

The City of
Dothan, Alabama



Comprehensive Annual Financial Report
Fiscal Year Ended September 30,

2013

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013
PREPARED BY
DEPARTMENT OF FINANCE
ANGELA T. PALMER, DIRECTOR-TREASURER

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013
TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INTRODUCTORY SECTION | |
| Title Page | I |
| Table of Contents | II |
| Letter of Transmittal | V |
| Certificate of Achievement | XI |
| City of Dothan Organizational Chart | XII |
| City Officials | XIII |
| | |
| FINANCIAL SECTION | |
| Independent Auditor's Report | 1 |
| | |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | |
| | 5 |
| | |
| BASIC FINANCIAL STATEMENTS | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 19 |
| Statement of Activities | 20 |
| | |
| Fund Financial Statements | |
| Governmental Fund Financial Statements | |
| Balance Sheet | 22 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances | 24 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 26 |
| | |
| Proprietary Fund Financial Statements | |
| Statement of Net Position - Business-type Activities-Enterprise Funds | 27 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Business-type Activities-Enterprise Funds | 29 |
| Statement of Cash Flows - Business-type Activities-Enterprise Funds | 30 |

| | <u>PAGE</u> |
|---|-------------|
| FINANCIAL SECTION (Continued) | |
| BASIC FINANCIAL STATEMENTS (Continued) | |
| Notes to Financial Statements | 33 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule | |
| General Fund | 65 |
| Pension Schedules | |
| Schedule of Funding Progress | 67 |
| Retiree Healthcare Plan Schedules | |
| Schedule of Funding Progress | 68 |
| OTHER SUPPLEMENTARY INFORMATION | |
| Budgetary Comparison Schedule - Debt Service Fund | 69 |
| Budgetary Comparison Schedule - General Capital Improvement Fund | 70 |
| Budgetary Comparison Schedule - School Fund | 71 |
| Schedule of Operations - Budget and Actual - Utility Fund | 72 |
| Summary of Debt Service Requirements to Maturity | 74 |
| Schedules of Bonded Debt and Interest | |
| General Obligation Sewer Warrants - Series 1996B-SRF | 75 |
| General Obligation Refunding Warrants - Series 2005 | 76 |
| General Obligation Warrants - Series 2009 - Refinanced | 77 |
| General Obligation Warrants - Series 2009 - CWSRF-DL | 78 |
| General Obligation Warrants - Series 2009 - CWSRF/ARRA-DL | 79 |
| General Obligation Warrants - Series 2009 - DCWSRF/ARRA-DL | 80 |
| General Obligation Sewer Warrants - Series 2010-CWSRF-BL | 81 |
| General Obligation Sewer Warrants - Series 2010B-CWSRF-BL | 82 |
| General Obligation Warrants - Series 2011-CWSRF-DL | 83 |
| General Obligation Warrants - Series 2011-CWSRF-DL | 84 |
| General Obligation Warrants - Series 2013 | 85 |
| Capital Assets Used in the Operation of Governmental Funds | |
| Schedule by Source | 86 |
| Schedule by Function and Activity | 87 |
| Schedule of Changes by Function and Activity | 88 |

PAGE

STATISTICAL SECTION

| | |
|--|-----|
| Net Position by Component | 89 |
| Changes in Net Position | 90 |
| Program Revenues by Function/Program | 92 |
| Fund Balances, Governmental Funds | 93 |
| Changes in Fund Balances, Governmental Funds | 94 |
| Tax Revenues by Source, Governmental Funds | 95 |
| Assessed Value and Estimated Actual Value of Taxable Property | 96 |
| Direct and Overlapping Property Tax Rates | 97 |
| Principal Property Taxpayers | 98 |
| Property Tax Levies and Collections | 99 |
| Taxable Sales by Category | 100 |
| Revenue Rates for General Sales Tax | 101 |
| Principal Sales Tax Remitters | 102 |
| Ratios of Outstanding Debt by Type | 103 |
| Ratios of General Bonded Debt Outstanding | 104 |
| Direct and Overlapping Governmental Activities Debt | 105 |
| Legal Debt Margin Information | 106 |
| Pledged-Revenue Coverage | 107 |
| Demographic and Economic Statistics | 108 |
| Principal Employers | 109 |
| Full-Time-Equivalent City Government Employees by Function/Program | 110 |
| Operating Indicators by Function/Program | 111 |
| Capital Asset Statistics by Function/Program | 112 |

SINGLE AUDIT SECTION

| | |
|--|-----|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 113 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 | 115 |
| Schedule of Expenditures of Federal Awards | 117 |
| Notes to the Schedule of Expenditures of Federal Awards | 119 |
| Schedule of Findings and Questioned Costs | 120 |

BOARD OF COMMISSIONERS

MIKE SCHMITZ
PRESIDENT/MAYOR
JAMES READING
COMMISSIONER, DISTRICT 1
AMOS NEWSOME
COMMISSIONER, DISTRICT 2
ALBERT KIRKLAND
COMMISSIONER, DISTRICT 3
CRITT SNELLGROVE
COMMISSIONER, DISTRICT 4
TAYLOR BARBAREE
COMMISSIONER, DISTRICT 5
HAMP BAXLEY
COMMISSIONER, DISTRICT 6

The City of Dothan

POST OFFICE BOX 2128
DOTHAN, ALABAMA
36302
334/615-3000



February 28, 2014

Honorable Mike Schmitz, Mayor,
Members of the City Commission and
all Citizens Interested in the
Financial Status of the City

The Comprehensive Annual Financial Report (CAFR) of the City of Dothan, Alabama (the City) for the fiscal year ended September 30, 2013, is hereby transmitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Dothan management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City of Dothan has reviewed its reporting entity definition in light of the Governmental Accounting Standards Board (GASB) Statement 14 "Defining the Governmental Reporting Entity." The entities included in this report are those that are consistent, by definition, with Statement 14. For financial reporting purposes, the City includes all funds, agencies, boards and authorities that are controlled by or dependent on the City's executive or legislative

branches. This is explained in more detail in the "Notes to the Financial Statements."

GASB Reporting Requirements

Each year, management evaluates GASB reporting requirements to determine applicability to the City. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes guidance for reporting in a statement of financial position and became applicable to the City during fiscal year 2013. In addition, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting and was early implemented during fiscal year 2013.

Internal Control

In developing and evaluating the City's accounting system,

consideration is given to the adequacy of internal accounting controls. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of the costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Independent Audit

The City is required to undergo an audit as required by the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to each of its major federal programs for the year ended September 30, 2013. Information related to this audit, including the schedule of expenditures of federal awards and schedule of findings and questioned costs, is included in the single audit section of the audit. The audit report is forwarded to the City's oversight agency, Housing and Urban Development, for review.

In addition to the standards described above, the City complies with guidelines provided by the following:

- (1) the Governmental Accounting Standards Board (GASB), successor to the National Council on Governmental Accounting (NCGA);
- (2) the American Institute of Certified Public Accountants (AICPA);
- (3) the ordinances and resolutions of the City of Dothan;

- (4) the Government Finance Officers Association of the United States and Canada (GFOA).

The financial records of the City for the year ended September 30, 2013, have been audited by an independent certified public accounting firm whose opinion is a part of the Annual Financial Report.

The importance of an independent audit lies in its determination of the reliability of the financial statements and supporting records. This is very important to bond rating services and to the general public at large.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) (starting on page 5) summarizes the Statement of Net Position and Statement of Activities and reviews the changes (from the beginning to the end of the period and current year to the prior year). The actual statements are presented in detail on pages 19 through 21. These government-wide statements are intended to present the City in a more corporate-style basis and provide a view of the big picture.

Additionally, the Fund Financial Statements (starting on page 22) are designed to address the major (or more significant) individual funds by category (governmental and proprietary, as well as the fiduciary fund by category). An explanation of these complementary presentations can be found in the MD&A (starting on page 5).

The Unrestricted Net Position balance is intended to be a corporate-style measure of well-being (or a bottom line) for the City and its related governmental and business-type activities.

CITY PROFILE

The City of Dothan is located in the southeastern part of the State of Alabama approximately 20 miles west of the State of Georgia and 18 miles north of the State of Florida. The City is a rapidly growing and thriving community built around the landmarks of its

past. Although it is the center for recreation, business, industry, agriculture, healthcare and retail trade in the area, Dothan offers the charm and friendliness of the *Deep South*. Proclaimed "Peanut Capital of the World," Dothan has become a melting pot due to its friendly atmosphere and southern hospitality.

The City is a municipal corporation incorporated on November 10, 1885, under the Constitution and laws of the State of Alabama. In accordance with Sec. 11-44E-1, et seq, Code of Alabama, 1975, as amended, the City is presently governed by a Mayor/Commission/City Manager form of government. The Mayor is elected at-large, and the six (6) Commissioners are elected from six (6) single member districts, for concurrent terms of four (4) years (the "Board of Commissioners"). The members of the Board of Commissioners serve part-time and are responsible for adopting all legislative ordinances and setting the policies of the City, including the appropriation of all monies.

The Mayor, who is a member of the Board of Commissioners, is the chief executive officer of the City. The City Manager is the administrative head of the city government and is responsible for the daily management of the City and implementing the policies of the Board of Commissioners. With the concurrence of the Board of Commissioners, the City Manager appoints, disciplines, and removes the managers of the City's several departments. These managers are responsible for the operations of their respective departments.

There are 1,021 authorized positions for regular, full time employees; 55 authorized positions for part-time; and 160 authorized positions for seasonal employees which staff these departments, producing high quality and cost-effective public services. These services include general government or administrative services (including the mayor, commission, city manager, city clerk, public relations, business licenses, finance, information technology, personnel, judicial and legal services), public safety services (including police, fire, E911 communications and animal control), public services (environmental services, right-of-way and street maintenance, traffic signaling, building code enforcement, permitting, community development, planning and engineering services), culture and recreation (including performing arts, cemeteries, parks and

recreation services), general services (including building maintenance, landscaping, fleet management, safety and self insurance programs), and utility services (including electric, water, sewer, and wastewater services).

The City departments include:

| | |
|------------------------|------------------------|
| General Administration | Public Works |
| Information Technology | Planning & Development |
| Finance | Leisure Services |
| Personnel | Performing Arts |
| Judicial | General Services |
| Police | Dothan Utilities |
| Fire | |

Budgeting

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, from an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund". A fund is defined as a fiscal 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 specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

Biennial budgets are adopted for all funds with the exception of the Emergency 911 Fund which is adopted annually. Budgetary control is maintained at department level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Budget to actual comparisons demonstrate how actual expenses/expenditures compare to both the original and final revised budgets.

The City maintains a purchase order system for any purchase in the amount of \$2,500.00 or greater as one technique of accomplishing budgetary control. The City issues such purchase orders in compliance with a City adopted Purchasing Policy and strictly follows the guidelines as set forth by the State of Alabama Bid Law. Encumbered amounts lapse at year-end; however, encumbrances are re-appropriated as part of the following year's budget. Field purchase orders are issued for purchases less than \$2,500.00.

ECONOMIC CONDITION AND OUTLOOK

Over the years, Dothan has become a major retail trade area. Local government's need for fire protection, criminal justice, recreation, infrastructure improvements, and other services provided to the citizens is normally not associated with a paid-for-service fee. The influx of people into Dothan for shopping, medical, and other various reasons continues to place an ever-tightening constraint on the ability to aggressively plan for growth. While the City continues to grow, the current economic condition has caused the City, along with other cities, to face the challenge of matching available revenues with expenses. To better enable the City to address major infrastructure programs and capital objectives, a broader flexibility in revenue is essential to maintain Dothan's traditionally strong financial condition and to address challenges of growth. The City's major challenges are to provide the infrastructure and services needed to maintain service levels and match increases associated with the growth. Dothan is constantly looking at revenue sources in an effort to fund the growth and vitality of the City.

The City of Dothan has several potential revenue sources that, if implemented, would substantially increase the City's income. Some revenue sources are as follows, but are not inclusive of all potential revenue sources.

The increase in Ad Valorem Tax by 100% would generate \$3,800,000 in additional revenue. In addition, business licenses could be collected based on a gross receipts method rather than on the flat rate method which the City is presently utilizing. The gross receipts method would yield approximately \$1,000,000 more. Further, by

increasing the existing Retail Liquor Tax and Lodging Tax, additional operating funds would be provided.

Financial Planning

It is the City of Dothan's goal to maintain reserves equal to 8% of the General Fund and Utility Fund expenditures. These reserves speak strongly for debt rating purposes in order to substantiate financial stability to creditors.

In this reserve effort, the following monies are specifically earmarked:

| | |
|-----------------------------------|--------------|
| • Landfill Reserve | \$ 7,698,054 |
| • OPEB Reserve | \$ 511,627 |
| • General Fund Debt Reserve | \$ 1,597,423 |
| • Long Term Water Reserve | \$ 3,548,497 |
| • Recreational Projects Reserve | \$ 4,016,280 |
| • Storm Drainage Reserve | \$ 500,958 |
| • Disaster Debris Removal Reserve | \$ 1,000,085 |
| • Infrastructure Disaster Reserve | \$ 2,000,167 |

As a result of Other Post-Employment Benefits (OPEB) requirements, not only have the above OPEB funds been reserved but in order to assist with reducing future liability, the City of Dothan's Personnel Board amended the Personnel Rules and Regulations to state that any employee hired after January 1, 2009, will be solely responsible for the full cost of any post employment benefit upon retirement with the City of Dothan.

The following capital improvement projects were completed during fiscal year 2013: maintenance of parks and other recreation facilities, city-wide facility maintenance and fleet replacement. These expenditures were funded by sales tax revenues.

The City's capital investment program for fiscal year 2013 identified \$8.5 million in projects for potential funding. Each project is required to be individually approved by the City's commission for funding. The topics for consideration were as follows: education,

communications system, downtown revitalization projects, road intersection/sidewalk improvements, facility maintenance/repairs, and fleet replacements. The projects that were completed in fiscal year 2013 accounted for \$7.5 million in expenditures. The remaining \$1 million was for projects that were not completed at the end of the fiscal year 2013.

In October 2003, a water rate increase was implemented and as a result, the rates are adjusted by 2.85% in October of each year. In order to offset cost of the wholesale fuel adjustment charges, the City has increased the electric rate through the years for wholesale increases from the Alabama Municipal Electric Authority (AMEA) and Southeastern Power Administration (SEPA). In September 2009, a sewer rate increase was implemented which resulted in an annual rate increase of \$.75 per thousand gallons of metered water for the first five years (fiscal years 2010 - 2014) and 2.85% thereafter. The additional funds from this sewer rate increase will help offset the cost of the debt service on the sewer improvements.

In December 2012, the City of Dothan Commission approved a monthly fee of \$14.75 to every residential customer for the collection, hauling and disposing of refuse. This fee began with the billing on or after March 1, 2013.

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the City at the end of 2013 was as follows:

| | <u>Amount</u> | <u>Ratio of Debt to Assessed Value</u> | <u>Debt per Capita</u> |
|------------------------|---------------|--|------------------------|
| Net Direct Bonded Debt | \$ 23,618,136 | 2.47% | \$350 |

The entire fund balance of \$191 in the Debt Service Fund is reserved or designated for debt retirement or capital projects. It

should be understood that having reasonable levels of reserves is essential to the bond market's perception of local government's strength and related ability to utilize private sector styled business practices, and provides for the availability to anticipate interest as a significant annual (recurring) revenue source. The City of Dothan continues to maintain a bond rating of Aa2 from Moody's Investors Service and AA- from Standard & Poor's Rating Service.

SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE

Several major developments emerged in the local market during the fiscal year. Construction of the Alabama College of Osteopathic Medicine was completed and the school was opened to 162 students pursuing their degrees in Primary Physician Education. In addition, Commercial Jet Services began its operations at the Dothan Regional Airport. The \$21,000,000 maintenance, repair and overhaul (MRO) company plans to employ 500 people at full operational level. Wayne Farms completed their acquisition of Perdue Farms during the fiscal year, and brought more jobs to the local market. Panhandle Converter and Scrap expanded their catalytic converter processing operation, adding \$7,000,000 in investment and 50 new jobs. Dothan Warehouse expanded as well, adding \$3,000,000 in investment to include cold storage warehousing in its operation. Meanwhile, KFH Industries continued their expansion, adding \$2,000,000 in investment plus additional jobs. Eagle Eye Outfitters began their renovation of the former Davis Theatre Building, a key event in the project to revitalize Northside Mall and surrounding areas and outparcels. Several other retail/commercial projects that emerged in the area are listed below.

- A. Atlantic & Southern Equipment
- B. Best Burger
- C. CarMax
- D. Chicken Salad Chick
- E. Fatback's Backyard Barbeque
- F. Gander Mountain
- G. PeoplesSouth Bank-Highway 84 East

AWARDS AND ACKNOWLEDGEMENTS

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 Dothan for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2012. The City has received this prestigious award for the last 30 consecutive years (fiscal years ended 1983 – 2012).

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), the contents for which conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting, and its attainment represents a significant accomplishment by a governmental unit.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit it to GFOA to determine its eligibility for another certificate.

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Dothan for its PAFR for the last nine consecutive years (fiscal years ended 2004 – 2012). The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

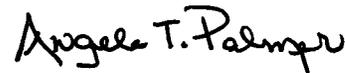
In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual

Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we will submit it to GFOA.

The preparation of this report on a timely basis was made possible by the efficient and dedicated service of our external auditor, McClintock, Nelson, and Associates, P.C., Certified Public Accountants, and the entire staff of the Finance Department. We would like to express our sincere appreciation to McClintock, Nelson, and Associates and all members of the Finance Department who assisted and contributed to the preparation of this report. We would also like to thank the administrators of the City for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Angela T. Palmer
Finance Director



Michael K. West
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

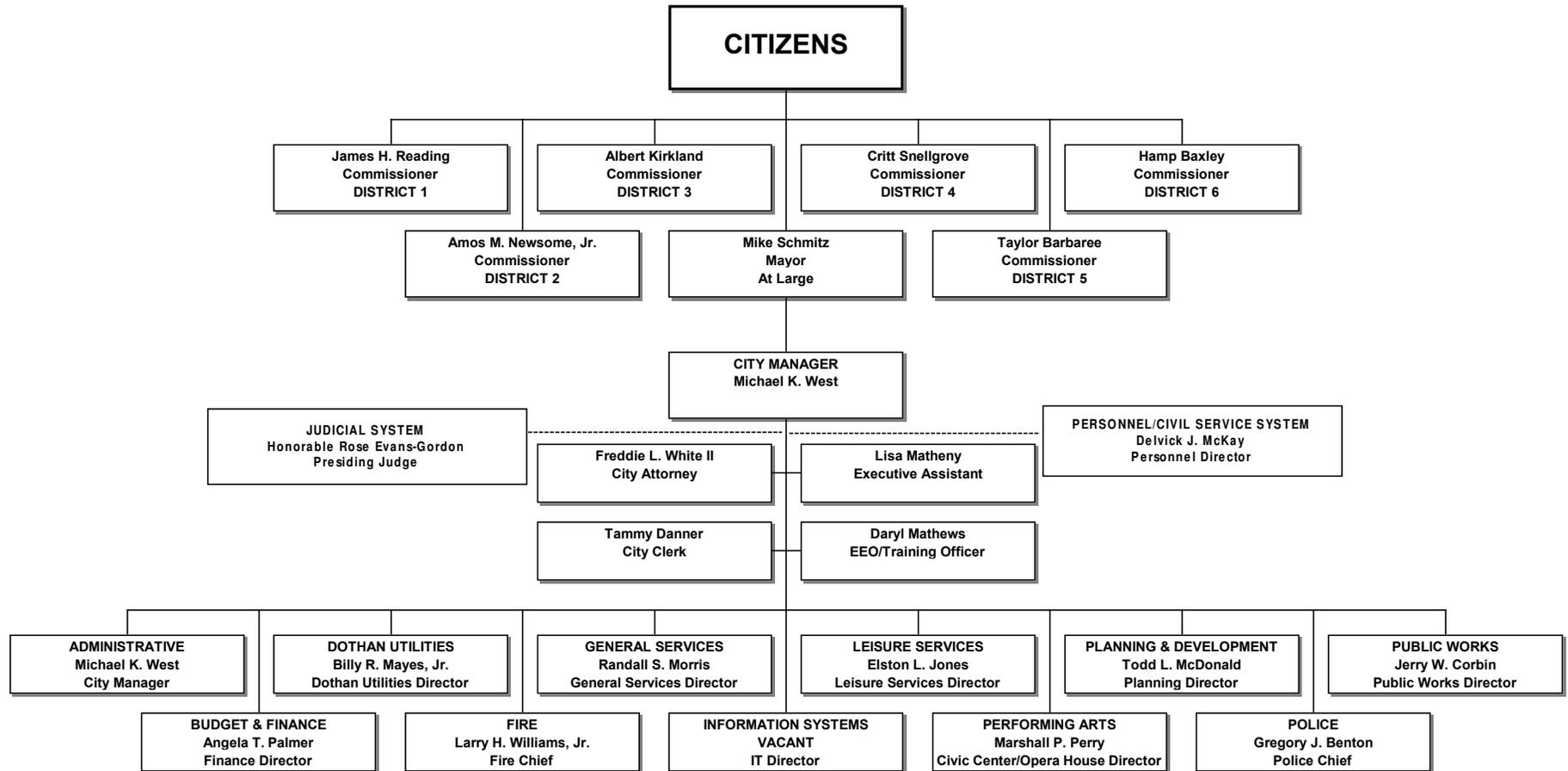
City of Dothan
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

CITY OF DOTHAN, ALABAMA ORGANIZATIONAL CHART



THE CITY OF DOTHAN
DOTHAN, ALABAMA
CITY OFFICIALS

CITY COMMISSION

| | |
|----------------------|--------------------------|
| Mike Schmitz | Mayor |
| James H. Reading | Commissioner, District 1 |
| Amos M. Newsome, Jr. | Commissioner, District 2 |
| Albert Kirkland | Commissioner, District 3 |
| Critt Snellgrove | Commissioner, District 4 |
| Taylor Barbaree | Commissioner, District 5 |
| Hamp Baxley | Commissioner, District 6 |

APPOINTED OFFICIALS

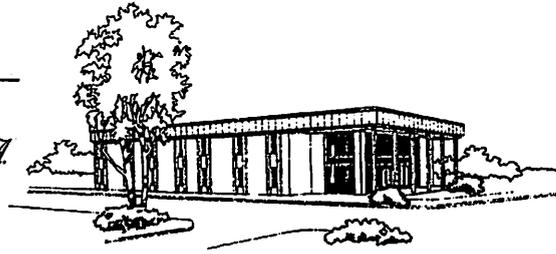
| | | | |
|----------------------|----------------------------|------------------------|-----------------------------------|
| Michael K. West | City Manager | Jerry W. Corbin | Public Works Director |
| Tammy K. Danner | City Clerk | Larry H. Williams, Jr. | Fire Chief |
| Freddie L. White, II | City Attorney | Elston L. Jones | Director of Leisure Services |
| Rose Evans-Gordon | Municipal Judge | Gregory J. Benton | Police Chief |
| Derel K. Kelly | Assistant City Attorney | Marshall P. Perry | Civic Center/Opera House Director |
| Joe E. Herring, Jr. | Assistant City Attorney | Frederick D. Mathews | EEO/Training Officer |
| David A. Jones | Public Defender | Randall S. Morris | General Services Director |
| Shawn McGhee | Public Defender | Delvick J. McKay | Personnel Director |
| Kathleen Nemish | Public Defender | Todd L. McDonald | Planning Director |
| Angela T. Palmer | Finance Director-Treasurer | Vacant | Information Technology Director |
| Billy R. Mayes, Jr. | Dothan Utilities Director | | |

(This page intentionally left blank)

McClintock, Nelson & Associates, P.C.
Certified Public Accountants

George C. McClintock, C.P.A.
Marc A. Nelson, C.P.A.

Rebecca C. Solomon, C.P.A.
Richmond C. McClintock, C.P.A.
(1915-2009)



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants

3646 West Main Street
Dothan, Alabama 36305
Phone: (334) 793-1414
Fax: (334) 793-9159

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of City Commissioners
City of Dothan, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2013, 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 of America; 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Honorable Mayor and Board of City Commissioners
City of Dothan, Alabama
(Continued)

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 opinion. 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 presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of September 30, 2013, 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 and analysis, budgetary comparison information, and schedules of funding progress of the pension and the healthcare plan on pages 5 through 17 and 65 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dothan's basic financial statements. The introductory section, other supplementary information, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Honorable Mayor and Board of City Commissioners
City of Dothan, Alabama
(Continued)

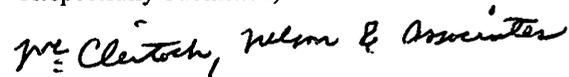
The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, on our consideration of the City of Dothan, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dothan's internal control over financial reporting and compliance.

Respectfully Submitted,



McCLINTOCK, NELSON & ASSOCIATES, P.C.
Certified Public Accountants

February 28, 2014

(This page intentionally left blank)

Management's Discussion and Analysis

The City of Dothan's (the "City") discussion and analysis is a narrative overview designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (revealing the ability to address future challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) focuses on the financial performance of the City of Dothan for the fiscal year ended September 30, 2013. Please consider the information in this MD&A in conjunction with the City's financial statements (beginning on page 19), which follow this section and the additional information furnished in the letter of transmittal, which can be found in the introductory section of this comprehensive annual financial report (CAFR).

Financial Highlights

- The assets of the City of Dothan exceeded its liabilities at the close of the fiscal year ended September 30, 2013 by \$196,823,590. Of this amount, \$58,599,751 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7,274,325 (3.84%). A detailed explanation of this increase can be viewed on page seven of this Management's Discussion and Analysis (MD&A).
- As of the close of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$46,195,810, an increase of \$4,498,950 or 10.79% in comparison with the prior year. Approximately \$11,423,170 of this total is available for spending at the government's discretion (unassigned fund balance).
- Total net position for governmental activities decreased by \$1,992,529 (2.29%), thus totaling \$85,024,774 for fiscal year 2013.

- The City of Dothan's total debt decreased by \$1,848,344 (2.20%) during the current fiscal year, yielding a total outstanding debt of \$82,353,139 compared to last year at \$84,201,483.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City of Dothan's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* (see pages 19-21) are designed to provide readers with an overview of the City of Dothan's finances, in a manner to resemble private-sector business. In these statements, all governmental and business-type activities are consolidated into columns, which are added to a total for the City or Primary Government.

The *statement of net position* (see page 19) presents information on all of the City of Dothan's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Dothan is improving or deteriorating.

The *statement of activities* (see pages 20-21) presents information focused on both gross and net costs and shows how the City of Dothan's net position changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-

type activities. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Dothan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (*business-type activities*). The governmental activities of the City of Dothan include general government, public safety, public works, health and welfare, community development, insurance, culture and recreation, and equipment maintenance. The business-type activities of the City of Dothan reflect private sector type operations (electric, water and sewer). The government-wide financial statements can be found on pages 19-21 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that the City uses to keep track of specific revenues and expenses that are segregated for specific purposes. Governmental, proprietary, and fiduciary are the three categories of fund types.

- State law requires gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- The City Commission establishes other funds to control the use of monies for particular purposes, such as tobacco taxes assessed at five cents per pack of cigarettes. These taxes are legally dedicated for the support of the City school system.
- The City of Dothan, like other state and local governments, establishes funds to ensure and demonstrate compliance with certain legally debt-financed capital projects and grant proceeds.

The *Fund Financial Statements* allow the demonstration of sources and uses and/or budgeting compliance associated therewith

(beginning on page 22). Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund statement of net position and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The *Governmental Major Funds* (see pages 22-26) are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources.

The City of Dothan maintains four individual governmental funds. Information is presented separately in the governmental fund statement of net position and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, and the capital projects fund each of which are considered to be major funds.

The City of Dothan adopts an annual appropriated budget for its general, debt service, capital projects, school and utility funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the general fund budget.

Proprietary Funds. The City of Dothan maintains two different types of proprietary funds (Utility and E-911). *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Dothan uses two major enterprise funds to provide for separate information for the Electric, Water, Sewer and E-911 activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the Business-type Fund Financial Statements (see pages 27-31) is the same as the Business-type column on the Government-Wide Financial Statement, the Governmental Major Funds total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 23 and 26). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources, as well as, capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

The *Fiduciary Fund* (or Trust) is summarized by type (pension, investment, and private purpose trusts). Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fund financial statement Fiduciary fund assets are not discretionary assets of the government, but are restricted in purpose and represent trust responsibilities of the government. (Because the City does not have any Fiduciary funds, these type funds are not included in this report.)

Infrastructure Assets. Until the implementation of Governmental Accounting Standards Board (GASB) Statement 34 in fiscal year 2001, the City's general fund assets were not reported nor depreciated in the governmental financial statements. The City elected to depreciate these assets over their useful life. The infrastructure portion related to general governmental activities as stated in GASB Statement 34 requires that these assets (infrastructure-roads, bridges, traffic signals, underground pipes [not associated to the electric, water nor sewer departments], etc.) be valued and reported within the Governmental column of the Government-wide Statement.

Notes to the financial statements. (see pages 33-64) The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Dothan's budgetary comparisons and progress in funding its obligation to provide pension and healthcare benefits to its employees.

The combining statements, referred to earlier in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplementary information on pensions and healthcare.

Government-Wide Financial Analysis

The City's net *position* totaling \$196,823,590 increased by \$7,274,325 or 3.84% from fiscal year 2012 which totaled \$189,549,265. Of this total, the governmental net position decreased by \$1,992,529 and business-type net *position* increased by \$9,266,854. The business-type net position was increased primarily because the City paid \$2.2 million less for electric energy that was sold to the Dothan Utility customers and the beginning net position was restated due to electric capital work orders that were not recorded in the system and depreciated. Management will continue to monitor net position because the variance is a useful indicator of a City's financial position.

By far the largest portion of the City of Dothan's net position (69.78%) reflects the total investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets. The investment in capital at September 30, 2013, was \$137,339,984. This net position is not available for future spending. Although the City of Dothan's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. Restricted net position is as follows: \$340,115 for street and bridge maintenance and \$543,740 for education. The remaining balance of \$58,599,751 is *unrestricted* which may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the Statement of Net Position compared to the prior year.

**Statement of Net Position
As of September 30
(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------------|-------------------------|------------------|--------------------------|-------------------|--------------------------|------------------|
| | 2013 | 2012* | 2013 | 2012* | 2013 | 2012* |
| Current & Other Assets | \$ 53,583 | \$ 50,062 | \$ 57,621 | \$ 56,401 | \$ 111,204 | \$ 106,463 |
| Capital Assets | 83,245 | 86,004 | 130,448 | 128,169 | 213,693 | 214,173 |
| Total Assets | 136,828 | 136,066 | 188,069 | 184,570 | 324,897 | 320,636 |
| Current & Other Liabilities | 14,309 | 14,506 | 18,546 | 20,814 | 32,855 | 35,320 |
| Long-term Liabilities | 37,401 | 34,543 | 57,724 | 61,224 | 95,125 | 95,767 |
| Total Liabilities | 51,710 | 49,049 | 76,270 | 82,038 | 127,980 | 131,087 |
| Def Inflows of Resources | 93 | | | | 93 | |
| Net Position: | | | | | | |
| Net Invest. in Capital Assets | 60,178 | 65,697 | 77,162 | 76,334 | 137,340 | 142,031 |
| Restricted for: | | | | | | |
| Street and bridge mtnce. | 340 | 1,378 | | | 340 | 1,378 |
| Education | 544 | 513 | | | 544 | 513 |
| Unrestricted | 23,963 | 19,429 | 34,637 | 26,198 | 58,600 | 45,627 |
| Total Net Position | \$ 85,025 | \$ 87,017 | \$ 111,799 | \$ 102,532 | \$196,824 | \$189,549 |

*Restated

**Normal Impacts Affecting
The Statement of Net Position**

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in investment in capital assets and an increase in related net debt which will not change the net investment in capital assets.

Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.

