

The City of
Dothan, Alabama



Comprehensive Annual Financial Report
Fiscal Year Ended September 30,

2009

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009
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, 2009
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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

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



March 12, 2010

**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, 2009, 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 Management Discussion and Analysis (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. This 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, 2009. 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, 2009, 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).

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 State of Georgia and eighteen miles north of the State of Florida. The City is a rapidly growing and thriving community built around the landmarks of its past. Although it is the center for recreation, business, industry, agriculture, healthcare and retail trade in the area, Dothan offers the

charm and friendliness of the Deep South. Proclaimed "Peanut Capital of the World," Dothan has become a melting pot 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 (6) 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 1010 authorized positions for regular, full time employees and 217 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 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.

Biennial budgets are adopted for all funds with the exception of the Capital Projects Fund, 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 \$2,500.00 or greater as one technique of accomplishing

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

ECONOMIC CONDITION AND OUTLOOK

Over the 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. While the City continues to grow, the current economic condition has caused the City, along with other cities, to face the challenge of decreased revenues. 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 \$10,880,000. Some revenue sources are as follows, but are not inclusive of all potential revenue sources.

The increase in Ad Valorem Tax by 100% would generate \$3,600,000 in additional revenue. In addition, business licenses could be collected based on a gross receipts method rather than on the flat rate method which the City is presently 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 \$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

It is the City of Dothan's goal to maintain reserves equal to 8% of the General Fund and Utility Fund expenditures. These reserves speak strongly for debt rating purposes in order to substantiate financial stability to creditors. In this reserve effort, the following monies are specifically earmarked:

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

The following capital improvement projects were completed during fiscal year 2009: maintenance of parks and other recreation facilities, road intersection improvements, bridge replacements, Rip Hewes stadium renovations, Andrew Belle splash pad and city-wide facility maintenance. These expenditures were funded by sales tax revenues.

Uncompleted projects for Leisure Services which were a part of the 2007 capital investment program include Eastgate Park improvements, bike/pedestrian trails, Water World attraction, and youth complex at Southwest Park. At this time a general obligation warrant has not been issued to fund these projects.

The City's capital investment program for fiscal year 2009 identified \$13 million in projects for potential funding. Each project is required to be individually approved by the City's commission for funding. The topics for consideration were as follows: education, communications system, downtown revitalization projects, road intersection improvements, bridge improvements, leisure services maintenance, facility maintenance/repairs, and fleet replacements.

The projects that were completed in fiscal year 2009 accounted for \$7.6 million in expenditures. The remaining \$5.8 million was for projects that were not completed at the end of the fiscal year 2009, but are on-going in fiscal year 2010. These expenditures were funded by the additional sales tax increase mentioned previously.

On September 1, 2009, the City of Dothan issued a general obligation warrant in the principal amount of \$10,485,000 for capital improvements to the City's trunk line to transfer wastewater. In addition, on September 30, 2009, the City of Dothan issued a general obligation warrant in the principal amount of \$29,750,000 for capital improvements to the City's sanitary sewer treatment facility and to public streets.

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 November 2007, the City added a 6.52% wholesale increase from the Alabama Municipal Electric Authority to offset cost of the wholesale fuel adjustment charges. 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 five years.

In September 2009, a sewer rate increase was implemented and as a result, the rates will be adjusted \$.75 per thousand gallons of metered water for the next five years and 2.85% thereafter. The additional funds from this rate increase will help offset the cost of the debt service on the sewer improvements.

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 2009 was as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$ 32,309,233	3.37%	\$ 560

The entire fund balance of \$2,014 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 government 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 A1 from Moody's Investors Service. In addition, Standard & Poor's Rating Service raised or upgraded the City of Dothan's A+ rating to AA- after a review of credit strength in June of 2009.

SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE

The expansion of new and existing industries has brought approximately \$17,000,000 in capital investment and 252 new jobs to the Dothan market during the fiscal year. These industries are as follows:

- A. All Metal Roofing & Siding, Inc
- B. Globe Motors
- C. All South Metal Components
- D. Henderson Steel
- E. KFH Industries

In addition, Southeast Alabama Medical Center invested \$18,000,000 in expanding their medical technology. Two major commercial developments started construction that will add Publix Supermarkets to our area. A third Publix is planned to be built at Northside Mall. These projects combined represent close to \$40,000,000 of investment.

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, 2008. The City has received this prestigious award for the last 26 consecutive years (fiscal years ended 1983 – 2008).

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.

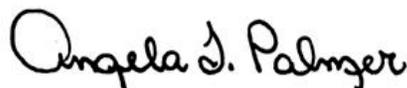
The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Dothan for its PAFR for the last five consecutive years (fiscal years ended 2004 – 2008). The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national 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.

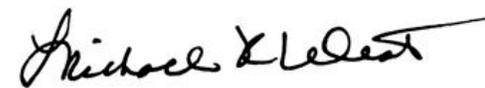
An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

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

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, 2008

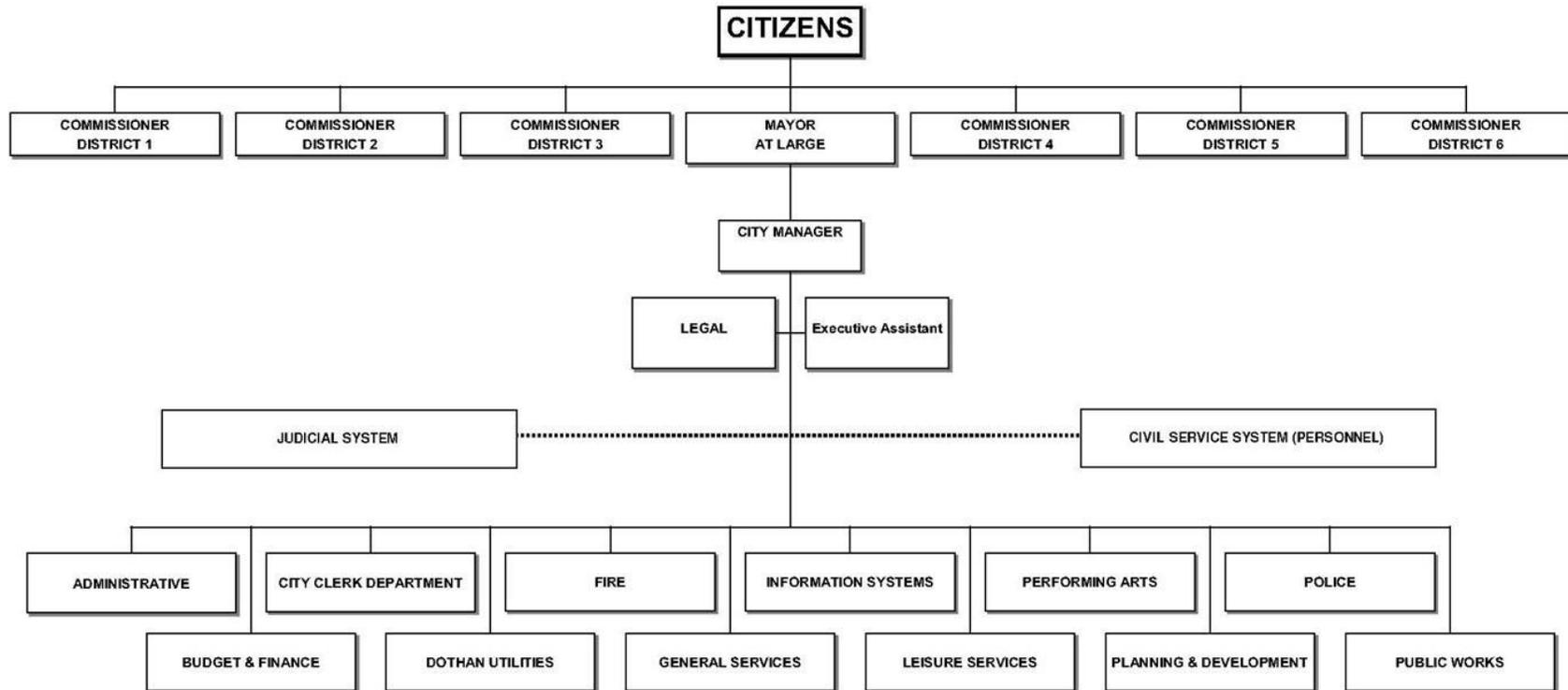
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

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
John E. Craig, Jr.	Commissioner, District 4
Taylor Barbaree	Commissioner, District 5
Keith T. Seagle	Commissioner, District 6

APPOINTED OFFICIALS

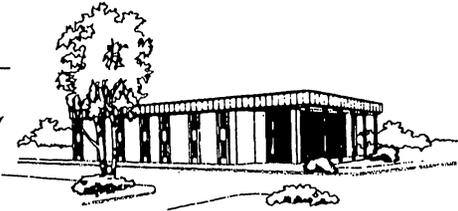
Rose Evans-Gordon	Municipal Judge	Billy R. Mayes, Jr.	Dothan Utilities Director
Derel K. Kelly	Assistant City Attorney	Jerry W. Corbin	Public Works Director
Joe E. Herring, Jr.	Assistant City Attorney	Larry H. Williams, Jr.	Fire Chief
David A. Jones	Public Defender	Elston L. Jones	Director of Leisure Services
Shawn McGhee	Public Defender	Vacant	Police Chief
Kathleen Nemish	Public Defender	Cynthia Skipper	Civic Center/Opera House Acting Director
Michael K. West	City Manager	Gary Griffin	EEO/Training Officer
Freddie L. White, II	City Attorney	William L. Muench	General Services Director
Pam L. McCoy	City Clerk/Treasurer	Delvick J. McKay	Personnel Director
Angela T. Palmer	Finance Director	Todd L. McDonald	Planning Director
		Tim Stewart	Information Technology 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

3646 West Main Street
Dothan, Alabama 36305
Phone: (334) 793-1411
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INDEPENDENT AUDITOR'S REPORT

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

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, 2009, 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, Alabama'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, 2009, and the respective changes in financial position, and cash flows, where applicable, 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 12, 2010, on our consideration of the City of Dothan, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 should be considered in assessing the results of our audit.

The management's discussion and analysis, the budget to actual comparison, and the schedule of funding progress of the pension and the healthcare plan on pages 3 through 13 and 63 through 66, 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
City of Dothan, Alabama
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dothan, Alabama's basic financial statements. The introductory section, other supplementary information, 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 of the City of Dothan, Alabama. The other supplementary information on pages 67-83, 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 12, 2010

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, 2009. 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, 2009 by \$168,656,113. Of this amount, \$68,541,794 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,244,416 (1.35%). A detailed explanation of this increase can be viewed on page five (5) of this Management's Discussion and Analysis (MD&A).
- As of the close of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$37,711,349, an increase of \$1,012,820 in comparison with the prior year. Approximately \$22,899,947 of this total is *available for spending* at the government's discretion (*unreserved fund balance*).
- Total net assets for governmental activities decreased by \$1,354,505 (1.48%), thus totaling \$89,882,269 for fiscal year 2009.
- The City of Dothan's total debt increased by \$31,199,917 (50.90%) during the current fiscal year, yielding a total outstanding debt of \$92,490,501 compared to last year at \$61,290,584.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City of Dothan's basic financial statements. The City's basic financial statements 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 funds' 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, culture and recreation, and equipment maintenance. The business-type activities of the City of Dothan reflect private sector type operations (electric, water and sewer). The government-wide financial statements can be found on pages 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 gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- The City Commission establishes other funds to control the use of monies for particular purposes, such as tobacco taxes assessed at five cents per pack of cigarettes. These taxes are legally dedicated for the support of the City school system.
- The City of Dothan, like other state and local governments, establishes funds to ensure and demonstrate compliance with certain legally debt-financed capital projects and grant proceeds.

The *Fund Financial 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, 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 31-62) 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 \$168,656,113 increased by \$2,244,416 (1.35%). Of this total, the governmental net assets decreased by \$1,354,505 and business-type net assets increased by \$3,598,921. 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	
	2009	2008	2009	2008	2009	2008
Current & Other Assets	\$ 48,387	\$ 46,757	\$ 56,434	\$ 23,844	\$ 104,821	\$ 70,601
Capital Assets	98,492	97,438	95,528	95,766	194,020	193,204
Total Assets	146,879	144,195	151,962	119,610	298,841	263,805
Current & Other Liabilities	18,249	16,525	16,597	18,756	34,846	35,281
Long-term Liabilities	38,748	36,433	56,591	25,679	95,339	62,112
Total Liabilities	56,997	52,958	73,188	44,435	130,185	97,393
Net Assets:						
Invested in Capital Assets,	64,886	64,629	35,228	65,742	100,114	130,371
Net of Related Debt						
Unrestricted	24,996	26,608	43,546	9,433	68,542	36,041
Total Net Assets	\$ 89,882	\$ 91,237	\$ 78,774	\$ 75,175	\$168,656	\$166,412

By far the largest portion of the City of Dothan's net assets (59.36%) 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, 2009 was \$100.1 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* (\$68,541,794) 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.

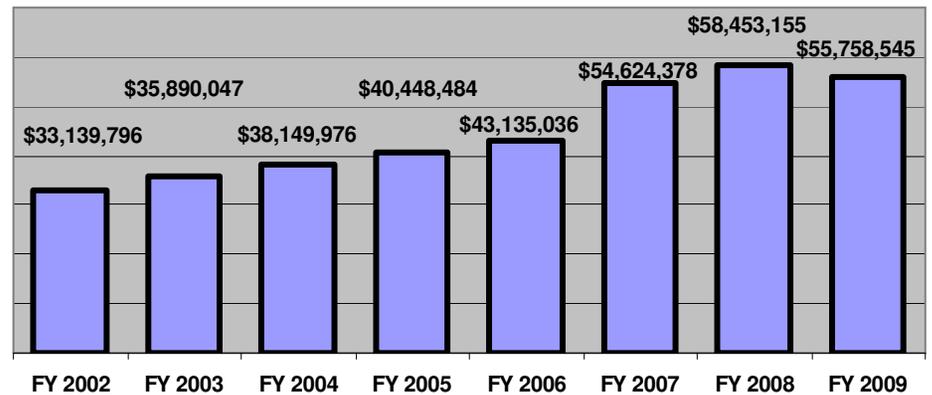
Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of debt.

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 \$89,882,269 decreased by \$1,354,505 and the business-net assets totaling \$78,773,844 increased by \$3,598,921. The major contributing factor of the governmental activities decrease in fiscal year 2009 was due to a downturn in the economy and reflected significantly in sales tax revenues. An additional one percent (1%) sales and use tax was adopted in 2007 and became effective January 1, 2007 (See table below). This tax afforded the City the opportunity to expend monies for vehicle and equipment replacement, resurfacing, employee salary increases, bridge restoration, and intersection repair; however, with the recession many of these expenditures have come to a standstill.

