OF THE CITY OF TALLADEGA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - Continued
SEPTEMBER 30, 2011**

	<u>2011</u>
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts payable and accrued expenses	\$ 185,969
Due to City of Talladega	131,008
Current portion of long-term debt	<u>411,382</u>
Total Current Liabilities	728,359
 <u>Long-Term Liabilities</u>	 34,181
Accrued annual leave	46,592
Notes payable	222,300
Customer meter deposits	(336,105)
Deferred charges from refunding	262,764
Premium on bond issue	18,120,000
Revenue bonds payable	<u>(411,382)</u>
Less: current portion of long-term debt	17,938,350
Total Long-Term Liabilities	
 Total Liabilities	 18,666,709
 <u>Net Assets</u>	 9,953,242
Invested in capital assets, net of related debt	1,211,445
Restricted net assets	<u>5,743,654</u>
Unrestricted net assets	<u>16,908,341</u>
Total Net Assets	
 Total Liabilities and Net Assets	 <u>\$ 35,575,050</u>

**TALLADEGA WATER AND SEWER DEPARTMENT
OF THE CITY OF TALLADEGA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>2011</u>
<u>Operating Revenues</u>	\$ 3,293,305
Water revenues	2,569,609
Sewer revenues	1,186,897
Garbage revenues	256,685
Other operating revenue	<u>7,306,496</u>
Total Operating Revenues	
 <u>Operating Expenses</u>	 854,189
Water and sewer department expenses	1,073,315
Waste water plants	1,070,597
Water filters and wells	981,745
General and administrative expenses	1,254,730
Depreciation and amortization	<u>5,234,576</u>
Total Operating Expenses	
	2,071,920
Net Operating Income	
Non Operating Income and Expense	18,685
Interest income	(633,332)
Interest expense	-
Other expense	<u>(614,647)</u>
Total Non Operating Income and Expense	
Transfers	-
Transfers in	<u>(1,158,533)</u>
Transfers out	<u>(1,158,533)</u>
Total transfers	
	298,740
Change in Net Assets	
	16,803,834
Net Assets - Beginning	<u>(194,233)</u>
Prior Period Adjustment	
Net Assets - Ending	<u><u>\$ 16,908,341</u></u>

**TALLADEGA WATER AND SEWER DEPARTMENT
OF THE CITY OF TALLADEGA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>2011</u>
<u>Cash Flows from Operating Activities:</u>	
Cash received from customers	\$ 7,026,236
Cash received from grant	-
Cash paid to suppliers	(2,046,941)
Cash paid to employees	<u>(1,690,563)</u>
Net Cash Provided by Operating Activities	3,288,732
<u>Cash Flows from Noncapital Financing Activities:</u>	
Cash received from customers for utility deposits	4,572
Transfers to other departments	<u>(1,158,533)</u>
Net Cash Provided by Noncapital Financing Activities	(1,153,961)
<u>Capital and Related Financing Activities:</u>	
Capital assets loan proceeds	18,629,233
Premium on bond issue	(262,764)
Deferred refunding	(285,976)
Acquisition and construction of capital assets	(833,464)
Principal paid on long-term debt	(6,998,825)
Interest paid on long-term debt	<u>(900,859)</u>
Net Cash Used by Capital and Related Financing Activities	9,347,345
<u>Cash Flows from Investing Activities:</u>	
Interest received on investments	<u>18,685</u>
Net Cash Provided by Investing Activities	<u>18,685</u>
Net Decrease in Cash and Cash Equivalents	11,500,801
Cash and Cash Equivalents - Beginning	<u>3,645,571</u>
Cash and Cash Equivalents - Ending	<u>\$ 15,146,372</u>
Cash and cash equivalents	\$ 3,801,991
Restricted assets	<u>11,344,381</u>
Cash and Cash Equivalents - Ending	<u>\$ 15,146,372</u>

See Notes to Financial Statements

**TALLADEGA WATER AND SEWER DEPARTMENT
OF THE CITY OF TALLADEGA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>2011</u>
<u>Reconciliation of Net Operating Income to Net Cash Provided</u>	
<u>by Operating Activities:</u>	
Net operating income	\$ 2,071,920
<u>Adjustments to Reconcile Net Operating Income to Net</u>	
<u>Cash Provided by Operating Activities:</u>	
Bad debt expense	31,046
Depreciation and amortization	1,254,730
<u>Changes in Assets/Liabilities:</u>	
Inventory of supplies	(23,811)
Prepaid expenses	63,089
Customer receivables	23,575
Other assets	23,988
Interest receivable	(68)
Accounts payable	(150,803)
Accrued annual leave	(4,934)
	<u>\$ 3,288,732</u>
Net Cash Provided by Operating Activities	

CITY OF TALLADEGA
STATEMENT OF NET ASSETS - COMPONENT UNITS
SEPTEMBER 30, 2011

ASSETS

	Talladega City Board of Education	Talladega Municipal Airport Board	Heritage Hall	Antique Talladega	Total
Cash and cash equivalents	\$ 3,026,973	\$ 501,706	\$ 22,471	\$ 32,291	\$ 3,583,441
Investments	3,062,400	957,197	67,561	-	4,087,158
Due from other governments	309,921	-	-	-	309,921
Other assets	178,365	8,391	-	-	186,756
Capital assets, net	10,960,462	4,762	-	167,162	11,132,386
Total Assets	\$ 17,538,121	\$ 1,472,056	\$ 90,032	\$ 199,453	\$ 19,299,662

LIABILITIES

Cash deficit	\$ 192,502	\$ -	\$ -	\$ -	\$ 192,502
Accounts payable and accruals	2,346,895	123,141	-	10,117	2,480,153
Bonds and notes payable - current	180,000	-	-	45,439	225,439
Compensated absences	103,646	-	-	-	103,646
Bonds and notes payable - noncurrent	-	-	-	55,909	55,909
Total Liabilities	2,823,043	123,141	-	111,465	3,057,649

NET ASSETS

Invested in capital assets	10,780,462	4,762	-	-	10,785,224
Restricted	1,572,939	111,823	-	-	1,684,762
Unrestricted	2,361,677	1,232,330	90,032	87,988	3,772,027
Total Net Assets	14,715,078	1,348,915	90,032	87,988	16,242,013
Total Liabilities and Net Assets	\$ 17,538,121	\$ 1,472,056	\$ 90,032	\$ 199,453	\$ 19,299,662

CITY OF TALLADEGA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Net (Expense) Revenue and Changes in Net Assets							
	Program Revenues			Talladega City Board of Education	Talladega Municipal Airport Board	Heritage Hall	Antique Talladega	Totals
Expenses	Charges for Services	Operating Contributions	Capital Grants and Contributions					
Talladega City Board of Education	\$ 23,812,548	\$ 16,829,597	\$ 1,357,743	\$ (3,984,552)				\$ (3,984,552)
Education	23,812,548	16,829,597	1,357,743	(3,984,552)				49,821
Total Talladega City Board of Education					\$ 49,821			
Talladega Municipal Airport Board	337,684	-	149,299		49,821			(94,541)
Community Development	337,684	-	149,299			\$ (94,541)		
Total Talladega Municipal Airport Board						(94,541)		
Heritage Hall	118,022	-	-				\$ (260,018)	(260,018)
Culture and Recreation	118,022	-	-				(260,018)	
Total Heritage Hall								
Antique Talladega	349,011	-	-		49,821	(94,541)	(260,018)	(4,289,290)
Culture and Recreation	349,011	-	-					
Total Antique Talladega				(3,984,552)				
Total Component Units	\$ 24,617,265	\$ 16,829,597	\$ 1,507,042					3,522,367
General Revenues:				3,522,367		89,989	204,155	294,144
Taxes for general, debt, capital purposes				-		-	-	-
Payment from City of Talladega				-		-	-	-
Payment from Talladega County				-		-	108,379	198,379
Grants, entitlements and contributions not restricted to specific programs				90,000	27,050	1,049	25	77,615
Interest income				49,491				545,732
Miscellaneous				545,732				
Total General Revenues				4,207,590	27,050	91,038	312,559	4,638,237
Change in net assets				223,038	76,871	(3,503)	52,541	348,947
Net Assets, Beginning				13,823,958	1,272,044	93,535	35,447	15,224,984
Prior Period Adjustment				668,082				668,082
Net Assets, Ending				\$ 14,715,078	\$ 1,348,915	\$ 90,032	\$ 87,988	\$ 16,242,013

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE A – ORGANIZATION AND REPORTING ENTITY

Organization

The City of Talladega, Alabama (the City) was founded in 1834. The City of Talladega, Alabama, operates under the Council / Manager 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.

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 the accounting principles in the United States, these financial statements present the primary government ("the City") which includes organizations, institutions, agencies, departments or offices that are not legally separate from the City. Entities that are legally separate are referred to as component units and the financial data of these units is included in these financial statements in the Statement of Net Assets – Component Units and Statement of Activities – Component Units.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE A – ORGANIZATION AND REPORTING ENTITY – Continued

The component units are as follows:

- Talladega City Board of Education is a component unit of the City because it is reliant upon the City for tax revenue collections and for bond issues because the Board of Education is precluded from issuing bonds directly. The audited financial information for Talladega City Board of Education is included in this audit report.
- Heritage Hall is a component unit of the city because the city is the primary provider of funds for the entity and appoints the members of the board. The audited information on Heritage Hall is included in this report.
- Talladega Municipal Airport Board is a component unit because the governing body of the Board is appointed by the City Council and the Airport Board exists to manage the City's airport. The audited information for the Talladega Municipal Airport Board is included in this report.
- Antique Talladega – also known as Talladega First, Inc. is a component unit because its primary purpose is to operate the Ritz Theater for the City and is dependent on the City for financial support. The audited information for the Talladega First – Antique Talladega is for the period ended December 31, 2011.

Audited financial statements for Antique Talladega, Talladega City Board of Education, and Talladega Municipal Airport Board are available at City Hall. Heritage Hall does not issue financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements – Continued

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) 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 assets are reported in three parts – invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets.

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

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

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

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

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide and Fund Financial Statements – Continued

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

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

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:

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.

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

Debt Service Funds - The Debt Service Funds are non-major governmental funds used to account for the repayment of principal and interest on the City's outstanding bond issues and other debt obligations of the City.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide and Fund Financial Statements – Continued

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources for the acquisition or construction of major capital facilities. Capital Projects Funds used by the City are as follows:

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

Proprietary Funds

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

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

Proprietary funds include the following fund types:

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

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Government-wide and Fund Financial Statements – Continued

The City has no fiduciary funds.

Measurement Focus / 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. Both 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. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Government-wide Financial Statements

In the government-wide Statement of Net Assets 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, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements

Governmental Funds

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

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

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

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgets and Budgetary Accounting

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

- Normally, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st.
- Expenditures in excess of the originally approved budget are not formally approved by the City Council until an amended budget is adopted.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation indenture provisions.
- All budget appropriations lapse at year end.
- The basis of accounting for the budget is the same as used in the governmental fund accounting (generally accepted accounting principles).

