

Comprehensive Annual Financial Report

City of Talladega, Alabama

September 30, 2014

City of Talladega, Alabama

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2014

Prepared by Theresa St. James, Finance Director



City of Talladega, Alabama Table of Contents September 30, 2014

INTRODUCTORY SECTION	
Transmittal Letters	i
Certificate of Achievement for Excellence in Financial Reporting	xi
Organization Chart	xii
Officials of the City of Talladega	xiii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management Discussion Analysis	3.1-3.12
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet—Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in	
Fund Balances Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	
Government-wide Statement of Activities	9
Statement of Net Position—Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Fund Net	
Position—Proprietary Funds	11
Statement of Cash Flows—Proprietary Funds	12
Statement of Net Position—Component Units	14
Statement of Activities—Component Units	15
Notes to Financial Statements Index	16
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures	
General Fund—Budget and Actual	45
Notes to Required Supplementary Information	49
Other Post-Employment Benefits	50
Defined Benefit Plan – Trend Information, Funding Progress and	
Additional Information	51

SUPPLEMENTARY INFORMATION	
Talladega Water and Sewer Department, Schedule of Revenues,	
Expenses and Changes in Fund Net Position—Budget and Actual	54
Combining Balance Sheet—Non-major Governmental Funds (by fund type)	55
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances—Non-major Governmental Funds (by fund type)	56
Combining Balance Sheets—Special Revenue Funds	57
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances—Special Revenue Funds	58
Combining Balance Sheet—Capital Projects Funds	59
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances—Capital Projects Funds	60
CTATICTICAL CECTION	
STATISTICAL SECTION Financial Transl Data	
Financial Trend Data Not Position by Component - Last Nine Fiscal Years	63
Net Position by Component—Last Nine Fiscal Years	64
Change in Net Position—Last Nine Fiscal Years	66
Governmental Activities—Tax Revenues by Source—Last Ten Fiscal Years Fund Balances of Governmental Funds—Last Ten Fiscal Years	67
	68
Changes in Fund Balance of Governmental Funds—Last Ten Fiscal Years Property Tax rates per Thousand—Direct and Overlapping Governments—	00
Last Ten Fiscal Years	69
Principal Sales and Use Taxpayers—Current Fiscal Year and Nine Years Prior	70
Debt Capacity Data	
Ratios of Outstanding Debt by Type—Last Ten Fiscal Years	72
Direct and Overlapping Debt	73
Ratios of General Debt Outstanding—Last Ten Fiscal Years	74
Legal Debt Margin Information—Last Ten Fiscal Years	75
Demographic and Economic Information	
Demographic Economic Statistics—Last Ten Calendar Years	77
Principal Private-Sector Employers in the Talladega Area—Current Year	
and Nine Years Prior	78
Budgeted Full-Time Equivalent City Government Employees by	
Function Last Ten Fiscal Years	79
Operating Information	
Operating Indicators by Function—Last Ten Fiscal Years	81
Capital Asset Statistics by Function	82



CITY OF TALLADEGA

FOUNDED 1834 MEMBER: ALABAMA LEAGUE OF MUNICIPALITIES

City Council

Brian Muenger City Manager

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

March 31, 2015

Ladies and Gentlemen:

I hereby transmit the annual financial report of the City of Talladega as of and for the year ended September 30, 2014. The accounting firm, Carr, Riggs & Ingram, has audited the financial statements. The auditors' unqualified opinion of governmental activities is included in this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Talladega for its comprehensive annual financial report for the fiscal years 2009 through 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

W. Brian Muenger City Manager City of Talladega



CITY OF TALLADEGA

FOUNDED 1834 MEMBER: ALABAMA LEAGUE OF MUNICIPALITIES

City Council

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

March 31, 2015

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, 2014. 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 governmental activities financial statements for the year ended September 30, 2014. 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 atlarge for a four-year term. Although the Mayor sits with the Council, he/she does not have a vote in its proceedings. The Mayor serves on a part-time basis and is recognized as the head of the City's government for all ceremonial purposes but has no other administrative duties. The City Manager is employed by the City Council and is responsible for the administration of City affairs, including the appointment of all department heads.

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

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

LOCAL ECONOMY

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

A method of analyzing economic conditions in Talladega is to track trends in sales tax revenue, on which the City is heavily dependent. Due to the economic downturn of recent years, from which local governments generally have been slow to recover, the City Council made the difficult decision to adopt a sales and use tax increase of 1%

effective April 1, 2011. This revenue stream is monitored carefully and has recently shown a slight increase, although comparatively still not to pre-recession figures. As stipulated by City Council, 25% of the additional tax 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 and have greatly minimized the need of the City to issue debt to fund capital projects.

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

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

EDUCATIONAL RESOURCES

The City's school system is operated by the City of Talladega Board of Education which consists of five (5) members elected in districts by the City. The system employs 179 certified teachers, along with support personnel and administrators. The school system operates (i) four elementary schools (grades K through 6), serving 1,304 students, (ii) one middle school (grades 7 and 8), serving 318 students, and (iii) one high school, serving 571 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 blind or vision impaired adults at two production facilities and also operate Base Supply Centers in Alabama and Georgia. Employees of AIB manufacture or distribute many products used in the home, office or by the military.

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

Talladega College - located in the City of Talladega, Talladega College is a four year nationally accredited liberal arts college 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. Talladega College offers 17 majors grounded in liberal arts, 7 intercollegiate sports teams and has an enrollment of approximately 1,000 students. The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges.

CULTURAL OPPORTUNITIES

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

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

The *Historic Ritz Theatre* offers a variety of musicals, plays, and concerts in their spring and fall seasons. Some recent examples include "The Great Gatsby," "The Miracle Worker" and "The Color Purple." This calendar is supplemented by seasonal showings of classic films such as "It's a Wonderful Life" in December. The Ritz regularly offers programs to local students to supplement and enrich their school curriculum.

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

HISTORIC SITES

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

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

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

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

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

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

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

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

PARKS AND RECREATIONAL FACILITIES

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

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

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

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

The *Jemison Park* is located on Ashland Highway on a 3 acre site. The park consists of eight tennis courts, a playground and a 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 25th Street. The Center is the home for the Senior Nutrition program which serves meals to elderly residents and also offers health programs, counseling, meal planning and budgeting.

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

The Mattie Simmons Recreation Center is currently closed.

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

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

LONG-TERM FINANCIAL PLANNING

As a planning tool for long-term financing and the annual budget process, the City prepares a capital improvement program. This document, which is updated annually, prioritizes capital projects by their funding source and timing. The City 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 General Fund operating expense; currently debt payments are 7% of General Fund expense. The City was first rated by Standard & Poors in 2009, achieving a rating of "A, stable" and was upgraded to "AA-" in 2014. This rating was affirmed in March, 2015.

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,
There of James

Theresa St. James

Finance Director



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

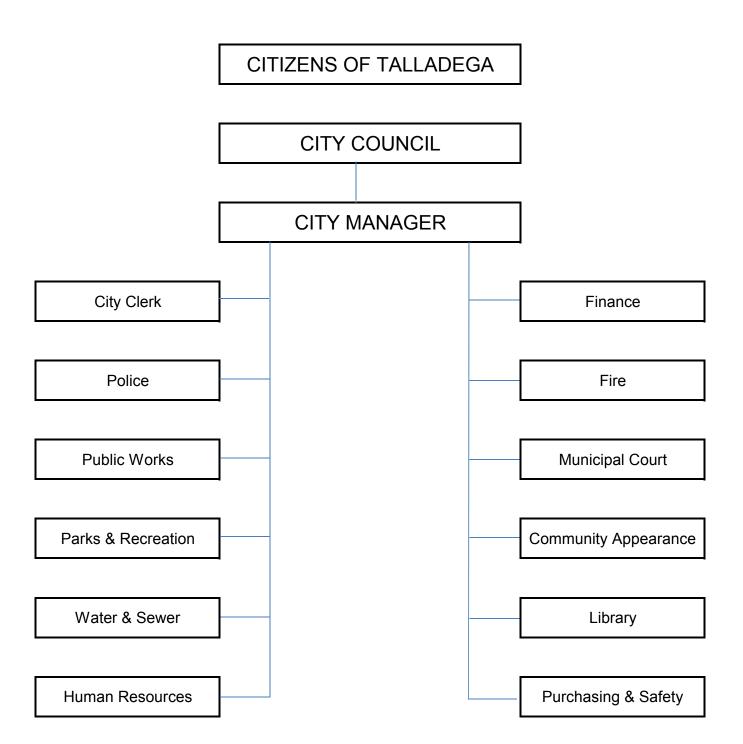
Presented to

City of Talladega Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



OFFICIALS OF THE CITY OF TALLADEGA

<u>Mayor</u>

Larry Barton

City Council

Dr. Horace Patterson Ward I
Jarvis Elston Ward II
Donnie Miller Ward III
Ricky Simpson Ward IV
Joseph Ballow Ward V

City Manager

W. Brian Muenger

Other City Officials

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



Carr, Riggs & Ingram, LLC 2100 16th Avenue South Suite 300 Birmingham, AL 35205

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Talladega, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Talladega City Board of Education or the Talladega Municipal Airport Board, which represent 99 percent of the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Talladega City Board of Education and the Talladega Municipal Airport Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinions. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental

activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3.1–3.12 and the schedules listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Talladega, Alabama's basic financial statements. The introductory section, budgetary comparison schedule for proprietary fund, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule for proprietary funds and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the budgetary comparison schedule for the proprietary fund, and the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Birmingham, Alabama

Cau, Rigge & Ingram, L.L.C.

March 31, 2015

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, 2014. 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 2014 by \$35.16 million, an increase of approximately \$3.25 million over fiscal year 2014. The majority of this increase is due to cash and cash equivalents being held for major capital improvement projects.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$8.65 million. The combined governmental funds' fund balances increased by \$1.2 million during the fiscal year, with a \$1.3 million in the General Fund's fund balance.
- The General Fund closed with a fund balance of \$4.648 million, an increase of \$1.3 million from the \$3.312 million balance in the prior year. General fund revenues were \$14.577 million, \$333,294 over budget. General fund operating expenditures were \$1.365 million under budget for a total of \$13.241 million. The ending fund balance totaled approximately 35% of expenditures, up from 28% in FY 2013 and 32% of revenue. As this fund balance is well above the City Council's established goal of a minimum fund balance of 8-10% of operating revenue, FY 2015 may see the use of some reserves for capital expenditures.
- The capital projects trust fund closed with a fund balance of \$1,014,365, a small decrease from the \$1,361,346 balance in the prior year. Capital projects revenues were \$8,715 and consisted mainly of grant receipts, with an additional \$725,000 transferred from the General Fund as sales tax revenue restricted for capital projects per City ordinance and \$106,148 transferred from the Water and Sewer enterprise fund as their shared cost of the Veterans Park improvement project. Capital funds expenditures were \$1,186,844 and included fleet and equipment replacement as well as over \$700,000 to complete the Veterans Park improvement project.
- The Special Revenue Funds include nine funds which receive restricted, committed or assigned funds and include the following: 2.5 Mil Property Tax Fund, 4 Cent Gas Tax Fund, 7 Cent Gas Tax Fund, Corrections Fund, Oil Trust Fund, Brownfield Fund, Police Grants Fund, Cemetery Fund and Library Fund. The Special Revenue Funds closed with a combined fund balance of \$2,978,308, an increase of \$297,003 from the prior year. One factor contributing to this change is an increase in Municipal Court fines and costs, which resulted in a

fund balance increase of \$76,644. In addition, funds in the Oil Trust Fund, 4 Cent and 7 Cent Gas Tax Funds are still being held for a paving project and not expended. For this reason, the ending fund balances for these three funds increased slightly and account for 42% of the total increase. Fund balances for other funds included in the Special Revenue Funds Combining Balance Sheet also had only a slight variance from FY 2013.

The RBEG (Rural Business Enterprise Grant) fund and the CDBG (Community Development Block Grant) fund comprise the Capital Projects Funds and closed with a combined fund balance of \$14,869, a significant decrease from \$85,380 in FY 2013. The RBEG fund is stable as this grant fund did not have an active project in FY 2014 and closed with a fund balance of \$7,110 compared to \$7,206 the prior year. The CDBG fund closed with a balance of \$7,759 - a decrease of \$70,511 as the grant receipts fluctuate with the progress of the project. Main expenses for the CDBG fund were for engineering fees for the project, with construction set to begin in FY 2015.

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, 2014, by \$19,026,035 (total net position) up from \$17,079,138 in FY 2013. Of this amount \$8,049,562 or 42% (unrestricted net position) may be used to meet the Department's ongoing obligations. Total assets increased by \$1.68 million and are primarily held in cash and cash equivalents while liabilities decreased slightly.
- Proprietary Fund operating revenues for the year were \$7,226,160, an increase of \$305,258 from the previous year. Operating expenses also experienced an increase of \$192,794 for a total of \$5,400,046 for FY 2014.

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 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 in the supplementary information for the General Fund to demonstrate compliance with this budget.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Water and Sewer Department has one enterprise fund to account for its business-type activities. The separate enterprise fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

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

Fund Financial Statements

Governmental Funds

Measurement Focus: Current Financial Resources
Accounting Basis: Modified Accrual

Balance Sheet Assets = Liabilities + Fund Balances

<u>Statement of Revenues, Expenditures and Changes in Fund Balance</u> Revenues - Expenditures + (-) Other Financing Sources (Uses) = Net Change in Fund Balance

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Basis)
Presented on the budgetary basis of accounting

Enterprise Funds

Measurement Focus: Economic Resources
Accounting Basis: Accrual

<u>Statement of Net Position</u> Assets - Liabilities = Net Position

<u>Statement of Changes in Net Position</u> Additions - Deductions = Change in Net Position

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, 2014, are in compliance with Governmental Accounting Standards Board (GASB) Statement Number 34.

