

The City of
Dothan, Alabama



Comprehensive Annual Financial Report
Fiscal Year Ended September 30,

2007

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007
PREPARED BY
DEPARTMENT OF BUDGET AND FINANCE
ANGELA T. PALMER, DIRECTOR

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007
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BOARD OF COMMISSIONERS

PAT THOMAS
PRESIDENT/MAYOR
LARRY E. MATTHEWS
COMMISSIONER, DISTRICT 1
AMOS NEWSOME
COMMISSIONER, DISTRICT 2
PAUL W. LEE
COMMISSIONER, DISTRICT 3
JOHN E. CRAIG, JR.
COMMISSIONER, DISTRICT 4
TAYLOR BARBAREE
COMMISSIONER, DISTRICT 5
KEITH SEAGLE
COMMISSIONER, DISTRICT 6

The City of Dothan

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March 14, 2008

**Honorable Pat Thomas, 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, 2007, is submitted herewith, as required by Section 11-44E-54, Code of Alabama, 1975, as amended. 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. The enclosed data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth 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".

As a result of the implementation of the Governmental Accounting Standards Board Statement 34, the government-wide financial statements have been added to complement the fund financial statements. The government-wide statements show separate data for "governmental activities" and "business-like activities." The MD&A, added as part of the implementation of GASB 34, serves as the narrative introduction to the basic financial statements and contains the comparative data formerly presented in the letter of transmittal. The new format expands the alternatives available to review/examine the City and its major activities. The objective of GASB 34 is to enhance the understandability and usefulness of the City of Dothan's financial reports to the citizenry, legislative and oversight bodies, and investors and creditors. Accountability is the paramount objective of governmental financial reports. We believe this presentation will provide better information to the users of the CAFR.

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, 2007. Information related to this audit, including the schedule of federal awards and schedule of questioned costs and findings, is included in the single audit section of the audit. The audit report is forwarded to the City's oversight agency, the U. S. Department of Transportation, 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, 2007, 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.

MD&A

The Management Discussion and Analysis (MD&A) (starting on page 3) summarizes the Statement of Net Assets 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 15 through 17. 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 18) 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 3) and in the notes (see Note I on page 31).

The Unrestricted Net Asset 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 twenty miles west of the Georgia state line and eighteen miles north of the State of Florida. The City is a rapidly growing city 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 for its friendly atmosphere of 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 single member districts, for staggered 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.

The City departments include:

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

There are 999 authorized positions for regular, full time employees and 215 authorized positions for part time or 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 works 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).

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.

Biannual budgets are adopted for all funds with the exception of the Emergency 911 Fund and Fiduciary Funds. 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 twenty-five hundred dollars (\$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 twenty-five hundred dollars (\$2,500.00).

ECONOMIC CONDITION AND OUTLOOK

Over the past several years, Dothan has developed into a primary source of retail trade. Local government's need for fire protection, criminal justice, recreation, infrastructure improvements, and other services provided to the citizens are normally not associated with a paid-for-service fee. This continues to place an ever-tightening constraint on the ability to aggressively plan for growth. 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 the accustomed quality of life. 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 by \$11,980,000. Some revenue sources are listed below, but are not inclusive of all potential revenue sources.

<u>Revenue Source</u>	<u>Increase Factor</u>	<u>Additional Revenue</u>
Ad Valorem Tax	100%	\$ 3,000,000
Sewer	50%	<u>1,700,000</u>
		<u>\$ 4,700,000</u>

Business licenses could be collected based on a gross receipts method rather than on the flat rate method which the City is presently

using. The gross receipts method would yield additional revenue of approximately \$1,000,000.

Additional revenue could also be generated if the City required a residential garbage fee. A fifteen dollar (\$15.00) per month fee for 26,000 households would generate an estimated \$4,680,000.

Further, by doubling the existing Retail Liquor Tax and doubling the existing Lodging Tax, revenue would increase an additional \$200,000 and \$1,400,000, respectively.

Financial Planning

The following uncompleted 2006 capital improvement projects (part of the 2006 capital investment program) were carried over into fiscal year 2007: two (2) water wells, water tank repairs, water transmission lines, storm drainage, bay extension for fire station #2, facility repairs, citywide comprehensive plan and the one stop permitting facility. The water projects above were funded through a general obligation warrant issued in the amount of \$9.5 million. The remaining expenditures were funded by a state revolving loan, an increase in electric rates, and sales tax revenues.

The City's capital investment program for fiscal year 2007 identified \$12.4 million in projects for potential funding. Each project must be individually approved by the city's commission for funding. The topics for consideration were as follows: potable water, education, communications system, animal services building, leisure services maintenance, senior citizens activity center, Carver Museum enhancements, gateways for city beautification, downtown revitalization projects, future expansion of the art museum, architecture fees for a new library, Girard basin study, sewage interceptors, road intersection improvements, bridge replacements, facility maintenance, resurfacing projects, fleet replacements and salary adjustments.

Additional projects for Leisure Services were a part of the capital investment program for purchase of land for a Southwest Park, Eastgate Park improvements, Rip Hewes stadium renovations, Andrew

Bell pool, bike/pedestrian trails, Water World attraction, youth complex at Southwest Park. It is the city's desire to issue a general obligation warrant to fund the projects for Leisure Services after a consensus of total projects are derived and thus, approved.

The projects that were completed in fiscal year 2007 accounted for \$7.5 million in expenditures. The remaining \$4.9 million was for projects that were not completed at the end of the fiscal year 2007, but are on-going in fiscal year 2008. These expenditures were funded by the additional sales tax increase mentioned above.

The decommissioning of the existing Beaver Creek Wastewater Treatment Plant, installation of a gravity sewer interceptor and the upgrade of the Little Choctawhatchee Wastewater Treatment Plant, to accommodate flows from both basins III and IV, is expected to be funded through the Alabama Department of Environmental Management (ADEM) issuance of a sewer warrant and repaid by the city through a \$46 million state revolving loan.

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 October 2005, the city passed an electric rate increase of 4%. In September 2006, the city passed an additional 1% sales tax increase to be effective January 1, 2007. The additional funds from these rate increases along with the unreserved fund balance will assist in funding the capital improvement projects for the next 5 years.

Pension Plan

The City of Dothan enrolled in the Employees' Retirement System of Alabama on October 1, 2004. The Employees' Retirement System of Alabama (ERSA) will be responsible for monitoring the future costs and changes in retirement trends of employees. They will recalculate the city's unfunded liability each year in order to take appropriate measures to ensure the actuarial soundness of the pension plan. The city has increased contributions in order to fund the unfunded liability that was determined by ERSA.

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 2007 was as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$ 36,848,923	4.41%	\$ 638

The entire fund balance of \$571,053 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 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 Aaa/A1 from Moody's Investors Service and an AAA/A+ from Standard and Poor's.

Cash Management

The City continues to aggressively pursue an investment policy intended to maximize earnings on available cash. We are of the opinion that the Finance Department continues to effectively manage all cash over which we exercise stewardship responsibility. Cash in City accounts during the year was kept fully invested through certificates of deposit collateralized with securities held by the State of Alabama Treasury Security for Alabama Funds Enhancement (SAFE) Program and the bank balances were covered by federal depository insurance. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Interest earned on general government functions totaled \$1,705,023 of which debt service interest income was \$53,353.

Risk Management

The Risk Management Program, under the control of the General Services Director who reports to the City Manager, consists of self-insured programs, safety programs, and all insurance procurement. Staffing includes two full time industrial nurses. The objective of the Risk Management Division is to protect the City from catastrophic loss from various risk exposures. An annual actuarial analysis is performed to determine funding requirements and funding is provided through contributions from the General and Utility Funds. The use of funds is restricted by resolution to costs associated with the self-insured programs. The following schedule indicates the types of re-insurance acquired, the deductible or retention level maintained by the program and, where appropriate, the limit of the re-insurance coverage acquired.

Retention Level (Deductible)	Type	Limits of Coverage
\$ 100,000	Property & Contents	\$408,701,764
\$400,000	Workers' Compensation	Unlimited
\$500	Faithful Performance	\$50,000 ⁽¹⁾
\$1,000	Fraud & Theft	\$250,000 per loss
\$250,000	General Liability	\$5,000,000 per occurrence

(1) \$100,000 limit for key employees.

SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE

The expansion of new and existing industries has brought \$29,685,000 in capital investment and 605 new jobs to the Dothan market during the fiscal year. These industries are as follows:

- A. Qualico Steel Company, Inc
- B. Eureblock
- C. SitWell
- D. Bremner Food Group
- E. Cummings Signs
- F. Higgins Electric, Inc of Dothan

- G. Dunbarton Corporation
- H. Canvas Products of Dothan
- I. Hardwick & Son Printing, Inc
- J. Barrington Seafood
- K. Tampa Terminal Properties
- L. Oncology Supply Company, Inc
- M. Pemco World Air Services

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, 2006. The City has received this prestigious award for the last twenty-four (24) consecutive years (fiscal years ended 1983 – 2006).

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 are submitting 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 fiscal years ended September 30, 2004, 2005 and 2006. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance

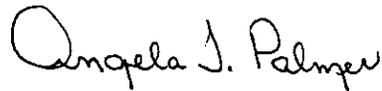
with the highest standards for preparation of state and local government popular reports.

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 are submitting 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

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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, 2006

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



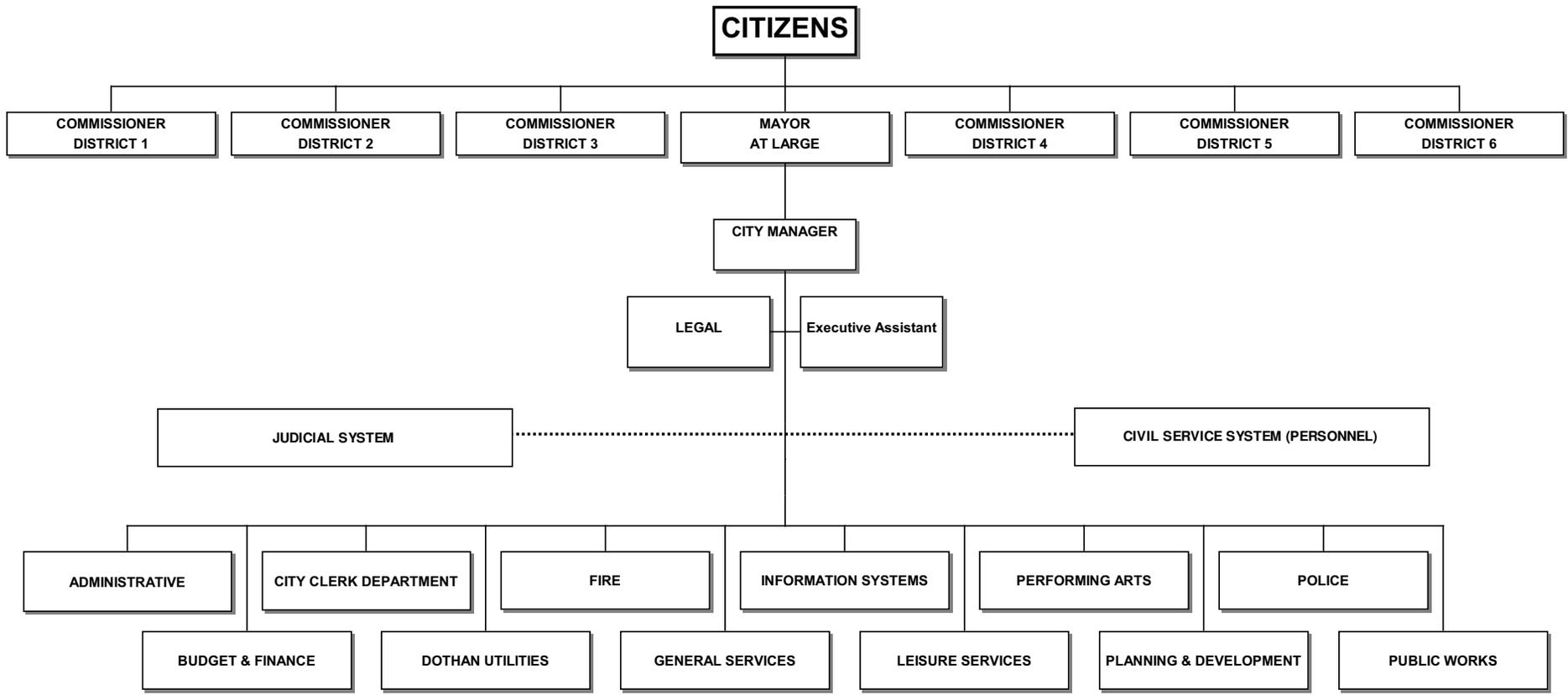
Charles S. Cox

President

Jeffrey R. Emmer

Executive Director

CITY OF DOTHAN, ALABAMA ORGANIZATION CHART



THE CITY OF DOTHAN
DOTHAN, ALABAMA
CITY OFFICIALS

CITY COMMISSION

Pat Thomas	Mayor
Larry E. Matthews	Commissioner, District 1
Amos M. Newsome, Jr.	Commissioner, District 2
Paul W. Lee	Commissioner, District 3
Jason B. Rudd	Commissioner, District 4
Taylor Barbaree	Commissioner, District 5
Phillip M. Tidwell	Commissioner, District 6

APPOINTED OFFICIALS

Rose Evans-Gordon	Municipal Judge	Billy R. Mayes, Jr.	Dothan Utilities Manager
Derel K. Kelly	Assistant City Attorney	Jerry W. Corbin	Public Works Director
Joe E. Herring, Jr.	Assistant City Attorney	Larry H. Williams, Jr.	Fire Chief
Ginger Emfinger	Public Defender	Elizabeth A. Rumble	Director of Leisure Services
Shawn McGhee	Public Defender	John R. Powell	Police Chief
Kathleen Nemish	Public Defender	Vacant	Civic Center/Opera House Director
Michael K. West	City Manager	David M. Thornton	EEO Officer
Freddie L. White, II	City Attorney	William L. Muench	General Services Director
Pam L. McCoy	City Clerk/Treasurer	Kai W. Davis	Personnel Director
Angela T. Palmer	Finance Director	Todd L. McDonald	Planning Director

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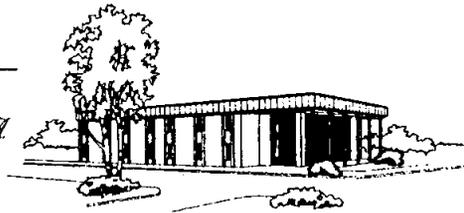
McClintock, Nelson & Associates, P.C.
Certified Public Accountants

George C. McClintock, C.P.A.

Marc A. Nelson, C.P.A.

Rebecca C. Harper, C.P.A.

Richmond C. McClintock, C.P.A.
(Retired)



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

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Dothan, Alabama 36305
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of City Commissioners
The City of Dothan
Dothan, Alabama 36303

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dothan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008 on our consideration of the City of Dothan'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3 through 14 and 61 through 63, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Board of City Commissioners
The City of Dothan
(Continued)

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, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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. The combining and individual nonmajor fund financial statements, the supplemental schedules on pages 69-82, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,



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

March 14, 2008

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, 2007. Please consider the information in this MD&A in conjunction with the City's financial statements (beginning on page 15), 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, 2007 by \$152,087,275. Of this amount, \$41,836,805 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$7,484,494 or 5.18%. A detailed explanation of this increase can be viewed on page five (5) of this Management 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 \$39,767,483 an increase of \$10,334,174 in comparison with the prior year. Approximately \$23,843,257 of this total is *available for spending* at the government's discretion (*unreserved fund balance*).
- Total net assets for governmental activities increased by \$13,107,316, thus totaling \$82,039,968 for fiscal year 2007.
- The City of Dothan's total debt increased by \$14,808,861 (25.35%) during the current fiscal year, yielding a total outstanding debt of \$73,223,861.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Dothan's basic financial statements. The City of Dothan's basic financial statements comprise 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 15-17) 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 assets (the "Unrestricted Net Assets") presents information on all of the City of Dothan's assets and liabilities, with the difference between the two reported as *net assets*. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net assets 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 16-17) presents information focused on both gross and net costs and shows how the City of Dothan's net assets 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 periods (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, equipment maintenance, culture and recreation and 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 15 - 17 of this report.

Fund Financial Statements

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

- State law requires gas 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 Statement* allows the demonstration of sources and uses and/or budgeting compliance associated therewith (beginning on page 16). 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 balance sheet 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 18-22) is 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet 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. Data from the other two governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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 23-27) 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 19 and 22). 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 (see pages 28-29). As a result of the restrictions, these assets are not presented as part of the Government-wide Financial Statements.

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 or sewer departments], etc.) be valued and reported within the Governmental column of the Government-wide Statement.

Notes to the financial statements. (see pages 31-60) 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 progress in funding its obligation to provide pension benefits to its employees.

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

Government-Wide Financial Analysis

The City's net assets totaling \$152,087,275 increased by \$7,484,494. The governmental net assets increased by \$13,107,316 and the business-net assets decreased by \$5,622,822. Management will continue to monitor net assets because the variance is a useful indicator of a City's financial position.

The following table reflects the Statement of Net Assets compared to the prior year.

