

City of Talladega, Alabama  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2012

City of Talladega, Alabama  
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September 30, 2012

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# 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 29, 2013

Ladies and Gentlemen:

I hereby transmit the annual financial report of the City of Talladega as of and for the year ended September 30, 2012. The accounting firm, Carr, Riggs & Ingram, 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, September 30, 2010 and September 2011. 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

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## *City Council*

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Brian Muenger  
*City Manager*

March 29, 2013

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, 2012. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Carr, Riggs and Ingram, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Talladega's financial statements for the year ended September 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

## PROFILE OF THE GOVERNMENT

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

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

The City provides a 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 1<sup>st</sup>. 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. Due to the economic downturn, from which local governments generally have been slow to recover, the City Council made the difficult decision to adopt a 1% sales and use tax increase effective April 1, 2011. As

stipulated by this increase, 25% of the additional revenue remains in the General Fund and is available for operating expenditures. An additional \$250,000 is restricted to supplement the fund balance if necessary. All remaining additional tax revenue is dedicated to capital expenditures and funds are transferred to the Capital Improvement Fund on a regular basis. These funds are expended according to the capital improvement budget as approved by Council.

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 181 certified teachers, along with support personnel and administrators. The school system operates (i) four elementary schools (grades K through 6), serving 1,364 students, (ii) one middle school (grades 7 and 8), serving 645 students, and (iii) one high school, serving 613 students. In recent years, a pre-kindergarten program was added through funding made available by a grant award and financial support from the City administration. Additional financial support from the City allowed the implementation of a distance learning center at Talladega High School, which gives students remote access to a wider variety of curriculum. The City schools are accredited by the Alabama State Department of Education and the Southern Association of Colleges and Schools.

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

Alabama School for the Deaf and Alabama School for the Blind are accredited preschool-12 programs serving individuals from 3 to 21 years of age. The Instructional Resource Center for the Blind, located on the Alabama School for the Blind campus, provides Braille and large print books, materials and other services to all blind and



visually impaired students at AIDB and in public schools in Alabama. The Helen Keller School of Alabama is also accredited and serves multi-disabled children ages 3 to 21. Also available to students with sensory or physical disabilities is the Marianna Greene Henry Special Equestrian Arena which offers hippotherapy to motivate the movement of tightened or restricted muscles and limbs, as well as recreational riding opportunities. The program is accredited by the North American Riding for the Handicapped Association.

Adults age 16 and over pursue rehabilitation, technology, job or college prep training at the E. H. Gentry Technical Facility. The E. H. Gentry campus is linked with Regional Centers in eight locations to provide job and skill training in local communities and a lifelong continuum of services for people with hearing and vision loss. Adjustment services focus on practical skills, both for life and work. Vocational training covers a wide range of career options, ranging from carpentry to business education to sewing. Alabama Industries for the Blind provides employment and job training in a sheltered environment for over 225 blind or vision impaired adults at two production facilities and also operate Base Supply Centers in Alabama and Georgia. Employees of AIB manufacture or distribute many products used in the home, office or by the military.

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

## HISTORIC SITES

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

The “April in Talladega” Pilgrimage annually welcomes visitors to its many antebellum and turn-of-the century homes. Talladega has four districts on the National Register of Historic Places: the Beautiful Talladega College, the “Silk Stocking District” which reflects the changing architectural styles from 1833 to the early 1900s, the North Street Historical District which is a residential area, and the Historic Talladega Courthouse Square which contains many fine examples of late 19<sup>th</sup> 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 19<sup>th</sup> 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 19<sup>th</sup> and early 20<sup>th</sup> 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 19<sup>th</sup> century. The oldest buildings in the district were soon built after Talladega was surveyed in 1834. There is only one building in the district that was built after the 1930's.

Construction completed in 1838, the original courthouse was a three-story structure. Although it sustained no damage during the Civil War, the following years found the building repaired and rebuilt many times due to the ravages of storms and fire. In the 1970s, the courthouse was placed on the National Register of Historic Places and completely renovated and restored to its splendid condition of today. The Alabama Historical Commission states that it is the oldest courthouse in continuous use in the state.

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

## PARKS AND RECREATIONAL FACILITIES

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

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

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

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

The *Jemison Park* is located on Ashland Highway on a 3 acre site. The park consists of eight tennis courts, a playground and a 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 Horne Drive on an 8 acre site. The park consists of three practice fields, a Girls Little League Softball field, and a playground.

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

The *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 25<sup>th</sup> Street. The Center is the home for the Senior Nutrition program which serves meals to elderly residents and also offers health programs, counseling, meal planning and budgeting.

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

The *Mattie Simmons Recreation Center* is currently closed.

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

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

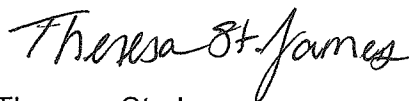
## LONG-TERM FINANCIAL PLANNING

As a planning tool for long-term financing and the annual budget process, the City prepares a 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 rather than relying on financing alone. This policy is further maximized by aggressively pursuing grant opportunities for infrastructure renovation and replacement. Bonded indebtedness is managed in coordination with debt repayment schedules to stay within legal debt limits and to maintain a stable level of debt service. General policy targets debt payments at no more than 10% of total General Fund operating expense; currently debt payments are only 7% of operating expenditures. The City has earned and maintained a Standard & Poors rating of "A, stable."

## 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,



Theresa St. James  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Talledega  
Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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.



*Christopher P. Moynell*

President

*Jeffrey R. Emer*

Executive Director



CITIZENS OF TALLADEGA

CITY COUNCIL

CITY MANAGER

City Clerk

Police

Public Works

Parks & Recreation

Water &  
Environmental Services

Human Resources

Finance

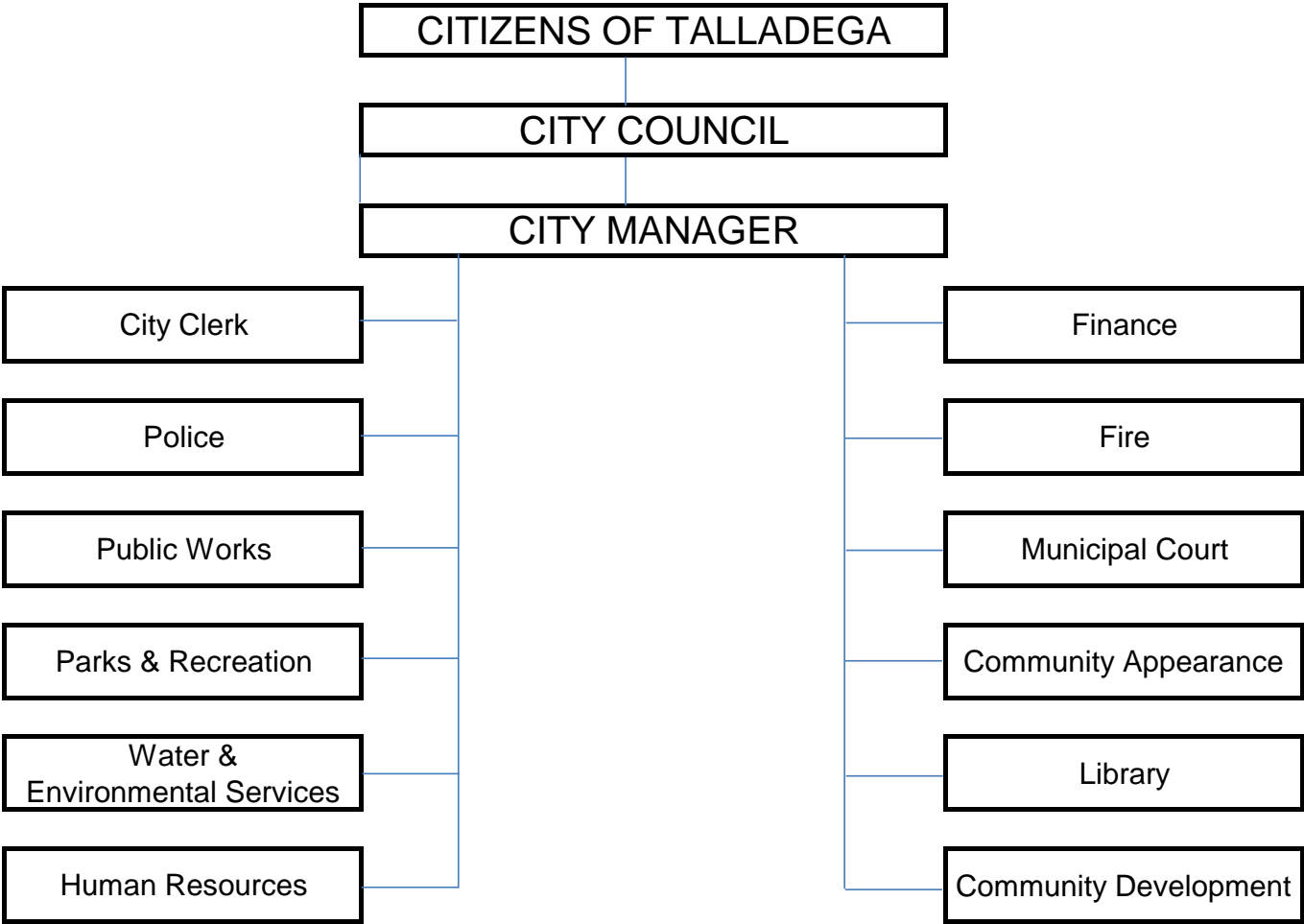
Fire

Municipal Court

Community Appearance

Library

Community Development



## OFFICIALS OF THE CITY OF TALLADEGA

### **Mayor**

Larry Barton

### **City Council**

Donnie Miller

Dr. Horace Patterson

Jarvis Elston

Joseph Ballow

Ricky Simpson

### **City Manager**

W. Brian Muenger

### **Other City Officials**

City Clerk

Beth Cheeks

Community Appearance

Mitch Bast, Director

Finance

Theresa St. James, Director

Fire

Danny Warwick, Chief

Human Resources

Cathy Fuller, Director

Library

Vickie Harkins, Acting Director

Municipal Court

Hank Fannin, Judge

Municipal Court

Rick Nixon, Clerk

Parks and Recreation

Stacy Jones, Director

Police

Alan Watson, Chief

Public Works

Karen Phillips, Director

Purchasing and Safety

Terry Hanner, Director

Water and Environmental Services

Chuck Thomerson, Director

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Talladega, Alabama (the "City") as of and for the year ended September 30, 2012, 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's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Talladega City Board of Education or the Talladega Municipal Airport Board, which represent 99 percent of the assets, net assets, and revenues of the component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Talladega City Board of Education and the Talladega Municipal Airport Board, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3.1 through 3.10 and 44 through 48 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 nonmajor 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 nonmajor 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 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.

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

Birmingham, Alabama  
March 29, 2013

## **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, 2012. 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 exceeded its liabilities at the close of the fiscal year 2012 by \$32.19 million, an increase of \$1.67 million over fiscal year 2011.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$6.79 million. The combined governmental funds' fund balances increased by \$0.79 million during the fiscal year.
- The general fund closed with a fund balance of \$4.06 million, an increase of \$1.4 million from the \$2.66 million balance in the prior year. General fund revenues were \$12.99 million. General fund operating expenditures were \$10.74 million. In 2008, the City Council established a goal of a minimum fund balance of 8-10% of operating revenue. The current fund balance of 31% of operating revenue (38% of operating expenses) is significantly above the established goal. This increase in fund balance is attributable to the continuance of cost saving measures implemented in previous fiscal years, which has improved the overall financial position of the City.
- The capital projects trust funds closed with a combined fund balance of \$908,616, a slight increase from the \$876,003 balance in the prior year. Capital projects revenues were \$33,507, with an additional \$950,000 transferred from the General Fund as sales tax revenue restricted for capital projects. Capital funds expenditures were \$750,894 with an additional transfer out to fund a paving project. The increase in the capital projects fund is primarily due to the full year of sales tax revenue transferred in from the General Fund for the purpose of funding capital projects as designated by the City Council. Expenditure of funds for projects that took place as a part of the planned Capital Improvement Plan, (CIP), include large scale fleet replacement, HVAC renovations at the Ritz Theatre, the renovation of the Animal Control facility, and drainage improvements to the Hill-Pope detention pond.
- The special revenue funds closed with a combined fund balance of \$1,816,738, a decrease of \$339,305 from the prior year. Two factors have attributed to this change. First, the Cemetery Fund and the Library Fund have been included in the special revenue funds, rather than reporting those as "Other Non-Major Funds" as in the past. Second, of the remaining special funds, the Oil Trust Fund saw a decrease in fund balance from \$775,692 in 2011 to \$284,103 at 2012

fiscal year end. This decrease is due to the expending of funds for the completion of a planned major paving project.

### **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, 2012, by \$17,584,218 (net assets). Of this amount \$5,972,835 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets increased by \$675,877.
- Proprietary Fund operating revenues for the year were \$7,156,929. Operating expenses were \$5,009,965.
- As of September 30, 2012, the Talladega Water and Sewer Department of the City of Talladega, Alabama's Proprietary funds reported a combined ending fund balance of \$17,584,218, an increase of \$675,877 in comparison with the prior year. Approximately 33.9% 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, 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.

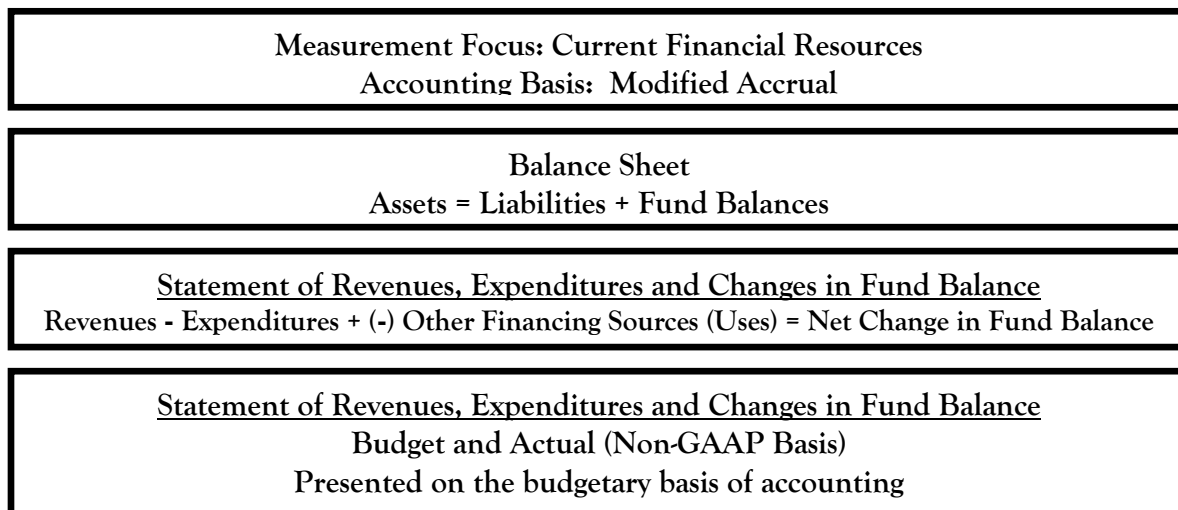
The City uses two types of funds:

- 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 \$675,877.