Statement of Net Assets September 30, 2014

ASSETS	Governmental Activities	Business-type Activities	Total All Activities
Cash and cash equivalents	\$ 7,516,724	\$ 7,769,949	\$ 15,286,673
Investments	739,441	Ψ 1,100,010	739,441
Receivables, net	940,144	568,148	1,508,292
Unbilled revenue	-	660,123	660,123
Internal Balances	84,706	(84,706)	-
Inventories	-	284,335	284,335
Restricted assets	-	7,104,087	7,104,087
Other assets	42,273	13,846	56,119
Capital assets not being appreciated	5,170,653	2,155,521	7,326,174
Capital assets, net	12,912,511	18,339,980	31,252,491
Total Assets	27,406,452	<u>36,811,283</u>	64,217,735
Deferred outflows of resources			
Deferred charges from refunding		<u>317,844</u>	<u>317,844</u>
Total Assets & Deferred Outflows of Resources	<u>\$27,406,452</u>	\$37,129,127	<u>\$64,535,579</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 667,136	\$ 434,076	\$ 1,101,212
Customer meter deposits	-	236,767	236,767
Accrued interest	60,363	-	60,363
Noncurrent liabilities;			
Due within one year:			
Bonds and warrants payable	420,000	405,000	825,000
Capital leases	56,546	78,429-	134,975
Compensated absences	36,224	-	36,224
Due in more than one year			
Bonds and warrants payable	8,095,000	16,772,729	24,867,729
Deferred charges from refunding	-	-	- 0.40.007
Capital leases	809,118	133,179	942,297
OPEB payable	794,493	40.040	794,493
Compensated absences	<u>326,014</u>	<u>42,912</u>	<u>368,926</u>
Total Liabilities	11,264,894	18,103,092	29,367,986
NET POSITION			
Net investment in capital assets Restricted for:	8,702,500	9,528,061	18,230,561
Capital projects	1,029,835		1,029,835
Special revenues (gas tax and road projects)	1,656,563	-	1,656,563
Special revenues (ad valorem tax for schools)	33,979	_	33,979
Special revenues (public safety)	244,564	_	244,564
Debt service fund	2 77 ,00 4	1,448,412	1,448,412
Unrestricted	4,474,117	8,049,562	12,523,679
	<u>.,.,.,.,.</u>	0,010,002	12,020,070
Total Net Position	<u>\$16,141,558</u>	<u>\$19,026,035</u>	<u>\$35,167,593</u>

Statement of Net Assets September 30, 2013

ASSETS	Governmental Activities	Business-typ Activities	e Total All Activities
Cash and cash equivalents	\$ 6,177,887	\$ 5,304,153	\$ 11,482,040
Investments	741,803	+ -, ,	741,803
Receivables, net	1,018,111	623,079	1,641,190
Unbilled revenue	-	607,171	607,171
Internal Balances	77,187	(77,187)	<u>-</u>
Inventories	-	286,273	286,273
Restricted assets	4.005	9,698,557	9,698,557
Other assets Capital assets not being appreciated	1,365	13,704	15,069
Capital assets, net	4,199,239 <u>14,105,115</u>	309,356 <u>18,329,304</u>	4,508,595 32,434,419
•			
Total Assets	26,320,707	<u>35,094,410</u>	61,415,117
Deferred outflows of resources			
Deferred charges from refunding		<u>360,126</u>	<u>360,126</u>
Total Assets & Deferred Outflows of	\$26,320,707	<u>\$35,454,536</u>	<u>\$61,775,243</u>
Resources			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 576,063	\$ 230,592	\$ 806,655
Customer meter deposits	-	224,691	224,691
Accrued interest	63,303	-	63,303
Noncurrent liabilities;			
Due within one year:	400,000	400.000	000 000
Bonds and warrants payable Capital leases	420,000 19,006	400,000 77,340-	820,000 96,346
Compensated absences	33,243	77,340-	33,243
Due in more than one year	33,243		33,243
Bonds and warrants payable	8,515,000	17,186,487	25,701,487
Capital leases	864,920	211,608	1,076,528
OPEB payable	690,871	-	690,871
Compensated absences	299,190	44,680	343,870
Total Liabilities	<u>11,481,596</u>	18,375,398	29,856,994
NET POSITION			
Net investment in capital assets	8,485,428	9,625,354	18,110,782
Restricted for:	-,, -	-,,	-, -, -
Capital projects	1,446,726	-	1,446,726
Special revenues (gas tax and road projects)	1,531,967	-	1,531,967
Special revenues (ad valorem tax for schools)	35,237	-	35,237
Special revenues (public safety)	111,512	-	111,512
Debt service fund		1,710,193	1,710,193
Unrestricted	3,228,241	<u>5,743,591</u>	<u>8,971,832</u>
Total Net Position	<u>\$14,839,111</u>	<u>\$17,079,138</u>	<u>\$31,918,249</u>

The primary government assets of the City of Talladega exceeded its liabilities by \$35,167,593 as of September 30, 2014. However, 52% reflects the City's investment in capital assets, less any related debt still outstanding that was issued to acquire those items. The City of Talladega uses these capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City of Talladega's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay the debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional total of \$4,413,353 represents net assets that are subject to external restrictions on how they may be used. The remaining balance of net assets totaling \$12,523,679 – an increase of \$3.5 million - is unrestricted.

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 continued to be utilized on a number of system improvement projects, including the rehabilitation of the Harmon Park Well, Water Treatment Plant Filter Rehabilitation, Inflow and Infiltration Studies, the replacement of water and sewer lines, and pump upgrades at the Main Wastewater Plant.

General Fund Budgetary Highlights

Total revenues for the year were \$333,294 above the budgeted amount of \$14,244,648. The primary source of this overage in operating revenue was an increase in sales & use taxes, partially due to audit revenue received. An accounting change led to the unfavorable variance in automobile sales tax of \$18,022, with an offsetting increase to the automobile license category of \$26,670.

Overall, expenditures were \$1,032,029 under the original budgeted amount, with all departments realizing a favorable variance. This variance reflects considerable budgetary oversight, conservative spending throughout the year and the continuance of cost savings measures first implemented in FY 2011. The 2014 budget reflects the line item changes implemented in FY 2013 to better reflect the nature of various activities such as garbage collection and personnel related expenses. Detailed information regarding the General Fund budget to actual amounts may be found in the Required Supplementary Information, pages 45-49.

Statement of Activities For the Year Ended September 30, 2014

		Program F Fees, Fines and		Capital	а	Net (Expense) Rever nd Changes in Net A	
Functions	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business Activities	s-type Total
Governmental Activities: General government Public safety: Public works Parks and Recreation Unallocated depreciation expense Interest on long-term debt Total Governmental Activities	\$ 3,503,698 5,403,512 3,115,086 1,071,582 1,474,028 414,495 14,982,401	\$ 63,365 1,030,795 - 183,513 - - 1,277,673	\$ 45,816 19,749 161,364 115,945 - - - - - - 342,874	12,192	- (772,124) - (1,474,028) - (414,495)	\$ - - - - -	\$ (3,394,517) (4,352,968) (2,941,530) (772,124) (1,474,028) (414,495) (13,349,662)
Business-type Activities: Water and sewer Total Business-type Activities	6,151,870	7,226,160			<u> </u>	1,074,290	1,074,290
Total Primary Government	\$ 21,134,271	\$ 8,503,833	\$ 342,874	\$ 12,192	<u>\$ (13,349,662)</u>	\$ 1,074,290	<u>\$ (12,275,372)</u>
	Grants not restric Payments from C Miscellaneous rev Interest income	s licenses and permi ted to specific progra ity of Talladega venues			1,343,348 9,387,153 570,309 2,160,893 - - 96,303 18,244	- - - - - 1,894,205 17,004	1,343,348 9,387,135 570,309 2,160,893 - - 1,990,508 35,248
	Gain on sale of as Transfers Total Gener a	sset al Revenues and Tı	ransfers		37,257 1,038,602 14,652,109	(1,038,602) 872,607	37,257 - 15,524,716
	Change in Net Pos	sition			1,302,447	1,946,897	3,249,344
	Net Position, Begi Net Position, End	-			14,839,111 \$ 16,141,558	17,079,138 <u>\$ 19,026,035</u>	31,918,249 <u>\$ 35,167,593</u>

Statement of Activities For the Year Ended September 30, 2013

		Program I Fees, Fines and Charges for	Revenues Operating Grants and	Capital Grants and		Net (Expense) Reven nd Changes in Net As Business	ssets
Functions	Expenses	Services	Contributions	Contributions	Activities	Activities	Total
Governmental Activities:							
General government	\$ 4,032,660	\$ 128,815	\$ 128,001	\$ -	(3,755,844)	\$ -	\$ (3,775,844)
Public safety:	4,912,782	758,321	72,264	-	(4,082,197)		(4,082,197)
Public works Parks and Recreation	3,201,587 964,970	- 174,458	412,428 16,503	34,431	(2,754,728) (774,009)	-	(2,754,728) (774,009)
Unallocated depreciation expense	1,498,964	174,430	10,505	_	(1,498,964)	<u>-</u>	(1,498,964)
Interest on long-term debt	428,798	_	_	_	(428,798)	_	(428,798)
Total Governmental Activities	15,039,761	1,061,594	629,196	34,431		-	(13,314,540)
Business-type Activities:							
Water and sewer	5,966,932	6,920,902	_	_	_	953,970	953,970
Total Business-type Activities	0,000,002	0,020,002					
Total Primary Government	\$ 21,006,693	<u>\$ 7,982,496</u>	\$ 629,196	<u>\$ 34,431</u>	<u>\$ (13,314.540</u>)	<u>\$ 953,970</u>	<u>\$ (12,360,570)</u>
	General Revenues	s:					
	Taxes:						
	Ad Valorem				1,340,602	-	1,340,602
	Sales and Use				9,179,239	-	9,179,239
	Other	Parameter and a const	1-		379,632	-	379,632
		licenses and permi ted to specific progr			1,868,145	-	1,868,145
	Payments from C		allis		-		-
	Miscellaneous re				17,094	49,577	66,671
	Interest income	011400			16,739	13,565	30,304
	Gain on sale of a	sset			96,989	-	96,989
	Transfers				922,718	(922,718)	
	Total Genera	al Revenues and T	ransfers		13,821,158	(859,576)	12,961,582
	Change in Net Pos	sition			506,618	94,394	601,012
	Net Position, Begi	nning of Year			14,606,605	17,584,218	32,190,823
	Restatement				(274,112)	(599,474)-	(873,586)
	Net Position at be year, restated	ginning of			14,332,493	16,984,744	31,317,237
	Net Position, End	of Year			\$ 14,839,111	\$ 17,079,138	\$ 31,918,249

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, 2014, totals \$38,578,665. These assets include buildings, land, equipment, facilities and vehicles. Additional detailed information on the capital assets may be found in the notes to the financial statements Note 7 on pages 31-32.

Long-term Debt: As of September 30, 2014, the City of Talladega governmental funds had bonded debt outstanding of \$8,515,000 consisting of three General Obligation Warrants. Interest paid on long-term debt was \$422,748. In addition, the City has entered into two capital leases with terms up to 10 years. These leases had a balance of \$865,664 at 2014 fiscal year end. The Water and Sewer Department of the City had revenue bonds outstanding in the amount of \$17,177,728 and one capital lease outstanding in the amount of \$211,608 as of September 30, 2014. Additional detailed information on long-term debt may be found in the notes to the financial statements Note 11 on pages 34-38.

Economic Factors

The City of Talladega continues to be heavily dependent on sales tax revenue, which accounts for approximately 61% of total General Fund operating revenues. Sales tax revenue realized a variance of \$387,253 over the original budget, approximately 60% of that variance resulting from audits of existing businesses and should not be considered as a recurring source of revenue. Operating revenue exceeded expectations during this fiscal year; again, much of this is attributed to the one time receipt of revenue from business license and sales tax audits. Utility company business licenses increased a nominal 2% and building permits were approximately 10% less than projected. The City continues to exhibit few indicators of substantive growth, with revenues remaining largely stagnant. In the absence of pronounced revenue growth, the City must still meet increases in areas such as healthcare costs, employee salaries, and retirement costs. The City has initiated the practice of setting aside funds to offset its Other Post-Employment Benefits (OPEB) liability, but should remain diligent in continuing to contribute over and above the pay as you go annual rate. As a result of the aforementioned sluggish growth, the City should remain diligent in keeping in place various cost saving measures from previous years, and examine closely the long-term financial effect of any proposed spending.

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 Statement of Net Position

September 30, 2014		Commonant			
	Governmenta Activities	al E	Business-type Activities	Total	Component Units
	7100.710.00		71001710100		
Assets					
Cash and cash equivalents	\$ 7,516,724	1 \$	7,769,949	\$ 15,286,673	\$ 5,696,841
Investments	739,441	L	-	739,441	4,297,370
Receivables, net	940,144	1	568,148	1,508,292	3,693
Unbilled revenue		-	660,123	660,123	-
Internal balances	84,706	õ	(84,706)	-	-
Due from other governments		-	-	-	1,159,162
Inventories		-	284,335	284,335	-
Restricted assets		-	7,104,087	7,104,087	-
Other assets	42,273	3	13,846	56,119	131,302
Capital assets not being depreciated	5,170,653		2,155,521	7,326,174	-
Capital assets, net of accumulated depreciation	12,912,511		18,339,980	31,252,491	10,325,585
				,,	
Total assets	27,406,452	2	36,811,283	64,217,735	21,613,953
Deferred outflows of resources					
Deferred charges from refunding			317,844	317,844	-
Total assets and deferred outflows of resources	27,406,452	2	37,129,127	64,535,579	21,613,953
Liabilities					
Bank overdraft		-	-	-	335,305
Accounts payable and accrued liabilities	667,136	5	434,076	1,101,212	2,564,149
Customer meter deposits		-	236,767	236,767	-
Accrued interest	60,363	3	-	60,363	-
Noncurrent liabilities:					
Due within one year:					
Bonds and warrants payable	420,000)	405,000	825,000	-
Capital leases	56,546	õ	78,429	134,975	-
Compensated absences	36,224	1	-	36,224	-
Due in more than one year:					
Bonds and warrants payable	8,095,000)	16,772,729	24,867,729	-
Capital leases	809,118	3	133,179	942,297	-
OPEB payable	794,493	3	· -	794,493	-
Compensated absences	326,014	1	42,912	368,926	82,989
Total liabilities	11,264,894	1	18,103,092	29,367,986	2,982,443
Not position					
Net position	0 703 500	1	0.630.064	10 220 564	10 225 505
Net investment in capital assets	8,702,500	J	9,528,061	18,230,561	10,325,585
Restricted for:	4 000 00	_		4 020 00=	2 244 522
Capital projects	1,029,835		-	1,029,835	2,244,502
Special revenues (gas tax and road projects)	1,656,563		-	1,656,563	-
Special revenues (ad valorem tax for schools)	33,979		-	33,979	662,498
Special revenues (public safety)	244,564	1	-	244,564	-
Debt service fund		-	1,448,412	1,448,412	-
Unrestricted	4,474,117	7	8,049,562	12,523,679	5,398,925
Total net position	\$ 16,141,558	3 Ś	19,026,035	\$ 35,167,593	\$18,631,510

City of Talladega, Alabama Government-wide Statement of Activities

Year ended September 30, 2014

		Program Revenues					
					Operating	Ca	pital Grants
			Charges for	(Grants and		and
Program Activities	Expenses		Services	C	ontributions	Co	ntributions
Primary government							_
Governmental activities:							
General government administration	\$ 3,503,698	\$	63,365	\$	45,816	\$	-
Public safety	5,403,512		1,030,795		19,749		-
Public works	3,115,086		-		161,364		12,192
Parks and recreation	1,071,582		183,513		115,945		-
Unallocated depreciation expense	1,474,028		-		-		-
Interest on long-term debt	414,495		-		-		
Total governmental activities	14,982,401		1,277,673		342,874		12,192
Business-type activities:							
Water and sewer	6,151,870		7,226,160		-		_
Total primary government	\$ 21,134,271	\$	8,503,833	\$	342,874	\$	12,192
Component units:							
Board of Education	\$ 21,670,377	\$	1,662,268	\$	15,709,309	\$	624,282
Municipal Airport Board	2,046,581		294,724		1,679,290		-
Heritage Hall	70,984		26,502		_		
Total Component Units	\$ 23,787,942	\$	1,983,494	\$	17,388,599	\$	624,282