Statement of Net Assets As of September 30 (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current & Other Assets	\$ 50,186	\$ 39,935	\$ 31,485	\$ 34,720	\$ 81,671	\$ 74,655
Capital Assets	88,650	76,818	94,784	89,457	183,434	166,275
Total Assets	138,836	116,753	126,269	124,177	265,105	240,930
Current & Other Liabilities	17,882	16,217	26,647	20,680	44,529	36,897
Long-term Liabilities	38,914	31,603	29,575	27,827	68,489	59,430
Total Liabilities	56,796	47,820	56,222	48,507	113,018	96,327
Net Assets:						
Invested in Capital Assets,	51,292	47,941	58,958	59,920	110,250	107,861
Net of Related Debt						
Restricted	0	0	0	0	0	0
Unrestricted	30,748	20,992	11,089	15,750	41,837	36,742
Total Net Assets	\$ 82,040	\$ 68,933	\$ 70,047	\$ 75,670	\$152,087	\$144,603

By far the largest portion of the City of Dothan's net assets (72.49%) reflects the total investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The investment in capital at September 30, 2007 was \$110.3 million. The City of Dothan uses these capital assets to provide services to citizens. These assets are not available for future spending. Although the City of Dothan's investment in its 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. The remaining balance of *unrestricted net assets* (\$41,836,805) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

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

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 invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

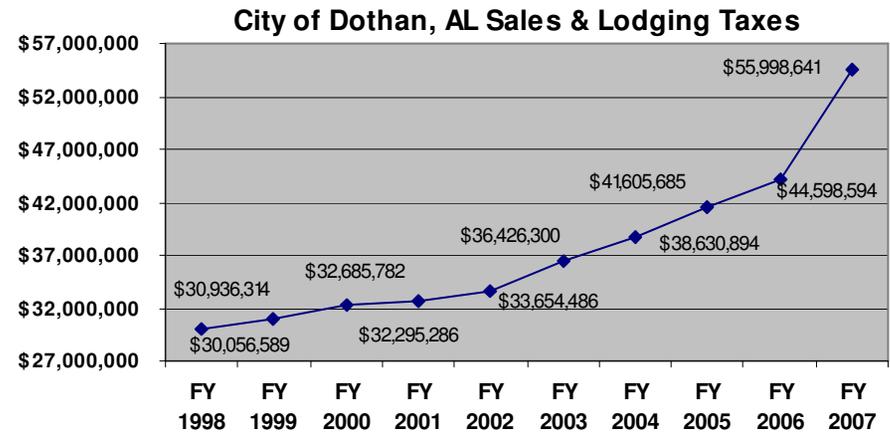
Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

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

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

At the end of the current fiscal year, the City of Dothan was able to report positive balances in all three categories of net assets, 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 assets totaling \$82,039,968 increased the City of Dothan's net assets by \$13,107,316 and the business-net assets totaling \$70,047,307 decreased by \$5,622,822. The major contributing factor of the increase in fiscal year 2007 over 2006 in governmental activities was due to the additional one percent (1%) sales tax that afforded the City the opportunity to expend monies for resurfacing, bridge and intersection repair and vehicle and equipment replacement.



The single largest revenue source is lodging and sales and use taxes, which generated \$55,998,641 in fiscal year 2007, compared to \$44,598,594 in 2006 at an increase of \$11,400,047 (25.57%). The City adopted an additional one percent (1%) sales and use tax effective January 1, 2007 which generated an additional \$9,043,157 in FY 2007.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program Revenues:						
Charges for Services	\$ 6,832	\$ 6,487	\$ 91,299	\$ 92,307	\$ 98,131	\$ 98,794
Oper Grants & Contributions	136	128			136	128
Cap Grants & Contributions	2,061	1,678			2,061	1,678
General Revenues:						
Property Taxes	3,856	3,514			3,856	3,514
Other Taxes	58,482	47,172			58,482	47,172
Grants & contributions not restricted to specific programs						
Other	1,814	2,730			1,814	2,730
Other	6,381	3,353	2,111	2,135	8,492	5,488
Total Revenues	\$ 79,562	\$ 65,062	\$ 93,410	\$ 94,442	\$172,972	\$159,504
EXPENSES						
Program Activities						
Primary Government						
Governmental Activities:						
General Government	\$ 9,547	\$ 7,633	\$	\$	\$ 9,547	\$ 7,633
Public Safety	27,216	26,456			27,216	26,456
Public Works	16,205	14,735			16,205	14,735
Planning and Development	1,716	908			1,716	908
Health & Welfare	2,748	2,692			2,748	2,692
Culture & Recreation	8,802	9,032			8,802	9,032
General Services	4,180	3,701			4,180	3,701
Insurance	2,280	1,298			2,280	1,298
Intergovernmental	4,200	4,215			4,200	4,215
Interest on Long Term Debt	1,539	1,651			1,539	1,651
Business-type Activities:						
Electric Department			68,460	66,805	68,460	66,805
Water Department			4,763	4,442	4,763	4,442
Sewer Department			4,700	4,684	4,700	4,684
Billing-Collection Department			1,168	1,154	1,168	1,154
Meter Reading Department			708	681	708	681
Depreciation Expense			5,063	4,910	5,063	4,910
Miscellaneous			732	598	732	598
Bond Issue Costs			48	52	48	52
Loss-Disposition of Capital Assets			4	306	4	306
Interest and Fiscal Charges			1,409	1,219	1,409	1,219
Total Expenses	\$ 78,433	\$ 72,321	\$ 87,055	\$ 84,851	\$165,488	\$157,172
Transfers	11,978	9,998	(11,978)	(9,998)	- 0-	- 0-
NET INCREASE	\$ 13,107	\$ 2,739	(\$ 5,623)	(\$ 407)	\$ 7,484	\$ 2,332

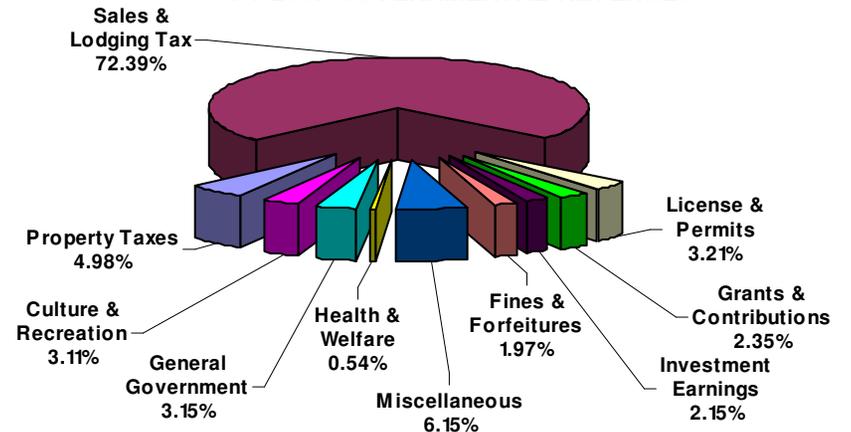
Statement of Activities

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

Governmental activities increased the City of Dothan's net assets by \$13,107,316. A key element of this increase was largely due to the lodging, sales and use tax mentioned earlier; however, due to the an additional 2% cost of living adjustment given to the City's employees the net assets were reduced. Governmental revenues totaling \$79,562,514 increased \$14,500,628 or 22.29% over fiscal year 2006 (\$65,061,886).

- Property taxes increased by \$342,335 (9.75%) and sales taxes increased by \$11,400,047 (25.57%) during the year. Various other taxes decreased \$90,279 (3.51%) over the previous year.
- The City of Dothan experienced a \$524,801 (11.57%) decrease in 2007 grant revenues and contributions. Grant revenues and contributions totaled \$4,010,609 compared to fiscal year 2006 totals of \$4,535,410. Dothan strives to maintain an aggressive grant application strategy. Grant resources support three City functions: public safety, public works, and culture and recreation.
- An increase was also reflected in unrestricted investment earnings and miscellaneous revenues by \$239,678 (16.83%) included in other revenue, and an increase in transfers from the utility fund to the governmental funds by \$1,979,563 (19.80%).

FY 2007 GOVERNMENTAL REVENUES



Business-type activities decreased the City of Dothan's net assets by \$5,622,822. A key element of this decrease was largely due to increasing cost of electric energy for resale. The City increased electric rates in October 2005 to compensate for these additional costs; however, this increase was reduced by approximately \$2 million when the City elected to return to its customers a refund from the Alabama Municipal Electric Authority due to the overstatement of the fiscal year 2006 wholesale fuel adjustment charges.

As of the end of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$39,767,483, an increase of \$10,334,174 (35.11%) in comparison with the prior year of \$29,433,309. Of this total fund balance, \$23,843,257 constitutes the *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that which is not available for new spending because of previous contractual commitments and prior period purchase orders (\$5,889,932), amounts reserved for inventory (\$456,659), reserves for landfill closure (\$3,368,432), reserves for the Westgate Widening MPO project (\$2,267,546), and amounts reserved for debt service (\$3,941,657).

The general fund is the chief operating fund of the City of Dothan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$23,622,614, while total fund balance reached \$38,975,787. As a measure of the general fund's liquidity, it may be useful to compare both unreserved 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unreserved fund balance (\$23,622,614) represents (27.47%) percent of total general fund expenditures (\$85,997,820), while total fund balance (\$38,975,787) represents (45.32%) percent of the total general fund expenditures. The unreserved fund balance of the City of Dothan's general fund (\$23,622,614) increased by \$95,636 (.41%) during the current fiscal year.

The debt service fund has a total fund balance of \$571,053. Of this amount, there are no reserves for encumbrances; thus, the total fund balance is reserved for the payment of debt service.

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 assets of the utility and E-911 funds at the end of the year amounted to \$67,798,361 and \$2,248,946 respectfully compared to last year's amounts of \$73,748,870 and \$1,921,259. The utility fund experienced a decrease in net assets in the amount of \$5,950,509 and the E-911 fund reflected an increase of \$327,687.

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 2005, the City Commission adopted a biennial budget for fiscal years 2006 and 2007. This was the second 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 done to facilitate the additional one percent (1%) sales tax that was effective January 1, 2007.

Per the City's Code of Ordinances, a supplemental budget is additionally prepared no later than March 20th 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. At that time a five year forecast is presented, along with ten years of departmental history and a listing of all major maintenance projects, additional equipment and fleet needs, as well as, capital projects for the next five years.

Encumbrances from fiscal year 2006 were carried forward to fiscal year 2007 and the general fund beginning budget included these encumbrances in the amount of \$4,974,034. These encumbrances were funded from the general fund balance. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates.

The appropriations totaling \$14,800,555 were funded from the following revenue sources in the amount of \$9,617,798. The remaining \$5,182,757 was budgeted from the available unreserved fund balance.

\$ 5,552,745	- sales and use tax revenues
42,893	- police seizure income
3,056,298	- federal, state and local grants
560,766	- contributions and donations
20,781	- municipal court revenues
10,842	- tennis tournaments and program revenues
925	- senior programs and craft sales
45,426	- summer feeding program funds
82,000	- Water World resale items and concessions
26,644	- basketball, soccer, softball programs & day camps
7,989	- diabetes clinic
8,308	- uniform deposits and other miscellaneous receipts
150,000	- 1% increase in lodging tax
23,586	- City sponsored BBQ festival
28,595	- GovDeals on- line sales
<u>\$ 9,617,798</u>	

Differences between the general fund original budget and the final amended budget totaled \$19,774,589 including the encumbrances mentioned above. The additional appropriations that were funded by the unreserved fund balance can be briefly summarized by department as follows:

- **General Administration** - \$536,445 in increases allocated as follows: \$66,314 for a new equal opportunity officer position, \$2,215 for disability policy for city manager, \$200 for additional costs for water, electricity and sewer, \$8,600 for a copier lease agreement, \$46,000 for legal expenditures, \$412,240 for downtown master plan expenses and purchase of property downtown by the Downtown Development Authority and \$876 for a barbeque festival
- **City Clerk** - \$50,350 in increases to the city clerk department for the following: advertising of the changes to the code of

ordinances for utilities, solid waste and licenses

- **Information Systems Technology** - \$56,167 in increases to the information systems technology department as follows: \$43,379 to purchase equipment for mobile data collection, \$5,199 for a special effects system for sporting events and \$7,589 for lightning protection and surge suppression
- **Finance** - \$22,980 in increases allocated to the finance department as follows: \$12,000 to perform an actuarial analysis for GASB 45 to calculate the post retirement accrual and \$10,980 for maintenance to the Accounting office
- **Personnel** - \$386,000 in increases allocated to the personnel department to fund the City's contribution to retirees' insurance
- **Judicial** - \$16,191 in increases to the judicial department as follows: \$1,250 for additional costs for water, electricity and sewer and \$14,941 to repair the roof in the magistrate building
- **Police** - \$289,515 in increases allocated to the police department as follows: \$14,880 to re-roof the communication center, \$36,000 for temporary workers at the animal shelter, \$23,500 for wireless phones and pagers, \$58,200 for additional costs for utilities and gasoline, \$16,707 for Motorola radio system training, testing and certification, \$64,478 for equipment for police vehicles, \$65,000 for in car video cameras, and \$10,750 for mobile radios
- **Fire** - \$280,093 in increases allocated to the fire department as follows: \$141,643 to repair fire stations, \$45,000 for retirement settlements for firefighters, \$15,150 to purchase new HVAC units, \$44,300 for utilities and gasoline expenses, \$28,000 to replace an engine in a fire vehicle and \$6,000 for architectural services to expand a bay at station #2
- **Public Works** - \$2,050,448 in increases allocated to the public works department as follows: \$23,000 to resurface City of Dothan

maintained roads, \$143,100 for parking lot construction at the Wiregrass Museum of Art, \$389,655 for bridge repair, \$164,300 for gasoline and fuel, \$43,885 for storm drainage, \$391,011 for engineering and design of road extension, \$19,500 for intersection improvements, \$26,150 for automated garbage collection publications for disbursement to citizens, \$499,449 for three automated garbage truck bodies and three automated garbage truck cab and chassis, \$106,513 for a knuckle boom cab and chassis and loader body and trailer, and \$243,885 for four leaf hauling bodies and three leaf machines

- **Planning & Development** - \$279,142 in increases allocated to the planning & development department as follows: \$187,123 for wages and benefits for the administration division, \$9,957 for operating expenses, \$26,800 for advertising, \$36,256 for demolition of substandard structures and \$19,006 for gasoline and vehicle related expenses
- **Leisure Services** - \$302,654 in increases to the leisure services department as follows: \$77,900 for additional costs for water, electricity and sewer, \$13,043 for part time facility supervisors, \$13,375 for HVAC unit at wiregrass gym, miscellaneous expenses, \$3,200 gasoline expenses, \$37,111 for sod, irrigation and fencing at Page Field, \$58,102 for the mobile stage, \$49,923 for miscellaneous parks and playgrounds, \$50,000 for construction of the Miracle Park for handicapped children
- **Performing Arts**: \$60,497 in increases allocated to the performing arts department as follows: \$42,600 for utilities, \$11,000 for architectural services for the permitting and inspections office, \$3,897 for the reception desk to house the utility call center and information booth, \$3,000 for various repairs
- **General Services** - \$190,813 in increases allocated to the general services department as follows: \$6,500 to conduct a HVAC evaluation at the civic center, \$67,900 for utilities and gasoline expenses, \$43,819 for purchase of a lift and other equipment at the city shop and \$72,594 for renovations at the Dixie Depot building

- **Self Funded Insurance** - \$350,000 to fund administrative services provided by Blue Cross and Blue Shield as the third party provider for the City's health and medical insurance
- **Agency Assistance** - \$311,462 to assist agencies as follows: \$50,000 to assist in the construction of the Landmark Park activity barn, \$11,000 for utilities at the Wiregrass Museum of Art, \$700 for utilities expense at the East Highland school, \$50,000 for Wallace Community College Campaign for Excellence, \$3,000 for Dothan Technology Center national skills meeting, \$46,000 in increases for City assisted basketball tournament, \$10,000 for a baseball clinic, \$10,000 for a Wallace Community College State Baseball Tournament, \$10,762 to pave the parking lot at the Wiregrass Armed Forces Memorial, \$60,000 for architectural fees for a new library, \$60,000 for pre-design services for future renovation or expansion to the Wiregrass Museum of Art

Capital Asset and Debt Administration

Capital Assets. The City of Dothan's investment in capital assets for its governmental and business-type activities as of September 30, 2007 amounts to \$183,433,561 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, system improvements (electrical, water, sewer, storm drainage and street) machinery and equipment, park facilities, roads, highways, and bridges. Capital Investments increased in the governmental capital assets by \$11,831,128 and increased in the business-type by \$5,326,592.

Major capital asset events during the current fiscal year included the following:

- **WESTGATE PARKWAY - 231- HARRISON ROAD - MPO**

The Westgate Parkway, State Highway 231 and Harrison Road project consisting of road widening, construction and right of way acquisition is expected to cost \$11,337,000. A Metropolitan Planning Organization (MPO) grant was obtained and the City will be reimbursed 80% of approved expenditures. The utilities relocation contract for the project

was awarded to L&K Contracting Company, Inc at \$1,106,685.50. To date project expenditures total \$2,716,174.75 of which \$948,879.37 has been capitalized and the remaining \$1,767,295.38 was charged to maintenance. Estimated completion date is September 2009.

- **PLUM ROAD PAVING AND INTERSECTION**

The Plum Road Paving and intersection project is a street paving project that includes the relocation of water lines. The expected total cost is \$355,514 and the expected completion date is March 2008. Project costs to date are \$60,474.98.

- **ATLANTIC COASTLINE PASSENGER STATION**

The City is renovating the Dixie Depot for offices for the Wiregrass Transit Authority. An Alabama Department of Transportation grant was obtained for \$1,400,352. The renovation contract was awarded to Gencon at \$1,172,620. Project costs to date are \$476,098.41. Estimated completion date is spring 2008.

- **WESTGATE PARK PROJECTS**

The Miracle Field baseball field and two Dixie Boys baseball fields are scheduled to be completed in the spring of 2008. Project costs to date are \$364,951.91 and \$175,703.08, respectively. Miracle Field has a rubberized surface designed for mentally and physically challenged children. The surface and all surroundings are handicap accessible. The Land and Water Conservation Fund awarded a \$200,000 grant for the project, Wiregrass Foundation provided \$150,000, and Rotary Club is providing the additional funding to complete the project. Miracle Field and the two new Dixie Boys fields will share new restroom facilities. The Dothan Area Convention and Visitors Bureau contributed \$250,000 toward the Dixie Boys Fields Project. The Shower Building at Westgate Tennis Center is expected to cost \$82,000. The project is almost complete and to date project costs are \$78,341.24.

- **GUSSIE MCMILLON PARK**

Construction began on the Gussie McMillon Park, a community park funded by a Community Development Block Grant with a budget of

\$100,000. The park will include a walking trail, two pavilions, playground equipment, and park benches. It will be located at the site of the old East Highlands School, which was torn down. Project costs to date are \$10,345.72. Expected completion date is May 2008.

- **ANIMAL CONTROL SHELTER**

The Animal Control Shelter project consisting of major renovations to the facility as well as the building of a new kennel facility and storage building is expected to cost \$300,000. Phase I of the project was started in fiscal year 2007 and is 85 percent complete. Project costs to date are \$191,333.21. Completion of Phase I is expected in the first quarter of fiscal year 2008. Discussions are ongoing about possible additional improvements and upgrades. A decision on this additional work will be made in fiscal year 2008.

- **WESTSIDE 24-INCH WATER TRANSMISSION MAIN**

The Westside 24-inch water transmission main project consisting of 38,000 feet of 24-inch main, 3,500 feet of 20-inch main and 20,800 feet of 16-inch main from the new and existing wells on the north side of the water system to the west side is expected to cost \$5,966,669. The project is substantially complete with site clean-up and close-out paperwork remaining to be finalized in fiscal year 2008. Project expenditures to date have totaled \$5,249,981.28.

- **FAULKNER ROAD WELL PROJECT**

The Faulkner Road well project consisting of one deep Clayton water production well at a rate of 1,500 gallons per minute is expected to cost \$1,223,111. The project is 70 percent constructed and will be completed in fiscal year 2008. Project expenditures to date have totaled \$563,447.69.