Revenue Recognition

Ad valorem 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.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Revenue

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both the revenue recognition criteria are met and the City has a legal claim to the resources, the revenue is recognized. The fund financial statements include both unearned revenue and revenue that is not considered available to finance current expenditures. The government-wide financial statements include only unearned revenue.

Program Revenues

Program revenues in the governmental activities consist primarily of charges for use of facilities and various programs provided by the parks and recreation department.

Cash and Investments

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

Receivables and Unbilled Revenues

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

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

Capital Assets

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

Government-wide Financial Statements

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

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

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets – Continued

Depreciation is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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 to 10 years
Automotive Equipment	5 years
Office Equipment	5 to 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. Depreciation is recorded using the straight-line method over the estimated service lives of the assets as follows:

Plants and systems	5 to 40 years
Buildings	20 to 40 years
Building improvements	20 to 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.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

The City follows Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, which requires that accrued liabilities for future vacations and sick leave 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. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the governmental fund financial statements, amounts that would normally be paid with expendable available financial resources are recorded in the General Fund, and the amounts considered non-current are held in the long-term debt account group. Amounts paid or payable within sixty days are deemed to be payable from expendable financial resources.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

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

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds and mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the statement of net assets under GASB No. 54, fund balances may be classified in the following five categories:

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.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Committed- amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority.

Assigned- amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed

Unassigned- residual classification for the general fund(i.e. everything that is not in another classification or in another fund).

The City's policy is first to apply restricted resources and then unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transfers

In the fund financial statements, receivables and payables resulting from outstanding balances 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.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

The City's governmental activities deposits, including certificates of deposit were fully insured or collateralized at September 30, 2011. At year-end, the carrying amount of the City's cash and cash equivalents was \$4,621,641. Investments consist of certificates of deposit, U. S. Treasury Notes and other fixed income securities totaling \$742,549. 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.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS – continued

The Water and Sewer Department's cash and cash equivalents consist of cash in checking accounts and certificates of deposit. Restricted cash consists of certificates of deposit and other investments carried at market value. Cash and cash equivalents at September 30, 2011 included cash of \$3,489,865; and certificates of deposits of \$312,126. Restricted cash consisted of cash of \$10,858,396; fixed income funds invested in US Treasury securities at a bank brokerage department of \$263,685; and certificates of deposits of \$222,300. The market value of the investments is the same as the carrying value.

NOTE D – RECEIVABLES AND UNBILLED REVENUE

Governmental activities receivables at September 30, 2011, consist of the following:

Governmental Activities	
Receivables	
Taxes receivable	\$ 637,917
Restitution receivable	69,334
Other receivables	112,167
Gross Receivables	<u>819,418</u>
Net receivables	\$ <u>819,418</u>

Outstanding warrants have not been recorded on the books of the City. The warrants consist of all outstanding payments due the City from individuals. The amount of collectible warrants is undeterminable at this time. The total outstanding warrants at September 30, 2010 were \$784,635. The balance of outstanding warrants at September 30, 2011 were not available.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE D – RECEIVABLES AND UNBILLED REVENUE - continued

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

<u>Business-type Activities</u>	
Accounts Receivable	\$ 741,606
Less: Allowance for doubtful accounts	<u>(3,433)</u>
Net Accounts Receivable	\$ <u>738,173</u>

Unbilled revenues receivable at September 30, 2011 was \$617,307.

NOTE E – 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, 2011 was \$248,523.

NOTE F – RESTRICTED ASSETS

Restricted Assets consist of monies held in trust by The Bank of New York to cover bond indenture expenses and repayment of bonds. Also included is money collected from customers and held as deposits. At September 30, 2011 monies held in trust were \$11,122,081 and customer deposits were \$222,300.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE G – CAPITAL ASSETS

Governmental Activities

The following is a summary of changes in capital assets associated with governmental activities for the year ended September 30, 2011:

	Land	Construction in Progress	Buildings and Improvements	Machinery and Equipment	Infrastructure	Totals
Balance, September 30, 2010	\$ 3,832,454	\$ 305,481	\$ 11,226,834	\$ 4,762,170	\$ 38,503,026	\$ 58,629,965
Additions	-	227,539	969,982	466,680	159,122	1,823,323
Deletions	-	(296,371)	-	(467,554)	(72,976)	(836,901)
Balance, September 30, 2011	3,832,454	236,649	12,196,816	4,761,296	38,589,172	59,616,387
Accumulated Depreciation	-	-	-	-	-	-
Balance, September 30, 2010	-	-	5,993,848	3,252,848	30,806,286	40,052,982
Additions	-	-	346,026	435,270	697,988	1,479,284
Deletions	-	-	-	(450,488)	(55,645)	(506,133)
Balance, September 30, 2011	-	-	6,339,874	3,237,630	31,448,629	41,026,133
Capital Assets, Net	<u>\$ 3,832,454</u>	<u>\$ 236,649</u>	<u>\$ 5,856,942</u>	<u>\$ 1,523,666</u>	<u>\$ 7,140,543</u>	<u>\$ 18,590,254</u>

Depreciation expense at September 30, 2011 was \$1,479,284.

The following is a summary of additions and retirements to fixed assets associated with the Water and Sewer Department during the year ended September 30, 2011:

Account	September 30, 2010	Additions	Deletions	September 30, 2011
Land (not depreciable)	\$ 271,376	\$ -	\$ -	\$ 271,376
Land improvements	37,980	-	-	37,980
Buildings and improvements	32,682,534	621,804	-	33,304,338
Machinery and equipment	2,260,033	209,287	(20,119)	2,449,201
Construction in process	33,622	83,430	(33,622)	83,430
Total Fixed Assets	35,285,545	914,521	(53,741)	36,146,325
Less: accumulated depreciation	(16,534,636)	(928,621)	20,119	(17,443,138)
Utility Plant in Svc, Net	<u>\$ 18,750,909</u>	<u>\$ (14,100)</u>	<u>\$ (33,622)</u>	<u>\$ 18,703,187</u>

Depreciation expense at September 30, 2010 was \$928,621.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE H – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>2011</u>
Accounts payable	\$ 648,981
Accrued salaries and wages	44,238
Compensated absences	118,437
Payroll liabilities	64,493
Other liabilities	<u>78,563</u>
Total	<u>\$ 954,712</u>

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

	<u>2011</u>
Accounts payable	\$ 26,311
Payroll Liabilities	58,278
Accrued interest payable	7,065
Accrued salaries and wages	33,652
Compensated absences	<u>60,663</u>
Total	<u>\$ 185,969</u>

NOTE I – INTERFUND TRANSFERS

Transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE I – INTERFUND TRANSFERS – Continued

Interfund transfers for the year ended September 30, 2011, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 985,146
Debt service funds	768,367	1,203,671
Special revenue funds	30,702	310,794
Other nonmajor funds	-	327,700
Capital projects funds	1,158,533	-
Water and Sewer Department	1,957,602	2,827,311
Total General Fund		
Debt Service Funds	985,146	-
General fund	53,634	-
Other nonmajor funds	1,038,780	-
Total Debt Service Fund		
Special Revenue Funds	1,203,671	768,367
General fund	1,203,671	768,367
Total Special Revenue Funds		
Capital Projects Funds	331,200	-
General fund	25,000	28,500
Capital Projects	356,200	28,500
Total Capital Projects Funds		
Other Nonmajor Funds	310,794	30,702
General fund	-	53,634
Debt service	310,794	84,336
Total Nonmajor Projects Funds		
Water and Sewer Department	-	1,158,533
General fund	-	1,158,533
Total Water and Sewer Department		
Total Interfund Transfers	\$ 4,867,047	\$ 4,867,047

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE J – INTERFUND RECEIVABLES AND PAYABLES

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

Interfund receivables and payables at September 30, 2011, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Water and Sewer Department	131,008	-
Total General Fund	131,008	-
Water and Sewer Department		
General Fund	-	131,008
Total Water and Sewer	-	131,008
Total Interfund Receivable/Payable	\$ 131,008	\$ 131,008

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT

The general and limited obligation bonds/warrants and notes of the City include the following at September 30, 2011:

Honda Funding Agreement, First Commercial Bank, due at 4% per annum; annual payments of \$48,534. Maturing in February of 2015.	\$ 171,245
\$4,905,000; 2007 Series General Obligation Warrants; due at rates ranging from 3.75% - 4.25% per annum; maturing August 1, 2027.	4,510,000
\$2,070,000; 2008 Series General Obligation Warrants; due at rates Ranging from 2.50% - 5.00% per annum; Maturing August 1, 2027.	1,820,000
\$3,650,000, 2008 Series General Obligation Warrants, due at rates 3.00% to 5.125% per annum; Maturing August 1, 2033	3,385,000
\$101,400; USDA Loan; due monthly at a rate of 3.00% per annum, maturing September 18, 2020	<u>101,400</u>
Total Warrants/Obligations Payable	\$ <u><u>9,987,645</u></u>

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

Bonds and Warrants Payable

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

<u>Fiscal year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 425,921	\$ 436,059	\$ 861,980
2013	452,174	420,255	872,429
2014	469,614	401,776	871,390
2015	482,367	376,682	859,049
2016	451,403	366,091	817,494
2017-2021	2,561,166	1,545,806	4,106,972
2022-2026	3,085,000	953,341	4,038,341
2027-2031	1,585,000	323,628	1,908,628
2032-2033	475,000	39,649	514,649
Total	\$ <u>9,987,645</u>	\$ <u>4,863,287</u>	\$ <u>14,850,932</u>

The City has entered into capital leases for various amounts with terms up to 10 years. The lease purchase value of the equipment totals \$484,523. These assets have been added to the fixed asset list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2011 are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Present Value Of Minimum Lease Payments</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2012	\$ 56,528	\$ 12,464	\$ 68,992
2013	50,636	10,340	60,976
2014	52,813	8,163	60,976
2015	55,009	5,967	60,976
2016	57,235	3,725	60,960
2017-2018	59,693	1,333	61,026
Total	\$ <u>331,914</u>	\$ <u>41,992</u>	\$ <u>373,906</u>

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

The debt activity for the governmental activities of the City for the year ended September 30, 2011 is as follows:

	Beginning Balance 9/30/2010	Loan Proceeds	Principal Paid	Ending Balance 9/30/2011	Principle Due Within One Year	Interest Paid
BONDS AND WARRANTS						
2001 Honda Bond	\$ 208,886	\$ -	\$ 37,641	\$ 171,245	\$ 39,581	\$ 10,984
2007 Bond Issue	4,710,000	-	200,000	4,510,000	205,000	192,700
2008 Bond Issue	3,475,000	-	90,000	3,385,000	90,000	161,358
Gen OBL War-Regions-Backhoes	18,789	-	18,789	-	-	136
Gen OBL War-Regions-Impalas	21,959	-	21,959	-	-	-
2008 IDA Bond Issue	1,905,000	-	85,000	1,820,000	85,000	82,432
Coosa Valley Electric Co-Op	-	101,400	-	101,400	6,340	-
Library Renovation Loan G/O 2005	52,587	-	52,587	-	-	1,046
Total	10,392,221	101,400	505,976	9,987,645	425,921	448,656
CAPITAL LEASES						
Lease-National City Commercial	27,256	-	19,035	8,221	8,221	837
Lease-First National Bank	-	-	-	-	-	-
Lease-Regions Bank	370,498	-	46,805	323,693	48,307	14,171
	397,754	-	65,840	331,914	56,528	15,008
Total Bonds and Warrants & Capital Leases	\$ 10,789,975	\$ 101,400	\$ 571,816	\$ 10,319,559	\$ 482,449	\$463,664

In August of 2007 the City issued the Series 2007 Bond Issue. Proceeds from the bond issue were used to call the Series 1997 Bond Issue and a portion of the Series 1998 Bond Issue. The remaining funds were used to defease the Series 2002 Construction Bond Issue. Cash in the amount of \$3,612,894 was deposited with an escrow agent pursuant to an escrow agreement, and invested in U.S. Government securities. 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 2002 Construction Bonds as it matures. This transaction effectively released the City from its obligation to repay the defeased Series 2002 Construction Bonds and constitutes an in-substance defeasance.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

Other Postemployment Benefits and Liabilities

Description

Effective October 1, 2007, the City adopted the provisions of GASB Statement NO. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability of \$465,518 and related expenses of \$187,139 in total liabilities resulting from the adoption.

