

The City of  
**Dothan, Alabama**



Comprehensive Annual Financial Report  
Fiscal Year Ended September 30,

**2016**

## **INTRODUCTORY SECTION**

**THE CITY OF DOTHAN**  
DOTHAN, ALABAMA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016  
PREPARED BY  
DEPARTMENT OF FINANCE  
LISA H. REEDER, CGFM, DIRECTOR-TREASURER

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2016**  
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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  
BETH KENWARD  
COMMISSIONER, DISTRICT 5  
DAVID L. CRUTCHFIELD  
COMMISSIONER, DISTRICT 6

# The City of Dothan

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

March 13, 2017



**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, 2016, 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**

Beginning in Fiscal Year 2015, the Government Accounting Standards Board (GASB) mandated that cities report their net pension liability, the difference between the total pension liability (the present value of projected benefit payments to employees based on their years of service, or to their spouse if widowed) and the funds set aside and restricted for paying these benefits. Before Fiscal Year 2015, cities were required to report just the difference between the annual Actuarial Required Contribution (ARC) and what was actually contributed into the pension plan. The ARC is the annual amount a government would have to pay to fund its liabilities (obligations) over time. As GASB announced in 2012 when the new Statements 67 and 68 were issued, the goal "is a more faithful representation of the full impact of these obligations providing citizens and other users of these financial reports with a clearer picture of the size and nature of the

financial obligations to current and former employees for past services rendered.”

	Post 68 (FY 2016) Net Pension Liability
General Fund	\$ 110,010,830
Utility Fund	\$ 25,859,765
Total	\$ 135,870,595

### 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 obligated to undergo an audit as required by the U.S. Office of Management and Budget (OMB) Uniform Guidance Supplement that is applicable to each of its major federal programs for the year ended September 30, 2016. 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, Environmental Protection Agency, 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, 2016, 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 21 through 23. 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 24) 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 multiple departments. These managers are responsible for the operations of their respective departments.

There are 1,014 authorized positions for regular, full time employees; 58 authorized positions for part-time; and 167 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, and wastewater/sewer).

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. 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 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.

## 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, Dothan finds it difficult to keep up with the growing demand on services, along with other cities, and 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, 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	\$	1,109,971
• Landfill Reserve	\$	6,873,480
• OPEB Reserve	\$	514,236
• Recreational Projects Reserve	\$	250,000
• Storm Drainage Reserve	\$	2,016,196
• Disaster Debris Removal Reserve	\$	1,255,450
• Future Replacement	\$	3,463,640
• Industrial Development	\$	453,272
• Fire Station Construction	\$	1,754,176
• Road Improvements	\$	500,000

- Technology Improvements                   \$       250,000
- Long Term Water Reserves               \$     3,199,781
- Infrastructure Disaster Reserve         \$     2,010,142
- Sewer Projects                            \$    12,026,275
- Advanced Metering                       \$     3,010,962

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 2016: maintenance of parks and city-wide facilities, fleet replacement, drainage and road improvements. These expenditures were funded by sales tax revenues.

The City's capital investment program for Fiscal Year 2016 identified \$15.5 million in projects for potential funding. Each project is required to be individually approved by the City's commission for funding. The topics for consideration were as follows: recreation facility construction, downtown revitalization projects, road intersection/sidewalk improvements, facility maintenance/repairs, and fleet replacements. The projects that were completed in Fiscal Year 2016 accounted for \$12.4 million in expenditures. The remaining \$3.1 million was for projects that were not completed at the end of Fiscal Year 2016.

In 2016, the City of Dothan issued an \$8,560,000 G/O Warrant for refunding of the 2009 G/O Warrant. This refunding will result in a savings of \$1,193,921. In addition, the City issued a \$41,085,000 G/O Warrant for an upgrade of Omussee Wastewater Treatment Plant. 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 2.2%.

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). Effective January 2016, the City rebased the electric rates to better account for the wholesale power cost parameters that the City receives from its suppliers. 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. In Fiscal Year 2015, the sewer rates were reviewed, and in January 2016, the rates were increased to \$5.33 and in October 2016 to \$5.83 per 1,000 gallons of metered water. Beginning with the October 2017 billing cycle, the rates will increase to \$6.13; in October 2018 to \$6.48; and October 2019 to \$6.78 per 1,000 gallons of metered water. Beginning with the October 2020 billing cycle, the rates will increase by 2.85% each October billing cycle. 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.

### 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 2016 was as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$11,333,197	1.26%	\$165

The entire fund balance of \$340 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 S&P Global Ratings.

## **SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE**

Several major developments emerged in the local market during the fiscal year. More than \$176 million in investment resulting in more than 600 jobs is taking place in the Dothan area. CAE USA will begin offering comprehensive flight training to U.S. Army aviators at its new 79,000 square foot training facility at the Dothan Regional Airport sometime this year. The facility will provide training for more than 450 U.S. Army fixed-wing aviators each year, as well as flight crews of the Air Force's C-12 twin turboprop aircraft. CAE USA is bringing \$75 million in investment and 100 new jobs to the area. Wayne Farms is in the midst of a massive expansion for a total investment of \$145 million and around 950 jobs in south Alabama. The company's Dothan fresh poultry processing plant and other company components have been re-engineered in an effort to integrate the entire poultry processing procedure in the Wiregrass. The plant is adding a \$23.5 million massive freezer component this year that will allow storage of up to 10 million pounds of chicken on site and will create 145 of the company's new jobs. Wayne Farms also unveiled the nation's largest feed mill in January 2017 in Dale County, creating 36 jobs on site and a market for local farmers for as much as five million bushels of corn and also soybeans and grains needed to make the feed. McLane Dothan grocery distribution center has announced a \$17 million expansion that is expected to be completed in December 2017. The expansion will include the addition of around 75,000 square feet to its existing 320,000 square foot distribution center near Cottonwood, and an addition of 50 workers to its current 300 employee workforce. Next Level Apparel Distributor built and opened a new facility in Ashford for an investment of \$4.7 million, and is expected to bring over 100 jobs at

full operation. Also in Ashford, Eastern Technologies, Inc. is expanding its advanced protective clothing and laundering services operation with a \$2.5 million 83,000 square foot warehouse which is expected to add five jobs. Motobilt, Inc. of Dothan expanded its metal fabrication facility with \$.7 million in investment, and the addition of five jobs. Commercial Jet Services, LLC expects to add 100 new jobs this year and Glasstream Power Boats, LLC expects to add 50.

## **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, 2015. The City has received this prestigious award for the last 33 consecutive years (fiscal years ended 1983 – 2015).

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 12 consecutive years (fiscal years ended 2004 – 2015). 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 the 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, P.C. 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, CGFM  
Finance Director-Treasurer**



**Michael K. West  
City Manager**

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

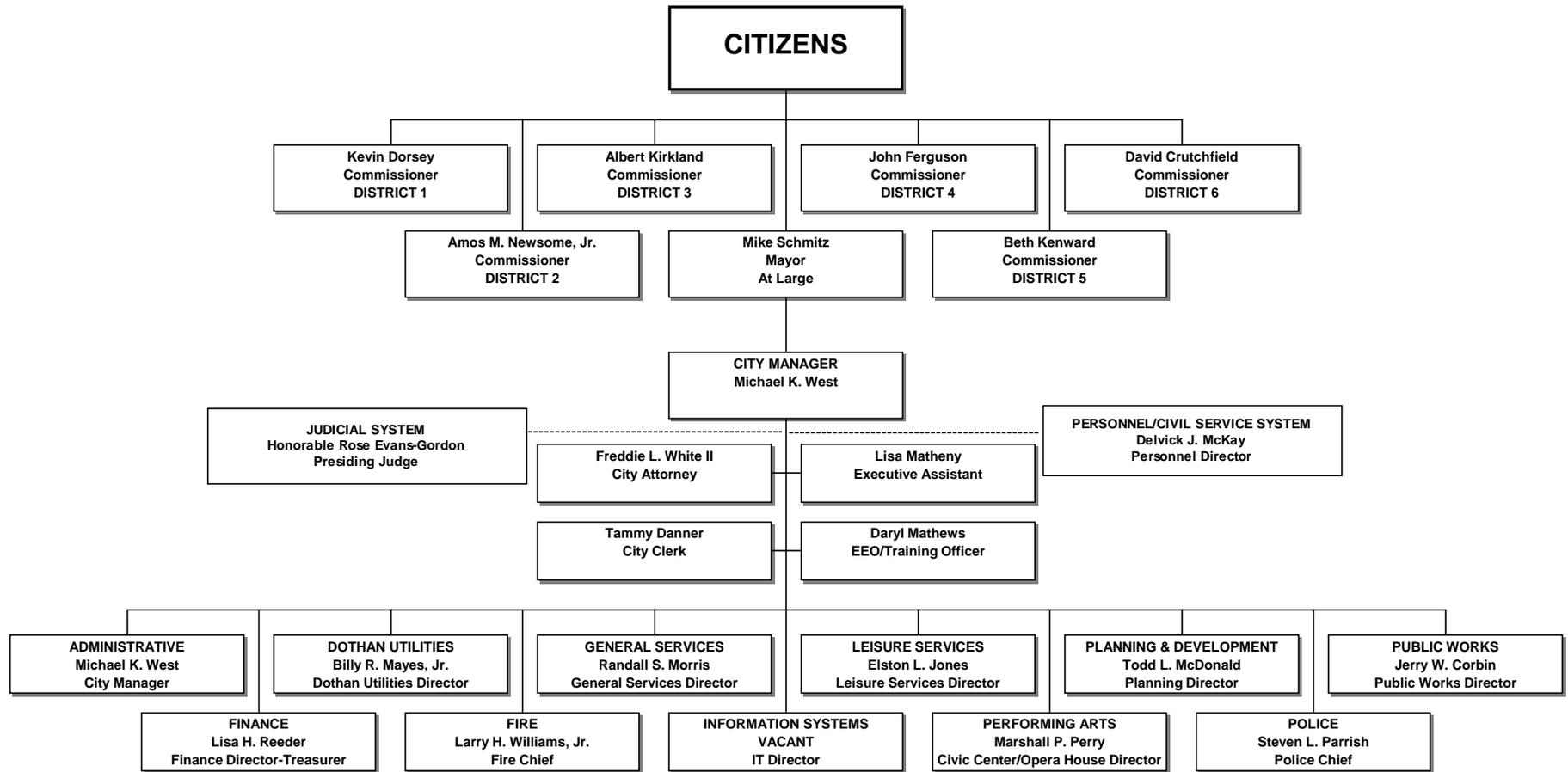
**City of Dothan**  
**Alabama**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

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
Beth Kenward	Commissioner, District 5
David L. Crutchfield	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	Steven L. Parrish	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
Lisa H. Reeder	Finance Director-Treasurer	Vacant	Information Technology Director
Billy R. Mayes, Jr.	Dothan Utilities Director		

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## **FINANCIAL SECTION**

*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 36305*  
*Phone: (334) 793-1414*  
*Fax: (334) 793-9159*

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2016, 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, 2016, 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 pension and healthcare plan schedules on pages 5 through 19 and 75 through 79 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

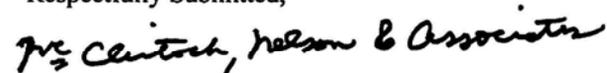
The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 13, 2017, 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 13, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# 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, 2016. Please consider the information in this MD&A in conjunction with the City's financial statements (beginning on page 21), 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 and deferred outflows of resources of the City of Dothan exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$102,224,524. Of this amount, the City had a deficit unrestricted net position of \$66,000,177 offset by \$211,985 in restricted net position and \$168,012,716 in net investment in capital assets.
- The City's total net position increased by \$16,493,515 (19.24%) from \$85,731,009 at September 30, 2015 to \$102,224,524 at September 30, 2016. A detailed explanation of this increase can be viewed on page seven of this Management's Discussion and Analysis (MD&A).
- Total net position for governmental activities increased by \$4,693,473 (668.50%), thus totaling \$3,991,382 for fiscal year 2016.
- At the close of fiscal year 2016, the City of Dothan's governmental funds reported combined fund balance of \$39,938,969. This was a

decrease of \$6,520,203 (14.03%) compared to fiscal year 2015.

- The unassigned fund balance for the General Fund was \$4,462,443 for fiscal year 2016. This total is available for spending at the government's discretion.
- Sales and use tax, the City's single largest revenue source, increased 3.72% (\$2,290,540) during the 2016 fiscal year, reflecting continued growth in Dothan's economy.
- The City of Dothan's total debt increased by \$33,369,360 (37.79%) during the current fiscal year, yielding a total outstanding debt of \$121,663,972 compared to last year at \$88,294,612.

## 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 21-23) 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 21) presents information on all of the City of Dothan's assets and deferred outflows of resources; and liabilities and deferred inflows of resources; with the difference 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 22-23) 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, Wastewater/Sewer and Combined activities). The government-wide financial statements can be found on pages 21-23 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 24). 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 24-29) 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 three 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 and the debt service fund which are considered to be major funds and the school fund is considered to be a non-major fund.

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 one type of proprietary fund (Utility). *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 one major enterprise fund to provide for separate information for the Electric, Water, Wastewater/Sewer and Combined 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 30-34) 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 26 and 29). 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.** The City depreciates general fund 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 35-73) 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 *combined* net position at September 30, 2016 totaled \$102,224,524. Governmental Activities' net position increased by \$4,693,473, while Business-type Activities' net position increased \$11,800,042 during fiscal year 2016. The primary government's total net position increase of \$16,493,515 in fiscal year 2016 includes the following major changes: 1) an increase in net investment in capital assets of \$17,561,887, 2) a decrease in restricted net position of \$58,877, and 3) an increase in the deficit in unrestricted net position of \$1,009,495. 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 (164.36%) 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, 2016, was \$168,012,716. 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: \$166,769 for street and bridge maintenance and \$45,216 for education. The remaining balance of \$(66,000,177) is *unrestricted*. The following table reflects the Statement of Net Position compared to the prior year.

<b>Statement of Net Position</b>						
<b>As of September 30</b>						
<b>(In Thousands)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 47,555	\$ 53,838	\$ 118,323	\$ 75,442	\$ 165,878	\$ 129,280
Capital Assets	99,374	89,840	133,039	125,690	232,413	215,530
Total Assets	<u>146,929</u>	<u>143,678</u>	<u>251,362</u>	<u>201,132</u>	<u>398,291</u>	<u>344,810</u>
Deferred Outflows of Resources	10,519	8,221	2,630	1,928	13,149	10,149
Current & Other Liabilities	13,309	14,232	26,284	21,913	39,593	36,145
Long-term Liabilities	139,694	135,209	129,475	94,138	269,169	229,347
Total Liabilities	<u>153,003</u>	<u>149,441</u>	<u>155,759</u>	<u>116,051</u>	<u>308,762</u>	<u>265,492</u>
Deferred Inflows of Resources	454	3,160	-	576	454	3,736
Net Position						
Net Investment in Capital Assets	92,094	78,993	75,919	71,458	168,013	150,451
Restricted for:						
Street and bridge maintenance	167	189			167	189
Education	45	82			45	82
Unrestricted	(88,315)	(79,966)	22,314	14,975	(66,001)	(64,991)
Total Net Position	<u>\$ 3,991</u>	<u>\$ (702)</u>	<u>\$ 98,233</u>	<u>\$ 86,433</u>	<u>\$ 102,224</u>	<u>\$ 85,731</u>

### 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.

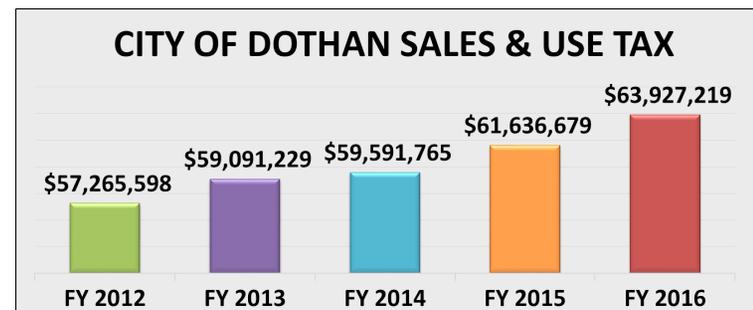
**Spending of Non-Borrowed Current Assets on New Capital** – which will (a) reduce current assets and increase capital assets, and (b) reduce unrestricted net position and increase net investment in capital assets.

**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 categories of net position, for the business-type activities. The governmental activities reported positive balances in all categories except for unrestricted net position. This was a result of the implementation of GASB Statement No. 68 which required the recording of the net pension liability.

The single largest revenue source is sales and use tax, which generated \$63,927,219 in 2016. This revenue reflected an increase of \$2,290,540 (3.72%) compared to \$61,636,679 in 2015. 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, intersection repair and recreational facilities. Without this revenue, expenditures would have been delayed in light of the recession which began toward the end of 2008.



**Changes in Net Position**  
**For the Fiscal Year Ended September 30, 2016**  
(In Thousands)

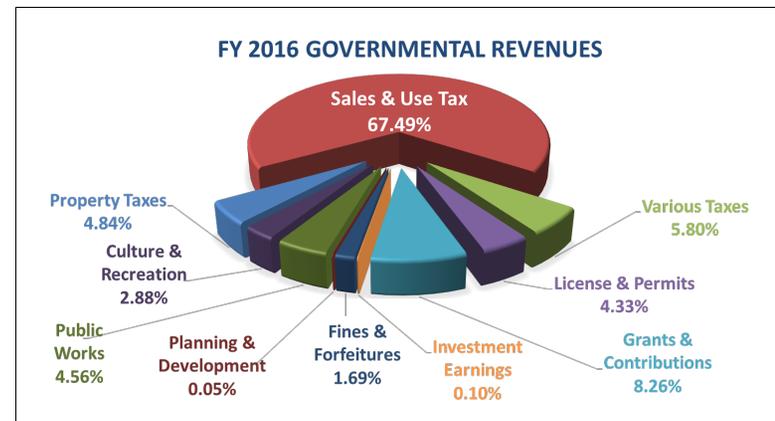
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 12,798	\$ 13,084	\$ 116,399	\$ 116,509	\$ 129,197	\$ 129,593
Operating grants & contributions	565	518			565	518
Capital grants & contributions	1,312	1,929	345	256	1,657	2,185
General Revenues:						
Property taxes	4,581	4,453			4,581	4,453
Other taxes	69,416	66,743			69,416	66,743
Grants & contributions not restricted to specific programs	3,520	2,334			3,520	2,334
Other	2,523	3,771	1,131	1,349	3,654	5,120
<b>Total Revenues</b>	<b>94,715</b>	<b>92,832</b>	<b>117,875</b>	<b>118,114</b>	<b>212,590</b>	<b>210,946</b>
<b>EXPENSES</b>						
Governmental Activities:						
General government	14,050	11,679			14,050	11,679
Public safety	34,234	33,872			34,234	33,872
Public works	19,667	19,707			19,667	19,707
Planning & development	2,142	2,354			2,142	2,354
Health & welfare	3,595	4,858			3,595	4,858
Culture & recreation	11,384	10,361			11,384	10,361
General services	4,582	4,752			4,582	4,752
Insurance	3,681	3,697			3,681	3,697
Education	4,555	4,508			4,555	4,508
Interest on long-term debt	214	329			214	329
Business-type Activities:						
Electric department			74,359	81,718	74,359	81,718
Water department			4,598	4,569	4,598	4,569
Sewer department			5,655	9,751	5,655	9,751
Billing-collection department			1,647	1,761	1,647	1,761
Meter reading department			753	762	753	762
Depreciation			8,277	8,098	8,277	8,098
Miscellaneous			41		41	
Gain (loss) on disposition of capital assets			460		460	
Bond issue costs			55	205	55	205
Interest and fiscal charges	-	-	2,148	2,163	2,148	2,163
<b>Total Expenses</b>	<b>98,104</b>	<b>96,117</b>	<b>97,993</b>	<b>109,027</b>	<b>196,097</b>	<b>205,144</b>
Change in net position before transfers	(3,389)	(3,285)	19,882	9,087	16,493	5,802
Transfers	8,082	12,438	(8,082)	(12,438)	-	-
<b>Change in net position</b>	<b>4,693</b>	<b>9,153</b>	<b>11,800</b>	<b>(3,351)</b>	<b>16,493</b>	<b>5,802</b>
Net assets, Oct 1 as previously reported		88,963		117,970		206,933
Effect of change in accounting principle		(98,818)		(23,180)		(121,998)
Removal of E911 fund	-	-	-	(5,006)	-	(5,006)
<b>Beginning net position Oct 1</b>	<b>(702)</b>	<b>(9,855)</b>	<b>86,433</b>	<b>89,784</b>	<b>85,731</b>	<b>79,929</b>
<b>Net position (deficit) September 30</b>	<b>\$ 3,991</b>	<b>\$ (702)</b>	<b>\$ 98,233</b>	<b>\$ 86,433</b>	<b>\$ 102,224</b>	<b>\$ 85,731</b>

## 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 \$4,693,473. Governmental revenues totaling \$94,715,044 increased \$1,883,484 or 2.03% over fiscal year 2015 (\$92,831,560). Governmental expenditures totaling \$98,103,552 increased \$1,986,343 or 2.07% over fiscal year 2015 (\$96,117,209). Key elements in the change of net position are listed below.