- **LINGO ROAD WELL PROJECT**

The Lingo Road well project consisting of one deep Clayton water production well at a rate of 1,500 gallons per minute is expected to cost \$1,246,546. The project is 75 percent constructed and will be completed in fiscal year 2008. Project expenditures to date have totaled \$734,076.01.

- **BEAVER CREEK TRUNK LINE**

The Beaver Creek trunk line project consisting of 21,000 feet of 48-inch sewer line to transfer wastewater from the present Beaver Creek Wastewater Treatment Plant to the Little Choctawhatchee Wastewater Treatment Plant is estimated to cost \$15,800,000. The engineering effort is underway by Barge, Waggoner, Sumner and Cannon, Inc.; fees are expected to cost \$803,070 with \$27,091.88 expended to date. Project design specifications and drawings are to be complete by September 2008 and the project is expected to be completed by October, 2010.

- **BEAVER CREEK WASTEWATER TREATMENT PLANT DECOMMISSIONING**

The Beaver Creek Wastewater Treatment Plant decommissioning project is estimated to cost \$1,000,000. The engineering effort is underway by Barge, Waggoner, Sumner and Cannon, Inc.; fees are expected to cost \$202,000. Project design specifications and drawings are to be complete by September 2008 and the project is expected to be completed by February 2011.

- **LITTLE CHOCTAWHATCHEE WASTEWATER TREATMENT PLANT UPGRADE**

The Little Choctawhatchee Wastewater Treatment Plant upgrade project consists of increasing the plant treatment capacity to 12 million gallons per day and hydraulic capacity to 31 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 which is estimated to cost \$29,500,000. The engineering efforts are underway by Polyengineering, Inc. Fees are expected to cost \$1,904,075. Project design specifications and drawings are to be complete by September 2008 and the project is expected to be completed by October 2010.

- **FAIRLANE PARK SANITARY SEWER**

The Fairlane Park Sanitary Sewer State Revolving Fund project from Jonathan Street to E. Selma Street consisted of the replacement of approximately 1,100 feet of 10 inch vitrified clay sanitary sewer pipe with 15 inch PVC pipe and the replacement of a concrete ditch at Jonathan

Street. The replacement project was to correct surcharging of the existing sewer line in this area. This project was constructed through SRF funds. The project is expected to be completed in December 2007 at a total cost of \$157,000. Project costs to date are \$87,281.29.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 8,036	\$ 8,306	\$ 2,198	\$ 1,044	\$ 10,234	\$ 9,350
Buildings	78,642	78,998	4,594	4,457	83,236	83,455
Improv. other than Bldgs	40,561	27,301	130,097	129,677	170,658	156,978
Machinery & Equipment	30,079	28,081	9,976	9,177	40,055	37,258
Infrastructure	430,270	428,788			430,270	428,788
Construction in Progress	1,211	144	9,319	1,915	10,530	2,059
Total Capital Assets	<u>\$588,799</u>	<u>\$571,618</u>	<u>\$ 156,184</u>	<u>\$ 146,270</u>	<u>\$744,983</u>	<u>\$717,888</u>

Additional information on the City of Dothan's capital assets can be found in note IV. D on pages 45 – 47 of this report.

Debt Outstanding

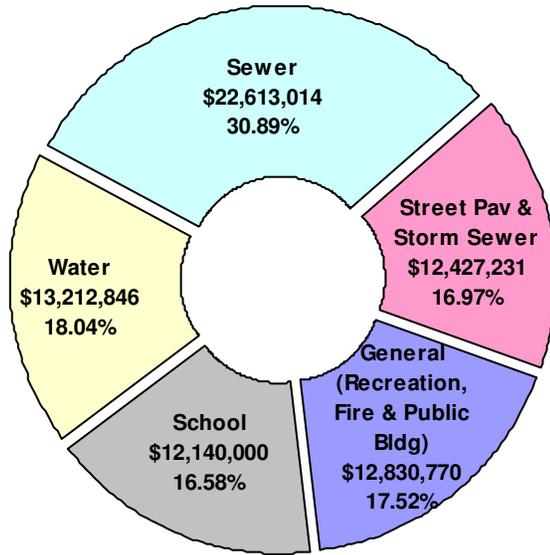
As of the fiscal year end, the City of Dothan had \$73,223,861 in gross bonded debt outstanding compared to \$58,415,000 last fiscal year end; thus, increasing debt by \$14,808,861 during the current fiscal year. In fiscal year 2007, \$9.5 million debt was let to construct transmission mains and two deep wells, as required by the long range water plan. Also, the City entered into a contract with Motorola to lease/purchase a \$12 million radio system.

- The City maintains an "AAA/A+" rating from Standard & Poor's and an "Aaa/A1" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of its total assessed valuation. The current constitutional debt limitation for the

City of Dothan is \$151,994,054, which is significantly in excess of the City of Dothan's outstanding general obligation debt. Additional information can be found in note IV. H on pages 51 – 54 of this report.

FY 2007 Debt Outstanding ~ \$73,223,861



Outstanding Debt As of September 30

	2007	2006	2005
General Government	\$ 12,830,770	\$ 903,107	\$ 2,696,252
Schools	12,140,000	15,547,616	19,756,978
Sewer & Storm Sewer	22,613,014	23,664,572	24,594,572
Street Paving & Storm Drainage	12,427,231	12,427,231	12,427,231
Water	<u>13,212,846</u>	<u>5,872,474</u>	<u>6,859,967</u>
TOTAL	<u>\$ 73,223,861</u>	<u>\$ 58,415,000</u>	<u>\$ 66,335,000</u>

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. 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 its 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 encouraging both annexation and economic development.

This City Commission set downtown revitalization as one of its major priorities. The City appointed Dothan Downtown Development Authority (DDDA) is already dealing with dilapidated structures on Main Street, as well as some discussions about a new library and cleaning up other areas of downtown, such as Foster Street. As the Master Plan for Downtown unfolds and interest builds in downtown redevelopment, the City will need to provide annual funding to the DDDA 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 our 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 many people in the surrounding communities who need employment in close proximity to where they live.

Due to the City Commission's decision to address additional revenue needs and increase the sales tax, the financial climate in which the City operates has changed significantly. We now have the opportunity to address numerous issues which have gone unfunded for many years. The programs which have been initiated: street resurfacing, employee salaries, vehicles and equipment replacement, facility maintenance, bridge replacements, road improvement projects and the proposed addition to our recreational facilities, speak well to the foresight and vision of the City Commission. The Commission worked diligently with a consultant, Lyle Sumek, to develop a mission statement, long range goals and action items to be addressed by the City. This Strategic Plan was a positive step and provided a sense of unity, direction and vision for the City's future.

The items which have been undertaken utilizing the additional sales tax are a step in the right direction; however, the City still has numerous issues which need to be addressed. 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. Based on spending \$1.5 million a year on resurfacing, it will take another ten years to get to the point where we should be. There are numerous intersections and road improvements waiting funding; and our growth continues daily. Additionally, while we've made a great stride in adjusting employee salaries, this is something that can't be abandoned. We must continue to deal with inflationary and market salary issues on a regular basis. Currently, all departments are working together to develop a system to fairly pay for performance. These pay issues are important for retention and hiring of City workers.

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.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 41,106,002	\$ 20,983,759	\$ 62,089,761
Receivables	6,789,111	6,623,808	13,412,919
Due from other governments	1,834,195	1,405,860	3,240,055
Inventories, at cost	456,659	2,471,404	2,928,063
Capital assets (See Note IV-D):			
Non-depreciable	9,246,916	11,517,846	20,764,762
Depreciable, net	79,402,666	83,266,133	162,668,799
Total Assets	138,835,549	126,268,810	265,104,359
LIABILITIES:			
Vouchers/accounts payable	3,206,672	15,164,772	18,371,444
Accrued liabilities	6,128,398	157,234	6,285,632
Accrued interest payable	405,091	141,401	546,492
Payable to other governments	47,934		47,934
Customer deposits	576,649	4,771,994	5,348,643
Unearned revenue	14,166		14,166
Non-Current Liabilities:			
Due within one year	7,502,772	6,411,180	13,913,952
Due in more than one year	38,913,899	29,574,922	68,488,821
Total Liabilities	56,795,581	56,221,503	113,017,084
NET ASSETS:			
Invested in capital assets, net of debt	51,292,351	58,958,119	110,250,470
Unrestricted	30,747,617	11,089,188	41,836,805
Total Net Assets	\$ 82,039,968	\$ 70,047,307	\$ 152,087,275

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, 2007

FUNCTION / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 9,546,479	\$ 2,439,358	\$ 106,334	\$	\$ (7,000,787)	\$	\$ (7,000,787)
Public safety	27,216,223	1,522,868	29,087	69,977	(25,594,291)		(25,594,291)
Public works	16,205,389	44,060		1,990,787	(14,170,542)		(14,170,542)
Planning and development	1,716,024	420,816			(1,295,208)		(1,295,208)
Health and welfare	2,748,051				(2,748,051)		(2,748,051)
Culture and recreation	8,802,257	2,405,222			(6,397,035)		(6,397,035)
General services	4,179,402				(4,179,402)		(4,179,402)
Insurance department	2,280,195				(2,280,195)		(2,280,195)
Education	4,200,254				(4,200,254)		(4,200,254)
Interest/fiscal charges on long-term debt	1,538,742				(1,538,742)		(1,538,742)
Total Governmental Activities	78,433,016	6,832,324	135,421	2,060,764	(69,404,507)	-	(69,404,507)
Business-Type Activities:							
Utility	86,252,290	90,239,212				3,986,922	3,986,922
E-911	802,784	1,059,725				256,941	256,941
Total Business-Type Activities	87,055,074	91,298,937	-	-	-	4,243,863	4,243,863
Total Primary Government	\$ 165,488,090	\$ 98,131,261	\$ 135,421	\$ 2,060,764	\$ (69,404,507)	\$ 4,243,863	\$ (65,160,644)

(Continued on page 17)

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, 2007

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GENERAL REVENUES:			
Taxes:			
Property taxes	\$ 3,856,234	\$	\$ 3,856,234
General sales and lodging	55,998,641		55,998,641
Other taxes	2,483,548		2,483,548
Grants and contributions not restricted to specific programs	1,814,424		1,814,424
Unrestricted investment earnings	1,664,266	1,125,125	2,789,391
Miscellaneous	4,716,892	986,008	5,702,900
Transfers	11,977,818	(11,977,818)	-
Total General Revenues, Special Items, and Transfers	<u>82,511,823</u>	<u>(9,866,685)</u>	<u>72,645,138</u>
Change in Net Assets	13,107,316	(5,622,822)	7,484,494
Net Assets - Beginning	<u>68,932,652</u>	<u>75,670,129</u>	<u>144,602,781</u>
Net Assets - Ending	<u>\$ 82,039,968</u>	<u>\$ 70,047,307</u>	<u>\$ 152,087,275</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, 2007

	GENERAL	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and cash equivalents	\$ 40,334,784	\$ 549,078	\$ 222,140	\$ 41,106,002
Receivables:				
Taxes	8,528,143			8,528,143
Accounts	1,166,730			1,166,730
Special assessments		444,665		444,665
Accrued interest	25,607	22,175		47,782
Due from other funds	200			200
Due from other governments	1,834,195			1,834,195
Inventories, at cost	456,659			456,659
Total Assets	52,346,318	1,015,918	222,140	53,584,376
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Vouchers/accounts payable	3,205,175		1,497	3,206,672
Accrued liabilities	6,128,398			6,128,398
Due to other funds		200		200
Payable to other governments	47,934			47,934
Customer deposits	576,649			576,649
Deferred revenue/income	3,412,375	444,665		3,857,040
Total Liabilities	13,370,531	444,865	1,497	13,816,893
Fund Balances:				
Reserved for:				
Encumbrances	5,889,932			5,889,932
Inventories	456,659			456,659
Landfill closure	3,368,432			3,368,432
MPO program	2,267,546			2,267,546
Debt service	3,370,604	571,053		3,941,657
Unreserved, reported in:				
General fund	23,622,614			23,622,614
Special revenue fund			220,643	220,643
Total Fund Balance	38,975,787	571,053	220,643	39,767,483
Total Liabilities and Fund Balances	\$ 52,346,318	\$ 1,015,918	\$ 222,140	\$ 53,584,376

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 ASSETS
AS OF SEPTEMBER 30, 2007

Total Fund Balances - Governmental Funds		\$ 39,767,483
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 588,798,400	
Less: Depreciation expense to date	<u>(500,148,818)</u>	88,649,582
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 revenues in the governmental funds, and thus are not included in fund balance.		
Adjustment of receivables - property taxes	(3,398,209)	
Adjustment of deferred revenue - property taxes	3,398,209	
Adjustment of deferred revenue - special assessment	<u>444,665</u>	444,665
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
		(46,416,671)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		<u>(405,091)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 82,039,968</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, 2007

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:				
Taxes	\$ 62,023,717	\$	\$ 314,706	\$ 62,338,423
Licenses and permits	2,805,965			2,805,965
Intergovernmental revenues	3,967,350			3,967,350
Charges for services	2,503,491			2,503,491
Fines and forfeitures	1,522,868			1,522,868
Special assessments		221,584		221,584
Interest income	1,649,769	53,353	1,901	1,705,023
Miscellaneous	5,064,189	31		5,064,220
Total Revenues	<u>79,537,349</u>	<u>274,968</u>	<u>316,607</u>	<u>80,128,924</u>
EXPENDITURES:				
Current:				
General government	8,838,212			8,838,212
Public safety	25,981,857			25,981,857
Public works	13,049,602		4	13,049,606
Planning and development	1,705,966			1,705,966
Health and welfare	2,728,336			2,728,336
Culture and recreation	7,970,348			7,970,348
General services	4,041,226			4,041,226
Insurance department	2,280,195			2,280,195
Intergovernmental			2,953,473	2,953,473
Capital outlay	19,402,078			19,402,078
Debt service:				
Principal retirement		4,310,723		4,310,723
Interest and fiscal charges		1,338,528	2,790	1,341,318
Total Expenditures	<u>85,997,820</u>	<u>5,649,251</u>	<u>2,956,267</u>	<u>94,603,338</u>
Excess of Revenues over (under) Expenditures	<u>\$ (6,460,471)</u>	<u>\$ (5,374,283)</u>	<u>\$ (2,639,660)</u>	<u>\$ (14,474,414)</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 - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	GENERAL	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	\$ 3,606,672	\$ 5,648,595	\$ 2,722,551	\$ 11,977,818
Capital leases	12,830,770			12,830,770
Total Other Financing Sources (Uses)	16,437,442	5,648,595	2,722,551	24,808,588
Net Changes in Fund Balance	9,976,971	274,312	82,891	10,334,174
Fund Balances, Beginning	28,998,816	296,741	137,752	29,433,309
Fund Balances, Ending	\$ 38,975,787	\$ 571,053	\$ 220,643	\$ 39,767,483

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, 2007

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

Net Change in Fund Balances - Total Governmental Funds	\$ 10,334,174
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 exceeded depreciation in the current period.	12,175,955
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(344,826)
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 assets because they had been recognized as revenue in an earlier period.	(221,584)
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 assets. Also, governmental funds report the effect of issuance costs, 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.	(8,425,474)
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>(410,929)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 13,107,316</u></u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 19,389,665	\$ 1,594,094	\$ 20,983,759
Accounts receivable	6,532,118	88,620	6,620,738
Accrued interest	2,674	396	3,070
Due from other governments	1,405,860		1,405,860
Inventories, at cost	2,471,404		2,471,404
Total Current Assets	<u>29,801,721</u>	<u>1,683,110</u>	<u>31,484,831</u>
Non-Current Assets:			
Capital Assets:			
Land	2,197,978		2,197,978
Buildings	4,594,438		4,594,438
Improvements other than buildings	130,096,452	900	130,097,352
Machinery and equipment	7,980,904	1,994,648	9,975,552
Accumulated depreciation	(60,005,216)	(1,395,993)	(61,401,209)
Construction in progress	9,319,868		9,319,868
Total Non-Current Assets	<u>94,184,424</u>	<u>599,555</u>	<u>94,783,979</u>
Total Assets	<u>123,986,145</u>	<u>2,282,665</u>	<u>126,268,810</u>
LIABILITIES:			
Current Liabilities:			
Vouchers/accounts payable	15,131,053	33,719	15,164,772
Accrued liabilities	157,234		157,234
Accrued interest payable	141,401		141,401
Compensated absences	440,127		440,127
Customer deposits	4,771,994		4,771,994
Bonds payable - current	5,971,053		5,971,053
Total Current Liabilities	<u>\$ 26,612,862</u>	<u>\$ 33,719</u>	<u>\$ 26,646,581</u>

(Continued on page 24)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	<u>UTILITY</u>	<u>E-911</u>	<u>TOTAL</u>
Non-Current Liabilities:			
Compensated absences	\$ 88,379	\$	\$ 88,379
Bonds payable (net of unamortized bond issue costs)	29,486,543		29,486,543
Total Non-Current Liabilities	<u>29,574,922</u>	<u>-</u>	<u>29,574,922</u>
Total Liabilities	<u>56,187,784</u>	<u>33,719</u>	<u>56,221,503</u>
NET ASSETS:			
Invested in capital assets, net of debt	58,358,564	599,555	58,958,119
Unrestricted	9,439,797	1,649,391	11,089,188
Total Net Assets	<u>\$ 67,798,361</u>	<u>\$ 2,248,946</u>	<u>\$ 70,047,307</u>

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
OPERATING REVENUES:			
Charges for services	\$ 90,239,212	\$ 1,059,725	\$ 91,298,937
OPERATING EXPENSES:			
Electric department	68,460,589		68,460,589
Water department	4,762,838		4,762,838
Sewer department	4,699,808		4,699,808
Billing - collection department	1,167,903		1,167,903
Meter reading department	707,810		707,810
Depreciation	4,839,350	223,835	5,063,185
Miscellaneous	152,603	578,949	731,552
Total Operating Expenses	84,790,901	802,784	85,593,685
Operating Income (Loss)	5,448,311	256,941	5,705,252
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	1,054,379	70,746	1,125,125
Miscellaneous revenue	986,008		986,008
Bond issue costs	(47,753)		(47,753)
Gain (loss) on disposition of capital assets	(4,227)		(4,227)
Interest and fiscal charges	(1,409,409)		(1,409,409)
Total Nonoperating Revenues (Expenses)	578,998	70,746	649,744
Income (Loss) Before Contributions and Transfers	6,027,309	327,687	6,354,996
Transfers out	(11,977,818)		(11,977,818)
Change in Net Assets	(5,950,509)	327,687	(5,622,822)
Total Net Assets - Beginning	73,748,870	1,921,259	75,670,129
Total Net Assets - Ending	\$ 67,798,361	\$ 2,248,946	\$ 70,047,307