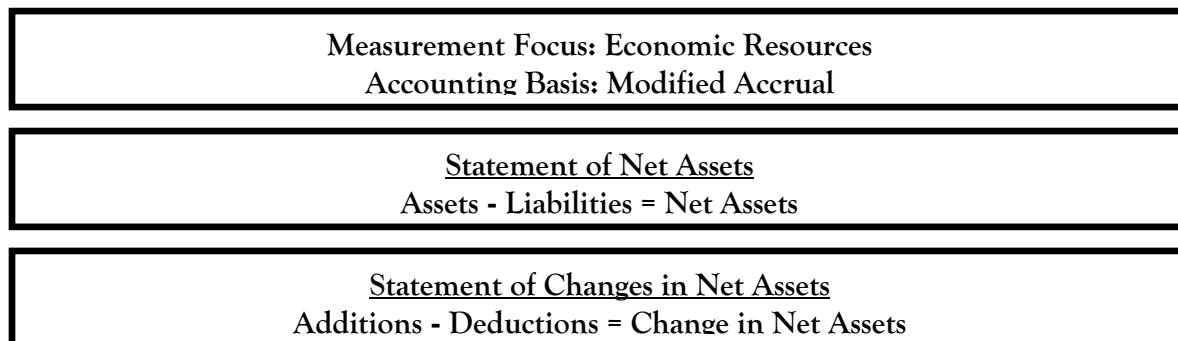
The following diagram presents the major features of the fund financial statements including the types of information contained therein.

## **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, 2012, are in compliance with Governmental Accounting Standards Board (GASB) Statement Number 34.

### Statement of Net Assets September 30, 2012

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total All Activities</b>
Cash and cash equivalents	\$ 5,570,432	\$ 4,415,380	\$ 9,985,812
Investments	743,575	151,555	895,130
Receivables, net	889,951	628,511	1,518,462
Unbilled revenue	-	639,827	639,827
Due (to) from other funds	111,644	(111,644)	-
Inventories	-	266,409	266,409
Restricted assets	-	10,433,658	10,433,658
Other assets	355,978	490,707	846,685
Capital assets not being appreciated	3,854,541	309,356	4,163,897
Capital assets, net	<u>14,400,007</u>	<u>18,242,458</u>	<u>32,642,465</u>
<b>Total Assets</b>	<b><u>\$ 25,926,128</u></b>	<b><u>\$35,466,217</u></b>	<b><u>\$ 61,392,345</u></b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 601,729	\$ 144,490	\$ 746,219
Customer meter deposits	-	224,642	224,642
Accrued interest	67,063	-	67,063
Noncurrent liabilities;			
Due within one year:			
Bonds and warrants payable	441,680	390,000	831,680
Capital leases	67,016	-	67,016
Compensated absences	30,189	-	30,189
Due in more than one year			
Bonds and warrants payable	9,024,985	17,595,246	26,620,231
Deferred charges from refunding	-	(524,879)	(524, 879)
Capital leases	250,812	7,820	258,632
OPEB payable	564,343	-	564,343
Compensated absences	271,706	44,680	316,386
<b>Total Liabilities</b>	<b><u>11,319,523</u></b>	<b><u>17,881,999</u></b>	<b><u>29,201,522</u></b>
<b>NET ASSETS</b>			
Investment in capital assets (net of debt)	8,470,055	10,399,739	18,869,794
Restricted for:			
Capital projects	921,330	-	921,330
Special revenues (gas tax and road projects)	724,026	-	724,026
Special revenues (ad valorem tax for schools)	28,341	-	28,341
Special revenues (public safety)	104,106	-	104,106
Debt service fund	-	1,211,644	1,211,644
Unrestricted	4,358,747	5,972,835	10,331,582
<b>Total Net Assets</b>	<b><u>\$14,606,605</u></b>	<b><u>\$17,584,218</u></b>	<b><u>\$32,190,823</u></b>

**Statement of Net Assets  
September 30, 2011**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total All Activities</b>
Cash and cash equivalents	\$ 4,621,641	\$ 3,801,991	\$ 8,423,632
Investments	742,549	-	742,549
Receivables, net	819,418	738,173	1,557,591
Unbilled revenue	-	617,307	617,307
Due (to) from other funds	131,008	(131,008)	-
Due from other governments	274,708	-	274,708
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>
<b>Total Assets</b>	<b><u>\$ 25,549,302</u></b>	<b><u>\$ 35,444,042</u></b>	<b><u>\$ 60,993,344</u></b>
<b>LIABILITIES</b>			
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
Noncurrent liabilities;			
Due within one year:			
Bonds and warrants payable	425,921	380,000	805,921
Capital leases	56,528	46,592	103,120
Compensated absences	-	-	-
Due in more than one year			
Bonds and warrants payable	9,561,724	17,700,840	27,262,564
Capital leases	275,386	-	275,386
OPEB payable	465,518	-	465,518
Compensated absences	152,877	-	152,877
<b>Total Liabilities</b>	<b><u>11,941,010</u></b>	<b><u>18,535,701</u></b>	<b><u>30,476,711</u></b>
<b>NET ASSETS</b>			
Investment 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	1,941,457	-	1,941,457
Debt service fund	300,776	1,211,445	1,522,221
Unrestricted	2,148,195	5,743,654	7,891,849
<b>Total Net Assets</b>	<b><u>\$ 13,608,292</u></b>	<b><u>\$ 16,908,341</u></b>	<b><u>\$ 30,516,633</u></b>

The assets of the City of Talladega (primary government) exceeded its liabilities by \$32,190,823 as of September 30, 2012. However, 59% 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 \$2,989,447 represents net assets that are subject to external restrictions on how they may be used. The remaining balance of net assets totaling \$10,331,582 is unrestricted. This increase in unrestricted net assets is directly attributable to the dedication of the staff to continued conservative spending.

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.

During this time period proceeds from the 2010 Capital Improvement Bond were utilized on a number of system improvement projects, including the water extension on Taylor's Mill Road, flocculator replacement at the Main Water Treatment Plant, and the initiation of the installation of a new Chemical Feed Building. Additionally, the City completed an extensive Inflow & Infiltration study of the Avenue H area, and completed an Asset Management GIS project.

### **General Fund Budgetary Highlights**

Revenues for the year were \$92,339 above the budgeted amount. The primary sources of the overage were various taxes, business licenses and fees generated by the Parks & Recreation department. Major categories in the General Fund which realized an unfavorable variance in budgeted to actual revenue include sales & use taxes and property tax. Both of these areas fall into a range accountable for by general variance or fluctuation.

Overall, expenditures were \$1,114,539 less than budgeted, with all categories except City Council realizing a favorable variance. This can be credited to careful budgetary oversight throughout the fiscal year, as well as generally conservative budget composition.

Overall the City's financial position improved markedly during this period, due to the continuance of budget cuts implemented in previous years, as well as nominal revenue improvement.

# **Statement of Activities** **For the Year Ended September 30, 2012**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
General government	\$ 3,612,283	\$ 95,371	\$ 144,858	\$ -	\$ (3,372,054)	\$ -	\$ (3,372,054)
Public safety:	4,763,248	724,223	67,934	10,684	(3,960,407)	-	(3,960,407)
Public works	3,407,964	-	417,021	413,830	(2,577,113)	-	(2,577,113)
Parks and Recreation	1,162,741	179,121	18,769	-	(964,851)	-	(964,851)
Unallocated depreciation expense	1,476,188	-	-	-	(1,476,188)	-	(1,476,188)
Interest on long-term debt	<u>453,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(453,617)</u>	<u>-</u>	<u>(453,617)</u>
<b>Total Governmental Activities</b>	14,876,041	998,715	648,582	424,514	(12,804,230)	-	(12,804,230)
<b>Business-type Activities:</b>							
Water and sewer	<u>5,777,985</u>	<u>7,156,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,378,944</u>	<u>1,378,944</u>
<b>Total Business-type Activities</b>							
<b>Total Primary Government</b>	<u>\$ 20,654,026</u>	<u>\$ 8,155,644</u>	<u>\$ 648,582</u>	<u>\$ 424,514</u>	<u>\$ (12,804,230)</u>	<u>\$ 1,378,944</u>	<u>\$ (11,425,286)</u>
<b>General Revenues:</b>							
Taxes:							
Ad Valorem					1,222,215	-	1,222,215
Sales and Use					8,954,120	-	8,954,120
Other					436,181	-	436,181
General business licenses and permits					2,001,838	-	2,001,838
Grants not restricted to specific programs					-	-	-
Payments from City of Talladega					-	-	-
Miscellaneous revenues					109,742	-	109,742
Interest income					28,593	17,311	45,904
Gain on sale of asset					32,953	-	32,953
Transfers					<u>908,880</u>	<u>(908,880)</u>	<u>-</u>
<b>Total General Revenues and Transfers</b>					13,694,522	(891,569)	12,802,953
<b>Change in Net Assets</b>					890,292	487,375	1,377,667
<b>Net Assets, Beginning</b>					13,608,292	16,908,341	30,516,633
<b>Prior Period Adjustment</b>					<u>108,021</u>	<u>188,502</u>	<u>296,523</u>
<b>Net Assets, Ending</b>					<u>\$ 14,606,605</u>	<u>\$ 17,584,218</u>	<u>\$ 32,190,823</u>



# Statement of Activities For the Year Ended September 30, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
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	<u>488,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(488,969)</u>	<u>-</u>	<u>(488,969)</u>
<b>Total Governmental Activities</b>	15,844,254	951,484	422,396	1,554,938	(12,915,436)	-	(12,915,436)
<b>Business-type Activities:</b>							
Water and sewer	<u>5,867,908</u>	<u>7,306,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,438,588</u>	<u>1,438,588</u>
<b>Total Business-type Activities</b>							
<b>Total Primary Government</b>	<u>\$ 21,712,162</u>	<u>\$ 8,257,980</u>	<u>\$ 422,396</u>	<u>\$ 1,554,938</u>	(12,915,436)	1,438,588	(11,476,848)
<b>General Revenues:</b>							
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	18,685	55,966
Gain on sale of asset					69,703	-	69,703
Transfers					<u>1,158,533</u>	<u>(1,158,533)</u>	<u>-</u>
<b>Total General Revenues and Transfers</b>					13,466,684	(1,139,848)	12,306,836
<b>Change in Net Assets</b>					531,248	298,740	829,988
<b>Net Assets, Beginning</b>					13,077,044	16,803,834	29,880,878
<b>Prior Period Adjustment</b>					-	(194,233)	(194,233)
<b>Net Assets, Ending</b>					<u>\$ 13,608,292</u>	<u>\$ 16,908,341</u>	<u>\$ 30,516,633</u>

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets: The City of Talladega's investment in capital assets (net of accumulated depreciation) for governmental and business-type activities as of September 30, 2012, totals \$32,642,465. These assets included buildings, land, equipment, facilities and vehicles.

Long-term Debt: As of September 30, 2012, the City of Talladega governmental funds had bonded debt outstanding of \$9,466,665. 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 \$17,740,000 as of September 30, 2012.

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

### **Economic Factors**

The City of Talladega is heavily dependent on sales tax revenue, which accounts for approximately 60% of total General Fund revenues. Revenue as a whole exceeded expectations during this period, however, sales & use taxes were slightly less than projected. Although the City has enacted an additional sales tax it is important to note that only  $\frac{1}{4}$  of that increase is available to the general fund for operating expenses. It will be necessary in the coming years for the City to thoroughly examine its staffing structure and seek out positions that can be eliminated or relegated to part-time in order to offset rising fringe benefit and legacy costs. Restraint should continue to be used with regard to rescinding cuts enacted in past years, and ample consideration should be given to seeking out additional savings in order to improve the long-term financial stability of the City.

### **Request for Information**

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

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



W. Brian Muenger  
City Manager

## City of Talladega, Alabama

## Government-wide Statement of Net Assets

September 30, 2012

September 30, 2012	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 5,570,432	\$ 4,415,380	\$ 9,985,812	\$ 4,474,545
Investments	743,575	151,555	895,130	3,310,216
Receivables, net	889,951	628,511	1,518,462	-
Unbilled revenue	-	639,827	639,827	-
Internal balances	111,644	(111,644)	-	-
Due from other governments	-	-	-	272,793
Inventories	-	266,409	266,409	-
Restricted assets	-	10,433,658	10,433,658	-
Other assets	355,978	490,707	846,685	83,025
Capital assets not being depreciated	3,854,541	309,356	4,163,897	-
Capital assets, net of accumulated depreciation	14,400,007	18,242,458	32,642,465	11,118,870
<b>Total assets</b>	<b>25,926,128</b>	<b>35,466,217</b>	<b>61,392,345</b>	<b>19,259,449</b>
<b>Liabilities</b>				
Bank overdraft	-	-	-	108,225
Accounts payable and accrued liabilities	601,729	144,490	746,219	1,943,819
Customer meter deposits	-	224,642	224,642	-
Accrued interest	67,063	-	67,063	-
Noncurrent liabilities:				
Due within one year:				
Bonds and warrants payable	441,680	390,000	831,680	-
Capital leases	67,016	-	67,016	-
Compensated absences	30,189	-	30,189	-
Due in more than one year:				
Bonds and warrants payable	9,024,985	17,595,246	26,620,231	-
Deferred charges from refunding		(524,879)	(524,879)	-
Capital leases	250,812	7,820	258,632	-
OPEB payable	564,343	-	564,343	-
Compensated absences	271,706	44,680	316,386	116,286
<b>Total liabilities</b>	<b>11,319,523</b>	<b>17,881,999</b>	<b>29,201,522</b>	<b>2,168,330</b>
<b>Net assets</b>				
Investment in capital assets (net of related debt)	8,470,055	10,399,739	18,869,794	11,118,870
Restricted for:				
Capital projects	921,330	-	921,330	1,181,881
Special revenues (gas tax and road projects)	724,026	-	724,026	-
Special revenues (ad valorem tax for schools)	28,341	-	28,341	603,849
Special revenues (public safety)	104,106	-	104,106	-
Debt service fund	-	1,211,644	1,211,644	-
Unrestricted	4,358,747	5,972,835	10,331,582	4,186,519
<b>Total net assets</b>	<b>\$ 14,606,605</b>	<b>\$ 17,584,218</b>	<b>\$ 32,190,823</b>	<b>\$ 17,091,119</b>

See accompanying notes to basic financial statements.