- Taxes increased \$2,800,835 (3.93%) primarily from sales taxes increasing \$2,290,540. Various other taxes had a net increase of \$539,945 over the previous year. These increases were offset by a decrease in cigarette tax of \$29,650.
- Grant revenues increased \$616,892 (12.9%) due to a donation from the Wiregrass Foundation for Forever Wild in the amount of \$1,367,076 which was offset by a reduction in various other grants.
- Charges for services decreased \$285,903 (2.19%). The majority of this was due to a decrease in public safety revenue received from court fines, court cost and pre-trial diversion fees. In addition, unrestricted and miscellaneous revenue decreased \$1,248,340 because of a decrease in contributions and donations from the prior year.
- Expenses increased \$1,986,343 which was primarily due to the reporting of Other Post Employment Benefits (OPEB) and Pension Liability for fiscal year 2016.



Business-type activities increased the City of Dothan's net position by \$11,800,042. A key element was due to a decrease in transfers from the business-type activities to the governmental activities and a decrease in electric sales purchased for resale.

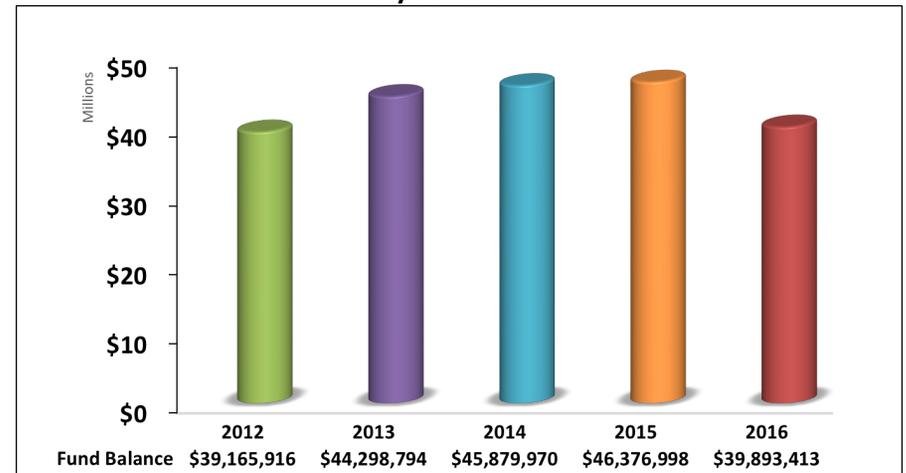
FY 2016 the total fund balance was \$39,938,969 (\$295,087 was nonspendable, \$212,325 was restricted, \$10,917,679 was committed, \$24,051,435 was assigned and \$4,462,443 was unassigned).

Fund Balance			
<b>Nonspendable:</b>		<b>Assigned to:</b>	
Inventories	\$ 295,087	Information Technology	\$ 455,035
		Economic Development Projects	1,578,272
<b>Restricted for:</b>		Public Safety Programs	2,827,207
Debt Service	\$ 340	Public Works Projects	12,207,064
Street & Bridge Maintenance	166,769	Planning & Community Develop.	18,733
Education	45,216	Culture & Recreation	654,863
	\$ 212,325	Facility Maintenance	1,302,166
		Debt Service	142,169
<b>Committed for:</b>		Self-Insurance Claims	4,851,690
Information Technology	\$ 297,346	OPEB Obligations	14,236
Economic Development Projects	100,000		\$ 24,051,435
Public Safety Programs	184,003		
Public Works Projects	3,972,102	Unassigned	\$ 4,462,443
Planning & Community Develop.	140,523		
Culture & Recreation	4,659,850		
Facility Maintenance	63,855		
Debt Service	1,000,000		
OPEB Obligations	500,000		
	\$ 10,917,679	Total Fund Balance	\$ 39,938,969

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 \$39,938,969 a decrease of \$6,520,203 (14.03%) in comparison with the prior year of \$46,459,172. Of this total fund balance, \$4,462,443 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

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 \$4,462,443 represents 4.43% of the general fund expenditures which equal \$100,753,429, while the total general fund balance of \$39,893,413 represents 39.60% of the general fund expenditures. The fund balance of the City of Dothan's general fund (\$39,893,413) decreased by \$6,483,585 (13.98%) from 2015 (\$46,376,998).

The general fund's total assets decreased by \$6,134,411 during 2016. Cash and cash equivalents decreased \$6,132,224 which was largely due to the cash funding of the James Oates Park project in place of financing the project. This was offset by additional revenue received from sales and use tax. 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 (\$7,615,010) increased from the previous year (\$7,377,298) by \$237,712 (3.22%). The most significant components were vouchers/accounts payable which increased \$622,439. This increase was offset by accrued liabilities payable and customer deposits which decreased by \$295,044 and \$57,266, respectively. (majority of which was the accrued liability provided by the actuarial study for self-insured).

Total deferred inflow of resources (\$4,066,603) increased by \$111,462 (2.82%). This was due to an increase in deferred property taxes and special assessments.

The debt service fund has a total fund balance of \$340 compared to \$65 in fiscal year 2015. 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 fund at the end of the year amounted to \$98,233,142 compared to last year's amount of \$86,433,100. The utility fund experienced an increase in net position in the amount of \$11,800,042. A key element was due to a decrease in operating expenses for the electric (electric energy purchase for resale) and sewer departments (pollution remediation) in the amount of \$11,455,832.

## 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 2015, the City Commission adopted a biennial budget for fiscal years 2016 and 2017. This was the seventh 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 2016 *final* general fund budget projected \$86,671,138 in revenues, \$117,550,986 in expenditures and \$4,054,385 in other financing sources/uses, producing a planned reduction of \$26,825,463 in the general fund's balance. Actual amounts for revenues (\$94,344,095), expenditures (\$100,753,429) and other financing sources/uses (\$74,251) netted to a \$6,483,585 decrease, rather than the expected \$26,825,463 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 \$7,672,957 over budget. Some major contributors to each revenue (actual) source being over/under from the final budget are listed as follows:

- \$5,676,794 Increase in Taxes - property (over \$99,056), motor vehicle property tax (over \$82,186), sales & use tax (over \$4,927,219), alcohol and malt beverage tax (over \$81,247), lodging tax (over \$255,083), cable/phone franchise fee (over \$93,772), and gas district franchise fee (over \$138,231)
- \$440,022 Increase in License and Permits - privilege license (over \$222,392), building permits (over \$56,981), penalties (over \$38,260), insurance license (over \$106,732), and miscellaneous (over \$15,657)
- \$1,243,990 Increase in Intergovernmental - community development block grant (under \$20,751), Alabama Department of Economic and Community Affairs grants (over \$86,840), bureau of justice, homeland security, emergency management grants, and U.S. Department of

Transportation (under \$11,022), Wiregrass Foundation grant (over \$798,013), Alabama trust fund (over \$72,067), Alabama Department of Transportation grants (over \$1,891), financial institution funds (over \$116,499), gas tax revenues (over \$158,253), and miscellaneous intergovernmental revenues (over \$42,200)

- \$903,673 Increase in Charges for Services - solid waste fees (over \$262,635), civic center/opera house ticket sales/facility fees and rental (over \$406,768), demolition of dilapidated buildings (over \$5,151), weed abatement liens (over \$16,773), false burglar fees (over \$13,593), recreational programs (over \$190,530), and miscellaneous income (over \$8,223)
- \$261,032 Decrease in Fines and Forfeitures - drug seizure (over \$16,340), court costs (under \$26,741), court fines (under \$223,969), false alarm fees (under \$157), pre-trial diversion fees (under \$53,990), drug deferred prosecution (under \$5,113), and miscellaneous fines and forfeitures (over \$32,598)
- \$11,534 Decrease in Interest – the continued low interest rate environment during fiscal year 2016 resulted in a reduced amount of interest income
- \$318,956 Decrease in Miscellaneous - landfill use fees, recycling and garbage cart sales (under \$2,651), junk sales (over \$29,409), reimbursement from a claim by the stop loss re-insurance carrier (under \$7,900), emergency 911 revenue (under \$13,884), property damage recovery (over \$4,529), photocopy printing (over \$984), contributions/donations (under \$11,526), Knox box sales (over \$602), animal control and adoption fees (under \$13,562), telephones in the jail (under \$8,205), ATM and credit card fees (over \$2,919), rentals (under \$2,835), and miscellaneous income (under \$296,836)

The actual departmental expenditures in the general fund were well within the budgetary constraints and were under budget by \$4,689,829 in fiscal year 2016. Non-departmental expenditures were under budget by \$1,531,921 which was predominantly due to a decrease in workers compensation claims paid (\$768,853) and a decrease in self-insured claims paid (\$304,270). Capital outlay expenditures were under budget \$10,575,807. This was primarily due to major purchases and projects not completed, but carried over to FY 2017 as follows: \$690,698 for building maintenance, \$1,559,635 for sidewalk and paving projects, \$1,725,838 for bridge replacement, \$2,631,918 for James

Oates Park design and construction, \$1,675,570 for Westgate Wellness Pool design and construction, \$136,000 for fire station design, \$1,033,768 for vehicles and equipment for Police, Public Works, and General Services. Other financing sources and uses actual amounts compared unfavorably with the budget by \$4,128,636.

The total operating budget was increased by \$9,185,028 in the *final* budget as follows: departments (\$846,159), insurance (\$2,931,683), and capital outlay (\$5,407,186). Although almost all departments' budgets were increased in the final budget (\$846,159), the *largest increases* are denoted as follows: general administration increased \$410,000 for Porter Hardware Museum & Visitor's Center; planning increased \$368,008 for community development block grants; health and welfare increased \$100,000 for appropriation to Wallace College for equipment at the Health Science Building; and \$148,263 for additional lodging tax for the Convention and Visitor's Bureau.

The actual revenues in the general fund (\$94,344,095) were \$7,672,957 over final revenue projections (\$86,671,138). During the year, revenues exceeded budgetary estimates. The original revenue projections in the general fund were \$3,765,644 under the *final* budget. The additional appropriations totaling \$30,591,107 were funded from: (1) the revenue sources in the following table in the amount of \$3,765,644; (2) encumbrances from fiscal year 2015 which were carried forward to fiscal year 2016 totaling \$21,296,224 (general fund beginning budget included these encumbrances which were funded from the general fund balance); and (3) the remaining \$5,529,239 was budgeted from the available unassigned fund balance.

**Additional Revenue Sources Increasing Fiscal Year 2016 Budget**

\$	63,491	- police seizure income
	1,745,511	- federal, state and local grants
	145,760	- summer feeding program funds
	1,100,000	- stop loss insurance refunds
	53,660	- solid waste fees
	148,263	- lodging tax
	9,096	- court fines
	3,692	- property damage recovery
	496,171	- special event & miscellaneous revenues
	<u>3,765,644</u>	

The additional appropriations (\$5,529,239) that were funded by the unassigned fund balance can be briefly summarized by department as follows:

- General Administration - \$479,995 as follows: \$410,000 for the Porter Hardware Museum & Visitor's Center; \$16,639 for advertising approved ordinances; \$22,156 for election expense; and \$31,200 for bad debt
- Information Technology - \$246,000 for telephone expenses
- Judicial - \$18,000 for increase in salary for public defenders
- Police - \$464,286 for Motorola radio system upgrade
- Fire - \$10,418 as follows: \$5,700 for cardiac monitors; and \$4,718 for Knox boxes
- Public Works - \$1,079,742 as follows: \$911,166 for landfill equipment; \$116,460 for wetland mitigation at landfill; \$36,053 for traffic improvements at Honeysuckle Road and Hwy 52; \$11,485 for construction engineering and inspection for Westgate Parkway sidewalk; and \$4,578 for traffic signals
- Planning & Development - \$2,000 for expanding historical boundaries study
- Health & Welfare - \$213,500 as follows: \$100,000 for equipment at the Wallace College Health Science Building; \$45,000 for fire/security/access controls at Wiregrass Museum of Art; \$34,500 for roof and building repairs at Cultural Arts Center; and \$34,000 for operational expenses at Cultural Arts Center
- Leisure Services - \$2,970,911 as follows: \$2,946,500 for construction of Westgate Aquatic Center; \$17,116 for soil testing and monitoring at Westgate Aquatic Center; \$14,388 for soil stabilization at Westgate Aquatic Center; and (\$7,093) for Summer Food Service Program
- General Services - \$10,000 for tire disposal
- Insurance - \$34,387 for worker's compensation insurance

## Capital Asset and Debt Administration

The City of Dothan's net investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$232,413,763 (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 \$9,533,941. This increase resulted from additional capital assets totaling \$20,330,592 (see following table) decreased by accumulated depreciation totaling \$8,650,100. In addition, this total was reduced by \$2,955,241 (includes construction in progress placed in service of \$2,140,159) of capital assets which were retired and offset by recaptured depreciation of \$808,690.

GOVERNMENTAL CAPITAL ASSET ADDITIONS (In Millions)	
Land (Easements)	\$ .1
Building Improvements (Pole Barn, Storage Buildings, Pools, Parks)	1.7
Additions & Improvements Including Streets, Sidewalks, and Drainage	.7
Software Upgrades & Computer Equipment	.4
Equipment (Police Investigation and Radar, Public Works Traffic, General Services Fluid Inventory Control, Fire Safety, Leisure Services Grounds, Performing Arts Sound)	.2
Vehicles (Police, Fire, Public Works, Planning, Leisure & General Services)	3.9
Construction Projects (Road Widening and Bridges, Southwest Park, Forever Wild Trails, Aquatic Complex, Landfill Expansion, Police Training Facility, Radio System Upgrade, Streetscapes)	13.3
<b>Total Capital Asset Additions</b>	<b>\$20.3</b>

The business-type capital investments increased by \$7,349,327. This increase resulted from additional capital assets totaling \$22,816,206 decreased by accumulated depreciation totaling \$8,276,738. In

addition, this total was reduced by \$8,158,160 (includes construction in progress placed in service of \$7,078,202) of capital assets which were retired and offset by recaptured depreciation of \$968,019 as follows:

<b>BUSINESS-TYPE CAPITAL ASSET ADDITIONS (In Millions)</b>	
Land (Easements)	\$ .3
Building (Utility Collections Office and Substation Control Houses)	.3
Electric System & Substation Improvements	2.3
Water System Improvements	1.9
Sanitary Sewer Improvements	1.8
Equipment (Electric, Water, Sewer)	.2
Vehicles	1.0
Construction Projects	15.0
<b>Total Capital Asset Additions</b>	<b><u>\$22.8</u></b>

- **BEAVER CREEK BASIN SEWER REHAB**

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or a cured-in-place lining of various-sized sanitary sewer lines, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$281,589 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. Engineering services are continuing for Woodland Drive, South Appletree Street, Flynn Road, and Plant Street. In December 2016, a contract in the amount of \$1,281,332 was awarded to Blankenship Contracting for these improvements. The total project is estimated to cost \$1,623,332 and is being funded with State Revolving Loan funds.

- **DENTON ROAD WIDENING AND BRIDGE**

The City began efforts to widen 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; \$325,486 has been expended, and the project is still under design. In October 2013, a \$175,326 contract was awarded to CDG Engineers & Associates, Inc. for the bridge design and for right-of-way acquisition services for the additional lanes; \$118,488 has been expended. Right-of-way acquisition is continuing for the widening and bridge projects and is estimated to total \$1,500,000, with \$175,807 being expended to date. In June of 2015, the City entered into a contract with the State of Alabama through the Department of Transportation for the construction of the Denton Road Bridge over Rock Creek. The State awarded the construction contract to Murphree Bridge Corporation for \$3,048,403. Construction engineering and inspection services are being provided by CDG Engineers & Associates, Inc. for \$295,000. The bridge is estimated to cost \$3,505,690, with \$1,472,426 already funded by the City, \$1,484,800 being funded with Federal ATRIP funds, and \$548,464 being funded with Alabama Public Road and Bridge funds. The bridge project is expected to be completed in April 2017. As of the audit report date, expenditures for the widening project are \$419,358 and expenditures for the bridge are \$1,971,984.

- **TUSCALOOSA TEST WELL**

In June 2013, the City awarded a contract to Polyengineering, Inc. 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. The final engineering consulting cost was \$199,583. 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. This study confirmed that Reverse Osmosis treatment of water from this formation is cost effective and produces water that exceeds drinking water standards. As Dothan's future water demands require new sources, production wells can be developed from this source ensuring that Dothan can meet water supply needs for many years to come. Layne Christensen's final contract cost, including change orders was \$622,002. The project has been completed at a cost of \$822,048.

- **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 has been completed 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. The completed project cost is \$611,924.

- **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, \$1,400,497 has been expended.

- **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 2014, a contract in the amount of \$484,658 was awarded to CDG Engineers and Associates, Inc. for design and permitting of the expansion; \$474,965 has been expended to date. Alabama Power completed efforts in February 2016 to relocate approximately 3,300 linear feet of transmission line at a cost of \$210,799, and the permit application for the expansion was submitted December 2016 to the Alabama Department of Environmental Management. The landfill construction is dependent on completion of the permit process and construction completion is anticipated in 2018. As of the audit report date, the project cost including land and \$116,460 cost to satisfy mitigation requirements is \$1,887,672.

- **JAMES OATES PARK PHASE 1**

In February 2013, a contract in the amount of \$365,477 was awarded to Lose and Associates, Inc. for the design of Phase 1 of the

development of James Oates Park on an 87 acre tract at the intersection of Taylor Road and Campbellton Highway. In June 2015, a contract in the amount of \$11,883,000 was awarded to Lewis Construction, LLC for the construction of the park, with \$11,213,665 expended to date. Construction of a six-field Dixie Youth Boys Baseball complex and a six-field Girls Softball complex is in progress, and the Dothan Area Convention and Visitors Bureau has donated \$2,000,000 to assist with this portion of the construction. The project cost as of the audit report date is \$12,512,498. Completion is anticipated in April 2017.