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, 2007

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
CASH FLOWS FROM OPERATIONS:			
Receipts from customers	\$ 89,621,357	\$ 1,063,537	\$ 90,684,894
Payments to suppliers	(68,348,910)	(574,121)	(68,923,031)
Payments to employees	(10,488,732)		(10,488,732)
Other receipts (payments)	964,738		964,738
Net Cash Provided by (Used in) Operating Activities	<u>11,748,453</u>	<u>489,416</u>	<u>12,237,869</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (out)	(11,977,818)		(11,977,818)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt and State Revolving Funds	9,867,121		9,867,121
Acquisition and construction of capital assets	(9,992,222)	(398,935)	(10,391,157)
Principal paid on bond maturities and capital leases	(3,211,186)		(3,211,186)
Interest paid on bonds and notes payable	(1,388,755)		(1,388,755)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(4,725,042)</u>	<u>(398,935)</u>	<u>(5,123,977)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	1,053,611	70,542	1,124,153
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(3,900,796)</u>	<u>161,023</u>	<u>(3,739,773)</u>
Cash and Cash Equivalents at Beginning of Year	<u>23,290,461</u>	<u>1,433,071</u>	<u>24,723,532</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,389,665</u>	<u>\$ 1,594,094</u>	<u>\$ 20,983,759</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, 2007

	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)	<u>\$ 5,448,311</u>	<u>\$ 256,941</u>	<u>\$ 5,705,252</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	4,839,350	223,835	5,063,185
(Increase) decrease in accounts receivable	(384,918)	3,812	(381,106)
(Increase) decrease in inventory	(490,014)		(490,014)
Increase (decrease) in vouchers and accounts payable	1,520,522	4,828	1,525,350
Increase (decrease) in accrued liabilities	33,538		33,538
Increase (decrease) in compensated absences	49,863		49,863
Increase (decrease) in customer deposits	(232,937)		(232,937)
Other miscellaneous revenues	964,738		964,738
Total Adjustments	<u>6,300,142</u>	<u>232,475</u>	<u>6,532,617</u>
Net Cash Provided by (Used) in Operating Activities	<u><u>\$ 11,748,453</u></u>	<u><u>\$ 489,416</u></u>	<u><u>\$ 12,237,869</u></u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2007

	<u>EMPLOYEE RETIREMENT FUND</u>
ASSETS:	
Cash and cash equivalents	\$ 37,717
Accrued interest and dividends	<u>126</u>
Total Assets	<u>37,843</u>
LIABILITIES	
NET ASSETS:	
Held in trust for pension benefits	<u><u>\$ 37,843</u></u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	EMPLOYEE RETIREMENT FUND
ADDITIONS:	
Contributions	\$
Investment Earnings: Interest, dividends, and other	846
Total Additions	846
DEDUCTIONS:	
Refunds of contributions	-
Total Deductions	-
Change in Net Assets	846
Net Assets - Beginning of Year	36,997
Net Assets - End of Year	\$ 37,843

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

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dothan, Alabama (the City), which was founded in 1885, has an estimated population of 64,503 living within an area of 87.32 square miles. The City is in the southeast corner of the State of Alabama. The City operates under a Mayor-Commission form of government.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the enterprise fund types in accordance with GASB Statement No. 20. 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. The more significant of these accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger Alabama local governments with a September 30 fiscal year). As part of this statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation to the fiscal year ending in 2006. The City elected to early implement the basic model for fiscal year 2000/2001 including the implementing of the infrastructure-related portion.

A. Financial Reporting Entity

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.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. 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 government. There were no discretely presented component units.

Blended Component Unit. The City of Dothan Pension Trust. The City of Dothan employees had participated in the City of Dothan Employees' Pension and Retirement Fund. The government, effective October 1, 2004, adopted the Retirement Systems of Alabama as the official retirement plan for all eligible employees. As of September 30, 2007, the amount left in the City of Dothan Pension Trust represents the annuity balance of a few former employees. A separate financial statement can be obtained from the accounting division of the City's finance department.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. 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 net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

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

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 are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. 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.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – GASB Statement No. 34 (Continued)

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

C. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The new 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 nonmajor 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, liabilities, fund equity, revenues and expenditures, or 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

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, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (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 on the flow of 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 assets, 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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. 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 accounts for the City of Dothan's utility operations, which include retailing purchased electricity, as well as water and sewer operations.

Emergency 911 Fund (E911) was established to record 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 government's policy to use restricted resources first, and then unrestricted resources as they are needed.

3. Fiduciary Funds

Trust and Agency Funds – To account for assets held by the City as trustee or agent for individuals, other governments and/or funds. These include a Pension Trust Fund. Pension funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

4. 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 Assets.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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 and Fiduciary 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 when earned and expenses are recognized when incurred.

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 government considers revenues to be available if they are collected within sixty (60) days of 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 the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government'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.

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

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, 2007.

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 government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of three years. 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, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity (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	10
Computer equipment	5
Machinery	6

6. *Compensated Absences*

It is the government'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 portion of this liability 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, proprietary, and fiduciary 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity (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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 Receivables

The City bills utility customers using cycle billing. There are three billing cycles per month and at the end of any given month there is approximately thirty (30) days use of utilities 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, 2007

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 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 balance sheet date. The \$5,488,503 reported as landfill closure and postclosure care liability at September 30, 2007, represents the cumulative amount reported to date based on the use of 87.05 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$816,497 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. The City of Dothan expects to close the current landfill in the year 2011, which would make the estimated remaining life to be approximately four years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

1. Budgetary Accounting

All funds, except the Community Development special revenue fund, E-911 enterprise fund, and the fiduciary funds, are maintained as budgetary funds. Budgets are adopted at the beginning of each fiscal year 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 through the fiscal year. During the year, several supplemental appropriations were necessary in the amount of \$49,728,895. 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.

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

The budget to actual comparison for the general fund reflects two departments' expenditures exceeding appropriations for a total of \$9,292,059. Although the two departments in this fund exceeded its budget, the overall fund budget was not exceeded or revenues exceeded the budget to make up for any expenditure overage.

C. Deficit Fund Equity

As of September 30, 2007, there were no funds that had a deficit fund balance.

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 Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 (\$46,416,671) are as follows:

Bonds payable	(\$25,697,159)
Estimated cost of closure and postclosure of City landfill	(5,488,503)
Compensated absences	(2,400,239)
Capital leases	<u>(12,830,770)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$46,416,671)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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

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 assets 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 \$12,175,955 difference are as follows:

Capital outlay	\$19,402,078
Depreciation expense	(7,226,123)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$12,175,955</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 assets.” The details of this (\$344,826) difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 2,502
The statement of activities reports <i>gains or losses</i> 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	(347,328)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$344,826)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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)

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 assets. Also, governmental funds report the effect of issuance costs, 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 (\$8,425,474) difference are as follows:

Debt incurred	(\$12,830,770)
Principal repayments:	
General obligation debt and capital leases	4,310,723
Net change in unamortized bond premium, discount, and issue costs	<u>94,573</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$ 8,425,474)</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 (\$410,929) difference are as follows:

Compensated absences	(\$129,912)
Estimated cost of closure and postclosure	10,980
Accrued interest	<u>(291,997)</u>
Net adjustment to decrease <i>net changes in fund balances – governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$410,929)</u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government's carrying amount of deposits was \$62,127,279 and the total bank balance was \$61,516,372. Of the bank balance, \$700,000 was covered by federal depository insurance. Of the remaining balance, \$60,816,372 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, 2007, \$61,419,567 of the government's bank balance of \$61,516,372 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 government's individual major funds and nonmajor 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	\$ 8,528,143	\$	\$	\$	\$ 8,528,143
Accounts	1,166,730		6,532,118	88,620	7,787,468
Special assessments		444,665			444,665
Interest	<u>25,607</u>	<u>22,175</u>	<u>2,674</u>	<u>396</u>	<u>50,852</u>
Total	<u>\$ 9,720,480</u>	<u>\$ 466,840</u>	<u>\$ 6,534,792</u>	<u>\$ 89,016</u>	<u>\$ 16,811,128</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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)	\$ 3,398,209	\$
Special assessments not yet due (debt service fund)	444,665	
Business licenses and certain other resources that have been received, but not yet earned		14,166
Total deferred/unearned revenue for governmental funds	\$ 3,842,874	\$ 14,166

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, 2007, there were property taxes receivable and deferred revenue of \$3,398,209 that does not become earned until October 1, 2007 and therefore not reflected on the government-wide statement of net assets.

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, 2007

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 8,306,198	\$ 1	\$ (270,472)	\$ 8,035,727
Construction in progress	144,370	1,146,541	(79,722)	1,211,189
Total capital assets, not being depreciated	<u>8,450,568</u>	<u>1,146,542</u>	<u>(350,194)</u>	<u>9,246,916</u>
Capital assets, being depreciated:				
Buildings	78,998,156	580	(357,031)	78,641,705
Improvements other than buildings	27,300,522	13,260,651		40,561,173
Machinery and equipment	28,080,929	3,594,687	(1,596,725)	30,078,891
Infrastructure	428,787,873	1,481,842		430,269,715
Total capital assets, being depreciated	<u>563,167,480</u>	<u>18,337,760</u>	<u>(1,953,756)</u>	<u>579,551,484</u>
Less accumulated depreciation for:				
Buildings	40,233,933	2,378,987	(313,501)	42,299,419
Improvements other than buildings	13,769,852	1,002,365		14,772,217
Machinery and equipment	20,633,249	2,403,528	(1,563,398)	21,473,379
Infrastructure	420,162,560	1,441,243		421,603,803
Total accumulated depreciation	<u>494,799,594</u>	<u>7,226,123</u>	<u>(1,876,899)</u>	<u>500,148,818</u>
Total capital assets, being depreciated, net	<u>68,367,886</u>	<u>11,111,637</u>	<u>(76,857)</u>	<u>79,402,666</u>
Governmental activities capital assets, net	<u>\$ 76,818,454</u>	<u>\$ 12,258,179</u>	<u>\$ (427,051)</u>	<u>\$ 88,649,582</u>

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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	\$ 1,044,133	\$ 1,153,845	\$	\$ 2,197,978
Construction in progress	1,914,722	7,540,800	(135,654)	9,319,868
Total capital assets, not being depreciated	<u>2,958,855</u>	<u>8,694,645</u>	<u>(135,654)</u>	<u>11,517,846</u>
Capital assets, being depreciated:				
Buildings	4,457,293	137,145		4,594,438
Improvements other than buildings	129,677,345	421,589	(1,582)	130,097,352
Machinery and equipment	9,176,852	1,273,431	(474,731)	9,975,552
Total capital assets, being depreciated	<u>143,311,490</u>	<u>1,832,165</u>	<u>(476,313)</u>	<u>144,667,342</u>
Less accumulated depreciation for:				
Buildings	1,664,603	132,016		1,796,619
Improvements other than buildings	48,055,910	4,222,838	(201)	52,278,547
Machinery and equipment	7,092,445	708,331	(474,733)	7,326,043
Total accumulated depreciation	<u>56,812,958</u>	<u>5,063,185</u>	<u>(474,934)</u>	<u>61,401,209</u>
Total capital assets, being depreciated, net	<u>86,498,532</u>	<u>(3,231,020)</u>	<u>(1,379)</u>	<u>83,266,133</u>
Business-type activities capital assets, net	<u>\$ 89,457,387</u>	<u>\$ 5,463,625</u>	<u>\$ (137,033)</u>	<u>\$ 94,783,979</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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	\$ 668,257
Public safety	1,202,154
Public works, including depreciation of general infrastructure assets	3,136,037
Health and welfare	19,715
Culture and recreation	832,905
General services	120,274
Schools	1,246,781
	<hr/>
Total depreciation expense - governmental activities	<u><u>\$ 7,226,123</u></u>

Business-type activities:

Utility (other than electric)	\$ 3,155,112
Electric	1,684,238
E-911	223,835
	<hr/>
Total depreciation expense - business-type activities	<u><u>\$ 5,063,185</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The only due to/from other funds was in the amount of \$200 that was owed by the Debt Service Fund to the General Fund. This amount was eliminated in the Statement of Net Assets.

The interfund transfers were as follows:

Transfer out:	Transfer in:			
	General Fund	Debt Service Fund	Nonmajor Governmental	Total
Utility Fund	<u>\$ 3,606,672</u>	<u>\$ 5,648,595</u>	<u>\$ 2,722,551</u>	<u>\$ 11,977,818</u>
Total Transfer Out	<u><u>\$ 3,606,672</u></u>	<u><u>\$ 5,648,595</u></u>	<u><u>\$ 2,722,551</u></u>	<u><u>\$ 11,977,818</u></u>

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 Assets

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

Investment in Capital Assets (net of related debt) – 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, 2007

ANALYSIS OF INVESTMENT IN CAPITAL ASSETS, NET OF DEBT
FOR THE YEAR ENDING SEPTEMBER 30, 2007

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
Infrastructure - Governmental				
2005 G/O Series	\$ 12,427,231	\$ -	\$ 12,427,231	
Total Infrastructure - Governmental	12,427,231	-	12,427,231	
Other Capital Assets - Governmental				
Motorola Lease	12,790,000		12,790,000	
2005 G/O Series	12,140,000		12,140,000	
Total Other Capital Assets - Governmental	24,930,000	-	24,930,000	
Total Governmental Debt				\$ 37,357,231
Total Capital Assets			588,798,400	
Accumulated Depreciation			(500,148,818)	
Net Capital Assets				88,649,582
Investment in Capital Assets, net of related debt				\$ 51,292,351
Infrastructure - Proprietary				
1989 G/O Series	255,000		255,000	
1996B SRLFB	2,445,000		2,445,000	
2000 - SRF Sewer Warrant	9,010,000		9,010,000	
2001 - SRF Sewer Warrant	5,275,000		5,275,000	
2002 G/O Refunding Series	6,810,000		6,810,000	
2005 G/O Series	4,357,769		4,357,769	
2006 G/O Series	7,673,091		7,673,091	
Total Infrastructure - Proprietary	35,825,860	-	35,825,860	
Total Proprietary Debt				\$ 35,825,860
Total Capital Assets			156,185,188	
Accumulated Depreciation			(61,401,209)	
Net Capital Assets				94,783,979
Investment in Capital Assets, net of related debt				\$ 58,958,119

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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>
2008	\$11,013
2009	10,122
2010	10,122
2011	<u>3,787</u>
Total minimum lease payments	<u>\$35,044</u>

The rental expense for the above operating leases is \$11,310 for the year ended September 30, 2007.

2. Capital Leases

The government has entered into several lease agreements for financing the acquisition of office equipment and a public safety communications system 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>
Public safety communication system	\$12,790,000
Office equipment	50,076
Less: Accumulated depreciation	<u>(5,008)</u>
Total	<u>\$12,835,068</u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

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, 2007 were as follows:

<u>YEAR ENDING SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2008	\$5,240,764
2009	2,465,911
2010	2,464,295
2011	2,454,229
2012	<u>1,225,403</u>
Total minimum lease payments	13,850,602
Less: Amount representing interest	<u>1,019,832</u>
Present value of minimum lease payments	<u>\$12,830,770</u>

H. Long-Term Debt

General Obligation Bonds

The government 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. The original amount of general obligation bonds issued in prior years was \$70,575,000. During the fiscal year, general obligation bonds totaling \$9,500,000 were issued and recorded in the utility fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. 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 – refunding	3.20 – 5.00%	\$24,567,231
Business-type activities	3.56 – 5.00%	24,658,091
Business-type activities – refunding	3.20 – 5.00%	<u>11,167,769</u>
		<u>\$60,393,091</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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>
2008	\$ 670,000	\$ 1,137,077	\$ 5,971,053	\$ 1,344,165
2009	2,452,231	1,115,302	4,445,736	1,135,165
2010	3,370,000	992,690	3,831,544	951,780
2011	1,640,000	824,190	4,892,527	808,660
2012	1,700,000	769,250	2,980,000	645,000
2013	1,765,000	709,750	3,080,000	531,930
2014	1,855,000	621,500	1,160,000	410,158
2015	1,955,000	528,750	1,205,000	365,242
2016	2,055,000	431,000	1,255,000	318,580
2017	2,150,000	328,250	1,305,000	269,982
2018	2,255,000	220,750	1,055,000	219,450
2019	1,320,000	108,000	1,095,000	178,832
2020	1,380,000	55,200	1,140,000	136,675
2021	-	-	1,180,000	92,785
2022	-	-	1,230,000	47,355
TOTAL	<u>\$ 24,567,231</u>	<u>\$ 7,841,709</u>	<u>\$ 35,825,860</u>	<u>\$ 7,455,759</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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, 2007, 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	\$ 28,877,954	\$	\$ (4,310,723)	\$ 24,567,231	\$ 670,000
Plus: Unamortized bond premium	1,626,263		(129,419)	1,496,844	
Less: Unamortized bond issue cost	(390,937)		33,299	(357,638)	
Less: Unamortized bond discount	(10,825)		1,547	(9,278)	
Total Bonds Payable	30,102,455	-	(4,405,296)	25,697,159	670,000
Estimated cost of closure and postclosure	5,499,483		(10,980)	5,488,503	
Compensated absences	2,270,327	252,163	(122,251)	2,400,239	2,117,558
Capital leases		12,830,770		12,830,770	4,715,214
Governmental Activity Long-Term Liabilities	<u>\$ 37,872,265</u>	<u>\$ 13,082,933</u>	<u>\$ (4,538,527)</u>	<u>\$ 46,416,671</u>	<u>\$ 7,502,772</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 29,537,046	\$ 9,500,000	\$ (3,211,186)	\$ 35,825,860	\$ 5,971,053
Plus: Unamortized bond premium	222,750		(18,421)	204,329	
Less: Unamortized bond issue costs	(596,271)		47,751	(548,520)	
Less: Unamortized bond discount	(28,087)		4,014	(24,073)	
Total Bonds Payable	29,135,438	9,500,000	(3,177,842)	35,457,596	5,971,053
Compensated absences	478,643	78,158	(28,295)	528,506	440,127
Business-Type Activity Long-Term Liabilities	<u>\$ 29,614,081</u>	<u>\$ 9,578,158</u>	<u>\$ (3,206,137)</u>	<u>\$ 35,986,102</u>	<u>\$ 6,411,180</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

On December 22, 1999, the City issued \$11,035,000 of general obligation sewer warrants Series 2000-SRF and on December 1, 2000, the City issued \$6,460,000 of general obligation sewer warrants Series 2001-SRF for the purpose of financing the costs of capital improvements for the Cypress Creek Sewer Project. 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 which was estimated to be completed in October 2002. As of September 30, 2007, \$16,089,140 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2007, the remaining state revolving funds available are recorded as a due from other governments in the amount of \$1,405,860.