City of Talladega, Alabama

Government-wide Statement of Activities

Year ended September 30, 2012

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government administration	\$ 3,612,283	\$ 95,371	\$ 144,858	\$ -
Public safety	4,763,248	724,223	67,934	10,684
Public works	3,407,964	-	417,021	413,830
Parks and recreation	1,162,741	179,121	18,769	-
Unallocated depreciation expense	1,476,188	-	-	-
Interest on long-term debt	453,617	-	-	-
Total governmental activities	14,876,041	998,715	648,582	424,514
Business-type activities:				
Water and sewer	5,777,985	7,156,929	-	-
Total primary government				
	\$ 20,654,026	\$ 8,155,644	\$ 648,582	\$ 424,514
Component units:				
Board of Education	\$ 21,878,227	\$ 1,692,172	\$ 16,049,443	\$ 900,824
Municipal Airport Board	678,232	293,348	-	520,885
Heritage Hall	86,777	31,748	5,690	-
Total Component Units	\$ 22,643,236	\$ 2,017,268	\$ 16,055,133	\$ 1,421,709

**General revenues:**

Taxes:

Ad Valorem (real and personal property)

Sales and use

Other

General business licenses and permits

Grants not restricted to specific programs

Payments from City of Talladega

Miscellaneous revenues

Interest income

Gain on sale of asset

Transfers

**Total general revenues**

**Change in net assets**

Net assets at beginning of year

Prior period adjustment

Net assets at beginning of year, as restated

**Net assets at end of year**

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets			Component Units
Governmental Activities	Business-type Activities	Total	Totals
\$ (3,372,054)	\$ -	\$ (3,372,054)	-
(3,960,407)	-	(3,960,407)	-
(2,577,113)	-	(2,577,113)	-
(964,851)	-	(964,851)	-
(1,476,188)	-	(1,476,188)	-
(453,617)	-	(453,617)	-
(12,804,230)	-	(12,804,230)	-
-	1,378,944	1,378,944	-
(12,804,230)	1,378,944	(11,425,286)	-
-	-	-	\$ (3,235,788)
-	-	-	136,001
-	-	-	(49,339)
-	-	-	(3,149,126)
1,222,215	-	1,222,215	3,482,476
8,954,120	-	8,954,120	-
436,181	-	436,181	-
2,001,838	-	2,001,838	-
-	-	-	100,075
-	-	-	45,833
109,742	-	109,742	319,268
28,593	17,311	45,904	54,311
32,953	-	32,953	-
908,880	(908,880)	-	-
13,694,522	(891,569)	12,802,953	4,001,963
890,292	487,375	1,377,667	852,837
13,608,292	16,908,341	30,516,633	16,154,025
108,021	188,502	296,523	84,257
13,716,313	17,096,843	30,813,156	16,238,282
\$ 14,606,605	\$ 17,584,218	\$ 32,190,823	\$ 17,091,119

City of Talladega, Alabama

Balance Sheet - Governmental Funds

<i>September 30, 2012</i>	<b>General</b>	<b>Capital Projects Trust Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,472,159	\$ 964,397	\$ 1,133,876	\$ 5,570,432
Investments	-	-	743,575	743,575
Receivables, net	807,185	-	82,766	889,951
Due from other funds	111,644	-	-	111,644
Other assets	81,867	-	-	81,867
<b>Total assets</b>	<b>\$ 4,472,855</b>	<b>\$ 964,397</b>	<b>\$ 1,960,217</b>	<b>\$ 7,397,469</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 415,183	\$ 55,781	\$ 130,765	\$ 601,729
<b>Fund balance</b>				
Restricted	-	908,616	870,457	1,779,073
Committed	-	-	826,225	826,225
Assigned	-	-	134,040	134,040
Unassigned:				
General fund	4,057,672	-	-	4,057,672
Capital projects	-	-	(1,270)	(1,270)
<b>Total fund balance</b>	<b>4,057,672</b>	<b>908,616</b>	<b>1,829,452</b>	<b>6,795,740</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,472,855</b>	<b>\$ 964,397</b>	<b>\$ 1,960,217</b>	<b>\$ 7,397,469</b>

See accompanying notes to basic financial statements.

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets

September 30, 2012

**Fund balance - total governmental funds** \$ 6,795,740

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

Deferred items related to debt issuance used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. 274,112

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

Those assets consist of:

Governmental capital assets not being depreciated	\$ 3,854,541	
Governmental capital assets being depreciated	56,628,398	
Less accumulated depreciation	<u>(42,228,391)</u>	18,254,548

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	(67,063)	
Bonds and warrants payable	(9,466,665)	
Capital lease obligations	(317,829)	
OPEB liability	(564,343)	
Compensated absences	<u>(301,895)</u>	<u>(10,717,795)</u>

**Net assets of governmental activities** \$ 14,606,605

City of Talladega, Alabama

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

<i>Year ended September 30, 2012</i>	<b>General</b>	<b>Capital Projects Trust Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 10,206,348	\$ -	\$ 539,940	\$ 10,746,288
Licenses and permits	2,001,838	-	-	2,001,838
Charges for services	283,161	-	676,893	960,054
Federal and state grants	200,354	-	598,984	799,338
Interest	8,777	1,481	18,334	28,592
Other revenues	291,441	32,026	-	323,467
<b>Total revenues</b>	<b>12,991,919</b>	<b>33,507</b>	<b>1,834,151</b>	<b>14,859,577</b>
<b>Expenditures</b>				
General government	1,067,998	54,139	613,372	1,735,509
Public safety	4,018,408	-	692,669	4,711,077
Public works	1,677,079	-	551,189	2,228,268
Recreation	1,047,827	-	-	1,047,827
Other boards and agencies	323,900	-	-	323,900
Non-departmental	2,598,400	-	-	2,598,400
Capital outlay	-	696,755	445,852	1,142,607
Debt service:				
Principal	-	-	584,204	584,204
Interest	-	-	445,199	445,199
Miscellaneous	9,044	-	17,289	26,333
<b>Total expenditures</b>	<b>10,742,656</b>	<b>750,894</b>	<b>3,349,774</b>	<b>14,843,324</b>
<b>Excess of revenues over (under) expenditures</b>	<b>2,249,263</b>	<b>(717,387)</b>	<b>(1,515,623)</b>	<b>16,253</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	575,804	950,000	1,697,893	3,223,697
Operating transfers out	(2,447,893)	(200,000)	(575,804)	(3,223,697)
Transfer from Water and Sewer Department	908,880	-	-	908,880
Proceeds from capital lease	-	-	49,140	49,140
<b>Total other financing sources (uses)</b>	<b>(963,209)</b>	<b>750,000</b>	<b>1,171,229</b>	<b>958,020</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>1,286,054</b>	<b>32,613</b>	<b>(344,394)</b>	<b>974,273</b>
<b>Beginning fund balance, as originally reported</b>	<b>2,663,597</b>	<b>876,003</b>	<b>2,464,737</b>	<b>6,004,337</b>
<b>Prior period adjustments</b>	<b>108,021</b>	<b>-</b>	<b>(290,891)</b>	<b>(182,870)</b>
<b>Fund balance as restated</b>	<b>2,771,618</b>	<b>876,003</b>	<b>2,173,846</b>	<b>5,821,467</b>
<b>Fund balance, end of year</b>	<b>\$ 4,057,672</b>	<b>\$ 908,616</b>	<b>\$ 1,829,452</b>	<b>\$ 6,795,740</b>

See accompanying notes to basic financial statements.



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

September 30, 2012

**Net change in fund balances - total governmental funds** \$ 974,273

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

Governmental funds report capital outlays as expenditures.

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

Expenditures for capital assets	\$ 1,142,607	
Loss on disposal of assets	(2,125)	
Less current year depreciation and amortization	<u>(1,476,188)</u>	(335,706)

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 payment of principal, and refunding of debt.	520,980
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Some expenses reported in the statement of activities do not  
require the use of current financial resources and therefore  
are not reported as expenditures in the governmental funds.

Change in bond issue costs	(16,779)	
Change in accrued interest	(18,718)	
Change in OPEB liability	(98,825)	
Change in capital lease, net	14,085	
Change in long-term compensated absences, net	<u>(149,018)</u>	<u>(269,255)</u>

<b>Change in net assets of governmental activities</b>	<u><u>\$ 890,292</u></u>
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Talladega Water and Sewer Department

Statement of Net Assets - Proprietary Funds (Continued)

September 30, 2012

**Assets**

**Current assets**

Cash and cash equivalents	\$ 4,415,380
Accounts receivable (net of \$197,790 allowance for doubtful accounts)	628,511
Unbilled revenue	639,827
Investments	151,555
Accrued interest	205
Prepaid expenses	10,499
Inventory of supplies	266,409

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<b>Total current assets</b>	<b>6,112,386</b>
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**Noncurrent assets**

**Noncurrent restricted assets**

Cash and cash equivalents	10,433,658
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**Utility plant and equipment**

Land and improvements	309,356
Buildings and improvements	33,626,824
Machinery and equipment	2,824,583
Construction in progress	185,526

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	36,946,289
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Less accumulated depreciation	18,394,475
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<b>Total utility plant and equipment</b>	<b>18,551,814</b>
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**Other assets**

Street deposit	3,000
Bond issuance cost and discount, net	477,003

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<b>Total other assets</b>	<b>480,003</b>
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<b>Total noncurrent assets</b>	<b>29,465,475</b>
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<b>Total assets</b>	<b>\$ 35,577,861</b>
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September 30, 2012

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**Liabilities and net assets**

**Current liabilities**

Accounts payable and accrued expenses	\$	144,490
Due to the City		111,644
Current portion of long-term debt		390,000

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<b>Total current liabilities</b>		646,134
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**Noncurrent liabilities**

Accrued annual leave		44,680
Capital lease payable		7,820
Customer meter deposits		224,642
Deferred charges from refunding		(524,879)
Revenue bonds payable, net		17,595,246

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<b>Total noncurrent liabilities</b>		17,347,509
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<b>Total liabilities</b>		17,993,643
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**Net assets**

Invested in capital assets - net of related debt		10,399,739
Restricted for debt service		1,211,644
Unrestricted		5,972,835

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<b>Total net assets</b>		17,584,218
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<b>Total liabilities and net assets</b>	\$	35,577,861
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# Talladega Water and Sewer Department

## Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund

*Year ended September 30, 2012*

<b>Operating revenues</b>	
Water revenues	\$ 3,411,496
Sewer revenues	2,568,157
Garbage revenues	927,067
Other operating revenues	250,209
<b>Total operating revenues</b>	<b>7,156,929</b>
<b>Operating expenses</b>	
Water and sewer department expenses	825,591
Waste water plants	1,017,001
Water filters and wells	906,365
General and administrative expenses	1,234,831
Depreciation and amortization	1,026,177
<b>Total operating expenses</b>	<b>5,009,965</b>
<b>Operating income</b>	<b>2,146,964</b>
<b>Nonoperating income (expense)</b>	
Interest income	17,311
Interest expense	(768,020)
<b>Total nonoperating income (expense)</b>	<b>(750,709)</b>
<b>Total income</b>	<b>1,396,255</b>
<b>Transfers</b>	
Transfers out	(908,880)
<b>Change in net assets</b>	<b>487,375</b>
Beginning net assets, as originally reported	16,908,341
Prior period adjustment	188,502
Net assets, as restated	17,096,843
<b>Net assets, end of year</b>	<b>\$ 17,584,218</b>

See accompanying notes to basic financial statements.

# Talladega Water and Sewer Department

## Statement of Cash Flows - Proprietary Fund

*Year ended September 30, 2012*

### Operating activities

Cash received from customers	\$ 7,244,071
Cash paid to suppliers	(2,659,148)
Cash paid to employees	(1,350,088)

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<b>Net cash and cash equivalents provided by operating activities</b>	<b>3,234,835</b>
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### Non-capital financing activities

Transfers to other departments	(908,880)
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<b>Net cash and cash equivalents (used by) noncapital financing activities</b>	<b>(908,880)</b>
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### Capital and related financing activities

Acquisition and construction of capital assets	(808,264)
Principal payments for items under capital lease	(38,772)
Principal paid on long-term debt	(380,000)
Interest paid on long-term debt and capital lease obligations	(768,020)

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<b>Net cash and cash equivalents (used by) capital and related financing activities</b>	<b>(1,995,056)</b>
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### Investing activities

Purchase of investments	(151,555)
Interest received on investments	17,311

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<b>Net cash and cash equivalents (used by) investing activities</b>	<b>(134,244)</b>
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<b>Net increase in cash and cash equivalents</b>	<b>196,655</b>
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Cash and cash equivalents, beginning of year	14,652,383
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<b>Cash and cash equivalents, end of year</b>	<b>\$ 14,849,038</b>
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(Continued on the following page.)

See accompanying notes to basic financial statements.

# Talladega Water and Sewer Department

## Statement of Cash Flows - Proprietary Fund (Continued)

*Year ended September 30, 2012*

### **Reconciliation of net income to net cash provided (used) by operating activities:**

Operating income	\$ 2,146,964
Adjustments to reconcile operating income to net cash provided by operating activities:	
Bad debt expense	191,666
Depreciation and amortization of bond costs	1,026,177
Amortization of premium and deferred charges	34,970
Change in assets and liabilities:	
Accounts receivable	(82,004)
Unbilled revenue	(22,520)
Prepaid expenses	5,470
Inventory of supplies	(17,886)
Accounts payable and accrued expenses	(41,479)
Due to City	(19,364)
Accrued annual leave	10,499
Customer deposits	2,342
<b>Net cash provided by operating activities</b>	<b>\$ 3,234,835</b>

See accompanying notes to basic financial statements.

City of Talladega, Alabama

Statement of Net Assets - Component Units

September 30, 2012

	<b>Talladega City Board of Education</b>	<b>Talladega Municipal Airport Board</b>	<b>Heritage Hall</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,182,413	\$ 1,264,076	\$ 28,056	\$ 4,474,545
Investments	3,016,741	224,777	68,698	3,310,216
Due from other governments	245,207	27,586	-	272,793
Other assets	77,015	6,010	-	83,025
Capital assets, net	11,115,502	3,368	-	11,118,870
<b>Total assets</b>	<b>\$ 17,636,878</b>	<b>\$ 1,525,817</b>	<b>\$ 96,754</b>	<b>\$ 19,259,449</b>
<b>Liabilities</b>				
Bank overdraft	\$ 108,225	\$ -	\$ -	\$ 108,225
Accounts payable and accruals	1,910,570	33,249	-	1,943,819
Compensated absences	116,286	-	-	116,286
<b>Total liabilities</b>	<b>2,135,081</b>	<b>33,249</b>	<b>-</b>	<b>2,168,330</b>
<b>Net assets</b>				
Investment in capital assets	11,115,502	3,368	-	11,118,870
Restricted	1,754,530	31,200	-	1,785,730
Unrestricted	2,631,765	1,458,000	96,754	4,186,519
	15,501,797	1,492,568	96,754	17,091,119
<b>Total net assets</b>	<b>\$ 17,636,878</b>	<b>\$ 1,525,817</b>	<b>\$ 96,754</b>	<b>\$ 19,259,449</b>

See accompanying notes to basic financial statements.