- **WESTGATE AQUATIC CENTER**

In December 2015, a contract in the amount of \$2,946,500 was awarded to Hughes Brothers Construction, LLC for the Westgate Aquatic Center project, which consists of an indoor warm water wellness pool that will adjoin the existing Westgate indoor pool; \$1,760,819 has been expended to date. The project was designed by Lose and Associates, Inc. and project cost as of the audit report date is \$2,056,210. Expected completion date is May 2017.

- **WASTEWATER TREATMENT PLANT DEWATERING UPGRADE**

In January 2015, a contract in the amount of \$1,642,000 was awarded to J and P Construction Co., Inc. to replace the existing sludge dewatering system at Little Choctawhatchee Plant. The work was completed at a cost of \$1,606,626 including change orders. Polyengineering, Inc. was awarded the professional engineering services contract for \$139,380 and completed their work in May 2016. The completed project cost is \$1,752,825.

- **RADIO SYSTEM UPGRADE**

In June 2016, a contract and upgrade agreement were entered into with Motorola, Inc. to upgrade the City's existing digital radio system which was installed by Motorola in 2006. The initial upgrade contract in the amount of \$2,780,400 includes hardware and professional services to replace the current 7.4 Motorola system release with the most current 7.16 release. City of Dothan/Houston County Communications District will reimburse the City \$458,970 of the cost

for dispatch consoles. The system upgrade agreement will begin in 2018 at an annual cost of \$229,742 for nine years and \$220,970 in year ten. This agreement will cover Motorola hardware and software upgrades for the next ten years. The project is expected to be completed in late March 2017, and the project cost as of the audit report date is \$2,083,971.

• **DOTHAN FOREVER WILD TRAILS**

The Dothan Forever Wild Trails began with 40 acres of city-owned land inside the city limits and 60 nearby acres added by Wells Fargo Bank, and eventually a total of about 400 acres that were secured and submitted to Alabama’s Forever Wild program, which identifies land to be protected forever as a natural preserve. In November 2015, a contract in the amount of \$137,475 was awarded to William Preston York to build six segments of hiking and mountain biking trails. The Alabama Department of Conservation and Natural Resources donated \$28,506 in lumber and materials, and the construction was completed at a combined cost of \$165,981. In December 2015, a contract in the amount of \$1,367,062 was awarded to Cherokee Construction Co., Inc. to build bridges and boardwalks to link the trail loops. The contract was completed October 2016 for \$1,317,109. Engineering services were provided by Northstar Engineering Services at a cost of \$20,000, and trail design was by the International Mountain Biking Association (IMBA) for \$11,900. Wiregrass Foundation, Inc. provided \$1,367,075 in funding for the bridges and boardwalks, and the Alabama Department of Economic and Community Affairs provided \$100,000 for the trails. Other monetary grants and donations totaled \$36,529. IMBA, Dothan BMX Club, and Southeast Alabama Mountain Bikers’ Club volunteered in the planning and building process. An opening celebration was held October 2016 for the completion of the ten mile trail system that includes the trails and trail heads, parking lots, information kiosks, bike repair stations, changing rooms, and the bridges and boardwalks. The capitalized cost is \$1,622,835.

• **ROCK CREEK/LITTLE CHOCTAWHATCHEE TRUNK LINE**

In November 2013, a contract in the amount of \$6,828,251 was awarded to John D. Stephens, Inc. for construction services on a portion of the existing Rock Creek/Little Choctawhatchee sanitary

sewer trunk line. The work will improve the flow capacity of the trunk line and decrease the risk of overflow. The project cost as of the report date is \$6,426,180.

• **OMUSSEE CREEK WASTEWATER TREATMENT PLANT**

In December 2014, a contract in the amount of \$2,100,000 was awarded to Barge Waggoner Sumner and Cannon, Inc. to furnish engineering services for the design of the Omussee Creek Wastewater Treatment Plant rehabilitation and upgrade. The work was completed for the amount of the contract. In June 2016, Max Foote Construction Co., LLC was awarded a contract in the amount of \$39,225,003 for the construction of the rehabilitation and upgrade; \$4,780,611 has been expended to date. Also in June 2016, Barge Waggoner Sumner and Cannon, Inc. was awarded a contract for \$1,849,300 to furnish engineering administration and inspection services for the construction; \$690,464 has been expended to date. The project cost as of the report date is \$7,608,815.

<b>Capital Assets As of September 30 (In Thousands)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land and Easements	\$ 11,542	\$ 11,516	\$ 3,704	\$ 3,373	\$ 15,246	\$ 14,889
Buildings	81,205	81,123	5,122	4,861	86,327	85,984
Improv. other than Bldgs.	48,287	45,998	213,305	208,231	261,592	254,229
Machinery & Equipment	54,679	50,950	11,820	10,763	66,499	61,713
Infrastructure	453,761	453,682			453,761	453,682
Construction in Progress	17,891	6,721	11,740	3,805	29,631	10,526
<b>Total Capital Assets</b>	<b>\$667,365</b>	<b>\$649,990</b>	<b>\$245,691</b>	<b>\$231,033</b>	<b>\$913,056</b>	<b>\$881,023</b>

Additional information on the City of Dothan’s capital assets can be found in note IV. D on pages 49-51 of this report.

## Debt Outstanding

As of the fiscal year end, the City of Dothan had \$121,663,972 in gross debt outstanding compared to \$88,294,612 last fiscal year end; thus, increasing debt by \$33,369,360 (37.79%) during the current fiscal year.

Debt Type	2013	2014	2015	2016
General Government	\$ 5,688,746	\$ 5,157,235	\$ 4,642,087	\$ 4,071,884
School	8,034,891	6,625,000	5,665,000	4,650,000
Sewer	56,855,000	74,020,000	71,090,000	108,686,621
Storm Drain & Road Imp	10,696,038	8,184,485	5,182,525	2,630,467
Water	1,989,413	1,800,000	1,715,000	1,625,000
<b>Totals</b>	<b><u>\$ 83,264,088</u></b>	<b><u>\$ 95,786,720</u></b>	<b><u>\$ 88,294,612</u></b>	<b><u>\$121,663,972</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 \$179,773,554, which is significantly in excess of the City of Dothan's outstanding general obligation debt.

In 2016, the City of Dothan Commission authorized the issuance of general obligation (G/O) warrants as follows:

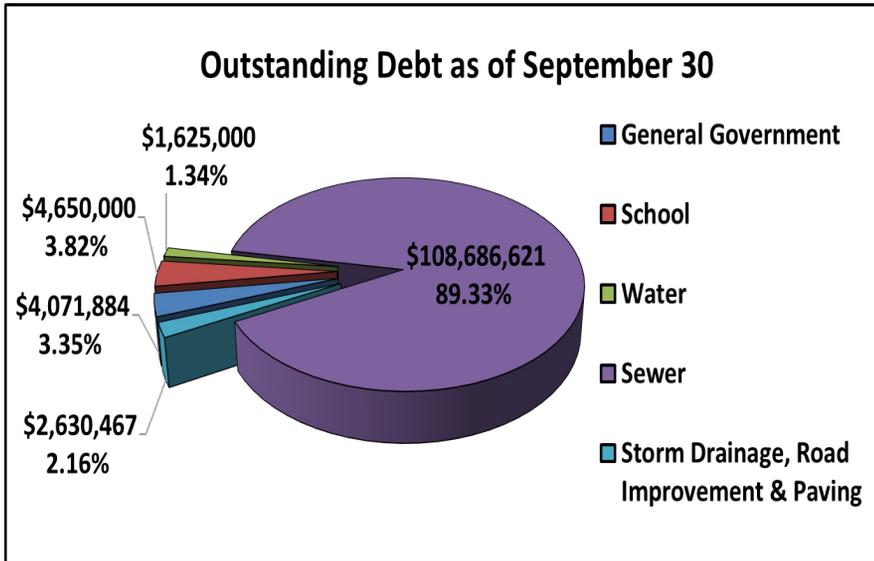
- On February 23, 2016, the City issued an \$8,560,000 G/O Warrant for refunding of the 2009 G/O Warrant. This refunding will result in a savings of \$1,193,921.
- On July 15, 2016, the City issued a \$41,085,000 G/O Warrant for an upgrade of Omussee Wastewater Treatment Plant. The debt will be repaid in twenty years through the state revolving loan process of the Alabama Department of Environmental Management (ADEM) at an interest rate of 2.2%.

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 2016 is 4.11% (total debt service expenditures were \$4,483,098 and total expenditures were \$109,180,340).

## DOTHAN'S RATINGS FOR GENERAL OBLIGATION DEBT:

- Moody's Investors Service ~ "Aa2"
- S&P Global Ratings ~ "AA"

RATING CATEGORIES		
<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.		



In 2015, the City Commission set James Oates Park as a top priority. With a project cost to date of \$12.5 million, this park will include a children’s playground, walking and biking trails, a total of 12 fields to include 6 youth baseball and 6 youth softball fields. This complex will allow for hosting large baseball and softball tournaments at the park. In order to offset the operating cost of the park, the City Commission approved an increase to the City’s lodging tax of 3% which became effective January 1, 2017.

In order to have the wastewater treatment capacity and facilities to not only handle the current growth, but also the growth in the future on the east side of Dothan, the Commission approved the rehabilitation and upgrade of the 25 year old Omussee Creek Wastewater Treatment Plant. This upgrade that was funded by a \$41 million state revolving loan is expected to be completed by October 2018.

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

The past few years have been challenging for all levels of government, including Dothan. Approximately 68% 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. Since that time the City’s sales tax revenue has continued to grow with an increase over 2008 by \$5,474,064. 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, continuing to show signs of improvement, unemployment has declined 3.6% 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.

## Economic Factors

The City relies on taxes (sales, property, gasoline, franchise, etc.), fees (licenses, 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.

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. Because the City continues to grow, the need for adequate revenue is essential. Additionally, in previous years employees have shared in the efforts to control costs and strides have been made in adjusting salaries. In October 2015, a 1.50% general increase was given to all employees. In April 2016, 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 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-Treasurer, 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).

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## **BASIC FINANCIAL STATEMENTS**

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 39,202,031	\$ 53,401,206	\$ 92,603,237
Receivables	7,335,032	8,193,088	15,528,120
Due from other governments	712,961	53,191,041	53,904,002
Internal balances	9,806	(9,806)	-
Inventories, at cost	295,087	3,547,191	3,842,278
Capital assets (See Note IV-D):			
Non-depreciable	29,433,923	15,444,451	44,878,374
Depreciable, net	69,940,533	117,594,856	187,535,389
<b>Total Assets</b>	<b>146,929,373</b>	<b>251,362,027</b>	<b>398,291,400</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows related to pensions	10,519,178	2,629,795	13,148,973
<b>Total Deferred Outflows</b>	<b>10,519,178</b>	<b>2,629,795</b>	<b>13,148,973</b>
<b>LIABILITIES:</b>			
Vouchers/accounts payable	3,157,174	11,071,873	14,229,047
Accrued liabilities	3,838,967		3,838,967
Accrued interest payable	30,574	333,845	364,419
Payable to other governments	63,232		63,232
Customer deposits	441,972	6,006,740	6,448,712
Unearned revenue	113,665		113,665
Non-Current Liabilities:			
Due within one year	5,663,573	8,870,925	14,534,498
Due in more than one year	29,683,226	103,615,532	133,298,758
Net pension liability	110,010,830	25,859,765	135,870,595
<b>Total Liabilities</b>	<b>153,003,213</b>	<b>155,758,680</b>	<b>308,761,893</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred gain on refunding	453,956		453,956
<b>Total Deferred Inflows</b>	<b>453,956</b>	<b>-</b>	<b>453,956</b>
<b>NET POSITION:</b>			
Net investment in capital assets	92,093,989	75,918,727	168,012,716
Restricted for:			
Street and bridge maintenance	166,769		166,769
Education	45,216		45,216
Unrestricted (Deficit)	(88,314,592)	22,314,415	(66,000,177)
<b>Total Net Position</b>	<b>\$ 3,991,382</b>	<b>\$ 98,233,142</b>	<b>\$ 102,224,524</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, 2016**

FUNCTION / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
General government	\$ 14,050,159	\$ 3,724,842	\$ 191,894	\$ 40,250	\$ (10,093,173)	\$	\$ (10,093,173)
Public safety	34,233,915	1,598,448	56,866	64,902	(32,513,699)		(32,513,699)
Public works	19,667,075	4,316,604	315,864	1,175,689	(13,858,918)		(13,858,918)
Planning and development	2,141,697	426,098			(1,715,599)		(1,715,599)
Health and welfare	3,594,608				(3,594,608)		(3,594,608)
Culture and recreation	11,384,383	2,731,858		31,506	(8,621,019)		(8,621,019)
General services	4,581,959				(4,581,959)		(4,581,959)
Insurance department	3,681,005				(3,681,005)		(3,681,005)
Education	4,554,804				(4,554,804)		(4,554,804)
Interest/fiscal charges on long-term debt	213,947				(213,947)		(213,947)
<b>Total Governmental Activities</b>	<b>98,103,552</b>	<b>12,797,850</b>	<b>564,624</b>	<b>1,312,347</b>	<b>(83,428,731)</b>	<b>-</b>	<b>(83,428,731)</b>
<b>Business-Type Activities:</b>							
Utility							
Electric	77,233,298	90,507,271		176,000		13,449,973	13,449,973
Water	6,523,291	9,283,669		116,500		2,876,878	2,876,878
Wastewater/sewer	11,750,783	15,567,628		52,631		3,869,476	3,869,476
Combined utilities	2,485,170	1,040,333				(1,444,837)	(1,444,837)
<b>Total Business-Type Activities</b>	<b>97,992,542</b>	<b>116,398,901</b>	<b>-</b>	<b>345,131</b>	<b>-</b>	<b>18,751,490</b>	<b>18,751,490</b>
<b>Total Primary Government</b>	<b>\$ 196,096,094</b>	<b>\$ 129,196,751</b>	<b>\$ 564,624</b>	<b>\$ 1,657,478</b>	<b>\$ (83,428,731)</b>	<b>\$ 18,751,490</b>	<b>\$ (64,677,241)</b>

(Continued on page 23)

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, 2016**

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>General Revenues:</b>			
Taxes:			
General property tax	\$ 4,581,242	\$	\$ 4,581,242
General sales and use tax	63,927,219		63,927,219
Alcoholic beverage tax	1,276,247		1,276,247
Lodging tax	1,953,346		1,953,346
Franchise tax	2,032,003		2,032,003
Cigarette tax	226,850		226,850
Grants and contributions not restricted to specific programs	3,520,430		3,520,430
Unrestricted investment earnings	95,636	114,181	209,817
Miscellaneous	2,427,250	1,016,352	3,443,602
<b>Transfers</b>	8,081,981	(8,081,981)	-
<b>Total General Revenues, Special Items, and Transfers</b>	<u>88,122,204</u>	<u>(6,951,448)</u>	<u>81,170,756</u>
<b>Change in Net Position</b>	4,693,473	11,800,042	16,493,515
<b>Net Position - Beginning</b>	<u>(702,091)</u>	<u>86,433,100</u>	<u>85,731,009</u>
<b>Net Position - Ending</b>	<u>\$ 3,991,382</u>	<u>\$ 98,233,142</u>	<u>\$ 102,224,524</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, 2016**

	GENERAL	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 39,156,883	\$ 6	\$ 45,142	\$ 39,202,031
Receivables:				
Taxes	9,259,466			9,259,466
Accounts	2,140,897			2,140,897
Special assessments		938		938
Accrued interest		334		334
Due from other funds	9,732		74	9,806
Due from other governments	712,961			712,961
Inventories, at cost	295,087			295,087
	<b>51,575,026</b>	<b>1,278</b>	<b>45,216</b>	<b>51,621,520</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Vouchers/accounts payable	3,157,174			3,157,174
Accrued liabilities	3,838,967			3,838,967
Payable to other governments	63,232			63,232
Customer deposits	441,972			441,972
Unearned revenue	113,665			113,665
	<b>7,615,010</b>	<b>-</b>	<b>-</b>	<b>7,615,010</b>
<b>Deferred Inflows of Resources:</b>				
Deferred property taxes and special assessments	4,066,603	938		4,067,541
	<b>\$ 4,066,603</b>	<b>\$ 938</b>	<b>\$ -</b>	<b>\$ 4,067,541</b>

(Continued on page 25)

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, 2016**

	GENERAL	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Fund Balances:</b>				
Nonspendable:				
Inventories	\$ 295,087	\$	\$	\$ 295,087
Restricted for:				
Debt service		340		340
Street and bridge maintenance	166,769			166,769
Education			45,216	45,216
Committed for:				
Information technology equipment	297,346			297,346
Economic development projects	100,000			100,000
Public safety programs	184,003			184,003
Public works projects	3,972,102			3,972,102
Planning and community development	140,523			140,523
Culture and recreation	4,659,850			4,659,850
Facility maintenance	63,855			63,855
Debt service	1,000,000			1,000,000
OPEB obligation	500,000			500,000
Assigned to:				
Information technology equipment	455,035			455,035
Economic development projects	1,578,272			1,578,272
Public safety programs	2,827,207			2,827,207
Public works projects	12,207,064			12,207,064
Planning and community development	18,733			18,733
Culture and recreation	654,863			654,863
Facility maintenance	1,302,166			1,302,166
Debt service	142,169			142,169
Self insurance claims	4,851,690			4,851,690
OPEB obligation	14,236			14,236
Unassigned	4,462,443			4,462,443
<b>Total Fund Balances</b>	<u>39,893,413</u>	<u>340</u>	<u>45,216</u>	<u>39,938,969</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 51,575,026</u>	<u>\$ 1,278</u>	<u>\$ 45,216</u>	<u>\$ 51,621,520</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, 2016**

<b>Total Fund Balances - Governmental Funds</b>		<b>\$ 39,938,969</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	\$ 667,365,331	
Less: Depreciation expense to date	<u>(567,990,875)</u>	99,374,456
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	(4,066,603)	
Adjustment of deferred property taxes	4,066,603	
Adjustment of deferred special assessment	<u>938</u>	938
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.		
		(453,956)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
		(35,346,799)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(30,574)
Net pension liability is noncurrent and is excluded from the fund financial statements.		
		(110,010,830)
Deferred outflows from pension activities		<u>10,519,178</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 3,991,382</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, 2016**

	GENERAL	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Taxes	\$ 73,770,057	\$	\$ 226,850	\$ 73,996,907
Licenses and permits	4,101,722			4,101,722
Intergovernmental revenues	5,246,980			5,246,980
Charges for services	7,132,073			7,132,073
Fines and forfeitures	1,564,055			1,564,055
Special assessments		440		440
Interest income	95,566	275	70	95,911
Miscellaneous	2,433,642			2,433,642
<b>Total Revenues</b>	<b>94,344,095</b>	<b>715</b>	<b>226,920</b>	<b>94,571,730</b>
<b>EXPENDITURES:</b>				
Current:				
General government	10,762,578			10,762,578
Public safety	32,342,515			32,342,515
Public works	15,388,942			15,388,942
Planning and development	2,117,536			2,117,536
Health and welfare	3,580,357			3,580,357
Culture and recreation	10,474,336			10,474,336
General services	4,365,873			4,365,873
Insurance department	3,681,005			3,681,005
Intergovernmental			3,943,813	3,943,813
Capital outlay	18,040,287			18,040,287
Debt service:				
Principal retirement		3,990,377		3,990,377
Interest and fiscal charges		492,721		492,721
<b>Total Expenditures</b>	<b>100,753,429</b>	<b>4,483,098</b>	<b>3,943,813</b>	<b>109,180,340</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>\$ (6,409,334)</b>	<b>\$ (4,482,383)</b>	<b>\$ (3,716,893)</b>	<b>\$ (14,608,610)</b>

