

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005
PREPARED BY
DEPARTMENT OF BUDGET AND FINANCE
ANGELA T. PALMER, DIRECTOR

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005
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BOARD OF COMMISSIONERS

PAT THOMAS
PRESIDENT/MAYOR
LARRY E. MATTHEWS
COMMISSIONER, DISTRICT 1
AMOS NEWSOME
COMMISSIONER, DISTRICT 2
PAUL W. LEE
COMMISSIONER, DISTRICT 3
JASON RUDD
COMMISSIONER, DISTRICT 4
TAYLOR BARBAREE
COMMISSIONER, DISTRICT 5
PHILLIP TIDWELL
COMMISSIONER, DISTRICT 6

The City of Dothan

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

March 1, 2006



**Honorable Pat Thomas, Mayor,
Members of the City Commission and
all Citizens Interested in the
Financial Status of the City**

The Comprehensive Annual Financial Report (CAFR) of the City of Dothan, Alabama (the City) for the fiscal year ended September 30, 2005, is submitted herewith, as required by Section 11-44E-54, Code of Alabama, 1975, as amended. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Dothan management. The enclosed data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The Comprehensive Annual Financial Report (CAFR) is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes the table of contents, this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, the City's organizational chart, and a list of principal officials. The financial section includes the Auditor's Opinion, Management Discussion and Analysis (MD&A), Basic Financial Statements, Other Required Supplementary Information, Combining Statements and Supplementary Information. The MD&A contains a narrative introduction, overview, and analysis of the City's financial statements, and should be read in conjunction with this letter of transmittal. The statistical section includes selected financial and demographic information presented on a multiyear comparative basis. In contrast to the financial section information, the statistical section information has not been audited.

As a result of the implementation of the Governmental Accounting Standards Board Statement 34, the government-wide financial statements have been added to complement the fund financial statements. The government-wide statements show separate data for "governmental activities" and "business-like activities." The MD&A, added as part of the implementation of GASB 34, serves as the narrative introduction to the basic financial statements and contains the comparative data formerly presented in the letter of transmittal. The

new format expands the alternatives available to review/examine the City and its major activities. The objective of GASB 34 is to enhance the understandability and usefulness of the City of Dothan's financial reports to the citizenry, legislative and oversight bodies, and investors and creditors. Accountability is the paramount objective of governmental financial reports. We believe this presentation will provide better information to the users of the CAFR.

Internal Control

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

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

Independent Audit

The City is required to undergo an audit as required by the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to each of its major federal programs for the year ended September 30, 2005. Information related to this audit, including the schedule of federal awards and schedule of questioned costs and findings, is included in the single audit section of the audit. The audit report is forwarded to the City's oversight agency, the

Housing and Urban Development, for review.

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

- (1) the Governmental Accounting Standards Board (GASB), successor to the National Council on Governmental Accounting (NCGA);
- (2) the American Institute of Certified Public Accountants (AICPA);
- (3) the ordinances and resolutions of the City of Dothan;
- (4) the Government Finance Officers Association of the United States and Canada (GFOA).

The financial records of the City for the year ended September 30, 2005, have been audited by an independent certified public accounting firm whose opinion is a part of the Annual Financial Report.

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

MD&A

The Management Discussion and Analysis (MD&A) (starting on page 3) summarizes the Statement of Net Assets and Statement of Activities and reviews the changes (from the beginning to the end of the period and current year to the prior year). The actual statements are presented in detail on pages 13 through 15. 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 16) are designed to address the major (or more significant) individual funds by category (governmental and proprietary, as well as, the

fiduciary fund by category). An explanation of these complementary presentations can be found in the MD&A (starting on page 3) and in the notes (see Note I on page 31).

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

CITY PROFILE

The City of Dothan is located in the southeastern part of the State of Alabama approximately twenty miles west of the Georgia state line and eighteen miles north of the State of Florida. The City is a rapidly growing city and thriving community built around the landmarks of its past. Although it is the center for recreation, business, industry, agriculture, healthcare and retail trade in the area, Dothan offers the charm and friendliness of the Deep South. Proclaimed "Peanut Capital of the World," Dothan has become a melting pot for its friendly atmosphere of Southern Hospitality.

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

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

The City departments include:

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

Approximately 924 regular, full time employees and 351 part time or seasonal employees staff these departments, producing high quality and cost-effective public services. These services include general government or administrative services (including the mayor, commission, city manager, city clerk, public relations, business licenses, finance, information technology, personnel, judicial and legal services), public safety services (including police, fire, E911 communications and animal control), public works services (environmental services, right-of-way and street maintenance, traffic signaling, building code-enforcement, permitting, community development, planning and engineering services), culture and recreation (including performing arts, cemeteries, parks and recreation services), general services (including building maintenance, landscaping, fleet management, safety and self insurance programs), and utility services (including electric, water, sewer, and wastewater services).

Budgeting

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity; therefore, from an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund". A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes

therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

Biannual budgets are adopted for all funds with the exception of the Community Development Fund, Emergency 911 Fund, and Fiduciary Funds. Budgetary control is maintained at department level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Budget to actual comparisons demonstrate how actual expenses/expenditures compare to both the original and final revised budgets. A reconciliation and discussion (where the reconciliation was necessary due to encumbrances in that fund) showing the adjustments necessary to reconcile to Generally Accepted Accounting Principles (GAAP) can be found in the Budgetary Comparison Schedule of each fund.

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

ECONOMIC CONDITION AND OUTLOOK

Over the past several years, Dothan has developed into a primary source of retail trade. Local government's need for fire protection, criminal justice, recreation, infrastructure improvements, and other services provided to the citizens are normally not associated with a paid-for-service fee. This continues to place an ever-tightening constraint on the ability to aggressively plan for growth. To better enable the City to address major infrastructure programs and capital objectives, a broader flexibility in revenue is essential to maintain Dothan's traditionally strong financial condition and to address challenges of growth. The City's major challenges are to provide the

infrastructure and services needed to maintain the accustomed quality of life. Dothan is constantly looking at revenue sources in an effort to fund the growth and vitality of the City.

The City of Dothan has several potential revenue sources that, if implemented, would substantially increase the City's income by \$10,830,000. Some revenue sources are listed below, but are not inclusive of all potential revenue sources.

<u>Revenue Source</u>	<u>Increase Factor</u>	<u>Additional Revenue</u>
Ad Valorem Tax	100%	\$ 2,550,000
Sewer	50%	<u>1,700,000</u>
		<u>\$ 4,250,000</u>

Business licenses could be collected based on a gross receipts method rather than on the flat rate method which the City is presently using. The gross receipts method would yield additional revenue of approximately \$1,000,000.

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

Further, by doubling the existing Retail Liquor Tax and doubling the existing Lodging Tax, revenue would increase an additional \$150,000 and \$750,000, respectively.

Financial Planning

The City's capital improvements program contains \$92.9 million in identified projects over the next 5 years (FY 06 through FY 10). An estimated \$3.5 million for Fiscal Year 2006 has been set aside for resurfacing, vehicles, and rolling fleet. The construction of two new water wells will require approximately \$9 million. This outlay may be partially funded through assistance from the State's Revolving Loan Fund program. Other possibilities would be General Obligation Warrants, AMFUND through the Alabama League of Municipalities, or bank qualified financing. Request for proposals (RFP) will be mailed

out in order to compare financing options.

Infrastructure improvements, including bridges, resurfacing, streets, and intersections, will require an estimated \$22.2 million. Approximately \$11.9 million of this will be reimbursed 80% through MPO. Funds to open a new landfill and close an existing landfill will require an estimated \$10 million. Increasing the capacity of the storm drainage and sanitary sewer system will require approximately \$8.1 million. An estimated \$12 million will be spent on transmission mains.

A computer training facility, citywide mobile data hardware along with upgrades for the AS400, network and mobile infrastructure, and telephone system will have an estimated cost of \$2.3 million. Construction of a soccer complex and additional development at Eastgate Park, softball building/concessions at Westgate Park, new pool at Andrew Belle Center, purchase of Southwest Park land, construction of a baseball or softball complex and a Senior Center at Southwest Park are planned with a projected cost of \$13.5 million.

In October 2003, a water rate increase was implemented and as a result, the rates are adjusted by 2.85% in October of each year. In October 2005, the city passed an electric rate increase of 4%. The additional funds from these rate increases along with the unreserved fund balance will assist in funding the capital improvement projects for the next 5 years.

Pension Plan

The City of Dothan enrolled in the Employees' Retirement System of Alabama on October 1, 2004. The Employees' Retirement System of Alabama (ERSA) will be responsible for monitoring the future costs and changes in retirement trends of employees. They will recalculate the city's unfunded liability each year in order to take appropriate measures to ensure the actuarial soundness of the pension plan. The city increased contributions in fiscal year 2005 in order to fund the unfunded liability that was determined by ERSA.

Debt Administration

The ratio of net bonded debt to assessed valuation and the

amount of debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the City at the end of 2005 was as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita
Net Direct Bonded Debt	\$34,071,662	4.71%	\$590

The entire fund balance of \$837,506 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 markets perception of local government strength and related ability to utilize private sector styled business practices, and provides for the availability to anticipate interest as a significant annual (recurring) revenue source. The City of Dothan continues to maintain a bond rating of Aaa/A1 from Moody's Investors Service and an AAA/A+ from Standard and Poor's.

Cash Management

The City continues to aggressively pursue an investment policy intended to maximize earnings on available cash. We are of the opinion that the Finance Department continues to effectively manage all cash over which we exercise stewardship responsibility. Cash in City accounts during the year was kept fully invested through certificates of deposit collateralized with securities held by the State of Alabama Treasury Security for Alabama Funds Enhancement (SAFE) Program and the bank balances were covered by federal depository insurance. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Interest earned on general government functions totaled \$770,029, of which debt service interest income was \$84,646.

Risk Management

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

Retention Level (Deductible)	Type	Limits of Coverage
\$ 100,000	Property & Contents	\$343,607,218
\$300,000/\$400,000	Workers' Compensation	Unlimited
\$500	Faithful Performance	\$50,000 ⁽¹⁾
\$1,000	Fraud & Theft	\$250,000 per loss
\$250,000	General Liability	\$5,000,000 per occurrence

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

SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE

The expansion of new and existing industries has brought \$20,000,000 in capital investment and 460 new jobs to the Dothan area during the fiscal year. These industries are as follows:

- A. Southeastern Sheet Metal
- B. Cummings Signs
- C. Alatech
- D. LJC Defense Contracting
- E. Vantage Sourcing, LLC
- F. C and S Doors
- G. Nutcracker Brands, Inc.
- H. Marty Robbins Roofing

Looking out to 2006, the Dothan area anticipates major developments that will be initiated with a \$65,000,000 commercial development project and the area being in the final running for industrial projects.

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, 2004. The City has received this prestigious award for the last twenty-two (22) consecutive years (fiscal years ended 1983 - 2004).

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

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

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Dothan for its PAFR for the fiscal year ended September 30, 2004. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a

PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

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

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

Respectfully submitted,

**Angela T. Palmer
Finance Director**

**Michael K. West
City Manager**

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dothan,
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

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



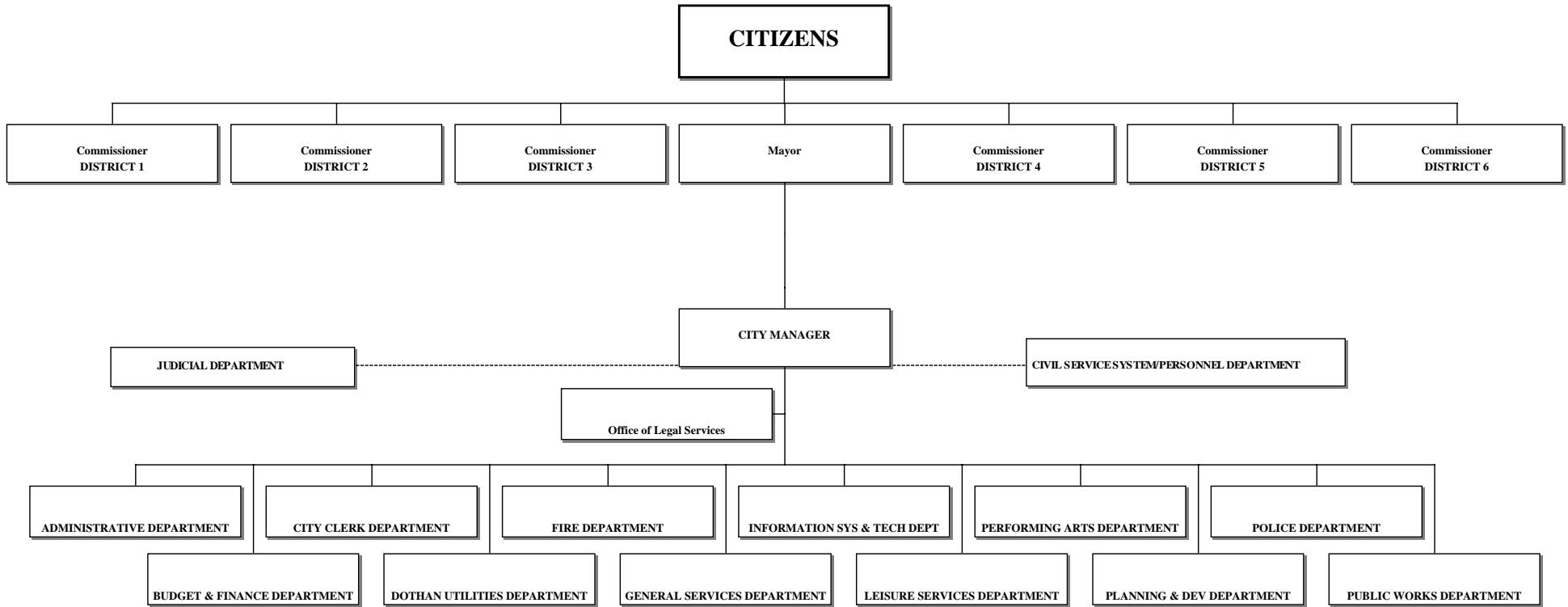
Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

CITY OF DOTHAN, AL MASTER ORGANIZATION CHART



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

CITY COMMISSION

Chester L. Sowell, III	Mayor
James H. Reading	Commissioner, District 1
Amos M. Newsome, Jr.	Commissioner, District 2
Don Clements	Commissioner, District 3
Jason B. Rudd	Commissioner, District 4
Pat Thomas	Commissioner, District 5
Phillip M. Tidwell	Commissioner, District 6

APPOINTED OFFICIALS

Rose Evans-Gordon	Municipal Judge	Angela T. Palmer	Finance Director
Derel K. Kelly	Assistant City Attorney	Jerry W. Corbin	Acting Dothan Utilities Manager
Joe E. Herring, Jr.	Assistant City Attorney	Jerry W. Corbin	Public Works Director
Ginger Lucas	Public Defender	Samuel P. Crawford	Fire Chief
Shawn McGhee	Public Defender	Elizabeth A. Rumble	Director of Leisure Services
Kathleen Nemish	Public Defender	John R. Powell	Police Chief
Michael K. West	City Manager	James C. Fredeman	Civic Center/Opera House Director
Freddie L. White, II	City Attorney	Elston L. Jones	EEO Officer
Pam L. McCoy	City Clerk/Treasurer		

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dothan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006 on our consideration of the City of Dothan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information on pages 3 through 11 and 59 through 61, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dothan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Dothan. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,

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

February 10, 2006

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, 2005. Please consider the information in this MD&A in conjunction with the Transmittal Letter (beginning with page V) and the City's financial statements (beginning on page 13).