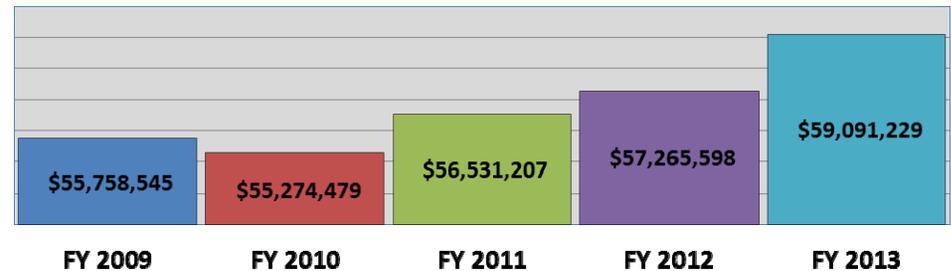
Reduction of Capital Assets through Depreciation – which will reduce capital assets and net investment in capital assets.

At the end of the current fiscal year, the City of Dothan was able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

During the fiscal year the governmental activities net position totaling \$85,024,774 decreased by \$1,992,529 and the business-net position totaling \$111,798,816 increased by \$9,266,854. A contributing factor of the governmental activities decrease (\$1,992,529) in 2013 was largely due to an additional \$6 million financing agreement to pay principal and interest payments for the Dothan Regional Airport debt issued to revamp a facility for Commercial Jet Services, Inc. This venture is expected to provide 500 jobs to the area.

The single largest revenue source is sales and use tax, which generated \$59,091,229 in 2013. This revenue reflected an increase of \$1,825,631 (3.19%) compared to \$57,265,598 in 2012. The additional one percent sales and use tax effective January 1, 2007, afforded the City the opportunity to expend monies for vehicle and equipment replacement, resurfacing, employee salary increases, bridge restoration, and intersection repair. Without this revenue, expenditures would have been delayed in light of the current recession which began toward the end of 2008.

CITY OF DOTHAN SALES & USE TAX



**Changes In Net Position
As of September 30
(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|------------------|--------------------------|------------------|--------------------------|------------------|
| | 2013 | 2012* | 2013 | 2012* | 2013 | 2012* |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 10,247 | \$ 7,967 | \$111,423 | \$112,702 | \$121,670 | \$120,669 |
| Oper Grants & Contributions | 118 | 136 | | | 118 | 136 |
| Cap Grants & Contributions | 1,289 | 1,400 | 386 | 195 | 1,675 | 1,595 |
| General Revenues: | | | | | | |
| Property Taxes | 4,511 | 4,487 | | | 4,511 | 4,487 |
| Other Taxes | 64,614 | 62,584 | | | 64,614 | 62,584 |
| Grants & Contributions not restricted to specific programs | 2,710 | 1,836 | 75 | 196 | 2,785 | 2,032 |
| Other | 2,742 | 2,678 | 1,109 | 1,163 | 3,851 | 3,841 |
| Total Revenues | \$ 86,231 | \$ 81,088 | \$112,993 | \$114,256 | \$199,224 | \$195,344 |
| EXPENSES | | | | | | |
| Program Activities: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 11,674 | \$ 11,037 | \$ | \$ | \$ 11,674 | \$ 11,037 |
| Public Safety | 33,323 | 32,059 | | | 33,323 | 32,059 |
| Public Works | 17,718 | 16,805 | | | 17,718 | 16,805 |
| Planning and Development | 1,899 | 1,814 | | | 1,899 | 1,814 |
| Health & Welfare | 4,010 | 3,001 | | | 4,010 | 3,001 |
| Culture & Recreation | 9,742 | 9,052 | | | 9,742 | 9,052 |
| General Services | 4,161 | 4,110 | | | 4,161 | 4,110 |
| Insurance | 1,281 | 805 | | | 1,281 | 805 |
| Intergovernmental | 4,518 | 4,536 | | | 4,518 | 4,536 |
| Interest on Long Term Debt | 829 | 913 | | | 829 | 913 |
| Business-type Activities: | | | | | | |
| Electric Department | | | 73,712 | 76,569 | 73,712 | 76,569 |
| Water Department | | | 4,617 | 4,475 | 4,617 | 4,475 |
| Sewer Department | | | 6,474 | 5,950 | 6,474 | 5,950 |
| Billing-Collection Department | | | 1,876 | 1,963 | 1,876 | 1,963 |
| Meter Reading Department | | | 841 | 769 | 841 | 769 |
| Depreciation Expense | | | 6,309 | 5,804 | 6,309 | 5,804 |
| Miscellaneous | | | 754 | 593 | 754 | 593 |
| Bond Issue Costs | | | 268 | | 268 | |
| Loss-Disposition of Capital Assets | | | | 290 | | 290 |
| Interest and Fiscal Charges | | | 1,943 | 2,145 | 1,943 | 2,145 |
| Total Expenses | \$ 89,155 | \$ 84,132 | \$ 96,794 | \$ 98,558 | \$185,949 | \$182,690 |
| Increase in Assets before transfers | (\$ 2,924) | (\$ 3,044) | \$ 16,199 | \$ 15,698 | \$ 13,275 | \$ 12,654 |
| Special Items-Airport Debt | (6,000) | (1,427) | | | (6,000) | (1,427) |
| Transfers | 6,932 | 6,102 | (6,932) | (6,102) | -0- | -0- |
| Increase in Net Position | (\$ 1,992) | \$ 1,631 | \$ 9,267 | \$ 9,596 | \$ 7,275 | \$ 11,227 |
| Beginning Net Position, Restated | \$ 87,017 | \$ 85,386 | \$102,532 | \$ 92,936 | \$189,549 | \$178,322 |
| Ending Net Position | \$ 85,025 | \$ 87,017 | \$111,799 | \$102,532 | \$196,824 | \$189,549 |

*Restated

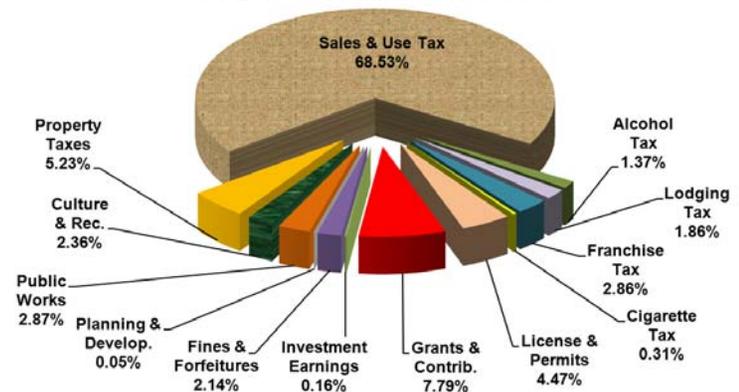
Statement of Activities

The preceding schedule compares the revenues and expenses for the current and previous year.

Governmental activities decreased the City of Dothan's net position by \$1,992,529. Governmental revenues totaling \$86,230,719 increased \$5,142,425 or 6.34% over fiscal year 2012 (\$81,088,294). Key elements in the change of net position are listed below.

- Taxes increased \$2,053,269 primarily from sales taxes increasing \$1,825,631 (3.19%) and various other taxes collectively increased by \$227,638 (2.32%) over the previous year.
- The City of Dothan experienced a \$745,546 (22.11%) increase in 2013 grant revenues and contributions totaling \$4,117,180 compared to \$3,371,634 in 2012. Dothan strives to maintain an aggressive grant application strategy. Grant resources support three City functions: public safety, public works, and culture and recreation.
- Other revenues reflected an increase of \$63,704 (2.38%) compiled from an increase in miscellaneous revenues (\$105,781) offset by a decrease in unrestricted investment earnings (\$42,077). Charges for services increased \$2,279,906 predominantly due to a \$14.75 monthly solid waste fee which began March 1st generating \$2,475,778 in additional revenues. This revenue was reduced by a \$195,872 decrease in various charges for services, largely of which was a decline in public safety revenues (\$192,445).
- Expenses increased \$5,023,582 which was primarily due to resurfacing projects in the public works department, merit increases for employees and an additional \$1 million donated to the library for new construction. Transfers from the business-type activities to the governmental activities increased by \$829,677 (13.60%).

FY 2013 Governmental Revenues



Business-type activities increased the City of Dothan's net position by \$9,266,854. A key element was due to a sewer rate increase (adopted September 2009) which was implemented to help offset the cost of the debt service on sewer improvements and resulted in an additional \$.75 per thousand gallons of metered water for the first five years (2010 - 2014) and 2.85% thereafter. Additionally, there is a programmed water increase of 2.85% October 1st of each year. Additional revenues coupled with the decrease in electric energy for resale (\$2,157,165) and decrease in operating expenses increased the City's net position.

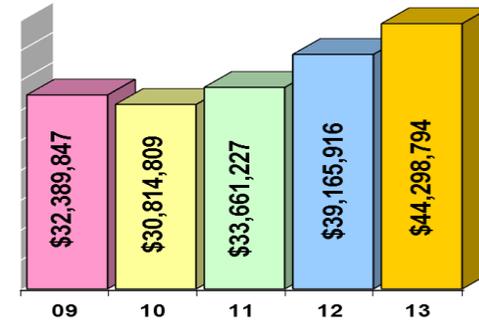
| FUND BALANCE | | | |
|-----------------------------|----------------|----------------------------------|----------------------|
| <u>Nonspendable:</u> | | <u>Assigned to:</u> | |
| Inventories | \$ 327,987 | Information Technology Equipment | \$ 108,685 |
| | | Economic Development Projects | 349,000 |
| <u>Restricted for:</u> | | Public Safety Programs | 40,107 |
| Debt Service | \$ 191 | Public Works Projects | 13,095,098 |
| Street & Bridge Maintenance | 1,693,200 | Culture & Recreation | 2,577,303 |
| Education | <u>543,740</u> | Facility Maintenance | 857,982 |
| | \$ 2,237,131 | Debt Service | 603,859 |
| <u>Committed for:</u> | | Self-Insurance Claims | 6,794,601 |
| Public Safety Programs | \$ 688,399 | OPEB Obligation | <u>11,627</u> |
| Public Works Projects | 2,633,648 | | \$ 24,438,262 |
| Planning & Development | 423,582 | | |
| Culture & Recreation | 2,362,730 | <u>Unassigned:</u> | \$ 11,423,170 |
| Facility Maintenance | 160,901 | | |
| Debt Service | 1,000,000 | | |
| OPEB Obligation | <u>500,000</u> | | |
| | \$ 7,769,260 | <u>Total Fund Balance:</u> | <u>\$ 46,195,810</u> |

Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. As of the end of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$46,195,810, an increase of \$4,498,950 (10.79%) in comparison with the prior year of \$41,696,860. Of this total fund balance, \$11,423,170 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is

nonspendable, restricted, committed or assigned and is not available for spending due to prior period commitments (see preceding table).

The general fund is the chief operating fund of the City. At the end of FY 2013 the total fund balance was \$44,298,794 (\$327,987 was nonspendable, \$340,115 was restricted, \$7,769,260 was committed, \$24,438,262 was assigned and \$11,423,170 was unassigned).

General Fund Balance by Fiscal Year



As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City of Dothan's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance in the amount of \$11,423,170 represents 14.41% of the general fund expenditures which equal \$79,278,883, while the total fund balance of \$44,298,794 represents 55.88% of the general fund expenditures. The fund balance of the City of Dothan's general fund (\$44,298,794) increased by \$5,132,878 (13.11%) from 2012 (\$39,165,916).

The general fund's total assets increased by \$4,137,079 during 2013. Various cash accounts increased during the fiscal year (such as the reserve for recreation projects was increased by \$2,005,776, the landfill reserve account was increased by \$1,522,931, and \$1,000,085 was reserved for debris removal in the event of a weather related disaster). The before mentioned increases in the cash and cash equivalents are the significant reason behind the growth in the general fund assets. Cash is very sensitive to timing anomalies; the timing of

revenue recognition or cash disbursement can shift cash from one reporting period to the next.

Total liabilities in the general fund (\$7,291,177) decreased from the previous year (\$8,355,943) by \$1,064,766 (12.74%). The most significant components were vouchers/accounts payable which decreased by \$478,083 (due to completed road resurfacing projects) and accrued liabilities payable which decreased by \$427,718 (majority of which was for insurance claims payable in 2012).

Total deferred inflow of resources (\$3,904,918) increased by \$68,967 (1.80%). This was due to unearned revenue applicable to future years (\$93,087) and a decrease in deferred taxes and assessments (\$24,120).

The debt service fund has a total fund balance of \$191 compared to \$742 in fiscal year 2012. Of this amount, there are no reserves for encumbrances; thus, the total fund balance is reserved for the payment of debt service. Monies were transferred from the general and utility funds for debt service payments. With interest rates being at an all-time low, the interest earned contributed to the \$551 decline in fund balance.

Proprietary funds. The City of Dothan's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the utility and E-911 funds at the end of the year amounted to \$107,578,027 and \$4,220,789 respectively, compared to last year's amounts of \$98,911,160 and \$3,620,802. The utility fund experienced an increase in net position in the amount of \$8,666,867. In order to offset cost of the wholesale fuel adjustment charges, the City has increased the electric rate through the years for wholesale increases from the Alabama Municipal Electric Authority (AMEA) and Southeastern Power Administration (SEPA). The E-911 fund reflected an increase of \$599,987 due to additional E-911 related revenue paid to the City from land lines and cellular telephones.

Budgetary Highlights

The City of Dothan adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. In fiscal year

2011, the City Commission adopted a biennial budget for fiscal years 2012 and 2013. This was the fifth biennial budget adopted for the City of Dothan. During the biennial budget process, the City's overall revenue structure was evaluated and financial projections were prepared proportionately to reflect the decline in the economy.

Per the City's Code of Ordinances, a supplemental budget is additionally prepared no later than April 15th of each year. At this time, the city manager is required to submit to the commission this budget, which shall encompass new programs or activities, capital expenditures and new personnel additions. During this budget message, the city manager shall submit his recommendation of new sources of revenue or manner of increasing existing sources of revenue, sufficient to balance the budget, if such additional revenue is necessary to accomplish that purpose. A five year forecast is also presented, along with ten years of departmental history, a listing of all major maintenance projects, additional equipment and fleet needs as well as capital projects for the next five years.

The fiscal year 2013 *final* general fund budget projected \$79,583,693 in revenues, \$92,639,822 in expenditures and \$1,167,418 in other financing uses, producing a planned reduction of \$11,888,711 in the general fund's balance. Actual amounts for revenues (\$85,876,504), expenditures (\$79,278,883) and other financing sources/uses (\$1,464,743) netted to a \$5,132,878 increase, rather than the expected \$11,888,711 decrease. All individual departments worked with the city manager to keep expenditures under the final budget. Budgeted adjustments resulted from varied growth/decline in many revenue sources which created the \$6,292,811 over budget. Some major contributors to each revenue (actual) source being over/under from the final budget are listed as follows:

- \$4,305,587 Increase in Taxes - property (over \$62,730), motor vehicle property taxes (over \$190,206), sales & use tax (over \$3,411,229), alcohol and malt beverage tax (over \$25,012), lodging taxes (over \$119,957), cable/phone franchise fee (over \$125,375), gas district franchise fee (over \$395,158) and various taxes (under \$24,080)
- \$270,555 Increase in License and Permits - privilege license (over \$47,961), building permits (over \$54,894), penalties (over \$67,021), insurance license (over \$84,625) and miscellaneous (over \$16,054)

- **\$97,538 Increase in Intergovernmental - community development block grant (over \$333,072), solid waste recycle grant (under \$50,500), bureau of justice, homeland security and emergency management grants (under \$371,358), Alabama trust fund (over \$30,312), Alabama Department of Transportation grants (over \$158,336), financial institution funds (under \$83,916), gas tax revenues (over \$29,650), and miscellaneous intergovernmental revenues (over \$51,942)**
- **\$1,399,916 Increase in Charges for Services - solid waste fees (over \$1,305,778), civic center/opera house ticket sales/facility fees and rental (over \$202,484), demolition of dilapidated buildings (over \$1,915), weed abatement liens (over \$9,066), false burglar fees (over \$18,944), recreational programs (under \$147,197), and miscellaneous income (over \$8,926)**
- **\$47,139 Increase in Fines and Forfeitures - drug seizure (under \$69,568), court costs (over \$107,499), court fines (under \$244,195), false alarm fees (over \$10,737), pre-trial diversion fees (over \$318,500), drug deferred prosecution (under \$68,316), and miscellaneous fines and forfeitures (under \$7,518)**
- **\$233,317 Decrease in Interest - deterioration in the interest rate environment during fiscal year 2013 resulted in a reduced amount of interest income**
- **\$405,393 Increase in Miscellaneous - landfill use fees, recycling and garbage cart sales (over \$7,058), FEMA disaster relief and mutual aid reimbursements (under \$195,739), reimbursement from a claim by the stop loss re-insurance carrier (over \$700,460), emergency 911 revenue (over \$103,257), property damage recovery (under \$191,280), photocopy printing (over \$32,152), contributions/donations (under \$46,809), knox box sales (under \$5,317), animal control and adoption fees (over \$10,416), telephones in the jail (over \$30,818), ATM and credit card fees (over \$8,897), rentals (under \$33,700), and miscellaneous income (under \$14,820)**

The actual departmental expenditures in the general fund were well within the budgetary constraints and were under budget by \$5,469,723 in fiscal year 2013. Non-departmental expenditures were under budget by \$935,517 which was predominantly due to a reversal of accrued self-insurance claims (\$566,000) and a reduction in attorney fees and

miscellaneous claims payable (\$272,120). Capital outlay expenditures were under budget \$6,955,699. This was primarily due to major purchases and projects not completed, but carried over to FY 2014 as follows: \$51,898 for computer hardware, \$141,610 for police vehicles and equipment, \$526,528 for a fire hose grant, \$662,993 for building maintenance, \$690,497 for sidewalk paving projects, \$1,497,171 for an entrance road to the new medical college, \$250,000 for a fueling station, \$258,834 for the design of Jim Oates Park and indoor pools at Westgate and Andrew Belle parks, \$34,320 for lighting in the Civic Center and Opera House, \$42,501 for a new basketball floor, and \$2,799,347 for vehicle and equipment for the Environmental Services and Street Divisions of the Public Works Department. Other financing sources and uses actual amounts compared unfavorably with the budget by \$2,632,161.

The total operating budget was increased by \$9,332,747 in the *final* budget as follows: departments (\$2,805,967), insurance (\$300,001), and capital outlay (\$6,226,779). Although almost all departments' budgets were increased in the final budget (\$2,805,967), the *largest increases* are denoted as follows: information technology (increased - \$200,000 for the city-wide telephone accounts and \$185,375 for firehouse software), planning (increased - \$166,800 for community development block grants), culture and recreation (increased - \$370,896 for designs on pools for James Oates Park and Westgate and Andrew Belle pools), fire (increased - \$529,777 for FEMA and mutual aid grants, station doors and roof repairs, firefighter physicals), and health & welfare (increased - \$1,100,000 for the library, \$50,000 for Landmark Park, \$130,992 for Friends of Fort Rucker, \$130,000 for an entrance road to Troy University campus).

The actual revenues in the general fund (\$85,876,504) were \$6,292,811 over final revenue projections (\$79,583,693). During the year, revenues exceeded budgetary estimates. The original revenue projections in the general fund were \$4,528,271 under the *final* budget. The additional appropriations totaling \$16,416,987 were funded from: (1) the revenue sources in the following table in the amount of \$4,528,271; (2) encumbrances from fiscal year 2012 which were carried forward to fiscal year 2013 totaling \$6,735,766 (general fund beginning budget included these encumbrances which were funded from the general fund balance); and (3) the remaining \$5,152,950 was budgeted from the available unassigned fund balance.

Additional Revenue Sources Increasing Fiscal Year 2013 Budget

| | |
|---------------------|--|
| \$ 132,807 | - police seizure income |
| 1,181,943 | - federal, state and local grants |
| 60,164 | - summer feeding program funds |
| 13,876 | - special event & miscellaneous revenues |
| 291,800 | - property damage recovery |
| 1,170,000 | - solid waste fees |
| 60,000 | - drug deferred prosecution funds |
| 1,043,737 | - Alabama trust fund |
| 9,900 | - reimbursement by schools |
| 58,283 | - property tax |
| 505,761 | - privilege license revenue |
| <u>\$ 4,528,271</u> | |

The additional appropriations (\$5,152,950) that were funded by the unassigned fund balance can be briefly summarized by department as follows:

- Information Technology - \$63,229 as follows: \$16,260 for the Cityworks interface software and \$46,969 for a storage array
- Police - \$66,700 for operating expenditures for a community service division
- Fire - \$1,001,655 as follows: \$206,580 for firehouse and station alerting software; \$695,565 for maintenance and construction at the Eastside Fire Station; and \$99,510 for the matching portion on a grant to purchase breathing apparatuses
- Public Works - \$1,568,506 as follows: \$70,000 for resurfacing design; \$45,120 for road repair; \$1,108,308 for a roadway to the new College of Osteopathic Medicine; \$6,896 for an ATRIP grant; and \$338,182 to purchase a dozer with landfill package
- Performing Arts - \$50,000 for civic center roofing
- Leisure Services - \$597,045 as follows: \$68,658 for renovation at Doug Tew Park; \$7,960 for a shelter; and \$520,427 for design work on James Oates Park and Andrew Belle and Westgate pools

- Health and Welfare - \$1,805,815 as follows: \$1,100,000 for construction and operating expenditures of the Houston Love Memorial Library; \$50,000 for operating expenditures at Landmark Park; \$130,992 for the Friends of Fort Rucker for base realignment and possible closure; \$394,823 for the Airport debt; and \$130,000 for an access entrance to the Troy University campus

Capital Asset and Debt Administration

Capital Assets. The City of Dothan’s net investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$213,692,513 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements other than buildings, system improvements (electrical, water, sewer, storm drainage and street), infrastructure, machinery and equipment, park facilities, roads, highways, and bridges.

Capital investments decreased in the governmental capital assets by \$2,759,060. This decrease primarily resulted from capital assets which were retired totaling \$1,270,805 (includes construction in progress placed in service of \$35,366) which were offset by recaptured depreciation of \$1,218,698. In addition, depreciation accounted for \$8,769,279 which was offset by additions totaling \$6,062,326 as follows:

| CAPITAL ASSET ADDITIONS (In Millions) | |
|---|---------------|
| Building Improvements | \$ 1.2 |
| Street Improvements | 1.0 |
| Leisure Services Projects (Parks & Pools) | 0.5 |
| Vehicles (Fire, Police, Public Works, Leisure & General Services) | 2.4 |
| Equipment (Police Cameras, Street Equip. & Basketball Flooring) | 0.5 |
| Software Upgrades & Computer Equipment | <u>0.5</u> |
| | <u>\$ 6.1</u> |

The business-type capital investments increased by \$2,278,815. This increase resulted from additional capital assets totaling \$54,446,661 decreased by accumulated depreciation totaling \$6,308,984 (see following table). In addition, this total was reduced by \$46,333,053 (includes construction in progress placed in service of \$45,811,234) of capital assets which were retired and offset by recaptured depreciation of \$474,191.

| CAPITAL ASSET ADDITIONS (In Millions) | |
|--|----------------|
| Westside Water Tank and Water Improvements | \$ 5.8 |
| Beaver Creek Trunk Line | 10.1 |
| Little Choctawhatchee Expansion | 29.7 |
| Equipment (Electric, Water, Sewer & E-911) | 1.5 |
| Vehicles | 0.7 |
| Pinhook Creek Sanitary Sewer Expansion | 0.9 |
| Beaver Creek Decommissioning | 0.6 |
| Computer Equipment & Software (E-911) | 0.2 |
| Electric System & Substation Improvements | 4.9 |
| | <u>\$ 54.4</u> |

- **LITTLE CHOCTAWHATCHEE WASTEWATER TREATMENT PLANT UPGRADE**

The Little Choctawhatchee Wastewater Treatment Plant upgrade project consisted of increasing the plant treatment capacity to 12 million gallons per day and hydraulic capacity to 39 million gallons per day to accommodate existing and future flows for both the Little Choctawhatchee basin and the Beaver Creek basin and converting to ultraviolet light disinfection. The total project cost was \$29,127,644. The engineering efforts were completed by Polyengineering, Inc. with fees costing \$2,283,236. Project design specifications and drawings were completed and the contract was issued to WL Hailey and Company for \$26,164,314 in September 2009, plus additional \$646,663 in change orders for a total of \$26,810,977. Miscellaneous vendors added \$33,431 to the cost. The project was funded from proceeds from the 2009 General Obligation Warrant and State Revolving Loan funds. The completion date was September 2013.

- **EASTSIDE FIRE STATION RENOVATION**

The Eastside Fire Station Renovation project began in October 2012 and was completed July 2013. It consisted of construction of a new addition measuring 850 square feet; the interior renovation of the 3655 square foot living/work area and the 2000 square foot equipment apparatus bay; and the replacement of the existing roof, fasciae and soffits, and exterior windows. The design and construction administration efforts were completed by G. Mark Pepe Architect, and the construction and renovation contract was awarded to Saliba Construction Company, Inc. for \$670,257 including change orders.

- **BEAVER CREEK BASIN SEWER REHAB PROJECT**

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement or cured-in-place lining of various-sized sanitary sewer lines in Sewer Basin 3, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$99,445 expended to date. The project is estimated to cost \$1,242,000 and is being funded with State Revolving Loan funds.

- **DENTON ROAD WIDENING**

The City began widening Denton Road in 2012. A contract was awarded to CDG Engineers in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$212,824 has been expended to date.

- **MEDICAL COLLEGE ROAD CONSTRUCTION**

The City began construction on an entrance road for the new Alabama College of Osteopathic Medicine in January 2013. The contract was awarded to APAC Mid-South, Inc. in December 2012 in the amount of \$1,108,308, plus subsequent change orders for a total of \$1,143,614. The road was opened for use in July 2013.

- **PINHOOK CREEK SANITARY SEWER LINE PROJECT**

The Pinhook/Beaver Creek Sanitary Sewer Line project consisting of approximately 1000 feet of 12 inch ductile iron sewer pipe mounted on piers crossing Beaver Creek began in 2011 and was funded with State Revolving Loan funds. The engineering efforts were completed by Northstar Engineering with fees costing \$78,020. A contract was awarded to L & K Contracting in fiscal year 2012 for \$402,572; final cost was \$404,158. The project was completed in June 2013.

- **SOUTH SAINT ANDREWS STREET WATER MAIN REPLACEMENT**

The South Saint Andrews Street Water Main Replacement project consisted of replacing existing water mains along South Saint Andrews Street, including sidewalk removal and replacement. The contract was awarded to Blankenship Contracting Inc. in November 2012 for \$1,256,298 less a \$109,071 change order for a total of \$1,147,227. The project was completed in November 2013.

• **NORTH FOSTER STREET IMPROVEMENTS**

The City awarded a contract to Wiregrass Construction Co. Inc. for the North Foster Street Improvements project in December 2012 in the amount of \$872,507 less a \$2,768 change order for a total of \$869,739. The contract consisted of replacing existing water lines; replacing curbs, gutters and steps on one side; and resurfacing and restriping the street. The contract was completed in August 2013 and is part of the Downtown Streetscape improvements effort.

• **DOUG TEW CENTER RENOVATION**

The City awarded a contract to Diversified General Contractors, LLC for the Doug Tew Center Renovation project in January 2014 in the amount of \$1,063,000. The contract consists of replacing the roof and electrical and HVAC systems, as well as renovating the front restrooms to meet the Americans with Disabilities Act. Architectural services were awarded to Bradley & Schmidt Architecture, PLLC for \$68,658 in July 2013, with \$54,926 expended as of the audit report date.

Additional information on the City of Dothan’s capital assets can be found in note IV. D on pages 47-49 of this report.

Debt Outstanding

As of the fiscal year end, the City of Dothan had \$83,264,088 in gross debt outstanding compared to \$85,238,578 last fiscal year end; thus, decreasing debt by \$1,974,490 (2.32%) during the current fiscal year.

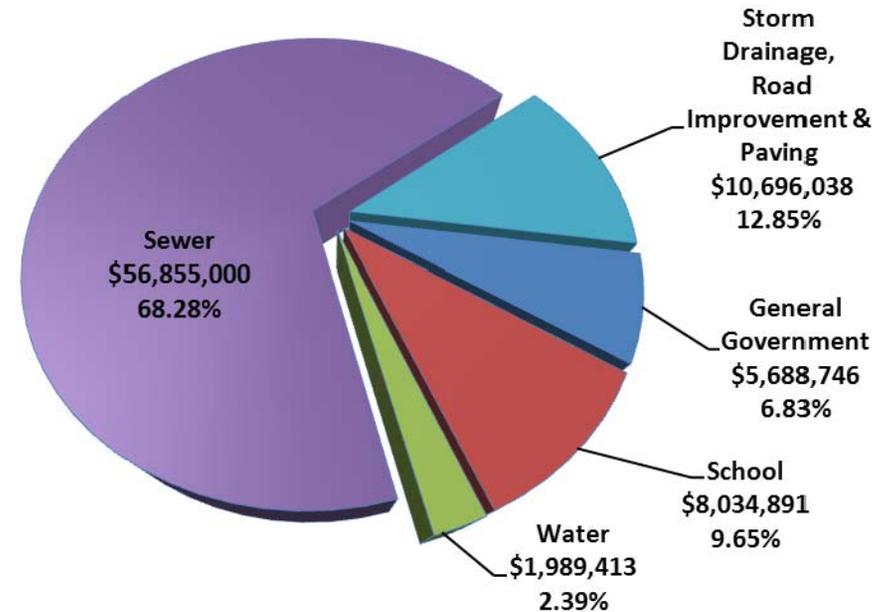
State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of the assessed value of all taxable property within the City’s corporate limits. Debt issued for schools, water and sewer purposes is exempt from the legal debt limit. The current constitutional debt limitation for the City of Dothan is \$184,748,769, which is significantly in excess of the City of Dothan’s outstanding general obligation debt.

**Capital Assets
As of September 30
(In Thousands)**

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------|-------------------------|------------------|--------------------------|------------------|--------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012* | 2013 | 2012* |
| Land and Easements | \$ 10,144 | \$ 10,088 | \$ 3,028 | \$ 2,954 | \$ 13,172 | \$ 13,042 |
| Buildings | 80,793 | 80,759 | 4,602 | 4,602 | 85,395 | 85,361 |
| Improv. other than Bldgs. | 40,638 | 39,517 | 202,605 | 156,158 | 243,243 | 195,675 |
| Machinery & Equipment | 45,341 | 43,192 | 12,806 | 10,773 | 58,147 | 53,965 |
| Infrastructure | 452,327 | 451,416 | | | 452,327 | 451,416 |
| Construction in Progress | 675 | 155 | 406 | 40,846 | 1,081 | 41,001 |
| Total Capital Assets | \$629,918 | \$625,127 | \$223,447 | \$215,333 | \$853,365 | \$840,460 |

*Restated

Outstanding Debt as of September 30



| Debt Type | 2013 | 2012 | 2011 |
|------------------------|---------------------|---------------------|---------------------|
| General Government | \$ 5,688,746 | \$ 6,291 | \$ 1,115,700 |
| School | 8,034,891 | 8,952,049 | 9,250,000 |
| Sewer | 56,855,000 | 60,830,000 | 57,120,000 |
| Storm Drain & Road Imp | 10,696,038 | 13,365,322 | 12,685,000 |
| Water | 1,989,413 | 2,084,916 | 2,042,124 |
| Totals | \$83,264,088 | \$85,238,578 | \$82,212,824 |

DOTHAN’S RATINGS FOR GENERAL OBLIGATION DEBT:

- Moody’s Investors Service ~ “Aa2”
- Standard & Poor’s Rating Service ~ “AA-”

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2013 is 5.34% (total debt service expenditures were \$4,731,736 and total expenditures were \$88,586,391).

