

The City of  
**Dothan, Alabama**



Comprehensive Annual Financial Report  
Fiscal Year Ended September 30,

**2014**

**THE CITY OF DOTHAN**  
DOTHAN, ALABAMA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014  
PREPARED BY  
DEPARTMENT OF FINANCE  
LISA H. REEDER, DIRECTOR-TREASURER

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2014**  
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**BOARD OF COMMISSIONERS**

MIKE SCHMITZ  
PRESIDENT/MAYOR  
KEVIN DORSEY  
COMMISSIONER, DISTRICT 1  
AMOS NEWSOME  
COMMISSIONER, DISTRICT 2  
ALBERT KIRKLAND  
COMMISSIONER, DISTRICT 3  
JOHN FERGUSON  
COMMISSIONER, DISTRICT 4  
TAYLOR BARBAREE  
COMMISSIONER, DISTRICT 5  
HAMP BAXLEY  
COMMISSIONER, DISTRICT 6

# The City of Dothan

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

March 4, 2015



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

The Comprehensive Annual Financial Report (CAFR) of the City of Dothan, Alabama (the City) for the fiscal year ended September 30, 2014, is hereby transmitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Dothan management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

## **GASB Reporting Requirements**

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

## **Internal Control**

In developing and evaluating the City's accounting system,

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

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

#### **Independent Audit**

The City is required to undergo an audit as required by the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to each of its major federal programs for the year ended September 30, 2014. Information related to this audit, including the schedule of expenditures of federal awards and schedule of findings and questioned costs, is included in the single audit section of the audit report. The audit report is forwarded to the City's oversight agency, Housing and Urban Development, for review.

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

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

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

The financial records of the City for the year ended September 30, 2014, have been audited by an independent certified public accounting firm whose opinion is a part of the Annual Financial Report.

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

#### **Management's Discussion and Analysis**

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

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

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

#### **CITY PROFILE**

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

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

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

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

There are 1,037 authorized positions for regular, full time employees; 55 authorized positions for part-time; and 160 authorized positions for seasonal employees which staff these departments, producing high quality and cost-effective public services. These services include general government or administrative services (including the mayor, commission, city manager, city clerk, public relations, business licenses, finance, information technology, personnel, judicial and legal services), public safety services (including police, fire, E911 communications and animal control), public services (environmental services, right-of-way and street maintenance, traffic signaling, building code enforcement, permitting, community development, planning and engineering services), culture and recreation (including performing arts, cemeteries, parks and

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

The City departments include:

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

## Budgeting

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, from an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund". A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

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

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

## ECONOMIC CONDITION AND OUTLOOK

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

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

Dothan presently levies a 5 mill ad valorem tax. By referendum, the City could levy an additional 7.5 mill which would generate an additional \$5,550,000. In addition, business licenses could be

collected based on a gross receipts method rather than on the flat rate method which the City is presently utilizing. The gross receipts method would yield approximately \$1,000,000 more. Further, by increasing the existing Retail Liquor Tax and Lodging Tax, additional operating funds would be provided.

## Financial Planning

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

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

• General Fund Debt Reserve	\$	1,104,433
• Landfill Reserve	\$	7,728,296
• OPEB Reserve	\$	512,694
• Recreational Projects Reserve	\$	12,031,489
• Storm Drainage Reserve	\$	1,004,105
• Disaster Debris Removal Reserve	\$	1,002,058
• Future Replacement	\$	100,020
• Industrial Development	\$	451,912
• Long Term Water Reserve	\$	2,430,858
• Infrastructure Disaster Reserve	\$	2,004,113

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

The following capital improvement projects were completed during fiscal year 2014: maintenance of parks and city-wide facilities, fleet replacement, and road improvements. These expenditures were funded by sales tax revenues.

The City's capital investment program for fiscal year 2014 identified \$11.8 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: library construction, downtown revitalization projects, road intersection/sidewalk improvements, facility maintenance/repairs, and fleet replacements. The projects that were completed in fiscal year 2014 accounted for \$9.5 million in expenditures. The remaining \$2.3 million was for projects that were not completed at the end of the fiscal year 2014.

In October 2003, a water rate increase was implemented and as a result, the rates are adjusted by 2.85% in October of each year. In order to offset cost of the wholesale fuel adjustment charges, the City has increased the electric rate through the years for wholesale increases from the Alabama Municipal Electric Authority (AMEA) and Southeastern Power Administration (SEPA). In September 2009, a sewer rate increase was implemented which resulted in an annual rate increase of \$.75 per thousand gallons of metered water for the first five years (fiscal years 2010 - 2014) and 2.85% thereafter. The additional funds from this sewer rate increase will help offset the cost of the debt service on the sewer improvements. In December 2012, the City of Dothan Commission approved a monthly fee of \$14.75 to every residential customer for the collection, hauling and disposing of refuse. This fee began with the billing on or after March 1, 2013. The City had the first full year of solid waste revenue generated in fiscal year 2014.

**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 2014 was as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$ 19,966,489	2.10%	\$294

The entire fund balance of \$301 in the Debt Service Fund is reserved or designated for debt retirement or capital projects. It should be understood that having reasonable levels of reserves is essential to the bond market's perception of local government's strength and related ability to utilize private sector styled business practices, and provides for the availability to anticipate interest as a significant annual (recurring) revenue source. The City of Dothan currently holds a bond rating of Aa2 from Moody's Investors Service and AA from Standard & Poor's Rating Service.

**SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE**

Several major developments emerged in the local market during the fiscal year. The new Commercial Jet Training Academy began training sheet metal structural workers over eight week training periods with the goal of graduating 25 people every cycle. The graduates are hired by Commercial Jet, a \$21,000,000 maintenance, repair and overhaul (MRO) company located at the Dothan Regional Airport. Commercial Jet currently employs about 300 people and plans to employ 500 at full operational level. Glasstream Powerboats Manufacturing has begun its operation and has the potential to provide up to 200 jobs at full implementation. Also, the new Alabama College of Osteopathic Medicine increased its enrollment to over 300 by adding the second group of 162 students pursuing their degrees in Primary Physician Education. The College also announced its plan to establish a fully functional research facility in an on-campus building that will be renovated for that purpose. Dothan Volkswagen, Atlantic & Southern Equipment, Tyndall Credit Union, and Full Moon Barbeque opened new facilities in Dothan this year, and SB&T Bank announced the expansion of its Highway 84 West facility. In addition, US Coupling & Accessories, Inc, Sears Hometown Center, and the plasma collection company Immunotek Bio Centers, LLC, established locations in Dothan. The fire hose manufacturer KFH Industries and Panhandle Converter and Scrap continued to see employment growth, and KFH located a new operation in Cottonwood, Alabama. A key event in the effort to revitalize Northside Mall transpired when the outdoor specialty store Eagle Eye Outfitters completed its renovation

of the former Davis Theatre Building and opened the renovated facility this year.

## **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, 2013. The City has received this prestigious award for the last 31 consecutive years (fiscal years ended 1983 – 2013).

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

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

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Dothan for its PAFR for the last ten consecutive years (fiscal years ended 2004 – 2013). The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

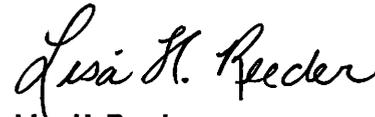
In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity,

presentation, understandability, and reader appeal.

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

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

Respectfully submitted,



Lisa H. Reeder  
Finance Director



Michael K. West  
City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

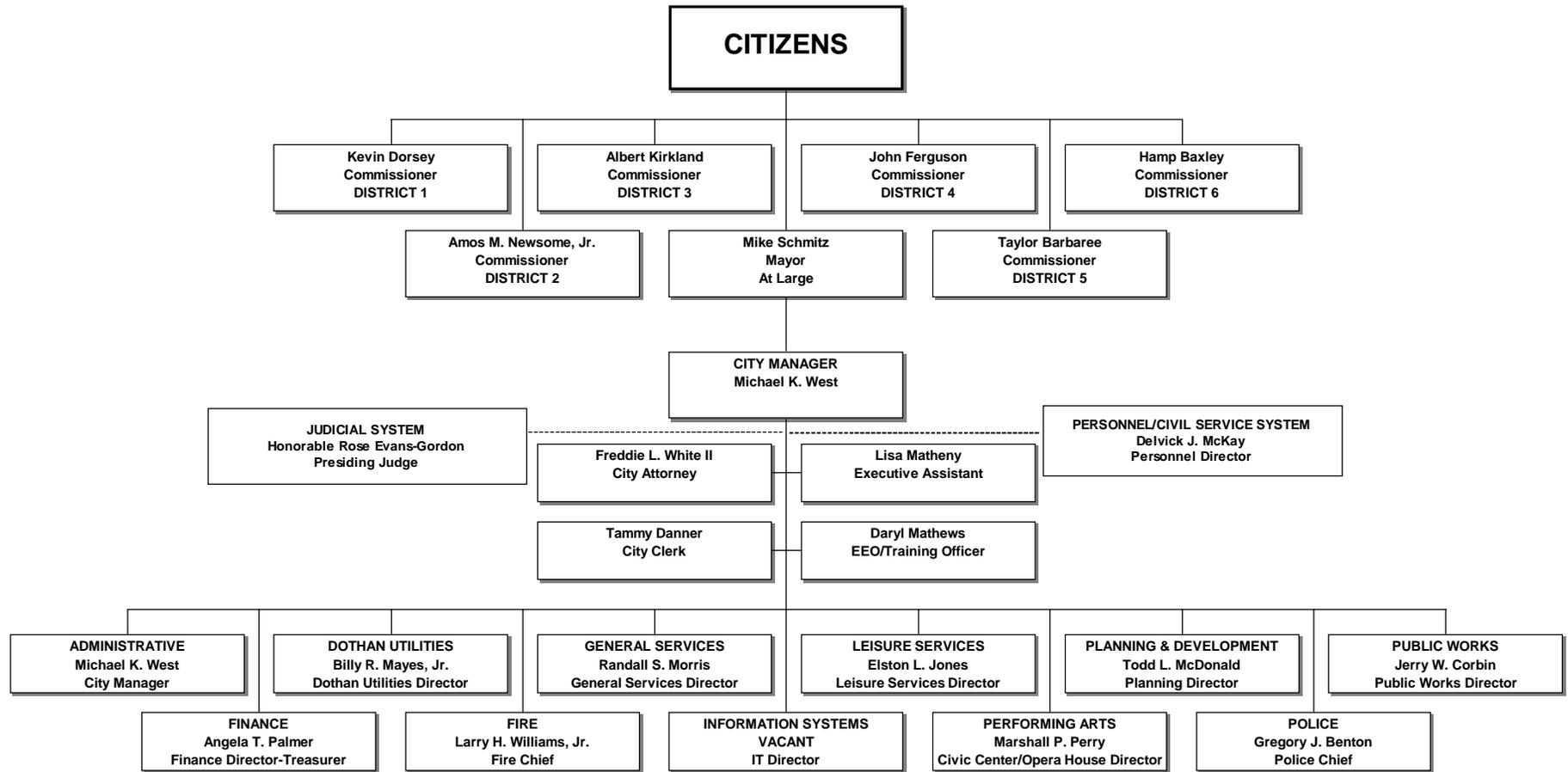
**City of Dothan  
Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO

# CITY OF DOTHAN, ALABAMA ORGANIZATIONAL CHART



**THE CITY OF DOTHAN  
DOTHAN, ALABAMA  
CITY OFFICIALS**

**CITY COMMISSION**

Mike Schmitz	Mayor
Kevin Dorsey	Commissioner, District 1
Amos M. Newsome, Jr.	Commissioner, District 2
Albert Kirkland	Commissioner, District 3
John Ferguson	Commissioner, District 4
Taylor Barbaree	Commissioner, District 5
Hamp Baxley	Commissioner, District 6

**APPOINTED OFFICIALS**

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

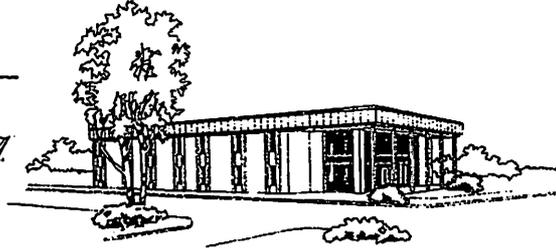
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*McClintock, Nelson & Associates, P.C.*  
*Certified Public Accountants*

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

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



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

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress of the pension and the healthcare plan on pages 5 through 18 and 65 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2015, on our consideration of the City of Dothan, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dothan's internal control over financial reporting and compliance.

Respectfully Submitted,



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

March 4, 2015

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# 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, 2014. Please consider the information in this MD&A in conjunction with the City's financial statements (beginning on page 19), which follows 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, 2014, by \$206,932,495. Of this amount, \$63,850,057 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$10,108,905 (5.14%). A detailed explanation of this increase can be viewed on page seven of this Management's Discussion and Analysis (MD&A).
- As of the close of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$45,942,960, a decrease of \$252,850 or .55% in comparison with the prior year. Approximately \$869,854 of this total is available for spending at the government's discretion (unassigned fund balance).
- Total net position for governmental activities increased by \$3,938,023 (4.63%), thus totaling \$88,962,797 for fiscal year 2014.

- The City of Dothan's total debt increased by \$12,522,632 (15.04%) during the current fiscal year, yielding a total outstanding debt of \$95,786,720 compared to last year at \$83,264,088.

## Overview of the Financial Statements

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

## Government-Wide Financial Statements

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

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

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

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

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

## Fund Financial Statements

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

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

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

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

The *Governmental Major Funds* (see pages 22-27) are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows and balances of spendable resources.

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the Business-type Fund Financial Statements (see pages 28-32) 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 24 and 27). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

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

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

*Notes to the financial statements.* (see pages 33-63) The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

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

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

## Government-Wide Financial Analysis

The City's net position totaling \$206,932,495 increased by \$10,108,905 or 5.14% from fiscal year 2013 which totaled \$196,823,590. Of this total, the governmental net position increased by \$3,938,023 and business-type net position increased by \$6,170,882. The governmental net position was increased primarily because the City had the first full year of solid waste fees which resulted in an additional \$1.7 million. In addition, sales tax increased \$.5 million. The business-type net position was increased primarily because of the 2.85% increase in water and sewer revenues which resulted in an additional \$2.4 million in fiscal year 2014. Management will continue to monitor net position because the variance is a useful indicator of a City's financial position.

By far the largest portion of the City of Dothan's net position (69.04%) reflects the total investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets. The investment in capital at September 30, 2014, was \$142,871,686. This net position is not available for future spending. Although the City of Dothan's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. Restricted net position is as follows: \$148,072 for street and bridge maintenance and \$62,680 for education. The remaining balance of \$63,850,057 is *unrestricted* which may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the Statement of Net Position compared to the prior year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 53,373	\$ 53,583	\$ 81,487	\$ 57,621	\$ 134,860	\$ 111,204
Capital Assets	85,057	83,245	127,819	130,448	212,876	213,693
<b>Total Assets</b>	<b>138,430</b>	<b>136,828</b>	<b>209,306</b>	<b>188,069</b>	<b>347,736</b>	<b>324,897</b>
Current & Other Liabilities	14,640	14,309	18,397	18,546	33,037	32,855
Long-term Liabilities	34,039	37,401	72,939	57,724	106,978	95,125
<b>Total Liabilities</b>	<b>48,679</b>	<b>51,710</b>	<b>91,336</b>	<b>76,270</b>	<b>140,015</b>	<b>127,980</b>
Def. Inflows of Resources	788	93			788	93
<b>Net Position:</b>						
Net Invest. in Capital Assets	70,247	60,178	72,625	77,162	142,872	137,340
Restricted for:						
Street and bridge mtnce.	148	340			148	340
Education	63	544			63	544
Unrestricted	18,505	23,963	45,345	34,637	63,850	58,600
<b>Total Net Position</b>	<b>\$ 88,963</b>	<b>\$ 85,025</b>	<b>\$ 117,970</b>	<b>\$ 111,799</b>	<b>\$206,933</b>	<b>\$196,824</b>

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

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

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

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

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

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

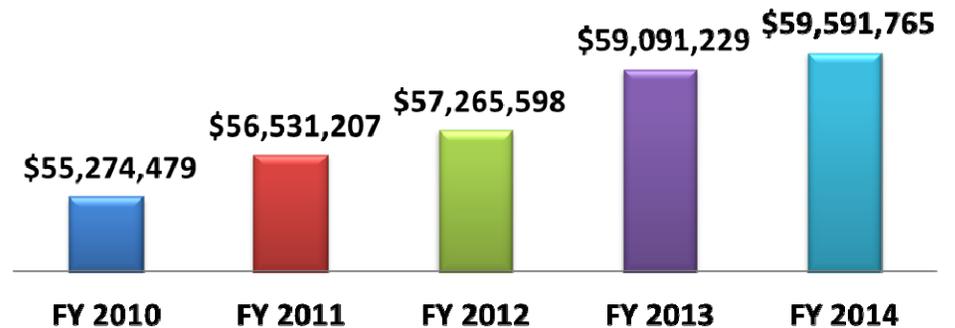
**Principal Payment on Debt** – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase net investment in capital assets.

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

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

The single largest revenue source is sales and use tax, which generated \$59,591,765 in 2014. This revenue reflected an increase of \$500,536 (.84%) compared to \$59,091,229 in 2013. The additional one percent sales and use tax effective January 1, 2007, afforded the City the opportunity to expend monies for vehicle and equipment replacement, resurfacing, employee salary increases, bridge restoration, and intersection repair. Without this revenue, expenditures would have been delayed in light of the recession which began toward the end of 2008.

**CITY OF DOTHAN SALES & USE TAX**



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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 12,427	\$ 10,247	\$117,755	\$111,423	\$130,182	\$121,670
Oper Grants & Contributions	437	118			437	118
Cap Grants & Contributions	1,334	1,289		386	1,334	1,675
General Revenues:						
Property Taxes	4,427	4,511			4,427	4,511
Other Taxes	65,316	64,614			65,316	64,614
Grants & Contributions not restricted to specific programs	2,208	2,710	143	75	2,351	2,785
Other	2,580	2,742	1,160	1,109	3,740	3,851
<b>Total Revenues</b>	<b>\$ 88,729</b>	<b>\$ 86,231</b>	<b>\$119,058</b>	<b>\$112,993</b>	<b>\$207,787</b>	<b>\$199,224</b>
<b>EXPENSES</b>						
Program Activities:						
Governmental Activities:						
General Government	\$ 13,422	\$ 11,674	\$	\$	\$ 13,422	\$ 11,674
Public Safety	34,018	33,323			34,018	33,323
Public Works	19,033	17,718			19,033	17,718
Planning & Development	2,155	1,899			2,155	1,899
Health & Welfare	3,973	4,010			3,973	4,010
Culture & Recreation	9,997	9,742			9,997	9,742
General Services	4,190	4,161			4,190	4,161
Insurance	453	1,281			453	1,281
Education	4,490	4,518			4,490	4,518
Interest on Long-Term Debt	1,067	829			1,067	829
Business-type Activities:						
Electric Department			80,159	73,712	80,159	73,712
Water Department			4,530	4,617	4,530	4,617
Sewer Department			6,062	6,474	6,062	6,474
Billing-Collection Department			1,931	1,876	1,931	1,876
Meter Reading Department			828	841	828	841
Depreciation Expense			8,030	6,309	8,030	6,309
Miscellaneous			759	754	759	754
Bond Issue Costs			705	268	705	268
Loss-Disposition of Capital Assets						
Interest and Fiscal Charges			1,876	1,943	1,876	1,943
<b>Total Expenses</b>	<b>\$ 92,798</b>	<b>\$ 89,155</b>	<b>\$104,880</b>	<b>\$ 96,794</b>	<b>\$197,678</b>	<b>\$185,949</b>
Increase in Assets before transfers	(\$ 4,069)	(\$ 2,924)	\$ 14,178	\$ 16,199	\$ 10,109	\$ 13,275
Special Items-Airport Debt		( 6,000)				( 6,000)
Transfers	8,007	6,932	( 8,007)	( 6,932)	-0-	-0-
<b>Increase in Net Position</b>	<b>\$ 3,938</b>	<b>(\$ 1,992)</b>	<b>\$ 6,171</b>	<b>\$ 9,267</b>	<b>\$ 10,109</b>	<b>\$ 7,275</b>
Beginning Net Position	\$ 85,025	\$ 87,017	\$111,799	\$102,532	\$196,824	\$189,549
Ending Net Position	\$ 88,963	\$ 85,025	\$117,970	\$111,799	\$206,933	\$196,824

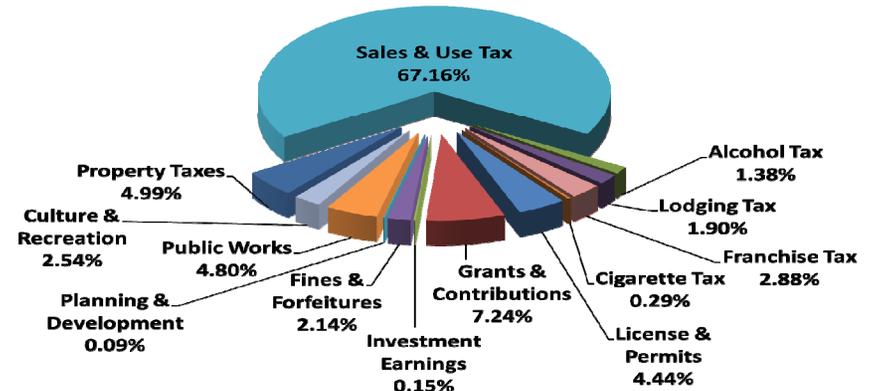
**Statement of Activities**

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

Governmental activities increased the City of Dothan's net position by \$3,938,023. Governmental revenues totaling \$88,728,951 increased \$2,498,232 or 2.89% over fiscal year 2013 (\$86,230,719). Governmental expenditures totaling \$92,797,827 increased \$3,643,075 or 4.09% over fiscal year 2013 (\$89,154,752). Key elements in the change of net position are listed below.