Financial Highlights

- The assets of the City of Dothan exceeded its liabilities at the close of the fiscal year ended September 30, 2005 by \$142,271,011. Of this amount, \$36,987,680 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$3,196,690 or 2.20%. A detailed explanation of this decrease can be viewed on page five (5) of this Management Discussion and Analysis (MD &A).
- As of the close of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$31,868,957 an increase of \$6,994,635 in comparison with the prior year. Approximately \$22,439,875 of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- Total net assets for governmental activities decreased by \$2,332,234, thus bringing the total to \$66,193,626 for FY 2005.
- The City of Dothan's total debt decreased by \$1,315,000 (1.94%) during the current fiscal year, yielding a total outstanding debt of \$66,335,000.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements (see Pages 13-15) are designed to provide readers with an overview of the City of Dothan's finances, in a manner to resemble private-sector business. In these statements all governmental and business-type activities are consolidated into columns, which are added to a total for the City or Primary Government.

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

The statement of activities (See pages 14-15) presents information focused on both gross and net costs and shows how the City of Dothan's net assets changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Dothan that are principally supported by taxes

and intergovernmental revenues (*governmental activities*) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (*business-type activities*). The governmental activities of the City of Dothan include general government, public safety, public works, health and welfare, community development, insurance, equipment maintenance, culture and recreation and the business-type activities of the City of Dothan reflect private sector type operations (electric, water and sewer).

The government-wide financial statements can be found on pages 13 - 15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that the City uses to keep track of specific revenue and spending that are segregated for specific activities or objectives. The City of Dothan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types.

The *Fund Financial Statement* allows the demonstration of sources and uses and/or budgeting compliance associated therewith (beginning on page 16). Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Governmental Major Funds (see pages 16-20) is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of

any analysis of a government. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows, outflows and balances of spendable resources*.

The City of Dothan maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, and the capital projects fund each of which are considered to be major funds. Data from the other two governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the Business-type Fund Financial Statements (see pages 21-25) 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 17 and 20). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources, as well as, capital expenditures and bond principal payments

as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

The *Fiduciary Fund* (or Trust) is summarized by type (pension, investment, and private purpose trusts). Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Fund financial statement Fiduciary fund assets are not discretionary assets of the government, but are restricted in purpose and represent trust responsibilities of the government (see pages 26-27). As a result of the restrictions, these assets are not presented as part of the Government-wide Financial Statements.

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

Notes to the financial statements. (see pages 29-58) The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

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

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

Government-Wide Financial Analysis

The City's net assets totaling \$142,271,011 decreased by \$3,196,690. The governmental net assets decreased by \$2,332,234 and the business-net assets increased by \$864,456. Management will continue to monitor net assets because the variance is a useful indicator of a City's financial position.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current & Other Assets	\$ 46,733	\$ 40,326	\$ 35,128	\$ 29,573	\$ 81,861	\$ 69,899
Capital Assets	69,924	76,138	88,629	92,601	158,553	168,739
Total Assets	116,657	116,464	123,757	122,174	240,414	238,638
Current & Other Liabilities	13,802	11,441	18,503	14,319	32,305	25,760
Long-term Liabilities	36,661	36,497	29,177	30,913	65,838	67,410
Total Liabilities	50,463	47,938	47,680	45,232	98,143	93,170
Net Assets:						
Invested in Capital Assets, Net of Related Debt	43,452	49,625	61,832	64,330	105,284	113,955
Restricted	0	0	0	0	0	0
Unrestricted	22,742	18,901	14,245	12,612	36,987	31,513
Total Net Assets	\$ 66,194	\$ 68,526	\$ 76,077	\$ 76,942	\$142,271	\$145,468

By far the largest portion of the City of Dothan's net assets (74.00%) reflects the total investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The investment in capital at

September 30, 2005 was \$105.3 million. The City of Dothan uses these capital assets to provide services to citizens. These assets are not available for future spending. Although the City of Dothan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The remaining balance of *unrestricted net assets* (\$36,987,680) may be used to meet the government's ongoing obligations to citizens and creditors.

Normal Impacts Affecting The Statement of Net Assets

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

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

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

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

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

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

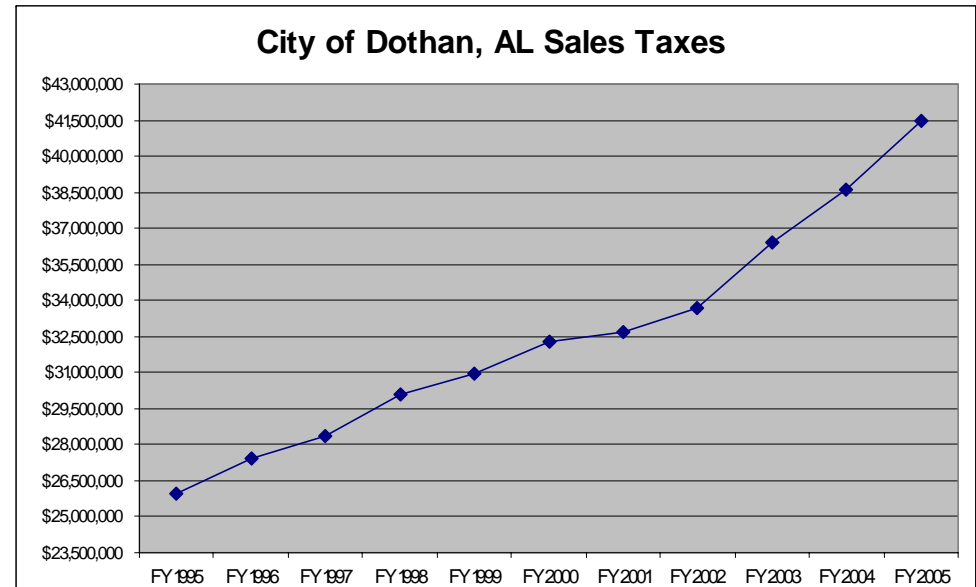
Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

At the end of the current fiscal year, the City of Dothan was able to

report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

During the fiscal year the governmental activities net assets totaling \$66,193,626 decreased the City of Dothan's net assets by \$2,332,234 and the business-net assets totaling \$76,077,385 decreased by \$864,456. The governmental activities reflected a deficit largely due to management changing the threshold of asset capitalization from \$500 to \$2,500 and the expensing of assets that were once reflected as capital assets. The deficit would have been much greater if it were not for the transfers from the business-type activities. These transfers reduced net assets in the business-type activities by \$10,354,882.

Unrestricted assets changed in large portion due to the increase of revenue by \$2,652,754 in fiscal year 2005. The single largest revenue source is sales and use taxes, which generated \$41.6 million in fiscal year 2005, compared to \$39 million in fiscal year 2004.



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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
REVENUES						
Program Revenues:						
Charges for Services	\$ 6,258	\$ 6,247	\$ 80,003	\$ 74,952	\$ 86,261	\$ 81,199
Oper Grants & Contributions	96	125			96	125
Cap Grants & Contributions	1,487	2,597			1,487	2,597
General Revenues:						
Property Taxes	3,265	3,166			3,265	3,166
Other Taxes	44,545	42,163			44,545	42,163
Grants & contributions not restricted to specific programs	1,868	2,817	6	44	1,874	2,861
Other	4,135	1,885	1,551	1,149	5,686	3,034
Total Revenues	\$ 61,654	\$ 59,000	\$ 81,560	\$ 76,145	\$143,214	\$135,145
EXPENSES						
Program Activities						
Primary Government						
Governmental Activities:						
General Government	\$ 11,723	\$ 7,031	\$	\$	\$ 11,723	\$ 7,031
Public Safety	24,453	23,100			24,453	23,100
Public Works	15,860	13,322			15,860	13,322
Health & Welfare	2,478	2,260			2,478	2,260
Culture & Recreation	8,283	7,784			8,283	7,784
General Services	3,529	3,311			3,529	3,311
Insurance	753	2,508			753	2,508
Intergovernmental	4,219	4,226			4,219	4,226
Interest on Long Term Debt	3,043	1,884			3,043	1,884
Business-type Activities:						
Electric Department			55,739	50,213	55,739	50,213
Water Department			3,410	3,362	3,410	3,362
Sewer Department			4,199	3,784	4,199	3,784
Billing-Collection Department			1,082	919	1,082	919
Meter Reading Department			607	538	607	538
Depreciation Expense			4,922	4,400	4,922	4,400
Miscellaneous			622	841	622	841
Bond Issue Costs			53	26	53	26
Loss-Disposition of Capital Assets			280	373	280	373
Interest and Fiscal Charges			1,156	1,356	1,156	1,356
Total Expenses	\$ 74,341	\$ 65,426	\$ 72,070	\$ 65,812	\$146,411	\$131,238
Transfers	10,355	9,959	(10,355)	(9,959)	- 0-	- 0-
NET INCREASE	(\$ 2,332)	\$ 3,533	(\$ 865)	\$ 374	(\$ 3,197)	\$ 3,907

Statement of Activities

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

Governmental activities decreased the City of Dothan's net assets by \$3,196,690. A key element of this decrease was largely due to the increased payment by the City for retirement contributions into the Employees' Retirement Systems of Alabama (ERSA). Contributions per covered payroll increased from 7.5% to 20.58%. Governmental revenues totaling \$61,653,500 increased \$2,652,754 (4.50%).

- Property taxes increased by \$99,166 (3.13%) and sales taxes increased by \$2,627,934 (6.74%) during the year.
- The City of Dothan experienced a \$949,797 decrease in grant revenues which totaled \$1,867,593. Dothan strives to maintain an aggressive grant application strategy. Grant resources support three City functions: public safety, public works, and culture and recreation.
- An increase was also reflected in unrestricted investment earnings and miscellaneous revenues by \$2,249,953 (119.36%) included in other revenue, and an increase in transfers from the utility fund to the governmental funds by \$396,456 (3.98%).

Business-type activities decreased the City of Dothan's net assets by \$864,456. A key element of this decrease was largely due to increasing cost of electric energy for resale. The City increased electric rates in October 2005 to compensate for these additional costs.

As of the end of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$31,868,957, an increase of \$6,994,635 (28.12%) in comparison with the prior year of \$24,874,322. Of this total fund balance, \$22,439,875 constitutes the *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that which is not available for new spending because of previous contractual commitments and prior period purchase orders (\$8,081,556), amounts reserved for inventory

The general fund is the chief operating fund of the City of Dothan. At the end of the current fiscal year, unreserved fund balance of the general fund was \$21,449,322, while total fund balance reached \$30,040,898. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City of Dothan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unreserved fund balance (\$21,449,322) represents 36.141 (%) percent of total general fund expenditures (\$59,353,280), while total fund balance (\$30,040,898) represents 50.61 (%) percent of the total general fund expenditures.

The unreserved fund balance of the City of Dothan's general fund increased by \$3,924,973 (22.40%) during the current fiscal year. The key factors in this increase resulted from a \$2.6 million increase in sales tax receipts and an increase of \$2.2 million in unrestricted interest earnings and miscellaneous revenue.

The debt service fund has a total fund balance of \$837,506. Of this amount, there are no reserves for encumbrances; thus, the total fund balance is reserved for the payment of debt service.

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

Net assets of the Utility and E-911 Funds at the end of the year amounted to \$74,440,955 and \$1,636,430 respectfully compared to last year's amounts of \$75,398,573 and \$1,543,268. The Utility Fund experienced a decrease in net assets in the amount of \$957,618 and the E-911 Fund reflected an increase of \$93,162.

Budgetary Highlights

Encumbrances from fiscal year 2004 were carried forward to fiscal year 2005 and the general fund budget was increased by \$6,486,812. These encumbrances were funded from the general fund balance.

Differences between the general fund original budget and the final amended budget totaled \$11,878,706 including the encumbrances mentioned above. The additional appropriations in the amount of \$5,391,894 can be briefly summarized by department as follows:

- General Administration - \$1,996 in increases allocated as follows: \$996 to fund the lease of a color copier, \$500 for Peanut Festival float expenditures, and \$500 to purchase trees for an Urban and Community Tree Assistance program
- Information Systems Technology - \$41,460 in increases to the information systems technology department as follows: \$38,555 to purchase an identification and verification system and \$2,905 for a laptop computer both of which are utilized by the police department
- Personnel - \$14,975 in increases allocated to the personnel department as follows: \$14,340 to fund legal fees related to personnel board investigations, and \$635 for vehicle expenditures
- Judicial - \$1,930 in increases allocated for property taxes due on a newly acquired building for the magistrates
- Police - \$437,589 in increases allocated to the police department as follows: \$1,000 for seventy-five traffic safety cones, \$9,810 for bulletproof vests, \$6,325 for a polygraph package, \$3,608 for vehicle repair, \$19,270 to purchase three canines, \$3,515 for a K9 agility course, \$20,005 for radios and other communication devices, \$252,694 for thirteen police cruisers, \$49,400 for digital cameras, \$8,492 for save-a-dog, violent crimes and k.i.s.s. program expenditures, \$5,400 for increases to the existing motorcycle lease, \$6,050 for drug awareness training, \$75 for a seized vehicle, \$28,331 for overtime paid through the local impact program grant and \$23,614 for municipal jail repairs
- Fire - \$552,998 in increases allocated to the fire department as follows: \$398,220 to purchase emergency medical, hazmat and rescue equipment and supplies, \$125,000 to purchase hazard warning sirens, \$894 to purchase smoke detectors, \$19,009 in fire

station building maintenance and repair, \$6,440 for radios, and \$3,435 for overtime and operating supplies related to the child passenger safety program and fireworks display for the future masters event

- **Public Works** - \$2,369,285 in increases allocated to the public works department as follows: \$956,306 to resurface City of Dothan maintained roads, \$262,409 related to mpo transportation projects, \$12,500 for recycling grant expenditures, and \$1,163,770 to purchase a three-wheel broom sweeper, a tandem axle cab and chassis, roll-off hoist, trash compactor, excavator and a 35 ton off-road articulated dump truck
- **Leisure Services** - \$1,063,209 in increases to the leisure services department as follows: \$53,645 for tennis tournaments and related supplies, \$135,657 for repair and maintenance of parks and playgrounds, \$124,979 for softball programs, \$8,034 for basketball programs, \$316,600 for tree and land/water grant purchases, \$15,985 for senior citizen programs, \$17,593 for therapeutic and diabetes programs, \$9,967 for day camps and events at Fort Rucker, \$7,902 to fund the matching portion of a van purchased with grant monies, \$262,737 to repair and renovate the Rip Hewes stadium, \$6,000 for satellite concessions, \$104,110 for resale items at Water World water park and for various swimming pool repairs
- **Performing Arts**: \$18,449 in increases allocated to the performing arts department as follows: \$7,437 to purchase folding chairs with carts and \$780 to purchase a wheelchair lift for the Opera House
- **General Services** - \$59,310 in increases allocated to the general services department as follows: \$17,125 for maintenance at the Wiregrass Museum of Art, \$21,162 for construction of Justice Park, \$17,123 for the maintenance of an old school building and \$3,900 for maintenance inspections to fueling stations
- **Self Funded Insurance** - \$210,000 to fund administrative services provided by Blue Cross and Blue Shield as the third party provider for the city's health and medical insurance
- **Agency Assistance** - \$20,000 to assist in the operation of an adult day care facility, \$20,000 for child abuse prevention, \$10,000 to

assist in funding the Railroad Mural, \$56,000 in increases for city assisted baseball and basketball tournaments, \$17,000 to assist agencies with senior programs, \$290,000 in additional lodging taxes to be remitted to the convention and visitors bureau to promote tourism, \$7,000 to assist an agency in a program to provide education and skills to youth, \$147,100 for erosion control and operating supplies at Landmark Park and \$53,593 for the summer feeding program which was also administered through the leisure services department

These appropriations which total \$5,307,894 were funded from the following revenue sources totaling \$1,650,368. The remaining \$3,657,526 was budgeted from the available unreserved fund balance.