(Continued on page 28)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	\$ (80,677)	\$ 4,482,658	\$ 3,680,000	\$ 8,081,981
Capital leases	6,426			6,426
<b>Total Other Financing Sources (Uses)</b>	<u>(74,251)</u>	<u>4,482,658</u>	<u>3,680,000</u>	<u>8,088,407</u>
<b>Net Changes in Fund Balance</b>	(6,483,585)	275	(36,893)	(6,520,203)
<b>Fund Balances, Beginning</b>	<u>46,376,998</u>	<u>65</u>	<u>82,109</u>	<u>46,459,172</u>
<b>Fund Balances, Ending</b>	<u>\$ 39,893,413</u>	<u>\$ 340</u>	<u>\$ 45,216</u>	<u>\$ 39,938,969</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, 2016**

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (6,520,203)</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	9,390,187
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	143,754
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.	(440)
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.	4,253,071
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(2,572,896)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 4,693,473</u></b>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 53,401,206
Accounts receivable	8,193,088
Due from other governments	53,191,041
Inventories, at cost	3,547,191
<b>Total Current Assets</b>	<b>118,332,526</b>
Non-Current Assets:	
Capital Assets:	
Land	3,704,522
Buildings	5,121,851
Improvements other than buildings	213,304,669
Machinery and equipment	11,819,987
Accumulated depreciation	(112,651,651)
Construction in progress	11,739,929
<b>Total Non-Current Assets</b>	<b>133,039,307</b>
<b>Total Assets</b>	<b>251,371,833</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred outflows related to pensions	2,629,795
<b>Total Deferred Outflows</b>	<b>2,629,795</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Vouchers/accounts payable	11,071,873
Due to other funds	9,806
Accrued interest payable	333,845
Pollution remediation obligation	1,443,935
Compensated absences	584,505
Customer deposits	6,006,740
Bonds payable - current	6,842,485
<b>Total Current Liabilities</b>	<b>\$ 26,293,189</b>

(Continued on page 31)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND - CONTINUED**  
**SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
Non-Current Liabilities:	
Compensated absences	\$ 126,396
Pollution remediation obligation	20,000
Bonds payable (net of unamortized bond issue costs)	103,469,136
Net pension liability	25,859,765
<b>Total Non-Current Liabilities</b>	<b>129,475,297</b>
<b>Total Liabilities</b>	<b>155,768,486</b>
 <b>NET POSITION:</b>	
Net investment in capital assets	75,918,727
Unrestricted	22,314,415
<b>Total Net Position</b>	<b>\$ 98,233,142</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 FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 116,398,901
<b>OPERATING EXPENSES:</b>	
Electric department	74,358,920
Water department	4,598,015
Sewer department	5,654,421
Billing - collection department	1,646,726
Meter reading department	753,346
Depreciation	8,276,738
Miscellaneous	41,378
<b>Total Operating Expenses</b>	<b>95,329,544</b>
<b>Operating Income (Loss)</b>	<b>21,069,357</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Interest revenue	114,181
Miscellaneous revenue	1,016,352
Gain (loss) on disposition of capital assets	(459,404)
Bond issuance costs	(55,262)
Interest and fiscal charges	(2,148,332)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,532,465)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>19,536,892</b>
Capital contributions	345,131
Transfers (out)	(8,081,981)
<b>Change in Net Position</b>	<b>11,800,042</b>
<b>Total Net Position - Beginning</b>	<b>86,433,100</b>
<b>Total Net Position - Ending</b>	<b>\$ 98,233,142</b>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 116,201,007
Payments to suppliers	(73,797,735)
Payments to employees	(13,090,520)
Other receipts (payments)	1,016,352
	30,329,104
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers (out)	(8,081,981)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from capital debt	15,026,819
Acquisition and construction of capital assets	(15,740,338)
Principal paid on bond maturities and capital leases	(12,138,379)
Interest paid on bonds and notes payable	(2,100,723)
	(14,952,621)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and dividends on investments	114,181
	7,408,683
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	
	45,992,523
<b>Cash and Cash Equivalents at End of Year</b>	\$ 53,401,206

(Continued on page 34)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**BUSINESS-TYPE ACTIVITIES**  
**ENTERPRISE FUND**

UTILITY

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided by (Used In) Operating Activities:**

**Operating Income (Loss)**

\$ 21,069,357

**Adjustments to reconcile operating income to net cash  
provided (used) by operating activities:**

Depreciation

8,276,738

(Increase) decrease in accounts receivable

(526,234)

(Increase) decrease in inventory

(330,862)

(Increase) decrease in deferred outflows

(701,574)

Increase (decrease) in vouchers and accounts payable

2,275,686

Increase (decrease) in due to other funds

3,109

Increase (decrease) in compensated absences

37,235

Increase (decrease) in pollution remediation obligation

(2,006,065)

Increase (decrease) in customer deposits

328,340

Increase (decrease) in deferred inflows

(576,375)

Increase (decrease) in net pension liability

1,463,397

Other miscellaneous revenues

1,016,352

**Total Adjustments**

9,259,747

**Net Cash Provided by (Used In) Operating Activities**

\$ 30,329,104

**NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

Contributions of capital assets

\$ 345,131

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, 2016**

**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, electric, water and wastewater/sewer services.

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

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

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

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

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
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**SEPTEMBER 30, 2016**

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

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

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

The City 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.

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

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

**1. Governmental Funds (Continued)**

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

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

*Capital Projects Fund* – To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds). During this fiscal year, there were no capital project funds used to account for these types of transactions.

*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 wastewater/sewer operations.

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**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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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**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 shown in the General Fund consists of expendable supplies held for consumption and is valued at cost on a first-in, first-out basis. Inventories held by the Proprietary Fund are valued at average 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, 2016.

*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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**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.

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.

**THE CITY OF DOTHAN**  
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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**

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

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 25).

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.

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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)**

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

In accordance with Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the City reports deferred outflows of resources in the Statement of Net Position in a separate section following Assets. Similarly, the City reports deferred inflows of resources in the Statement of Net Position in a separate section following Liabilities.

The components of the deferred outflows of resources and deferred inflows of resources are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities Utility Fund</b>
Deferred Outflows of Resources		
Deferred outflows from pension activities	\$ 10,519,178	\$ 2,629,795
Deferred Inflows of Resources		
Deferred inflows from refunded debt	\$ 453,956	\$

**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**  
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**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 \$7,310,216 reported as landfill closure and postclosure care liability at September 30, 2016, represents the cumulative amount reported to date based on the use of 99 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$94,784 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. 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 twelve (12) months. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

**J. Pensions**

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**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 \$60,886,157. 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.

**THE CITY OF DOTHAN  
DOTHAN, ALABAMA  
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**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (Continued)**

*1. Budgetary Accounting (Continued)*

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

*2. Encumbrances*

The City uses encumbrance accounting for budgetary control purposes. Outstanding encumbrances, which are outstanding purchase orders, contracts, and other commitments, are not treated as expenditures in the operating statements but instead reflect as a commitment or assignment 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, 2016, 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 (\$35,346,799) difference are as follows:

Bonds payable	(\$11,333,197)
Capital leases	( 19,154)
Estimated cost of closure and postclosure of landfill	( 7,310,216)
Compensated absences	( 3,428,799)
Net OPEB obligation	<u>( 13,255,433)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>(\$35,346,799)</u>

**THE CITY OF DOTHAN**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**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 \$9,390,187 difference are as follows:

Capital outlay	\$18,040,287
Depreciation expense	<u>( 8,650,100)</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>\$ 9,390,187</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 \$143,754 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.	\$ 150,146
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>( 6,392)</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>\$ 143,754</u>

**THE CITY OF DOTHAN**  
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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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 \$4,253,071 difference are as follows:

Issuance of debt	(\$ 6,426)
Principal repayments:	
General obligation debt and capital leases	3,990,377
Net change in unamortized bond premium and discount costs	<u>269,120</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>\$4,253,071</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$2,572,896) difference are as follows:

Compensated absences	(\$ 15,780)
Estimated cost of closure and postclosure	( 31,101)
Accrued interest	9,654
Net OPEB obligation	( 1,286,451)
Pensions	<u>( 1,249,218)</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>(\$2,572,896)</u>

**THE CITY OF DOTHAN**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At year end, the government's carrying amount of deposits was \$92,603,237 and the total bank balance was \$91,146,394. Of the bank balance, \$1,750,000 was covered by federal depository insurance. Of the remaining balance, \$89,396,394 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, 2016, \$89,396,394 of the government's bank balance of \$91,146,394 was exposed to custodial credit risk because it was uninsured; however, the balance is 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>TOTAL</u>
Receivables:				
Taxes	\$ 9,259,466	\$	\$	\$ 9,259,466
Accounts	2,140,897		8,193,088	10,333,985
Special assessments		938		938
Interest		334		334
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 11,400,363</u>	<u>\$ 1,272</u>	<u>\$ 8,193,088</u>	<u>\$ 19,594,723</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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)	\$ 4,066,603	\$
Special assessments not yet due (debt service fund)	938	
Business licenses and certain other resources that have been received, but not yet earned	_____	113,665
Total deferred/unearned revenue for governmental funds	\$ 4,067,541	\$ 113,665

**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, 2016, there were property taxes receivable and deferred revenue of \$4,066,603 that does not become earned until October 1, 2016, 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**  
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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2016, was as follows:

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets, not being depreciated:				
Land and easements	\$ 11,515,434	\$ 27,000	\$	\$ 11,542,434
Construction in progress	6,720,943	13,310,705	(2,140,159)	17,891,489
Total capital assets, not being depreciated	<u>18,236,377</u>	<u>13,337,705</u>	<u>(2,140,159)</u>	<u>29,433,923</u>
Capital assets, being depreciated:				
Buildings	81,123,311	81,563		81,204,874
Improvements other than buildings	45,998,571	2,287,969		48,286,540
Machinery and equipment	50,950,156	4,544,243	(815,082)	54,679,317
Infrastructure	453,681,565	79,112		453,760,677
Total capital assets, being depreciated	<u>631,753,603</u>	<u>6,992,887</u>	<u>(815,082)</u>	<u>637,931,408</u>
Less accumulated depreciation for:				
Buildings	56,074,326	1,548,237		57,622,563
Improvements other than buildings	26,461,003	1,747,166		28,208,169
Machinery and equipment	38,763,729	3,186,763	(808,690)	41,141,802
Infrastructure	438,850,407	2,167,934		441,018,341
Total accumulated depreciation	<u>560,149,465</u>	<u>8,650,100</u>	<u>(808,690)</u>	<u>567,990,875</u>
Total capital assets, being depreciated, net	<u>71,604,138</u>	<u>(1,657,213)</u>	<u>(6,392)</u>	<u>69,940,533</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 89,840,515</u></u>	<u><u>\$ 11,680,492</u></u>	<u><u>\$ (2,146,551)</u></u>	<u><u>\$ 99,374,456</u></u>

**CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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	\$ 3,373,522	\$ 331,000	\$	\$ 3,704,522
Construction in progress	3,804,729	15,013,402	(7,078,202)	11,739,929
Total capital assets, not being depreciated	<u>7,178,251</u>	<u>15,344,402</u>	<u>(7,078,202)</u>	<u>15,444,451</u>
Capital assets, being depreciated:				
Buildings	4,861,003	260,848		5,121,851
Improvements other than buildings	208,230,407	6,008,298	(934,036)	213,304,669
Machinery and equipment	10,763,251	1,202,658	(145,922)	11,819,987
Total capital assets, being depreciated	<u>223,854,661</u>	<u>7,471,804</u>	<u>(1,079,958)</u>	<u>230,246,507</u>
Less accumulated depreciation for:				
Buildings	2,877,738	146,830		3,024,568
Improvements other than buildings	94,690,834	7,294,477	(822,097)	101,163,214
Machinery and equipment	7,774,360	835,431	(145,922)	8,463,869
Total accumulated depreciation	<u>105,342,932</u>	<u>8,276,738</u>	<u>(968,019)</u>	<u>112,651,651</u>
Total capital assets, being depreciated, net	<u>118,511,729</u>	<u>(804,934)</u>	<u>(111,939)</u>	<u>117,594,856</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$ 125,689,980</u></u>	<u><u>\$ 14,539,468</u></u>	<u><u>\$ (7,190,141)</u></u>	<u><u>\$ 133,039,307</u></u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
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**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	\$ 754,419
Public safety	1,879,632
Public works, including depreciation of general infrastructure assets	4,241,164
Planning and development	30,690
Health and welfare	14,251
Culture and recreation	911,196
General services	207,757
Schools	610,991
Total depreciation expense - governmental activities	<u><u>\$ 8,650,100</u></u>

**Business-type activities:**

Electric	\$ 2,446,855
Water	1,833,767
Wastewater/sewer	3,952,396
Combined utilities	43,720
Total depreciation expense - business-type activities	<u><u>\$ 8,276,738</u></u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
General Fund	\$ (706,319)	\$ 706,319	\$	\$ -
Utility Fund	625,642	3,776,339	3,680,000	8,081,981
Total Transfer out	\$ (80,677)	\$ 4,482,658	\$ 3,680,000	\$ 8,081,981

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**  
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**SEPTEMBER 30, 2016**

**ANALYSIS OF NET INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
<b>Infrastructure - Governmental</b>				
2014 G/O Series - Refunding	\$ 2,210,140	\$	\$ 2,210,140	
Total Infrastructure - Governmental	2,210,140	-	2,210,140	
<b>Other Capital Assets - Governmental</b>				
2014 G/O Series - Refunding	5,070,327		5,070,327	
Total Other Capital Assets - Governmental	5,070,327	-	5,070,327	
<b>Total Governmental Debt</b>				\$ 7,280,467
Total Capital Assets			667,365,331	
Accumulated Depreciation			(567,990,875)	
<b>Net Capital Assets</b>				99,374,456
Net Investment in Capital Assets				\$ 92,093,989
<b>Infrastructure - Proprietary</b>				
1996B SRLB	290,000		290,000	
2009 G/O Series - Refinanced	23,751,621		23,751,621	
2009 G/O Series - CWSRF-ARRA-DL	2,140,000		2,140,000	
2009 G/O Series - DCWSRF-ARRA-DL	1,625,000		1,625,000	
2010-CWSRF-BL Sewer Warrant	4,235,000		4,235,000	
2010B-CWSRF-BL Sewer Warrant	2,480,000		2,480,000	
2011 G/O Series - CWSRF-DL	2,870,000		2,870,000	
2011 G/O Series - CWSRF-DL	6,050,000		6,050,000	
2014 G/O Series - CWSRF-DL	17,685,000	12,116,041	5,568,959	
2016 G/O Series - Sewer Warrant	8,100,000		8,100,000	
2016 G/O Series - CWSRF-DL Sewer Warrant	41,085,000	41,075,000	10,000	
Total Infrastructure - Proprietary	110,311,621	53,191,041	57,120,580	
<b>Total Proprietary Debt</b>				\$ 57,120,580
Total Capital Assets			245,690,958	
Accumulated Depreciation			(112,651,651)	
<b>Net Capital Assets</b>				133,039,307
Net Investment in Capital Assets				\$ 75,918,727

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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>
2017	\$ 27,522
2018	19,662
2019	<u>8,593</u>
Total minimum lease payments	<u>\$ 55,777</u>

The rental expense for the above operating leases is \$31,820 for the year ended September 30, 2016.

*Capital Leases*

The City has entered into an agreement to lease mailing equipment. This agreement is, in substance, a purchase (capital lease) and is reported as a capital lease obligation. Capital lease obligations are reported for those leases where the fair market value of the leased asset at inception of the lease is \$5,000 or more.

The following schedule presents future minimum lease payments as of September 30, 2016:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>TOTAL</u>
Total minimum lease payments	\$ 17,048	\$ 2,468	\$ 822	\$ 20,338
Less: Interest	<u>974</u>	<u>194</u>	<u>16</u>	<u>1,184</u>
Present Value of Minimum Lease Payments	<u>\$ 16,074</u>	<u>\$ 2,274</u>	<u>\$ 806</u>	<u>\$ 19,154</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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

**G. Leases (Continued)**

Leased equipment under capital leases in capital assets at September 30, 2016, include the following:

Equipment		\$ 50,111
Less: Accumulated depreciation		<u>(29,713)</u>
 Total		 <u><u>\$ 20,398</u></u>

Amortization of equipment under capital assets is included with depreciation expense.

**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%	\$ 4,052,730
Governmental activities – refunding	3.00 – 5.00%	6,680,000
Business-type activities	2.20 – 3.50%	101,921,621
Business-type activities – refunding	1.74 – 3.18%	<u>8,390,000</u>
		<u><u>\$121,044,351</u></u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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>
2017	\$ 2,666,226	\$ 381,652	\$ 6,842,486	\$ 2,817,968
2018	2,742,701	302,477	6,749,784	2,561,145
2019	1,794,647	199,532	6,949,086	2,383,504
2020	1,881,897	123,031	7,145,456	2,200,525
2021	645,000	42,179	7,353,959	2,012,210
2022	663,440	23,738	7,569,665	1,818,279
2023	338,819	4,770	6,517,645	1,618,492
2024			6,687,972	1,445,408
2025			6,865,720	1,267,722
2026			7,055,968	1,085,096
2027			5,908,880	897,306
2028			4,710,000	768,565
2029			4,815,000	658,032
2030			4,940,000	545,035
2031			4,020,000	428,968
2032			4,120,000	334,185
2033			3,505,000	240,637
2034			3,585,000	162,345
2035			2,460,000	82,280
2036			2,510,000	27,610
<b>TOTAL</b>	<u>\$ 10,732,730</u>	<u>\$ 1,077,379</u>	<u>\$ 110,311,621</u>	<u>\$ 23,355,312</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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, 2016, 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	\$ 14,706,335	\$	\$ (3,973,605)	\$ 10,732,730	\$ 2,666,227
Plus: Unamortized bond premium	753,777		(153,310)	600,467	
Total Bonds Payable	15,460,112	-	(4,126,915)	11,333,197	2,666,227
Capital leases	29,500	6,426	(16,772)	19,154	16,074
Estimated cost of closure and postclosure	7,279,115	31,101		7,310,216	
Compensated absences	3,413,019	205,882	(190,102)	3,428,799	2,981,272
Net OPEB obligation	11,968,982	1,908,768	(622,317)	13,255,433	
Governmental Activity Long-Term Liabilities	<u>\$ 38,150,728</u>	<u>\$ 2,152,177</u>	<u>\$ (4,956,106)</u>	<u>\$ 35,346,799</u>	<u>\$ 5,663,573</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 72,805,000	\$ 49,645,000	\$ (12,138,379)	\$ 110,311,621	\$ 6,842,485
Total Bonds Payable	72,805,000	49,645,000	(12,138,379)	110,311,621	6,842,485
Compensated absences	673,666	61,319	(24,084)	710,901	584,505
Pollution remediation obligation	3,470,000	93,250	(2,099,315)	1,463,935	1,443,935
Business-Type Activity Long-Term Liabilities	<u>\$ 76,948,666</u>	<u>\$ 49,799,569</u>	<u>\$ (14,261,778)</u>	<u>\$ 112,486,457</u>	<u>\$ 8,870,925</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**  
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**SEPTEMBER 30, 2016**

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

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

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, 2016, \$7,118,959 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2016, there were \$12,116,041 remaining state revolving funds available.