Refunded Debt

During 1978, 1993, 1994, and 2005 the City issued warrants to refund certain bond issues. A portion of the proceeds of the refunding bond issues was placed in trust and used to purchase U.S. Government and related agencies securities at various rates and maturities sufficient to meet all debt service requirements of the refunded debt of which \$15,340,000 was outstanding at September 30, 2007. These assets are administered by the trustees and are restricted for the retirement of the refunded debt. The liability for the refunded debt and the related securities and escrow accounts are not included in the accompanying financial statements as the City substantially defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions.

Bond issues which have been refunded and are payable from escrow amounts are:

General Obligation Warrants, Series 1999	<u>\$15,340,000</u>
Total	<u>\$15,340,000</u>

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 lifetime maximum benefit for major medical benefits of \$1,000,000. In order to reduce exposure, the City has purchased stop loss reinsurance for any claims in excess of \$100,000 per covered person for the policy year. As of September 30, 2007 the City accrued \$795,242 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

V. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The City became a self insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). 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, 2007, the City accrued the actuarially determined amount of \$2,824,000, which represents estimated liabilities for claims. 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. 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, 2007, the City accrued the actuarially determined amount of \$817,000, which represents estimated liabilities for claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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 liabilities for claims.

	<u>BALANCE</u> <u>SEPTEMBER 30,</u> <u>2005</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>SEPTEMBER 30,</u> <u>2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>SEPTEMBER 30,</u> <u>2007</u>	<u>BALANCE DUE</u> <u>IN ONE YEAR</u> <u>OR LESS</u>
Accrued claims - liabilities	\$ 2,594,627	\$ 1,122,000	\$ 39,525	\$ 3,677,102	\$ 813,000	\$ 53,860	\$ 4,436,242	\$ 4,436,242

B. Related Party Transactions

There were no material related party transactions to disclose.

C. Subsequent Events

On October 23, 2007, the City of Dothan authorized payment in the amount of \$2,267,546 to the Alabama Department of Transportation for the City's share of the widening of Westgate Parkway between U.S. 231 North and Harrison Road. The City will receive reimbursement from the Alabama Department of Transportation for a portion of the Engineering and Inspection cost which will reduce the City's net cost to \$1,996,150.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

V. OTHER INFORMATION (Continued)

D. Contingent Liabilities

There are various lawsuits pending against the City. As more fully described in note V the City is a self-insured entity to cover any potential losses that may arise from claims and judgements. In the opinion of the City's attorney, any potential adverse impact of all these claims would not be material to the financial statements of the City.

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 has entered into an annual appropriations agreement with Wachovia Bank to guarantee fifty percent of principal and interest payments of the Dothan-Houston County Airport Authority's \$4,675,000 Series 2000 Airport Revenue Bonds, dated December 1, 2000 and fifty percent of expenses related thereto. The purpose of the bonds issued by the Dothan-Houston County Airport Authority was 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 highest annual debt service occurs in year 2018 and is in the amount of \$388,240.

E. Other Postemployment Benefits

In addition to providing pension benefits, the City makes available certain health care and life insurance benefits for retired City employees. Substantially all of the City's retirees may become eligible for those benefits providing that they have not exceeded the age of 65 and have met all of the requirements of the retirement plan by which they are covered. Once the retiree obtains the age of 65 or becomes employed by another employer, they are no longer eligible for these post-employment health care benefits. The cost of retiree health care and life insurance benefits is supplemented by the City at a cost of \$686,235 for the fiscal year ended September 30, 2007. The election for these benefits must be made prior to their effective retirement date.

F. Employee Retirement System and Pension Plans

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, 135 South Union Street, Montgomery, Alabama 36104-0001 or by calling (334) 832-4140.

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 chose 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.

Covered employees are required by State statute to contribute five percent (5%) of their earnable compensation; fire fighters and law enforcement officers are required to contribute six percent (6%) 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, 2007 was 24.30% of covered payroll.

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

V. OTHER INFORMATION (Continued)

F. Employee Retirement System and Pension Plans (Continued)

The City's annual pension cost of \$7,483,033 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2006 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 4.61% to 7.75%, based on age, and c) no cost-of-living adjustments. Both a) and b) included an inflation component of 4.50%. 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, 2006, was 20 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:

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION (NPO)</u>
09/30/05	\$ 32,210,671 *	100%	\$ 0
09/30/06	7,346,893	100%	0

*Includes lump sum payment of \$25,488,046 to join RSA.

Actuarial information is unavailable for 2004. This information was not prepared for this year as the City contemplated the change to RSA.

The City of Dothan joined the Retirement Systems of Alabama (RSA) on October 1, 2004. Since the City of Dothan is new to RSA a complete study (first ever complete study) was completed on September 30, 2005.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments

1. Westgate Parkway – 231-Harrison Road - MPO

The Westgate Parkway, State Highway 231 to Harrison Road project consisting of road widening, construction and right-of-way acquisition is expected to cost \$11,337,000. A Metropolitan Planning Organization (MPO) grant was obtained and the City will be reimbursed 80 percent of approved expenditures. The utilities relocation contract for the project was awarded to L&K Contracting Company, Inc., at \$1,106,686. To date project expenditures total \$2,716,174, of which \$948,879 has been capitalized and the remaining \$1,767,295 was charged to maintenance. Estimated completion date is September 2009.

2. Plum Road Paving and Intersection

The Plum Road paving and intersection project is a street paving project that includes the relocation of water lines. The expected total cost is \$355,514 and the expected completion date is March 2008. Project costs to date are \$60,475.

3. Atlantic Coastline Passenger Station

The City is renovating the Dixie Depot for offices for the Wiregrass Transit Authority. An Alabama Department of Transportation grant was obtained for \$1,400,352. The renovation contract was awarded to Gencon at \$1,172,620. Project costs to date are \$476,098. Estimated completion date is spring 2008.

4. Westgate Park Projects

The Miracle Field baseball field and two Dixie Boys baseball fields are scheduled to be completed in the spring of 2008. Project costs to date are \$364,952 and \$175,703, respectively. Miracle Field has a rubberized surface designed for mentally and physically challenged children. The surface and all surroundings are handicap accessible. The Land and Water Conservation Fund awarded a \$200,000 grant for the project, Wiregrass Foundation provided \$150,000, and Rotary Club is providing the additional funding to complete the project. Miracle Field and the two new Dixie Boys fields will share new restroom facilities. The Dothan Area Convention and Visitors Bureau contributed \$250,000 toward the Dixie Boys Fields Project.

The Shower Building at Westgate Tennis Center is expected to cost \$82,000. The project is almost complete and to date project costs are \$78,341.

5. Gussie McMillon Park

Construction began on the Gussie McMillon Park, a community park funded by a Community Development Block Grant with a budget of \$100,000. The park will include a walking trail, two pavilions, playground equipment, and park benches. It will be located at the site of the old East Highlands School, which was torn down. Project costs to date are \$10,346. Expected completion date is May 2008.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

6. *Animal Control Shelter*

The Animal Control Shelter project consisting of major renovations to the facility as well as the building of a new kennel facility and storage building is expected to cost \$300,000. Phase I of the project was started in fiscal year 2007 and is 85 percent complete. Project costs to date are \$191,333. Completion of Phase I is expected in the first quarter of fiscal year 2008. Discussions are ongoing about possible additional improvements and upgrades. A decision on this additional work will be made in fiscal year 2008.

7. *Westside 24-Inch Water Transmission Main*

The Westside 24-inch water transmission main project consisting of 38,000 feet of 24-inch main, 3,500 feet of 20-inch main and 20,800 feet of 16-inch main from the new and existing wells on the north side of the water system to the west side is expected to cost \$5,966,669. The project is substantially complete with site clean-up and close-out paperwork remaining to be finalized in fiscal year 2008. Project expenditures to date have totaled \$5,249,981.

8. *Faulkner Road Well Project*

The Faulkner Road well project consisting of one deep Clayton water production well at a rate of 1,500 gallons per minute is expected to cost \$1,223,111. The project is 70 percent constructed and will be completed in fiscal year 2008. Project expenditures to date have totaled \$563,448.

9. *Lingo Road Well Project*

The Lingo Road well project consisting of one deep Clayton water production well at a rate of 1,500 gallons per minute is expected to cost \$1,246,546. The project is 75 percent constructed and will be completed in fiscal year 2008. Project expenditures to date have totaled \$734,076.

10. *Beaver Creek Trunk Line*

The Beaver Creek trunk line project consisting of 21,000 feet of 48-inch sewer line to transfer wastewater from the present Beaver Creek Wastewater Treatment Plant to the Little Choctawhatchee Wastewater Treatment Plant is estimated to cost \$15,800,000. The engineering effort is underway by Barge, Waggoner, Sumner and Cannon, Inc.; fees are expected to cost \$803,070 with \$27,092 expended to date. Project design specifications and drawings are to be complete by September 2008 and the project is expected to be completed by October 2010.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

11. Beaver Creek Wastewater Treatment Plant Decommissioning

The Beaver Creek Wastewater Treatment Plant decommissioning project is estimated to cost \$1,000,000. The engineering effort is underway by Barge, Waggoner, Sumner and Cannon, Inc.; fees are expected to cost \$202,000. Project design specifications and drawings are to be complete by September 2008 and the project is expected to be completed by February 2011.

12. Little Choctawhatchee Wastewater Treatment Plant Upgrade

The Little Choctawhatchee Wastewater Treatment Plant upgrade project consists of increasing the plant treatment capacity to 12 million gallons per day and hydraulic capacity to 31 millions 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 which is estimated to cost \$29,500,000. The engineering efforts are underway by Polyengineering, Inc. Fees are expected to cost \$1,904,075. Project design specifications and drawings are to be complete by September 2008 and the project is expected to be completed by October 2010.

13. Fairlane Park Sanitary Sewer

The Fairlane Park Sanitary Sewer State Revolving Fund project from Jonathan Street to East Selma Street consisted of the replacement of approximately 1,100 feet of 10-inch vitrified clay sanitary sewer pipe with 15-inch PVC pipe and the replacement of a concrete ditch at Jonathan Street. The replacement project was to correct surcharging of the existing sewer line in this area. This project was constructed through SRF funds. The project is expected to be completed in December 2007 at a total cost of \$157,000. Project costs to date are \$87,281.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 46,050,000	\$ 51,752,745	\$ 62,023,717	\$ 10,270,972
Licenses and permits	2,250,700	2,250,700	2,805,965	555,265
Intergovernmental	3,060,000	5,498,045	3,967,350	(1,530,695)
Charges for services	1,636,500	1,770,461	2,503,491	733,030
Fines and forfeitures	1,256,000	1,319,674	1,522,868	203,194
Interest	299,500	299,500	1,649,769	1,350,269
Miscellaneous	1,227,700	1,845,345	5,064,189	3,218,844
Total Revenues	55,780,400	64,736,470	79,537,349	14,800,879
EXPENDITURES:				
Current:				
General government:				
General administrative	2,403,959	2,558,055	2,032,305	525,750
City Clerk	590,252	608,785	565,189	43,596
Information system/Technology	2,333,747	2,623,955	2,540,694	83,261
Budget and finance	981,733	1,005,610	1,005,548	62
Personnel services	1,486,214	1,880,897	1,844,473	36,424
Judicial department	886,890	867,776	850,003	17,773
Public safety:				
Fire department	11,184,704	11,664,988	11,636,802	28,186
Police department	14,768,500	14,533,958	14,345,055	188,903
Public works:				
Street department	4,362,356	6,216,472	5,010,865	1,205,607
Engineering department	3,340,719	2,387,648	2,213,743	173,905
Environmental services	5,870,534	5,846,119	5,824,994	21,125
Planning and development	161,722	2,016,009	1,705,966	310,043
Health and welfare	2,206,038	2,735,063	2,728,336	6,727
Culture and recreation:				
Recreation	5,938,923	6,294,561	6,205,047	89,514
Culture	1,338,377	1,429,829	1,765,301	(335,472)
General services:				
Administration	478,309	470,477	436,149	34,328
Facility	1,529,395	1,788,040	1,681,081	106,959
Fleet	1,948,989	1,970,104	1,923,996	46,108
Insurance Department	1,684,810	2,280,198	2,280,195	3
Capital outlay	1,357,907	10,445,491	19,402,078	(8,956,587)
Total Expenditures	64,854,078	79,624,035	85,997,820	(6,373,785)
Excess of Revenues over (under) Expenditures	(9,073,678)	(14,887,565)	(6,460,471)	8,427,094

(Continued on page 62)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 4,099,644	\$ 4,069,046	\$ 3,606,672	\$ (462,374)
Capital leases			12,830,770	12,830,770
Total Other Financing Sources (Uses)	<u>4,099,644</u>	<u>4,069,046</u>	<u>16,437,442</u>	<u>12,368,396</u>
Net Change in Fund Balances	(4,974,034)	(10,818,519)	9,976,971	20,795,490
Fund Balances - Beginning	<u>4,974,034</u>	<u>10,818,519</u>	<u>28,998,816</u>	<u>18,180,297</u>
Fund Balances - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,975,787</u></u>	<u><u>\$ 38,975,787</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2007

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
09/30/05	\$ 53,847,127	\$ 139,132,618	\$ 85,285,491	38.7%	\$ 32,836,084	259.7%
09/30/06	60,341,415	160,146,031	99,804,616	37.7%	36,362,644	274.5%

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

NOTES TO TREND INFORMATION

Valuation date	September 30, 2006
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.61 - 7.75%
Inflation	4.50%
Cost of living adjustments	None

Actuarial information is unavailable for 2004. This information was not prepared for this year as the City contemplated the change to RSA.

The City of Dothan joined the Retirement Systems of Alabama (RSA) on October 1, 2004. Since the City of Dothan is new to RSA a complete study (first ever complete study) was completed on September 30, 2005.

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL FUND	COMMUNITY DEVELOPMENT FUND	
ASSETS:			
Cash and cash equivalents	\$ 222,140	\$	\$ 222,140
Due from other governments			-
Total Assets	<u>222,140</u>	<u>-</u>	<u>222,140</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Vouchers/accounts payable	1,497		1,497
Fund Balances:			
Unreserved	<u>220,643</u>		<u>220,643</u>
Total Liabilities and Fund Balances	<u>\$ 222,140</u>	<u>\$ -</u>	<u>\$ 222,140</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL FUND	COMMUNITY DEVELOPMENT FUND	
REVENUES:			
Taxes	\$ 314,706	\$	\$ 314,706
Intergovernmental revenue			-
Interest revenue	1,901		1,901
Total Revenues	<u>316,607</u>	<u>-</u>	<u>316,607</u>
EXPENDITURES:			
Current:			
Public works		4	4
Intergovernmental	2,953,473		2,953,473
Debt service - interest	2,790		2,790
Total Expenditures	<u>2,956,263</u>	<u>4</u>	<u>2,956,267</u>
Excess of Revenues over (under) Expenditures	(2,639,656)	(4)	(2,639,660)
OTHER FINANCING SOURCES (USES):			
Transfers in	2,722,551		2,722,551
Net Change in Fund Balances	82,895	(4)	82,891
Fund Balances - Beginning	<u>137,748</u>	<u>4</u>	<u>137,752</u>
Fund Balances - Ending	<u>\$ 220,643</u>	<u>\$ -</u>	<u>\$ 220,643</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SCHOOL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 300,000	\$ 300,000	\$ 314,706	\$ 14,706
Interest earned	500	500	1,901	1,401
Total Revenues	<u>300,500</u>	<u>300,500</u>	<u>316,607</u>	<u>16,107</u>
EXPENDITURES:				
Intergovernmental:				
Subsidies to agencies	2,814,578	2,814,578	2,814,578	-
Obligations/expenses paid for schools	123,678	123,678	109,946	13,732
Other support - schools	81,795	81,795	28,949	52,846
Debt service - interest	3,000	3,000	2,790	210
Total Expenditures	<u>3,023,051</u>	<u>3,023,051</u>	<u>2,956,263</u>	<u>66,788</u>
Excess of Revenues over (under) Expenditures	(2,722,551)	(2,722,551)	(2,639,656)	82,895
OTHER FINANCING SOURCES (USES):				
Transfer from Utility Fund	2,722,551	2,722,551	2,722,551	-
Net Change in Fund Balance	-	-	82,895	82,895
Fund Balance - Beginning			137,748	137,748
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,643</u>	<u>\$ 220,643</u>

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Special assessments	\$ 166,590	\$ 166,590	\$ 221,584	\$ 54,994
Interest from funds invested and special assessments	3,000	3,000	53,353	50,353
Miscellaneous			31	31
Total Revenues	<u>169,590</u>	<u>169,590</u>	<u>274,968</u>	<u>105,378</u>
EXPENDITURES:				
General administrative	6,000	6,000		6,000
Principal retirement	4,310,724	4,310,724	4,310,723	1
Interest	1,343,494	1,343,494	1,338,528	4,966
Total Expenditures	<u>5,660,218</u>	<u>5,660,218</u>	<u>5,649,251</u>	<u>10,967</u>
Excess of Revenues over (under) Expenditures	<u>(5,490,628)</u>	<u>(5,490,628)</u>	<u>(5,374,283)</u>	<u>116,345</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,654,218	5,654,218	5,648,595	(5,623)
Transfers out	(163,590)	(163,590)		163,590
Total Other Financing Sources (Uses)	<u>5,490,628</u>	<u>5,490,628</u>	<u>5,648,595</u>	<u>157,967</u>
Net Change in Fund Balance	-	-	274,312	274,312
Fund Balances - Beginning			296,741	296,741
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,053</u>	<u>\$ 571,053</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Electric department	\$ 75,268,190	\$ 77,036,477	\$ 1,768,287
Water department	7,946,150	8,637,309	691,159
Sewer department	3,452,450	3,738,462	286,012
Delinquent fees - combined utilities	650,000	826,964	176,964
Other revenue	757,025	986,008	228,983
Interest from funds invested	350,000	1,054,379	704,379
Total Utility Revenues	88,423,815	92,279,599	3,855,784
OPERATING EXPENSES:			
Electric department	69,835,038	68,460,589	1,374,449
Water department	5,110,232	4,762,838	347,394
Sewer department	5,039,081	4,699,808	339,273
Billing collection department	1,167,988	1,167,903	85
Meter reading department	707,869	707,810	59
Combined utility expense:			
Capital outlay	14,398,640	9,131,637	5,267,003
Miscellaneous expenses	152,610	152,603	7
Interest and fiscal charges	1,535,894	1,405,397	130,497
Bond issuance costs	51,767	51,765	2
Principal on bonds and notes	3,211,188	3,211,186	2
Depreciation	4,841,928	4,839,350	2,578
Total Expenses	106,052,235	98,590,886	7,461,349
Excess of Revenues Over (Under) Expenses	\$ (17,628,420)	\$ (6,311,287)	\$ 11,317,133