- Charges for services increased \$2,180,592 (21.28%) which included an increase in culture and recreation charges of \$221,589; general government of \$108,021; public safety of \$53,876 and various charges for services of \$17,539. The majority of the increase was due to collecting solid waste fees for an entire year generating \$1,779,567 in additional revenues.
- Taxes increased \$617,101 (.89%) primarily from sales taxes increasing \$500,536 and various other taxes had a net increase of \$116,565 over the previous year.
- Grant revenues decreased \$137,533 (3.46%), as well as miscellaneous revenues which decreased \$161,585 (6.20%).
- Bond proceeds to the Dothan-Houston County Airport Authority for Economic Development of \$6,000,000 were reported in fiscal year 2013 that were not reflected in 2014.
- Expenses increased \$3,643,075 which was primarily due to resurfacing projects in the public works department and economic development. Transfers from the business-type activities to the governmental activities increased by \$1,075,395 (15.51%).

**FY 2014 Governmental Revenues**



Business-type activities increased the City of Dothan's net position by \$6,170,882. A key element was due to a sewer rate increase (adopted September 2009) which was implemented to help offset the cost of the debt service on sewer improvements and resulted in an additional \$.75 per thousand gallons of metered water for the first five years (2010 - 2014) and 2.85% thereafter. Additionally, there is a programmed water increase of 2.85% October 1st of each year.

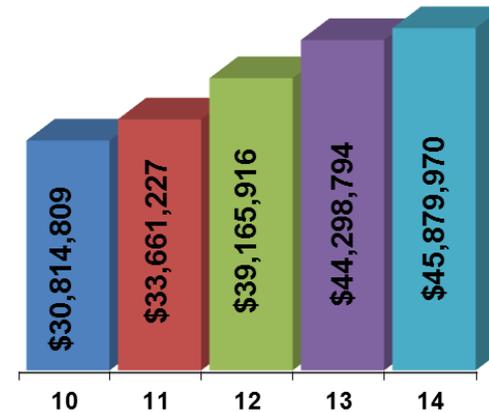
Fund Balance			
<b>Nonspendable:</b>		<b>Assigned to:</b>	
Inventories	\$ 363,341	Information Technology	\$ 115,333
		Economic Development Projects	976,912
<b>Restricted for:</b>		Public Safety Programs	738,966
Debt Service	\$ 301	Public Works Projects	12,338,552
Street & Bridge Maintenance	148,072	Culture & Recreation	10,513,834
Education	62,680	Facility Maintenance	1,011,552
	\$ 211,053	Debt Service	172,902
		Self-Insurance Claims	6,445,535
		OPEB Obligations	12,694
<b>Committed for:</b>			
Information Technology	\$ 557,655		\$32,326,280
Public Safety Programs	704,765		
Public Works Projects	6,564,847	<b>Unassigned:</b>	\$ 869,854
Planning & Development	460,254		
Culture & Recreation	2,078,304		
Facility Maintenance	306,607		
Debt Service	1,000,000		
OPEB Obligations	500,000		
	\$12,172,432	<b>Total Balance</b>	<b>\$45,942,960</b>

Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. As of the end of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$45,942,960, a decrease of \$252,850 (.55%) in comparison with the prior year of \$46,195,810. Of this total fund balance, \$869,854 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *nonspendable, restricted, committed or assigned* and is not available

for spending due to prior period commitments (see preceding table).

The general fund is the chief operating fund of the City. At the end of FY 2014 the total fund balance was \$45,879,970 (\$363,341 was nonspendable, \$148,063 was restricted, \$12,172,432 was committed, \$32,326,280 was assigned and \$869,854 was unassigned).

General Fund Balance by Fiscal Year



As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City of Dothan's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance in the amount of \$869,854 represents 1.00% of the general fund expenditures which equal \$86,669,636, while the total general fund balance of \$45,879,970 represents 52.94% of the general fund expenditures. The fund balance of the City of Dothan's general fund (\$45,879,970) decreased by \$1,581,176 (3.57%) from 2013 (\$44,298,794).

The general fund's total assets increased by \$1,710,721 during 2014. The additional revenue received from sales and use tax and solid waste fees contributed to the growth in the general fund assets. Cash is very sensitive to timing anomalies; the timing of revenue

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

Total liabilities in the general fund (\$7,325,380) increased from the previous year (\$7,291,177) by \$34,203 (.47%). The most significant components were vouchers/accounts payable and customer deposits which increased by \$1,098,099 and \$50,479 respectively. This increase was offset by accrued liabilities payable and payable to other governments which decreased by \$1,101,384 (majority of which was the accrued liability provided by the actuarial study for self-insured) and \$12,991 respectively.

Total deferred inflow of resources (\$4,000,260) increased by \$95,342 (2.44%). This was due to an increase in unearned revenue applicable to future years (\$9,181) and an increase in deferred taxes and assessments (\$86,161).

The debt service fund has a total fund balance of \$301 compared to \$191 in fiscal year 2013. 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.

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

Net position of the utility and E-911 funds at the end of the year amounted to \$112,963,528 and \$5,006,170 respectively, compared to last year's amounts of \$107,578,027 and \$4,220,789. The utility fund experienced an increase in net position in the amount of \$5,385,501. In order to offset cost of the wholesale fuel adjustment charges, the City has increased the electric rate through the years for wholesale increases from the Alabama Municipal Electric Authority (AMEA) and Southeastern Power Administration (SEPA). The E-911 fund reflected an increase of \$785,381 due to additional E-911 related revenue paid to the City from land lines and cellular telephones.

## Budgetary Highlights

The City of Dothan adopts a biennial budget, consisting of two annual

budgets. State law requires adoption of annual budgets. In fiscal year 2013, the City Commission adopted a biennial budget for fiscal years 2014 and 2015. This was the sixth biennial budget adopted for the City of Dothan. During the biennial budget process, the City's overall revenue structure was evaluated and financial projections were prepared proportionately to reflect the decline in the economy.

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

The fiscal year 2014 *final* general fund budget projected \$81,045,649 in revenues, \$105,547,001 in expenditures and \$6,475,113 in other financing sources/uses, producing a planned reduction of \$18,026,239 in the general fund's balance. Actual amounts for revenues (\$88,246,150), expenditures (\$86,669,636) and other financing sources/uses (\$4,662) netted to a \$1,581,176 increase, rather than the expected \$18,026,239 decrease. All individual departments worked with the city manager to keep expenditures under the final budget. Budgeted adjustments resulted from varied growth/decline in many revenue sources which created the \$7,200,501 over budget. Some major contributors to each revenue (actual) source being over/under from the final budget are listed as follows:

- \$4,719,071 Increase in Taxes - property (over \$5,189), motor vehicle property tax (over \$71,928), sales & use tax (over \$3,521,765), alcohol and malt beverage tax (over \$29,074), lodging tax (over \$183,150), cable/phone franchise fee (over \$195,802), and gas district franchise fee (over \$712,163)
- \$594,685 Increase in License and Permits - privilege license (over \$470,595), building permits (over \$29,284), penalties (over \$45,990),

insurance license (over \$38,004), and miscellaneous (over \$10,812)

- \$697,013 Increase in Intergovernmental - community development block grant (over \$173,827), solid waste recycle grant (over \$148,500), bureau of justice, homeland security, emergency management grants, and U.S. Department of Transportation (under \$290,046), Wiregrass Foundation grant (over \$338,719), Alabama trust fund (over \$157,109), Alabama Department of Transportation grants (under \$59,453), financial institution funds (over \$71,438), gas tax revenues (over \$42,154), and miscellaneous intergovernmental revenues (over \$114,765)
- \$896,431 Increase in Charges for Services - solid waste fees (over \$455,345), civic center/opera house ticket sales/facility fees and rental (over \$294,212), demolition of dilapidated buildings (over \$24,516), weed abatement liens (over \$25,915), false burglar fees (over \$13,610), recreational programs (over \$74,714), and miscellaneous income (over \$8,119)
- \$78,125 Increase in Fines and Forfeitures - drug seizure (over \$90,315), court costs (over \$109,827), court fines (under \$207,010), false alarm fees (under \$1,934), pre-trial diversion fees (over \$120,313), drug deferred prosecution (under \$32,150), and miscellaneous fines and forfeitures (under \$1,236)
- \$19,950 Decrease in Interest - deterioration in the interest rate environment during fiscal year 2014 resulted in a reduced amount of interest income
- \$235,126 Increase in Miscellaneous - landfill use fees, recycling and garbage cart sales (under \$199,075), FEMA disaster relief and mutual aid reimbursements (over \$472), reimbursement from a claim by the stop loss re-insurance carrier (over \$71,206), emergency 911 revenue (over \$102,648), property damage recovery (over \$303,592), photocopy printing (over \$2,768), contributions/donations (over \$15,847), Knox-Box sales (under \$6,046), animal control and adoption fees (under \$2,426), telephones in the jail (over \$18,207), ATM and credit card fees (over \$14,818), rentals (under \$13,500), and miscellaneous income (under \$73,385)

The actual departmental expenditures in the general fund were well within the budgetary constraints and were under budget by \$7,207,351 in fiscal year 2014. Non-departmental expenditures were under budget

by \$1,807,565 which was predominantly due to a reversal of accrued self-insurance claims (\$1,561,000) and a reduction in miscellaneous claims payable (\$159,625). Capital outlay expenditures were under budget \$9,862,449. This was primarily due to major purchases and projects not completed, but carried over to FY 2015 as follows: \$578,540 for computer hardware, \$497,550 for fire grants, \$450,000 for land for new fire station, \$1,005,750 for building maintenance, \$2,183,788 for sidewalk and paving projects, \$2,080,607 for bridge replacement, \$325,090 for drainage projects, \$331,475 for traffic building design and renovation, \$150,000 for recycling grant, \$281,102 for landfill design, \$12,438 traffic study and design for James Oates Park, \$34,300 for lighting in the Civic Center and Opera House, \$1,434,223 for vehicles and equipment for Police, Fire, Public Works, Planning, Leisure Services and General Services. Other financing sources and uses actual amounts compared unfavorably with the budget by \$6,470,451.

The total operating budget was increased by \$11,159,036 in the *final* budget as follows: departments (\$4,494,687), insurance (\$350,000), and capital outlay (\$6,314,349). Although almost all departments' budgets were increased in the final budget (\$4,494,687), the *largest increases* are denoted as follows: general administration increased \$1,790,000 for economic development; information technology increased \$208,571 for Microsoft volume licensing and \$43,244 fiber optic connectivity; fire increased \$57,323 for Homeland Security grant for hazmat training and equipment and \$56,100 for station renovations; planning increased \$373,190 for community development block grants; public works increased \$1,217,074 for resurfacing and roadway improvements; health and welfare increased \$75,000 for additional appropriation for the Chamber of Commerce; and \$52,560 renovations for the Wiregrass Museum of Art and Alfred Saliba Family Services Center.

The actual revenues in the general fund (\$88,246,150) were \$7,200,501 over final revenue projections (\$81,045,649). During the year, revenues exceeded budgetary estimates. The original revenue projections in the general fund were \$1,537,508 under the *final* budget. The additional appropriations totaling \$19,563,747 were funded from: (1) the revenue sources in the following table in the amount of \$1,537,508; (2) encumbrances from fiscal year 2013 which were carried forward to fiscal year 2014 totaling \$10,082,060 (general fund beginning budget

included these encumbrances which were funded from the general fund balance); and (3) the remaining \$7,944,179 was budgeted from the available unassigned fund balance.

**Additional Revenue Sources Increasing Fiscal Year 2014 Budget**

\$ 26,146	- police seizure income
1,337,402	- federal, state and local grants
72,092	- summer feeding program funds
76,935	- special event & miscellaneous revenues
<u>24,933</u>	- drug deferred prosecution funds
<u>\$ 1,537,508</u>	

The additional appropriations (\$7,944,179) that were funded by the unassigned fund balance can be briefly summarized by department as follows:

- General Administration - \$1,865,381 as follows: \$1,550,000 for economic development; and \$315,381 for vehicle replacement
- Information Technology - \$309,239 as follows: \$208,571 for Microsoft volume licensing; \$43,244 for fiber optic connectivity; \$32,980 for Cityworks software support; and \$24,444 for Fujitsu tablets for fire department
- Fire - \$4,086 for hazmat training and equipment
- Public Works - \$3,734,369 as follows: \$1,159,154 for resurfacing projects; \$1,044,003 for roadway improvements; \$127,614 for a roadway to the Alabama College of Osteopathic Medicine; \$99,838 for Brookside Drive bridge design; \$345,433 for storm drainage culvert repair; \$70,953 for downtown streetscape improvements; \$342,716 disposal of solid waste and curbside trash; \$484,658 for landfill expansion design and permitting; and \$60,000 for disposal of recycled products
- Planning and Development - \$28,708 for Metropolitan Planning Grant
- Health and Welfare - \$75,000 for Dothan Area Chamber of Commerce

- Leisure Services - \$1,173,415 as follows: \$1,080,604 for renovation at Doug Tew Recreation Center; and \$92,811 for additional land for James Oates Park and traffic study
- Performing Arts - \$385,981 for Civic Center remodeling
- General Services - \$368,000 as follows: \$350,000 for Blue Cross Blue Shield of Alabama administrative charges; and \$18,000 for civic center chiller replacement and HVAC upgrade

**Capital Asset and Debt Administration**

**Capital Assets.** The City of Dothan’s net investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$212,876,327 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements other than buildings, system improvements (electrical, water, sewer, storm drainage and street), infrastructure, machinery and equipment, park facilities, roads, highways, and bridges.

Capital investments increased in the governmental capital assets by \$1,812,143. This increase resulted from additional capital assets totaling \$11,744,524 decreased by accumulated depreciation totaling \$8,434,187 (see following table). In addition, this total was reduced by \$2,985,672 (includes construction in progress placed in service of \$1,466,816) of capital assets which were retired and offset by recaptured depreciation of \$1,487,478 as follows:

<b>CAPITAL ASSET ADDITIONS (In Millions)</b>	
Land (Landfill Expansion)	\$ .9
Building Improvements	2.1
Additions & Improvements Including Streets	1.0
Software Upgrades, Computer Equipment & Fiber Connectivity	1.3
Equipment (Police Cameras, Public Works, Arena & Sports Field )	.4
Vehicles (Fire, Police, Public Works, Leisure & General Services)	3.2
Construction Projects (James Oates Park, Andrew Belle Aquatic Complex, Doug Tew Recreation Center)	<u>2.8</u>
	<u>\$ 11.7</u>

The business-type capital investments decreased by \$2,628,329. This decrease resulted from capital assets which were retired totaling \$4,270,977 (includes construction in progress placed in service of \$3,201,073) which were offset by recaptured depreciation of \$770,353. In addition, depreciation accounted for \$8,030,174 which was offset by additions totaling \$8,902,469.

CAPITAL ASSET ADDITIONS (In Millions)	
Land (Easements)	\$ .1
Electric System & Substation Improvements	4.2
Water System Improvements	1.0
Equipment (Electric, Water, Sewer & E-911)	.3
Vehicles (Electric, Water, Sewer, Finance-Utility Services)	.6
Construction Projects	.5
Whatley Water Connector	.4
S. Saint Andrews Sewer Replacement & Sewer Improvements	.6
Rock Creek Trunk Line Sewer Rehabilitation	1.2
	<u>\$ 8.9</u>

• **BEAVER CREEK BASIN SEWER REHAB PROJECT**

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or cured-in-place lining of various-sized sanitary sewer lines in Sewer Basin 3, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$110,784 expended through the audit report date. The South Saint Andrews Street portion was completed in 2014 by American Infrastructure Technologies Corporation at a cost of \$418,691. The total project is estimated to cost \$1,242,000 and is being funded with State Revolving Loan funds.

• **DENTON ROAD WIDENING AND BRIDGE**

The City began widening Denton Road in 2012. A contract was awarded to CDG Engineers & Associates in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$323,705 has been expended through the date of the audit report. In October 2013 a \$175,326 contract was awarded to CDG Engineers & Associates for the bridge design and right of way acquisition services for the additional lanes; \$68,935 has been expended as of the audit report date.

• **DOUG TEW CENTER RENOVATION**

The City awarded a contract to Diversified General Contractors, LLC for the Doug Tew Center Renovation project in January 2014 in the amount of \$1,063,000 plus additional change orders for \$17,604 for a total of \$1,080,604. The contract consisted of replacing the roof and electrical and HVAC systems, as well as renovating the front restrooms to meet the Americans with Disabilities Act. Architectural services were completed by Bradley & Schmidt Architecture, PLLC for \$68,658. The project was completed in July 2014 with a total cost of \$1,153,961.

• **TUSCALOOSA TEST WELL**

The City awarded a contract to Polyengineering, Inc. in June 2013 to provide engineering consulting services in the amount of \$200,000 to locate a well site and to prepare well plans and specifications for the construction of a deep-water well in the Tuscaloosa Formation. This included services for a pilot study to determine the best water treatment process to utilize this source of water for a potable water system. As of the audit report date, \$161,177 has been expended. In May 2014 the City entered into a contract with Layne Christensen Company in the amount of \$630,031 to construct the well and to perform the pilot study. As of the audit report date, \$472,963 has been expended.

• **ROCK CREEK TRUNK LINE REHAB**

In July 2012, the City entered into a contract with CDG Engineers & Associates for professional consulting services for the Rock Creek Trunk Line Rehabilitation to inspect and design the replacement and rehabilitation of approximately 11,000 linear feet of 15-18” trunk line, including replacement and rehab of manholes at a cost of \$224,500. Total expended as of the audit report is \$223,371. In September 2013 the City entered into a contract with Blankenship Contracting for the rehabilitation project in the amount of \$1,195,950. A change order was issued in December 2013 for \$54,590, making the adjusted contract total \$1,250,540. As of the audit report date, \$1,188,348 has been expended.

- **WHATLEY CONNECTOR MAIN**

In March 2014, a contract was awarded to Vellano Brothers, Inc. for materials in the amount of \$441,290 for a 20" connector water transmission main. The \$441,290 has been expended and the transmission main installation is currently under construction by City of Dothan forces. This project completes a critical transmission main loop that will move water from large producing wells in the northwest area of Dothan to the high demand areas on the west side of Dothan. Total project cost to date is \$531,855.

- **FIBER OPTIC SYSTEM**

The Fiber Optic System project consists of upgrading current network infrastructure to increase reliability and sustainability for ever-increasing communication demands. This system will incorporate public safety facilities, water wells, substations, and other city infrastructures. As of the audit report date, \$1,340,689 has been expended.

- **WESTGATE RECREATION CENTER - HVAC REPLACEMENT AND LOCKER ROOM RENOVATIONS**

In February 2014, a contract in the amount of \$498,350 was awarded to Saliba Construction Company, Inc. to replace the HVAC system in the locker rooms, classroom, racquetball courts and lobby at the Westgate Recreation Center. The contract also called for replacing the lighting and ceilings in the locker rooms and pool offices, and for replacing the carpeting in the hallways and physical fitness room. The project was designed and bid by G. Mark Pepe Architect and was completed July 2014 at a cost of \$491,594.

- **CIVIC CENTER REMODELING**

In January 2014, a contract in the amount of \$385,981, less a change order for \$14,349, was awarded to GenCon Associates, Inc. to remodel the restrooms, the ground floor meeting rooms and the ground floor concession stand at the Dothan Civic Center. The project was designed and bid by Waid Parrish & Associates at a cost of \$27,000, and the project was completed September 2014 with \$398,632 being capitalized.

- **LANDFILL EXPANSION ON ENNIS ROAD**

In March 2014, the City purchased 182 acres of land at a cost of \$911,850 for the expansion of an existing landfill facility. In April a contract in the amount of \$484,658 was awarded to CDG Engineers & Associates for design and permitting of the expansion. \$339,261 has been expended to date. Alabama Power began efforts to relocate approximately 3,300 linear feet of transmission line at an estimated cost of \$317,189, with \$234,955 expended to date. As of the audit report date, the total project cost including land is \$1,553,348.

- **JAMES O. OATES PARK PHASE 1**

In February 2013, a contract in the amount of \$365,477 was awarded to Lose & Associates for Phase 1 of the development of James O. Oates Park on an 87 acre tract at the intersection of Taylor Road and Campbellton Highway. The master plan and preliminary grading plan for a six field Dixie Boys baseball complex and a six field girls' softball complex was provided at a cost of \$60,000 by Lose & Associates. The total project cost for Phase 1 is estimated to be \$11,500,000 with \$2,000,000 being funded by the Dothan Area Convention and Visitors Bureau. Total costs to date are \$455,079.

- **ANDREW BELLE AQUATIC COMPLEX**

In December 2014, a contract in the amount of \$998,000 was awarded to Hughes Brothers Construction, LLC for the Andrew Belle Aquatic Complex project, which will consist of a recreation pool and a bath house/office. The project was designed by Lose & Associates, and is expected to cost \$1,329,130, with \$500,000 being funded by the Wiregrass Foundation. Expected completion date is July 2015.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land and Easements	\$ 11,078	\$ 10,144	\$ 3,135	\$ 3,028	\$ 14,213	\$ 13,172
Buildings	80,969	80,793	4,602	4,602	85,571	85,395
Improv. other than Bldgs.	44,135	40,638	206,253	202,605	250,388	243,243
Machinery & Equipment	47,811	45,341	13,351	12,806	61,162	58,147
Infrastructure	452,755	452,327			452,755	452,327
Construction in Progress	1,929	675	737	406	2,666	1,081
<b>Total Capital Assets</b>	<b><u>\$638,677</u></b>	<b><u>\$629,918</u></b>	<b><u>\$228,078</u></b>	<b><u>\$223,447</u></b>	<b><u>\$866,755</u></b>	<b><u>\$853,365</u></b>

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

**Debt Outstanding**

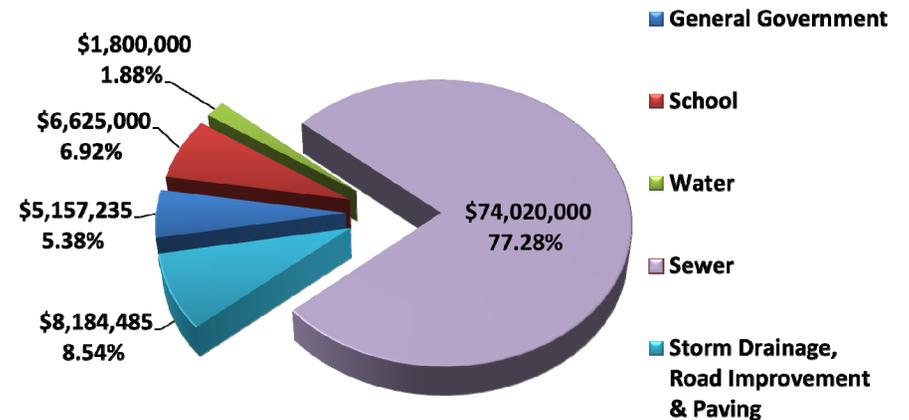
As of the fiscal year end, the City of Dothan had \$95,786,720 in gross debt outstanding compared to \$83,264,088 last fiscal year end; thus, increasing debt by \$12,522,632 (15.04%) during the current fiscal year.