On February 23, 2016, the City issued \$8,560,000 of general obligation warrants Series 2016 refunding warrants with interest of 1.74% for the purpose of refunding, on a current basis, the City's general obligation warrants Series 2009-CWSRF-DL dated September 30, 2009. The net carrying amount of the old debt equaled the reacquisition price. This current refunding was undertaken to reduce total debt service payments over the next fourteen (14) years by \$1,193,921 and resulted in an economic gain of \$1,193,921.

On July 15, 2016, the City issued \$41,085,000 of general obligations warrants Series 2016-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer System. 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, 2016, \$10,000 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2016, there were \$41,075,000 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. Due to the Affordable Care Act (ACA), the benefits are unlimited. In order to reduce exposure, the City has purchased stop loss reinsurance for any claims in excess of \$200,000 per covered person plus an aggregating specific deductible of \$50,000 for the policy year. As of September 30, 2016, the City accrued \$900,748 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

The City became a self-insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). An excess coverage insurance policy covers individual claims in excess of \$250,000. Expenditures are recognized in the General Fund for the amount determined to fund future claims. Corresponding revenues are recognized in the General Fund. As of September 30, 2016, the City accrued the actuarially determined undiscounted amount of \$1,423,000 which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**V. OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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, 2016, the City accrued the actuarially determined undiscounted amount of \$1,346,000 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 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Liability beginning balance	\$ 3,956,415	\$ 3,712,706
Claims and changes in estimates	13,334,445	12,415,631
Claim payments	(13,621,112)	(12,171,922)
Liability ending balance	\$ 3,669,748	\$ 3,956,415
Due in one year or less	\$ 3,669,748	\$ 3,956,415

**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 13, 2017, which is the date these financial statements were available to be issued.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**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 \$1,463,935 at September 30, 2016, 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.

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**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, 2016:

	<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, 2016, the City contributed \$622,317 to the plan and plan members receiving benefits contributed \$941,863.

*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	\$ 1,887,373
Interest on net OPEB obligation	478,759
Adjustment to annual required contribution	( 457,364)
Annual OPEB cost (expense)	1,908,768
Contributions made	( 622,317)
Increase in net OPEB obligation	1,286,451
Net OPEB obligation – beginning of year	<u>11,968,982</u>
Net OPEB obligation – end of year	<u>\$13,255,433</u>

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**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 2016 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
09/30/15	1,764,322	30.71%	11,968,982
09/30/16	1,908,768	32.60%	13,255,433

*Funded Status and Funding Progress.* As of September 30, 2015, the most recent actuarial valuation date, the plan was 1.87% funded. The actuarial accrued liability for benefits was \$27,502,213, and the actuarial value of assets was \$513,465, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,988,748. The covered payroll (annual payroll of active employees covered by the plan) was \$44,719,967, and the ratio of the UAAL to the covered payroll was 60.35%.

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, 2015, 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 7.75% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates included a 3.00% 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, 2015, was thirty years.

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan**

**Summary of Significant Accounting Policies**

*Pensions.* The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**General Information about the Pension Plan**

*Plan description.* The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945, under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

The ERS Board of control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b. Two vested active state employees.
  - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

*Benefits provided.* State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to annual retirement benefits, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to annual retirement benefits, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	<u>55,378</u>
Total	<u>84,393</u>

*Contributions.* Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's average contribution rate to fund the normal and accrued liability costs was 21.07% of covered employee payroll.

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

The City's contractually required contribution rate for the year ended September 30, 2016, was 21.44% of pensionable pay for Tier 1 employees, and 20.99% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$9,554,816 for the year ended September 30, 2016.

**Net Pension Liability**

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014, rolled forward to September 30, 2015, using standard roll-forward techniques as shown in the following table:

**Membership as of the Measurement Date of September 30, 2015**

Inactive members or their beneficiaries currently receiving benefits	548
Inactive members entitled to but not yet receiving benefits	11
Nonvested inactive members	47
Active members	986
Post-drop retired members still in active service	<u>6</u>
 Total	 <u>1,598</u>

**Roll-Forward of the Total Pension Liability**

	<b>TPL Roll-Forward</b>	
	<b><u>Expected</u></b>	<b><u>Actual</u></b>
(a) TPL as of September 30, 2014	\$ 234,564,551	\$ 234,687,469
(b) Entry Age Normal Cost for the period October 1, 2014 - September 30, 2015	3,817,644	3,817,644
(c) Actual Benefit Payments and Refunds for the period October 1, 2014 - September 30, 2015	(14,447,566)	(14,447,566)
(d) TPL as of September 30, 2015 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	242,121,890	242,254,642
(e) Difference Between Expected and Actual Experience (Gain)/Loss		132,752

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

*Actuarial assumptions.* The total pension liability in the September 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

\*Net of pension plan investment expense, including inflation

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

\*Includes assumed rate of inflation of 2.50%

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on the assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Schedule of Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
Balances at September 30, 2014	<u>\$ 234,564,553</u>	<u>\$ 106,162,619</u>	<u>\$ 128,401,934</u>
Changes for the year:			
Service cost	3,817,644		3,817,644
Interest	18,187,261		18,187,261
Changes of assumptions			-
Difference between expected and actual experience	132,752		132,752
Contributions - employer		10,148,294	(10,148,294)
Contributions - employee		3,512,701	(3,512,701)
Net investment income		1,253,364	(1,253,364)
Benefit payments, including refunds of employee contributions	(14,447,566)	(14,447,566)	-
Administrative expense			-
Transfers among employers		(245,363)	245,363
Net changes	<u>7,690,091</u>	<u>221,430</u>	<u>7,468,661</u>
Balances at September 30, 2015	<u>\$ 242,254,644</u>	<u>\$ 106,384,049</u>	<u>\$ 135,870,595</u>

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
Plan's Net Pension Liability (Asset)	\$ 162,869,439	\$ 135,870,595	\$ 112,938,324

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows Related to Pensions**

For the year ended September 30, 2016, the City recognized pension expense of \$10,989,246. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources (page 69):

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

**Pension Expense**

Service Cost		\$ 3,817,644
Interest on the total pension liability		18,187,261
Current-period benefit changes		
Expensed portion of current-period difference between expected and actual experience in the total pension liability		22,125
Expensed portion of current-period changes of assumptions		
Member contributions		(3,512,701)
Projected earnings on plan investments		(8,451,732)
Expenses portion of current-period differences between actual and projected earnings on plan investments		1,439,674
Transfers among employers		245,363
Recognition of beginning deferred outflows of resources as pension expense		
Recognition of beginning deferred inflows of resources as pension expense		(758,388)
<b>Pension Expense (Income)</b>		<b><u><u>\$ 10,989,246</u></u></b>

**Summary of Deferred Inflows and Outflows of Resources**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 110,627	\$
Changes of assumptions		
Net difference between projected and actual earnings on plan investments	3,483,530	
Employer contributions subsequent to the Measurement Date	<u>9,554,816</u>	
<b>Total</b>	<b><u><u>\$ 13,148,973</u></u></b>	<b><u><u>\$ -</u></u></b>

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**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

**Schedule of Amortization of Deferred Inflows and Outflows of Resources**

<u>Year Ended</u> <u>September 30</u>		
2017	\$	758,388
2018		758,388
2019		758,388
2020		
2021		
Thereafter		

**G. Construction and Other Significant Commitments**

**1. Beaver Creek Basin Sewer Rehab**

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or a cured-in-place lining of various-sized sanitary sewer lines, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$281,589 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. Engineering services are continuing for Woodland Drive, South Appletree Street, Flynn Road, and Plant Street. In December 2016, a contract in the amount of \$1,281,332 was awarded to Blankenship Contracting for these improvements. The total project is estimated to cost \$1,623,332 and is being funded with State Revolving Loan funds.

**2. Denton Road Widening and Denton Road Bridge**

The City began efforts to widen 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; \$325,486 has been expended, and the project is still under design. In October 2013, a \$175,326 contract was awarded to CDG Engineers & Associates, Inc. for the bridge design and for right-of-way acquisition services for the additional lanes; \$118,488 has been expended. Right-of-way acquisition is continuing for the widening and bridge projects and is estimated to total \$1,500,000, with \$175,807 being expended to date. In June of 2015, the City entered into a contract with the State of Alabama through the Department of Transportation for the construction of the Denton Road Bridge over Rock Creek. The State awarded the construction contract to Murphree Bridge Corporation for \$3,048,403. Construction engineering and inspection services are being provided by CDG Engineers & Associates, Inc. for \$295,000. The bridge is estimated to cost \$3,505,690, with \$1,472,426 already funded by the City, \$1,484,800 being funded with Federal ATRIP funds, and \$548,464 being funded with Alabama Public Road and Bridge funds. The bridge project is expected to be completed in April 2017. As of the audit report date, expenditures for the widening project are \$419,358 and expenditures for the bridge are \$1,971,984.

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**V. OTHER INFORMATION (Continued)**

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

**3. Tuscaloosa Test Well**

In June 2013, the City awarded a contract to Polyengineering, Inc. 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. The final engineering consulting cost was \$199,583. 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. This study confirmed that Reverse Osmosis treatment of water from this formation is cost effective and produces water that exceeds drinking water standards. As Dothan's future water demands require new sources, production wells can be developed from this source ensuring that Dothan can meet water supply needs for many years to come. Layne Christensen's final contract cost, including change orders was \$622,002. The project has been completed at a cost of \$822,048.

**4. 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 has been completed 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. The completed project cost is \$611,924.

**5. 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, \$1,400,497 has been expended.

**6. 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 2014, a contract in the amount of \$484,658 was awarded to CDG Engineers & Associates, Inc. for design and permitting of the expansion; \$474,965 has been expended to date. Alabama Power completed efforts in February 2016 to relocate approximately 3,300 linear feet of transmission line at a cost of \$210,799, and the permit application for the expansion was submitted December 2016 to the Alabama Department of Environmental Management. The landfill construction is dependent on completion of the permit process and construction completion is anticipated in 2018. As of the audit report date, the project cost including land and \$116,460 cost to satisfy mitigation requirements is \$1,887,672.

**7. Westgate Aquatic Center**

In December 2015, a contract in the amount of \$2,946,500 was awarded to Hughes Brothers Construction, LLC for the Westgate Aquatic Center project, which consists of an indoor warm water wellness pool that will adjoin the existing Westgate indoor pool; \$1,760,819 has been expended to date. The project was designed by Lose and Associates, Inc. and project cost as of the audit report date is \$2,056,210. Expected completion date is May 2017.

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**V. OTHER INFORMATION (Continued)**

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

**8. James Oates Park Phase I**

In February 2013, a contract in the amount of \$365,477 was awarded to Lose and Associates, Inc. for the design of Phase 1 of the development of James Oates Park on an 87 acre tract at the intersection of Taylor Road and Campbellton Highway. In June 2015, a contract in the amount of \$11,883,000 was awarded to Lewis Construction, LLC for the construction of the park, with \$11,213,665 expended to date. Construction of a six-field Dixie Youth Boys Baseball complex and a six-field Girls Softball complex is in progress, and the Dothan Area Convention and Visitors Bureau has donated \$2,000,000 to assist with this portion of the construction. The project cost as of the audit report date is \$12,512,498. Completion is anticipated in April 2017.

**9. Wastewater Treatment Plant Dewatering Upgrade**

In January 2015, a contract in the amount of \$1,642,000 was awarded to J and P Construction Co., Inc. to replace the existing sludge dewatering system at Little Choctawhatchee Plant. The work was completed at a cost of \$1,606,626 including change orders. Polyengineering, Inc. was awarded the professional engineering services contract for \$139,380 and completed their work in May 2016. The completed project cost is \$1,752,825.

**10. Radio System Upgrade**

In June 2016, a contract and upgrade agreement were entered into with Motorola, Inc. to upgrade the City's existing digital radio system which was installed by Motorola in 2006. The initial upgrade contract in the amount of \$2,780,400 includes hardware and professional services to replace the current 7.4 Motorola system release with the most current 7.16 release. City of Dothan/Houston County Communications District will reimburse the City \$458,970 of the cost for dispatch consoles. The system upgrade agreement will begin in 2018 at an annual cost of \$229,742 for nine years and \$220,970 in year ten. This agreement will cover Motorola hardware and software upgrades for the next ten years. The project is expected to be completed in late March 2017, and the project cost as of the audit report date is \$2,083,971.

**11. Dothan Forever Wild Trails**

The Dothan Forever Wild Trails began with 40 acres of city-owned land inside the city limits and 60 nearby acres added by Wells Fargo Bank, and eventually a total of about 400 acres that were secured and submitted to Alabama's Forever Wild program, which identifies land to be protected forever as a natural preserve. In November 2015, a contract in the amount of \$137,475 was awarded to William Preston York to build six segments of hiking and mountain biking trails. The Alabama Department of Conservation and Natural Resources donated \$28,506 in lumber and materials, and the construction was completed at a combined cost of \$165,981. In December 2015, a contract in the amount of \$1,367,062 was awarded to Cherokee Construction Co., Inc. to build bridges and boardwalks to link the trail loops. The contract was completed October 2016 for \$1,317,109. Engineering services were provided by Northstar Engineering Services at a cost of \$20,000, and trail design was by the International Mountain Biking Association (IMBA) for \$11,900. Wiregrass Foundation, Inc. provided \$1,367,075 in funding for the bridges and boardwalks, and the Alabama Department of Economic and Community Affairs provided \$100,000 for the trails. Other monetary grants and donations totaled \$36,529. IMBA, Dothan BMX Club, and Southeast Alabama Mountain Bikers' Club volunteered in the planning and building process. An opening celebration was held October 2016 for the completion of the ten mile trail system that includes the trails and trail heads, parking lots, information kiosks, bike repair stations, changing rooms, and the bridges and boardwalks. The capitalized cost is \$1,622,835.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**V. OTHER INFORMATION (Continued)**

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

**12. RockCreek/Little Choctawhatchee Trunk Line**

In November 2013, a contract in the amount of \$6,828,251 was awarded to John D. Stephens, Inc. for construction services on a portion of the existing Rock Creek/Little Choctawhatchee sanitary sewer trunk line. The work will improve the flow capacity of the trunk line and decrease the risk of overflow. The project cost as of the report date is \$6,426,180.

**13. Omussee Creek Wastewater Treatment Plant**

In December 2014, a contract in the amount of \$2,100,000 was awarded to Barge Waggoner Sumner and Cannon, Inc. to furnish engineering services for the design of the Omussee Creek Wastewater Treatment Plant rehabilitation and upgrade. The work was completed for the amount of the contract. In June 2016, Max Foote Construction Co., LLC was awarded a contract in the amount of \$39,225,003 for the construction of the rehabilitation and upgrade; \$4,780,611 has been expended to date. Also in June 2016, Barge Waggoner Sumner and Cannon, Inc. was awarded a contract for \$1,849,300 to furnish engineering administration and inspection services for the construction; \$690,464 has been expended to date. The project cost as of the report date is \$7,608,815.

**H. Encumbrances**

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At September 30, 2016, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	<b>Encumbrances Included in:</b>		
	<b>Restricted Fund Balance</b>	<b>Committed Fund Balance</b>	<b>Assigned Fund Balance</b>
General Fund	\$ -	\$ 8,167,679	\$ 7,607,875

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Taxes	\$ 67,945,000	\$ 68,093,263	\$ 73,770,057	\$ 5,676,794
Licenses and permits	3,661,700	3,661,700	4,101,722	440,022
Intergovernmental	2,111,719	4,002,990	5,246,980	1,243,990
Charges for services	6,165,000	6,228,400	7,132,073	903,673
Fines and forfeitures	1,752,500	1,825,087	1,564,055	(261,032)
Interest	107,100	107,100	95,566	(11,534)
Miscellaneous	1,162,475	2,752,598	2,433,642	(318,956)
<b>Total Revenues</b>	<u>82,905,494</u>	<u>86,671,138</u>	<u>94,344,095</u>	<u>7,672,957</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
General administrative	4,029,162	4,306,982	3,036,482	1,270,500
Information system/Technology	3,405,455	3,572,236	3,428,517	143,719
Budget and finance	1,099,348	1,101,151	1,076,356	24,795
Personnel services	2,319,843	2,261,265	2,172,017	89,248
Judicial department	1,063,209	1,053,245	1,049,206	4,039
Public safety:				
Fire department	14,048,858	14,830,646	14,533,163	297,483
Police department	19,008,024	18,378,897	17,809,352	569,545
Public works:				
Street department	7,287,570	7,348,753	5,765,925	1,582,828
Engineering department	3,017,066	2,840,248	2,765,902	74,346
Environmental services	7,007,048	6,880,626	6,857,115	23,511
Planning and development	2,213,409	2,350,536	2,117,536	233,000
Health and welfare	3,317,821	3,714,865	3,580,357	134,508
Culture and recreation:				
Recreation	8,706,937	8,669,135	8,119,181	549,954
Culture	1,895,692	2,017,581	2,355,155	(337,574)
General services:				
Administration	428,461	421,529	416,661	4,868
Facility	1,616,454	1,599,940	1,586,376	13,564
Fleet	2,411,450	2,374,331	2,362,836	11,495
Insurance department	2,281,243	5,212,926	3,681,005	1,531,921
Capital outlay	23,208,908	28,616,094	18,040,287	10,575,807
<b>Total Expenditures</b>	<u>108,365,958</u>	<u>117,550,986</u>	<u>100,753,429</u>	<u>16,797,557</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(25,460,464)</u>	<u>(30,879,848)</u>	<u>(6,409,334)</u>	<u>24,470,514</u>

(Continued on page 76)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	\$ 4,164,243	\$ 4,054,385	\$ (80,677)	\$ (4,135,062)
Capital leases			6,426	6,426
<b>Total Other Financing Sources (Uses)</b>	<u>4,164,243</u>	<u>4,054,385</u>	<u>(74,251)</u>	<u>(4,128,636)</u>
<b>Net Change in Fund Balances</b>	(21,296,221)	(26,825,463)	(6,483,585)	20,341,878
<b>Fund Balances - Beginning</b>	<u>21,296,221</u>	<u>26,825,463</u>	<u>46,376,998</u>	<u>19,551,535</u>
<b>Fund Balances - Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,893,413</u></u>	<u><u>\$ 39,893,413</u></u>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

	<u>2015</u>	<u>2014**</u>
<b>Total pension liability</b>		
Service Cost	\$ 3,817,644	\$ 3,688,399
Interest	18,187,261	17,601,231
Changes of benefit terms		
Difference between expected and actual experience	132,752	
Changes of assumptions		
Benefit payments, including refunds of employee contributions	<u>(14,447,566)</u>	<u>(13,480,931)</u>
<b>Net change in total pension liability</b>	7,690,091	7,808,699
<b>Total pension liability - beginning</b>	<u>234,564,551</u>	<u>226,755,852</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 242,254,642</u>	<u>\$ 234,564,551</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 10,148,294	\$ 9,879,917
Contributions - member	3,512,701	3,479,758
Net investment income	1,253,364	11,378,472
Benefit payments, including refunds of employee contributions	(14,447,566)	(13,480,931)
Transfers among employers	<u>(245,363)</u>	<u>26,249</u>
<b>Net change in plan fiduciary net position</b>	221,430	11,283,466
<b>Plan net position - beginning</b>	<u>106,162,619</u>	<u>94,879,153</u>
<b>Plan net position - ending (b)</b>	<u>\$ 106,384,049</u>	<u>\$ 106,162,619</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	135,870,593	128,401,932
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	43.91%	45.26%
<b>Covered-employee payroll*</b>	\$ 44,671,092	\$ 43,373,860
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	304.00%	296.00%

\* Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll).  
For FY 2014 the measurement period is October 1, 2013 - September 30, 2014.  
For FY 2015 the measurement period is October 1, 2014 - September 30, 2015.