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 and transfers Change in net position

Net position at beginning of year

Net position at end of year

	let (Expense) F	Revenue and Chang	ges i	n Net Assets	(Component Units
<u> </u>		Dusiness tune				
G	overnmental Activities	Business-type Activities		Total		Totals
	Activities	Activities		iotai		Totals
\$	(3,394,517)	\$ -	\$	(3,394,517)		_
Y	(4,352,968)	-	Υ	(4,352,968)		_
	(2,941,530)	-		(2,941,530)		-
	(772,124)	-		(772,124)		-
	(1,474,028)	-		(1,474,028)		_
	(414,495)			(414,495)		-
	(13,349,662)	-		(13,349,662)		
	(-// /			(-,,,		
	-	1,074,290		1,074,290		-
	(13,349,662)	1,074,290		(12,275,372)		-
	-	-		-	\$	(3,674,518)
	-	-		-		(72,567)
	-	-		-		(44,482)
	-	-		-		(3,791,567)
	1,343,348	-		1,343,348		2,030,563
	9,387,153	-		9,387,153		1,901,998
	570,309	-		570,309		141,402
	2,160,893	-		2,160,893		-
	-	-		-		83,750
	-	-		-		29,707
	96,303	1,894,205		1,990,508		452,473
	18,244	17,004		35,248		20,378
	37,257	-		37,257		-
	1,038,602	(1,038,602)		-		-
	14,652,109	872,607		15,524,716		4,660,271
	1,302,447	1,946,897		3,249,344		868,704
	14,839,111	17,079,138		31,918,249		17,762,806
\$	16,141,558	\$ 19,026,035	\$	35,167,593	\$	18,631,510

City of Talladega, Alabama Balance Sheet – Governmental Funds

September 30, 2014		General	1	Capital Projects Frust Fund	G	Other Governmental Funds		Total overnmental Funds
Assets								
	۲	1 171 267	۲	1,070,453	۲	2 272 004	۲	7 516 724
Cash and cash equivalents Investments	Ş	4,174,267	Ş	1,070,453	\$	2,272,004	\$	7,516,724
		-		-		739,441		739,441
Receivables, net		794,588		-		145,556		940,144
Due from other funds		84,706		-		-		84,706
Other assets		42,273		_		-		42,273
Total assets	\$	5,095,834	\$	1,070,453	\$	3,157,001	\$	9,323,288
Liabilities								
Accounts payable and accrued liabilities	\$	447,224	\$	56,088	\$	163,824	\$	667,136
Fund balance				4 044 265		4 040 076		2.064.244
Restricted		-		1,014,365		1,949,976		2,964,341
Committed		-		-		856,677		856,677
Assigned		500,000		-		186,524		686,524
Unassigned:								
General fund		4,148,610		-		-		4,148,610
Total fund balance		4,648,610		1,014,365		2,993,177		8,656,152
Total liabilities and fund balance	\$	5,095,834	\$	1,070,453	\$	3,157,001	\$	9,323,288

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

September 3	30, 2014
-------------	----------

3cptcmbcr 30, 2014		
Fund balance - total governmental funds		\$ 8,656,152
Amounts reported for governmental activities in the		
statement of net assets are different because:		
Capital assets used in governmental activities are not		
current financial resources and therefore are not reported		
in the governmental funds balance sheet.		
Those assets consist of:		
Governmental capital assets not being depreciated	\$ 5,170,653	
Governmental capital assets being depreciated	57,706,401	
Less accumulated depreciation	(44,793,890)	18,083,164
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	(60,363)	
Bonds and warrants payable	(8,515,000)	
Capital lease obligations	(865,664)	
OPEB liability	(794,493)	
Compensated absences	(362,238)	(10,597,758)
Net position of governmental activities		\$ 16,141,558

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

Year ended September 30, 2014	General	Capital Projects Trust Fund	Other Governmental Funds	Total Governmental Funds
rear chaca september 30, 2014	General	Trust runu	Tanas	Tanas
Revenues				
Taxes	\$ 10,711,158	\$ -	\$ 589,652	\$ 11,300,810
Licenses and permits	2,160,893	-	· -	2,160,893
Charges for services	280,684	-	996,989	1,277,673
Federal and state grants	135,511	8,015	211,540	355,066
Interest	6,507	700	11,037	18,244
Other revenues	155,205	-	-	155,205
Total revenues	13,449,958	8,715	1,809,218	15,267,891
Expenditures				
General government	1,248,193	18,038	745,174	2,011,405
Public safety	4,511,758	-	891,754	5,403,512
Public works	2,860,633	-	254,453	3,115,086
Recreation	1,071,582	-	-	1,071,582
Other boards and agencies	291,524	-	-	291,524
Non-departmental	1,057,294	-	-	1,057,294
Capital outlay	87,201	1,168,806	18,476	1,274,483
Debt service:				
Principal	-	-	436,649	436,649
Interest	-	-	417,435	417,435
Miscellaneous	600	-	11,061	11,661
Total expenditures	11,128,785	1,186,844	2,775,002	15,090,631
Excess of revenues				
over (under) expenditures	2,321,173	(1,178,129)	(965,784)	177,260
Other financing sources (uses):				
Transfers in	195,530	725,000	1,387,806	2,308,336
Transfers out	(2,112,806)	723,000	(195,530)	(2,308,336)
Transfer from Water and Sewer	(2,112,600)	-	(193,330)	(2,306,330)
	022 454	106 140		1 020 002
Department Total other financing	932,454	106,148	-	1,038,602
sources (uses)	(004.033)	021 140	1 102 276	1 020 002
sources (uses)	(984,822)	831,148	1,192,276	1,038,602
Net change in fund balances	1,336,351	(346,981)	226,492	1,215,862
Fund balance, beginning of year	3,312,259	1,361,346	2,766,685	7,440,290
Fund balance, end of year	\$ 4,648,610	\$1,014,365	\$ 2,993,177	\$ 8,656,152

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

September 30, 2014

Net change in fund balances - total governmental funds		\$ 1,215,862
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 Less current year depreciation and amortization	\$ 1,274,453 (1,474,029)	(199,576)
The net effect of transactions involving the sale of capital assets is to decrease net assets.		(21,614)
Bond proceeds provide current financial resources to governmental funds, but the repayment reduces long-term liabilities in the statement of assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Net change in long-term debt from bond proceeds, payment of principal, and refunding of debt.		420,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest Change in OPEB liability Change in capital lease, net Change in long-term compensated absences, net	2,940 (103,622) 18,262 (29,805)	(112,225)
Change in net assets of governmental activities		\$ 1,302,447

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

September 30, 2014	
Assets	
Current assets	
Cash and cash equivalents	\$ 7,769,949
Accounts receivable (net of \$492,996 allowance for doubtful accounts)	568,148
Unbilled revenue	660,123
Accrued interest	205
Prepaid expenses	10,641
Inventory of supplies	284,335
Total current assets	9,293,401
Noncurrent assets	
Noncurrent restricted assets	
Cash and cash equivalents	7,104,087
Utility plant and equipment	
Land and improvements	389,890
Buildings and improvements	34,728,012
Machinery and equipment	3,933,604
Construction in progress	1,876,195
	40,927,701
Less accumulated depreciation	20,432,200
Total utility plant and equipment	20.495.501

Utility plant and equipment	
Land and improvements	389,890
Buildings and improvements	34,728,012
Machinery and equipment	3,933,604
Construction in progress	1,876,195
	40,927,701
Less accumulated depreciation	20,432,200
Total utility plant and equipment	20,495,501
	_
Other assets	
Street deposit	3,000
Total other assets	3,000
	_
Total noncurrent assets	27,602,588
Deferred outflows of resources	
Deferred charges from refunding	317,844
Total assets and deferred outflows of resources	\$ 37,213,833

September 30, 2014

3cptc///bc/ 30, 2014	
Liabilities and net position	
Current liabilities	
Accounts payable and accrued expenses	\$ 434,076
Due to the City	84,706
Current portion of long-term debt	483,429
Total current liabilities	1,002,211
Noncurrent liabilities	
Accrued annual leave	42,912
Capital lease payable	133,179
Customer meter deposits	236,767
Revenue bonds payable, net	16,772,729
Total noncurrent liabilities	17,185,587
Total liabilities	18,187,798
Net position	
Net investment in capital assets	9,528,061
Restricted for:	
Debt service	1,211,645
Customer deposits	236,767
Unrestricted	8,049,562
Total net position	19,026,035

Total liabilities and net position	\$ 37,213,833

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

Year ended September 30, 2014		
Operating revenues	.	2 405 407
Water revenues	\$	3,405,407
Sewer revenues		2,584,343
Garbage revenues		966,262
Other operating revenues		270,148
Total operating revenues		7,226,160
		-
Operating expenses		
Water and sewer department expenses		964,198
Waste water plants		1,034,919
Water filters and wells		770,930
General and administrative expenses		1,534,692
Depreciation and amortization		1,095,307
Total operating expenses		5,400,046
Operating income		1,826,114
Namenavaking income (average)		
Nonoperating income (expense) Interest income		17.004
		17,004
Miscellaneous income		1,894,205
Interest expense		(751,824)
Total nonoperating income (expense)		1,159,385
Total Honoperating income (expense)		1,133,383
Total income		2,985,499
Transfers		
Transfers out		(1,038,602)
		(
Total transfers		(1,038,602)
Change in net position		1,946,897
•		•
Net position, beginning of year		17,079,138
Net position, end of year	\$	19,026,035

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

On question a activities		
Operating activities	,	7 220 420
Cash received from customers	\$	7,228,139
Cash paid to suppliers		(2,570,806)
Cash paid to employees		(1,477,299)
Net cash and cash equivalents provided by operating activities		3,180,034
Non-capital financing activities		
Transfers to other departments		(1,038,602)
Net cash and cash equivalents (used by) noncapital financing activities		(1,038,602)
Capital and related financing activities		
Acquisition and construction of capital assets		(2,952,151)
Principal payments for items under capital lease		(77,340)
Proceeds from county \$0.02 tax distribution		1,894,205
Principal paid on long-term debt		(400,000)
Interest paid on long-term debt and capital lease obligations		(751,824)
Net cash and cash equivalents (used by) by capital and		
related financing activities		(2,287,110)
		_
Investing activities		
Interest received on investments		17,004
Net cash and cash equivalents provided by investing activities		17,004
Not increase in each and each equivalents		(128,674)
Net increase in cash and cash equivalents		(120,074)
Cash and cash equivalents, beginning of year		15,002,710
Cash and cash equivalents, end of year	\$	14,874,036

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

Year ended September 30, 2014

Reconciliation of net income to net cash provided (used) by operating activities:		
Operating income	\$	1,826,114
Adjustments to reconcile operating income to net cash provided by operating activities:	T	- , ,
Depreciation and amortization of bond costs		1,095,307
Amortization of premium and deferred charges		33,524
Change in assets and liabilities:		
Accounts receivable		54,931
Unbilled revenue		(52,952)
Prepaid expenses		(142)
Inventory of supplies		1,938
Accounts payable and accrued expenses		203,487
Due to City		7,519
Accrued annual leave		(1,768)
Customer deposits		12,076
Net cash provided by operating activities	\$	3,180,034

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

September 30, 2014

		Talladega		Talladega				
	(City Board		Municipal		Heritage		
	0	f Education	/	Airport Board		Hall		Total
Assets								
Cash and cash equivalents	\$	5,231,398	\$	440,538	\$	24,905	\$	5,696,841
Investments	*	3,043,038	7	1,181,154	Ψ.	73,178	,	4,297,370
Due from other governments		989,861		169,301				1,159,162
Due from other funds		-		862		_		862
Accrued interest receivable		-		2,831		_		2,831
Other assets		126,128		5,174		-		131,302
Capital assets, net		10,325,005		580		-		10,325,585
Total assets	\$	19,715,430	\$	1,800,440	\$	98,083	\$	21,613,953
Liabilities								
Bank overdraft	\$	335,305	\$		\$		\$	335,305
Accounts payable and accruals	Ş	2,291,494	Ş	178,983	Ş	_	Ą	2,470,477
Due to other governments		2,291,494		92,810		_		92,810
Due to other funds		-		92,810 862		_		862
Compensated absences		82,989		802		_		82,989
Compensated absences		62,363						02,303
Total liabilities		2,709,788		272,655		-		2,982,443
Net position								
Net investment in capital assets		10,325,005		580		_		10,325,585
Restricted		2,915,047		(8,047)		_		2,907,000
Unrestricted		3,765,590		1,535,252		98,083		5,398,925
		· · ·				·		
Total net position	\$	17,005,642	\$	1,527,785	\$	98,083	\$	18,631,510

City of Talladega, Alabama Statement of Activities – Component Units

Year ended September 30, 2014

		Program Revenues				
			Operating	Capital Grants		
		Charges for	Grants and	and		
Program Activities	Expenses	Services	Contributions	Contributions		
Talladega City Board of Education						
Education	\$21,670,377	\$ 1,662,268	\$ 15,709,309	\$ 624,282		
Talladega Municipal Airport Board						
Community Development	2,046,581	294,724	1,679,290	-		
Heritage Hall						
Culture and recreation	70,984	26,502	-	<u>-</u>		
Total component units	\$23,787,942	\$ 1,983,494	\$ 17,388,599	\$ 624,282		

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 position
Net position at beginning of year
Net position at end of year

Net (Expense) Revenue and Changes in Net Position						
Ta	lladega City	Talladega			_	
	Board of	Municipal				
	Education	Airport Board	Heritage Hall		Total	
\$	(3,674,518)	\$ -	\$ -	\$	(3,674,518)	
	-	(72,567)	-		(72,567)	
	-	-	(44,482)		(44,482)	
	(3,674,518)	(72,567)	(44,482)		(3,791,567)	
	4.070.000				4.070.060	
	4,073,963	-	-		4,073,963	
	-	-	29,707		29,707 -	
	83,750	-	-		83,750	
	20,365	-	13		20,378	
	452,473	-	-		452,473	
	4,630,551	-	29,720		4,660,271	
	956,033	(72,567)	(14,762)		868,704	
	16,049,609	1,600,352	112,845		17,762,806	
\$	17,005,642	\$ 1,527,785	\$ 98,083	\$	18,631,510	

<u>Note</u>	Page #
Note 1—Organization and Reporting Entity	17
Note 2—Summary of Significant Accounting Policies	18
Note 3—Cash and Cash Equivalents	28
Note 4—Receivables and Unbilled Revenue	29
Note 5—Inventory of Supplies	30
Note 6—Restricted Assets	30
Note 7—Capital Assets	31
Note 8—Accounts Payable and Accrued Liabilities	32
Note 9—Interfund Transfers	33
Note 10—Interfund Receivables and Payables	34
Note 11—Long-Term Debt	34
Note 12—Post-Employment Benefits	39
Note 13—Deferred Charges from Refunding	41
Note 14—Restricted Fund Balances	41
Note 15—Employee Retirement Plan	42
Note 16—Commitments and Contingencies	43
Note 17—Risk Management	43
Note 18—Future Accounting Pronouncements	43

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

A. Organization

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

B. Reporting entity

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

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

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

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, appoints the members of the Board, and because of the existence of a financial benefit/burden relationship. 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 because of the existence of a financial benefit/burden relationship. The audited information for the Talladega Municipal Airport Board is included in this report.