Debt Type	2014	2013	2012
General Government	\$ 5,157,235	\$ 5,688,746	\$ 6,291
School	6,625,000	8,034,891	8,952,049
Sewer	74,020,000	56,855,000	60,830,000
Storm Drain & Road Imp	8,184,485	10,696,038	13,365,322
Water	1,800,000	1,989,413	2,084,916
<b>Totals</b>	<b><u>\$ 95,786,720</u></b>	<b><u>\$ 83,264,088</u></b>	<b><u>\$ 85,238,578</u></b>

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, water and sewer purposes is exempt from the legal debt limit. The current constitutional debt limitation for the City of Dothan is \$187,360,226, which is significantly in excess of the City of Dothan's outstanding general obligation debt.

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 2014 is 15.23% (total debt service expenditures were \$16,513,498 and total expenditures were \$108,425,162).

**Outstanding Debt as of September 30**



In 2014, the City of Dothan issued general obligation (G/O) warrants as follows:

- On July 1, 2014, the City issued a \$10,705,000 G/O Warrant for refunding of the 2005 G/O Warrant. This refunding will result in a savings of approximately \$800,000 after closing cost.
- On September 15, 2014, the City issued a \$19,245,000 G/O Warrant for various engineering studies, programs and rehabilitation projects to improve the City's wastewater system. Projects will include the design of the Omussee Wastewater Treatment Plant

upgrade and the Rock Creek Little Choctawhatchee Trunk Line upgrade. The debt will be repaid in twenty years through the state revolving loan process of the Alabama Department of Environmental Management (ADEM) at an interest rate of 2.25%.

**DOTHAN’S RATINGS FOR GENERAL OBLIGATION DEBT:**

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

In June 2014, Standard and Poor’s Ratings Services upgraded the City of Dothan’s bond rating from AA- to AA. The increase was based on the rating agencies view of the “city’s historically very strong budgetary flexibility and liquidity”. The bond rating can affect the cost of borrowing funds in the future.

**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, solid waste, 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 economic development/recruitment and job growth.

The City Commission set downtown revitalization as one of its major priorities. 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. The new Houston-Love Memorial Library opened in downtown in February 2014. In addition to the downtown location, a satellite location was built at Westgate Park. A partnership of private and public donors made the \$7.5 million project possible. The Wiregrass Foundation put up \$3 million, the City of Dothan donated \$2.5 million, the County contributed \$1 million and the library raised \$1.7 million from local residents. The downtown location is 22,000 square feet, while the Westgate location is 13,000 square feet. The libraries are equipped to be modern learning centers, with Wi-Fi, digital reading options and other high tech amenities.

There are major venues downtown such as the Opera House, Civic Center, murals on buildings throughout downtown, the Veteran’s Memorial, Museum of Art, not to mention the presence of federal, state and local governments. Having these sites in downtown provides a strong base for redevelopment efforts. The outlook is positive and much can be done. Downtown Dothan can and will be a viable economic entity in this community again. Not only will it generate a

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

tax base, but it will provide jobs to people in adjoining communities who are in need of employment in close proximity to where they live.

The past few years have been challenging for all levels of government, including Dothan. Approximately 67% of Dothan's general fund revenues are generated by sales tax. Since 2008, Dothan's 2009-2012 numbers were significantly lower (average of \$2.3 million) than the 2008 collections. The first time the sales taxes have reached and/or exceeded 2008 figures was in 2013 by \$638,074 and then in 2014 by \$1,136,610. The economic downturn has had a significant impact on Dothan and the local economy. However, there continues to be signs of economic recovery. In addition to the City's major tax source, sales tax, showing signs of improvement, unemployment has declined 3.2% since 2009. Over the recent years the City's staff has done an exceptional job of controlling costs. Throughout the recession, the City maintained its financial integrity. Additionally, the City Commission continues to work diligently with consultant, Lyle Sumek, to set priorities for major programs undertaken by the City while revisiting the Strategic Plan each year. This Strategic Plan provides a sense of unity, direction, and vision for the City's future. Most of our major accomplishments since 2006 were initiated in this process.

Obviously, the City's effort to live within the constraints of available revenue has delayed several critical budgeted items. The staff has developed a plan for addressing the most pressing needs. The departments are required to annually update a listing of all needs including facility repairs and maintenance, rolling fleet, equipment, computer related needs, resurfacing, road and bridge repairs, storm sewer and sanitary sewer needs, infrastructure needs, etc. Contingent on the availability of funding and based on the identified need, priorities are set to ensure critical items are addressed. Resurfacing is a major need and annually the City has maintained funding for this program; however, at the current rate, it will take several years to get to the point where the City should be. In addition to the required sanitary system improvements that will be funded, there are numerous intersections and road improvements that the City anticipates to fund, and our City continues to grow which will produce the need for adequate revenue. Additionally, in previous years employees have shared in the efforts to control costs and strides have been made in adjusting salaries. In October 2013, a 1.00% general increase was given to all employees. In April 2014, a performance pay adjustment

was given to those that were performing at fully competent, exceptional and model levels. It is imperative that long-term, the City must maintain a competitive pay structure to attract and sustain quality employees. Dothan must continue to deal with inflationary and market salary issues on a regular basis.

## **Financial Information Contact**

The City of Dothan's financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the public assets under its management. If you have questions about the report or need additional financial information, contact the City's Finance Director, Lisa H. Reeder, 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](http://www.dothan.org).

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 44,712,936	\$ 47,775,673	\$ 92,488,609
Receivables	7,638,222	8,382,633	16,020,855
Due from other governments	644,288	22,235,222	22,879,510
Internal balances	14,055	(14,055)	-
Inventories, at cost	363,341	3,106,990	3,470,331
Capital assets (See Note IV-D):			
Non-depreciable	13,007,345	3,871,258	16,878,603
Depreciable, net	72,049,595	123,948,129	195,997,724
<b>Total Assets</b>	<b>138,429,782</b>	<b>209,305,850</b>	<b>347,735,632</b>
<b>LIABILITIES:</b>			
Vouchers/accounts payable	2,816,209	8,442,174	11,258,383
Accrued liabilities	3,901,050		3,901,050
Accrued interest payable	49,161	232,476	281,637
Payable to other governments	84,581		84,581
Customer deposits	523,706	5,073,887	5,597,593
Non-Current Liabilities:			
Due within one year	7,264,897	4,648,738	11,913,635
Due in more than one year	34,039,462	72,938,877	106,978,339
<b>Total Liabilities</b>	<b>48,679,066</b>	<b>91,336,152</b>	<b>140,015,218</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unearned revenue applicable to future years	102,268		102,268
Deferred gain on refunding	685,651		685,651
<b>Total Deferred Inflows of Resources</b>	<b>787,919</b>	<b>-</b>	<b>787,919</b>
<b>NET POSITION:</b>			
Net investment in capital assets	70,247,455	72,624,231	142,871,686
Restricted for:			
Street and bridge maintenance	148,072		148,072
Education	62,680		62,680
Unrestricted	18,504,590	45,345,467	63,850,057
<b>Total Net Position</b>	<b>\$ 88,962,797</b>	<b>\$ 117,969,698</b>	<b>\$ 206,932,495</b>

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, 2014**

FUNCTION / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
General government	\$ 13,421,727	\$ 3,589,525	\$ 105,088	\$	\$ (9,727,114)	\$	\$ (9,727,114)
Public safety	34,017,891	1,895,513	36,903	58,944	(32,026,531)		(32,026,531)
Public works	19,033,466	4,255,759	295,246	1,275,051	(13,207,410)		(13,207,410)
Planning and development	2,155,072	429,797			(1,725,275)		(1,725,275)
Health and welfare	3,973,388				(3,973,388)		(3,973,388)
Culture and recreation	9,997,179	2,256,651			(7,740,528)		(7,740,528)
General services	4,189,632				(4,189,632)		(4,189,632)
Insurance department	452,688				(452,688)		(452,688)
Education	4,490,160				(4,490,160)		(4,490,160)
Interest/fiscal charges on long-term debt	1,066,624				(1,066,624)		(1,066,624)
<b>Total Governmental Activities</b>	<b>92,797,827</b>	<b>12,427,245</b>	<b>437,237</b>	<b>1,333,995</b>	<b>(78,599,350)</b>	<b>-</b>	<b>(78,599,350)</b>
<b>Business-Type Activities:</b>							
Utility	103,913,084	116,010,333				12,097,249	12,097,249
E-911	967,358	1,744,910				777,552	777,552
<b>Total Business-Type Activities</b>	<b>104,880,442</b>	<b>117,755,243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,874,801</b>	<b>12,874,801</b>
<b>Total Primary Government</b>	<b>\$ 197,678,269</b>	<b>\$ 130,182,488</b>	<b>\$ 437,237</b>	<b>\$ 1,333,995</b>	<b>\$ (78,599,350)</b>	<b>\$ 12,874,801</b>	<b>\$ (65,724,549)</b>

(Continued on page 21)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF ACTIVITIES - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>General Revenues:</b>			
Taxes:			
General property tax	\$ 4,427,118	\$	\$ 4,427,118
General sales and use tax	59,591,765		59,591,765
Alcoholic beverage tax	1,224,073		1,224,073
Lodging tax	1,683,150		1,683,150
Franchise tax	2,557,965		2,557,965
Cigarette tax	257,850		257,850
Grants and contributions not restricted to specific programs	2,208,415	142,625	2,351,040
Unrestricted investment earnings	137,238	98,152	235,390
Miscellaneous	2,442,900	1,062,203	3,505,103
<b>Transfers</b>	8,006,899	(8,006,899)	-
<b>Total General Revenues, Special Items, and Transfers</b>	<u>82,537,373</u>	<u>(6,703,919)</u>	<u>75,833,454</u>
<b>Change in Net Position</b>	3,938,023	6,170,882	10,108,905
<b>Net Position - Beginning</b>	<u>85,024,774</u>	<u>111,798,816</u>	<u>196,823,590</u>
<b>Net Position - Ending</b>	<u>\$ 88,962,797</u>	<u>\$ 117,969,698</u>	<u>\$ 206,932,495</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, 2014**

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 44,649,850	\$ 231	\$ 9	\$ 62,846	\$ 44,712,936
Receivables:					
Taxes	8,857,838				8,857,838
Accounts	2,676,179				2,676,179
Special assessments		2,068			2,068
Accrued interest	59	70			129
Due from other funds	14,055				14,055
Due from other governments	644,288				644,288
Inventories, at cost	363,341				363,341
<b>Total Assets</b>	<u>57,205,610</u>	<u>2,369</u>	<u>9</u>	<u>62,846</u>	<u>57,270,834</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Vouchers/accounts payable	2,816,043			166	2,816,209
Accrued liabilities	3,901,050				3,901,050
Payable to other governments	84,581				84,581
Customer deposits	523,706				523,706
<b>Total Liabilities</b>	<u>7,325,380</u>	<u>-</u>	<u>-</u>	<u>166</u>	<u>7,325,546</u>
<b>Deferred Inflows of Resources:</b>					
Deferred property taxes and special assessments	3,897,992	2,068			3,900,060
Unearned revenue applicable to future years	102,268				102,268
<b>Total Deferred Inflows of Resources</b>	<u>\$ 4,000,260</u>	<u>\$ 2,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,002,328</u>

(Continued on page 23)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS - CONTINUED**  
**SEPTEMBER 30, 2014**

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Fund Balances:</b>					
Nonspendable:					
Inventories	\$ 363,341	\$	\$	\$	\$ 363,341
Restricted for:					
Debt service		301			301
Street and bridge maintenance	148,063		9		148,072
Education				62,680	62,680
Committed for:					
Information technology equipment	557,655				557,655
Public safety programs	704,765				704,765
Public works projects	6,564,847				6,564,847
Planning and community development	460,254				460,254
Culture and recreation	2,078,304				2,078,304
Facility maintenance	306,607				306,607
Debt service	1,000,000				1,000,000
OPEB obligation	500,000				500,000
Assigned to:					
Information technology equipment	115,333				115,333
Economic development projects	976,912				976,912
Public safety programs	738,966				738,966
Public works projects	12,338,552				12,338,552
Culture and recreation	10,513,834				10,513,834
Facility maintenance	1,011,552				1,011,552
Debt service	172,902				172,902
Self insurance claims	6,445,535				6,445,535
OPEB obligation	12,694				12,694
Unassigned	869,854				869,854
<b>Total Fund Balances</b>	<u>45,879,970</u>	<u>301</u>	<u>9</u>	<u>62,680</u>	<u>45,942,960</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 57,205,610</u>	<u>\$ 2,369</u>	<u>\$ 9</u>	<u>\$ 62,846</u>	<u>\$ 57,270,834</u>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2014**

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 45,942,960</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 638,677,210	
Less: Depreciation expense to date	<u>(553,620,270)</u>	85,056,940
Because the focus of governmental funds is on short-term financing, some long-term assets will not be available to pay for current period expenditures. Those assets (cash or receivables, for example) are considered deferred inflows of resources in the governmental funds, and thus are not included in fund balance.		
Adjustment of receivables - property taxes	(3,897,992)	
Adjustment of deferred property taxes	3,897,992	
Adjustment of deferred special assessment	<u>2,068</u>	2,068
For current refundings that result in defeasance of debt, the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources.		
		(685,651)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
		(41,304,359)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		<u>(49,161)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 88,962,797</u></b>

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, 2014**

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Taxes	\$ 69,484,071	\$	\$	\$ 257,850	\$ 69,741,921
Licenses and permits	3,936,385				3,936,385
Intergovernmental revenues	3,732,007				3,732,007
Charges for services	6,630,656				6,630,656
Fines and forfeitures	1,860,204				1,860,204
Special assessments		1,338			1,338
Interest income	128,550	8,567	834	259	138,210
Miscellaneous	2,474,277				2,474,277
<b>Total Revenues</b>	<b>88,246,150</b>	<b>9,905</b>	<b>834</b>	<b>258,109</b>	<b>88,514,998</b>
<b>EXPENDITURES:</b>					
Current:					
General government	11,775,504	68			11,775,572
Public safety	31,409,731				31,409,731
Public works	13,729,771		1,362,791		15,092,562
Planning and development	2,136,277				2,136,277
Health and welfare	3,959,138				3,959,138
Culture and recreation	9,218,891				9,218,891
General services	3,956,596				3,956,596
Insurance department	452,688				452,688
Intergovernmental				3,879,169	3,879,169
Capital outlay	10,031,040				10,031,040
Debt service:					
Principal retirement		15,263,505			15,263,505
Interest and fiscal charges		1,249,993			1,249,993
<b>Total Expenditures</b>	<b>86,669,636</b>	<b>16,513,566</b>	<b>1,362,791</b>	<b>3,879,169</b>	<b>108,425,162</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>\$ 1,576,514</b>	<b>\$ (16,503,661)</b>	<b>\$ (1,361,957)</b>	<b>\$ (3,621,060)</b>	<b>\$ (19,910,164)</b>

(Continued on page 26)

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, 2014**

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in (out)	\$ 4,662	\$ 4,853,356	\$ 8,881	\$ 3,140,000	\$ 8,006,899
Issuance of debt		11,650,415			11,650,415
<b>Total Other Financing Sources (Uses)</b>	<u>4,662</u>	<u>16,503,771</u>	<u>8,881</u>	<u>3,140,000</u>	<u>19,657,314</u>
<b>Net Changes in Fund Balance</b>	1,581,176	110	(1,353,076)	(481,060)	(252,850)
<b>Fund Balances, Beginning</b>	<u>44,298,794</u>	<u>191</u>	<u>1,353,085</u>	<u>543,740</u>	<u>46,195,810</u>
<b>Fund Balances, Ending</b>	<u>\$ 45,879,970</u>	<u>\$ 301</u>	<u>\$ 9</u>	<u>\$ 62,680</u>	<u>\$ 45,942,960</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, 2014**

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (252,850)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were exceeded by depreciation in the current period.	1,596,853
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	215,290
Governmental funds may not report revenues until they are <i>available</i> . The government-wide statement of activities, however, is <i>not</i> subject to this availability criterion. Therefore, amounts related to prior periods that first became available as revenue in the governmental funds during the current period must be removed and reflected instead as an adjustment to government-wide net position because they had been recognized as revenue in an earlier period.	(1,337)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,767,302
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,387,235)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 3,938,023</u></u>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 43,569,601	\$ 4,206,072	\$ 47,775,673
Accounts receivable	8,233,488	149,145	8,382,633
Due from other governments	22,235,222		22,235,222
Inventories, at cost	3,106,990		3,106,990
<b>Total Current Assets</b>	<b>77,145,301</b>	<b>4,355,217</b>	<b>81,500,518</b>
Non-Current Assets:			
Capital Assets:			
Land	3,134,486		3,134,486
Buildings	4,601,490		4,601,490
Improvements other than buildings	206,241,250	12,187	206,253,437
Machinery and equipment	10,433,630	2,918,119	13,351,749
Accumulated depreciation	(97,994,196)	(2,264,351)	(100,258,547)
Construction in progress	736,772		736,772
<b>Total Non-Current Assets</b>	<b>127,153,432</b>	<b>665,955</b>	<b>127,819,387</b>
<b>Total Assets</b>	<b>204,298,733</b>	<b>5,021,172</b>	<b>209,319,905</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Vouchers/accounts payable	8,427,172	15,002	8,442,174
Due to other funds	14,055		14,055
Accrued interest payable	232,476		232,476
Pollution remediation obligation	1,057,947		1,057,947
Compensated absences	575,791		575,791
Customer deposits	5,073,887		5,073,887
Bonds payable - current	3,015,000		3,015,000
<b>Total Current Liabilities</b>	<b>\$ 18,396,328</b>	<b>\$ 15,002</b>	<b>\$ 18,411,330</b>

(Continued on page 29)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS - CONTINUED**  
**SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
Non-Current Liabilities:			
Compensated absences	\$ 105,446	\$	\$ 105,446
Pollution remediation obligation	28,431		28,431
Bonds payable (net of unamortized bond issue costs)	72,805,000		72,805,000
<b>Total Non-Current Liabilities</b>	<b>72,938,877</b>	<b>-</b>	<b>72,938,877</b>
<b>Total Liabilities</b>	<b>91,335,205</b>	<b>15,002</b>	<b>91,350,207</b>
<b>NET POSITION:</b>			
Net investment in capital assets	71,958,276	665,955	72,624,231
Unrestricted	41,005,252	4,340,215	45,345,467
<b>Total Net Position</b>	<b>\$ 112,963,528</b>	<b>\$ 5,006,170</b>	<b>\$ 117,969,698</b>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 116,010,333	\$ 1,744,910	\$ 117,755,243
<b>OPERATING EXPENSES:</b>			
Electric department	80,159,130		80,159,130
Water department	4,529,883		4,529,883
Sewer department	6,062,445		6,062,445
Billing - collection department	1,931,360		1,931,360
Meter reading department	827,914		827,914
Depreciation	7,834,743	195,431	8,030,174
Miscellaneous		758,777	758,777
<b>Total Operating Expenses</b>	<u>101,345,475</u>	<u>954,208</u>	<u>102,299,683</u>
<b>Operating Income (Loss)</b>	<u>14,664,858</u>	<u>790,702</u>	<u>15,455,560</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest revenue	90,472	7,680	98,152
Miscellaneous revenue	1,062,054	149	1,062,203
Gain (loss) on disposition of capital assets	(691,363)	(13,150)	(704,513)
Interest and fiscal charges	(1,876,246)		(1,876,246)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(1,415,083)</u>	<u>(5,321)</u>	<u>(1,420,404)</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>13,249,775</u>	<u>785,381</u>	<u>14,035,156</u>
Capital contributions	142,625		142,625
Transfers (out)	(8,006,899)		(8,006,899)
<b>Change in Net Position</b>	<u>5,385,501</u>	<u>785,381</u>	<u>6,170,882</u>
<b>Total Net Position - Beginning</b>	<u>107,578,027</u>	<u>4,220,789</u>	<u>111,798,816</u>
<b>Total Net Position - Ending</b>	<u>\$ 112,963,528</u>	<u>\$ 5,006,170</u>	<u>\$ 117,969,698</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, 2014**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 116,018,148	\$ 1,714,922	\$ 117,733,070
Payments to suppliers	(84,071,567)	(789,349)	(84,860,916)
Payments to employees	(12,200,888)		(12,200,888)
Other receipts (payments)	952,641	149	952,790
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>20,698,334</u>	<u>925,722</u>	<u>21,624,056</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers (out)	<u>(8,006,899)</u>		<u>(8,006,899)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from federal grants	153,848		153,848
Proceeds from capital debt	4,814,665		4,814,665
Acquisition and construction of capital assets	(5,933,201)	(30,532)	(5,963,733)
Principal paid on bond maturities and capital leases	(2,160,000)		(2,160,000)
Interest paid on bonds and notes payable	(1,841,862)		(1,841,862)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(4,966,550)</u>	<u>(30,532)</u>	<u>(4,997,082)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and dividends on investments	<u>90,472</u>	<u>7,680</u>	<u>98,152</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	7,815,357	902,870	8,718,227
Cash and Cash Equivalents at Beginning of Year	<u>35,754,244</u>	<u>3,303,202</u>	<u>39,057,446</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 43,569,601</u>	<u>\$ 4,206,072</u>	<u>\$ 47,775,673</u>

(Continued on page 32)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>			
<b>Operating Income (Loss)</b>	<b>\$ 14,664,858</b>	<b>\$ 790,702</b>	<b>\$ 15,455,560</b>
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>			
Depreciation	7,834,743	195,431	8,030,174
(Increase) decrease in accounts receivable	(390,497)	(29,988)	(420,485)
(Increase) decrease in inventory	(458,983)		(458,983)
Increase (decrease) in vouchers and accounts payable	163,700	(30,572)	133,128
Increase (decrease) in due to other funds	9,240		9,240
Increase (decrease) in compensated absences	10,645		10,645
Increase (decrease) in pollution remediation obligation	(2,486,325)		(2,486,325)
Increase (decrease) in customer deposits	398,312		398,312
Other miscellaneous revenues	952,641	149	952,790
<b>Total Adjustments</b>	<b>6,033,476</b>	<b>135,020</b>	<b>6,168,496</b>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>\$ 20,698,334</b>	<b>\$ 925,722</b>	<b>\$ 21,624,056</b>
 <b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>			
Contributions of capital assets from local developers	\$ 142,625		

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity and Basis of Presentation**

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

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

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

**B. Government-Wide and Fund Financial Statements**

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

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

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

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**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**C. Measurement Focus and Financial Statement Presentation**

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

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

The City uses the following fund categories and fund types:

***1. Governmental Funds***

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

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

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

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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Financial Statement Presentation (Continued)**

**1. Governmental Funds (Continued)**

*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.