City of Talladega, Alabama

Statement of Activities - Component Units

Year ended September 30, 2012

Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Talladega City Board of Education</b>				
Education	\$ 21,878,227	\$ 1,692,172	\$ 16,049,443	\$ 900,824
<b>Talladega Municipal Airport Board</b>				
Community Development	678,232	293,348	-	520,885
<b>Heritage Hall</b>				
Culture and recreation	86,777	31,748	5,690	-
<b>Total component units</b>	<b>\$ 22,643,236</b>	<b>\$ 2,017,268</b>	<b>\$ 16,055,133</b>	<b>\$ 1,421,709</b>

**General revenues:**

Taxes for general, debt, capital purposes

Payment from City of Talladega

Grants, entitlements and contributions not restricted to specific programs

Interest income

Miscellaneous

**Total general revenues**

**Change in net assets**

Beginning net assets, as originally reported

Prior period adjustment

Net assets at beginning of year, as restated

**Net assets at end of year**



Net (Expense) Revenue and Changes in Net Assets			
Talladega City Board of Education	Talladega Municipal Airport Board	Heritage Hall	Total
\$ (3,235,788)	\$ -	\$ -	\$ (3,235,788)
-	136,001	-	136,001
-	-	(49,339)	(49,339)
(3,235,788)	136,001	(49,339)	(3,149,126)
3,482,476	-	-	3,482,476
-	-	45,833	45,833
91,000	-	9,075	100,075
45,506	7,652	1,153	54,311
319,268	-	-	319,268
3,938,250	7,652	56,061	4,001,963
702,462	143,653	6,722	852,837
14,715,078	1,348,915	90,032	16,154,025
84,257	-	-	84,257
\$ 15,501,797	\$ 1,492,568	\$ 96,754	\$ 17,091,119

Notes to Financial Statements Index

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**NOTE 1 – ORGANIZATION AND REPORTING ENTITY**

**A. Organization**

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

**B. Reporting entity**

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

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

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

**NOTE 1 – ORGANIZATION AND REPORTING ENTITY (CONTINUED)**

The discretely presented component units are as follows:

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Government-wide and Fund Financial Statements**

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Governmental funds*

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**3. Debt Service Fund**

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

**4. Capital Projects Funds**

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

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

*Proprietary funds*

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Proprietary funds (Continued)*

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

Proprietary funds include the following fund types:

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

*Fiduciary funds*

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

The City has no fiduciary funds.

**B. Measurement focus and basis of accounting**

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. 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.

**C. 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund financial statements**

Governmental funds

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

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

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

**E. Budgets and budgetary accounting**

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

- Normally, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>.
- 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).



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Revenue Recognition**

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

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

**G. 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.

**H. Program revenues**

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

**I. 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.

**J. 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Inventories**

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

**L. Customer meter deposits**

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

**M. Capital assets**

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

Government-wide financial statements

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

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

Government-wide financial statements (continued)

Depreciation is recorded as an unallocated 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	5-10 years
Automotive equipment	5 years
Office equipment	5-10 years

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****M. Capital assets (continued)**

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

**Fund financial statements**

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

**N. Compensated absences**

The City follows Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, which requires that accrued liabilities for 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 noncurrent 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.

A liability for vacation pay is reported in the governmental funds only if the obligation has matured, for example, as a result of an employee's resignation or retirement. All vacation pay is accrued when incurred in the government-wide statements. The current portion of accrued vacation at September 30, 2012 reported in the government-wide financial statements is \$30,189. The remaining long-term incurred portion of the accrued vacation of the governmental activities at September 30, 2012 totaled \$271,706.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Long-term liabilities**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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.

**P. Long-term liabilities**

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.

**Q. 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."

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Equity classifications**

Fund Financial Statements

In the fund financial statements, governmental funds report equity as fund balance. The City adopted GASB Statement No. 54 for the year ended September 30, 2012. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. The following is a description of the City's various fund balance accounts:

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

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

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

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

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

*Assigned-* amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body (the City Council) or by an official or body (management) to whom the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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

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

The City has committed \$826,225 of the Other Governmental Funds fund balance to maintain the City's Cemetery.

The City has assigned \$134,040 of the Other Governmental Funds fund balance for the City's Library.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. 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.

**T. Use of estimates**

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

**U. Reclassifications**

Certain accounts in the Water and Sewer Department's prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**V. Subsequent events**

The City has evaluated subsequent events through the date of issuance of these financial statements.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

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

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

The City is restricted by State statute to investments in U.S. Government Treasury and Agency securities, certificates of deposit and money market accounts, repurchase agreements and reverse repurchase agreements, banker's acceptances and commercial paper. Each of the banks holding the City's deposits, as well as those of the Component Units, is a certified participant in the SAFE Program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

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

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Notes to Financial Statements
**NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)**

The City's governmental activities deposits, including certificates of deposit were fully insured or collateralized at September 30, 2012. At year-end, the carrying amount of the City's cash and cash equivalents was \$5,570,432. Investments consist of certificates of deposit, U. S. Treasury Notes and other fixed income securities totaling \$743,575. Cash deposits and savings held at local banks are insured by the FDIC or collateralized by assets administered by the state treasurer's office in accordance with the "SAFE" program.

The Water and Sewer Department's cash and cash equivalents consist of cash in checking accounts and certificates of deposit. Restricted cash consists of certificates of deposit and other investments carried at market value. Cash and cash equivalents at September 30, 2012 included cash of \$4,415,380 and certificates of deposits of \$151,555. Restricted cash consisted of cash of \$9,818,291 and certificates of deposits of \$390,725. The market value of the investments is the same as the carrying value.

**NOTE 4 – RECEIVABLES AND UNBILLED REVENUE**

Governmental activities receivables at September 30, 2012:

Receivables:

Taxes receivable	\$	800,537
Restitution receivable		51,737
Other receivables		37,677
<b>Gross receivables</b>		<b>889,951</b>
<b>Net receivables</b>	<b>\$</b>	<b>889,951</b>

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

Accounts receivable	\$	826,301
Less: allowance for doubtful accounts		197,790
<b>Net accounts receivable</b>	<b>\$</b>	<b>628,511</b>

Unbilled revenues receivable at September 30, 2012 was \$639,827.

**NOTE 5 – INVENTORY OF SUPPLIES**

The Water and Sewer Department maintains an inventory of water pipe, fittings, meters and other materials that will be used to repair or improve the existing water and sewer system. The items are valued at cost. The value of inventories at September 30, 2012 was \$266,409.

# City of Talladega, Alabama

## Notes to Financial Statements

### NOTE 6 – RESTRICTED ASSETS

Restricted assets consist of monies held in trust by The Bank of New York to cover bond indenture expenses and repayment of bonds. Also included is money collected from customers and held as deposits. At September 30, 2012 monies held in trust were \$10,209,016 and customer deposits were \$224,642.

### NOTE 7 – CAPITAL ASSETS

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2012:

	Balance at 09/30/11	Additions and Reclassifications	Retirements and Reclassifications	Balance at 09/30/12
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 3,832,454	\$ -	\$ -	\$ 3,832,454
Construction progress	236,649	22,087	(236,649)	22,087
<b>Total capital assets not being depreciated</b>	<b>4,069,103</b>	<b>22,087</b>	<b>(236,649)</b>	<b>3,854,541</b>
<b>Capital assets being depreciated:</b>				
Building and improvements	12,196,816	1,021,261	-	13,218,077
Infrastructure	38,589,172	-	-	38,589,172
Machinery and equipment	4,761,296	335,908	(276,055)	4,821,149
<b>Total capital assets being depreciated</b>	<b>55,547,284</b>	<b>1,357,169</b>	<b>(276,055)</b>	<b>56,628,398</b>
<b>Less accumulated depreciation for:</b>				
Building and improvements	6,339,874	367,541	-	6,707,415
Infrastructure	31,448,629	704,979	-	32,153,608
Machinery and equipment	3,237,630	403,668	(273,930)	3,367,368
<b>Total accumulated depreciation</b>	<b>41,026,133</b>	<b>1,476,188</b>	<b>(273,930)</b>	<b>42,228,391</b>
<b>Total capital assets being depreciated, net</b>	<b>14,521,151</b>	<b>(119,019)</b>	<b>(2,125)</b>	<b>14,400,007</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 18,590,254</b>	<b>\$ (96,932)</b>	<b>\$ (238,774)</b>	<b>\$ 18,254,548</b>

Depreciation expense at September 30, 2012 was \$1,476,188.



## Notes to Financial Statements

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

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, 2012:

	<b>Balance at 9/30/11</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 9/30/12</b>
Land (not depreciable)	\$ 271,376	\$	\$	\$ 271,376
Land improvements	37,980			37,980
Buildings and improvements	33,304,338	322,486		33,626,824
Machinery and equipment	2,449,201	383,683	(8,300)	2,824,584
Construction in process	83,430	102,095		185,525
Total fixed assets	36,146,325			36,946,289
Less: accumulated depreciation	(17,443,138)	(959,637)	8,300	(18,394,475)
Utility plant, net	\$ 18,703,187	\$ (151,373)	\$ -	\$ 18,551,814

Depreciation expense at September 30, 20112 was \$959,637.

**NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities for governmental activities at September 30, 2012 were as follows:

Accounts payable	\$ 462,741
Accrued salaries and wages	41,479
Payroll liabilities	14,930
Other liabilities	82,579
<b>Total</b>	<b>\$ 601,729</b>

Accounts payable and accrued expenses for the Water and Sewer Department consisted of the following at September 30, 2012:

Accounts payable	\$ 23,335
Payroll liabilities	15,815
Accrued interest payable	58,278
Accrued salaries and wages	12,363
Compensated absences	34,699
<b>Total</b>	<b>\$ 144,490</b>

## Notes to Financial Statements

**NOTE 9 – 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.

Interfund transfers for the year ended September 30, 2012:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>General fund</b>		
Debt service funds	\$ -	\$ 970,971
Other nonmajor funds	575,804	526,922
Capital projects funds	-	950,000
<b>Total general fund</b>	575,804	2,447,893
<b>Debt service fund</b>		
General fund	970,971	-
<b>Capital projects funds</b>		
General fund	950,000	-
Other nonmajor funds	-	200,000
<b>Total capital projects funds</b>	950,000	200,000
<b>Other nonmajor funds</b>		
General fund	526,922	575,804
Capital projects funds	200,000	-
<b>Total nonmajor projects funds</b>	726,922	575,804
<b>Total interfund transfers</b>	\$ 3,223,697	\$ 3,223,697

**NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES**

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

Interfund receivables and payables at September 30, 2012:

	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
<b>General fund</b>		
Water and Sewer Department	\$ 111,644	\$ -
<b>Water and Sewer Department</b>		
General fund	-	111,644
<b>Total interfund receivable/payable</b>	\$ 111,644	\$ 111,644

## Notes to Financial Statements

**NOTE 11 – LONG-TERM DEBT**

The general and limited obligation bonds/warrants and notes of the City include the following at September 30, 2012:

\$500,000; Honda Funding Agreement, First Commercial Bank, due at 4% per annum; annual payments of \$48,534. Maturing in February of 2015.	\$	131,665
\$4,905,000; 2007 Series General Obligation Warrants; due at rates ranging from 3.75% - 4.25 & per annum; maturing August 1, 2027.		4,305,000
\$2,070,000; 2008 Series General Obligation Warrants; due at rates ranging from 2.50% - 5.00% per annum; maturing August 1, 2027.		1,740,000
\$3,650,000; 2008 Series General Obligation Warrants; due at rates 3.00% to 5.125% per annum; maturing August 1, 2033.		3,290,000
<b>Total obligations/warrants payable</b>	<b>\$</b>	<b>9,466,665</b>

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:

<b>Fiscal year ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 441,680	\$ 415,415	\$ 857,096
2014	463,780	397,610	861,390
2015	471,205	378,873	850,076
2016	445,000	359,783	804,783
2017	465,000	341,983	806,983
2018 – 2022	2,640,000	1,406,743	4,046,743
2023 – 2027	3,260,000	765,743	4,025,743
2028 – 2032	1,040,000	226,354	1,266,354
2033	240,000	12,300	252,300
<b>Total</b>	<b>\$ 9,466,665</b>	<b>\$ 4,304,804</b>	<b>\$ 13,771,468</b>

Interest paid on long-term debt was \$464,132 for the year ended September 30, 2012.

## Notes to Financial Statements

**NOTE 11 – LONG-TERM DEBT (CONTINUED)**Capital leases payable

The City has entered into capital leases for various amounts with terms up to 10 years. The lease purchase value of the equipment totals \$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, 2012 are as follows:

<b>Fiscal year ending September 30,</b>	<b>Present value of minimum lease payments</b>		<b>Interest</b>	<b>Total lease payments</b>	
2013	\$	67,016	\$	13,245	\$ 80,261
2014		69,131		10,796	79,927
2015		64,965		7,178	72,143
2016		57,251		3,725	60,976
2017		59,465		1,333	60,798
<b>Total</b>	<b>\$</b>	<b>317,828</b>	<b>\$</b>	<b>36,276</b>	<b>\$ 354,104</b>

The changes in long-term debt for the governmental activities of the City for the year ended September 30, 2012 is as follows:

<b>Description</b>	<b>Beginning balance 9/30/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 9/30/2012</b>	<b>Due within one year</b>
Bonds and warrants payable	9,987,645	-	520,980	9,466,665	441,680
Capital leases	331,914	49,140	63,224	317,828	67,016
Compensated absences	152,877	171,827	22,809	301,895	30,189
OPEB liability	465,518	98,825	-	564,343	-
<b>Total changes in long-term debt</b>	<b>\$ 10,937,954</b>	<b>\$ 319,792</b>	<b>\$ 607,013</b>	<b>\$ 10,650,731</b>	<b>\$ 538,885</b>

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

## Notes to Financial Statements

**NOTE 11 – LONG-TERM DEBT (CONTINUED)*****Water and Sewer Department Long-term Debt*****Revenue Bonds Payable**

Revenue bonds payable consists of Subordinated Water and Sewer Revenue bonds issued as special obligations of the Water and Sewer Department secured by the net revenues of the water and sewer system. This debt is not a general obligation of the City. The bond principal and interest is paid by revenue earned by the system and trust restricted assets. The following schedule summarizes the changes in revenue bonds for the year ended September 30, 2012:

Description	Beginning balance 9/30/2011	Additions	Deletions	Ending Balance 9/30/2012	Amount due within one year	Interest paid
2010 Bonds	\$ 18,120,000	\$ -	\$ (380,000)	\$ 17,740,000	\$ 390,000	\$ 732,150
Premium	262,764		(17,518)	245,246	17,518	-
Total	18,382,764		(397,518)	17,985,246	407,518	732,150

Revenue bonds outstanding at September 30, 2012:

**Series 2010 Bonds**

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

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

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

Cash in the amount of \$7,162,734 was deposited with an escrow agent pursuant to an escrow agreement. The maturities of these securities and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased Series 2003 and Series 2004 Bonds as they mature. This transaction effectively released the City from its obligation to repay the defeased Series 2003 and Series 2004 Bonds and constitutes an in-substance defeasance. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the City's financial statements. On September 30, 2012, \$1.57 million of bonds outstanding are considered defeased.