Audited financial statements for the Talladega City Board of Education and Talladega Municipal Airport Board are available at City Hall. 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 Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts — net investment in capital assets, restricted, and unrestricted.

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 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.

C. Government-wide financial statements

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains, 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 1st.
- Expenditures in excess of the originally approved budget are not formally approved by the City Council until an amended budget is adopted.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation indenture provisions.
- All budget appropriations lapse at year end.
- The basis of accounting for the budget is the same as used in the governmental fund accounting (generally accepted accounting principles).

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 1st each year. These taxes are due October 1st but do not become delinquent until January 1st after which penalties are levied.

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

G. Program revenues

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

H. Cash and investments

Cash and investments consist of cash, government securities, 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.

I. Receivables and unbilled revenues

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

J. Inventories

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Customer meter deposits

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

L. Capital assets

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

Government-wide financial statements

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

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

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

40 years
40 years
5-10 years
5 years
5-10 years

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated absences (continued)

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.

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 long-term debt. 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, 2014 reported in the government-wide financial statements is \$36,224. The remaining long-term incurred portion of the accrued vacation of the governmental activities at September 30, 2014 totaled \$326,014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-term liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the 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.

N. 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.

O. Equity classifications

Government-wide financial statements

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Equity classifications

Fund Financial Statements

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

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

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

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

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

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

Assigned Fund Balance- comprised of amounts intended to be used by the City for specific purposes that are neither restricted not committed. Intent is expressed by a body (for example a budget or finance committee) or official to whom the City Council has delegated the authority to assign amounts to be used for specific purposes. The City Council has delegated such authority to the City Manager.

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

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

The City has committed \$856,677 of the Other Governmental Funds fund balance to maintain the City's Cemetery.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Equity classifications (continue)

Fund Financial Statements (continued)

The City has assigned \$186,524 of the Other Governmental Funds fund balance for the City's Library.

The City has assigned \$500,000 of the General Fund fund balance for OPEB contributions.

Q. 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 governmentwide 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 governmentwide statements eliminate interfund transfers and receivables/payables as reported within the segregated governmental and business activities column. Only transfers receivables/payables between the two columns appear in this statement, which zero in total.

R. Use of estimates

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

S. 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-vear financial statements.

T. Subsequent events

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

NOTE 3 – CASH AND CASH EQUIVALENTS

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

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

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

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

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

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

The City's governmental activities deposits, including certificates of deposit were fully insured or collateralized at September 30, 2014. At year-end, the carrying amount of the City's cash and cash equivalents was \$7,516,724. Investments consist of certificates of deposit, U. S. Treasury Notes and other fixed income securities totaling \$739,441. 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, 2014 was \$7,769,949. Restricted cash consisted of cash of \$7,104,087. 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, 2014:

Receivables:

Taxes receivable	\$ 794,588
Restitution receivable	51,737
Other receivables	93,819
Gross receivables	940,144
Net receivables	\$ 940,144

NOTE 4 – RECEIVABLES AND UNBILLED REVENUE (CONTINUED)

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

Net accounts receivable	\$ 568.148
Less: allowance for doubtful accounts	532,982
Accounts receivable	\$ 1,101,130

Unbilled revenues receivable at September 30, 2014 was \$660,123.

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, 2014 was \$284,335.

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, 2014 monies held in trust were \$7,104,087 and customer deposits were \$236,767.

NOTE 7 – CAPITAL ASSETS

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2014:

	Balance at 9/30/2013	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2014
Capital assets not being				_
depreciated:				
•	3,832,454	\$ -	\$ -	\$ 3,832,454
Construction progress	366,785	1,032,728	(61,314)	1,338,199
Total capital assets not being				
depreciated	4,199,239	1,032,728	(61,314)	5,170,653
Conital acceptable in a				
Capital assets being depreciated:				
Building and improvements	13,645,209	34,885	(436,962)	13,243,132
Infrastructure	38,692,978	26,429	436,962	39,156,369
Machinery and equipment	5,133,104	241,725	(67,929)	5,306,900
		•	· · · ·	
Total capital assets being				
depreciated	57,471,291	303,039	(67,929)	57,706,401
I are accommodated				
Less accumulated depreciation for:				
Building and improvements	7,099,097	393,503	_	7,492,600
Infrastructure	32,870,579	719,566	_	33,590,145
Machinery and equipment	3,396,500	360,960	(46,315)	3,711,145
Total accumulated	, ,	,	, , ,	, ,
depreciation	43,366,176	1,474,029	(46,315)	44,793,890
				_
Total capital assets being				
depreciated, net	14,105,115	(1,170,990)	(21,614)	12,912,511
		·	<u> </u>	
Governmental activities capital				
assets, net	\$ 18,304,354	\$ (138,262)	\$ (82,928)	\$ 18,083,164

Depreciation expense was charged to governmental functions as follows:

General government administration		394,425
Public safety		608,295
Public works		350,677
Parks and recreation		120,632
Total depreciation expense	\$	1,474,029

NOTE 7 - CAPITAL ASSETS (CONTINUED)

The following is a summary of additions and retirements to capital assets associated with the Water and Sewer Department during the year ended September 30, 2014:

	Balance at 9/30/13	Additions	Deletions	Balance at 9/30/14
Land (not depreciable)	\$ 279,326	\$ -	\$ -	\$ 279,326
Land improvements	99,307	11,257	-	110,564
Buildings and improvements	34,159,778	568,234	-	34,728,012
Machinery and equipment	3,357,752	575,852	-	3,933,604
Construction in process	82,475	1,793,720	_	1,876,195
Total fixed assets	37,978,638	2,949,063	-	40,927,701
Less accumulated depreciation:				
Land improvements	21,522	2,532	-	24,054
Buildings and improvements	17,191,796	888,519	-	18,080,315
Machinery and equipment	2,123,575	204,256	-	2,327,831
Total accumulated depreciation	19,336,893	1,095,307	-	20,432,200
Utility plant, net	\$18,641,745	\$ 1,853,756	\$ -	\$20,495,501

Depreciation expense at September 30, 2014 was \$1,095,307.

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for governmental activities at September 30, 2014 were as follows:

Accounts payable	\$ 465,843
Accrued salaries and wages	56,566
Payroll liabilities	26,830
Other liabilities	117,897
Total	\$ 667,136

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (CONTINUED)

Accounts payable and accrued expenses for the Water and Sewer Department consisted of the following at September 30, 2014:

Accounts payable	\$ 297,567
Payroll liabilities	19,531
Accrued interest payable	58,278
Accrued salaries and wages	15,672
Compensated absences	43,028
Total	\$ 434,076

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, 2014:

	Transfers	Transfers	
	In	Out	
General fund			
Other nonmajor funds	\$ 195,530	\$1,387,806	
Capital projects funds	-	725,000	
Total general fund	195,530	2,112,806	
Capital projects trust fund			
General fund	725,000		
Total capital projects trust fund	725,000	-	
Other nonmajor funds			
General fund	1,387,806	195,530	
Total nonmajor funds	1,387,806	195,530	
Total interfund transfers	\$2,308,336	\$2,308,336	

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, 2014:

	Interfund Receivable	Interfund Payable		
General fund				
Water and Sewer Department	\$ 84,706	\$	-	
Water and Sewer Department				
General fund	-		84,706	
Total interfund receivable/payable	\$ 84,706	\$	84,706	

NOTE 11 – LONG-TERM DEBT

The general and limited obligation bonds/warrants and notes of the City include the following at September 30, 2014:

\$4,905,000; 2007 Series General Obligation Warrants; due at rates ranging from 3.75% to 4.25% per annum; maturing August 1, 2027.	\$ 3,865,000
\$2,070,000; 2008 Series General Obligation Warrants; due at rates ranging from 2.50% to 5.00% per annum; maturing August 1, 2027.	1,565,000
\$3,650,000; 2008 Series General Obligation Warrants; due at rates 3.00% to 5.125% per annum; maturing August 1, 2033.	3,085,000
Total obligations/warrants payable	\$ 8,515,000

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Bonds and warrants payable

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

1			
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September 30,	Principal		Interest	st To	
2015	\$ 425,000	\$	376,378	\$	801,378
2016	445,000		359,783		804,783
2017	465,000		341,983		806,983
2018	485,000		323,268		808,268
2019	505,000		303,748		808,748
2020 – 2024	2,870,000		1,177,038		4,047,038
2025 – 2029	2,425,000		489,468		2,914,468
2030 – 2034	895,000		117,619		1,012,619
Total	\$ 8,515,000	\$	3,489,285	\$	12,004,285

Interest paid on long-term debt was \$422,748 for the year ended September 30, 2014.

Capital leases payable

The City has entered into capital leases for various amounts with terms up to 10 years. The lease purchase value of the equipment totals \$1,339,521. These assets have been added to the capital asset list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2014 are as follows:

		sent value minimum				
Fiscal year ending		lease			T	otal lease
September 30,	payments		payments Interest		F	payments
2015	\$	56,546	\$	23,008	\$	79,554
2016		51,422		20,578		72,000
2017		54,781		19,216		73,997
2018		60,241		17,759		78,000
2019		63,830		16,170		80,000
Thereafter		578,844		57,650		636,494
Total	\$	865,664	\$	154,381	\$	1,020,045

NOTE 11 – LONG-TERM DEBT (CONTINUED)

The changes in long-term debt for the governmental activities of the City for the year ended September 30, 2014 is as follows:

Description	Beginning Balance 9/30/2013	Additions	Deletions	Ending Balance 9/30/2014	Due within one year
Bonds and warrants payable	\$ 8,935,000	\$ -	\$ 420,000	\$ 8,515,000	\$ 420,000
Capital leases	883,926	-	18,262	865,664	56,546
Compensated absences	332,433	220,320	190,515	362,238	36,224
OPEB liability	690,871	103,622	-	794,493	<u>-</u> _
Total changes in long-term debt	\$ 10,842,230	\$ 323,942	\$ 628,777	\$ 10,537,395	\$ 512,770

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.

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, 2014:

					Amount	
	Beginning balance			Ending Balance	Due Within	Interest
Description	9/30/2013	Additions	Deletions	9/30/2014	one year	paid
2010 Bonds	\$ 17,350,000 \$	- \$	(400,000) \$	16,950,000 \$	405,000 \$	714,750
Premium	236,488	-	(8,759)	227,729	8,759	_
Total	\$ 17,586,488 \$	- \$	(408,759) \$	17,177,729 \$	413,759 \$	724,550

NOTE 11 – LONG-TERM DEBT (CONTINUED)

Revenue bonds outstanding at September 30, 2014:

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.

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:

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September 30,	Principal	Interest	Total
2015	\$ 405,000 \$	708,750 \$	1,113,750
2016	415,000	700,650	1,115,650
2017	420,000	691,312	1,111,312
2018	435,000	680,813	1,115,813
2019	445,000	668,850	1,113,850
2020 – 2024	2,500,000	3,078,450	5,578,450
2025 – 2029	3,010,000	2,554,350	5,564,350
2030 – 2034	3,675,000	1,890,875	5,565,875
2035 – 2039	4,585,000	975,250	5,560,250
2040 - 2045	1,060,000	53,000	1,113,000
Total	\$ 16,950,000 \$	12,002,300 \$	28,952,300

Capital Lease Payable

On May 20, 2013, the Water and Sewer Department entered into a capital lease agreement with Sun Trust Equipment Finance and Leasing Corporation to purchase equipment for \$314,488. The lease requires 48 monthly payments of \$6,741 with an annual interest rate of 1.4%. The balance at September 30, 2014 was \$211,608.

These assets have been added to the fixed asset list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2014 are as follows:

	Present		
	Value of		
	Minimum		Total
Fiscal year ending	Lease		Lease
September 30,	Payments	Interest	Payments
2015	\$ 78,429	\$ 2,461	\$ 80,890
2016	79,534	1,355	80,889
2017	53,645	282	53,927
Total	\$ 211,608	\$ 4,098	\$ 215,706

NOTE 12 – POST-EMPLOYMENT BENEFITS

Plan description

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

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

Funding policy

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. The City has assigned \$500,000 of General fund fund balance in the current year to begin funding the plan.

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, 2014:

Annual required contribution	\$ 230,501
Interest on net OPEB obligation	27,635
ARC adjustment	(21,888)
Annual OPEB cost	236,248
Contributions	-
Current year retiree premium	(132,626)
Change in net OPEB obligation	103,622
Beginning net OPEB obligation, beginning of year	690,871
Ending net OPEB obligation 9/30/2014	\$ 794,493

NOTE 12 – POST-EMPLOYMENT BENEFITS (CONTINUED)

			Percentage of		
			Annual Cost	N	let OPEB
Fiscal Year Ended	Annu	al OPEB Cost	Contributed	Obligation	
September 30, 2012	\$	226,251	56.32%	\$	564,343
September 30, 2013		248,489	49.08%		690,871
September 30, 2014		236,248	56.14%		794,493

Funded status and funding progress

As of October 1, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$3,443,973, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,443,973. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$7,222,578, and the ratio of the UAAL to the covered payroll equaled 47.68%.

Actuarial 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 October 1, 2014, 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 deferred outflow of resources. The unamortized portion of the deferred charges at September 30, 2014 were \$317,844.

NOTE 14 – RESTRICTED FUND BALANCES

The restricted fund balances in the amount of \$2,964,341 are restricted for various capital outlay projects and various other purposes. The following amounts are restricted:

- 1. \$651,027 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. \$1,005,537 is derived from the City's share of the Oil Trust Fund and is restricted for capital improvements.
- 3. \$1,014,365 is derived from sales tax receipts held in the Capital Projects Trust Fund.
- 4. \$33,979 was derived from the 2.5 Mil Property Tax Fund and is restricted for education.
- 5. \$159,444 was derived from the Corrections Fund and is restricted for corrections related functions.
- 6. \$84,955 is derived from the Brownfield Fund and is restricted for use on the Brownfield Project.
- 7. \$165 is derived from the Police Grant and is restricted for use on the Police Grant Fund.
- 8. \$7,110 is derived from grant monies held in the RBEG capital projects fund.
- 9. \$7,759 is derived from grant monies held in the Community Development capital projects fund.