**2. Proprietary Funds**

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

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

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

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

**3. Non-Current Governmental Assets/Liabilities**

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

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

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

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

*1. Accrual*

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

*2. Modified Accrual*

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

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

*3. Revenues Susceptible to Accrual*

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

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

*1. Deposits and Investments*

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

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**DOTHAN, ALABAMA**  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*1. Deposits and Investments (Continued)*

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

*2. Receivables and Payables*

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

*3. Inventories*

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

*4. Restricted Assets*

There were no restricted assets as of September 30, 2014.

*5. Capital Assets*

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

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

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

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**DOTHAN, ALABAMA**  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**5. Capital Assets (Continued)**

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

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

**6. Compensated Absences**

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

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

**7. Long-Term Obligations**

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

**THE CITY OF DOTHAN**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**7. Long-Term Obligations (Continued)**

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

**8. Fund Equity**

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

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**8. Fund Equity (Continued)**

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

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 23).

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

**9. Deferred Outflows/Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City only has two items that qualify for reporting in this category. One item represents business licenses and certain other resources that have been received, but not yet earned. The other item is a deferred gain on refunding that represents the difference between the reacquisition price and the net carrying amount of the old debt.

**F. Interfund Transactions**

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

**G. Unbilled Utility and Solid Waste Receivables**

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

**H. Cash Flows Statement**

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Closure and Postclosure Care Cost**

State and federal laws and regulations require the City of Dothan to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each statement of net position date. The \$7,248,014 reported as landfill closure and postclosure care liability at September 30, 2014, represents the cumulative amount reported to date based on the use of 98 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$156,986 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. The City of Dothan is in the process of expanding the current landfill which will extend the remaining life of the landfill beyond the estimated life of eighteen (18) months. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

***1. Budgetary Accounting***

All funds are maintained as budgetary funds. The City of Dothan adopts a biennial budget through passage of a resolution by the Board of Commissioners. Budgetary control is exercised at the department level. The City Manager is authorized to amend the budgets during the fiscal year in order to execute the policies and planning encompassed therein provided that the total appropriation for a department and the fund is not changed, and amendments affecting capital outlay do not exceed \$10,000 in any one instance or cause. The City Manager is also authorized to approve any change to correct an error, provided the fund total does not change. Any increase in overall expenditures must be approved by the Board of Commissioners. The Board of Commissioners may amend the budget at any time during the year and significant amendments are made throughout the fiscal year. During the year, several supplemental appropriations were necessary in the amount of \$19,249,444. 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, 2014**

**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, 2014, 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 Position**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$41,304,359) difference are as follows:

Bonds payable	(\$19,966,720)
Estimated cost of closure and postclosure of landfill	( 7,248,014)
Compensated absences	( 3,343,185)
Net OPEB obligation	( <u>10,746,440</u> )
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	( <u>\$41,304,359</u> )

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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 position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,596,853 difference are as follows:

Capital outlay	\$10,031,040
Depreciation expense	<u>( 8,434,187)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,596,853</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$215,290 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$246,668
The statement of activities reports gains or losses arising from the trade-in and/or deletion of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in or deletion of capital assets.	<u>( 31,378)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$215,290</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$3,767,302 difference are as follows:

Issuance of debt	(\$11,650,415)
Principal repayments:	
General obligation debt and capital leases	15,263,505
Net change in unamortized bond premium and discount costs	<u>154,212</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 3,767,302</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$1,387,235) difference are as follows:

Compensated absences	(\$ 170,981)
Estimated cost of closure and postclosure	( 235,479)
Accrued interest	29,157
Net OPEB obligation	<u>( 1,009,932)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>(\$1,387,235)</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At year end, the government's carrying amount of deposits was \$92,488,609 and the total bank balance was \$93,727,017. Of the bank balance, \$1,250,000 was covered by federal depository insurance. Of the remaining balance, \$92,477,017 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, 2014, \$92,477,017 of the government's bank balance of \$93,727,017 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

**B. Receivables**

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

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>UTILITY FUND</u>	<u>E-911 FUND</u>	<u>TOTAL</u>
Receivables:					
Taxes	\$ 8,857,838	\$	\$	\$	\$ 8,857,838
Accounts	2,676,179		8,233,488	149,145	11,058,812
Special assessments		2,068			2,068
Interest	59	70			129
	<u>59</u>	<u>70</u>			<u>129</u>
Total	<u>\$ 11,534,076</u>	<u>\$ 2,138</u>	<u>\$ 8,233,488</u>	<u>\$ 149,145</u>	<u>\$ 19,918,847</u>

**THE CITY OF DOTHAN**  
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**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)	\$ 3,897,992	\$
Special assessments not yet due (debt service fund)	2,068	
Business licenses and certain other resources that have been received, but not yet earned	_____	102,268
Total deferred/unearned revenue for governmental funds	\$ 3,900,060	\$ 102,268

**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, 2014, there were property taxes receivable and deferred revenue of \$3,897,992 that does not become earned until October 1, 2014, and therefore not reflected on the government-wide statement of net position.

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

**CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets, not being depreciated:				
Land and easements	\$ 10,143,493	\$ 935,000	\$	\$ 11,078,493
Construction in progress	675,398	2,720,270	(1,466,816)	1,928,852
Total capital assets, not being depreciated	<u>10,818,891</u>	<u>3,655,270</u>	<u>(1,466,816)</u>	<u>13,007,345</u>
Capital assets, being depreciated:				
Buildings	80,793,343	175,725		80,969,068
Improvements other than buildings	40,637,695	3,496,972		44,134,667
Machinery and equipment	45,341,464	3,988,894	(1,518,856)	47,811,502
Infrastructure	452,326,965	427,663		452,754,628
Total capital assets, being depreciated	<u>619,099,467</u>	<u>8,089,254</u>	<u>(1,518,856)</u>	<u>625,669,865</u>
Less accumulated depreciation for:				
Buildings	52,952,294	1,571,470		54,523,764
Improvements other than buildings	23,219,768	1,564,755		24,784,523
Machinery and equipment	35,939,568	3,159,050	(1,487,478)	37,611,140
Infrastructure	434,561,931	2,138,912		436,700,843
Total accumulated depreciation	<u>546,673,561</u>	<u>8,434,187</u>	<u>(1,487,478)</u>	<u>553,620,270</u>
Total capital assets, being depreciated, net	<u>72,425,906</u>	<u>(344,933)</u>	<u>(31,378)</u>	<u>72,049,595</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 83,244,797</u>	<u>\$ 3,310,337</u>	<u>\$ (1,498,194)</u>	<u>\$ 85,056,940</u>

**CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets, not being depreciated:				
Land and easements	\$ 3,028,486	\$ 106,000	\$	\$ 3,134,486
Construction in progress	405,387	3,532,458	(3,201,073)	736,772
Total capital assets, not being depreciated	<u>3,433,873</u>	<u>3,638,458</u>	<u>(3,201,073)</u>	<u>3,871,258</u>
Capital assets, being depreciated:				
Buildings	4,601,490			4,601,490
Improvements other than buildings	202,605,156	4,347,022	(698,741)	206,253,437
Machinery and equipment	12,805,923	916,989	(371,163)	13,351,749
Total capital assets, being depreciated	<u>220,012,569</u>	<u>5,264,011</u>	<u>(1,069,904)</u>	<u>224,206,676</u>
Less accumulated depreciation for:				
Buildings	2,608,308	134,715		2,743,023
Improvements other than buildings	81,138,799	7,032,184	(413,469)	87,757,514
Machinery and equipment	9,251,619	863,275	(356,884)	9,758,010
Total accumulated depreciation	<u>92,998,726</u>	<u>8,030,174</u>	<u>(770,353)</u>	<u>100,258,547</u>
Total capital assets, being depreciated, net	<u>127,013,843</u>	<u>(2,766,163)</u>	<u>(299,551)</u>	<u>123,948,129</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 130,447,716</u>	<u>\$ 872,295</u>	<u>\$ (3,500,624)</u>	<u>\$ 127,819,387</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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	\$ 628,547
Public safety	2,517,292
Public works, including depreciation of general infrastructure assets	3,676,875
Planning and development	680
Health and welfare	14,250
Culture and recreation	769,502
General services	216,050
Schools	610,991
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 8,434,187</u>

**Business-type activities:**

Utility (other than electric)	\$ 5,769,655
Electric	2,065,088
E-911	195,431
	<hr/>
Total depreciation expense - business-type activities	<u>\$ 8,030,174</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Receivables, Payables, and Transfers**

The interfund transfers were as follows:

<b>Transfer out:</b>	<b>Transfer in:</b>				<b>Total</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental</b>	
General Fund	\$ (687,178)	\$ 687,178	\$	\$	\$ -
Utility Fund	691,840	4,175,059		3,140,000	8,006,899
Debt Service Fund		(8,881)	8,881		-
<b>Total Transfer Out</b>	<b>\$ 4,662</b>	<b>\$ 4,853,356</b>	<b>\$ 8,881</b>	<b>\$ 3,140,000</b>	<b>\$ 8,006,899</b>

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

**F. Net Position**

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

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

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

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

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

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

**CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**ANALYSIS OF NET INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
<b>Infrastructure - Governmental</b>				
2009 G/O Series - Refinanced	\$ 3,197,398	\$	\$ 3,197,398	
2014 G/O Series - Refunding	4,424,693		4,424,693	
Total Infrastructure - Governmental	7,622,091	-	7,622,091	
<b>Other Capital Assets - Governmental</b>				
2014 G/O Series - Refunding	7,187,394		7,187,394	
Total Other Capital Assets - Governmental	7,187,394	-	7,187,394	
<b>Total Governmental Debt</b>				\$ 14,809,485
Total Capital Assets			638,677,210	
Accumulated Depreciation			(553,620,270)	
<b>Net Capital Assets</b>				85,056,940
Net Investment in Capital Assets				\$ 70,247,455
<b>Infrastructure - Proprietary</b>				
1996B SRLFB	840,000		840,000	
2009 G/O Series - CWSRF-DL	8,930,000	39,924	8,890,076	
2009 G/O Series - Refinanced	24,250,000		24,250,000	
2009 G/O Series - CWSRF-ARRA-DL	2,365,000		2,365,000	
2009 G/O Series - DCWSRF-ARRA-DL	1,800,000		1,800,000	
2010-CWSRF-BL Sewer Warrant	5,440,000		5,440,000	
2010B-CWSRF-BL Sewer Warrant	3,185,000		3,185,000	
2011 G/O Series - CWSRF-DL	3,140,000	1,349,920	1,790,080	
2011 G/O Series - CWSRF-DL	6,625,000		6,625,000	
2014 G/O Series - CWSRF-DL	19,245,000	19,235,000	10,000	
Total Infrastructure - Proprietary	75,820,000	20,624,844	55,195,156	
<b>Total Proprietary Debt</b>				\$ 55,195,156
Total Capital Assets			228,077,934	
Accumulated Depreciation			(100,258,547)	
<b>Net Capital Assets</b>				127,819,387
Net Investment in Capital Assets				\$ 72,624,231

**THE CITY OF DOTHAN  
DOTHAN, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Leases**

*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>
2015	\$32,389
2016	17,706
2017	<u>1,760</u>
Total minimum lease payments	<u>\$51,855</u>

The rental expense for the above operating leases is \$44,869 for the year ended September 30, 2014.

**H. Long-Term Debt**

General Obligation Bonds

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

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

<u>PURPOSE</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Governmental activities	2.80 – 3.19%	\$ 8,354,634
Governmental activities – refunding	2.00 – 5.00%	10,705,000
Business-type activities	2.25 – 3.50%	74,980,000
Business-type activities – refunding	3.18%	<u>840,000</u>
		<u>\$94,879,634</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Debt (Continued)**

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

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2015	\$ 4,353,298	\$ 601,688	\$ 3,015,000	\$ 2,164,523
2016	3,973,605	488,203	3,613,379	2,116,522
2017	2,666,226	381,652	5,152,486	1,998,316
2018	2,742,701	302,477	5,024,784	1,846,213
2019	1,794,647	199,532	5,189,086	1,698,528
2020	1,881,897	123,031	5,355,456	1,545,978
2021	645,000	42,179	5,528,959	1,388,480
2022	663,440	23,738	5,709,665	1,225,808
2023	338,819	4,770	4,622,645	1,057,807
2024			4,757,972	917,005
2025			4,900,720	772,012
2026			5,050,968	622,574
2027			3,868,880	468,438
2028			2,630,000	373,811
2029			2,695,000	297,908
2030			2,780,000	220,065
2031			1,770,000	139,667
2032			1,820,000	94,934
2033			1,155,000	52,538
2034			1,180,000	26,550
<b>TOTAL</b>	<u>\$ 19,059,633</u>	<u>\$ 2,167,270</u>	<u>\$ 75,820,000</u>	<u>\$ 19,027,677</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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, 2014, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 23,616,137	\$ 10,705,000	\$ (15,261,504)	\$ 19,059,633	\$ 4,353,298
Plus: Unamortized bond premium	801,536	945,415	(839,864)	907,087	
Total Bonds Payable	24,417,673	11,650,415	(16,101,368)	19,966,720	4,353,298
Capital leases	2,002		(2,002)	-	
Estimated cost of closure and postclosure	7,012,535	235,479		7,248,014	
Compensated absences	3,172,204	311,152	(140,171)	3,343,185	2,911,599
Net OPEB obligation	9,736,508	1,545,400	(535,468)	10,746,440	
Governmental Activity Long-Term Liabilities	<u>\$ 44,340,922</u>	<u>\$ 13,742,446</u>	<u>\$ (16,779,009)</u>	<u>\$ 41,304,359</u>	<u>\$ 7,264,897</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 58,735,000	\$ 19,245,000	\$ (2,160,000)	\$ 75,820,000	\$ 3,015,000
Plus: Unamortized bond premium	109,413		(109,413)	-	
Total Bonds Payable	58,844,413	19,245,000	(2,269,413)	75,820,000	3,015,000
Compensated absences	670,592	39,223	(28,578)	681,237	575,791
Pollution remediation obligation	3,572,703		(2,486,325)	1,086,378	1,057,947
Business-Type Activity Long-Term Liabilities	<u>\$ 63,087,708</u>	<u>\$ 19,284,223</u>	<u>\$ (4,784,316)</u>	<u>\$ 77,587,615</u>	<u>\$ 4,648,738</u>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Long-Term Debt (Continued)**

On September 1, 2009, the City issued \$10,485,000 of general obligation warrants Series 2009-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Little Choctawhatchee Treatment Plant Upgrade and Interceptors. These warrants represented state revolving loan funds for which interest is calculated on the entire warrant issued even though the monies are drawn down over the construction period. As of September 30, 2014, \$9,964,513 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2014, there were \$39,924 remaining state revolving funds available.

On January 11, 2011, the City issued \$3,395,000 of general obligations warrants Series 2011-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer Enhancement Program. These warrants represented state revolving loan funds for which interest is calculated on the entire warrant issued even though the monies are drawn down over the construction period. As of September 30, 2014, \$1,925,628 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2014, there were \$1,349,920 remaining state revolving funds available.

On July 1, 2014, the City issued \$10,705,000 of general obligations warrants Series 2014 refunding warrants with interest rates of 2% to 5% for the purpose of refunding, on a current basis, the City's general obligation warrants dated July 1, 2005. The net carrying amount of the old debt exceeded the reacquisition price by \$714,622. This amount is added to the new debt and amortized over the remaining life of the refunded debt, which is the same life as old debt. This current refunding was undertaken to reduce total debt service payments over the next six years by \$925,907 and resulted in an economic gain of \$899,880.

On September 15, 2014, the City issued \$19,245,000 of general obligations warrants Series 2014-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Wastewater System Improvement Program. These warrants represented state revolving loan funds for which interest is calculated on the entire warrant issued even though the monies are drawn down over the construction period. As of September 30, 2014, \$0 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2014, there were \$19,235,000 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. Previously, each employee had a set annual maximum benefit for major medical benefits of \$1,830,000, due to the Affordable Care Act (ACA), beginning May 1, 2014, the benefits are unlimited. In order to reduce exposure, the City has purchased stop loss reinsurance for any claims in excess of \$170,000 per covered person plus an aggregating specific deductible of \$50,000 (with the exception of two (2) high claimants, with specific deductibles of \$350,000 and \$250,000) for the policy year. As of September 30, 2014, the City accrued \$786,706 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**V. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

The City became a self-insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). An excess coverage insurance policy covers individual claims in excess of \$250,000. Expenditures are recognized in the General Fund for the amount determined to fund future claims. Corresponding revenues are recognized in the General Fund. As of September 30, 2014, the City accrued the actuarially determined undiscounted amount of \$1,558,000, which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City is also self-insured for workers compensation claims. An excess coverage insurance policy covers individual claims in excess of \$750,000. The City has contracted with outside parties for claims administration. Expenditures are recognized in the General Fund for the amount determined to fund future claims. The revenues are recognized in the General Fund. As of September 30, 2014, the City accrued the actuarially determined undiscounted amount of \$1,368,000, which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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

The following is a summary of changes in the aggregate claims liability amount during fiscal years 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Liability beginning balance	\$ 4,824,376	\$ 5,246,427
Claims and changes in estimates	9,642,937	10,069,643
Claim payments	(10,754,607)	(10,491,694)
Liability ending balance	\$ 3,712,706	\$ 4,824,376
Due in one year or less	\$ 3,712,706	\$ 4,824,376

**B. Related Party Transactions**

There were no material related party transactions to disclose.

**C. Subsequent Events**

The City did not have any other subsequent events requiring disclosures or recording in these financial statements through March 4, 2015, which is the date these financial statements were available to be issued.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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 judgments.

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

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

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

**Pollution Remediation Obligation**

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

The City has recorded a liability, which totals \$1,086,378 at September 30, 2014, to address the environmental issues associated with the wastewater treatment and collection system. The estimate of costs used to establish the liability was developed by engineers and City personnel for legal and site analysis necessary to address these issues. The liability was determined using the expected cash flow technique, which measured the liability as the sum of probability-weighted amounts within the range of possible amounts. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation liability does not reflect any recovery of outlays because the City does not anticipate that it will be able to recover any remediation costs from other parties. The City's ultimate liability is undeterminable at this time; however, it is expected to be material.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**V. OTHER INFORMATION (Continued)**

**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. This applies to retirees that were hired prior to January 1, 2009.

*Retiree Premium Contributions.* Retirees are required to pay the following premiums as of September 30, 2014:

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

The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended September 30, 2014, the City contributed \$535,468 to the plan and plan members receiving benefits contributed \$894,381.

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

Annual required contribution	\$ 1,515,696
Interest on net OPEB obligation	389,460
Adjustment to annual required contribution	( 359,756)
Annual OPEB cost (expense)	1,545,400
Contributions made	( 535,468)
Increase in net OPEB obligation	1,009,932
Net OPEB obligation – beginning of year	<u>9,736,508</u>
Net OPEB obligation – end of year	<u>\$10,746,440</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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 2014 is as follows:

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL OPEB COST</u>	<u>PERCENTAGE ANNUAL OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
09/30/09	\$ 2,696,202	23.49%	\$ 4,292,481
09/30/10	2,141,152	26.36%	5,869,161
09/30/11	2,027,003	26.58%	7,357,441
09/30/12	1,796,895	30.21%	8,611,468
09/30/13	1,667,727	32.54%	9,736,508
09/30/14	1,545,400	34.65%	10,746,440

*Funded Status and Funding Progress.* As of September 30, 2013, the most recent actuarial valuation date, the plan was 2.38% funded. The actuarial accrued liability for benefits was \$21,484,541, and the actuarial value of assets was \$511,627, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,972,914. The covered payroll (annual payroll of active employees covered by the plan) was \$41,357,182, and the ratio of the UAAL to the covered payroll was 50.71%.

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, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expense), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.50% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates included a 3.25% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2013, was thirty years.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**V. OTHER INFORMATION (Continued)**

**F. Employee Retirement System and Pension Plans**

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

The City contributes to the Employees' Retirement System of Alabama ("System"), a qualified defined benefit plan which acts as a common investment and administrative agent for all State agencies and departments as well as for cities and counties which elect to participate in the System. Separate reports on the pension plan were not issued for each agent employer. However, the Retirement System issues a publicly available report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36104 or by calling (334) 517-7306.

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

Prior to January 1, 2012, covered employees were required by State statute to contribute five percent (5%) of their earnable compensation; fire fighters and law enforcement officers were required to contribute six percent (6%) of their earnable compensation to the System. Effective January 1, 2012, covered employees were required to contribute seven and quarter percent (7.25%) of their earnable compensation; fire fighters and law enforcement officers were required to contribute eight and quarter percent (8.25%) of their earnable compensation to the System. Effective October 1, 2012, covered employees are required to contribute seven and half percent (7.50%) of their earnable compensation; fire fighters and law enforcement officers are required to contribute eight and half percent (8.50%) of their earnable compensation to the System. Covered employees with a hire date on January 1, 2013 or later (Tier 2 employees) are required to contribute six percent (6%) of their earnable compensation; fire fighters and law enforcement officers are required to contribute seven percent (7%) of their earnable compensation to the system. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year ended September 30, 2014 was 21.44% for tier 1 employees and 20.99% for tier 2 employees of covered payroll.

