# City of Talladega, Alabama

# **Comprehensive Annual Financial Report**

For the Fiscal Year Ended September 30, 2016

Prepared by Paul Hanebuth, Finance Director



# City of Talladega, Alabama Table of Contents September 30, 2016

INTRODUCTORY SECTION	
Transmittal Letters	i
Certificate of Achievement for Excellence in Financial Reporting	xii
Organization Chart	xiii
Officials of the City of Talladega	xiv
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 Fund	10
Statement of Revenues, Expenses and Changes in Fund Net	
Position—Proprietary Fund	11
Statement of Cash Flows—Proprietary Fund	12
Statement of Net Position – Fiduciary Fund	14
Statement of Changes in Fiduciary Net Position	15
Statement of Net Position—Component Units	16
Statement of Activities—Component Units	17
Notes to Financial Statements Index	18
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenditures	
General Fund—Budget and Actual	57
Schedule of Changes in Net Pension Liability	61
Schedule of Employer Contributions	62
Schedule of Funding Progress – Other Post-Employment Benefits Plan	63
Notes to Required Supplementary Information	64

# City of Talladega, Alabama Table of Contents September 30, 2016

SUPPLEMENTARY INFORMATION	
Talladega Water and Sewer Department, Schedule of Revenues,	
Expenses and Changes in Fund Net Position—Budget and Actual	67
Combining Balance Sheet—Non-major Governmental Funds (by fund type)	68
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances—Non-major Governmental Funds (by fund type)	69
Combining Balance Sheets—Special Revenue Funds	70
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances—Special Revenue Funds	71
Combining Balance Sheet—Capital Projects Funds	72
Combining Statement of Revenues, Expenditures and Changes in	
Fund Balances—Capital Projects Funds	73
STATISTICAL SECTION	
Financial Trend Data	
Net Position by Component	76
Change in Net Position	77
Governmental Activities—Tax Revenues by Source	79
Fund Balances of Governmental Funds	80
Changes in Fund Balance of Governmental Funds	81
Property Tax Rates per Thousand—Direct and Overlapping Governments	82
Principal Sales and Use Taxpayers	83
Debt Capacity Data	
Ratios of Outstanding Debt by Type	85
Direct and Overlapping Debt	86
Ratios of General Debt Outstanding	87
Legal Debt Margin Information	88
Demographic and Economic Information	
Demographic Economic Statistics	90
Principal Private-Sector Employers in the Talladega Area	91
Budgeted Full-Time Equivalent City Government Employees by Function	92
Operating Information	
Operating Indicators by Function	94
Capital Asset Statistics by Function	95

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April 6, 2017

# Ladies and Gentlemen:

I hereby transmit the annual financial report of the City of Talladega as of and for the year ended September 30, 2016. 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 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

W. Patrick Bryant City Manager

City of Talladega

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April 6, 2017

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, 2016. Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Carr, Riggs and Ingram, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Talladega's financial statements for the year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

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

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

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

# LOCAL ECONOMY

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

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employed persons living in Talladega also work in Talladega, demonstrating employment opportunities for its residents.

A method of analyzing economic conditions in Talladega is to track trends in sales tax revenue, on which the City is heavily dependent. Talladega has been slow to recover from the recession, but tax revenue has increased slightly since FY 2015 and is monitored carefully. As stipulated by City Council, 25% of the 1% tax increase implemented in 2011 remains in the General Fund and is available for operating expenditures, and another 50% of the increase is transferred to the Capital Improvement Fund. These funds are expended according to the capital improvement budget as approved by Council and have greatly minimized the need of the City to issue debt to fund capital projects. The remaining 25% of the increase is assigned first to ensuring that the City maintains its Annual Required Contribution (ARC) to Other Post-Employment Benefits (OPEB) so that the OPEB liability does not increase over time, with any funds over and above the ARC assigned to building emergency reserves. These reserves are currently at about 12% of annual expenditures, or sufficient to fund 43 days of operations.

Service industries, retail trade and manufacturing are the top three employment sectors. The establishment of Honda Manufacturing and related support industries in Talladega County has provided approximately 4,300 jobs in the area since 2002. M-Tek, the most recent addition to the local industrial park, which produces interior trim pieces for Honda, has recently expanded its operations. 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 150,000 people per race, resulting in the need for additional local lodging facilities. Other local attractions include the Talladega Walk of Fame and Davey Allison Memorial Park, Cheaha State Park, Talladega National Forest and DeSoto Caverns. The Public Park Authority administers Top Trails, which has more than 70 miles of trails for off highway vehicles on 2,800 acres. Camping and RV sites have been developed and future plans include equestrian stables and trails and zip lines. The Civilian Marksmanship Program, whose mission is teaching respect for firearms, promoting gun safety and marksmanship principles, opened in June, 2015. This facility features several ranges for pistols and rifles, as well as a range for trap and skeet shooting. As a reflection of the area as a tourist destination, retail sales in the City are 108% and 106% of state and national levels, respectively.

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# **EDUCATIONAL RESOURCES**

The City's school system is operated by the City of Talladega Board of Education which consists of five (5) members elected in districts by the City. The system employed 164 certified teachers in the 2015-2016 school year, along with support personnel and administrators. The school system operates (i) four elementary schools (grades K through 6), serving 1,164 students, (ii) one middle school (grades 7 and 8), serving 287 students, and (iii) one high school, serving 514 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 continuation of a distance learning center at Talladega High School, which gives students remote access to a wider variety of curriculum. The City schools are accredited by the Alabama State Department of Education and the Southern Association of Colleges and Schools.

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

Alabama School for the Deaf and Alabama School for the Blind are accredited preschool-12 programs serving individuals from 3 to 21 years of age. The Instructional Resource Center for the Blind, located on the Alabama School for the Blind campus, provides Braille and large print books, materials and other services to all blind and visually impaired students at AIDB and in public schools in Alabama. The Helen Keller School of Alabama is also accredited and serves multi-disabled children ages 3 to 21. Also available to students with sensory or physical disabilities is the Marianna Greene Henry Special Equestrian Arena which offers hippotherapy to motivate the movement of tightened or restricted muscles and limbs, as well as recreational riding opportunities. The program is accredited by the North American Riding for the Handicapped Association.

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

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operate Base Supply Centers in Alabama and Georgia. Employees of AIB manufacture or distribute many products used in the home, office or by the military.

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

Talladega College - located in the City of Talladega, Talladega College is a four year nationally accredited liberal arts college. The college was founded in 1867 by freedmen William Savery and Thomas Tarrant, who were aided by General Wager Swayne of the Freedmen's Bureau and the American Missionary Association. Talladega College began as a one room school house constructed from salvaged lumber. Over the college's span of history, it has grown to 17 major buildings on 50 acres, surrounded by 80 acres of gently rolling woodlands. Talladega College offers 17 majors in business and administration, humanities and fine arts, science and mathematics, and social sciences and education. In addition, the college offers 7 intercollegiate sports teams and has an enrollment of 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.

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The *Historic Ritz Theatre* offers a variety of musicals, plays, and concerts in their spring and fall seasons. Some recent examples include "Bear Country," "The Little Engine That Could," "The Color Purple", popular gospel and country music artists, and the Black Jacket Symphony, which covers a variety of pop and rock music. This calendar is supplemented by showings of films such as "It's a Wonderful Life" and "The Polar Express". The Ritz regularly offers programs to local students to supplement and enrich their school curriculum.

The *Talladega International Superspeedway* is located nine (9) miles north of the City. The speedway annually attracts over 300,000 spectators to racing events which occur twice per year. Located adjacent to the speedway is the Motor Sports Hall of Fame which was opened in April 1983 and is a major tourist attraction.

The International Motorsports Hall of Fame is located near the Talladega Superspeedway. This museum holds over 100 cars at a value of more than \$25 million dollars. The collection includes stock cars and trucks, Indy cars, drag racers, sprint cars, motorcycles, go-karts, quarter midgets, and a world record off-shore power boat. The Hall of Fame is open daily and has extended hours during race weeks each May and October.

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

# HISTORIC SITES

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

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

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

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

Talladega Courthouse Square – Located around the Talladega County Courthouse, this historic district is comprised of 72 buildings covering an area of approximately four acres in Talladega's 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 19<sup>th</sup> century. The oldest buildings in the district were soon built after Talladega was surveyed in 1834. There is only one building in the district that was built after the 1930's.

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

The Ritz Theatre – Located on the Courthouse Square, Talladega's Ritz Theatre (circa 1936) is considered one of the best surviving examples of the Art Deco main street theatres of the 1930's. Careful restoration of the landmark's extraordinary façade –

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comprised exclusively of opaque structural glass, a common construction material used lavishly during the Deco period in buildings like the Rockefeller Center in New York City – was completed in late 1997 with perfectly matched antique vitrolite glass by renowned St. Louis artisan Timothy J. Dunn. The historic Ritz Theatre reopened on February 16, 1998 as the premiere performing arts center of East Central Alabama with a concert by the National Symphony String Quintet. A primary purpose of the theatre is to bring arts and culture to the young citizens of Talladega and the surrounding areas, as well as to offer quality plays, musicals and concerts to those interested in the arts.

# PARKS AND RECREATIONAL FACILITIES

The City of Talladega has a total of ten City parks, four recreational centers and a 9-hole golf course within its City limits to serve the recreational needs of residents. These parks and recreational centers are fairly well-distributed throughout the community. Top Trails is another recreational opportunity managed by the Public Parks Authority of the Cities of Lincoln and Talladega, and the Civilian Marksmanship Program is a private park renowned among gun enthusiasts throughout the region and country.

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

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

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

The *Jemison Park* is located on Ashland Highway on a 3-acre site. The park consists of eight tennis courts, a playground and a picnic pavilion.

The *Knoxville Park* is located on Scott Street on a 4-acre site. The park consists of a baseball field, picnic pavilion, and basketball court.

The *McMillan Park* is located on Horne Drive on an 8-acre site. The park consists of three practice fields, a Girls Little League Softball field, and a playground.

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

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

The Westgate Park is located on Sloan Avenue on a 3-acre site. The park consists of a softball field, a basketball court, and a playground.

The *Hill-Pope Park* is located on McMillan Street on approximately a 3-acre site. The park consists of a walking track and a playground.

Talladega Municipal Golf Course encompasses 100 beautifully landscaped acres including a stream-fed pond. It is a 9-hole course, par 36/27, with separate tee boxes for the back 9 holes. The golf course is currently leased to a private management company.

The *B.N. Mabra Nutrition Center* was established in 1979 and is located on 25<sup>th</sup> Street. The Center is the home for the Senior Nutrition program which serves meals to elderly residents and also offers health programs, counseling, meal planning and budgeting.

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

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

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

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

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

# LONG-TERM FINANCIAL PLANNING

As a planning tool for long-term financing and the annual budget process, the City prepares a capital improvement program. This document, which is updated annually, prioritizes capital projects by their funding source and timing. The City uses a portion of the 1% sales and use tax increase implemented in April 2011 as the major source of funds for future capital improvements rather than relying on financing alone. This policy is further maximized by aggressively pursuing grant opportunities for infrastructure renovation and replacement. Bonded indebtedness is managed in coordination with debt repayment schedules to stay within legal debt limits and to maintain a stable level of debt service. General policy targets debt payments at no more than 10% of General Fund operating expense; currently debt payments are 7.68% of General Fund expense. The City was first rated by Standard & Poors in 2009, achieving a rating of "A, stable" and was upgraded to "AA-" in 2014. This rating was affirmed in March, 2015. The City's Water and Sewer utility has achieved a rating of A+, stable, which was also affirmed in March, 2015.

# **ACKNOWLEDGMENTS**

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. On behalf of the citizens of Talladega, I would like to express my appreciation to Revenue Officer Romy Stamps, Accounts Payable Clerks Shellia Harris and Sandy Owens, and Administrative Clerk Sharon Twymon. Finally, I would like to thank the City Manager and the members of the City Council for their continued support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Paul Hanebuth Finance Director



# Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

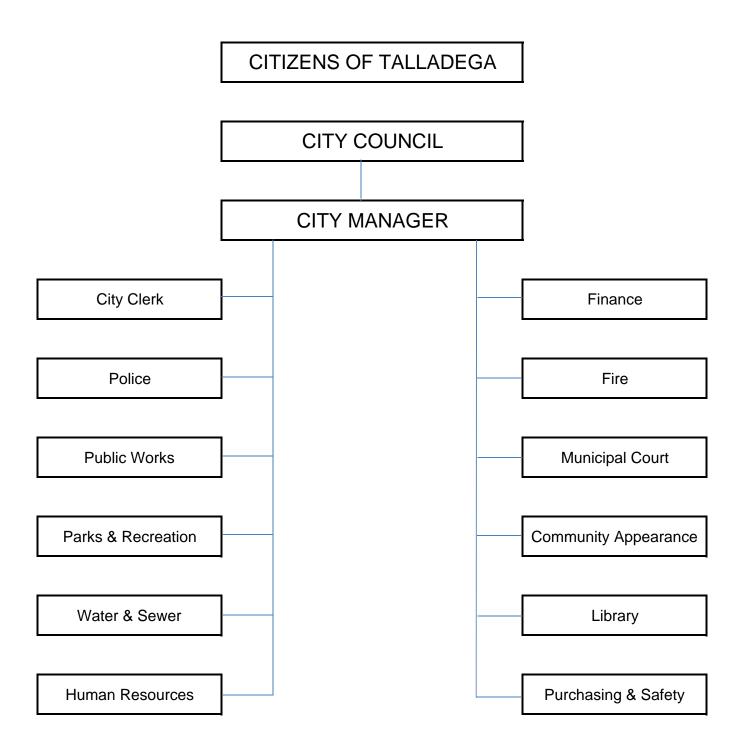
Presented to

# City of Talladega Alabama

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**September 30, 2015** 

Executive Director/CEO



# OFFICIALS OF THE CITY OF TALLADEGA

# <u>Mayor</u>

Jerry Cooper

# **City Council**

Dr. Horace Patterson Ward I
Jarvis Elston Ward II
David Street Ward III
Ricky Simpson Ward IV
Gerald Cooper Ward V

# City Manager

Patrick Bryant

# **Other City Officials**

City Clerk Beth Cheeks Community Appearance Mitch Bast, Director Paul Hanebuth, Director Finance Fire Danny Warwick, Chief Tayler Drummond, Director **Human Resources** Library Vickie Harkins, Director **Municipal Court** Mark Nelson, Judge **Municipal Court** David Sparks, Clerk Parks and Recreation Summer Ammons, Director **Police** Jason Busby, Chief **Public Works** Karen Phillips, Director Purchasing and Safety Terry Hanner, Director Water and Environmental Services Cathy Fuller, Director



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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the fiduciary fund, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Talladega, Alabama, as of and for the year ended September 30, 2016, 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 the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Talladega City Board of Education and the Talladega Municipal Airport Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

# **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the fiduciary fund, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

# Required Supplementary Information

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

## Other Information

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

The budgetary comparison schedule for proprietary fund and combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Birmingham, Alabama April 6, 2017

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

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# CITY OF TALLADEGA, ALABAMA MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2016

This section of the City of Talladega, Alabama's annual financial statement is intended to provide readers a general overview of the financial activities during the fiscal year that ended September 30, 2016. The material presented in this section should be read in conjunction with the independent auditor's report and the additional information provided in this financial report.

# Financial Highlights - Governmental Activities

- The primary government assets and deferred outflows of resources of the City of Talladega exceeded its liabilities and deferred inflows of resources by \$30,890,511 as of September 30, 2016. However, \$13,300,999 (43%) reflects the City's investment in capital assets, less any related debt still outstanding that was issued to acquire those items. The City of Talladega uses these capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City of Talladega's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay the debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional total of \$8,493,646 represents assets that are subject to external restrictions on how they may be used. The remaining balance, totaling \$9,095,866, is unrestricted.
- The total net position of the City of Talladega increased approximately \$1.75 million during fiscal year 2016, largely due to budgetary surplus in the governmental General Fund. However, nearly all of this surplus is statutorily assigned to capital improvement projects, and the City anticipates that the projects funded with these monies will be completed within the next fiscal year.
- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$8.898 million. The combined governmental funds' fund balances increased by \$1.959 million during the fiscal year, due to the budget surplus and the delay of a number of capital projects. The increases in the General and Capital Projects funds were partially offset by a slight decrease in other governmental fund balances.

203 South Street W., Talladega, AL 35160 (256) 362-8186



- The budget surplus increased the General Fund balance by \$1.646 million to a total of \$5.394 million at year end. The city assigned \$1.6 million of this balance to emergency reserves; this amount represents nearly 12% of annual expenditures, or 43 days of operations. General fund revenues were \$14.02 million, \$616,917 more than the previous fiscal year and \$256,451 (1.9%) more than anticipated in the budget. General fund operating expenditures were \$945,593 (7.65%) under budget for a total of \$12.361 million, a decrease of \$8,221 from fiscal 2015. Other financing sources (uses) totaled (\$956,325) million which was \$123,975 under budget. Surplus fund balance was used in FY 2016 to finance additional capital projects and expenditures. The overall financial position of the City remains stable.
- The capital projects trust fund closed with a fund balance of \$1,678,454, an increase from the \$1,247,106 balance in the prior year due to unanticipated delays in beginning new projects. Capital projects revenues were \$169,362 and consisted of grant receipts and interest, with an additional \$1,000,000 transferred from the General Fund as sales tax revenue restricted for capital projects per City ordinance. Capital funds expenditures were \$738,014 for fiscal year 2016 and consisted of building and park improvements, as well as equipment and fleet replacement, including six new police patrol cars and self-contained breathing apparatuses (SCBAs) for firefighters.
- 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 \$1,828,814, a \$197,827 increase from the prior year.
- The RBEG (Rural Business Enterprise Grant) fund and the CDBG (Community Development Block Grant) fund comprise the Capital Projects Funds. Projects partially funded with these grants were completed during fiscal 2016 and excess fund balances were transferred back to the General Fund.

