

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2005, which collectively comprise the City of Dothan, Alabama's basic financial statements and have issued our report thereon dated February 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Dothan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

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

We noted certain other matters that we reported to management of the City of Dothan in a separate letter dated February 10, 2006.

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

Respectfully submitted,

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

February 10, 2006

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

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

**Compliance**

We have audited the compliance of the City of Dothan, Alabama with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City of Dothan's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dothan's management. Our responsibility is to express an opinion on the City of Dothan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dothan's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dothan's compliance with those requirements.

In our opinion, the City of Dothan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

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

### **Internal Control Over Compliance**

The management of the City of Dothan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dothan's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Respectfully submitted,

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

February 10, 2006

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 10-01-04	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-05
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-02-MC-01-0010	771,000	\$ -	\$ 299,339	\$ 299,339	\$ -
Community Development Block Grant - Entitlement	14.218	B-03-MC-01-0010	658,000		340,042	340,042	
Community Development Block Grant - Entitlement	14.218	B-04-MC-01-0010	640,000		165,813	165,813	53,069
<b>Total U.S. Department of Housing and Urban Development</b>				-	805,194	805,194	53,069
<b>U.S. DEPARTMENT OF JUSTICE:</b>							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	4023687	9,810		6,540	6,540	6,540
Organized Crime Drug Enforcement Task Grant	16.000	SE-ALM-051	7,477		7,477	7,477	
<b>Total U.S. Department of Justice</b>				-	14,017	14,017	6,540
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>							
<u>Passed Through State of Alabama</u>							
<u>Highway Department:</u>							
MPO Westgate Widening ROW Acquisition	20.205	Oast-100008612	1,400,000		250,131	250,131	250,131
MPO Westgate Widening ROW Acquisition	20.205	STPOA-9412(4)	1,120,000	497,589			76,273
Traffic Planning Grant	20.205	None	76,048		76,048	76,048	28,343
<b>Total U.S. Department of Transportation</b>				497,589	326,179	326,179	354,747
<b>U.S. DEPARTMENT OF THE INTERIOR:</b>							
<u>Passed Through Alabama Department of Economic and Community Affairs:</u>							
Land and Water Conservation	15.916	05-LW-865	150,000		9,294	9,294	9,294
<b>U.S. DEPARTMENT OF ENERGY:</b>							
<u>Passed Through Alabama Department of Economic and Community Affairs:</u>							
Science, Technology & Energy Division Recycling	81-041	1EX-SEP05 04	10,000		10,000	10,000	10,000
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>							
<u>Passed Through State of Alabama EMA</u>							
Mutual Aid Assistance Program	97.036	None	80,000	-	63,603	63,603	31,550

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 10-01-04</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-05</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
<u>Passed Through State Department of Education:</u>							
Summer Food Service Program	10.559	AKZ-0000	\$ 53,594	\$ -	\$ 53,594	\$ 53,594	\$ -
<u>Passed Through Natural Resources Conservation Service:</u>							
Watershed Protection Program	10.904	69-4101-5-23	113,100		<u>24,689</u>	<u>24,689</u>	<u>24,689</u>
<b>Total U.S. Department of Agriculture</b>					<u>78,283</u>	<u>78,283</u>	<u>24,689</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 497,589</u>	<u>\$ 1,306,570</u>	<u>\$ 1,306,570</u>	<u>\$ 489,889</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**2. ENTITY DEFINITION**

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

**3. ALLOCATION OF INDIRECT COSTS**

The City has no indirect cost allocation plan for grants.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**SUMMARY OF AUDITOR'S RESULTS**

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

The audit disclosed no reportable conditions which were considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Dothan in a separate letter dated February 10, 2006.

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.S. Department of Housing and Urban Development

CFDA # 14.218

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

The City of Dothan, Alabama did not 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.