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

Funding Policy

The City pays for postemployment healthcare benefits on a pay-as-you-go basis. The City is studying the establishment of trusts that would be used to accumulate and invest assets necessary to pay for the accumulated liability. These financial statements assume that pay-as-you-go funding will continue.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 229,661
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>229,661</u>
Contributions made	<u>(187,139)</u>
Increase in net OPEB obligation	42,522
Net OPEB obligation – beginning of year	<u>422,996</u>
Net OPEB obligation – end of year	<u>\$ 465,518</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation – End of Year</u>
9/30/08	\$229,661	-0-	\$229,661
9/30/09	\$229,661	50.04%	\$344,384
9/30/10	\$229,661	65.77%	\$422,996
9/30/11	\$229,661	81.50%	\$465,518

Because 2008 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 has been implemented prospectively; therefore, the above illustration does not reflect similar information respective of the preceding year.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

Funding Status and Funding Progress

As of January 1, 2007, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$2,942,765, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,942,765. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$5,096,428, and the ratio of the UAAL to the covered payroll equaled 57.74%.

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

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the City maintains no Plan assets, information relative to Plan asset required disclosures is not applicable. Additionally, because 2008 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the RSI does not reflect similar information respective of the two preceding years.

Actuarial Methods and Assumptions

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

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

Annual OPEB Cost and Net OPEB Obligation - Continued

In the actuarial valuation dated September 30, 2007, the projected unit credit cost actuarial method was used. Because the City funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the post-retirement medical benefits. Based on the market value of assets method of asset valuation, the actuarial assumptions included a 4.0% discount rate, which approximates the expected rate of return on non-pension investments held by the City, including inflation at 4.50%. Actuarial assumptions also included an annual medical cost trend rate of 11.0% initially, reduced to an ultimate rate of 5.0% for costs after eight years. The UAAL is being amortized as a level percentage of pay over thirty years on an open basis.

Water and Sewer Department Long-term Debt

Revenue Bonds Payable

Revenue bonds payable consists of Subordinated Water and Sewer Revenue bonds issued as special obligations of the Water and Sewer Department secured by the net revenues of the water and sewer system. This debt is not a general obligation of the City. The bond principal and interest is paid by revenue earned by the system and trust restricted assets. The following schedule summarizes the changes in revenue bonds for the year ended September 30, 2011:

Description	Balance at September 30, 2010	Proceeds from Bonds	Less Principal Paid	Balance at September 30, 2011	Principle Due Within One Year	Interest Paid
2003 Bonds	\$ 4,610,000	\$ -	\$ (4,610,000)	\$ -	\$ -	\$ 186,173
2004 Bonds	1,975,000	-	(1,975,000)	-	-	95,760
2010 Bonds	-	18,435,000	(315,000)	18,120,000	380,000	615,375
Total	\$ 6,585,000	\$ 18,435,000	(6,900,000)	\$ 18,120,000	\$ 380,000	\$ 897,308

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

Water and Sewer Department Long-term Debt

Revenue bonds outstanding at September 30, 2011:

A. Series 2010 Bonds

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

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

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

Cash in the amount of \$7,162,734 was deposited with an escrow agent pursuant to an escrow agreement. The maturities of these securities and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased Series 2003 and Series 2004 Bonds as it matures. 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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

Notes Payable

The Water and Sewer Department notes payable includes long term borrowings and capital leases. The balance at September 30, 2011 consisted of the following:

Description	Balance at September 30, 2010	Loan Proceeds	Less Principal Paid	Balance at September 30, 2011	Interest Paid
SRF Loan	\$ 55,000	\$ -	\$ (55,000)	\$ -	\$ -
Regions Lease (HD Jetter)	17,997	-	(17,997)	-	160
Regions Lease (Backhoes)	72,420	-	(25,828)	46,592	3,391
Total	\$ 145,417	\$ -	\$ (98,825)	\$ 46,592	\$ 3,551

Notes payable at September 30, 2011 consisted of:

A. SRF Loan

The Water and Sewer Department has a loan outstanding through the State Revolving Loan program administered by the Alabama Department of Environmental Management. The balance at September 30, 2011 was \$0.

B. Regions Lease (HD Jetter and Ford F-150 Truck)

On August 21, 2006, the Water and Sewer Department entered into a capital lease agreement with Regions Bank. The lease agreement requires 48 monthly payments of \$4,544.57 with an annual interest rate of 4.27%. The balance at September 30, 2011 was \$0.

C. Regions Lease (Backhoes)

On December 5, 2008, the Water and Sewer Department entered into a capital lease agreement with Regions Bank to purchase three New Holland Loader Backhoes for \$119,961. The lease requires 48 monthly payments of \$2,708 with an annual interest rate of 3.98%. The balance at September 30, 2011 was \$46,592.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE K – LONG-TERM DEBT – Continued

Water and Sewer Department Long-term Debt

Notes Payable

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

<u>Fiscal year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 380,000	\$ 732,150	\$ 1,112,150
2013	390,000	724,550	1,114,550
2014	400,000	716,750	1,116,750
2015	405,000	708,750	1,113,750
2016	415,000	700,650	1,115,650
2017-2021	2,245,000	3,324,475	5,569,475
2022-2026	2,690,000	2,887,080	5,577,080
2027-2031	3,255,000	2,308,750	5,563,750
2032-2036	3,995,000	1,567,375	5,562,375
2037-2040	3,945,000	505,250	4,450,250
Total	\$ 18,120,000	\$ 14,175,780	\$ 32,295,780

The Water and Sewer Department has entered into capital leases for various amounts with terms up to four years. These assets have been added to the fixed asset list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2011 are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Present Value Of Minimum Lease Payments</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2012	\$ 31,382	\$ 1,108	\$ 32,490
2013	15,210	89	15,299
Total	\$ 46,592	\$ 1,197	\$ 47,789

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE L – DEFERRED CHARGES FROM REFUNDING

Water and Sewer Department

The defeasement of Series 1978 and Series 1988 revenue bonds resulted in a difference of \$49,554 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through August 2012 and is reported in the accompanying financial statements as a deduction from bonds payable and is charged to operations. The defeasement of series 2003 and 2004 revenue bonds resulted in a difference of \$286,551 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through through 2012 and is reported in the accompanying financial statements as a deduction from bonds payable and is charged to operations.

NOTE M – RESTRICTED FUND BALANCES

The restricted fund balances in the amount of \$3,203,049 are restricted for various capital outlay projects and various other purposes. The following amounts are restricted:

1. \$340,758 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. \$775,692 is derived from the City's share of the Oil Trust Fund and is restricted for capital improvements.
3. \$876,003 is derived from grants and bond monies held in the capital projects funds.
4. \$9,083 is derived from grants for specific activities described in the grant agreement.
5. \$17,244 is restricted in the general fund for proceed from insurance claim.
6. \$300,776 is associated with the long-term debt and is restricted to repayment of the debt.
7. \$742,549 was derived from the cemetery fund and restricted for upkeep of the cemetery.
8. \$27,138 was derived from the 2.5 Mil Property Tax Fund and is restricted for education.
9. \$55,320 was derived from the Corrections Fund and is restricted for corrections related functions.
10. \$29,192 is derived from the Brownfield Fund and is restricted for use on the Brownfield Project.
11. \$29,294 is derived from the Police Grant and is restricted for use on the Police Grant Fund.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE N – RETIREMENT

Plan Description

All full-time employees are members of the Employees' Retirement Systems of Alabama. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after ten years of creditable service. Retirement benefits are calculated by two methods with the retiree receiving payment under that method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner.

Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to members of the plan.

The Employees' Retirement Systems, an agent multiple-employer plan, was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement Systems is vested in the Water and Sewer Department. 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 Employees' Retirement System Board authority to accept or reject various Cost-Of-Living Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement Systems of Alabama.

All covered employees contribute five percent of their annual covered salary except for police and fire employees who contribute six percent of their annual covered salary. The City is required to contribute an actuarially determined rate; the current rate is 1.676 of covered payroll except for certified policemen and firemen and the rate is 1.397. The contribution requirements of plan members and the City are established, and may be amended, by the board of trustees of the plan.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE N – RETIREMENT - Continued

Plan Description

The City contributes to The Retirement Systems of Alabama. The summary from the report is as follows:

Summary of Employee Census Data

Number of active members:	197
Annual compensation:	\$6,586,748
Number of retired members and beneficiaries:	82
Annual retirement allowances:	\$1,200,966

**Required Employer Contribution Rates
Effective October 1, 2012**

Normal cost	4.62%
Accrued liability	5.25
Pre-retirement death benefit	0.15
Administrative expense	0.18
Total	10.20%
5% Employer contribution factor (8.38%/5%)	2.040
6% Employer contribution factor (8.38%/6%)	1.700

Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
2008	\$455,256	100.0%	\$0
2009	\$513,507	100.0%	\$0
2010	\$507,653	100.0%	\$0

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE N – RETIREMENT - Continued

Plan Description - Continued

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a) / c)
9/30/2005	\$ 14,855,813	\$ 16,442,669	\$ 1,586,856	90.3%	\$ 5,972,760	26.6%
9/30/2006 ²	\$ 15,559,544	\$ 18,105,257	\$ 2,545,713	85.9%	\$ 6,388,942	39.8%
9/30/2007	\$ 16,293,524	\$ 19,209,510	\$ 2,915,986	84.8%	\$ 6,533,879	44.6%
9/30/2008	\$ 16,380,437	\$ 20,191,739	\$ 3,811,302	81.1%	\$ 6,639,046	57.4%
9/30/2009	\$ 16,263,840	\$ 21,413,805	\$ 5,149,965	76.0%	\$ 7,068,194	72.9%
9/30/2010 ³	\$ 15,770,507	\$ 22,470,180	\$ 6,699,673	70.2%	\$ 6,586,748	101.7%
9/30/2010 ⁴	\$ 15,770,507	\$ 22,552,004	\$ 6,781,497	69.9%	\$ 6,586,748	103.0%

1. Reflects liability for cost of living benefits increase granted on or after October 1, 1978.
2. Reflects changes in actuarial assumptions.
3. Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
4. Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

The valuation was prepared using the entry age normal actuarial cost method. An interest rate and projected salary increases of 4.61-7.75% were used for all purposes, together with other actuarial assumptions based on the experience of the system. Since the previous valuation, there have been no amendments to the system affecting the valuation.

Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized over a twenty-year period. The retirement plan is included in the financial report of the Retirement Systems of Alabama. Copies of this report may be obtained from the Retirement Systems of Alabama.

**CITY OF TALLADEGA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE O – COMMITMENTS AND CONTINGENCIES

The City is a defendant in various litigations of which legal counsel and City 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 legal counsel has advised 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. No accrual has been included in these financial statements for this matter.

In August 1991, the Public Building Authority of the City of Talladega constructed an office building financed by a bond issue in the amount of \$1,820,000. The City has agreed to lease the building to Alabama Department of Human Resources under a lease agreement. The Department of Human Resources agreed to make the bond payments of \$16,895 per month beginning 1993 through 2008. The lease agreement provided for two additional sixty month periods at a rental rate of \$33,407 annually.

NOTE P – 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 Q – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in the Water Department financials to correct a misstatement. Cash was overstated in the amount of \$194,233 and net asset (unrestricted) was overstated in the amount of \$194,233.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TALLADEGA
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL - Continued¹
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Taxes				
Sales & use tax	\$ 6,500,000	\$ 7,000,000	\$ 6,987,196	\$ (12,804)
Rental tax	135,000	170,000	191,501	21,501
Lodging tax	120,000	120,000	147,681	27,681
Automobile sales tax	35,000	35,000	36,969	1,969
Motor vehicle license tax	4,000	4,000	3,950	(50)
Wholesale gasoline tax	185,000	185,000	200,505	15,505
Alcoholic beverage tax	20,000	20,000	18,404	(1,596)
Beer tax	100,000	100,000	114,605	14,605
Wine tax	5,000	5,000	5,827	827
Liquor tax - ABC profit	-	3,600	3,642	42
Cigarette tax	364,000	364,000	379,059	15,059
Alabama Gas franchise tax	69,000	67,000	67,048	48
Charter Cable franchise tax	168,000	168,000	177,313	9,313
10 mil property tax	1,000,000	1,000,000	1,053,801	53,801
Excise tax on financial institutions	80,000	80,000	80,931	931
County business privilege tax	29,500	29,700	29,722	22
Total Taxes Revenue	8,814,500	9,351,300	9,498,154	146,854
Licenses and permits				
Business license	920,000	960,000	1,007,884	47,884
Bus lic - Alabama Gas Corp	189,000	186,000	186,679	679
Bus lic - Alabama Power Co	734,000	737,000	737,493	493
Bus lic - Coosa Valley Electric	13,000	14,500	14,710	210
Bus lic - telephone	2,620	2,620	2,620	-
Alcohol license	50	150	150	-
Automobile license	14,000	16,000	21,694	5,694
Chauffeur license	120	20	20	-
Total License Revenue	1,872,790	1,916,290	1,971,250	54,960

¹The City uses generally accepted accounting principles in preparation of budgets.

CITY OF TALLADEGA
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Permits:				
Building permits	\$ 40,000	\$ 46,000	\$ 50,846	\$ 4,846
Miscellaneous permits	4,000	4,300	4,526	226
Yard sale permits	500	500	552	52
Total Permit Revenue	<u>44,500</u>	<u>50,800</u>	<u>55,924</u>	<u>5,124</u>
Fees:				
Motor vehicle registration fees	1,000	1,000	838	(162)
Returned check fees	240	240	300	60
Total Fee Revenue	<u>1,240</u>	<u>1,240</u>	<u>1,138</u>	<u>(102)</u>
Police Department Revenue:				
Click it or ticket grant	4,000	9,000	10,776	1,776
Accident reports	3,000	3,000	3,564	564
Sex Offenders Registration	-	-	30	30
Animal control revenue	<u>63,000</u>	<u>70,000</u>	<u>74,156</u>	<u>4,156</u>
Total Police Department Revenue	<u>70,000</u>	<u>82,000</u>	<u>88,526</u>	<u>6,526</u>
Donation Revenue	3,000	3,300	-	(3,300)

CITY OF TALLADEGA
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Recreation Department Revenue				
Spring Street rec center revenue	98,000	92,000	95,772	3,772
Refunds - Recreation center	(1,000)	(1,000)	(900)	100
Bemiston rec center	4,000	1,000	816	(184)
Brecon rec center	7,000	75	75	-
Mattie Simmons rec center	9,415	4,800	5,097	297
Mabra rec center	1,000	1,600	1,635	35
Bruner sports complex	30,000	7,500	19,490	11,990
Transportation farebox	3,300	6,300	6,994	694
Golf course revenue	72,000	74,800	74,825	25
Golf course rent	4,100	2,900	2,900	-
Total Recreation Department Revenue	227,815	189,975	206,704	16,729
Miscellaneous Revenue				
Senior citizens grant	24,820	11,160	11,161	1
Transportation grant	24,500	24,500	21,290	(3,210)
FEMA grant - disaster relief	1,500	-	120,768	120,768
Children's summer nutrition grant	60,000	64,000	55,869	(8,131)
HPC grant	2,000	3,000	5,008	2,008
Archive grant	-	2,900	2,979	79
Weed abatement	8,000	17,200	17,836	636
Condemnation revenue	5,000	1,000	858	(142)
Revenue from Court Judgement	-	-	100	100
Rental revenue	33,400	33,400	33,417	17
Reimbursements	3,000	7,500	4,612	(2,888)
Insurance reimbursements	5,000	8,000	27,874	19,874
Interest revenue	8,000	8,500	10,601	2,101
Interest revenue - Debt service	500	800	807	7
Revenue from vending machines	1,000	500	478	(22)
Other revenue	3,000	3,000	2,430	(570)
Total Miscellaneous Revenue	179,720	185,460	316,088	130,628

CITY OF TALLADEGA
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Transfers In From Other Funds				
Transfers in - garbage billing	1,116,000	1,155,000	1,158,533	3,533
Transfers in - water department	100,000	130,000	-	(130,000)
Transfers in - oil trust fund	-	508,000	508,054	54
Transfers in - 2.5 mil	-	-	62	62
Transfers in - cemetery	20,000	30,000	30,702	702
Transfers in - RBEG	50,000	-	-	-
Transfers in - police grant	50,000	77,500	77,540	40
Transfers in - corrections	72,000	132,000	132,711	711
Transfers in - brownfield	50,000	50,000	50,000	-
Total Transfers	1,458,000	2,082,500	1,957,602	(124,898)
Proceeds from loans/sales/ins	50,000	100,000	99,905	(95)
Total Revenues	12,721,565	13,962,865	14,195,291	232,426

CITY OF TALLADEGA
SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES:				
City Council	446,840	443,765	370,193	73,572
City Manager's Office	431,550	448,050	322,280	125,770
Finance Department	261,800	260,250	234,309	25,941
City Clerk's Office	173,675	186,875	186,516	359
Human Resources	121,525	123,125	103,711	19,414
Purchasing and Safety	147,300	155,300	103,751	51,549
Police Department	2,245,378	2,300,278	2,202,810	97,468
Police Communications	170,000	170,000	169,944	56
Animal Control	133,100	171,350	159,009	12,341
Fire Department	1,362,550	1,478,060	1,323,748	154,312
Public Works Department	725,300	811,900	734,013	77,887
Community Appearance Department	939,250	965,850	901,413	64,437
Parks & Recreation	1,199,450	1,159,200	994,526	164,674
City Building Expenditures	181,900	216,700	185,333	31,367
Non-Departmental Expenditures	3,434,980	4,702,400	4,621,854	80,546
Debt Service Expenditures	1,112,472	987,050	985,146	1,904
Total Expenditures	<u>13,087,070</u>	<u>14,580,153</u>	<u>13,598,556</u>	<u>981,597</u>
Excess (Deficiency) Revenues Over Expenditures	(365,505)	(617,288)	596,735	1,214,023
Beginning Fund Balance	<u>2,032,073</u>	<u>2,023,488</u>	<u>2,066,862</u>	
Ending Fund Balance	<u>\$ 1,666,568</u>	<u>\$ 1,406,200</u>	<u>\$ 2,663,597</u>	

SUPPLEMENTAL INFORMATION

**TALLADEGA WATER AND SEWER DEPARTMENT
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
SEPTEMBER 30, 2011**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues			
Water revenues	\$ 3,457,093	\$ 3,293,305	\$ (163,788)
Sewer revenues	2,552,893	2,569,609	16,716
Garbage revenues	31,200	1,186,897	1,155,697
Grant revenue	-	-	-
Other operating revenues	<u>358,650</u>	<u>256,685</u>	<u>(101,965)</u>
Total Operating Revenues	6,399,836	7,306,496	906,660
Operating Expenses			
Water and sewer department expenses	1,406,483	854,189	552,294
Waste water plants	1,025,711	1,073,315	(47,604)
Water filters and wells	887,551	1,070,597	(183,046)
General and administrative	743,657	981,745	(238,088)
Depreciation and amortization	<u>-</u>	<u>1,254,730</u>	<u>(1,254,730)</u>
Total Operating Expenses	<u>4,063,402</u>	<u>5,234,576</u>	<u>(1,171,174)</u>
Net Operating Income (Loss)	2,336,434	2,071,920	(264,514)
Non Operating Income / (Expense)			
Interest income	59,500	18,685	(40,815)
Interest expense	<u>(1,344,754)</u>	<u>(633,332)</u>	<u>711,422</u>
Total Non Operating Income / (Expense)	(1,285,254)	(614,647)	670,607
Other Uses			
Transfers in (out)	<u>-</u>	<u>(1,158,533)</u>	<u>(1,158,533)</u>
Total Other Uses	<u>-</u>	<u>(1,158,533)</u>	<u>(1,158,533)</u>
Change in Net Assets	<u>\$ 1,051,180</u>	<u>\$ 298,740</u>	<u>\$ (752,440)</u>

Combining Financial Statements

CITY OF TALLADEGA
COMBINING BALANCE SHEETS - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2011

ASSETS				
	Capital Project Fund	RBEG Fund	Community Development	Totals Capital Projects
Cash and cash equivalents	\$ 890,171	\$ 9,833	\$ 3,597	\$ 903,601
Investments	-	-	-	-
Receivables	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Other assets	-	-	-	-
Total Assets	\$ 890,171	\$ 9,833	\$ 3,597	\$ 903,601
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	\$ 14,168	\$ 750	\$ 4,762	\$ 19,680
Due to other funds	-	-	-	-
Cash deficit	-	-	-	-
Total Liabilities	14,168	750	4,762	19,680
Fund balances:				
Unspendable	876,003	9,083	-	885,086
Restricted	-	-	-	-
Committed	-	-	(1,165)	(1,165)
Unassigned	876,003	9,083	(1,165)	883,921
Total Fund Balances	\$ 890,171	\$ 9,833	\$ 3,597	\$ 903,601
Total Liabilities and Fund Balances				