In 2013, the full faith and credit of the City of Dothan was used to issue \$6,000,000 in general obligation (G/O) debt for the Dothan Regional Airport Authority. The debt issued by the Airport Authority was for extensive renovations to provide an aircraft maintenance facility for Commercial Jet Services, LLC. Commercial Jet Services, LLC is expected to create approximately 500 new jobs for the Dothan area. Terms and conditions are as follows:

- A financing agreement was approved as an addendum requiring the \$6,000,000 debt to be paid by the City. This G/O was financed for ten years at 2.8%. Total debt service when paid to term is \$6,871,783.
- The Wiregrass Foundation committed to pay the City grant funding in the amount of \$1,693,584 over a five year period. Said grant will fund approximately half of the first five years of the City’s commitment to the Dothan Regional Airport Authority.

| RATING CATEGORIES | | |
|--|-------|---|
| Secure Range: | | |
| Moody's | S & P | |
| Aaa | AAA | PRIME: Superior financial security. Highest safety. |
| Aa1 | AA+ | HIGH GRADE: Excellent financial security. Highly safe. |
| Aa2 | AA | |
| Aa3 | AA- | |
| A1 | A+ | UPPER MEDIUM GRADE: Good financial security. More susceptible to economic changes than highly rated companies. |
| A2 | A | |
| A3 | A- | |
| Baa1 | BBB+ | LOWER MEDIUM GRADE: Adequate financial security. More vulnerable to economic changes than highly rated companies. |
| Baa2 | BBB | |
| Baa3 | BBB- | |
| Vulnerable Range: | | |
| Ba1 | BB+ | NON INVESTMENT GRADE: Speculative. Capacity to meet long-term policies is vulnerable. |
| Ba2 | BB | |
| Ba3 | BB- | |
| B1 | B+ | HIGHLY SPECULATIVE: Vulnerable financial security. |
| B2 | B | |
| B3 | B- | |
| Any rating below a "B" rating is extremely vulnerable and possibly in default status with little prospect for recovery and questionable ability to meet obligations. | | |

Economic Factors

The City relies on taxes (sales, property, gasoline, franchise, etc.), fees (license, permits, etc.), and fines (public safety) for their governmental activities. The primary source of revenue is sales taxes (general sales and use, automotive, machinery and farm/agriculture). There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both state and federal governments.

In the business-type and certain governmental activities (electric, water, sewer, recreational programs, etc.) the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services have a direct bearing on the City's ability to (a) annex additional land into the corporate limits and (b) encourage development (office, retail, residential, and industrial) to choose to be located in the jurisdiction. The City places significant emphasis on annexation and economic development.

The City Commission set downtown revitalization as one of its major priorities. The Dothan Downtown Redevelopment Authority (DDRA) is dealing with dilapidated structures for the City on Main Street and cleaning up other areas of downtown, such as Foster Street. The City partnered with Houston County to purchase property in order to make room for the renovation and expansion of the existing library located downtown. As the Master Plan for Downtown unfolds and interest builds in downtown redevelopment, the City will need to provide annual funding to the DDRA for downtown infrastructure improvements to provide the catalyst for these redevelopment efforts.

There are major venues downtown such as the Opera House, Civic Center, murals on buildings throughout downtown, the Veteran's Memorial, Museum of Art, not to mention the presence of federal, state and local governments. Having these sites in downtown provides a strong base for redevelopment efforts. The outlook is positive and much can be done. Downtown Dothan can and will be a viable economic entity in this community again. Not only will it generate a tax base, but it will provide jobs to people in adjoining communities who are in need of employment in close proximity to where they live.

The past few years have been challenging for all levels of government, including Dothan. Approximately 69% of Dothan's general fund revenues are generated by sales tax. Since 2008, Dothan's 2009-2012 numbers were significantly lower (average of \$2.3 million) than the 2008 collections. The first time the sales taxes have reached and/or exceeded 2008 figures was in 2013 (by \$638,074). The economic downturn has had a significant impact on Dothan and the local economy. However, 2012 & 2013 provided signs of recovery. Unemployment decreased by 1.9% and the City's major tax source, sales tax, showed signs of improvement. Over the past four years the City's staff has done an exceptional job of controlling costs. Throughout the recession, the City maintained its financial integrity. Additionally, the City Commission continues to work diligently with consultant, Lyle Sumek, to set priorities for major programs

undertaken by the City while revisiting the Strategic Plan each year. This Strategic Plan provides a sense of unity, direction, and vision for the City's future. Most of our accomplishments since 2006 were initiated in this process.

Obviously, the City's effort to live within the constraints of available revenue has delayed several critical budgeted items. The staff has developed a plan for addressing the most pressing needs. The departments are required to annually update a listing of all needs including facility repairs and maintenance, rolling fleet, equipment, computer related needs, resurfacing, road and bridge repairs, storm sewer and sanitary sewer needs, infrastructure needs, etc. Contingent on the availability of funding and based on the identified need, priorities are set to insure critical items are addressed. Resurfacing is a major need and annually the City has maintained funding for this program; however, at the current rate, it will take seven years to get to the point where the City should be. There are numerous intersections and road improvements that the City anticipates to fund, and our City continues to grow which will produce the need for adequate revenue. Additionally, in previous years employees have shared in the efforts to control costs and strides have been made in adjusting salaries. A 1.25% general increase was given, although the Retirement Systems of Alabama increased the employee's contribution by .25%. In April 2013, a performance pay adjustment was given to those that were performing at fully competent, exceptional and model levels. It is imperative that long-term, the City must maintain a competitive pay structure to attract and sustain quality employees. Dothan must continue to deal with inflationary and market salary issues on a regular basis.

Financial Information Contact

The City of Dothan's financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the public assets under its management. If you have questions about the report or need additional financial information, contact the City's Finance Director, Angela T. Palmer, at 126 North Saint Andrews Street, Room 110 of the Dothan Civic Center, Dothan, Alabama 36303. Updated financial information about the City can also be obtained by accessing the City's web site at www.dothan.org.

(This page intentionally left blank)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

| | PRIMARY GOVERNMENT | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 46,158,987 | \$ 39,057,446 | \$ 85,216,433 |
| Receivables | 6,733,355 | 7,962,148 | 14,695,503 |
| Due from other governments | 358,357 | 7,958,735 | 8,317,092 |
| Internal balances | 4,815 | (4,815) | - |
| Inventories, at cost | 327,987 | 2,648,007 | 2,975,994 |
| Capital assets (See Note IV-D): | | | |
| Non-depreciable | 10,818,891 | 3,433,873 | 14,252,764 |
| Depreciable, net | 72,425,906 | 127,013,843 | 199,439,749 |
| Total Assets | 136,828,298 | 188,069,237 | 324,897,535 |
| LIABILITIES: | | | |
| Vouchers/accounts payable | 1,717,964 | 8,309,046 | 10,027,010 |
| Accrued liabilities | 5,002,434 | | 5,002,434 |
| Accrued interest payable | 78,318 | 198,092 | 276,410 |
| Payable to other governments | 97,572 | | 97,572 |
| Customer deposits | 473,227 | 4,675,575 | 5,148,802 |
| Non-Current Liabilities: | | | |
| Due within one year | 6,940,192 | 5,363,614 | 12,303,806 |
| Due in more than one year | 37,400,730 | 57,724,094 | 95,124,824 |
| Total Liabilities | 51,710,437 | 76,270,421 | 127,980,858 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unearned revenue applicable to future years | 93,087 | | 93,087 |
| NET POSITION: | | | |
| Net investment in capital assets | 60,178,207 | 77,161,777 | 137,339,984 |
| Restricted for: | | | |
| Street and bridge maintenance | 340,115 | | 340,115 |
| Education | 543,740 | | 543,740 |
| Unrestricted | 23,962,712 | 34,637,039 | 58,599,751 |
| Total Net Position | \$ 85,024,774 | \$ 111,798,816 | \$ 196,823,590 |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| FUNCTION / PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---|-----------------------|-----------------------|------------------------------------|----------------------------------|---|---|------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES | TOTAL |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 11,674,501 | \$ 3,481,504 | \$ 91,726 | \$ | \$ (8,101,271) | \$ | \$ (8,101,271) |
| Public safety | 33,322,634 | 1,841,637 | 26,083 | 105,346 | (31,349,568) | | (31,349,568) |
| Public works | 17,717,453 | 2,475,778 | | 1,183,619 | (14,058,056) | | (14,058,056) |
| Planning and development | 1,898,944 | 412,672 | | | (1,486,272) | | (1,486,272) |
| Health and welfare | 4,010,247 | | | | (4,010,247) | | (4,010,247) |
| Culture and recreation | 9,742,400 | 2,035,062 | | | (7,707,338) | | (7,707,338) |
| General services | 4,160,935 | | | | (4,160,935) | | (4,160,935) |
| Insurance department | 1,280,974 | | | | (1,280,974) | | (1,280,974) |
| Education | 4,517,464 | | | | (4,517,464) | | (4,517,464) |
| Interest/fiscal charges on long-term debt | 829,200 | | | | (829,200) | | (829,200) |
| Total Governmental Activities | 89,154,752 | 10,246,653 | 117,809 | 1,288,965 | (77,501,325) | - | (77,501,325) |
| Business-Type Activities: | | | | | | | |
| Utility | 95,940,370 | 109,978,787 | | 385,744 | | 14,424,161 | 14,424,161 |
| E-911 | 854,163 | 1,443,736 | | | | 589,573 | 589,573 |
| Total Business-Type Activities | 96,794,533 | 111,422,523 | - | 385,744 | - | 15,013,734 | 15,013,734 |
| Total Primary Government | \$ 185,949,285 | \$ 121,669,176 | \$ 117,809 | \$ 1,674,709 | \$ (77,501,325) | \$ 15,013,734 | \$ (62,487,591) |

(Continued on page 21)

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---|---|-----------------------------|-----------------------|
| | PRIMARY GOVERNMENT | | |
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| General Revenues: | | | |
| Taxes: | | | |
| General property tax | \$ 4,511,219 | \$ | \$ 4,511,219 |
| General sales and use tax | 59,091,229 | | 59,091,229 |
| Alcoholic beverage tax | 1,185,932 | | 1,185,932 |
| Lodging tax | 1,599,957 | | 1,599,957 |
| Franchise tax | 2,470,533 | | 2,470,533 |
| Cigarette tax | 265,950 | | 265,950 |
| Grants and contributions not restricted to specific programs | 2,710,406 | 74,849 | 2,785,255 |
| Unrestricted investment earnings | 137,581 | 119,370 | 256,951 |
| Miscellaneous | 2,604,485 | 990,405 | 3,594,890 |
| Transfers | 6,931,504 | (6,931,504) | - |
| Special Items - payment of bond proceeds to the Dothan-Houston County Airport Authority for Economic Development | (6,000,000) | | (6,000,000) |
| Total General Revenues, Special Items, and Transfers | <u>75,508,796</u> | <u>(5,746,880)</u> | <u>69,761,916</u> |
| Change in Net Position | (1,992,529) | 9,266,854 | 7,274,325 |
| Net Position - Beginning, restated | <u>87,017,303</u> | <u>102,531,962</u> | <u>189,549,265</u> |
| Net Position - Ending | <u>\$ 85,024,774</u> | <u>\$ 111,798,816</u> | <u>\$ 196,823,590</u> |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

| | GENERAL | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|----------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 44,262,139 | \$ 3 | \$ 1,353,085 | \$ 543,760 | \$ 46,158,987 |
| Receivables: | | | | | |
| Taxes | 8,357,825 | | | | 8,357,825 |
| Accounts | 2,183,709 | | | | 2,183,709 |
| Special assessments | | 3,407 | | | 3,407 |
| Accrued interest | 57 | 188 | | | 245 |
| Due from other funds | 4,815 | | | | 4,815 |
| Due from other governments | 358,357 | | | | 358,357 |
| Inventories, at cost | 327,987 | | | | 327,987 |
| Total Assets | <u>55,494,889</u> | <u>3,598</u> | <u>1,353,085</u> | <u>543,760</u> | <u>57,395,332</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | | | |
| Liabilities: | | | | | |
| Vouchers/accounts payable | 1,717,944 | | | 20 | 1,717,964 |
| Accrued liabilities | 5,002,434 | | | | 5,002,434 |
| Payable to other governments | 97,572 | | | | 97,572 |
| Customer deposits | 473,227 | | | | 473,227 |
| Total Liabilities | <u>7,291,177</u> | <u>-</u> | <u>-</u> | <u>20</u> | <u>7,291,197</u> |
| Deferred Inflows of Resources: | | | | | |
| Deferred property taxes and special assessments | 3,811,831 | 3,407 | | | 3,815,238 |
| Unearned revenue applicable to future years | 93,087 | | | | 93,087 |
| Total Deferred Inflows of Resources | <u>3,904,918</u> | <u>3,407</u> | <u>-</u> | <u>-</u> | <u>3,908,325</u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories | 327,987 | | | | 327,987 |
| Restricted for: | | | | | |
| Debt service | | 191 | | | 191 |
| Street and bridge maintenance | 340,115 | | 1,353,085 | | 1,693,200 |
| Education | | | | 543,740 | 543,740 |
| Committed for: | | | | | |
| Public safety programs | 688,399 | | | | 688,399 |
| Public works projects | 2,633,648 | | | | 2,633,648 |
| Planning and community development | 423,582 | | | | 423,582 |
| Culture and recreation | 2,362,730 | | | | 2,362,730 |
| Facility maintenance | 160,901 | | | | 160,901 |
| Debt service | 1,000,000 | | | | 1,000,000 |
| OPEB obligation | 500,000 | | | | 500,000 |
| Assigned to: | | | | | |
| Information technology equipment | 108,685 | | | | 108,685 |
| Economic development projects | 349,000 | | | | 349,000 |
| Public safety programs | 40,107 | | | | 40,107 |
| Public works projects | 13,095,098 | | | | 13,095,098 |
| Culture and recreation | 2,577,303 | | | | 2,577,303 |
| Facility maintenance | 857,982 | | | | 857,982 |
| Debt service | 603,859 | | | | 603,859 |
| Self insurance claims | 6,794,601 | | | | 6,794,601 |
| OPEB obligation | 11,627 | | | | 11,627 |
| Unassigned | 11,423,170 | | | | 11,423,170 |
| Total Fund Balances | <u>44,298,794</u> | <u>191</u> | <u>1,353,085</u> | <u>543,740</u> | <u>46,195,810</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 55,494,889</u> | <u>\$ 3,598</u> | <u>\$ 1,353,085</u> | <u>\$ 543,760</u> | <u>\$ 57,395,332</u> |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2013

| | | |
|---|----------------------|-----------------------------|
| Total Fund Balances - Governmental Funds | | \$ 46,195,810 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p> | | |
| Governmental capital assets | \$ 629,918,358 | |
| Less: Depreciation expense to date | <u>(546,673,561)</u> | 83,244,797 |
| <p>Because the focus of governmental funds is on short-term financing, some long-term assets will not be available to pay for current period expenditures. Those assets (cash or receivables, for example) are considered deferred inflows of resources in the governmental funds, and thus are not included in fund balance.</p> | | |
| Adjustment of receivables - property taxes | (3,811,831) | |
| Adjustment of deferred property taxes | 3,811,831 | |
| Adjustment of deferred special assessment | <u>3,407</u> | 3,407 |
| <p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p> | | |
| | | (44,340,922) |
| <p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p> | | |
| | | <u>(78,318)</u> |
| Total Net Position - Governmental Activities | | <u><u>\$ 85,024,774</u></u> |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | GENERAL | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | |
| Taxes | \$ 68,858,870 | \$ | \$ | \$ 265,950 | \$ 69,124,820 |
| Licenses and permits | 3,851,016 | | | | 3,851,016 |
| Intergovernmental revenues | 4,031,382 | | | | 4,031,382 |
| Charges for services | 4,594,191 | | | | 4,594,191 |
| Fines and forfeitures | 1,801,446 | | | | 1,801,446 |
| Special assessments | | 5,503 | | | 5,503 |
| Interest income | 137,183 | 77 | 5,410 | 393 | 143,063 |
| Miscellaneous | 2,602,416 | | | | 2,602,416 |
| Total Revenues | 85,876,504 | 5,580 | 5,410 | 266,343 | 86,153,837 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 9,869,973 | 142 | | | 9,870,115 |
| Public safety | 30,344,582 | | | | 30,344,582 |
| Public works | 13,086,076 | | 669,157 | | 13,755,233 |
| Planning and development | 1,882,260 | | | | 1,882,260 |
| Health and welfare | 3,995,997 | | | | 3,995,997 |
| Culture and recreation | 8,960,502 | | | | 8,960,502 |
| General services | 3,930,479 | | | | 3,930,479 |
| Insurance department | 1,280,974 | | | | 1,280,974 |
| Intergovernmental | | | | 3,906,473 | 3,906,473 |
| Capital outlay | 5,928,040 | | | | 5,928,040 |
| Debt service: | | | | | |
| Principal retirement | | 3,789,647 | | | 3,789,647 |
| Interest and fiscal charges | | 942,089 | | | 942,089 |
| Total Expenditures | 79,278,883 | 4,731,878 | 669,157 | 3,906,473 | 88,586,391 |
| Excess of Revenues over (under) Expenditures | \$ 6,597,621 | \$ (4,726,298) | \$ (663,747) | \$ (3,640,130) | \$ (2,432,554) |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <u>GENERAL</u> | <u>DEBT SERVICE FUND</u> | <u>CAPITAL PROJECTS FUND</u> | <u>OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|----------------------|----------------------------------|--------------------------------------|---|---|
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in (out) | \$ (1,464,743) | \$ 4,725,747 | \$ | \$ 3,670,500 | \$ 6,931,504 |
| Issuance of debt | | 6,000,000 | | | 6,000,000 |
| Payment to Dothan-Houston County Airport Authority Bond Fund | | (6,000,000) | | | (6,000,000) |
| Total Other Financing Sources (Uses) | <u>(1,464,743)</u> | <u>4,725,747</u> | <u>-</u> | <u>3,670,500</u> | <u>6,931,504</u> |
| Net Changes in Fund Balance | 5,132,878 | (551) | (663,747) | 30,370 | 4,498,950 |
| Fund Balances, Beginning | <u>39,165,916</u> | <u>742</u> | <u>2,016,832</u> | <u>513,370</u> | <u>41,696,860</u> |
| Fund Balances, Ending | <u>\$ 44,298,794</u> | <u>\$ 191</u> | <u>\$ 1,353,085</u> | <u>\$ 543,740</u> | <u>\$ 46,195,810</u> |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

| | |
|---|------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 4,498,950 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were exceeded by depreciation in the current period. | (2,841,239) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | 82,179 |
| Governmental funds may not report revenues until they are <i>available</i> . The government-wide statement of activities, however, is <i>not</i> subject to this availability criterion. Therefore, amounts related to prior periods that first became available as revenue in the governmental funds during the current period must be removed and reflected instead as an adjustment to government-wide net position because they had been recognized as revenue in an earlier period. | (5,297) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (2,096,014) |
| 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 governmental funds. | <u>(1,631,108)</u> |
| Change in Net Position of Governmental Activities | <u>\$ (1,992,529)</u> |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | |
|-----------------------------------|--|------------------|----------------------|
| | UTILITY | E-911 | TOTAL |
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 35,754,244 | \$ 3,303,202 | \$ 39,057,446 |
| Accounts receivable | 7,842,991 | 119,157 | 7,962,148 |
| Due from other governments | 7,958,735 | | 7,958,735 |
| Inventories, at cost | 2,648,007 | | 2,648,007 |
| Total Current Assets | 54,203,977 | 3,422,359 | 57,626,336 |
| Non-Current Assets: | | | |
| Capital Assets: | | | |
| Land | 3,028,486 | | 3,028,486 |
| Buildings | 4,601,490 | | 4,601,490 |
| Improvements other than buildings | 202,592,969 | 12,187 | 202,605,156 |
| Machinery and equipment | 9,852,587 | 2,953,336 | 12,805,923 |
| Accumulated depreciation | (90,877,207) | (2,121,519) | (92,998,726) |
| Construction in progress | 405,387 | | 405,387 |
| Total Non-Current Assets | 129,603,712 | 844,004 | 130,447,716 |
| Total Assets | 183,807,689 | 4,266,363 | 188,074,052 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Vouchers/accounts payable | 8,263,472 | 45,574 | 8,309,046 |
| Due to other funds | 4,815 | | 4,815 |
| Accrued interest payable | 198,092 | | 198,092 |
| Pollution remediation obligation | 2,627,345 | | 2,627,345 |
| Compensated absences | 576,269 | | 576,269 |
| Customer deposits | 4,675,575 | | 4,675,575 |
| Bonds payable - current | 2,160,000 | | 2,160,000 |
| Total Current Liabilities | \$ 18,505,568 | \$ 45,574 | \$ 18,551,142 |

(Continued on page 28)

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2013

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | |
|---|--|--------------|----------------|
| | UTILITY | E-911 | TOTAL |
| Non-Current Liabilities: | | | |
| Compensated absences | \$ 94,323 | \$ | \$ 94,323 |
| Pollution remediation obligation | 945,358 | | 945,358 |
| Bonds payable (net of unamortized bond issue costs) | 56,684,413 | | 56,684,413 |
| Total Non-Current Liabilities | 57,724,094 | - | 57,724,094 |
| Total Liabilities | 76,229,662 | 45,574 | 76,275,236 |
| NET POSITION: | | | |
| Net investment in capital assets | 76,317,773 | 844,004 | 77,161,777 |
| Unrestricted | 31,260,254 | 3,376,785 | 34,637,039 |
| Total Net Position | \$ 107,578,027 | \$ 4,220,789 | \$ 111,798,816 |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | |
|---|--|---------------------|-----------------------|
| | UTILITY | E-911 | TOTAL |
| OPERATING REVENUES: | | | |
| Charges for services | \$ 109,978,787 | \$ 1,443,736 | \$ 111,422,523 |
| OPERATING EXPENSES: | | | |
| Electric department | 73,712,450 | | 73,712,450 |
| Water department | 4,616,969 | | 4,616,969 |
| Sewer department | 6,474,014 | | 6,474,014 |
| Billing - collection department | 1,876,462 | | 1,876,462 |
| Meter reading department | 840,669 | | 840,669 |
| Depreciation | 6,208,657 | 100,327 | 6,308,984 |
| Miscellaneous | | 753,836 | 753,836 |
| Total Operating Expenses | 93,729,221 | 854,163 | 94,583,384 |
| Operating Income (Loss) | 16,249,566 | 589,573 | 16,839,139 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Intergovernmental | 385,744 | | 385,744 |
| Interest revenue | 109,021 | 10,349 | 119,370 |
| Miscellaneous revenue | 990,340 | 65 | 990,405 |
| Gain (loss) on disposition of capital assets | (268,174) | | (268,174) |
| Interest and fiscal charges | (1,942,975) | | (1,942,975) |
| Total Nonoperating Revenues (Expenses) | (726,044) | 10,414 | (715,630) |
| Income (Loss) Before Contributions and Transfers | 15,523,522 | 599,987 | 16,123,509 |
| Capital contributions | 74,849 | | 74,849 |
| Transfers (out) | (6,931,504) | | (6,931,504) |
| Change in Net Position | 8,666,867 | 599,987 | 9,266,854 |
| Total Net Position - Beginning, restated | 98,911,160 | 3,620,802 | 102,531,962 |
| Total Net Position - Ending | \$ 107,578,027 | \$ 4,220,789 | \$ 111,798,816 |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUSINESS-TYPE ACTIVITIES | | |
|--|---------------------------------|---------------------|----------------------|
| | ENTERPRISE FUNDS | | |
| | <u>UTILITY</u> | <u>E-911</u> | <u>TOTAL</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | \$ 110,605,334 | \$ 1,450,741 | \$ 112,056,075 |
| Payments to suppliers | (72,483,136) | (741,624) | (73,224,760) |
| Payments to employees | (11,871,500) | | (11,871,500) |
| Other receipts (payments) | 969,521 | 65 | 969,586 |
| Net Cash Provided by (Used in) Operating Activities | <u>27,220,219</u> | <u>709,182</u> | <u>27,929,401</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers (out) | <u>(6,931,504)</u> | | <u>(6,931,504)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from federal grants | 385,744 | | 385,744 |
| Acquisition and construction of capital assets | (8,083,895) | (692,228) | (8,776,123) |
| Principal paid on bond maturities and capital leases | (4,058,697) | | (4,058,697) |
| Interest paid on bonds and notes payable | (1,911,793) | | (1,911,793) |
| Net Cash Provided by (Used in) Capital and Related Financing Activities | <u>(13,668,641)</u> | <u>(692,228)</u> | <u>(14,360,869)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest and dividends on investments | <u>109,021</u> | <u>10,349</u> | <u>119,370</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 6,729,095 | 27,303 | 6,756,398 |
| Cash and Cash Equivalents at Beginning of Year | <u>29,025,149</u> | <u>3,275,899</u> | <u>32,301,048</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 35,754,244</u> | <u>\$ 3,303,202</u> | <u>\$ 39,057,446</u> |

The notes to the financial statements are an integral part of this statement.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS | | |
|--|--|-------------------|----------------------|
| | UTILITY | E-911 | TOTAL |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | | |
| Operating Income (Loss) | \$ 16,249,566 | \$ 589,573 | \$ 16,839,139 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 6,208,657 | 100,327 | 6,308,984 |
| (Increase) decrease in accounts receivable | 557,324 | 7,005 | 564,329 |
| (Increase) decrease in due from other governments | 5,094,029 | | 5,094,029 |
| (Increase) decrease in inventory | (57,721) | | (57,721) |
| Increase (decrease) in vouchers and accounts payable | 1,089,416 | 12,212 | 1,101,628 |
| Increase (decrease) in due to other funds | (90,750) | | (90,750) |
| Increase (decrease) in compensated absences | 13,118 | | 13,118 |
| Increase (decrease) in pollution remediation obligation | (2,803,158) | | (2,803,158) |
| Increase (decrease) in customer deposits | 69,223 | | 69,223 |
| Increase (decrease) in unearned revenue | (79,006) | | (79,006) |
| Other miscellaneous revenues | 969,521 | 65 | 969,586 |
| Total Adjustments | 10,970,653 | 119,609 | 11,090,262 |
| Net Cash Provided by (Used In) Operating Activities | \$ 27,220,219 | \$ 709,182 | \$ 27,929,401 |
| NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | |
| Contributions of capital assets from local developers | \$ 74,849 | | |

The notes to the financial statements are an integral part of this statement.

(This page intentionally left blank)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dothan, Alabama (the City), which was founded in 1885, has a population of 65,496, as of the 2010 U.S. Census, living within an area of 88.71 square miles. The City is in the southeast corner of the State of Alabama.

A. Financial Reporting Entity and Basis of Presentation

The City of Dothan (the City) was incorporated on November 10, 1885. The City operates under a Mayor-Commission form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, general administrative, water, electric and sewer services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. There were no blended component units or discretely presented component units during the reporting period.

B. Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The City's government-wide financial statements provide both short-term and long-term information about the City's overall financial status. This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements focus on individual activities of the City government, reporting the City's operations in more detail than the government-wide financial statements.

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. The statements report separately the governmental and business-type activities. The columns (a) are presented on a consolidated basis by column, and (b) are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including long-term assets, receivables, long-term debt and obligations are included in the Statement of Net Position. All of the current year's revenue and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (police, fire, public works, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The City does not currently employ an indirect cost allocation system.

The fund financial statements report on the major funds in either the governmental or business-type categories. Each major fund is reported in a separate column. Non-major funds (by category) or fund type are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the business-type activity fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

C. Measurement Focus and Financial Statement Presentation

The model (Statement No. 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City uses the following fund categories and fund types:

1. Governmental Funds

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget or fiscal plan. 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 on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

General Fund – To account for all financial resources except those required to be accounted for in another fund. The General Fund is the City's operating fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Financial Statement Presentation (Continued)

1. Governmental Funds (Continued)

Debt Service Fund – To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. In addition, special assessment transactions that are in the debt service phase are also accounted for in this fund.

2. Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and use the accrual basis of accounting. The focus of Proprietary Fund measurement is upon determination of operating income, changes in fund net position, financial position, and cash flows, which is similar to businesses. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is a description of the major proprietary funds of the City:

Utility Fund – To account for the City of Dothan's utility operations, which include retailing purchased electricity, as well as water and sewer operations.

Emergency 911 Fund (E911) – To account for the transactions of the Board of the Dothan/Houston County E-911 Communications District. This Board was set up to administer the installation of and implementation of an enhanced 911 emergency telephone system for the City of Dothan and Houston County.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

3. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide statement of net position.

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

1. Accrual

Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flow.

2. Modified Accrual

Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty (60) days from the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33 (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

3. Revenues Susceptible to Accrual

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by Revenue Discovery Systems (RDS) at year-end on behalf of the City are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

E. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position or Fund Balance (Continued)

1. Deposits and Investments (Continued)

All investments are stated at fair value, which is either a quoted market price or the best available estimate.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Inventories

Inventory held by the Enterprise Fund is valued at the lower of average cost or market on a first-in, first-out basis. Inventory shown in the General Fund consists of expendable supplies held for consumption and is valued at cost on a first-in, first-out basis. The cost is recorded as an expenditure at the time individual inventory items are consumed.

4. Restricted Assets

There were no restricted assets as of September 30, 2013.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position or Fund Balance (Continued)

5. Capital Assets (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives.

| <u>ASSETS</u> | <u>YEARS</u> |
|-------------------------------|--------------|
| Buildings | 33 |
| Building improvements | 20 |
| Infrastructure | 10-50 |
| Vehicles | 6 |
| Office equipment and software | 10 |
| Computer equipment | 5 |
| Machinery | 6 |

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees with less than ten years of service earn one vacation leave day per month. Employees with more than ten years service earn 1½ days vacation leave per month. A maximum of twelve and eighteen days, respectively, may be carried forward to the succeeding year. Employees are paid for earned unused annual leave upon separation. Sick leave is earned at the rate of one day per month. A maximum of ninety days can be carried over to a succeeding year. Upon retirement, an employee is entitled to payment of a percentage (based on retirement percentage pay) of his accumulated sick leave, providing the employee's hire date was prior to April 13, 1992. Employees, by working on holidays or on-call, may accrue additional time for which they are paid at separation.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay and similar leave is accrued when incurred in the government-wide and the proprietary fund financial statements.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position or Fund Balance (Continued)

7. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances 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.

8. Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. The City has classified Inventories as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified the State Gasoline Excise Tax funds as being restricted because their use is restricted by State Statute for street, highway, road or bridge enhancement project expenditures. Debt service resources are to be used for future servicing of bonded debt and are restricted through debt covenants. Infrastructure Capital Projects that are restricted through a debt covenant are legally segregated for funding of infrastructure improvements. Finally, the Special Revenue School fund accounts for a special tax levied and is therefore restricted for the City School System and payments made for the School System from City funds.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action, resolutions, of the City Commission. Resolutions are used for one time transactions with designated time frames. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by resolution. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City also committed specified amounts of resources for Debt service, Landfill projects, OPEB obligation and Storm drainage.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. This classification also would include the remaining positive fund balance for all governmental funds except for the General Fund.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position or Fund Balance (Continued)

8. Fund Equity (Continued)

- Unassigned: This classification includes the residual fund balance not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 20).

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

9. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City only has one item that qualifies for reporting in this category. It represents business licenses and certain other resources that have been received, but not yet earned.

Currently Effective Pronouncements – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance on the reporting of deferred outflows of resources, deferred inflows of resources and net position. Application is effective for periods beginning after December 15, 2011 (fiscal year 2013).

F. Interfund Transactions

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The majority of these transfers occur because profits from the City's utility operations are used to provide operating subsidies to other funds. The accompanying financial statements reflect such transactions as transfers.

G. Unbilled Utility and Solid Waste Receivables

The City bills utility and solid waste customers using cycle billing. There are three billing cycles per month where customers are billed daily and at the end of any given month there is approximately thirty (30) days use of utilities and solid waste that is unread and/or unbilled.

H. Cash Flows Statement

For purposes of the "Statement of Cash Flows – Proprietary Funds," these funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Closure and Postclosure Care Cost

State and federal laws and regulations require the City of Dothan to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each statement of net position date. The \$7,012,535 reported as landfill closure and postclosure care liability at September 30, 2013, represents the cumulative amount reported to date based on the use of 95 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$392,465 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. The City of Dothan expects to expand the current landfill during fiscal year 2014, and estimates the remaining life of the current landfill to be approximately fifteen (15) months. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City utilizes the local government financial test to demonstrate closure and postclosure care financial assurance. The local government financial test consists of a financial component, public notice component, record keeping and recording component, and a cost assured calculation component. The financial test coverage exceeded the financial assurance requirements, thus demonstrating closure and postclosure care financial assurance.