- \$131,598 from contributions and donations
- \$105,203 from softball tournaments and program revenues
- \$53,645 from tennis tournaments and program revenues
- \$15,205 from senior programs and craft sales
- \$35,880 from police seizure income
- \$854,732 from federal and state grants
- \$13,418 from property damage recovery payments
- \$53,593 from summer feeding program funds
- \$41,000 from Water World resale items and concessions
- \$34,101 soccer and baseball camps
- \$17,593 from therapeutic programs and diabetes clinic
- \$4,400 from Fort Rucker events and miscellaneous receipts
- \$290,000 from 1% increase in lodging tax

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates.

Capital Asset and Debt Administration

Capital Assets. The City of Dothan's investment in capital assets for its governmental and business-type activities as of September 30, 2005 amounts to \$169,363,807 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, system improvements (electrical, water, sewer, storm drainage and street) machinery and equipment, park facilities, roads, highways, and bridges. Capital Investments decreased in the

governmental capital assets by \$5,033,487 and increased in the business-type by \$1,079,215. Major capital asset events during the current fiscal year included the following:

WESTGATE PARKWAY - 231- HARRISON ROAD - MPO

The Westgate Parkway, State Highway 231 and Harrison Road project consisting of road widening, construction and right of way acquisition is expected to cost \$8,100,000. A Metropolitan Planning Organization (MPO) grant was obtained and the city will be reimbursed 80% of approved expenditures. To date project expenditures total \$1,571,384, of which \$790,133 has been capitalized and the remaining \$781,251 was charged to maintenance.

LAKWOOD FIRE STATION

Construction began on a 4000 square foot addition to Lakewood Fire Station in June 2004. The addition was attached to an existing fire station bay. The project was completed in December 2004 at a cost of \$557,848.

REVOLVING LOAN FUND WASTEWATER PROJECTS

CYPRESS CREEK INTERCEPTOR – The outfall line was complete and operational. Weed Contracting was the construction contractor for this project. The total completed cost was \$2,167,234.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 8,327	\$ 8,442	\$ 946	\$ 946	\$ 9,273	\$ 9,388
Buildings	78,957	79,292	4,421	4,421		
Improv. other than Buildings	26,837	26,832	128,159	127,275	154,996	154,107
Machinery & Equipment	25,267	29,951	8,237	8,856	33,504	38,807
Infrastructure	428,056	427,622			428,056	427,622
Construction in Progress	81	420	1,457	642	1,538	1,062
Total Capital Assets	\$ 567,525	\$ 572,559	\$ 143,220	\$ 142,140	\$ 710,745	\$ 714,699

Additional information on the City of Dothan's capital assets can be found in note IV. D on pages 43 – 45 of this report.

Debt Outstanding

As of the fiscal year end, the City of Dothan had \$66,335,000 in gross bonded debt outstanding compared to \$67,650,000 last fiscal year end; thus, decreasing debt by \$1,315,000 during the current fiscal year. To take advantage of favorable interest rates, in June of 2005 the City of Dothan issued general obligation warrants to refinance in total the previously outstanding 1995, 1998 and 1999 general obligation warrants totaling \$4,319,457, \$7,245,000 and \$19,390,000 respectfully. The new issue or refunding resulted in a \$1,050,000 gross economic gain and savings in future debt service payments over the life of the new issue.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of its total assessed valuation. The current constitutional debt limitation for the City of Dothan is \$139,684,174, which is significantly in excess of the City of Dothan's outstanding general obligation debt. Additional information on the City of Dothan's long-term debt can be found in note IV. H on pages 48 – 51 of this report.

	2005	2004
General Government	\$ 2,696,252	\$ 3,960,000
Schools	19,756,978	20,105,861
Sewer & Storm Sewer	24,594,572	25,398,014
Street Paving & Storm Drainage	12,427,231	11,800,000
Water	<u>6,859,967</u>	<u>6,386,125</u>
TOTAL	\$ 66,335,000	\$ 67,650,000

Economic Factors

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

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

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

Financial Information Contact

The City of Dothan's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Finance Director, Angela T. Palmer, at 126 North Saint Andrews Street, Room 110 of the Dothan Civic Center, Dothan, Alabama 36303.

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 31,399,709	\$ 22,157,831	\$ 53,557,540
Receivables	5,878,464	6,321,761	12,200,225
Due from other governments	537,114	2,254,524	2,791,638
Inventories, at cost	510,020	1,991,311	2,501,331
Capital assets (See Note IV-D):			
Non-depreciable	8,407,848	2,402,872	10,810,720
Depreciable, net	69,924,041	88,629,046	158,553,087
Total Assets	116,657,196	123,757,345	240,414,541
LIABILITIES:			
Vouchers/accounts payable	1,736,040	10,969,270	12,705,310
Accrued liabilities	2,732,931	139,320	2,872,251
Accrued interest payable	179,950	138,750	318,700
Payable to other governments	52,471		52,471
Customer deposits	308,231	4,924,098	5,232,329
Unearned revenue	749,308		749,308
Non-Current Liabilities:			
Due within one year	8,044,025	2,331,819	10,375,844
Due in more than one year	36,660,614	29,176,703	65,837,317
Total Liabilities	50,463,570	47,679,960	98,143,530
NET ASSETS:			
Invested in capital assets, net of debt	43,451,427	61,831,904	105,283,331
Unrestricted	22,742,199	14,245,481	36,987,680
Total Net Assets	\$ 66,193,626	\$ 76,077,385	\$ 142,271,011

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, 2005

FUNCTION / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 11,722,770	\$ 2,144,198	\$ 81,925	\$ -	\$ (9,496,647)	\$ -	\$ (9,496,647)
Public safety	24,452,597	1,307,930	13,543	70,524	(23,060,600)		(23,060,600)
Public works	15,860,328	531,684		1,416,933	(13,911,711)		(13,911,711)
Health and welfare	2,478,188				(2,478,188)		(2,478,188)
Culture and recreation	8,283,238	2,274,426			(6,008,812)		(6,008,812)
General services	3,529,222				(3,529,222)		(3,529,222)
Insurance department	752,477				(752,477)		(752,477)
Intergovernmental	4,219,232				(4,219,232)		(4,219,232)
Interest/fiscal charges on long-term debt	3,042,564				(3,042,564)		(3,042,564)
Total Governmental Activities	74,340,616	6,258,238	95,468	1,487,457	(66,499,453)	-	(66,499,453)
Business-Type Activities:							
Utility	71,122,380	78,980,190				7,857,810	7,857,810
E-911	948,247	1,023,188				74,941	74,941
Total Business-Type Activities	72,070,627	80,003,378	-	-	-	7,932,751	7,932,751
Total Primary Government	\$ 146,411,243	\$ 86,261,616	\$ 95,468	\$ 1,487,457	\$ (66,499,453)	\$ 7,932,751	\$ (58,566,702)

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, 2005

GENERAL REVENUES:			
Taxes:			
Property taxes	\$ 3,265,010	\$ -	\$ 3,265,010
General sales and lodging	41,605,685		41,605,685
Other taxes	2,939,005		2,939,005
Grants and contributions not restricted to specific programs	1,867,593	6,200	1,873,793
Unrestricted investment earnings	698,250	525,497	1,223,747
Miscellaneous	3,436,794	1,025,978	4,462,772
Transfers	<u>10,354,882</u>	<u>(10,354,882)</u>	<u>-</u>
Total General Revenues, Special Items, and Transfers	<u>64,167,219</u>	<u>(8,797,207)</u>	<u>55,370,012</u>
Change in Net Assets	(2,332,234)	(864,456)	(3,196,690)
Net Assets - Beginning	<u>68,525,860</u>	<u>76,941,841</u>	<u>145,467,701</u>
Net Assets - Ending	<u>\$ 66,193,626</u>	<u>\$ 76,077,385</u>	<u>\$ 142,271,011</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, 2005

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 29,597,011	\$ 808,800	\$ 931,510	\$ 62,388	\$ 31,399,709
Receivables:					
Taxes	6,138,586				6,138,586
Accounts	1,589,445				1,589,445
Special assessments		877,369			877,369
Accrued interest	919	28,706			29,625
Due from other governments	484,045			53,069	537,114
Inventories, at cost	510,020				510,020
Total Assets	<u>38,320,026</u>	<u>1,714,875</u>	<u>931,510</u>	<u>115,457</u>	<u>41,081,868</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Vouchers/accounts payable	1,679,626			56,414	1,736,040
Accrued liabilities	2,732,931				2,732,931
Payable to other governments	52,471				52,471
Customer deposits	308,231				308,231
Deferred revenue/income	3,505,869	877,369			4,383,238
Total Liabilities	<u>8,279,128</u>	<u>877,369</u>	<u>-</u>	<u>56,414</u>	<u>9,212,911</u>
Fund Balances:					
Reserved for:					
Encumbrances	8,081,556				8,081,556
Inventories	510,020				510,020
Debt service fund		837,506			837,506
Unreserved, reported in:					
General fund	21,449,322				21,449,322
Special revenue fund				59,043	59,043
Capital projects fund			931,510		931,510
Total Fund Balance	<u>30,040,898</u>	<u>837,506</u>	<u>931,510</u>	<u>59,043</u>	<u>31,868,957</u>
Total Liabilities and Fund Balances	<u>\$ 38,320,026</u>	<u>\$ 1,714,875</u>	<u>\$ 931,510</u>	<u>\$ 115,457</u>	<u>\$ 41,081,868</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 ASSETS
AS OF SEPTEMBER 30, 2005

Total Fund Balances - Governmental Funds		\$ 31,868,957
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 567,525,331	
Less: Depreciation expense to date	<u>(489,193,442)</u>	78,331,889
<p>Because the focus of governmental funds is on short term financing, some long-term assets will not be available to pay for current period expenditures. Those assets (cash or receivables, for example) are considered deferred revenues in the governmental funds, and thus are not included in fund balance.</p>		
Adjustment of receivables - property taxes	(2,756,561)	
Adjustment of deferred revenue - property taxes	2,756,561	
Adjustment of deferred revenue - special assessment	<u>877,369</u>	877,369
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
		(44,704,639)
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
		<u>(179,950)</u>
Total Net Assets - Governmental Activities		<u>\$ 66,193,626</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 47,499,839	\$ -	\$ -	\$ 309,861	\$ 47,809,700
Licenses and permits	2,492,482				2,492,482
Intergovernmental revenues	2,532,636			806,694	3,339,330
Charges for services	2,457,826				2,457,826
Fines and forfeitures	1,307,930				1,307,930
Special assessments		342,982			342,982
Interest income	681,133	84,646	3,337	913	770,029
Miscellaneous	3,481,265				3,481,265
Total Revenues	<u>60,453,111</u>	<u>427,628</u>	<u>3,337</u>	<u>1,117,468</u>	<u>62,001,544</u>
EXPENDITURES:					
Current:					
General government	8,909,992	69,759			8,979,751
Public safety	23,206,906				23,206,906
Public works	11,150,722			806,694	11,957,416
Health and welfare	2,472,583				2,472,583
Culture and recreation	7,432,301				7,432,301
General services	3,403,680				3,403,680
Insurance department	752,477				752,477
Intergovernmental				2,958,342	2,958,342
Capital outlay	2,024,619				2,024,619
Debt service:					
Principal retirement		2,139,098			2,139,098
Interest and fiscal charges		1,345,962		3,657	1,349,619
Total Expenditures	<u>59,353,280</u>	<u>3,554,819</u>	<u>-</u>	<u>3,768,693</u>	<u>66,676,792</u>
Excess of Revenues over (under) Expenditures	<u>\$ 1,099,831</u>	<u>\$ (3,127,191)</u>	<u>\$ 3,337</u>	<u>\$ (2,651,225)</u>	<u>\$ (4,675,248)</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	\$ 4,562,819	\$ 2,169,653	\$ 928,173	\$ 2,694,237	\$ 10,354,882
Proceeds of refunding bonds		32,599,847			32,599,847
Bond issue premium on refunding bonds		1,757,588			1,757,588
Payment to bond refunding escrow agent		(33,042,434)			(33,042,434)
Total Other Financing Sources (Uses)	<u>4,562,819</u>	<u>3,484,654</u>	<u>928,173</u>	<u>2,694,237</u>	<u>11,669,883</u>
Net Changes in Fund Balance	5,662,650	357,463	931,510	43,012	6,994,635
Fund Balances, Beginning	<u>24,378,248</u>	<u>480,043</u>	<u></u>	<u>16,031</u>	<u>24,874,322</u>
Fund Balances, Ending	<u>\$ 30,040,898</u>	<u>\$ 837,506</u>	<u>\$ 931,510</u>	<u>\$ 59,043</u>	<u>\$ 31,868,957</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, 2005

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

Net Change in Fund Balances - Total Governmental Funds	\$ 6,994,635
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 depreciation exceeded capital outlays in the current period.	(4,699,978)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(1,967,597)
Governmental funds may not report revenues until they are <i>available</i> . The government-wide statement of activities, however, is <i>not</i> subject to this availability criterion. Therefore, amounts related to prior periods that first became available as revenue in the governmental funds during the current period must be removed and reflected instead as an adjustment to government-wide net assets because they had been recognized as revenue in an earlier period.	(342,982)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(836,453)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,479,859)</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,332,234)</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 21,259,902	\$ 897,929	\$ 22,157,831
Accounts receivable	6,188,457	133,304	6,321,761
Due from other governments	2,254,524		2,254,524
Inventories, at cost	1,991,311		1,991,311
Total Current Assets	31,694,194	1,031,233	32,725,427
Non-Current Assets:			
Capital Assets:			
Land	946,133		946,133
Buildings	4,421,017		4,421,017
Improvements other than buildings	128,157,325	900	128,158,225
Machinery and equipment	6,626,921	1,610,510	8,237,431
Accumulated depreciation	(51,201,001)	(986,626)	(52,187,627)
Construction in progress	1,456,739		1,456,739
Total Non-Current Assets	90,407,134	624,784	91,031,918
Total Assets	122,101,328	1,656,017	123,757,345
LIABILITIES:			
Current Liabilities:			
Vouchers/accounts payable	10,949,683	19,587	10,969,270
Accrued liabilities	139,320		139,320
Accrued interest payable	138,750		138,750
Compensated absences	414,326		414,326
Customer deposits	4,924,098		4,924,098
Bonds payable - current	1,917,493		1,917,493
Total Current Liabilities	\$ 18,483,670	\$ 19,587	\$ 18,503,257

(Continued on page 22)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
Non-Current Liabilities:			
Compensated absences	\$ 72,275	\$ -	\$ 72,275
Bonds payable (net of unamortized bond issue costs)	29,104,428		29,104,428
Total Non-Current Liabilities	29,176,703	-	29,176,703
Total Liabilities	47,660,373	19,587	47,679,960
NET ASSETS:			
Invested in capital assets, net of debt	61,207,120	624,784	61,831,904
Unrestricted	13,233,835	1,011,646	14,245,481
Total Net Assets	\$ 74,440,955	\$ 1,636,430	\$ 76,077,385