CITY OF TALLADEGA
COMBINING SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES -
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2011

	Capital Project Fund	RBEG Fund	Community Development	Totals Capital Projects
REVENUES				
Intergovernmental Revenues:				
Federal and state grants	\$ -	\$ 95,293	-	95,293
State taxes	-	-	-	-
Other Operating Revenues:				
Fees, fines, and charges for services	2,671	-	-	2,671
Interest on investments	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>2,671</u>	<u>95,293</u>	<u>-</u>	<u>97,964</u>
EXPENDITURES				
General	-	96	196	292
Public safety	325,027	-	-	325,027
Public works	139,885	-	-	139,885
Total Current Operations	<u>464,912</u>	<u>96</u>	<u>196</u>	<u>465,204</u>
Projects	945,920	232,199	-	1,178,119
Total Expenditures	<u>1,410,832</u>	<u>232,295</u>	<u>196</u>	<u>1,643,323</u>
Excess (Deficiency) of Revenues over Expenditures	(1,408,161)	(137,002)	(196)	(1,545,359)
Other Financing Sources (Uses)				
Proceeds from long term debt	-	101,400	-	101,400
Transfers in (out)	279,500	48,200	-	327,700
	<u>279,500</u>	<u>149,600</u>	<u>-</u>	<u>429,100</u>
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)	(1,128,661)	12,598	(196)	(1,116,259)
Fund Balance, Beginning	2,004,664	(3,515)	(969)	2,000,180
Fund Balance, Ending	<u>\$ 876,003</u>	<u>\$ 9,083</u>	<u>\$ (1,165)</u>	<u>\$ 883,921</u>

CITY OF TALLADEGA
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Funds	Other Non-major Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,379,927	\$ 9,885	\$ 175,065	\$ 1,564,877
Investments	-	-	742,549	742,549
Receivables	95,699	-	(800)	94,899
Due from other funds	-	-	-	-
Due from other governments	26,136	-	-	26,136
Other assets	-	290,891	-	290,891
Total Assets	\$ 1,501,762	\$ 300,776	\$ 916,814	\$ 2,719,352
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued liabilities	\$ 244,368	\$ -	\$ 18,167	\$ 262,535
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	244,368	-	18,167	262,535
Fund balances:				
Unspendable	-	-	-	-
Restricted	1,257,394	300,776	742,549	2,300,719
Committed	-	-	-	-
Unassigned	-	-	156,098	156,098
Total Fund Balances	1,257,394	-	898,647	2,456,817
Total Liabilities and Fund Balances	\$ 1,501,762	\$ 300,776	\$ 916,814	\$ 2,719,352

CITY OF TALLADEGA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (by fund type)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Funds	Other Non-major Funds	Total Other Governmental Funds
REVENUES				
Intergovernmental Revenues:				
Federal and state grants	\$ 1,630,352	\$ -	\$ 23,836	\$ 1,654,188
State taxes	503,172	-	58,903	562,075
Other Operating Revenues:				
Fees, fines, and charges for services	602,808	-	48,700	651,508
Interest on investments	327	-	22,875	23,202
Other	-	-	(9,657)	(9,657)
Total Revenues	2,736,659	-	144,657	2,881,316
EXPENDITURES				
General	248,952	-	341,705	590,657
Public safety	691,062	-	-	691,062
Public works	1,426,457	-	-	1,426,457
Debt service	-	1,060,957	-	1,060,957
Total Current Operations	2,366,471	1,060,957	341,705	3,769,133
Projects	179,454	-	13,587	193,041
Total Expenditures	2,545,925	1,060,957	355,292	3,962,174
Excess (Deficiency) of Revenues over Expenditures	190,734	(1,060,957)	(210,635)	(1,080,858)
Other Financing Sources (Uses)				
Transfers in (out)	435,304	1,038,779	226,460	1,700,543
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)	626,038	(22,178)	15,825	619,685
Fund Balance, Beginning	631,356	322,954	882,822	1,837,132
Fund Balance, Ending	\$ 1,257,394	\$ 300,776	\$ 898,647	\$ 2,456,817

CITY OF TALLADEGA
COMBINING BALANCE SHEETS - SPECIAL REVENUES FUNDS
SEPTEMBER 30, 2011

	2.5 Mil Property Tax Fund	4 Cent Gas Tax Fund	7 Cent Gas Tax Fund	Corrections Fund	Oil Trust Fund	Brownfield Fund	Police Grant	Total Special Revenues
ASSETS								
Cash and cash equivalents	\$ 10,663	\$ 135,096	\$ 198,001	\$ 68,155	\$ 927,426	\$ 35,124	\$ 7,462	\$ 1,379,927
Investments	-	-	-	-	-	-	-	-
Receivables	-	-	-	73,450	-	-	22,249	95,699
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	16,475	4,210	5,451	-	-	-	-	26,136
Other assets	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 27,138</u>	<u>\$ 139,306</u>	<u>\$ 201,452</u>	<u>\$ 141,605</u>	<u>\$ 927,426</u>	<u>\$ 35,124</u>	<u>\$ 29,711</u>	<u>\$ 1,501,762</u>
LIABILITIES AND FUND BALANCES								
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 86,285	\$ 151,734	\$ 5,932	\$ 417	\$ 244,368
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	86,285	151,734	5,932	417	244,368
Fund balances:								
Unspendable	27,138	139,306	201,452	55,320	775,692	29,192	29,294	1,257,384
Restricted	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Unassigned	-	-	-	55,320	775,692	29,192	29,294	1,257,394
Total Fund Balances	<u>27,138</u>	<u>139,306</u>	<u>201,452</u>	<u>55,320</u>	<u>775,692</u>	<u>29,192</u>	<u>29,294</u>	<u>1,257,394</u>
Total Liabilities and Fund Balances	<u>\$ 27,138</u>	<u>\$ 139,306</u>	<u>\$ 201,452</u>	<u>\$ 141,605</u>	<u>\$ 927,426</u>	<u>\$ 35,124</u>	<u>\$ 29,711</u>	<u>\$ 1,501,762</u>

CITY OF TALLADEGA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	2.5 Mill Property Tax Fund	4 Cent Gas Tax Fund	7 Cent Gas Tax Fund	Corrections Fund	Oil Trust Fund	Brownfield Fund	Police Grant	Total Special Revenues
REVENUES								
Intergovernmental Revenues								
Federal and state grants								
State taxes								
Other Operating Revenues								
Fees, fines, and charges for services								
Interest on investments								
Other								
Total Revenues								
EXPENDITURES								
General								
Public safety								
Public works								
Total Current Operations								
Projects								
Total Expenditures								
Excess (Deficiency) of Revenues over Expenditures								
Other Financing Sources (Uses)								
Transfers in (out)								
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)								
Fund Balance, Beginning								
Fund Balance, Ending								

**CITY OF TALLADEGA
COMBINING BALANCE SHEET - DEBT SERVICE FUND
SEPTEMBER 30, 2011**

ASSETS

Cash and cash equivalents	\$ 9,885
Other assets	<u>290,891</u>
Total Assets	<u>\$ 300,776</u>

LIABILITIES

Accounts payable and accruals	\$ <u>-</u>
Total Liabilities	-

FUND BALANCES

Restricted for debt service funds	<u>300,776</u>
Total Fund Balance	<u>300,776</u>
Total Liabilities and Fund Balance	<u>\$ 300,776</u>

**CITY OF TALLADEGA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - DEBT SERVICE FUND
SEPTEMBER 30, 2011**

	Revenues	
Taxes	\$	-
Interest		-
Other revenue		-
		<hr/>
Total Revenues		-
	Expenditures	
Principal Retirement		571,817
Interest charges and transfer fees		458,663
Miscellaneous		30,477
		<hr/>
Total Expenditures		1,060,957
Excess (deficiency) of revenue over expenditures		(1,060,957)
Other financing sources (uses)		
Transfers in (out)		1,038,779
		<hr/>
Excess (deficit) of revenue and other sources over expenditures and other uses		(22,178)
Fund Balance, Beginning		322,954
		<hr/>
Fund Balance, Ending	\$	300,776
		<hr/>

Other Non-major Funds

CITY OF TALLADEGA
COMBINING BALANCE SHEETS - OTHER NONMAJOR FUNDS
SEPTEMBER 30, 2011

	Cemetery Fund	Library Fund	Other Funds Totals
ASSETS			
Cash and cash equivalents	\$ 96,143	\$ 78,922	\$ 175,065
Investments	742,549	-	742,549
Receivables	(800)	-	(800)
Due from other funds	-	-	-
Due from other governments	-	-	-
Other assets	-	-	-
Total Assets	\$ 837,892	\$ 78,922	\$ 916,814
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ -	\$ 18,167	\$ 18,167
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total Liabilities	-	18,167	18,167
Fund balances:			
Unspendable	-	-	-
Restricted	742,549	-	742,549
Committed	-	-	-
Unassigned	95,343	60,755	156,098
Total Fund Balances	837,892	60,755	898,647
Total Liabilities and Fund Balances	\$ 837,892	\$ 78,922	\$ 916,814

CITY OF TALLADEGA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
OTHER NONMAJOR FUNDS
SEPTEMBER 30, 2011

	Cemetery Fund	Library Fund	Other Funds Totals
REVENUES			
Intergovernmental Revenues			
Federal and state grants	\$ -	\$ 23,836	\$ 23,836
State taxes	-	58,903	58,903
Other Operating Revenues	48,700	-	48,700
Fees, fines, and charges for services	22,623	252	22,875
Interest on Investments	(9,657)	-	(9,657)
Other			
Total Revenues	61,666	82,991	144,657
EXPENDITURES			
General	18,903	322,802	341,705
Public safety	-	-	-
Public works	-	-	-
Total Current Operations	18,903	322,802	341,705
Capital expenditures	13,587	-	13,587
Total Expenditures	32,490	322,802	355,292
Excess (Deficiency) of Revenues over Expenditures	29,176	(239,811)	(210,635)
Other Financing Sources (Uses)			
Transfers in (out)	(29,736)	256,196	226,460
Excess (deficiency) of Revenues over Expenditures and other Financing Sources (uses)	(560)	16,385	15,825
Fund Balance, Beginning	838,452	44,370	882,822
Fund Balance, Ending	\$ 837,892	\$ 60,755	\$ 898,647