The City's annual pension cost of \$10,008,831 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2013 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 8.0%, b) projected annual rate of salary increases ranging from 3.75% to 7.25%, based on age, and c) no cost-of-living adjustments. Both a) and b) included an inflation component of 3.00%. The actuarial value of the plan's assets was determined using the 5-year smoothed market value of investments. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2013, was 25 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**V. OTHER INFORMATION (Continued)**

**F. Employee Retirement System and Pension Plans (Continued)**

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION (NPO)</u>
09/30/11	\$ 10,397,858	100%	\$ 0
09/30/12	9,252,745	100%	0
09/30/13	9,597,735	100%	0

**Funded Status**

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Percentage of Covered Payroll ((b-a)/c)</u>
09/30/13	\$ 90,510,217	\$ 218,359,442	\$ 127,849,225	41.5%	\$ 42,262,463	302.5%

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. Beaver Creek Basin Sewer Rehab Project**

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or cured-in-place lining of various-sized sanitary sewer lines in Sewer Basin 3, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$110,784 expended through the audit report date. The South Saint Andrews Street portion was completed in 2014 by American Infrastructure Technologies Corporation at a cost of \$418,691. The project is estimated to cost \$1,242,000 and is being funded with State Revolving Loan funds.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**V. OTHER INFORMATION (Continued)**

**G. Construction and Other Significant Commitments (Continued)**

**2. Denton Road Widening**

The City began widening Denton Road in 2012. A contract was awarded to CDG Engineers & Associates, Inc. in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$323,705 has been expended through the date of the audit report. In October 2013 a \$175,326 contract was awarded to CDG Engineers & Associates, Inc. for the bridge design and right-of-way acquisition services for the additional lanes; \$68,935 has been expended as of the audit report date.

**3. Doug Tew Center Renovation**

The City awarded a contract to Diversified General Contractors LLC for the Doug Tew Center Renovation project in January 2014 in the amount of \$1,063,000 plus additional change orders for \$17,604 for a total of \$1,080,604. The contract consisted of replacing the roof and electrical and HVAC systems, as well as renovating the front restrooms to meet the Americans with Disabilities Act. Architectural services were completed by Bradley & Schmidt Architecture, PLLC for \$68,658. The project was completed in July 2014 with a total cost of \$1,153,961.

**4. Tuscaloosa Test Well**

The City awarded a contract to Polyengineering, Inc. in June 2013 to provide engineering consulting services in the amount of \$200,000 to locate a well site and to prepare well plans and specifications for the construction of a deep-water well in the Tuscaloosa Formation. This included services for a pilot study to determine the best water treatment process to utilize this source of water for a potable water system. As of the audit report date, \$161,177 has been expended. In May 2014 the City entered into a contract with Layne Christensen Company in the amount of \$630,031 to construct the well and to perform the pilot study. As of the audit report date, \$472,963 has been expended.

**5. Rock Creek Trunk Line Rehab**

In July 2012, the City entered into a contract with CDG Engineers & Associates, Inc. for professional consulting services for the Rock Creek Trunk Line Rehabilitation to inspect and design the replacement and rehabilitation of approximately 11,000 linear feet of 15-18" trunk line, including replacement and rehab of manholes at a cost of \$224,500. Total expended as of the audit report is \$223,371. In September 2013 the City entered into a contract with Blankenship Contracting for the rehabilitation project in the amount of \$1,195,950. A change order was issued in December 2013 for \$54,590, making the adjusted contract total \$1,250,540. As of the audit report date, \$1,188,348 has been expended.

**6. Whatley Connector Main**

In March 2014, a contract was awarded to Vellano Brothers, Inc. for materials in the amount of \$441,290 for a 20" connector water transmission main. The \$441,290 has been expended and the transmission main installation is currently under construction by City of Dothan forces. This project completes a critical transmission main loop that will move water from large producing wells in the northwest area of Dothan to the high demand areas on the west side of Dothan. Total project cost to date is \$531,855.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**V. OTHER INFORMATION (Continued)**

**G. Construction and Other Significant Commitments (Continued)**

**7. *Fiber Optic System***

The Fiber Optic System project consists of upgrading current network infrastructure to increase reliability and sustainability for ever-increasing communication demands. This system will incorporate public safety facilities, water wells, substations, and other city infrastructures. As of the audit report date, \$1,340,689 has been expended.

**8. *Westgate Recreation Center – HVAC Replacement and Locker Room Renovations***

In February 2014, a contract in the amount of \$498,350 was awarded to Saliba Construction Company, Inc. to replace the HVAC system in the locker rooms, classroom, racquetball courts and lobby at the Westgate Recreation Center. The contract also called for replacing the lighting and ceilings in the locker rooms and pool offices, and for replacing the carpeting in the hallways and physical fitness room. The project was designed and bid by G. Mark Pepe Architect and was completed July 2014 at a cost of \$491,594.

**9. *Civic Center Remodeling***

In January 2014, a contract in the amount of \$385,981 less a change order for \$14,349 was awarded to GenCon Associates, Inc. to remodel the restrooms, the ground floor meeting rooms and the ground floor concession stand at the Dothan Civic Center. The project was designed and bid by Waid Parrish & Associates at a cost of \$27,000, and the project was completed September 2014 with \$398,632 being capitalized.

**10. *Landfill Expansion on Ennis Road***

In March 2014, the City purchased 182 acres of land at a cost of \$911,850 for the expansion of an existing landfill facility. In April a contract in the amount of \$484,658 was awarded to CDG Engineers & Associates, Inc. for design and permitting of the expansion. \$339,261 has been expended to date. Alabama Power began efforts to relocate approximately 3,300 linear feet of transmission line at an estimated cost of \$317,189, with \$234,955 expended to date. As of the audit report date, the total project cost including land is \$1,553,348.

**11. *James O. Oates Park Phase 1***

In February 2013, a contract in the amount of \$365,477 was awarded to Lose and Associates for Phase 1 of the development of James O. Oates Park on an 87 acre tract at the intersection of Taylor Road and Campbellton Highway. The master plan and preliminary grading plan for a six-field Dixie Boys baseball complex and a six-field girls' softball complex was provided at a cost of \$60,000 by Lose and Associates. The total project cost for Phase 1 is estimated to be \$11,500,000 with \$2,000,000 being funded by the Dothan Area Convention and Visitors Bureau. Total costs to date are \$455,079.

**12. *Andrew Belle Aquatic Complex***

In December 2014, a contract in the amount of \$998,000 was awarded to Hughes Brothers Construction, LLC for the Andrew Belle Aquatic Complex project, which will consist of a recreation pool and bath house/office. The project was designed by Lose and Associates, and is expected to cost \$1,329,130, with \$500,000 being funded by the Wiregrass Foundation. Expected completion date is July 2015.

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**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Taxes	\$ 64,765,000	\$ 64,765,000	\$ 69,484,071	\$ 4,719,071
Licenses and permits	3,341,700	3,341,700	3,936,385	594,685
Intergovernmental	1,623,000	3,034,994	3,732,007	697,013
Charges for services	5,731,500	5,734,225	6,630,656	896,431
Fines and forfeitures	1,733,500	1,782,079	1,860,204	78,125
Interest	148,500	148,500	128,550	(19,950)
Miscellaneous	2,164,941	2,239,151	2,474,277	235,126
<b>Total Revenues</b>	<u>79,508,141</u>	<u>81,045,649</u>	<u>88,246,150</u>	<u>7,200,501</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
General administrative	3,508,715	5,229,950	4,250,805	979,145
Information system/Technology	2,991,469	3,539,772	3,357,398	182,374
Budget and finance	1,099,030	1,099,030	1,073,705	25,325
Personnel services	2,395,705	2,367,736	2,049,092	318,644
Judicial department	1,079,432	1,075,881	1,044,504	31,377
Public safety:				
Fire department	13,720,592	13,871,034	13,610,826	260,208
Police department	18,752,232	18,535,026	17,798,905	736,121
Public works:				
Street department	6,043,991	7,331,396	4,336,906	2,994,490
Engineering department	2,850,748	2,704,969	2,692,660	12,309
Environmental services	5,958,293	6,724,141	6,700,205	23,936
Planning and development	2,401,442	2,682,751	2,136,277	546,474
Health and welfare	3,826,561	3,997,933	3,959,138	38,795
Culture and recreation:				
Recreation	7,918,406	7,885,961	7,141,766	744,195
Culture	1,866,827	1,887,855	2,077,125	(189,270)
General services:				
Administration	339,296	341,491	325,456	16,035
Facility	1,722,051	1,694,480	1,358,067	336,413
Fleet	2,423,782	2,423,853	2,273,073	150,780
Insurance department	1,910,253	2,260,253	452,688	1,807,565
Capital outlay	13,579,140	19,893,489	10,031,040	9,862,449
<b>Total Expenditures</b>	<u>94,387,965</u>	<u>105,547,001</u>	<u>86,669,636</u>	<u>18,877,365</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(14,879,824)</u>	<u>(24,501,352)</u>	<u>1,576,514</u>	<u>26,077,866</u>

(Continued on page 66)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	\$ 4,797,766	\$ 6,475,113	\$ 4,662	\$ (6,470,451)
<b>Total Other Financing Sources (Uses)</b>	<u>4,797,766</u>	<u>6,475,113</u>	<u>4,662</u>	<u>(6,470,451)</u>
<b>Net Change in Fund Balances</b>	(10,082,058)	(18,026,239)	1,581,176	19,607,415
<b>Fund Balances - Beginning</b>	<u>10,082,058</u>	<u>18,026,239</u>	<u>44,298,794</u>	<u>26,272,555</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,879,970</u>	<u>\$ 45,879,970</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, 2014**

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS * (A)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (B) <sup>1</sup>	UNFUNDED AAL (UAAL) (B - A)	FUNDED RATIO (A / B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (B - A) / C
09/30/09	\$ 75,722,433	\$ 200,530,979	\$ 124,808,546	37.8%	\$ 40,418,300	308.8%
09/30/10 <sup>2</sup>	79,028,629	205,860,315	126,831,686	38.4%	40,028,219	316.9%
09/30/11 <sup>3,4</sup>	80,742,729	208,236,622	127,493,893	38.8%	39,148,926	325.7%
09/30/12 <sup>3,5</sup>	82,880,441	204,177,323	121,296,882	40.6%	38,252,901	317.1%
09/30/13 <sup>3,6</sup>	90,510,217	218,359,442	127,849,225	41.5%	42,262,463	302.5%

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

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

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

<sup>4</sup> Reflects changes in actuarial assumptions.

<sup>5</sup> Reflects changes to interest smoothing methodology.

<sup>6</sup> Reflects implementation of Board Funding Policy.

\* The actuarial value of assets was set equal to the market value of assets as of September 30, 2013.

Market Value of Assets as of September 30, 2013: \$94,817,792.

**NOTES TO TREND INFORMATION**

Valuation date	September 30, 2013
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Ultimate investment rate of return (discount rate)**	8.00%
Projected salary increases**	3.75 - 7.25%
**Includes inflation at	3.00%
Cost of living adjustments	None

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**REQUIRED SUPPLEMENTARY INFORMATION - RETIREE HEALTHCARE PLAN SCHEDULES**  
**SCHEDULE OF FUNDING PROGRESS**  
**SEPTEMBER 30, 2014**

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
09/30/09	\$ 502,005	\$ 29,210,498	\$ 28,708,493	1.7%	\$ 38,893,910	73.80%
09/30/10	504,917	29,123,855	28,618,938	1.7%	39,477,456	72.49%
09/30/11	508,095	24,193,126	23,685,031	2.1%	38,646,631	61.29%
09/30/12	510,090	22,820,497	22,310,407	2.2%	37,536,318	59.44%
09/30/13	511,627	21,484,541	20,972,914	2.4%	41,357,182	50.71%

**NOTES TO TREND INFORMATION**

Valuation date	September 30, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return*	4.00%
ARC adjustment factor	27.0642
Medical cost trend rate	8.50% - 5.00%
Year of Ultimate trend rate	2018
*Includes inflation at	3.25%

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Special assessments	\$ 4,000	\$ 4,000	\$ 1,338	\$ (2,662)
Interest from funds invested and special assessments		8,258	8,567	309
<b>Total Revenues</b>	<u>4,000</u>	<u>12,258</u>	<u>9,905</u>	<u>(2,353)</u>
<b>EXPENDITURES:</b>				
General administrative	4,000	4,000	68	3,932
Principal retirement	4,147,949	15,263,508	15,263,505	3
Interest	941,475	1,263,900	1,249,993	13,907
<b>Total Expenditures</b>	<u>5,093,424</u>	<u>16,531,408</u>	<u>16,513,566</u>	<u>17,842</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(5,089,424)</u>	<u>(16,519,150)</u>	<u>(16,503,661)</u>	<u>15,489</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	5,089,424	5,160,146	4,934,428	(225,718)
Transfers out		(81,073)	(81,072)	1
Issuance of debt		11,438,607	11,650,415	211,808
<b>Total Other Financing Sources (Uses)</b>	<u>5,089,424</u>	<u>16,517,680</u>	<u>16,503,771</u>	<u>(13,909)</u>
<b>Net Change in Fund Balance</b>	-	(1,470)	110	1,580
<b>Fund Balances - Beginning</b>		1,470	191	(1,279)
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301</u>	<u>\$ 301</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Interest from funds invested	\$	\$	834	834
<b>Total Revenues</b>	-	-	834	834
<b>EXPENDITURES:</b>				
Public works	1,351,753	1,362,792	1,362,791	1
<b>Total Expenditures</b>	1,351,753	1,362,792	1,362,791	1
<b>Excess of Revenues over (under) Expenditures</b>	(1,351,753)	(1,362,792)	(1,361,957)	835
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in		8,881	8,881	-
<b>Total Other Financing Sources (Uses)</b>	-	8,881	8,881	-
<b>Net Change in Fund Balances</b>	(1,351,753)	(1,353,911)	(1,353,076)	835
<b>Fund Balances - Beginning</b>	1,351,753	1,353,911	1,353,085	(826)
<b>Fund Balances - Ending</b>	\$ -	\$ -	\$ 9	\$ 9

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SCHOOL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Taxes	\$ 300,000	\$ 300,000	\$ 257,850	\$ (42,150)
Interest earned	500	500	259	(241)
<b>Total Revenues</b>	<u>300,500</u>	<u>300,500</u>	<u>258,109</u>	<u>(42,391)</u>
<b>EXPENDITURES:</b>				
Intergovernmental:				
Subsidies to agencies	3,738,286	3,738,286	3,738,286	-
Obligations/expenses paid for schools	137,490	148,400	82,422	65,978
Other support - schools	101,905	90,995	58,461	32,534
<b>Total Expenditures</b>	<u>3,977,681</u>	<u>3,977,681</u>	<u>3,879,169</u>	<u>98,512</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(3,677,181)</u>	<u>(3,677,181)</u>	<u>(3,621,060)</u>	<u>56,121</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,677,181	3,677,181	3,140,000	(537,181)
<b>Net Change in Fund Balance</b>	-	-	(481,060)	(481,060)
<b>Fund Balance - Beginning</b>			543,740	543,740
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,680</u>	<u>\$ 62,680</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL**  
**UTILITY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
Electric department	\$ 93,615,000	\$ 92,240,602	\$ (1,374,398)
Water department	9,232,000	8,703,685	(528,315)
Sewer department	9,866,565	13,997,247	4,130,682
Delinquent fees - combined utilities	990,000	1,068,799	78,799
Other revenue	912,391	1,018,656	106,265
Interest from funds invested	75,000	90,472	15,472
<b>Total Utility Revenues</b>	<b>114,690,956</b>	<b>117,119,461</b>	<b>2,428,505</b>
<b>OPERATING EXPENSES:</b>			
Electric department	82,122,554	80,159,130	1,963,424
Water department	5,510,825	4,529,883	980,942
Sewer department	9,969,333	6,062,445	3,906,888
Billing collection department	1,967,657	1,931,360	36,297
Meter reading department	827,925	827,914	11
Combined utility expense:			
Capital outlay	5,638,611	4,004,179	1,634,432
Miscellaneous expenses	207,504	(43,398)	250,902
Interest and fiscal charges	2,088,099	1,876,246	211,853
Bond issuance costs	14,444		14,444
Principal on bonds and capital leases	2,160,000	2,160,000	-
Depreciation	8,231,886	7,834,743	397,143
<b>Total Expenses</b>	<b>118,738,838</b>	<b>109,342,502</b>	<b>9,396,336</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>\$ (4,047,882)</b>	<b>\$ 7,776,959</b>	<b>\$ 11,824,841</b>

(Continued on page 73)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL**  
**UTILITY FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers (out)	\$ (15,240,248)	\$ (8,006,899)	\$ 7,233,349
Gain (loss) on disposition of capital assets		(691,363)	(691,363)
Issuance of debt		19,245,000	19,245,000
<b>Total Other Financing Sources (Uses)</b>	(15,240,248)	10,546,738	25,786,986
<b>Excess of Revenues Over Expenses per Budget Ordinances</b>	(19,288,130)	18,323,697	37,611,827
Capital contributions		142,625	142,625
Adjustment for capital outlay, principal payments on bonds and capital leases	(13,080,821)	(13,080,821)	-
<b>Total Net Position - Beginning</b>	19,288,130	107,578,027	88,289,897
<b>Total Net Position - Ending</b>	\$ (13,080,821)	\$ 112,963,528	\$ 126,044,349

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

Capital outlay expense	\$ 4,004,179
Principal payment on bonds	2,160,000
Bond proceeds	(19,245,000)
<b>Total Adjustments</b>	<b>\$ (13,080,821)</b>