J. Change in Accounting Principles and Prior Period Adjustment

Change in Accounting Principles – As the result of implementing GASB Statement No. 65, the City restated the beginning net position in the government-wide Statement of Activities - Governmental Activities, effectively decreasing net position as of October 1, 2012, by \$206,853. In addition, the City restated the beginning net position in the government-wide Statement of Activities - Business-Type Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Position - Utility Funds, effectively decreasing net position as of October 1, 2012, by \$311,094. The decrease results from no longer deferring and amortizing bond issuance costs.

Prior Period Adjustment – During the year ended September 30, 2013, the City discovered capital work orders had not been entered properly in previous years. Corrective and preventative actions have been taken to ensure all capital work orders are entered timely and completely. As a result of the capital work order corrections, an adjustment to capital assets has been recorded. Accordingly, the beginning net position has been restated on the Statement of Activities - Business-Type Activities and Statement of Revenues, Expenses, and Changes in Fund Net Position – Utility Fund. The effect of the prior period adjustment was to increase the beginning net position on the Statement of Activities of the Business-Type Activities and Statement of Net Position of the Utility Fund as of October 1, 2012, by \$3,194,224.

A reconciliation of the prior period ending net position to the current year beginning net position reported is as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Utility Fund</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Beginning Net Position | \$ 87,224,156 | \$ 99,648,832 | \$ 96,028,030 |
| Adjustment to correct capital assets | | 3,194,224 | 3,194,224 |
| Change in accounting principle-bond issuance cost | (206,853) | (311,094) | (311,094) |
| Beginning Net Position, as restated | <u>\$ 87,017,303</u> | <u>\$ 102,531,962</u> | <u>\$ 98,911,160</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Change in Accounting Principles and Prior Period Adjustment (Continued)

The above Governmental Activities and Business-Type Activities/Utility Fund adjustments increased the change in net position \$30,443 and \$764,083, respectively, for the prior year and had no impact on the current year change in net position.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

1. Budgetary Accounting

All funds are maintained as budgetary funds. The City of Dothan adopts a biennial budget through passage of a resolution by the Board of Commissioners. Budgetary control is exercised at the department level. The City Manager is authorized to amend the budgets during the fiscal year in order to execute the policies and planning encompassed therein provided that the total appropriation for a department and the fund is not changed, and amendments affecting capital outlay do not exceed \$10,000 in any one instance or cause. The City Manager is also authorized to approve any change to correct an error, provided the fund total does not change. Any increase in overall expenditures must be approved by the Board of Commissioners. The Board of Commissioners may amend the budget at any time during the year and significant amendments are made throughout the fiscal year. During the year, several supplemental appropriations were necessary in the amount of \$12,642,656. The original budget of the City consists of operating expenditures and does not include capital projects. This is the reason for the significant amount of supplemental appropriations.

Budgets are prepared or adopted in conformance with generally accepted accounting principles. All unencumbered appropriations lapse at year end. Reported budget amounts are as originally adopted or as amended by the Commission by resolution or by the City Manager through routine budget amendments. At the end of each fiscal year, unexpended and unencumbered appropriations are closed into the fund balance accounts. At the start of the next fiscal year, all encumbrances outstanding at year end are reappropriated in the new budget and therefore reestablished.

2. Encumbrances

The City uses encumbrance accounting for budgetary control purposes. Outstanding encumbrances, which are outstanding purchase orders, contracts, and other commitments, are not treated as expenditures in the operating statements but instead reflect as a reservation of fund balance for expenditure or liquidation in the subsequent fiscal year.

B. Excess of Expenditures Over Appropriations in Individual Funds

There were no individual funds where the expenditures exceeded the budget.

C. Deficit Fund Equity

As of September 30, 2013, there were no funds that had a deficit fund balance.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$44,340,922) difference are as follows:

| | |
|---|-----------------------|
| Bonds payable | (\$24,417,673) |
| Estimated cost of closure and postclosure of landfill | (7,012,535) |
| Compensated absences | (3,172,204) |
| Capital leases | (2,002) |
| Net OPEB obligation | <u>(9,736,508)</u> |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i> | <u>(\$44,340,922)</u> |

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$2,841,239) difference are as follows:

| | |
|--|----------------------|
| Capital outlay | \$5,928,040 |
| Depreciation expense | <u>(8,769,279)</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>(\$2,841,239)</u> |

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$82,179 difference are as follows:

| | |
|---|----------|
| Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. | \$80,316 |
|---|----------|

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

| | |
|--|-----------------|
| The statement of activities reports gains or losses arising from the trade-in and/or deletion of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in or deletion of capital assets. | <u>1,863</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>\$82,179</u> |

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 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.” The details of this (\$2,096,014) difference are as follows:

| | |
|--|----------------------|
| Issuance of debt | (\$6,000,000) |
| Principal repayments: | |
| General obligation debt and capital leases | 3,789,647 |
| Net change in unamortized bond premium and discount costs | <u>114,339</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>(\$2,096,014)</u> |

Another element of that reconciliation states that “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 governmental funds.” The details of this (\$1,631,108) difference are as follows:

| | |
|--|----------------------|
| Compensated absences | (\$ 229,456) |
| Estimated cost of closure and postclosure | (275,162) |
| Accrued interest | (1,450) |
| Net OPEB obligation | <u>(1,125,040)</u> |
| Net adjustment to decrease <i>net changes in fund balances – governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>(\$1,631,108)</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government's carrying amount of deposits was \$85,216,433 and the total bank balance was \$85,359,642. Of the bank balance, \$1,250,000 was covered by federal depository insurance. Of the remaining balance, \$84,109,642 was collateralized with securities held by the Alabama State Treasury Security for Alabama Funds Enhancement (SAFE) Program. Each of the banks holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

At year end, the government did not have any investment balances.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial credit risk is as follows:

Any financial institution holding/accepting public City of Dothan funds on deposit is required to qualify, become a member and pledge securities to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The pool insures each deposit that is designated on a bank's books as public funds. In the event of the failure of the bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, then every bank participating in the pool would share the liability for the remaining balance.

As of September 30, 2013, \$84,109,642 of the government's bank balance of \$85,359,642 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

B. Receivables

Receivables as of year end for the City's individual major funds and non-major funds are as follows:

| | <u>GENERAL</u> | <u>DEBT SERVICE FUND</u> | <u>UTILITY FUND</u> | <u>E-911 FUND</u> | <u>TOTAL</u> |
|---------------------|----------------------|----------------------------------|-------------------------|-----------------------|----------------------|
| Receivables: | | | | | |
| Taxes | \$ 8,357,825 | \$ | \$ | \$ | \$ 8,357,825 |
| Accounts | 2,183,709 | | 7,842,991 | 119,157 | 10,145,857 |
| Special assessments | | 3,407 | | | 3,407 |
| Interest | 57 | 188 | | | 245 |
| | <u>57</u> | <u>188</u> | | | <u>245</u> |
| Total | <u>\$ 10,541,591</u> | <u>\$ 3,595</u> | <u>\$ 7,842,991</u> | <u>\$ 119,157</u> | <u>\$ 18,507,334</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | <u>UNAVAILABLE</u> | <u>UNEARNED</u> |
|---|--------------------|-----------------|
| Property taxes receivable (general fund) | \$ 3,811,831 | \$ |
| Special assessments not yet due (debt service fund) | 3,407 | |
| Business licenses and certain other resources that have been received, but not yet earned | | 93,087 |
| Total deferred/unearned revenue for governmental funds | \$ 3,815,238 | \$ 93,087 |

C. Property Tax

Property taxes are levied as of October 1 of each year on property assessed the preceding October 1. The taxes are due on October 1 and become delinquent on the lien date of January 1. Billings are mailed out on October 1 of each year. Property taxes are received monthly from Houston County. The City's tax rate is \$.50 per \$100 of assessed valuation. At September 30, 2013, there were property taxes receivable and deferred revenue of \$3,811,831 that does not become earned until October 1, 2013, and therefore not reflected on the government-wide statement of net position.

If property taxes are not paid by December 31, the taxpayer is sent a letter from the revenue commissioner. If they are still unpaid after two weeks, a certified letter is sent to the taxpayer. If there is no response to the certified letter, there is a legal notice of the property placed in the local newspaper notifying that it will be put up for public auction. This legal notice will run for three weeks. After the legal notice has run the required length of time, the property can be sold at public auction; however, most property is auctioned off on May 1 of each year.

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

| | PRIMARY GOVERNMENT | | | ENDING BALANCE |
|--|----------------------|-----------------------|--------------------|----------------------|
| | BEGINNING BALANCE | INCREASES | DECREASES | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and easements | \$ 10,087,867 | \$ 55,626 | \$ | \$ 10,143,493 |
| Construction in progress | 155,294 | 555,470 | (35,366) | 675,398 |
| Total capital assets, not being depreciated | <u>10,243,161</u> | <u>611,096</u> | <u>(35,366)</u> | <u>10,818,891</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 80,758,843 | 34,500 | | 80,793,343 |
| Improvements other than buildings | 39,516,711 | 1,120,984 | | 40,637,695 |
| Machinery and equipment | 43,191,983 | 3,384,920 | (1,235,439) | 45,341,464 |
| Infrastructure | 451,416,139 | 910,826 | | 452,326,965 |
| Total capital assets, being depreciated | <u>614,883,676</u> | <u>5,451,230</u> | <u>(1,235,439)</u> | <u>619,099,467</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 51,372,278 | 1,580,016 | | 52,952,294 |
| Improvements other than buildings | 21,670,137 | 1,549,631 | | 23,219,768 |
| Machinery and equipment | 33,596,400 | 3,561,866 | (1,218,698) | 35,939,568 |
| Infrastructure | 432,484,165 | 2,077,766 | | 434,561,931 |
| Total accumulated depreciation | <u>539,122,980</u> | <u>8,769,279</u> | <u>(1,218,698)</u> | <u>546,673,561</u> |
| Total capital assets, being depreciated, net | <u>75,760,696</u> | <u>(3,318,049)</u> | <u>(16,741)</u> | <u>72,425,906</u> |
| Governmental activities capital assets, net | <u>\$ 86,003,857</u> | <u>\$ (2,706,953)</u> | <u>\$ (52,107)</u> | <u>\$ 83,244,797</u> |

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

| | PRIMARY GOVERNMENT | | | ENDING BALANCE |
|---|-----------------------|----------------------|------------------------|-----------------------|
| | BEGINNING BALANCE | INCREASES | DECREASES | |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and easements | \$ 2,953,637 | \$ 74,849 | \$ | \$ 3,028,486 |
| Construction in progress | * 40,845,583 | 5,371,038 | (45,811,234) | 405,387 |
| Total capital assets, not being depreciated | <u>43,799,220</u> | <u>5,445,887</u> | <u>(45,811,234)</u> | <u>3,433,873</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 4,601,490 | | | 4,601,490 |
| Improvements other than buildings | * 156,158,293 | 46,619,695 | (172,832) | 202,605,156 |
| Machinery and equipment | 10,773,831 | 2,381,079 | (348,987) | 12,805,923 |
| Total capital assets, being depreciated | <u>171,533,614</u> | <u>49,000,774</u> | <u>(521,819)</u> | <u>220,012,569</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,473,593 | 134,715 | | 2,608,308 |
| Improvements other than buildings | * 75,753,282 | 5,511,087 | (125,570) | 81,138,799 |
| Machinery and equipment | 8,937,058 | 663,182 | (348,621) | 9,251,619 |
| Total accumulated depreciation | <u>87,163,933</u> | <u>6,308,984</u> | <u>(474,191)</u> | <u>92,998,726</u> |
| Total capital assets, being depreciated, net | <u>84,369,681</u> | <u>42,691,790</u> | <u>(47,628)</u> | <u>127,013,843</u> |
| Business-type activities capital assets, net | <u>\$ 128,168,901</u> | <u>\$ 48,137,677</u> | <u>\$ (45,858,862)</u> | <u>\$ 130,447,716</u> |

*Restated

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|----------------------------|
| Governmental activities: | |
| General government | \$ 630,657 |
| Public safety | 2,867,279 |
| Public works, including depreciation of general infrastructure assets | 3,645,110 |
| Health and welfare | 14,250 |
| Culture and recreation | 780,331 |
| General services | 220,661 |
| Schools | 610,991 |
| Total depreciation expense - governmental activities | <u><u>\$ 8,769,279</u></u> |
| Business-type activities: | |
| Utility (other than electric) | \$ 4,388,022 |
| Electric | 1,820,635 |
| E-911 | 100,327 |
| Total depreciation expense - business-type activities | <u><u>\$ 6,308,984</u></u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The interfund transfers were as follows:

| Transfer out: | Transfer in: | | | Total |
|----------------------|---------------------|--------------------------|------------------------------|--------------|
| | General Fund | Debt Service Fund | Nonmajor Governmental | |
| General Fund | \$ 136,264 | \$ 343,590 | \$ 984,889 | \$ 1,464,743 |
| Utility Fund | (136,264) | 4,382,157 | 2,685,611 | 6,931,504 |
| Total Transfer Out | \$ - | \$ 4,725,747 | \$ 3,670,500 | \$ 8,396,247 |

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The majority of these transfers occur because profits from the City’s utility operations are used to provide operating subsidies to other funds.

F. Net Position

The government-wide and business-type Fund Financial Statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Net Investment in Capital Assets – is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt.

The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets – are liquid assets which have third-party (statutory, bond covenant or granting agency) limitations on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

Unrestricted Assets – represent unrestricted liquid assets. While City management may have categorized and segmented portions for various purposes, the City Commission has the unrestricted authority to revisit or alter these managerial decisions.

The following schedule demonstrates how the net related debt is calculated and the unrelated reduction in the City’s investment in non-infrastructure assets.

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

ANALYSIS OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| ISSUE | AMOUNT OUTSTANDING | UNSPENT PROCEEDS | NET | |
|--|-----------------------|---------------------|---------------|---------------|
| Infrastructure - Governmental | | | | |
| 2005 G/O Refunding Series | \$ 5,733,716 | \$ | \$ 5,733,716 | |
| 2009 G/O Series - Refinanced | 4,959,393 | 1,353,085 | 3,606,308 | |
| 2013 G/O Series | 5,686,744 | | 5,686,744 | |
| Total Infrastructure - Governmental | 16,379,853 | 1,353,085 | 15,026,768 | |
| Other Capital Assets - Governmental | | | | |
| Capital Leases | 2,002 | | 2,002 | |
| 2005 G/O Refunding Series | 8,037,820 | | 8,037,820 | |
| Total Other Capital Assets - Governmental | 8,039,822 | - | 8,039,822 | |
| Total Governmental Debt | | | | \$ 23,066,590 |
| Total Capital Assets | | | 629,918,358 | |
| Accumulated Depreciation | | | (546,673,561) | |
| Net Capital Assets | | | | 83,244,797 |
| Net Investment in Capital Assets | | | | \$ 60,178,207 |
| Infrastructure - Proprietary | | | | |
| 1996B SRLFB | 1,095,000 | | 1,095,000 | |
| 2005 G/O Refunding Series | 109,416 | | 109,416 | |
| 2009 G/O Series - CWSRF-DL | 9,340,000 | 608,953 | 8,731,047 | |
| 2009 G/O Series - Refinanced | 24,250,000 | | 24,250,000 | |
| 2009 G/O Series - CWSRF-ARRA-DL | 2,470,000 | | 2,470,000 | |
| 2009 G/O Series - DCWSRF-ARRA-DL | 1,880,000 | | 1,880,000 | |
| 2010-CWSRF-BL Sewer Warrant | 6,010,000 | | 6,010,000 | |
| 2010B-CWSRF-BL Sewer Warrant | 3,520,000 | | 3,520,000 | |
| 2011 G/O Series - CWSRF-DL | 3,270,000 | 1,763,064 | 1,506,936 | |
| 2011 G/O Series - CWSRF-DL | 6,900,000 | 3,186,460 | 3,713,540 | |
| Total Infrastructure - Proprietary | 58,844,416 | 5,558,477 | 53,285,939 | |
| Total Proprietary Debt | | | | \$ 53,285,939 |
| Total Capital Assets | | | 223,446,442 | |
| Accumulated Depreciation | | | (92,998,726) | |
| Net Capital Assets | | | | 130,447,716 |
| Net Investment in Capital Assets | | | | \$ 77,161,777 |

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases

1. Operating Leases

The government has entered into several lease agreements for operating purposes. These lease agreements qualify as operating leases for accounting purposes.

The future minimum lease payments are as follows:

| <u>YEAR ENDING SEPTEMBER 30</u> | <u>GOVERNMENTAL ACTIVITIES</u> |
|---------------------------------|------------------------------------|
| 2014 | \$ 39,868 |
| 2015 | 29,249 |
| 2016 | <u>16,229</u> |
| Total minimum lease payments | <u>\$ 85,346</u> |

The rental expense for the above operating leases is \$49,821 for the year ended September 30, 2013.

2. Capital Leases

The City has entered into several lease agreements for financing the acquisition of office equipment with no down payments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|--------------------------------|------------------------------------|
| Office equipment | \$ 9,012 |
| Less: Accumulated depreciation | <u>(2,028)</u> |
| Total | <u>\$ 6,984</u> |

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

| <u>YEAR ENDING SEPTEMBER 30,</u> | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> |
|---|------------------------------------|-------------------------------------|
| 2014 | \$ 2,079 | \$ |
| Total minimum lease payments | 2,079 | - |
| Less: Amount representing interest | (77) | - |
| Present value of minimum lease payments | <u>\$ 2,002</u> | <u>\$ -</u> |

H. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

| <u>PURPOSE</u> | <u>INTEREST RATES</u> | <u>AMOUNT</u> |
|--------------------------------------|-----------------------|---------------------|
| Governmental activities | 2.80 – 3.19% | \$10,646,137 |
| Governmental activities – refunding | 4.00 – 5.00% | 12,970,000 |
| Business-type activities | 2.50 – 3.50% | 57,640,000 |
| Business-type activities – refunding | 3.18% | <u>1,095,000</u> |
| | | <u>\$82,351,137</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>YEAR ENDING</u> <u>SEPTEMBER 30</u> | <u>GOVERNMENTAL ACTIVITIES</u> | | <u>BUSINESS-TYPE ACTIVITIES</u> | |
|---|--------------------------------|---------------------|---------------------------------|----------------------|
| | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> |
| 2014 | \$ 4,146,503 | \$ 923,433 | \$ 2,160,000 | \$ 1,831,862 |
| 2015 | 4,318,298 | 758,888 | 2,245,000 | 1,767,595 |
| 2016 | 3,993,605 | 587,452 | 2,823,379 | 1,700,833 |
| 2017 | 2,726,227 | 439,202 | 4,347,486 | 1,600,405 |
| 2018 | 2,847,701 | 315,227 | 4,199,784 | 1,466,412 |
| 2019 | 1,929,647 | 185,532 | 4,344,086 | 1,337,289 |
| 2020 | 2,006,897 | 115,481 | 4,495,456 | 1,203,753 |
| 2021 | 645,000 | 42,179 | 4,648,959 | 1,065,606 |
| 2022 | 663,440 | 23,738 | 4,809,665 | 922,733 |
| 2023 | 338,819 | 4,770 | 3,697,645 | 774,983 |
| 2024 | | | 3,812,972 | 654,993 |
| 2025 | | | 3,935,720 | 531,262 |
| 2026 | | | 4,065,968 | 403,536 |
| 2027 | | | 2,858,880 | 271,562 |
| 2028 | | | 1,595,000 | 199,661 |
| 2029 | | | 1,640,000 | 147,046 |
| 2030 | | | 1,700,000 | 92,939 |
| 2031 | | | 665,000 | 36,843 |
| 2032 | | | 690,000 | 16,973 |
| TOTAL | <u>\$ 23,616,137</u> | <u>\$ 3,395,902</u> | <u>\$ 58,735,000</u> | <u>\$ 16,026,286</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended September 30, 2013, was as follows:

| | <u>BEGINNING BALANCE</u> | <u>ADDITIONS</u> | <u>REDUCTIONS</u> | <u>ENDING BALANCE</u> | <u>DUE WITHIN ONE YEAR</u> |
|---|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 21,401,496 | \$ 6,000,000 | \$ (3,785,359) | \$ 23,616,137 | \$ 4,146,503 |
| Plus: Unamortized bond premium | 917,421 | | (115,885) | 801,536 | |
| Less: Unamortized bond discount | (1,546) | | 1,546 | - | |
| Total Bonds Payable | <u>22,317,371</u> | <u>6,000,000</u> | <u>(3,899,698)</u> | <u>24,417,673</u> | <u>4,146,503</u> |
| Capital leases | 6,290 | | (4,288) | 2,002 | 2,002 |
| Estimated cost of closure and postclosure | 6,737,373 | 275,162 | | 7,012,535 | |
| Compensated absences | 2,942,748 | 356,321 | (126,865) | 3,172,204 | 2,791,687 |
| Net OPEB obligation | <u>8,611,468</u> | <u>1,667,727</u> | <u>(542,687)</u> | <u>9,736,508</u> | |
| Governmental Activity Long-Term Liabilities | <u>\$ 40,615,250</u> | <u>\$ 8,299,210</u> | <u>\$ (4,573,538)</u> | <u>\$ 44,340,922</u> | <u>\$ 6,940,192</u> |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 62,790,000 | \$ | \$ (4,055,000) | \$ 58,735,000 | \$ 2,160,000 |
| Plus: Unamortized bond premium | 125,232 | | (15,819) | 109,413 | |
| Less: Unamortized bond discount | (4,012) | | 4,012 | - | |
| Total Bonds Payable | <u>62,911,220</u> | <u>-</u> | <u>(4,066,807)</u> | <u>58,844,413</u> | <u>2,160,000</u> |
| Capital leases | 3,697 | | (3,697) | - | |
| Compensated absences | 657,474 | 60,092 | (46,974) | 670,592 | 576,269 |
| Pollution remediation obligation | <u>6,375,861</u> | <u>900,000</u> | <u>(3,703,158)</u> | <u>3,572,703</u> | <u>2,627,345</u> |
| Business-Type Activity Long-Term Liabilities | <u>\$ 69,948,252</u> | <u>\$ 960,092</u> | <u>\$ (7,820,636)</u> | <u>\$ 63,087,708</u> | <u>\$ 5,363,614</u> |

For the governmental activities: claims and judgments, compensated absences, and net OPEB obligations are generally liquidated by the general fund.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

On March 1, 2013, the City issued \$6,000,000 of general obligation warrants Series 2013 for the purpose of providing financing for the Dothan-Houston County Airport Authority economic development project.

On January 17, 2012, the City issued \$7,170,000 of general obligation warrants Series 2011-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer Enhancement Program. These warrants represent state revolving loan funds for which interest is calculated on the entire warrant issue even though the monies are drawn down over the construction period. As of September 30, 2013, \$3,983,540 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2013, there were \$3,186,460 remaining state revolving funds available.

On January 17, 2012, the City refinanced the 2009 G/O Series warrants and borrowed an additional \$2,000,000 for improvements to public streets. As of September 30, 2013, there were \$1,353,085 remaining funds available.

V. OTHER INFORMATION

A. Risk Management

The City is self-insured for employee medical insurance through a contract with Blue Cross and Blue Shield, Inc. The contract states that they will administer an employee health benefit plan for the City employees. The City actually pays the medical expenses for the employees through a wire transfer to Blue Cross and Blue Shield, Inc. Monies to pay these medical expenses are collected from the General Fund and Utility Fund by direct expenditures and employee withholdings. Blue Cross and Blue Shield, Inc. bills the City for claims that are due and then the City wires the funds to Blue Cross and Blue Shield, Inc. The risk of insurance coverage is now on the City. Blue Cross and Blue Shield, Inc. only administers the plan. They provide co-pay amounts for employees and they set fee limits for the medical charges, but the City is liable for all of the medical bills. The City pays Blue Cross and Blue Shield, Inc. an administrative fee which is charged to the appropriate fund. Each employee has a set annual maximum benefit for major medical benefits of \$1,830,000. In order to reduce exposure, the City has purchased stop loss reinsurance for any claims in excess of \$170,000 per covered person plus an aggregating specific deductible of \$50,000 (with the exception of three (3) high claimants with a group laser of \$375,000) for the policy year. As of September 30, 2013, the City accrued \$735,376 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

The City became a self-insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). An excess coverage insurance policy covers individual claims in excess of \$250,000. Expenditures are recognized in the General Fund for the amount determined to fund future claims. Corresponding revenues are recognized in the General Fund. As of September 30, 2013, the City accrued the actuarially determined undiscounted amount of \$3,119,000, which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City is also self-insured for workers compensation claims. An excess coverage insurance policy covers individual claims in excess of \$750,000. The City has contracted with outside parties for claims administration. Expenditures are recognized in the General Fund for the amount determined to fund future claims. The revenues are recognized in the General Fund. As of September 30, 2013, the City accrued the actuarially determined undiscounted amount of \$970,000, which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

During the past three fiscal years, the amount of settlements has not exceeded the City's insurance coverage.

The following is a summary of changes in the aggregate claims liability amount during fiscal years 2013 and 2012:

| | 2013 | 2012 |
|---------------------------------|--------------|--------------|
| Liability beginning balance | \$ 5,246,427 | \$ 5,915,567 |
| Claims and changes in estimates | 10,069,643 | 9,391,259 |
| Claim payments | (10,491,694) | (10,060,399) |
| Liability ending balance | \$ 4,824,376 | \$ 5,246,427 |
| Due in one year or less | \$ 4,824,376 | \$ 5,246,427 |

B. Related Party Transactions

There were no material related party transactions to disclose.

C. Subsequent Events

The City did not have any other subsequent events requiring disclosures or recording in these financial statements through February 28, 2014, which is the date these financial statements were available to be issued.

D. Contingent Liabilities

There are various lawsuits pending against the City. As more fully described in note V. A., the City is a self-insured entity to cover any potential losses that may arise from claims and judgments.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. City management believes such disallowances, if any, would be immaterial.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

D. Contingent Liabilities (Continued)

The City of Dothan has entered into an annual appropriations agreement with U.S. Bank to guarantee fifty percent of principal and interest payments of the Dothan-Houston County Airport Authority's \$2,558,260 Series 2010 Airport Revenue Bonds, dated December 1, 2010, and fifty percent of expenses related thereto. The purpose of the bonds issued by the Dothan-Houston County Airport Authority was to refund all of the outstanding Series 2000 Airport Revenue Bonds, which were originally used to construct a new terminal building at the Dothan Regional Airport. Houston County has entered into a similar agreement with the Airport Authority. This agreement is for a one-year period and on the first day of each fiscal year thereafter, shall automatically renew and continue in full force and effect for such fiscal year. The annual debt service is in the amount of \$302,700, with final payment being due on November 15, 2020.

During 2013, the State of Alabama agreed to make available up to \$7,565,000 to reimburse the Dothan-Houston County Airport Authority for capital expenses incurred for remodeling the aircraft maintenance facility. As part of this agreement, the State of Alabama requires recapture of state incentives if the estimated economic impact is not realized. Beginning December 31, 2017 (Jobs Target Date), the company for which the capital expenses were made at the aircraft maintenance facility shall average 500 full-time employees with an average hourly wage of \$23.50. If the jobs target of 500 employees is not met, \$15,130 must be repaid to the State of Alabama for each employee less than the jobs target. The City of Dothan has agreed to pay this potential recapture for the Dothan-Houston County Airport Authority. The total potential liability for the City of Dothan is a maximum of \$7,565,000.

Pollution Remediation Obligation

The City reports a pollution remediation liability in the financial statements for issues relating to the wastewater treatment and collection system. In a prior year, the Federal EPA has alleged Clean Water Act violations involving the City's wastewater treatment and collection system. The City is currently in discussions with the Department of Justice, U.S. EPA Region 4, and the Alabama Department of Environmental Management regarding those allegations.

The City has recorded a liability, which totals \$3,572,703 at September 30, 2013, to address the environmental issues associated with the wastewater treatment and collection system. The estimate of costs used to establish the liability was developed by engineers and City personnel for legal and site analysis necessary to address these issues. The liability was determined using the expected cash flow technique, which measured the liability as the sum of probability-weighted amounts within the range of possible amounts. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation liability does not reflect any recovery of outlays because the City does not anticipate that it will be able to recover any remediation costs from other parties. The City's ultimate liability is undeterminable at this time; however, it is expected to be material.

E. Postemployment Healthcare Plan

Plan Description. The City of Dothan Healthcare Plan is a single-employer defined benefit healthcare plan administered by the City of Dothan. The plan provides medical, drug, dental and life insurance benefits for pre-medicare retirees.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City of Dothan.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

A retired employee who draws a monthly retirement check may elect to continue coverage through the self-funded benefits' plan. Eligibility for benefits terminates upon the retiree reaching the age of sixty-five (65) years, or becoming Medicare eligible. This applies to retirees that were hired prior to January 1, 2009.

Retiree Premium Contributions. Retirees are required to pay the following premiums as of September 30, 2013:

| | MONTHLY RETIREE PREMIUM |
|--|------------------------------------|
| Retiree only | \$196.00 |
| Retiree's Spouse only | 196.00 |
| Retiree plus 1 dependent | 466.00 |
| Retiree plus 2 or more dependents | 580.00 |
| Retiree's Spouse plus 1 dependent | 466.00 |
| Retiree's Spouse plus 2 or more dependents | 580.00 |
| Retiree Dental single | 26.00 |
| Retiree Dental family | 60.00 |

The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended September 30, 2013, the City contributed \$542,687 to the plan and plan members receiving benefits contributed \$905,280.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 fund excess) over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

| | |
|--|--------------------|
| Annual required contribution | \$1,641,455 |
| Interest on net OPEB obligation | 344,459 |
| Adjustment to annual required contribution | (318,187) |
| Annual OPEB cost (expense) | 1,667,727 |
| Contributions made | (542,687) |
| Increase in net OPEB obligation | 1,125,040 |
| Net OPEB obligation – beginning of year | <u>8,611,468</u> |
| Net OPEB obligation – end of year | <u>\$9,736,508</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 is as follows:

| <u>FISCAL YEAR ENDING</u> | <u>ANNUAL OPEB COST</u> | <u>PERCENTAGE ANNUAL OPEB COST CONTRIBUTED</u> | <u>NET OPEB OBLIGATION</u> |
|-----------------------------------|-----------------------------|--|------------------------------------|
| 09/30/09 | \$ 2,696,202 | 23.49% | \$ 4,292,481 |
| 09/30/10 | 2,141,152 | 26.36% | 5,869,161 |
| 09/30/11 | 2,027,003 | 26.58% | 7,357,441 |
| 09/30/12 | 1,796,895 | 30.21% | 8,611,468 |
| 09/30/13 | 1,667,727 | 32.54% | 9,736,508 |

Funded Status and Funding Progress. As of September 30, 2012, the most recent actuarial valuation date, the plan was 2.1% funded. The actuarial accrued liability for benefits was \$22,820,497, and the actuarial value of assets was \$510,090, resulting in an unfunded actuarial accrued liability (UAAL) of \$22,310,407. The covered payroll (annual payroll of active employees covered by the plan) was \$37,536,318, and the ratio of the UAAL to the covered payroll was 59.44%.

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 is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expense), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.50% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates included a 3.25% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2012, was thirty years.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

F. Employee Retirement System and Pension Plans

The City of Dothan Employee Retirement System is a single-employer defined benefit pension plan administered by the State of Alabama.

The City contributes to the Employees' Retirement System of Alabama ("System"), a qualified defined benefit plan which acts as a common investment and administrative agent for all State agencies and departments as well as for cities and counties which elect to participate in the System. The Retirement System issues a publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36104 or by calling (334) 517-7306.

All regular full-time and certain regular part-time City employees are eligible to participate in the System. Benefits vest after ten years of service. Vested employees may choose a lump sum benefit, payments for a specified time period or for life. The benefit amount is based upon employee and employer contributions and accrued interest as of the retirement date and is established by State statute. The System also provides death and disability benefits.