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
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested in capital assets, net of related debt	\$ 6,491,542	\$ 6,672,391	\$ 7,720,550	\$ 12,941,379	\$ 13,636,161	\$ 11,030,088	\$ 10,261,167	\$ 10,056,385	\$ 8,270,373
Restricted									
Special revenue funds	288,496	362,111	582,828	294,277	628,694	587,450	612,807	631,242	1,198,908
Future capital projects	42,310	352,619	109,642	41,818	13,313	32,407	2,889,926	2,000,294	947,169
Perpetual care fund	-	1,179,471	685,737	709,362	685,738	685,738	770,848	789,130	742,549
Law enforcement fund	-	88,804	70,299	-	262,330	51,878	43,380	322,954	300,776
Debt service funds	70,299	392,861	1,108,080	963,162	1,546,946	2,152,186	345,132	(722,971)	2,146,195
Unrestricted, general fund	1,336,179	\$ 9,048,347	\$ 10,277,126	\$ 14,950,436	\$ 16,773,162	\$ 14,763,996	\$ 13,547,444	\$ 13,077,044	\$ 13,607,970
Total governmental activities net assets	\$ 8,208,826								
Business-type activities									
Invested in capital assets, net of related debt	\$ 10,142,883	\$ 6,403,453	\$ 6,896,562	\$ 9,608,580	\$ 11,131,900	\$ 11,397,594	\$ 11,917,237	\$ 12,070,621	\$ 9,953,242
Restricted									
Capital projects	244,230	3,917,233	3,211,993	1,164,327	676,380	242,561	-	-	1,211,445
Debt service fund	126,103	86,459	71,699	87,574	97,786	101,550	-	-	5,743,654
Unrestricted	2,783,929	2,442,756	2,886,010	3,164,617	3,773,957	4,051,767	3,807,074	4,753,213	-
Total business-type activities net assets	\$ 13,296,945	\$ 12,849,901	\$ 13,066,264	\$ 14,025,098	\$ 15,680,023	\$ 15,793,472	\$ 15,724,311	\$ 16,803,834	\$ 16,906,341
Primary government									
Invested in capital assets, net of related debt	\$ 16,634,225	\$ 13,075,844	\$ 14,617,122	\$ 22,549,959	\$ 24,768,061	\$ 22,427,682	\$ 22,178,404	\$ 22,127,016	\$ 18,223,615
Restricted									
Capital projects	286,540	4,269,852	3,321,635	1,206,145	689,693	274,968	2,889,926	2,000,294	947,169
Special revenues	268,496	362,111	582,828	294,277	628,694	587,450	612,807	631,242	1,198,908
Perpetual care fund	-	1,179,471	685,737	709,362	685,738	685,738	770,849	789,130	742,549
Law enforcement fund	186,402	175,353	141,998	88,011	360,116	51,878	43,380	-	-
Debt service	4,120,108	2,835,617	3,994,070	4,127,779	5,320,903	325,619	345,132	322,954	1,512,221
Unrestricted	-	-	-	-	-	6,203,933	2,431,457	4,010,242	7,691,849
Total primary government net assets	\$ 21,505,771	\$ 21,898,248	\$ 23,343,380	\$ 28,975,533	\$ 32,453,205	\$ 30,557,468	\$ 29,271,755	\$ 28,890,878	\$ 30,516,311

CITY OF TALLADEGA
CHANGE IN NET ASSETS - Continued
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2008	2010	2011
Expenses									
Governmental Activities:									
General government	\$ 4,484,733	\$ 1,578,576	\$ 1,650,929	\$ 2,092,098	\$ 1,632,271	\$ 1,175,495	\$ 3,659,053	\$ 3,700,715	\$ 3,603,718
Public protection:									
Police	2,199,493	2,270,876	2,278,177	2,386,454	2,211,048	2,698,857	2,689,707	2,684,831	2,545,762
Fire	886,048	979,672	969,847	1,242,758	1,110,832	1,253,348	1,316,881	1,347,488	1,323,748
Corrections	-	-	710,646	770,545	719,899	496,677	544,946	645,216	1,016,090
Public works	1,719,826	1,784,032	2,411,140	2,804,541	2,501,237	1,955,829	3,198,718	2,920,835	4,289,657
Recreational	1,533,738	1,616,430	1,310,862	1,363,914	1,479,971	1,563,574	1,901,936	1,511,976	1,097,026
Nondepartmental	1,920,347	1,776,855	1,557,717	2,067,870	1,391,957	4,421,622	-	-	-
Other boards and agencies	55,193	63,166	317,261	125,663	279,229	356,280	-	-	-
Capital outlay	646,822	515,833	-	-	760,515	211,178	-	-	-
Depreciation expense	-	752,832	935,476	1,495,415	1,581,174	1,637,870	1,510,112	1,416,649	1,479,284
Interest and fiscal charges	382,422	354,870	349,000	342,126	296,949	331,330	496,301	506,695	489,291
Total Governmental Activities	13,809,022	11,692,942	12,491,055	14,691,384	13,965,082	16,114,060	15,317,654	14,734,405	15,844,576
Business-type Activities:									
Water and sewer	3,682,258	4,299,087	4,529,214	4,844,529	4,996,112	5,409,804	5,498,018	5,473,304	5,987,908
Total Business-type Activities	3,682,258	4,299,087	4,529,214	4,844,529	4,996,112	5,409,804	5,498,018	5,473,304	5,987,908
Total Primary Government	\$ 17,491,280	\$ 15,992,029	\$ 17,020,269	\$ 19,535,913	\$ 18,961,194	\$ 21,523,864	\$ 20,815,672	\$ 20,207,709	\$ 21,712,484
Program Revenues									
Governmental Activities:									
Fees, fines and charges for service	\$ 1,283,464	\$ 1,415,228	\$ 710,053	\$ 40,456	\$ 77,510	\$ 48,944	\$ 23,585	\$ 31,100	\$ 67,673
General government	87,109	36,824	-	-	71,123	45,232	60,830	84,267	74,289
Police	506	1,020	-	-	55	5	-	-	-
Fire	-	-	820,475	986,009	831,968	654,817	643,423	639,451	602,808
Other public protection**	-	-	-	-	-	-	32,850	-	-
Public Works	316,783	279,312	294,725	300,782	292,277	367,995	313,823	266,804	206,704
Recreational	-	-	-	-	-	-	-	-	-
Other boards and agencies	82,848	250,702	89,669	141,152	123,435	113,951	124,923	253,042	-
Operating grants and contributions	-	390,310	200,744	-	825,138	179,984	141,310	97,751	-
Capital grants and contributions	-	-	-	1,478,389	2,221,506	1,410,928	1,340,744	1,372,215	951,484
Total Governmental Activities	1,770,710	2,373,396	2,115,696	1,478,389	2,221,506	1,410,928	1,340,744	1,372,215	951,484

** Fees, fines and charges for the Court were included in general government in years 2003 and 2004

CITY OF TALLADEGA
CHANGE IN NET ASSETS - Continued
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues									
Business-type Activities:									
Water and sewer revenues	3,717,558	3,476,145	4,884,692	6,265,703	6,087,785	5,964,989	6,394,726	7,388,483	7,306,496
Operating grants and contributions	-	-	-	-	1,150,000	111,505	-	350,000	-
Capital grants and contributions	3,717,558	3,476,145	4,884,692	6,265,703	7,237,785	6,076,494	6,394,726	7,738,483	7,306,496
Total Business-type Activities	<u>3,717,558</u>	<u>3,476,145</u>	<u>4,884,692</u>	<u>6,265,703</u>	<u>7,237,785</u>	<u>6,076,494</u>	<u>6,394,726</u>	<u>7,738,483</u>	<u>7,306,496</u>
Total Program Revenue	<u>\$ 5,488,268</u>	<u>\$ 5,849,541</u>	<u>\$ 7,000,389</u>	<u>\$ 7,744,102</u>	<u>\$ 9,459,291</u>	<u>\$ 7,487,422</u>	<u>\$ 7,735,470</u>	<u>\$ 9,110,709</u>	<u>\$ 8,257,980</u>
Net (expense)/revenue									
Governmental activities	(12,038,312)	(9,319,546)	(10,375,359)	(13,212,985)	(11,743,576)	(14,703,132)	(13,976,910)	(13,362,190)	(14,893,092)
Business-type activities	35,300	(822,942)	355,478	1,421,174	2,241,673	666,690	896,708	2,265,189	1,438,588
Total primary government net expense	<u>\$ (12,003,012)</u>	<u>\$ (10,142,488)</u>	<u>\$ (10,019,881)</u>	<u>\$ (11,791,811)</u>	<u>\$ (9,501,903)</u>	<u>\$ (14,036,442)</u>	<u>\$ (13,080,202)</u>	<u>\$ (11,097,001)</u>	<u>\$ (13,454,504)</u>
General Revenues:									
Governmental Activities:									
Taxes:									
Sales, property, other for general purposes	6,899,542	7,364,920	9,513,559	10,057,979	9,882,202	10,047,294	9,490,369	9,835,086	10,060,229
General business licenses and permits	1,575,927	1,583,877	1,624,837	1,672,397	1,849,808	1,914,460	2,014,668	1,944,017	2,027,174
Miscellaneous income	423,939	130,575	394,939	228,906	95,798	56,404	187,044	66,271	93,764
Interest income	44,742	16,509	43,318	46,823	53,887	65,171	69,183	47,507	37,281
Gain on sale of asset	-	-	-	-	-	-	-	-	69,703
Transfers	-	-	-	669,284	625,802	610,617	989,064	1,198,909	1,155,533
Total Governmental Activities	<u>8,944,150</u>	<u>9,095,881</u>	<u>11,576,653</u>	<u>12,675,389</u>	<u>12,507,498</u>	<u>12,693,946</u>	<u>12,760,356</u>	<u>12,891,790</u>	<u>13,446,684</u>
Business-type Activities:									
Miscellaneous income	28,899	21,744	34,829	159,104	86,894	57,376	23,195	13,243	18,685
Interest income	-	-	-	(669,284)	(625,802)	(610,617)	(989,064)	(1,198,909)	(1,155,533)
Transfers	28,899	21,744	182,219	(510,180)	(538,908)	(553,241)	(965,869)	(1,185,666)	(1,139,846)
Total Business-type Activities	<u>28,899</u>	<u>21,744</u>	<u>182,219</u>	<u>(510,180)</u>	<u>(538,908)</u>	<u>(553,241)</u>	<u>(965,869)</u>	<u>(1,185,666)</u>	<u>(1,139,846)</u>
Total General Revenues and Transfers	<u>\$ 8,973,049</u>	<u>\$ 9,117,625</u>	<u>\$ 11,758,872</u>	<u>\$ 12,165,209</u>	<u>\$ 11,968,590</u>	<u>\$ 12,140,705</u>	<u>\$ 11,794,489</u>	<u>\$ 11,706,124</u>	<u>\$ 12,306,836</u>
Change in Net Assets									
Governmental activities	(3,094,162)	(223,665)	1,201,294	(537,596)	763,922	(2,009,186)	(1,216,552)	(470,400)	530,926
Business-type activities	64,199	(801,198)	537,697	910,994	1,702,765	113,449	(89,161)	1,079,523	298,740
Total primary government	<u>\$ (3,029,963)</u>	<u>\$ (1,024,863)</u>	<u>\$ 1,738,991</u>	<u>\$ 373,398</u>	<u>\$ 2,466,687</u>	<u>\$ (1,895,737)</u>	<u>\$ (1,285,713)</u>	<u>\$ 609,123</u>	<u>\$ 829,666</u>