City of Talladega, Alabama Notes to Financial Statement

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 2.206% of covered payroll except for certified policemen and firemen and the rate is 1.838%. The contribution requirements of plan members and the City are established, and may be amended, by the board of trustees of the plan.

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

			Entry Age					UAAL as a
Actuarial		Actu	uarial Accrued	Un	funded AAL			Percentage of
Valuation Date Sept. 30.	 ıarial Value of Assets (a)		ability (AAL) ntry Age (b)		(UAAL) (b-a)	Funded Ratio (a/b)	Covered Pavroll (c)	Covered Payroll (b-a/c)
<u> </u>	Assets (a)		iti y Age (b)		(6 4)	(u/ b/	r dyron (c)	(2 4/6)
2013	\$ 15,414,714	\$	21,950,438	\$	6,535,724	70.23%	\$ 6,313,746	103.50%

City of Talladega, Alabama Notes to Financial Statement

NOTE 16 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 17 – RISK MANAGEMENT

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

NOTE 18 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees

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

Required Supplementary	Information	

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

Year ended September 30, 2014		Original Budget		Final Budget		Actual	,	/ariance
		24484		2 4 4 8 4 4		71000.0.1		
Revenues								
Taxes								
Sales and use tax	\$	7,850,000	\$	7,850,000	\$	8,237,253	\$	387,253
Rental tax	Ψ	135,000	Ψ	135,000	Ψ	146,008	Υ	11,008
Lodging tax		130,000		130,000		156,088		26,088
Automobile sales tax		35,000		35,000		16,978		(18,022)
Motor vehicle license tax		3,500		3,500		3,494		(6)
Wholesale gasoline tax		190,000		190,000		199,571		9,571
Alcoholic beverage tax		20,000		20,000		19,508		(492)
Beer tax		110,000		110,000		108,748		(1,252)
Wine tax		5,000		5,000		4,875		(125)
Liquor tax - ABC profit		-		3,900		3,941		41
Cigarette tax		380,000		380,000		385,677		5,677
Alabama Gas franchise tax		47,000		47,000		54,725		7,725
Charter Cable franchise tax		178,000		178,000		189,639		11,639
10 mil property tax		1,040,000		1,040,000		1,071,589		31,589
Excise tax on financial institutions		80,000		80,000		82,668		2,668
County business privilege tax		30,000		30,000		30,396		396
Total taxes		10,233,500		10,237,400		10,711,158		473,758
Licenses								
Business license		975,000		1,235,000		1,272,205		37,205
Business license - Alabama Gas Corp.		127,200		147,500		147,556		56
Business license - Alabama Power Co.		669,100		662,000		662,094		94
Business license - Coosa Valley Electric		12,600		12,600		12,559		(41)
Business license - telephone		3,900		5,300		5,358		58
Alcohol license		50		50		225		175
Automobile license		14,000		14,000		40,670		26,670
Chauffeur license		90		90		70		(20)
Total licenses and permits		1,801,940		2,076,540		2,140,737		64,197
Permits								
Building permits		20,000		20,000		17,754		(2,246)
Miscellaneous permits		2,000		2,000		2,016		16
Yard sale permits		400		400		386		(14)
Total permits		22,400		22,400		20,156		(2,244)

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

Year ended September 30, 2014	Original Budget	Final Budget	Actual	Variance
	Dauget	Dauget	7100001	- Turiume
Revenues (continued)				
Fees				
Motor vehicle registration fees	\$ 1,000 \$	1,000	\$ 1,029	\$ 29
Returned check fees	150	150	155	5
Zoning fees	500	500	-	(500)
Total fees	1,650	1,650	1,184	(466)
Police department				
Impound fees	5,500	8,000	13,925	5,925
Click-it or Ticket grant	2,500	2,500	2,119	(381)
Accident reports	4,500	4,500	3,725	(775)
Sex offenders registration	1,230	1,230	1,218	(12)
Animal control revenue	70,000	70,000	70,605	605
I & O reports	2,800	2,800	2,715	(85)
Bail bond fees	1,500	1,500	1,680	180
Total police department	88,030	90,530	95,987	5,457
Donations	2000	8,200	7,413	(787)
Donations	2000	8,200	7,413	(707)
Recreation department				
Spring Street Recreation Center	120,000	120,000	120,123	123
Refunds - Recreation Center	(1,000)	(1,000)	(2,974)	(1,974)
Bemiston Recreation Center	1,800	1,800	1,114	(686)
Brecon Recreation Center	4,500	4,500	4,200	(300)
Mabra Recreation Center	1,500	1,500	250	(1,250)
Bruner Sports Complex	40,000	40,000	45,503	5,503
Transportation farebox	7,500	9,300	11,897	2,597
Golf course revenue	18,780	8,000	3,400	(4,600)
Total recreation department	193,080	184,100	183,513	(587)

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

Vagrandad Contambor 20, 2014	Original	Final	Actual	Variance
Year ended September 30, 2014	Budget	Budget	Actual	variance
Revenues (continued)				
Miscellaneous				
Senior citizens grant	\$ 10,800	\$ 10,800	\$ 10,789	\$ (11)
Transportation grant	24,500	24,500	34,571	10,071
Children's summer nutrition grant	77,000	77,000	86,921	9,921
HPC grant	-	1,000	1,130	130
Miscellaneous grant	-	1,100	2,100	1,000
Weed abatement	5,000	5,000	2,474	(2,526)
Condemnation revenue	5,000	5,000	962	(4,038)
Rental revenue	38,500	38,500	39,602	1,102
Reimbursements	10,000	25,000	4,316	(20,684)
Insurance reimbursements	2,000	4,000	20,728	16,728
Interest revenue	6,000	6,000	6,507	507
Other revenue	31,100	61,200	79,710	18,510
Total miscellaneous	209,900	259,100	289,810	30,710
Transfers in from other funds				
Transfers in - garbage billing	900,000	900,000	913,573	13,573
Transfers in - cemetery	30,000	30,000	31,850	1,850
Transfers in - recycling	18,000	18,000	18,881	881
Transfers in - police grant	22,800	22,800	22,887	87
Transfers in - corrections	136,700	136,700	140,793	4,093
Total transfers in from other funds	1,107,500	1,107,500	1,127,984	20,484
	_,,	-,=-: ,= 00	,,	
Proceeds from loans/sales/ins	257,228	257,228	-	(257,228)
Total revenues	\$ 13,917,228	\$ 14,244,648	\$ 14,577,942	\$ 333,294

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

	Original	Final		
Year ended September 30, 2014	Budget	Budget	Actual	Variance
Expenditures				
City Council	\$ 366,730	\$ 366,730	\$ 365,150	\$ 1,580
City Manager's office	463,818	462,868	375,104	87,764
Finance department	266,440	348,350	339,565	8,785
City Clerk's office	230,200	227,880	225,209	2,671
Human resources	131,600	132,430	122,434	9,996
Purchasing and safety	132,710	133,715	112,753	20,962
Police department	2,560,988	2,593,038	2,517,732	75,306
Police communications	256,000	260,000	259,951	49
Animal control	185,000	185,710	162,214	23,496
Fire department	1,578,200	1,633,200	1,576,920	56,280
Public Works department	2,087,200	2,089,690	1,995,509	94,181
Community Appearance department	1,010,250	1,012,360	868,826	143,534
Parks and recreation	1,188,925	1,239,760	1,071,582	168,178
City building expenditures	182,600	179,600	131,419	48,181
Non-departmental expenditures	2,276,341	2,261,841	2,251,475	10,366
Debt service	1,149,448	1,146,448	865,748	280,700
Total expenditures	14,066,450	14,273,620	13,241,591	1,032,029
Excess revenues over (under)				
expenditures	(149,222)	(28,972)	1,336,351	1,365,323
Paginning fund halance			2 212 250	
Beginning fund balance		<u>-</u>	3,312,259	<u>-</u>
Ending fund balance	\$ (149,222)	\$ (28,972)	\$ 4,648,610	\$ 1,365,323

City of Talladega, Alabama 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 amended budget as adopted by the City Council on September 22, 2014.

City of Talladega, Alabama Other Post-Employment Benefits

Post-Employment Benefits (See also Note 12)

Funded status and funding progress:

The following table shows the City's funded status and funding progress. The City has made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero.

Actuarial Valuation Date Sept. 30,	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2007	-	2,942,765	2,942,765	0.00%	5,096,428	57.74%
2011	-	3,394,851	3,394,851	0.00%	5,831,921	58.21%
2013	-	3,433,973	3,433,973	0.00%	7,222,578	47.54%

City of Talladega, Alabama Defined Benefit Pension Plan – Trend Information, Funding Progress and Additional Information

Pension (See also Note 15)

A. Trend information Following is the trend information from the most recent actuarial valuation dated September 30, 2014:

	Annual	Percentage	Net
Fiscal year ended	Pension Cost (APC)	of APC Contributed	Pension Obligation
September 30, 2014	\$ 595,409	100%	\$ -
September 30, 2013	616,154	100%	-
September 30, 2012	506,870	100%	-
September 30, 2011	550,188	100%	-

B. Funding progress Following is the schedule of funding progress obtained from the most recent actuarial valuation prepared as of September 30, 2013:

Actuarial Valuation Date Sept. 30,		 uarial Value of Assets (a)*	Actu Lia	Entry Age uarial Accrued ability (AAL) try Age 1 (b)	Un	funded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2013	3,6	\$ 15,414,714	\$	21,950,438	\$	6,535,724	70.23%	\$ 6,313,746	103.50%
2013	6	15,414,714		21,891,295		6,476,581	70.41%	6,313,746	102.60%
2012	5	14,672,660		20,969,736		6,297,076	70.00%	5,922,110	106.30%
2011	4	15,263,628		22,937,811		7,674,183	66.50%	6,688,593	114.70%
2010	2	15,770,507		22,470,180		6,699,673	70.20%	6,586,748	101.70%
2009		16,263,840		21,413,805		5,149,965	76.00%	7,068,194	72.90%
2008		16,380,437		20,191,739		3,811,302	81.10%	6,639,046	57.40%

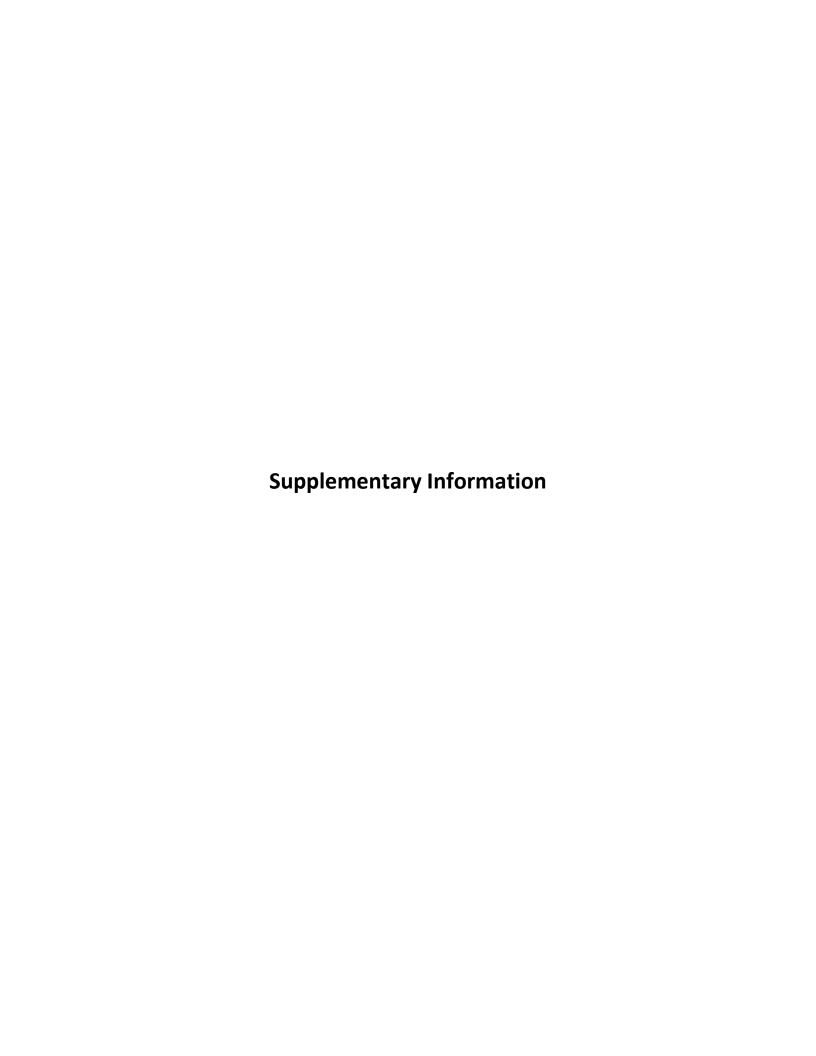
- 1 Reflects liability for cost of living benefit increases granted on or after October 1, 1978.
- 2 Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.
- 3 Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
- 4 Reflects changes in actuarial assumptions.
- 5 Reflects changes to interest smoothing methodology.
- 6 Reflects implementation of Board Funding Policy.
- * The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market Value of Assets as of September 30, 2013: \$16,162,179

City of Talladega, Alabama Defined Benefit Pension Plan – Trend Information, Funding Progress and Additional Information (continued)

C. Additional information

Following is additional information obtained from the most recent actuarial valuation:

Valuation date Actuarial cost method Amortization method Remaining amortization period	Level p	Entry age ercent open 26 years
Asset valuation method Actuarial assumptions: Investment rate of return* Projected salary increases* *Includes inflation at Cost-of-living adjusts	5 – year smoot	8.00% 8.75 – 7.25% 3.00% None
Summary of Employee Census Data Number of active members Annual compensation Number of retired members and beneficiaries Annual retirement allowances	\$ \$	194 6,313,746 85 1,299,497
Required Employer Contribution Rates Effective October 1, 2013 Normal cost Accrued liability Pre-retirement death benefit Administrative expense Total	 -	3.55% 6.68% 0.02% 0.35% 10.60%
5% Employer contribution factor (10.60%/5%) 6% Employer contribution factor (10.60%/6%)		2.120 1.767



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

Vorwanded Contember 20, 2014	Original	Final	Actual		Variance
Year ended September 30, 2014	Budget	Budget	Actual		Variance
Operating revenues					
Water revenues	\$ 3,736,648	\$ 3,736,648	\$ 3,405,407	\$	(331,241)
Sewer revenues	2,848,035	2,848,035	2,584,343		(263,692)
Garbage revenues	950,000	950,000	966,262		16,262
Other operating revenues	353,150	287,650	270,148		(17,502)
Total revenues	7,887,833	7,822,333	7,226,160		(596,173)
				_	
Operating expenses					
Water and sewer department expenses	877,150	923,650	964,198		(40,548)
Waste water plants	1,400,385	1,434,585	1,034,919		399,666
Water filters and wells	1,194,050	1,217,850	770,930		446,920
General and administrative expenses	1,520,439	1,579,639	1,534,692		44,947
Depreciation and amortization	1,006,500	1,006,500	1,095,307		(88,807)
Total operating expenses	5,998,524	6,162,224	5,400,046		762,178
Operating income	1,889,309	1,660,109	1,826,114		166,005
Nonoperating income (expense)					
Interest income	17,500	13,600	17,004		3,404
Miscellaneous income	-	1,828,000	1,894,205		66,205
Interest expense	(724,700)	(724,700)	(751,824)		(27,124)
Total nonoperating income (expense)	(707,200)	1,116,900	1,159,385		42,485
Transfers					
Transfers in (out)	(912,000)	(912,000)	(1,038,602)		(126,602)
Change in net position	\$ 270,109	\$ 1,865,009	\$ 1,946,897	\$	81,888