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
OPERATING REVENUES:			
Charges for services	\$ 78,980,190	\$ 1,023,188	\$ 80,003,378
OPERATING EXPENSES:			
Electric department	55,739,231		55,739,231
Water department	3,410,332		3,410,332
Sewer department	4,198,634		4,198,634
Billing - collection department	1,081,648		1,081,648
Meter reading department	607,164		607,164
Depreciation	4,696,900	225,531	4,922,431
Miscellaneous		622,207	622,207
Total Operating Expenses	<u>69,733,909</u>	<u>847,738</u>	<u>70,581,647</u>
Operating Income (Loss)	<u>9,246,281</u>	<u>175,450</u>	<u>9,421,731</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	507,276	18,221	525,497
Miscellaneous revenue	1,025,978		1,025,978
Bond issue costs	(52,969)		(52,969)
Gain (loss) on disposition of capital assets	(179,912)	(100,509)	(280,421)
Interest and fiscal charges	(1,155,590)		(1,155,590)
Total Nonoperating Revenues (Expenses)	<u>144,783</u>	<u>(82,288)</u>	<u>62,495</u>
Income (Loss) Before Contributions and Transfers	9,391,064	93,162	9,484,226
Capital contributions	6,200		6,200
Transfers out	(10,354,882)		(10,354,882)
Change in Net Assets	(957,618)	93,162	(864,456)
Total Net Assets - Beginning	<u>75,398,573</u>	<u>1,543,268</u>	<u>76,941,841</u>
Total Net Assets - Ending	<u>\$ 74,440,955</u>	<u>\$ 1,636,430</u>	<u>\$ 76,077,385</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
CASH FLOWS FROM OPERATIONS:			
Receipts from customers	\$ 77,756,184	\$ 978,953	\$ 78,735,137
Payments to suppliers	(51,855,187)	(623,901)	(52,479,088)
Payments to employees	(9,851,978)		(9,851,978)
Other receipts (payments)	980,595		980,595
Net Cash Provided by (Used in) Operating Activities	<u>17,029,614</u>	<u>355,052</u>	<u>17,384,666</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (out)	<u>(10,354,882)</u>		<u>(10,354,882)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt and State Revolving Funds	4,612,713		4,612,713
Acquisition and construction of capital assets	(1,961,475)	(41,767)	(2,003,242)
Bond issue costs, net of premium	(119,561)		(119,561)
Principal paid on bond maturities and notes payable	(5,271,445)		(5,271,445)
Interest paid on bonds and notes payable	(1,179,416)		(1,179,416)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(3,919,184)</u>	<u>(41,767)</u>	<u>(3,960,951)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	<u>507,276</u>	<u>18,221</u>	<u>525,497</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,262,824	331,506	3,594,330
Cash and Cash Equivalents at Beginning of Year	<u>17,997,078</u>	<u>566,423</u>	<u>18,563,501</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 21,259,902</u></u>	<u><u>\$ 897,929</u></u>	<u><u>\$ 22,157,831</u></u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:			
Operating Income (Loss)	<u>\$ 9,246,281</u>	<u>\$ 175,450</u>	<u>\$ 9,421,731</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	4,696,900	225,531	4,922,431
(Increase) decrease in accounts receivable	(1,306,413)	(44,235)	(1,350,648)
(Increase) decrease in inventory	49,016		49,016
Increase (decrease) in vouchers and accounts payable	3,137,495	5,206	3,142,701
Increase (decrease) in due to other funds		(6,900)	(6,900)
Increase (decrease) in accrued liabilities	55,296		55,296
Increase (decrease) in compensated absences	88,037		88,037
Increase (decrease) in customer deposits	82,407		82,407
Other miscellaneous revenues	980,595		980,595
Total Adjustments	<u>7,783,333</u>	<u>179,602</u>	<u>7,962,935</u>
Net Cash Provided by (Used) in Operating Activities	<u><u>\$ 17,029,614</u></u>	<u><u>\$ 355,052</u></u>	<u><u>\$ 17,384,666</u></u>
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets from governmental funds	\$ 6,200		

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AS OF SEPTEMBER 30, 2005

	EMPLOYEE RETIREMENT FUND
ASSETS:	
Cash and cash equivalents	\$ 52,567
Accrued interest and dividends	157
Total Assets	52,724
LIABILITIES	
NET ASSETS:	
Held in trust for pension benefits	\$ 52,724

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>EMPLOYEE RETIREMENT FUND</u>
ADDITIONS:	
Contributions:	
Employer	\$ 110,704
Plan members	<u>110,704</u>
Total Contributions	221,408
Investment Earnings:	
Interest, dividends, and other	<u>8,827</u>
Total Additions	<u>230,235</u>
DEDUCTIONS:	
Benefits	522,317
Refunds of contributions	711,166
Administrative expenses	5,538
Transfers out to Retirement System of Alabama	<u>6,525,065</u>
Total Deductions	<u>7,764,086</u>
Change in Net Assets	(7,533,851)
Net Assets - Beginning of Year	<u>7,586,575</u>
Net Assets - End of Year	<u><u>\$ 52,724</u></u>

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

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dothan, Alabama (the City), which was founded in 1885, has an estimated population of 61,287 living within an area of 87.01 square miles. The City is in the southeast corner of the State of Alabama. The City operates under a Mayor-Commission form of government.

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

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

A. Financial Reporting Entity

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

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

Blended Component Unit. The City of Dothan Pension Trust. The City of Dothan employees had participated in the City of Dothan Employees' Pension and Retirement Fund. The government effective October 1, 2004 adopted the Retirement Systems of Alabama as the official retirement plan for all eligible employees. As of September 30, 2005, the amount left in the City of Dothan Pension Trust represents the annuity balance of a few former employees. A separate financial statement can be obtained from the accounting division of the City's finance department.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

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

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Basis of Presentation

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

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

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

The City uses the following fund categories and fund types:

1. Governmental Funds

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

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

Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Debt Service Fund – To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. In addition, special assessment transactions that are in the debt service phase are also accounted for in this fund.

2. Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The focus of Proprietary Fund measurement is upon determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to businesses. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is a description of the major proprietary funds of the City:

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

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

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

3. Fiduciary Funds

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

4. Non-Current Governmental Assets/Liabilities

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

1. Accrual

Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

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

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

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Receivables and Payables

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

3. Inventories

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

4. Restricted Assets

There were no restricted assets as of September 30, 2005.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of three years. Effective June 1, 2005, the City adopted a new policy defining capital assets as property purchases with a useful life in excess of three years and having a value greater than \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

6. *Compensated Absences*

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

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

7. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

8. Fund Equity

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

F. Interfund Transactions

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

G. Unbilled Utility Receivables

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

H. Cash Flows Statement

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Closure and Postclosure Care Cost

State and federal laws and regulations require the City of Dothan to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each balance sheet date. The \$5,318,182 reported as landfill closure and postclosure care liability at September 30, 2005, represents the cumulative amount reported to date based on the use of 90.91 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$531,818 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The City of Dothan expects to close the current landfill in the year 2009, which would make the estimated remaining life to be approximately four years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

1. Budgetary Accounting

All funds, except the Community Development special revenue fund, E-911 enterprise fund, and the fiduciary funds, are maintained as budgetary funds. Budgets are adopted at the beginning of each fiscal year through passage of a resolution by the Board of Commissioners. Budgetary control is exercised at the department level. The City Manager is authorized to amend the budgets during the fiscal year in order to execute the policies and planning encompassed therein provided that the total appropriation for a department and the fund is not changed, and amendments affecting capital outlay do not exceed \$10,000 in any one instance or cause. The City Manager is also authorized to approve any change to correct an error, provided the fund total does not change. Any increase in overall expenditures must be approved by the Board of Commissioners. The Board of Commissioners may amend the budget at any time during the year and significant amendments are made through the fiscal year. During the year, several supplemental appropriations were necessary in the amount of \$48,611,368. The original budget of the City consists of operating expenditures and does not include capital projects or the reestablishment of encumbrances. This is the reason for the significant amount of supplemental appropriations.

Budgets are not prepared or adopted in conformance with generally accepted accounting principles. Budgeted expenditures/expenses include encumbrances. All unencumbered appropriations lapse at year end. Reported budget amounts are as originally adopted or as amended by the Commission by resolution or by the City Manager through routine budget amendments.

At the end of each fiscal year, unexpended and unencumbered appropriations are closed into the fund balance accounts. At the start of the next fiscal year all encumbrances outstanding at year end are reappropriated in the new budget and therefore reestablished.

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

2. Encumbrances

The City uses encumbrance accounting for budgetary control purposes. Outstanding encumbrances, which are outstanding purchase orders, contracts, and other commitments, are not treated as expenditures in the operating statements but instead reflect as a reservation of fund balance for expenditure or liquidation in the subsequent fiscal year. Encumbrances are included in the actual expenditure figures on the budgetary comparison schedules so that a meaningful comparison can be made with the adopted budget of the City.

B. Excess of Expenditures Over Appropriations in Individual Funds

The budget to actual comparison for the general fund reflects one department's expenditures exceeding appropriations for a total of \$631,805. The budget to actual comparison for the utility fund reflects one department's expenditures exceeding appropriations for a total of \$4,236,190. Also the debt service fund's general administrative department exceeded budget by \$63,759. Although these departments in these funds exceeded their budget, the overall fund budget was not exceeded or revenues exceeded the budget to make up for any expenditure overage.

C. Deficit Fund Equity

As of September 30, 2005, there were no funds that had a deficit fund balance.

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$44,704,639) are as follows:

Bonds payable	(\$36,213,343)
Estimated cost of closure and postclosure of City landfill	(5,318,182)
Compensated absences	(2,333,098)
Net pension obligation	(<u>840,016</u>)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(<u>\$44,704,639</u>)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$4,699,978) difference are as follows:

Capital outlay	\$2,024,619
Depreciation expense	<u>(6,724,597)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$4,699,978)</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this (\$1,967,597) difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 39,409
The statement of activities reports <i>losses</i> arising from the trade-in and/or deletion of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in or deletion of capital assets.	<u>(2,007,006)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$1,967,597)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The detail of this (\$836,453) difference is as follows:

Debt incurred	(\$34,357,435)
Principal repayments:	
Payment to refunded bond escrow agent	30,954,457
General obligation debt	2,139,098
Net change in unamortized bond premium, discount, and issue costs	<u>427,427</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$ 836,453)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$1,479,859) difference are as follows:

Compensated absences	(\$ 202,836)
Estimated cost of closure and postclosure	(1,244,628)
Accrued interest	<u>(32,395)</u>
Net adjustment to decrease <i>net changes in fund balances – governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>(\$ 1,479,859)</u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government's carrying amount of deposits was \$53,608,750 and the total bank balance was \$54,840,999. Of the bank balance, \$700,000 was covered by federal depository insurance. Of the remaining balance, \$54,046,369 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, 2005, \$54,046,369 of the government's bank balance of \$54,840,999 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds are as follows:

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>UTILITY FUND</u>	<u>E-911 FUND</u>	<u>TOTAL</u>
Receivables:					
Taxes	\$ 6,138,586	\$ -	\$ -	\$ -	\$ 6,138,586
Accounts	1,589,445		6,188,457	133,304	7,911,206
Special assessments		877,369			877,369
Interest	919	28,706			29,625
	<u>919</u>	<u>28,706</u>			<u>29,625</u>
Total	<u>\$ 7,728,950</u>	<u>\$ 906,075</u>	<u>\$ 6,188,457</u>	<u>\$ 133,304</u>	<u>\$ 14,956,786</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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)	\$ 2,756,561	\$ -
Special assessments not yet due (debt service fund)	877,369	
Business licenses and certain other resources that have been received, but not yet earned		749,308
Total deferred/unearned revenue for governmental funds	\$ 3,633,930	\$ 749,308

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, 2005, there were property taxes receivable and deferred revenue of \$2,756,561 that does not become earned until October 1, 2005 and therefore not reflected on the government-wide statement of net assets.

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

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 8,442,130	\$ 1	\$ (114,933)	\$ 8,327,198
Construction in progress	419,693	218,805	(557,848)	80,650
Total capital assets, not being depreciated	<u>8,861,823</u>	<u>218,806</u>	<u>(672,781)</u>	<u>8,407,848</u>
Capital assets, being depreciated:				
Buildings	79,292,213	622,537	(957,262)	78,957,488
Improvements other than buildings	26,831,954	5,250		26,837,204
Machinery and equipment	29,950,750	1,412,943	(6,096,220)	25,267,473
Infrastructure	427,622,078	438,665	(5,425)	428,055,318
Total capital assets, being depreciated	<u>563,696,995</u>	<u>2,479,395</u>	<u>(7,058,907)</u>	<u>559,117,483</u>
Less accumulated depreciation for:				
Buildings	35,490,999	2,399,133	(32,532)	37,857,600
Improvements other than buildings	11,807,266	982,431		12,789,697
Machinery and equipment	22,888,172	1,951,825	(5,057,977)	19,782,020
Infrastructure	417,372,917	1,391,208		418,764,125
Total accumulated depreciation	<u>487,559,354</u>	<u>6,724,597</u>	<u>(5,090,509)</u>	<u>489,193,442</u>
Total capital assets, being depreciated, net	<u>76,137,641</u>	<u>(4,245,202)</u>	<u>(1,968,398)</u>	<u>69,924,041</u>
Governmental activities capital assets, net	<u>\$ 84,999,464</u>	<u>\$ (4,026,396)</u>	<u>\$ (2,641,179)</u>	<u>\$ 78,331,889</u>

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 946,133	\$ -	\$ -	\$ 946,133
Construction in progress	642,179	1,879,396	(1,064,836)	1,456,739
Total capital assets, not being depreciated	<u>1,588,312</u>	<u>1,879,396</u>	<u>(1,064,836)</u>	<u>2,402,872</u>
Capital assets, being depreciated:				
Buildings	4,421,017			4,421,017
Improvements other than buildings	127,274,550	978,255	(94,580)	128,158,225
Machinery and equipment	8,856,451	216,628	(835,648)	8,237,431
Total capital assets, being depreciated	<u>140,552,018</u>	<u>1,194,883</u>	<u>(930,228)</u>	<u>140,816,673</u>
Less accumulated depreciation for:				
Buildings	1,402,769	130,917		1,533,686
Improvements other than buildings	39,917,900	4,156,115	(55,233)	44,018,782
Machinery and equipment	6,630,557	635,399	(630,797)	6,635,159
Total accumulated depreciation	<u>47,951,226</u>	<u>4,922,431</u>	<u>(686,030)</u>	<u>52,187,627</u>
Total capital assets, being depreciated, net	<u>92,600,792</u>	<u>(3,727,548)</u>	<u>(244,198)</u>	<u>88,629,046</u>
Business-type activities capital assets, net	<u>\$ 94,189,104</u>	<u>\$ (1,848,152)</u>	<u>\$ (1,309,034)</u>	<u>\$ 91,031,918</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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	\$ 697,994
Public safety	1,204,865
Public works, including depreciation of general infrastructure assets	2,623,409
Health and welfare	5,605
Culture and recreation	814,612
General services	117,222
Schools	<u>1,260,890</u>
Total depreciation expense - governmental activities	<u><u>\$ 6,724,597</u></u>

Business-type activities:

Utility (other than electric)	\$ 3,028,324
Electric	1,668,576
E-911	<u>225,531</u>
Total depreciation expense - business-type activities	<u><u>\$ 4,922,431</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

There were no due to/from other funds as of September 30, 2005.