203 South Street W., Talladega, AL 35160 (256) 362-8186



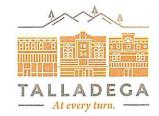
# Financial Highlights - Business-type Activities

- The assets and deferred outflows of resources of the Talladega Water and Sewer Department of the City of Talladega, Alabama, exceeded its liabilities and deferred inflows or resources at September 30, 2016, by \$17,928,701 (total net position) down from \$18,089,202 in FY 2015. Of the total net position, \$6,828,228 or 38.1% (unrestricted net position) may be used to meet the Department's ongoing obligations. The net pension liability increased by approximately \$384,000 and bond proceeds (restricted assets) were used to increase depreciable capital by approximately \$2 million; other changes in the balance sheet were not significant.
- The Water and Sewer department required the use of unrestricted resources to fund expenditures. Operating revenues of \$7,479,369, a decrease of \$74,410 from 2015, exceeded operating expenses during the year, which increased \$186,421 for a total of \$5,714,789 for FY 2016. However, this operating income was insufficient to cover nonoperating expense and transfers out, so net position declined by \$160,501. Transfers out consist of amounts collected by the Water and Sewer Department for garbage collection service, and nonoperating expenses were primarily interest on long-term debt.
- During this time period proceeds from the 2010 Capital Improvement Bond continued to be utilized on a number of system improvement projects. The rehabilitation of the Harmon Park Well and the rehabilitation of the Mt. Olive tank and the construction of a booster station for that location, the relocation of the Shocco pump station and micro-screen replacement at the Waste Water Treatment Plant were completed, and work on sewer system rehabilitation was begun. Proceeds from the 2015 Capital Improvement Bond were also used for improvements to the sewer system, which will continue in fiscal year 2017.

# 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.

203 South Street W., Talladega, AL 35160 (256) 362-8186



# **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 and the Talladega City Board of Education. The City is financially accountable for these entities.

The Statement of Activities presents information showing how the government's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

# **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funds and expenditures. Some funds are required by federal or state law while others are required by grant agreements. Other funds are established to control and manage City resources designated for specific purposes.

The City uses three types of funds:

Governmental Funds - Most of the City's basic services are included in governmental funds which focus on (1) how cash and other financial assets can be converted to cash flows into and out of the funds, and (2) balances left at year-end that are available to be spent. Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

203 South Street W., Talladega, AL 35160 (256) 362-8186



activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision.

- The City of Talladega adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided in the supplementary information for the General Fund to demonstrate compliance with this budget.
- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Water and Sewer Department has one enterprise fund to account for its business-type activities. The separate enterprise fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.
- Fiduciary funds allow the government to summarize trust funds by type, such as other post-employment benefit obligations. While these funds represent trust responsibilities, fund assets are restricted in purpose and may not be expended for governmental activities. Therefore, these assets are not presented as part of the government-wide financial statements.

# Notes to the Financial Statements

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

# Other Information

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

203 South Street W., Talladega, AL 35160 (256) 362-8186



# **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

# Statement of Net Position September 30, 2016

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

203 South Street W., Talladega, AL 35160 (256) 362-8186



# Statement of Net Position September 30, 2015

	Governmental	Business-type	Total All
ASSETS	Activities	Activities	Activities \$ 13,315,666
Cash and cash equivalents	\$ 5,983,796	\$ 7,331,870	722,432
Investments	722,432 919,570	641,094	1,560,664
Receivables, net Unbilled revenue	313,370	643,601	643,601
Internal Balances	84,878	(84,878)	045,001
Inventories	04,070	302,300	302,300
Restricted assets		9,480,946	9,480,946
Other assets	66,658	21,132	87,790
Net OPEB asset	86,994		86,994
Capital assets not being depreciated	4,305,776	1,702,903	6,008,679
Capital assets, net of accumulated depreciation	13,629,567	21,580,597	35,210,164
		3.	0.0000000000000000000000000000000000000
Total Assets	<u>25,799,671</u>	41,619,565	<u>67,419,236</u>
Deferred outflows of resources			
Employer retirement contributions subsequent to	561,177	134,900	696,077
To measurement date	\$15.75 V\$15		
Deferred charges from refunding	328,884	275,562	604,446
			0.0000000000000000000000000000000000000
Total deferred outflows of resources	<u>890,061</u>	<u>410,462</u>	<u>1,300,523</u>
Total Assets & Deferred Outflows of Resources	\$26,689,732	\$42,030,027	\$68,719,759
LIABILITIES			
Accounts payable and accrued liabilities	\$ 838,107	\$ 284,971	\$ 1,123,078
Customer meter deposits	750 E	235,574	235,574
Accrued interest	45,767	-	45,767
Noncurrent liabilities;			
Due within one year:	040ene20020e141		
Bonds and warrants payable	465,000	442,300	880,000
Capital leases	61,479	79,534	141,013
Compensated absences	31,899	<b>=</b>	31,899
Due in more than one year	0.006.604	21,559,373	29,592,524
Bonds and warrants payable	8,006,684 733,293	53,645	786,938
Capital leases	4,761,967	1,144,715	5,906,682
Net pension liability Compensated absences	287,095	42,701	329,796
Compensated absences	201,030	42,701	020,100
Total Liabilities	<u>15,231,291</u>	23,841,980	39,073,271
Deferred inflows of resources	411,189	98,845	510,034
NET POSITION			
Net investment in capital assets	8,668,887	4,665,885	13,334,772
Restricted for:	5,535,65	W-2-2-4-2-2-1	9 3
Capital projects	1,621,321	-	1,621,321
Special revenues (gas tax and road projects)	413,545	<u>=</u>	413,545
Special revenues (ad valorem tax for schools)	48,071	<u>.</u>	48,071
Special revenues (public safety)	97,201		97,201
Debt service fund	501 W E	6,608,857	6,608,857
Unrestricted	198,227	6,814,460	7,012,687
Total Net Position	\$11,047,252	\$18,089,202	\$29,136,454

203 South Street W., Talladega, AL 35160 (256) 362-8186



# **General Fund Budgetary Highlights**

A review of the budgeting changes from the original to the final budget reflect minor revenue updates with three significant changes:

- 1. Sales taxes grew more quickly than anticipated, and the budget line was increased by a total of \$200,000.
- 2. The City received an unanticipated \$253,314 payment of business license fees from previous years resulting from an internal audit of Coosa Valley Electric Co. This amount was included in the amended budget for planning purposes but is reflected as a prior period adjustment in the Schedule of Revenues and Expenditures (please see pages 57 and 60).
- 3. Similarly, debt service expenditures are reflected in the General Fund budget for planning purposes (p. 60) but are shown in this document in the Debt Service Fund (pp. 9 and 69).

Amended departmental budgeted expenditures include:

- 1. An increase to the Finance Department budget to reflect the payout of accrued leave to the departing Finance Director and the hiring of an interim replacement.
- 2. An increase in General Government expenditures due to an unanticipated increase in workers' compensation insurance rates.
- 3. An increase to the Police Department budget as responsibility for inmate intake and housing was transferred from the Municipal Court.

Detailed information regarding the General Fund budget to actual amounts may be found in the Required Supplementary Information, pages 57-60.

# Statement of Activities For the Year Ended September 30, 2016

			Total Primary Government	Business-type Activities: Water and sewer Total Business-type Activities	Public safety: Public works Parks and Recreation Interest on long-term debt Total Governmental Activities	Governmental Activities: General government administration	Program Activities
Net Position, Beginning of Year Net Position, End of Year	Change in Net Position	General Revenues: Taxes: Ad Valorem Sales and Use Other General business licens Grants not restricted to s Miscellaneous revenues Interest income Transfers Total General Reve	\$ 21,640,010	6,666,566	5,993,740 3,449,780 1,071,100 <u>360,675</u> 14,982,401	\$ 4,098,149	Expenses
eneral Revenues: Taxes: Ad Valorem Sales and Use Other General business licenses and permits Grants not restricted to specific programs Miscellaneous revenues Interest income Transfers Total General Revenues and Transfers Hange in Net Position et Position, Beginning of Year et Position, End of Year	\$ 8,459,743	7,479,369	769,988 155,673 - 980,374	\$ 54,713	Program Revenues Fees, Fines and Oper Charges for Gran Services Contri		
	\$ 537,778		296,782 86,049 31,221 123,726 537,778	es	Revenues Operating Grants and Contributions		
			\$ 40,311		40,311	<i>€</i> 5	Capital Grants and Contributions
14,839,111 \$ 16,141,558	1,302,447	1,053,026 9,750,940 901,096 2,171,942 - 120,336 64,706 1,014,181 15,076,227	\$ (13,414,981)		(5,137,703) (3,378,248) (791,701) (360,675) (13,349,662)	\$ (3,746,654)	Governmental Activities
17,079,138 \$ 19,026,035	1,946,897	31,605 9,272 (1,014,181) 872,607	\$ 812,803	812,803		€9	Net (Expense) Revenue and Changes in Net Assets Business-type Activities
31,918,249 \$ 35,167,593	3,249,344	1,053,026 9,750,940 901,096 2,171,942 97,250 151,941 73,978 15,524,716	\$ (12,602,178)	812.803	(5,137,703) (3,378,248) (791,701) (360,675) (13,349,662)	\$ (3,746,654)	ssets -type Total

# Statement of Activities For the Year Ended September 30, 2015

\$ 29,136,454	\$ 18,089,202	\$ 11,047,252			of Year	Net Position, End of Year	
29,340,601	17,896,764	11,443,837			ning of Year,	Net Position, Beginning of Year, restated	
<b>(204,147)</b> 35,167,593 (5,826,992)	192,438 19,026,035 (1,129,271)	(396,585) 16,141,558 (4,697,721)			ition nning of Year	Change in Net Position Net Position, Beginning of Year Restatement	
14,145,550	(994,525)	15,140,075		ansfers	Total General Revenues and Transfers	Total Gener	
	(1,315,009)	1,315,009				Transfers	
	•	·			sset	Gain on sale of asset	
164,181	127,786	36,395				Interest income	
573,710	192,698	381,012			venues	Miscellaneous revenues	
2,103,350		2,103,350		S	General business licenses and permits	General business	
837,087	i)	837,087				Other	
9,404,853	<b>≅</b>	9,404,853				Sales and Use	
1,062,369	Ē	1,062,369				Ad Valorem	
					s:	General Revenues: Taxes:	
\$ (14,349,697)	\$ 1,186,963	\$ (15,536,660)	\$ 288,219	\$ 230,756	\$ 8,675,498	\$ 23,544,170	Total Primary Government
1,186,963	1,186,963				7,553,779	6,366,816	Business-type Activities: Water and sewer Total Business-type Activities
(15,536,660)		(15,536,660)	288,219	230,756	1,121,719	17,177,354	Total Governmental Activities
(352,077)		(352,077)	1	er:		352,077	Interest on long-term debt
(917,479)	ï	(917,479)	1 10 10 10 10 10 10 10 10 10 10 10 10 10	116,384	160,879	1,192,742	Parks and Recreation
(5,581,987)	ī	(5,581,987)	288,219	40,977	•	5,911,183	Public works
(5,618,586)		(5,618,586)		10,949	910,972	6,540,547	Public safety
\$ (3,068,531)	<del>(</del>	\$ (3,068,531)	€9	\$ 62,446	\$ 49,868	\$ 3,180,845	Governmental Activities: General government administration
Total	Activities	Activities	Contributions	Contributions	Services	Expenses	Program Activities
pe	Business-type	Governmental	Grants and	Grants and	Charges for		
its "	Net (Expense) Revenue and Changes in Net Assets	ano	) :	evenues	Program Revenues		

203 South Street W., Talladega, AL 35160 (256) 362-8186



# CAPITAL ASSETS AND DEBT OUTSTANDING

Capital Assets: The City of Talladega's investment in capital assets (net of accumulated depreciation) for governmental and business-type activities as of September 30, 2016, totals \$42,681,308. These assets include buildings, land, equipment, facilities and vehicles. Additional detailed information on the capital assets may be found in Note 7 on pages 35-36.

Long-term Debt: As of September 30, 2016, the City of Talladega governmental funds had bonded debt outstanding of \$7,855,000 consisting of four General Obligation Warrants. Interest paid on long-term debt was \$328,444 for fiscal year 2016. In addition, the City has two capital leases with terms up to 10 years. The total present value of future minimum lease payments plus interest equaled \$803,029 at 2016 fiscal year end. The Water and Sewer Department of the City had bonds outstanding in the amount of \$21,559,373, payable solely from revenues of the system, and one capital lease outstanding in the amount of \$53,645 as of September 30, 2016. No additional debt activity has occurred subsequent to the close of FY 2016.

The City uses the 1% sales and use tax increase implemented in April, 2011 as the major source of funds for future capital improvements rather than relying on financing alone. 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. Current governmental indebtedness is 35.30% of the legal debt limit, with a debt margin of \$15.994 million. General policy targets debt payments at no more than 10% of General Fund operating expense; currently debt payments are 7.68% of General Fund expense. The City was first rated by Standard & Poors in 2009, achieving a rating of "A, stable" and was upgraded to "AA-" in 2014. This rating was affirmed in March, 2015. The City's Water and Sewer utility has achieved a rating of A+, stable, which was also affirmed in March, 2015. Additional detailed information on long-term debt may be found in the notes to the financial statements Note 11 on pages 38-43.

# **Post-Employment Benefits**

In January 2015, the City established a trust fund to provide for other postemployment benefits (OPEB) and initially funded it with \$1,000,000 from the General Fund. This created an OPEB asset which grew slightly during FY 2016; however, costs are expected to rise in future years. 5% of general sales and use tax revenues are assigned to meeting the City's actuarially determined Annual Required Contribution to help ensure that the City does not develop a significant OPEB liability. Additional information on post-employment benefits may be found in the notes to the financial statements Note 12 on pages 46-48.

203 South Street W., Talladega, AL 35160 (256) 362-8186



# **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. 2016 sales tax revenue increased by 4.4%, or about \$360,000, over fiscal year 2015; the average annual increase since 2011 is 2.5%. While overall operating revenue exceeded expectations during this fiscal year, most of this is attributed to sales tax while other forms of revenue remain fairly stable.

At the close of FY16, the City continued to enjoy the benefits of economic recovery, although long-term macroeconomic trends indicate a need for stronger economic development strategy. In the absence of pronounced revenue growth, the City must still meet increases in areas such as healthcare costs, employee salaries, and retirement costs. Thus, the City should remain diligent in keeping in place various cost saving measures from previous years, and examine closely the long-term financial effect of any proposed spending. However, the City is hopeful that its significant rebranding and community-building efforts during fiscal year 2016 will pay dividends to the local economy and quality of life over the next several years. Though no significant immediate impact to the City's General Fund revenue is expected, the City is beginning to exhibit a trend toward future economic growth.