CITY OF DOTHAN SALES & USE TAX



The single largest revenue source is sales and use tax, which generated \$55,758,545 in 2009. This revenue reflected a decrease of \$2,694,610 (4.61%) compared to \$58,453,155 in 2008.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program Revenues:						
Charges for Services	\$ 7,184	\$ 7,119	\$101,486	\$107,166	\$108,670	\$114,285
Oper Grants & Contributions	102	1,000			102	1,000
Cap Grants & Contributions	4,897	8,847			4,897	8,847
General Revenues:						
Property Taxes	4,284	4,148			4,284	4,148
Other Taxes	60,378	63,249			60,378	63,249
Grants & Contributions not restricted to specific programs	1,432	1,533	166		1,598	1,533
Other	3,042	5,747	1,062	3,215	4,104	8,962
Total Revenues	\$ 81,319	\$ 91,643	\$102,714	\$110,381	\$184,033	\$202,024
EXPENSES						
Program Activities						
Primary Government						
Governmental Activities:						
General Government	\$ 12,443	\$ 12,302	\$	\$	\$ 12,443	\$ 12,302
Public Safety	31,298	30,426			31,298	30,426
Public Works	17,091	17,066			17,091	17,066
Planning and Development	1,842	2,128			1,842	2,128
Health & Welfare	2,802	3,177			2,802	3,177
Culture & Recreation	8,946	9,290			8,946	9,290
General Services	4,130	4,084			4,130	4,084
Insurance	968	1,373			968	1,373
Intergovernmental	5,038	4,292			5,038	4,292
Interest on Long Term Debt	1,235	1,303			1,235	1,303
Business-type Activities:						
Electric Department			75,945	81,776	75,945	81,776
Water Department			4,686	5,001	4,686	5,001
Sewer Department			5,264	5,322	5,264	5,322
Billing-Collection Department			1,686	1,644	1,686	1,644
Meter Reading Department			785	711	785	711
Depreciation Expense			5,542	5,201	5,542	5,201
Miscellaneous			911	1,232	911	1,232
Bond Issue Costs			48	47	48	47
Loss-Disposition of Capital Assets			1	2	1	2
Interest and Fiscal Charges			1,128	1,322	1,128	1,322
Total Expenses	\$ 85,793	\$ 85,441	\$ 95,996	\$102,258	\$181,789	\$187,699
Increase in Assets before transfers	(\$ 4,474)	\$ 6,202	\$ 6,718	\$ 8,123	\$ 2,244	\$ 14,325
Transfers	3,119	2,995	(3,119)	(2,995)	- 0-	- 0-
Increase in Net Assets	(\$ 1,355)	\$ 9,197	\$ 3,599	\$ 5,128	\$ 2,244	\$ 14,325
Beginning Net Assets	\$ 91,237	\$ 82,040	\$ 75,175	\$ 70,047	\$166,412	\$152,087
Ending Net Assets	\$ 89,882	\$ 91,237	\$ 78,774	\$ 75,175	\$168,656	\$166,412

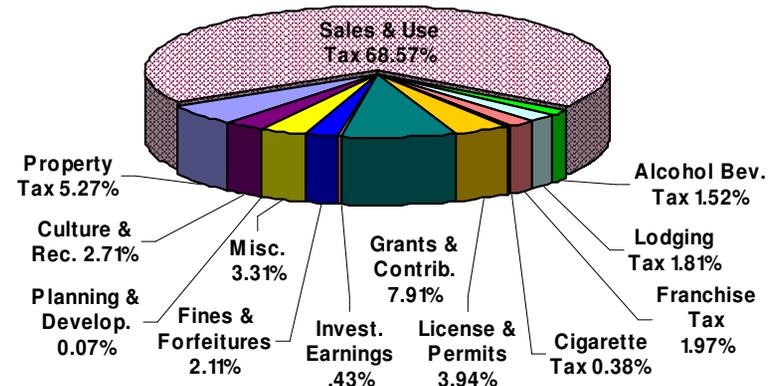
Statement of Activities

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

Governmental activities decreased the City of Dothan's net assets by \$1,354,505. Governmental revenues totaling \$81,319,702 decreased \$10,322,991 or 11.26% over fiscal year 2008 (\$91,642,693). A key element of this decrease was the downturn in the economy which is best reflected in the sales tax revenue decline mentioned previously.

- Property taxes increased by \$136,119 (3.28%) and sales taxes decreased by \$2,694,610 (4.61%) during the year. Various other taxes decreased \$175,840 (3.67%) over the previous year.
- The City of Dothan experienced a \$4,949,394 (43.49%) decrease in 2009 grant revenues and contributions. Grant revenues and contributions totaled \$6,431,024 compared to fiscal year 2008 totaling \$11,380,418. Primarily, the decrease was due to a Metropolitan Transportation Grant (MPO) for road widening projects in 2008. Dothan strives to maintain an aggressive grant application strategy. Grant resources support three City functions: public safety, public works, and culture and recreation.
- Other revenues reflected a decrease in both unrestricted investment earnings (\$680,627) and miscellaneous revenues (\$2,023,582) by \$2,704,209 (47.06%). Transfers from the utility fund to the governmental funds increased by \$123,588 (4.13%).

FY 2009 Governmental Revenues



Business-type activities increased the City of Dothan's net assets by \$3,598,921. A key element of this increase was largely due to the City increasing electric rates in November 2007 to compensate for the 6.52% wholesale increase from the Alabama Municipal Electric Authority. This increase was reduced by rising cost of the wholesale fuel adjustment charges. In September 2009, a sewer rate increase was implemented which results in an increase of \$.75 per thousand gallons of metered water for the next five years and 2.85% thereafter.

As of the end of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$37,711,349, an increase of \$1,012,820 (2.76%) in comparison with the prior year of \$36,698,529. Of this total fund balance, \$22,899,947 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 (\$6,013,513), amounts reserved for inventory (\$306,640), reserves for landfill closure (\$4,532,909), reserves for the future OPEB obligations (\$1,001,568), reserves for recreation projects (\$1,000,000) and reserves for debt service (\$1,956,772).

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 \$17,580,459, while total fund balance reached \$32,389,847. 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 in the amount of \$17,580,459 represents 22.39% of the general fund expenditures which equals \$78,486,015, while the total fund balance of \$32,389,847 represents 41.27% of the general fund expenditures. The unreserved fund balance of the City of Dothan's general fund (\$17,580,459) decreased by \$5,995,278 (25.43%) during the current fiscal year.

The debt service fund has a total fund balance of \$2,014 compared to \$21,229 in fiscal year 2008. Of this amount, there are no reserves for encumbrances; thus, the total fund balance is reserved for the

payment of debt service. Monies were transferred from the general and utility funds for debt service payments. In addition, street paving assessment payments were also utilized to fund the debt. With interest rates being at an all-time low the interest earned contributed to the declining fund balance.

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

Net assets of the utility and E-911 funds at the end of the year amounted to \$76,582,219 and \$2,191,625 respectively, compared to last year's amounts of \$73,139,656 and \$2,035,267. The utility fund experienced an increase in net assets in the amount of \$3,442,563 and the E-911 fund reflected an increase of \$156,358.

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 2007, the City Commission adopted a biennial budget for fiscal years 2008 and 2009. This was the third biennial budget adopted for the City of Dothan. During the biennial budget process, the City's overall revenue structure was evaluated and financial projections were prepared proportionately to reflect the decline in the economy. Thirty-two positions were eliminated from the budget to facilitate the expected reduction in sales tax.

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

Encumbrances from fiscal year 2008 were carried forward to fiscal year 2009 and the general fund beginning budget included these encumbrances in the amount of \$4,410,888. These encumbrances were funded from the general fund balance. During the year, revenues exceeded budgetary estimates and expenditures were within the budgetary constraints. The appropriations totaling \$8,553,460 were funded from the following revenue sources in the amount of \$2,339,876. The remaining \$6,213,584 was budgeted from the available unreserved fund balance.

\$ 160,800	- lodging taxes
18,933	- police seizure income
1,889,468	- federal, state and local grants
10,618	- contributions and donations
12,652	- municipal court revenues
2,962	- weather siren repair for other cities
54,609	- summer feeding program funds
21,000	- Water World resale items and concessions
14,258	- basketball, soccer, softball programs & day camps
6,200	- capital leases
17,950	- special event revenues
36,559	- fire department knox box sales
93,867	- stimulus funds
<u>\$ 2,339,876</u>	

The additional appropriations that were funded by the unreserved fund balance can be briefly summarized by department as follows:

- Information Systems Technology - \$56,608 in increases allocated to the information systems technology department as follows: \$10,000 for payment card industry (PCI) compliance; \$46,608 to purchase a sound system for Rip Hewes Stadium
- Police - \$34,581 in increases allocated to the police department as follows: \$19,332 for new carpet in the Criminal Justice Building; \$7,249 for a towable light tower; \$8,000 to purchase and train a police canine

- Public Works - \$3,662,724 in increases allocated to the public works department as follows: \$133,991 for street paving projects; \$2,999,325 for right-of-way purchases, relocation of utilities and construction engineering/inspection for road widening projects; \$514,000 for bridge repair; \$15,408 for intersection improvements
- Planning & Development - \$24,250 in increases allocated to the planning & development department as follows: \$16,175 for the long range transportation plan; \$8,075 for a fixed route transit evaluation
- Leisure Services - \$64,954 in increases to the leisure services department as follows: \$16,558 for security at Wiregrass Park; \$25,000 to renovate the trail at Westgate Park; \$2,000 for travel for the Alabama Recreation and Park Association; \$1,136 for the Azalea Dogwood Trail pageant; \$12,100 for a diabetes workshop; \$8,160 for operating supplies for a therapeutic program
- Performing Arts - \$2,900 in increases allocated to the performing arts department to purchase a refrigerator
- General Services - \$1,853,067 in increases allocated to the general services department as follows: \$1,809,077 for a heating and cooling (HVAC) system for the Civic Center/Roy Drigger's Complex; \$43,990 for a dimmer panel at the Civic Center
- Self Funded Insurance - \$438,500 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 - \$76,000 to the Dothan Area Convention and Visitors Bureau (C&VB receives four of the six percent lodging tax)

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, 2009 amounts to \$194,020,351 (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 \$1,053,544 and decreased in the business-type by \$236,883.

Major capital asset events during the current fiscal year:

- **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 was completed in 2009. A Metropolitan Planning Organization (MPO) grant was obtained and the City paid 20% of approved expenditures. The utilities relocation contract for the project was awarded to L&K Contracting for \$1,307,059. The construction contract was awarded to APAC-Southeast, Inc. by the Alabama Department of Transportation (ALDOT) in the amount of \$9,046,516. ALDOT administered the construction contract. The construction engineering and inspection contract was awarded by the City to Post Buckley Schuh & Jernigan, Inc. for \$1,023,069. City expenditures for the project totaled \$3,900,068, including construction engineering and inspection. Total capitalized was \$14,040,499 for street improvements.

- **PLUM ROAD PAVING AND INTERSECTION**

The Plum Road Paving and Intersection project was a street paving project that included the relocation of water lines. The project was completed in 2009, with a total cost of \$410,631.

- **ATLANTIC COASTLINE PASSENGER STATION**

The City completed the renovation of the Dixie Depot in 2009. The Depot is being used for offices for the Wiregrass Transit Authority. The renovation contract was awarded to Gencon at \$1,261,591. An Alabama Department of Transportation grant paid 80% of the total project cost of \$1,564,148.

- **FORTNER STREET AND HONEYSUCKLE ROAD INTERSECTION**

The City began construction on widening and making intersection improvements at Fortner Street and Honeysuckle Road in 2009. Right-of-way was purchased totaling \$1,011,640 and the construction contract was awarded to Lewis Incorporated in the amount of \$2,420,581 on June 30, 2009. The project is being funded from proceeds from the Series 2009 General Obligation Warrant. Total capitalized cost was \$1,683,625.

- **GUSSIE MCMILLON PARK**

Construction was completed in 2009 on the Gussie McMillon Park, a community park funded by a Community Development Block Grant. The park includes a walking trail, two pavilions, playground equipment, and park benches. It is located at the site of the old East Highlands School, which was torn down. Project costs totaled \$147,251.

- **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 \$455,020 expended to date. Project design specifications and drawings are complete, and a contract will be issued in Fiscal Year 2010. The project is being funded with State Revolving Loan funds which include American Recovery and Reinvestment Act funds. The expected completion date of the project is December 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 with \$12,450 expended to date. Project design specifications and drawings are underway 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 39 million gallons per day to accommodate existing and future flows for both the Little Choctawhatchee basin and the Beaver Creek basin and converting to ultraviolet light disinfection which is estimated to cost \$29,500,000. The engineering efforts are underway by Polyengineering, Inc.; fees are expected to cost \$1,904,075 with \$1,063,497 expended to date. Project design specifications and drawings are complete and the contract was issued to WC Hailey and Company for \$26,164,314 in September 2009. The project is being funded from proceeds from the 2009 General Obligation Warrant and State Revolving Loan funds. The expected completion date is September 2011.

- ANDREW BELLE RECREATION CENTER SPLASH PAD**

The Splash Pad at Andrew Belle Recreation Center was completed and opened in 2009. It was funded by a Community Development Block Grant and total project costs were \$98,441.

- WESTGATE PARK TRAILS**

The Westgate Park trails project, which will provide two parallel trails, one for walking/jogging and one for biking, began in 2009. The project includes additional drainage piping as well as surface improvements. It is funded through the Recreational Trails Program administered through Alabama Department of Economic and Community Affairs (ADECA) (\$100,000) and through the Wiregrass Foundation (\$223,000). Estimated completion date is July 2010.

- WESTGATE PARK SOCCER FIELDS**

The Westgate Park soccer project began in 2009 and includes the building and lighting of two additional soccer fields. The project was funded by the Dothan Area Convention and Visitors' Bureau (\$160,000). Project costs to date are \$156,607, and the fields are expected to open in September of 2010.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 9,917	\$ 9,917	\$ 2,198	\$ 2,198	\$ 12,115	\$ 12,115
Buildings	80,736	79,099	4,602	4,602	85,338	83,701
Improv. other than Bldgs.	36,011	34,177	142,894	140,163	178,905	174,340
Machinery & Equipment	38,823	38,253	10,265	10,284	49,088	48,537
Infrastructure	446,535	440,951			446,535	440,951
Construction in Progress	739	1,509	6,936	4,803	7,675	6,312
Total Capital Assets	<u>\$612,761</u>	<u>\$603,906</u>	<u>\$166,895</u>	<u>\$162,050</u>	<u>\$779,656</u>	<u>\$765,956</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 \$92,490,501 in gross debt outstanding compared to \$61,290,584 last fiscal year end; thus, increasing debt by \$31,199,917 (50.90%) during the current fiscal year.

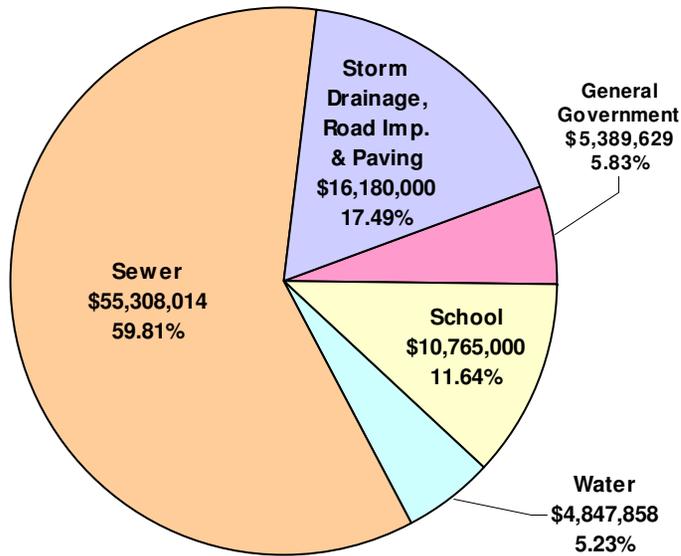
RATINGS FOR GENERAL OBLIGATION DEBT:

- The City maintains an "A1" rating from Moody's Investors Service
- Standard & Poor's Rating Service raised or upgraded the City of Dothan's "A+" rating to "AA-" after a review of credit strength in June of 2009

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, water and sewer purposes are exempt from the legal debt limit. The current constitutional debt limitation for

the City of Dothan is \$180,024,590, which is significantly in excess of the City of Dothan's outstanding general obligation debt.

Outstanding Debt as of September 30, 2009



	2009	2008	2007
General Government	\$ 5,389,629	\$ 7,538,728	\$ 12,830,770
School	10,765,000	11,470,000	12,140,000
Sewer	55,308,014	21,613,014	22,613,014
Storm Drainage Road Imp & Paving	16,180,000	12,427,231	12,427,231
Water	<u>4,847,858</u>	<u>8,241,611</u>	<u>13,212,846</u>
TOTAL	<u>\$ 92,490,501</u>	<u>\$ 61,290,584</u>	<u>\$ 73,223,861</u>

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2009 is 6.67% (total debt service expenditures were \$5,935,986 and total expenditures were \$88,964,556).