The interfund transfers were as follows:

Transfer out:	Transfer in:				Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental	
Utility Fund	\$ 4,562,819	\$ 3,097,826	\$ -	\$ 2,694,237	\$ 10,354,882
Debt Service Fund		(928,173)	928,173		-
Total Transfer Out	\$ 4,562,819	\$ 2,169,653	\$ 928,173	\$ 2,694,237	\$ 10,354,882

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

F. Net Assets

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

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

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

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

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

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

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

ANALYSIS OF INVESTMENT IN CAPITAL ASSETS, NET OF DEBT
FOR THE YEAR ENDING SEPTEMBER 30, 2005

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
Infrastructure - Governmental				
2005 G/O Series	\$ 12,427,231	\$ -	\$ 12,427,231	
Total Infrastructure - Governmental	12,427,231	-	12,427,231	
Other Capital Assets - Governmental				
2002 G/O Series	1,764,210		1,764,210	
2002 G/O Refunding Series	516,405		516,405	
2005 G/O Series	20,172,616		20,172,616	
Total Other Capital Assets - Governmental	22,453,231	-	22,453,231	
Total Governmental Debt				\$ 34,880,462
Total Capital Assets			567,525,331	
Accumulated Depreciation			(489,193,442)	
Net Capital Assets				78,331,889
Investment in Capital Assets, net of related debt				\$ 43,451,427
Infrastructure - Proprietary				
1989 G/O Series	410,000		410,000	
1996B SRLFB	2,830,000		2,830,000	
2000 - SRF Sewer Warrant	9,865,000		9,865,000	
2001 - SRF Sewer Warrant	5,775,000	2,254,524	3,520,476	
2002 G/O	335,790		335,790	
2002 G/O Refunding Series	7,788,595		7,788,595	
2005 G/O Series	4,450,153		4,450,153	
Total Infrastructure - Proprietary	31,454,538	2,254,524	29,200,014	
Total Proprietary Debt				\$ 29,200,014
Total Capital Assets			143,219,545	
Accumulated Depreciation			(52,187,627)	
Net Capital Assets				91,031,918
Investment in Capital Assets, net of related debt				\$ 61,831,904

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases

1. Operating Leases

The government entered into an agreement with Harley-Davidson of Dothan, Inc. to lease nine (9) motorcycles for the Police Department on November 16, 2004. The lease is for the period of one year and ends on November 30, 2005. The required monthly minimum payment is \$445 resulting in an annual cost of \$5,340 for each motorcycle.

The government entered into an agreement with Xerox Corporation for lease and maintenance of a copier for the Administrative Department on September 8, 2005. The lease is for a five-year period at a monthly lease cost of \$340.99 and a monthly maintenance cost of \$57.99, resulting in an annual cost of \$4,788.

2. Capital Leases

The government does not have any material capital leases as of September 30, 2005.

H. Long-Term Debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$38,365,000. During the year, general obligation bonds totaling \$37,050,000 were issued and recorded; in the General Fund \$32,599,847, and in the Utility Fund \$4,450,153.

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

<u>PURPOSE</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Governmental activities	5.25 – 5.50%	\$ 1,764,210
Governmental activities – refunding	2.50 – 5.00%	33,116,252
Business-type activities	3.85 – 5.00%	19,215,790
Business-type activities – refunding	2.50 – 5.00%	<u>12,238,748</u>
		<u>\$66,335,000</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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>
2006	\$ 6,002,508	\$ 1,880,342	\$ 1,917,492	\$ 1,229,830
2007	4,310,723	1,332,293	1,384,277	1,135,020
2008	670,000	1,137,077	4,155,000	1,082,833
2009	2,452,231	1,115,302	2,562,769	940,748
2010	3,370,000	992,690	1,880,000	825,940
2011	1,640,000	824,190	2,870,000	753,895
2012	1,700,000	769,250	2,980,000	645,000
2013	1,765,000	709,750	3,080,000	531,930
2014	1,855,000	621,500	1,160,000	410,158
2015	1,955,000	528,750	1,205,000	365,243
2016	2,055,000	431,000	1,255,000	318,580
2017	2,150,000	328,250	1,305,000	269,983
2018	2,255,000	220,750	1,055,000	219,450
2019	1,320,000	108,000	1,095,000	178,833
2020	1,380,000	55,200	1,140,000	136,675
2021	-	-	1,180,000	92,785
2022	-	-	1,230,000	47,355
TOTAL	<u>\$ 34,880,462</u>	<u>\$ 11,054,344</u>	<u>\$ 31,454,538</u>	<u>\$ 9,184,258</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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, 2005, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 35,374,170	\$ 32,599,847	\$ (33,093,555)	\$ 34,880,462	\$ 6,002,507
Plus: Unamortized bond premium	68,215	1,757,588	(56,315)	1,769,488	
Less: Unamortized bond issue cost	(51,578)	(386,828)	14,170	(424,236)	
Less: Unamortized bond discount	(13,917)		1,546	(12,371)	
Total Bonds Payable	<u>35,376,890</u>	<u>33,970,607</u>	<u>(33,134,154)</u>	<u>36,213,343</u>	<u>6,002,507</u>
Estimated cost of closure and postclosure	4,073,554	1,244,628		5,318,182	
Compensated absences	2,130,262	381,440	(178,604)	2,333,098	2,041,518
Net pension obligation	<u>840,016</u>			<u>840,016</u>	
Governmental Activity Long-Term Liabilities	<u>\$ 42,420,722</u>	<u>\$ 35,596,675</u>	<u>\$ (33,312,758)</u>	<u>\$ 44,704,639</u>	<u>\$ 8,044,025</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 32,275,830	\$ 4,450,153	\$ (5,271,445)	\$ 31,454,538	\$ 1,917,493
Plus: Unamortized bond premium	13,009	239,923	(9,159)	243,773	
Less: Unamortized bond issue costs	(337,779)	(337,827)	31,315	(644,291)	
Less: Unamortized bond discount	<u>(36,109)</u>		<u>4,010</u>	<u>(32,099)</u>	
Total Bonds Payable	<u>31,914,951</u>	<u>4,352,249</u>	<u>(5,245,279)</u>	<u>31,021,921</u>	<u>1,917,493</u>
Compensated absences	<u>398,564</u>	<u>112,570</u>	<u>(24,533)</u>	<u>486,601</u>	<u>414,326</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 32,313,515</u>	<u>\$ 4,464,819</u>	<u>\$ (5,269,812)</u>	<u>\$ 31,508,522</u>	<u>\$ 2,331,819</u>

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

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

On December 22, 1999, the City issued \$11,035,000 of general obligation sewer warrants Series 2000-SRF and on December 1, 2000, the City issued \$6,460,000 of general obligation sewer warrants Series 2001-SRF for the purpose of financing the costs of capital improvements for the Cypress Creek Sewer Project. These warrants represent state revolving loan funds for which interest is calculated on the entire warrant issue even though the monies are drawn down over the construction period which is estimated to be completed in October 2002. As of September 30, 2005, \$15,240,476 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2005, the remaining state revolving funds available are recorded as a due from other governments in the amount of \$2,254,524.

Refunded Debt

During 1978, 1993, 1994, and 2005 the City issued warrants to refund certain bond issues. A portion of the proceeds of the refunding bond issues was placed in trust and used to purchase U.S. Government and related agencies securities at various rates and maturities sufficient to meet all debt service requirements of the refunded debt of which \$49,688,100 was outstanding at September 30, 2005. These assets are administered by the trustees and are restricted for the retirement of the refunded debt. The liability for the refunded debt and the related securities and escrow accounts are not included in the accompanying financial statements as the City substantially defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions.

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

General Obligation Secured Refunding Warrants, 1978 Series	\$18,765,000
General Obligation Refunding Warrants, 1993-A Series	3,003,100
General Obligation Warrants, Series 1998	9,815,000
General Obligation Warrants, Series 1999	<u>18,105,000</u>
Totals	<u>\$49,688,100</u>

Advance Refunding

The government issued \$37,050,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$35,180,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$285,023. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next fifteen (15) years by \$1,058,111 and resulted in an economic gain of \$1,112,544.

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

V. OTHER INFORMATION

A. Risk Management

The City is self-insured for employee medical insurance through a contract with Blue Cross and Blue Shield, Inc. The contract states that they will administer an employee health benefit plan for the City employees. The City actually pays the medical expenses for the employees through a wire transfer to Blue Cross and Blue Shield, Inc. Monies to pay these medical expenses are collected from the General Fund and Utility Fund by direct expenditures and employee withholdings. Blue Cross and Blue Shield, Inc. bills the City for claims that are due and then the City wires the funds to Blue Cross and Blue Shield, Inc. The risk of insurance coverage is now on the City. Blue Cross and Blue Shield, Inc. only administers the plan. They provide co-pay amounts for employees and they set fee limits for the medical charges, but the City is liable for all of the medical bills. The City pays Blue Cross and Blue Shield, Inc. an administrative fee which is charged to the appropriate fund. Each employee has a set lifetime maximum benefit for major medical benefits of \$1,000,000. In order to reduce exposure, the City has purchased stop loss reinsurance for any claims in excess of \$100,000 per covered person for the policy year. As of September 30, 2005 the City accrued \$888,627 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

The City became a self insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). Expenditures are recognized in the General Fund for the amount determined to fund future claims. Corresponding revenues are recognized in the General Fund. As of September 30, 2005, the City accrued the actuarially determined amount of \$1,222,000, which represents estimated liabilities for claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City is also self-insured for workers compensation claims. Expenditures are recognized in the General Fund for the amount determined to fund future claims. The revenues are recognized in the General Fund. As of September 30, 2005, the City accrued the actuarially determined amount of \$484,000, which represents estimated liabilities for claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

During the past three fiscal years, the amount of settlements has not exceeded the City's insurance coverage. The following is a summary of changes in the aggregate liabilities for claims.

	<u>BALANCE SEPTEMBER 30, 2003</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE SEPTEMBER 30, 2004</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE SEPTEMBER 30, 2005</u>	<u>BALANCE DUE IN ONE YEAR OR LESS</u>
Accrued claims - liabilities	\$ 3,249,759	\$ 113,703	\$ 91,000	\$ 3,272,462	\$ 46,165	\$ 724,000	\$ 2,594,627	\$ 2,594,627

B. Related Party Transactions

There were no material related party transactions to disclose.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

V. OTHER INFORMATION (Continued)

C. Contingent Liabilities

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

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

The City of Dothan has entered into an annual appropriations agreement with Wachovia Bank to guarantee fifty percent of principal and interest payments of the Dothan-Houston County Airport Authority's \$4,675,000 Series 2000 Airport Revenue Bonds, dated December 1, 2000 and fifty percent of expenses related thereto. The purpose of the bonds issued by the Dothan-Houston County Airport Authority was to construct a new terminal building at the Dothan Regional Airport. Houston County has entered into a similar agreement with the Airport Authority. This agreement is for a one-year period and on the first day of each fiscal year thereafter, shall automatically renew and continue in full force and effect for such fiscal year. The highest annual debt service occurs in year 2018 and is in the amount of \$388,240.

D. Other Postemployment Benefits

In addition to providing pension benefits, the City makes available certain health care and life insurance benefits for retired City employees. Substantially all of the City's retirees may become eligible for those benefits providing that they have not exceeded the age of 65 and have met all of the requirements of the retirement plan by which they are covered. Once the retiree obtains the age of 65 or becomes employed by another employer, they are no longer eligible for these post-employment health care benefits. The cost of retiree health care and life insurance benefits is incurred totally by the retiree, thus, no expenditures are reflected on the City's books. The election for these benefits must be made prior to their effective retirement date.

E. Employee Retirement System and Pension Plans

The City of Dothan's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Effective October 1, 2004, the City of Dothan adopted the Retirement System of Alabama (RSA) as the official retirement plan for all eligible employees. The City transferred all pension assets from its plan to the Retirement System of Alabama (RSA). As of September 30, 2005, \$49,098,274 of pension assets have been transferred to the Retirement System of Alabama (RSA). Certified full-time firefighters and certified full-time law enforcement officers will be required to contribute 6 percent of their annual covered salary to the plan. All other eligible employees will be required to contribute 5 percent of their annual covered salary to the plan. Plan members contributed \$1,748,844 as required. The City will be required to contribute based on actuarially determined rates. The rate as a percentage of annual covered payroll for the City is 20.58 percent. The City contributed \$6,714,042 as required. The contribution requirements of plan members are established and may be amended by the Retirement System of Alabama (RSA). Due to the change noted above, updated actuarial information was not available for the City of Dothan's plan. Since the City of Dothan is new to RSA a complete study (first ever complete study) will not be performed on September 30, 2005 until next year.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

V. OTHER INFORMATION (Continued)

E. Employee Retirement System and Pension Plans (Continued)

The following information is presented based on the latest actuarial information available dated January 1, 2002.

1. Plan Description, Contribution Information, and Funding Policies

The City has a defined benefit pension plan (City of Dothan, Alabama – Employees’ Pension and Retirement System), a single-employer retirement plan, governed by State of Alabama Act 103 with amendments. The assets, liabilities, fund balance and operations of this plan are reported as a trust and agency fund prepared using the accrual basis of accounting and the required supplementary information is reported in these financial statements. Plan member contributions are recognized in the period in which the contributions are due. The government’s contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. A separate Pension Board, consisting of the Mayor, Chairman of the City Personnel Board, City Attorney, City Treasurer, and an employee-department head, are trustees of the Employees’ Pension and Retirement Fund and are responsible for establishing or amending the plan’s benefit provisions. Also, a separate stand-alone financial audit report for the pension plan is not available. The plan excludes elected officials, City Attorneys, City Recorder, Public Defender, Deputy City Recorder, independent contractors and temporary employees for less than ninety (90) days. All other full-time employees become participants in this plan as a condition of employment.

Vesting occurs when an employee meets the qualifications for retirement. Current employees have different eligibilities and benefit levels contingent upon their date of employment.

- Normal Retirement Age

Employees Participating On May 11, 1977:

Normal retirement benefits are payable immediately upon retirement, since all have completed 20 years of Credited Service.

Employees Participating After May 11, 1977:

Normal retirement benefits become payable after age 55 and completion of 25 years Credited Service, attainment of age 60 with 10 years Credited Service.

- Amount of Monthly Pension (20 Year)

The normal retirement benefit for employees participating on May 11, 1977, is determined by a, b, c, and d, multiplied by the employee’s final average salary.

- a. 2½% of the first 20 years Credited Service, plus
- b. 2 % of the next five years Credited Service, plus
- c. 1½% of the next five years Credited Service, plus
- d. 1 % of all Credited Service in excess of 30 years

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

V. OTHER INFORMATION (Continued)

E. Employee Retirement System and Pension Plans (Continued)

- Amount of Monthly Pension (25 Year)

For all other employees, it is the sum of the following multiplied by the employee's final average salary.

- a. 2 % of the first 25 years Credited Service, plus
- b. 1½% of the next five years Credited Service, plus
- c. 1 % of the Credited Service in excess of 30 years

At the plan's most recent actuarial update, December 31, 2003, the plan had the following participants:

Retirees and beneficiaries currently receiving benefits	323
Terminated members entitled to but not yet receiving benefits	0
Active plan members	<u>973</u>
	<u>1,296</u>

The plan provides retirement, disability and death benefits to employees and their beneficiaries. Pensioners' benefits are increased two (2) percent per annum.

Contributions – City employees are required to contribute 7.5 percent of their annual salary to the plan, and the City matches these contributions as recommended by the Pension Board based on the actuarial valuation.

Investment costs of the Plan are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

2. Plan Investments

Investments in the plan include U.S. Government Securities, certificates of deposit secured by federal government securities, and other equity securities with certain quality limitations. All investments are carried at fair value for the fiscal year ended September 30, 2004.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

V. OTHER INFORMATION (Continued)

E. Employee Retirement System and Pension Plans (Continued)

3. Annual Pension Cost, Net Pension Obligation, and Reserves

Current fiscal contributions made represent 7.5 percent of covered payroll by the City and 7.5 percent by the employees.

Reserves – There are no assets reserved for purposes other than the payment of plan member benefits. The plan held no individual investment (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds five (5) percent or more of net assets available for benefits. There are no long-term contracts for contributions.