## Notes to Financial Statements

**NOTE 11 – LONG-TERM DEBT (CONTINUED)*****Water and Sewer Department Long-term Debt (continued)***

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

<b>Fiscal year ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	420,000	691,313	1,111,313
2018 – 2022	2,325,000	3,250,013	5,575,013
2023 – 2027	2,790,000	2,781,950	5,571,950
2028 – 2032	3,390,000	2,176,786	5,566,786
2033 – 2037	4,175,000	1,384,838	5,559,838
2038 - 2040	3,030,000	308,000	3,338,000
<b>Total</b>	<b>\$ 17,740,000</b>	<b>\$ 13,443,600</b>	<b>\$ 31,183,600</b>

**Capital Lease Payable**

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, 2012 was \$7,820.

These assets have been added to the fixed asset list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2012 are as follows:

<b>Fiscal year ending September 30,</b>	<b>Present value of minimum lease payments</b>	<b>Interest</b>	<b>Total lease payments</b>
2013	\$ 7,820	\$ 53	\$ 7,873

**NOTE 12 – POST-EMPLOYMENT BENEFITS****Plan description**

Effective October 1, 2007, the City adopted the provisions of GASB Statement 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions".

**NOTE 12 – POST-EMPLOYMENT BENEFITS (CONTINUED)**

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

**Funding policy**

The City currently pays for postemployment healthcare benefits on a pay-as-you-go basis. The City is studying the establishment of a trust 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.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual Other Post-employment Benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years.

The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending September 30, 2012:

Annual required contribution	\$ 222,379
Interest on net OPEB obligation	18,621
ARC adjustment	(14,749)
<b>Annual OPEB cost</b>	<b>226,251</b>
Contributions	(127,426)
Current year retiree premium	-
Change in net OPEB obligation	98,825
Beginning net OPEB obligation, beginning of year	465,518
<b>Ending net OPEB obligation 9/30/2012</b>	<b>\$ 564,343</b>

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Notes to Financial Statements
**NOTE 12 – POST-EMPLOYMENT BENEFITS (CONTINUED)**

The following table shows the City's annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 were as follows:

<b>Fiscal Year Ended</b>		<b>Annual OPEB Cost</b>	<b>Percentage of Annual Cost Contributed</b>		<b>Net OPEB Obligation</b>
September 30, 2010	\$	229,661	65.77%	\$	422,996
September 30, 2011		229,661	81.50%		465,518
September 30, 2012		226,251	56.32%		564,343

**Funded status and funding progress**

As of January 1, 2012, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$3,397,851, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,397,851. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$5,831,921, and the ratio of the UAAL to the covered payroll equaled 58.26%.

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.

**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.



**NOTE 12 – POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions (continued)**

In the actuarial valuation dated September 30, 2012, 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 4.5%. Actuarial assumptions also included an annual medical cost trend rate of 7.0% initially, reduced to an ultimate rate of 5.0% for costs after four years. The UAAL is being amortized as a level percentage of pay over thirty years on an open basis.

**NOTE 13 – DEFERRED CHARGES FROM REFUNDING**

***Water and Sewer Department***

The defeasement of series 2003 and 2004 revenue bonds resulted in a difference of \$629,855 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through 2022 and is reported in the accompanying financial statements as a deduction from bonds payable and is charged to operations. The unamortized portion of the deferred charges at September 30, 2012 was \$524,879.

**NOTE 14 – RESTRICTED FUND BALANCES**

The restricted fund balances in the amount of \$1,779,073 are restricted for various capital outlay projects and various other purposes. The following amounts are restricted:

1. \$439,923 was derived from the 4 cent, 5 cent, and 7 cent special taxes. These revenues are restricted for street and road maintenance and improvements.
2. \$284,103 is derived from the City's share of the Oil Trust Fund and is restricted for capital improvements.
3. \$908,616 is derived from grants and bond monies held in the Capital Projects Trust Fund.
4. \$28,341 was derived from the 2.5 Mil Property Tax Fund and is restricted for education.
5. \$55,453 was derived from the Corrections Fund and is restricted for corrections related functions.
6. \$24,382 is derived from the Brownfield Fund and is restricted for use on the Brownfield Project.
7. \$24,271 is derived from the Police Grant and is restricted for use on the Police Grant Fund.
8. \$13,984 is derived from grant monies held in the RBEG capital projects fund.

**NOTE 15 – EMPLOYEE RETIREMENT PLAN****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 City. 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 City. 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 5% of their annual covered salary except for police and fire employees who contribute 6% 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.

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		195
Annual compensation	\$	6,688,593
Number of retired members and beneficiaries		86
Annual retirement allowances	\$	1,245,248

## Notes to Financial Statements

**NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)****Required Employer Contribution Rates Effective October 1, 2013**

Normal cost	3.72%
Accrued liability	6.96%
Pre-retirement death benefit	0.14%
Administrative expense	0.21%
<b>Total</b>	<b>11.03%</b>

5% Employer contribution factor (8.38%/5%)	1.676
6% Employer contribution factor (8.38%/6%)	1.397

Following is the three year trend information for the plan:

<b>Fiscal year ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
September 30, 2011	\$ 550,188	100%	\$ -
September 30, 2010	507,653	100%	-
September 30, 2009	513,507	100%	-

Following is the schedule of funding progress obtained from most recent actuarial valuation:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)*</b>	<b>Entry Age Actuarial Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a/c)</b>
2011 4	\$ 15,263,628	\$ 23,002,401	\$ 7,738,773	66.4%	\$ 6,688,593	115.7%
2011 2	15,263,628	22,937,811	7,674,183	66.5%	6,688,593	114.7%
2010 3	15,770,507	22,552,004	6,781,497	69.9%	6,586,748	103.0%
2010 3	15,770,507	22,470,180	6,699,673	70.2%	6,586,748	101.7%
2009	16,263,840	21,413,805	5,149,965	76.0%	7,068,194	72.9%
2008	16,380,437	20,191,739	3,811,302	81.1%	6,639,046	57.4%
2007	16,293,524	19,209,510	2,915,986	84.8%	6,533,879	44.6%
2006	15,559,544	18,105,257	2,543,713	85.9%	6,388,942	39.8%

- 1 Reflects liability for cost of living benefit increases 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 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

\*Market Value of Assets as of September 30, 2011: \$12,962,493

## Notes to Financial Statements

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**NOTE 15 – EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Following is additional information obtained from the most recent actuarial valuation prepared as of September 30, 2011:

Valuation date	September 30, 2011
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5 – year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	3.75 – 7.25%
*Includes inflation at	3.00%
Cost-of-living adjusts	None

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

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

**NOTE 17 – RISK MANAGEMENT**

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

## Notes to Financial Statements

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

The beginning fund balances as of October 1, 2011 have been adjusted as follows:

<b>Fund Financial Statements</b>	<b>Fund Balance as Originally Reported</b>	<b>Prior Period Adjustments</b>	<b>Fund Balance as Restated</b>
<b>General Fund:</b>			
Remove long-term compensated absences	\$ 2,663,597	\$ 108,021	\$ 2,771,618
<b>Other Governmental Funds:</b>			
Debt Service Fund:			
Remove bond issue costs	\$ 300,776	\$ (290,891)	\$ 9,885
<b>Utility Fund:</b>			
Correct amortization of deferred charges	\$ 16,908,341	\$ 188,502	\$ 17,096,843
<b>Government-wide Financial Statements</b>	<b>Fund Balance as Originally Reported</b>	<b>Prior Period Adjustments</b>	<b>Fund Balance as Restated</b>
Governmental activities:			
Correct long-term compensated absences	\$ 13,608,292	\$ 108,021	\$ 13,716,313
Business-type activities:			
Correct amortization of deferred charges	16,908,341	188,502	17,096,843
	\$ 30,516,633	\$ 296,523	\$ 30,813,156

## Required Supplementary Information

City of Talladega, Alabama

Schedule of Revenues and Expenditures - General Fund  
Budget and Actual

<i>Year ended September 30, 2012</i>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
<b>Taxes</b>				
Sales and use tax	\$ 7,800,000	\$ 7,800,000	\$ 7,784,557	\$ (15,443)
Rental tax	135,000	135,000	151,214	16,214
Lodging tax	120,000	120,000	137,890	17,890
Automobile sales tax	35,000	35,000	40,413	5,413
Motor vehicle license tax	4,000	4,000	3,413	(587)
Wholesale gasoline tax	200,000	200,000	194,053	(5,947)
Alcoholic beverage tax	20,000	20,000	19,889	(111)
Beer tax	110,000	110,000	113,087	3,087
Wine tax	5,000	5,000	6,231	1,231
Liquor tax - ABC profit	-	6,600	6,697	97
Cigarette tax	364,000	380,000	390,901	10,901
Alabama Gas franchise tax	67,000	56,700	56,714	14
Charter Cable franchise tax	168,000	176,000	179,800	3,800
10 mil property tax	1,022,000	1,022,000	971,921	(50,079)
Excise tax on financial institutions	80,000	80,000	119,623	39,623
County business privilege tax	29,500	29,500	29,945	445
<b>Total taxes</b>	<b>10,159,500</b>	<b>10,179,800</b>	<b>10,206,348</b>	<b>26,548</b>
<b>Licenses and permits</b>				
Business license	920,000	1,025,000	1,063,864	38,864
Business license - Alabama Gas Corp.	186,000	154,700	154,761	61
Business license - Alabama Power Co.	737,000	720,700	720,779	79
Business license - Coosa Valley Electric	14,000	13,700	13,739	39
Business license - telephone	2,620	1,960	2,190	230
Alcohol license	50	50	75	25
Automobile license	14,000	14,000	18,933	4,933
Chauffeur license	120	120	80	(40)
<b>Total licenses and permits</b>	<b>1,873,790</b>	<b>1,930,230</b>	<b>1,974,421</b>	<b>44,191</b>
<b>Permits</b>				
Building permits	50,000	20,000	24,163	4,163
Miscellaneous permits	4,000	4,000	2,826	(1,174)
Yard sale permits	500	500	428	(72)
<b>Total permits</b>	<b>54,500</b>	<b>24,500</b>	<b>27,417</b>	<b>2,917</b>

(Continued on the following page.)

See accompanying notes to required supplementary information.

City of Talladega, Alabama

Schedule of Revenues and Expenditures - General Fund  
Budget and Actual (Continued)

<i>Year ended September 30, 2012</i>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues (continued)</b>				
<b>Fees</b>				
Motor vehicle registration fees	\$ 800	\$ 1,000	\$ 1,439	\$ 439
Returned check fees	240	240	330	90
<b>Total fees</b>	<b>1,040</b>	<b>1,240</b>	<b>1,769</b>	<b>529</b>
<b>Police department</b>				
Impound fees	-	3,700	4,851	1,151
Click-it or Ticket grant	4,000	6,200	7,351	1,151
Accident reports	3,000	4,000	4,400	400
Sex offenders registration	-	1,000	1,168	168
Animal control revenue	66,000	76,400	76,984	584
I & O reports	-	1,500	1,975	475
Law enforcement revenue	-	3,600	3,633	33
Bail bond fees	-	400	494	94
<b>Total police department</b>	<b>73,000</b>	<b>96,800</b>	<b>100,856</b>	<b>4,056</b>
<b>Donations</b>	<b>3,000</b>	<b>3,700</b>	<b>4,022</b>	<b>322</b>
<b>Recreation department</b>				
Spring Street Recreation Center	95,000	120,000	131,070	11,070
Refunds - Recreation Center	(1,000)	(1,200)	(2,386)	(1,186)
Bemiston Recreation Center	-	1,600	1,662	62
Brecon Recreation Center	-	2,450	2,100	(350)
Mattie Simmons Recreation Center	4,200	1,500	1,850	350
Mabra Recreation Center	1,000	1,000	1,373	373
Bruner Sports Complex	18,000	18,000	17,234	(766)
Transportation farebox	6,300	6,300	7,107	807
Golf course revenue	22,272	20,500	20,526	26
<b>Total recreation department</b>	<b>145,772</b>	<b>170,150</b>	<b>180,536</b>	<b>10,386</b>

(Continued on the following page.)

See accompanying notes to required supplementary information.



City of Talladega, Alabama

Schedule of Revenues and Expenditures - General Fund  
Budget and Actual (Continued)

<i>Year ended September 30, 2012</i>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues (continued)</b>				
<b>Miscellaneous</b>				
Senior citizens grant	\$ 24,820	\$ 24,820	10,970	\$ (13,850)
Transportation grant	24,500	49,000	56,085	7,085
FEMA grant	50,000	-	-	-
Children's summer nutrition grant	64,000	64,000	77,803	13,803
HPC grant	2,000	2,000	-	(2,000)
Miscellaneous grant	15,880	65,000	55,496	(9,504)
Weed abatement	8,000	3,400	5,241	1,841
Condemnation revenue	5,000	5,000	3,975	(1,025)
Water detention review	-	800	800	-
Rental revenue	33,400	33,400	33,427	27
Reimbursements	3,000	3,000	1,553	(1,447)
Insurance reimbursements	5,000	2,000	3,046	1,046
Interest revenue	8,000	10,000	8,776	(1,224)
Interest revenue - debt service	500	-	1	1
Revenue from vending machines	500	300	183	(117)
State paving reimbursement	-	187,479	187,480	1
Other revenue	3,000	3,000	51,714	48,714
<b>Total miscellaneous</b>	<b>247,600</b>	<b>453,199</b>	<b>496,550</b>	<b>43,351</b>
<b>Transfers in from other funds</b>				
Transfers in - garbage billing	900,000	900,000	889,653	(10,347)
Transfers in - water department	160,000	-	-	-
Transfers in - oil trust fund	482,000	319,945	319,945	-
Transfers in - cemetery	20,000	30,000	29,528	(472)
Transfers in - recycling	20,000	18,000	19,227	1,227
Transfers in - police grant	57,000	64,700	64,789	89
Transfers in - corrections	128,000	130,000	129,475	(525)
Transfers in - brownfield	32,000	32,000	32,067	67
<b>Total transfers in from other funds</b>	<b>1,799,000</b>	<b>1,494,645</b>	<b>1,484,684</b>	<b>(9,961)</b>
<b>Proceeds from loans/sales/ins</b>	<b>100,000</b>	<b>30,000</b>	<b>-</b>	<b>(30,000)</b>
<b>Total revenues</b>	<b>14,457,202</b>	<b>14,384,264</b>	<b>14,476,603</b>	<b>92,339</b>

(Continued on the following page.)