# Request for Information

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

The City of Talladega 203 South Street West

Talladega, Alabama 35160

W. Patrick Bryant City Manager

# City of Talladega, Alabama Statement of Net Position

September 30, 2016	Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units	
	Activities	Activities	iotai	Offics	
Assets					
Cash and cash equivalents	\$ 7,458,586	\$ 7,346,258	\$ 14,804,844	\$ 5,604,415	
Investments	1,005,983	-	1,005,983	4,275,023	
Receivables, net	966,652	589,566	1,556,218	14,130	
Unbilled revenue	-	659,646	659,646	-	
Internal balances	84,360	(84,360)	-	-	
Due from other governments	-	-	-	450,424	
Inventories	-	284,958	284,958	-	
Restricted assets	-	7,425,701	7,425,701	-	
Other assets	76,808	23,657	100,465	94,521	
Net OPEB asset	90,268	-	90,268	-	
Capital assets not being depreciated	4,305,726	1,153,947	5,459,673	-	
Capital assets, net of accumulated depreciation	13,010,047	24,211,588	37,221,635	10,193,168	
Total assets	26,998,430	41,610,961	68,609,391	20,631,681	
Deferred outflows of resources					
Employer retirement contributions subsequent to measurement date	508,265	134,227	642,492	2,435,000	
Net difference between projected and actual earnings on pension plan investments	308,203	134,227	042,432	2,433,000	
and differences between expected and actual experience	659,712	175 267	835,079		
Deferred charges from refunding	310,180	175,367 233,280	543,460	-	
Deferred charges from returning	310,180	233,280	343,400	<u> </u>	
Total deferred outflows of resources	1,478,157	542,874	2,021,031	2,435,000	
Total assets and deferred outflows of resources	28,476,587	42,153,835	70,630,422	23,066,681	
Liabilities				242 752	
Bank overdraft	-	-	-	349,753	
Accounts payable and accrued liabilities	694,449	806,000	1,500,449	247,417	
Customer meter deposits	-	232,405	232,405	-	
Accrued interest	52,355	-	52,355	-	
Noncurrent liabilities:					
Due within one year:	405.000				
Bonds and warrants payable	485,000	447,300	932,300		
Capital leases	64,428	53,645	118,073	115,907	
Compensated absences	29,091	-	29,091	•	
Due in more than one year:					
Bonds and warrants payable	7,513,257	21,112,073	28,625,330		
Capital leases	662,500	-	662,500	545,258	
Net pension liability	5,751,882	1,528,981	7,280,863	16,602,000	
Compensated absences	261,815	44,730	306,545	1,455,814	
Total liabilities	15,514,777	24,225,134	39,739,911	19,316,149	
Deferred inflows of resources	-	_	-	2,088,000	
Net position					
Net investment in capital assets	8,280,408	5,020,591	13,300,999	9,593,623	
Restricted for:	2,200,.00	2,320,031	,_00,00	2,000,020	
Capital projects	1,680,278	_	1,680,278	2,921,026	
Special revenues (gas tax and road projects)	608,438	_	608,438	_,5_1,520	
Special revenues (ad valorem tax for schools)	45,101	_	45,101	546,663	
Special revenues (public safety)	79,947	-	79,947	5-10,003	
Debt service and customer deposits	73,347	6,079,882	6,079,882		
Unrestricted	2,267,638	6,828,228	9,095,866	(11,398,780	
Total net position	\$ 12,961,810	\$ 17,928,701	30,890,511 ج	\$ 1,662,532	

# City of Talladega, Alabama Government – Wide Statement of Activities

Year ended September 30, 2016

				Program Revenues				
Program Activities	Expenses		Charges for Services		Operating Grants and Contributions			pital Grants and ontributions
Primary government								
Governmental activities:								
General government administration	\$	4,098,149	\$	54,713	\$	174,782	\$	-
Public safety		5,993,740		769,988		86,049		122,000
Public works		3,449,780		-		31,221		40,311
Parks and recreation		1,071,100		155,673		123,726		-
Interest on long-term debt		360,675		-		-		-
Total governmental activities		14,973,444		980,374		415,778		162,311
Business-type activities:								
Water and sewer		6,666,566		7,479,369		_		-
Total primary government	\$	21,640,010	\$	8,459,743	\$	415,778	\$	162,311
Component units:								
Board of Education	\$	21,622,728	\$	1,589,921	\$	14,798,537	\$	587,499
Municipal Airport Board		566,785		287,645		308,917		
Total Component Units	\$	22,189,513	\$	1,877,566	\$	15,107,454	\$	587,499

## **General revenues:**

Taxes:

Ad Valorem (real and personal property)

Sales and use

Other

General business licenses and permits

Grants not restricted to specific programs

Miscellaneous revenues

Interest income

# **Transfers**

# Total general revenues and transfers Change in net position

Net position at beginning of year as originally stated Restatement

Net position at beginning of year, as restated

Net position at end of year

N	let (Expense) R	leve	enue and Chang	es i	n Net Assets	(	Component Units
G	overnmental	В	usiness-type				
	Activities		Activities		Total		Totals
\$	(3,868,654)	Ś	_	\$	(3,868,654)	\$	_
7	(5,015,703)	•	_	•	(5,015,703)	•	_
	(3,378,248)		_		(3,378,248)		_
	(791,701)		_		(791,701)		_
	(360,675)				(360,675)		_
	(13,414,981)				(13,414,981)		
	(13,414,301)				(13,414,301)		
	_		812,803		812,803		_
			812,803		812,803		<u>-</u> _
	(13,414,981)		812,803		(12,602,178)		_
	(13,414,981)		812,803		(12,002,178)		
\$	_	\$	_	\$	_	\$	(4,646,771)
ڔ	_	ب	_	ڔ	_	۲	
	-		_		-		29,777
							- (4 616 004)
							(4,616,994)
	1,053,026		-		1,053,026		2,008,757
	9,750,940		-		9,750,940		1,723,408
	901,096		-		901,096		113,801
	2,171,942		-		2,171,942		-
	-		-		-		90,000
	120,336		31,605		151,941		370,668
	64,706		9,272		73,978		39,444
	1,014,181		(1,014,181)		-		-
-	15,076,227		(973,304)		14,102,923		4,346,078
	1,661,246		(160,501)		1,500,745		(270,916)
	11,047,252		18,089,202		29,136,454		1,933,448
	253,312		-		253,312		-
	11,300,564		18,089,202		29,389,766		1,933,448
\$	12,961,810	\$	17,928,701	\$	30,890,511	\$	1,662,532
	,,		,,		,,	-	, /

# City of Talladega, Alabama Balance Sheet – Governmental Funds

		Capital Projects	Go	Other vernmental	Go	Total overnmental
September 30, 2016	General	Trust Fund		Funds		Funds
Assets						
Cash and cash equivalents	\$ 4,598,135	\$ 1,747,168	\$	1,113,283	\$	7,458,586
Investments	263,772	-		742,211		1,005,983
Receivables, net	899,147	-		67,505		966,652
Interfund receivable	84,360	-		-		84,360
Other assets	76,808	=		-		76,808
Total assets	\$ 5,922,222	\$ 1,747,168	\$	1,922,999	\$	9,592,389
Liabilities						
Accounts payable and						
accrued liabilities	\$ 527,769	\$ 14,143	\$	97,966	\$	639,878
Other liabilities	_	54,571		-		54,571
Total liabilities	527,769	68,714		97,966		694,449
Fund balance						
Restricted	-	1,678,454		735,310		2,413,764
Committed	-	-		896,508		896,508
Assigned	1,608,025	-		197,886		1,805,911
Unassigned:						
General fund	3,786,428	-		-		3,786,428
Capital projects - community development	-	-		(4,671)		(4,671)
Total fund balance	5,394,453	1,678,454		1,825,033		8,897,940
Total liabilities and						
fund balance	\$ 5,922,222	\$ 1,747,168	\$	1,922,999	\$	9,592,389

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

September	30.	2016

September 30, 2016		
Fund balance - total governmental funds		\$ 8,897,940
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	\$ 4,305,726	
Governmental capital assets being depreciated	60,279,348	
Less accumulated depreciation	(47,269,301)	17,315,773
OPEB asset applicable to the City's governmental activities		
is not current financial resources and therefore is not		
reported on the governmental funds balance sheet.		90,268
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	(52,355)	
Bonds and warrants payable	(7,998,257)	
Capital lease obligations	(726,928)	
Net pension liability	(5,751,882)	
Compensated absences	(290,906)	(14,820,328)
Deferred outflow related to pensions	_	1,478,157

\$ 12,961,810

Net position of governmental activities

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

		Capital Projects	Other Governmental	Total Governmental
Year ended September 30, 2016	General	Trust Fund	Funds	Funds
Revenues				
Taxes	\$11,080,886	\$ -	\$ 624,176	\$ 11,705,062
Licenses and permits	2,171,942	-	-	2,171,942
Charges for services	248,742	_	731,632	980,374
Federal and state grants	138,979	168,555	270,555	578,089
Interest	4,855	807	59,044	64,706
Other revenues	118,533	-	1,803	120,336
Total revenues	13,763,937	169,362	1,687,210	15,620,509
Expenditures				
General government	1,381,445	4,273	683,020	2,068,738
Public safety	4,617,166	-	734,502	5,351,668
Public works	2,984,085	35,195	60,381	3,079,661
Recreation	943,781	-	-	943,781
Other boards and agencies	251,637	_	-	251,637
Non-departmental	1,237,085	_	-	1,237,085
Capital outlay	-	698,546	412,871	1,111,417
Debt service:		,-	,-	, ,
Principal	-	_	532,842	532,842
Interest	-	_	343,812	343,812
Miscellaneous	-	_	8,648	8,648
Total expenditures	11,415,199	738,014	2,776,076	14,929,289
Excess of revenues				
over (under) expenditures	2,348,738	(568,652)	(1,088,866)	691,220
over (under) expenditures	2,340,730	(300,032)	(1,000,000)	031,220
Other financing sources (uses):				
Transfers in	465,590	1,000,000	1,436,096	2,901,686
Transfers out	(2,436,096)	-	(465,590)	(2,901,686)
Transfer from Water and Sewer				
Department	1,014,181	-	-	1,014,181
Total other financing				
sources (uses)	(956,325)	1,000,000	970,506	1,014,181
Net change in fund balances	1,392,413	431,348	(118,360)	1,705,401
Fund balance at beginning of year as originally stated	3,748,728	1,247,106	1,943,393	6,939,227
Restatement	253,312	-	-	253,312
Fund balance at beginning of year, as restated	4,002,040	1,247,106	1,943,393	7,192,539
Fund balance, end of year	\$ 5,394,453	\$1,678,454	\$ 1,825,033	\$ 8,897,940

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

Year ended September 30, 2016

et change in fund balances - total governmental funds		\$1,705,40
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	\$ 938,156	
Less current year depreciation and amortization	(1,555,748)	(617,59
The net effect of transactions involving the sale of capital assets		
is to decrease net assets.		(1,97
For governmental funds, the issuance of long-term debt provides		
current financial resources and the repayment of long-term debt		
consumes current financial resources. Neither transaction, however,		
has any effect on net position. Also, governmental funds report the effect		
of premiums, discounts, and similar items when debt is first issued whereas		
these amounts are deferred and amortized in the Statement of Activities.		
These amounts are the net effect of these differences in the treatment of		
long-term debt and related items:		
Principal payments		465,00
Amortization of premium		8,42
Amortization of deferred charges on refunding		(18,70
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	(6,586)	
Change in OPEB	3,274	
Change in capital lease, net	67,844	
Change in pension expense	28,072	
Change in long-term compensated absences, net	28,088	120,69
Change in net position of governmental activities		\$1,661,24

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

September :	30, 2016
-------------	----------

Assets	
Current assets	
Cash and cash equivalents	\$ 7,346,258
Accounts receivable (net of allowance for doubtful accounts for \$579,631)	589,566
Unbilled revenue	659,646
Accrued interest	205
Prepaid expenses	20,452
Inventory of supplies	 284,958
Total current assets	8,901,085
Noncurrent assets	
Noncurrent restricted assets	
Investments	7,425,701
Utility plant and equipment	
Land and improvements	389,890
Buildings and improvements	41,997,957
Machinery and equipment	5,084,257
Construction in progress	874,621
	 48,346,725
Less accumulated depreciation	22,981,190
Total utility plant and equipment	25,365,535
Other assets	
Street deposit	3,000
Total other assets	3,000
Total was assumed assate	22 704 226
Total noncurrent assets	32,794,236
Deferred outflows of resources	
Employer retirement contributions subsequent to measurement date	134,227
Net difference between projected and actual earnings on pension plan investments	175,367
Deferred charges from refunding	 233,280
Total deferred outflows	542,874
Total assets and deferred outflows of resources	\$ 42,238,195

September 30, 2016		
Liabilities and net position		
Current liabilities		
Accounts payable and accrued expenses	\$	806,000
Interfund payable	Ą	84,360
Current portion of capital leases		53,645
Current portion of long-term debt		447,300
current portion of long term dest		447,300
Total current liabilities		1,391,305
Noncurrent liabilities		
Accrued annual leave		44,730
Customer meter deposits		232,405
Revenue warrants payable, net		21,112,073
Net pension liability		1,528,981
Total noncurrent liabilities		22,918,189
Total liabilities		24,309,494
Net position  Net investment in capital assets		5,020,591
Restricted for:		
Debt service		5,847,477
Customer deposits		232,405
Unrestricted		6,828,228
Total net position		17,928,701
·		<u> </u>

\$ 42,238,195

Total liabilities and net position

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

Year ended September 30, 2016		
Operating revenues	<b>A</b>	2 574 005
Water revenues	\$	3,571,905
Sewer revenues		2,606,355
Garbage revenues		1,046,783
Other operating revenues		254,326
Total operating revenues		7,479,369
Operating expenses		
Water and sewer department expenses		852,081
Waste water plants		1,067,499
Water filters and wells		732,231
General and administrative expenses		1,716,191
Depreciation and amortization		1,346,787
Total operating expenses		5,714,789
Operating income		1,764,580
Nonoperating income (expense)		
Interest income		9,272
Miscellaneous income		31,605
Interest expense		(951,777)
Total nonoperating income (expense)		(910,900)
Total income		853,680
Transfers		
Transfers out		(1,014,181)
Change in net position		(160,501)
Net position, beginning of year		18,089,202
Net position, end of year	\$	17,928,701

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

Year ended September 30, 2016	
Operating activities	
Cash received from customers	\$ 7,514,851
Cash paid to suppliers	(2,216,836)
Cash paid to employees	 (1,490,435)
Net cash and cash equivalents provided by operating activities	 3,807,580
Non-capital financing activities	
Transfers to other departments	(1,014,181)
Net cash and cash equivalents (used by) noncapital financing activities	(1,014,181)
Capital and related financing activities	
Acquisition and construction of capital assets	(3,428,822)
Principal payments for items under capital lease	(79,534)
Proceeds from county \$0.02 tax distribution	31,605
Principal paid on long-term debt	(415,000)
Interest paid on long-term debt and capital lease obligations	(951,777)
Net cash and cash equivalents (used by) by capital and	
related financing activities	 (4,843,528)
Investing activities	
Interest received on investments	9,272
Net cash and cash equivalents provided by investing activities	 9,272
Net decrease in cash and cash equivalents	(2,040,857)
Cash and cash equivalents, beginning of year	16,812,816
Cash and cash equivalents, end of year	\$ 14,771,959
Shown in the financial statements as:	
Cash and cash equivalents	\$ 7,346,258
Investments	7,425,701
Total	\$ 14,771,959

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

### Year ended September 30, 2016

Bearing Markey of seat for an Armon Armon bearing and dead	
Reconciliation of net income to net cash provided	
by operating activities:	
Operating income	\$ 1,764,580
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Decrease in allowance for doubtful accounts	(55,729)
Depreciation	1,346,787
Amortization of premium and deferred charges	14,982
Change in assets and liabilities:	
Accounts receivable	107,257
Unbilled revenue	(16,045)
Prepaid expenses	(2,525)
Inventory of supplies	17,342
Deferred outflows of resources	(174,694)
Accounts payable and accrued expenses	521,862
Due to City	(518)
Accrued annual leave	2,029
Customer deposits	(3,169)
Net pension liability	384,266
Deferred inflows of resources	(98,845)
Net cash provided by operating activities	\$ 3,807,580

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

### September 30, 2016

	ОРЕВ
	Trust Fund
Assets	
Cash and cash equivalents	\$ 147,989
Investments, at fair value	
Mutual funds	864,435
Total assets	1,012,424
Liabilities	
Accounts payable	-
Net position held in trust for OPEB benefits	\$ 1,012,424

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

### Year ended September 30, 2016

real chaca september 30, 2010		ОРЕВ
		Trust Fund
Additions		
Additions		
Contributions:	_	
Employer	\$	-
Investment activity:		
Investment income		35,022
Net gain on investments		38,002
Less investment expense		(4,842)
Total investment activity		68,182
Total additions		68,182
Change in fiduciary net position		68,182
Net position held in OPEB trust - beginning of year		944,242
Net position held in OPEB trust - end of year	\$	1,012,424

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

September 30, 2016

	Talladega	Talladega	
	City Board	Municipal	_
	 of Education	Airport Board	Total
Assets			
Cash and cash equivalents	\$ 5,155,675	\$ 448,740	\$ 5,604,415
Investments	3,061,355	1,213,668	4,275,023
Receivables	13,191	550	13,741
Due from other governments	450,424	-	450,424
Accrued interest receivable	-	389	389
Other assets	88,996	5,525	94,521
Capital assets, net	10,179,076	14,092	10,193,168
Total assets	18,948,717	1,682,964	20,631,681
Deferred outflows of resources - pension	2,435,000	-	2,435,000
Total assets and deferred outflows of resources	21,383,717	1,682,964	23,066,681
Liabilities			
Bank overdraft	349,753	_	349,753
Accounts payable and accruals	353,135	10,189	363,324
Capital lease	545,258		545,258
Compensated absences	1,455,814	_	1,455,814
Net pension liability	16,602,000	-	16,602,000
Total liabilities	19,305,960	10,189	19,316,149
Deferred inflows of resources - pension	2,088,000	-	2,088,000
Net position			
Net investment in capital assets	9,579,531	14,092	9,593,623
Restricted	3,467,689	· -	22,157,689
Unrestricted	(13,057,463)	1,658,683	(11,398,780)
Total net position	\$ (10,243)	\$ 1,672,775	\$ 1,662,532

## City of Talladega, Alabama Statement of Activities – Component Units

Year ended September 30, 2016

		Program Revenues			
			Operating		oital Grants
		<b>Charges for</b>	<b>Grants and</b>		and
Program Activities	Expenses	Services	Contributions	Co	ntributions
Talladega City Board of Education					
Education	\$ 21,622,728	\$1,589,921	\$ 14,798,537	\$	587,499
Talladega Municipal Airport Board					
Community Development	566,785	287,645	308,917		-
Total component units	\$22,189,513	\$1,877,566	\$ 15,107,454	\$	587,499

#### **General revenues:**

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

Total general revenues
Change in net position
Net position at beginning of year
Net position at end of year

Net (Expens	e) Reven	ue and Change	es in	Net Position
Talladega (	City	Talladega		
Board o	f	Municipal		
<b>Educatio</b>	n Ai	rport Board		Total
\$ (4,646,	.771) \$	-	\$	(4,646,771)
	-	29,777		29,777
(4,646,	.771)	29,777		(4,616,994)
2 945	066			2 945 066
3,845,	,966	-		3,845,966
90,	,000	-		90,000
23,	,797	15,647		39,444
370,	.668	-		370,668
4,330,	,431	15,647		4,346,078
(316,	,340)	45,424		(270,916)
306,	.097	1,627,351		1,933,448
\$ (10,	,243) \$	1,672,775	\$	1,662,532

<u>Note</u>	Page #
Note 1—Organization and Reporting Entity	19
Note 2—Summary of Significant Accounting Policies	20
Note 3—Cash and Cash Equivalents	30
Note 4—Receivables and Unbilled Revenue	31
Note 5—Inventory of Supplies	31
Note 6—Investments and Restricted Assets	32
Note 7—Capital Assets	34
Note 8—Accounts Payable and Accrued Liabilities	36
Note 9—Interfund Transfers	37
Note 10—Interfund Receivables and Payables	38
Note 11—Long-Term Debt	39
Note 12—Post-Employment Benefits	45
Note 13—Deferred Charges from Refunding	47
Note 14—Restricted Fund Balances	48
Note 15—Employee Retirement Plan	48
Note 16—Commitments and Contingencies	55
Note 17—Risk Management	55
Note 18 – Restatement	56
Note 19—Future Accounting Pronouncements	56

#### **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)

#### B. Reporting entity (continued)

The discretely presented component units are as follows:

- Talladega City Board of Education is a component unit of the City because it is reliant upon the City for tax revenue collections and for bond issues because the Board of Education is precluded from issuing bonds directly. The audited financial information for Talladega City Board of Education is included in this audit report.
- Talladega Municipal Airport Board is a component unit because the governing body of the Board is appointed by the City Council and because of the existence of a financial benefit/burden relationship. The audited information for the Talladega Municipal Airport Board is included in this report.