4. Cost Components and Annual Contributions

	<u>01-01-96</u>	<u>01-01-98</u>	<u>01-01-00</u>	<u>01-01-02</u>
Normal annual cost	\$1,456,343	\$1,843,826	\$1,686,414	\$3,994,968
Amortization payment	2,098,716	2,371,706	2,516,543	2,605,891
Minimum recommended contribution	3,815,223	4,215,532	4,202,957	6,600,859
Contribution as a percent of covered payroll				
\$34,590,000 for 2001 (estimate)	14.7%	14.5%	13.3%	19.1%
Actual contributions for the year	3,930,865	4,297,966	4,777,377	4,777,720

5. Trend Information

The three year trend information is shown below:

<u>PLAN YEAR ENDING DECEMBER 31</u>	<u>ANNUAL PENSION COST</u>	<u>PERCENTAGE CONTRIBUTED</u>	<u>NET PENSION OBLIGATION*</u>
2000	\$ 4,383,261	113.22%	\$ 0
2001	4,237,882	112.74	0
2002	6,597,463	78.31	840,016

*The calculations shown above are based on aggregate values (both employee and City values combined). The NPO is an accumulated value.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

V. OTHER INFORMATION (Continued)

F. Construction and Other Significant Commitments

1. Westgate Parkway – 231-Harrison Road - MPO

The Westgate Parkway, State Highway 231 to Harrison Road project consisting of road widening, construction and right-of-way acquisition is expected to cost \$8,100,000. A Metropolitan Planning Organization (MPO) grant was obtained and the City will be reimbursed 80 percent of approved expenditures. To date project expenditures total \$1,571,384, of which \$790,133 has been capitalized and the remaining \$781,251 was charged to maintenance. Project costs to date are \$1,571,384.

2. Lakewood Fire Station

Construction began on a 4,000 square foot addition to Lakewood Fire Station in June 2004. The addition was attached to an existing fire station bay. The project was completed in December 2004. The project closed in fiscal year 2005. Project costs were \$557,848.

7. Revolving Loan Fund Wastewater Projects

Cypress Creek Interceptor – This project closed in fiscal year 2005. Project costs were \$2,167,234.

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 39,355,000	\$ 39,645,000	\$ 47,499,839	\$ 7,854,839
Licenses and permits	2,012,400	2,012,400	2,492,482	480,082
Intergovernmental	3,395,000	4,313,135	2,532,636	(1,780,499)
Charges for services	1,390,500	1,651,147	2,457,826	806,679
Fines and forfeitures	1,313,000	1,348,880	1,307,930	(40,950)
Interest	299,500	299,500	681,133	381,633
Miscellaneous	1,324,700	4,080,406	3,481,265	(599,141)
Total Revenues	<u>49,090,100</u>	<u>53,350,468</u>	<u>60,453,111</u>	<u>7,102,643</u>
EXPENDITURES:				
Current:				
General government:				
General administrative	3,544,871	3,848,285	3,668,743	179,542
City Clerk	530,052	530,652	514,818	15,834
Information system/Technology		2,264,136	2,259,056	5,080
Budget and finance	701,126	873,091	872,731	360
Personnel services	1,078,696	3,651,728	3,558,517	93,211
Judicial department	852,300	764,091	737,828	26,263
Public safety:				
Fire department	10,242,946	10,639,210	10,483,901	155,309
Police department	13,310,327	13,140,633	12,895,175	245,458
Public works:				
Street department	2,895,353	6,288,617	6,235,857	52,760
Engineering department	3,126,916	3,164,623	2,902,521	262,102
Environmental services	4,890,860	4,826,166	4,732,847	93,319
Health and welfare	1,904,777	2,571,655	2,571,649	6
Culture and recreation:				
Recreation	5,353,365	6,122,166	6,102,574	19,592
Culture	1,081,768	1,142,615	1,774,420	(631,805)
General services:				
Administration	483,430	482,153	441,122	41,031
Facility	1,391,073	1,397,978	1,262,364	135,614
Fleet	1,661,563	1,785,349	1,730,194	55,155
Insurance Department	1,728,278	2,008,678	752,477	1,256,201
Capital outlay		3,875,798	3,938,042	(62,244)
Total Expenditures	<u>54,777,701</u>	<u>69,377,624</u>	<u>67,434,836</u>	<u>1,942,788</u>
Excess of Revenues over (under) Expenditures	(5,687,601)	(16,027,156)	(6,981,725)	9,045,431

(Continued on page 60)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ 5,687,601	\$ 5,798,818	\$ 4,562,819	\$ (1,235,999)
Net Change in Fund Balances	-	(10,228,338)	(2,418,906)	7,809,432
Fund Balances - Beginning		10,228,338	24,378,248	14,149,910
Adjustment for Encumbrances		8,081,556	8,081,556	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 8,081,556</u>	<u>\$ 30,040,898</u>	<u>\$ 21,959,342</u>

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

Net Change in Fund Balance - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (page 19)	\$ 5,662,650
Encumbrances reported under the Actual Column as Expenditures	<u>(8,081,556)</u>
Net Change in Fund Balance - Budgetary Comparison Schedule (above)	<u>\$ (2,418,906)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2005

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) FROZEN ENTRY AGE* (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (B-A)/C
12/31/98	\$ 49,214,471	\$ 89,197,886	\$ 39,983,415	55.17%	\$ 28,653,107	139.54%
12/31/99	51,549,247	91,890,233	40,340,986	56.10	29,917,573	134.84
12/31/00	51,789,392	91,880,621	40,091,229	56.37	33,084,227	121.18
12/31/01	49,917,750	89,862,531	39,944,781	55.55	31,851,467	125.41
12/31/02	46,189,339	88,026,471	41,837,132	52.47	32,977,974	126.86
** 10/01/04	49,098,274	123,869,809	74,771,535	39.64	32,624,113	229.19

* Beginning December 31, 1995, the actuarial cost method was changed to frozen entry age. The frozen entry age actuarial cost method does not have a defined AAL after the initial year. It was created by adding the UAAL to the actuarial value of assets.

** Information provided by RSA

NOTES TO TREND INFORMATION

(Applies to December 31, 1998 to December 31, 2002)

Valuation date	January 1, 2002
Actuarial cost method	Frozen entry age
Amortization method	Open, level percentage; Increasing at 3.0% per annum
Remaining amortization period	24 years
Asset valuation method	Market Value
Actuarial assumptions:	
Net investment rate of return	7.50%
Projected salary increases	5.30%
Inflation	4.00%
Cost of living adjustments	2.00%

Actuarial information is unavailable for 2003 and 2004. This information was not prepared for these years as the City contemplated the change to RSA.

(Applies to October 1, 2004)

The City of Dothan joined the Retirement Systems of Alabama (RSA) on October 1, 2004. Since the City of Dothan is new to RSA a complete study (first ever complete study) will not be performed/completed on September 30, 2005 until next year.

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

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**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2005**

	SPECIAL REVENUE FUNDS		
	SCHOOL FUND	COMMUNITY DEVELOPMENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS:			
Cash and cash equivalents	\$ 61,031	\$ 1,357	\$ 62,388
Due from other governments		53,069	53,069
Total Assets	61,031	54,426	115,457
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Vouchers/accounts payable	1,992	54,422	56,414
Fund Balances:			
Unreserved	59,039	4	59,043
Total Liabilities and Fund Balances	\$ 61,031	\$ 54,426	\$ 115,457

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	SPECIAL REVENUE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL FUND	COMMUNITY DEVELOPMENT FUND	
REVENUES:			
Taxes	\$ 309,861	\$ -	\$ 309,861
Intergovernmental revenue		806,694	806,694
Interest revenue	913		913
Total Revenues	<u>310,774</u>	<u>806,694</u>	<u>1,117,468</u>
EXPENDITURES:			
Current:			
Public works		806,694	806,694
Intergovernmental	2,958,342		2,958,342
Debt service - interest	3,657		3,657
Total Expenditures	<u>2,961,999</u>	<u>806,694</u>	<u>3,768,693</u>
Excess of Revenues over (under) Expenditures	(2,651,225)	-	(2,651,225)
OTHER FINANCING SOURCES (USES):			
Transfers in	2,694,237		2,694,237
Net Change in Fund Balances	43,012	-	43,012
Fund Balances - Beginning	<u>16,027</u>	<u>4</u>	<u>16,031</u>
Fund Balances - Ending	<u>\$ 59,039</u>	<u>\$ 4</u>	<u>\$ 59,043</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SCHOOL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 330,000	\$ 330,000	\$ 309,861	\$ (20,139)
Interest earned	1,000	1,000	913	(87)
Total Revenues	<u>331,000</u>	<u>331,000</u>	<u>310,774</u>	<u>(20,226)</u>
EXPENDITURES:				
Intergovernmental:				
Subsidies to agencies	2,814,578	2,814,578	2,814,578	-
Obligations/expenses paid for schools	124,203	124,203	109,655	14,548
Other support - schools	82,799	82,799	34,109	48,690
Debt service - interest	3,657	3,657	3,657	-
Total Expenditures	<u>3,025,237</u>	<u>3,025,237</u>	<u>2,961,999</u>	<u>63,238</u>
Excess of Revenues over (under) Expenditures	(2,694,237)	(2,694,237)	(2,651,225)	43,012
OTHER FINANCING SOURCES (USES):				
Transfer from Utility Fund	2,694,237	2,694,237	2,694,237	-
Net Change in Fund Balance	-	-	43,012	43,012
Fund Balance - Beginning	<u> </u>	<u> </u>	<u>16,027</u>	<u>16,027</u>
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,039</u>	<u>\$ 59,039</u>

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Special assessments	\$ 166,590	\$ 166,590	\$ 342,982	\$ 176,392
Interest from funds invested and special assessments	6,000	6,000	84,646	78,646
Total Revenues	<u>172,590</u>	<u>172,590</u>	<u>427,628</u>	<u>255,038</u>
EXPENDITURES:				
General administrative	6,000	6,000	69,759	(63,759)
Principal retirement	4,059,098	2,139,098	2,139,098	-
Interest	1,761,383	2,241,228	1,345,962	895,266
Total Expenditures	<u>5,826,481</u>	<u>4,386,326</u>	<u>3,554,819</u>	<u>831,507</u>
Excess of Revenues over (under) Expenditures	<u>(5,653,891)</u>	<u>(4,213,736)</u>	<u>(3,127,191)</u>	<u>1,086,545</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,820,481	5,751,084	3,097,826	(2,653,258)
Transfers out	(166,590)	(166,590)	(928,173)	(761,583)
Refunding bonds issued		31,671,676	32,599,847	928,171
Bond issue premium on refunding bonds			1,757,588	1,757,588
Payment to bond refunding escrow agent		(33,042,434)	(33,042,434)	-
Total Other Financing Sources (Uses)	<u>5,653,891</u>	<u>4,213,736</u>	<u>3,484,654</u>	<u>(729,082)</u>
Net Change in Fund Balance	-	-	357,463	357,463
Fund Balances - Beginning			<u>480,043</u>	<u>480,043</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,506</u>	<u>\$ 837,506</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Interest from funds invested	\$ -	\$ -	\$ 3,337	\$ 3,337
EXPENDITURES				-
Excess of Revenues over (under) Expenditures	-	-	3,337	3,337
OTHER FINANCING SOURCES (USES):				
Transfers in			928,173	928,173
Net Change in Fund Balances	-	-	931,510	931,510
Fund Balances - Beginning				-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 931,510</u>	<u>\$ 931,510</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Electric department	\$ 61,745,000	\$ 67,533,782	\$ 5,788,782
Water department	7,324,750	7,212,446	(112,304)
Sewer department	3,525,000	3,468,794	(56,206)
Delinquent fees - combined utilities	500,000	765,168	265,168
Other revenue	781,030	993,067	212,037
Interest from funds invested	500,000	507,276	7,276
Total Utility Revenues	74,375,780	80,480,533	6,104,753
OPERATING EXPENSES:			
Electric department	51,517,693	55,753,883	(4,236,190)
Water department	4,143,794	3,758,567	385,227
Sewer department	4,355,526	4,229,883	125,643
Billing collection department	1,082,064	1,081,648	416
Meter reading department	607,174	607,164	10
Combined utility expense:			
Capital outlay	521,129	520,183	946
Miscellaneous expenses	1,501,000	1,467,089	33,911
Interest and fiscal charges	1,407,793	1,155,590	252,203
Bond issuance costs	52,969	52,969	-
Principal on bonds and notes	1,073,219	1,045,903	27,316
Depreciation	4,724,524	4,696,900	27,624
Total Expenses	70,986,885	74,369,779	(3,382,894)
Excess of Revenues Over (Under) Expenses	\$ 3,388,895	\$ 6,110,754	\$ 2,721,859

(Continued on page 70)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>BUDGET</u>	<u>BUDGETARY BASIS ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES):			
Transfers (out)	\$ (14,146,946)	\$ (10,354,882)	\$ 3,792,064
Proceeds of general obligation bonds	210,346	4,450,153	4,239,807
Gain (loss) on disposition of fixed assets		<u>(179,912)</u>	<u>(179,912)</u>
Total Other Financing Sources (Uses)	<u>(13,936,600)</u>	<u>(6,084,641)</u>	<u>7,851,959</u>
Excess of Revenues Over Expenses per Budget Ordinances	(10,547,705)	26,113	10,573,818
Capital contributions		6,200	6,200
Adjustment for encumbrances, capital outlay, principal payments, proceeds from notes and bonds	(989,931)	(989,931)	-
Total Net Assets - Beginning	<u>10,547,705</u>	<u>75,398,573</u>	<u>64,850,868</u>
Total Net Assets - Ending	<u>\$ (989,931)</u>	<u>\$ 74,440,955</u>	<u>\$ 75,430,886</u>

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

Encumbrances	\$ 2,136,069
Capital outlay expense	278,250
Principal payment on bonds	1,045,903
Bond proceeds	<u>(4,450,153)</u>
Total Adjustments	<u>\$ (989,931)</u>

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
2006-2022

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL PRINCIPAL AND INTEREST
	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION WARRANTS	GENERAL OBLIGATION SEWER WARRANTS	
2006	\$ 6,949,473	\$ 933,377	\$ 1,305,245	\$ 177,654	\$ 1,664,422	\$ 11,030,171
2007	4,715,073	927,943	680,109	176,620	1,662,568	8,162,313
2008	1,807,077		3,578,533		1,659,300	7,044,910
2009	3,567,533		1,843,842		1,659,675	7,071,050
2010	4,362,690		1,042,493		1,663,448	7,068,631
2011	2,464,190		2,048,475		1,575,420	6,088,085
2012	2,469,250		2,049,850		1,575,150	6,094,250
2013	2,474,750		2,043,600		1,568,330	6,086,680
2014	2,476,500				1,570,158	4,046,658
2015	2,483,750				1,570,243	4,053,993
2016	2,486,000				1,573,580	4,059,580
2017	2,478,250				1,574,983	4,053,233
2018	2,475,750				1,274,450	3,750,200
2019	1,428,000				1,273,833	2,701,833
2020	1,435,200				1,276,675	2,711,875
2021					1,272,785	1,272,785
2022					1,277,355	1,277,355
	<u>\$ 44,073,486</u>	<u>\$ 1,861,320</u>	<u>\$ 14,592,147</u>	<u>\$ 354,274</u>	<u>\$ 25,692,375</u>	<u>\$ 86,573,602</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1989
STATEMENT OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2005