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS**

	<b>2016</b>	<b>2015**</b>
Actuarially determined contribution*	\$ 9,554,816	\$ 10,148,530
Contributions in relation to the actuarially determined contribution*	9,554,816	10,148,530
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll**	\$ 45,464,517	\$ 44,671,105
Contributions as a percentage of covered-employee payroll	21.02%	22.72%

\* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments.

For FY 2016, the fiscal year is the twelve month period beginning October 1, 2015.

\*\* Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll).

For FY 2016, the fiscal year is the twelve month period beginning October 1, 2015.

\*\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**NOTES TO SCHEDULE**

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013, actuarial valuation.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**REQUIRED SUPPLEMENTARY INFORMATION - RETIREE HEALTHCARE PLAN SCHEDULES**  
**SCHEDULE OF FUNDING PROGRESS**  
**SEPTEMBER 30, 2016**

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%
09/30/14	512,694	24,778,526	24,265,832	2.1%	42,604,693	56.96%
09/30/15	513,465	27,502,213	26,988,748	1.87%	44,719,967	60.35%

**NOTES TO TREND INFORMATION**

Valuation date	September 30, 2015
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	26.1695
Medical cost trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%

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.

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## **OTHER SUPPLEMENTARY INFORMATION**

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Special assessments	\$ 1,500	\$ 1,500	\$ 440	\$ (1,060)
Interest from funds invested and special assessments			275	275
<b>Total Revenues</b>	<u>1,500</u>	<u>1,500</u>	<u>715</u>	<u>(785)</u>
<b>EXPENDITURES:</b>				
General administrative	1,500	1,500		1,500
Principal retirement	3,973,606	3,990,379	3,990,377	2
Interest	491,704	494,073	492,721	1,352
<b>Total Expenditures</b>	<u>4,466,810</u>	<u>4,485,952</u>	<u>4,483,098</u>	<u>2,854</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(4,465,310)</u>	<u>(4,484,452)</u>	<u>(4,482,383)</u>	<u>2,069</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,465,310	4,484,452	4,483,098	(1,354)
Transfers out		(490)	(440)	50
<b>Total Other Financing Sources (Uses)</b>	<u>4,465,310</u>	<u>4,483,962</u>	<u>4,482,658</u>	<u>(1,304)</u>
<b>Net Change in Fund Balance</b>	-	(490)	275	765
<b>Fund Balances - Beginning</b>		490	65	(425)
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340</u>	<u>\$ 340</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SCHOOL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Taxes	\$ 250,000	\$ 250,000	\$ 226,850	\$ (23,150)
Interest earned			70	70
<b>Total Revenues</b>	<u>250,000</u>	<u>250,000</u>	<u>226,920</u>	<u>(23,080)</u>
<b>EXPENDITURES:</b>				
Intergovernmental:				
Subsidies to agencies	3,738,286	3,738,286	3,738,286	-
Obligations/expenses paid for schools	140,446	147,993	147,993	-
Other support - schools	104,456	96,909	57,534	39,375
<b>Total Expenditures</b>	<u>3,983,188</u>	<u>3,983,188</u>	<u>3,943,813</u>	<u>39,375</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(3,733,188)</u>	<u>(3,733,188)</u>	<u>(3,716,893)</u>	<u>16,295</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,733,188	3,733,188	3,680,000	(53,188)
<b>Net Change in Fund Balance</b>	-	-	(36,893)	(36,893)
<b>Fund Balance - Beginning</b>			82,109	82,109
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,216</u>	<u>\$ 45,216</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL**  
**UTILITY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
Electric department	\$ 92,365,000	\$ 90,507,271	\$ (1,857,729)
Water department	9,236,500	9,283,669	47,169
Sewer department	13,705,000	15,567,628	1,862,628
Delinquent fees - combined utilities	950,000	1,040,333	90,333
Other revenue	983,646	1,016,352	32,706
Interest from funds invested	65,000	114,181	49,181
<b>Total Utility Revenues</b>	<b>117,305,146</b>	<b>117,529,434</b>	<b>224,288</b>
<b>OPERATING EXPENSES:</b>			
Electric department	84,211,642	74,358,920	9,852,722
Water department	5,977,295	4,598,015	1,379,280
Sewer department	9,380,529	5,654,421	3,726,108
Billing collection department	1,766,129	1,646,726	119,403
Meter reading department	787,423	753,346	34,077
Combined utility expense:			
Capital outlay	55,336,428	12,264,336	43,072,092
Miscellaneous expenses	412,653	41,378	371,275
Interest and fiscal charges	2,260,022	2,148,332	111,690
Bond issuance costs	55,263	55,262	1
Principal on bonds and capital leases	3,633,380	3,633,379	1
Depreciation	8,300,000	8,276,738	23,262
<b>Total Expenses</b>	<b>172,120,764</b>	<b>113,430,853</b>	<b>58,689,911</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>\$ (54,815,618)</b>	<b>\$ 4,098,581</b>	<b>\$ 58,914,199</b>

(Continued on page 84)

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, 2016**

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers (out)	\$ (12,271,535)	\$ (8,081,981)	\$ 4,189,554
Gain (loss) on disposition of capital assets		(459,404)	(459,404)
Issuance of debt	41,074,300	41,140,000	65,700
<b>Total Other Financing Sources (Uses)</b>	28,802,765	32,598,615	3,795,850
<b>Excess of Revenues Over Expenses per Budget Resolutions</b>	(26,012,853)	36,697,196	62,710,049
Capital contributions		345,131	345,131
Adjustment for capital outlay, principal payments on bonds and capital leases	(26,575,231)	(25,242,285)	1,332,946
<b>Total Net Position - Beginning</b>	26,012,853	86,433,100	60,420,247
<b>Total Net Position - Ending</b>	\$ (26,575,231)	\$ 98,233,142	\$ 124,808,373

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

Capital outlay expense	\$ 12,264,336
Principal payment on bonds	3,633,379
Bond proceeds	(41,140,000)
<b>Total Adjustments</b>	\$ (25,242,285)

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**  
**2017-2036**

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	
2017	\$ 687,178	\$ 2,360,700	\$ 930,162	\$ 8,730,292	\$ 12,708,332
2018	687,178	2,358,000	637,414	8,673,515	12,356,107
2019	687,178	1,307,000	638,627	8,693,964	11,326,769
2020	687,179	1,317,750	644,666	8,701,315	11,350,910
2021	687,178		650,444	8,715,725	10,053,347
2022	687,179		650,961	8,736,983	10,075,123
2023	343,589		656,304	7,479,833	8,479,726
2024			656,386	7,476,993	8,133,379
2025			661,294	7,472,148	8,133,442
2026			670,941	7,470,123	8,141,064
2027			670,240	6,135,946	6,806,186
2028			679,365	4,799,200	5,478,565
2029			678,142	4,794,890	5,473,032
2030			686,745	4,798,290	5,485,035
2031				4,448,968	4,448,968
2032				4,454,185	4,454,185
2033				3,745,637	3,745,637
2034				3,747,345	3,747,345
2035				2,542,280	2,542,280
2036				2,537,610	2,537,610
	<u>\$ 4,466,659</u>	<u>\$ 7,343,450</u>	<u>\$ 9,511,691</u>	<u>\$ 124,155,242</u>	<u>\$ 145,477,042</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION SEWER WARRANTS - SERIES 1996B-SRF**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u> <u>DUE AUGUST 15</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>		
2017	3.18%	\$ 4,611	\$ 4,611	\$ 290,000	\$ 299,222
		<u>\$ 4,611</u>	<u>\$ 4,611</u>	<u>\$ 290,000</u>	<u>\$ 299,222</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009 - REFINANCED**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
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>\$ 2,292,574</u>	<u>\$ 2,094,052</u>	<u>\$ 12,446,508</u>	<u>\$ 11,305,113</u>	<u>\$ 28,138,247</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF/ARRA-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
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%	20,913	20,913	155,000	196,826
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>\$ 301,350</u>	<u>\$ 301,350</u>	<u>\$ 2,140,000</u>	<u>\$ 2,742,700</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009 - DCWSRF/ARRA-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
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%	2,538	2,538	145,000	150,076
		<u>\$ 229,600</u>	<u>\$ 229,600</u>	<u>\$ 1,625,000</u>	<u>\$ 2,084,200</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010-CWSRF-BL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u> <u>DUE AUGUST 15</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>		
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>\$ 199,601</u>	<u>\$ 199,601</u>	<u>\$ 4,235,000</u>	<u>\$ 4,634,202</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010B-CWSRF-BL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u> <u>DUE AUGUST 15</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>		
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>\$ 111,939</u>	<u>\$ 111,936</u>	<u>\$ 2,480,000</u>	<u>\$ 2,703,875</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15	DUE FEBRUARY 15	
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>\$ 407,184</u>	<u>\$ 362,699</u>	<u>\$ 2,870,000</u>	<u>\$ 3,639,883</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
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>\$ 799,097</u>	<u>\$ 799,093</u>	<u>\$ 6,050,000</u>	<u>\$ 7,648,190</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2013**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
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>\$ 220,854</u>	<u>\$ 193,074</u>	<u>\$ 2,184,271</u>	<u>\$ 1,868,460</u>	<u>\$ 4,466,659</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2014**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE MARCH 1	DUE SEPTEMBER 1	DUE SEPTEMBER 1	SERVICE
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>\$ 331,725</u>	<u>\$ 331,725</u>	<u>\$ 6,680,000</u>	<u>\$ 7,343,450</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2014-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
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>\$ 2,010,319</u>	<u>\$ 2,010,318</u>	<u>\$ 17,685,000</u>	<u>\$ 21,705,637</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANT - SERIES 2016**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
2017	1.74%	\$ 70,470	\$ 70,470	\$ 490,000	\$ 630,940
2018	1.74%	66,207	66,207	505,000	637,414
2019	1.74%	61,814	61,813	515,000	638,627
2020	1.74%	57,333	57,333	530,000	644,666
2021	1.74%	52,722	52,722	545,000	650,444
2022	1.74%	47,981	47,980	555,000	650,961
2023	1.74%	43,152	43,152	570,000	656,304
2024	1.74%	38,193	38,193	580,000	656,386
2025	1.74%	33,147	33,147	595,000	661,294
2026	1.74%	27,971	27,970	615,000	670,941
2027	1.74%	22,620	22,620	625,000	670,240
2028	1.74%	17,183	17,182	645,000	679,365
2029	1.74%	11,571	11,571	655,000	678,142
2030	1.74%	5,873	5,872	675,000	686,745
		<u>\$ 556,237</u>	<u>\$ 556,232</u>	<u>\$ 8,100,000</u>	<u>\$ 9,212,469</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2016-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2016**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15	DUE FEBRUARY 15	
2017	2.20%	\$ 527,258	\$ 433,730	\$ 1,655,000	\$ 2,615,988
2018	2.20%	433,730	415,140	1,690,000	2,538,870
2019	2.20%	415,140	396,110	1,730,000	2,541,250
2020	2.20%	396,110	376,695	1,765,000	2,537,805
2021	2.20%	376,695	356,840	1,805,000	2,538,535
2022	2.20%	356,840	336,545	1,845,000	2,538,385
2023	2.20%	336,545	315,810	1,885,000	2,537,355
2024	2.20%	315,810	294,580	1,930,000	2,540,390
2025	2.20%	294,580	272,910	1,970,000	2,537,490
2026	2.20%	272,910	250,745	2,015,000	2,538,655
2027	2.20%	250,745	228,085	2,060,000	2,538,830
2028	2.20%	228,085	204,930	2,105,000	2,538,015
2029	2.20%	204,930	181,225	2,155,000	2,541,155
2030	2.20%	181,225	157,025	2,200,000	2,538,250
2031	2.20%	157,025	132,275	2,250,000	2,539,300
2032	2.20%	132,275	106,975	2,300,000	2,539,250
2033	2.20%	106,975	81,125	2,350,000	2,538,100
2034	2.20%	81,125	54,670	2,405,000	2,540,795
2035	2.20%	54,670	27,610	2,460,000	2,542,280
2036	2.20%	27,610	-	2,510,000	2,537,610
		<u>\$ 5,150,283</u>	<u>\$ 4,623,025</u>	<u>\$ 41,085,000</u>	<u>\$ 50,858,308</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**SEPTEMBER 30, 2016**

**CAPITAL ASSETS:**

Land and easements	\$ 11,542,434
Buildings	81,204,874
Improvements other than buildings	48,286,540
Machinery and equipment	54,679,317
Infrastructure	453,760,677
Construction in progress	17,891,489
	\$ 667,365,331
<b>Total Capital Assets</b>	<b>\$ 667,365,331</b>

**INVESTMENTS IN CAPITAL ASSETS FROM:**

Capital Projects Funds:	
General obligation bonds	\$ 56,208,652
Grants	21,654,799
General fund revenues	585,429,154
Special revenue fund revenues	254,151
Gifts	3,734,237
Utility fund revenues	84,338
	\$ 667,365,331
<b>Total Investment in Capital Assets</b>	<b>\$ 667,365,331</b>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2016**

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	\$ 3,015,124	\$ 249,474			\$ 7,458,096
Staff Agencies:							
Information system/Technology		215,658	1,113,840	8,554,946			9,884,444
Budget and finance		276,022		22,167			298,189
Personnel services				5,009			5,009
Total Staff Agencies	-	491,680	1,113,840	8,582,122	-	-	10,187,642
Total General Government	1,638,231	3,046,947	4,128,964	8,831,596	-	-	17,645,738
Public Safety:							
Fire department	863,319	6,363,962	965,191	10,069,978			18,262,450
Police department	15,332	6,130,234	8,262,782	14,616,586		952,531	29,977,465
Total Public Safety	878,651	12,494,196	9,227,973	24,686,564	-	952,531	48,239,915
Public Works:							
Street department	247,837	40,110	3,762,708	5,097,995	449,727,972	2,566,876	461,443,498
Environmental services	2,726,060	1,042,790	4,902,563	10,105,218		930,643	19,707,274
Special assessments	25,000		7,308,292				7,333,292
Health and welfare	106,381	599,781	30,782				736,944
Engineering department	565,635	996,500	740,126	1,966,667	4,032,705		8,301,633
Culture and recreation	4,369,861	19,472,984	15,847,101	2,458,655		13,441,439	55,590,040
General services		1,455,946	2,109,334	235,577			3,800,857
Equipment maintenance		1,268,530	228,697	1,297,045			2,794,272
Schools	984,778	40,787,090					41,771,868
Total Other	9,025,552	65,663,731	34,929,603	21,161,157	453,760,677	16,938,958	601,479,678
<b>Total Capital Assets</b>	<b>\$ 11,542,434</b>	<b>\$ 81,204,874</b>	<b>\$ 48,286,540</b>	<b>\$ 54,679,317</b>	<b>\$ 453,760,677</b>	<b>\$ 17,891,489</b>	<b>\$ 667,365,331</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, 2016**

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2015	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2016
General Government:				
Control:				
General administrative	\$ 7,492,308	\$ 22,760	\$ 6,200	\$ 7,508,868
Staff Agencies:				
Information system/Technology	9,467,305	458,365	41,227	9,884,443
Budget and finance	320,259			320,259
Personnel services	5,009			5,009
Total Staff Agencies	<u>9,792,573</u>	<u>458,365</u>	<u>41,227</u>	<u>10,209,711</u>
Total General Government	<u>17,284,881</u>	<u>481,125</u>	<u>47,427</u>	<u>17,718,579</u>
Public Safety:				
Fire department	16,922,236	1,539,731	200,512	18,261,455
Police department	29,070,283	359,603	398,732	29,031,154
Total Public Safety	<u>45,992,519</u>	<u>1,899,334</u>	<u>599,244</u>	<u>47,292,609</u>
Public Works:				
Street department	457,682,387	1,259,896	138,587	458,803,696
Environmental services	17,353,945	1,533,722	62,343	18,825,324
Special assessments	7,333,292			7,333,292
Health and welfare	736,944			736,944
Engineering department	8,135,481	140,604	8,629	8,267,456
Culture and recreation	40,610,878	1,551,930	21,935	42,140,873
General services	3,608,377	192,479		3,800,856
Equipment maintenance	2,758,464	23,880		2,782,344
Schools	41,771,869			41,771,869
Construction in progress	6,720,943	13,310,705	2,140,159	17,891,489
Total Other	<u>586,712,580</u>	<u>18,013,216</u>	<u>2,371,653</u>	<u>602,354,143</u>
<b>Total Capital Assets</b>	<u>\$ 649,989,980</u>	<u>\$ 20,393,675</u>	<u>\$ 3,018,324</u>	<u>\$ 667,365,331</u>

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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.

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### 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.

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#### ***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.

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#### ***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.

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#### ***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.

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#### ***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									
	2007	2008	2009*	2010	2011	2012*	2013	2014	2015*	2016
Governmental activities:										
Net Investment in capital assets	\$ 51,292,351	\$ 64,629,115	\$ 64,885,874	\$ 72,249,076	\$ 67,878,821	\$ 65,697,028	\$ 60,178,207	\$ 70,247,455	\$ 78,992,990	\$ 92,093,989
Restricted					2,095,216	1,890,847	883,855	210,752	270,862	211,985
Unrestricted	30,747,617	26,607,659	25,478,733	15,901,796	15,648,974	19,429,428	23,962,712	18,504,590	(79,965,943)	(88,314,592)
Total governmental activities net position	<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>	<u>\$ (702,091)</u>	<u>\$ 3,991,382</u>
Business-type activities:										
Net Investment in capital assets	\$ 58,958,119	\$ 65,742,315	\$ 35,228,445	\$ 76,117,766	\$ 75,242,583	\$ 76,334,093	\$ 77,161,777	\$ 72,624,231	\$ 71,457,839	\$ 75,918,727
Restricted										
Unrestricted	11,089,188	9,432,608	43,545,399	12,238,772	15,573,505	26,197,869	34,637,039	45,345,467	14,975,261	22,314,415
Total business-type activities net position	<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>	<u>\$ 86,433,100</u>	<u>\$ 98,233,142</u>
Primary government:										
Net Investment in capital assets	\$ 110,250,470	\$ 130,371,430	\$ 100,114,319	\$ 148,366,842	\$ 143,121,404	\$ 142,031,121	\$ 137,339,984	\$ 142,871,686	\$ 150,450,829	\$ 168,012,716
Restricted					2,095,216	1,890,847	883,855	210,752	270,862	211,985
Unrestricted	41,836,805	36,040,267	69,024,132	28,140,568	31,222,479	45,627,297	58,599,751	63,850,057	(64,990,682)	(66,000,177)
Total primary government net position	<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>	<u>\$ 85,731,009</u>	<u>\$ 102,224,524</u>

\* Restated

The 2015 beginning net position was restated from the 2014 ending net position on October 1, 2015, due to the implementation of GASB Statement No. 68 and the separation of the E-911 fund from the City of Dothan.

GASB 68 caused a change of (\$98,817,393) in the governmental activities net position and a change of (\$23,179,389) in the business-type activities net position.