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**  
**2015-2034**

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	
2015	\$ 2,593,436	\$ 2,361,550	\$ 296,712	\$ 4,882,812	\$ 10,134,510
2016	2,095,058	2,366,750	298,126	5,431,775	10,191,709
2017	687,178	2,360,700	299,222	6,851,580	10,198,680
2018	687,178	2,358,000		6,870,997	9,916,175
2019	687,179	1,307,000		6,887,614	8,881,793
2020	687,178	1,317,750		6,901,434	8,906,362
2021	687,179			6,917,439	7,604,618
2022	687,178			6,935,473	7,622,651
2023	343,589			5,680,452	6,024,041
2024				5,674,976	5,674,976
2025				5,672,732	5,672,732
2026				5,673,542	5,673,542
2027				4,337,318	4,337,318
2028				3,003,811	3,003,811
2029				2,992,908	2,992,908
2030				3,000,065	3,000,065
2031				1,909,667	1,909,667
2032				1,914,934	1,914,934
2033				1,207,538	1,207,538
2034				1,206,550	1,206,550
	<u>\$ 9,155,153</u>	<u>\$ 12,071,750</u>	<u>\$ 894,060</u>	<u>\$ 93,953,617</u>	<u>\$ 116,074,580</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION SEWER WARRANTS - SERIES 1996B-SRF**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2015	3.18%	\$ 13,356	\$ 13,356	\$ 270,000	\$ 296,712
2016	3.18%	9,063	9,063	280,000	298,126
2017	3.18%	4,611	4,611	290,000	299,222
		<u>\$ 27,030</u>	<u>\$ 27,030</u>	<u>\$ 840,000</u>	<u>\$ 894,060</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009 - REFINANCED**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2015	3.19%	\$ 437,786	\$ 423,397	\$ 902,131	\$ 916,519	\$ 2,679,833
2016	3.19%	408,779	393,927	931,138	945,990	2,679,834
2017	3.19%	378,838	363,509	961,078	976,407	2,679,832
2018	3.19%	347,935	332,113	991,981	1,007,803	2,679,832
2019	3.19%	316,039	299,708	1,023,878	1,040,208	2,679,833
2020	3.19%	283,117	266,261	1,056,800	1,073,656	2,679,834
2021	3.19%	249,136	231,738	1,090,781	1,108,179	2,679,834
2022	3.19%	214,063	196,105	1,125,854	1,143,811	2,679,833
2023	3.19%	177,861	159,327	1,162,055	1,180,590	2,679,833
2024	3.19%	140,496	121,365	1,199,420	1,218,551	2,679,832
2025	3.19%	101,930	82,184	1,237,987	1,257,733	2,679,834
2026	3.19%	62,123	41,742	1,277,794	1,298,175	2,679,834
2027	3.19%	21,036		1,318,880		1,339,916
		<u>\$ 3,139,139</u>	<u>\$ 2,911,376</u>	<u>\$ 14,279,777</u>	<u>\$ 13,167,622</u>	<u>\$ 33,497,914</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2015	3.50%	\$ 156,275	\$ 156,275	\$ 425,000	\$ 737,550
2016	3.50%	148,838	148,837	440,000	737,675
2017	3.50%	141,137	141,138	455,000	737,275
2018	3.50%	133,175	133,175	470,000	736,350
2019	3.50%	124,950	124,950	485,000	734,900
2020	3.50%	116,463	116,462	505,000	737,925
2021	3.50%	107,625	107,625	525,000	740,250
2022	3.50%	98,437	98,438	540,000	736,875
2023	3.50%	88,988	88,987	560,000	737,975
2024	3.50%	79,187	79,188	580,000	738,375
2025	3.50%	69,038	69,037	600,000	738,075
2026	3.50%	58,537	58,538	625,000	742,075
2027	3.50%	47,600	47,600	645,000	740,200
2028	3.50%	36,313	36,312	670,000	742,625
2029	3.50%	24,587	24,588	690,000	739,175
2030	3.50%	12,512	12,513	715,000	740,025
		<u>\$ 1,443,662</u>	<u>\$ 1,443,663</u>	<u>\$ 8,930,000</u>	<u>\$ 11,817,325</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF/ARRA-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2015	3.50%	\$ 41,388	\$ 41,388	\$ 110,000	\$ 192,776
2016	3.50%	39,462	39,462	115,000	193,924
2017	3.50%	37,450	37,450	120,000	194,900
2018	3.50%	35,350	35,350	125,000	195,700
2019	3.50%	33,162	33,162	130,000	196,324
2020	3.50%	30,887	30,887	135,000	196,774
2021	3.50%	28,525	28,525	140,000	197,050
2022	3.50%	26,075	26,075	145,000	197,150
2023	3.50%	23,537	23,537	150,000	197,074
2024	3.50%	20,912	20,912	155,000	196,824
2025	3.50%	18,200	18,200	160,000	196,400
2026	3.50%	15,400	15,400	165,000	195,800
2027	3.50%	12,513	12,513	170,000	195,026
2028	3.50%	9,538	9,538	175,000	194,076
2029	3.50%	6,475	6,475	180,000	192,950
2030	3.50%	3,325	3,325	190,000	196,650
		<u>\$ 382,199</u>	<u>\$ 382,199</u>	<u>\$ 2,365,000</u>	<u>\$ 3,129,398</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009 - DCWSRF/ARRA-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2015	3.50%	\$ 31,500	\$ 31,500	\$ 85,000	\$ 148,000
2016	3.50%	30,013	30,013	90,000	150,026
2017	3.50%	28,438	28,438	90,000	146,876
2018	3.50%	26,863	26,863	95,000	148,726
2019	3.50%	25,200	25,200	100,000	150,400
2020	3.50%	23,450	23,450	100,000	146,900
2021	3.50%	21,700	21,700	105,000	148,400
2022	3.50%	19,862	19,862	110,000	149,724
2023	3.50%	17,938	17,938	115,000	150,876
2024	3.50%	15,925	15,925	115,000	146,850
2025	3.50%	13,912	13,912	120,000	147,824
2026	3.50%	11,812	11,812	125,000	148,624
2027	3.50%	9,625	9,625	130,000	149,250
2028	3.50%	7,350	7,350	135,000	149,700
2029	3.50%	4,987	4,987	140,000	149,974
2030	3.50%	2,537	2,537	145,000	150,074
		<u>\$ 291,112</u>	<u>\$ 291,112</u>	<u>\$ 1,800,000</u>	<u>\$ 2,382,224</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010-CWSRF-BL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2015	2.61%	\$ 70,992	\$ 70,992	\$ 590,000	\$ 731,984
2016	2.61%	63,293	63,293	615,000	741,586
2017	2.61%	55,267	55,267	640,000	750,534
2018	2.61%	46,915	46,915	665,000	758,830
2019	2.61%	38,237	38,237	690,000	766,474
2020	2.61%	29,232	29,232	720,000	778,464
2021	2.61%	19,836	19,836	745,000	784,672
2022	2.61%	10,114	10,114	775,000	795,228
		<u>\$ 333,886</u>	<u>\$ 333,886</u>	<u>\$ 5,440,000</u>	<u>\$ 6,107,772</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010B-CWSRF-BL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2015	2.50%	\$ 39,813	\$ 39,812	\$ 345,000	\$ 424,625
2016	2.50%	35,500	35,500	360,000	431,000
2017	2.50%	31,000	31,000	375,000	437,000
2018	2.50%	26,313	26,312	390,000	442,625
2019	2.50%	21,438	21,437	405,000	447,875
2020	2.50%	16,375	16,375	420,000	452,750
2021	2.50%	11,125	11,125	435,000	457,250
2022	2.50%	5,688	5,687	455,000	466,375
		<u>\$ 187,252</u>	<u>\$ 187,248</u>	<u>\$ 3,185,000</u>	<u>\$ 3,559,500</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
2015	3.10%	\$ 48,670	\$ 46,578	\$ 135,000	\$ 230,248
2016	3.10%	46,578	44,485	135,000	226,063
2017	3.10%	44,485	42,315	140,000	226,800
2018	3.10%	42,315	40,068	145,000	227,383
2019	3.10%	40,068	37,743	150,000	227,811
2020	3.10%	37,743	35,340	155,000	228,083
2021	3.10%	35,340	32,860	160,000	228,200
2022	3.10%	32,860	30,303	165,000	228,163
2023	3.10%	30,303	27,667	170,000	227,970
2024	3.10%	27,667	24,955	175,000	227,622
2025	3.10%	24,955	22,165	180,000	227,120
2026	3.10%	22,165	19,297	185,000	226,462
2027	3.10%	19,297	16,352	190,000	225,649
2028	3.10%	16,352	13,252	200,000	229,604
2029	3.10%	13,252	10,075	205,000	228,327
2030	3.10%	10,075	6,820	210,000	226,895
2031	3.10%	6,820	3,487	215,000	225,307
2032	3.10%	3,487		225,000	228,487
		<u>\$ 502,432</u>	<u>\$ 453,762</u>	<u>\$ 3,140,000</u>	<u>\$ 4,096,194</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
2015	2.90%	\$ 96,063	\$ 96,062	\$ 285,000	\$ 477,125
2016	2.90%	91,930	91,930	290,000	473,860
2017	2.90%	87,725	87,725	300,000	475,450
2018	2.90%	83,375	83,375	310,000	476,750
2019	2.90%	78,880	78,880	320,000	477,760
2020	2.90%	74,240	74,240	330,000	478,480
2021	2.90%	69,455	69,455	340,000	478,910
2022	2.90%	64,525	64,525	350,000	479,050
2023	2.90%	59,450	59,450	360,000	478,900
2024	2.90%	54,230	54,230	370,000	478,460
2025	2.90%	48,865	48,865	380,000	477,730
2026	2.90%	43,355	43,355	390,000	476,710
2027	2.90%	37,700	37,700	405,000	480,400
2028	2.90%	31,828	31,827	415,000	478,655
2029	2.90%	25,810	25,810	425,000	476,620
2030	2.90%	19,648	19,647	440,000	479,295
2031	2.90%	13,268	13,267	450,000	476,535
2032	2.90%	6,743	6,742	465,000	478,485
		<u>\$ 987,090</u>	<u>\$ 987,085</u>	<u>\$ 6,625,000</u>	<u>\$ 8,599,175</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2013**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2015	2.80%	\$ 72,602	\$ 69,928	\$ 270,987	\$ 273,661	\$ 687,178
2016	2.80%	65,294	62,029	278,295	281,561	687,179
2017	2.80%	57,053	53,899	286,536	289,691	687,179
2018	2.80%	48,941	45,535	294,648	298,053	687,177
2019	2.80%	40,598	36,934	302,992	306,655	687,179
2020	2.80%	32,192	28,089	311,397	315,500	687,178
2021	2.80%	23,190	18,989	320,399	324,600	687,178
2022	2.80%	14,110	9,628	329,480	333,961	687,179
2023	2.80%	4,770		338,819		343,589
		<u>\$ 358,750</u>	<u>\$ 325,031</u>	<u>\$ 2,733,553</u>	<u>\$ 2,423,682</u>	<u>\$ 5,841,016</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2014**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE MARCH 1	DUE SEPTEMBER 1	DUE SEPTEMBER 1	SERVICE
2015	2.00%	\$ 185,775	\$ 185,775	\$ 1,990,000	\$ 2,361,550
2016	3.00%	165,875	165,875	2,035,000	2,366,750
2017	3.00%	135,350	135,350	2,090,000	2,360,700
2018	4.00%	104,000	104,000	2,150,000	2,358,000
2019	5.00%	61,000	61,000	1,185,000	1,307,000
2020	5.00%	31,375	31,375	1,255,000	1,317,750
		<u>\$ 683,375</u>	<u>\$ 683,375</u>	<u>\$ 10,705,000</u>	<u>\$ 12,071,750</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2014-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2014**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
2015	2.25%	\$ 180,422	\$ 216,506	\$ 770,000	\$ 1,166,928
2016	2.25%	207,844	207,844	790,000	1,205,688
2017	2.25%	198,956	198,956	805,000	1,202,912
2018	2.25%	189,900	189,900	825,000	1,204,800
2019	2.25%	180,619	180,619	845,000	1,206,238
2020	2.25%	171,113	171,112	860,000	1,202,225
2021	2.25%	161,437	161,437	880,000	1,202,874
2022	2.25%	151,538	151,538	900,000	1,203,076
2023	2.25%	141,412	141,412	925,000	1,207,824
2024	2.25%	131,006	131,006	945,000	1,207,012
2025	2.25%	120,375	120,375	965,000	1,205,750
2026	2.25%	109,519	109,519	985,000	1,204,038
2027	2.25%	98,438	98,438	1,010,000	1,206,876
2028	2.25%	87,075	87,075	1,035,000	1,209,150
2029	2.25%	75,431	75,431	1,055,000	1,205,862
2030	2.25%	63,563	63,563	1,080,000	1,207,126
2031	2.25%	51,412	51,412	1,105,000	1,207,824
2032	2.25%	38,981	38,981	1,130,000	1,207,962
2033	2.25%	26,269	26,269	1,155,000	1,207,538
2034	2.25%	13,275	13,275	1,180,000	1,206,550
		<u>\$ 2,398,585</u>	<u>\$ 2,434,668</u>	<u>\$ 19,245,000</u>	<u>\$ 24,078,253</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**SEPTEMBER 30, 2014**

**CAPITAL ASSETS:**

Land and easements	\$ 11,078,493
Buildings	80,969,068
Improvements other than buildings	44,134,667
Machinery and equipment	47,811,502
Infrastructure	452,754,628
Construction in progress	1,928,852
<b>Total Capital Assets</b>	<b>\$ 638,677,210</b>

**INVESTMENTS IN CAPITAL ASSETS FROM:**

Capital Projects Funds:	
General obligation bonds	\$ 57,288,502
Grants	19,849,251
General fund revenues	557,610,487
Special revenue fund revenues	243,851
Gifts	3,612,781
Utility fund revenues	72,338
<b>Total Investment in Capital Assets</b>	<b>\$ 638,677,210</b>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2014**

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government:							
Control:							
General administrative	\$ 1,638,231	\$ 2,555,267	\$ 2,967,585	\$ 391,596	\$	\$	\$ 7,552,679
Staff Agencies:							
Information system/Technology		90,914	881,339	7,099,725			8,071,978
Budget and finance		276,022		44,237			320,259
Personnel services				5,009			5,009
Total Staff Agencies	-	366,936	881,339	7,148,971	-	-	8,397,246
Total General Government	1,638,231	2,922,203	3,848,924	7,540,567	-	-	15,949,925
Public Safety:							
Fire department	438,378	6,363,962	949,341	7,637,391		490,474	15,879,546
Police department	15,332	6,130,234	7,980,903	14,246,043			28,372,512
Total Public Safety	453,710	12,494,196	8,930,244	21,883,434	-	490,474	44,252,058
Public Works:							
Street department	210,837	40,110	2,244,065	4,712,780	448,721,923	582,142	456,511,857
Environmental services	2,726,060	1,042,790	4,902,563	8,548,746		203,556	17,423,715
Special assessments	25,000		7,308,292				7,333,292
Health and welfare	106,381	599,781	30,782				736,944
Engineering department	563,634	979,632	186,056	1,540,325	4,032,705	18,525	7,320,877
Culture and recreation	4,369,861	19,378,790	14,544,529	2,212,279		634,155	41,139,614
General services		1,455,946	1,910,515	232,131			3,598,592
Equipment maintenance		1,268,530	228,697	1,141,240			2,638,467
Schools	984,779	40,787,090					41,771,869
Total Other	8,986,552	65,552,669	31,355,499	18,387,501	452,754,628	1,438,378	578,475,227
<b>Total Capital Assets</b>	<b>\$ 11,078,493</b>	<b>\$ 80,969,068</b>	<b>\$ 44,134,667</b>	<b>\$ 47,811,502</b>	<b>\$ 452,754,628</b>	<b>\$ 1,928,852</b>	<b>\$ 638,677,210</b>

**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, 2014**

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2013	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2014
General Government:				
Control:				
General administrative	\$ 7,521,499	\$ 31,180	\$	\$ 7,552,679
Staff Agencies:				
Information system/Technology	6,830,762	1,256,312	15,096	8,071,978
Budget and finance	320,259			320,259
Personnel services	5,009			5,009
Total Staff Agencies	7,156,030	1,256,312	15,096	8,397,246
Total General Government	14,677,529	1,287,492	15,096	15,949,925
Public Safety:				
Fire department	15,350,647	61,925	23,500	15,389,072
Police department	27,911,448	737,146	276,082	28,372,512
Total Public Safety	43,262,095	799,071	299,582	43,761,584
Public Works:				
Street department	454,404,443	1,716,121	190,849	455,929,715
Environmental services	15,763,973	2,243,879	787,693	17,220,159
Special assessments	7,333,292			7,333,292
Health and welfare	736,944			736,944
Engineering department	6,932,926	458,262	88,836	7,302,352
Culture and recreation	38,123,892	2,443,830	62,263	40,505,459
General services	3,606,626	21,055	29,089	3,598,592
Equipment maintenance	2,629,371	54,544	45,448	2,638,467
Schools	41,771,869			41,771,869
Construction in progress	675,398	2,720,270	1,466,816	1,928,852
Total Other	571,978,734	9,657,961	2,670,994	578,965,701
<b>Total Capital Assets</b>	<b>\$ 629,918,358</b>	<b>\$ 11,744,524</b>	<b>\$ 2,985,672</b>	<b>\$ 638,677,210</b>

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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.

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009*	2010	2011	2012*	2013	2014
Governmental activities:										
Net Investment in capital assets	\$ 43,451,427	\$ 47,940,499	\$ 51,292,351	\$ 64,629,115	\$ 64,885,874	\$ 72,249,076	\$ 67,878,821	\$ 65,697,028	\$ 60,178,207	\$ 70,247,455
Restricted							2,095,216	1,890,847	883,855	210,752
Unrestricted	22,742,199	20,992,153	30,747,617	26,607,659	25,478,733	15,901,796	15,648,974	19,429,428	23,962,712	18,504,590
Total governmental activities net position	<u>\$ 66,193,626</u>	<u>\$ 68,932,652</u>	<u>\$ 82,039,968</u>	<u>\$ 91,236,774</u>	<u>\$ 90,364,607</u>	<u>\$ 88,150,872</u>	<u>\$ 85,623,011</u>	<u>\$ 87,017,303</u>	<u>\$ 85,024,774</u>	<u>\$ 88,962,797</u>
Business-type activities:										
Net Investment in capital assets	\$ 61,831,904	\$ 59,920,342	\$ 58,958,119	\$ 65,742,315	\$ 35,228,445	\$ 76,117,766	\$ 75,242,583	\$ 76,334,093	\$ 77,161,777	\$ 72,624,231
Restricted										
Unrestricted	14,245,481	15,749,787	11,089,188	9,432,608	43,545,399	12,238,772	15,573,505	26,197,869	34,637,039	45,345,467
Total business-type activities net position	<u>\$ 76,077,385</u>	<u>\$ 75,670,129</u>	<u>\$ 70,047,307</u>	<u>\$ 75,174,923</u>	<u>\$ 78,773,844</u>	<u>\$ 88,356,538</u>	<u>\$ 90,816,088</u>	<u>\$ 102,531,962</u>	<u>\$ 111,798,816</u>	<u>\$ 117,969,698</u>
Primary government:										
Net Investment in capital assets	\$ 105,283,331	\$ 107,860,841	\$ 110,250,470	\$ 130,371,430	\$ 100,114,319	\$ 148,366,842	\$ 143,121,404	\$ 142,031,121	\$ 137,339,984	\$ 142,871,686
Restricted							2,095,216	1,890,847	883,855	210,752
Unrestricted	36,987,680	36,741,940	41,836,805	36,040,267	69,024,132	28,140,568	31,222,479	45,627,297	58,599,751	63,850,057
Total primary government net position	<u>\$ 142,271,011</u>	<u>\$ 144,602,781</u>	<u>\$ 152,087,275</u>	<u>\$ 166,411,697</u>	<u>\$ 169,138,451</u>	<u>\$ 176,507,410</u>	<u>\$ 176,439,099</u>	<u>\$ 189,549,265</u>	<u>\$ 196,823,590</u>	<u>\$ 206,932,495</u>

\* Restated

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009*	2010	2011	2012*	2013	2014
<b>Expenses</b>										
Governmental activities:										
General government	\$ 11,722,770	\$ 7,633,252	\$ 9,546,479	\$ 12,302,305	\$ 12,600,046	\$ 11,001,741	\$ 11,029,224	\$ 11,037,383	\$ 11,674,501	\$ 13,421,727
Public safety	24,452,597	26,456,406	27,216,223	30,426,110	31,297,631	31,611,850	31,622,540	32,058,857	33,322,634	34,017,891
General services	3,529,222	3,700,586	4,179,402	4,083,521	4,129,934	4,266,239	4,212,794	4,110,320	4,160,935	4,189,632
Planning and development		907,988	1,716,024	2,127,682	1,842,436	1,831,734	1,905,105	1,813,546	1,898,944	2,155,072
Other public works	15,860,328	14,735,368	16,205,389	17,066,229	17,090,677	19,370,655	19,261,112	16,805,008	17,717,453	19,033,466
Insurance department	752,477	1,298,190	2,280,195	1,372,577	967,449	2,952,101	193,439	805,007	1,280,974	452,688
Culture and recreation	8,283,238	9,031,499	8,802,257	9,289,960	8,946,229	8,852,430	9,122,274	9,051,421	9,742,400	9,997,179
Education	4,219,232	4,214,964	4,200,254	4,292,381	5,037,882	4,910,453	4,896,831	4,536,041	4,517,464	4,490,160
Health and welfare	2,478,188	2,691,643	2,748,051	3,177,356	2,802,426	2,829,474	2,808,433	3,001,400	4,010,247	3,973,388
Interest/fiscal charges on long term debt	3,042,564	1,651,219	1,538,742	1,303,157	1,235,362	1,294,921	1,036,530	912,187	829,200	1,066,624
Total governmental activities expenses	<u>74,340,616</u>	<u>72,321,115</u>	<u>78,433,016</u>	<u>85,441,278</u>	<u>85,950,072</u>	<u>88,921,598</u>	<u>86,088,282</u>	<u>84,131,170</u>	<u>89,154,752</u>	<u>92,797,827</u>
Business-type activities:										
Electric	55,739,231	66,805,424	68,460,589	81,775,804	75,945,047	74,776,610	80,657,794	76,568,506	73,712,450	80,159,130
Water	3,410,332	4,441,584	4,762,838	5,000,547	4,686,129	4,609,101	4,444,222	4,475,163	4,616,969	4,529,883
Wastewater	4,198,634	4,683,960	4,699,808	5,321,748	5,264,458	5,292,632	11,241,561	5,949,634	6,474,014	6,062,445
Billing - collection department	1,081,648	1,154,371	1,167,903	1,644,176	1,685,596	2,192,086	1,719,522	1,963,121	1,876,662	1,931,360
Meter reading department	607,164	680,500	707,810	710,807	785,078	773,300	807,608	768,870	840,669	827,914
Depreciation	4,922,431	4,910,410	5,063,185	5,201,178	5,541,814	5,619,000	5,610,807	5,804,205	6,308,984	8,030,174
Miscellaneous	622,207	597,676	731,552	1,232,347	911,395	682,221	613,665	592,935	753,836	758,777
Bond issue costs	52,969	48,020	47,753	47,486	47,485	47,486	47,486			
Gain (loss) on disposition of capital assets	280,421	305,653	4,227	1,515	1,094	8,600	45,741	289,649	268,174	704,513
Interest /fiscal charges	1,155,590	1,223,227	1,409,409	1,322,018	1,128,289	2,323,818	2,242,768	2,145,298	1,942,975	1,876,246
Total business-type activities expenses	<u>72,070,627</u>	<u>84,850,825</u>	<u>87,055,074</u>	<u>102,257,626</u>	<u>95,996,385</u>	<u>96,324,854</u>	<u>107,431,174</u>	<u>98,557,381</u>	<u>96,794,533</u>	<u>104,880,442</u>
Total primary government expenses	<u>\$ 146,411,243</u>	<u>\$ 157,171,940</u>	<u>\$ 165,488,090</u>	<u>\$ 187,698,904</u>	<u>\$ 181,946,457</u>	<u>\$ 185,246,452</u>	<u>\$ 193,519,456</u>	<u>\$ 182,688,551</u>	<u>\$ 185,949,285</u>	<u>\$ 197,678,269</u>
<b>Program Revenues (see Schedule 3)</b>										
Governmental activities:										
Charges for services:										
Other public works	\$ 531,684	\$ 61,755	\$ 44,060	\$ 27,400	\$	\$ 395,381	\$	\$	\$ 2,475,778	\$ 4,255,759
Culture and recreation	2,274,426	2,424,322	2,405,222	2,197,448	2,202,950	1,927,497	2,150,847	2,155,359	2,035,062	2,256,651
General government	2,144,198	2,189,135	2,439,358	2,750,270	2,858,833	2,849,820	3,131,858	3,340,348	3,481,504	3,589,525
Public safety	1,307,930	1,410,632	1,522,868	1,596,361	1,715,074	1,695,962	1,824,009	2,034,082	1,841,637	1,895,513
Planning and development		401,217	420,816	547,406	406,971	408,863	436,465	436,958	412,672	429,797
Operating grants and contributions	95,468	128,275	135,421	999,637	102,143	143,851	171,923	136,040	117,809	437,237
Capital grants and contributions	1,487,457	1,677,575	2,060,764	8,847,239	4,896,838	3,492,769	1,775,146	1,400,003	1,288,965	1,333,995
Total governmental activities program revenues	<u>7,841,163</u>	<u>8,292,911</u>	<u>9,028,509</u>	<u>16,965,761</u>	<u>12,182,809</u>	<u>10,914,143</u>	<u>9,490,248</u>	<u>9,502,790</u>	<u>11,653,427</u>	<u>14,198,477</u>
Business-type activities:										
Charges for services:										
Electric	68,298,950	79,169,002	77,863,441	93,405,012	88,528,977	90,235,422	92,254,808	91,684,293	89,675,760	93,309,401
Water	7,212,446	8,562,902	8,637,309	8,710,000	8,102,170	8,552,873	9,439,879	9,300,436	8,385,523	8,703,685
Wastewater/sewer	3,468,794	3,556,534	3,738,462	3,853,340	3,663,122	5,941,744	8,372,386	10,439,126	11,917,504	13,997,247
E-911	1,023,188	1,018,927	1,059,725	1,197,116	1,191,856	1,163,718	1,099,713	1,278,007	1,443,736	1,744,910
Capital grants and contributions						3,379,572		195,213	385,744	
Total business-type activities program revenues	<u>80,003,378</u>	<u>92,307,365</u>	<u>91,298,937</u>	<u>107,165,468</u>	<u>101,486,125</u>	<u>109,273,329</u>	<u>111,166,786</u>	<u>112,897,075</u>	<u>111,808,267</u>	<u>117,755,243</u>
Total primary government program revenues	<u>\$ 87,844,541</u>	<u>\$ 100,600,276</u>	<u>\$ 100,327,446</u>	<u>\$ 124,131,229</u>	<u>\$ 113,668,934</u>	<u>\$ 120,187,472</u>	<u>\$ 120,657,034</u>	<u>\$ 122,399,865</u>	<u>\$ 123,461,694</u>	<u>\$ 131,953,720</u>