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2006	5%	\$ 10,250	\$ 10,250	\$ 75,000	\$ 95,500
2007	5%	8,375	8,375	80,000	96,750
2008	5%	6,375	6,375	80,000	92,750
2009	5%	4,375	4,375	85,000	93,750
2010	5%	2,250	2,250	90,000	94,500
		<u>\$ 31,625</u>	<u>\$ 31,625</u>	<u>\$ 410,000</u>	<u>\$ 473,250</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1996B-SRF
STATEMENT OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2005

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2006	3.950%	\$ 55,893	\$ 55,892	\$ 190,000	\$ 301,785
2007	3.950%	52,140	52,140	195,000	299,280
2008	3.950%	48,289	48,289	205,000	301,578
2009	3.950%	44,240	44,240	210,000	298,480
2010	3.950%	40,092	40,093	220,000	300,185
2011	3.950%	35,748	35,747	230,000	301,495
2012	3.950%	31,205	31,205	240,000	302,410
2013	3.950%	26,465	26,465	245,000	297,930
2014	3.950%	21,626	21,626	255,000	298,252
2015	3.950%	16,590	16,590	270,000	303,180
2016	3.950%	11,257	11,258	280,000	302,515
2017	3.950%	5,728	5,727	290,000	301,455
		<u>\$ 389,273</u>	<u>\$ 389,272</u>	<u>\$ 2,830,000</u>	<u>\$ 3,608,545</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2000-SRF
STATEMENT OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2005

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2006	3.850%	\$ 189,901	\$ 189,901	\$ 420,000	\$ 799,802
2007	3.850%	181,816	181,816	435,000	798,632
2008	3.850%	173,443	173,443	450,000	796,886
2009	3.850%	164,780	164,780	470,000	799,560
2010	3.850%	155,732	155,732	490,000	801,464
2011	3.850%	146,300	146,300	510,000	802,600
2012	3.850%	136,482	136,482	530,000	802,964
2013	3.850%	126,280	126,280	550,000	802,560
2014	3.850%	115,693	115,693	570,000	801,386
2015	3.850%	104,720	104,720	590,000	799,440
2016	3.850%	93,362	93,362	615,000	801,724
2017	3.850%	81,524	81,524	640,000	803,048
2018	3.850%	69,204	69,204	665,000	803,408
2019	3.850%	56,403	56,403	690,000	802,806
2020	3.850%	43,120	43,120	720,000	806,240
2021	3.850%	29,260	29,260	745,000	803,520
2022	3.850%	14,919	14,919	775,000	804,838
		<u>\$ 1,882,939</u>	<u>\$ 1,882,939</u>	<u>\$ 9,865,000</u>	<u>\$ 13,630,878</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2001-SRF
STATEMENT OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2005

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2006	3.850%	\$ 111,169	\$ 111,169	\$ 245,000	\$ 467,338
2007	3.850%	106,453	106,453	255,000	467,906
2008	3.850%	101,544	101,544	265,000	468,088
2009	3.850%	96,442	96,442	275,000	467,884
2010	3.850%	91,149	91,149	285,000	467,298
2011	3.850%	85,662	85,662	300,000	471,324
2012	3.850%	79,888	79,888	310,000	469,776
2013	3.850%	73,920	73,920	320,000	467,840
2014	3.850%	67,760	67,760	335,000	470,520
2015	3.850%	61,311	61,311	345,000	467,622
2016	3.850%	54,670	54,670	360,000	469,340
2017	3.850%	47,740	47,740	375,000	470,480
2018	3.850%	40,521	40,521	390,000	471,042
2019	3.850%	33,014	33,014	405,000	471,028
2020	3.850%	25,217	25,217	420,000	470,434
2021	3.850%	17,133	17,132	435,000	469,265
2022	3.850%	8,758	8,760	455,000	472,518
		<u>\$ 1,102,351</u>	<u>\$ 1,102,352</u>	<u>\$ 5,775,000</u>	<u>\$ 7,979,703</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2002
STATEMENT OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2005

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE MARCH 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
2006	5.25%	\$ 56,469	\$ 29,563	\$ 1,025,000	\$ 1,111,032
2007	5.50%	29,562		1,075,000	1,104,562
		<u>\$ 86,031</u>	<u>\$ 29,563</u>	<u>\$ 2,100,000</u>	<u>\$ 2,215,594</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2002
STATEMENT OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2005

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE SEPTEMBER 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
2006	2.500%	\$ 148,109	\$ 148,109	\$ 1,340,000	\$ 1,636,218
2007	2.950%	131,359	131,359	155,000	417,718
2008	3.200%	129,072	129,072	155,000	413,144
2009	3.450%	126,592	126,592	165,000	418,184
2010	3.650%	123,746	123,746	795,000	1,042,492
2011	3.750%	109,238	109,238	1,830,000	2,048,476
2012	3.750%	74,925	74,925	1,900,000	2,049,850
2013	4.000%	39,300	39,300	1,965,000	2,043,600
		<u>\$ 882,341</u>	<u>\$ 882,341</u>	<u>\$ 8,305,000</u>	<u>\$ 10,069,682</u>

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

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE SEPTEMBER 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
2006	5.000%	\$ 1,139,143	\$ 854,357	\$ 4,625,000	\$ 6,618,500
2007	5.000%	738,733	738,733	3,500,000	4,977,466
2008	3.250%	651,232	651,232	3,670,000	4,972,464
2009	5.000%	591,595	591,595	3,810,000	4,993,190
2010	5.000%	496,345	496,345	3,370,000	4,362,690
2011	3.350%	412,095	412,095	1,640,000	2,464,190
2012	3.500%	384,625	384,625	1,700,000	2,469,250
2013	5.000%	354,875	354,875	1,765,000	2,474,750
2014	5.000%	310,750	310,750	1,855,000	2,476,500
2015	5.000%	264,375	264,375	1,955,000	2,483,750
2016	5.000%	215,500	215,500	2,055,000	2,486,000
2017	5.000%	164,125	164,125	2,150,000	2,478,250
2018	5.000%	110,375	110,375	2,255,000	2,475,750
2019	4.000%	54,000	54,000	1,320,000	1,428,000
2020	4.000%	27,600	27,600	1,380,000	1,435,200
		<u>\$ 5,915,368</u>	<u>\$ 5,630,582</u>	<u>\$ 37,050,000</u>	<u>\$ 48,595,950</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2005

CAPITAL ASSETS:

Land	\$ 8,327,198
Buildings	78,957,488
Improvements other than buildings	26,837,204
Machinery and equipment	25,267,473
Infrastructure	428,055,318
Construction in progress	80,650
Total Capital Assets	<u>567,525,331</u>

INVESTMENTS IN CAPITAL ASSETS FROM:

Capital Projects Funds:	
General obligation bonds	59,248,866
Grants	3,434,083
General fund revenues	502,122,704
Special revenue fund revenues	425,181
Gifts	2,222,423
Project income	12,939
Utility fund revenues	59,135
Total Investment in Capital Assets	<u>\$ 567,525,331</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2005

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government:							
Control:							
General administrative	\$ 1,987,758	\$ 2,555,267	\$ 2,967,585	\$ 359,802	\$ -	\$ -	\$ 7,870,412
Staff Agencies:							
Information system/Technology			84,515	2,717,993			2,802,508
Budget and finance		276,022		44,237			320,259
Personnel services				35,298			35,298
Total Staff Agencies	-	276,022	84,515	2,797,528	-	-	3,158,065
Total General Government	1,987,758	2,831,289	3,052,100	3,157,330	-	-	11,028,477
Public Safety:							
Fire department	438,378	6,389,462	29,418	5,060,349			11,917,607
Police department	15,332	6,093,681	1,070,316	5,754,751			12,934,080
Total Public Safety	453,710	12,483,143	1,099,734	10,815,100	-	-	24,851,687
Public Works:							
Street department	2,267	40,110	1,145,050	2,955,522	424,267,745	300	428,410,994
Environmental services	1,814,210	1,039,205	4,902,563	4,548,645			12,304,623
Special assessments	25,000		7,308,292				7,333,292
Health and welfare		134,163	30,782				164,945
Community development/ Engineering department	440,552	979,632		852,183	3,787,573	80,350	6,140,290
Culture and recreation	2,512,541	18,641,025	9,069,986	1,559,686			31,783,238
General services				330,050			330,050
Equipment maintenance		1,199,182	228,697	1,048,957			2,476,836
Schools	1,091,160	41,609,739					42,700,899
Total Other	5,885,730	63,643,056	22,685,370	11,295,043	428,055,318	80,650	531,645,167
Total Capital Assets	\$ 8,327,198	\$ 78,957,488	\$ 26,837,204	\$ 25,267,473	\$ 428,055,318	\$ 80,650	\$ 567,525,331

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, 2005

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2004	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2005
General Government:				
Control:				
General administrative	\$ 8,054,853	\$ 26,105	\$ 210,546	\$ 7,870,412
Staff Agencies:				
Information system/Technology	4,000,592	263,035	1,461,119	2,802,508
Budget and finance	336,847		16,588	320,259
Personnel services	70,009		34,711	35,298
Total Staff Agencies	4,407,448	263,035	1,512,418	3,158,065
Total General Government	12,462,301	289,140	1,722,964	11,028,477
Public Safety:				
Fire department	11,889,872	695,568	667,833	11,917,607
Police department	15,134,530	150,461	2,350,911	12,934,080
Total Public Safety	27,024,402	846,029	3,018,744	24,851,687
Public Works:				
Street department	428,241,361	386,227	216,894	428,410,694
Environmental services	13,108,029	530,437	1,333,843	12,304,623
Special assessments	7,333,292			7,333,292
Health and welfare	164,945			164,945
Community development/ Engineering department	5,986,407	158,385	84,852	6,059,940
Culture and recreation	32,069,102	256,911	542,775	31,783,238
General services	340,200	47,448	57,598	330,050
Equipment maintenance	2,708,187	256,745	488,096	2,476,836
Schools	42,700,899			42,700,899
Construction in progress	419,693	218,805	557,848	80,650
Total Other	533,072,115	1,854,958	3,281,906	531,645,167
Total Capital Assets	\$ 572,558,818	\$ 2,990,127	\$ 8,023,614	\$ 567,525,331

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTIONS*
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>PUBLIC WORKS</u>	<u>HEALTH, EDUCATION, & WELFARE</u>	<u>CULTURE AND RECREATION</u>	<u>MISCELLANEOUS</u>	<u>DEBT SERVICE</u>	<u>CAPITAL OUTLAY</u>	<u>TOTAL</u>
1996	\$ 5,119,966	\$ 14,093,622	\$ 7,264,443	\$ 4,544,428	\$ 5,512,555	\$ 4,418,759	\$ 5,997,751	\$ 5,803,110	\$ 52,754,634
1997	5,649,958	15,099,468	6,284,794	4,465,404	5,446,055	4,428,150	3,782,835	7,318,943	52,475,607
1998	5,657,528	16,485,278	6,360,768	4,598,679	5,364,339	4,055,470	1,609,860	3,813,315	47,945,237
1999	6,606,007	17,983,367	7,194,300	4,953,991	5,795,661	4,053,056	1,812,394	3,164,046	51,562,822
2000	7,199,249	19,287,297	6,569,646	4,869,103	6,589,213	4,384,909	2,877,228	9,614,995	61,391,640
2001	6,365,768	20,225,428	7,927,013	4,723,194	6,216,247	4,797,583	4,263,642	3,169,164	57,688,039
2002	6,973,566	20,750,288	7,065,255	5,522,033	6,253,103	6,300,516	3,891,840	5,861,964	62,618,565
2003	6,231,177	21,428,502	10,897,299	5,600,171	5,917,990	6,119,458	5,831,357	4,174,279	66,200,233
2004	6,130,581	21,723,282	10,606,723	5,219,344	7,024,085	5,715,462	5,810,301	3,864,391	66,094,169
2005	8,909,992	23,206,906	11,957,416	5,430,925	7,432,301	4,156,157	3,558,476	2,024,619	66,676,792

*Includes General Fund, Special Revenue Funds and Debt Service Fund.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL REVENUES BY SOURCE*
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>TAXES</u>	<u>LICENSES AND PERMITS</u>	<u>INTER-GOVERNMENTAL</u>	<u>CHARGES FOR SERVICES</u>	<u>FINES AND FORFEITURES</u>	<u>MISCELLANEOUS REVENUES</u>	<u>TOTAL</u>
1996	32,950,746	\$ 1,529,059	\$ 2,591,523	\$ 1,260,208	\$ 855,502	\$ 3,462,063	\$ 42,649,101
1997	33,939,559	1,594,442	2,586,972	1,283,560	871,818	3,224,033	43,500,384
1998	35,826,688	1,637,289	2,786,476	1,255,634	1,130,384	2,861,862	45,498,333
1999	36,242,897	1,726,569	3,459,379	1,294,443	1,038,136	2,107,494	45,868,918
2000	38,150,661	1,743,831	2,661,918	1,530,387	1,044,937	2,747,532	47,879,266
2001	38,134,232	1,777,818	3,224,331	1,519,913	1,230,419	2,460,101	48,346,814
2002	39,456,900	2,047,021	3,759,109	1,695,915	1,395,661	1,971,358	50,325,964
2003	42,399,429	2,208,082	3,004,186	1,651,273	1,358,561	3,914,311	54,535,842
2004	45,329,050	2,345,856	4,639,681	2,436,119	1,465,203	2,289,340	58,505,249
2005	47,809,700	2,492,482	3,339,330	2,457,826	1,307,930	4,594,276	62,001,544

*Includes General Fund, Special Revenue Funds, and Debt Service Fund.