Audited financial statements for the Talladega City Board of Education and Talladega Municipal Airport Board are available at City Hall.

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

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

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

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

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

The government-wide Statement of Activities reports both the gross and net cost per functional category (public works, public safety, etc.), which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.) and business-type activities. The

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

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

Statement of Activities reduces gross expenses; including depreciation, by related program revenues (charges for services, operating and capital grants and contributions). The program revenues must be directly associated with a function or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The City first utilizes restricted resources to finance qualifying activities.

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

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

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

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

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

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

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

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

#### Governmental funds

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

#### 1. General Fund

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

#### 2. Special Revenue Funds

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

#### 3. Debt Service Fund

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

#### 4. Capital Projects Funds

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

- 1. Community Development Fund
- 2. Capital Projects Trust Fund
- 3. RBEG Fund

The Capital Projects Trust fund is considered a major fund.

#### Proprietary funds

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

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

#### A. Government-Wide and Fund Financial Statements (continued)

#### <u>Proprietary funds (Continued)</u>

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

Proprietary funds include the following fund types:

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

#### Fiduciary funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The City has a fiduciary fund for its Other Post-Employment Benefit (OPEB) trust.

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

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### C. Government-wide financial statements

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used. Revenues, expenses, gains,

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

#### C. Government-wide financial statements (continued)

losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

#### D. Fund financial statements

#### Governmental funds

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

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

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

#### E. Budgets and budgetary accounting

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

- Normally, on or before August 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>.
- Expenditures in excess of the originally approved budget are not formally approved by the City Council until an amended budget is adopted.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation indenture provisions.

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

#### E. Budgets and budgetary accounting (continued)

- The basis of accounting for the budget is the same as used in the governmental fund accounting (generally accepted accounting principles).
- All budget appropriations lapse at year end.

#### F. Revenue Recognition

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

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

#### **G.** Program revenues

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

#### H. Cash and cash equivalents

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

#### I. Receivables and unbilled revenues

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

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

#### 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.

#### 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 provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset for the City's governmental activities is as follows:

Buildings	40 years
Improvements	40 years
Machinery and equipment	5-10 years
Automotive equipment	5 years
Office equipment	5-10 years

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

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

#### L. Capital assets (continued)

Depreciation is recorded using the straight-line method over the estimated service lives of the assets as follows:

5-40 years
20-40 years
20-40 years
5 years
5 years
5 years
10 years
3 years

#### Fund financial statements

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

#### M. Compensated absences

The City follows Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences, which requires that accrued liabilities for compensated absences be recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable, and (4) where amounts can be reasonably estimated. All compensated absences are accrued as long-term debt when incurred in the government-wide statements. The current portion of this debt is estimated based on historical trends. A liability for compensated absences is reported in the governmental funds only if the obligation has matured, for example, as a result of an employee's resignation or retirement. At September 30, 2016, no amount was accrued in the governmental funds financial statements. The current portion of accrued compensated absences at September 30, 2016 reported in the government-wide financial statements is \$29,091. The remaining long-term incurred portion of accrued compensated absences of the governmental activities at September 30, 2016 totaled \$261,815.

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

#### N. Long-term liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond and warrant premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. The difference between the reacquisition price of refunding debt and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the life of the refunding debt or remaining life of the refunded debt, whichever is shorter. Bonds and warrants payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Amortization of premiums or discounts and deferred amounts on refunding are included in interest expense. Debt issuance costs are expensed in the period incurred.

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

#### O. Pensions

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

#### P. Equity classifications

#### Government-wide financial statements

In the government-wide financial statements, equity is reported as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital
assets net of accumulated depreciation and reduced by outstanding balances of any
bonds, warrants, mortgages, notes, or other borrowings that are attributable to the
acquisition, construction, or improvement of those assets.

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

#### O. Equity classifications (continued)

- Restricted Constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

#### P. Equity classifications (continued)

#### **Fund Financial Statements**

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

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

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

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

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

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

Assigned- amounts intended to be used by the City for specific purposes that are neither restricted 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.

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

#### O. Equity classifications (continued)

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.

#### Fund Financial Statements (continued)

The City has committed \$896,508 of the Other Governmental Funds fund balance to maintain the City's Cemetery.

The City has assigned \$1,608,025 of the General Fund fund balance for emergency reserves and \$197,886 of the Other Governmental Funds fund balance for the City's Library.

#### Q. Interfund transfers

In the fund financial statements, receivables and payables resulting from outstanding balances between funds are classified as "interfund receivables/payables". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". Flow of cash or goods from one fund to another without a requirement for repayment is reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The government-wide statements eliminate interfund transfers and receivables/payables as reported within the segregated governmental and business activities column. Only transfers and receivables/payables between the two columns appear in this statement, which zero in total.

#### R. Use of estimates

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

#### S. Subsequent events

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

#### **NOTE 3 – CASH AND CASH EQUIVALENTS**

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

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

Each of the banks holding the City's deposits, as well as those of the Component Units, is a certified participant in the SAFE Program. Through the SAFE program, all public funds are protected through

#### NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2016. At year-end, the carrying amount of the City's cash and cash equivalents was \$7,458,586. Cash deposits and savings held at local banks are insured by the FDIC or collateralized by assets administered by the state treasurer's office in accordance with the SAFE program.

The Water and Sewer Department's cash and cash equivalents consist of cash in checking accounts and certificates of deposit. Cash and cash equivalents at September 30, 2016 was \$7,346,258.

#### **NOTE 4 – RECEIVABLES AND UNBILLED REVENUE**

Governmental activities receivables at September 30, 2016:

#### Receivables:

Taxes receivable	\$ 899,147
Restitution receivable	51,737
Other receivables	15,768
Total receivables	\$ 966,652

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

Accounts receivable	\$ 1,169,197
Less: allowance for doubtful accounts	579,631
Net accounts receivable	\$ 589,566

Unbilled revenues receivable at September 30, 2016 was \$659,646.

#### **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, 2016 was \$284,958.

#### **NOTE 6 – INVESTMENTS AND RESTRICTED ASSETS**

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

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

#### A. Governmental Activities

In addition to a long term certificate of deposit held by the General Fund, the City uses investments to maintain the Oak Hill Cemetery and the Armstrong-Osborne Public Library. As of September 30, 2016, the value of the investments held in the General Fund, the Cemetery Trust Fund and the Library Fund are \$263,772, \$706,931 and \$35,280, respectively. The following schedule displays the investments held in governmental funds as of September 30, 2016, and their fair value measurements:

#### **Governmental Activities:**

#### **Fair Value Measurements**

Investment type	Fair Value	Level 1	Level 2	Level 3
Certificate of deposit	\$ 263,772	\$ 263,772	\$ -	\$ -
Common Stock	247,684	247,684	-	-
Mutual Funds	35,280	35,280	-	-
Corporate Bonds	445,793	-	445,793	-
Other Fixed Income Securities	8,996	-	8,996	-
Net investments	1,001,525	546,736	454,789	-
Accrued income	4,458	-	-	-
Total Portfolio	\$ 1,005,983	\$ 546,736	\$ 454,789	\$ -

#### NOTE 6 – INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)

#### **B.** Business-type Activities

The Water and Sewer Department has investments that are classified as restricted assets that consist of monies held in trust by Regions Bank to cover debt indenture expenses and repayment of warrants. Restricted assets also include money collected from customers and held as deposits. At September 30, 2016, the monies held in trust were \$7,425,701. The following schedule displays the restricted assets held by the Department as of September 30, 2016, and their fair value measurements:

#### **Business-type Activities:**

#### **Fair Value Measurements**

Investment type	Fair Value	Level 1	Level 2		Level 3
Money Market Treasury Portfolio	\$ 7,425,701	\$ 7,425,701	\$	- \$	
Total Restricted Assets	\$ 7,425,701	\$ 7,425,701	\$	- \$	

#### C. Fiduciary Fund

In fiscal year 2015, the City established an irrevocable trust to be used to accumulate and invest assets to pay for the accumulated liability for post-employment healthcare benefits. The following schedule displays the investments held within the irrevocable trust as of September 30, 2016, and their fair value measurements:

#### **Fiduciary Fund:**

#### **Fair Value Measurements**

Investment type	Fair Value	Level 1	Leve	l 2	Level 3	<b>,</b>
Mutual Funds	\$ 864,435	\$ 864,435	\$	-	\$	-
Total Portfolio	\$ 864,435	\$ 864,435	\$	-	\$	-

#### **NOTE 7 – CAPITAL ASSETS**

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2016:

	Balance at 9/30/2015	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2016
Capital assets not being				
depreciated:				
•	\$ 3,832,454	·	•	. , ,
Construction progress	473,322	619,638	(619,688)	473,272
Total capital assets not being depreciated	4,305,776	619,638	(619,688)	4,305,726
Capital assets being				
depreciated:				
Building and improvements	13,362,406	56,685	-	13,419,091
Infrastructure	40,558,086	552,821	-	41,110,907
Machinery and equipment	5,787,584	328,700	(366,934)	5,749,350
Total capital assets being depreciated	59,708,076	938,206	(366,934)	60,279,348
Less accumulated				
depreciation for:				
Building and improvements	7,881,941	392,302	-	8,274,243
Infrastructure	34,310,373	755,270	-	35,065,643
Machinery and equipment	3,886,195	408,176	(364,956)	3,929,415
Total accumulated depreciation	46,078,509	1,555,748	(364,956)	47,269,301
Total capital assets being depreciated, net	13,629,567	(617,542)	(1,978)	13,010,047
Governmental activities capital assets, net	\$ 17,935,343	\$ 2,096	\$ (621,666)	\$ 17,315,773
		7 _,,,,	+ (==,==,	+
Depreciation expense was charged to go	overnmental f	unctions as follo		
General government administration				\$ 416,292
Public safety				642,018
Public works				370,119
Parks and recreation				127,319
Total depreciation expense				\$ 1,555,748

### **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, 2016:

	Balance at 9/30/2015	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2016
Capital assets not being				
depreciated:				
Land and improvements	\$ 279,326	\$ -	\$ -	\$ 279,326
Construction progress	1,313,013	2,837,533	(3,275,925)	874,621
Total capital assets not being depreciated	1,592,339	2,837,533	(3,275,925)	1,153,947
Total capital assets not semig acpreciated	1,332,333	2,037,333	(3)2,3,323)	1,133,317
Capital assets being				
depreciated:				
Land improvements	110,564	-	-	110,564
Building and improvements	38,689,334	3,308,624	-	41,997,958
Machinery and equipment	4,525,666	558,590	-	5,084,256
Total capital assets being depreciated	43,325,564	3,867,214	-	47,192,778
Less accumulated				
depreciation for:				
Land improvements	27,711	3,658	-	31,369
Building and improvements	19,017,243	1,050,536	-	20,067,779
Machinery and equipment	2,589,449	292,593	-	2,882,042
Total accumulated depreciation	21,634,403	1,346,787	-	22,981,190
Total capital assets being depreciated, net	21,691,161	2,520,427	-	24,211,588
Business-type activities capital assets, net	\$23,283,500	\$ 5,357,960	\$ (3,275,925)	\$25,365,535

Depreciation expense at September 30, 2016 was \$1,346,787.

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

Accounts payable and accrued liabilities for governmental activities at September 30, 2016 were as follows:

Accounts payable	\$ 359,605
Accrued salaries and wages	94,446
Payroll liabilities	72,044
Other liabilities	168,354
Total	\$ 694,449

Accounts payable and accrued expenses for the Water and Sewer Department consisted of the following at September 30, 2016:

Accounts payable	\$ 658,187
Payroll liabilities	20,091
Accrued interest payable	57,445
Accrued salaries and wages	28,574
Compensated absences	41,703
Total	\$ 806,000

#### **NOTE 9 – INTERFUND TRANSFERS**

Interfund transfers among governmental funds for the year ended September 30, 2016 were:

	Transfers	s Transfers
	In	Out
General fund		
Other nonmajor funds	\$ 465,59	0 \$1,436,096
Capital projects funds		- 1,000,000
Total general fund	465,59	0 2,436,096
Capital projects trust fund		
General fund	1,000,00	- 00
Total capital projects trust fund	1,000,00	- 0
Other nonmajor funds		
General fund	1,436,09	6 465,590
Total nonmajor funds	1,436,09	6 465,590
Total governmental fund interfund transfers	\$2,901,68	6 \$2,901,686

Transfers are primarily used to move funds from:

- The general fund to finance various grant projects accounted for in other funds pending the receipt of grant revenue.
- The general fund to the corrections and library funds for personnel expense.
- The general fund to the library fund for operating expenses.
- The general fund to the capital projects fund to finance capital projects and expenditures.
- Grant project funds to the general fund as reimbursement upon receipt of grant revenue.

#### **NOTE 9 – INTERFUND TRANSFERS (CONTINUED)**

Interfund transfers among governmental and proprietary funds for the year ended September 30, 2016 were:

	Transfers	Transfers
	In	Out
General fund		
Water and Sewer Department	\$1,014,181	\$ -
Total general fund	1,014,181	-
Water and Sewer Department		
General fund	-	1,014,181
Total Water and Sewer Department	-	1,014,181
Total proprietary fund transfers	\$1,014,181	\$1,014,181

Transfers are primarily used to move funds from:

• The Water and Sewer Department to the General fund, as the Water and Sewer Department collects garbage fees for an outside vendor from City residents on monthly water bills and pays a consolidated invoice.

#### **NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES**

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

Interfund receivables and payables at September 30, 2016:

	Interfund			Interfund		
Consent found	Receivable			Payable		
General fund						
Water and Sewer Department	\$	84,360	\$	-		
Water and Sewer Department						
General fund		-		84,360		
Total interfund receivable/payable	\$	84,360	\$	84,360		

#### **NOTE 11 – LONG-TERM DEBT**

General obligation warrants and revenue bonds provide funds for the acquisition and construction of major capital projects. The general and limited obligation bonds/warrants of the City include the following at September 30, 2016:

Total bonds and warrants payable	\$ 7,998,257
	_ : -,
Unamortized premium, 2015 Series General Obligation Warrants	143,257
	7,855,000
\$2,760,000; 2015 Series General Obligation Warrants; due at rates ranging from 2.00% to 4.00% per annum; maturing August 1, 2033.	2,720,000
\$3,650,000; 2008 Series General Obligation Warrants; due at rates 3.00% to 5.125% per annum; maturing August 1, 2033.	360,000
\$2,070,000; 2008A Talladega County Industrial Development Authority Revenue Bond; due at rates ranging from 2.50% to 5.00% per annum; maturing August 1, 2027.	1,380,000
\$4,905,000; 2007 Series General Obligation Warrants; due at rates ranging from 3.75% to 4.25% per annum; maturing August 1, 2027.	\$ 3,395,000

#### Bonds and warrants payable

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

Fisca	l vear	ending

September 30,	Principal		Principal Interest		Total	
2017	\$	485,000	\$	432,845	\$	917,845
2018		505,000		413,730		918,730
2019		530,000		393,810		923,810
2020		550,000		249,203		799,203
2021		570,000		228,060		798,060
2022 – 2026		3,210,000		784,825		3,994,825
2027 – 2031		1,545,000		207,000		1,752,000
2032 – 2036		460,000		27,800		487,800
Total	\$	7,855,000	\$	2,737,273	\$ 1	10,592,273

#### NOTE 11 – LONG-TERM DEBT (CONTINUED)

#### General obligation debt refunding

Due to favorable interest rates, during fiscal year 2015, \$2,920,111, including premium, of Series 2015 General Obligation Warrants were issued to refund \$2,510,000 of the City's previously issued and outstanding Series 2008 General Obligation Warrants. The proceeds were deposited with an escrow agent to provide for all future debt service on the refunded portion of the Series 2008 warrants. As a result, that portion of the Series 2008 warrants is considered defeased, and the City has removed the liability from its accounts. As of September 30, 2016, the outstanding principal of the defeased warrants is \$2,150,000 and the remaining unrefunded warrants outstanding were \$360,000.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$197,503, and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$155,242.