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

\* Restated

(Continued on page 93)

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009*	2010	2011	2012*	2013	2014
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (66,499,453)	\$ (64,028,204)	\$ (69,404,507)	\$ (68,475,517)	\$ (73,767,263)	\$ (78,007,455)	\$ (76,598,034)	\$ (74,628,380)	\$ (77,501,325)	\$ (78,599,350)
Business-type activities	7,932,751	7,456,540	4,243,863	4,907,842	5,489,740	12,948,475	3,735,612	14,339,694	15,013,734	12,874,801
Total primary government net expense	<u>\$ (58,566,702)</u>	<u>\$ (56,571,664)</u>	<u>\$ (65,160,644)</u>	<u>\$ (63,567,675)</u>	<u>\$ (68,277,523)</u>	<u>\$ (65,058,980)</u>	<u>\$ (72,862,422)</u>	<u>\$ (60,288,686)</u>	<u>\$ (62,487,591)</u>	<u>\$ (65,724,549)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
General property tax	\$ 3,265,010	\$ 3,513,899	\$ 3,856,234	\$ 4,147,863	\$ 4,283,982	\$ 4,309,765	\$ 4,452,709	\$ 4,487,450	\$ 4,511,219	\$ 4,427,118
General sales and use tax	40,448,484	43,135,036	54,624,378	58,453,155	55,758,545	55,274,479	56,531,207	57,265,598	59,091,229	59,591,765
Alcoholic beverage tax	1,087,469	1,151,766	1,236,413	1,251,414	1,238,156	1,191,763	1,191,295	1,210,013	1,185,932	1,224,073
Lodging tax	1,157,201	1,463,558	1,374,262	1,437,757	1,469,729	1,553,786	1,631,247	1,565,896	1,599,957	1,683,150
Franchise tax	1,541,675	1,094,944	932,430	1,797,381	1,605,566	2,623,546	2,820,069	2,248,294	2,470,533	2,557,965
Cigarette tax	309,861	327,117	314,706	309,281	306,542	325,389	303,738	294,300	265,950	257,850
Unrestricted grants and contributions	1,867,593	2,729,560	1,814,424	1,533,542	1,432,043	2,836,375	2,047,134	1,835,591	2,710,406	2,208,415
Unrestricted investment earnings	698,250	1,424,588	1,664,266	1,029,183	348,556	312,047	253,518	179,658	137,581	137,238
Miscellaneous	3,436,794	1,928,507	4,716,892	4,717,356	2,693,774	2,573,773	2,236,110	2,498,704	2,604,485	2,442,900
Transfers	10,354,882	9,998,255	11,977,818	2,995,391	3,118,979	4,792,797	2,603,146	6,101,827	6,931,504	8,006,899
Special items								(1,427,363)	(6,000,000)	
Total governmental activities	<u>64,167,219</u>	<u>66,767,230</u>	<u>82,511,823</u>	<u>77,672,323</u>	<u>72,255,872</u>	<u>75,793,720</u>	<u>74,070,173</u>	<u>76,259,968</u>	<u>75,508,796</u>	<u>82,537,373</u>
Business-type activities:										
Unrestricted grants and contributions	6,200					293,194	274,470	196,188	74,849	142,625
Unrestricted investment earnings	525,497	1,069,104	1,125,125	574,015	166,359	239,355	114,809	106,013	119,370	98,152
Gain on sale of capital assets					104,746					
Miscellaneous	1,025,978	1,065,355	986,008	2,641,150	957,055	894,467	937,805	1,056,759	990,405	1,062,203
Transfers	(10,354,882)	(9,998,255)	(11,977,818)	(2,995,391)	(3,118,979)	(4,792,797)	(2,603,146)	(6,101,827)	(6,931,504)	(8,006,899)
Total business-type activities	<u>(8,797,207)</u>	<u>(7,863,796)</u>	<u>(9,866,685)</u>	<u>219,774</u>	<u>(1,890,819)</u>	<u>(3,365,781)</u>	<u>(1,276,062)</u>	<u>(4,742,867)</u>	<u>(5,746,880)</u>	<u>(6,703,919)</u>
Total primary government	<u>\$ 55,370,012</u>	<u>\$ 58,903,434</u>	<u>\$ 72,645,138</u>	<u>\$ 77,892,097</u>	<u>\$ 70,365,053</u>	<u>\$ 72,427,939</u>	<u>\$ 72,794,111</u>	<u>\$ 71,517,101</u>	<u>\$ 69,761,916</u>	<u>\$ 75,833,454</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (2,332,234)	\$ 2,739,026	\$ 13,107,316	\$ 9,196,806	\$ (1,511,392)	\$ (2,213,735)	\$ (2,527,861)	\$ 1,631,588	\$ (1,992,529)	\$ 3,938,023
Business-type activities	(864,456)	(407,256)	(5,622,822)	5,127,616	3,598,921	9,582,694	2,459,550	9,596,827	9,266,854	6,170,882
Total primary government	<u>\$ (3,196,690)</u>	<u>\$ 2,331,770</u>	<u>\$ 7,484,494</u>	<u>\$ 14,324,422</u>	<u>\$ 2,087,529</u>	<u>\$ 7,368,959</u>	<u>\$ (68,311)</u>	<u>\$ 11,228,415</u>	<u>\$ 7,274,325</u>	<u>\$ 10,108,905</u>

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

\* Restated

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Function/Program</b>										
Governmental activities:										
General government	\$ 2,226,123	\$ 2,268,097	\$ 2,545,692	\$ 2,833,772	\$ 2,937,237	\$ 2,937,809	\$ 3,239,033	\$ 3,447,668	\$ 3,573,230	\$ 3,694,613
Public safety	1,391,997	1,835,958	1,621,932	2,692,575	1,775,724	2,071,724	2,218,131	2,243,162	1,973,066	1,991,360
Other public works	1,948,617	1,363,317	2,034,847	8,694,560	4,859,927	2,808,250	1,445,772	1,219,643	3,659,397	5,826,056
Planning and development	401,217	420,816	420,816	547,406	406,971	408,863	436,465	436,958	412,672	429,797
Culture and recreation	2,274,426	2,424,322	2,405,222	2,197,448	2,202,950	2,687,497	2,150,847	2,155,359	2,035,062	2,256,651
Subtotal governmental activities	<u>7,841,163</u>	<u>8,292,911</u>	<u>9,028,509</u>	<u>16,965,761</u>	<u>12,182,809</u>	<u>10,914,143</u>	<u>9,490,248</u>	<u>9,502,790</u>	<u>11,653,427</u>	<u>14,198,477</u>
Business-type activities:										
Electric	68,298,950	79,169,002	77,863,441	93,405,012	88,528,977	90,296,689	92,254,808	91,879,506	89,675,760	93,309,401
Water	7,212,446	8,562,902	8,637,309	8,710,000	8,102,170	9,573,922	9,439,879	9,300,436	8,692,261	8,703,685
Wastewater/sewer	3,468,794	3,556,534	3,738,462	3,853,340	3,663,122	8,239,000	8,372,386	10,439,126	11,996,510	13,997,247
E-911	1,023,188	1,018,927	1,059,725	1,197,116	1,191,856	1,163,718	1,099,713	1,278,007	1,443,736	1,744,910
Subtotal business-type activities	<u>80,003,378</u>	<u>92,307,365</u>	<u>91,298,937</u>	<u>107,165,468</u>	<u>101,486,125</u>	<u>109,273,329</u>	<u>111,166,786</u>	<u>112,897,075</u>	<u>111,808,267</u>	<u>117,755,243</u>
Total primary government	<u>\$ 87,844,541</u>	<u>\$ 100,600,276</u>	<u>\$ 100,327,446</u>	<u>\$ 124,131,229</u>	<u>\$ 113,668,934</u>	<u>\$ 120,187,472</u>	<u>\$ 120,657,034</u>	<u>\$ 122,399,865</u>	<u>\$ 123,461,694</u>	<u>\$ 131,953,720</u>

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

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 8,591,576	\$ 5,471,838	\$ 15,353,173	\$ 12,805,487	\$ 14,809,388	\$ 10,411,532	\$	\$	\$	\$
Unreserved	21,449,322	23,526,978	23,622,614	23,575,737	17,580,459	20,403,277				
Nonspendable							325,046	373,624	327,987	363,341
Restricted							1,439,033	1,377,477	340,115	148,063
Committed							7,876,731	8,232,004	7,769,260	12,172,432
Assigned							12,558,731	15,158,610	24,438,262	32,326,280
Unassigned							11,461,686	14,024,201	11,423,170	869,854
<b>Total general fund</b>	<b><u>\$ 30,040,898</u></b>	<b><u>\$ 28,998,816</u></b>	<b><u>\$ 38,975,787</u></b>	<b><u>\$ 36,381,224</u></b>	<b><u>\$ 32,389,847</u></b>	<b><u>\$ 30,814,809</u></b>	<b><u>\$ 33,661,227</u></b>	<b><u>\$ 39,165,916</u></b>	<b><u>\$ 44,298,794</u></b>	<b><u>\$ 45,879,970</u></b>
All Other Governmental Funds										
Reserved	\$ 837,506	\$ 296,741	\$ 571,053	\$ 21,229	\$ 2,014	\$ 2,356	\$	\$	\$	\$
Unreserved, reported in:										
Special revenue funds	59,043	137,752	220,643	296,076	296,379					
Capital projects funds	931,510				5,023,109	2,261,950				
Debt service funds										
Nonspendable										
Restricted							770,795	2,530,944	1,897,016	62,990
Committed										
Assigned										
Unassigned										
<b>Total all other governmental funds</b>	<b><u>\$ 1,828,059</u></b>	<b><u>\$ 434,493</u></b>	<b><u>\$ 791,696</u></b>	<b><u>\$ 317,305</u></b>	<b><u>\$ 5,321,502</u></b>	<b><u>\$ 2,264,306</u></b>	<b><u>\$ 770,795</u></b>	<b><u>\$ 2,530,944</u></b>	<b><u>\$ 1,897,016</u></b>	<b><u>\$ 62,990</u></b>

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

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes (see Schedule 6)	\$ 47,809,700	\$ 50,686,320	\$ 62,338,423	\$ 67,396,851	\$ 64,662,520	\$ 65,278,728	\$ 66,930,265	\$ 67,071,551	\$ 69,124,820	\$ 69,741,921
Licenses, fees, and permits	2,492,482	2,573,704	2,805,965	3,213,880	3,208,431	3,185,938	3,528,255	3,708,243	3,851,016	3,936,385
Fines and penalties	1,307,930	1,410,632	1,522,868	1,582,773	1,692,058	1,668,239	1,797,703	1,998,717	1,801,446	1,860,204
Charges for services	2,457,826	2,502,725	2,503,491	2,322,232	2,283,339	2,423,346	2,217,221	2,259,787	4,594,191	6,630,656
Special assessments	342,982	211,120	221,584	125,195	98,342	78,042	69,042	53,126	5,503	1,338
Intergovernmental	3,339,330	4,469,074	3,967,350	11,312,545	6,321,151	5,397,295	3,944,976	3,319,333	4,031,382	3,732,007
Investment earnings	770,029	1,479,526	1,705,023	1,055,684	367,577	355,165	270,620	191,681	143,063	138,210
Other revenues	3,481,265	1,974,550	5,064,220	4,940,168	2,718,779	2,668,135	2,622,345	2,506,253	2,602,416	2,474,277
<b>Total revenues</b>	<b>62,001,544</b>	<b>65,307,651</b>	<b>80,128,924</b>	<b>91,949,328</b>	<b>81,352,197</b>	<b>81,054,888</b>	<b>81,380,427</b>	<b>81,108,691</b>	<b>86,153,837</b>	<b>88,514,998</b>
<b>Expenditures</b>										
General government	8,979,751	7,849,147	8,838,212	9,421,878	9,866,202	8,911,914	8,914,645	9,155,464	9,870,115	11,775,572
Public safety	23,206,906	25,336,606	25,981,857	27,956,960	28,559,586	28,744,251	28,854,564	29,314,212	30,344,582	31,409,731
Planning and development		878,832	1,705,966	2,113,365	1,839,863	1,832,173	1,904,129	1,822,479	1,882,260	2,136,277
Refuse collection	3,403,680	3,611,188	4,041,226	3,941,340	3,994,678	4,008,706	4,020,027	3,889,251	3,930,479	3,956,596
Other public works	11,957,416	11,814,132	13,049,606	13,439,168	12,543,550	14,320,117	15,360,928	12,796,891	13,755,233	15,092,562
Health and welfare	2,472,583	2,671,928	2,728,336	3,162,650	2,788,176	2,815,224	2,794,183	2,987,149	3,995,997	3,959,138
Culture and recreation	7,432,301	8,237,035	7,970,348	8,565,417	8,211,182	8,130,904	8,349,165	8,280,689	8,960,502	9,218,891
Insurance	752,477	1,298,190	2,280,195	1,372,577	967,449	2,952,101	193,439	805,007	1,280,974	452,688
Capital outlay	2,024,619	5,247,351	19,402,078	17,114,599	10,192,257	7,975,964	3,366,687	4,312,229	5,928,040	10,031,040
Intergovernmental	2,958,342	2,968,183	2,953,473	3,296,304	4,063,613	3,936,184	3,922,562	3,894,777	3,906,473	3,879,169
Debt service										
Interest	1,349,619	1,826,455	1,341,318	1,667,373	1,330,950	1,370,157	1,148,631	1,044,618	942,089	1,249,993
Principal	2,139,098	6,002,507	4,310,723	5,970,417	4,607,050	5,482,224	3,810,718	3,642,914	3,789,647	15,263,505
<b>Total expenditures</b>	<b>66,676,792</b>	<b>77,741,554</b>	<b>94,603,338</b>	<b>98,022,048</b>	<b>88,964,556</b>	<b>90,479,919</b>	<b>82,639,678</b>	<b>81,945,680</b>	<b>88,586,391</b>	<b>108,425,162</b>
Excess of revenues over (under) expenditures	<u>(4,675,248)</u>	<u>(12,433,903)</u>	<u>(14,474,414)</u>	<u>(6,072,720)</u>	<u>(7,612,359)</u>	<u>(9,425,031)</u>	<u>(1,259,251)</u>	<u>(836,989)</u>	<u>(2,432,554)</u>	<u>(19,910,164)</u>
<b>Other Financing Sources (Uses)</b>										
Bonds issued	1,757,588				5,500,000			2,000,000	6,000,000	11,650,415
Capital leases			12,830,770	8,375	6,200		9,012			
Refunding bonds issued	32,599,847									
Payment to Dothan-Houston County Airport Authority Bond Fund									(6,000,000)	
Payments to escrow agent	(33,042,434)									
Transfers in	10,354,882	9,998,255	11,977,818	2,995,391	3,118,979	4,792,797	2,603,146	6,101,827	6,931,504	8,006,899
<b>Total other financing sources (uses)</b>	<b>11,669,883</b>	<b>9,998,255</b>	<b>24,808,588</b>	<b>3,003,766</b>	<b>8,625,179</b>	<b>4,792,797</b>	<b>2,612,158</b>	<b>8,101,827</b>	<b>6,931,504</b>	<b>19,657,314</b>
<b>Net change in fund balances</b>	<b>\$ 6,994,635</b>	<b>\$ (2,435,648)</b>	<b>\$ 10,334,174</b>	<b>\$ (3,068,954)</b>	<b>\$ 1,012,820</b>	<b>\$ (4,632,234)</b>	<b>\$ 1,352,907</b>	<b>\$ 7,264,838</b>	<b>\$ 4,498,950</b>	<b>\$ (252,850)</b>
Debt service as a percentage of noncapital expenditures	5.4%	10.8%	7.5%	9.4%	7.5%	8.3%	6.3%	6.0%	5.7%	16.8%

**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>
2005	\$ 2,726,765	\$ 538,245	\$ 40,448,484	\$ 1,157,201	\$ 1,541,675	\$ 1,087,469	\$ 309,861	\$ 47,809,700
2006	2,752,947	760,952	43,135,036	1,463,558	1,094,944	1,151,766	327,117	50,686,320
2007	3,021,417	834,817	54,624,378	1,374,262	932,430	1,236,413	314,706	62,338,423
2008	3,364,123	783,740	58,453,155	1,437,757	1,797,381	1,251,414	309,281	67,396,851
2009	3,611,410	672,572	55,758,545	1,469,729	1,605,566	1,238,156	306,542	64,662,520
2010	3,678,498	631,267	55,274,479	1,553,786	2,623,546	1,191,763	325,389	65,278,728
2011	3,770,349	682,360	56,531,207	1,631,247	2,820,069	1,191,295	303,738	66,930,265
2012	3,748,540	738,910	57,265,598	1,565,896	2,248,294	1,210,013	294,300	67,071,551
2013	3,721,013	790,206	59,091,230	1,599,957	2,470,533	1,185,931	265,950	69,124,820
2014	3,705,189	721,928	59,591,765	1,683,150	2,557,966	1,224,073	257,850	69,741,921
Change								
2005-2014	\$ 978,424	\$ 183,683	\$ 19,143,281	\$ 525,949	\$ 1,016,291	\$ 136,604	\$ (52,011)	\$ 21,932,221

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

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

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

<u>FISCAL YEAR</u>	<u>RESIDENTIAL PROPERTY</u>	<u>COMMERCIAL AND INDUSTRIAL PROPERTY</u>	<u>LESS: TAX-EXEMPT PROPERTY</u>	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TOTAL DIRECT TAX RATE</u>	<u>ESTIMATED ACTUAL TAXABLE VALUE</u>	<u>TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE</u>
2005	\$ 178,744	\$ 432,145	\$ 52,644	\$ 558,245	5.00	\$ 3,914,296	14.3%
2006	202,010	479,682	65,920	615,772	5.00	4,386,207	14.0%
2007	223,361	505,846	68,293	660,914	5.00	4,730,746	14.0%
2008	236,702	543,712	64,921	715,493	5.00	5,050,464	14.2%
2009	246,393	556,086	64,847	737,632	5.00	5,209,313	14.2%
2010	249,511	574,750	69,558	754,703	5.00	5,334,228	14.1%
2011	246,600	577,795	72,937	751,458	5.00	5,348,051	14.1%
2012	245,821	574,686	74,537	745,970	5.00	5,298,026	14.1%
2013	245,054	588,509	90,058	743,505	5.00	5,358,513	13.9%
2014	249,091	627,083	96,235	779,939	5.00	5,604,864	13.9%

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

**Notes:** Represents fiscal year the taxes 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
2005	5.00				5.00	3.50	10.50	1.00	4.50	6.50		26.00
2006	5.00				5.00	3.50	10.50	1.00	4.50	6.50		26.00
2007	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2008	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2009	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2010	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2011	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2012	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2013	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2014	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50

**Source:** Houston County Revenue Commissioner

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

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

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

<b>TAXPAYER</b>	<b>2014</b>			<b>2005</b>		
	<b>TAXABLE ASSESSED VALUE</b>	<b>RANK</b>	<b>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</b>	<b>TAXABLE ASSESSED VALUE</b>	<b>RANK</b>	<b>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</b>
CenturyTel of Alabama	\$ 10,775,120	1	1.44%	\$ 14,331,640	1	1.98%
Triad of Alabama LLC	9,646,520	2	1.28%	8,599,160	3	1.18%
Wiregrass Telecom, Inc.	5,473,000	3	0.73%			
Watson & Downs Investments LLC	5,164,420	4	0.69%			
Inland American Dothan Pavilion LLC	4,740,240	5	0.63%			
Wayne Farms, LLC / Perdue Farms, Inc.	3,898,540	6	0.52%	2,578,020	8	0.35%
PR Wiregrass Commons LLC	3,325,980	7	0.44%	4,397,640	5	0.60%
Flowers Hospital	3,259,480	8	0.43%	7,056,060	4	0.97%
Nutcracker Brands/Flavor House Products, Inc.	3,138,780	9	0.42%			
Alabama Power Company	3,094,700	10	0.41%			
Sony Magnetic Products, Inc.				9,109,680	2	1.26%
Swedish Match Cigars				3,332,100	6	0.46%
Twitchell Corporation				2,786,700	7	0.38%
Verizon Wireless				2,529,260	9	0.34%
Walmart Real Estate Bus Trust				2,048,680	10	0.28%
<b>Total</b>	<b>\$ 52,516,780</b>		<b>6.99%</b>	<b>\$ 56,768,940</b>		<b>7.80%</b>

Source: Revenue Commissioner Houston County

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

FISCAL YEAR ENDED SEPTEMBER 30	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2005	\$ 2,751,066	\$ 2,612,518	94.96 %	\$ 386	\$ 2,612,904	94.98 %
2006	2,905,533	2,748,503	94.60 %	407	2,748,910	94.61 %
2007	3,187,204	3,012,951	94.53 %	386	3,013,337	94.54 %
2008	3,409,443	3,283,574	96.31 %	653	3,284,227	96.33 %
2009	3,670,577	3,607,196	98.27 %	761	3,607,957	98.29 %
2010	3,865,797	3,672,452	95.00 %	953	3,673,405	95.02 %
2011	3,848,606	3,761,967	97.75 %	2,807	3,764,774	97.82 %
2012	3,835,211	3,740,606	97.53 %	3,869	3,744,475	97.63 %
2013	3,811,831	3,708,840	97.30 %	4,532	3,713,372	97.42 %
2014	3,897,992	3,695,296	94.80 %	-	3,695,296	94.80 %