New debt issued during the fiscal year consists of the following two general obligation warrants:

- September 1, 2009 ~ \$10,485,000
 - Monies are to be utilized to construct a trunk line to transfer wastewater collection
 - Monies will be reimbursed through a state revolving loan
- September 30, 2009 ~ \$29,750,000
 - \$24,250,000 to be utilized to decommission the Wastewater Treatment Plant at Beaver Creek and expand the Little Choctawhatchee Wastewater Treatment Plant
 - \$5,500,000 for intersection, bridge and road repair

Additional information can be found in note IV. H on pages 51 – 54.

Economic Factors

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

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

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

The City Commission set downtown revitalization as one of its major priorities. The City appointed Dothan Downtown Development Authority (DDDA) is already dealing with dilapidated structures on Main Street and cleaning up other areas of downtown, such as Foster Street. The City partnered with Houston County to purchase property in order to make room for the renovation and expansion of the existing library located downtown. As the Master Plan for Downtown unfolds and interest builds in downtown redevelopment, the City will need to provide annual funding to the 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 people in adjoining communities who are in need of employment in close proximity to where they live.

The City engaged specialized consultants for studies on the electric, water and sewer systems to enable management to make informed decisions about aging infrastructure and the utility rate structure. As previously mentioned the City of Dothan began the process of correcting the wastewater collection and treatment infrastructure and increased sewer rates to cover the cost of the debt service incurred.

In January 2007 the Commission made a decision to address additional revenue needs and increased the sales tax by one percent. Given today's financial climate this has proven to be a wise decision. Without the additional tax the City would be forced to change operations significantly. In 2009, the additional tax gave the City the opportunity to address numerous issues which had gone unfunded for many years. The programs initiated are as follows: street resurfacing, employee salaries, vehicles and equipment replacement, facility maintenance, bridge replacements, road improvement projects and the proposed addition to our recreational facilities. These programs speak well to the foresight and vision of the City

Commission; however, as proven by the decrease in sales tax many of these programs are pending a brighter economic condition. The Commission continues to work 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 in anticipation of funding, and our city continues to grow. Additionally, while we've made a great stride in adjusting employee salaries, this is something that can not be abandoned. We must continue to deal with inflationary and market salary issues on a regular basis. A newly developed pay for performance system was implemented on January 1, 2009. These pay issues, along with the success of the new performance based system, are important for retention and hiring of City workers, but the economic posture of the City of Dothan will determine if the program is funded. It is hard to forecast what the City's "new normal" will be.

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.

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 39,939,631	\$ 36,358,512	\$ 76,298,143
Receivables	6,470,256	6,849,583	13,319,839
Due from other governments	1,379,639	10,039,707	11,419,346
Inventories, at cost	306,640	2,274,548	2,581,188
Deferred charges	291,040	910,924	1,201,964
Capital assets (See Note IV-D):			
Non-depreciable	10,656,490	9,133,573	19,790,063
Depreciable, net	87,835,356	86,394,932	174,230,288
Total Assets	<u>146,879,052</u>	<u>151,961,779</u>	<u>298,840,831</u>
LIABILITIES:			
Vouchers/accounts payable	4,020,032	7,486,902	11,506,934
Accrued liabilities	5,568,589		5,568,589
Accrued interest payable	107,367	105,380	212,747
Payable to other governments	80,922		80,922
Customer deposits	489,520	4,597,726	5,087,246
Unearned revenue	7,818		7,818
Non-Current Liabilities:			
Due within one year	7,974,357	4,407,508	12,381,865
Due in more than one year	38,748,178	56,590,419	95,338,597
Total Liabilities	<u>56,996,783</u>	<u>73,187,935</u>	<u>130,184,718</u>
NET ASSETS:			
Invested in capital assets, net of debt	64,885,874	35,228,445	100,114,319
Unrestricted	24,996,395	43,545,399	68,541,794
Total Net Assets	<u>\$ 89,882,269</u>	<u>\$ 78,773,844</u>	<u>\$ 168,656,113</u>

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, 2009

FUNCTION / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 12,443,160	\$ 2,858,833	\$ 78,404	\$	\$ (9,505,923)	\$	\$ (9,505,923)
Public safety	31,297,631	1,715,074	23,739	36,911	(29,521,907)		(29,521,907)
Public works	17,090,677			4,859,927	(12,230,750)		(12,230,750)
Planning and development	1,842,436	406,971			(1,435,465)		(1,435,465)
Health and welfare	2,802,426				(2,802,426)		(2,802,426)
Culture and recreation	8,946,229	2,202,950			(6,743,279)		(6,743,279)
General services	4,129,934				(4,129,934)		(4,129,934)
Insurance department	967,449				(967,449)		(967,449)
Education	5,037,882				(5,037,882)		(5,037,882)
Interest/fiscal charges on long-term debt	1,235,362				(1,235,362)		(1,235,362)
Total Governmental Activities	85,793,186	7,183,828	102,143	4,896,838	(73,610,377)	-	(73,610,377)
Business-Type Activities:							
Utility	94,942,481	100,294,269				5,351,788	5,351,788
E-911	1,053,904	1,191,856				137,952	137,952
Total Business-Type Activities	95,996,385	101,486,125	-	-	-	5,489,740	5,489,740
Total Primary Government	\$ 181,789,571	\$ 108,669,953	\$ 102,143	\$ 4,896,838	\$ (73,610,377)	\$ 5,489,740	\$ (68,120,637)

(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, 2009

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GENERAL REVENUES:			
Taxes:			
General property tax	\$ 4,283,982	\$	\$ 4,283,982
General sales and use tax	55,758,545		55,758,545
Alcoholic beverage tax	1,238,156		1,238,156
Lodging tax	1,469,729		1,469,729
Franchise tax	1,605,566		1,605,566
Cigarette tax	306,542		306,542
Grants and contributions not restricted to specific programs	1,432,043	166,359	1,598,402
Unrestricted investment earnings	348,556	104,746	453,302
Miscellaneous	2,693,774	957,055	3,650,829
Transfers	<u>3,118,979</u>	<u>(3,118,979)</u>	<u>-</u>
Total General Revenues, Special Items, and Transfers	<u>72,255,872</u>	<u>(1,890,819)</u>	<u>70,365,053</u>
Change in Net Assets	(1,354,505)	3,598,921	2,244,416
Net Assets - Beginning	<u>91,236,774</u>	<u>75,174,923</u>	<u>166,411,697</u>
Net Assets - Ending	<u>\$ 89,882,269</u>	<u>\$ 78,773,844</u>	<u>\$ 168,656,113</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, 2009

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 34,139,435	\$ 251	\$ 5,500,000	\$ 299,945	\$ 39,939,631
Receivables:					
Taxes	8,318,535				8,318,535
Accounts	1,720,349				1,720,349
Special assessments		217,936			217,936
Accrued interest	111	1,763			1,874
Due from other funds	476,891				476,891
Due from other governments	1,379,639				1,379,639
Inventories, at cost	306,640				306,640
Total Assets	46,341,600	219,950	5,500,000	299,945	52,361,495
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Vouchers/accounts payable	4,016,466			3,566	4,020,032
Accrued liabilities	5,568,589				5,568,589
Due to other funds			476,891		476,891
Payable to other governments	80,922				80,922
Customer deposits	489,520				489,520
Deferred revenue/income	3,796,256	217,936			4,014,192
Total Liabilities	13,951,753	217,936	476,891	3,566	14,650,146
Fund Balances:					
Reserved for:					
Encumbrances	6,013,513				6,013,513
Inventories	306,640				306,640
Landfill closure	4,532,909				4,532,909
OPEB obligation	1,001,568				1,001,568
Recreation projects	1,000,000				1,000,000
Debt service	1,954,758	2,014			1,956,772
Unreserved, reported in:					
General fund	17,580,459				17,580,459
Special revenue fund				296,379	296,379
Capital projects fund			5,023,109		5,023,109
Total Fund Balance	32,389,847	2,014	5,023,109	296,379	37,711,349
Total Liabilities and Fund Balances	\$ 46,341,600	\$ 219,950	\$ 5,500,000	\$ 299,945	\$ 52,361,495

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, 2009

Total Fund Balances - Governmental Funds

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.		\$ 37,711,349
--	--	---------------

Governmental capital assets	\$ 612,761,440	
Less: Depreciation expense to date	<u>(514,269,594)</u>	98,491,846

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	(3,788,438)	
Adjustment of deferred revenue - property taxes	3,788,438	
Adjustment of deferred revenue - special assessment	<u>217,936</u>	217,936

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		(46,722,535)
--	--	--------------

Deferred charges relating to long-term bonds payable		291,040
--	--	---------

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		<u>(107,367)</u>
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Total Net Assets - Governmental Activities

\$ 89,882,269

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, 2009

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 64,355,978	\$	\$	\$ 306,542	\$ 64,662,520
Licenses and permits	3,208,431				3,208,431
Intergovernmental revenues	6,321,151				6,321,151
Charges for services	2,283,339				2,283,339
Fines and forfeitures	1,692,058				1,692,058
Special assessments		98,342			98,342
Interest income	347,089	19,642		846	367,577
Miscellaneous	2,715,351	3,428			2,718,779
Total Revenues	<u>80,923,397</u>	<u>121,412</u>	<u>-</u>	<u>307,388</u>	<u>81,352,197</u>
EXPENDITURES:					
Current:					
General government	9,866,165	37			9,866,202
Public safety	28,559,586				28,559,586
Public works	12,524,988		18,562		12,543,550
Planning and development	1,839,863				1,839,863
Health and welfare	2,788,176				2,788,176
Culture and recreation	8,211,182				8,211,182
General services	3,994,678				3,994,678
Insurance department	967,449				967,449
Intergovernmental				4,063,613	4,063,613
Capital outlay	9,733,928		458,329		10,192,257
Debt service:					
Principal retirement		4,607,050			4,607,050
Interest and fiscal charges		1,328,899		2,051	1,330,950
Total Expenditures	<u>78,486,015</u>	<u>5,935,986</u>	<u>476,891</u>	<u>4,065,664</u>	<u>88,964,556</u>
Excess of Revenues over (under) Expenditures	<u>\$ 2,437,382</u>	<u>\$ (5,814,574)</u>	<u>\$ (476,891)</u>	<u>\$ (3,758,276)</u>	<u>\$ (7,612,359)</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, 2009

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	\$ (6,434,959)	\$ 5,795,359	\$	\$ 3,758,579	\$ 3,118,979
Proceeds of general obligation bonds			5,500,000		5,500,000
Capital leases	6,200				6,200
Total Other Financing Sources (Uses)	<u>(6,428,759)</u>	<u>5,795,359</u>	<u>5,500,000</u>	<u>3,758,579</u>	<u>8,625,179</u>
Net Changes in Fund Balance	(3,991,377)	(19,215)	5,023,109	303	1,012,820
Fund Balances, Beginning	<u>36,381,224</u>	<u>21,229</u>		<u>296,076</u>	<u>36,698,529</u>
Fund Balances, Ending	<u>\$ 32,389,847</u>	<u>\$ 2,014</u>	<u>\$ 5,023,109</u>	<u>\$ 296,379</u>	<u>\$ 37,711,349</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,012,820
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.	988,125
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	65,898
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.	(98,393)
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.	(818,110)
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>(2,504,845)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (1,354,505)</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, 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 34,564,980	\$ 1,793,532	\$ 36,358,512
Accounts receivable	6,745,549	104,034	6,849,583
Due from other governments	10,039,707		10,039,707
Inventories, at cost	2,274,548		2,274,548
Total Current Assets	53,624,784	1,897,566	55,522,350
Non-Current Assets:			
Deferred charges	910,924		910,924
Capital Assets:			
Land	2,197,979		2,197,979
Buildings	4,601,490		4,601,490
Improvements other than buildings	142,893,555	900	142,894,455
Machinery and equipment	8,164,013	2,101,337	10,265,350
Accumulated depreciation	(69,597,849)	(1,768,514)	(71,366,363)
Construction in progress	6,935,594		6,935,594
Total Capital Assets (net of accumulated depreciation)	95,194,782	333,723	95,528,505
Total Non-Current Assets	96,105,706	333,723	96,439,429
Total Assets	149,730,490	2,231,289	151,961,779
LIABILITIES:			
Current Liabilities:			
Vouchers/accounts payable	7,447,238	39,664	7,486,902
Accrued interest payable	105,380		105,380
Compensated absences	573,526		573,526
Customer deposits	4,597,726		4,597,726
Bonds payable - current	3,831,544		3,831,544
Capital leases payable - current	2,438		2,438
Total Current Liabilities	\$ 16,557,852	\$ 39,664	\$ 16,597,516

(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, 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
Non-Current Liabilities:			
Compensated absences	\$ 111,889	\$	\$ 111,889
Bonds payable (net of unamortized bond issue costs)	56,468,515		56,468,515
Capital leases payable	10,015		10,015
Total Non-Current Liabilities	56,590,419	-	56,590,419
Total Liabilities	73,148,271	39,664	73,187,935
 NET ASSETS:			
Invested in capital assets, net of debt	34,894,722	333,723	35,228,445
Unrestricted	41,687,497	1,857,902	43,545,399
Total Net Assets	\$ 76,582,219	\$ 2,191,625	\$ 78,773,844

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, 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
OPERATING REVENUES:			
Charges for services	\$ 100,294,269	\$ 1,191,856	\$ 101,486,125
OPERATING EXPENSES:			
Electric department	75,945,047		75,945,047
Water department	4,686,129		4,686,129
Sewer department	5,264,458		5,264,458
Billing - collection department	1,685,596		1,685,596
Meter reading department	785,078		785,078
Depreciation	5,399,305	142,509	5,541,814
Miscellaneous		911,395	911,395
Total Operating Expenses	<u>93,765,613</u>	<u>1,053,904</u>	<u>94,819,517</u>
Operating Income (Loss)	<u>6,528,656</u>	<u>137,952</u>	<u>6,666,608</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	86,340	18,406	104,746
Miscellaneous revenue	957,055		957,055
Bond issue costs	(47,485)		(47,485)
Gain (loss) on disposition of capital assets	(1,094)		(1,094)
Interest and fiscal charges	(1,128,289)		(1,128,289)
Total Nonoperating Revenues (Expenses)	<u>(133,473)</u>	<u>18,406</u>	<u>(115,067)</u>
Income (Loss) Before Contributions and Transfers	6,395,183	156,358	6,551,541
Capital contributions	166,359		166,359
Transfers out	(3,118,979)		(3,118,979)
Change in Net Assets	3,442,563	156,358	3,598,921
Total Net Assets - Beginning	<u>73,139,656</u>	<u>2,035,267</u>	<u>75,174,923</u>
Total Net Assets - Ending	<u>\$ 76,582,219</u>	<u>\$ 2,191,625</u>	<u>\$ 78,773,844</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
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
CASH FLOWS FROM OPERATIONS:			
Receipts from customers	\$ 102,197,722	\$ 1,196,749	\$ 103,394,471
Payments to suppliers	(77,787,409)	(906,395)	(78,693,804)
Payments to employees	(11,876,992)		(11,876,992)
Other receipts (payments)	941,236		941,236
Net Cash Provided by (Used in) Operating Activities	<u>13,474,557</u>	<u>290,354</u>	<u>13,764,911</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (out)	<u>(3,118,979)</u>		<u>(3,118,979)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt and State Revolving Funds	25,084,369		25,084,369
Acquisition and construction of capital assets	(5,032,977)	(106,689)	(5,139,666)
Principal paid on bond maturities and capital leases	(4,446,392)		(4,446,392)
Interest paid on bonds and notes payable	<u>(1,118,034)</u>		<u>(1,118,034)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>14,486,966</u>	<u>(106,689)</u>	<u>14,380,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	<u>86,340</u>	<u>18,406</u>	<u>104,746</u>
Net Increase (Decrease) in Cash and Cash Equivalents	24,928,884	202,071	25,130,955
Cash and Cash Equivalents at Beginning of Year	<u>9,636,096</u>	<u>1,591,461</u>	<u>11,227,557</u>
Cash and Cash Equivalents at End of Year	<u>\$ 34,564,980</u>	<u>\$ 1,793,532</u>	<u>\$ 36,358,512</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, 2009

	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)	\$ 6,528,656	\$ 137,952	\$ 6,666,608
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	5,399,305	142,509	5,541,814
(Increase) decrease in accounts receivable	1,924,691	4,893	1,929,584
(Increase) decrease in inventory	205,047		205,047
Increase (decrease) in vouchers and accounts payable	(1,427,285)	5,000	(1,422,285)
Increase (decrease) in accrued liabilities	(127,806)		(127,806)
Increase (decrease) in compensated absences	51,951		51,951
Increase (decrease) in customer deposits	(21,238)		(21,238)
Other miscellaneous revenues	941,236		941,236
Total Adjustments	6,945,901	152,402	7,098,303
Net Cash Provided by (Used) in Operating Activities	\$ 13,474,557	\$ 290,354	\$ 13,764,911
 NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Contributions of capital assets from local developers	\$ 166,359		

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, 2009

	EMPLOYEE RETIREMENT FUND
ASSETS:	
Cash and cash equivalents	\$
Accrued interest and dividends	
Total Assets	-
LIABILITIES	-
NET ASSETS:	
Held in trust for pension benefits	\$ -

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, 2009

	<u>EMPLOYEE RETIREMENT FUND</u>
ADDITIONS:	
Contributions	\$
Investment Earnings:	
Interest, dividends, and other	<u>199</u>
Total Additions	<u>199</u>
DEDUCTIONS:	
Refunds of annuity funds	35,296
Miscellaneous expenses	<u>3,363</u>
Total Deductions	<u>38,659</u>
Change in Net Assets	(38,460)
Net Assets - Beginning of Year	<u>38,460</u>
Net Assets - End of Year	<u><u>\$ -</u></u>

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, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dothan, Alabama (the City), which was founded in 1885, has an estimated population of 66,505 living within an area of 88.71 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.