Prior to January 1, 2012, covered employees were required by State statute to contribute five percent (5%) of their earnable compensation; fire fighters and law enforcement officers were required to contribute six percent (6%) of their earnable compensation to the System. Effective January 1, 2012, covered employees were required to contribute seven and quarter percent (7.25%) of their earnable compensation; fire fighters and law enforcement officers were required to contribute eight and quarter percent (8.25%) of their earnable compensation to the System. Effective October 1, 2012, covered employees are required to contribute seven and half percent (7.50%) of their earnable compensation; fire fighters and law enforcement officers are required to contribute eight and half percent (8.50%) of their earnable compensation to the System. Covered employees with a hire date on January 1, 2013 or later (Tier 2 employees) are required to contribute six percent (6%) of their earnable compensation; fire fighters and law enforcement officers are required to contribute seven percent (7%) of their earnable compensation to the system. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year ended September 30, 2013 was 23.08% for tier 1 employees and 23.00% for tier 2 employees of covered payroll.

The City's annual pension cost of \$9,597,735 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2012 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 8.0%, b) projected annual rate of salary increases ranging from 3.75% to 7.25%, based on age, and c) no cost-of-living adjustments. Both a) and b) included an inflation component of 3.00%. The actuarial value of the plan's assets was determined using the 5-year smoothed market value of investments. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2012, was 25 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year is as follows:

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

F. Employee Retirement System and Pension Plans (Continued)

| <u>FISCAL YEAR ENDING</u> | <u>ANNUAL PENSION COST (APC)</u> | <u>PERCENTAGE OF APC CONTRIBUTED</u> | <u>NET PENSION OBLIGATION (NPO)</u> |
|-----------------------------------|--|--|---|
| 09/30/10 | \$ 10,583,204 | 100% | \$ 0 |
| 09/30/11 | 10,397,858 | 100% | 0 |
| 09/30/12 | 9,252,745 | 100% | 0 |

Funded Status

The funded status of the Plan as of the most recent actuarial valuation is as follows:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>Percentage of Covered Payroll ((b-a)/c)</u> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 09/30/12 | \$ 82,880,441 | \$ 204,177,323 | \$ 121,296,882 | 40.6% | \$ 38,252,901 | 317.1% |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments

1. Little Choctawhatchee Wastewater Treatment Plant Upgrade

The Little Choctawhatchee Wastewater Treatment Plant Upgrade project consisted of increasing the plant treatment capacity to 12 million gallons per day and hydraulic capacity to 39 million gallons per day to accommodate existing and future flows for both the Little Choctawhatchee basin and the Beaver Creek basin, and converting to ultraviolet light disinfection. The total project cost was \$29,127,644. The engineering efforts were completed by Polyengineering, Inc. with fees costing \$2,283,236. Project design specifications and drawings were completed and the contract was issued to WL Hailey and Company for \$26,164,314 in September 2009, plus an additional \$646,663 in change orders for a total of \$26,810,977. Miscellaneous vendors added \$33,431 to the cost. The project was funded from proceeds from the 2009 General Obligation Warrant and State Revolving Loan funds. The completion date was September 2013.

2. Pinhook/Beaver Creek Sanitary Sewer Line Project

The Pinhook/Beaver Creek Sanitary Sewer Line project consisting of approximately 1,000 feet of 12-inch ductile iron sewer pipe mounted on piers crossing Beaver Creek began in 2011 and was funded with State Revolving Loan funds. The engineering efforts were completed by Northstar Engineering Services, Inc. with fees costing \$78,020. A contract was awarded to L & K Contracting Company, Inc. in Fiscal Year 2012 for \$402,572; final cost was \$404,158. The project was completed in June 2013.

3. Beaver Creek Basin Sewer Rehab Project

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement or cured-in-place lining of various-sized sanitary sewer lines in Sewer Basin 3, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$99,445 expended through the audit report date. The project is estimated to cost \$1,242,000 and is being funded with State Revolving Loan funds.

4. Denton Road Widening

The City began widening Denton Road in 2012. A contract was awarded to CDG Engineers and Associates, Inc. in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$212,824 has been expended through the audit report date.

5. Medical College Road Construction

The City began construction on an entrance road for the new Alabama College of Osteopathic Medicine in January 2013. The contract was awarded to APAC Mid-South, Inc. in December 2012 in the amount of \$1,108,308, plus subsequent change orders for a total of \$1,143,614. The road was opened for use in July 2013.

6. Eastside Fire Station Renovation

The Eastside Fire Station Renovation project began in October 2012. It consisted of construction of a new addition measuring 850 square feet; the interior renovation of the 3,655 square foot living/work area and the 2,000 square foot equipment apparatus bay; and the replacement of the existing roof, fasciae and soffits, and exterior windows. The design and construction administration efforts were completed by G. Mark Pepe Architect, and the construction and renovation contract was awarded to Saliba Construction Company, Inc. for \$670,257 including change orders. The project was completed in July 2013.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

7. *South Saint Andrews Street Water Main Replacement*

The South Saint Andrews Street Water Main Replacement project consisted of replacing existing water mains along South Saint Andrews Street, including sidewalk removal and replacement. The contract was awarded to Blankenship Contracting Inc. in November 2012 for \$1,256,298 less a \$109,071 change order for a total of \$1,147,227. The project was completed in November 2013.

8. *North Foster Street Improvements*

The City awarded a contract to Wiregrass Construction Co. Inc. for the North Foster Street Improvements project in December 2012 in the amount of \$872,507 less a \$2,768 change order for a total of \$869,739. The contract consisted of replacing existing water lines, replacing curbs, gutters and steps on one side, and resurfacing and restriping the street. The contract was completed in August 2013 and is part of the Downtown Streetscape improvements effort.

9. *Doug Tew Center Renovation*

The City awarded a contract to Diversified General Contractors LLC for the Doug Tew Center Renovation project in January 2014 in the amount of \$1,063,000. The contract consists of replacing the roof and electrical and HVAC systems, as well as renovating the front restrooms to meet the Americans with Disabilities Act. Architectural services were awarded to Bradley & Schmidt Architecture, PLLC for \$68,658 in July 2013, with \$54,926 expended as of the audit report date.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|--------------------|---------------------|-------------------------------------|---|
| | ORIGINAL | FINAL | | |
| REVENUES: | | | | |
| Taxes | \$ 64,495,000 | \$ 64,553,283 | \$ 68,858,870 | \$ 4,305,587 |
| Licenses and permits | 3,074,700 | 3,580,461 | 3,851,016 | 270,555 |
| Intergovernmental | 1,648,000 | 3,933,844 | 4,031,382 | 97,538 |
| Charges for services | 2,020,500 | 3,194,275 | 4,594,191 | 1,399,916 |
| Fines and forfeitures | 1,561,500 | 1,754,307 | 1,801,446 | 47,139 |
| Interest | 370,500 | 370,500 | 137,183 | (233,317) |
| Miscellaneous | 1,885,222 | 2,197,023 | 2,602,416 | 405,393 |
| Total Revenues | 75,055,422 | 79,583,693 | 85,876,504 | 6,292,811 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government: | | | | |
| General administrative | 2,601,416 | 2,594,244 | 2,042,490 | 551,754 |
| City clerk | 734,124 | 784,125 | 656,698 | 127,427 |
| Information system/Technology | 2,869,100 | 3,404,544 | 3,313,419 | 91,125 |
| Budget and finance | 935,654 | 1,047,272 | 1,012,147 | 35,125 |
| Personnel services | 2,174,015 | 2,198,003 | 1,883,951 | 314,052 |
| Judicial department | 1,023,088 | 995,268 | 961,268 | 34,000 |
| Public safety: | | | | |
| Fire department | 12,794,535 | 13,324,312 | 13,255,495 | 68,817 |
| Police department | 17,306,400 | 17,524,605 | 17,089,087 | 435,518 |
| Public works: | | | | |
| Street department | 6,160,014 | 5,659,053 | 4,556,780 | 1,102,273 |
| Engineering department | 2,928,129 | 2,754,232 | 2,693,076 | 61,156 |
| Environmental services | 6,261,364 | 6,065,118 | 5,836,220 | 228,898 |
| Planning and development | 2,305,465 | 2,472,265 | 1,882,260 | 590,005 |
| Health and welfare | 2,743,146 | 4,253,678 | 3,995,997 | 257,681 |
| Culture and recreation: | | | | |
| Recreation | 7,906,473 | 7,903,042 | 7,187,055 | 715,987 |
| Culture | 1,618,691 | 1,989,587 | 1,773,447 | 216,140 |
| General services: | | | | |
| Administration | 549,945 | 324,907 | 311,645 | 13,262 |
| Facility | 1,455,942 | 1,776,259 | 1,344,119 | 432,140 |
| Fleet | 2,366,124 | 2,469,078 | 2,274,715 | 194,363 |
| Insurance department | 1,916,490 | 2,216,491 | 1,280,974 | 935,517 |
| Capital outlay | 6,656,960 | 12,883,739 | 5,928,040 | 6,955,699 |
| Total Expenditures | 83,307,075 | 92,639,822 | 79,278,883 | 13,360,939 |
| Excess of Revenues over (under) Expenditures | (8,251,653) | (13,056,129) | 6,597,621 | 19,653,750 |

(Continued on page 66)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL AMOUNTS (BUDGETARY BASIS)</u> | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|---|-------------------------|-------------------|---|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in (out) | \$ 1,515,897 | \$ 1,167,418 | \$ (1,464,743) | \$ (2,632,161) |
| Total Other Financing Sources (Uses) | <u>1,515,897</u> | <u>1,167,418</u> | <u>(1,464,743)</u> | <u>(2,632,161)</u> |
| Net Change in Fund Balances | (6,735,756) | (11,888,711) | 5,132,878 | 17,021,589 |
| Fund Balances - Beginning | <u>6,735,756</u> | <u>11,888,711</u> | <u>39,165,916</u> | <u>27,277,205</u> |
| Fund Balances - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 44,298,794</u> | <u>\$ 44,298,794</u> |

Note: The basis of budgeting is the same as GAAP.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2013

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS (A) | ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (B) ¹ | UNFUNDED AAL (UAAL) (B - A) | FUNDED RATIO (A / B) | COVERED PAYROLL (C) | UAAL AS A PERCENTAGE OF COVERED PAYROLL (B - A) / C |
|--------------------------------|--|---|--------------------------------------|----------------------------|---------------------------|---|
| 09/30/07 | \$ 67,356,312 | \$ 182,527,620 | \$ 115,171,308 | 36.9% | \$ 37,275,515 | 309.0% |
| 09/30/08 | 72,559,277 | 191,613,311 | 119,054,034 | 37.9% | 40,115,096 | 296.8% |
| 09/30/09 | 75,722,433 | 200,530,979 | 124,808,546 | 37.8% | 40,418,300 | 308.8% |
| 09/30/10 ² | 79,028,629 | 205,860,315 | 126,831,686 | 38.4% | 40,028,219 | 316.9% |
| 09/30/10 ^{3,4} | 79,028,629 | 206,298,119 | 127,269,490 | 38.3% | 40,028,219 | 317.9% |
| 09/30/11 ^{3,5} | 80,742,729 [*] | 208,236,622 | 127,493,893 | 38.8% | 39,148,926 | 325.7% |
| 09/30/12 | 82,880,441 | 204,177,323 | 121,296,882 | 40.6% | 38,252,901 | 317.1% |

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

² Reflects the impact of Act 2011-27, which closes the Drop program to new applicants after March 24, 2011.

³ Reflects the impact of Act 2011-676, which increases member contribution rates by 2.25% beginning January 1, 2012 and by an additional 0.25% beginning October 1, 2012.

⁴ Reflects changes in actuarial assumptions.

⁵ Reflects changes to interest smoothing methodology.

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

NOTES TO TREND INFORMATION

| | |
|--|-------------------------|
| Valuation date | September 30, 2012 |
| Actuarial cost method | Entry Age |
| Amortization method | Level percent open |
| Remaining amortization period | 25 years |
| Asset valuation method | 5-year smoothed market* |
| Actuarial assumptions: | |
| Ultimate investment rate of return (discount rate)** | 8.00% |
| Projected salary increases** | 3.75 - 7.25% |
| **Includes inflation at | 3.00% |
| Cost of living adjustments | None |

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - RETIREE HEALTHCARE PLAN SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2013

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS (A) | ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT (B) | UNFUNDED AAL (UAAL) (B - A) | FUNDED RATIO (A / B) | COVERED PAYROLL (C) | UAAL AS A PERCENTAGE OF COVERED PAYROLL (B - A) / C |
|--------------------------------|--|---|--------------------------------------|----------------------------|---------------------------|---|
| 09/30/08 | \$ 500,000 | \$ 36,535,115 | \$ 36,035,115 | 1.4% | \$ 38,576,202 | 93.40% |
| 09/30/09 | 502,005 | 29,210,498 | 28,708,493 | 1.7% | 38,893,910 | 73.80% |
| 09/30/10 | 504,917 | 29,123,855 | 28,618,938 | 1.7% | 39,477,456 | 72.49% |
| 09/30/11 | 508,095 | 24,193,126 | 23,685,031 | 2.1% | 38,646,631 | 61.29% |
| 09/30/12 | 510,090 | 22,820,497 | 22,310,407 | 2.2% | 37,536,318 | 59.44% |

NOTES TO TREND INFORMATION

| | |
|-------------------------------|----------------------------|
| Valuation date | September 30, 2012 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percent of pay, open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market Value of Assets |
| Actuarial assumptions: | |
| Investment Rate of Return* | 4.00% |
| ARC adjustment factor | 27.0642 |
| Medical cost trend rate | 8.50% - 5.00% |
| Year of Ultimate trend rate | 2018 |
| *Includes inflation at | 3.25% |

The assumed investment rate of return reflects the fact that assets are set aside within the City of Dothan that are legally held exclusively for retirement benefits. However, it is our understanding that it is not the policy of the City of Dothan to contribute the full ARC each year, so the investment return assumption used is 4.00%. If the City implements a policy to contribute the full ARC each year to the OPEB trust or equivalent arrangement, the investment rate of return assumption can be increased.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|--------------------|--------------------|-------------------------------------|---|
| | ORIGINAL | FINAL | | |
| REVENUES: | | | | |
| Special assessments | \$ | \$ | \$ 5,503 | \$ 5,503 |
| Interest from funds invested and special assessments | 33,000 | 33,000 | 77 | (32,923) |
| Total Revenues | <u>33,000</u> | <u>33,000</u> | <u>5,580</u> | <u>(27,420)</u> |
| EXPENDITURES: | | | | |
| General administrative | 6,000 | 6,000 | 142 | 5,858 |
| Principal retirement | 2,798,406 | 3,789,649 | 3,789,647 | 2 |
| Interest | 970,210 | 942,557 | 942,089 | 468 |
| Total Expenditures | <u>3,774,616</u> | <u>4,738,206</u> | <u>4,731,878</u> | <u>6,328</u> |
| Excess of Revenues over (under) Expenditures | <u>(3,741,616)</u> | <u>(4,705,206)</u> | <u>(4,726,298)</u> | <u>(21,092)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 3,768,616 | 4,732,206 | 4,731,737 | (469) |
| Transfers out | (27,000) | (27,000) | (5,990) | 21,010 |
| Issuance of debt | | | 6,000,000 | 6,000,000 |
| Payment to Dothan-Houston County Airport Authority Bond Fund | | | (6,000,000) | (6,000,000) |
| Total Other Financing Sources (Uses) | <u>3,741,616</u> | <u>4,705,206</u> | <u>4,725,747</u> | <u>20,541</u> |
| Net Change in Fund Balance | - | - | (551) | (551) |
| Fund Balances - Beginning | | | <u>742</u> | <u>742</u> |
| Fund Balances - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 191</u> | <u>\$ 191</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|------------------|-------------|-------------------------------------|---|
| | ORIGINAL | FINAL | | |
| REVENUES: | | | | |
| Interest from funds invested | \$ | \$ | 5,410 | 5,410 |
| Total Revenues | - | - | 5,410 | 5,410 |
| EXPENDITURES: | | | | |
| Public works | | 2,020,910 | 669,157 | 1,351,753 |
| Capital outlay | | | | - |
| Total Expenditures | - | 2,020,910 | 669,157 | 1,351,753 |
| Excess of Revenues over (under) Expenditures | - | (2,020,910) | (663,747) | 1,357,163 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Issuance of debt | | | | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balances | - | (2,020,910) | (663,747) | 1,357,163 |
| Fund Balances - Beginning | | 2,020,910 | 2,016,832 | (4,078) |
| Fund Balances - Ending | \$ | \$ | 1,353,085 | 1,353,085 |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SCHOOL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUDGETED AMOUNTS | | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|-----------------------------|-----------------------------|-------------------------------------|---|
| | ORIGINAL | FINAL | | |
| REVENUES: | | | | |
| Taxes | \$ 310,000 | \$ 310,000 | \$ 265,950 | \$ (44,050) |
| Interest earned | 500 | 500 | 393 | (107) |
| Total Revenues | <u>310,500</u> | <u>310,500</u> | <u>266,343</u> | <u>(44,157)</u> |
| EXPENDITURES: | | | | |
| Intergovernmental: | | | | |
| Subsidies to agencies | 3,738,286 | 3,738,286 | 3,738,286 | - |
| Obligations/expenses paid for schools | 133,596 | 138,485 | 109,378 | 29,107 |
| Other support - schools | 101,229 | 101,229 | 58,809 | 42,420 |
| Debt service - interest | 3,000 | 3,000 | 3,000 | 3,000 |
| Total Expenditures | <u>3,976,111</u> | <u>3,981,000</u> | <u>3,906,473</u> | <u>74,527</u> |
| Excess of Revenues over (under) Expenditures | <u>(3,665,611)</u> | <u>(3,670,500)</u> | <u>(3,640,130)</u> | <u>30,370</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 3,665,611 | 3,670,500 | 3,670,500 | - |
| Net Change in Fund Balance | - | - | 30,370 | 30,370 |
| Fund Balance - Beginning | <u> </u> | <u> </u> | <u>513,370</u> | <u>513,370</u> |
| Budgetary Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 543,740</u> | <u>\$ 543,740</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | <u>BUDGET</u> | <u>BUDGETARY BASIS ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|------------------------|-----------------------------------|---|
| REVENUES: | | | |
| Electric department | \$ 90,336,056 | \$ 88,709,224 | \$ (1,626,832) |
| Water department | 8,532,000 | 8,385,523 | (146,477) |
| Sewer department | 7,753,884 | 11,917,504 | 4,163,620 |
| Delinquent fees - combined utilities | 800,000 | 966,536 | 166,536 |
| Other revenue | 860,183 | 896,532 | 36,349 |
| Interest from funds invested | 75,000 | 109,021 | 34,021 |
| Total Utility Revenues | <u>108,357,123</u> | <u>110,984,340</u> | <u>2,627,217</u> |
| OPERATING EXPENSES: | | | |
| Electric department | 77,997,271 | 73,712,450 | 4,284,821 |
| Water department | 5,337,948 | 4,616,969 | 720,979 |
| Sewer department | 12,611,015 | 6,474,014 | 6,137,001 |
| Billing collection department | 1,933,686 | 1,876,462 | 57,224 |
| Meter reading department | 870,811 | 840,669 | 30,142 |
| Combined utility expense: | | | - |
| Capital outlay | 8,600,883 | 5,982,203 | 2,618,680 |
| Miscellaneous expenses | 2,464 | (93,808) | 96,272 |
| Interest and fiscal charges | 2,411,680 | 1,942,975 | 468,705 |
| Bond issuance costs | 47,488 | | 47,488 |
| Principal on bonds and capital leases | 4,059,316 | 4,059,315 | 1 |
| Depreciation | 7,116,471 | 6,208,657 | 907,814 |
| Total Expenses | <u>120,989,033</u> | <u>105,619,906</u> | <u>15,369,127</u> |
| Excess of Revenues Over (Under) Expenses | <u>\$ (12,631,910)</u> | <u>\$ 5,364,434</u> | <u>\$ 17,996,344</u> |

(Continued on page 73)

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | BUDGET | BUDGETARY BASIS ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|---------------|---------------------------|--|
| OTHER FINANCING SOURCES (USES): | | | |
| Intergovernmental revenues | \$ 299,872 | \$ 385,744 | \$ 85,872 |
| Transfers (out) | (9,543,124) | (6,931,504) | 2,611,620 |
| Gain (loss) on disposition of capital assets | | (268,174) | (268,174) |
| Total Other Financing Sources (Uses) | (9,243,252) | (6,813,934) | 2,429,318 |
| Excess of Revenues Over Expenses per Budget Ordinances | (21,875,162) | (1,449,500) | 20,425,662 |
| Capital contributions | | 74,849 | 74,849 |
| Adjustment for capital outlay, principal payments on bonds and capital leases | 10,041,518 | 10,041,518 | - |
| Total Net Position - Beginning, Restated | 21,875,162 | 98,911,160 | 77,035,998 |
| Total Net Position - Ending | \$ 10,041,518 | \$ 107,578,027 | \$ 97,536,509 |

The explanation of differences between budgetary revenues and expenditures and GAAP revenues and expenditures is as follows:

| | |
|----------------------------|----------------------|
| Capital outlay expense | \$ 5,982,203 |
| Principal payment on bonds | 4,059,315 |
| Total Adjustments | \$ 10,041,518 |

This schedule is prepared on a budgetary basis for the operating accounts of the proprietary fund and as such does not present the results of operations on the basis of generally accepted accounting principles, but is presented for supplemental information.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
ALL SERIES
2014-2032

| FISCAL YEAR | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTAL PRINCIPAL AND INTEREST |
|----------------|-----------------------------------|--|--|--|------------------------------------|
| | GENERAL OBLIGATION WARRANTS | GENERAL OBLIGATION REFUNDING WARRANTS | GENERAL OBLIGATION REFUNDING WARRANTS | GENERAL OBLIGATION SEWER WARRANTS | |
| 2014 | \$ 2,593,436 | \$ 2,476,500 | \$ 289,821 | \$ 3,702,041 | \$ 9,061,798 |
| 2015 | 2,593,436 | 2,483,750 | 296,712 | 3,715,883 | 9,089,781 |
| 2016 | 2,095,057 | 2,486,000 | 298,126 | 4,226,086 | 9,105,269 |
| 2017 | 687,179 | 2,478,250 | 299,222 | 5,648,668 | 9,113,319 |
| 2018 | 687,178 | 2,475,750 | | 5,666,196 | 8,829,124 |
| 2019 | 687,179 | 1,428,000 | | 5,681,375 | 7,796,554 |
| 2020 | 687,178 | 1,435,200 | | 5,699,209 | 7,821,587 |
| 2021 | 687,179 | | | 5,714,565 | 6,401,744 |
| 2022 | 687,178 | | | 5,732,398 | 6,419,576 |
| 2023 | 343,589 | | | 4,472,628 | 4,816,217 |
| 2024 | | | | 4,467,964 | 4,467,964 |
| 2025 | | | | 4,466,982 | 4,466,982 |
| 2026 | | | | 4,469,504 | 4,469,504 |
| 2027 | | | | 3,130,442 | 3,130,442 |
| 2028 | | | | 1,794,661 | 1,794,661 |
| 2029 | | | | 1,787,046 | 1,787,046 |
| 2030 | | | | 1,792,939 | 1,792,939 |
| 2031 | | | | 701,844 | 701,844 |
| 2032 | | | | 706,974 | 706,974 |
| | <u>\$ 11,748,589</u> | <u>\$ 15,263,450</u> | <u>\$ 1,183,881</u> | <u>\$ 73,577,405</u> | <u>\$ 101,773,325</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1996B-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING</u> <u>SEPTEMBER 30</u> | <u>INTEREST</u> <u>RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL</u> <u>DUE AUGUST 15</u> | <u>TOTAL DEBT</u> <u>SERVICE</u> |
|---|------------------------------------|------------------------|----------------------|--|-------------------------------------|
| | | <u>DUE FEBRUARY 15</u> | <u>DUE AUGUST 15</u> | | |
| 2014 | 3.18% | \$ 17,410 | \$ 17,410 | \$ 255,000 | \$ 289,820 |
| 2015 | 3.18% | 13,356 | 13,356 | 270,000 | 296,712 |
| 2016 | 3.18% | 9,063 | 9,063 | 280,000 | 298,126 |
| 2017 | 3.18% | 4,611 | 4,611 | 290,000 | 299,222 |
| | | <u>\$ 44,440</u> | <u>\$ 44,440</u> | <u>\$ 1,095,000</u> | <u>\$ 1,183,880</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2005
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING</u> <u>SEPTEMBER 30</u> | <u>INTEREST</u> <u>RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL</u> | <u>TOTAL DEBT</u> |
|---|------------------------------------|---------------------|------------------------|------------------------|----------------------|
| | | <u>DUE MARCH 1</u> | <u>DUE SEPTEMBER 1</u> | <u>DUE SEPTEMBER 1</u> | <u>SERVICE</u> |
| 2014 | 5.00% | \$ 310,750 | \$ 310,750 | \$ 1,855,000 | \$ 2,476,500 |
| 2015 | 5.00% | 264,375 | 264,375 | 1,955,000 | 2,483,750 |
| 2016 | 5.00% | 215,500 | 215,500 | 2,055,000 | 2,486,000 |
| 2017 | 5.00% | 164,125 | 164,125 | 2,150,000 | 2,478,250 |
| 2018 | 5.00% | 110,375 | 110,375 | 2,255,000 | 2,475,750 |
| 2019 | 4.00% | 54,000 | 54,000 | 1,320,000 | 1,428,000 |
| 2020 | 4.00% | 27,600 | 27,600 | 1,380,000 | 1,435,200 |
| | | <u>\$ 1,146,725</u> | <u>\$ 1,146,725</u> | <u>\$ 12,970,000</u> | <u>\$ 15,263,450</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - REFINANCED
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| YEAR ENDING SEPTEMBER 30 | INTEREST RATE - % | INTEREST | | PRINCIPAL | | TOTAL DEBT SERVICE |
|-----------------------------|----------------------|---------------------|---------------------|----------------------|----------------------|-----------------------|
| | | DUE MARCH 1 | DUE SEPTEMBER 1 | DUE MARCH 1 | DUE SEPTEMBER 1 | |
| 2014 | 3.19% | \$ 465,890 | \$ 451,949 | \$ 874,027 | \$ 887,967 | \$ 2,679,833 |
| 2015 | 3.19% | 437,786 | 423,397 | 902,131 | 916,519 | 2,679,833 |
| 2016 | 3.19% | 408,779 | 393,927 | 931,138 | 945,990 | 2,679,834 |
| 2017 | 3.19% | 378,838 | 363,509 | 961,078 | 976,407 | 2,679,832 |
| 2018 | 3.19% | 347,935 | 332,113 | 991,981 | 1,007,803 | 2,679,832 |
| 2019 | 3.19% | 316,039 | 299,708 | 1,023,878 | 1,040,208 | 2,679,833 |
| 2020 | 3.19% | 283,117 | 266,261 | 1,056,800 | 1,073,656 | 2,679,834 |
| 2021 | 3.19% | 249,136 | 231,738 | 1,090,781 | 1,108,179 | 2,679,834 |
| 2022 | 3.19% | 214,063 | 196,105 | 1,125,854 | 1,143,811 | 2,679,833 |
| 2023 | 3.19% | 177,861 | 159,327 | 1,162,055 | 1,180,590 | 2,679,833 |
| 2024 | 3.19% | 140,496 | 121,365 | 1,199,420 | 1,218,551 | 2,679,832 |
| 2025 | 3.19% | 101,930 | 82,184 | 1,237,987 | 1,257,733 | 2,679,834 |
| 2026 | 3.19% | 62,123 | 41,742 | 1,277,794 | 1,298,175 | 2,679,834 |
| 2027 | 3.19% | 21,036 | | 1,318,880 | | 1,339,916 |
| | | <u>\$ 3,605,029</u> | <u>\$ 3,363,325</u> | <u>\$ 15,153,804</u> | <u>\$ 14,055,589</u> | <u>\$ 36,177,747</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING</u> <u>SEPTEMBER 30</u> | <u>INTEREST</u> <u>RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL</u> <u>DUE AUGUST 15</u> | <u>TOTAL DEBT</u> <u>SERVICE</u> |
|---|------------------------------------|------------------------|----------------------|--|-------------------------------------|
| | | <u>DUE FEBRUARY 15</u> | <u>DUE AUGUST 15</u> | | |
| 2014 | 3.50% | \$ 163,450 | \$ 163,450 | \$ 410,000 | \$ 736,900 |
| 2015 | 3.50% | 156,275 | 156,275 | 425,000 | 737,550 |
| 2016 | 3.50% | 148,838 | 148,837 | 440,000 | 737,675 |
| 2017 | 3.50% | 141,137 | 141,138 | 455,000 | 737,275 |
| 2018 | 3.50% | 133,175 | 133,175 | 470,000 | 736,350 |
| 2019 | 3.50% | 124,950 | 124,950 | 485,000 | 734,900 |
| 2020 | 3.50% | 116,463 | 116,462 | 505,000 | 737,925 |
| 2021 | 3.50% | 107,625 | 107,625 | 525,000 | 740,250 |
| 2022 | 3.50% | 98,437 | 98,438 | 540,000 | 736,875 |
| 2023 | 3.50% | 88,988 | 88,987 | 560,000 | 737,975 |
| 2024 | 3.50% | 79,187 | 79,188 | 580,000 | 738,375 |
| 2025 | 3.50% | 69,038 | 69,037 | 600,000 | 738,075 |
| 2026 | 3.50% | 58,537 | 58,538 | 625,000 | 742,075 |
| 2027 | 3.50% | 47,600 | 47,600 | 645,000 | 740,200 |
| 2028 | 3.50% | 36,313 | 36,312 | 670,000 | 742,625 |
| 2029 | 3.50% | 24,587 | 24,588 | 690,000 | 739,175 |
| 2030 | 3.50% | 12,512 | 12,513 | 715,000 | 740,025 |
| | | <u>\$ 1,607,112</u> | <u>\$ 1,607,113</u> | <u>\$ 9,340,000</u> | <u>\$ 12,554,225</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF/ARRA-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING</u> <u>SEPTEMBER 30</u> | <u>INTEREST</u> <u>RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL</u> <u>DUE AUGUST 15</u> | <u>TOTAL DEBT</u> <u>SERVICE</u> |
|---|------------------------------------|------------------------|----------------------|--|-------------------------------------|
| | | <u>DUE FEBRUARY 15</u> | <u>DUE AUGUST 15</u> | | |
| 2014 | 3.50% | \$ 43,225 | \$ 43,225 | \$ 105,000 | \$ 191,450 |
| 2015 | 3.50% | 41,388 | 41,388 | 110,000 | 192,776 |
| 2016 | 3.50% | 39,462 | 39,462 | 115,000 | 193,924 |
| 2017 | 3.50% | 37,450 | 37,450 | 120,000 | 194,900 |
| 2018 | 3.50% | 35,350 | 35,350 | 125,000 | 195,700 |
| 2019 | 3.50% | 33,162 | 33,162 | 130,000 | 196,324 |
| 2020 | 3.50% | 30,887 | 30,887 | 135,000 | 196,774 |
| 2021 | 3.50% | 28,525 | 28,525 | 140,000 | 197,050 |
| 2022 | 3.50% | 26,075 | 26,075 | 145,000 | 197,150 |
| 2023 | 3.50% | 23,537 | 23,537 | 150,000 | 197,074 |
| 2024 | 3.50% | 20,912 | 20,912 | 155,000 | 196,824 |
| 2025 | 3.50% | 18,200 | 18,200 | 160,000 | 196,400 |
| 2026 | 3.50% | 15,400 | 15,400 | 165,000 | 195,800 |
| 2027 | 3.50% | 12,513 | 12,513 | 170,000 | 195,026 |
| 2028 | 3.50% | 9,538 | 9,538 | 175,000 | 194,076 |
| 2029 | 3.50% | 6,475 | 6,475 | 180,000 | 192,950 |
| 2030 | 3.50% | 3,325 | 3,325 | 190,000 | 196,650 |
| | | <u>\$ 425,424</u> | <u>\$ 425,424</u> | <u>\$ 2,470,000</u> | <u>\$ 3,320,848</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - DCWSRF/ARRA-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING</u> <u>SEPTEMBER 30</u> | <u>INTEREST</u> <u>RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL</u> <u>DUE AUGUST 15</u> | <u>TOTAL DEBT</u> <u>SERVICE</u> |
|---|------------------------------------|------------------------|----------------------|--|-------------------------------------|
| | | <u>DUE FEBRUARY 15</u> | <u>DUE AUGUST 15</u> | | |
| 2014 | 3.50% | \$ 32,900 | \$ 32,900 | \$ 80,000 | \$ 145,800 |
| 2015 | 3.50% | 31,500 | 31,500 | 85,000 | 148,000 |
| 2016 | 3.50% | 30,013 | 30,013 | 90,000 | 150,026 |
| 2017 | 3.50% | 28,438 | 28,438 | 90,000 | 146,876 |
| 2018 | 3.50% | 26,863 | 26,863 | 95,000 | 148,726 |
| 2019 | 3.50% | 25,200 | 25,200 | 100,000 | 150,400 |
| 2020 | 3.50% | 23,450 | 23,450 | 100,000 | 146,900 |
| 2021 | 3.50% | 21,700 | 21,700 | 105,000 | 148,400 |
| 2022 | 3.50% | 19,862 | 19,862 | 110,000 | 149,724 |
| 2023 | 3.50% | 17,938 | 17,938 | 115,000 | 150,876 |
| 2024 | 3.50% | 15,925 | 15,925 | 115,000 | 146,850 |
| 2025 | 3.50% | 13,912 | 13,912 | 120,000 | 147,824 |
| 2026 | 3.50% | 11,812 | 11,812 | 125,000 | 148,624 |
| 2027 | 3.50% | 9,625 | 9,625 | 130,000 | 149,250 |
| 2028 | 3.50% | 7,350 | 7,350 | 135,000 | 149,700 |
| 2029 | 3.50% | 4,987 | 4,987 | 140,000 | 149,974 |
| 2030 | 3.50% | 2,537 | 2,537 | 145,000 | 150,074 |
| | | <u>\$ 324,012</u> | <u>\$ 324,012</u> | <u>\$ 1,880,000</u> | <u>\$ 2,528,024</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010-CWSRF-BL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING SEPTEMBER 30</u> | <u>INTEREST RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL DUE AUGUST 15</u> | <u>TOTAL DEBT SERVICE</u> |
|-------------------------------------|------------------------------|------------------------|----------------------|------------------------------------|-------------------------------|
| | | <u>DUE FEBRUARY 15</u> | <u>DUE AUGUST 15</u> | | |
| 2014 | 2.61% | \$ 78,431 | \$ 78,431 | \$ 570,000 | \$ 726,862 |
| 2015 | 2.61% | 70,992 | 70,992 | 590,000 | 731,984 |
| 2016 | 2.61% | 63,293 | 63,293 | 615,000 | 741,586 |
| 2017 | 2.61% | 55,267 | 55,267 | 640,000 | 750,534 |
| 2018 | 2.61% | 46,915 | 46,915 | 665,000 | 758,830 |
| 2019 | 2.61% | 38,237 | 38,237 | 690,000 | 766,474 |
| 2020 | 2.61% | 29,232 | 29,232 | 720,000 | 778,464 |
| 2021 | 2.61% | 19,836 | 19,836 | 745,000 | 784,672 |
| 2022 | 2.61% | 10,114 | 10,114 | 775,000 | 795,228 |
| | | <u>\$ 412,317</u> | <u>\$ 412,317</u> | <u>\$ 6,010,000</u> | <u>\$ 6,834,634</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010B-CWSRF-BL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING SEPTEMBER 30</u> | <u>INTEREST RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL DUE AUGUST 15</u> | <u>TOTAL DEBT SERVICE</u> |
|-------------------------------------|------------------------------|------------------------|----------------------|------------------------------------|-------------------------------|
| | | <u>DUE FEBRUARY 15</u> | <u>DUE AUGUST 15</u> | | |
| 2014 | 2.50% | \$ 44,000 | \$ 44,000 | \$ 335,000 | \$ 423,000 |
| 2015 | 2.50% | 39,813 | 39,812 | 345,000 | 424,625 |
| 2016 | 2.50% | 35,500 | 35,500 | 360,000 | 431,000 |
| 2017 | 2.50% | 31,000 | 31,000 | 375,000 | 437,000 |
| 2018 | 2.50% | 26,313 | 26,312 | 390,000 | 442,625 |
| 2019 | 2.50% | 21,438 | 21,437 | 405,000 | 447,875 |
| 2020 | 2.50% | 16,375 | 16,375 | 420,000 | 452,750 |
| 2021 | 2.50% | 11,125 | 11,125 | 435,000 | 457,250 |
| 2022 | 2.50% | 5,688 | 5,687 | 455,000 | 466,375 |
| | | <u>\$ 231,252</u> | <u>\$ 231,248</u> | <u>\$ 3,520,000</u> | <u>\$ 3,982,500</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| YEAR ENDING SEPTEMBER 30 | INTEREST RATE - % | INTEREST | | PRINCIPAL DUE AUGUST 15 | TOTAL DEBT SERVICE |
|-----------------------------|----------------------|-------------------|-------------------|----------------------------|-----------------------|
| | | DUE FEBRUARY 15 | DUE AUGUST 15 | | |
| 2014 | 3.10% | \$ 50,685 | \$ 48,670 | \$ 130,000 | \$ 229,355 |
| 2015 | 3.10% | 48,670 | 46,578 | 135,000 | 230,248 |
| 2016 | 3.10% | 46,578 | 44,485 | 135,000 | 226,063 |
| 2017 | 3.10% | 44,485 | 42,315 | 140,000 | 226,800 |
| 2018 | 3.10% | 42,315 | 40,068 | 145,000 | 227,383 |
| 2019 | 3.10% | 40,068 | 37,743 | 150,000 | 227,811 |
| 2020 | 3.10% | 37,743 | 35,340 | 155,000 | 228,083 |
| 2021 | 3.10% | 35,340 | 32,860 | 160,000 | 228,200 |
| 2022 | 3.10% | 32,860 | 30,303 | 165,000 | 228,163 |
| 2023 | 3.10% | 30,303 | 27,667 | 170,000 | 227,970 |
| 2024 | 3.10% | 27,667 | 24,955 | 175,000 | 227,622 |
| 2025 | 3.10% | 24,955 | 22,165 | 180,000 | 227,120 |
| 2026 | 3.10% | 22,165 | 19,297 | 185,000 | 226,462 |
| 2027 | 3.10% | 19,297 | 16,352 | 190,000 | 225,649 |
| 2028 | 3.10% | 16,352 | 13,252 | 200,000 | 229,604 |
| 2029 | 3.10% | 13,252 | 10,075 | 205,000 | 228,327 |
| 2030 | 3.10% | 10,075 | 6,820 | 210,000 | 226,895 |
| 2031 | 3.10% | 6,820 | 3,487 | 215,000 | 225,307 |
| 2032 | 3.10% | 3,487 | | 225,000 | 228,487 |
| | | <u>\$ 553,117</u> | <u>\$ 502,432</u> | <u>\$ 3,270,000</u> | <u>\$ 4,325,549</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| YEAR ENDING SEPTEMBER 30 | INTEREST RATE - % | INTEREST | | PRINCIPAL DUE AUGUST 15 | TOTAL DEBT SERVICE |
|-----------------------------|----------------------|---------------------|---------------------|----------------------------|-----------------------|
| | | DUE FEBRUARY 15 | DUE AUGUST 15 | | |
| 2014 | 2.90% | \$ 100,050 | \$ 100,050 | \$ 275,000 | \$ 475,100 |
| 2015 | 2.90% | 96,063 | 96,062 | 285,000 | 477,125 |
| 2016 | 2.90% | 91,930 | 91,930 | 290,000 | 473,860 |
| 2017 | 2.90% | 87,725 | 87,725 | 300,000 | 475,450 |
| 2018 | 2.90% | 83,375 | 83,375 | 310,000 | 476,750 |
| 2019 | 2.90% | 78,880 | 78,880 | 320,000 | 477,760 |
| 2020 | 2.90% | 74,240 | 74,240 | 330,000 | 478,480 |
| 2021 | 2.90% | 69,455 | 69,455 | 340,000 | 478,910 |
| 2022 | 2.90% | 64,525 | 64,525 | 350,000 | 479,050 |
| 2023 | 2.90% | 59,450 | 59,450 | 360,000 | 478,900 |
| 2024 | 2.90% | 54,230 | 54,230 | 370,000 | 478,460 |
| 2025 | 2.90% | 48,865 | 48,865 | 380,000 | 477,730 |
| 2026 | 2.90% | 43,355 | 43,355 | 390,000 | 476,710 |
| 2027 | 2.90% | 37,700 | 37,700 | 405,000 | 480,400 |
| 2028 | 2.90% | 31,828 | 31,827 | 415,000 | 478,655 |
| 2029 | 2.90% | 25,810 | 25,810 | 425,000 | 476,620 |
| 2030 | 2.90% | 19,648 | 19,647 | 440,000 | 479,295 |
| 2031 | 2.90% | 13,268 | 13,267 | 450,000 | 476,535 |
| 2032 | 2.90% | 6,743 | 6,742 | 465,000 | 478,485 |
| | | <u>\$ 1,087,140</u> | <u>\$ 1,087,135</u> | <u>\$ 6,900,000</u> | <u>\$ 9,074,275</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2013
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2013