The separation of the E-911 fund from the City of Dothan caused a change of (\$5,006,170) in the business-type activities net position.

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

	FISCAL YEAR									
	2007	2008	2009*	2010	2011	2012*	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 9,546,479	\$ 12,302,305	\$ 12,600,046	\$ 11,001,741	\$ 11,029,224	\$ 11,037,383	\$ 11,674,501	\$ 13,421,727	\$ 11,678,627	\$ 14,050,159
Public safety	27,216,223	30,426,110	31,297,631	31,611,850	31,622,540	32,058,857	33,322,634	34,017,891	33,872,304	34,233,915
General services	4,179,402	4,083,521	4,129,934	4,266,239	4,212,794	4,110,320	4,160,935	4,189,632	4,752,498	4,581,959
Planning and development	1,716,024	2,127,682	1,842,436	1,831,734	1,905,105	1,813,546	1,898,944	2,155,072	2,354,316	2,141,697
Other public works	16,205,389	17,066,229	17,090,677	19,370,655	19,261,112	16,805,008	17,717,453	19,033,466	19,706,992	19,667,075
Insurance department	2,280,195	1,372,577	967,449	2,952,101	193,439	805,007	1,280,974	452,688	3,696,580	3,681,005
Culture and recreation	8,802,257	9,289,960	8,946,229	8,852,430	9,122,274	9,051,421	9,742,400	9,997,179	10,360,999	11,384,383
Education	4,200,254	4,292,381	5,037,882	4,910,453	4,896,831	4,536,041	4,517,464	4,490,160	4,508,114	4,554,804
Health and welfare	2,748,051	3,177,356	2,802,426	2,829,474	2,808,433	3,001,400	4,010,247	3,973,388	4,857,758	3,594,608
Interest/fiscal charges on long-term debt	1,538,742	1,303,157	1,235,362	1,294,921	1,036,530	912,187	829,200	1,066,624	329,021	213,947
Total governmental activities expenses	<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>	<u>96,117,209</u>	<u>98,103,552</u>
Business-type activities:										
Electric	68,460,589	81,775,804	75,945,047	74,776,610	80,657,794	76,568,506	73,712,450	80,159,130	81,718,419	74,358,920
Water	4,762,838	5,000,547	4,686,129	4,609,101	4,444,222	4,475,163	4,616,969	4,529,883	4,569,134	4,598,015
Wastewater	4,699,808	5,321,748	5,264,458	5,292,632	11,241,561	5,949,634	6,474,014	6,062,445	9,750,754	5,654,421
Billing - collection department	1,167,903	1,644,176	1,685,596	2,192,086	1,719,522	1,963,121	1,876,462	1,931,360	1,760,759	1,646,726
Meter reading department	707,810	710,807	785,078	773,300	807,608	768,870	840,669	827,914	762,080	753,346
Depreciation	5,063,185	5,201,178	5,541,814	5,619,000	5,610,807	5,804,205	6,308,984	8,030,174	8,097,997	8,276,738
Miscellaneous	731,552	1,232,347	911,395	682,221	613,665	592,935	753,836	758,777		41,378
Bond issue costs	47,753	47,486	47,485	47,486	47,486					55,262
(Loss) on disposition of capital assets	4,227	1,515	1,094	8,600	45,741	289,649	268,174	704,513	205,266	459,404
Interest /fiscal charges	1,409,409	1,322,018	1,128,289	2,323,818	2,242,768	2,145,298	1,942,975	1,876,246	2,163,020	2,148,332
Total business-type activities expenses	<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>	<u>109,027,429</u>	<u>97,992,542</u>
Total primary government expenses	<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>	<u>\$ 205,144,638</u>	<u>\$ 196,096,094</u>
<b>Program Revenues (see Schedule 3)</b>										
Governmental activities:										
Charges for services:										
Other public works	\$ 44,060	\$ 27,400	\$	\$ 395,381	\$	\$	\$ 2,475,778	\$ 4,255,759	\$ 4,265,779	\$ 4,316,604
Culture and recreation	2,405,222	2,197,448	2,202,950	1,927,497	2,150,847	2,155,359	2,035,062	2,256,651	2,761,083	2,731,858
General government	2,439,358	2,750,270	2,858,833	2,849,820	3,131,858	3,340,348	3,481,504	3,589,525	3,680,914	3,724,842
Public safety	1,522,868	1,596,361	1,715,074	1,695,962	1,824,009	2,034,082	1,841,637	1,895,513	1,907,756	1,598,448
Planning and development	420,816	547,406	406,971	408,863	436,465	436,958	412,672	429,797	468,221	426,098
Operating grants and contributions	135,421	999,637	102,143	143,851	171,923	136,040	117,809	437,237	517,865	564,624
Capital grants and contributions	2,060,764	8,847,239	4,896,838	3,492,769	1,775,146	1,400,003	1,288,965	1,333,995	1,929,129	1,312,347
Total governmental activities program revenues	<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>	<u>15,530,747</u>	<u>14,674,821</u>
Business-type activities:										
Charges for services:										
Electric	77,863,441	93,405,012	88,528,977	90,235,422	92,254,808	91,684,293	89,675,760	93,309,401	93,112,812	90,507,271
Water	8,637,309	8,710,000	8,102,170	8,552,873	9,439,879	9,300,436	8,385,523	8,703,685	9,112,941	9,283,669
Wastewater/sewer	3,738,462	3,853,340	3,663,122	5,941,744	8,372,386	10,439,126	11,917,504	13,997,247	14,283,357	15,567,628
Combined utilities										1,040,333
E-911	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		256,000	345,131
Total business-type activities program revenues	<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>	<u>116,765,110</u>	<u>116,744,032</u>
Total primary government program revenues	<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>	<u>\$ 132,295,857</u>	<u>\$ 131,418,853</u>

**Notes:** In 2015, the E-911 fund became a separate entity.

\*Restated

(Continued on page 105)

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

	FISCAL YEAR									
	2007	2008	2009*	2010	2011	2012*	2013	2014	2015	2016
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (69,404,507)	\$ (68,475,517)	\$ (73,767,263)	\$ (78,007,455)	\$ (76,598,034)	\$ (74,628,380)	\$ (77,501,325)	\$ (78,599,350)	\$ (80,586,462)	\$ (83,428,731)
Business-type activities	4,243,863	4,907,842	5,489,740	12,948,475	3,735,612	14,339,694	15,013,734	12,874,801	7,737,681	18,751,490
Total primary government net expense	<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>	<u>\$ (72,848,781)</u>	<u>\$ (64,677,241)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
General property tax	\$ 3,856,234	\$ 4,147,863	\$ 4,283,982	\$ 4,309,765	\$ 4,452,709	\$ 4,487,450	\$ 4,511,219	\$ 4,427,118	\$ 4,453,043	\$ 4,581,242
General sales and use tax	54,624,378	58,453,155	55,758,545	55,274,479	56,531,207	57,265,598	59,091,229	59,591,765	61,636,679	63,927,219
Alcoholic beverage tax	1,236,413	1,251,414	1,238,156	1,191,763	1,191,295	1,210,013	1,185,932	1,224,073	1,225,441	1,276,247
Lodging tax	1,374,262	1,437,757	1,469,729	1,553,786	1,631,247	1,565,896	1,599,957	1,683,150	1,861,592	1,953,346
Franchise tax	932,430	1,797,381	1,605,566	2,623,546	2,820,069	2,248,294	2,470,533	2,557,965	1,762,817	2,032,003
Cigarette tax	314,706	309,281	306,542	325,389	303,738	294,300	265,950	257,850	256,500	226,850
Unrestricted grants and contributions	1,814,424	1,533,542	1,432,043	2,836,375	2,047,134	1,835,591	2,710,406	2,208,415	2,333,515	3,520,430
Unrestricted investment earnings	1,664,266	1,029,183	348,556	312,047	253,518	179,658	137,581	137,238	110,618	95,636
Miscellaneous	4,716,892	4,717,356	2,693,774	2,573,773	2,236,110	2,498,704	2,604,485	2,442,900	3,660,608	2,427,250
Transfers	11,977,818	2,995,391	3,118,979	4,792,797	2,603,146	6,101,827	6,931,504	8,006,899	12,438,154	8,081,981
Special items						(1,427,363)	(6,000,000)			
Total governmental activities	<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>	<u>89,738,967</u>	<u>88,122,204</u>
Business-type activities:										
Unrestricted grants and contributions				293,194	274,470	196,188	74,849	142,625		
Unrestricted investment earnings	1,125,125	574,015	166,359	239,355	114,809	106,013	119,370	98,152	68,360	114,181
Gain on sale of capital assets			104,746							
Miscellaneous	986,008	2,641,150	957,055	894,467	937,805	1,056,759	990,405	1,062,203	1,281,074	1,016,352
Transfers	(11,977,818)	(2,995,391)	(3,118,979)	(4,792,797)	(2,603,146)	(6,101,827)	(6,931,504)	(8,006,899)	(12,438,154)	(8,081,981)
Total business-type activities	<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>	<u>(11,088,720)</u>	<u>(6,951,448)</u>
Total primary government	<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>	<u>\$ 78,650,247</u>	<u>\$ 81,170,756</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 13,107,316	\$ 9,196,806	\$ (1,511,392)	\$ (2,213,735)	\$ (2,527,861)	\$ 1,631,588	\$ (1,992,529)	\$ 3,938,023	\$ 9,152,505	\$ 4,693,473
Business-type activities	(5,622,822)	5,127,616	3,598,921	9,582,694	2,459,550	9,596,827	9,266,854	6,170,882	(3,351,039)	11,800,042
Total primary government	<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>	<u>\$ 5,801,466</u>	<u>\$ 16,493,515</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function/Program</b>										
Governmental activities:										
General government	\$ 2,545,692	\$ 2,833,772	\$ 2,937,237	\$ 2,937,809	\$ 3,239,033	\$ 3,447,668	\$ 3,573,230	\$ 3,694,613	\$ 3,817,970	\$ 3,956,986
Public safety	1,621,932	2,692,575	1,775,724	2,071,724	2,218,131	2,243,162	1,973,066	1,991,360	2,661,723	1,720,216
General services									7,500	
Other public works	2,034,847	8,694,560	4,859,927	2,808,250	1,445,772	1,219,643	3,659,397	5,826,056	5,811,915	5,808,157
Planning and development	420,816	547,406	406,971	408,863	436,465	436,958	412,672	429,797	468,221	426,098
Culture and recreation	2,405,222	2,197,448	2,202,950	2,687,497	2,150,847	2,155,359	2,035,062	2,256,651	2,763,418	2,763,364
Subtotal governmental activities	<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>	<u>15,530,747</u>	<u>14,674,821</u>
Business-type activities:										
Electric	77,863,441	93,405,012	88,528,977	90,296,689	92,254,808	91,879,506	89,675,760	93,309,401	93,112,812	90,683,271
Water	8,637,309	8,710,000	8,102,170	9,573,922	9,439,879	9,300,436	8,692,261	8,703,685	9,112,941	9,400,169
Wastewater/sewer	3,738,462	3,853,340	3,663,122	8,239,000	8,372,386	10,439,126	11,996,510	13,997,247	14,283,357	15,620,259
Combined utilities										1,040,333
E-911	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>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>	<u>116,509,110</u>	<u>116,744,032</u>
Total primary government	<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>	<u>\$ 132,039,857</u>	<u>\$ 131,418,853</u>

**Notes:** In 2015, the E-911 fund became a separate entity.

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

	FISCAL YEAR									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 15,353,173	\$ 12,805,487	\$ 14,809,388	\$ 10,411,532	\$	\$	\$	\$	\$	\$
Unreserved	23,622,614	23,575,737	17,580,459	20,403,277						
Nonspendable					325,046	373,624	327,987	363,341	363,755	295,087
Restricted					1,439,033	1,377,477	340,115	148,063	188,753	166,769
Committed					7,876,731	8,232,004	7,769,260	12,172,432	17,105,954	10,917,679
Assigned					12,558,731	15,158,610	24,438,262	32,326,280	23,736,193	24,051,435
Unassigned					11,461,686	14,024,201	11,423,170	869,854	4,982,343	4,462,443
<b>Total general fund</b>	<b>\$ 38,975,787</b>	<b>\$ 36,381,224</b>	<b>\$ 32,389,847</b>	<b>\$ 30,814,809</b>	<b>\$ 33,661,227</b>	<b>\$ 39,165,916</b>	<b>\$ 44,298,794</b>	<b>\$ 45,879,970</b>	<b>\$ 46,376,998</b>	<b>\$ 39,893,413</b>
All Other Governmental Funds										
Reserved	\$ 571,053	\$ 21,229	\$ 2,014	\$ 2,356	\$	\$	\$	\$	\$	\$
Unreserved, reported in:										
Special revenue funds	220,643	296,076	296,379							
Capital projects funds			5,023,109	2,261,950						
Debt service funds										
Nonspendable										
Restricted					770,795	2,530,944	1,897,016	62,990	82,174	45,556
Committed										
Assigned										
Unassigned										
<b>Total all other governmental funds</b>	<b>\$ 791,696</b>	<b>\$ 317,305</b>	<b>\$ 5,321,502</b>	<b>\$ 2,264,306</b>	<b>\$ 770,795</b>	<b>\$ 2,530,944</b>	<b>\$ 1,897,016</b>	<b>\$ 62,990</b>	<b>\$ 82,174</b>	<b>\$ 45,556</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes (see Schedule 6)	\$ 62,338,423	\$ 67,396,851	\$ 64,662,520	\$ 65,278,728	\$ 66,930,265	\$ 67,071,551	\$ 69,124,820	\$ 69,741,921	\$ 71,196,072	\$ 73,996,907
Licenses, fees, and permits	2,805,965	3,213,880	3,208,431	3,185,938	3,528,255	3,708,243	3,851,016	3,936,385	4,055,125	4,101,722
Fines and penalties	1,522,868	1,582,773	1,692,058	1,668,239	1,797,703	1,998,717	1,801,446	1,860,204	1,877,466	1,564,055
Charges for services	2,503,491	2,322,232	2,283,339	2,423,346	2,217,221	2,259,787	4,594,191	6,630,656	7,151,162	7,132,073
Special assessments	221,584	125,195	98,342	78,042	69,042	53,126	5,503	1,338	690	440
Intergovernmental	3,967,350	11,312,545	6,321,151	5,397,295	3,944,976	3,319,333	4,031,382	3,732,007	4,741,124	5,246,980
Investment earnings	1,705,023	1,055,684	367,577	355,165	270,620	191,681	143,063	138,210	110,618	95,911
Other revenues	5,064,220	4,940,168	2,718,779	2,668,135	2,622,345	2,506,253	2,602,416	2,474,277	3,669,904	2,433,642
<b>Total revenues</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>92,802,161</b>	<b>94,571,730</b>
<b>Expenditures</b>										
General government	8,838,212	9,421,878	9,866,202	8,911,914	8,914,645	9,155,464	9,870,115	11,775,572	10,425,955	10,762,578
Public safety	25,981,857	27,956,960	28,559,586	28,744,251	28,854,564	29,314,212	30,344,582	31,409,731	31,886,858	32,342,515
Planning and development	1,705,966	2,113,365	1,839,863	1,832,173	1,904,129	1,822,479	1,882,260	2,136,277	2,338,467	2,117,536
Refuse collection	4,041,226	3,941,340	3,994,678	4,008,706	4,020,027	3,889,251	3,930,479	3,956,596	4,556,186	4,365,873
Other public works	13,049,606	13,439,168	12,543,550	14,320,117	15,360,928	12,796,891	13,755,233	15,092,562	15,696,716	15,388,942
Health and welfare	2,728,336	3,162,650	2,788,176	2,815,224	2,794,183	2,987,149	3,995,997	3,959,138	4,843,508	3,580,357
Culture and recreation	7,970,348	8,565,417	8,211,182	8,130,904	8,349,165	8,280,689	8,960,502	9,218,891	9,461,508	10,474,336
Insurance	2,280,195	1,372,577	967,449	2,952,101	193,439	805,007	1,280,974	452,688	3,696,580	3,681,005
Capital outlay	19,402,078	17,114,599	10,192,257	7,975,964	3,366,687	4,312,229	5,928,040	10,031,040	12,990,255	18,040,287
Intergovernmental	2,953,473	3,296,304	4,063,613	3,936,184	3,922,562	3,894,777	3,906,473	3,879,169	3,897,123	3,943,813
Debt service										
Interest	1,341,318	1,667,373	1,330,950	1,370,157	1,148,631	1,044,618	942,089	1,249,993	4,367,483	492,721
Principal	4,310,723	5,970,417	4,607,050	5,482,224	3,810,718	3,642,914	3,789,647	15,263,505	607,149	3,990,377
<b>Total expenditures</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>	<b>104,767,788</b>	<b>109,180,340</b>
Excess of revenues over (under) expenditures	<b>(14,474,414)</b>	<b>(6,072,720)</b>	<b>(7,612,359)</b>	<b>(9,425,031)</b>	<b>(1,259,251)</b>	<b>(836,989)</b>	<b>(2,432,554)</b>	<b>(19,910,164)</b>	<b>(11,965,627)</b>	<b>(14,608,610)</b>
<b>Other Financing Sources (Uses)</b>										
Bonds issued			5,500,000			2,000,000	6,000,000	11,650,415	43,685	
Capital leases	12,830,770	8,375	6,200		9,012					6,426
Refunding bonds issued										
Payment to Dothan-Houston County Airport Authority Bond Fund							(6,000,000)			
Transfers in	11,977,818	2,995,391	3,118,979	4,792,797	2,603,146	6,101,827	6,931,504	8,006,899	12,438,154	8,081,981
<b>Total other financing sources (uses)</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>12,481,839</b>	<b>8,088,407</b>
<b>Net change in fund balances</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>	<b>\$ 516,212</b>	<b>\$ (6,520,203)</b>
Debt service as a percentage of noncapital expenditures	7.5%	9.4%	7.5%	8.3%	6.3%	6.0%	5.7%	16.8%	5.4%	4.9%

**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>
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
2015	3,746,379	706,664	61,636,679	1,861,592	1,762,817	1,225,441	256,500	71,196,072
2016	3,799,056	782,186	63,927,219	1,953,346	2,032,003	1,276,247	226,850	73,996,907
Change								
2007-2016	\$ 777,639	\$ (52,631)	\$ 9,302,841	\$ 579,084	\$ 1,099,573	\$ 39,834	\$ (87,856)	\$ 11,658,484

**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>
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%
2015	250,323	635,923	94,936	791,310	5.00	5,662,751	14.0%
2016	255,871	655,519	97,679	813,711	5.00	5,813,287	14.0%

**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
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
2015	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2016	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>2016</b>			<b>2007</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>
Triad of Alabama LLC	\$ 9,999,600	1	1.29%	\$ 9,153,120	3	1.38%
Centurytel of Alabama LLC	9,765,520	2	1.26%	13,847,760	2	2.10%
Wiregrass Electric	9,213,180	3	1.19%			
Wayne Farms, LLC / Perdue Farms, Inc.	5,518,700	4	0.71%	3,542,660	6	0.54%
Wiregrass Telecom Inc	5,139,000	5	0.66%			
Watson & Downs Investments LLC	5,122,720	6	0.66%			
Inland American Dothan Pavilion LLC	4,740,260	7	0.61%			
Nutcracker Brands/Flavor House Products, Inc.	4,489,580	8	0.58%			
Flowers Hospital	3,347,380	9	0.43%	8,044,480	4	1.22%
PR Wiregrass Commons LLC	3,325,980	10	0.43%	4,665,420	5	0.71%
Sony Magnetic Products, Inc.				16,798,780	1	2.54%
Twitchell Corporation				2,539,800	7	0.38%
Alabama Power Company				2,278,320	8	0.34%
Walmart Real Estate Bus Trust				2,229,080	9	0.34%
Graceba				2,161,160	10	0.33%
<b>Total</b>	<b>\$ 60,661,920</b>		<b>7.82%</b>	<b>\$ 65,260,580</b>		<b>9.88%</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
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 %	1,127	3,696,423	94.83 %
2015	3,955,141	3,738,332	94.52 %	1,897	3,740,229	94.57 %
2016	4,066,603	3,791,823	93.24 %	-	3,791,823	93.24 %