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, 2009, all remaining funds had been paid out; therefore, eliminating this fund in future reporting. 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, 2009

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, 2009

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 comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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

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.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

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 – Trust and Agency Funds are used 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, 2009

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 from the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

3. Revenues Susceptible to Accrual

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by 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, 2009

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, 2009.

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 of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	33
Building improvements	20
Infrastructure	10-50
Vehicles	6
Office equipment	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, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Long-Term Obligations (Continued)

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

8. Fund Equity

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 where customers are billed daily 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, 2009

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 \$5,988,391 reported as landfill closure and postclosure care liability at September 30, 2009, represents the cumulative amount reported to date based on the use of 80.87 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,416,609 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. The City of Dothan expects to close the current landfill in the year 2013, 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 capital projects fund and the fiduciary funds, are maintained as budgetary funds. The City of Dothan adopts a biennial budget through passage of a resolution by the Board of Commissioners. Budgetary control is exercised at the department level. The City Manager is authorized to amend the budgets during the fiscal year in order to execute the policies and planning encompassed therein provided that the total appropriation for a department and the fund is not changed, and amendments affecting capital outlay do not exceed \$10,000 in any one instance or cause. The City Manager is also authorized to approve any change to correct an error, provided the fund total does not change. Any increase in overall expenditures must be approved by the Board of Commissioners. The Board of Commissioners may amend the budget at any time during the year and significant amendments are made through the fiscal year. During the year, several supplemental appropriations were necessary in the amount of \$34,050,996. 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, 2009**

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

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

C. Deficit Fund Equity

As of September 30, 2009, 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 (\$46,722,535) are as follows:

Bonds payable	(\$28,203,888)
Estimated cost of closure and postclosure of City landfill	(5,988,391)
Compensated absences	(2,848,145)
Capital leases	(5,389,630)
Net OPEB obligation	(<u>4,292,481</u>)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(<u>\$46,722,535</u>)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 \$988,125 difference are as follows:

Capital outlay	\$10,192,257
Depreciation expense	(9,204,132)
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>\$ 988,125</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 \$65,898 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.	\$ 90,852
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.	(24,954)
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>\$ 65,898</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 (\$818,110) difference are as follows:

Debt incurred	(\$ 5,506,200)
Principal repayments:	
General obligation debt and capital leases	4,607,050
Net change in unamortized bond premium, discount, and issue costs	<u>81,040</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>(\$ 818,110)</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 (\$2,504,845) difference are as follows:

Compensated absences	(\$ 144,912)
Estimated cost of closure and postclosure	(311,718)
Accrued interest	14,548
Net OPEB obligation	<u>(2,062,763)</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>(\$2,504,845)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government's carrying amount of deposits was \$76,298,142 and the total bank balance was \$85,122,668. Of the bank balance, \$1,750,060 was covered by federal depository insurance. Of the remaining balance, \$83,372,608 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, 2009, \$83,372,608 of the government's bank balance of \$85,122,668 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:

Receivables:					
Taxes	\$ 8,318,535	\$	\$	\$	\$ 8,318,535
Accounts	1,720,349		6,745,549	104,034	8,569,932
Special assessments		217,936			217,936
Interest	111	1,763			1,874
	<u>111</u>	<u>1,763</u>			<u>1,874</u>
Total	<u>\$ 10,038,995</u>	<u>\$ 219,699</u>	<u>\$ 6,745,549</u>	<u>\$ 104,034</u>	<u>\$ 17,108,277</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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)	\$ 3,788,438	\$
Special assessments not yet due (debt service fund)	217,936	
Business licenses and certain other resources that have been received, but not yet earned		7,818
Total deferred/unearned revenue for governmental funds	\$ 4,006,374	\$ 7,818

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, 2009, there were property taxes receivable and deferred revenue of \$3,788,438 that does not become earned until October 1, 2009 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, 2009

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 9,917,155	\$ 2	\$ (2)	\$ 9,917,155
Construction in progress	1,509,036	681,103	(1,450,804)	739,335
Total capital assets, not being depreciated	<u>11,426,191</u>	<u>681,105</u>	<u>(1,450,806)</u>	<u>10,656,490</u>
Capital assets, being depreciated:				
Buildings	79,099,336	1,636,599		80,735,935
Improvements other than buildings	34,176,557	2,394,048	(560,000)	36,010,605
Machinery and equipment	38,253,457	1,998,059	(1,428,258)	38,823,258
Infrastructure	440,951,050	5,584,102		446,535,152
Total capital assets, being depreciated	<u>592,480,400</u>	<u>11,612,808</u>	<u>(1,988,258)</u>	<u>602,104,950</u>
Less accumulated depreciation for:				
Buildings	43,982,791	1,893,428		45,876,219
Improvements other than buildings	16,021,993	1,332,485		17,354,478
Machinery and equipment	23,188,957	3,572,987	(1,402,827)	25,359,117
Infrastructure	423,274,548	2,405,232		425,679,780
Total accumulated depreciation	<u>506,468,289</u>	<u>9,204,132</u>	<u>(1,402,827)</u>	<u>514,269,594</u>
Total capital assets, being depreciated, net	<u>86,012,111</u>	<u>2,408,676</u>	<u>(585,431)</u>	<u>87,835,356</u>
Governmental activities capital assets, net	<u>\$ 97,438,302</u>	<u>\$ 3,089,781</u>	<u>\$ (2,036,237)</u>	<u>\$ 98,491,846</u>

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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	\$ 2,197,978	\$ 1	\$	\$ 2,197,979
Construction in progress	4,803,074	2,159,437	(26,917)	6,935,594
Total capital assets, not being depreciated	<u>7,001,052</u>	<u>2,159,438</u>	<u>(26,917)</u>	<u>9,133,573</u>
Capital assets, being depreciated:				
Buildings	4,601,490			4,601,490
Improvements other than buildings	140,163,437	2,731,018		142,894,455
Machinery and equipment	10,284,139	442,487	(461,276)	10,265,350
Total capital assets, being depreciated	<u>155,049,066</u>	<u>3,173,505</u>	<u>(461,276)</u>	<u>157,761,295</u>
Less accumulated depreciation for:				
Buildings	1,932,791	136,386		2,069,177
Improvements other than buildings	56,511,490	4,721,894		61,233,384
Machinery and equipment	7,840,449	683,534	(460,181)	8,063,802
Total accumulated depreciation	<u>66,284,730</u>	<u>5,541,814</u>	<u>(460,181)</u>	<u>71,366,363</u>
Total capital assets, being depreciated, net	<u>88,764,336</u>	<u>(2,368,309)</u>	<u>(1,095)</u>	<u>86,394,932</u>
Business-type activities capital assets, net	<u><u>\$ 95,765,388</u></u>	<u><u>\$ (208,871)</u></u>	<u><u>\$ (28,012)</u></u>	<u><u>\$ 95,528,505</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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	\$ 515,435
Public safety	2,617,262
Public works, including depreciation of general infrastructure assets	4,226,301
Health and welfare	14,250
Culture and recreation	735,994
General services	120,621
Schools	974,269

Total depreciation expense - governmental activities \$ 9,204,132

Business-type activities:

Utility (other than electric)	\$ 3,731,592
Electric	1,667,713
E-911	142,509

Total depreciation expense - business-type activities \$ 5,541,814

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The interfund transfers were as follows:

Transfer out:	Transfer in:				Total
	General Fund	Debt Service Fund	Nonmajor Governmental	Utility Fund	
Utility Fund	\$	\$ 860,400	\$ 2,758,579	\$ (500,000)	\$ 3,118,979
General Fund		4,934,959	1,000,000	500,000	6,434,959
Total Transfer Out	<u>\$ -</u>	<u>\$ 5,795,359</u>	<u>\$ 3,758,579</u>	<u>\$ -</u>	<u>\$ 9,553,938</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, 2009

ANALYSIS OF INVESTMENT IN CAPITAL ASSETS, NET OF DEBT
FOR THE YEAR ENDING SEPTEMBER 30, 2009

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
Infrastructure - Governmental				
2005 G/O Series	\$ 11,938,890	\$	\$ 11,938,890	
2009 G/O Series	5,500,000		5,500,000	
Total Infrastructure - Governmental	17,438,890	-	17,438,890	
Other Capital Assets - Governmental				
Capital Leases	5,402,082		5,402,082	
2005 G/O Series	10,765,000		10,765,000	
Total Other Capital Assets - Governmental	16,167,082	-	16,167,082	
Total Governmental Debt				\$ 33,605,972
Total Capital Assets			612,761,440	
Accumulated Depreciation			(514,269,594)	
Net Capital Assets			98,491,846	
Investment in Capital Assets, net of related debt			\$ 64,885,874	
Infrastructure - Proprietary				
1989 G/O Series	90,000		90,000	
1996B SRLFB	2,030,000		2,030,000	
2000 - SRF Sewer Warrant	8,090,000		8,090,000	
2001 - SRF Sewer Warrant	4,735,000		4,735,000	
2002 G/O Refunding Series	6,646,642		6,646,642	
2006 G/O Series	3,973,418		3,973,418	
2009 G/O Series - CWSRF-DL	10,485,000		10,485,000	
2009 G/O Series	24,250,000		24,250,000	
Total Infrastructure - Proprietary	60,300,060	-	60,300,060	
Total Proprietary Debt				\$ 60,300,060
Total Capital Assets			166,894,868	
Accumulated Depreciation			(71,366,363)	
Net Capital Assets			95,528,505	
Investment in Capital Assets, net of related debt			\$ 35,228,445	

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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>
2010	\$ 45,461
2011	38,474
2012	28,126
2013	14,073
2014	<u>6,692</u>
Total minimum lease payments	<u>\$132,826</u>

The rental expense for the above operating leases is \$42,920 for the year ended September 30, 2009.

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	71,997
Less: Accumulated depreciation	<u>(1,562,820)</u>
Total	<u>\$11,299,177</u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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, 2009 were as follows:

<u>YEAR ENDING SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2010	\$2,265,887
2011	2,253,024
2012	1,127,644
2013	<u>5,198</u>
Total minimum lease payments	5,651,753
Less: Amount representing interest	<u>(249,670)</u>
Present value of minimum lease payments	<u><u>\$5,402,083</u></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.

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	4.33%	\$ 5,500,000
Governmental activities – refunding	3.20 – 5.00%	21,445,000
Business-type activities	3.56 – 5.00%	53,653,418
Business-type activities – refunding	3.20 – 5.00%	<u>6,490,000</u>
		<u><u>\$87,088,418</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2010	\$ 3,370,000	\$ 1,211,656	\$ 3,831,544	\$ 2,176,712
2011	1,640,000	1,062,340	5,261,874	2,133,013
2012	2,736,110	996,304	3,360,000	2,036,884
2013	2,846,459	891,455	3,475,000	1,912,362
2014	2,983,793	755,870	1,570,000	1,778,650
2015	3,133,199	613,715	1,630,000	1,721,350
2016	3,130,439	464,397	1,849,328	1,661,891
2017	2,150,000	328,250	3,043,593	1,579,621
2018	2,255,000	220,750	2,864,774	1,459,215
2019	1,320,000	108,000	2,978,414	1,343,508
2020	1,380,000	55,200	3,104,621	1,223,168
2021			3,228,507	1,097,718
2022			3,360,188	967,231
2023			2,219,789	831,375
2024			2,312,436	739,128
2025			2,408,262	643,002
2026			2,512,408	542,856
2027			2,615,017	438,372
2028			2,726,242	329,572
2029			2,836,241	216,123
2030			2,955,180	98,036
TOTAL	<u><u>\$ 26,945,000</u></u>	<u><u>\$ 6,707,937</u></u>	<u><u>\$ 60,143,418</u></u>	<u><u>\$ 24,929,787</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009, 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	\$ 23,897,231	\$ 5,500,000	\$ (2,452,231)	\$ 26,945,000	\$ 3,370,000
Plus: Unamortized bond premium	1,380,959		(115,885)	1,265,074	
Less: Unamortized bond discount	(7,732)		1,546	(6,186)	
Total Bonds Payable	<u>25,270,458</u>	<u>5,500,000</u>	<u>(2,566,570)</u>	<u>28,203,888</u>	<u>3,370,000</u>
Capital leases	7,538,728	6,200	(2,155,298)	5,389,630	2,115,180
Estimated cost of closure and postclosure	5,676,673	311,718		5,988,391	
Compensated absences	2,703,233	270,156	(125,244)	2,848,145	2,489,177
Net OPEB obligation	<u>2,229,718</u>	<u>2,696,202</u>	<u>(633,439)</u>	<u>4,292,481</u>	
Governmental Activity Long-Term Liabilities	<u>\$ 43,418,810</u>	<u>\$ 8,784,276</u>	<u>\$ (5,480,551)</u>	<u>\$ 46,722,535</u>	<u>\$ 7,974,357</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 29,854,625	\$ 34,735,000	\$ (4,446,207)	\$ 60,143,418	\$ 3,831,544
Plus: Unamortized bond premium	188,509		(15,819)	172,690	
Less: Unamortized bond discount	(20,061)		4,012	(16,049)	
Total Bonds Payable	<u>30,023,073</u>	<u>34,735,000</u>	<u>(4,458,014)</u>	<u>60,300,059</u>	<u>3,831,544</u>
Capital leases		12,638	(185)	12,453	2,438
Compensated absences	<u>633,464</u>	<u>71,745</u>	<u>(19,794)</u>	<u>685,415</u>	<u>573,526</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 30,656,537</u>	<u>\$ 34,819,383</u>	<u>\$ (4,477,993)</u>	<u>\$ 60,997,927</u>	<u>\$ 4,407,508</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, 2009

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, 2009, \$17,495,000 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2009, there were no remaining state revolving funds available.