Interest paid on long-term debt was \$328,444 for the year ended September 30, 2016.

#### 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, 2016 are as follows:

Present value of minimum						
Fiscal year ending		lease			To	tal lease
September 30,	pa	ayments	Interest		payments	
2017	\$	64,428	\$	13,295	\$	77,723
2018		67,454		12,269		79,723
2019		70,559		11,164		81,723
2020		73,745		9,978		83,723
2021		79,028		8,695		87,723
Thereafter		371,714		20,700		392,414
Total	\$	726,928	\$	76,101	\$	803,029

#### 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, 2016 is as follows:

	Beginning Balance			Ending Balance	Due within
Description	9/30/2015	Additions	Deletions	9/30/2016	one year
Bonds and warrants payable	\$ 8,471,684	\$ -	\$ 473,427	\$ 7,998,257	\$ 485,000
Capital leases	794,772	-	67,844	726,928	64,428
Compensated absences	318,994	214,272	242,360	290,906	29,091
Total changes in long-term debt	\$ 9,585,450	\$ 214,272	\$ 783,631	\$ 9,016,091	\$ 578,519

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

#### Water and Sewer Department Long-term Debt

#### **Revenue Warrants Payable**

Revenue warrants payable consists of Subordinated Water and Sewer Revenue warrants issued as special obligations of the Water and Sewer Department secured by the net revenues of the water and sewer system. This debt is not a general obligation of the City. The principal and interest is paid by revenue earned by the system and trust restricted assets. The following schedule summarizes the changes in revenue warrants for the year ended September 30, 2016:

	Beginning				Ending	Amount Due Within	lutavast
Description	balance 9/30/2015	Addi	tions	Deletions	Balance 9/30/2016	one year	Interest paid
2010 Warrant	\$ 16,545,000 \$		- \$	(415,000) \$	16,130,000 \$	420,000 \$	700,650
Premium	218,969		-	(8,759)	210,210	8,759	-
2015 Warrant	4,700,000		-	-	4,700,000	-	235,000
Premium	537,704		-	(18,541)	519,163	18,541	=
Total	\$ 22,001,673 \$		- \$	(442,300) \$	21,559,373 \$	447,300 \$	935,650

#### NOTE 11 – LONG-TERM DEBT (CONTINUED)

#### Water and Sewer Department Long-term Debt (continued)

Revenue warrants outstanding at September 30, 2016:

#### **Series 2010 Warrants**

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

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

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

Cash in the amount of \$7,162,734 was deposited with an escrow agent pursuant to an escrow agreement. The maturities of these securities and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased Series 2003 and Series 2004 Bonds as they mature. This transaction effectively released the City from its obligation to repay the defeased Series 2003 and Series 2004 Bonds and constitutes an in-substance defeasance. 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)

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

Fiscal year ending

September 30,	Principal		Interest	Total
2017		\$ 420,000	\$ 700,650	\$1,120,650
2018		435,000	691,312	1,126,312
2019		445,000	680,813	1,125,813
2020		465,000	668,850	1,133,850
2021		480,000	651,050	1,131,050
2022 – 2026		2,690,000	2,887,050	5,577,050
2027 – 2031		3,255,000	2,308,750	5,563,750
2032 – 2036		3,995,000	1,567,375	5,562,375
2037 – 2041		3,945,000	505,250	4,450,250
Total	\$	16,130,000	10,661,100	26,791,100

#### **Series 2015 Warrants**

On April 8, 2015, the Water and Sewer Department issued revenue warrants totaling \$4,700,000 with an interest rate of 5.00%. The proceeds were used for the following:

- 1) To make improvements to the system.
- 2) To fund a Debt Service reserve fund for the benefit of the Series 2015 Warrants.
- 3) To pay expenses for issuing the warrants.

The Series 2015 warrants are limited obligation warrants of the Water and Sewer Department, payable solely out of revenues of the system.

#### NOTE 11 – LONG-TERM DEBT (CONTINUED)

#### Water and Sewer Department Long-term Debt (continued)

The following schedule shows the future debt service requirements for the Series 2015 warrants for the next five fiscal years and thereafter are as follows:

	Principal	Interest	Total
2017	\$ - \$	235,000 \$	235,000
2018	-	235,000	235,000
2019	-	235,000	235,000
2020	-	235,000	235,000
2021	-	235,000	235,000
2022 – 2026	-	1,175,000	1,175,000
2027 – 2031	-	1,175,000	1,175,000
2032 – 2036	-	1,175,000	1,175,000
2037 – 2041	1,110,000	1,175,000	2,285,000
2042 – 2046	3,590,000	360,250	3,950,250
Total	\$ 4,700,000 \$	6,235,250 \$	10,935,250

#### **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, 2016 was \$53,645.

These assets have been added to the capital assets list and depreciated accordingly. Future minimum lease payments under these capital leases at September 30, 2016 are as follows:

	Present		
	Value of		
	Minimum		Total
Fiscal year ending	Lease		Lease
September 30,	Payments	Interest	Payments
2017	\$ 53,645 \$	282 \$	53,927

#### **NOTE 12 – OTHER 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 has established an irrevocable trust to be used to accumulate and invest assets necessary to pay for the accumulated liability for post-employment healthcare benefits. During 2016, the City contributed \$0 to the trust.

#### **Annual OPEB Cost and Net OPEB Obligation (Asset)**

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, 2016:

Annual required contribution	\$ 166,474
Interest on net OPEB obligation	(4,785)
ARC adjustment	3,408
Annual OPEB cost	165,097
Contributions	-
Current year retiree premium	(168,371)
Change in net OPEB obligation	 (3,274)
Beginning net OPEB obligation, beginning of year	(86,994)
Ending net OPEB obligation (asset)	\$ (90,268)

#### NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB (Asset) Liability
September 30, 2016	\$165,097	100.00%	\$ (90,268)
September 30, 2015	259,298	100.00%	(86,994)
September 30, 2014	236,248	56.14%	794,493

#### **Funded status and funding progress**

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

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

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

#### **Actuarial Methods and Assumptions**

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

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

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

#### **NOTE 13 – DEFERRED CHARGES FROM REFUNDING**

#### City of Talladega

The defeasance of Series 2008 revenue warrants resulted in a difference of \$336,677 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through 2033 and is reported in the accompanying financial statements as a deferred outflow of resources. The unamortized portion at September 30, 2016 was \$310,180.

#### Water and Sewer Department

The defeasance of Series 2003 and 2004 revenue bonds resulted in a difference of \$629,855 between the reacquisition price and the net carrying amount of the old debt. This difference is amortized through 2022 and is reported in the accompanying financial statements as a deferred outflow of resources. The unamortized portion of the deferred charges at September 30, 2016 was \$233,280.

#### **NOTE 14 – RESTRICTED FUND BALANCES**

The restricted fund balances in the amount of \$2,413,764 are restricted for various capital outlay projects and various other purposes. The following amounts are restricted:

- 1. \$180,920 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. \$427,518 is derived from the City's share of the Oil Trust Fund and is restricted for capital improvements.
- 3. \$1,678,454 is derived from sales tax receipts held in the Capital Projects Trust Fund.
- 4. \$45,101 was derived from the 2.5 Mil Property Tax Fund and is restricted for education.
- 5. \$60,875 was derived from the Corrections Fund and is restricted for corrections related functions.
- 6. \$934 is derived from the Brownfield Fund and is restricted for use on the Brownfield Project.
- 7. \$19,072 is derived from the Police Grant and is restricted for use on the Police Grant Fund.
- 8. \$890 is derived from grant monies held in the RBEG capital projects fund.

#### **NOTE 15 – EMPLOYEE RETIREMENT PLAN**

#### Plan description

The City contributes to the Employees' Retirement System of Alabama (ERS), an agent multiple employer public employee retirement plan that acts as a common investment and administrative agent for the various state agencies and departments.

ERS was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERS is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Board of Control authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

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

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to Code of Alabama 1975, Section 36-27-6.

#### **Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State

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

Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	<u>55,164</u>
Total	<u>84,393</u>

#### **Contributions**

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's active employee contribution rate was 10.85% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 11.03% of pensionable pay for Tier 1 employees and 8.73% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$642,492 for the year ended September 30, 2016, and \$134,227 (21%) were related to Water and Sewer Department employees.

#### **Net Pension Liability**

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

Tota	Pension	Liability	Roll	Forw	ard

rotari erision Erasinty it	on i oi wai a	
	<u>Expected</u>	<u>Actual</u>
Total Pension Liability		
as of September 30, 2014 (a)	\$ 23,669,210	\$ 23,956,113
Entry Age Normal Cost for		
October 1, 2014 – September 30, 2015 (b)	608,309	608,309
Actual Benefit Payment and Refunds for		
October 1, 2014 – September 30, 2015 (c)	(1,522,852)	(1,522,852)
Total Pension Liability		
as of September 30, 2015		
[(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 24,587,290	\$ 24,897,145
Difference between Expected and Actual Experie	nce Loss	\$ 309,855

Long-Term

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

#### **Actuarial assumptions**

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00% Salary increases 3.75%-7.25% Investment rate of return 8.00%\*

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

		•
		Expected Rate of
	<b>Target Allocation</b>	Return *
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
<b>International Developed Market Stocks</b>	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

<sup>\*</sup> Included assumed rate of Inflation of 2.50%

<sup>\*</sup>Net of pension plan investment expense

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

#### **Discount rate**

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Changes in Net Pension Liability**

			Ρl	an Fiduciary	N	et Pension
	To	otal Pension		Net		Liability
		Liability	Position			(Asset)
		(a)		(b)		(a)-(b)
Balances at September 30, 2014	\$	23,669,210	\$	17,762,528	\$	5,906,682
Changes for the year:						
Service cost		608,309		-		608,309
Interest		1,832,623		-		1,832,623
Changes in assumptions		-		-		-
Difference between expected and actual experience		309,855		-		309,855
Contributions – employer		-		699,653		(699,653)
Contributions – employee		-		404,420		(404,420)
Net investment income		-		208,626		(208,626)
Benefit payments, including refunds of employee						
contributions		(1,522,852)		(1,522,852)		-
Administrative expense		-		-		-
Transfers among employers		-		63,907		(63,907)
Net Changes		1,227,935		(146,246)		1,374,181
Balances at September 30, 2015	\$	24,897,145	\$	17,616,282	\$	7,280,863

The above net pension liability is shared between the City's general fund and proprietary fund. The City has allocated 21% or \$ 1,528,981 to the proprietary fund. The allocation is based on the fund's relative share of employee and employer pension contributions.

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

#### Sensitivity of the net pension liability to changes in the discount rate

The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

		Current	
	1%	Discount	1%
	Decrease	Rate	Increase
	(7.00%)	(8.00%)	(9.00%)
Plan's Net Pension Liability	\$10,102,967	\$7,280,863	\$4,888,299

#### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

# Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$746,200, \$156,702 of which was related to proprietary fund employees. At September 30, 2016, the reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	_	eferred Itflows of	Deferred Inflows of	
	R	esources	Resou	rces
Differences between expected and actual experience Changes of assumptions	\$	259,059 -	\$	-
Net difference between projected and actual earnings on plan investments  Employer contributions subsequent to the measurement date		576,020 642,492		-
Total	\$:	1,477,571	\$	

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

Year Ended September 30:		
2017	\$	162,923
2018		162,923
2019		162,925
2020		290,433
2021		50,796
Thereafter		5,079
Total	Ś	835.079

The above deferred outflow of resources is shared between the City's general fund and proprietary fund. The City has allocated 21% or \$175,367 to the water fund. The allocation is based on the fund's relative share of employee and employer pension contributions. The deferred outflows of resources will be recognized in each fund's pension expense account in future periods.

#### **NOTE 16 – COMMITMENTS AND CONTINGENCIES**

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

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

#### **NOTE 17 – RISK MANAGEMENT**

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

#### **NOTE 18 - RESTATEMENT**

During the year, the City received a payment of \$253,312 for the under-remittance of previous years' business license fees. This payment covered years from 2009 through 2015. As a result, the City restated beginning net position and beginning general fund fund balance for the year ended September 30, 2016.

#### **NOTE 19 – FUTURE ACCOUNTING PRONOUNCEMENTS**

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

- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits
- Certain external investment pools and pool participants
- Blending requirements for certain component units
- Irrevocable split-interest agreements
- Certain asset retirement obligations
- Fiduciary activities.

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

Required Supplementary	y Information	

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

Year ended September 30, 2016	Original Budget	Final Budget	Actual	,	Variance	
rear chaca september 30, 2010	Dauget	Duuget	Actual		variance	
Revenues						
Taxes						
Sales and use tax	\$ 8,220,000	\$ 8,420,000	\$ 8,565,370	\$	145,370	
Rental tax	145,000	170,000	197,501		27,501	
Lodging tax	150,000	170,000	170,270		270	
Automobile sales tax	16,000	16,000	15,157		(843)	
Motor vehicle license tax	3,500	3,500	3,757		257	
Wholesale gasoline tax	195,000	180,000	187,341		7,341	
Alcoholic beverage tax	20,000	20,000	18,124		(1,876)	
Beer tax	105,000	105,000	104,217		(783)	
Wine tax	5,000	4,500	4,970		470	
Liquor tax - ABC profit	-	5,750	5,751		1	
Cigarette tax	385,000	360,000	366,137		6,137	
Alabama Gas franchise tax	55,600	42,700	42,788		88	
Charter Cable franchise tax	180,000	180,000	191,923		11,923	
10 mil property tax	1,045,000	1,045,000	1,053,026		8,026	
M2 Connections franchise	-	2,500	3,003		503	
Excise tax on financial institutions	80,000	80,000	120,697		40,697	
County business privilege tax	30,000	30,000	30,854		854	
Total taxes	10,635,100	10,834,950	11,080,886		245,936	
Licenses						
Business license	1,100,000	1,150,000	1,190,535		40,535	
Business license - Alabama Gas Corp.	149,000	113,000	113,289		289	
Business license - Alabama Power Co.	711,000	730,000	730,160		160	
Business license - Coosa Valley Electric	13,600	317,000	64,058		(252,942)	
Business license - telephone	5,300	5,900	5,904		4	
Alcohol license	50	50	125		75	
Automobile license	35,000	35,000	35,503		503	
Chauffeur license	50	50	60		10	
Total licenses and permits	2,014,000	2,351,000	2,139,634		(211,366)	
Downite						
Permits  Duilding permits	20.000	20.000	20 245		0 2 4 5	
Building permits	20,000	20,000	28,345		8,345	
Miscellaneous permits	2,000	2,500	3,633		1,133	
Yard sale permits	400	400	330		(70)	
Total permits	22,400	22,900	32,308		9,408	

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

	Original	Final		
Year ended September 30, 2016	Budget	Budget	Actual	Variance
Revenues (continued)				
Fees				
Motor vehicle registration fees	\$ 1,000	\$ 500	\$ 100	\$ (400)
Returned check fees	150	150	36	(114)
Zoning fees	500	500	-	(500)
Total fees	1,650	1,150	136	(1,014)
Police department				
Impound fees	12,000	12,000	9,375	(2,625)
Accident reports	4,500	4,500	4,085	(415)
Sex offenders registration	1,200	1,000	848	(152)
Animal control revenue	85,000	85,000	74,590	(10,410)
I & O reports	2,800	2,800	1,795	(1,005)
Bail bond fees	2,000	2,000	2,240	240
Total police department	107,500	107,300	92,933	(14,367)
Donations	4,000	29,100	29,520	420
Recreation department				
Spring Street Recreation Center	117,500	117,500	106,403	(11,097)
Refunds - Recreation Center	(1,000)	(2,500)	(3,278)	(778)
Bemiston Recreation Center	1,800	1,800	1,263	(537)
Brecon Recreation Center	4,000	4,000	4,289	289
Mabra Recreation Center	250	1,000	1,778	778
Bruner Sports Complex	40,000	40,000	26,553	(13,447)
Transportation farebox	10,000	10,000	7,877	(2,123)
Golf course revenue	12,500	12,500	10,788	(1,712)
Total recreation department	185,050	 184,300	 155,673	 (28,627)

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

Year ended September 30, 2016	Original Budget	Final Budget	Actual	,	Variance
Revenues (continued)					
Miscellaneous					
Senior citizens grant	\$ 10,800	\$ 10,800	\$ 12,713	\$	1,913
Transportation grant	24,500	24,500	20,500		(4,000)
Children's summer nutrition grant	86,500	95,000	93,039		(1,961)
HPC grant	10,000	12,000	10,155		(1,845)
Traffic light grant	-	-	2,572		2,572
Weed abatement	2,000	8,000	10,234		2,234
Condemnation revenue	2,000	2,000	1,100		(900)
Rental revenue	8,000	36,000	37,615		1,615
Reimbursements	4,000	4,000	-		(4,000)
Insurance reimbursements	1,000	1,000	-		(1,000)
Interest revenue	5,000	5,000	4,855		(145)
Other revenue	23,800	31,800	40,064		8,264
Total miscellaneous	177,600	230,100	232,847		2,747
Total revenues	\$ 13,147,300	\$ 13,760,800	\$ 13,763,937	\$	3,137