See accompanying notes to required supplementary information.

City of Talladega, Alabama

Schedule of Revenues and Expenditures - General Fund  
Budget and Actual (Continued)

<i>Year ended September 30, 2012</i>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Expenditures</b>				
City Council	\$ 399,190	\$ 393,549	\$ 393,823	\$ (274)
City Manager's office	487,950	456,710	388,926	67,784
Finance department	288,150	268,450	252,907	15,543
City Clerk's office	165,550	165,550	155,112	10,438
Human resources	132,300	104,450	94,395	10,055
Purchasing and safety	150,250	130,650	97,779	32,871
Police department	2,381,030	2,408,409	2,299,433	108,976
Police communications	200,000	200,000	192,434	7,566
Animal control	183,600	183,600	156,489	27,111
Fire department	1,504,860	1,548,560	1,376,935	171,625
Public Works department	847,000	847,000	747,631	99,369
Community Appearance department	1,075,150	1,078,150	931,522	146,628
Parks and recreation	1,096,350	1,091,050	1,047,827	43,223
City building expenditures	264,600	232,600	158,869	73,731
Non-departmental expenditures	3,933,460	4,165,760	3,916,447	249,313
Debt service	946,300	1,030,600	980,020	50,580
<b>Total expenditures</b>	<b>14,055,740</b>	<b>14,305,088</b>	<b>13,190,549</b>	<b>1,114,539</b>
<b>Excess revenues over (under) expenditures</b>	<b>401,462</b>	<b>79,176</b>	<b>1,286,054</b>	<b>1,206,878</b>
<b>Beginning fund balance, as originally reported</b>	<b>2,663,597</b>	<b>2,663,597</b>	<b>2,663,597</b>	<b>-</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>108,021</b>	<b>-</b>
<b>Fund balance as restated</b>	<b>-</b>	<b>-</b>	<b>2,771,618</b>	<b>-</b>
<b>Ending fund balance</b>	<b>\$ 3,065,059</b>	<b>\$ 2,742,773</b>	<b>\$ 4,057,672</b>	<b>\$ 1,206,878</b>

See accompanying notes to required supplementary information.

Notes to Required Supplementary Information

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Budgets and budgetary accounting**

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

Budget information presented in the financial statements is based on the original budget as adopted by the City Council on November 21, 2011 and amended on September 16, 2012.

## Supplementary Information

Talladega Water and Sewer Department

Schedule of Revenues, Expenses and Changes in Fund Net Assets  
Budget and Actual

<i>Year ended September 30, 2012</i>	<b>Original Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Operating revenues</b>			
Water revenues	\$ 3,591,549	\$ 3,411,496	\$ (180,053)
Sewer revenues	2,684,797	2,568,157	(116,640)
Garbage revenues	31,200	927,067	895,867
Other operating revenues	353,650	250,209	(103,441)
<b>Total revenues</b>	<b>6,661,196</b>	<b>7,156,929</b>	<b>495,733</b>
<b>Operating expenses</b>			
Water and sewer department expenses	977,935	825,591	152,344
Waste water plants	1,066,848	1,017,001	49,847
Water filters and wells	1,256,351	906,365	349,986
General and administrative	1,197,412	1,234,831	(37,419)
Depreciation and amortization	625,242	1,026,177	(400,935)
<b>Total operating expenses</b>	<b>5,123,788</b>	<b>5,009,965</b>	<b>113,823</b>
<b>Net operating income</b>	<b>1,537,408</b>	<b>2,146,964</b>	<b>609,556</b>
<b>Nonoperating income (expense)</b>			
Interest income	59,500	17,311	(42,189)
Interest expense	(706,991)	(768,020)	61,029
<b>Total nonoperating income (expense)</b>	<b>(647,491)</b>	<b>(750,709)</b>	<b>18,840</b>
<b>Other uses</b>			
Transfers in (out)	-	(908,880)	(908,880)
<b>Change in net assets</b>	<b>\$ 889,917</b>	<b>\$ 487,375</b>	<b>\$ (280,484)</b>

City of Talladega, Alabama

Combining Balance Sheet - Nonmajor Governmental Funds

<i>September 30, 2012</i>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Capital Projects Funds</b>	<b>Total Other Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,116,400	\$ -	\$ 17,476	\$ 1,133,876
Investments	743,575	-	-	743,575
Receivables	82,766	-	-	82,766
<b>Total assets</b>	<b>\$ 1,942,741</b>	<b>\$ -</b>	<b>\$ 17,476</b>	<b>\$ 1,960,217</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 126,003	\$ -	\$ 4,762	\$ 130,765
<b>Fund balances</b>				
Restricted	856,473	-	13,984	870,457
Committed	826,225	-	-	826,225
Assigned	134,040	-	-	134,040
Unassigned	-	-	(1,270)	(1,270)
<b>Total fund balance</b>	<b>1,816,738</b>	<b>-</b>	<b>12,714</b>	<b>1,829,452</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,942,741</b>	<b>\$ -</b>	<b>\$ 17,476</b>	<b>\$ 1,960,217</b>

City of Talladega, Alabama

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Governmental Funds

<i>Year ended September 30, 2012</i>	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Other Governmental Funds</b>
<b>Revenues</b>				
Intergovernmental revenues:				
Federal and state grants	\$ 594,199	\$ -	\$ 4,785	\$ 598,984
State taxes	539,940	-	-	539,940
Other operating revenues:				
Fees, fines and charges for services	676,893	-	-	676,893
Interest on investments	18,334	-	-	18,334
Other	-	-	-	-
<b>Total revenues</b>	<b>1,829,366</b>	<b>-</b>	<b>4,785</b>	<b>1,834,151</b>
<b>Expenditures</b>				
Current operations:				
General government	607,079	-	6,293	613,372
Public safety	692,669	-	-	692,669
Public works	551,189	-	-	551,189
Capital outlay	445,852	-	-	445,852
Debt service:				
Principal	-	567,508	16,696	584,204
Interest	-	445,199	-	445,199
Miscellaneous	-	17,289	-	17,289
<b>Total expenditures</b>	<b>2,296,789</b>	<b>1,029,996</b>	<b>22,989</b>	<b>3,349,774</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(467,423)</b>	<b>(1,029,996)</b>	<b>(18,204)</b>	<b>(1,515,623)</b>
<b>Other financing sources (uses):</b>				
Transfers in	703,922	970,971	23,000	1,697,893
Transfer (out)	(575,804)	-	-	(575,804)
Proceeds of capital lease	-	49,140	-	49,140
<b>Total other financing sources</b>	<b>128,118</b>	<b>1,020,111</b>	<b>23,000</b>	<b>1,171,229</b>
<b>Excess of revenues and other sources sources over (under) expenditures and other uses</b>	<b>(339,305)</b>	<b>(9,885)</b>	<b>4,796</b>	<b>(344,394)</b>
Beginning fund balance, as originally reported	2,156,043	300,776	7,918	2,464,737
Prior period adjustment	-	(290,891)	-	(290,891)
<b>Fund balance as restated</b>	<b>2,156,043</b>	<b>9,885</b>	<b>7,918</b>	<b>2,173,846</b>
<b>Fund balance, end of year</b>	<b>\$ 1,816,738</b>	<b>\$ -</b>	<b>\$ 12,714</b>	<b>\$ 1,829,452</b>

City of Talladega, Alabama

Combining Balance Sheet - Special Revenue Funds

<i>September 30, 2012</i>	<b>2.5 Mil Property Tax Fund</b>	<b>4 Cent Gas Tax Fund</b>	<b>7 Cent Gas Tax Fund</b>	<b>Corrections Fund</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 24,074	\$ 181,545	\$ 248,843	\$ 84,834
Investments	-	-	-	-
Receivables	4,267	4,180	5,355	53,269
<b>Total assets</b>	<b>\$ 28,341</b>	<b>\$ 185,725</b>	<b>\$ 254,198</b>	<b>\$ 138,103</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 82,650
<b>Fund balances</b>				
Restricted	28,341	185,725	254,198	55,453
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total fund balance</b>	<b>28,341</b>	<b>185,725</b>	<b>254,198</b>	<b>55,453</b>
<b>Total liabilities and fund balance</b>	<b>\$ 28,341</b>	<b>\$ 185,725</b>	<b>\$ 254,198</b>	<b>\$ 138,103</b>



<b>Oil Trust Fund</b>	<b>Brownfield Fund</b>	<b>Police Grant</b>	<b>Cemetery Fund</b>	<b>Library Fund</b>	<b>Total Special Revenue Funds</b>
\$ 325,151	\$ 24,382	\$ 6,531	\$ 85,250	\$ 135,790	\$ 1,116,400
-	-	-	743,575	-	743,575
-	-	18,295	(2,600)	-	82,766
<b>\$ 325,151</b>	<b>\$ 24,382</b>	<b>\$ 24,826</b>	<b>\$ 826,225</b>	<b>\$ 135,790</b>	<b>\$ 1,942,741</b>
\$ 41,048	\$ -	\$ 555	\$ -	\$ 1,750	\$ 126,003
284,103	24,382	24,271	-	-	856,473
-	-	-	826,225	-	826,225
-	-	-	-	134,040	134,040
<b>284,103</b>	<b>24,382</b>	<b>24,271</b>	<b>826,225</b>	<b>134,040</b>	<b>1,816,738</b>
<b>\$ 325,151</b>	<b>\$ 24,382</b>	<b>\$ 24,826</b>	<b>\$ 826,225</b>	<b>\$ 135,790</b>	<b>\$ 1,942,741</b>

City of Talladega, Alabama

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Special Revenue Funds

<i>Year ended September 30, 2012</i>	<b>2.5 Mil Property Tax Fund</b>	<b>4 Cent Gas Tax Fund</b>	<b>7 Cent Gas Tax Fund</b>	<b>Corrections Fund</b>
<b>Revenues</b>				
Intergovernmental revenues:				
Federal and state grants	\$ -	\$ -	\$ -	\$ -
State taxes	250,294	46,359	59,416	-
Other operating revenues:				
Fees, fines and charges for services	-	-	-	635,570
Interest on investments	488	58	905	-
<b>Total revenues</b>	<b>250,782</b>	<b>46,417</b>	<b>60,321</b>	<b>635,570</b>
<b>Expenditures</b>				
Current operations:				
General	249,579	-	-	-
Public safety	-	-	-	632,760
Public works	-	-	7,575	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>249,579</b>	<b>-</b>	<b>7,575</b>	<b>632,760</b>
<b>Excess of revenues over (under) expenditures</b>	<b>1,203</b>	<b>46,417</b>	<b>52,746</b>	<b>2,810</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	126,798
Transfers (out)	-	-	-	(129,475)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,677)</b>
<b>Excess of revenues and other sources sources over (under) expenditures and other uses</b>	<b>1,203</b>	<b>46,417</b>	<b>52,746</b>	<b>133</b>
Fund balance, beginning of year	27,138	139,308	201,452	55,320
<b>Fund balance, end of year</b>	<b>\$ 28,341</b>	<b>\$ 185,725</b>	<b>\$ 254,198</b>	<b>\$ 55,453</b>

<b>Oil Trust Fund</b>	<b>Brownfield Fund</b>	<b>Police Grant</b>	<b>Cemetery Fund</b>	<b>Library Fund</b>	<b>Total Special Revenue Funds</b>
\$ 413,830	\$ 95,770	\$ 67,245	\$ -	\$ 17,354	\$ 594,199
133,772	-	-	-	50,099	539,940
-	-	-	23,700	17,623	676,893
1,803	-	9	14,990	81	18,334
549,405	95,770	67,254	38,690	85,157	1,829,366
-	96	-	20,829	336,575	607,079
-	-	59,909	-	-	692,669
475,197	68,417	-	-	-	551,189
445,852	-	-	-	-	445,852
921,049	68,513	59,909	20,829	336,575	2,296,789
(371,644)	27,257	7,345	17,861	(251,418)	(467,423)
200,000	-	52,421	-	324,703	703,922
(319,945)	(32,067)	(64,789)	(29,528)	-	(575,804)
(119,945)	(32,067)	(12,368)	(29,528)	324,703	128,118
(491,589)	(4,810)	(5,023)	(11,667)	73,285	(339,305)
775,692	29,192	29,294	837,892	60,755	2,156,043
\$ 284,103	\$ 24,382	\$ 24,271	\$ 826,225	\$ 134,040	\$ 1,816,738

City of Talladega, Alabama

Combining Balance Sheet - Capital Projects Funds

<i>September 30, 2012</i>	<b>RBE Fund</b>	<b>Community Development</b>	<b>Total Capital Projects</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 13,984	\$ 3,492	\$ 17,476
<b>Total assets</b>	<b>\$ 13,984</b>	<b>\$ 3,492</b>	<b>\$ 17,476</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ -	\$ 4,762	\$ 4,762
<b>Fund balances</b>			
Restricted	13,984	-	13,984
Unassigned	-	(1,270)	(1,270)
<b>Total fund balance</b>	<b>13,984</b>	<b>(1,270)</b>	<b>12,714</b>
<b>Total liabilities and fund balance</b>	<b>\$ 13,984</b>	<b>\$ 3,492</b>	<b>\$ 17,476</b>

City of Talladega, Alabama

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Capital Projects Funds

<i>Year ended September 30, 2012</i>	<b>RBEG Fund</b>	<b>Community Development</b>	<b>Total Capital Projects</b>
<b>Revenues</b>			
Intergovernmental revenues:			
Federal and state grants	\$ 4,785	\$ -	\$ 4,785
<b>Expenditures</b>			
Current operations:			
General	6,188	105	6,293
Debt service:			
Principal	16,696		16,696
<b>Total expenditures</b>	<b>22,884</b>	<b>105</b>	<b>22,989</b>
<b>Excess of revenues over (under)     expenditures</b>	<b>(18,099)</b>	<b>(105)</b>	<b>(18,204)</b>
<b>Other financing sources:</b>			
Operating transfers in	23,000	-	23,000
<b>Excess of revenues and other sources     sources over (under) expenditures     and other uses</b>	<b>4,901</b>	<b>(105)</b>	<b>4,796</b>
Fund balance (deficit), beginning of year	9,083	(1,165)	7,918
<b>Fund balance (deficit), end of year</b>	<b>\$ 13,984</b>	<b>\$ (1,270)</b>	<b>\$ 12,714</b>