(Continued on page 71)

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, 2007

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):			
Transfers (out)	\$ (12,282,225)	\$ (11,977,818)	\$ 304,407
Issuance of debt	1,300,397	9,500,000	8,199,603
Gain (loss) on disposition of capital assets		(4,227)	(4,227)
Total Other Financing Sources (Uses)	(10,981,828)	(2,482,045)	8,499,783
Excess of Revenues Over Expenses per Budget Ordinances	(28,610,248)	(8,793,332)	19,816,916
Adjustment for capital outlay, principal payments, proceeds from notes and bonds	2,842,823	2,842,823	-
Total Net Assets - Beginning	28,610,248	73,748,870	45,138,622
Total Net Assets - Ending	\$ 2,842,823	\$ 67,798,361	\$ 64,955,538

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

Capital outlay expense	\$ 9,131,637
Principal payment on bonds	3,211,186
Bond proceeds	(9,500,000)
Total Adjustments	\$ 2,842,823

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
2008-2022

FISCAL YEAR	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		TOTAL PRINCIPAL AND INTEREST
	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION SEWER WARRANTS	
2008	\$ 1,807,077	\$ 3,578,533	\$ 3,736,684	\$ 9,122,294
2009	3,567,533	1,843,842	3,737,057	9,148,432
2010	4,362,690	1,042,493	3,740,832	9,146,015
2011	2,464,190	2,048,475	3,652,711	8,165,376
2012	2,469,250	2,049,850	1,575,150	6,094,250
2013	2,474,750	2,043,600	1,568,330	6,086,680
2014	2,476,500		1,570,158	4,046,658
2015	2,483,750		1,570,243	4,053,993
2016	2,486,000		1,573,580	4,059,580
2017	2,478,250		1,574,983	4,053,233
2018	2,475,750		1,274,450	3,750,200
2019	1,428,000		1,273,833	2,701,833
2020	1,435,200		1,276,675	2,711,875
2021			1,272,785	1,272,785
2022			1,277,355	1,277,355
	<u>\$ 32,408,940</u>	<u>\$ 12,606,793</u>	<u>\$ 30,674,826</u>	<u>\$ 75,690,559</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1989
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2007

<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>		
2008	5%	\$ 6,375	\$ 6,375	\$ 80,000	\$ 92,750
2009	5%	4,375	4,375	85,000	93,750
2010	5%	<u>2,250</u>	<u>2,250</u>	<u>90,000</u>	<u>94,500</u>
		<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 255,000</u>	<u>\$ 281,000</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1996B-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2007

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2008	3.950%	\$ 48,289	\$ 48,289	\$ 205,000	\$ 301,578
2009	3.950%	44,240	44,240	210,000	298,480
2010	3.950%	40,092	40,093	220,000	300,185
2011	3.950%	35,748	35,747	230,000	301,495
2012	3.950%	31,205	31,205	240,000	302,410
2013	3.950%	26,465	26,465	245,000	297,930
2014	3.950%	21,626	21,626	255,000	298,252
2015	3.950%	16,590	16,590	270,000	303,180
2016	3.950%	11,257	11,258	280,000	302,515
2017	3.950%	5,728	5,727	290,000	301,455
		<u>\$ 281,240</u>	<u>\$ 281,240</u>	<u>\$ 2,445,000</u>	<u>\$ 3,007,480</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2000-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2007

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2008	3.850%	173,443	173,443	450,000	796,886
2009	3.850%	164,780	164,780	470,000	799,560
2010	3.850%	155,732	155,732	490,000	801,464
2011	3.850%	146,300	146,300	510,000	802,600
2012	3.850%	136,482	136,482	530,000	802,964
2013	3.850%	126,280	126,280	550,000	802,560
2014	3.850%	115,693	115,693	570,000	801,386
2015	3.850%	104,720	104,720	590,000	799,440
2016	3.850%	93,362	93,362	615,000	801,724
2017	3.850%	81,524	81,524	640,000	803,048
2018	3.850%	69,204	69,204	665,000	803,408
2019	3.850%	56,403	56,403	690,000	802,806
2020	3.850%	43,120	43,120	720,000	806,240
2021	3.850%	29,260	29,260	745,000	803,520
2022	3.850%	14,919	14,919	775,000	804,838
		<u>\$ 1,511,222</u>	<u>\$ 1,511,222</u>	<u>\$ 9,010,000</u>	<u>\$ 12,032,444</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2001-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2007

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2008	3.850%	\$ 101,544	\$ 101,544	\$ 265,000	\$ 468,088
2009	3.850%	96,442	96,442	275,000	467,884
2010	3.850%	91,149	91,149	285,000	467,298
2011	3.850%	85,662	85,662	300,000	471,324
2012	3.850%	79,888	79,888	310,000	469,776
2013	3.850%	73,920	73,920	320,000	467,840
2014	3.850%	67,760	67,760	335,000	470,520
2015	3.850%	61,311	61,311	345,000	467,622
2016	3.850%	54,670	54,670	360,000	469,340
2017	3.850%	47,740	47,740	375,000	470,480
2018	3.850%	40,521	40,521	390,000	471,042
2019	3.850%	33,014	33,014	405,000	471,028
2020	3.850%	25,217	25,217	420,000	470,434
2021	3.850%	17,133	17,132	435,000	469,265
2022	3.850%	8,759	8,760	455,000	472,519
		<u>\$ 884,730</u>	<u>\$ 884,730</u>	<u>\$ 5,275,000</u>	<u>\$ 7,044,460</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2002
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2007

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE SEPTEMBER 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
2008	3.200%	\$ 129,072	\$ 129,072	\$ 155,000	\$ 413,144
2009	3.450%	126,592	126,592	165,000	418,184
2010	3.650%	123,746	123,746	795,000	1,042,492
2011	3.750%	109,238	109,238	1,830,000	2,048,476
2012	3.750%	74,925	74,925	1,900,000	2,049,850
2013	4.000%	39,300	39,300	1,965,000	2,043,600
		<u>\$ 602,873</u>	<u>\$ 602,873</u>	<u>\$ 6,810,000</u>	<u>\$ 8,015,746</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2005
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2007

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE SEPTEMBER 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
2008	3.250%	\$ 651,232	\$ 651,232	\$ 3,670,000	\$ 4,972,464
2009	5.000%	591,595	591,595	3,810,000	4,993,190
2010	5.000%	496,345	496,345	3,370,000	4,362,690
2011	3.350%	412,095	412,095	1,640,000	2,464,190
2012	3.500%	384,625	384,625	1,700,000	2,469,250
2013	5.000%	354,875	354,875	1,765,000	2,474,750
2014	5.000%	310,750	310,750	1,855,000	2,476,500
2015	5.000%	264,375	264,375	1,955,000	2,483,750
2016	5.000%	215,500	215,500	2,055,000	2,486,000
2017	5.000%	164,125	164,125	2,150,000	2,478,250
2018	5.000%	110,375	110,375	2,255,000	2,475,750
2019	4.000%	54,000	54,000	1,320,000	1,428,000
2020	4.000%	27,600	27,600	1,380,000	1,435,200
		<u>\$ 4,037,492</u>	<u>\$ 4,037,492</u>	<u>\$ 28,925,000</u>	<u>\$ 36,999,984</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2006
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2007

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2008	3.560%	\$ 138,100	\$ 123,231	\$ 900,592	\$ 915,461	\$ 2,077,384
2009	3.560%	104,836	89,582	933,856	949,110	2,077,384
2010	3.560%	71,133	54,707	967,559	983,985	2,077,384
2011	3.560%	36,203	18,562	1,002,490	1,020,038	2,077,293
		<u>\$ 350,272</u>	<u>\$ 286,082</u>	<u>\$ 3,804,497</u>	<u>\$ 3,868,594</u>	<u>\$ 8,309,445</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2007

CAPITAL ASSETS:

Land	\$ 8,035,727
Buildings	78,641,705
Improvements other than buildings	40,561,173
Machinery and equipment	30,078,891
Infrastructure	430,269,715
Construction in progress	1,211,189
Total Capital Assets	<u><u>588,798,400</u></u>

INVESTMENTS IN CAPITAL ASSETS FROM:

Capital Projects Funds:	
General obligation bonds	58,666,063
Grants	3,576,967
General fund revenues	523,867,036
Special revenue fund revenues	356,918
Gifts	2,233,824
Project income	12,939
Utility fund revenues	84,653
Total Investment in Capital Assets	<u><u>\$ 588,798,400</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2007

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government:							
Control:							
General administrative	\$ 1,696,287	\$ 2,555,267	\$ 2,967,585	\$ 351,448	\$	\$	\$ 7,570,587
Staff Agencies:							
Information system/Technology			84,515	3,357,546			3,442,061
Budget and finance		276,022		44,237			320,259
Personnel services				35,298			35,298
Total Staff Agencies	-	276,022	84,515	3,437,081	-	-	3,797,618
Total General Government	1,696,287	2,831,289	3,052,100	3,788,529	-	-	11,368,205
Public Safety:							
Fire department	438,378	6,363,962	29,418	5,785,243			12,617,001
Police department	15,332	6,096,081	13,860,316	6,371,382		191,333	26,534,444
Total Public Safety	453,710	12,460,043	13,889,734	12,156,625	-	191,333	39,151,445
Public Works:							
Street department	2,267	40,110	1,328,409	3,488,753	426,375,038	300	431,234,877
Environmental services	1,814,210	1,039,205	4,902,563	6,553,627			14,309,605
Special assessments	25,000		7,308,292				7,333,292
Health and welfare	106,381	599,781	30,782				736,944
Community development/ Engineering department	440,552	979,632		979,468	3,894,677	80,350	6,374,679
Culture and recreation	2,512,541	18,641,025	9,808,614	1,787,293		626,559	33,376,032
General services			11,982	298,915		312,647	623,544
Equipment maintenance		1,263,530	228,697	1,025,681			2,517,908
Schools	984,779	40,787,090					41,771,869
Total Other	5,885,730	63,350,373	23,619,339	14,133,737	430,269,715	1,019,856	538,278,750
Total Capital Assets	\$ 8,035,727	\$ 78,641,705	\$ 40,561,173	\$ 30,078,891	\$ 430,269,715	\$ 1,211,189	\$ 588,798,400

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, 2007

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2006	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2007
General Government:				
Control:				
General administrative	\$ 7,857,526	\$ 9,080	\$ 296,019	\$ 7,570,587
Staff Agencies:				
Information system/Technology	3,272,537	180,264	10,740	3,442,061
Budget and finance	320,259			320,259
Personnel services	35,388		90	35,298
Total Staff Agencies	3,628,184	180,264	10,830	3,797,618
Total General Government	11,485,710	189,344	306,849	11,368,205
Public Safety:				
Fire department	12,541,616	77,985	2,600	12,617,001
Police department	13,218,030	13,536,257	411,176	26,343,111
Total Public Safety	25,759,646	13,614,242	413,776	38,960,112
Public Works:				
Street department	429,286,606	2,149,941	201,970	431,234,577
Environmental services	13,348,430	1,605,896	644,721	14,309,605
Special assessments	7,333,292			7,333,292
Health and welfare	736,944			736,944
Community development/ Engineering department	6,257,373	104,170	67,214	6,294,329
Culture and recreation	32,283,894	643,554	177,975	32,749,473
General services	315,702	18,482	23,287	310,897
Equipment maintenance	2,537,181	43,609	62,882	2,517,908
Schools	42,128,900		357,031	41,771,869
Construction in progress	144,370	1,146,541	79,722	1,211,189
Total Other	534,372,692	5,712,193	1,614,802	538,470,083
Total Capital Assets	\$ 571,618,048	\$ 19,515,779	\$ 2,335,427	\$ 588,798,400

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

	FISCAL YEAR						
	2001	2002	2003	2004	2005	2006	2007
Governmental activities							
Invested in capital assets, net of related debt	\$ 53,867,405	\$ 54,774,839	\$ 57,091,212	\$ 49,625,294	\$ 43,451,427	\$ 47,940,499	\$ 51,292,351
Restricted		758,470					
Unrestricted	<u>9,909,039</u>	<u>6,612,569</u>	<u>7,901,910</u>	<u>18,900,566</u>	<u>22,742,199</u>	<u>20,992,153</u>	<u>30,747,617</u>
Total governmental activities net assets	<u>\$ 63,776,444</u>	<u>\$ 62,145,878</u>	<u>\$ 64,993,122</u>	<u>\$ 68,525,860</u>	<u>\$ 66,193,626</u>	<u>\$ 68,932,652</u>	<u>\$ 82,039,968</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 73,583,473	\$ 71,551,145	\$ 71,639,003	\$ 64,330,356	\$ 61,831,904	\$ 59,920,342	\$ 58,958,119
Restricted		100,498					
Unrestricted	<u>2,905,484</u>	<u>6,855,913</u>	<u>4,928,406</u>	<u>12,611,485</u>	<u>14,245,481</u>	<u>15,749,787</u>	<u>11,089,188</u>
Total business-type activities net assets	<u>\$ 76,488,957</u>	<u>\$ 78,507,556</u>	<u>\$ 76,567,409</u>	<u>\$ 76,941,841</u>	<u>\$ 76,077,385</u>	<u>\$ 75,670,129</u>	<u>\$ 70,047,307</u>
Primary government							
Invested in capital assets, net of related debt	\$ 127,450,878	\$ 126,325,984	\$ 128,730,215	\$ 113,955,650	\$ 105,283,331	\$ 107,860,841	\$ 110,250,470
Restricted		858,968					
Unrestricted	<u>12,814,523</u>	<u>13,468,482</u>	<u>12,830,316</u>	<u>31,512,051</u>	<u>36,987,680</u>	<u>36,741,940</u>	<u>41,836,805</u>
Total primary government net assets	<u>\$ 140,265,401</u>	<u>\$ 140,653,434</u>	<u>\$ 141,560,531</u>	<u>\$ 145,467,701</u>	<u>\$ 142,271,011</u>	<u>\$ 144,602,781</u>	<u>\$ 152,087,275</u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2001.

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

	FISCAL YEAR						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses							
Governmental activities:							
General government	\$ 7,055,400	\$ 8,258,946	\$ 7,713,572	\$ 7,031,190	\$ 11,722,770	\$ 7,633,252	\$ 9,546,479
Public safety	21,516,860	22,142,257	22,938,122	23,100,249	24,452,597	26,456,406	27,216,223
General services			3,230,076	3,310,586	3,529,222	3,700,586	4,179,402
Planning and development						907,988	1,716,024
Engineering	3,361,866	3,460,402					
Equipment maintenance	1,407,301	1,493,313					
Other public works	11,553,036	9,098,463	13,197,371	13,322,446	15,860,328	14,735,368	16,205,389
Insurance department	189,839	1,594,717	3,037,638	2,508,321	752,477	1,298,190	2,280,195
Culture and recreation	7,096,704	6,939,861	6,617,007	7,783,903	8,283,238	9,031,499	8,802,257
Education	3,700,566	3,744,079	4,217,011	4,226,200	4,219,232	4,214,964	4,200,254
Health and welfare	2,238,480	2,645,001	2,666,477	2,259,639	2,478,188	2,691,643	2,748,051
Interest on long-term debt	2,228,935	2,128,512	2,118,530	1,883,900	3,042,564	1,651,219	1,538,742
Total governmental activities expenses	<u>60,348,987</u>	<u>61,505,551</u>	<u>65,735,804</u>	<u>65,426,434</u>	<u>74,340,616</u>	<u>72,321,115</u>	<u>78,433,016</u>
Business-type activities:							
Electric	47,922,507	47,045,071	48,698,918	50,213,298	55,739,231	66,805,424	68,460,589
Water	3,396,908	2,637,982	2,682,866	3,361,811	3,410,332	4,441,584	4,762,838
Wastewater	3,232,241	3,204,528	3,506,390	3,783,938	4,198,634	4,683,960	4,699,808
Billing - collection department	969,178	836,040	884,400	884,710	918,170	1,154,371	1,167,903
Meter reading department	609,804	640,552	655,955	538,300	607,164	680,500	707,810
Depreciation	5,256,875	3,862,733	4,229,724	4,400,169	4,922,431	4,910,410	5,063,185
Miscellaneous	625,920	501,783	825,378	841,164	622,207	597,676	731,552
Bond issue costs	17,808	12,668	24,678	25,746	52,969	48,020	47,753
Gain (loss) on disposition of capital assets	(132,523)	380,786	550,073	372,864	280,421	305,653	4,227
Interest and fiscal charges	863,704	917,001	1,506,188	1,356,225	1,155,590	1,223,227	1,409,409
Total business-type activities expenses	<u>62,762,422</u>	<u>60,039,144</u>	<u>63,564,570</u>	<u>65,812,225</u>	<u>72,070,627</u>	<u>84,850,825</u>	<u>87,055,074</u>
Total primary government expenses	<u>\$ 123,111,409</u>	<u>\$ 121,544,695</u>	<u>\$ 129,300,374</u>	<u>\$ 131,238,659</u>	<u>\$ 146,411,243</u>	<u>\$ 157,171,940</u>	<u>\$ 165,488,090</u>
Program Revenues (see Schedule 3)							
Governmental activities:							
Charges for services:							
Other public works	\$ -	\$ -	\$ 418,168	\$ 442,674	\$ 531,684	\$ 61,755	\$ 44,060
Culture and recreation	1,472,951	1,624,290	1,566,327	2,323,210	2,274,426	2,424,322	2,405,222
Engineering	238,318	388,139	-	-	-	-	-
General government	1,586,462	1,730,507	1,874,860	2,016,091	2,144,198	2,189,135	2,439,358
Public safety	1,230,419	1,395,661	1,358,561	1,465,203	1,307,930	1,410,632	1,522,868
Planning and development	-	-	-	-	-	401,217	420,816
Operating grants and contributions	659,075	720,608	913,091	124,642	95,468	128,275	135,421
Capital grants and contributions	1,305,869	1,289,749	3,098,558	2,597,395	1,487,457	1,677,575	2,060,764
Total governmental activities program revenues	<u>6,493,094</u>	<u>7,148,954</u>	<u>9,229,565</u>	<u>8,969,215</u>	<u>7,841,163</u>	<u>8,292,911</u>	<u>9,028,509</u>
Business-type activities:							
Charges for services:							
Electric	59,472,627	59,120,889	61,561,443	63,370,817	68,298,950	79,169,002	77,863,441
Water	3,792,466	5,320,571	6,436,825	7,209,493	7,212,446	8,562,902	8,637,309
Wastewater	3,251,758	3,323,930	3,222,803	3,367,408	3,468,794	3,556,534	3,738,462
E-911	904,999	928,714	961,489	1,004,436	1,023,188	1,018,927	1,059,725
Total business-type program activities program revenues	<u>67,421,850</u>	<u>68,694,104</u>	<u>72,182,560</u>	<u>74,952,154</u>	<u>80,003,378</u>	<u>92,307,365</u>	<u>91,298,937</u>
Total primary government program revenues	<u>\$ 73,914,944</u>	<u>\$ 75,843,058</u>	<u>\$ 81,412,125</u>	<u>\$ 83,921,369</u>	<u>\$ 87,844,541</u>	<u>\$ 100,600,276</u>	<u>\$ 100,327,446</u>

Notes: In 2003 the Engineering Department was moved to the Public Works Department and Equipment Maintenance was moved to the General Services Department.
In 2006 the Planning and Development Department was created.