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

	Original		Final				
Year ended September 30, 2016	Budget		Budget		Actual		<b>Variance</b>
Expenditures							
City Council	\$ 381,450	\$	355,110	\$	337,094	\$	18,016
City Manager's office	337,875	•	383,095	Ċ	349,704	•	33,391
Finance department	297,200		316,350		314,866		1,484
City Clerk's office	282,800		293,800		263,730		30,070
Human resources	127,500		119,250		103,421		15,829
Purchasing and safety	318,035		318,035		248,298		69,737
Police department	2,760,709		2,830,409		2,614,172		216,237
Police communications	280,000		293,000		261,263		31,737
Animal control	178,040		177,840		160,315		17,525
Fire department	1,644,750		1,644,750		1,587,401		57,349
Public Works department	2,197,405		2,204,505		2,142,951		61,554
Community Appearance department	952,550		952,550		851,120		101,430
Parks and recreation	1,133,300		1,118,300		943,781		174,519
City building expenditures	146,100		171,100		146,409		24,691
General government expenditures	1,077,500		1,204,700		1,090,674		114,026
Total expenditures	12,115,214		12,382,794		11,415,199		967,595
Excess revenues over (under)							
expenditures	1,032,086		1,378,006		2,348,738		970,732
expenditures	1,032,000		1,378,000		2,340,730		370,732
Other financing sources (uses):							
Transfers in from other funds	1,308,100		1,495,800		1,479,771		16,029
Transfers out to other funds	(2,342,700)		(2,576,100)		(2,436,096)		(140,004)
	,		,				, , ,
Total other financing sources (uses)	(1,034,600)		(1,080,300)		(956,325)		(123,975)
Net change in fund balances	(2,514)		297,706		1,392,413		846,757
Desiration found belongs as existently stated	2 740 720		2 740 720		2 740 720		
Beginning fund balance, as originally stated	3,748,728		3,748,728		3,748,728		-
Prior period adjustment	-		-		253,312		
Fund balance, as restated					4,002,040		
i dila balance, as restated					7,002,040		
Ending fund balance	\$ 3,746,214	\$	4,046,434	\$	5,394,453	\$	846,757

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

	2016	2015
Total pension liability		
Service cost	\$ 608,309	\$ 592,326
Interest	1,832,623	1,761,806
Changes in benefit terms	-	-
Differences between expected and actual experience	309,855	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,522,852)	(1,414,985)
Net change in total pension liability	1,227,935	939,147
Total pension liability - beginning	23,669,210	22,730,063
Total pension liability - ending (a)	24,897,145	23,669,210
Plan Fiduciary Net Position		
Contributions - employer	699,653	740,892
Contributions - employee	404,420	360,594
Net investment income	208,626	1,917,819
Benefit payments, including refunds of employee contributions	(1,522,852)	(1,414,985)
Transfers among employers	63,907	(3,971)
Net change in plan fiduciary net position	(146,246)	1,600,349
Plan net position - beginning	17,762,528	16,162,179
Plan net position - ending (b)	\$17,616,282	\$17,762,528
Net pension liabilty (asset) - ending (a) - (b)	\$ 7,280,863	\$ 5,906,682
Plan fiduciary net position as a percentage of total pension liability	70.76%	75.04%
Covered employee payroll	\$ 6,313,746	\$ 6,643,729
Net pension liabilty as a percentage of covered employee payroll	122.94%	88.91%

# City of Talladega, Alabama Schedule of Employer Contributions

	De	ctuarially etermined ntribution	Coi	mployer ntributions ension Plan	Annual Contribution Deficiency (Excess)	Covered Employee Payroll	Employer Contributions to Pension Plan as a % of Covered Employee Payroll
Fiscal Year		(a)		(b)	(b-a)	(c)	(b/c)
2016	\$	642,492	\$	642,492	-	\$ 6,313,746	10.18%
2015		718,888		718,888	-	6,643,729	10.82%
2014		595,409		595,409	-	6,643,729	8.96%
2013		616,154		616,154	-	6,313,746	9.76%
2012		506,870		506,870	-	5,922,110	8.56%
2011		550,188		550,188	-	6,688,593	8.23%
2010		507,653		507,653	-	6,586,748	7.71%
2009		513,507		513,507	-	7,068,194	7.27%
2008		455,256		455,256	-	6,639,046	6.86%
2007		450,201		450,201	-	6,533,879	6.89%
2006		379,076		379,076	-	6,388,942	5.93%

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

#### Other post-employment benefits (See also Note 12)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB (Asset) Liability
September 30, 2016	\$165,097	100.00%	\$ (90,268)
September 30, 2015	259,298	100.00%	(86,994)
September 30, 2014	236,248	56.14%	794,493
September 30, 2013	248,489	49.08%	690,871
September 30, 2012	226,251	56.32%	564,343

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

Funded status and funding progress:

		Entry Age				
		<b>Actuarial Accrued</b>	Unfunded			UAAL as a
Actuarial	<b>Actuarial Value</b>	Liability (AAL)	AAL		Covered	Percentage of
Valuation Date	of Assets	Entry Age	(UAAL)	<b>Funded Ratio</b>	Payroll	<b>Covered Payroll</b>
October 1,	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
2015	944,242	2,897,526	1,953,284	32.59%	7,280,000	26.83%
2013	-	3,433,973	3,433,973	0.00%	7,222,578	47.54%
2011	-	3,397,851	3,397,851	0.00%	5,831,921	58.26%
2007	-	2,942,765	2,942,765	0.00%	5,096,428	57.74%

# City of Talladega, Alabama Notes to Required Supplementary Information

#### **NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

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

Budget information presented in the financial statements is based on the amended budget as adopted by the City Council on August 22, 2016.

# NOTE 2 — SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND SCHEDULE OF PENSION LIABILITY AND FIDUCIARY NET POSITION

The total pension liabilities presented in these schedules were provided by the ERS's actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the components of the plan net position reserved to fund the total pension liability. Those components are annuity savings and pension accumulation. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

#### NOTE 3 – SCHEDULE OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The employer contribution rates for fiscal year 2016 were 11.03% for tier 1 employees (hired before January 1, 2013) and 7.83% for tier 2 employees (hired after January 1, 2013).

# City of Talladega, Alabama Notes to Required Supplementary Information

#### **NOTE 4 – ACTUARIAL ASSUMPTIONS**

The actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year 2016 were based on the September 30, 2014 actuarial valuation. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

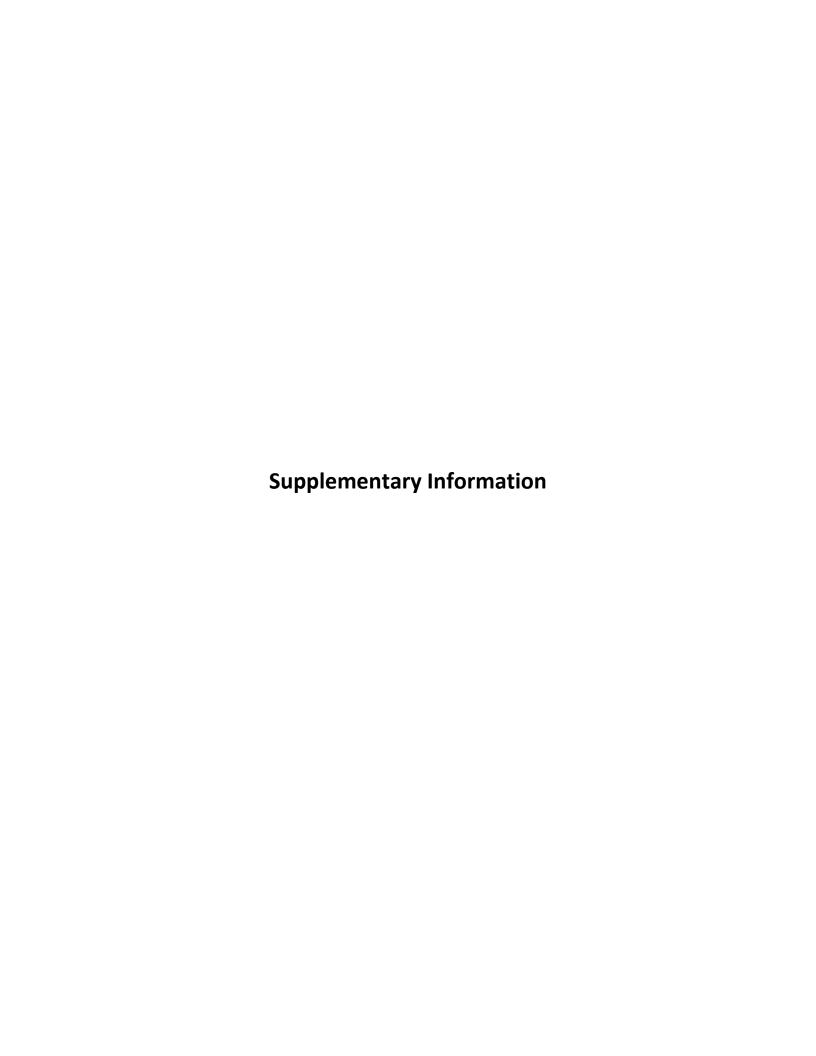
Actuarial Cost Method Entry age
Amortization Method Level percent closed
Remaining Amortization Period 27 years
Asset Valuation Method 5-year smoothed market
Investment Rate of Return: 8.00%
Projected Salary Increases: 3.75 - 7.25%

#### Changes to benefit terms

Members hired after January 1, 2013 are covered under a new benefit structure.

#### Changes to assumptions

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.



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

	Original	Final			
Year ended September 30, 2016	Budget	Budget	Actual	,	Variance
Operating revenues					
Water revenues	\$ 3,811,380	\$ 3,811,380	\$ 3,571,905	\$	(239,475)
Sewer revenues	2,900,000	2,900,000	2,606,355		(293,645)
Garbage revenues	1,044,000	1,044,000	1,046,783		2,783
Other operating revenues	281,150	281,150	254,326		(26,824)
Total revenues	8,036,530	8,036,530	7,479,369		(557,161)
Operating expenses					
Water and sewer department expenses	986,700	1,128,200	852,081		276,119
Waste water plants	1,316,635	1,316,635	1,067,499		249,136
Water filters and wells	1,036,200	1,310,025	732,231		577,794
General and administrative expenses	1,811,100	1,842,700	1,716,191		126,509
Depreciation and amortization	1,000,000	1,000,000	1,346,787		(346,787)
Total operating expenses	6,150,635	6,597,560	5,714,789		882,771
Operating income	1,885,895	1,438,970	1,764,580		325,610
Nonoperating income (expense)					
Interest income	10,000	10,000	9,272		(728)
Miscellaneous income	15,000	46,600	31,605		(14,995)
Interest expense	(977,360)	(977,360)	(951,777)		25,583
Total nonoperating income (expense)	(952,360)	(920,760)	(910,900)		9,860
Transfers					
Transfers out	(996,000)	(996,000)	(1,014,181)		(18,181)
Change in net position	\$ (62,465)	\$ (477,790)	\$ (160,501)	\$	317,289

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

September 30, 2016	ı	Special Revenue Funds	Debt Service Fund	P	Capital rojects Funds	Total Other Governmental Funds	
Assets							
Cash and cash equivalents	\$	1,112,302	\$ -	\$	981	\$	1,113,283
Investments		742,211	-		-		742,211
Receivables		67,505	-		-		67,505
Total assets	\$	1,922,018	\$ -	\$	981	\$	1,922,999
<b>Liabilities</b> Accounts payable and accrued liabilities	\$	93,204	\$ -	\$	4,762	\$	97,966
Fund balances							
Restricted		734,420	=		890		735,310
Committed		896,508	-		-		896,508
Assigned		197,886	-		-		197,886
Unassigned		-	-		(4,671)		(4,671)
Total fund balance (deficit)		1,828,814	-		(3,781)		1,825,033
Total liabilities and fund balance	\$	1,922,018	\$ -	\$	981	\$	1,922,999

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

Year ended September 30, 2016	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Other Governmental Funds
Revenues				
Intergovernmental revenues:				
Federal and state grants	\$ 135,244	\$ -	\$ 135,311	\$ 270,555
State taxes	624,176	-	-	624,176
Other operating revenues:				
Fees, fines and charges for services	731,632	-	-	731,632
Interest on investments	59,044	-	-	59,044
Other	1,803	-	-	1,803
Total revenues	1,551,899	_	135,311	1,687,210
Expenditures				
Current operations:				
General government	677,374	-	5,646	683,020
Public safety	734,502	-	-	734,502
Public works	60,381	-	-	60,381
Capital outlay	16,630	-	396,241	412,871
Debt service:				
Principal	-	532,842	-	532,842
Interest	-	343,812	-	343,812
Miscellaneous	-	8,648	-	8,648
Total expenditures	1,488,887	885,302	401,887	2,776,076
Excess of revenues over (under)				
expenditures	63,012	(885,302)	(266,576)	(1,088,866)
Other financing courses (uses):				
Other financing sources (uses): Transfers in	542,094	885,302	8,700	1,436,096
Transfer (out)	(407,279)	865,502	(58,311)	(465,590)
Transfer foot Water and Sewer	(407,279)	-	(30,311)	(405,590)
Department  Total other financing sources	134,815	885,302	(49,611)	970,506
Total other infancing sources	134,813	883,302	(49,011)	970,300
Net change in fund balance	197,827	-	(316,187)	(118,360)
Fund balance, beginning of year	1,630,987		312,406	1,943,393
Fund balance, end of year (deficit)	\$1,828,814	\$ -	\$ (3,781)	\$ 1,825,033

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

	Р	roperty	4 (	Cent Gas	7 (	Cent Gas	Co	rrections
September 30, 2016	T	ax Fund	Т	ax Fund	T	ax Fund	Fund	
Assets								
Cash and cash equivalents	\$	42,012	\$	77,641	\$	93,243	\$	96,973
Investments		-		-		-		-
Receivables		3,089		4,488		5,548		54,380
Total assets	\$	45,101	\$	82,129	\$	98,791	\$	151,353
Liabilities								
Accounts payable and accrued liabilities	\$	-	\$	-	\$	-	\$	90,478
Fund balances								
Restricted		45,101		82,129		98,791		60,875
Committed		-		-		-		-
Assigned		-		-		-		-
						<u>-</u>		
Total fund balance		45,101		82,129		98,791		60,875
						<u>-</u>		
Total liabilities and fund balance	\$	45,101	\$	82,129	\$	98,791	\$	151,353

 Oil Trust Fund	Ві	rownfield Fund	Police Grant	c	emetery Fund	Library Fund	Total Special Revenue Funds
\$ 427,518	\$	934	\$ 19,072	\$	192,303	\$ 162,606	\$ 1,112,302
-		-	-		706,931	35,280	742,211
 -		-	-		-	-	67,505
\$ 427,518	\$	934	\$ 19,072	\$	899,234	\$ 197,886	\$ 1,922,018
\$ -	\$	-	\$ -	\$	2,726	\$ -	\$ 93,204
427,518		934	19,072		-	-	734,420
-		-	-		896,508	-	896,508
 -		-	-		-	197,886	197,886
 427,518		934	19,072		896,508	197,886	1,828,814
\$ 427,518	\$	934	\$ 19,072	\$	899,234	\$ 197,886	\$ 1,922,018

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

	2.5 Mil Property			Cent Gas		Cent Gas	Со	rrections
Year ended September 30, 2016		ax Fund	Tax Fund		Tax Fund			Fund
_								
Revenues								
Intergovernmental revenues:								
Federal and state grants	\$		\$		\$	-	\$	-
State taxes		266,558		49,373		62,972		-
Other operating revenues:								
Fees, fines and charges for services		-		-		-		677,055
Interest on investments		350		-		152		-
Other		-		-		-		-
Total revenues		266,908		49,373		63,124		677,055
Expenditures								
Current operations:								
General		269,878		97				
Public safety		209,070		37		_		-
Public works		-		-		- - 60 201		694,496
		-		-		60,381		-
Capital outlay		260.070		- 07				
Total expenditures		269,878		97		60,381		694,496
Excess of revenues over (under)								
expenditures		(2,970)		49,276		2,743		(17,441)
Other financing sources (uses):								
Transfers in		-		-		-		190,314
Transfers (out)		-		-		-		(189,832)
Total other financing								
sources (uses)		-		-		-		482
Net change in fund balance		(2,970)		49,276		2,743		(16,959)
Fund balance, beginning of year		48,071		32,853		96,048		77,834
Fund balance, end of year	\$	45,101	\$	82,129	\$	98,791	\$	60,875