| <u>YEAR ENDING</u> <u>SEPTEMBER 30</u> | <u>INTEREST</u> <u>RATE - %</u> | <u>INTEREST</u> | | <u>PRINCIPAL</u> | | <u>TOTAL DEBT</u> <u>SERVICE</u> |
|---|------------------------------------|--------------------|------------------------|---------------------|------------------------|-------------------------------------|
| | | <u>DUE MARCH 1</u> | <u>DUE SEPTEMBER 1</u> | <u>DUE MARCH 1</u> | <u>DUE SEPTEMBER 1</u> | |
| 2014 | 2.80% | \$ 80,057 | \$ 77,612 | \$ 263,532 | \$ 265,977 | \$ 687,178 |
| 2015 | 2.80% | 72,602 | 69,928 | 270,987 | 273,661 | 687,178 |
| 2016 | 2.80% | 65,294 | 62,029 | 278,295 | 281,561 | 687,179 |
| 2017 | 2.80% | 57,053 | 53,899 | 286,536 | 289,691 | 687,179 |
| 2018 | 2.80% | 48,941 | 45,535 | 294,648 | 298,053 | 687,177 |
| 2019 | 2.80% | 40,598 | 36,934 | 302,992 | 306,655 | 687,179 |
| 2020 | 2.80% | 32,192 | 28,089 | 311,397 | 315,500 | 687,178 |
| 2021 | 2.80% | 23,190 | 18,989 | 320,399 | 324,600 | 687,178 |
| 2022 | 2.80% | 14,110 | 9,628 | 329,480 | 333,961 | 687,179 |
| 2023 | 2.80% | 4,770 | | 338,819 | | 343,589 |
| | | <u>\$ 438,807</u> | <u>\$ 402,643</u> | <u>\$ 2,997,085</u> | <u>\$ 2,689,659</u> | <u>\$ 6,528,194</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2013

CAPITAL ASSETS:

| | |
|-----------------------------------|-----------------------|
| Land and easements | \$ 10,143,493 |
| Buildings | 80,793,343 |
| Improvements other than buildings | 40,637,695 |
| Machinery and equipment | 45,341,464 |
| Infrastructure | 452,326,965 |
| Construction in progress | 675,398 |
| Total Capital Assets | \$ 629,918,358 |

INVESTMENTS IN CAPITAL ASSETS FROM:

| | |
|---|-----------------------|
| Capital Projects Funds: | |
| General obligation bonds | \$ 57,751,457 |
| Grants | 19,817,303 |
| General fund revenues | 548,625,796 |
| Special revenue fund revenues | 243,851 |
| Gifts | 3,407,613 |
| Utility fund revenues | 72,338 |
| Total Investment in Capital Assets | \$ 629,918,358 |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2013

| FUNCTION AND ACTIVITY | LAND | BUILDINGS | IMPROVEMENTS OTHER THAN BUILDINGS | MACHINERY AND EQUIPMENT | INFRASTRUCTURE | CONSTRUCTION IN PROGRESS | TOTAL |
|-------------------------------|----------------------|----------------------|---|-------------------------------|-----------------------|--------------------------------|-----------------------|
| General Government: | | | | | | | |
| Control: | | | | | | | |
| General administrative | \$ 1,638,231 | \$ 2,555,267 | \$ 2,967,585 | \$ 360,416 | \$ | \$ | \$ 7,521,499 |
| Staff Agencies: | | | | | | | |
| Information system/Technology | | | 84,515 | 6,746,247 | | | 6,830,762 |
| Budget and finance | | 276,022 | | 44,237 | | | 320,259 |
| Personnel services | | | | 5,009 | | | 5,009 |
| Total Staff Agencies | - | 276,022 | 84,515 | 6,795,493 | - | - | 7,156,030 |
| Total General Government | 1,638,231 | 2,831,289 | 3,052,100 | 7,155,909 | - | - | 14,677,529 |
| Public Safety: | | | | | | | |
| Fire department | 438,378 | 6,363,962 | 935,859 | 7,612,448 | | | 15,350,647 |
| Police department | 15,332 | 6,130,234 | 7,980,903 | 13,784,979 | | | 27,911,448 |
| Total Public Safety | 453,710 | 12,494,196 | 8,916,762 | 21,397,427 | - | - | 43,262,095 |
| Public Works: | | | | | | | |
| Street department | 175,837 | 40,110 | 1,914,441 | 3,979,795 | 448,294,260 | 181,263 | 454,585,706 |
| Environmental services | 1,826,060 | 1,042,790 | 4,902,563 | 7,992,560 | | | 15,763,973 |
| Special assessments | 25,000 | | 7,308,292 | | | | 7,333,292 |
| Health and welfare | 106,381 | 599,781 | 30,782 | | | | 736,944 |
| Engineering department | 563,634 | 979,632 | | 1,356,955 | 4,032,705 | | 6,932,926 |
| Culture and recreation | 4,369,861 | 19,293,979 | 12,373,543 | 2,086,509 | | 494,135 | 38,618,027 |
| General services | | 1,455,946 | 1,910,515 | 240,165 | | | 3,606,626 |
| Equipment maintenance | | 1,268,530 | 228,697 | 1,132,144 | | | 2,629,371 |
| Schools | 984,779 | 40,787,090 | | | | | 41,771,869 |
| Total Other | 8,051,552 | 65,467,858 | 28,668,833 | 16,788,128 | 452,326,965 | 675,398 | 571,978,734 |
| Total Capital Assets | \$ 10,143,493 | \$ 80,793,343 | \$ 40,637,695 | \$ 45,341,464 | \$ 452,326,965 | \$ 675,398 | \$ 629,918,358 |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| FUNCTION AND ACTIVITY | GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2012 | ADDITIONS | DEDUCTIONS | GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2013 |
|-------------------------------|--|---------------------|---------------------|---|
| General Government: | | | | |
| Control: | | | | |
| General administrative | \$ 7,501,621 | \$ 19,878 | \$ | \$ 7,521,499 |
| Staff Agencies: | | | | |
| Information system/Technology | 6,321,656 | 530,922 | 21,816 | 6,830,762 |
| Budget and finance | 320,259 | | | 320,259 |
| Personnel services | 5,009 | | | 5,009 |
| Total Staff Agencies | 6,646,924 | 530,922 | 21,816 | 7,156,030 |
| Total General Government | 14,148,545 | 550,800 | 21,816 | 14,677,529 |
| Public Safety: | | | | |
| Fire department | 14,554,393 | 1,320,889 | 524,635 | 15,350,647 |
| Police department | 27,483,033 | 695,827 | 267,412 | 27,911,448 |
| Total Public Safety | 42,037,426 | 2,016,716 | 792,047 | 43,262,095 |
| Public Works: | | | | |
| Street department | 453,249,785 | 1,184,868 | 30,210 | 454,404,443 |
| Environmental services | 14,914,497 | 1,124,347 | 274,871 | 15,763,973 |
| Special assessments | 7,333,292 | | | 7,333,292 |
| Health and welfare | 736,944 | | | 736,944 |
| Engineering department | 6,872,550 | 126,757 | 66,381 | 6,932,926 |
| Culture and recreation | 37,728,133 | 445,873 | 50,114 | 38,123,892 |
| General services | 3,596,627 | 9,999 | | 3,606,626 |
| Equipment maintenance | 2,581,875 | 47,496 | | 2,629,371 |
| Schools | 41,771,869 | | | 41,771,869 |
| Construction in progress | 155,294 | 555,470 | 35,366 | 675,398 |
| Total Other | 568,940,866 | 3,494,810 | 456,942 | 571,978,734 |
| Total Capital Assets | \$ 625,126,837 | \$ 6,062,326 | \$ 1,270,805 | \$ 629,918,358 |

STATISTICAL SECTION

This part of the City of Dothan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

SCHEDULES

Financial Trends

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

1 through 5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

6 through 13

Debt Capacity

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 additional debt in the future.

14 through 18

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.

19 through 20

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.

21 through 23

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 1
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

| | FISCAL YEAR | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009* | 2010 | 2011 | 2012* | 2013 |
| Governmental activities: | | | | | | | | | | |
| Net Investment in capital assets | \$ 49,625,294 | \$ 43,451,427 | \$ 47,940,499 | \$ 51,292,351 | \$ 64,629,115 | \$ 64,885,874 | \$ 72,249,076 | \$ 67,878,821 | \$ 65,697,028 | \$ 60,178,207 |
| Restricted | | | | | | | | 2,095,216 | 1,890,847 | 883,855 |
| Unrestricted | 18,900,566 | 22,742,199 | 20,992,153 | 30,747,617 | 26,607,659 | 25,478,733 | 15,901,796 | 15,648,974 | 19,429,428 | 23,962,712 |
| Total governmental activities net position | <u>\$ 68,525,860</u> | <u>\$ 66,193,626</u> | <u>\$ 68,932,652</u> | <u>\$ 82,039,968</u> | <u>\$ 91,236,774</u> | <u>\$ 90,364,607</u> | <u>\$ 88,150,872</u> | <u>\$ 85,623,011</u> | <u>\$ 87,017,303</u> | <u>\$ 85,024,774</u> |
| Business-type activities: | | | | | | | | | | |
| Net Investment in capital assets | \$ 64,330,356 | \$ 61,831,904 | \$ 59,920,342 | \$ 58,958,119 | \$ 65,742,315 | \$ 35,228,445 | \$ 76,117,766 | \$ 75,242,583 | \$ 76,334,093 | \$ 77,161,777 |
| Restricted | | | | | | | | | | |
| Unrestricted | 12,611,485 | 14,245,481 | 15,749,787 | 11,089,188 | 9,432,608 | 43,545,399 | 12,238,772 | 15,573,505 | 26,197,869 | 34,637,039 |
| Total business-type activities net position | <u>\$ 76,941,841</u> | <u>\$ 76,077,385</u> | <u>\$ 75,670,129</u> | <u>\$ 70,047,307</u> | <u>\$ 75,174,923</u> | <u>\$ 78,773,844</u> | <u>\$ 88,356,538</u> | <u>\$ 90,816,088</u> | <u>\$ 102,531,962</u> | <u>\$ 111,798,816</u> |
| Primary government: | | | | | | | | | | |
| Net Investment in capital assets | \$ 113,955,650 | \$ 105,283,331 | \$ 107,860,841 | \$ 110,250,470 | \$ 130,371,430 | \$ 100,114,319 | \$ 148,366,842 | \$ 143,121,404 | \$ 142,031,121 | \$ 137,339,984 |
| Restricted | | | | | | | | 2,095,216 | 1,890,847 | 883,855 |
| Unrestricted | 31,512,051 | 36,987,680 | 36,741,940 | 41,836,805 | 36,040,267 | 69,024,132 | 28,140,568 | 31,222,479 | 45,627,297 | 58,599,751 |
| Total primary government net position | <u>\$ 145,467,701</u> | <u>\$ 142,271,011</u> | <u>\$ 144,602,781</u> | <u>\$ 152,087,275</u> | <u>\$ 166,411,697</u> | <u>\$ 169,138,451</u> | <u>\$ 176,507,410</u> | <u>\$ 176,439,099</u> | <u>\$ 189,549,265</u> | <u>\$ 196,823,590</u> |

* Restated

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 2
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

| | FISCAL YEAR | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009* | 2010 | 2011 | 2012* | 2013 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 7,031,190 | \$ 11,722,770 | \$ 7,633,252 | \$ 9,546,479 | \$ 12,302,305 | \$ 12,600,046 | \$ 11,001,741 | \$ 11,029,224 | \$ 11,037,383 | \$ 11,674,501 |
| Public safety | 23,100,249 | 24,452,597 | 26,456,406 | 27,216,223 | 30,426,110 | 31,297,631 | 31,611,850 | 31,622,540 | 32,058,857 | 33,322,634 |
| General services | 3,310,586 | 3,529,222 | 3,700,586 | 4,179,402 | 4,083,521 | 4,129,934 | 4,266,239 | 4,212,794 | 4,110,320 | 4,160,935 |
| Planning and development | | | 907,988 | 1,716,024 | 2,127,682 | 1,842,436 | 1,831,734 | 1,905,105 | 1,813,546 | 1,898,944 |
| Other public works | 13,322,446 | 15,860,328 | 14,735,368 | 16,205,389 | 17,066,229 | 17,090,677 | 19,370,655 | 19,261,112 | 16,805,008 | 17,717,453 |
| Insurance department | 2,508,321 | 752,477 | 1,298,190 | 2,280,195 | 1,372,577 | 967,449 | 2,952,101 | 193,439 | 805,007 | 1,280,974 |
| Culture and recreation | 7,783,903 | 8,283,238 | 9,031,499 | 8,802,257 | 9,289,960 | 8,946,229 | 8,852,430 | 9,122,274 | 9,051,421 | 9,742,400 |
| Education | 4,226,200 | 4,219,232 | 4,214,964 | 4,200,254 | 4,292,381 | 5,037,882 | 4,910,453 | 4,896,831 | 4,536,041 | 4,517,464 |
| Health and welfare | 2,259,639 | 2,478,188 | 2,691,643 | 2,748,051 | 3,177,356 | 2,802,426 | 2,829,474 | 2,808,433 | 3,001,400 | 4,010,247 |
| Interest/fiscal charges on long term debt | 1,883,900 | 3,042,564 | 1,651,219 | 1,538,742 | 1,303,157 | 1,235,362 | 1,294,921 | 1,036,530 | 912,187 | 829,200 |
| Total governmental activities expenses | <u>65,426,434</u> | <u>74,340,616</u> | <u>72,321,115</u> | <u>78,433,016</u> | <u>85,441,278</u> | <u>85,950,072</u> | <u>88,921,598</u> | <u>86,088,282</u> | <u>84,131,170</u> | <u>89,154,752</u> |
| Business-type activities: | | | | | | | | | | |
| Electric | 50,213,298 | 55,739,231 | 66,805,424 | 68,460,589 | 81,775,804 | 75,945,047 | 74,776,610 | 80,657,794 | 76,568,506 | 73,712,450 |
| Water | 3,361,811 | 3,410,332 | 4,441,584 | 4,762,838 | 5,000,547 | 4,686,129 | 4,609,101 | 4,444,222 | 4,475,163 | 4,616,969 |
| Wastewater | 3,783,938 | 4,198,634 | 4,683,960 | 4,699,808 | 5,321,748 | 5,264,458 | 5,292,632 | 11,241,561 | 5,949,634 | 6,474,014 |
| Billing - collection department | 918,710 | 1,081,648 | 1,154,371 | 1,167,903 | 1,644,176 | 1,685,596 | 2,192,086 | 1,719,522 | 1,963,121 | 1,876,462 |
| Meter reading department | 538,300 | 607,164 | 680,500 | 707,810 | 710,807 | 785,078 | 773,300 | 807,608 | 768,870 | 840,669 |
| Depreciation | 4,400,169 | 4,922,431 | 4,910,410 | 5,063,185 | 5,201,178 | 5,541,814 | 5,619,000 | 5,610,807 | 5,804,205 | 6,308,984 |
| Miscellaneous | 841,164 | 622,207 | 597,676 | 731,552 | 1,232,347 | 911,395 | 682,221 | 613,665 | 592,935 | 753,836 |
| Bond issue costs | 25,746 | 52,969 | 48,020 | 47,753 | 47,486 | 47,485 | 47,486 | 47,486 | 47,486 | |
| Gain (loss) on disposition of capital assets | 372,864 | 280,421 | 305,653 | 4,227 | 1,515 | 1,094 | 8,600 | 45,741 | 289,649 | 268,174 |
| Interest and fiscal charges | 1,356,225 | 1,155,590 | 1,223,227 | 1,409,409 | 1,322,018 | 1,128,289 | 2,323,818 | 2,242,768 | 2,145,298 | 1,942,975 |
| Total business-type activities expenses | <u>65,812,225</u> | <u>72,070,627</u> | <u>84,850,825</u> | <u>87,055,074</u> | <u>102,257,626</u> | <u>95,996,385</u> | <u>96,324,854</u> | <u>107,431,174</u> | <u>98,557,381</u> | <u>96,794,533</u> |
| Total primary government expenses | <u>\$ 131,238,659</u> | <u>\$ 146,411,243</u> | <u>\$ 157,171,940</u> | <u>\$ 165,488,090</u> | <u>\$ 187,698,904</u> | <u>\$ 181,946,457</u> | <u>\$ 185,246,452</u> | <u>\$ 193,519,456</u> | <u>\$ 182,688,551</u> | <u>\$ 185,949,285</u> |
| Program Revenues (see Schedule 3) | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Other public works | \$ 442,674 | \$ 531,684 | \$ 61,755 | \$ 44,060 | \$ 27,400 | \$ | \$ 395,381 | \$ | \$ | \$ 2,475,778 |
| Culture and recreation | 2,323,210 | 2,274,426 | 2,424,322 | 2,405,222 | 2,197,448 | 2,202,950 | 1,927,497 | 2,150,847 | 2,155,359 | 2,035,062 |
| General government | 2,016,091 | 2,144,198 | 2,189,135 | 2,439,358 | 2,750,270 | 2,858,833 | 2,849,820 | 3,131,858 | 3,340,348 | 3,481,504 |
| Public safety | 1,465,203 | 1,307,930 | 1,410,632 | 1,522,868 | 1,596,361 | 1,715,074 | 1,695,962 | 1,824,009 | 2,034,082 | 1,841,637 |
| Planning and development | | | 401,217 | 420,816 | 547,406 | 406,971 | 408,863 | 436,465 | 436,958 | 412,672 |
| Operating grants and contributions | 124,642 | 95,468 | 128,275 | 135,421 | 999,637 | 102,143 | 143,851 | 171,923 | 136,040 | 117,809 |
| Capital grants and contributions | 2,597,395 | 1,487,457 | 1,677,575 | 2,060,764 | 8,847,239 | 4,896,838 | 3,492,769 | 1,775,146 | 1,400,003 | 1,288,965 |
| Total governmental activities program revenues | <u>8,969,215</u> | <u>7,841,163</u> | <u>8,292,911</u> | <u>9,028,509</u> | <u>16,965,761</u> | <u>12,182,809</u> | <u>10,914,143</u> | <u>9,490,248</u> | <u>9,502,790</u> | <u>11,653,427</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Electric | 63,370,817 | 68,298,950 | 79,169,002 | 77,863,441 | 93,405,012 | 88,528,977 | 90,235,422 | 92,254,808 | 91,684,293 | 89,675,760 |
| Water | 7,209,493 | 7,212,446 | 8,562,902 | 8,637,309 | 8,710,000 | 8,102,170 | 8,552,873 | 9,439,879 | 9,300,436 | 8,385,523 |
| Wastewater/sewer | 3,367,408 | 3,468,794 | 3,556,534 | 3,738,462 | 3,853,340 | 3,663,122 | 5,941,744 | 8,372,386 | 10,439,126 | 11,917,504 |
| E-911 | 1,004,436 | 1,023,188 | 1,018,927 | 1,059,725 | 1,197,116 | 1,191,856 | 1,163,718 | 1,099,713 | 1,278,007 | 1,443,736 |
| Capital grants and contributions | | | | | | | 3,379,572 | | 195,213 | 385,744 |
| Total business-type activities program revenues | <u>74,952,154</u> | <u>80,003,378</u> | <u>92,307,365</u> | <u>91,298,937</u> | <u>107,165,468</u> | <u>101,486,125</u> | <u>109,273,329</u> | <u>111,166,786</u> | <u>112,897,075</u> | <u>111,808,267</u> |
| Total primary government program revenues | <u>\$ 83,921,369</u> | <u>\$ 87,844,541</u> | <u>\$ 100,600,276</u> | <u>\$ 100,327,446</u> | <u>\$ 124,131,229</u> | <u>\$ 113,668,934</u> | <u>\$ 120,187,472</u> | <u>\$ 120,657,034</u> | <u>\$ 122,399,865</u> | <u>\$ 123,461,694</u> |

Notes: In 2006 the Planning and Development Department was created.
 * Restated

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 2
CHANGES IN NET POSITION - CONTINUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)

| | FISCAL YEAR | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009* | 2010 | 2011 | 2012* | 2013 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (56,457,219) | \$ (66,499,453) | \$ (64,028,204) | \$ (69,404,507) | \$ (68,475,517) | \$ (73,767,263) | \$ (78,007,455) | \$ (76,598,034) | \$ (74,628,380) | \$ (77,501,325) |
| Business-type activities | 9,139,929 | 7,932,751 | 7,456,540 | 4,243,863 | 4,907,842 | 5,489,740 | 12,948,475 | 3,735,612 | 14,339,694 | 15,013,734 |
| Total primary government net expense | <u>\$ (47,317,290)</u> | <u>\$ (58,566,702)</u> | <u>\$ (56,571,664)</u> | <u>\$ (65,160,644)</u> | <u>\$ (63,567,675)</u> | <u>\$ (68,277,523)</u> | <u>\$ (65,058,980)</u> | <u>\$ (72,862,422)</u> | <u>\$ (60,288,686)</u> | <u>\$ (62,487,591)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| General property tax | \$ 3,165,845 | \$ 3,265,010 | \$ 3,513,899 | \$ 3,856,234 | \$ 4,147,863 | \$ 4,283,982 | \$ 4,309,765 | \$ 4,452,709 | \$ 4,487,450 | \$ 4,511,219 |
| General sales and use tax | 38,149,976 | 40,448,484 | 43,135,036 | 54,624,378 | 58,453,155 | 55,758,545 | 55,274,479 | 56,531,207 | 57,265,598 | 59,091,229 |
| Alcoholic beverage tax | 1,072,016 | 1,087,469 | 1,151,766 | 1,236,413 | 1,251,414 | 1,238,156 | 1,191,763 | 1,191,295 | 1,210,013 | 1,185,932 |
| Lodging tax | 827,775 | 1,157,201 | 1,463,558 | 1,374,262 | 1,437,757 | 1,469,729 | 1,553,786 | 1,631,247 | 1,565,896 | 1,599,957 |
| Franchise tax | 1,788,704 | 1,541,675 | 1,094,944 | 932,430 | 1,797,381 | 1,605,566 | 2,623,546 | 2,820,069 | 2,248,294 | 2,470,533 |
| Cigarette tax | 324,734 | 309,861 | 327,117 | 314,706 | 309,281 | 306,542 | 325,389 | 303,738 | 294,300 | 265,950 |
| Unrestricted grants and contributions | 2,817,390 | 1,867,593 | 2,729,560 | 1,814,424 | 1,533,542 | 1,432,043 | 2,836,375 | 2,047,134 | 1,835,591 | 2,710,406 |
| Unrestricted investment earnings | 278,245 | 698,250 | 1,424,588 | 1,664,266 | 1,029,183 | 348,556 | 312,047 | 253,518 | 179,658 | 137,581 |
| Miscellaneous | 1,606,846 | 3,436,794 | 1,928,507 | 4,716,892 | 4,717,356 | 2,693,774 | 2,573,773 | 2,236,110 | 2,498,704 | 2,604,485 |
| Transfers | 9,958,426 | 10,354,882 | 9,998,255 | 11,977,818 | 2,995,391 | 3,118,979 | 4,792,797 | 2,603,146 | 6,101,827 | 6,931,504 |
| Special items | | | | | | | | | (1,427,363) | (6,000,000) |
| Total governmental activities | <u>59,989,957</u> | <u>64,167,219</u> | <u>66,767,230</u> | <u>82,511,823</u> | <u>77,672,323</u> | <u>72,255,872</u> | <u>75,793,720</u> | <u>74,070,173</u> | <u>76,259,968</u> | <u>75,508,796</u> |
| Business-type activities: | | | | | | | | | | |
| Unrestricted grants and contributions | 44,346 | 6,200 | | | | | 293,194 | 274,470 | 196,188 | 74,849 |
| Unrestricted investment earnings | 184,887 | 525,497 | 1,069,104 | 1,125,125 | 574,015 | 166,359 | 239,355 | 114,809 | 106,013 | 119,370 |
| Gain on sale of capital assets | | | | | | 104,746 | | | | |
| Miscellaneous | 963,696 | 1,025,978 | 1,065,355 | 986,008 | 2,641,150 | 957,055 | 894,467 | 937,805 | 1,056,759 | 990,405 |
| Transfers | (9,958,426) | (10,354,882) | (9,998,255) | (11,977,818) | (2,995,391) | (3,118,979) | (4,792,797) | (2,603,146) | (6,101,827) | (6,931,504) |
| Total business-type activities | <u>(8,765,497)</u> | <u>(8,797,207)</u> | <u>(7,863,796)</u> | <u>(9,866,685)</u> | <u>219,774</u> | <u>(1,890,819)</u> | <u>(3,365,781)</u> | <u>(1,276,062)</u> | <u>(4,742,867)</u> | <u>(5,746,880)</u> |
| Total primary government | <u>\$ 51,224,460</u> | <u>\$ 55,370,012</u> | <u>\$ 58,903,434</u> | <u>\$ 72,645,138</u> | <u>\$ 77,892,097</u> | <u>\$ 70,365,053</u> | <u>\$ 72,427,939</u> | <u>\$ 72,794,111</u> | <u>\$ 71,517,101</u> | <u>\$ 69,761,916</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 3,532,738 | \$ (2,332,234) | \$ 2,739,026 | \$ 13,107,316 | \$ 9,196,806 | \$ (1,511,392) | \$ (2,213,735) | \$ (2,527,861) | \$ 1,631,588 | \$ (1,992,529) |
| Business-type activities | 374,432 | (864,456) | (407,256) | (5,622,822) | 5,127,616 | 3,598,921 | 9,582,694 | 2,459,550 | 9,596,827 | 9,266,854 |
| Total primary government | <u>\$ 3,907,170</u> | <u>\$ (3,196,690)</u> | <u>\$ 2,331,770</u> | <u>\$ 7,484,494</u> | <u>\$ 14,324,422</u> | <u>\$ 2,087,529</u> | <u>\$ 7,368,959</u> | <u>\$ (68,311)</u> | <u>\$ 11,228,415</u> | <u>\$ 7,274,325</u> |

Notes: In 2012, special items consist of contribution of property to Houston-Love Memorial Library.
In 2013, special items consist of payment of bond proceeds to the Dothan-Houston County Airport Authority for Economic Development.