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

	FISCAL YEAR						
	2001	2002	2003	2004	2005	2006	2007
Net (Expense)/Revenue							
Governmental activities	\$ (53,855,893)	\$ (54,356,597)	\$ (56,506,239)	\$ (56,457,219)	\$ (66,499,453)	\$ (64,028,204)	\$ (69,404,507)
Business-type activities	4,671,055	9,322,047	8,653,242	9,139,929	7,932,751	7,456,540	4,243,863
Total primary government net expense	<u>\$ (49,184,838)</u>	<u>\$ (45,034,550)</u>	<u>\$ (47,852,997)</u>	<u>\$ (47,317,290)</u>	<u>\$ (58,566,702)</u>	<u>\$ (56,571,664)</u>	<u>\$ (65,160,644)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property taxes	\$ 2,736,487	\$ 2,892,492	\$ 2,911,702	\$ 3,165,844	\$ 3,265,010	\$ 3,513,899	\$ 3,856,234
Sales taxes	32,337,368	33,824,610	36,654,785	38,977,751	41,605,685	44,598,594	55,998,641
Other taxes	3,060,377	2,739,798	2,832,942	3,185,455	2,939,005	2,573,827	2,483,548
Unrestricted grants and contributions	3,058,543	2,147,321	1,865,615	2,817,390	1,867,593	2,729,560	1,814,424
Investment earnings	1,351,101	388,545	278,270	278,245	698,250	1,424,588	1,664,266
Miscellaneous	1,490,328	1,625,235	2,351,840	1,606,846	3,436,794	1,928,507	4,716,892
Transfers	10,303,141	9,108,030	11,720,191	9,958,426	10,354,882	9,998,255	11,977,818
Total governmental activities	<u>54,337,345</u>	<u>52,726,031</u>	<u>58,615,345</u>	<u>59,989,957</u>	<u>64,167,219</u>	<u>66,767,230</u>	<u>82,511,823</u>
Business-type activities:							
Unrestricted grants and contributions		385,223	22,800	44,346	6,200		
Investment earnings	785,478	298,793	206,587	184,887	525,497	1,069,104	1,125,125
Gain on sale of capital assets	132,523	(380,786)					
Miscellaneous	991,025	960,993	897,415	963,696	1,025,978	1,065,355	986,008
Transfers	(10,303,141)	(9,108,030)	(11,720,191)	(9,958,426)	(10,354,882)	(9,998,255)	(11,977,818)
Total business-type activities	<u>(8,394,115)</u>	<u>(7,843,807)</u>	<u>(10,593,389)</u>	<u>(8,765,497)</u>	<u>(8,797,207)</u>	<u>(7,863,796)</u>	<u>(9,866,685)</u>
Total primary government	<u>\$ 45,943,230</u>	<u>\$ 44,882,224</u>	<u>\$ 48,021,956</u>	<u>\$ 51,224,460</u>	<u>\$ 55,370,012</u>	<u>\$ 58,903,434</u>	<u>\$ 72,645,138</u>
Change in Net Assets							
Governmental activities	\$ 481,452	\$ (1,630,566)	\$ 2,109,106	\$ 3,532,738	\$ (2,332,234)	\$ 2,739,026	\$ 13,107,316
Business-type activities	(3,723,060)	1,478,240	(1,940,147)	374,432	(864,456)	(407,256)	(5,622,822)
Total primary government	<u>\$ (3,241,608)</u>	<u>\$ (152,326)</u>	<u>\$ 168,959</u>	<u>\$ 3,907,170</u>	<u>\$ (3,196,690)</u>	<u>\$ 2,331,770</u>	<u>\$ 7,484,494</u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2001.

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

	PROGRAM REVENUES						
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Function/Program							
Governmental activities:							
General government	\$ 2,693,790	\$ 3,345,999	\$ 2,420,039	\$ 2,112,964	\$ 2,226,123	\$ 2,268,097	\$ 2,545,692
Public safety	1,878,334	1,790,526	2,174,014	2,592,972	1,391,997	1,835,958	1,621,932
Other public works			3,069,185	1,940,069	1,948,617	1,363,317	2,034,847
Planning and development						401,217	420,816
Engineering	238,318	388,139					
Culture and recreation	1,671,492	1,624,290	1,566,327	2,323,210	2,274,426	2,424,322	2,405,222
Health and welfare	11,160						
Subtotal governmental activities	<u>6,493,094</u>	<u>7,148,954</u>	<u>9,229,565</u>	<u>8,969,215</u>	<u>7,841,163</u>	<u>8,292,911</u>	<u>9,028,509</u>
Business-type activities:							
Electric	59,472,627	59,120,889	61,561,443	63,370,817	68,298,950	79,169,002	77,863,441
Water	3,792,466	5,320,571	6,436,825	7,209,493	7,212,446	8,562,902	8,637,309
Wastewater/sewer	3,251,758	3,323,930	3,222,803	3,367,408	3,468,794	3,556,534	3,738,462
E-911	904,999	928,714	961,489	1,004,436	1,023,188	1,018,927	1,059,725
Subtotal business-type activities	<u>67,421,850</u>	<u>68,694,104</u>	<u>72,182,560</u>	<u>74,952,154</u>	<u>80,003,378</u>	<u>92,307,365</u>	<u>91,298,937</u>
Total primary government	<u>\$ 73,914,944</u>	<u>\$ 75,843,058</u>	<u>\$ 81,412,125</u>	<u>\$ 83,921,369</u>	<u>\$ 87,844,541</u>	<u>\$ 100,600,276</u>	<u>\$ 100,327,446</u>

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

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

	FISCAL YEAR						
	2001	2002	2003	2004	2005	2006	2007
General Fund							
Reserved	\$ 4,004,029	\$ 6,918,802	\$ 6,899,923	\$ 6,853,899	\$ 8,591,576	\$ 5,471,838	\$ 15,353,173
Unreserved	<u>14,967,395</u>	<u>14,134,928</u>	<u>15,050,540</u>	<u>17,524,349</u>	<u>21,449,322</u>	<u>23,526,978</u>	<u>23,622,614</u>
Total general fund	<u>\$ 18,971,424</u>	<u>\$ 21,053,730</u>	<u>\$ 21,950,463</u>	<u>\$ 24,378,248</u>	<u>\$ 30,040,898</u>	<u>\$ 28,998,816</u>	<u>\$ 38,975,787</u>
All Other Governmental Funds							
Reserved	\$ 1,157,871	\$	\$	\$ 480,043	\$ 837,506	\$ 296,741	\$ 571,053
Unreserved, reported in:							
Special revenue funds	388,321	419,397	476,693	16,031	59,043	137,752	220,643
Capital projects funds	1,346,480	328,943	104		931,510		
Debt service funds	<u>389,275</u>	<u>491,363</u>	<u>77,555</u>				
Total all other governmental funds	<u>\$ 3,281,947</u>	<u>\$ 1,239,703</u>	<u>\$ 554,352</u>	<u>\$ 496,074</u>	<u>\$ 1,828,059</u>	<u>\$ 434,493</u>	<u>\$ 791,696</u>

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

	FISCAL YEAR						
	2001	2002	2003	2004	2005	2006	2007
Revenues							
Taxes (see Schedule 6)	\$ 38,134,232	\$ 39,456,900	\$ 42,399,429	\$ 45,329,050	\$ 47,809,700	\$ 50,686,320	\$ 62,338,423
Licenses, fees, and permits	1,777,818	2,047,021	2,208,082	2,345,856	2,492,482	2,573,704	2,805,965
Fines and penalties	1,230,419	1,395,661	1,358,561	1,465,203	1,307,930	1,410,632	1,522,868
Charges for services	1,519,913	1,695,915	1,651,273	2,436,119	2,457,826	2,502,725	2,503,491
Special assessments			1,183,350	245,251	342,982	211,120	221,584
Intergovernmental	3,224,331	3,759,109	3,004,186	4,639,681	3,339,330	4,469,074	3,967,350
Investment earnings	1,351,101	388,545	278,593	363,182	770,029	1,479,526	1,705,023
Other revenues	1,490,328	1,625,235	2,452,368	1,680,908	3,481,265	1,974,550	5,064,220
Total revenues	48,728,142	50,368,386	54,535,842	58,505,250	62,001,544	65,307,651	80,128,924
Expenditures							
General government	6,365,768	6,973,566	6,231,177	6,130,581	8,979,751	7,849,147	8,838,212
Public safety	20,225,428	20,750,288	21,428,502	21,723,282	23,206,906	25,336,606	25,981,857
Planning and development						878,832	1,705,966
Refuse collection			3,081,820	3,207,141	3,403,680	3,611,188	4,041,226
Other public works	7,927,013	7,065,255	10,897,299	10,606,723	11,957,416	11,814,132	13,049,606
Health and welfare	2,238,480	2,645,001	2,665,002	2,254,034	2,472,583	2,671,928	2,728,336
Engineering	3,270,996	3,260,735					-
Culture and recreation	6,216,247	6,253,103	5,917,990	7,024,085	7,432,301	8,237,035	7,970,348
Equipment and maintenance	1,336,748	1,445,064					-
Insurance	189,839	1,594,717	3,037,638	2,508,321	752,477	1,298,190	2,280,195
Capital outlay	13,940,169	6,807,096	4,174,279	3,864,391	2,024,619	5,247,351	19,402,078
Intergovernmental	2,909,271	2,952,474	2,935,169	2,965,310	2,958,342	2,968,183	2,953,473
Debt service							
Interest	2,133,642	2,131,840	2,222,704	1,914,807	1,349,619	1,826,455	1,341,318
Principal	2,130,000	1,760,000	3,608,653	3,895,494	2,139,098	6,002,507	4,310,723
Total expenditures	68,883,601	63,639,139	66,200,233	66,094,169	66,676,792	77,741,554	94,603,338
Excess of revenues over (under) expenditures	(20,155,459)	(13,270,753)	(11,664,391)	(7,588,919)	(4,675,248)	(12,433,903)	(14,474,414)
Other Financing Sources (Uses)							
Bonds issued		4,202,785	(16,881)		1,757,588		
Capital leases							12,830,770
Refunding bonds issued			3,001,405		32,599,847		
Payments to escrow agent			(2,828,942)		(33,042,434)		
Transfers in	10,303,141	9,108,030	11,720,191	9,958,426	10,354,882	9,998,255	11,977,818
Total other financing sources (uses)	10,303,141	13,310,815	11,875,773	9,958,426	11,669,883	9,998,255	24,808,588
Net change in fund balances	\$ (9,852,318)	\$ 40,062	\$ 211,382	\$ 2,369,507	\$ 6,994,635	\$ (2,435,648)	\$ 10,334,174
Debt service as a percentage of noncapital expenditures	7.8%	6.8%	9.4%	9.3%	5.4%	10.8%	7.5%

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

FISCAL YEAR	GENERAL PROPERTY TAX	SALES AND USE TAX	MOTOR VEHICLE TAX	LODGING TAX	FRANCHISE TAX	CIGARETTE TAX	FINANCIAL INSTITUTION TAX	OTHER TAX	TOTAL
1998	\$ 1,832,204	\$ 29,721,835	\$ 422,155	\$ 636,459	\$ 1,920,165	\$ 344,474	\$ 183,943	\$ 949,396	\$ 36,010,631
1999	1,960,783	30,486,262	414,966	665,370	1,403,253	338,376	190,098	973,887	36,432,995
2000	2,285,938	31,995,575	489,758	711,311	1,343,695	326,219	169,003	998,164	38,319,663
2001	2,736,487	31,642,186	272,727	665,964	1,496,668	340,550	125,554	979,651	38,259,787
2002	2,337,776	33,139,796	484,806	684,814	1,467,634	333,086	111,035	1,008,987	39,567,934
2003	2,412,866	35,890,047	498,835	764,738	1,472,636	327,964	194,637	1,032,344	42,594,067
2004	2,611,284	38,149,976	554,561	827,775	1,788,704	324,734	356,555	1,072,016	45,685,605
2005	2,726,765	40,448,484	538,245	1,157,201	1,541,675	309,861	312,090	1,087,469	48,121,790
2006	2,752,947	43,135,036	760,952	1,463,558	1,094,944	327,117	1,146,819	1,151,766	51,833,139
2007	3,021,417	54,624,378	834,817	1,374,262	932,430	314,706	216,989	1,236,413	62,555,412
Change									
1998-2007	\$ 1,189,213	\$ 24,902,543	\$ 412,662	\$ 737,803	\$ (987,735)	\$ (29,768)	\$ 33,046	\$ 287,017	\$ 26,544,781

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

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.
In 2006 the Financial Institution Tax reported includes \$541,573.12 of collected funds from audits by the State of Alabama Department of Revenue.

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>
1998	\$ 109,756	\$ 317,028	\$ 27,297	\$ 399,487	\$ 5.00	\$ 2,498,506	16.0%
1999	132,996	361,511	36,103	458,404	5.00	3,089,953	14.8%
2000	150,577	347,899	43,936	454,540	5.00	3,180,223	14.3%
2001	136,556	365,591	44,176	457,971	5.00	3,220,099	14.2%
2002	140,197	369,012	45,189	464,020	5.00	3,278,396	14.2%
2003	157,676	408,986	48,627	518,035	5.00	3,583,462	14.5%
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%

Source: Revenue Commissioner and Probate Judge, Houston County

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	STATE OF ALABAMA	ADDITIONAL SCHOOL LEVY*	TOTAL
1998	\$ 5.00				\$ 5.00	\$ 3.50	\$ 10.50	\$ 1.00	\$ 4.50	\$ 6.50	\$ -	\$ 31.00
1999	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2000	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2001	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2002	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2003	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2004	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2005	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2006	5.00				5.00	3.50	10.50	1.00	4.50	6.50		31.00
2007	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	33.00

Source: Houston County Revenue Commissioner.

* The additional school levy represents the amount levied to bring the total levy for schools up to 10.0 for all counties in the state.

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

TAXPAYER	2007			1998		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Sony Magnetics Products, Inc.	\$ 16,798,780	1	2.10%	\$ 17,782,780	1	3.61%
Centurytel of Alabama	13,847,760	2	2.54%			
Triad of Alabama LLC	9,153,120	3	1.38%			
Flowers Hospital	8,044,480	4	1.22%			
PR Wiregrass Commons LLC	4,665,420	5	0.71%			
Perdue Farms Inc.	3,542,660	6	0.54%			
Twitchell Corporation	2,539,800	7	0.38%			
Alabama Power Company	2,278,320	8	0.34%			
Wal-Mart Real Estate Bus Trust	2,229,080	9	0.34%			
Graceba	2,161,160	10	0.33%			
QHG of Alabama				13,171,200	2	2.68%
GTE-South, Inc.				11,982,600	3	2.44%
Metropolitan Life Insurance Co.				3,991,060	4	0.81%
Woods Communications Group, Inc.				3,815,000	5	0.78%
Ludlow Corp.				3,433,860	6	0.70%
London International Group, LLC				2,580,620	7	0.52%
General Electric Motor Division				2,236,580	8	0.45%
Kingswood Income Properties				1,937,920	9	0.39%
Mark MPNM Limited				1,755,040	10	0.36%
Total	\$ 65,260,580		9.87%	\$ 62,686,660		12.74%

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
1998	\$ 2,085,413	\$ 1,902,193	91.21 %		\$ 1,902,193	91.21 %
1999	1,902,193	2,051,580	107.85 %		2,051,580	107.85 %
2000	2,051,580	2,205,420	107.50 %		2,205,420	107.50 %
2001	2,205,420	2,243,217	101.71 %		2,243,217	101.71 %
2002	2,391,504	2,305,028	96.38 %		2,305,028	96.38 %
2003	2,425,818	2,346,656	96.74 %		2,346,656	96.74 %
2004	2,654,953	2,556,163	96.28 %		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 %		3,012,951	94.53 %

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

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

	CALENDAR YEAR									
	1998*	1999*	2000*	2001*	2002**	2003***	2004***	2005***	2006***	2007***
Apparel stores	\$ 33,856	\$ 34,909	\$ 38,402	\$ 37,573	\$ 60,973	\$ 20,545	\$ 59,603	\$ 61,319	\$ 62,458	\$ 101,850
General merchandise	250,011	246,875	222,300	227,313	303,265	113,385	319,634	325,513	318,083	392,412
Food stores	124,663	124,740	118,298	121,185	114,147	22,486	71,152	66,068	57,434	82,049
Eating and drinking establishments	89,846	87,542	93,576	89,743	89,931	21,653	82,458	84,837	89,088	163,211
Home furnishings and appliances	52,512	55,289	42,874	43,731	42,229	9,096	31,231	41,214	45,194	53,821
Building materials and farm tools	166,792	183,211	120,318	111,845	128,419	28,535	133,503	139,221	154,271	134,080
Auto dealers and supplies	246,304	240,032	233,922	251,400	436,062	25,534	83,957	97,185	96,641	288,889
Service stations	2,270	2,013	3,282	2,896	2,903	6,862	24,256	24,955	25,861	37,808
Other retail stores	95,084	96,086	111,862		131,997	20,841	62,435	65,209	68,067	46,692
All other outlets	92,045	93,317	103,638	218,185	102,414	26,957	107,281	105,189	103,803	446,681
Not classified						931,968	336,887	386,785	470,748	978
Total	\$ 1,153,383	\$ 1,164,014	\$ 1,088,472	\$ 1,103,871	\$ 1,412,340	\$ 1,227,862	\$ 1,312,397	\$ 1,397,495	\$ 1,491,648	\$ 1,748,471
City direct sales tax rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	4.00%

Sources: * 1997 through 2001- University of Alabama Center for Business and Economic Research; Alabama State Data Center. SEARP&DC estimates 93 percent of all sales in Houston County take place within the corporate limits of Dothan. These are the figures reflected above. Development of retail trade data has been temporarily halted due to recently observed problems with categories and the current state of retail trade organizations and activities.