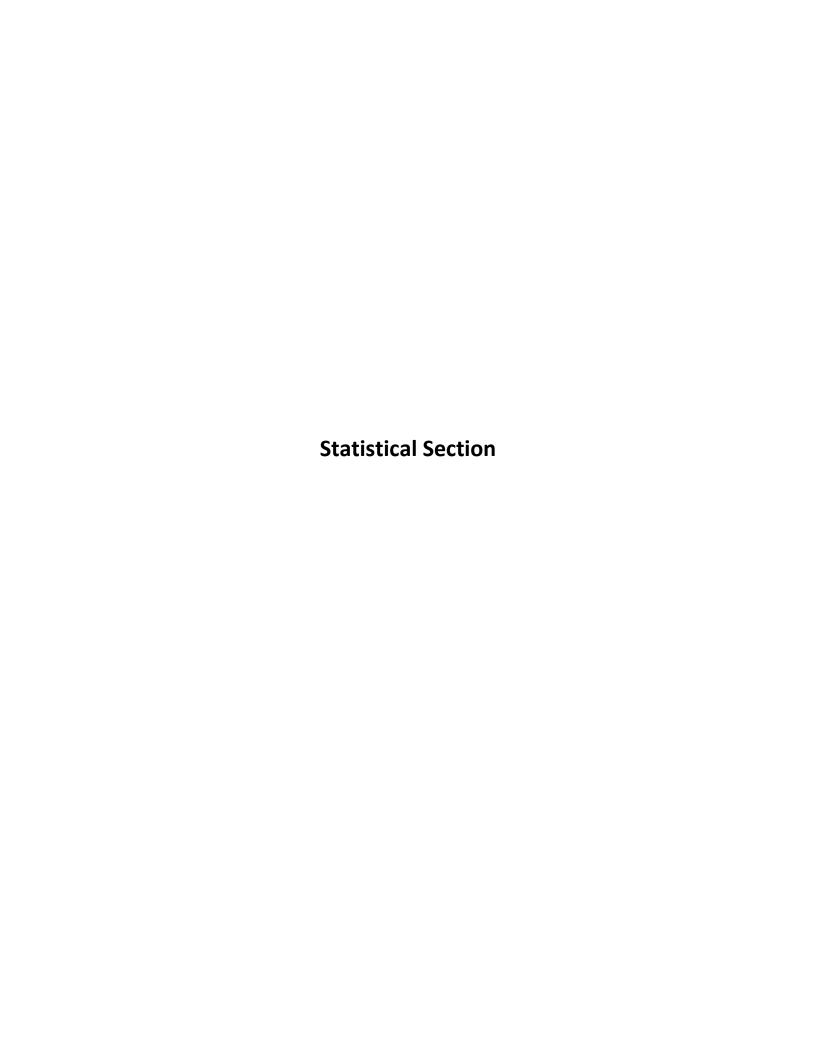
C	Oil Trust	Brownfield Police Cemetery Library								Total Special Revenue			
	Fund		Fund		Grant		Fund		Fund		Funds		
\$	-	\$	31,221	\$	86,049	\$	-	\$	17,974	\$	135,244		
	141,926		-		-		-		103,347		624,176		
	_		_		-		45,920		8,657		731,632		
	948		-		8		56,808		778		59,044		
	-		-		2		-		1,801		1,803		
	142,874		31,221		86,059		102,728		132,557		1,551,899		
	-		96		-		6,168 40		401,135		677,374		
	-	-			40,006		-		-		-		734,502
	-				-		-		-		60,381		
	-		-		<u>-</u>		<u>-</u>		16,630		16,630		
	-		96		40,006		6,168		417,765		1,488,887		
	142,874		31,125		46,053		96,560		(285,208)		63,012		
	-		-		45,417		-		306,363		542,094		
	-		(92,000)		(91,765)		(33,682)		-		(407,279)		
	-		(92,000)		(46,348)		(33,682)		306,363		134,815		
	142,874		(60,875)		(295)		62,878		21,155		197,827		
	284,644		61,809		19,367		833,630		176,731		1,630,987		
	•		· · ·		,		, -		,		· ·		
\$	427,518	\$	934	\$	19,072	\$	896,508	\$	197,886	\$	1,828,814		

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

	RBEG	(	Community	Total Capital
September 30, 2016	Fund	D	evelopment	Projects
Assets				
Cash and cash equivalents	\$ 890	\$	91	\$ 981
Total assets	\$ 890	\$	91	\$ 981
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$	4,762	\$ 4,762
Fund balances				
Restricted	890			890
Unassigned	 -		(4,671)	(4,671)
Total fund balance (deficit)	890		(4,671)	(3,781)
Total liabilities and fund balance	\$ 890	\$	91	\$ 981

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

	RBEG	Com	Community		Total Capital
Year ended September 30, 2016	Fund	Deve	Development		Projects
Revenues					
Intergovernmental revenues:					
Federal and state grants	\$ 	\$	40,311	\$	135,311
Total revenues	95,000		40,311		135,311
Expenditures					
Current operations:					
General government	5,550		96		5,646
Capital outlay	368,893		27,348		396,241
Total expenditures	374,443		27,444		401,887
Excess of revenues over (under)	(				<b></b>
expenditures	(279,443)		12,867		(266,576)
Other financing sources:					
Operating transfers in	-		8,700		8,700
Operating transfers out	(18,000)		(40,311)		(58,311)
Total other financing sources (uses)	(18,000)		(31,611)		(49,611)
Net change in fund balances	(297,443)		(18,744)		(316,187)
Fund balance, beginning of year	298,333		14,073		312,406
Fund balance, end of year (deficit)	\$ 890	\$	(4,671)	\$	(3,781)



#### 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

	2007	2008	2009
Governmental activities			
Net investment in capital assets	\$ 13,636,161	\$ 11,030,088	\$ 10,261,167
Restricted	ψ 10,000,101	<b>Ψ</b> ==,000,000	γ =0,=0=,=0 <i>:</i>
Special revenue funds	628,694	587,450	612,807
Future capital projects	13,313	32,407	2,889,926
Perpetual care fund	685,738	685,738	770,649
Law enforcement fund	-	51,878	43,380
Debt service fund	262,330	224,269	345,132
Unrestricted, general fund	1,546,946	2,152,166	(1,375,617)
Total governmental activities	\$ 16,773,182	\$ 14,763,996	\$ 13,547,444
Business-type activities			
Net investment in capital assets	\$ 11,131,900	\$ 11,397,594	\$ 11,917,237
Restricted			
Capital projects	676,380	242,561	-
Debt service fund	97,786	101,550	-
Unrestricted	3,773,957	4,051,767	3,807,074
Total business-type activities	\$ 15,680,023	\$ 15,793,472	\$ 15,724,311
Primary government			
Net investment in capital assets	\$ 24,768,061	\$ 22,427,682	\$ 22,178,404
Restricted	+ = 1,7 00,002	, ==,:=:,:32	. ==,=, 0, .0
Capital projects	689,693	274,968	2,889,926
Special revenues	628,694	587,450	612,807
Perpetual care fund	685,738	685,738	770,649
Law enforcement fund	-	51,878	43,380
Debt service fund	360,116	325,819	345,132
Unrestricted	5,320,903	6,203,933	2,431,457
Total primary government	\$ 32,453,205	\$ 30,557,468	\$ 29,271,755

2010	2011	2012	2013	2014	2015	2016
\$ 10,056,395	\$ 8,270,373	\$ 8,470,055	\$ 8,485,428	\$ 8,702,500	\$ 8,668,887	\$ 8,280,408
, -,,	, -, -,-	, -, -,	, -,,	, , , , , , , , , , , , , , , , , , , ,	, -,,	, -,,
631,242	1,198,908	856,473	1,678,716	1,935,106	558,817	733,486
2,000,294	947,169	921,330	1,446,726	1,029,835	1,621,321	1,680,278
789,130	742,549	-	-	-	-	-
-	-	-	-	-	-	-
322,954	300,776	-	-	-	-	-
(722,971)	2,148,195	4,358,747	3,228,241	4,474,117	198,227	2,267,638
\$ 13,077,044	\$ 13,607,970	\$ 14,606,605	\$ 14,839,111	\$ 16,141,558	\$ 11,047,252	\$ 12,961,810
\$ 12,070,621	\$ 9,953,242	\$ 10,399,739	\$ 9,625,354	\$ 9,528,061	\$ 4,665,885	\$ 5,020,591
-	1 211 445	1 211 644	1 710 102	1 449 412	- 6 600 057	6 070 993
4 722 242	1,211,445	1,211,644	1,710,193	1,448,412	6,608,857	6,079,882
4,733,213 \$ 16,803,834	16,908,341 \$ 28,073,028	5,972,835 \$ 17,584,218	5,743,591 \$ 17,079,138	8,049,562 \$ 19,026,035	6,814,460 \$ 18,089,202	6,828,228 \$ 17,928,701
3 10,603,634	\$ 20,073,020	\$ 17,364,216	\$ 17,079,136	\$ 19,020,033	\$ 10,009,202	\$ 17,926,701
\$ 22,127,016	\$ 18,223,615	\$ 18,869,794	\$ 18,110,782	\$ 18,230,561	\$ 13,334,772	\$ 13,300,999
200 204	047.460	024 220	4 446 726	4 020 025	4 624 224	4 600 270
200,294	947,169	921,330	1,446,726	1,029,835	1,621,321	1,680,278
631,242	1,198,908	856,473	1,678,716	1,935,106	558,817	733,486
789,130	742,549	-	-	-	-	-
- 322,954	- 1 E12 221	- 1 211 <i>644</i>	- 1 710 102	1 449 412	- 6 600 057	- 6 070 993
	1,512,221	1,211,644	1,710,193	1,448,412	6,608,857	6,079,882
4,010,242	7,891,849	10,331,582	\$,971,832	12,523,679	7,012,687 \$ 20,136,454	9,095,866
\$ 28,080,878	\$ 30,516,311	\$ 32,190,823	\$ 31,918,249	\$ 35,167,593	\$ 29,136,454	\$ 30,890,511

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

		2007		2008		2009		2010
Expenses								
Governmental activities								
General government	\$	1,632,271	\$	1,176,495	\$	3,659,053	\$	3,700,715
Public protection								
Police		2,211,048		2,699,857		2,689,707		2,684,831
Fire		1,110,832		1,253,348		1,316,881		1,347,488
Corrections		719,899		496,677		544,946		645,216
Public works		2,501,237		1,955,829		3,198,716		2,920,835
Recreational		1,479,971		1,563,574		1,901,936		1,511,976
Nondepartmental		1,391,957		4,421,622		-		-
Other boards and agencies		279,229		366,280		-		-
Capital outlay		760,515		211,178		-		-
Depreciation expense		1,581,174		1,637,870		1,510,112		1,416,649
Interest and fiscal charges		296,949		331,330		496,301		506,695
Total governmental activities		13,965,082		16,114,060		15,317,652		14,734,405
Business-type activities								
Water and sewer		4,996,112		5,409,804		5,498,018		5,473,304
Total primary government	\$	18,961,194	\$	21,523,864	\$	20,815,670	\$	20,207,709
Program revenues								
Governmental activities								
Fees, fines and charges for service	4	77.540	۲.	40.044	<b>,</b>	22 505	<u>,</u>	24.400
General government	\$	77,510	\$	48,944	\$	23,585	\$	31,100
Police		71,123		45,232		60,830		84,267
Fire		55		5		-		-
Other public protection		831,968		654,817		643,423		639,451
Public works				- 22 - 22		32,850		-
Recreational		292,277		367,995		313,823		266,604
Operating grants and contributions		123,435		113,951		124,923		253,042
Capital grants and contributions		825,138		179,984		141,310		97,751
Total governmental activities		2,221,506		1,410,928		1,340,744		1,372,215

 2011	2012	2013	2014	2015	2016
\$ 3,603,718	\$ 3,612,283	\$ 4,032,660	\$ 3,503,698	\$ 3,180,845	\$ 4,098,149
2,545,762	2,655,797	2,739,752	2,939,897	3,175,819	3,035,750
1,323,748	1,414,782	1,528,048	1,576,920	1,838,503	1,587,401
1,016,090	692,669	644,982	886,695	1,526,185	1,370,589
4,289,657	3,407,964	3,201,587	3,115,086	5,911,183	3,449,780
1,097,026	1,162,741	964,970	1,071,582	1,192,742	1,071,100
1,037,020	1,102,741	-	1,071,302		-
_	_	_	_	_	_
_	_	_	_	_	_
1,479,284	1,476,188	1,498,964	1,474,028	_	-
489,291	453,617	428,798	414,495	352,077	360,675
 15,844,576	14,876,041	15,039,761	14,982,401	17,177,354	14,973,444
, ,	, ,	, ,	, ,	, ,	, ,
5,867,908	5,777,985	5,966,932	6,151,870	6,366,816	6,666,566
\$ 21,712,484	\$ 20,654,026	\$ 21,006,693	\$ 21,134,271	\$ 23,544,170	\$ 21,640,010
\$ 67,673	\$ 95,371	\$ 128,815	\$ 63,365	\$ 49,868	\$ 54,713
74,299	79,469	107,546	95,987	95,987	92,933
-	-	-	-	-	-
602,808	644,754	650,775	934,808	814,985	677,055
-	-	-	-	-	-
206,704	179,121	174,458	183,513	160,879	155,673
-	-	629,196	342,874	230,756	415,778
 	 -	34,431	 12,192	288,219	162,311
951,484	998,715	1,725,221	1,632,739	1,640,694	1,558,463

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

		2007		2008		2009		2010
Program revenues (continued)								
Business-type activities								
Water and sewer revenues	\$	6,087,785	\$	5,964,989	\$	6,394,726	\$	7,388,493
Operating grants and contributions	·	-	·	-		-	·	-
Capital grants and contributions		1,150,000		111,505		-		350,000
Total business-type activities		7,237,785		6,076,494		6,394,726		7,738,493
Total program revenues	\$	9,459,291	\$	7,487,422	\$	7,735,470	\$	9,110,708
Net (expense) revenue								
Governmental activities	Ś	(11.743.576)	Ś	(14,703,132)	Ś	(13.976.908)	\$	(13.362.190)
Business-type activities	*	2,241,673	7	666,690	•	896,708	т.	2,265,189
Total primary government net expense	\$		\$	(14,036,442)	\$		\$	
	•					<u>, , , , , , , , , , , , , , , , , , , </u>		<u> </u>
General revenues								
Governmental activities								
Taxes								
Sales, property, other for general purposes	\$	9,882,202	\$	10,047,294	\$	9,490,399	\$	9,635,086
General business licenses and permits		1,849,809		1,914,460		2,014,668		1,944,017
Miscellaneous income		95,798		56,404		197,044		66,271
Interest income		53,887		65,171		69,183		47,507
Gain on sale of asset		-		-		-		-
Transfers		625,802		610,617		989,064		1,198,909
Total governmental activities		12,507,498		12,693,946		12,760,358		12,891,790
B								
Business-type activities  Miscellaneous income								
		-		-		-		12 242
Interest income Transfers		86,894		57,376		23,195		13,243
Total business-type activities		(625,802) (538,908)		(610,617) (553,241)		(989,064) (965,869)		(1,198,909) (1,185,666)
Total business-type activities		(338,308)		(333,241)		(903,809)		(1,163,000)
Total general revenues	\$	11,968,590	\$	12,140,705	\$	11,794,489	\$	11,706,124
Change in net position								
Governmental activities	\$	763,922	¢	(2,009,186)	¢	(1 216 552)	¢	(470,400)
Business-type activities	ڔ	1,702,765	ڔ	113,449	ڔ	(69,161)	٧	1,079,523
Total primary government	\$	2,466,687	\$		\$		\$	609,123

	2011		2012		2013		2014		2015		2016
\$	7,306,496	\$	7,156,929	\$	6,920,902	\$	7,226,160	\$	7,553,779	\$	7,479,369
	-		-		-		-		-		-
	7 200 400		7.456.020				7 226 460		7 552 770		7 470 260
	7,306,496		7,156,929		6,920,902		7,226,160		7,553,779		7,479,369
\$	8,257,980	\$	8,155,644	\$	8,646,123	\$	8,858,899	\$	9,194,473	\$	9,037,832
\$		\$ (		\$		\$	(13,349,662)	\$		\$	
_	1,438,588		1,378,944	_	953,970	_	1,074,290	_	1,186,963	_	812,803
<u>Ş</u>	(13,454,504)	Ş (	(12,498,382)	\$	(12,360,570)	Ş	(12,275,372)	Ş	(14,349,697)	Ş	(12,602,178)
Ś	10,060,229	Ś	10,612,516	Ś	10,899,473	Ś	11,300,810	Ś	11,304,309	Ś	11,705,062
•	2,027,174	•	2,001,838	•	1,868,145	•	2,160,893	•	2,103,350	•	2,171,942
	93,764		101,305		17,094		96,303		381,012		120,336
	37,281		28,593		16,739		18,244		36,395		64,706
	69,703		32,953		96,989		37,257		_		_
	1,158,533		908,880		922,718		1,038,602		1,315,009		1,014,181
	13,446,684		13,686,085		13,821,158		14,652,109		15,140,075		15,076,227
	-		-		49,577		1,894,205		192,698		31,605
	18,685		17,311		13,565		17,004		127,786		9,272
	(1,158,533)		(908,880)		(922,718)		(1,038,602)		(1,315,009)		(1,014,181)
	(1,139,848)		(891,569)		(859,576)		872,607		(994,525)		(973,304)
¢	12 306 836	ς	12 794 516	Ś	12 961 582	ς.	15,524,716	\$	14 145 550	ς	14 102 923
<u> </u>	12,300,030	7	12,754,510	7	12,301,302	7	13,324,710	7	14,143,330	7	14,102,323
\$	530,926	\$	890,292	\$	506,618	\$	1,302,447	\$	(396,585)	\$	1,661,246
	298,740		487,375		94,394		1,946,897		192,438		(160,501)
\$	829,666	\$	1,377,667	\$	601,012	\$		\$	(204,147)	\$	1,500,745

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

	2007	2008	2009	2010
Sales and use tax	\$ 6,974,881	\$ 7,455,008	\$ 6,479,715	\$ 6,355,749
Business licenses	1,789,634	1,832,046	1,956,931	1,861,447
10 mil tax	948,439	933,693	1,045,033	1,022,336
Other taxes and licenses	2,019,057	1,741,007	2,022,713	2,339,571
Total taxes and licenses	\$ 11,732,011	\$ 11,961,754	\$ 11,504,392	\$ 11,579,103