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

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Accommodation & Food Services	\$ 162,233	\$ 173,163	\$ 189,363	\$ 195,806	\$ 191,417	\$ 192,631	\$ 198,879	\$ 252,250	\$ 300,239	\$ 312,830
Administrative & Waste Mgmt.	5,458	5,825	5,296	6,657	7,676	6,141	7,197	6,764	4,853	1,829
Agriculture, Forestry, Fishing, etc.	46	49	7	15	10	181	641	570	587	644
Arts, Entertainment & Recreation	6,617	7,063	7,789	7,789	8,218	7,564	7,398	12,116	26,255	34,848
Construction	13,850	14,783	21,121	21,046	14,177	9,923	11,656	20,709	25,163	49,213
Educational Services	1,774	1,893	1,605	2,059	1,981	2,730	2,702	2,157	1,505	4,484
Finance & Insurance	3,195	3,411	4,553	4,128	3,168	3,388	4,196	9,048	13,735	14,762
Health Care & Social Assistance	15,430	16,469	17,085	17,497	19,001	19,441	16,304	17,880	40,657	20,759
Information	18,199	19,425	20,853	20,666	21,755	22,926	26,683	21,483	27,238	23,621
Management of Companies	65	69	142	43	30	97	89	62	41	67
Manufacturing	71,020	75,805	87,006	97,262	80,441	72,888	75,504	93,248	106,322	122,218
Mining	80	86	84	155	102	42	52	105	23	6
Other Services	24,718	26,383	28,149	38,521	24,436	26,512	27,516	53,414	64,822	85,159
Professional Services	17,362	18,532	19,365	20,789	20,185	21,918	22,880	29,991	38,199	53,510
Public Administration	357	382	544	384	633	137	598	557	579	716
Real Estate & Rental & Leasing	9,700	10,354	18,238	12,795	7,849	7,755	6,100	7,796	9,521	13,515
Retail Trade	925,069	987,394	1,176,335	1,097,319	1,046,522	1,073,437	1,097,597	1,292,801	1,367,725	1,415,577
Transportation & Warehousing	7,984	8,522	7,780	9,907	10,281	9,763	8,115	7,061	8,006	6,436
Unidentified*	1,002	1,068	119	149	99	4,285	8,503	8,570	19,662	60,543
Utilities	330	352	426	508	331	310	38	113	70	42
Wholesale Trade	113,006	120,620	142,611	135,037	121,898	137,284	143,753	159,921	182,704	185,190
<b>Total</b>	<b>\$ 1,397,495</b>	<b>\$ 1,491,648</b>	<b>\$ 1,748,471</b>	<b>\$ 1,688,532</b>	<b>\$ 1,580,210</b>	<b>\$ 1,619,353</b>	<b>\$ 1,666,401</b>	<b>\$ 1,996,616</b>	<b>\$ 2,237,906</b>	<b>\$ 2,405,969</b>
City direct sales tax rate	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

**Sources:** Revenue Discovery Systems

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

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

<u>FISCAL YEAR</u>	<u>CITY SALES TAX RATE</u>	<u>HOUSTON COUNTY SALES TAX RATE</u>	<u>STATE SALES TAX RATE</u>	<u>TOTAL SALES TAX RATE</u>
2005	3.00%	1.00%	4.00%	8.00%
2006	3.00%	1.00%	4.00%	8.00%
2007	4.00%	1.00%	4.00%	9.00%
2008	4.00%	1.00%	4.00%	9.00%
2009	4.00%	1.00%	4.00%	9.00%
2010	4.00%	1.00%	4.00%	9.00%
2011	4.00%	1.00%	4.00%	9.00%
2012	4.00%	1.00%	4.00%	9.00%
2013	4.00%	1.00%	4.00%	9.00%
2014	4.00%	1.00%	4.00%	9.00%

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

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

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

<u>TAX REMITTER</u>	<u>FISCAL YEAR</u>	
	<u>2014</u>	<u>2005</u>
	<u>RANK</u>	<u>RANK</u>
Wal Mart Stores East LP	1	1
Sams East, Inc.	2	2
Lowe's Home Centers, Inc.	3	3
Publix Alabama LLC	4	
Winn Dixie Montgomery, LLC	5	4
Bondys Ford, Inc.	6	
Toyota of Dothan	7	
Mike Schmitz Automotive Group, Inc	8	
Target Corporation	9	
Dothan Chrysler Plymouth	10	
Home Depot USA Inc		5
CJ Gayfer & Company		6
Pemco Worldwide Services		7
Kmart Corporation		8
Brunos Supermarket, Inc.		9
JC Penney Corp, Inc.		10

**Source:** Revenue Discovery Systems

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

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	SEWER BONDS			
2005	\$ 34,880,462	\$	\$ 12,574,538	\$	\$ 18,880,000	\$ 66,335,000	2.71%	\$ 1,058
2006	28,877,955		11,587,045		17,950,000	58,415,000	3.31%	912
2007	24,567,231	12,830,770	13,212,846		22,613,014	73,223,861	2.81%	1,119
2008	23,897,231	7,538,728	8,241,611		21,613,014	61,290,584	3.47%	922
2009	26,945,000	5,389,630	4,835,404	12,453	55,308,014	92,490,501	2.42%	1,370
2010	23,575,000	3,277,405	2,088,450	10,015	59,103,014	88,053,884	2.47%	1,344
2011	21,935,000	1,115,700	2,035,000	7,124	57,120,000	82,212,824	2.78%	1,245
2012	22,317,371 *	6,290	1,960,000	3,697	60,951,220 *	85,238,578	2.83%	1,265
2013	24,417,673	2,002	1,880,000		56,964,413	83,264,088	2.93%	1,224
2014	19,966,720		1,800,000		74,020,000	95,786,720	N/A	N/A

\*Restated

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

FISCAL YEAR	GENERAL BONDED DEBT OUTSTANDING		TOTAL	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>			
	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION BONDS			
2005	\$ 34,880,462	\$ 31,454,538	\$ 66,335,000	1.69%	\$ 1,058
2006	28,877,955	29,537,045	58,415,000	1.33%	912
2007	24,567,231	35,825,860	60,393,091	1.28%	923
2008	23,897,231	29,854,625	53,751,856	1.06%	808
2009	26,945,000	60,143,418	87,088,418	1.67%	1,290
2010	23,575,000	61,191,464	84,766,464	1.59%	1,294
2011	21,935,000	59,155,000	81,090,000	1.52%	1,228
2012	22,317,371 *	62,911,220	85,228,591 *	1.61%	1,265
2013	24,417,673	58,844,413	83,262,086	1.55%	387
2014	19,966,720	75,820,000	95,786,720	1.71%	1,409

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

\*Restated

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE 16**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF SEPTEMBER 30, 2014**

	<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	\$ 19,966,720	100.00%	\$ 19,966,720
Overlapping Debt			
Houston County	25,530,000	57.95%	14,794,635
Southeast Alabama Medical Center		57.95%	<u>                    </u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 34,761,355</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 144,532,068	\$ 161,033,940	\$ 166,976,466	\$ 179,922,900	\$ 191,328,028	\$ 192,998,984	\$ 194,656,994	\$ 186,370,584	\$ 190,511,700	\$ 190,557,624
Total net debt applicable to limit	<u>4,847,894</u>	<u>3,054,749</u>	<u>14,982,412</u>	<u>9,690,370</u>	<u>11,303,438</u>	<u>8,782,413</u>	<u>6,619,262</u>	<u>6,674,634</u>	<u>5,762,931</u>	<u>3,197,398</u>
Legal debt margin	<u>\$ 139,684,174</u>	<u>\$ 157,979,191</u>	<u>\$ 151,994,054</u>	<u>\$ 170,232,530</u>	<u>\$ 180,024,590</u>	<u>\$ 184,216,571</u>	<u>\$ 188,037,732</u>	<u>\$ 179,695,950</u>	<u>\$ 184,748,769</u>	<u>\$ 187,360,226</u>
Total net debt applicable to the limit as a percentage of debt limit	3.35%	1.90%	8.97%	5.39%	5.91%	4.55%	3.40%	3.58%	3.02%	1.68%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$ 952,788,120
Debt limit (20% of assessed value)	190,557,624
Debt applicable to limit:	
General obligation bonds (Includes unamortized bond premium)	95,786,720
Less: Exempt debt	92,589,322
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>3,197,398</u>
Legal debt margin	<u>\$ 187,360,226</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	
2005	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2006														
2007														
2008														
2009														
2010														
2011														
2012														
2013														
2014														

**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 (thousands of dollars)</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>
2005	62,713	\$ 1,800,365	\$ 28,708	38.2	13.0	8,814	3.40%
2006	64,053	1,931,006	30,147	38.4	13.0	8,906	3.50%
2007	65,447	2,060,599	31,485	38.4	13.0	9,018	3.20%
2008	66,505	2,129,224	32,016	36.7	12.6	9,086	4.60%
2009	67,525	2,234,875	33,097	36.7	12.7	9,177	9.80%
2010	65,496	2,171,127	33,149	38.6	12.9	9,294	9.00%
2011	66,010	2,287,511	34,654	36.7	12.6	9,314	8.30%
2012	67,382	2,413,354	35,816	36.7	12.5	9,431	7.30%
2013	68,001	2,442,120	35,913	38.0	12.5	9,416	6.40%
2014	NA	NA	NA	37.9	12.8	9,480	6.60%

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

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

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

<u>EMPLOYER</u>	<u>2014</u>			<u>2005</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>
Southeast Alabama Medical Center	2,113	1	5.05%	2,000	1	4.32%
Dothan (City) & Houston County School Systems	1,973	2	4.72%	1,800	2	3.89%
Flowers Hospital	1,100	3	2.63%	1,400	3	3.03%
City of Dothan	971	4	2.32%	974	5	2.11%
Southern Nuclear (Farley)	950	5	2.27%	838	6	1.81%
Michelin Tire	550	6	1.32%	640	9	1.38%
AAA Cooper Transportation	425	7	1.02%			
Houston County Government	413	8	0.99%			
Twitchell Technical Products	387	9	0.93%			
Extencicare Health & Rehabilitation Center	360	10	0.86%			
Wayne Farms LLC/Perdue Farms, Inc.				1,080	4	2.34%
Pemco World Air Services				650	7	1.41%
Sony Magnetic Products				650	8	1.41%
Wiregrass Hospice, Inc.				600	10	1.30%
Total	<u>9,242</u>		<u>22.11%</u>	<u>10,632</u>		<u>23.00%</u>

\*These figures are for Houston County.

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

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

	<b>FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30</b>									
<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government										
Administrative services	10	10	11	10	11	11	11	12	13	13
Information systems	13	15	15	15	16	15	16	15	16	16
City clerk	6	6	7	7	7	7	5	6	4	4
Finance	39	41	42	42	42	41	41	41	40	45
Personnel	10	11	11	10	10	10	9	10	10	10
Judicial	12	11	13	14	14	13	12	13	13	13
General services	56	55	56	57	55	53	53	53	51	51
Police										
Officers	148	144	147	156	157	155	151	158	158	171
Civilians	66	72	68	72	73	66	71	70	72	69
Fire										
Firefighters and officers	162	164	166	169	167	168	168	169	168	171
Civilians	2	2	3	3	3	2	2	3	3	3
Refuse collection	90	94	91	85	81	82	77	73	80	78
Other public works										
Engineering	13	12	13	14	14	16	16	14	15	18
Street	44	45	44	44	43	42	43	44	43	44
Traffic	11	11	13	13	14	11	11	12	13	13
Other	5	5	6	6	6	6	5	6	0	0
Planning and development	10	15	17	19	18	17	17	16	20	21
Parks and recreation	57	60	56	59	58	60	60	57	63	64
Performing arts	12	13	12	12	11	10	11	11	11	12
Electric	66	62	64	63	61	61	62	66	67	65
Water	37	33	36	37	37	35	35	33	34	36
Wastewater	55	56	58	57	55	55	51	54	50	54
Total	<u>924</u>	<u>937</u>	<u>949</u>	<u>964</u>	<u>953</u>	<u>936</u>	<u>927</u>	<u>936</u>	<u>944</u>	<u>971</u>

**Source:** City of Dothan Personnel Department

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

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Function</b>										
General government										
Building permits issued	6,068	6,354	5,060	5,075	4,292	4,032	4,961	4,427	4,215	4,888
Building inspections conducted	10,818	11,272	11,317	9,682	8,881	7,614	7,104	6,581	7,051	6,954
Police										
Physical arrests	4,897	4,522	4,435	5,229	5,244	6,552	5,239	5,289	5,034	7,199
Parking violations	241	215	764	456	437	173	142	118	190	137
Traffic and non misdemeanor violations	22,763	21,016	22,032	19,959	15,992	14,827	12,423	13,606	9,466	12,337
Fire										
Emergency responses	8,420	8,670	9,106	9,360	8,824	10,201	10,755	11,017	11,198	11,180
Fires extinguished	465	574	563	478	418	508	533	464	371	536
Inspections	1,131	688	780	986	819	3,508	2,614	2,662	2,603	2,167
Refuse collection										
Refuse collected (tons per day)	260.50	274.84	277.53	268.17	240.00	227.00	231.61	243.42	253.82	178.20
Recyclables collected (tons per day)	4.88	4.66	5.17	5.48	4.66	2.28	2.71	2.92	4.15	4.35
Other public works										
Street resurfacing (miles)	15	14	16	14	16	16	14	13	16	15
Parks and recreation										
Athletic field permits issued*	20	23	23	130	267	126	242	381	364	466
Community center admissions**	51,972	65,045	80,340	67,983	78,053	82,344	106,696	110,943	106,880	121,097
Library										
Volumes in collection - books	210,325	210,839	206,957	209,394	208,625	208,097	180,642	170,078	183,821	152,920
Volumes in collection - audio/video	4,470	3,900	4,263	4,401	4,736	3,950	4,266	7,567	8,178	8,048
Volumes borrowed	259,450	249,793	246,663	304,953	248,108	286,541	235,517	239,238	317,074	228,672
Water										
New connections	198	198	590	127	66	98	315	144	435	185
Water main breaks	28	15	94	133	140	226	209	169	180	154
Average daily consumption (thousands of gallons)	12,000	13,714	14,000	13,196	10,079	12,664	13,038	11,470	9,548	11,252
Peak daily consumption (thousands of gallons)	19,174	25,123	26,000	22,380	20,611	20,611	24,013	22,744	20,942	19,439
Wastewater										
Average daily sewage treatment (thousands of gallons)	14,456	10,879	11,324	13,193	14,818	12,150	9,611	9,631	14,437	13,619

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

**Notes:** \*Figures for 2005-2007 represent the number of different organizations that were issued a field permit. Figures for 2008-2014 represent the number of times fields were rented.

\*\*Figures for 2005-2010 include community center admissions plus the number of times the Westgate Tennis Complex was rented by an organization. Figures for 2011-2014 include community center admissions plus the number of admissions to the Westgate Tennis Complex.

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

	FISCAL YEAR									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Function</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	17	17	17	17
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	47	46	54	55	52	52	52	52	51	51
Other public works										
Streets (miles)	431	438	445	451	452	452	455	455	455	455
Highways (miles)*	58	58	58	58	58	58	58	58	58	58
Street lights	13,532	13,683	13,763	13,854	13,854	13,979	15,135	15,378	15,722	15,766
Traffic signals	187	187	184	190	190	190	190	190	190	190
Parks and recreation										
Acreage	596	596	596	706	706	706	706	708	708	708
Playgrounds	11	11	11	11	10	10	13	15	15	15
Baseball/softball diamonds	31	31	31	31	31	31	31	31	31	31
Soccer/football fields	6	7	7	7	8	8	8	8	8	8
Community centers	7	7	7	7	7	7	7	7	7	7
Tennis courts	44	44	47	47	47	47	47	47	47	47
Dog-friendly park										1
Water										
Water mains (miles)	461	462	464	469	479	488	497	502	505	507
Fire hydrants	2,914	2,925	2,927	2,961	2,977	3,021	3,430	3,459	3,470	3,482
Storage capacity (thousands of gallons)	14,500	14,500	14,500	14,500	14,500	14,500	16,000	16,000	16,000	16,000
Wastewater										
Sanitary sewers (miles)	469	477	484	491	492	497	504	505	505	505
Storm sewers (miles)	165	169	169	173	174	181	183	185	186	186
Treatment capacity (thousands of gallons)	23,120	23,120	23,120	23,120	23,120	23,120	23,120	22,120	22,120	22,120

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

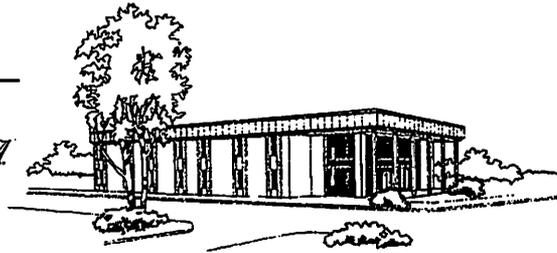
**Note:** \*Highway miles are miles of roadway within the City limits that are maintained by the Alabama Department of Transportation (ALDOT).

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

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

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



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*Alabama Society of Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Dothan, Alabama's basic financial statements and have issued our report thereon dated March 4, 2015.

**Internal Control over Financial Reporting**

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

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

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

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

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

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

Respectfully submitted,



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

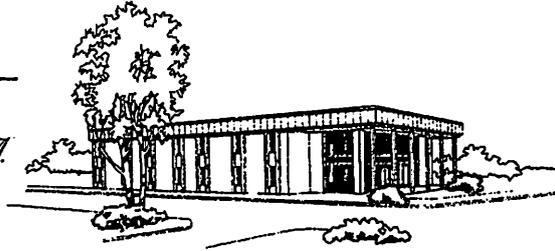
March 4, 2015

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

*George C. McClintock, C.P.A.*  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Dothan, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Dothan, Alabama's major federal programs for the year ended September 30, 2014. The City of Dothan, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Dothan, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

**Report on Internal Control over Compliance**

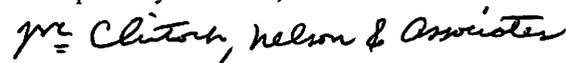
Management of the City of Dothan, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dothan, Alabama's internal control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

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

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

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

Respectfully submitted,



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

March 4, 2015

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 10-01-13	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-14
<b>U.S. DEPARTMENT OF INTERIOR:</b>							
<u>Passed Through Alabama Dept. of Economic Affairs:</u>							
Passive Park for People With Dogs	15.916	12-LW-981	\$ 50,000	\$ 14,239	\$ 35,761	\$ 35,761	\$ 9,434
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-08-MC-01-0010 -		65,459	429,049	429,049	73,797
Congressional Appropriations - Streetscape Improvements	14.251	B-13-MC-01-0010 B10SPAL0090	2,377,552 500,000	159,615	118,091	118,091	
<u>Passed Through Dothan Housing Authority:</u>							
Public Housing Capital Fund	14.872	None	175,000		175,000	175,000	
<b>Total U.S. Department of Housing and Urban Development</b>				<u>225,074</u>	<u>722,140</u>	<u>722,140</u>	<u>73,797</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	25,749	12,667	13,082	13,082	2,282
Internet Crimes Against Children Task Force	16.543	2012-MC-FX-K010	25,926		25,926	25,926	3,390
FBI Overtime Grant	16.738	None	17,374		4,391	4,391	4,391
FBI Organized Crime Drug Enforcement	16.111	None	10,400		1,949	1,949	1,949
Edward Byrne Digital In-Car Video Technology Grant	16.738	None	40,610		32,488	32,488	
Edward Byrne Digital In-Car Video Technology Grant	16.739	None	35,479		18,524	18,524	18,524
<b>Total U.S. Department of Justice</b>				<u>12,667</u>	<u>96,360</u>	<u>96,360</u>	<u>30,536</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>							
<u>Passed Through State of Alabama</u>							
<u>Highway Department:</u>							
Rehabilitation & Improvement	20.205	ACOA-60203-ATRIP	1,025,896		72,397	72,397	
MPO Transportation Construction Grant	20.205	STPOA-9450	286,328	144,395	114,569	114,569	114,569
MPO Transportation Planning Grant	20.205	FTADM-100060838	184,846		66,595	66,595	30,535
<u>Passed Through State of Alabama</u>							
<u>EMA:</u>							
Hazardous Materials Emergency Preparedness	20.703	None	16,344		16,232	16,232	16,232
<u>Passed Through Enterprise State</u>							
<u>Community College:</u>							
Local Impact- Selective Traffic Enforcement	20.600	14-SP-PT-007	6,979		6,979	6,979	
Local Impact- Hotspot	20.600	14-HS-FR-009	22,388		22,388	22,388	22,388
<b>Total U.S. Department of Transportation</b>				<u>\$ 144,395</u>	<u>\$ 299,160</u>	<u>\$ 299,160</u>	<u>\$ 183,724</u>

(Continued on Page 120)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

<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 10-01-13</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-14</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>							
<u>Direct Programs:</u>							
Assistance to Firefighters	97.044	None	\$ 373,200	\$	\$ 45	\$ 45	\$
Mutual Aid Systems-Heavy Rescue Team	97.067	None	21,114		2,488	2,488	
Swift Water Rescue Team	97.067	None	36,893		19,778	19,778	19,778
<u>Passed Through Houston County EMA:</u>							
Hazmat	97.067	None	20,219		20,401	20,401	
<b>Total U.S. Department of Homeland Security</b>				<u>-</u>	<u>42,712</u>	<u>42,712</u>	<u>19,778</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
<u>Passed Through State Department of Education:</u>							
Summer Food Service Program	10.559	None	75,721		73,763	73,763	
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 396,375</u>	<u>\$ 1,269,896</u>	<u>\$ 1,269,896</u>	<u>\$ 317,269</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2014**

**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, 2014**

**SUMMARY OF AUDITOR'S RESULTS:**

We have issued a report with an unmodified 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 4, 2015.

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

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

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

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

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

	<u>CFDA No.</u>
U.S. Department of Housing and Urban Development	14.218
U.S. Department of Transportation	20.205

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.