V. OTHER INFORMATION

A. Risk Management

The City is self-insured for employee medical insurance through a contract with Blue Cross and Blue Shield, Inc. The contract states that they will administer an employee health benefit plan for the City employees. The City actually pays the medical expenses for the employees through a wire transfer to Blue Cross and Blue Shield, Inc. Monies to pay these medical expenses are collected from the General Fund and Utility Fund by direct expenditures and employee withholdings. Blue Cross and Blue Shield, Inc. bills the City for claims that are due and then the City wires the funds to Blue Cross and Blue Shield, Inc. The risk of insurance coverage is now on the City. Blue Cross and Blue Shield, Inc. only administers the plan. They provide co-pay amounts for employees and they set fee limits for the medical charges, but the City is liable for all of the medical bills. The City pays Blue Cross and Blue Shield, Inc. an administrative fee which is charged to the appropriate fund. Each employee has a set 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, 2009 the City accrued \$805,572 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

The City became a self insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). 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, 2009, the City accrued the actuarially determined amount of \$2,452,000, 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 OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

V. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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, 2009, the City accrued the actuarially determined amount of \$797,000, 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 SEPTEMBER 30, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE SEPTEMBER 30, 2008</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE SEPTEMBER 30, 2009</u>	<u>BALANCE DUE IN ONE YEAR OR LESS</u>
Accrued claims - liabilities	\$ 4,436,242	\$ -	\$ 598,373	\$ 3,837,869	\$ 242,703	\$ 26,000	\$ 4,054,572	\$ 4,054,572

B. Related Party Transactions

There were no material related party transactions to disclose.

C. Subsequent Events

On October 15, 2009, the City of Dothan issued \$2,770,000 of general obligation warrants for the purpose of providing for construction and improvements to the Dothan Little Choctawhatchee WWTF Interceptors. The total cost of the project is \$5,067,256 with the remaining \$2,297,256 to be funded with ARRA Stimulus Funds. The bonds interest rate is 3.5% and matures in 2030 with payments semi-annually in August and February.

On December 15, 2009, the City of Dothan issued \$2,110,000 of general obligation warrants for the purpose of providing for construction and improvements to the City's water system. The total cost of the project is \$3,139,049 with the remaining \$1,029,049 to be funded with ARRA Stimulus Funds. The bonds interest rate is 3.5% and matures in 2030 with payments semi-annually in August and February.

In October 2009, the City of Dothan issued a purchase order in the amount of \$816,932 for the purchase of a 100 foot aerial ladder truck. In addition, property for the Houston Love Memorial Library addition was purchased in the amount of \$1,423,000.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

V. OTHER INFORMATION (Continued)

D. Contingent Liabilities

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

The US EPA has alleged Clean Water Act violations involving the City of Dothan, Alabama's wastewater treatment and collection system. The City is currently in discussions with the Department of Justice, US EPA Region 4, and the Alabama Department of the Environment regarding those allegations. It is possible that those discussions could result in a settlement which could have a financial impact to the City, although the timing, scope, and financial impact of such a resolution is not known at this time.

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. Postemployment Healthcare Plan

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

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

A retired employee who draws a monthly retirement check may elect to continue coverage through the Self-Funded Benefits Plan. Eligibility for benefits terminates upon the retiree reaching the age of sixty-five (65) years, or becoming Medicare eligible.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

Retiree Premium Contributions. Retirees are required to pay the following premiums as of September 30, 2009:

	MONTHLY RETIREE PREMIUM
Retiree only	\$197.59
Retiree's spouse only	196.00
Retiree plus 1 dependent	390.59
Retiree plus 2 or more dependents	436.59
Retiree's Spouse plus 1 dependent	389.00
Retiree Dental single	26.00
Retiree Dental family	60.00

The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended September 30, 2009, the City contributed \$633,439 to the plan and plan members receiving benefits contributed \$734,226.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$2,670,189
Interest on net OPEB obligation	100,337
Adjustment to annual required contribution	<u>(74,324)</u>
Annual OPEB cost (expense)	2,696,202
Contributions made	<u>(633,439)</u>
Increase in net OPEB obligation	2,062,763
Net OPEB obligation – beginning of year	<u>2,229,718</u>
Net OPEB obligation – end of year	<u>\$4,292,481</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
09/30/08	\$ 2,931,388	23.93%	\$ 2,229,718
09/30/09	\$ 2,696,202	23.49%	\$ 4,292,481

Funded Status and Funding Progress. As of September 30, 2008, the most recent actuarial valuation date, the plan was 1.4 percent funded. The actuarial accrued liability for benefits was \$36,535,115, and the actuarial value of assets was \$500,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$36,035,115. The covered payroll (annual payroll of active employees covered by the plan) was \$38,576,202, and the ratio of the UAAL to the covered payroll was 93.4 percent.

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

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

In the September 30, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expense), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was thirty years.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

V. OTHER INFORMATION (Continued)

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, 201 South Union Street, Montgomery, Alabama 36104 or by calling (334) 517-7000.

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

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, 2009 was 24.3% of covered payroll.

The City's annual pension cost of \$9,747,257 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2008 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, 2008, 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>
09/30/06	\$ 7,346,893	100%	\$ 0
09/30/07	7,483,049	100%	0
09/30/08	8,974,899	100%	0

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

V. OTHER INFORMATION (Continued)

F. Employee Retirement System and Pension Plans (Continued)

Funded Status

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
09/30/08	\$72,559,277	\$191,613,311	\$119,054,034	37.9%	\$40,115,096	296.8%

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

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 was completed in 2009. A Metropolitan Planning Organization (MPO) grant was obtained and the City paid 20 percent of approved expenditures. The utilities relocation contract for the project was awarded to L&K Contracting Company, Inc., for \$1,307,059. The construction contract was awarded to APAC-Southeast, Inc. by the Alabama Department of Transportation (ALDOT) in the amount of \$9,046,516. ALDOT administered the construction contract. The construction engineering and inspection contract was awarded by the City to Post Buckley Schuh & Jernigan, Inc. for \$1,023,069. City expenditures for the project totaled \$3,900,068, including construction engineering and inspection. Total capitalized was \$14,040,499 for street improvements.

2. Plum Road Paving and Intersection

The Plum Road Paving and Intersection project was a street paving project that included the relocation of water lines. The project was completed in 2009, with a total cost of \$410,631.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

3. *Atlantic Coastline Passenger Station*

The City completed the renovation of the Dixie Depot in 2009. The Depot is being used for offices for the Wiregrass Transit Authority. The renovation contract was awarded to Gencon for \$1,261,591. An Alabama Department of Transportation grant paid 80% of the total project cost of \$1,564,148.

4. *Fortner Street and Honeysuckle Road Intersections*

The City began construction on widening and making intersection improvements at Fortner Street and Honeysuckle Road in 2009. Right-of-way was purchased totaling \$1,011,640, and the construction contract was awarded to Lewis Incorporated in the amount of \$2,420,581 on June 30, 2009. The project is being funded from proceeds from the Series 2009 General Obligation Warrant. Total capitalized cost was \$1,683,625.

5. *Gussie McMillon Park*

Construction was completed in 2009 on the Gussie McMillon Park, a community park funded by a Community Development Block Grant. The park includes a walking trail, two pavilions, playground equipment, and park benches. It is located at the site of the old East Highlands School, which was torn down. Project costs totaled \$147,251.

6. *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 \$455,020 expended to date. Project design specifications and drawings are complete, and a contract will be issued in Fiscal Year 2010. The project is being funded with State Revolving Loan funds which include American Recovery and Reinvestment Act funds. The expected completion date of the project is December 2010.

7. *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 with \$12,450 expended to date. Project design specifications and drawings are underway and the project is expected to be completed by February 2011.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

8. *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 39 million gallons per day to accommodate existing and future flows for both the Little Choctawhatchee basin and the Beaver Creek basin and converting to ultraviolet light disinfection which is estimated to cost \$29,500,000. The engineering efforts are underway by Polyengineering, Inc; fees are expected to cost \$1,904,075 with \$1,063,497 expended to date. Project design specifications and drawings are complete and the contract was issued to WC Haley and Company for \$26,164,314 in September 2009. The project is being funded from proceeds from the 2009 General Obligation Warrant and State Revolving Loan funds. The expected completion date is September 2011.

9. *Splash Pad at Andrew Belle Recreation Center*

The Splash Pad at Andrew Belle Recreation Center was completed and opened in 2009. It was funded by a Community Development Block Grant and total project costs were \$98,441.

10. *Trails at Westgate Park*

The Westgate Trails project, which will provide two parallel trails, one for walking/jogging and one for biking, began in 2009. The project includes additional drainage piping as well as surface improvements. It is funded through the Recreational Trails Program administered through ADECA (\$100,000) and through the Wiregrass Foundation (\$223,000). Estimated completion date is July 2010.

11. *Westgate Park Soccer Fields*

The Westgate Soccer project began in 2009 and includes the building and lighting of two additional soccer fields. The project was funded by the Dothan Area Convention and Visitors' Bureau (\$160,000). Project costs to date are \$156,607, and the fields are expected to open in September of 2010.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 68,270,000	\$ 69,254,547	\$ 64,355,978	\$ (4,898,569)
Licenses and permits	2,683,700	3,177,277	3,208,431	31,154
Intergovernmental	3,898,000	5,955,981	6,321,151	365,170
Charges for services	1,911,500	1,999,713	2,283,339	283,626
Fines and forfeitures	1,306,000	1,431,585	1,692,058	260,473
Interest	957,500	957,500	347,089	(610,411)
Miscellaneous	1,450,722	1,942,986	2,715,351	772,365
Total Revenues	<u>80,477,422</u>	<u>84,719,589</u>	<u>80,923,397</u>	<u>(3,796,192)</u>
EXPENDITURES:				
Current:				
General government:				
General administrative	2,246,118	2,467,568	1,900,007	567,561
City Clerk	665,463	681,307	663,930	17,377
Information system/Technology	2,679,046	3,657,579	3,570,787	86,792
Budget and finance	1,123,512	1,123,512	903,370	220,142
Personnel services	2,156,884	2,147,931	1,882,076	265,855
Judicial department	1,013,262	1,012,980	945,995	66,985
Public safety:				
Fire department	12,543,236	12,627,907	12,353,295	274,612
Police department	16,807,066	16,986,438	16,206,291	780,147
Public works:				
Street department	6,239,436	6,561,205	4,656,621	1,904,584
Engineering department	2,616,499	2,572,537	2,546,979	25,558
Environmental services	6,059,835	6,067,746	5,321,388	746,358
Planning and development	1,702,705	1,964,197	1,839,863	124,334
Health and welfare	2,312,313	2,794,298	2,788,176	6,122
Culture and recreation:				
Recreation	7,234,896	7,134,840	6,462,827	672,013
Culture	1,688,194	1,983,875	1,748,355	235,520
General services:				
Administration	502,132	519,034	494,533	24,501
Facility	1,594,636	1,569,249	1,375,887	193,362
Fleet	2,214,659	2,215,927	2,124,258	91,669
Insurance Department	1,696,576	2,189,418	967,449	1,221,969
Capital outlay	5,024,460	12,104,764	9,733,928	2,370,836
Total Expenditures	<u>78,120,928</u>	<u>88,382,312</u>	<u>78,486,015</u>	<u>9,896,297</u>
Excess of Revenues over (under) Expenditures	2,356,494	(3,662,723)	2,437,382	6,100,105

(Continued on page 64)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	\$ (2,529,543)	\$ (3,548,169)	\$ (6,434,959)	\$ (2,886,790)
Capital leases		6,200	6,200	-
Total Other Financing Sources (Uses)	<u>(2,529,543)</u>	<u>(3,541,969)</u>	<u>(6,428,759)</u>	<u>(2,886,790)</u>
Net Change in Fund Balances	(173,049)	(7,204,692)	(3,991,377)	3,213,315
Fund Balances - Beginning	<u>173,049</u>	<u>7,204,692</u>	<u>36,381,224</u>	<u>29,176,532</u>
Fund Balances - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,389,847</u></u>	<u><u>\$ 32,389,847</u></u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2009

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 ²	60,341,415	160,146,031	99,804,616	37.7%	36,362,644	274.5%
09/30/07	67,356,312	182,527,620	115,171,308	36.9%	37,275,515	309.0%
09/30/08	72,559,277	191,613,311	119,054,034	37.9%	40,115,096	296.8%

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

² Reflects changes in actuarial assumptions.

NOTES TO TREND INFORMATION

Valuation date	September 30, 2008
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	19 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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - RETIREE HEALTHCARE PLAN SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2009

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT (B)	UNFUNDED AAL (UAAL) (B - A)	FUNDED RATIO (A / B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (B - A) / C
09/30/06	\$ 0	\$ 40,884,571	\$ 40,884,571	0.00%	\$ 35,744,985	114.38%
09/30/08	\$ 500,000	\$ 36,535,115	\$ 36,035,115	1.40%	\$ 38,576,202	93.40%

NOTES TO TREND INFORMATION

Valuation date	September 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.00%
Medical cost trend rate	11.00% - 5.00%
Year of Ultimate trend rate	2016
*Includes inflation at	4.50%

The assumed investment rate of return reflects the fact that no assets are set aside within the City of Dothan, Alabama that are legally held exclusively for retirement benefits. If a trust or equivalent arrangement were set up for this purpose, the investment rate of return can be increased.

The above information includes only two years, which is the only information available.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Special assessments	\$ 166,590	\$ 166,590	\$ 98,342	\$ (68,248)
Interest from funds invested and special assessments	3,000	3,000	19,642	16,642
Miscellaneous			3,428	3,428
Total Revenues	<u>169,590</u>	<u>169,590</u>	<u>121,412</u>	<u>(48,178)</u>
EXPENDITURES:				
General administrative	6,000	6,000	37	5,963
Principal retirement	4,677,750	4,693,537	4,607,050	86,487
Interest	1,351,793	1,354,632	1,328,899	25,733
Total Expenditures	<u>6,035,543</u>	<u>6,054,169</u>	<u>5,935,986</u>	<u>118,183</u>
Excess of Revenues over (under) Expenditures	<u>(5,865,953)</u>	<u>(5,884,579)</u>	<u>(5,814,574)</u>	<u>70,005</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	6,029,543	6,048,169	5,934,959	(113,210)
Transfers out	(163,590)	(163,590)	(139,600)	23,990
Total Other Financing Sources (Uses)	<u>5,865,953</u>	<u>5,884,579</u>	<u>5,795,359</u>	<u>(89,220)</u>
Net Change in Fund Balance	-	-	(19,215)	(19,215)
Fund Balances - Beginning			21,229	21,229
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,014</u>	<u>\$ 2,014</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SCHOOL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 310,000	\$ 310,000	\$ 306,542	\$ (3,458)
Interest earned	500	500	846	346
Total Revenues	<u>310,500</u>	<u>310,500</u>	<u>307,388</u>	<u>(3,112)</u>
EXPENDITURES:				
Intergovernmental:				
Subsidies to agencies	2,814,578	3,814,578	3,814,578	-
Obligations/expenses paid for schools	130,683	198,803	198,802	1
Other support - schools	97,818	52,698	50,233	2,465
Debt service - interest	3,000	3,000	2,051	949
Total Expenditures	<u>3,046,079</u>	<u>4,069,079</u>	<u>4,065,664</u>	<u>3,415</u>
Excess of Revenues over (under) Expenditures	(2,735,579)	(3,758,579)	(3,758,276)	303
OTHER FINANCING SOURCES (USES):				
Transfer in	2,735,579	3,758,579	3,758,579	-
Net Change in Fund Balance	-	-	303	303
Fund Balance - Beginning			296,076	296,076
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,379</u>	<u>\$ 296,379</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>BUDGET</u>	<u>BUDGETARY BASIS ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Electric department	\$ 89,342,700	\$ 87,625,263	\$ (1,717,437)
Water department	8,780,402	8,102,170	(678,232)
Sewer department	3,378,889	3,663,122	284,233
Delinquent fees - combined utilities	650,000	903,714	253,714
Other revenue	762,894	932,114	169,220
Interest from funds invested	642,985	86,340	(556,645)
Total Utility Revenues	<u>103,557,870</u>	<u>101,312,723</u>	<u>(2,245,147)</u>
OPERATING EXPENSES:			
Electric department	79,811,991	75,945,047	3,866,944
Water department	5,284,374	4,686,129	598,245
Sewer department	5,537,746	5,264,458	273,288
Billing collection department	1,788,058	1,685,596	102,462
Meter reading department	785,943	785,078	865
Combined utility expense:			
Capital outlay	15,842,941	4,247,350	11,595,591
Miscellaneous expenses	5,453	(24,941)	30,394
Interest and fiscal charges	1,326,397	1,128,289	198,108
Bond issuance costs	47,487	47,485	2
Principal on bonds and notes	4,446,207	4,446,207	-
Depreciation	5,404,762	5,399,305	5,457
Total Expenses	<u>120,281,359</u>	<u>103,610,003</u>	<u>16,671,356</u>
Excess of Revenues Over (Under) Expenses	<u>\$ (16,723,489)</u>	<u>\$ (2,297,280)</u>	<u>\$ 14,426,209</u>