## Statistical Section

### ***Financial Trend Data***

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

## City of Talladega, Alabama

Net Assets by Component  
Last Nine Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 6,872,391	\$ 7,720,560	\$ 12,941,379	\$ 13,636,161	\$ 11,030,088	\$ 10,261,167	\$ 10,056,395	\$ 8,270,373	\$ 8,470,055
Restricted									
Special revenue funds	362,111	582,828	294,277	628,694	587,450	612,807	631,242	1,198,908	856,473
Future capital projects	352,619	109,642	41,818	13,313	32,407	2,889,926	2,000,294	947,169	921,330
Perpetual care fund	1,179,471	685,737	709,362	685,738	685,738	770,649	789,130	742,549	-
Law enforcement fund	-	-	-	-	51,878	43,380	-	-	-
Debt service fund	88,894	70,299	437	262,330	224,269	345,132	322,954	300,776	-
Unrestricted, general fund	392,861	1,108,060	963,162	1,546,946	2,152,166	(1,375,617)	(722,971)	2,148,195	4,358,747
<b>Total governmental activities</b>	<b>\$ 9,248,347</b>	<b>\$ 10,277,126</b>	<b>\$ 14,950,435</b>	<b>\$ 16,773,182</b>	<b>\$ 14,763,996</b>	<b>\$ 13,547,444</b>	<b>\$ 13,077,044</b>	<b>\$ 13,607,970</b>	<b>\$ 14,606,605</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 6,403,453	\$ 6,896,562	\$ 9,608,580	\$ 11,131,900	\$ 11,397,594	\$ 11,917,237	\$ 12,070,621	\$ 9,953,242	\$ 10,399,739
Restricted									
Capital projects	3,917,233	3,211,993	1,164,327	676,380	242,561	-	-	-	-
Debt service fund	86,459	71,699	87,574	97,786	101,550	-	-	1,211,445	1,211,644
Unrestricted	2,442,756	2,886,010	3,164,617	3,773,957	4,051,767	3,807,074	4,733,213	16,908,341	5,972,835
<b>Total business-type activities</b>	<b>\$ 12,849,901</b>	<b>\$ 13,066,264</b>	<b>\$ 14,025,098</b>	<b>\$ 15,680,023</b>	<b>\$ 15,793,472</b>	<b>\$ 15,724,311</b>	<b>\$ 16,803,834</b>	<b>\$ 28,073,028</b>	<b>\$ 17,584,218</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 13,075,844	\$ 14,617,122	\$ 22,549,959	\$ 24,768,061	\$ 22,427,682	\$ 22,178,404	\$ 22,127,016	\$ 18,223,615	\$ 18,869,794
Restricted									
Capital projects	4,269,852	3,321,635	1,206,145	689,693	274,968	2,889,926	200,294	947,169	921,330
Special revenues	362,111	582,828	294,277	628,694	587,450	612,807	631,242	1,198,908	856,473
Perpetual care fund	1,179,471	685,737	709,362	685,738	685,738	770,649	789,130	742,549	-
Law enforcement fund	-	-	-	-	51,878	43,380	-	-	-
Debt service fund	175,353	141,998	88,011	360,116	325,819	345,132	322,954	1,512,221	1,211,644
Unrestricted	2,835,617	3,994,070	4,127,779	5,320,903	6,203,933	2,431,457	4,010,242	7,891,849	10,331,582
<b>Total primary government</b>	<b>\$ 21,898,248</b>	<b>\$ 23,343,390</b>	<b>\$ 28,975,533</b>	<b>\$ 32,453,205</b>	<b>\$ 30,557,468</b>	<b>\$ 29,271,755</b>	<b>\$ 28,080,878</b>	<b>\$ 30,516,311</b>	<b>\$ 32,190,823</b>



## City of Talladega, Alabama

Change in Net Assets  
Last Nine Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
<b>Governmental activities</b>									
General government	\$ 1,578,576	\$ 1,650,929	\$ 2,092,098	\$ 1,632,271	\$ 1,176,495	\$ 3,659,053	\$ 3,700,715	\$ 3,603,718	\$ 3,786,333
Public protection									
Police	2,270,876	2,278,177	2,386,454	2,211,048	2,699,857	2,689,707	2,684,831	2,545,762	2,468,876
Fire	979,672	969,847	1,242,758	1,110,832	1,253,348	1,316,881	1,347,488	1,323,748	1,283,769
Corrections	-	710,646	770,545	719,899	496,677	544,946	645,216	1,016,090	985,402
Public works	1,784,032	2,411,140	2,804,541	2,501,237	1,955,829	3,198,716	2,920,835	4,289,657	3,291,295
Recreational	1,616,430	1,310,862	1,363,914	1,479,971	1,563,574	1,901,936	1,511,976	1,097,026	1,103,194
Nondepartmental	1,776,855	1,557,717	2,067,870	1,391,957	4,421,622	-	-	-	-
Other boards and agencies	63,166	317,261	125,663	279,229	366,280	-	-	-	-
Capital outlay	515,833	-	-	760,515	211,178	-	-	-	-
Depreciation expense	752,632	935,476	1,495,415	1,581,174	1,637,870	1,510,112	1,416,649	1,479,284	1,476,188
Interest and fiscal charges	354,870	349,000	342,126	296,949	331,330	496,301	506,695	489,291	472,547
<b>Total governmental activities</b>	<b>11,692,942</b>	<b>12,491,055</b>	<b>14,691,384</b>	<b>13,965,082</b>	<b>16,114,060</b>	<b>15,317,652</b>	<b>14,734,405</b>	<b>15,844,576</b>	<b>14,867,604</b>
<b>Business-type activities</b>									
Water and sewer	4,299,087	4,529,214	4,844,529	4,996,112	5,409,804	5,498,018	5,473,304	5,867,908	5,777,985
<b>Total primary government</b>	<b>\$ 15,992,029</b>	<b>\$ 17,020,269</b>	<b>\$ 19,535,913</b>	<b>\$ 18,961,194</b>	<b>\$ 21,523,864</b>	<b>\$ 20,815,670</b>	<b>\$ 20,207,709</b>	<b>\$ 21,712,484</b>	<b>\$ 20,645,589</b>
<b>Program revenues</b>									
<b>Governmental activities</b>									
Fees, fines and charges for service									
General government	\$ 1,415,228	\$ 710,053	\$ 40,456	\$ 77,510	\$ 48,944	\$ 23,585	\$ 31,100	\$ 67,673	\$ 95,371
Police	36,824	-	-	71,123	45,232	60,830	84,267	74,299	79,469
Fire	1,020	-	-	55	5	-	-	-	-
Other public protection **	-	820,475	996,009	831,968	654,817	643,423	639,451	602,808	644,754
Public works	-	-	-	-	-	32,850	-	-	-
Recreational	279,312	294,725	300,782	292,277	367,995	313,823	266,604	206,704	179,121
Other boards and agencies	-	-	-	-	-	-	-	-	-
Operating grants and contributions	250,702	89,699	141,152	123,435	113,951	124,923	253,042	-	-
Capital grants and contributions	390,310	200,744	-	825,138	179,984	141,310	97,751	-	-
<b>Total governmental activities</b>	<b>2,373,396</b>	<b>2,115,696</b>	<b>1,478,399</b>	<b>2,221,506</b>	<b>1,410,928</b>	<b>1,340,744</b>	<b>1,372,215</b>	<b>951,484</b>	<b>998,715</b>

\*\*Fees, fines and charges for the Court were included in general government in year 2004.

(Continued on the following page.)

## City of Talladega, Alabama

Change in Net Assets (Continued)  
Last Nine Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Program revenues (continued)</b>									
<b>Business-type activities</b>									
Water and sewer revenues	\$ 3,476,145	\$ 4,884,692	\$ 6,265,703	\$ 6,087,785	\$ 5,964,989	\$ 6,394,726	\$ 7,388,493	\$ 7,306,496	\$ 7,156,929
Operating grants and contributions	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	1,150,000	111,505	-	350,000	-	-
<b>Total business-type activities</b>	3,476,145	4,884,692	6,265,703	7,237,785	6,076,494	6,394,726	7,738,493	7,306,496	7,156,929
<b>Total business program revenues</b>	\$ 5,849,541	\$ 7,000,388	\$ 7,744,102	\$ 9,459,291	\$ 7,487,422	\$ 7,735,470	\$ 9,110,708	\$ 8,257,980	\$ 8,155,644
<b>Net (expense) revenue</b>									
Governmental activities	\$ (9,319,546)	\$ (10,375,359)	\$ (13,212,885)	\$ (11,743,576)	\$ (14,703,132)	\$ (13,976,910)	\$ (13,362,190)	\$ (14,893,092)	\$ (12,795,793)
Business-type activities	(822,942)	355,478	1,421,174	2,241,673	666,690	896,708	2,265,189	1,438,588	1,378,944
<b>Total primary government net expense</b>	\$ (10,142,488)	\$ (10,019,881)	\$ (11,791,711)	\$ (9,501,903)	\$ (14,036,442)	\$ (13,080,202)	\$ (11,097,001)	\$ (13,454,504)	\$ (11,416,849)
<b>General revenues</b>									
<b>Governmental activities</b>									
Taxes									
Sales, property, other for general purposes	\$ 7,364,920	\$ 9,513,559	\$ 10,057,979	\$ 9,882,202	\$ 10,047,294	\$ 9,490,399	\$ 9,635,086	\$ 10,060,229	\$ 10,612,516
General business licenses and permits	1,583,877	1,624,837	1,672,397	1,849,809	1,914,460	2,014,668	1,944,017	2,027,174	2,001,838
Miscellaneous income	130,575	394,939	228,906	95,798	56,404	197,044	66,271	93,764	101,305
Interest income	16,509	43,318	46,823	53,887	65,171	69,183	47,507	37,281	28,593
Gain on sale of asset	-	-	-	-	-	-	-	69,703	32,953
Transfers	-	-	669,284	625,802	610,617	989,064	1,198,909	1,158,533	908,880
<b>Total governmental activities</b>	9,095,881	11,576,653	12,675,389	12,507,498	12,693,946	12,760,358	12,891,790	13,446,684	13,686,085
<b>Business-type activities</b>									
Miscellaneous income	-	147,390	-	-	-	-	-	-	-
Interest income	21,744	34,829	159,104	86,894	57,376	23,195	13,243	18,685	17,311
Transfers	-	-	(669,284)	(625,802)	(610,617)	(989,064)	(1,198,909)	(1,158,533)	(908,880)
<b>Total business-type activities</b>	21,744	182,219	(510,180)	(538,908)	(553,241)	(965,869)	(1,185,666)	(1,139,848)	(891,569)
<b>Total general revenues</b>	\$ 9,117,625	\$ 11,758,872	\$ 12,165,209	\$ 11,968,590	\$ 12,140,705	\$ 11,794,489	\$ 11,706,124	\$ 12,306,836	\$ 12,794,516
<b>Change in net assets</b>									
Governmental activities	\$ (223,665)	\$ 1,201,294	\$ (537,596)	\$ 763,922	\$ (2,009,186)	\$ (1,216,552)	\$ (470,400)	\$ 530,926	\$ 890,292
Business-type activities	(801,198)	537,697	910,994	1,702,765	113,449	(69,161)	1,079,523	298,740	487,375
<b>Total primary government</b>	\$ (1,024,863)	\$ 1,738,991	\$ 373,398	\$ 2,466,687	\$ (1,895,737)	\$ (1,285,713)	\$ 609,123	\$ 829,666	\$ 1,377,667

City of Talladega, Alabama

Governmental Activities - Tax Revenues by Source  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Sales and use tax	\$ 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	\$ 7,784,557
Business licenses	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	2,001,838
10 mil tax	767,316	834,151	742,895	860,022	948,439	933,693	1,045,033	1,022,336	1,053,801	971,921
Other taxes and licenses	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	1,856,038
<b>Total taxes and licenses</b>	<b>\$ 8,363,979</b>	<b>\$ 8,868,078</b>	<b>\$ 11,138,396</b>	<b>\$ 11,730,376</b>	<b>\$ 11,732,011</b>	<b>\$ 11,961,754</b>	<b>\$ 11,504,392</b>	<b>\$ 11,579,103</b>	<b>\$ 12,087,403</b>	<b>\$ 12,614,354</b>

Sales and Use Tax  
Direct and Overlapping  
Last Ten Fiscal Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City of Talladega	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	5.00%	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%
<b>Total overlapping sales and use tax</b>	<b>8.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>9.00%</b>	<b>10.00%</b>	<b>10.00%</b>

## City of Talladega, Alabama

Fund Balances of Governmental Funds  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General fund</b>										
Reserved	\$ -	\$ 730,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,336,179	1,016,298	1,122,205	1,177,660	1,399,420	2,438,232	1,933,969	2,066,862	-	-
Restricted	-	-	-	-	-	-	-	-	17,244	-
Committed	-	-	-	-	-	-	-	-	1,377,358	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	1,268,996	4,057,672
<b>Total general fund</b>	1,336,179	1,746,323	1,122,205	1,177,660	1,399,420	2,438,232	1,933,969	2,066,862	2,663,598	4,057,672
<b>All other governmental funds</b>										
Reserved										
Special revenues funds	268,496	362,111	582,828	284,222	614,892	587,450	612,807	631,242	-	-
Debt service funds	70,299	88,894	70,299	-	262,330	224,269	345,132	322,954	-	-
Other nonmajor funds	-	-	685,737	719,417	695,893	737,616	814,029	789,130	-	-
Other governmental funds	-	-	-	-	-	-	-	-	-	-
Future capital projects	42,310	352,619	109,642	41,818	13,313	32,407	2,889,926	200,294	-	-
Unreserved, reported in:										
Special revenues funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	437	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Other nonmajor funds	-	-	275,197	195,731	200,147	154,439	100,535	93,692	-	-
Restricted	-	-	-	-	-	-	-	-	3,185,805	1,777,803
Committed	-	-	-	-	-	-	-	-	-	826,225
Assigned	-	-	-	-	-	-	-	-	-	134,040
Unassigned	-	-	-	-	-	-	-	-	154,933	-
<b>Total all other governmental funds</b>	381,105	803,624	1,723,703	1,241,625	1,786,575	1,736,181	4,762,429	2,037,312	3,340,738	2,738,068
<b>Total governmental funds</b>	\$ 1,717,284	\$ 2,549,947	\$ 2,845,908	\$ 2,419,285	\$ 3,185,995	\$ 4,174,413	\$ 6,696,398	\$ 4,104,174	\$ 6,004,336	\$ 6,795,740