* Restated

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 3
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(accrual basis of accounting)

| | FISCAL YEAR | | | | | | | | | |
|-----------------------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Function/Program | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,112,964 | \$ 2,226,123 | \$ 2,268,097 | \$ 2,545,692 | \$ 2,833,772 | \$ 2,937,237 | \$ 2,937,809 | \$ 3,239,033 | \$ 3,447,668 | \$ 3,573,230 |
| Public safety | 2,592,972 | 1,391,997 | 1,835,958 | 1,621,932 | 2,692,575 | 1,775,724 | 2,071,724 | 2,218,131 | 2,243,162 | 1,973,066 |
| Other public works | 1,940,069 | 1,948,617 | 1,363,317 | 2,034,847 | 8,694,560 | 4,859,927 | 2,808,250 | 1,445,772 | 1,219,643 | 3,659,397 |
| Planning and development | | | 401,217 | 420,816 | 547,406 | 406,971 | 408,863 | 436,465 | 436,958 | 412,672 |
| Culture and recreation | 2,323,210 | 2,274,426 | 2,424,322 | 2,405,222 | 2,197,448 | 2,202,950 | 2,687,497 | 2,150,847 | 2,155,359 | 2,035,062 |
| Health and welfare | | | | | | | | | | |
| Subtotal governmental activities | <u>8,969,215</u> | <u>7,841,163</u> | <u>8,292,911</u> | <u>9,028,509</u> | <u>16,965,761</u> | <u>12,182,809</u> | <u>10,914,143</u> | <u>9,490,248</u> | <u>9,502,790</u> | <u>11,653,427</u> |
| Business-type activities: | | | | | | | | | | |
| Electric | 63,370,817 | 68,298,950 | 79,169,002 | 77,863,441 | 93,405,012 | 88,528,977 | 90,296,689 | 92,254,808 | 91,879,506 | 89,675,760 |
| Water | 7,209,493 | 7,212,446 | 8,562,902 | 8,637,309 | 8,710,000 | 8,102,170 | 9,573,922 | 9,439,879 | 9,300,436 | 8,692,261 |
| Wastewater/sewer | 3,367,408 | 3,468,794 | 3,556,534 | 3,738,462 | 3,853,340 | 3,663,122 | 8,239,000 | 8,372,386 | 10,439,126 | 11,996,510 |
| E-911 | 1,004,436 | 1,023,188 | 1,018,927 | 1,059,725 | 1,197,116 | 1,191,856 | 1,163,718 | 1,099,713 | 1,278,007 | 1,443,736 |
| Subtotal business-type activities | <u>74,952,154</u> | <u>80,003,378</u> | <u>92,307,365</u> | <u>91,298,937</u> | <u>107,165,468</u> | <u>101,486,125</u> | <u>109,273,329</u> | <u>111,166,786</u> | <u>112,897,075</u> | <u>111,808,267</u> |
| Total primary government | <u>\$ 83,921,369</u> | <u>\$ 87,844,541</u> | <u>\$ 100,600,276</u> | <u>\$ 100,327,446</u> | <u>\$ 124,131,229</u> | <u>\$ 113,668,934</u> | <u>\$ 120,187,472</u> | <u>\$ 120,657,034</u> | <u>\$ 122,399,865</u> | <u>\$ 123,461,694</u> |

Notes: In 2006, the Planning and Development Department was created.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 4
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

| | FISCAL YEAR | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Fund | | | | | | | | | | |
| Reserved | \$ 6,853,899 | \$ 8,591,576 | \$ 5,471,838 | \$ 15,353,173 | \$ 12,805,487 | \$ 14,809,388 | \$ 10,411,532 | \$ | \$ | \$ |
| Unreserved | 17,524,349 | 21,449,322 | 23,526,978 | 23,622,614 | 23,575,737 | 17,580,459 | 20,403,277 | | | |
| Nonspendable | | | | | | | | 325,046 | 373,624 | 327,987 |
| Restricted | | | | | | | | 1,439,033 | 1,377,477 | 340,115 |
| Committed | | | | | | | | 7,876,731 | 8,232,004 | 7,769,260 |
| Assigned | | | | | | | | 12,558,731 | 15,158,610 | 24,438,262 |
| Unassigned | | | | | | | | 11,461,686 | 14,024,201 | 11,423,170 |
| Total general fund | \$ 24,378,248 | \$ 30,040,898 | \$ 28,998,816 | \$ 38,975,787 | \$ 36,381,224 | \$ 32,389,847 | \$ 30,814,809 | \$ 33,661,227 | \$ 39,165,916 | \$ 44,298,794 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$ 480,043 | \$ 837,506 | \$ 296,741 | \$ 571,053 | \$ 21,229 | \$ 2,014 | \$ 2,356 | \$ | \$ | \$ |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 16,031 | 59,043 | 137,752 | 220,643 | 296,076 | 296,379 | | | | |
| Capital projects funds | | 931,510 | | | | 5,023,109 | 2,261,950 | | | |
| Debt service funds | | | | | | | | | | |
| Nonspendable | | | | | | | | | | |
| Restricted | | | | | | | | 770,795 | 2,530,944 | 1,897,016 |
| Committed | | | | | | | | | | |
| Assigned | | | | | | | | | | |
| Unassigned | | | | | | | | | | |
| Total all other governmental funds | \$ 496,074 | \$ 1,828,059 | \$ 434,493 | \$ 791,696 | \$ 317,305 | \$ 5,321,502 | \$ 2,264,306 | \$ 770,795 | \$ 2,530,944 | \$ 1,897,016 |

Notes: In 2011, GASB 54 redefined how fund balances are presented. It required that the governmental fund balances be reclassified.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 5
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

| | FISCAL YEAR | | | | | | | | | |
|---|---------------------|---------------------|-----------------------|----------------------|-----------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Revenues | | | | | | | | | | |
| Taxes (see Schedule 6) | \$ 45,329,050 | \$ 47,809,700 | \$ 50,686,320 | \$ 62,338,423 | \$ 67,396,851 | \$ 64,662,520 | \$ 65,278,728 | \$ 66,930,265 | \$ 67,071,551 | \$ 69,124,820 |
| Licenses, fees, and permits | 2,345,856 | 2,492,482 | 2,573,704 | 2,805,965 | 3,213,880 | 3,208,431 | 3,185,938 | 3,528,255 | 3,708,243 | 3,851,016 |
| Fines and penalties | 1,465,203 | 1,307,930 | 1,410,632 | 1,522,868 | 1,582,773 | 1,692,058 | 1,668,239 | 1,797,703 | 1,998,717 | 1,801,446 |
| Charges for services | 2,436,119 | 2,457,826 | 2,502,725 | 2,503,491 | 2,322,232 | 2,283,339 | 2,423,346 | 2,217,221 | 2,259,787 | 4,594,191 |
| Special assessments | 245,251 | 342,982 | 211,120 | 221,584 | 125,195 | 98,342 | 78,042 | 69,042 | 53,126 | 5,503 |
| Intergovernmental | 4,639,681 | 3,339,330 | 4,469,074 | 3,967,350 | 11,312,545 | 6,321,151 | 5,397,295 | 3,944,976 | 3,319,333 | 4,031,382 |
| Investment earnings | 363,182 | 770,029 | 1,479,526 | 1,705,023 | 1,055,684 | 367,577 | 355,165 | 270,620 | 191,681 | 143,063 |
| Other revenues | 1,680,908 | 3,481,265 | 1,974,550 | 5,064,220 | 4,940,168 | 2,718,779 | 2,668,135 | 2,622,345 | 2,506,253 | 2,602,416 |
| Total revenues | 58,505,250 | 62,001,544 | 65,307,651 | 80,128,924 | 91,949,328 | 81,352,197 | 81,054,888 | 81,380,427 | 81,108,691 | 86,153,837 |
| Expenditures | | | | | | | | | | |
| General government | 6,130,581 | 8,979,751 | 7,849,147 | 8,838,212 | 9,421,878 | 9,866,202 | 8,911,914 | 8,914,645 | 9,155,464 | 9,870,115 |
| Public safety | 21,723,282 | 23,206,906 | 25,336,606 | 25,981,857 | 27,956,960 | 28,559,586 | 28,744,251 | 28,854,564 | 29,314,212 | 30,344,582 |
| Planning and development | | | 878,832 | 1,705,966 | 2,113,365 | 1,839,863 | 1,832,173 | 1,904,129 | 1,822,479 | 1,882,260 |
| Refuse collection | 3,207,141 | 3,403,680 | 3,611,188 | 4,041,226 | 3,941,340 | 3,994,678 | 4,008,706 | 4,020,027 | 3,889,251 | 3,930,479 |
| Other public works | 10,606,723 | 11,957,416 | 11,814,132 | 13,049,606 | 13,439,168 | 12,543,550 | 14,320,117 | 15,360,928 | 12,796,891 | 13,755,233 |
| Health and welfare | 2,254,034 | 2,472,583 | 2,671,928 | 2,728,336 | 3,162,650 | 2,788,176 | 2,815,224 | 2,794,183 | 2,987,149 | 3,995,997 |
| Culture and recreation | 7,024,085 | 7,432,301 | 8,237,035 | 7,970,348 | 8,565,417 | 8,211,182 | 8,130,904 | 8,349,165 | 8,280,689 | 8,960,502 |
| Insurance | 2,508,321 | 752,477 | 1,298,190 | 2,280,195 | 1,372,577 | 967,449 | 2,952,101 | 193,439 | 805,007 | 1,280,974 |
| Capital outlay | 3,864,391 | 2,024,619 | 5,247,351 | 19,402,078 | 17,114,599 | 10,192,257 | 7,975,964 | 3,366,687 | 4,312,229 | 5,928,040 |
| Intergovernmental | 2,965,310 | 2,958,342 | 2,968,183 | 2,953,473 | 3,296,304 | 4,063,613 | 3,936,184 | 3,922,562 | 3,894,777 | 3,906,473 |
| Debt service | | | | | | | | | | |
| Interest | 1,914,807 | 1,349,619 | 1,826,455 | 1,341,318 | 1,667,373 | 1,330,950 | 1,370,157 | 1,148,631 | 1,044,618 | 942,089 |
| Principal | 3,895,494 | 2,139,098 | 6,002,507 | 4,310,723 | 5,970,417 | 4,607,050 | 5,482,224 | 3,810,718 | 3,642,914 | 3,789,647 |
| Total expenditures | 66,094,169 | 66,676,792 | 77,741,554 | 94,603,338 | 98,022,048 | 88,964,556 | 90,479,919 | 82,639,678 | 81,945,680 | 88,586,391 |
| Excess of revenues over (under) expenditures | <u>(7,588,919)</u> | <u>(4,675,248)</u> | <u>(12,433,903)</u> | <u>(14,474,414)</u> | <u>(6,072,720)</u> | <u>(7,612,359)</u> | <u>(9,425,031)</u> | <u>(1,259,251)</u> | <u>(836,989)</u> | <u>(2,432,554)</u> |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Bonds issued | | 1,757,588 | | | | 5,500,000 | | | 2,000,000 | 6,000,000 |
| Capital leases | | | | 12,830,770 | 8,375 | 6,200 | | 9,012 | | |
| Refunding bonds issued | | 32,599,847 | | | | | | | | |
| Payment to Dothan-Houston County Airport Authority Bond Fund | | | | | | | | | | (6,000,000) |
| Payments to escrow agent | | (33,042,434) | | | | | | | | |
| Transfers in | 9,958,426 | 10,354,882 | 9,998,255 | 11,977,818 | 2,995,391 | 3,118,979 | 4,792,797 | 2,603,146 | 6,101,827 | 6,931,504 |
| Total other financing sources (uses) | 9,958,426 | 11,669,883 | 9,998,255 | 24,808,588 | 3,003,766 | 8,625,179 | 4,792,797 | 2,612,158 | 8,101,827 | 6,931,504 |
| Net change in fund balances | \$ 2,369,507 | \$ 6,994,635 | \$ (2,435,648) | \$ 10,334,174 | \$ (3,068,954) | \$ 1,012,820 | \$ (4,632,234) | \$ 1,352,907 | \$ 7,264,838 | \$ 4,498,950 |
| Debt service as a percentage of noncapital expenditures | 9.3% | 5.4% | 10.8% | 7.5% | 9.4% | 7.5% | 8.3% | 6.3% | 6.0% | 5.7% |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 6
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

| <u>FISCAL YEAR</u> | <u>GENERAL PROPERTY TAX</u> | <u>MOTOR VEHICLE PROPERTY TAX</u> | <u>SALES AND USE TAX</u> | <u>LODGING TAX</u> | <u>FRANCHISE TAX</u> | <u>ALCOHOL BEVERAGE TAX</u> | <u>CIGARETTE TAX</u> | <u>TOTAL</u> |
|--------------------|-----------------------------|-----------------------------------|--------------------------|--------------------|----------------------|-----------------------------|----------------------|---------------|
| 2004 | \$ 2,611,284 | \$ 554,561 | \$ 38,149,976 | \$ 827,775 | \$ 1,788,704 | \$ 1,072,016 | \$ 324,734 | \$ 45,329,050 |
| 2005 | 2,726,765 | 538,245 | 40,448,484 | 1,157,201 | 1,541,675 | 1,087,469 | 309,861 | 47,809,700 |
| 2006 | 2,752,947 | 760,952 | 43,135,036 | 1,463,558 | 1,094,944 | 1,151,766 | 327,117 | 50,686,320 |
| 2007 | 3,021,417 | 834,817 | 54,624,378 | 1,374,262 | 932,430 | 1,236,413 | 314,706 | 62,338,423 |
| 2008 | 3,364,123 | 783,740 | 58,453,155 | 1,437,757 | 1,797,381 | 1,251,414 | 309,281 | 67,396,851 |
| 2009 | 3,611,410 | 672,572 | 55,758,545 | 1,469,729 | 1,605,566 | 1,238,156 | 306,542 | 64,662,520 |
| 2010 | 3,678,498 | 631,267 | 55,274,479 | 1,553,786 | 2,623,546 | 1,191,763 | 325,389 | 65,278,728 |
| 2011 | 3,770,349 | 682,360 | 56,531,207 | 1,631,247 | 2,820,069 | 1,191,295 | 303,738 | 66,930,265 |
| 2012 | 3,748,540 | 738,910 | 57,265,598 | 1,565,896 | 2,248,294 | 1,210,013 | 294,300 | 67,071,551 |
| 2013 | 3,721,013 | 790,206 | 59,091,230 | 1,599,957 | 2,470,533 | 1,185,931 | 265,950 | 69,124,820 |
| Change | | | | | | | | |
| 2004-2013 | \$ 1,109,729 | \$ 235,645 | \$ 20,941,254 | \$ 772,182 | \$ 681,829 | \$ 113,915 | \$ (58,784) | \$ 23,795,770 |

Source: Revenue Commissioners of Houston, Dale, and Henry Counties and Revenue Discovery Systems

Notes: Includes General Fund, Special Revenue Funds, and Debt Service Fund.
The lodging tax rate in the City of Dothan is 10%. The State of Alabama receives 4% and the City of Dothan receives 6%. Of the 6% received by the City, 4% is designated to the Dothan Area Convention and Visitors Bureau for the sole purpose of promoting tourism and conventions in the City.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 7
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(in thousands of dollars)

| <u>FISCAL YEAR</u> | <u>RESIDENTIAL PROPERTY</u> | <u>COMMERCIAL AND INDUSTRIAL PROPERTY</u> | <u>LESS: TAX-EXEMPT PROPERTY</u> | <u>TOTAL TAXABLE ASSESSED VALUE</u> | <u>TOTAL DIRECT TAX RATE</u> | <u>ESTIMATED ACTUAL TAXABLE VALUE</u> | <u>TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE</u> |
|--------------------|-----------------------------|---|----------------------------------|-------------------------------------|------------------------------|---------------------------------------|---|
| 2004 | \$ 165,624 | \$ 412,640 | \$ 49,813 | \$ 528,451 | 5.00 | \$ 3,627,230 | 14.6% |
| 2005 | 178,744 | 432,145 | 52,644 | 558,245 | 5.00 | 3,914,296 | 14.3% |
| 2006 | 202,010 | 479,682 | 65,920 | 615,772 | 5.00 | 4,386,207 | 14.0% |
| 2007 | 223,361 | 505,846 | 68,293 | 660,914 | 5.00 | 4,730,746 | 14.0% |
| 2008 | 236,702 | 543,712 | 64,921 | 715,493 | 5.00 | 5,050,464 | 14.2% |
| 2009 | 246,393 | 556,086 | 64,847 | 737,632 | 5.00 | 5,209,313 | 14.2% |
| 2010 | 249,511 | 574,750 | 69,558 | 754,703 | 5.00 | 5,334,228 | 14.1% |
| 2011 | 246,600 | 577,795 | 72,937 | 751,458 | 5.00 | 5,348,051 | 14.1% |
| 2012 | 245,821 | 574,686 | 74,537 | 745,970 | 5.00 | 5,298,026 | 14.1% |
| 2013 | 245,054 | 588,509 | 90,058 | 743,505 | 5.00 | 5,358,513 | 13.9% |

Source: Revenue Commissioner and Probate Judge of Houston, Dale, and Henry Counties

Notes: Represents fiscal year taxes that were assessed. Taxes are due and collected in the next fiscal year.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 8
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

| FISCAL YEAR | CITY DIRECT RATES | | | | | OVERLAPPING RATES | | | | | | |
|-------------|-------------------|---------------------------------|----------------------------|-----------------------|-------------------|------------------------|----------------|------------|--------------------|------------------|-------------------------|-------|
| | BASIC RATE | GENERAL OBLIGATION DEBT SERVICE | REDEVELOPMENT DEBT SERVICE | REDEVELOPMENT PROGRAM | TOTAL DIRECT RATE | DOTHAN SCHOOL DISTRICT | HOUSTON COUNTY | HOSPITAL** | COUNTY-WIDE SCHOOL | STATE OF ALABAMA | ADDITIONAL SCHOOL LEVY* | TOTAL |
| 2004 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | | 26.00 |
| 2005 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | | 26.00 |
| 2006 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | | 26.00 |
| 2007 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | 2.00 | 28.00 |
| 2008 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | 2.00 | 28.00 |
| 2009 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | 2.00 | 28.00 |
| 2010 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | 2.00 | 28.00 |
| 2011 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 1.00 | 4.50 | 6.50 | 2.00 | 28.00 |
| 2012 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 2.50 | 4.50 | 6.50 | 2.00 | 29.50 |
| 2013 | 5.00 | | | | 5.00 | 3.50 | 10.50 | 2.50 | 4.50 | 6.50 | 2.00 | 29.50 |

Source: Houston County Revenue Commissioner

* The additional school levy represents the amount levied to bring the total levy for schools up to \$10.00 per \$1,000 of assessed property value for all counties in the state.

**The hospital rate increase was agreed on by the Houston County Health Care Authority to fund a new medical college, the Alabama College of Osteopathic Medicine.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 9
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

| TAXPAYER | 2013 | | | 2004 | | |
|--|-------------------------------|-------------|--|-------------------------------|-------------|--|
| | TAXABLE ASSESSED VALUE | RANK | PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE | TAXABLE ASSESSED VALUE | RANK | PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE |
| Triad of Alabama LLC | \$ 9,882,160 | 1 | 1.33% | \$ 9,810,180 | 2 | 1.44% |
| CenturyTel of Alabama | 9,820,600 | 2 | 1.32% | | | |
| Wiregrass Telecom, Inc. | 6,224,000 | 3 | 0.84% | | | |
| Watson & Downs Investments LLC | 5,196,120 | 4 | 0.70% | | | |
| Inland American Dothan Pavilion LLC | 4,951,300 | 5 | 0.67% | | | |
| Flowers Hospital | 4,067,980 | 6 | 0.55% | 6,066,320 | 4 | 0.89% |
| PR Wiregrass Commons LLC | 3,472,640 | 7 | 0.47% | | | |
| Wayne Farms, LLC / Perdue Farms, Inc. | 3,466,120 | 8 | 0.47% | | | |
| Nutcracker Brands/Flavor House Products, Inc. | 3,035,960 | 9 | 0.41% | | | |
| CSX Transportation, Inc. | 2,915,700 | 10 | 0.39% | | | |
| Verizon South, Inc. | | | | 14,516,620 | 1 | 2.14% |
| Sony Magnetic Products, Inc. | | | | 9,491,520 | 3 | 1.40% |
| Crown American Properties LP/Wiregrass Commons | | | | 4,314,560 | 5 | 0.63% |
| Verizon Wireless | | | | 3,292,060 | 6 | 0.48% |
| Twitchell Corp | | | | 2,693,140 | 7 | 0.39% |
| Walmart Real Estate Business Trust | | | | 2,108,240 | 8 | 0.31% |
| Swedish Match Cigars | | | | 2,106,480 | 9 | 0.31% |
| Northside ACD LLC/Northside Mall | | | | 1,917,980 | 10 | 0.28% |
| Total | \$ 53,032,580 | | 7.15% | \$ 56,317,100 | | 8.27% |

Source: Revenue Commissioner Houston County

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 10
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| FISCAL YEAR ENDED SEPTEMBER 30 | TAXES LEVIED FOR THE FISCAL YEAR | COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY | | COLLECTIONS IN SUBSEQUENT YEARS | TOTAL COLLECTIONS TO DATE | |
|---|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | AMOUNT | PERCENTAGE OF LEVY | | AMOUNT | PERCENTAGE OF LEVY |
| 2004* | \$ 2,654,953 | \$ | | \$ | \$ 2,556,163 | 96.28 % |
| 2005 | 2,751,066 | 2,612,518 | 94.96 % | 386 | 2,612,904 | 94.98 % |
| 2006 | 2,905,533 | 2,748,503 | 94.60 % | 407 | 2,748,910 | 94.61 % |
| 2007 | 3,187,204 | 3,012,951 | 94.53 % | 386 | 3,013,337 | 94.54 % |
| 2008 | 3,409,443 | 3,283,574 | 96.31 % | 653 | 3,284,227 | 96.33 % |
| 2009 | 3,670,577 | 3,607,196 | 98.27 % | 761 | 3,607,957 | 98.29 % |
| 2010 | 3,865,797 | 3,672,452 | 95.00 % | 953 | 3,673,405 | 95.02 % |
| 2011 | 3,848,606 | 3,761,967 | 97.75 % | 2,807 | 3,764,774 | 97.82 % |
| 2012 | 3,835,211 | 3,740,606 | 97.53 % | 3,869 | 3,744,475 | 97.63 % |
| 2013 | 3,811,831 | 3,708,840 | 97.30 % | - | 3,708,840 | 97.30 % |

Source: Revenue Commissioners: Houston, Dale, and Henry Counties

*FY2004 "total collections to date" figures are collections within the fiscal year of the levy and collections for previous years combined.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 11
TAXABLE SALES BY CATEGORY
LAST TEN FISCAL YEARS
(in thousands of dollars)

| | CALENDAR YEAR | | | | | | | | | |
|--------------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Accommodation & Food Services | \$ 152,354 | \$ 162,233 | \$ 173,163 | \$ 189,363 | \$ 195,806 | \$ 191,417 | \$ 192,631 | \$ 198,879 | \$ 252,250 | \$ 300,239 |
| Administrative & Waste Mgmt. | 5,125 | 5,458 | 5,825 | 5,296 | 6,657 | 7,676 | 6,141 | 7,197 | 6,764 | 4,853 |
| Agriculture, Forestry, Fishing, etc. | 43 | 46 | 49 | 7 | 15 | 10 | 181 | 641 | 570 | 587 |
| Arts, Entertainment & Recreation | 6,214 | 6,617 | 7,063 | 7,789 | 7,789 | 8,218 | 7,564 | 7,398 | 12,116 | 26,255 |
| Construction | 13,007 | 13,850 | 14,783 | 21,121 | 21,046 | 14,177 | 9,923 | 11,656 | 20,709 | 25,163 |
| Educational Services | 1,666 | 1,774 | 1,893 | 1,605 | 2,059 | 1,981 | 2,730 | 2,702 | 2,157 | 1,505 |
| Finance & Insurance | 3,001 | 3,195 | 3,411 | 4,553 | 4,128 | 3,168 | 3,388 | 4,196 | 9,048 | 13,735 |
| Health Care & Social Assistance | 14,490 | 15,430 | 16,469 | 17,085 | 17,497 | 19,001 | 19,441 | 16,304 | 17,880 | 40,657 |
| Information | 17,091 | 18,199 | 19,425 | 20,853 | 20,666 | 21,755 | 22,926 | 26,683 | 21,483 | 27,238 |
| Management of Companies | 61 | 65 | 69 | 142 | 43 | 30 | 97 | 89 | 62 | 41 |
| Manufacturing | 66,695 | 71,020 | 75,805 | 87,006 | 97,262 | 80,441 | 72,888 | 75,504 | 93,248 | 106,322 |
| Mining | 75 | 80 | 86 | 84 | 155 | 102 | 42 | 52 | 105 | 23 |
| Other Services | 23,212 | 24,718 | 26,383 | 28,149 | 38,521 | 24,436 | 26,512 | 27,516 | 53,414 | 64,822 |
| Professional Services | 16,305 | 17,362 | 18,532 | 19,365 | 20,789 | 20,185 | 21,918 | 22,880 | 29,991 | 38,199 |
| Public Administration | 336 | 357 | 382 | 544 | 384 | 633 | 137 | 598 | 557 | 579 |
| Real Estate & Rental & Leasing | 9,110 | 9,700 | 10,354 | 18,238 | 12,795 | 7,849 | 7,755 | 6,100 | 7,796 | 9,521 |
| Retail Trade | 868,739 | 925,069 | 987,394 | 1,176,335 | 1,097,319 | 1,046,522 | 1,073,437 | 1,097,597 | 1,292,801 | 1,367,725 |
| Transportation & Warehousing | 7,498 | 7,984 | 8,522 | 7,780 | 9,907 | 10,281 | 9,763 | 8,115 | 7,061 | 8,006 |
| Unidentified* | 940 | 1,002 | 1,068 | 119 | 149 | 99 | 4,285 | 8,503 | 8,570 | 19,662 |
| Utilities | 310 | 330 | 352 | 426 | 508 | 331 | 310 | 38 | 113 | 70 |
| Wholesale Trade | 106,125 | 113,006 | 120,620 | 142,611 | 135,037 | 121,898 | 137,284 | 143,753 | 159,921 | 182,704 |
| Total | \$ 1,312,397 | \$ 1,397,495 | \$ 1,491,648 | \$ 1,748,471 | \$ 1,688,532 | \$ 1,580,210 | \$ 1,619,353 | \$ 1,666,401 | \$ 1,996,616 | \$ 2,237,906 |
| City direct sales tax rate | 3.00% | 3.00% | 3.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |

Sources: Revenue Discovery Systems

* Revenue Discovery Systems began categorizing taxpayers by North American Industrial Classification (NAIC) business codes in 2003. The NAIC business code is provided by the remitter. If not provided to Revenue Discovery Systems, they are represented as "unidentified" until research is completed to classify them correctly.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 12
REVENUE RATES FOR GENERAL SALES TAX
LAST TEN FISCAL YEARS

| <u>FISCAL YEAR</u> | <u>CITY SALES TAX RATE</u> | <u>HOUSTON COUNTY SALES TAX RATE</u> | <u>STATE SALES TAX RATE</u> | <u>TOTAL SALES TAX RATE</u> |
|--------------------|----------------------------|--------------------------------------|-----------------------------|-----------------------------|
| 2004 | 3.00% | 1.00% | 4.00% | 8.00% |
| 2005 | 3.00% | 1.00% | 4.00% | 8.00% |
| 2006 | 3.00% | 1.00% | 4.00% | 8.00% |
| 2007 | 4.00% | 1.00% | 4.00% | 9.00% |
| 2008 | 4.00% | 1.00% | 4.00% | 9.00% |
| 2009 | 4.00% | 1.00% | 4.00% | 9.00% |
| 2010 | 4.00% | 1.00% | 4.00% | 9.00% |
| 2011 | 4.00% | 1.00% | 4.00% | 9.00% |
| 2012 | 4.00% | 1.00% | 4.00% | 9.00% |
| 2013 | 4.00% | 1.00% | 4.00% | 9.00% |

Sources: City of Dothan, Houston County Commission and State of Alabama Department of Revenue

Notes: City Sales Tax Rate increase became effective on January 1, 2007.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 13
PRINCIPAL SALES TAX REMITTERS
CURRENT YEAR AND NINE YEARS AGO

| <u>TAX REMITTER</u> | <u>CALENDAR YEAR</u> | |
|-------------------------------|----------------------|-------------|
| | <u>2013</u> | <u>2004</u> |
| | <u>RANK</u> | <u>RANK</u> |
| Wal Mart Stores East LP | 1 | 1 |
| Sams East, Inc. | 2 | 3 |
| Lowe's Home Centers, Inc. | 3 | 2 |
| Publix Alabama LLC | 4 | |
| Winn Dixie Montgomery, Inc. | 5 | 4 |
| Bondys Ford, Inc. | 6 | |
| Toyota of Dothan | 7 | |
| Mike Schmitz Automotive Group | 8 | |
| Target Corporation | 9 | |
| Solomon Motor Company | 10 | |
| Sears Roebuck & Company | | 5 |
| CJ Gayfer & Company | | 6 |
| Kmart Corporation | | 7 |
| Home Depot USA Inc | | 8 |
| Brunos Supermarket, Inc. | | 9 |
| Parisian Stores, Inc. | | 10 |

Source: Revenue Discovery Systems

State law prohibits the disclosure of the amount of sales tax remitted and any information that could enable the disclosure or calculation of confidential taxpayer information.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 14
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| FISCAL YEAR | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | | TOTAL PRIMARY GOVERNMENT | PERCENTAGE OF PERSONAL INCOME | PER CAPITA |
|-------------|--------------------------|----------------------------------|--------------------------|----------------------------------|---------------|--------------------------|-------------------------------|------------|
| | GENERAL OBLIGATION BONDS | NOTES PAYABLE AND CAPITAL LEASES | GENERAL OBLIGATION BONDS | NOTES PAYABLE AND CAPITAL LEASES | SEWER BONDS | | | |
| 2004 | \$ 35,374,169 | \$ | \$ 12,505,830 | \$ | \$ 19,770,000 | \$ 67,649,999 | 2.46% | \$ 1,104 |
| 2005 | 34,880,462 | | 12,574,538 | | 18,880,000 | 66,335,000 | 2.71% | 1,058 |
| 2006 | 28,877,955 | | 11,587,045 | | 17,950,000 | 58,415,000 | 3.31% | 912 |
| 2007 | 24,567,231 | 12,830,770 | 13,212,846 | | 22,613,014 | 73,223,861 | 2.81% | 1,119 |
| 2008 | 23,897,231 | 7,538,728 | 8,241,611 | | 21,613,014 | 61,290,584 | 3.47% | 922 |
| 2009 | 26,945,000 | 5,389,630 | 4,835,404 | 12,453 | 55,308,014 | 92,490,501 | 2.42% | 1,370 |
| 2010 | 23,575,000 | 3,277,405 | 2,088,450 | 10,015 | 59,103,014 | 88,053,884 | 2.47% | 1,344 |
| 2011 | 21,935,000 | 1,115,700 | 2,035,000 | 7,124 | 57,120,000 | 82,212,824 | 2.78% | 1,245 |
| 2012 | 22,317,371 * | 6,290 | 1,960,000 | 3,697 | 60,951,220 * | 85,238,578 | 2.83% | 1,265 |
| 2013 | 24,417,673 | 2,002 | 1,880,000 | | 56,964,413 | 83,264,088 | N/A | N/A |

*Restated

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 15
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

| FISCAL YEAR | GENERAL BONDED DEBT OUTSTANDING | | PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY | PER CAPITA |
|----------------|---------------------------------|---------------|---|---------------|
| | GENERAL OBLIGATION BONDS | TOTAL | | |
| 2004 | \$ 35,374,169 | \$ 35,374,169 | 0.98% | \$ 577 |
| 2005 | 34,880,462 | 34,880,462 | 0.89% | 556 |
| 2006 | 28,877,955 | 28,877,955 | 0.66% | 451 |
| 2007 | 24,567,231 | 24,567,231 | 0.52% | 375 |
| 2008 | 23,897,231 | 23,897,231 | 0.47% | 359 |
| 2009 | 26,945,000 | 26,945,000 | 0.52% | 399 |
| 2010 | 23,575,000 | 23,575,000 | 0.44% | 360 |
| 2011 | 21,935,000 | 21,935,000 | 0.41% | 332 |
| 2012 | 22,317,371 * | 22,317,371 * | 0.42% | 331 |
| 2013 | 24,417,673 | 24,417,673 | 0.46% | 362 |

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Restated

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 16
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2013

| | <u>DEBT OUTSTANDING</u> | <u>ESTIMATED PERCENTAGE APPLICABLE*</u> | <u>ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT</u> |
|--|-----------------------------|---|---|
| City of Dothan Direct Debt | | | |
| General Bonded Debt and Warrants | \$ 24,417,673 | 100.00% | \$ 24,417,673 |
| Overlapping Debt | | | |
| Houston County | 21,497,059 | 58.24% | 12,519,887 |
| Southeast Alabama Medical Center | | 58.24% | <u> </u> |
| Total direct and overlapping debt | | | <u><u>\$ 36,937,560</u></u> |

Sources: Assessed value data used to estimate applicable percentages provided by the Houston County Board of Equalization and Assessment. Debt outstanding data provided by Houston County Commission and the Southeast Alabama Medical Center. All debt outstanding for the Southeast Alabama Medical Center are revenue warrants and is paid from designated revenues rather than property taxes.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Dothan. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Houston County's capital lease, loan and other debt. The applicable percentage of Houston County Economic Development Bonds, which are backed by county sales taxes, was estimated by dividing the City's retail sales by the County's retail sales.