(Continued on page 70)

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, 2009

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):			
Transfers (out)	\$ (6,094,989)	\$ (3,118,979)	\$ 2,976,010
Issuance of debt	11,685,000	34,735,000	23,050,000
Gain (loss) on disposition of capital assets		(1,094)	(1,094)
Total Other Financing Sources (Uses)	5,590,011	31,614,927	26,024,916
Excess of Revenues Over Expenses per Budget Ordinances	(11,133,478)	29,317,647	40,451,125
Capital contributions		166,359	166,359
Adjustment for capital outlay and principal payments on bonds	(26,041,443)	(26,041,443)	-
Total Net Assets - Beginning	11,133,478	73,139,656	62,006,178
Total Net Assets - Ending	\$ (26,041,443)	\$ 76,582,219	\$ 102,623,662

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

Capital outlay expense	\$ 4,247,350
Principal payment on bonds	4,446,207
Bond proceeds	(34,735,000)
Total Adjustments	\$ (26,041,443)

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
2010-2030

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRINCIPAL AND INTEREST
	GENERAL OBLIGATION WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION SEWER WARRANTS	
2010	\$ 218,966	\$ 4,362,690	\$ 1,327,047	\$ 4,681,210	\$ 10,589,913
2011	238,150	2,464,190	2,336,033	5,058,854	10,097,227
2012	1,263,164	2,469,250	2,340,094	3,056,790	9,129,298
2013	1,263,164	2,474,750	2,331,212	3,056,150	9,125,276
2014	1,263,163	2,476,500	289,820	3,058,830	7,088,313
2015	1,263,164	2,483,750	296,712	3,054,638	7,098,264
2016	1,108,836	2,486,000	298,126	3,213,093	7,106,055
2017		2,478,250	299,222	4,323,992	7,101,464
2018		2,475,750		4,323,989	6,799,739
2019		1,428,000		4,321,922	5,749,922
2020		1,435,200		4,327,789	5,762,989
2021				4,326,224	4,326,224
2022				4,327,419	4,327,419
2023				3,051,164	3,051,164
2024				3,051,564	3,051,564
2025				3,051,264	3,051,264
2026				3,055,264	3,055,264
2027				3,053,389	3,053,389
2028				3,055,814	3,055,814
2029				3,052,364	3,052,364
2030				3,053,216	3,053,216
	<u>\$ 6,618,607</u>	<u>\$ 27,034,330</u>	<u>\$ 9,518,266</u>	<u>\$ 75,554,939</u>	<u>\$ 118,726,142</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1989
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2009

<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>		
2010	5%	\$ 2,250	\$ 2,250	\$ 90,000	\$ 94,500
		<u>\$ 2,250</u>	<u>\$ 2,250</u>	<u>\$ 90,000</u>	<u>\$ 94,500</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1996B-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2009

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2010	3.180%	\$ 32,277	\$ 32,277	\$ 220,000	\$ 284,554
2011	3.180%	28,779	28,779	230,000	287,558
2012	3.180%	25,122	25,122	240,000	290,244
2013	3.180%	21,306	21,306	245,000	287,612
2014	3.180%	17,410	17,410	255,000	289,820
2015	3.180%	13,356	13,356	270,000	296,712
2016	3.180%	9,063	9,063	280,000	298,126
2017	3.180%	4,611	4,611	290,000	299,222
		<u>\$ 151,924</u>	<u>\$ 151,924</u>	<u>\$ 2,030,000</u>	<u>\$ 2,333,848</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2000-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2009

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
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>\$ 1,172,999</u>	<u>\$ 1,172,999</u>	<u>\$ 8,090,000</u>	<u>\$ 10,435,998</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2001-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2009

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
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>\$ 686,744</u>	<u>\$ 686,744</u>	<u>\$ 4,735,000</u>	<u>\$ 6,108,488</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2002
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2009

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE SEPTEMBER 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
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>\$ 347,209</u>	<u>\$ 347,209</u>	<u>\$ 6,490,000</u>	<u>\$ 7,184,418</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2005
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2009

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE SEPTEMBER 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
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>\$ 2,794,665</u>	<u>\$ 2,794,665</u>	<u>\$ 21,445,000</u>	<u>\$ 27,034,330</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2006
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2009

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2010	3.560%	\$ 71,133	\$ 54,707	\$ 967,559	\$ 983,985	\$ 2,077,384
2011	3.560%	36,203	18,562	1,002,490	1,019,384	2,076,639
		<u>\$ 107,336</u>	<u>\$ 73,269</u>	<u>\$ 1,970,049</u>	<u>\$ 2,003,369</u>	<u>\$ 4,154,023</u>

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

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2010	4.33%	\$ 540,318	\$ 644,088	\$	\$	\$ 1,184,406
2011	4.33%	644,088	644,088			1,288,176
2012	4.33%	644,087	632,992	512,507	523,603	2,313,189
2013	4.33%	621,656	610,074	534,939	546,520	2,313,189
2014	4.33%	598,242	586,154	558,352	570,441	2,313,189
2015	4.33%	573,804	561,186	582,791	595,408	2,313,189
2016	4.33%	548,296	535,126	608,299	621,468	2,313,189
2017	4.33%	521,672	507,925	634,923	648,669	2,313,189
2018	4.33%	493,881	479,534	662,713	677,061	2,313,189
2019	4.33%	464,875	449,900	691,719	706,695	2,313,189
2020	4.33%	434,600	418,968	721,995	737,626	2,313,189
2021	4.33%	402,999	386,683	753,596	769,911	2,313,189
2022	4.33%	370,015	352,985	786,580	803,609	2,313,189
2023	4.33%	335,587	317,813	821,007	838,782	2,313,189
2024	4.33%	299,653	281,100	856,942	875,494	2,313,189
2025	4.33%	262,146	242,781	894,449	913,813	2,313,189
2026	4.33%	222,997	202,784	933,598	953,810	2,313,189
2027	4.33%	182,135	161,037	974,460	995,557	2,313,189
2028	4.33%	139,484	117,463	1,017,111	1,039,131	2,313,189
2029	4.33%	94,966	71,982	1,061,628	1,084,613	2,313,189
2030	4.33%	48,500	24,509	1,108,095	1,132,085	2,313,189
		<u>\$ 8,444,001</u>	<u>\$ 8,229,172</u>	<u>\$ 14,715,704</u>	<u>\$ 15,034,296</u>	<u>\$ 46,423,173</u>

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

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2010	3.50%	\$	\$ 275,123	\$	\$ 275,123
2011	3.50%	182,251	106,015	370,000	658,266
2012	3.50%	177,013	177,012	380,000	734,025
2013	3.50%	170,362	170,363	395,000	735,725
2014	3.50%	163,450	163,450	410,000	736,900
2015	3.50%	156,275	156,275	425,000	737,550
2016	3.50%	148,838	148,837	440,000	737,675
2017	3.50%	141,137	141,138	455,000	737,275
2018	3.50%	133,175	133,175	470,000	736,350
2019	3.50%	124,950	124,950	485,000	734,900
2020	3.50%	116,463	116,462	505,000	737,925
2021	3.50%	107,625	107,625	525,000	740,250
2022	3.50%	98,437	98,438	540,000	736,875
2023	3.50%	88,988	88,987	560,000	737,975
2024	3.50%	79,187	79,188	580,000	738,375
2025	3.50%	69,038	69,037	600,000	738,075
2026	3.50%	58,537	58,538	625,000	742,075
2027	3.50%	47,600	47,600	645,000	740,200
2028	3.50%	36,313	36,312	670,000	742,625
2029	3.50%	24,587	24,588	690,000	739,175
2030	3.50%	12,512	12,513	715,000	740,025
		<u>\$ 2,136,738</u>	<u>\$ 2,335,626</u>	<u>\$ 10,485,000</u>	<u>\$ 14,957,364</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2009

CAPITAL ASSETS:

Land	\$ 9,917,155
Buildings	80,735,935
Improvements other than buildings	36,010,605
Machinery and equipment	38,823,258
Infrastructure	446,535,152
Construction in progress	739,335
Total Capital Assets	\$ 612,761,440

INVESTMENTS IN CAPITAL ASSETS FROM:

Capital Projects Funds:	
General obligation bonds	\$ 58,698,134
Grants	18,671,054
General fund revenues	532,638,410
Special revenue fund revenues	342,773
Gifts	2,316,677
Project income	12,939
Utility fund revenues	81,453
Total Investment in Capital Assets	\$ 612,761,440

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2009

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government:							
Control:							
General administrative	\$ 1,720,394	\$ 2,555,267	\$ 2,967,585	\$ 352,236	\$	\$	\$ 7,595,482
Staff Agencies:							
Information system/Technology			84,515	3,820,947			3,905,462
Budget and finance		276,022		44,237			320,259
Personnel services				37,821			37,821
Total Staff Agencies	-	276,022	84,515	3,903,005	-	-	4,263,542
Total General Government	1,720,394	2,831,289	3,052,100	4,255,241	-	-	11,859,024
Public Safety:							
Fire department	438,378	6,363,962	132,510	6,410,274			13,345,124
Police department	15,332	6,130,234	6,486,549	13,673,682			26,305,797
Total Public Safety	453,710	12,494,196	6,619,059	20,083,956	-	-	39,650,921
Public Works:							
Street department	2,267	40,110	1,542,411	3,489,752	442,640,475	334,487	448,049,502
Environmental services	1,814,210	1,042,790	4,902,563	6,494,728			14,254,291
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	440,553	979,632		1,123,656	3,894,677		6,438,518
Culture and recreation	4,369,861	19,242,029	10,674,935	1,980,717		404,848	36,672,390
General services		1,450,488	1,651,766	250,719			3,352,973
Equipment maintenance		1,268,530	228,697	1,144,489			2,641,716
Schools	984,779	40,787,090					41,771,869
Total Other	7,743,051	65,410,450	26,339,446	14,484,061	446,535,152	739,335	561,251,495
Total Capital Assets	\$ 9,917,155	\$ 80,735,935	\$ 36,010,605	\$ 38,823,258	\$ 446,535,152	\$ 739,335	\$ 612,761,440

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, 2009

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2008	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2009
General Government:				
Control:				
General administrative	\$ 7,594,574	\$ 6,200	\$ 5,292	\$ 7,595,482
Staff Agencies:				
Information system/Technology	3,647,796	273,616	15,950	3,905,462
Budget and finance	320,259			320,259
Personnel services	37,821			37,821
Total Staff Agencies	4,005,876	273,616	15,950	4,263,542
Total General Government	11,600,450	279,816	21,242	11,859,024
Public Safety:				
Fire department	13,262,808	82,316		13,345,124
Police department	26,178,202	1,158,148	1,030,553	26,305,797
Total Public Safety	39,441,010	1,240,464	1,030,553	39,650,921
Public Works:				
Street department	441,385,983	6,562,554	233,522	447,715,015
Environmental services	14,849,250	14,892	609,851	14,254,291
Special assessments	7,333,292			7,333,292
Health and welfare	736,944			736,944
Community development/ Engineering department	6,417,341	84,884	63,707	6,438,518
Culture and recreation	35,992,057	292,706	17,221	36,267,542
General services	289,300	3,090,272	26,599	3,352,973
Equipment maintenance	2,580,059	82,965	21,308	2,641,716
Schools	41,771,869			41,771,869
Construction in progress	1,509,036	681,103	1,450,804	739,335
Total Other	552,865,131	10,809,376	2,423,012	561,251,495
Total Capital Assets	\$ 603,906,591	\$ 12,329,656	\$ 3,474,807	\$ 612,761,440