## City of Talladega, Alabama

Changes in Fund Balance of Governmental Funds  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 6,788,052	\$ 7,284,201	\$ 9,513,559	\$ 10,057,979	\$ 9,882,202	\$ 10,047,294	\$ 9,490,399	\$ 9,635,086	\$ 10,060,229	\$ 11,345,272
Licenses and permits	1,575,927	1,583,877	1,624,837	1,672,397	1,849,809	1,914,460	2,014,668	1,944,017	2,027,174	2,001,838
Changes for services	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	960,054
Federal and state grants	82,848	641,012	290,443	141,152	948,573	293,935	266,233	350,793	1,977,334	200,354
Interest	44,772	16,509	43,318	46,823	53,887	65,171	69,183	47,507	37,281	28,592
Proceeds from long-term debt	69,669	400,000	1,069,488	352,579	761,428	2,208,038	3,705,700	-	-	-
Other	354,270	211,294	394,939	228,906	95,798	254,289	197,044	78,796	163,467	323,467
<b>Total revenues</b>	<b>10,603,400</b>	<b>11,905,752</b>	<b>14,761,837</b>	<b>13,837,083</b>	<b>14,864,630</b>	<b>15,900,180</b>	<b>16,817,738</b>	<b>13,077,621</b>	<b>15,216,969</b>	<b>14,859,577</b>
<b>Expenditures</b>										
General government	3,459,325	1,334,237	1,838,088	2,083,578	1,563,646	1,166,909	2,071,339	2,093,373	1,606,559	1,699,523
Public safety	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	4,734,510
Public works	1,719,626	1,489,155	2,411,140	2,804,541	2,501,237	2,021,327	1,725,131	1,727,601	3,197,571	2,236,637
Recreation	1,533,738	1,616,430	1,310,862	1,363,914	1,479,971	1,572,190	1,599,223	1,363,563	994,526	1,052,011
Other boards and agencies	55,193	63,166	317,261	125,663	279,229	362,640	380,600	343,854	304,850	323,900
Nondepartmental	1,920,347	1,739,032	1,557,717	2,009,870	1,391,957	4,421,622	2,819,353	2,677,089	2,965,022	2,598,400
Capital expenditures	1,025,408	1,763,126	1,822,847	819,923	2,186,700	685,541	1,102,902	1,121,126	1,375,357	1,142,607
Debt service										
Principal	618,265	779,074	901,666	973,116	952,810	602,335	654,634	599,890	571,495	584,204
Interest and fees	382,422	452,777	349,000	342,126	321,327	252,962	467,350	487,594	458,985	445,199
Miscellaneous	28,557	-	26,110	77,020	5,066	13,285	22,397	29,300	30,477	26,333
<b>Total expenditures</b>	<b>13,809,022</b>	<b>12,136,275</b>	<b>14,493,361</b>	<b>14,999,508</b>	<b>14,723,722</b>	<b>15,522,379</b>	<b>15,284,817</b>	<b>15,068,754</b>	<b>16,376,442</b>	<b>14,843,324</b>
<b>Excess revenues over (under) expenditures</b>	<b>(3,205,622)</b>	<b>(230,523)</b>	<b>268,476</b>	<b>(1,162,425)</b>	<b>140,908</b>	<b>377,801</b>	<b>1,532,921</b>	<b>(1,991,133)</b>	<b>(1,159,473)</b>	<b>16,253</b>
<b>Other financing sources (uses)</b>										
Operating transfers in	2,365,216	1,496,264	2,286,332	5,439,979	4,721,070	2,390,304	3,116,754	3,194,294	3,985,545	4,132,577
Operating transfers out	(1,899,677)	(1,496,264)	(2,286,332)	(4,770,695)	(4,095,268)	(1,779,687)	(2,127,690)	(1,995,385)	(2,827,310)	(3,223,697)
Proceeds from long-term debt	-	-	-	-	-	-	-	-	101,400	49,140
<b>Total other financing sources (uses)</b>	<b>465,539</b>	<b>-</b>	<b>-</b>	<b>669,284</b>	<b>625,802</b>	<b>610,617</b>	<b>989,064</b>	<b>1,198,909</b>	<b>1,259,635</b>	<b>958,020</b>
<b>Net change in fund balance</b>	<b>(2,740,083)</b>	<b>(230,523)</b>	<b>268,476</b>	<b>(493,141)</b>	<b>766,710</b>	<b>988,418</b>	<b>2,521,985</b>	<b>(792,224)</b>	<b>100,162</b>	<b>974,273</b>
Fund balance, beginning of year	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	6,004,337
Prior period adjustment	(459,396)	1,063,186	27,485	66,518	-	-	-	-	-	(182,870)
<b>Fund balance, end of year</b>	<b>\$ 1,717,284</b>	<b>\$ 2,549,947</b>	<b>\$ 2,845,908</b>	<b>\$ 2,419,285</b>	<b>\$ 3,185,995</b>	<b>\$ 4,174,413</b>	<b>\$ 6,696,398</b>	<b>\$ 5,904,174</b>	<b>\$ 6,004,336</b>	<b>\$ 6,795,740</b>
<b>Ratio of debt service expenditures to noncapital expenditures</b>	<b>8.76%</b>	<b>13.48%</b>	<b>11.21%</b>	<b>10.89%</b>	<b>11.35%</b>	<b>6.22%</b>	<b>8.78%</b>	<b>8.70%</b>	<b>7.61%</b>	<b>7.71%</b>

City of Talladega, Alabama

Property Tax Rates Per Thousand  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	City of Talladega			Overlapping Rate		Total Direct and Overlapping Rate
	General Municipal Purposes	School Purposes	Total	Talladega County	State of Alabama	
<b>2003</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2004</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2005</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2006</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2007</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2008</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2009</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2010</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2011</b>	10.0	12.5	22.5	9.5	6.5	38.5
<b>2012</b>	10.0	12.5	22.5	9.5	6.5	38.5

City of Talladega, Alabama

Principal Sales and Use Taxpayers<sup>1</sup>  
Current Fiscal Year and Nine Years Prior

	2012			2003		
	Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected	Sales Tax Collected	Rank	Percentage of Total Sales Tax Collected
Wal-Mart	\$2,082,671	1	26.75%	\$ 863,302	1	14.22%
Baker Food	537,513	2	6.90%	223,651	2	4.62%
Ace Hardware	266,271	3	3.42%	37,744	5	1.33%
Dollar General	156,860	4	2.02%	63,222	4	1.34%
Marvin's	141,042	5	1.81%	**	**	0.00%
Tractor Supply Stores	110,834	6	1.42%	**	**	0.00%
Manna Enterprises Inc.	107,101	7	1.38%	45,546	7	0.79%
Schuster Enterprises Inc.	99,947	8	1.28%	36,114	6	0.87%
Bill Stanford	97,927	9	1.26%	90,273	3	1.99%
Murphy Oil	94,073	10	1.21%	**	**	0.00%

\*\* These businesses were not in operation in 2003

<sup>1</sup> 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	Capital Leases	Revenue Bonds	Other General Debt		General Obligation Bonds	Other General Debt			
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
2012	9,466,665	317,828	17,740,000	-	27,524,493	-	-	27,524,493	4.5%	2,107

City of Talladega, Alabama

Direct and Overlapping Debt

*September 30, 2012*

<b>Jurisdiction</b>	<b>Gross Debt Outstanding</b>	<b>Percentage Applicable to City of Talladega</b>	<b>Amount Applicable to City of Talladega</b>
City of Talladega	\$ 9,784,493	100.00%	\$ 9,784,493
Talladega County	28,242,186	12.00%	3,389,062
<b>Total</b>	<b>\$ 38,026,679</b>		<b>\$ 13,173,555</b>

City of Talladega, Alabama

Ratios of General Debt Outstanding  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available for Debt</b>	<b>Net Bonded Debt Total</b>	<b>Percentage Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
2003	\$ 7,716,870	\$ 254,766	\$ 7,462,104	23.71%	\$ 938
2004	7,072,000	228,772	6,843,228	23.00%	1,097
2005	6,994,970	260,021	6,734,949	17.96%	1,039
2006	6,074,781	214,086	5,860,695	16.63%	971
2007	5,826,203	229,489	5,596,714	14.83%	939
2008	7,776,434	221,043	7,555,391	15.09%	1,134
2009	10,925,578	171,516	10,754,062	17.46%	1,121
2010	10,789,976	322,954	10,467,022	18.56%	1,612
2011	10,319,881	300,776	10,019,105	25.96%	1,879
2012	9,466,665	-	9,466,665	8.03%	725

City of Talladega, Alabama

Legal Debt Margin Information  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed property value	\$ 67,250,190	\$ 80,559,120	\$ 98,214,240	\$ 99,556,920	\$ 107,588,100	\$ 110,402,080	\$ 109,099,890	\$ 113,448,000	\$ 113,694,240	\$ 117,887,180
Debt limited to	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Debt limit	\$ 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	\$ 23,577,436
Total net debt applicable to limit	7,863,124	7,373,275	7,548,189	6,732,410	6,671,199	8,338,803	11,389,866	11,355,598	10,937,954	9,784,493
<b>Legal debt margin</b>	<b>\$ 5,586,914</b>	<b>\$ 8,738,549</b>	<b>\$ 12,094,659</b>	<b>\$ 13,178,974</b>	<b>\$ 14,846,421</b>	<b>\$ 13,741,609</b>	<b>\$ 10,430,112</b>	<b>\$ 11,334,002</b>	<b>\$ 11,800,894</b>	<b>\$ 13,792,943</b>

Total net debt applicable to  
the limit as a percentage  
of debt limit

## ***Demographic and Economic Information***

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

City of Talladega, Alabama

Demographic Economic Statistics  
Last Ten Calendar Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Population</b> <sup>1</sup>	17,003	16,891	16,981	17,041	16,991	14,698	16,991	13,062	15,676	13,062
<b>Total personal income</b>										
Household income-City	\$ 31,128	\$ 31,224	\$ 31,695	\$ 32,166	\$ 33,677	\$ 34,067	\$ 34,067	\$ 46,499	\$ 46,499	\$ 46,499
Talladega County	\$ 33,191	\$ 34,418	\$ 33,986	\$ 32,166	\$ 33,677	\$ 47,603	\$ 38,013	\$ 49,430	\$ 49,430	\$ 49,430
<b>Per capita</b> <sup>1</sup>										
Personal income*	\$ 24,056	\$ 25,234	\$ 27,085	\$ 28,102	\$ 17,435	\$ 17,557	\$ 17,435	\$ 18,583	\$ 18,583	\$ 18,583
Talladega County	\$ 24,036	\$ 25,493	\$ 27,793	\$ 28,102	\$ 18,473	\$ 18,686	\$ 18,473	\$ 19,762	\$ 19,762	\$ 19,762
<b>School district</b> <sup>3</sup>										
Enrollment	2,885	2,864	2,778	2,721	2,606	2,573	2,395	2,576	2,315	2,622
<b>Unemployment</b> <sup>2</sup>										
Rate	7.1	6.1	4.3	4.6	4.5	5.9	12.1	13.2	8.4	11.5
<b>Employed</b> <sup>2</sup>										
Talladega County	35,376	36,174	38,005	38,223	38,291	36,258	32,296	31,958	32,067	32,067

\* Personal Income is for Talladega-Sylacauga, AL

<sup>1</sup> U.S. Census Bureau, the Bureau of Economic Analysis

<sup>2</sup> Alabama Department of Industrial Relations

<sup>3</sup> Talladega City Board of Education

City of Talladega, Alabama

Principal Private-Sector Employers in the Talladega Area<sup>1</sup>  
Current Year and Nine Years Prior

	2012			2003		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Alabama Institute for the Deaf and Blind	1,247	1	3.89%	1,047	1	3.01%
Talladega Healthcare	360	2	1.12%	447	2	1.29%
Citizen's Baptist Medical Center	353	3	1.10%	304	4	0.87%
Talladega City Board of Education	350	4	1.09%	375	3	1.08%
Federal Corrections Institution	295	5	0.92%	-		0.00%
Wal-Mart	260	6	0.81%	-		0.00%
City of Talladega	228	7	0.71%	-		0.00%
Master Brand Cabinets	193	8	0.60%	-		0.00%
Talladega Machinery & Supply Company	188	9	0.59%	125	6	0.36%
International Enterprises	123	10	0.38%	170	5	0.49%
Talladega Foundry & Machine Company	58	11	0.18%	62	7	0.18%

<sup>1</sup> Talladega County Economic Development Authority

City of Talladega, Alabama

Budgeted Full-Time Equivalent City Government Employees by Function  
Last Eight Fiscal Years

Department	2005	2006	2007	2008	2009	2010	2011	2012
Administrative/City Clerk	7	5	5	5	2	2	2	2
Animal Control	4	3	3	4	4	4	3	3
City Council	6	6	6	6	6	6	6	6
City Manager	2	2	2	2	3	4	5	5
Comm. Appearance	-	24	24	22	22	18	23	22
Comm. Development	-	-	-	-	7	-	-	-
Fire	31	26	24	26	26	27	31	28
Human Resources	-	-	-	-	2	2	2	2
Library	7	6	7	6	6	10	8	7
Municipal Court	3	3	3	3	3	3	3	3
Parks and Recreation	32	29	31	28	28	32	27	12
Police	60	45	41	42	42	40	48	44
Police Communications <sup>1</sup>	4	4	4	4	4	-	-	-
Public Works <sup>2</sup>	56	25	21	22	23	17	15	17
Purchasing	-	-	-	-	-	3	2	5
Revenue/Finance	3	3	3	3	5	5	5	5
<b>Total</b>	<b>215</b>	<b>181</b>	<b>174</b>	<b>173</b>	<b>183</b>	<b>173</b>	<b>180</b>	<b>161</b>

<sup>1</sup> The Police Communication Department was discontinued with the institution of a country-wide E911 in 2010.

<sup>2</sup> The Public Works Department was divided into two departments, Community 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, Alabama

Operating Indicators by Function  
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Emergency communications<sup>1</sup></b>										
Calls received	1,859	2,109	2,243	2,534	2,161	2,890	52,712	23,267	31,185	29,991
<b>Police</b>										
Calls for service	19,717	19,210	22,306	23,544	21,198	20,713	20,538	20,300	23,826	23,203
Reported crimes	7,025	7,212	3,747	3,460	3,849	3,829	3,277	4,035	6,732	6,204
<b>Fire</b>										
Fire responses	367	395	338	395	512	424	321	492	627	432
Medical calls	9	35	17	23	31	19	23	34	-	152
	376	430	355	418	543	443	344	526	627	584
<b>Water</b>										
Millions of gallons per day										
Filtration plant production	4.19	4.32	4.08	4.18	3.96	3.59	3.44	3.65	3.78	3.73
City water demand	2.84	2.87	2.95	3.08	2.91	2.55	2.53	2.58	2.08	2.12

<sup>1</sup> Talladega County 911 for 2001-2009; Talladega County EMA for 2010

Source: City departments