CITY OF TALLADEGA
GOVERNMENTAL ACTIVITIES
TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales and Use Tax	\$ 4,482,958	\$ 4,898,441	\$ 5,063,251	\$ 7,097,775	\$ 7,166,874	\$ 6,974,881	\$ 7,455,008	\$ 6,479,715	\$ 6,355,749	\$ 6,987,196
Business Licenses	1,537,541	1,482,376	1,491,005	1,522,293	1,598,429	1,789,634	1,832,046	1,956,931	1,861,447	1,949,387
10 Mill Tax	736,188	767,316	834,151	742,895	860,022	948,439	933,693	1,045,033	1,022,336	1,053,801
Other taxes and licenses	1,585,615	1,215,846	1,479,671	1,775,433	2,105,051	2,019,057	1,741,007	2,022,713	2,339,571	2,097,019
Total Taxes and Licenses	\$ 8,322,302	\$ 8,363,979	\$ 8,868,078	\$ 11,138,396	\$ 11,730,376	\$ 11,732,011	\$ 11,961,754	\$ 11,504,392	\$ 11,579,103	\$ 12,087,403

CITY OF TALLADEGA
SALES AND USE TAX
DIRECT AND OVERLAPPING
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Talladega	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	5.00%
Talladega County	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
State of Alabama	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total Overlapping Sales and use tax	8.00%	8.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	10.00%

CITY OF TALLADEGA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 3,184,227	\$ -	\$ 730,025	\$ -	\$ -	\$ -	\$ 2,438,232	\$ 1,933,869	\$ 2,066,862	\$ 2,663,598
Unreserved	1,003,725	1,336,179	1,016,298	1,122,205	1,177,660	1,399,420	2,438,232	1,933,869	2,066,862	2,663,598
Total general fund	4,187,952	1,336,179	1,746,323	1,122,205	1,177,660	1,399,420	2,438,232	1,933,869	2,066,862	2,663,598
All other governmental funds										
Reserved		268,496	362,111	582,828	284,222	614,892	587,450	612,807	631,242	1,198,908
Special revenues funds		70,299	88,984	70,299	-	262,330	224,269	346,132	322,954	300,776
Debt service funds	96,003	-	-	685,737	719,417	695,893	737,616	814,029	789,130	742,549
Other non major funds	-	-	-	-	-	-	-	-	-	-
Other governmental funds	-	-	-	-	-	-	-	-	-	-
Future capital projects	51,839	42,310	352,619	109,642	41,818	13,313	32,407	2,889,926	2,000,294	947,169
Unreserved, reported in:										
Special revenues fund	580,969	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	437	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	154,439	-	-	-
Other governmental funds	-	-	-	275,197	185,731	200,147	-	100,535	93,692	156,098
Other non major funds	-	-	-	1,723,703	1,241,625	1,786,575	1,736,181	4,762,429	3,837,312	3,345,500
Total all other governmental funds	729,811	381,105	803,624	1,723,703	1,241,625	1,786,575	1,736,181	4,762,429	3,837,312	3,345,500
Total all governmental funds	\$ 4,916,763	\$ 1,717,284	\$ 2,549,947	\$ 2,845,908	\$ 2,419,285	\$ 3,185,995	\$ 4,174,413	\$ 6,696,398	\$ 5,904,174	\$ 6,009,098

CITY OF TALLADEGA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 6,472,076	\$ 6,766,052	\$ 7,284,201	\$ 9,513,559	\$ 10,057,979	\$ 9,882,202	\$ 10,047,294	\$ 9,490,399	\$ 9,635,086	\$ 10,060,228
Licenses and permits	1,630,240	1,575,927	1,588,877	1,624,837	1,672,397	1,849,809	1,914,460	2,014,668	1,944,017	2,027,174
Charges for services	1,484,210	1,687,862	1,768,859	1,825,253	1,337,247	1,272,933	1,116,993	1,074,511	1,021,422	951,484
Federal and state grants	696,824	82,848	641,012	290,443	141,152	948,573	293,935	266,233	350,793	1,977,334
Interest	44,772	44,772	16,509	43,318	46,823	53,867	65,171	69,183	47,507	37,261
Proceeds from long term debt	4,530,215	69,669	400,000	1,069,488	352,579	761,428	2,208,038	3,705,700	78,796	-
Other	458,735	354,270	211,294	394,939	228,906	95,798	254,289	197,044	-	163,467
	<u>15,272,301</u>	<u>10,603,400</u>	<u>11,905,752</u>	<u>14,761,837</u>	<u>13,837,083</u>	<u>14,864,630</u>	<u>15,900,180</u>	<u>16,817,738</u>	<u>13,077,621</u>	<u>15,216,969</u>
Expenditures:										
General government	1,002,903	3,459,325	1,334,237	1,898,088	2,083,578	1,583,646	1,166,909	2,071,339	2,093,373	1,606,559
Public safety	3,832,309	3,066,141	2,899,278	3,958,670	4,399,757	4,041,779	4,423,568	4,441,888	4,625,364	4,871,600
Public works	2,333,114	1,719,626	1,499,155	2,411,140	2,804,541	2,501,237	2,021,327	1,725,131	1,727,601	3,187,571
Recreation	1,613,869	1,533,738	1,616,430	1,310,862	1,353,914	1,479,971	1,572,190	1,599,223	1,363,563	994,526
Other boards and agencies	476,169	55,193	53,166	317,261	125,653	279,229	362,640	380,600	343,854	304,850
Nondepartmental	356,360	1,920,347	1,738,032	1,557,717	2,009,870	1,391,957	4,421,622	2,819,353	2,677,089	2,965,022
Capital expenditures	524,000	1,025,408	1,763,126	1,822,847	819,923	2,186,700	686,541	1,102,902	1,121,126	1,375,357
Debt Service:										
Principal	2,937,561	618,265	779,074	901,656	973,118	952,810	602,335	654,634	599,890	571,495
Interest and fees	422,170	382,422	452,777	348,000	342,126	321,327	252,962	487,350	487,594	458,985
Miscellaneous	-	28,557	-	26,110	77,020	5,066	13,285	22,397	29,300	30,477
	<u>13,668,455</u>	<u>13,809,022</u>	<u>12,136,275</u>	<u>14,493,361</u>	<u>14,999,508</u>	<u>14,723,722</u>	<u>15,522,379</u>	<u>15,284,817</u>	<u>15,088,754</u>	<u>16,376,442</u>
Excess Revenues over (under) Expenditures	<u>1,573,846</u>	<u>(3,205,622)</u>	<u>(230,523)</u>	<u>268,476</u>	<u>(1,162,425)</u>	<u>140,908</u>	<u>377,801</u>	<u>1,532,921</u>	<u>(1,991,133)</u>	<u>(1,159,473)</u>
Other financing sources (uses):										
Operating transfers in	918,779	2,365,216	1,496,264	2,286,332	5,439,979	4,721,070	2,390,304	3,116,754	3,194,284	3,985,545
Operating transfers out	(918,779)	(1,899,877)	(1,496,264)	(2,286,332)	(4,770,695)	(4,095,268)	(1,779,697)	(2,127,690)	(1,995,385)	(2,827,310)
Proceeds from long term debt	-	-	-	-	-	-	-	-	-	101,400
	-	<u>465,339</u>	-	-	<u>669,284</u>	<u>625,802</u>	<u>610,617</u>	<u>989,064</u>	<u>1,198,909</u>	<u>1,259,635</u>
Total	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	<u>1,573,846</u>	<u>(2,740,083)</u>	<u>(230,523)</u>	<u>268,476</u>	<u>(493,141)</u>	<u>766,710</u>	<u>988,418</u>	<u>2,521,985</u>	<u>(792,224)</u>	<u>100,162</u>
Fund Balance, Beginning	<u>3,484,039</u>	<u>4,916,763</u>	<u>1,717,284</u>	<u>2,549,947</u>	<u>2,845,908</u>	<u>2,419,285</u>	<u>3,185,995</u>	<u>4,174,413</u>	<u>6,696,398</u>	<u>5,904,174</u>
Prior Period Adjustment	<u>(141,122)</u>	<u>(459,396)</u>	<u>1,063,186</u>	<u>27,485</u>	<u>66,518</u>	-	-	-	-	-
Fund Balance, Ending	<u>\$ 4,916,763</u>	<u>\$ 1,717,284</u>	<u>\$ 2,549,947</u>	<u>\$ 2,845,908</u>	<u>\$ 2,419,285</u>	<u>\$ 3,185,995</u>	<u>\$ 4,174,413</u>	<u>\$ 6,696,398</u>	<u>\$ 5,904,174</u>	<u>\$ 6,004,336</u>
Ratio of Debt Service Expenditures to Noncapital Expenditures	34.23%	8.75%	13.48%	11.21%	10.89%	11.36%	6.22%	8.78%	8.70%	7.61%

**CITY OF TALLADEGA
PROPERTY TAX RATES PER THOUSAND
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Talladega			Overlapping Rate		Total Direct & Overlapping Rate
	General Municipal Purposes	School Purposes	Total	Talladega County	State of Alabama	
2002	10.0	12.5	22.5	9.5	6.5	38.5
2003	10.0	12.5	22.5	9.5	6.5	38.5
2004	10.0	12.5	22.5	9.5	6.5	38.5
2005	10.0	12.5	22.5	9.5	6.5	38.5
2006	10.0	12.5	22.5	9.5	6.5	38.5
2007	10.0	12.5	22.5	9.5	6.5	38.5
2008	10.0	12.5	22.5	9.5	6.5	38.5
2009	10.0	12.5	22.5	9.5	6.5	38.5
2010	10.0	12.5	22.5	9.5	6.5	38.5
2011	10.0	12.5	22.5	9.5	6.5	38.5

CITY OF TALLADEGA
PRINCIPAL SALES AND USE TAXPAYERS¹
CURRENT FISCAL YEAR AND TEN YEARS PRIOR
September 30, 2011

	2011			2001		
	<u>Sales Tax Collected</u>	<u>Rank</u>	<u>Percentage of Total Sales Tax Collected</u>	<u>Sales Tax Collected</u>	<u>Rank</u>	<u>Percentage of Total Sales Tax Collected</u>
Walmart	\$ 1,807,254	1	25.87%	\$ 711,221	1	14.74%
Baker Food	\$ 446,813	2	6.39%	\$ 229,100	2	4.75%
Dollar General	\$ 129,363	3	1.85%	\$ 62,986	5	1.31%
Marvins	\$ 128,417	4	1.84%	**		
Ace Hardware	\$ 108,482	5	1.55%	\$ 64,008	4	1.33%
Tractor Supply Stores	\$ 98,106	6	1.40%	**		
McDonalds	\$ 95,813	7	1.37%	\$ 40,905	6	0.85%
Jacks	\$ 92,792	8	1.33%	\$ 31,841	7	0.70%
CSX Trans	\$ 91,596	9	1.31%	\$ 109,926	3	2.15%
Burger King	\$ 83,553	10	1.20%	**		