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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 NINE FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	\$ 64,629,115	\$ 64,885,874
Restricted		758,470							
Unrestricted	9,909,039	6,612,569	7,901,910	18,900,566	22,742,199	20,992,153	30,747,617	26,607,659	24,996,395
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>	<u>\$ 91,236,774</u>	<u>\$ 89,882,269</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	\$ 65,742,315	\$ 35,228,445
Restricted		100,498							
Unrestricted	2,905,484	6,855,913	4,928,406	12,611,485	14,245,481	15,749,787	11,089,188	9,432,608	43,545,399
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>	<u>\$ 75,174,923</u>	<u>\$ 78,773,844</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	\$ 130,371,430	\$ 100,114,319
Restricted		858,968							
Unrestricted	12,814,523	13,468,482	12,830,316	31,512,051	36,987,680	36,741,940	41,836,805	36,040,267	68,541,794
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>	<u>\$ 166,411,697</u>	<u>\$ 168,656,113</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 NINE FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	\$ 12,302,305	\$ 12,443,160
Public safety	21,516,860	22,142,257	22,938,122	23,100,249	24,452,597	26,456,406	27,216,223	30,426,110	31,297,631
General services			3,230,076	3,310,586	3,529,222	3,700,586	4,179,402	4,083,521	4,129,934
Planning and development						907,988	1,716,024	2,127,682	1,842,436
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	17,066,229	17,090,677
Insurance department	189,839	1,594,717	3,037,638	2,508,321	752,477	1,298,190	2,280,195	1,372,577	967,449
Culture and recreation	7,096,704	6,939,861	6,617,007	7,783,903	8,283,238	9,031,499	8,802,257	9,289,960	8,946,229
Education	3,700,566	3,744,079	4,217,011	4,226,200	4,219,232	4,214,964	4,200,254	4,292,381	5,037,882
Health and welfare	2,238,480	2,645,001	2,666,477	2,259,639	2,478,188	2,691,643	2,748,051	3,177,356	2,802,426
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	1,303,157	1,235,362
Total government 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>	<u>85,441,278</u>	<u>85,793,186</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	81,775,804	75,945,047
Water	3,396,908	2,637,982	2,682,866	3,361,811	3,410,332	4,441,584	4,762,838	5,000,547	4,686,129
Wastewater	3,232,241	3,204,528	3,506,390	3,783,938	4,198,634	4,683,960	4,699,808	5,321,748	5,264,458
Billing - collection department	969,178	836,040	884,400	918,710	1,081,648	1,154,371	1,167,903	1,644,176	1,685,596
Meter reading department	609,804	640,552	655,955	538,300	607,164	680,500	707,810	710,807	785,078
Depreciation	5,256,875	3,862,733	4,229,724	4,400,169	4,922,431	4,910,410	5,063,185	5,201,178	5,541,814
Miscellaneous	625,920	501,783	825,378	841,164	622,207	597,676	731,552	1,232,347	911,395
Bond issue costs	17,808	12,668	24,678	25,746	52,969	48,020	47,753	47,486	47,485
Gain (loss) on disposition of capital assets	(132,523)	380,786	550,073	372,864	280,421	305,653	4,227	1,515	1,094
Interest and fiscal charges	863,704	917,001	1,506,188	1,356,225	1,155,590	1,223,227	1,409,409	1,322,018	1,128,289
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>	<u>102,257,626</u>	<u>95,996,385</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>	<u>\$ 187,698,904</u>	<u>\$ 181,789,571</u>
Program Revenues (see Schedule 3)									
Governmental activities:									
Charges for services:									
Other public works	\$	\$	\$ 418,168	\$ 442,674	\$ 531,684	\$ 61,755	\$ 44,060	\$ 27,400	\$
Culture and recreation	1,472,951	1,624,290	1,566,327	2,323,210	2,274,426	2,424,322	2,405,222	2,197,448	2,202,950
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	2,750,270	2,858,833
Public safety	1,230,419	1,395,661	1,358,561	1,465,203	1,307,930	1,410,632	1,522,868	1,596,361	1,715,074
Planning and development						401,217	420,816	547,406	406,971
Operating grants and contributions	659,075	720,608	913,091	124,642	95,468	128,275	135,421	999,637	102,143
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	8,847,239	4,896,838
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>	<u>16,965,761</u>	<u>12,182,809</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	93,405,012	88,528,977
Water	3,792,466	5,320,571	6,436,825	7,209,493	7,212,446	8,562,902	8,637,309	8,710,000	8,102,170
Wastewater	3,251,758	3,323,930	3,222,803	3,367,408	3,468,794	3,556,534	3,738,462	3,853,340	3,663,122
E-911	904,999	928,714	961,489	1,004,436	1,023,188	1,018,927	1,059,725	1,197,116	1,191,856
Total business-type 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>	<u>107,165,468</u>	<u>101,486,125</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>	<u>\$ 124,131,229</u>	<u>\$ 113,668,934</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 NINE FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
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)	\$ (68,475,517)	\$ (73,610,377)
Business-type activities	4,671,055	9,322,047	8,653,242	9,139,929	7,932,751	7,456,540	4,243,863	4,907,842	5,489,740
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>	<u>\$ (63,567,675)</u>	<u>\$ (68,120,637)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
General property tax	\$ 3,009,213	\$ 2,822,582	\$ 2,911,701	\$ 3,165,845	\$ 3,265,010	\$ 3,513,899	\$ 3,856,234	\$ 4,147,863	\$ 4,283,982
General sales and use tax	31,642,186	33,139,797	35,890,047	38,149,976	40,448,484	43,135,036	54,624,378	58,453,155	55,758,545
Alcoholic beverage tax	979,651	1,008,987	1,032,344	1,072,016	1,087,469	1,151,766	1,236,413	1,251,414	1,238,156
Lodging tax	665,964	684,814	764,738	827,775	1,157,201	1,463,558	1,374,262	1,437,757	1,469,729
Franchise tax	1,496,668	1,467,634	1,472,635	1,788,704	1,541,675	1,094,944	932,430	1,797,381	1,605,566
Cigarette tax	340,550	333,086	327,964	324,734	309,861	327,117	314,706	309,281	306,542
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	1,533,542	1,432,043
Investment earnings	1,351,101	388,545	278,270	278,245	698,250	1,424,588	1,664,266	1,029,183	348,556
Miscellaneous	1,490,328	1,625,235	2,351,840	1,606,846	3,436,794	1,928,507	4,716,892	4,717,356	2,693,774
Transfers	10,303,141	9,108,030	11,720,191	9,958,426	10,354,882	9,998,255	11,977,818	2,995,391	3,118,979
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>	<u>77,672,323</u>	<u>72,255,872</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	574,015	166,359
Gain on sale of capital assets	132,523	(380,786)							104,746
Miscellaneous	991,025	960,993	897,415	963,696	1,025,978	1,065,355	986,008	2,641,150	957,055
Transfers	(10,303,141)	(9,108,030)	(11,720,191)	(9,958,426)	(10,354,882)	(9,998,255)	(11,977,818)	(2,995,391)	(3,118,979)
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>	<u>219,774</u>	<u>(1,890,819)</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>	<u>\$ 77,892,097</u>	<u>\$ 70,365,053</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	\$ 9,196,806	\$ (1,354,505)
Business-type activities	(3,723,060)	1,478,240	(1,940,147)	374,432	(864,456)	(407,256)	(5,622,822)	5,127,616	3,598,921
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>	<u>\$ 14,324,422</u>	<u>\$ 2,244,416</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 NINE FISCAL YEARS
(accrual basis of accounting)

Function/Program	PROGRAM REVENUES								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	\$ 2,833,772	\$ 2,937,237
Public safety	1,878,334	1,790,526	2,174,014	2,592,972	1,391,997	1,835,958	1,621,932	2,692,575	1,775,724
Other public works			3,069,185	1,940,069	1,948,617	1,363,317	2,034,847	8,694,560	4,859,927
Planning and development						401,217	420,816	547,406	406,971
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	2,197,448	2,202,950
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>	<u>16,965,761</u>	<u>12,182,809</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	93,405,012	88,528,977
Water	3,792,466	5,320,571	6,436,825	7,209,493	7,212,446	8,562,902	8,637,309	8,710,000	8,102,170
Wastewater/sewer	3,251,758	3,323,930	3,222,803	3,367,408	3,468,794	3,556,534	3,738,462	3,853,340	3,663,122
E-911	904,999	928,714	961,489	1,004,436	1,023,188	1,018,927	1,059,725	1,197,116	1,191,856
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>	<u>107,165,468</u>	<u>101,486,125</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>	<u>\$ 124,131,229</u>	<u>\$ 113,668,934</u>

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

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

	FISCAL YEAR								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund									
Reserved	\$ 4,004,029	\$ 6,918,802	\$ 6,899,923	\$ 6,853,899	\$ 8,591,576	\$ 5,471,838	\$ 15,353,173	\$ 12,805,487	\$ 14,809,388
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>	<u>23,575,737</u>	<u>17,580,459</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>	<u>\$ 36,381,224</u>	<u>\$ 32,389,847</u>
All Other Governmental Funds									
Reserved	\$ 1,157,871	\$	\$	\$ 480,043	\$ 837,506	\$ 296,741	\$ 571,053	\$ 21,229	\$ 2,014
Unreserved, reported in:									
Special revenue funds	388,321	419,397	476,693	16,031	59,043	137,752	220,643	296,076	296,379
Capital projects funds	1,346,480	328,943	104		931,510				5,023,109
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>	<u>\$ 317,305</u>	<u>\$ 5,321,502</u>

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

	FISCAL YEAR								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
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	\$ 67,396,851	\$ 64,662,520
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	3,213,880	3,208,431
Fines and penalties	1,230,419	1,395,661	1,358,561	1,465,203	1,307,930	1,410,632	1,522,868	1,582,773	1,692,058
Charges for services	1,519,913	1,695,915	1,651,273	2,436,119	2,457,826	2,502,725	2,503,491	2,322,232	2,283,339
Special assessments			1,183,350	245,251	342,982	211,120	221,584	125,195	98,342
Intergovernmental	3,224,331	3,759,109	3,004,186	4,639,681	3,339,330	4,469,074	3,967,350	11,312,545	6,321,151
Investment earnings	1,351,101	388,545	278,593	363,182	770,029	1,479,526	1,705,023	1,055,684	367,577
Other revenues	1,490,328	1,625,235	2,452,368	1,680,908	3,481,265	1,974,550	5,064,220	4,940,168	2,718,779
Total revenues	48,728,142	50,368,386	54,535,842	58,505,250	62,001,544	65,307,651	80,128,924	91,949,328	81,352,197
Expenditures									
General government	6,365,768	6,973,566	6,231,177	6,130,581	8,979,751	7,849,147	8,838,212	9,421,878	9,866,202
Public safety	20,225,428	20,750,288	21,428,502	21,723,282	23,206,906	25,336,606	25,981,857	27,956,960	28,559,586
Planning and development						878,832	1,705,966	2,113,365	1,839,863
Refuse collection			3,081,820	3,207,141	3,403,680	3,611,188	4,041,226	3,941,340	3,994,678
Other public works	7,927,013	7,065,255	10,897,299	10,606,723	11,957,416	11,814,132	13,049,606	13,439,168	12,543,550
Health and welfare	2,238,480	2,645,001	2,665,002	2,254,034	2,472,583	2,671,928	2,728,336	3,162,650	2,788,176
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	8,565,417	8,211,182
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	1,372,577	967,449
Capital outlay	13,940,169	6,807,096	4,174,279	3,864,391	2,024,619	5,247,351	19,402,078	17,114,599	10,192,257
Intergovernmental	2,909,271	2,952,474	2,935,169	2,965,310	2,958,342	2,968,183	2,953,473	3,296,304	4,063,613
Debt service									
Interest	2,133,642	2,131,840	2,222,704	1,914,807	1,349,619	1,826,455	1,341,318	1,667,373	1,330,950
Principal	2,130,000	1,760,000	3,608,653	3,895,494	2,139,098	6,002,507	4,310,723	5,970,417	4,607,050
Total expenditures	68,883,601	63,639,139	66,200,233	66,094,169	66,676,792	77,741,554	94,603,338	98,022,048	88,964,556
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)	(6,072,720)	(7,612,359)
Other Financing Sources (Uses)									
Bonds issued		4,202,785	(16,881)		1,757,588				5,500,000
Capital leases							12,830,770	8,375	6,200
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	2,995,391	3,118,979
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	3,003,766	8,625,179
Net change in fund balances	\$ (9,852,318)	\$ 40,062	\$ 211,382	\$ 2,369,507	\$ 6,994,635	\$ (2,435,648)	\$ 10,334,174	\$ (3,068,954)	\$ 1,012,820
Debt service as a percentage of noncapital expenditures	7.8%	6.8%	9.4%	9.3%	5.4%	10.8%	7.5%	9.4%	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)

<u>FISCAL YEAR</u>	<u>GENERAL PROPERTY TAX</u>	<u>MOTOR VEHICLE PROPERTY TAX</u>	<u>SALES AND USE TAX</u>	<u>LODGING TAX</u>	<u>FRANCHISE TAX</u>	<u>ALCOHOL BEVERAGE TAX</u>	<u>CIGARETTE TAX</u>	<u>TOTAL</u>
2000	\$ 2,285,938	\$ 489,759	\$ 31,995,575	\$ 711,311	\$ 1,343,695	\$ 998,164	\$ 326,219	\$ 38,150,661
2001	2,736,486	272,727	31,642,186	665,964	1,496,668	979,651	340,550	38,134,232
2002	2,337,776	484,806	33,139,797	684,814	1,467,634	1,008,987	333,086	39,456,900
2003	2,412,866	498,835	35,890,047	764,738	1,472,635	1,032,344	327,964	42,399,429
2004	2,611,284	554,561	38,149,976	827,775	1,788,704	1,072,016	324,734	45,329,050
2005	2,726,765	538,245	40,448,484	1,157,201	1,541,675	1,087,469	309,861	47,809,700
2006	2,752,947	760,952	43,135,036	1,463,558	1,094,944	1,151,766	327,117	50,686,320
2007	3,021,417	834,817	54,624,378	1,374,262	932,430	1,236,413	314,706	62,338,423
2008	3,364,123	783,740	58,453,155	1,437,757	1,797,381	1,251,414	309,281	67,396,851
2009	3,611,410	672,572	55,758,545	1,469,729	1,605,566	1,238,156	306,542	64,662,520
Change								
2000-2009	\$ 1,325,472	\$ 182,813	\$ 23,762,970	\$ 758,418	\$ 261,871	\$ 239,992	\$ (19,677)	\$ 26,511,859

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.

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>
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%
2008	236,702	543,712	64,921	715,493	5.00	5,050,464	14.2%
2009	246,393	556,086	64,847	737,632	5.00	5,209,313	14.2%

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 SCHOOL	STATE OF ALABAMA	ADDITIONAL SCHOOL LEVY*	TOTAL
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
2008	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	33.00
2009	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 \$10.00 per \$1,000 of assessed property value for all counties in the state.

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

TAXPAYER	2009			2000		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Centurytel of Alabama	\$ 12,766,820	1	1.73%	\$		
Sony Magnetic Products, Inc.*	10,438,140	2	1.42%	17,498,660	1	3.02%
Triad of Alabama LLC	9,544,300	3	1.29%			
Flowers Hospital	5,309,520	4	0.72%			
Perdue Farms Inc.	4,248,860	5	0.58%	2,106,660	7	0.36%
Watson and Downs Investments LLC	4,205,280	6	0.57%			
PR Wiregrass Commons LLC	4,052,240	7	0.55%			
Fourth Quarter Properties 91 LLC	2,812,040	8	0.38%			
Wiregrass Electric	2,755,700	9	0.37%			
Wal-Mart Real Estate Bus Trust	2,739,800	10	0.37%			
QHG of Alabama				15,736,620	2	2.72%
GTE-South, Inc.				12,761,600	3	2.20%
Metropolitan Life Insurance Co.				4,180,360	4	0.72%
Twitchell Corporation				2,726,420	5	0.47%
Kingswood Income Properties				2,176,380	6	0.38%
Mark MPNM Limited				2,100,020	8	0.36%
General Electric Motor Division				1,997,780	9	0.35%
SSL US Manufacturing, LLC				1,813,720	10	0.31%
Total	\$ 58,872,700		7.98%	\$ 63,098,220		10.89%

Source: Revenue Commissioner Houston County

*Value does not include abatement amount.

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
2000*	\$ 2,051,580	\$		\$	\$ 2,205,420	107.50 %
2001*	2,205,420				2,243,217	101.71 %
2002*	2,391,504				2,305,028	96.38 %
2003*	2,425,818				2,346,656	96.74 %
2004*	2,654,953				2,556,163	96.28 %
2005	2,751,066	2,612,518	94.96 %	386	2,612,904	94.98 %
2006	2,905,533	2,748,503	94.60 %	407	2,748,910	94.61 %
2007	3,187,204	3,012,951	94.53 %	386	3,013,337	94.54 %
2008	3,409,443	3,283,574	96.31 %	653	3,284,227	96.33 %
2009	3,670,577	3,607,196	98.27 %		3,607,196	98.27 %

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

*FY2000-FY2004 "total collections to date" figures are collections within the fiscal year of the levy and collections for previous years combined.