**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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Accommodation & Food Services	\$ 189,363	\$ 195,806	\$ 191,417	\$ 192,631	\$ 198,879	\$ 252,250	\$ 300,239	\$ 312,830	\$ 482,549	\$ 516,333
Administrative & Waste Mgmt.	5,296	6,657	7,676	6,141	7,197	6,764	4,853	1,829	5,733	28,890
Agriculture, Forestry, Fishing, etc.	7	15	10	181	641	570	587	644	414	464
Arts, Entertainment & Recreation	7,789	7,789	8,218	7,564	7,398	12,116	26,255	34,848	19,283	33,982
Construction	21,121	21,046	14,177	9,923	11,656	20,709	25,163	49,213	17,548	41,704
Educational Services	1,605	2,059	1,981	2,730	2,702	2,157	1,505	4,484	1,911	2,041
Finance & Insurance	4,553	4,128	3,168	3,388	4,196	9,048	13,735	14,762	3,710	4,832
Health Care & Social Assistance	17,085	17,497	19,001	19,441	16,304	17,880	40,657	20,759	22,063	43,759
Information	20,853	20,666	21,755	22,926	26,683	21,483	27,238	23,621	48,227	41,624
Management of Companies	142	43	30	97	89	62	41	67	36	27
Manufacturing	87,006	97,262	80,441	72,888	75,504	93,248	106,322	122,218	108,290	111,240
Mining	84	155	102	42	52	105	23	6	90	563
Other Services	28,149	38,521	24,436	26,512	27,516	53,414	64,822	85,159	70,830	100,800
Professional Services	19,365	20,789	20,185	21,918	22,880	29,991	38,199	53,510	49,582	51,593
Public Administration	544	384	633	137	598	557	579	716	703	980
Real Estate & Rental & Leasing	18,238	12,795	7,849	7,755	6,100	7,796	9,521	13,515	7,912	9,007
Retail Trade	1,176,335	1,097,319	1,046,522	1,073,437	1,097,597	1,292,801	1,367,725	1,415,577	1,398,196	1,501,220
Transportation & Warehousing	7,780	9,907	10,281	9,763	8,115	7,061	8,006	6,436	9,787	5,651
Unidentified*	119	149	99	4,285	8,503	8,570	19,662	60,543	40,195	1
Utilities	426	508	331	310	38	113	70	42	29	43
Wholesale Trade	142,611	135,037	121,898	137,284	143,753	159,921	182,704	185,190	154,872	167,001
<b>Total</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>	<b>\$ 2,441,960</b>	<b>\$ 2,661,755</b>
City direct sales tax rate	4.00%	4.00%	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>
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%
2015	4.00%	1.00%	4.00%	9.00%
2016	4.00%	1.00%	4.00%	9.00%

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

**Note:** The last 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>2016</u>	<u>2007</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
Target Corporation	6	6
Home Depot USA Inc.	7	5
Academy LTD	8	
Best Buy Stores LP	9	
Dolgencorp LLC	10	
Circuit City Stores Inc.		7
Kmart Corporation		8
JC Penney Co. Inc.		9
The Higbee Company		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			
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	2.58%	1,400
2015	15,460,112	29,500	1,715,000		71,090,000	88,294,612	2.86%	1,288
2016	11,333,197	19,154	1,625,000		108,686,621	121,663,972	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			
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
2015	15,460,112	72,805,000	88,265,112	1.56%	1,290
2016	11,333,197	110,311,621	121,644,818	2.09%	1,774

**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, 2016**

	<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	\$ 11,352,351	100.00%	\$ 11,352,351
Overlapping Debt			
Houston County	20,345,000	57.96%	11,791,962
Southeast Alabama Medical Center	-	57.96%	-
<b>Total direct and overlapping debt</b>			<u><u>\$ 23,144,313</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 166,976,466	\$ 179,922,900	\$ 191,328,028	\$ 192,998,984	\$ 194,656,994	\$ 186,370,584	\$ 190,511,700	\$ 190,557,624	\$ 173,502,148	\$ 179,792,708
Total net debt applicable to limit	<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>	<u>1,408,249</u>	<u>19,154</u>
Legal debt margin	<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>	<u>\$ 172,093,899</u>	<u>\$ 179,773,554</u>
Total net debt applicable to the limit as a percentage of debt limit	8.97%	5.39%	5.91%	4.55%	3.40%	3.58%	3.02%	1.68%	0.81%	0.01%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed value	\$ 898,963,538
Debt limit (20% of assessed value)	179,792,708
Debt applicable to limit:	
General obligation bonds (Includes unamortized bond premium)	121,663,972
Less: Exempt debt	121,644,818
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>19,154</u>
Legal debt margin	<u>\$ 179,773,554</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**  
**PLEGDED-REVENUE COVERAGE**  
**LAST TEN FISCAL YEARS**  
*(dollars in thousands)*

FISCAL YEAR	WATER REVENUE BONDS						SPECIAL ASSESSMENT BONDS				SALES TAX INCREMENT BONDS			
	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	SPECIAL ASSESSMENT COLLECTIONS	DEBT SERVICE		COVERAGE	SALES TAX INCREMENT	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST			PRINCIPAL	INTEREST			PRINCIPAL	INTEREST	
2007	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2008														
2009														
2010														
2011														
2012														
2013														
2014														
2015														
2016														

**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>
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	68,409	2,467,513	36,070	37.9	12.8	9,480	6.60%
2015	68,567	2,528,682	36,879	38.1	12.8	9,677	6.10%
2016	NA	NA	NA	38.1	12.8	9,561	6.20%

**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>2016</u>			<u>2007</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	2,299	1	4.91%	2,002	1	4.28%
Dothan (City) & Houston County School Systems	1,973	2	4.21%	1,800	2	3.85%
Flowers Hospital	1,100	3	2.35%	1,200	3	2.57%
Wayne Farms (formerly Perdue Farms)	950	4	2.03%	1,150	5	2.46%
Southern Nuclear (Farley)	950	5	2.03%	860	6	1.84%
City of Dothan	942	6	2.01%	1,193	4	2.55%
Michelin Tire	550	7	1.17%			
AAA Cooper Transportation	425	8	0.91%	462	9	0.99%
Houston County Government	419	9	0.89%			
Twitchell Technical Products	387	10	0.83%			
Pemco World Air Services				600	7	1.28%
Sony Magnetic Products				450	10	0.96%
Wal-Mart Super Center #604				471	8	1.01%
Total	<u>9,995</u>		<u>21.34%</u>	<u>10,188</u>		<u>21.79%</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
Administrative services	11	10	11	11	11	12	13	13	13	13
Information systems	15	15	16	15	16	15	16	16	14	11
City clerk	7	7	7	7	5	6	4	4	4	4
Finance	42	42	42	41	41	41	40	45	41	43
Personnel	11	10	10	10	9	10	10	10	10	10
Judicial	13	14	14	13	12	13	13	13	12	13
General services	56	57	55	53	53	53	51	51	54	53
Police										
Officers	147	156	157	155	151	158	158	171	167	164
Civilians	68	72	73	66	71	70	72	69	75	69
Fire										
Firefighters and officers	166	169	167	168	168	169	168	171	171	167
Civilians	3	3	3	2	2	3	3	3	3	3
Refuse collection	91	85	81	82	77	73	80	78	74	71
Other public works										
Engineering	13	14	14	16	16	14	15	18	19	16
Street	44	44	43	42	43	44	43	44	42	42
Traffic	13	13	14	11	11	12	13	13	12	12
Other	6	6	6	6	5	6	0	0	6	6
Planning and development	17	19	18	17	17	16	20	21	20	21
Parks and recreation	56	59	58	60	60	57	63	64	61	62
Performing arts	12	12	11	10	11	11	11	12	12	10
Electric	64	63	61	61	62	66	67	65	63	64
Water	36	37	37	35	35	33	34	36	34	37
Wastewater	58	57	55	55	51	54	50	54	52	51
<b>Total</b>	<b>949</b>	<b>964</b>	<b>953</b>	<b>936</b>	<b>927</b>	<b>936</b>	<b>944</b>	<b>971</b>	<b>959</b>	<b>942</b>

**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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Function</b>										
General government										
Building permits issued	5,060	5,075	4,292	4,032	4,961	4,427	4,215	4,888	5,900	5,577
Building inspections conducted	11,317	9,682	8,881	7,614	7,104	6,581	7,051	6,954	6,995	7,155
Police										
Physical arrests	4,435	5,229	5,244	6,552	5,239	5,289	5,034	7,199	7,874	6,198
Parking violations	764	456	437	173	142	118	190	137	75	178
Traffic and non misdemeanor violations	22,032	19,959	15,992	14,827	12,423	13,606	9,466	12,337	12,607	17,625
Fire										
Emergency responses	9,106	9,360	8,824	10,201	10,755	11,017	11,198	11,180	12,205	12,836
Fires extinguished	563	478	418	508	533	464	371	536	396	294
Inspections	780	986	819	3,508	2,614	2,662	2,603	2,167	2,565	2,157
Refuse collection										
Refuse collected (tons per day)	277.53	268.17	240.00	227.00	231.61	243.42	253.82	178.20	118.27	126.89
Recyclables collected (tons per day)	5.17	5.48	4.66	2.28	2.71	2.92	4.15	4.35	5.36	5.94
Other public works										
Street resurfacing (miles)	16	14	16	16	14	13	16	15	10	13
Parks and recreation										
Athletic field permits issued*	23	130	267	126	242	381	364	466	345	461
Community center admissions**	80,340	67,983	78,053	82,344	106,696	110,943	106,880	121,097	129,346	110,508
Library										
Volumes in collection - books	206,957	209,394	208,625	208,097	180,642	170,078	183,821	152,920	152,681	136,597
Volumes in collection - audio/video	4,263	4,401	4,736	3,950	4,266	7,567	8,178	8,048	8,287	15,645
Volumes borrowed	246,663	304,953	248,108	286,541	235,517	239,238	317,074	228,672	288,661	344,397
Water										
New connections	590	127	66	98	315	144	435	185	284	396
Water main breaks	94	133	140	226	209	169	180	154	179	154
Average daily consumption (thousands of gallons)	14,000	13,196	10,079	12,664	13,038	11,470	9,548	11,252	10,406	12,274
Peak daily consumption (thousands of gallons)	26,000	22,380	20,611	20,611	24,013	22,744	20,942	19,439	18,514	20,239
Wastewater										
Average daily sewage treatment (thousands of gallons)	11,324	13,193	14,818	12,150	9,611	9,631	14,437	13,619	10,551	15,475

**Sources:** Planning Department, Police Department, Fire Department, Public Works, Department of Leisure Services, Dothan Utilities, and Dothan Houston County Library System

**Notes:** \*Figures for 2007 represent the number of different organizations that were issued a field permit. Figures for 2008-2016 represent the number of times fields were rented.

\*\*Figures for 2007-2010 include community center admissions plus the number of times the Westgate Tennis Complex was rented by an organization. Figures for 2011-2016 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<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	54	55	52	52	52	52	51	51	51	49
Other public works										
Streets (miles)	445	451	452	452	455	455	455	455	455	455
Highways (miles)*	58	58	58	58	58	58	58	58	59	59
Street lights	13,763	13,854	13,854	13,979	15,135	15,378	15,722	15,766	15,847	16,345
Traffic signals	184	190	190	190	190	190	190	190	190	190
Parks and recreation										
Acreage	596	706	706	706	706	708	708	708	708	1,092
Playgrounds	11	11	10	10	13	15	15	15	15	15
Baseball/softball diamonds	31	31	31	31	31	31	31	31	31	31
Soccer/football fields	7	7	8	8	8	8	8	8	8	8
Community centers	7	7	7	7	7	7	7	7	7	7
Tennis courts	47	47	47	47	47	47	47	47	47	47
Dog-friendly park							1	1	1	1
Water										
Water mains (miles)	464	469	479	488	497	502	505	507	510	512
Fire hydrants	2,927	2,961	2,977	3,021	3,430	3,459	3,470	3,482	3,499	3,514
Storage capacity (thousands of gallons)	14,500	14,500	14,500	14,500	16,000	16,000	16,000	16,000	16,000	16,000
Wastewater										
Sanitary sewers (miles)	484	491	492	497	504	505	505	505	506	506
Storm sewers (miles)	169	173	174	181	183	185	186	186	187	187
Treatment capacity (thousands of gallons)	23,120	23,120	23,120	23,120	23,120	22,120	22,120	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).

## **SINGLE AUDIT SECTION**

*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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**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, 2016, 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 13, 2017.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

Finding 2016-1

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

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

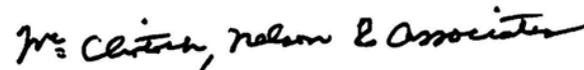
#### **City of Dothan, Alabama's Response to Findings**

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "McClintock, Nelson & Associates".

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

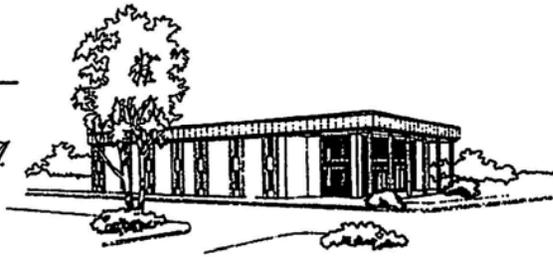
March 13, 2017

*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 36305*  
*Phone: (334) 793-1414*  
*Fax: (334) 793-9159*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

**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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



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

March 13, 2017

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<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 10-01-15</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-16</u>
<b>U.S. DEPARTMENT OF INTERIOR:</b>							
<u>Direct Programs:</u>							
Alabama Historical Commission	15.904		\$ 7,500	\$	\$ 7,424	\$ 7,424	\$ 3,648
Alabama Historical Commission	15.904		1,571		1,571	1,571	1,571
<u>Passed Through Alabama Dept. of Economic Affairs:</u>							
Recreational Trails Program	15.916	14-RT-54-09	100,000	13,160	86,840	86,840	80,728
<b>Total U.S. Department of Interior</b>				<u>13,160</u>	<u>95,835</u>	<u>95,835</u>	<u>85,947</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-12-MC-01-0010 - B-15-MC-01-0010	1,800,260	24,444	465,686	465,686	
<u>Passed Through Dothan Housing Authority:</u>							
Public Housing Capital Fund	14.872	None	175,000		175,000	175,000	175,000
<b>Total U.S. Department of Housing and Urban Development</b>				<u>24,444</u>	<u>640,686</u>	<u>640,686</u>	<u>175,000</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	20,679	3,600	12,827	12,827	2,036
Internet Crimes Against Children Task Force	16.543	2012-MC-FX-K010	25,926	8,409	198	198	
Edward Byrne Memorial Justice Assistance Grant	16.738	None	27,672		27,672	27,672	
<b>Total U.S. Department of Justice</b>				<u>12,009</u>	<u>40,697</u>	<u>40,697</u>	<u>2,036</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>							
Local Impact	20.600	None	29,525		29,525	29,525	
Local Impact	20.216	None	16,610		16,610	16,610	12,163
<u>Passed Through State of Alabama</u>							
<u>Highway Department:</u>							
Federal Transportation Alternative Program - Sidewalk Improvement	20.205	TAPOA-TA13 (916)	283,814	239,698	44,116	44,116	24,470
Rehabilitation & Improvement Program - Brookside Bridge Replacement	20.205	ACOA-61072	37,818		1,891	1,891	

(Continued on Page 132)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<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 10-01-15</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-16</u>
MPO Grant - Denton Road	20.205	STPOA-9450 (602)	1,200,000	38,450	92,105	92,105	40,744
MPO Transportation Planning Grant	20.205	PL45M-100064737	188,320		69,300	69,300	33,145
MPO Grant - Denton Road Bridge	20.205	ACBR585-ATRIP (010)	2,033,264		247,242	247,242	150,819
<b>Total U.S. Department of Transportation</b>				<u>278,148</u>	<u>500,789</u>	<u>500,789</u>	<u>261,341</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>							
<u>Direct Programs:</u>							
Assistance to Firefighters	97.044	None	398,000				
Hazmat and Rescue Teams	97.067	None	36,893				
<u>Passed Through Houston County EMA:</u>							
Hazmat	97.067	None	11,616		2,100	2,100	
Swift Water Rescue	97.067	None	17,180		5,333	5,333	
Heavy Rescue	97.067	None	13,704		9,153	9,153	
<b>Total U.S. Department of Homeland Security</b>				<u>-</u>	<u>16,586</u>	<u>16,586</u>	<u>-</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
<u>Passed Through State Department of Education:</u>							
Summer Food Service Program	10.559	None	145,760		140,303	140,303	
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>							
<u>Passed Through State of Alabama:</u>							
General Obligation Warrant Series 2014 CWSRF-DL	66.458	2014-CWSRF-DL	19,235,000		6,416,894	6,416,894	
General Obligation Warrant Series 2016 CWSRF-DL	66.458	2016-CWSRF-DL	41,085,000		10,000	10,000	
<b>Total Environmental Protection Agency</b>				<u>-</u>	<u>6,426,894</u>	<u>6,426,894</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 327,761</u>	<u>\$ 7,861,790</u>	<u>\$ 7,861,790</u>	<u>\$ 524,324</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2016**

**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.

**4. CWSRF LOAN**

Environmental Protection Agency Loan program passed through the State of Alabama. On September 15, 2014, the City issued \$19,245,000 of general obligation 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, 2016, \$7,118,959 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2016, there were \$12,116,041 remaining state revolving funds available.

Environmental Protection Agency Loan program passed through the State of Alabama. On July 15, 2016, the City issued \$41,085,000 of general obligations warrants Series 2016-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer System. 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, 2016, \$10,000 had been drawn down to pay for financing costs. As of September 30, 2016, there were \$41,075,000 remaining state revolving funds available.

**THE CITY OF DOTHAN  
 DOTHAN, ALABAMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**SUMMARY OF AUDITOR’S RESULTS:**

We have issued a report with an unmodified opinion on the financial statements.  
 The audit disclosed certain deficiencies in internal control which were considered to be material weaknesses, as described in the finding below.  
 The audit disclosed no instances of noncompliance which are material to the financial statements.  
 We have issued a report with an unmodified opinion on compliance with requirements applicable to each major program.  
 The audit disclosed no findings which are required to be reported in accordance with 2 CRF Section 200.510(b).  
 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
Environmental Protection Agency	66.458

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:**

2016-1 Financial Statements – Adjusting Journal Entries  
 Condition – During the audit of financial statements we noted a few accounts which required adjustments.  
 Effect – The accounts for which the material adjustments were required would cause the financial statements to be misleading if not corrected.  
 Recommendation – We recommend that the procedures for capturing accounts payable at year end be strengthened to better facilitate a proper cutoff.  
 Views of Responsible Officials and Planned Response – Management agrees with the recommendation noted and has corrected all such misstatements.

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:**

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