City of Talladega, Alabama Combining Balance Sheet – Nonmajor Governmental Funds

September 30, 2014		Special Revenue Funds		Debt Service Fund	Capital Projects Funds			otal Other overnmental Funds
Assets								
Cash and cash equivalents	\$	2,252,303	\$	_	\$	19,701	\$	2,272,004
Investments	7	739,441	Y	_	Y	-	Υ	739,441
Receivables		145,556		_		_		145,556
		-,						
Total assets	\$	3,137,300	\$	-	\$	19,701	\$	3,157,001
Liabilities Accounts payable and accrued liabilities	\$	158,992	\$	-	\$	4,832	\$	163,824
Finallysia								
Fund balances		1 025 107				44.060		4 0 40 076
Restricted		1,935,107		-		14,869		1,949,976
Committed		856,677		-		-		856,677
Assigned		186,524						186,524
Total fund balance		2,978,308		-		14,869		2,993,177
Total liabilities and fund balance	\$	3,137,300	\$	-	\$	19,701	\$	3,157,001

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

Year ended September 30, 2014	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues				
Intergovernmental revenues:				
Federal and state grants	\$ 199,348	\$ - 9	\$ 12,192	\$ 211,540
State taxes	589,652	· ·	-	589,652
Other operating revenues:	303,032			303,032
Fees, fines and charges for services	996,989	_	_	996,989
Interest on investments	11,037	_	_	11,037
Total revenues	1,797,026	-	12,192	1,809,218
	•		•	· · · · · ·
Expenditures				
Current operations:				
General government	680,947	-	64,227	745,174
Public safety	891,754	-	-	891,754
Public works	254,453	-	-	254,453
Capital outlay	-	-	18,476	18,476
Debt service:				
Principal	-	436,649	-	436,649
Interest	-	417,435	-	417,435
Miscellaneous	-	11,061	-	11,061
Total expenditures	1,827,154	865,145	82,703	2,775,002
Excess of revenues over (under)				
expenditures	(30,128)	(865,145)	(70,511)	(965,784)
Other financing sources (uses):				
Transfers in	522,661	865,145	_	1,387,806
Transfer (out)	(195,530)	-	_	(195,530)
Total other financing sources	327,131	865,145		1,192,276
Total other maneing sources	327,131	003,113		1,132,270
Excess of revenues and other sources				
sources over (under) expenditures				
and other uses	297,003	-	(70,511)	226,492
Fund balance, beginning of year	2,681,305	-	85,380	2,766,685
Fund balance, end of year	\$ 2,978,308	\$ - \$	14,869	\$ 2,993,177

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

	2	2.5 Mil						
	P	roperty	4	Cent Gas	7	Cent Gas	Corrections	
September 30, 2014	Ta	ax Fund	T	ax Fund	Tax Fund			Fund
-								
Assets								
Cash and cash equivalents	\$	29,395	\$	273,358	\$	368,397	\$	130,844
Investments		-		-		-		-
Receivables		4,584		4,154		5,118		130,300
Total assets	\$	33,979	\$	277,512	\$	373,515	\$	261,144
Liabilities								
Accounts payable and accrued liabilities	\$	-	\$	-	\$	-	\$	101,700
Fund balances								
Restricted		33,979		277,512		373,515		159,444
Committed		-		-		-		-
Assigned		-		-		-		
Total fund balance		33,979		277,512		373,515		159,444
Total liabilities and fund balance	\$	33,979	\$	277,512	\$	373,515	\$	261,144

	Oil Trust Fund	В	rownfield Fund		Police Grant						
\$	1,062,829	\$	84,955	\$	165	\$	115,836	\$	186,524	\$	2,252,303
·	-	·	-	·	-		739,441		-	·	739,441
	-		-		-		1,400		-		145,556
\$	1,062,829	\$	84,955	\$	165	\$	856,677	\$	186,524	\$	3,137,300
\$	57,292	\$	-	\$	-	\$	-	\$	-	\$	158,992
	1,005,537		84,955		165		-		-		1,935,107
	-		-		-		856,677		-		856,677
	-		-		-		-		186,524		186,524
	1,005,537		84,955		165		856,677		186,524		2,978,308
\$	1,062,829	\$	84,955	\$	165	\$	856,677	\$	186,524	\$	3,137,300

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

		2.5 Mil						
	P	Property	4	Cent Gas	7	Cent Gas	Corrections	
Year ended September 30, 2014	T	ax Fund	T	ax Fund	Ţ	ax Fund		Fund
_								
Revenues								
Intergovernmental revenues:								
Federal and state grants	\$		\$		\$	-	\$	-
State taxes		271,759		46,121		58,891		-
Other operating revenues:								
Fees, fines and charges for services		-		-		-		934,808
Interest on investments		321		-		916		
Total revenues		272,080		46,121		59,807		934,808
Expenditures								
Current operations:								
General		273,338		102		_		_
Public safety		-		-		_		861,022
Public works		_		_		_		-
Total expenditures		273,338		102				861,022
Excess of revenues over (under)								
expenditures		(1,258)		46,019		59,807		73,786
Other financing sources (uses):								
Transfers in		-		-		-		143,651
Transfers (out)		-		-		-		(140,793)
Total other financing								
sources (uses)		-		-		-		2,858
Excess of revenues and other sources								
sources over (under) expenditures								
and other uses		(1,258)		46,019		59,807		76,644
		(=,==0)		. 5,5 = 5		22,23.		. 0,0
Fund balance, beginning of year		35,237		231,493		313,708		82,800
Fund balance, end of year	\$	33,979	\$	277,512	\$	373,515	\$	159,444

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

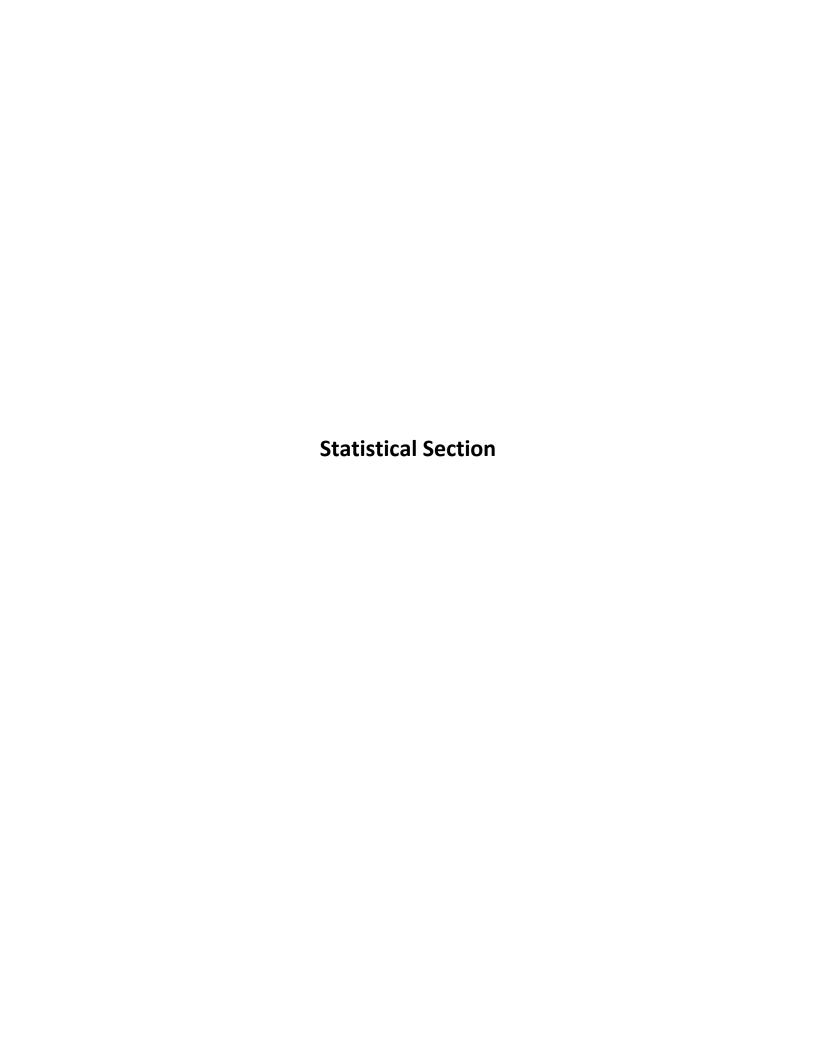
Oil Trust	D.	د : ماما	Doline	Comotoni	l ibuan.	Total Special
Fund	ы	rownfield Fund	Police Grant	Cemetery Fund	Library Fund	Revenue Funds
 ruiiu		ruiiu	Grant	ruliu	ruiiu	ruilus
\$ -	\$	161,364	\$ 19,749	\$ -	\$ 18,235	\$ 199,348
138,265		-	-	-	74,616	589,652
-		-	-	50,941	11,240	996,989
2,805		-	3	6,778	214	11,037
141,070		161,364	19,752	57,719	104,305	1,797,026
-		96	-	17,425	389,986	680,947
-		-	30,732	-	-	891,754
 122,299		132,154	-	-	-	254,453
122,299		132,250	30,732	17,425	389,986	1,827,154
			(10.000)		(227 524)	(00.100)
 18,771		29,114	(10,980)	40,294	(285,681)	(30,128)
-		40,000	21,161	-	317,849	522,661
-		-	(22,887)	(31,850)	-	(195,530)
-		40,000	(1,726)	(31,850)	317,849	327,131
18,771		69,114	(12,706)	8,444	32,168	297,003
986,766		15,841	12,871	848,233	154,356	2,681,305
\$ 1,005,537	\$	84,955	\$ 165	\$ 856,677	\$ 186,524	\$ 2,978,308

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

	RBEG		ommunity	Total Capital
September 30, 2014	Fund	De	velopment	Projects
Assets				
Cash and cash equivalents	\$ 7,110	\$	12,591	\$ 19,701
Total assets	\$ 7,110	\$	12,591	\$ 19,701
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$	4,832	\$ 4,832
Fund balances Restricted	7,110		7,759	14,869
Unassigned	-		-	
Total fund balance	7,110		7,759	14,869
Total liabilities and fund balance	\$ 7,110	\$	12,591	\$ 19,701

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

	RBEG	Community	Total Capital
Year ended September 30, 2014	Fund	Development	Projects
rear chaca september 30, 2014	Tullu	Development	1 Tojects
Revenues			
Intergovernmental revenues:			
Federal and state grants	\$ -	\$ 12,192	\$ 12,192
Total revenues	-	12,192	12,192
Expenditures			
Current operations:			
General government	96	64,131	64,227
Capital outlay	-	18,476	18,476
Total expenditures	96	82,607	82,703
Excess of revenues over (under) expenditures	(96)	(70,415)	(70,511)
Other financing sources: Operating transfers in	-	_	
Excess of revenues and other sources sources over (under) expenditures			
and other uses	(96)	(70,415)	(70,511)
Fund balance, beginning of year	7,206	78,174	85,380
Fund balance, end of year	\$ 7,110	\$ 7,759	\$ 14,869



Financial Trend Data

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

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

		2005		2006		2007		2008
Covernmental activities								
Governmental activities	\$	7,720,560	۲	12,941,379	۲	13,636,161	۲	11 020 000
Net investment in capital assets Restricted	Ş	7,720,560	\$	12,941,379	Ş	13,030,101	Ş	11,030,088
Special revenue funds		582,828		294,277		628,694		587,450
•		109,642		41,818		13,313		32,407
Future capital projects		•		•		•		•
Perpetual care fund		685,737		709,362		685,738		685,738
Law enforcement fund		70.200		427		-		51,878
Debt service fund		70,299		437		262,330		224,269
Unrestricted, general fund		1,108,060	<u>,</u>	963,162	_	1,546,946		2,152,166
Total governmental activities	\$	10,277,126	\$	14,950,435	\$	16,773,182	\$	14,763,996
Business-type activities								
Net investment in capital assets	\$	6,896,562	\$	9,608,580	\$	11,131,900	\$	11,397,594
Restricted								
Capital projects		3,211,993		1,164,327		676,380		242,561
Debt service fund		71,699		87,574		97,786		101,550
Unrestricted		2,886,010		3,164,617		3,773,957		4,051,767
Total business-type activities	\$	13,066,264	\$	14,025,098	\$	15,680,023	\$	15,793,472
Primary government								
Net investment in capital assets	\$	14,617,122	\$	22,549,959	\$	24,768,061	\$	22,427,682
Restricted								
Capital projects		3,321,635		1,206,145		689,693		274,968
Special revenues		582,828		294,277		628,694		587,450
Perpetual care fund		685,737		709,362		685,738		685,738
Law enforcement fund		-		-		-		51,878
Debt service fund		141,998		88,011		360,116		325,819
Unrestricted		3,994,070		4,127,779		5,320,903		6,203,933
Total primary government	\$	23,343,390	\$	28,975,533	\$	32,453,205	\$	30,557,468

 2009	2010	2011	2012	2013	2014
\$ 10,261,167	\$ 10,056,395	\$ 8,270,373	\$ 8,470,055	\$ 8,485,428	\$ 8,702,500
612,807	631,242	1,198,908	856,473	1,678,716	1,935,106
2,889,926	2,000,294	947,169	921,330	1,446,726	1,029,835
770,649	789,130	742,549	-	-	-
43,380	-	-	-	-	-
345,132	322,954	300,776	-	-	-
(1,375,617)	(722,971)	2,148,195	4,358,747	3,228,241	4,474,117
\$ 13,547,444	\$ 13,077,044	\$ 13,607,970	\$ 14,606,605	\$ 14,839,111	\$ 16,141,558
\$ 11,917,237	\$ 12,070,621	\$ 9,953,242	\$ 10,399,739	\$ 9,625,354	\$ 9,528,061
-	-	-	-	-	-
-	-	1,211,445	1,211,644	1,710,193	1,448,412
3,807,074	4,733,213	16,908,341	5,972,835	5,743,591	8,049,562
\$ 15,724,311	\$ 16,803,834	\$ 28,073,028	\$ 17,584,218	\$ 17,079,138	\$ 19,026,035
\$ 22,178,404	\$ 22,127,016	\$ 18,223,615	\$ 18,869,794	\$ 18,110,782	\$ 18,230,561
2,889,926	200,294	947,169	921,330	1,446,726	1,029,835
612,807	631,242	1,198,908	856,473	1,678,716	1,935,106
770,649	789,130	742,549	-	-	-
43,380	-	-	-	-	-
345,132	322,954	1,512,221	1,211,644	1,710,193	1,448,412
 2,431,457	 4,010,242	 7,891,849	 10,331,582	8,971,832	12,523,679
\$ 29,271,755	\$ 28,080,878	\$ 30,516,311	\$ 32,190,823	\$ 31,918,249	\$ 35,167,593