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

	CALENDAR YEAR									
	2000*	2001*	2002**	2003***	2004***	2005***	2006***	2007***	2008***	2009***
Apparel stores	\$ 38,402	\$ 37,573	\$ 60,973	\$ 20,545	\$ 59,603	\$ 61,319	\$ 62,458	\$ 101,850	\$ 98,042	\$ 82,373
General merchandise	222,300	227,313	303,265	113,385	319,634	325,513	318,083	392,412	436,214	445,607
Food stores	118,298	121,185	114,147	22,486	71,152	66,068	57,434	82,049	99,816	95,866
Eating and drinking establishments	93,576	89,743	89,931	21,653	82,458	84,837	89,088	163,211	168,452	165,454
Home furnishings and appliances	42,874	43,731	42,229	9,096	31,231	41,214	45,194	53,821	157,744	75,885
Building materials and farm tools	120,318	111,845	128,419	28,535	133,503	139,221	154,271	134,080	142,704	176,123
Auto dealers and supplies	233,922	251,400	436,062	25,534	83,957	97,185	96,641	288,889	262,034	222,071
Service stations	3,282	2,896	2,903	6,862	24,256	24,955	25,861	37,808	36,229	35,293
Other retail stores	111,862		131,997	20,841	62,435	65,209	68,067	46,692	49,062	45,833
All other outlets	103,638	218,185	102,414	26,957	107,281	105,189	103,803	446,681	238,086	235,605
Not classified				931,968	336,887	386,785	470,748	978	149	99
Total	\$ 1,088,472	\$ 1,103,871	\$ 1,412,340	\$ 1,227,862	\$ 1,312,397	\$ 1,397,495	\$ 1,491,648	\$ 1,748,471	\$ 1,688,532	\$ 1,580,209
City direct sales tax rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%	4.00%

Sources: * 2000 and 2001- University of Alabama Center for Business and Economic Research; Alabama State Data Center. SEARP&DC estimates 93% 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 2009- Alatax. Alatax began categorizing taxpayers by North American Industrial Classification (NAIC) business codes in 2003. Each year the number of taxpayers assigned an NAIC code 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>
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%
2008	4.00%	1.00%	4.00%	9.00%
2009	4.00%	1.00%	4.00%	9.00%

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

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

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

TAX REMITTER	CALENDAR YEAR					
	2009			2000		
	TAX LIABILITY	RANK	PERCENTAGE OF TOTAL	TAX LIABILITY	RANK	PERCENTAGE OF TOTAL
Wal Mart Stores East LP	\$ 7,113,203	1	12.00%	\$ 3,597,293	1	11.03%
Sams East Inc	2,344,199	2	3.96%	1,302,886	3	4.00%
Lowe's Home Centers Inc	2,023,173	3	3.41%	1,290,659	4	3.96%
Winn Dixie Montgomery Inc	1,774,905	4	2.99%	1,677,648	2	5.14%
Target Corporation	890,317	5	1.50%			
Home Depot USA Inc	727,000	6	1.23%			
Best Buy Stores	701,152	7	1.18%			
Higbee Company dba Dillards	599,526	8	1.01%			
Kmart Corporation	586,257	9	0.99%	818,035	5	2.51%
Pemco Worldwide Services	564,695	10	0.95%			
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	\$ 17,324,427		29.22%	\$ 11,498,651		35.27%

Source: Revenue Discovery Systems

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	SEWER BONDS			
2000	\$ 42,454,769	\$ 75,000	\$ 13,250,231	\$	\$ 4,395,000	\$ 60,175,000	2.33%	\$ 1,042
2001	40,349,769	50,000	12,740,231		21,675,000	74,815,000	2.00%	1,282
2002	42,680,853	25,000	11,740,231		21,455,000	75,901,084	1.96%	1,287
2003	39,269,663		12,014,138		20,630,000	71,913,801	2.15%	1,198
2004	35,374,169		12,505,830		19,770,000	67,649,999	2.46%	1,104
2005	34,880,462		12,574,538		18,880,000	66,335,000	2.71%	1,058
2006	28,877,955		11,587,045		17,950,000	58,415,000	3.31%	912
2007	24,567,231	12,830,770	13,212,846		22,613,014	73,223,861	2.81%	1,119
2008	23,897,231	7,538,728	8,241,611		21,613,014	61,290,584	3.47%	922
2009	26,945,000	5,389,630	4,835,404	12,453	55,308,014	92,490,501	NA	NA

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		
2000	\$ 42,454,769	\$ 42,454,769	1.33%	\$ 735
2001	41,569,769	41,569,769	1.29%	712
2002	42,680,853	42,680,853	1.30%	723
2003	39,269,663	39,269,663	1.10%	654
2004	35,374,169	35,374,169	0.98%	577
2005	34,880,462	34,880,462	0.89%	556
2006	28,877,955	28,877,955	0.66%	451
2007	24,567,231	24,567,231	0.52%	375
2008	23,897,231	23,897,231	0.47%	359
2009	26,945,000	26,945,000	0.52%	NA

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, 2009

	<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	\$ 92,490,501	100.00%	\$ 92,490,501
Overlapping Debt			
Houston County	38,027,873	60.96%	23,181,791
Southeast Alabama Medical Center		60.96%	<u> </u>
Total direct and overlapping debt			<u><u>\$ 115,672,292</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 115,775,140	\$ 118,825,496	\$ 120,421,900	\$ 133,183,772	\$ 135,502,760	\$ 144,532,068	\$ 161,033,940	\$ 166,976,466	\$ 179,922,900	\$ 191,328,028
Total net debt applicable to limit	<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>	<u>9,690,370</u>	<u>11,303,438</u>
Legal debt margin	<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>	<u>\$ 170,232,530</u>	<u>\$ 180,024,590</u>
Total net debt applicable to the limit as a percentage of debt limit	3.95%	3.03%	1.76%	1.07%	0.65%	3.35%	1.90%	8.97%	5.39%	5.91%

Legal Debt Margin Calculation for Fiscal Year 2009	
Assessed value	\$ 956,640,140
Debt limit (20% of assessed value)	191,328,028
Debt applicable to limit:	
General obligation bonds	92,490,501
Less: Exempt debt	81,187,063
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>11,303,438</u>
Legal debt margin	<u>\$ 180,024,590</u>

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

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

FISCAL YEAR	WATER REVENUE BONDS						SPECIAL ASSESSMENT BONDS				SALES TAX INCREMENT BONDS			
	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	SPECIAL ASSESSMENT COLLECTIONS	DEBT SERVICE		COVERAGE	SALES TAX INCREMENT	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST			PRINCIPAL	INTEREST			PRINCIPAL	INTEREST	
1999	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2000														
2001														
2002														
2003														
2004														
2005														
2006														
2007														
2008														

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>
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	1,931,006	30,147	38.4	13.0	8,906	3.50%
2007	65,447	2,060,599	31,485	38.4	13.0	9,018	3.20%
2008	66,505	2,129,224	32,016	36.7	12.6	9,086	4.60%
2009	NA	NA	NA	36.7	12.7	9,177	9.80%

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>2009</u>			<u>2000</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>
Dothan (City) & Houston County School Systems	2,022	1	4.90%	1,800	2	4.10%
Southeast Alabama Medical Center	2,002	2	4.85%	2,075	1	4.73%
Flowers Hospital	1,200	3	2.91%	1,200	3	2.74%
City of Dothan	1,015	4	2.46%	1,158	4	2.64%
Southern Nuclear (Farley)	860	5	2.08%	850	7	1.94%
Perdue Farms Inc	800	6	1.94%	1,050	5	2.39%
Pemco World Air Services	600	7	1.45%	640	10	1.46%
Michelin Tire	542	8	1.31%	650	8	1.48%
AAA Cooper Transportation	475	9	1.15%			
Walmart SuperCenter #604	430	10	1.04%			
Collins Signs				850	6	1.94%
Sony Magnetic Products, Inc.				650	9	1.48%
Total	9,946		24.09%	10,923		24.90%

*These figures are for Houston County.

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

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

	FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30									
Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Administrative services	14	14	14	11	10	10	10	11	10	11
Information systems	10	10	11	12	13	13	15	15	15	16
City Clerk	7	7	7	7	7	6	6	7	7	7
Finance	25	25	25	40	39	39	41	42	42	42
Personnel	11	11	10	10	10	10	11	11	10	10
Judicial	11	13	13	12	14	12	11	13	14	14
General Services	57	59	58	62	59	56	55	56	57	55
Police										
Officers	155	153	155	158	154	148	144	147	156	157
Civilians	69	70	66	70	69	66	72	68	72	73
Fire										
Firefighters and officers	171	171	172	174	168	162	164	166	169	167
Civilians	2	2	2	2	2	2	2	3	3	3
Refuse collection	104	102	98	94	96	90	94	91	85	81
Other public works										
Engineering	15	15	15	15	14	13	12	13	14	14
Street	51	51	51	49	48	44	45	44	44	43
Traffic	14	14	13	11	11	11	11	13	13	14
Other	6	6	6	4	3	5	5	6	6	6
Planning and development	16	15	15	14	14	10	15	17	19	18
Parks and recreation	56	57	58	59	57	57	60	56	59	58
Performing arts	12	11	12	13	13	12	13	12	12	11
Electric	90	92	93	73	71	66	62	64	63	61
Water	38	36	37	36	37	37	33	36	37	37
Wastewater	54	54	55	55	56	55	56	58	57	55
Total	988	988	986	981	965	924	937	949	964	953

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Building permits issued	5,126	5,558	5,204	5,338	5,730	6,068	6,354	5,060	5,075	4,292
Building inspections conducted	9,158	7,859	6,960	9,071	10,676	10,818	11,272	11,317	9,682	8,881
Police										
Physical arrests	6,500	6,631	6,045	5,533	5,411	4,897	4,522	4,435	5,229	5,244
Parking violations	316	268	201	224	285	241	215	764	456	437
Traffic and non misdemeanor violations	32,391	28,749	26,134	23,225	25,890	22,763	21,016	22,032	19,959	15,992
Fire										
Emergency responses	6,563	7,265	7,435	7,928	8,575	8,420	8,670	9,106	9,360	8,824
Fires extinguished	792	520	536	456	474	465	574	563	478	418
Inspections	1,506	1,411	1,377	1,311	1,270	1,131	688	780	986	819
Refuse collection										
Refuse collected (tons per day)	198.36	231.61	218.35	260.11	222.27	260.50	274.84	277.53	268.17	240.00
Recyclables collected (tons per day)	10.00	8.85	6.91	9.67	5.19	4.88	4.66	5.17	5.48	4.66
Other public works										
Street resurfacing (miles)	16	4		12		15	14	16	14	16
Parks and recreation										
Athletic field permits issued*	20	20	20	20	20	20	23	23	130	267
Community center admissions	65,524	54,374	52,624	52,462	55,972	51,972	65,045	80,340	67,983	78,053
Library										
Volumes in collection - books	196,286	194,926	194,374	199,462	207,329	210,325	210,839	206,957	209,394	208,625
Volumes in collection - audio/video	3,030	3,381	3,589	3,958	2,905	4,470	3,900	4,263	4,401	4,736
Volumes borrowed	310,765	273,810	283,379	288,661	269,226	259,450	249,793	246,663	304,953	248,108
Water										
New connections**	NA	NA	155	211	173	198	198	590	127	66
Water main breaks**	NA	NA	27	26	25	28	15	94	133	140
Average daily consumption (thousands of gallons)	14,712	13,241	12,499	11,242	12,432	12,000	13,714	14,000	13,196	10,079
Peak daily consumption (thousands of gallons)	26,004	23,685	21,948	16,834	21,503	19,174	25,123	26,000	22,380	20,611
Wastewater										
Average daily sewage treatment (thousands of gallons)	10,550	12,000	9,280	12,610	11,490	14,456	10,879	11,324	13,193	14,818

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

Notes: *Figures for 2000-2007 represent the number of different organizations that were issued a field permit. Figures for 2008-2009 represent the number of times fields were rented. **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

<u>Function</u>	FISCAL YEAR									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	16	16	16	17	17	17	17	17
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	48	48	48	46	47	47	46	54	55	52
Other public works										
Streets (miles)	420	423	425	426	428	431	438	445	451	452
Highways (miles)***	57	57	57	58	58	58	58	58	58	58
Street lights**	12,050	12,250	12,645	13,024	13,386	13,532	13,683	13,763	13,854	13,854
Traffic signals	175	175	183	186	186	187	187	184	190	190
Parks and recreation										
Acreage	586	586	586	586	596	596	596	596	706	706
Playgrounds	9	9	9	10	11	11	11	11	11	10
Baseball/softball diamonds	31	31	31	31	31	31	31	31	31	31
Soccer/football fields	6	6	6	6	6	6	7	7	7	9
Community centers	5	6	7	7	7	7	7	7	7	7
Tennis courts	28	44	44	44	44	44	44	47	47	47
Water										
Water mains (miles)*	NA	NA	453	455	460	461	462	464	469	479
Fire hydrants*	NA	NA	2,859	2,886	2,906	2,914	2,925	2,927	2,961	2,977
Storage capacity (thousands of gallons)	11,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500
Wastewater										
Sanitary sewers (miles)	404	445	450	459	465	469	477	484	491	492
Storm sewers (miles)	155	158	160	161	162	165	169	169	173	174
Treatment capacity (thousands of gallons)	21,120	21,120	21,120	23,120	23,120	23,120	23,120	23,120	23,120	23,120

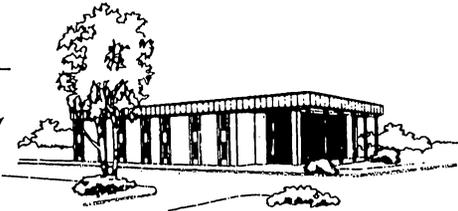
Sources: Police Department, Fire Department, Public Works, Department of Leisure Services, and Dothan Utilities

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 year 2000. ***Highway miles are miles of roadway within the City limits that are maintained by the Alabama Department of Transportation (ALDOT).

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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
City of Dothan, Alabama

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, 2009, which collectively comprise the City of Dothan, Alabama's basic financial statements and have issued our report thereon dated March 12, 2010. 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, Alabama'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, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dothan, Alabama'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, Alabama'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, Alabama's financial statements that is more than inconsequential will not be prevented or detected by the City of Dothan, Alabama'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, Alabama's internal control.

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

Internal Control Over Financial Reporting (Continued)

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dothan, Alabama'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, Alabama, in a separate letter dated March 12, 2010.

This report is intended solely for the information and use of management, City Commission, others within the entity, 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,



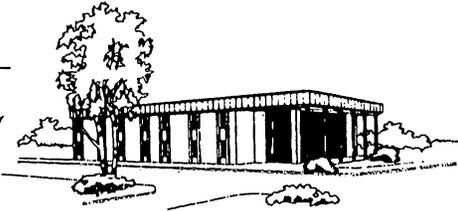
McCLINTOCK, NELSON & ASSOCIATES, P.C.
Certified Public Accountants

March 12, 2010

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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
City of Dothan, Alabama

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, 2009. The City of Dothan, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. 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, Alabama's management. Our responsibility is to express an opinion on the City of Dothan, Alabama'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, Alabama'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, Alabama's compliance with those requirements.

In our opinion, the City of Dothan, Alabama, 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, 2009.

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

Internal Control Over Compliance

The management of the City of Dothan, Alabama, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dothan, Alabama'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, Alabama'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 management, City Commission, and others within the entity, 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 12, 2010

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 10-01-08	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-09
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-05-MC-01-0010 - B-08-MC-01-0010	\$ 2,234,921	\$ -	\$ 539,671	\$ 539,671	\$ 6,870
U.S. DEPARTMENT OF JUSTICE:							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	7,410		7,410	7,410	
OCDETF	16.607	None	16,329		16,329	16,329	
U.S. Marshalls Grant	16.607	None	6,500	638	6,500	6,500	2,146
Total U.S. Department of Justice				<u>638</u>	<u>30,239</u>	<u>30,239</u>	<u>2,146</u>
U.S. DEPARTMENT OF TRANSPORTATION:							
<u>Passed Through State of Alabama</u>							
<u>Highway Department:</u>							
Stimulus Funds-Westgate Resurfacing	20.205	STMOA-9412	95,000		30,980	30,980	30,980
Stimulus Funds- Honeysuckle Resurfacing	20.205	STMOA-9412	75,000		16,118	16,118	16,118
MPO Transportation Planning Grant	20.205	None	160,491		160,491	160,491	62,873
MPO Westgate Widening Construction	20.205	STPOA-9412	1,023,070	194,789	664,246	664,246	342,133
CSX Railroad Depot Renovation	20.500	AL-03-0046-0	1,400,352	1,153,520	51,891	51,891	64,603
Total U.S. Department of Transportation				<u>1,348,309</u>	<u>923,726</u>	<u>923,726</u>	<u>516,707</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:							
<u>Direct Programs:</u>							
Mutual aid systems-Encapsulated suits	97.067	None	10,000		10,000	10,000	
EMA-Search & Rescue police canine	97.088	None	12,000		12,000	12,000	
EMA-training	97.088	None	473		473	473	
Total U.S. Department of Homeland Security				<u>-</u>	<u>22,473</u>	<u>22,473</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE:							
<u>Passed Through State Department of Education:</u>							
Summer Food Service Program	10.559	None	54,609	-	48,656	48,656	-
TOTAL FEDERAL AWARDS				<u>\$ 1,348,947</u>	<u>\$ 1,564,765</u>	<u>\$ 1,564,765</u>	<u>\$ 525,723</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

2. ENTITY DEFINITION

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

3. ALLOCATION OF INDIRECT COSTS

The City has no indirect cost allocation plan for grants.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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, Alabama in a separate letter dated March 12, 2010.

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 Housing and Urban Development	14.218

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.