** 2002- U.S. Census Bureau, 2002 Economic Census

*** 2003 through 2007- Alatax. Alatax is in the process of categorizing taxpayers by North American Industrial Classification (NAIC) business codes. Each year the number of taxpayers assigned an NAIC code has increased, and Alatax estimated that in 2006 approximately 70% of its taxpayers had been assigned codes. Those tax payers not assigned codes are represented as "not classified" above.

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>
1998	3.00%	1.00%	4.00%	8.00%
1999	3.00%	1.00%	4.00%	8.00%
2000	3.00%	1.00%	4.00%	8.00%
2001	3.00%	1.00%	4.00%	8.00%
2002	3.00%	1.00%	4.00%	8.00%
2003	3.00%	1.00%	4.00%	8.00%
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%

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 SEVEN YEARS AGO

<u>TAX REMITTER</u>	<u>CALENDAR YEAR</u>					
	<u>2007</u>			<u>2000*</u>		
	<u>TAX LIABILITY</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL</u>	<u>TAX LIABILITY</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL</u>
Wal Mart Stores East LP	\$ 6,852,360	1	11.73%	\$ 3,597,293	1	11.03%
Sams East Inc	2,179,272	2	3.73%	1,302,886	3	4.00%
Lowes Home Centers Inc	1,805,266	3	3.09%	1,290,659	4	3.96%
Winn Dixie Montgomery Inc	1,687,477	4	2.89%	1,677,648	2	5.14%
Home Depot USA Inc	888,234	5	1.52%			0.00%
Target Corporation	813,561	6	1.39%			0.00%
Circuit City Stores Inc	642,888	7	1.10%			0.00%
Kmart Corporation	637,492	8	1.09%	818,035	5	2.51%
JC Penney Co Inc	620,373	9	1.06%			0.00%
The Higbee Company	548,515	10	0.94%			0.00%
Brunos Supermarket Inc				810,742	6	2.49%
Parisian Stores Inc				798,500	7	2.45%
CJ Gayfer & Company				703,410	8	2.16%
Bondys Ford Inc				276,257	9	0.85%
Action Truck Center				223,221	10	0.68%
Total	<u>\$ 16,675,438</u>		<u>28.54%</u>	<u>\$ 11,498,651</u>		<u>35.26%</u>

Source: Alatax

Note: *Alatax is not able to obtain information for years prior to 2000.

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	GENERAL OBLIGATION BONDS	NOTES PAYABLE	SEWER BONDS			
1998	\$ 20,046,896	\$ 315,277	\$ 14,548,104		\$ 4,790,000	\$ 39,700,277	2.94%	\$ 741
1999	19,439,769	100,000	13,745,231		4,600,000	37,885,000	3.26%	707
2000	42,454,769	75,000	13,250,231		4,395,000	60,175,000	2.19%	1,123
2001	40,349,769	50,000	12,740,231		21,675,000	74,815,000	1.88%	1,396
2002	42,680,853	25,000	11,740,231		21,455,000	75,901,084	1.97%	1,315
2003	39,269,663		12,014,138		20,630,000	71,913,801	2.07%	1,246
2004	35,374,169		12,505,830		19,770,000	67,649,999	2.28%	1,172
2005	34,880,462		12,574,538		18,880,000	66,335,000	2.51%	1,149
2006	28,877,955		11,587,045		17,950,000	58,415,000	NA	1,012
2007	24,567,231	12,830,770	13,212,846		22,613,014	73,223,861	NA	1,268

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		
1998	\$ 20,046,896	\$ 20,046,896	5.33%	\$ 374
1999	19,439,769	19,439,769	4.87%	363
2000	42,454,769	42,454,769	9.26%	792
2001	41,569,769	41,569,769	9.15%	776
2002	42,680,853	42,680,853	9.32%	739
2003	39,269,663	39,269,663	8.46%	680
2004	35,374,169	35,374,169	6.83%	613
2005	34,880,462	34,880,462	6.60%	604
2006	28,877,955	28,877,955	5.17%	500
2007	24,567,231	24,567,231	3.99%	426

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 16
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2007

	<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	\$ 73,223,861	100.00%	\$ 73,223,861
Overlapping Debt			
Houston County	27,192,510	58.54%	15,918,495
Southeast Alabama Medical Center		58.54%	<u> </u>
Total direct and overlapping debt			<u><u>\$ 89,142,356</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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 98,396,144	\$ 112,162,736	\$ 115,775,140	\$ 118,825,496	\$ 120,421,900	\$ 133,183,772	\$ 135,502,760	\$ 144,532,068	\$ 161,033,940	\$ 166,976,466
Total net debt applicable to limit	<u>5,681,502</u>	<u>4,483,630</u>	<u>4,573,630</u>	<u>3,598,630</u>	<u>2,113,630</u>	<u>1,425,000</u>	<u>885,000</u>	<u>4,847,894</u>	<u>3,054,749</u>	<u>14,982,412</u>
Legal debt margin	<u>\$ 92,714,642</u>	<u>\$ 107,679,106</u>	<u>\$ 111,201,510</u>	<u>\$ 115,226,866</u>	<u>\$ 118,308,270</u>	<u>\$ 131,758,772</u>	<u>\$ 134,617,760</u>	<u>\$ 139,684,174</u>	<u>\$ 157,979,191</u>	<u>\$ 151,994,054</u>
Total net debt applicable to the limit as a percentage of debt limit	5.77%	4.00%	3.95%	3.03%	1.76%	1.07%	0.65%	3.35%	1.90%	8.97%

Legal Debt Margin Calculation for Fiscal Year 2007	
Assessed value	\$ 834,882,332
Debt limit (20% of assessed value)	166,976,466
Debt applicable to limit:	
General obligation bonds	73,223,861
Less: Exempt Debt	58,241,449
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>14,982,412</u>
Legal debt margin	<u>\$ 151,994,054</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 18
PLEGDED-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	
1998	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1999														
2000														
2001														
2002														
2003														
2004														
2005														
2006														
2007														

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 <i>(thousands of dollars)</i></u>	<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>
1998	57,023	1,234,377	21,647	36.8	12.5	9,058	3.20%
1999	57,383	1,316,825	22,948	37.0	12.5	8,830	3.80%
2000	57,737	1,404,568	24,327	37.2	12.5	8,674	4.80%
2001	58,367	1,498,865	25,680	37.4	12.5	8,682	4.20%
2002	58,998	1,490,761	25,268	37.6	12.9	8,633	4.30%
2003	60,036	1,545,567	25,744	37.8	12.9	8,838	4.40%
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	NA	NA	38.4	13.0	8,906	3.50%
2007	NA	NA	NA	38.4	13.0	9,018	3.20%

Sources: Population, median age, and education level information provided by the U.S. Census Bureau. Personal income and unemployment data provided by the U.S. Department of Commerce, Bureau of Economic Analysis. School enrollment data provided by the Dothan City School System.

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>2007</u>			<u>1998</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	2,002	1	4.28%	2,000	1	4.63%
Dothan (City) & Houston County School Systems	1,800	2	3.85%	1,750	2	4.05%
Flowers Hospital	1,200	3	2.57%	1,100	4	2.55%
City of Dothan	1,193	4	2.55%	950	6	2.20%
Perdue Farms Inc	1,150	5	2.46%	1,150	3	2.66%
Southern Nuclear (Farley)	860	6	1.84%	840	7	1.94%
Pemco World Air Services	600	7	1.28%	650	10	1.50%
Wal-Mart SuperCenter #604	471	8	1.01%	750	8	1.74%
AAA Cooper Transportation	462	9	0.99%			
Sony Electronics Inc	450	10	0.96%			
Collins Signs				1,000	5	2.31%
Michelin Tire				650	9	1.50%
Total	10,188		21.79%	10,840		25.08%

*These figures are for Houston County.

Source: Dothan Area Chamber of Commerce

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									
Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Administrative services	13	13	14	14	14	11	10	10	10	11
Information systems	10	10	10	10	11	12	13	13	15	15
City Clerk	8	8	7	7	7	7	7	6	6	7
Finance	25	26	25	25	25	40	39	39	41	42
Personnel	11	11	11	11	10	10	10	10	11	11
Judicial	7	7	11	13	13	12	14	12	11	13
General Services	55	57	57	59	58	62	59	56	55	56
Police										
Officers	155	155	155	153	155	158	154	148	144	147
Civilians	72	72	69	70	66	70	69	66	72	68
Fire										
Firefighters and officers	172	172	171	171	172	174	168	162	164	166
Civilians	2	2	2	2	2	2	2	2	2	3
Refuse collection	108	108	104	102	98	94	96	90	94	91
Other public works										
Engineering	15	15	15	15	15	15	14	13	12	13
Street	51	51	51	51	51	49	48	44	45	44
Traffic	12	12	14	14	13	11	11	11	11	13
Other	6	6	6	6	6	4	3	5	5	6
Planning and development	17	17	16	15	15	14	14	10	15	17
Parks and recreation	54	58	56	57	58	59	57	57	60	56
Performing arts	11	11	12	11	12	13	13	12	13	12
Electric	92	92	90	92	93	73	71	66	62	64
Water	38	38	38	36	37	36	37	37	33	36
Wastewater	56	54	54	54	55	55	56	55	56	58
Total	990	995	988	988	986	981	965	924	937	949

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

Function	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Building permits issued	4,687	5,123	5,126	5,558	5,204	5,338	5,730	6,068	6,354	5,060
Building inspections conducted	8,816	9,795	9,158	7,859	6,960	9,071	10,676	10,818	11,272	11,317
Police										
Physical arrests	5,680	6,249	6,500	6,631	6,045	5,533	5,411	4,897	4,522	4,435
Parking violations	290	319	316	268	201	224	285	241	215	764
Traffic and non misdemeanor violations	22,833	26,472	32,391	28,749	26,134	23,225	25,890	22,763	21,016	22,032
Fire										
Emergency responses	6,430	6,789	6,563	7,265	7,435	7,928	8,575	8,420	8,670	9,106
Fires extinguished	723	689	792	520	536	456	474	465	574	563
Inspections	1,463	1,438	1,506	1,411	1,377	1,311	1,270	1,131	688	780
Refuse collection										
Refuse collected (tons per day)	273.43	225.36	198.36	231.61	218.35	260.11	222.27	260.50	274.84	277.53
Recyclables collected (tons per day)	12.38	8.94	10.00	8.85	6.91	9.67	5.19	4.88	4.66	5.17
Other public works										
Street resurfacing (miles)	23	20	16	4	-	12	-	15	14	16
Parks and recreation										
Athletic field permits issued	20	20	20	20	20	20	20	20	23	23
Community center admissions	62,295	50,046	65,524	54,374	52,624	52,462	55,972	51,972	65,045	80,340
Library										
Volumes in collection - books	186,786	186,039	196,286	194,926	194,374	199,462	207,329	210,325	210,839	206,957
Volumes in collection - audio/video	3,565	3,703	3,030	3,381	3,589	3,958	2,905	4,470	3,900	4,263
Volumes borrowed	317,074	307,181	310,765	273,810	283,379	288,661	269,226	259,450	249,793	246,663
Water										
New connections	NA	NA	NA	NA	155	211	173	198	198	590
Water main breaks	NA	NA	NA	NA	27	26	25	28	15	94
Average daily consumption (thousands of gallons)	13,772	13,834	14,712	13,241	12,499	11,242	12,432	12,000	13,714	14,000
Peak daily consumption (thousands of gallons)	24,882	23,314	26,004	23,685	21,948	16,834	21,503	19,174	25,123	26,000
Wastewater										
Average daily sewage treatment (thousands of gallons)	14,900	12,007	10,550	12,000	9,280	12,610	11,490	14,456	10,879	11,324

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

Notes: The Water Department began using a work order system in FY2002. Information for prior years is not available.

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

Function	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	15	15	15	16	16	16	17	17	17
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	45	46	48	48	48	46	47	47	46	54
Other public works										
Streets (miles)	412	418	420	423	425	426	428	431	438	445
Highways (miles)	56	56	57	57	57	58	58	58	58	58
Street lights**	11,650	11,850	12,050	12,250	12,645	13,024	13,386	13,532	13,683	13,763
Traffic signals	172	172	175	175	183	186	186	187	187	184
Parks and recreation										
Acreage	586	586	586	586	586	586	596	596	596	596
Playgrounds	9	9	9	9	9	10	11	11	11	11
Baseball/softball diamonds	31	31	31	31	31	31	31	31	31	31
Soccer/football fields	6	6	6	6	6	6	6	6	7	7
Community centers	5	5	5	6	7	7	7	7	7	7
Tennis courts	28	28	28	44	44	44	44	44	44	47
Water										
Water mains (miles)*	NA	NA	NA	NA	453	455	460	461	462	464
Fire hydrants*	NA	NA	NA	NA	2,859	2,886	2,906	2,914	2,925	2,927
Storage capacity (thousands of gallons)	11,500	11,500	11,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Wastewater										
Sanitary sewers (miles)	383	398	404	445	450	459	465	469	477	484
Storm sewers (miles)	147	150	155	158	160	161	162	165	169	169
Treatment capacity (thousands of gallons)	21,120	21,120	21,120	21,120	21,120	23,120	23,120	23,120	23,120	23,120

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

Notes: The Water Department began using a work order system in FY2002. Information for prior years is not available. **The number of street lights is estimated for fiscal years 1997 thru 2000. ***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

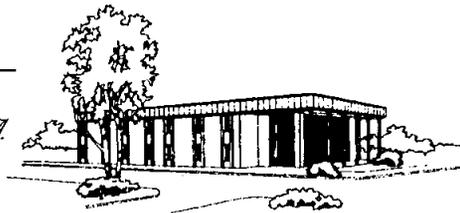
George C. McClintock, C.P.A.

Marc A. Nelson, C.P.A.

Rebecca C. Harper, C.P.A.

Richmond C. McClintock, C.P.A.

(Retired)



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**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
The City of Dothan
Dothan, Alabama 36303

We have audited 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, 2007, which collectively comprise the City of Dothan, Alabama's basic financial statements and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Dothan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Dothan's financial statements that is more than inconsequential will not be prevented or detected by the City of Dothan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Dothan's internal control.

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

Honorable Mayor and Board of City Commissioners
The City of Dothan
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dothan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

We noted certain other matters that we reported to management of the City of Dothan in a separate letter dated March 14, 2008.

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

Respectfully submitted,



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

March 14, 2008

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

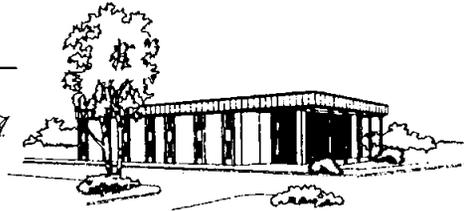
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of City Commissioners
The City of Dothan
Dothan, Alabama 36303

Compliance

We have audited the compliance of the City of Dothan, Alabama with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City of Dothan's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dothan's management. Our responsibility is to express an opinion on the City of Dothan's compliance based on our audit.

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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dothan's compliance with those requirements.

In our opinion, the City of Dothan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Honorable Mayor and Board of City Commissioners
The City of Dothan
(Continued)

Internal Control Over Compliance

The management of the City of Dothan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dothan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Respectfully submitted,



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

March 14, 2008

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 10-01-06	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-07
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-01-MC-01-0010 - B-06-MC-01-0010	\$ 4,016,621	\$	\$ 480,448	\$ 480,448	\$ 54,264
Total U.S. Department of Housing and Urban Development				-	480,448	480,448	54,264
U.S. DEPARTMENT OF JUSTICE:							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	23,890		23,890	23,890	
Bulletproof Vest Partnership Grant	16.607	None	11,810	10,813	1,994	1,994	
U.S. Marshalls Grant	16.607	None	683		683	683	
U.S. Marshalls Grant	16.607	None	4,364		3,516	3,516	1,531
Total U.S. Department of Justice				10,813	30,083	30,083	1,531
U.S. DEPARTMENT OF TRANSPORTATION:							
<u>Passed Through State of Alabama</u>							
<u>Highway Department:</u>							
MPO Westgate Widening ROW Acquisition	20.205	OAST-100008612	1,400,000	98,267	57,515	57,515	57,515
Traffic Planning Grant	20.205	None	32,746		32,746	32,746	
MPO Westgate Widening Construction	20.205	STPOA-9412	7,280,000		763,251	763,251	722,789
CSX Railroad Depot Renovation	20.500	AL-03-0046-0	1,400,352		327,561	327,561	311,183
Total U.S. Department of Transportation				98,267	1,181,073	1,181,073	1,091,487
U.S. DEPARTMENT OF THE INTERIOR:							
<u>Passed Through Alabama Department of Economic and Community Affairs:</u>							
Miracle Field	15.916	01-00880	200,000	-	200,000	200,000	200,000
Total U.S. Department of Interior				-	200,000	200,000	200,000
U.S. DEPARTMENT OF HOMELAND SECURITY:							
<u>Direct Programs:</u>							
Training Grant	97.036	3 DTR	110,000		12,733	12,733	
Fire Act Grant	97.044	2004 FG-02374	222,754	45,536	9,705	9,705	
Barcode Scanner	97.108	None	14,000		14,000	14,000	
Regional Response Teams Maintenance Grant	97.042	2001-DO-491	50,000		16,054	16,054	
Total U.S. Department of Homeland Security				45,536	52,492	52,492	-

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

<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 10-01-06</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-07</u>
U.S. DEPARTMENT OF AGRICULTURE:							
<u>Passed Through State Department of Education :</u>							
Summer Food Service Program	10.559	None	\$ 45,425	\$	\$ 45,425	\$ 45,425	\$
Total U.S. Department of Agriculture				-	45,425	45,425	-
TOTAL FEDERAL AWARDS				<u>\$ 154,616</u>	<u>\$ 1,989,521</u>	<u>\$ 1,989,521</u>	<u>\$ 1,347,282</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The City of Dothan 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, 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, 2007**

SUMMARY OF AUDITOR'S RESULTS

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

The audit disclosed no reportable conditions which were considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Dothan in a separate letter dated March 14, 2008.

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

We have issued a report with an unqualified 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 Transportation	20.205
U.S. Department of Transportation	20.500

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 RELATED TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GAGAS:

There are no such findings in the current year.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

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