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

		2005		2006		2007		2008
Expenses								
Governmental activities								
General government	\$	1,650,929	\$	2,092,098	\$	1,632,271	\$	1,176,495
Public protection	ڔ	1,030,929	Ą	2,092,098	۲	1,032,271	Ą	1,170,493
Police		2,278,177		2,386,454		2,211,048		2,699,857
Fire		969,847		1,242,758		1,110,832		1,253,348
Corrections		710,646		770,545		719,899		496,677
Public works		2,411,140		2,804,541		2,501,237		1,955,829
Recreational								
		1,310,862		1,363,914		1,479,971		1,563,574
Nondepartmental		1,557,717		2,067,870		1,391,957		4,421,622
Other boards and agencies		317,261		125,663		279,229		366,280
Capital outlay		-		-		760,515		211,178
Depreciation expense		935,476		1,495,415		1,581,174		1,637,870
Interest and fiscal charges		349,000		342,126		296,949		331,330
Total governmental activities		12,491,055		14,691,384		13,965,082		16,114,060
Business-type activities								
Water and sewer		4,529,214		4,844,529		4,996,112		5,409,804
Total primary government	\$	17,020,269	\$	19,535,913	\$	18,961,194	\$	21,523,864
Program revenues								
Governmental activities								
Fees, fines and charges for service								
General government	\$	710,053	\$	40,456	\$	77,510	\$	48,944
Police	·	-	·	, -	•	71,123	•	45,232
Fire		-		_		, 55		, 5
Other public protection		820,475		996,009		831,968		654,817
Public works		-		_		-		-
Recreational		294,725		300,782		292,277		367,995
Other boards and agencies				-		, ·		-
Operating grants and contributions		89,699		141,152		123,435		113,951
Capital grants and contributions		200,744		,		825,138		179,984
Total governmental activities		2,115,696		1,478,399		2,221,506		1,410,928

	2009		2010		2011		2012		2013		2014
\$	3,659,053	\$	3,700,715	\$	3,603,718	\$	3,612,283	\$	4,032,660	\$	3,503,698
	2,689,707		2,684,831		2,545,762		2,655,797		2,739,752		2,939,897
	1,316,881		1,347,488		1,323,748		1,414,782		1,528,048		1,576,920
	544,946		645,216		1,016,090		692,669		644,982		886,695
	3,198,716		2,920,835		4,289,657		3,407,964		3,201,587		3,115,086
	1,901,936		1,511,976		1,097,026		1,162,741		964,970		1,071,582
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		-		-		-		-		-
	1,510,112		1,416,649		1,479,284		1,476,188		1,498,964		1,474,028
	496,301		506,695		489,291		453,617		428,798		414,495
	15,317,652		14,734,405		15,844,576		14,876,041		15,039,761		14,982,401
	5,498,018		5,473,304		5,867,908		5,777,985		5,966,932		6,151,870
	3,430,010		3,473,304		3,807,308		3,777,363		3,300,332		0,131,870
\$	20,815,670	\$	20,207,709	\$	21,712,484	\$	20,654,026	\$	21,006,693	\$	21,134,271
\$	23,585	\$	31,100	\$	67,673	\$	95,371	\$	128,815	\$	63,365
т	60,830	Ψ.	84,267	τ.	74,299	Τ	79,469	τ.	107,546	τ.	95,987
	-				,233		-		-		-
	643,423		639,451		602,808		644,754		650,775		934,808
	32,850		-		-		-		-		- -
	313,823		266,604		206,704		179,121		174,458		183,513
	-		-		· -		-		- -		_
	124,923		253,042		-		-		629,196		342,874
	141,310		97,751		-		-		34,431		12,192
	1,340,744		1,372,215		951,484		998,715		1,725,221		1,632,739

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

		2005		2006		2007		2008
Program revenues (continued)								
Business-type activities								
Water and sewer revenues	\$	4,884,692	\$	6,265,703	\$	6,087,785	\$	5,964,989
Operating grants and contributions		-	·	-		-	•	-
Capital grants and contributions		-		-		1,150,000		111,505
Total business-type activities		4,884,692		6,265,703		7,237,785		6,076,494
Total program revenues	\$	7,000,388	\$	7,744,102	\$	9,459,291	\$	7,487,422
Net (expense) revenue								
Governmental activities	\$	(10.375.359)	\$	(13,212,985)	\$	(11.743.576)	\$	(14.703.132)
Business-type activities	7	355,478	Y	1,421,174	Υ	2,241,673	Υ	666,690
Total primary government net expense	\$		\$	(11,791,811)	\$	(9,501,903)	\$	(14,036,442)
	<u> </u>	(==,===,===,		(==), ==,===	_	(5)552,5557	_	(= :,000; : :=,
General revenues								
Governmental activities								
Taxes								
Sales, property, other for general purposes	\$	9,513,559	\$	10,057,979	\$	9,882,202	Ś	10,047,294
General business licenses and permits	•	1,624,837	Ċ	1,672,397	•	1,849,809	•	1,914,460
Miscellaneous income		394,939		228,906		95,798		56,404
Interest income		43,318		46,823		53,887		65,171
Gain on sale of asset		-		, -		-		-
Transfers		-		669,284		625,802		610,617
Total governmental activities		11,576,653		12,675,389		12,507,498		12,693,946
B								
Business-type activities Miscellaneous income		1 47 200						
		147,390 34,829		150 104		96 904		-
Interest income Transfers		34,829		159,104		86,894		57,376
Total business-type activities		192 210		(669,284)		(625,802)		(610,617)
Total business-type activities		182,219		(510,180)		(538,908)		(553,241)
Total general revenues	\$	11,758,872	\$	12,165,209	\$	11,968,590	\$	12,140,705
Change in net position								
Governmental activities	\$	1,201,294	\$	(537,596)	\$	763,922	\$	(2,009,186)
Business-type activities		537,697		910,994		1,702,765		113,449
Total primary government	\$	1,738,991	\$	373,398	\$	2,466,687	\$	(1,895,737)

	2009 2010			2011		2012		2013	2014		
\$	6,394,726	\$	7,388,493	\$	7,306,496	\$	7,156,929	\$	6,920,902	\$	7,226,160
	-		350,000		-		-		-		-
	6,394,726		7,738,493		7,306,496		7,156,929		6,920,902		7,226,160
\$	7,735,470	\$	9,110,708	\$	8,257,980	\$	8,155,644	\$	8,646,123	\$	8,858,899
	· · ·		· ·		· ·		· ·				<u> </u>
Ļ	(12.076.000)	۲,	(12 202 100)	۲	(4.4.002.002)	۲,	(42.077.226)	۲.	(12 214 540)	Ļ	(12.240.662)
Ş		Ş		Þ	(14,893,092)	>	•	Ş		>	
ς .	896,708 (13,080,200)	ς	2,265,189 (11,097,001)	ς	1,438,588 (13,454,504)	¢	1,378,944 (12,498,382)	ς	953,970	¢	1,074,290 (12,275,372)
=	(13,000,200)	ڔ	(11,037,001)	٧	(13,434,304)	٧	(12,430,302)	٧	(12,300,370)	٧	(12,273,372)
\$	9,490,399	\$	9,635,086	\$	10,060,229	\$	10,612,516	\$	10,899,473	\$	11,300,810
	2,014,668		1,944,017		2,027,174		2,001,838		1,868,145		2,160,893
	197,044		66,271		93,764		101,305		17,094		96,303
	69,183		47,507		37,281		28,593		16,739		18,244
	-		-		69,703		32,953		96,989		37,257
	989,064		1,198,909		1,158,533		908,880		922,718		1,038,602
	12,760,358		12,891,790		13,446,684		13,686,085		13,821,158		14,652,109
	-		-		-		-		49,577		1,894,205
	23,195		13,243		18,685		17,311		13,565		17,004
	(989,064)		(1,198,909)		(1,158,533)		(908,880)		(922,718)		(1,038,602)
	(965,869)		(1,185,666)		(1,139,848)		(891,569)		(859,576)		872,607
\$	11,794,489	\$	11,706,124	\$	12,306,836	\$	12,794,516	\$	12,961,582	\$	15,524,716
\$	(1,216,552)	\$	(470,400)	\$	530,926	\$	890,292	\$	506,618	\$	1,302,447
•	(69,161)	•	1,079,523	•	298,740	•	487,375	•	94,394	•	1,946,897
\$	(1,285,713)	\$	609,123	\$	829,666	\$	1,377,667	\$	601,012	\$	3,249,344

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

		2005		2006		2007		2008
	_		_				_	
Sales and use tax	Ş	7,097,775	\$	7,166,874	Ş	6,974,881	Ş	7,455,008
Business licenses		1,522,293		1,598,429		1,789,634		1,832,046
10 mil tax		742,895		860,022		948,439		933,693
Other taxes and licenses		1,775,433		2,105,051		2,019,057		1,741,007
Total taxes and licenses	\$	11,138,396	\$	11,730,376	\$	11,732,011	\$	11,961,754

	2005	2006	2007	2008
City of Talladega	4.00%	4.00%	4.00%	4.00%
Talladega County	1.00%	1.00%	1.00%	1.00%
State of Alabama	4.00%	4.00%	4.00%	4.00%
Total overlapping sales				
and use tax	9.00%	9.00%	9.00%	9.00%

2009 2		2010	2010 2011			2012	2013		2014	
\$ 6,479,715	\$	6,355,749	\$	6,987,196	\$	7,784,557	\$	8,003,987	\$	8,237,253
1,956,931		1,861,447		1,949,387		2,001,838		1,868,146		2,160,893
1,045,033		1,022,336		1,053,801		971,921		1,049,494		1,071,589
2,022,713		2,339,571		2,097,019		1,856,038		1,405,179		1,991,968
										_
\$ 11,504,392	\$	11,579,103	\$	12,087,403	\$	12,614,354	\$	12,326,806	\$	13,461,703

Sales and Use Tax Direct and Overlapping Last Ten Fiscal Year

2009	2010	2011	2012	2013	2014
4.00%	4.00%	5.00%	5.00%	5.00%	5.00%
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
 9.00%	9.00%	10.00%	10.00%	10.00%	10.00%

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

	2005	2006	2007	2008
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,122,205	1,177,660	1,399,420	2,438,232
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	1,122,205	1,177,660	1,399,420	2,438,232
All other governmental funds				
Reserved				
Special revenues funds	582,828	284,222	614,892	587,450
Debt service funds	70,299	-	262,330	224,269
Other nonmajor funds	685,737	719,417	695,893	737,616
Other governmental funds	-	-	-	-
Future capital projects	109,642	41,818	13,313	32,407
Unreserved, reported in:	,	,	,	,
Special revenues funds	-	-	-	-
Debt service funds	-	437	-	-
Capital projects fund	-	-	-	-
Other governmental funds	-	-	-	-
Other nonmajor funds	275,197	195,731	200,147	154,439
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other				
governmental funds	1,723,703	1,241,625	1,786,575	1,736,181
Total governmental				
funds	\$ 2,845,908	\$ 2,419,285	\$ 3,185,995	\$ 4,174,413

2009 2010		2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,933,969	2,066,862	-	-	-	-
-	-	17,244	-	-	-
-	-	1,377,358	-	-	-
-	-	-	-	300,000	300,000
	_	1,268,996	4,057,672	3,012,259	4,348,610
1,933,969	2,066,862	2,663,598	4,057,672	3,312,259	4,648,610
612,807	631,242	-	-	-	-
345,132	322,954	-	-	-	-
814,029	789,130	-	-	-	-
-	-	-	-	-	-
2,889,926	200,294	-	-	-	-
				-	
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
100,535	93,692	-	-	-	-
-	-	3,185,805	1,777,803	3,125,442	2,964,341
-	-	-	826,225	848,233	856,677
-	-	-	134,040	154,356	186,524
-	-	154,933	-	-	-
4,762,429	2,037,312	3,340,738	2,738,068	4,128,031	4,007,542
\$ 6,696,398	\$ 4,104,174	\$ 6,004,336	\$ 6,795,740	\$ 7,440,290	\$ 8,656,152

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

City of Talladega, Alabama Changes in Fund Balance of Governmental Funds—Last Ten Years

		2005	2	006	2007		2008	2009
Revenues								
Taxes	\$	9,513,559	\$ 10,	057,979	\$ 9,882,202	. \$	10,047,294	\$ 9,490,399
Licenses and permits	,	1,624,837		672,397	1,849,809		1,914,460	2,014,668
Changes for services		1,825,253		337,247	1,272,933		1,116,993	1,074,511
Federal and state grants		290,443		141,152	948,573		293,935	266,233
Interest		43,318		46,823	53,887		65,171	69,183
Proceeds from long-term debt		1,069,488		352,579	761,428		2,208,038	3,705,700
Other		394,939		228,906	95,798		254,289	197,044
Total revenues		14,761,837		837,083	14,864,630		15,900,180	16,817,738
Evnandituras								
Expenditures Conord government		1 020 000	2	002 570	1 562 646		1 166 000	2 071 220
General government		1,838,088		083,578	1,563,646		1,166,909	2,071,339
Public safety		3,958,670		399,757	4,041,779		4,423,568	4,441,888
Public works		2,411,140		804,541	2,501,237		2,021,327	1,725,131
Recreation		1,310,862		363,914	1,479,971		1,572,190	1,599,223
Other boards and agencies		317,261		125,663	279,229		362,640	380,600
Nondepartmental		1,557,717		009,870	1,391,957		4,421,622	2,819,353
Capital expenditures		1,822,847		819,923	2,186,700)	685,541	1,102,902
Debt service		004.666		070 446	050.010		602 225	654.604
Principal		901,666		973,116	952,810		602,335	654,634
Interest and fees		349,000		342,126	321,327		252,962	467,350
Miscellaneous		26,110		77,020	5,066		13,285	22,397
Total expenditures		14,493,361	14,	999,508	14,723,722		15,522,379	15,284,817
Excess revenues over								
(under) expenditures		268,476	(1,	162,425)	140,908	3	377,801	1,532,921
Other financing sources (uses)								
Operating transfers in		2,286,332	5,	439,979	4,721,070)	2,390,304	3,116,754
Operating transfers out		(2,286,332)	(4,	770,695)	(4,095,268	3)	(1,779,687)	(2,127,690
Proceeds from long-term debt		-		-	-	-	-	-
Total other financing								
sources (uses)		-		669,284	625,802	<u> </u>	610,617	989,064
Net change in fund balance		268,476	(493,141)	766,710)	988,418	2,521,985
Fund balance, beginning of year		2,549,947	2,	845,908	2,419,285	•	3,185,995	4,174,413
Prior period adjustment		27,485		66,518		-	-	<u>-</u>
Fund balance, end of year	\$	2,845,908	\$ 2,	419,285	\$ 3,185,995	\$	4,174,413	\$ 6,696,398
Ratio of debt service expenditures to noncapital expenditures		10.95%		10.22%	11.319	<u>-</u> %	6.12%	8.59%