** These businesses were not in operation in 2001

¹ Talladega County Economic Development Authority

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
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Component Unit Activities			Total Entity	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other General Debt		Revenue Bonds	Other General Debt			General Obligation Bonds	Other General Debt				
2002	\$ 8,335,165	\$ 441,453		\$ 4,525,000	\$ 1,065,399		\$ 14,387,017	\$ 1,390,000	\$ 1,661,627		\$ 17,418,644	3.3%	\$ 1,020
2003	\$ 7,716,870	\$ 156,866		\$ 4,695,000	\$ 930,433		\$ 13,499,169	\$ 1,285,000	\$ 1,417,134		\$ 16,201,303	3.1%	\$ 953
2004	\$ 7,072,000	\$ 320,297		\$ 8,240,000	\$ 796,720		\$ 16,429,017	\$ 1,175,000	\$ 1,154,667		\$ 18,758,684	3.6%	\$ 1,111
2005	\$ 6,994,970	\$ 586,089		\$ 7,980,000	\$ 840,542		\$ 16,401,601	\$ 926,667	\$ 570,861		\$ 17,899,129	3.3%	\$ 1,054
2006	\$ 6,074,781	\$ 690,073		\$ 7,715,000	\$ 785,474		\$ 15,265,328	\$ 930,000	\$ 570,861		\$ 16,766,189	3.1%	\$ 984
2007	\$ 5,826,203	\$ 967,707		\$ 7,445,000	\$ 708,624		\$ 14,947,534	\$ 795,000	\$ 440,164		\$ 16,182,698	2.8%	\$ 952
2008	\$ 7,776,434	\$ 562,365		\$ 7,165,000	\$ 422,149		\$ 15,925,948	\$ 655,000	\$ 303,210		\$ 16,884,158	3.4%	\$ 1,149
2009	\$ 10,925,578	\$ 464,288		\$ 6,880,000	\$ 276,808		\$ 18,546,674	\$ 569,212	\$ 106,610		\$ 19,222,496	3.3%	\$ 1,131
2010	\$ 10,789,976	\$ 565,622		\$ 6,680,288	\$ 39,115		\$ 18,075,001	\$ 345,000	\$ 2,954,835		\$ 21,374,836	3.5%	\$ 1,636
2011	\$ 10,319,881	\$ 618,395		\$ 18,501,520	\$ 34,181		\$ 29,473,977	\$ 225,439	\$ 55,909		\$ 29,755,325	4.1%	\$ 1,898

**CITY OF TALLADEGA
DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2011**

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to City of Talladega</u>	<u>Amount Applicable to City of Talladega</u>
City of Talladega	\$ 29,755,325	49.65%	\$ 29,755,325
Talladega County	<u>30,180,479</u>	50.35%	<u>5,487,890</u>
Total	<u>\$ 59,935,804</u>		<u>\$ 35,243,215</u>

**CITY OF TALLADEGA
RATIOS OF GENERAL DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	Total Entity General Obligation Debt	Less: Amounts Available for Debt	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2002	\$ 17,418,644	\$ 672,402	\$ 16,746,242	24.96%	\$ 981
2003	\$ 16,201,303	\$ 254,766	\$ 15,946,537	23.71%	\$ 938
2004	\$ 18,758,684	\$ 228,772	\$ 18,529,912	23.00%	\$ 1,097
2005	\$ 17,899,129	\$ 260,021	\$ 17,639,108	17.96%	\$ 1,039
2006	\$ 16,766,189	\$ 214,086	\$ 16,552,103	16.63%	\$ 971
2007	\$ 16,182,698	\$ 229,489	\$ 15,953,209	14.83%	\$ 939
2008	\$ 16,884,158	\$ 221,043	\$ 16,663,115	15.09%	\$ 1,134
2009	\$ 19,222,496	\$ 171,516	\$ 19,050,980	17.46%	\$ 1,121
2010	\$ 21,374,836	\$ 322,954	\$ 21,051,882	18.56%	\$ 1,612
2011	\$ 29,755,325	\$ 300,776	\$ 29,454,549	25.96%	\$ 1,879

CITY OF TALLADEGA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed property value	\$ 67,093,200	\$ 67,290,190	\$ 80,559,120	\$ 98,214,240	\$ 98,555,920	\$ 107,588,100	\$ 110,402,060	\$ 109,099,890	\$ 113,448,000	\$ 113,694,240
Debt limited to:	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Debt limit	\$ 13,418,640	\$ 13,450,038	\$ 16,111,824	\$ 19,642,848	\$ 19,911,384	\$ 21,517,620	\$ 22,080,412	\$ 21,819,978	\$ 22,689,600	\$ 22,738,848
Total net debt applicable to limit	8,573,548	7,863,124	7,373,275	7,548,189	6,732,410	6,671,199	8,398,803	11,389,886	11,355,598	10,937,954
Legal debt margin	\$ 4,845,092	\$ 5,586,914	\$ 8,738,549	\$ 12,094,659	\$ 13,178,974	\$ 14,846,421	\$ 13,741,609	\$ 10,430,112	\$ 11,334,002	\$ 11,800,894
Total net debt applicable to the limit as a percentage of debt limit	63.89%	58.46%	45.76%	38.43%	33.81%	31.00%	37.77%	52.20%	50.05%	48.10%

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
DEMOGRAPHIC ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Population ¹	17,072	17,003	16,891	16,981	17,041	16,991	14,698	16,991	13,062	15,676
Total personal income ¹										
Household income-city	\$ 31,128	\$ 31,128	\$ 31,224	\$ 31,695	\$ 32,166	\$ 33,677	\$ 34,067	\$ 34,067	\$ 46,499	\$ 46,499
Talladega County	\$ 31,367	\$ 33,191	\$ 34,418	\$ 33,986	\$ 32,166	\$ 33,677	\$ 47,603	\$ 38,013	\$ 49,430	\$ 49,430
Per capita ¹										
Personal income*	\$ 22,172	\$ 24,056	\$ 25,234	\$ 27,085	\$ 28,102	\$ 17,435	\$ 17,557	\$ 17,435	\$ 18,583	\$ 18,583
Talladega County	\$ 22,180	\$ 24,036	\$ 25,493	\$ 27,793	\$ 28,102	\$ 18,473	\$ 18,686	\$ 18,473	\$ 19,762	\$ 19,762
School District ³										
Enrollment	2,978	2,885	2,864	2,778	2,721	2,606	2,573	2,395	2,576	2,315
Unemployment ²										
Rate	6.7	7.1	6.1	4.3	4.6	4.5	5.9	12.1	13.2	8.4
Employed ²										
Talladega County	34,775	35,376	36,174	38,005	38,223	38,291	36,258	32,296	31,958	32,067

*Personal Income is for Talladega-Sylacauga, AL

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

² Alabama Department of Industrial Relations

³ Talladega City Board of Education

CITY OF TALLADEGA
PRINCIPAL PRIVATE-SECTOR EMPLOYERS IN THE TALLADEGA AREA¹
CURRENT YEAR AND TEN YEARS PRIOR

	2011			2001		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Alabama Institute for the Deaf & Blind	1283	1	4.00%	1314	1	3.78%
Citizen's Baptist Medical Center	322	2	1.00%	297	5	0.85%
Talladega City Board of Education	321	3	1.00%	364	4	1.05%
Federal Correctional Institution	317	4	0.99%	402	3	1.16%
Talladega Healthcare Rehap	297	5	0.93%	540	2	1.55%
Wal-Mart	283	6	0.88%	0		0.00%
Master Brand Cabinets	240	7	0.75%	0		0.00%
City of Talladega	215	8	0.67%			0.00%
Talladega Machinery & Supply Company	184	9	0.57%	124	7	0.36%
Talladega Foundry & Machine Company	66	10	0.21%	59	8	0.17%
International Enterprises			0.00%	170	6	0.49%

¹Talladega County Economic Development Authority

CITY OF TALLADEGA
BUDGETED FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST SEVEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Dept - Administrative / City Clerk	7	5	5	5	2	2	2
Dept - Animal Control	4	3	3	4	4	4	3
Dept - City Council	6	6	6	6	6	6	6
Dept - City Manager	2	2	2	2	3	4	5
Dept - Comm Appearance	-	24	24	22	22	18	23
Dept - Comm Development	-	-	-	-	7	-	-
Dept - Fire	31	26	24	26	26	27	31
Dept - Human Resources	-	-	-	-	2	2	2
Dept - Library	7	6	7	6	6	10	8
Dept - Municipal Court	3	3	3	3	3	3	3
Dept - Park & Recreation	32	29	31	28	28	32	27
Dept - Police	60	45	41	42	42	40	48
Dept - Police Communications ¹	4	4	4	4	4	-	-
Dept - Public Works ²	56	25	21	22	23	17	15
Dept - Purchasing	-	-	-	-	-	3	2
Dept - Revenue / Finance	3	3	3	3	5	5	5
Total	<u>215</u>	<u>181</u>	<u>174</u>	<u>173</u>	<u>183</u>	<u>173</u>	<u>180</u>

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

² The Public Works Department was divided into two departments, Community Appearance and Public Works in 2005.

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
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Emergency communications ¹										
Calls received	1,939	1,859	2,109	2,243	2,534	2,161	2,890	52,712	23,267	31,185
Police										
Calls for service	20,777	19,717	19,210	22,306	23,544	21,198	20,713	20,538	20,300	23,826
Reported crimes	4,379	7,025	7,212	3,747	3,460	3,849	3,829	3,277	4,035	6,732
Fire										
Fire responses	407	367	395	338	395	512	424	321	492	627
Medical calls	6	9	35	17	23	31	19	23	34	0
Total	<u>413</u>	<u>376</u>	<u>430</u>	<u>355</u>	<u>418</u>	<u>543</u>	<u>443</u>	<u>344</u>	<u>526</u>	<u>627</u>
Water										
Millions of gallons per day										
Filtration plant production	3.74	4.19	4.32	4.08	4.18	3.96	3.59	3.44	3.65	3.78
City water demand	2.80	2.84	2.87	2.95	3.08	2.91	2.55	2.53	2.58	2.08

¹Talladega County 911 for 2001-2009; Talladega County EMA for 2010

Report on Internal Control and Findings

Edgar and Associates, LLC

Certified Public Accountants

218 East 12th Street, Anniston, AL 36207

256.237.1773

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2011, which collectively comprise the City of Talladega, Alabama's basic financial statements and have issued our report thereon dated March 15, 2012. 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.

Internal Control over Financial Reporting

Management of the City of Talladega, Alabama is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Talladega, Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Talladega, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Talladega, Alabama's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Talladega, Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Talladega, Alabama in a separate letter dated March 15, 2012.

This report is intended solely for the information and use of the management and the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Edgar and Associates, LLC

Anniston, Alabama
March 15, 2012

**CITY OF TALLADEGA
SUMMARY SCHEDULE OF AUDIT FINDINGS
SEPTEMBER 30, 2011**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

- The auditors' report expresses an unqualified opinion on the financial statements of the City of Talladega.
- There are no significant deficiencies or material weaknesses reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

FINANCIAL STATEMENT FINDINGS

Current Year Findings:

None noted

Prior Year Findings:

None noted