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 SCHEDULE 17
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS**

| | FISCAL YEAR | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Debt limit | \$ 135,502,760 | \$ 144,532,068 | \$ 161,033,940 | \$ 166,976,466 | \$ 179,922,900 | \$ 191,328,028 | \$ 192,998,984 | \$ 194,656,994 | \$ 186,370,584 | \$ 190,511,700 |
| Total net debt applicable to limit | <u>885,000</u> | <u>4,847,894</u> | <u>3,054,749</u> | <u>14,982,412</u> | <u>9,690,370</u> | <u>11,303,438</u> | <u>8,782,413</u> | <u>6,619,262</u> | <u>6,674,634</u> | <u>5,762,931</u> |
| Legal debt margin | <u>\$ 134,617,760</u> | <u>\$ 139,684,174</u> | <u>\$ 157,979,191</u> | <u>\$ 151,994,054</u> | <u>\$ 170,232,530</u> | <u>\$ 180,024,590</u> | <u>\$ 184,216,571</u> | <u>\$ 188,037,732</u> | <u>\$ 179,695,950</u> | <u>\$ 184,748,769</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.65% | 3.35% | 1.90% | 8.97% | 5.39% | 5.91% | 4.55% | 3.40% | 3.58% | 3.02% |

| Legal Debt Margin Calculation for Fiscal Year 2013 | |
|--|-----------------------|
| Assessed value | \$ 952,558,500 |
| Debt limit (20% of assessed value) | 190,511,700 |
| Debt applicable to limit: | |
| General obligation bonds | 83,264,088 |
| Less: Exempt debt | 77,501,157 |
| Less: Amount set aside for repayment of general obligation debt | - |
| Total net debt applicable to limit | <u>5,762,931</u> |
| Legal debt margin | <u>\$ 184,748,769</u> |

Notes: Under state finance law, the City's outstanding general obligation debt should not exceed 20% of total assessed property value.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 18
PLEGGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(dollars in thousands)

| FISCAL YEAR | WATER REVENUE BONDS | | | | | | SPECIAL ASSESSMENT BONDS | | | | SALES TAX INCREMENT BONDS | | | |
|----------------|-------------------------------|--------------------------------|-----------------------------|--------------|----------|----------|--------------------------------------|--------------|----------|----------|---------------------------|--------------|----------|----------|
| | UTILITY SERVICE CHARGES | LESS: OPERATING EXPENSES | NET AVAILABLE REVENUE | DEBT SERVICE | | COVERAGE | SPECIAL ASSESSMENT COLLECTIONS | DEBT SERVICE | | COVERAGE | SALES TAX INCREMENT | DEBT SERVICE | | COVERAGE |
| | | | | PRINCIPAL | INTEREST | | | PRINCIPAL | INTEREST | | | PRINCIPAL | INTEREST | |
| 2004 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2005 | | | | | | | | | | | | | | |
| 2006 | | | | | | | | | | | | | | |
| 2007 | | | | | | | | | | | | | | |
| 2008 | | | | | | | | | | | | | | |
| 2009 | | | | | | | | | | | | | | |
| 2010 | | | | | | | | | | | | | | |
| 2011 | | | | | | | | | | | | | | |
| 2012 | | | | | | | | | | | | | | |
| 2013 | | | | | | | | | | | | | | |

Notes: The City does not have any pledged revenues.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 19
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

| <u>CALENDAR YEAR</u> | <u>POPULATION</u> | <u>PERSONAL INCOME</u> <i>(thousands of dollars)</i> | <u>PER CAPITA PERSONAL INCOME</u> | <u>MEDIAN AGE</u> | <u>EDUCATION LEVEL IN YEARS OF SCHOOLING</u> | <u>SCHOOL ENROLLMENT</u> | <u>UNEMPLOYMENT RATE</u> |
|----------------------|-------------------|---|-----------------------------------|-------------------|--|--------------------------|--------------------------|
| 2004 | 61,287 | \$ 1,666,271 | \$ 27,188 | 38.0 | 12.9 | 8,668 | 4.20% |
| 2005 | 62,713 | 1,800,365 | 28,708 | 38.2 | 13.0 | 8,814 | 3.40% |
| 2006 | 64,053 | 1,931,006 | 30,147 | 38.4 | 13.0 | 8,906 | 3.50% |
| 2007 | 65,447 | 2,060,599 | 31,485 | 38.4 | 13.0 | 9,018 | 3.20% |
| 2008 | 66,505 | 2,129,224 | 32,016 | 36.7 | 12.6 | 9,086 | 4.60% |
| 2009 | 67,525 | 2,234,875 | 33,097 | 36.7 | 12.7 | 9,177 | 9.80% |
| 2010 | 65,496 | 2,171,127 | 33,149 | 38.6 | 12.9 | 9,294 | 9.00% |
| 2011 | 66,010 | 2,287,511 | 34,654 | 36.7 | 12.6 | 9,314 | 8.30% |
| 2012 | 67,382 | 2,413,354 | 35,816 | 36.7 | 12.5 | 9,431 | 7.30% |
| 2013 | NA | NA | NA | 38.0 | 12.5 | 9,416 | 6.40% |

Sources: Population information obtained from the U.S. Census Bureau and the University of Alabama's Center for Business and Economic Research. Personal income and per capita personal income information obtained from the U.S. Bureau of Economic Analysis. Median age and education level information obtained from city-data.com. School enrollment data obtained from the Dothan City School System. Unemployment data obtained from the Alabama Department of Industrial Relations, Labor Market Information Division.

Notes: Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 20
PRINCIPAL EMPLOYERS*
CURRENT YEAR AND NINE YEARS AGO

| <u>EMPLOYER</u> | <u>2013</u> | | | <u>2004</u> | | |
|---|------------------|-------------|---|------------------|-------------|---|
| | <u>EMPLOYEES</u> | <u>RANK</u> | <u>PERCENTAGE OF TOTAL EMPLOYMENT</u> | <u>EMPLOYEES</u> | <u>RANK</u> | <u>PERCENTAGE OF TOTAL EMPLOYMENT</u> |
| Southeast Alabama Medical Center | 2,113 | 1 | 5.00% | 2,400 | 1 | 5.19% |
| Dothan (City) & Houston County School Systems | 1,973 | 2 | 4.67% | 1,800 | 2 | 3.89% |
| Flowers Hospital | 1,100 | 3 | 2.60% | 1,200 | 3 | 2.59% |
| City of Dothan | 944 | 4 | 2.24% | 965 | 5 | 2.09% |
| Southern Nuclear (Farley) | 860 | 5 | 2.04% | 900 | 6 | 1.95% |
| Wayne Farms, LLC / Perdue Farms, Inc. | 800 | 6 | 1.89% | 1,150 | 4 | 2.49% |
| Michelin Tire | 542 | 7 | 1.28% | 650 | 7 | 1.41% |
| AAA Cooper Transportation | 425 | 8 | 1.01% | | | |
| Houston County Government | 392 | 9 | 0.93% | | | |
| Twitchell Corporation | 387 | 10 | 0.92% | | | |
| Sony Magnetic Products | | | | 650 | 8 | 1.41% |
| Pemco World Air Services | | | | 610 | 9 | 1.32% |
| McLane Company | | | | 350 | 10 | 0.76% |
| Total | <u>9,536</u> | | <u>22.58%</u> | <u>10,675</u> | | <u>23.10%</u> |

*These figures are for Houston County.

Source: Dothan Area Chamber of Commerce and Alabama Department of Industrial Relations

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 21
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| | FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30 | | | | | | | | | |
|---------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Function/Program</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| General government | | | | | | | | | | |
| Administrative services | 10 | 10 | 10 | 11 | 10 | 11 | 11 | 11 | 12 | 13 |
| Information systems | 13 | 13 | 15 | 15 | 15 | 16 | 15 | 16 | 15 | 16 |
| City clerk | 7 | 6 | 6 | 7 | 7 | 7 | 7 | 5 | 6 | 4 |
| Finance | 39 | 39 | 41 | 42 | 42 | 42 | 41 | 41 | 41 | 40 |
| Personnel | 10 | 10 | 11 | 11 | 10 | 10 | 10 | 9 | 10 | 10 |
| Judicial | 14 | 12 | 11 | 13 | 14 | 14 | 13 | 12 | 13 | 13 |
| General services | 59 | 56 | 55 | 56 | 57 | 55 | 53 | 53 | 53 | 51 |
| Police | | | | | | | | | | |
| Officers | 154 | 148 | 144 | 147 | 156 | 157 | 155 | 151 | 158 | 158 |
| Civilians | 69 | 66 | 72 | 68 | 72 | 73 | 66 | 71 | 70 | 72 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 168 | 162 | 164 | 166 | 169 | 167 | 168 | 168 | 169 | 168 |
| Civilians | 2 | 2 | 2 | 3 | 3 | 3 | 2 | 2 | 3 | 3 |
| Refuse collection | 96 | 90 | 94 | 91 | 85 | 81 | 82 | 77 | 73 | 80 |
| Other public works | | | | | | | | | | |
| Engineering | 14 | 13 | 12 | 13 | 14 | 14 | 16 | 16 | 14 | 15 |
| Street | 48 | 44 | 45 | 44 | 44 | 43 | 42 | 43 | 44 | 43 |
| Traffic | 11 | 11 | 11 | 13 | 13 | 14 | 11 | 11 | 12 | 13 |
| Other | 3 | 5 | 5 | 6 | 6 | 6 | 6 | 5 | 6 | 0 |
| Planning and development | 14 | 10 | 15 | 17 | 19 | 18 | 17 | 17 | 16 | 20 |
| Parks and recreation | 57 | 57 | 60 | 56 | 59 | 58 | 60 | 60 | 57 | 63 |
| Performing arts | 13 | 12 | 13 | 12 | 12 | 11 | 10 | 11 | 11 | 11 |
| Electric | 71 | 66 | 62 | 64 | 63 | 61 | 61 | 62 | 66 | 67 |
| Water | 37 | 37 | 33 | 36 | 37 | 37 | 35 | 35 | 33 | 34 |
| Wastewater | 56 | 55 | 56 | 58 | 57 | 55 | 55 | 51 | 54 | 50 |
| Total | 965 | 924 | 937 | 949 | 964 | 953 | 936 | 927 | 936 | 944 |

Source: City of Dothan Personnel Department

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total hours by 2,080.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 22
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| | FISCAL YEAR | | | | | | | | | |
|--|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Function | | | | | | | | | | |
| General government | | | | | | | | | | |
| Building permits issued | 5,730 | 6,068 | 6,354 | 5,060 | 5,075 | 4,292 | 4,032 | 4,961 | 4,427 | 4,215 |
| Building inspections conducted | 10,676 | 10,818 | 11,272 | 11,317 | 9,682 | 8,881 | 7,614 | 7,104 | 6,581 | 7,051 |
| Police | | | | | | | | | | |
| Physical arrests | 5,411 | 4,897 | 4,522 | 4,435 | 5,229 | 5,244 | 6,552 | 5,239 | 5,289 | 5,034 |
| Parking violations | 285 | 241 | 215 | 764 | 456 | 437 | 173 | 142 | 118 | 190 |
| Traffic and non misdemeanor violations | 25,890 | 22,763 | 21,016 | 22,032 | 19,959 | 15,992 | 14,827 | 12,423 | 13,606 | 9,466 |
| Fire | | | | | | | | | | |
| Emergency responses | 8,575 | 8,420 | 8,670 | 9,106 | 9,360 | 8,824 | 10,201 | 10,755 | 11,017 | 11,198 |
| Fires extinguished | 474 | 465 | 574 | 563 | 478 | 418 | 508 | 533 | 464 | 371 |
| Inspections | 1,270 | 1,131 | 688 | 780 | 986 | 819 | 3,508 | 2,614 | 2,662 | 2,603 |
| Refuse collection | | | | | | | | | | |
| Refuse collected (tons per day) | 222.27 | 260.50 | 274.84 | 277.53 | 268.17 | 240.00 | 227.00 | 231.61 | 243.42 | 253.82 |
| Recyclables collected (tons per day) | 5.19 | 4.88 | 4.66 | 5.17 | 5.48 | 4.66 | 2.28 | 2.71 | 2.92 | 4.15 |
| Other public works | | | | | | | | | | |
| Street resurfacing (miles) | | 15 | 14 | 16 | 14 | 16 | 16 | 14 | 13 | 16 |
| Parks and recreation | | | | | | | | | | |
| Athletic field permits issued* | 20 | 20 | 23 | 23 | 130 | 267 | 126 | 242 | 381 | 364 |
| Community center admissions** | 55,972 | 51,972 | 65,045 | 80,340 | 67,983 | 78,053 | 82,344 | 106,696 | 110,943 | 106,880 |
| Library | | | | | | | | | | |
| Volumes in collection - books | 207,329 | 210,325 | 210,839 | 206,957 | 209,394 | 208,625 | 208,097 | 180,642 | 170,078 | 183,821 |
| Volumes in collection - audio/video | 2,905 | 4,470 | 3,900 | 4,263 | 4,401 | 4,736 | 3,950 | 4,266 | 7,567 | 8,178 |
| Volumes borrowed | 269,226 | 259,450 | 249,793 | 246,663 | 304,953 | 248,108 | 286,541 | 235,517 | 239,238 | 317,074 |
| Water | | | | | | | | | | |
| New connections | 173 | 198 | 198 | 590 | 127 | 66 | 98 | 315 | 144 | 435 |
| Water main breaks | 25 | 28 | 15 | 94 | 133 | 140 | 226 | 209 | 169 | 180 |
| Average daily consumption (thousands of gallons) | 12,432 | 12,000 | 13,714 | 14,000 | 13,196 | 10,079 | 12,664 | 13,038 | 11,470 | 9,548 |
| Peak daily consumption (thousands of gallons) | 21,503 | 19,174 | 25,123 | 26,000 | 22,380 | 20,611 | 20,611 | 24,013 | 22,744 | 20,942 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 11,490 | 14,456 | 10,879 | 11,324 | 13,193 | 14,818 | 12,150 | 9,611 | 9,631 | 14,437 |

Sources: Police Department, Fire Department, Public Works, Department of Leisure Services, and Dothan Utilities

Notes: *Figures for 2004-2007 represent the number of different organizations that were issued a field permit. Figures for 2008-2013 represent the number of times fields were rented.

**Figures for 2004-2010 include community center admissions plus the number of times the Westgate Tennis Complex was rented by an organization. Figures for 2011-2013 include community center admissions plus the number of admissions to the Westgate Tennis Complex.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 23
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| | FISCAL YEAR | | | | | | | | | |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Function | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 16 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Fire stations | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Refuse collection | | | | | | | | | | |
| Collection trucks | 47 | 47 | 46 | 54 | 55 | 52 | 52 | 52 | 52 | 51 |
| Other public works | | | | | | | | | | |
| Streets (miles) | 428 | 431 | 438 | 445 | 451 | 452 | 452 | 455 | 455 | 455 |
| Highways (miles)* | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 |
| Street lights | 13,386 | 13,532 | 13,683 | 13,763 | 13,854 | 13,854 | 13,979 | 15,135 | 15,378 | 15,722 |
| Traffic signals | 186 | 187 | 187 | 184 | 190 | 190 | 190 | 190 | 190 | 190 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 596 | 596 | 596 | 596 | 706 | 706 | 706 | 706 | 708 | 708 |
| Playgrounds | 11 | 11 | 11 | 11 | 11 | 10 | 10 | 13 | 15 | 15 |
| Baseball/softball diamonds | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 |
| Soccer/football fields | 6 | 6 | 7 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| Community centers | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Tennis courts | 44 | 44 | 44 | 47 | 47 | 47 | 47 | 47 | 47 | 47 |
| Water | | | | | | | | | | |
| Water mains (miles) | 460 | 461 | 462 | 464 | 469 | 479 | 488 | 497 | 502 | 505 |
| Fire hydrants | 2,906 | 2,914 | 2,925 | 2,927 | 2,961 | 2,977 | 3,021 | 3,430 | 3,459 | 3,470 |
| Storage capacity (thousands of gallons) | 14,500 | 14,500 | 14,500 | 14,500 | 14,500 | 14,500 | 14,500 | 16,000 | 16,000 | 16,000 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 465 | 469 | 477 | 484 | 491 | 492 | 497 | 504 | 505 | 505 |
| Storm sewers (miles) | 162 | 165 | 169 | 169 | 173 | 174 | 181 | 183 | 185 | 186 |
| Treatment capacity (thousands of gallons) | 23,120 | 23,120 | 23,120 | 23,120 | 23,120 | 23,120 | 23,120 | 23,120 | 22,120 | 22,120 |

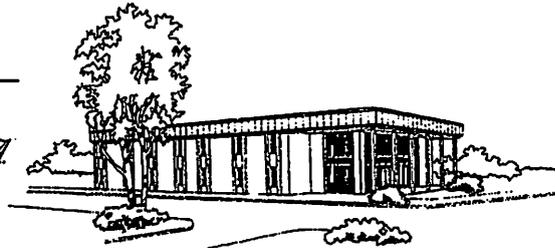
Sources: Police Department, Fire Department, Public Works, Department of Leisure Services, and Dothan Utilities

Note: *Highway miles are miles of roadway within the City limits that are maintained by the Alabama Department of Transportation (ALDOT).

McClintock, Nelson & Associates, P.C.
Certified Public Accountants

George C. McClintock, C.P.A.
Marc A. Nelson, C.P.A.

Rebecca C. Solomon, C.P.A.
Richmond C. McClintock, C.P.A.
(1915-2009)



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants

3646 West Main Street
Dothan, Alabama 36905
Phone: (334) 793-1414
Fax: (334) 793-9159

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

Honorable Mayor and Board of City Commissioners
City of Dothan, Alabama

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Dothan, Alabama's basic financial statements and have issued our report thereon dated February 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dothan, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dothan, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dothan, Alabama's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Honorable Mayor and Board of City Commissioners
City of Dothan, Alabama
(Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2013-1).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

City of Dothan, Alabama's Response to Findings

The City of Dothan, Alabama's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Dothan, Alabama's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



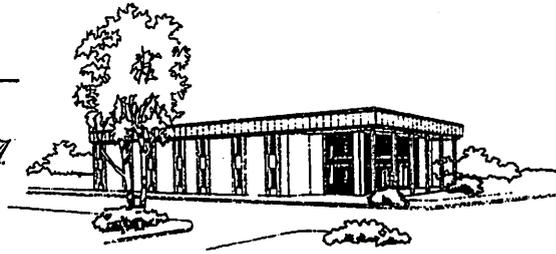
McCLINTOCK, NELSON & ASSOCIATES, P.C.
Certified Public Accountants

February 28, 2014

McClintock, Nelson & Associates, P.C.
Certified Public Accountants

George C. McClintock, C.P.A.
Marc A. Nelson, C.P.A.

Rebecca C. Solomon, C.P.A.
Richmond C. McClintock, C.P.A.
(1915-2009)



Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants

3646 West Main Street
Dothan, Alabama 36305
Phone: (334) 793-1414
Fax: (334) 793-9159

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and Board of City Commissioners
City of Dothan, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Dothan, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Dothan, Alabama's major federal programs for the year ended September 30, 2013. The City of Dothan, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dothan, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dothan, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Honorable Mayor and Board of City Commissioners
City of Dothan, Alabama
(Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Dothan, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Dothan, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control over Compliance

Management of the City of Dothan, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dothan, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dothan, Alabama's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



McCLINTOCK, NELSON & ASSOCIATES, P.C.
Certified Public Accountants

February 28, 2014

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| <u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH GRANTOR'S NUMBER</u> | <u>PROGRAM OR AWARD AMOUNT</u> | <u>ACCRUED OR (DEFERRED) REVENUE AT 10-01-12</u> | <u>REVENUE RECOGNIZED</u> | <u>EXPENDITURES</u> | <u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-13</u> |
|---|------------------------------------|--|--|--|-------------------------------|---------------------|---|
| U.S. DEPARTMENT OF INTERIOR: | | | | | | | |
| <u>Passed Through Alabama Dept. of Economic Affairs:</u> | | | | | | | |
| Passive Park for People With Dogs | 15.916 | 12-LW-981 | \$ 50,000 | \$ | \$ 14,239 | \$ 14,239 | \$ 14,239 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | | | | | | | |
| <u>Direct Programs:</u> | | | | | | | |
| Community Development Block Grant - Entitlement | 14.218 | B-08-MC-01-0010 - B-12-MC-01-0010 | 1,911,065 | 31,835 | 526,693 | 526,693 | 65,459 |
| Congressional Appropriations - Streetscape Improvements | 14.251 | None | 500,000 | | 334,449 | 334,449 | 159,615 |
| <u>Passed Through Dothan Housing Authority:</u> | | | | | | | |
| Public Housing Capital Fund | 14.872 | None | 175,000 | | 175,000 | 175,000 | |
| Total U.S. Department of Housing and Urban Development | | | | <u>31,835</u> | <u>1,036,142</u> | <u>1,036,142</u> | <u>225,074</u> |
| U.S. DEPARTMENT OF JUSTICE: | | | | | | | |
| <u>Direct Programs:</u> | | | | | | | |
| Bulletproof Vest Partnership Grant | 16.607 | None | 25,749 | | 12,667 | 12,667 | 12,667 |
| Internet Crimes Against Children Task Force | 16.543 | None | 19,811 | | 11,512 | 11,512 | |
| U.S. Marshalls Overtime Grant | 16.607 | None | 13,100 | | 13,052 | 13,052 | 3,854 |
| U.S. Marshalls Overtime Grant | 16.607 | None | 399 | | 364 | 364 | 364 |
| Edward Byrne Digital In-Car Video Technology Grant | 16.738 | None | 51,561 | 41,249 | 10,312 | 10,312 | |
| Edward Byrne Digital In-Car Video Technology Grant | 16.738 | None | 43,911 | 35,129 | 8,782 | 8,782 | |
| Total U.S. Department of Justice | | | | <u>76,378</u> | <u>56,689</u> | <u>56,689</u> | <u>16,885</u> |
| U.S. DEPARTMENT OF TRANSPORTATION: | | | | | | | |
| <u>Passed Through State of Alabama</u> | | | | | | | |
| <u>Highway Department:</u> | | | | | | | |
| Rehabilitation & Improvement | 20.205 | ACOA-58683-ATRIP | 34,479 | | 34,479 | 34,479 | |
| MPO Transportation Construction Grant | 20.205 | None | 286,328 | 73,909 | 70,486 | 70,486 | 144,395 |
| MPO Transportation Planning Grant | 20.205 | FTATE-100057377 | 83,074 | | 83,074 | 83,074 | 44,753 |
| <u>Passed Through Enterprise State</u> | | | | | | | |
| <u>Community College</u> | | | | | | | |
| Local Impact- Click It Or Ticket | 20.600 | 13-HS-K2-002 | 2,700 | | 2,638 | 2,638 | |
| Local Impact- Selective Traffic Enforcement | 20.600 | 12-SP-PT-009 | 17,680 | | 19,186 | 19,186 | 13,486 |
| Local Impact- Drive Sober or Get Pulled Over | 20.600 | 13-SP-Pt-009 | 8,453 | | 8,453 | 8,453 | 4,769 |
| Total U.S. Department of Transportation | | | <u>\$ 432,714</u> | <u>\$ 73,909</u> | <u>\$ 218,316</u> | <u>\$ 218,316</u> | <u>\$ 207,403</u> |

(Continued on Page 118)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

| <u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u> | <u>FEDERAL CFDA NUMBER</u> | <u>PASS-THROUGH GRANTOR'S NUMBER</u> | <u>PROGRAM OR AWARD AMOUNT</u> | <u>ACCRUED OR (DEFERRED) REVENUE AT 10-01-12</u> | <u>REVENUE RECOGNIZED</u> | <u>EXPENDITURES</u> | <u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-13</u> |
|---|------------------------------------|--|--|--|-------------------------------|---------------------|---|
| U.S. DEPARTMENT OF HOMELAND SECURITY: | | | | | | | |
| <u>Direct Programs:</u> | | | | | | | |
| Assistance to Firefighters | 97.044 | None | \$ 373,200 | \$ 704 | \$ 55,272 | \$ 55,272 | \$ |
| Mutual Aid Systems-Heavy Rescue Team | 97.067 | None | 21,114 | | 13,034 | 13,034 | |
| Swift Water Rescue Team | 97.067 | None | 19,540 | | 19,029 | 19,029 | 19,029 |
| Hazmat 8 | 97.067 | None | 6,233 | | 6,198 | 6,198 | 6,198 |
| Heavy Rescue 8 | 97.067 | None | 6,233 | | 6,233 | 6,233 | 6,233 |
| Total U.S. Department of Homeland Security | | | | <u>704</u> | <u>99,766</u> | <u>99,766</u> | <u>31,460</u> |
| U.S. DEPARTMENT OF AGRICULTURE: | | | | | | | |
| <u>Passed Through State Department of Education:</u> | | | | | | | |
| Summer Food Service Program | 10.559 | None | 64,439 | | 61,439 | 61,439 | |
| TOTAL FEDERAL AWARDS | | | | <u>\$ 182,826</u> | <u>\$ 1,486,591</u> | <u>\$ 1,486,591</u> | <u>\$ 495,061</u> |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The City of Dothan, Alabama has been awarded a number of federal and state grants. The revenues and expenditures for the grants are accounted for in several different funds on the modified accrual basis. The Schedule of Expenditures of Federal Awards is also presented on the modified accrual basis.

2. ENTITY DEFINITION

For the purposes of these schedules, the entity is defined as the City of Dothan, Alabama, exclusive of its boards, agencies and authorities for which a lack of influence, control and dependence exists on the part of the City and in their relationship with the City. These exclusions are in conformance with the criteria set forth by the National Council on Governmental Accounting (NCGA), Statement 3, Defining the Governmental Reporting Entity.

3. ALLOCATION OF INDIRECT COSTS

The City has no indirect cost allocation plan for grants.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

SUMMARY OF AUDITOR’S RESULTS:

We have issued a report with an unmodified opinion on the financial statements.

The audit disclosed certain deficiencies in internal control which were considered to be material weaknesses, as described in the findings below.

The audit disclosed no instances of noncompliance which are material to the financial statements.

We have issued a report with an unmodified opinion on compliance with requirements applicable to each major program.

The audit disclosed no findings which are required to be reported in accordance with OMB Circular A-133 section .510 (a).

The audit disclosed no reportable conditions in internal control over major programs.

The City of Dothan, Alabama’s major programs are as follows:

| | <u>CFDA No.</u> |
|--|-----------------|
| U.S. Department of Housing and Urban Development | 14.251 |
| U.S. Department of Housing and Urban Development | 14.872 |

The dollar threshold used to distinguish Type A and Type B programs is \$300,000.

The City of Dothan, Alabama did qualify for consideration as a low risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT:

| 2013-1 | Capital Work Orders |
|-------------------------|---|
| Condition and Criteria: | The City did not maintain effective controls over the application and monitoring of capitalization for Capital Work Orders in the Dothan Utility Department. Capital work orders were not processed timely, resulting in material corrective adjusting entries. |
| Effect: | The accounts for which the material adjustments were required would cause the financial statements to be misleading, if not corrected. |
| Cause: | This occurred because no procedure was in place to ensure that all capital work orders were timely processed and accounted for. |

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT: (Continued)

Recommendation: We recommend that the City develop effective policies and procedures that ensure all capital work orders are processed timely and monitored appropriately by management. We recommend that the general ledger be reconciled to the capital work order sub-ledgers on a monthly basis and reviewed by the Utilities Director and Finance Director.

Views of Responsible Officials and Planned Corrective Actions: The City concurs with the finding and the auditor's recommendations. Upon realization of these findings, the Finance Department worked diligently with Dothan Utilities to properly account for those work orders that were not processed correctly. We will continue to monitor work order capitalization on a monthly basis.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

There are no such findings or questioned costs in the current year.

(This page intentionally left blank)