2010		2011		2012 2013			2014	
\$ 9,635,086	\$	10,060,229	\$	11,345,272	\$	11,262,199	\$	11,300,810
1,944,017		2,027,174		2,001,838		1,868,146		2,160,893
1,021,422		951,484		960,054		1,013,951		1,277,673
350,793		1,977,334		200,354		295,421		355,066
47,507		37,281		28,592		16,741		18,244
· <u>-</u>		-		-		-		-
78,796		163,467		323,467		170,466		155,205
13,077,621		15,216,969		14,859,577		14,626,924		15,267,891
2,093,373		1,606,559		1,699,523		1,930,072		2,011,405
4,625,364		4,871,600		4,734,510		4,912,782		5,403,512
1,727,601		3,197,571		2,236,637		3,201,587		3,115,086
1,363,563		994,526		1,052,011		964,970		1,071,582
343,854		304,850		323,900		338,173		291,524
2,677,089		2,965,022		2,598,400		1,600,356		1,057,294
1,121,126		1,375,357		1,142,607		1,552,034		1,274,483
599,890		571,495		584,204		820,565		436,649
487,594		458,985		445,199		432,558		417,435
29,300		30,477		26,333		6,992		11,661
15,068,754		16,376,442		14,843,324		15,760,089		15,090,631
(1 001 133)		/1 150 <i>/</i> /72\		16 252		(1 122 165)		177 260
(1,991,133)		(1,159,473)		16,253		(1,133,165)		177,260
3,194,294		3,985,545		4,132,577		5,373,111		3,346,937
(1,995,385)		(2,827,310)		(3,223,697)		(4,450,394)		(2,308,335)
(_,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		101,400		49,140		854,998		-
		101, 100		.5,2.0		33 .,555		
1,198,909		1,259,635		958,020		1,777,715		1,038,602
		•		•		•		
(792,224)		100,162		974,273		644,550		1,215,862
6,696,398		5,904,174		6,004,337		6,795,740		7,440,290
		-		(182,870)		-		
\$ 5,904,174	ċ	6 004 226	ċ	6,795,740	ċ	7 440 200	ċ	8,656,152
۶ J,304,174	ڔ	0,004,330	ڔ	0,133,140	ڔ	1,440,230	ڔ	0,030,132
8.46%		7.38%		8.12%		8.64%		6.00%

City of Talladega, Alabama Property Tax Rates per Thousand—Direct Overlapping Governments— Last Ten Fiscal Years

	City	y of Talladega		Overlapp		
Fiscal Year	General Municipal Purposes	School Purposes	Total	Talladega County	State of Alabama	Total Direct and Overlapping Rate
2005	10.0	12.5	22.5	9.5	6.5	38.5
2006	10.0	12.5	22.5	9.5	6.5	38.5
2007	10.0	12.5	22.5	9.5	6.5	38.5
2008	10.0	12.5	22.5	9.5	6.5	38.5
2009	10.0	12.5	22.5	9.5	6.5	38.5
2010	10.0	12.5	22.5	9.5	6.5	38.5
2011	10.0	12.5	22.5	9.5	6.5	38.5
2012	10.0	12.5	22.5	9.5	6.5	38.5
2013	10.0	12.5	22.5	9.5	6.5	38.5
2014	10.0	12.5	22.5	9.5	6.5	38.5

City of Talladega, Alabama Principal Sales and Use Taxpayers—Current Fiscal Year and Nine Years Prior

		2014				2005			
			Percentage	<u></u>			Percentage		
	Sales		of Total		Sales		of Total		
	Tax		Sales Tax		Tax		Sales Tax		
	Collected	Rank	Collected		Collected	Rank	Collected		
	2 000 050	4	25.250/		4 762 502	4	24.020/		
Wal-Mart	\$ 2,088,050	1	25.35%	\$	1,762,582	1	24.83%		
Baker Foods	565,240	2	6.86%		319,753	2	4.50%		
CSX Transportation	216,822	3	2.63%		101,344	6	1.43%		
Dollar General	146,880	4	1.78%		93,958	8	1.32%		
Marvins, Inc.	140,349	5	1.70%		128,478	5	1.81%		
Dunn Construction Co.	139,895	6	1.70%		**				
Spann Enterprises	133,526	7	1.62%		67,450		0.95%		
Talladega Home Center	128,696	8	1.56%		79,715	10	1.12%		
Bill Stanford	115,430	9	1.40%		97,775	7	1.38%		
Tractor Supply Co	113,594	10	1.38%		**				

^{**}Business not open in 2005

Debt Capacity Data

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

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

Governmenta	l Activities	Business-Typ		
General		•	Other	Total
Obligation	Capital	Revenue	General	Primary
Bonds	Leases	Bonds	Debt	Government
6,994,970	586,089	7,980,000	840,542	16,401,601
6,074,781	690,073	7,715,000	785,474	15,265,328
5,826,203	967,707	7,445,000	708,624	14,947,534
7,776,434	562,365	7,165,000	422,149	15,925,948
10,925,578	464,288	6,880,000	276,808	18,546,674
10,789,976	565,622	6,680,288	39,115	18,075,001
10,319,881	618,395	18,501,520	34,181	29,473,977
9,466,665	317,828	17,740,000	7,820	27,532,313
8,935,000	883,926	17,586,487	288,948	27,694,361
8,515,000	865,664	17,177,729	211,608	26,770,001
	General Obligation Bonds 6,994,970 6,074,781 5,826,203 7,776,434 10,925,578 10,789,976 10,319,881 9,466,665 8,935,000	Obligation Bonds Capital Leases 6,994,970 586,089 6,074,781 690,073 5,826,203 967,707 7,776,434 562,365 10,925,578 464,288 10,789,976 565,622 10,319,881 618,395 9,466,665 317,828 8,935,000 883,926	General Obligation Bonds Capital Leases Revenue Bonds 6,994,970 586,089 7,980,000 6,074,781 690,073 7,715,000 5,826,203 967,707 7,445,000 7,776,434 562,365 7,165,000 10,925,578 464,288 6,880,000 10,789,976 565,622 6,680,288 10,319,881 618,395 18,501,520 9,466,665 317,828 17,740,000 8,935,000 883,926 17,586,487	General Obligation Bonds Capital Leases Revenue Bonds General Debt 6,994,970 586,089 7,980,000 840,542 6,074,781 690,073 7,715,000 785,474 5,826,203 967,707 7,445,000 708,624 7,776,434 562,365 7,165,000 422,149 10,925,578 464,288 6,880,000 276,808 10,789,976 565,622 6,680,288 39,115 10,319,881 618,395 18,501,520 34,181 9,466,665 317,828 17,740,000 7,820 8,935,000 883,926 17,586,487 288,948

Percentage	
of Personal	Per
Income	Capita
3.0%	966
2.8%	896
2.6%	880
3.2%	1,084
3.2%	1,092
3.0%	1,384
4.0%	1,880
4.5%	2,108
4.1%	1,758
3.9%	1,677

City of Talladega, Alabama Direct and Overlapping Debt

September 30, 2014

Jurisdiction	O	Gross Debt utstanding	Percentage Applicable to City of Talladega*	Amount Applicable to City of Talladega	
City of Talladega Talladega County	\$	9,380,664 28,782,747	100.00% 10.39%	\$ 9,380,664 2,990,527	
Total	\$	38,163,411	_	\$ 12,371,191	

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

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

			Percentage							
				Estimated						
		Less:	Net	Actual						
	General	Amounts	Bonded	Taxable						
Fiscal	Obligation	Available	Debt	Value of	Per					
Year	Bonds	for Debt	Total	Property	Capita					
'-										
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	441,680	9,466,665	8.03%	725					
2013	8,935,000	439,006	8,935,000	7.27%	573					
2014	8,515,000	476,546	8,991,546	7.32%	533					

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

	2005			2006	2007	2008	
Assessed property value Debt limited to	\$	98,214,240 20%	\$	99,556,920 20%	\$ 107,588,100 20%	\$ 110,402,080 20%	
Debt limit Total net debt applicable to	\$	19,642,848	\$	19,911,384	\$ 21,517,620	\$ 22,080,416	
limit		7,548,189		6,732,410	6,671,199	8,338,803	
Legal debt margin	\$	12,094,659	\$	13,178,974	\$ 14,846,421	\$ 13,741,613	
Total net debt applicable to the limit as a percentage of debt limit		38.43%		33.81%	31.00%	37.77%	

	2009		2010	2011		2012		2013		2014	
\$	109,099,890 20%	\$	113,448,000 20%	\$	113,694,240 20%	\$	117,887,180 20%	\$	122,970,640 20%	\$	122,875,960 20%
\$	21,819,978	\$	22,689,600	\$	22,738,848	\$	23,577,436	\$	24,594,128	\$	24,575,192
<u>\$</u>	11,389,866 10,430,112	Ś	11,355,598	\$	10,937,954 11,800,894	Ś	9,784,493 13,792,943	¢	9,818,926 14,775,202	\$	9,380,664
<u>ې</u>	10,430,112	Ş	11,334,002	Ş	11,600,694	Ą	15,/92,945	Ş	14,773,202	Ş	15,194,528
	52.20%		50.05%		48.10%		41.50%		39.92%		38.17%

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

	2005	2006	2007	2008	2009	2010
Population ¹	16,981	17,041	16,991	14,698	16,991	13,062
Total personal income						
Household income-City	\$ 31,695	\$ 32,166	\$ 33,677	\$ 34,067	\$ 34,067	\$ 46,499
Talladega County	\$ 33,986	\$ 32,166	\$ 33,677	\$ 47,603	\$ 38,013	\$ 49,430
Per capita ¹						
Personal income*	\$ 27,085	\$ 28,102	\$ 17,435	\$ 17,557	\$ 17,435	\$ 18,583
Talladega County	\$ 27,793	\$ 28,102	\$ 18,473		\$ 18,473	\$ 19,762
School district ³						
Enrollment	2,778	2,721	2,606	2,573	2,395	2,576
Un a manda a mand ²						
Unemployment² Rate	4.3	4.6	4.5	5.9	12.1	13.2
Employed ²						
Talladega County	38,005	38,223	38,291	36,258	32,296	31,958

^{*} Personal Income is for Talladega-Sylacauga, AL

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

² Alabama Department of Industrial Relations

³ Talladega City Board of Education

2011	2012	2013	2014
15,676	13,062	15,591	15,966
\$ 46,499 \$ 49,430	\$ 46,499 \$ 49,430		\$ 43,253 \$ 47,708
\$ 18,583 \$ 19,762	\$ 18,583 \$ 19,762		\$ 16,536 \$ 19,410
2,315	2,622	2,206	2,196
8.4	11.5	7.2	6.9
32,067	32,067	35,199	34,828

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

		2014		2005			
			Percentage of Total			Percentage of Total	
	Employees	Rank	Employment	Employees	Rank	Employment	
Alabama Institute for Deaf & Blind	1266	1	3.41%	628	2	1.91%	
Talladega County Board of Education	952	2	2.56%	952	1	2.90%	
Baptist Citizens Medical Center	348	3	0.94%	322	6	9.80%	
Talladega Healthcare and Rehab	343	4	0.92%	-		0.00%	
Federal Correction Institution	330	5	0.89%	317	7	0.97%	
MasterBrand Cabinets	288	6	0.78%	354	4	1.08%	
Talladega City Board of Education	287	7	0.77%	252	5	1.06%	
Wal-Mart Talladega	220	8	0.59%	-	8	0.77%	
City of Talladega	180	9	0.48%	-		0.00%	
Precision Strip, Inc.	135	10	0.36%	-		0.00%	

Source: Talladega County Economic Development Authority

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

Department	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
										_
Administrative/City Clerk	7	5	5	5	2	2	2	2	2	2
Animal Control	4	3	3	4	4	4	3	3	3	4
City Council	6	6	6	6	6	6	6	6	6	6
City Manager	2	2	2	2	3	4	5	5	4	5
Comm. Appearance	-	24	24	22	22	18	23	22	22	20
Comm. Development	-	-	-	-	7	-	-	-	-	-
Fire	31	26	24	26	26	27	31	28	28	27
Human Resources	-	-	-	-	2	2	2	2	2	2
Library	7	6	7	6	6	10	8	7	7	7
Municipal Court	3	3	3	3	3	3	3	3	3	4
Parks and Recreation	32	29	31	28	28	32	27	12	11	10
Police	60	45	41	42	42	40	48	44	43	47
Police Communications ¹	4	4	4	4	4	-	-	_	-	-
Public Works	56	25	21	22	23	17	15	17	18	16
Purchasing	-	-	-	_	-	3	2	2	2	2
Revenue/Finance	3	3	3	3	5	5	5	5	5	5
Total	215	181	174	173	183	173	180	158	156	157

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

Operating Information

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Emergency communications										
Calls received ¹	2,243	2,534	2,161	2,890	52,712	23,267	31,185	29,991	33,985	67,000
Police										
Calls for service	22,306	23,544	21,198	20,713	20,538	20,300	23,826	23,203	28,965	29,238
Reported crimes	3,747	3,460	3,849	3,829	3,277	4,035	6,732	6,204	4,357	4,359
Fire										
Fire responses	338	395	512	424	321	492	627	432	424	420
Medical calls	17	23	31	19	23	34	-	152	239	290
	355	418	543	443	344	526	627	584	663	710
Water										
Millions of gallons per day										
Filtration plant production	4.08	4.18	3.96	3.59	3.44	3.65	3.78	3.73	3.37	3.45
City water demand	2.95	3.08	2.91	2.55	2.53	2.58	2.08	2.12	1.85	2.44

¹ Talladega County 911 Source:City departments

City of Talladega, Alabama Capital Asset Statistics by Function

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	38	38	38	38	38	38	38	38	38	38
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (lane miles)	420	420	420	420	420					
Number of traffic signals		32	32	32	32	32	32	32	32	32
Culture and recreation										
Acreage	86	86	86	86	86	86	86	86	86	86
Number of parks	7	7	7	7	7	7	7	7	7	7
Number of playgrounds	7	7	7	7	7	7	7	7	7	7
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Recreation center	5	5	5	5	5	5	5	5	5	5
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Historical park	1	1	1	1	1	1	1	1	1	1
Utilities										
Water mains (miles)	125.52	125.52	125.52	125.52	125.52	125.52	125.52	125.52	125.52	126.5
Number of fire hydrants	950	950	950	950	950	950	950	950	950	1,000
Storage capacity (millions of gallons)										
raw water storage		2,500,000								
finished water		4,050,000							4,050,000	4,050,000
Sanitary sewers (miles)	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2	83.2

Sources: Various City departments