	2007	2008	2009	2010
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%

 2011	2012	2013	2014	2015	2016
\$ 6,987,196	\$ 7,784,557	\$ 8,003,987	\$ 8,237,253	\$ 9,404,853	\$ 9,750,940
1,949,387	2,001,838	1,868,146	2,160,893	2,103,350	2,171,942
1,053,801	971,921	1,049,494	1,071,589	1,062,369	1,053,026
2,097,019	1,856,038	1,405,179	1,991,968	837,087	901,096
\$ 12,087,403	\$ 12,614,354	\$ 12,326,806	\$ 13,461,703	\$ 13,407,659	\$ 13,877,004

Sales and Use Tax Direct and Overlapping Last Ten Fiscal Year

 2011	2012	2013	2014	2015	2016
5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
 4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

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

	2007	2008	2009	2010
Committeed				
General fund	4		4	
Unreserved	\$ 1,399,420	\$ 2,438,232	\$ 1,933,969	\$ 2,066,862
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	1,399,420	2,438,232	1,933,969	2,066,862
All other governmental funds				
Reserved:				
Special revenues funds	614,892	587,450	612,807	631,242
Debt service funds	262,330	224,269	345,132	322,954
Other nonmajor funds	695,893	737,616	814,029	789,130
Future capital projects	13,313	32,407	2,889,926	200,294
Unreserved, reported in:				
Other nonmajor funds	200,147	154,439	100,535	93,692
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other				
governmental funds	1,786,575	1,736,181	4,762,429	2,037,312
Total governmental				
funds	\$ 3,185,995	\$ 4,174,413	\$ 6,696,398	\$ 4,104,174

2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,244	<del>-</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>-</del>
1,377,358	-	-	-	-	-
-	_	300,000	300,000	_	1,608,025
1,268,996	4,057,672	3,012,259	4,348,610	3,748,728	3,786,428
2,663,598	4,057,672	3,312,259	4,648,610	3,748,728	5,394,453
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2 105 005	1 777 002	2 125 442	2 064 241	2 100 120	2 412 764
3,185,805	1,777,803 826,225	3,125,442 848,233	2,964,341 856,677	2,180,138 833,630	2,413,764
-	134,040	154,356	186,524	176,731	896,508 197,886
154,933	134,040	154,550	160,324	170,731	(4,671)
134,933	<u> </u>	<del>_</del> _	<u>-</u> _	<del>_</del> _	(4,071)
3,340,738	2,738,068	4,128,031	4,007,542	3,190,499	3,503,487
\$ 6,004,336	\$ 6,795,740	\$ 7,440,290	\$ 8,656,152	\$ 6,939,227	\$ 8,897,940

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 Fiscal Years

	2007		2008	2009	2010
Revenues					
Taxes	\$ 9,882,202	\$	10,047,294	\$ 9,490,399	\$ 9,635,086
Licenses and permits	1,849,809	•	1,914,460	2,014,668	1,944,017
Changes for services	1,272,933		1,116,993	1,074,511	1,021,422
Federal and state grants	948,573		293,935	266,233	350,793
Interest	53,887		65,171	69,183	47,507
Proceeds from long-term debt	761,428		2,208,038	3,705,700	
Other revenues	95,798		254,289	197,044	78,796
Total revenues	14,864,630		15,900,180	16,817,738	13,077,621
Expenditures					
General government	1,563,646		1,166,909	2,071,339	2,093,373
Public safety	4,041,779		4,423,568	4,441,888	4,625,364
Public works	2,501,237		2,021,327	1,725,131	1,727,601
Recreation	1,479,971		1,572,190	1,599,223	1,363,563
Other boards and agencies	279,229		362,640	380,600	343,854
Non-departmental	1,391,957		4,421,622	2,819,353	2,677,089
Capital outlay	2,186,700		685,541	1,102,902	1,121,126
Debt service:					
Principal	952,810		602,335	654,634	599,890
Interest and fees	321,327		252,962	467,350	487,594
Miscellaneous	5,066		13,285	22,397	29,300
Total expenditures	14,723,722		15,522,379	15,284,817	15,068,754
Excess revenues over					
(under) expenditures	140,908		377,801	1,532,921	(1,991,133)
Other financing sources (uses)					
Operating transfers in	4,721,070		2,390,304	3,116,754	3,194,294
Operating transfers out	(4,095,268)		(1,779,687)	(2,127,690)	
	(4,093,208)		(1,779,007)	(2,127,090)	(1,995,385)
Proceeds from long-term debt	-		<del>-</del>	-	-
Total other financing	625.002		640 647	000 064	4 400 000
sources	625,802		610,617	989,064	1,198,909
Net change in fund balance	766,710		988,418	2,521,985	(792,224)
Fund balance, beginning of year	2,419,285		3,185,995	4,174,413	6,696,398
Prior period adjustment	-		-	-	-
Fund balance, end of year	\$ 3,185,995	\$	4,174,413	\$ 6,696,398	\$ 5,904,174
Ratio of debt service expenditures to noncapital expenditures	10.16%		5.76%	7.91%	7.80%

2011	2012	2013	2014	2015	2016
\$ 10,060,229	\$ 11,345,272	\$ 11,262,199	\$ 11,300,810	\$ 11,304,309	\$ 11,705,062
2,027,174	2,001,838	1,868,146	2,160,893	2,103,350	2,171,942
951,484	960,054	1,013,951	1,277,673	1,121,719	980,374
1,977,334	200,354	295,421	355,066	518,975	578,089
37,281	28,592	16,741	18,244	36,395	64,706
-	-	-	-	-	_
163,467	323,467	170,466	155,205	381,012	120,336
15,216,969	14,859,577	14,626,924	15,267,891	15,465,760	15,620,509
1,606,559	1,699,523	1,930,072	2,011,405	2,304,491	2,068,738
4,871,600	4,734,510	4,912,782	5,403,512	5,933,000	5,351,668
3,197,571	2,236,637	3,201,587	3,115,086	5,560,961	3,079,661
994,526	1,052,011	964,970	1,071,582	1,072,266	943,781
304,850	323,900	338,173	291,524	257,152	251,637
2,965,022	2,598,400	1,600,356	1,057,294	1,083,488	1,237,085
1,375,357	1,142,607	1,552,034	1,274,483	1,319,221	1,111,417
571,495	584,204	820,565	436,649	773,121	532,842
458,985	445,199	432,558	417,435	367,307	343,812
30,477	26,333	6,992		157,350	8,648
16,376,442	14,843,324	15,760,089	15,090,631	18,828,357	14,929,289
(1,159,473)	16,253	(1,133,165	) 177,260	(3,362,597)	691,220
3,985,545	4,132,577	5,373,111	3,346,937	5,689,545	3,915,867
(2,827,310)	(3,223,697)	(4,450,394	) (2,308,335)	(4,374,536)	(2,901,686)
101,400	49,140	854,998	-	330,663	
1,259,635	958,020	1,777,715	1,038,602	1,645,672	1,014,181
100,162	974,273	644,550	1,215,862	(1,716,925)	1,705,401
5,904,174	6,004,337	6,795,740	7,440,290	8,656,152	6,939,227
	,,				
	(182,870)	-	-	-	253,312
¢ 6004335	ć 6705740	ć 7.440.200	¢ 0.555.453	ć 6000.00 <del>.</del>	ć 0.007.040
\$ 6,004,336	\$ 6,795,740	\$ 7,440,290	\$ 8,656,152	\$ 6,939,227	\$ 8,897,940
6.070	7 5404	0.000	/ 6400/	C =404	6.2404
6.87%	7.51%	8.829	6.18%	6.51%	6.34%

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

	City of Talladega			Overlapp	_	
Fiscal Year	General Municipal Purposes	School Purposes	Total	Talladega County	State of Alabama	Total Direct and Overlapping Rate
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
2015	10.0	12.5	22.5	9.5	6.5	38.5
2016	10.0	12.5	22.5	9.5	6.5	38.5

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

	 2016			2007			
		Percentage				Percentage	
	Sales		of Total		Sales		of Total
	Tax		Sales Tax		Tax		Sales Tax
	Collected	Rank	Collected		Collected	Rank	Collected
Wal-Mart	\$ 2,116,363	1	22.55%	\$	1,901,804	1	25.91%
Baker Foods	544,088	2	5.80%		471,986	2	6.43%
Talladega Home Center	175,359	3	1.87%		92,736		1.26%
Marvins	150,700	4	1.61%		122,778		1.67%
Dollar General Store	148,541	5	1.58%		95,626		1.30%
Murphy Oil USA	133,726	6	1.42%		49,007		0.67%
Spann Enterprises (McDonalds)	132,601	7	1.41%		81,950		1.12%
CSX Transportation	128,802	8	1.37%		106,703		1.45%
Tractor Supply	123,472	9	1.32%		92,736		1.26%
Jack's Family Restaurant	119,731	10	1.28%		81,337		1.11%

#### 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

	Gove	rnmental Activ	ities	Business-Type Activities		_	
	General					Total	Percentage
Fiscal	Obligation	Revenue	Capital	Revenue	Capital	Primary	of Personal
Year	Warrants	Bonds	Leases	Warrants	Leases	Government	Income
2007	\$ 5,826,203	\$ -	\$ 967,707	\$ 7,445,000	\$ 708,624	\$ 14,947,534	2.6%
2008	7,776,434	-	562,365	7,165,000	422,149	15,925,948	3.2%
2009	8,940,578	1,985,000	464,288	6,880,000	276,808	18,546,674	3.2%
2010	8,884,976	1,905,000	565,622	6,680,288	39,115	18,075,001	4.7%
2011	8,494,881	1,825,000	618,395	18,501,520	46,592	29,486,388	6.3%
2012	7,726,665	1,740,000	317,828	17,740,000	7,820	27,532,313	7.1%
2013	7,280,000	1,655,000	883,926	17,586,487	288,948	27,694,361	4.1%
2014	6,950,000	1,565,000	865,664	16,763,136	211,608	26,355,408	3.8%
2015	6,996,684	1,475,000	794,772	22,001,673	133,179	31,401,308	6.8%
2016	\$ 6,618,257	\$ 1,380,000	\$ 726,928	\$ 21,559,373	\$ 53,645	\$ 30,338,203	6.6%

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

September 30, 2016

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City of Talladega*	Amount Applicable to City of Talladega
City of Talladega Talladega County	\$ 8,725,18 24,625,00		. , ,
Total	\$ 33,350,18	5_	\$ 11,411,773

<sup>\*</sup>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	
		Amounts	Bonded	Taxable	
Fiscal	Revenue	Restricted	Debt	Value of	Per
Year	Bonds	for Debt	Total	Property	Capita
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	1,985,000	-	1,985,000	1.82%	117
2010	1,905,000	-	1,905,000	1.68%	146
2011	1,825,000	-	1,825,000	1.61%	116
2012	1,740,000	-	1,740,000	1.48%	133
2013	1,655,000	-	1,655,000	1.35%	106
2014	1,565,000	-	1,565,000	1.27%	98
2015	1,475,000	-	1,475,000	1.21%	92
2016	1,380,000	-	1,380,000	1.18%	88

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

	2007	2008	2009
Assessed property value Debt limited to	\$ 107,588,100 20%	\$ 110,402,080 5 20%	
Debt limit:  Total net debt applicable to	\$ 21,517,620	\$ 22,080,416	\$ 21,819,978
limit	6,671,199	8,338,803	11,389,866
Legal debt margin	\$ 14,846,421	\$ 13,741,613	\$ 10,430,112
Total net debt applicable to the limit as a percentage of debt limit	31.00%	37.77%	52.20%

2010	2011	2012	2013	2014	2015	2016
\$ 113,448,000 20%	\$ 113,694,240 20%	\$117,887,180 20%	\$ 122,970,640 20%	\$ 122,875,960 20%	\$121,534,440 20%	\$ 116,986,081 20%
\$ 22,689,600	\$ 22,738,848	\$ 23,577,436	\$ 24,594,128	\$ 24,575,192	\$ 24,307,488	\$ 23,397,216
11,355,598 \$ 11,334,002	10,937,954 \$ 11,800,894	9,784,493 \$ 13,792,943	9,818,926 \$ 14,775,202	9,380,664 \$ 15,194,528	8,938,175 \$ 15,369,313	8,725,185 \$ 14,672,031
50.05%	48.10%	41.50%	39.92%	38.17%	36.77%	37.29%

#### **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

	2007	2008	2009	2010	2011
Population <sup>1</sup>	16,991	14,698	16,991	13,062	15,676
Total personal income					
Household income-City	\$ 33,677	\$ 34,067	\$ 34,067	\$ 29,660	\$ 29,942
Talladega County	\$ 33,677	\$ 47,603	\$ 38,013	\$ 48,400	\$ 56,300
Per capita <sup>1</sup>					
Personal income*	\$ 17,435	\$ 17,557	\$ 17,435	\$ 18,583	\$ 18,583
Talladega County	\$ 18,473	\$ 18,686	\$ 18,473	\$ 19,762	\$ 19,762
School district <sup>3</sup>					
Enrollment	2,606	2,573	2,395	2,576	2,315
Unemployment <sup>2</sup>					
Rate	4.5	5.9	12.1	13.2	8.4
Employed <sup>2</sup>					
Talladega County	38,291	36,258	32,296	31,958	32,067

<sup>\*</sup> Personal Income is for Talladega-Sylacauga, AL

 $<sup>^{\</sup>mathrm{1}}$  U.S. Census Bureau, the Bureau of Economic Analysis

<sup>&</sup>lt;sup>2</sup> Alabama Department of Industrial Relations

<sup>&</sup>lt;sup>3</sup> Talladega City Board of Education

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

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

	2016			2007			
			Percentage of Total			Percentage of Total	
	Employees	Rank	Employment	Employees	Rank	Employment	
Alabama Institute for Deaf & Blind	1266	1	3.38%	628	2	1.64%	
Talladega County Board of Education	952	2	2.54%	952	1	2.49%	
Baptist Citizens Medical Center	346	3	0.92%	322	6	0.84%	
Federal Correction Institution	330	4	0.88%	317	7	0.83%	
Talladega City Board of Education	321	5	0.86%	347	5	0.91%	
MasterBrand Cabinets	285	6	0.76%	400	4	1.04%	
Talladega Healthcare and Rehab	258	7	0.69%	N/A	N/A	N/A	
City of Talladega	244	8	0.65%	201	10	0.52%	
Wal-Mart Talladega	220	9	0.59%	252	8	0.66%	
Precision Strip, Inc.	135	10	0.36%	N/A	N/A	N/A	

Source: Talladega County Economic Development Authority

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

Department	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administrative/City Clerk	5	5	2	2	2	2	2	2	2	2
Animal Control	3	4	4	4	3	3	3	4	4	4
City Council	6	6	6	6	6	6	6	6	6	6
City Manager	2	2	3	4	5	5	4	5	5	5
Comm. Appearance	24	22	22	18	23	22	22	20	20	20
Comm. Development	-	-	7	-	-	-	-	-	-	-
Fire	24	26	26	27	31	28	28	27	27	27
Human Resources	-	-	2	2	2	2	2	2	2	2
Library	7	6	6	10	8	7	7	7	7	7
Municipal Court	3	3	3	3	3	3	3	4	4	4
Parks and Recreation	31	28	28	32	27	12	11	10	10	10
Police	41	42	42	40	48	44	43	47	47	47
Police Communications <sup>1</sup>	4	4	4	-	-	-	-	-	-	-
Public Works	21	22	23	17	15	17	18	16	16	16
Purchasing	-	-	-	3	2	2	2	2	2	2
Revenue/Finance	3	3	5	5	5	5	5	5	5	5
Total	174	173	183	173	180	158	156	157	157	157

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

#### **Operating Information**

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Emergency communications										
Calls received <sup>1</sup>	2,161	2,890	52,712	23,267	31,185	29,991	33,985	34,307	31,834	29,603
Police										
Calls for service	21,198	20,713	20,538	20,300	23,826	23,203	28,965	29,238	26,849	24,736
Reported crimes	3,849	3,829	3,277	4,035	6,732	6,204	4,357	4,359	4,334	4,165
Fire										
Fire responses	512	424	321	492	627	432	424	420	380	241
Medical calls	31	19	23	34	-	152	239	290	271	461
	543	443	344	526	627	584	663	710	651	702
Water										
Millions of gallons per day										
Filtration plant production	3.96	3.59	3.44	3.65	3.78	3.73	3.37	3.45	3.73	3.10
City water demand	2.91	2.55	2.53	2.58	2.08	2.12	1.85	2.44	2.12	1.93

<sup>&</sup>lt;sup>1</sup> Talladega County 911 Source:City departments

# City of Talladega, Alabama Capital Asset Statistics by Function

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	38	38	38	38	38	38	38	38	38	38
Number of fire stations	2	2	2	2	2	2	2	2	2	2
Public works										
Streets (lane miles)	420	420	420	420	420	420	420	420	420	420
Number of traffic signals	32	32	32	32	32	32	32	32	32	32
Culture and recreation										
Acreage	86	86	86	86	86	86	86	86	86	86
Number of parks	7	7	7	7	7	7	7	7	7	7
Number of playgrounds	7	7	7	7	7	7	7	7	7	7
Number of swimming pools	1	1	1	1	1	1	1	1	1	1
Recreation center	5	5	5	5	5	5	5	5	5	5
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Historical park	1	1	1	1	1	1	1	1	1	1
Utilities										
Water mains (miles)	125.52	125.52	125.52	125.52	125.52	125.52	125.52	126.5	126.5	126.5
Number of fire hydrants	950	950	950	950	950	950	950	1,000	1,000	1,000
Storage capacity (millions of gallons):										
Raw water storage								2,500,000		
Finished water	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000	4,050,000 4	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