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

<u>FISCAL YEAR</u>	<u>TOTAL TAX LEVY</u> (1)	<u>CURRENT COLLECTIONS</u>	<u>PERCENT OF LEVY COLLECTED</u>
1996	\$ 1,740,529	\$ 1,740,529	100.00%
1997	2,085,413	2,085,413	100.00
1998	1,902,193	1,902,193	100.00
1999	2,051,580	2,051,580	100.00
2000	2,205,420	2,205,420	100.00
2001	2,391,504	2,243,217	93.80
2002	2,425,818	2,305,028	95.00
2003	2,654,953	2,346,656	88.40
2004	2,751,066	2,556,163	92.90
2005	2,905,533	2,612,518	89.90

(1) Source: Revenue Commissioner Houston County, Revenue Commissioner Dale County, and Revenue Commissioner Henry County

THE CITY OF DOTHAN
DOTHAN, ALABAMA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

FISCAL YEAR	REAL AND PERSONAL PROPERTY		MOTOR VEHICLES		TOTAL		RATIO OF TOTAL ASSESSED TO TOTAL ESTIMATED ACTUAL VALUE
	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	ASSESSED VALUE	ESTIMATED ACTUAL VALUE	
1996	\$ 387,976,420	\$ 2,427,707,060	\$ 55,878,040	\$ 340,097,626	\$ 443,854,460	\$ 2,767,804,686	16.0%
1997	401,696,880	2,498,506,560	59,317,220	362,574,694	461,014,100	2,861,081,254	16.1%
1998	426,784,240	2,626,931,180	65,196,480	401,209,108	491,980,720	3,028,140,288	16.3%
1999	494,507,520	3,089,953,240	66,306,160	400,883,676	560,813,680	3,490,836,916	16.1%
2000	498,475,500	3,180,223,220	80,400,200	486,978,801	578,875,700	3,667,202,021	15.8%
2001	502,147,700	3,220,099,360	91,979,780	557,115,566	594,127,480	3,777,214,926	15.7%
2002	509,209,180	3,278,396,460	92,900,320	565,431,041	602,109,500	3,843,827,501	15.7%
2003	566,662,460	3,583,461,880	99,256,400	598,651,387	665,918,860	4,182,113,267	15.9%
2004	578,264,860	3,627,230,194	99,248,940	602,970,474	677,513,800	4,230,200,668	16.0%
2005	610,889,780	3,914,295,801	111,770,560	673,316,627	722,660,340	4,587,612,428	15.8%

Source: Revenue Commissioner Houston County and Probate Judge's Office.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 ASSESSED VALUE)
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>CITY OF DOTHAN</u>	<u>HOUSTON COUNTY</u>	<u>HOSPITAL TAX</u>	<u>COUNTYWIDE TAX</u>	<u>SCHOOL DISTRICT TAX</u>	<u>STATE OF ALABAMA</u>	<u>TOTAL</u>
1996	.50	1.05	.10	.45	.35	.65	3.10
1997	.50	1.05	.10	.45	.35	.65	3.10
1998	.50	1.05	.10	.45	.35	.65	3.10
1999	.50	1.05	.10	.45	.35	.65	3.10
2000	.50	1.05	.10	.45	.35	.65	3.10
2001	.50	1.05	.10	.45	.35	.65	3.10
2002	.50	1.05	.10	.45	.35	.65	3.10
2003	.50	1.05	.10	.45	.35	.65	3.10
2004	.50	1.05	.10	.45	.35	.65	3.10
2005	.50	1.05	.10	.45	.35	.65	3.10

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
SPECIAL ASSESSMENT COLLECTIONS
LAST TEN FISCAL YEARS**

<u>YEAR ENDED</u>	<u>TOTAL AMOUNT OF CURRENT AND DELINQUENT SPECIAL ASSESSMENTS BILLINGS</u>	<u>TOTAL AMOUNT OF CURRENT AND DELINQUENT SPECIAL ASSESSMENTS COLLECTED</u>	<u>RATIO OF COLLECTIONS TO AMOUNT BILLED</u>	<u>AMOUNT OF OUTSTANDING ASSESSMENTS</u>
1996	\$ 33,673	\$ 20,371	60.50%	\$ 27,382
1997 (1)	17,889	8,488	47.45	11,841
1998	9,868	1,830	18.54	10,011
1999 (2)	8,469	328	3.87	8,273
2000 (3)	-	18,567 *	-	1,542
2001 (4)	-	-	-	-
2002	-	-	-	-
2003	264,530	1,183,350	447.34	1,467,344
2004 (5)	234,503	260,368	111.02	1,205,234
2005	253,487	327,865	129.34	877,369

- (1) Assessment losses in the amount of \$7,053.00
- (2) Assessment losses in the amount of \$1,410.00
- (3) Assessment losses in the amount of \$6,664.00
- (4) Write off collection cost \$1,542.00
- (5) Adjustment totaling \$1,742.00

*Includes Street Paving #32 prepayment by Wise Development (50% of total assessment)

Note:

The integrity of the Special Assessment Fund is maintained because the City periodically sells property on which assessments have become delinquent. These sales are made to outsiders or to the City at a price equal to or greater than the outstanding assessments plus accrued interest to date.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

FISCAL YEAR ENDED	POPULATION		ASSESSED VALUE	GROSS BONDED DEBT	AMOUNT AVAILABLE FOR RETIREMENT OF DEBT SERVICE	DEBT PAYABLE FROM ENTERPRISE FUND	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
	CENSUS	NUMBER							
1996	1990	53,589	\$ 443,854,460	\$ 27,680,001	\$ 357,146	\$ 14,043,513	\$ 13,279,342	2.99%	\$ 248
1997	1990	53,589	461,014,100	28,675,000	385,378	17,925,108	10,364,514	2.25%	193
1998	1990	53,589	491,980,720	39,385,000	408,133	19,338,104	19,638,763	3.99%	366
1999	1990	53,589	560,813,680	37,785,000	413,514	18,345,231	19,026,255	3.39%	355
2000	1990	53,589	578,875,700	60,100,000	2,038,786	17,645,231	40,415,983	6.98%	754
2001	2000	57,737	594,127,480	74,765,000	877,065	33,195,231	40,692,704	6.85%	705
2002	2000	57,737	602,109,500	76,650,000	491,363	33,969,147	42,189,490	7.01%	731
2003	2000	57,737	665,918,860	72,555,000	77,555	33,285,337	39,192,108	5.89%	679
2004	2000	57,737	677,513,800	67,650,000	480,043	32,275,831	34,894,126	5.15%	604
2005	2000	57,737	722,660,340	66,335,000	808,800	31,454,538	34,071,662	4.71%	590

THE CITY OF DOTHAN
DOTHAN, ALABAMA
ANALYSIS OF CONSTITUTIONAL DEBT LIMIT
SEPTEMBER 30, 2005

Total Assessed Valuation for Tax Purposes (Furnished by the Houston County Revenue Commissioner and Probate Judge's Office)		\$722,660,340
Twenty Percent of Assessed Valuation (Debt Limit: Section 225, Alabama Constitution as amended in 1967)		<u>20%</u> 144,532,068
Total Bonds and Warrants Outstanding	\$ 66,335,000	
Less: Bonds Exempted from Legal Debt:		
School Bonds	\$ 19,756,978	
Water Works Bonds	6,859,966	
Sewer Bonds, Sanitary	24,594,572	
Street and Sidewalk Assessment Bonds	<u>10,275,590</u>	<u>61,487,106</u>
Bonds and Warrants Applicable against Debt Limit		4,847,894
Add: Temporary loans for longer than one year, made in anticipation of the collection of taxes, exceeding one-fourth of the general revenue		<u>-</u>
Total Debt Applicable against the Constitutional Debt Limit		<u>4,847,894</u>
Balance Available for Future Debt against Constitutional Debt Limit		<u><u>\$139,684,174</u></u>

The current bond rating for the City of Dothan is as follows: Moody's Investors Service "A1", and Standards and Poor's "A+".

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
SEPTEMBER 30, 2005

<u>JURISDICTION</u>	<u>NET OUTSTANDING DEBT</u>	<u>PERCENTAGE APPLICABLE TO CITY OF DOTHAN</u>	<u>AMOUNT APPLICABLE TO CITY OF DOTHAN</u>
City of Dothan	\$ 31,454,538	100.00%	\$ 31,454,538
Houston County	27,322,035	56.61%	15,467,004
Southeast Alabama Medical Center			
Total	<u>\$ 58,776,573</u>		<u>\$ 46,921,542</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES*
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>TOTAL DEBT SERVICE</u>	<u>TOTAL GENERAL EXPENDITURES</u>	<u>DEBT SERVICE TO GENERAL EXPENDITURES (PERCENT)</u>
1996	\$ 5,997,751	\$ 52,754,634	11
1997	3,782,835	52,475,607	7
1998	1,609,860	47,945,237	3
1999	1,812,394	51,562,822	4
2000	2,877,228	61,391,640	5
2001	4,261,228	57,688,039	7
2002	3,909,775	62,618,565	6
2003	5,824,914	66,200,233	9
2004	5,809,370	66,094,169	9
2005	3,554,819	66,676,792	6

*Includes General Fund, Special Revenue Funds and Debt Service Fund.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHOOL ENROLLMENT AND EDUCATIONAL ATTAINMENT
HOUSTON COUNTY AND CITY OF DOTHAN

	<u>HOUSTON COUNTY</u>	<u>DOTHAN</u>
SCHOOL ENROLLMENT (1)		
Population 3 years old and over enrolled in school	22,033	14,180
Nursery School, Preschool	1,645	1,108
Kindergarten	1,467	916
Elementary School (grades 1-8)	10,769	6,707
High School (grades 9-12)	5,039	3,212
College or Graduate School	3,113	2,237
YEARS OF SCHOOL COMPLETED		
Population 25 years and over	58,671	38,398
Elementary (less than 9th grade)	4,897	2,969
High School		
(1 to 3 years)	8,874	5,302
(4 years)	17,809	10,361
College		
(1 to 3 years)	16,274	10,972
(4 or more years)	10,817	8,794
Percent High School Graduates	76.5	78.5
Percent Bachelor's Degree or Higher	18.4	22.9

(1) Includes Public and Private Schools

Sources: 2000 U.S. Census Bureau - American FactFinder

THE CITY OF DOTHAN
DOTHAN, ALABAMA
ESTIMATED NON-AGRICULTURAL WAGE AND SALARY EMPLOYMENT, 2004
HOUSTON COUNTY

		<u>% OF TOTAL WAGE & SALARY</u>
Civilian Labor Force	46,062	
Total Employment	43,966	
Total Covered Employment	47,727	100.0
Manufacturing	5,839	12.2
Construction	2,601	5.4
Transportation, Communications, and Utilities	3,424	7.2
Wholesale and Retail Trade	9,868	20.7
Finance, Insurance, and Real Estate	1,989	4.2
Service and Miscellaneous	16,891	35.4
Government	7,115	14.9

(1) By place of residence

(2) By place of work, ES "202"

Source: Alabama Department of Industrial Relations, Labor Market Information Division

THE CITY OF DOTHAN
DOTHAN, ALABAMA
POPULATION TRENDS, LABOR FORCE STATISTICS AND INCOME STATISTICS

DOTHAN - HOUSTON COUNTY POPULATION TRENDS, 1940 TO 2005

	<u>1940</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>(Est.) 2005</u>
Houston County	45,654	46,522	50,718	56,574	74,632	81,331	88,787	91,685
Dothan	17,194	21,584	31,440	36,733	48,750	54,143	57,737	61,287

Source: Bureau of the Census; SEARP&DC ESTIMATES

HOUSTON COUNTY LABOR FORCE ESTIMATES, 1995 TO 2004*

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Civilian Labor Force	43,630	45,240	44,830	45,140	45,580	45,530	45,010	46,610	46,062
Employment	41,820	43,210	43,380	43,450	43,410	43,610	43,080	44,570	43,966
Unemployed	1,810	2,030	1,450	1,690	2,170	1,920	1,930	2,040	2,096
Unemployment Rate	4.1%	4.5%	3.2%	3.8%	4.8%	4.2%	4.3%	4.4%	4.6%

* Estimates adjusted to the 2000 Current Population Survey. Rate computed on unrounded data.

Source: Alabama Department of Industrial Relations, Labor Market Information Division

DOTHAN - HOUSTON COUNTY INCOME STATISTICS, 1998 TO 2005

	PER CAPITA							MEDIAN FAMILY						
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Houston County	\$ 24,575	24,622	25,342	26,728	27,702	N/A	N/A	\$ 40,600	\$ 43,400	\$ 45,700	\$ 45,900	\$ 46,700	\$ 47,200	\$ 47,950
Dothan	22,948 *	24,327	25,680 *	26,964 *	26,306	N/A	N/A	51,171 *	54,702 *	57,437 *	58,000 *	59,010 *	59,500 *	60,000 *

*Estimates

Source: U.S. Department of Commerce; Bureau of Economic Analysis, SEARP&DC, HUD

THE CITY OF DOTHAN
DOTHAN, ALABAMA
ESTIMATED RETAIL SALES BY CATEGORY (000's)
1996-2004

KIND OF BUSINESS	1996	1997	1998	1999	2000	2001	2002**	2003**	2004**
Food	\$ 118,457	\$ 123,115	\$ 124,663	\$ 124,740	\$ 118,298	\$ 121,185	\$ -	\$ -	\$ -
General merchandise	153,098	229,390	250,011	246,875	222,300	227,313			
Apparel	26,622	33,721	33,856	34,909	38,402	37,573			
Furniture	64,454	49,731	52,512	55,289	42,874	43,731			
Automotive	207,605	225,709	246,304	240,032	233,922	251,400			
Gasoline service stations	8,015	2,697	2,270	2,013	3,282	2,896			
Hardware and lumber	110,609	147,177	166,792	183,211	120,318	111,845			
Eating places	77,046	90,240	89,846	87,542	93,576	89,743			
Miscellaneous	74,540	80,952	95,084	96,086	111,862	-			
Total sales by retail concerns	840,446	982,732	1,061,338	1,070,697	984,834	885,686	-	-	-
Nonretail and unclassified	85,663	111,790	92,045	93,317	103,638	218,185 *			
Total all sales at retail	<u>\$ 926,109</u>	<u>\$ 1,094,522</u>	<u>\$ 1,153,383</u>	<u>\$ 1,164,014</u>	<u>\$ 1,088,472</u>	<u>\$ 1,103,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Miscellaneous is included with nonretail and unclassified beginning in 2001.

**2002 through 2004 - Development of county-level retail trade data has been temporarily halted due to recently observed problems with categories and the current state of retail trade organizations and activities.

Source: University of Alabama Center for Business and Economic Research; Alabama State Data Center. SEARP&DC estimates 93 percent of all sales in Houston County take place within the corporate limits of Dothan. These are the figures reflected above.

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
POPULATION STATISTICS**

FIFTEEN MOST POPULATED ALABAMA COUNTIES: 1980, 1990, 2000

1980	1990	2000
Jefferson	Jefferson	Jefferson
671,324	651,525	662,047
Mobile	Mobile	Mobile
364,980	378,643	399,843
Montgomery	Madison	Madison
197,038	238,912	276,700
Madison	Montgomery	Montgomery
196,966	209,085	223,510
Tuscaloosa	Tuscaloosa	Tuscaloosa
137,541	150,522	164,875
Calhoun	Calhoun	Shelby
119,761	116,034	143,293
Etowah	Morgan	Baldwin
103,057	100,043	140,415
Morgan	Etowah	Lee
90,231	99,840	115,092
Lauderdale	Shelby	Calhoun
80,546	99,358	112,249
Baldwin	Baldwin	Morgan
78,556	98,280	111,064
Lee	Lee	Etowah
76,283	87,146	103,459
HOUSTON	HOUSTON	HOUSTON
74,632	81,331	88,787
Talladega	Lauderdale	Lauderdale
73,826	79,661	87,966
Walker	Talladega	Marshall
68,660	74,107	82,231
Shelby	Marshall	Talladega
66,298	70,832	80,321

FASTEST GROWING COUNTIES IN TERMS OF ABSOLUTE POPULATION INCREASE: 1990-2000

Shelby	+	43,935	(44.2%)
Baldwin	+	42,135	(42.9%)
Madison	+	37,788	(15.8%)
Lee	+	27,946	(32.1%)
Mobile	+	21,200	(5.6%)
Elmore	+	16,664	(33.9%)
St. Clair	+	14,733	(29.5%)
Montgomery	+	14,425	(6.9%)
Tusacloosa	+	14,353	(9.5%)
Blount	+	11,776	(30.0%)
Limestone	+	11,541	(21.3%)
Marshall	+	11,399	(16.1%)
Morgan	+	11,021	(11.0%)
Jefferson	+	10,522	(1.6%)
Cullman	+	9,870	(14.6%)
STATE OF ALABAMA	+	406,513	(10.1%)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

FISCAL YEAR	REAL & PERSONAL PROPERTY (1)	COMMERCIAL CONSTRUCTION VALUE	RESIDENTIAL CONSTRUCTION VALUE	BANK DEPOSITS (2) (IN THOUSANDS)
1996	\$ 2,427,707,060	\$ 18,646,881	\$ 20,740,700	\$ 1,341,484 (3) *
1997	2,498,506,560	13,518,058	20,701,965	1,200,877 (4)
1998	2,626,931,180	31,999,129	18,872,690	1,220,270 (5)
1999	3,089,953,240	33,249,914	19,641,010	1,197,926 (6)
2000	3,180,223,220	28,824,494	22,678,469	1,254,526 (7)
2001	3,220,099,360	28,716,020	23,156,914	1,326,546 (8)
2002	3,278,396,460	69,595,823	23,955,900	1,272,296 (9)
2003	3,583,461,880	65,074,595	34,943,189	1,414,085 (10)
2004	3,627,230,194	48,376,760	58,643,128	1,503,978 (11)
2005	3,914,295,801	51,283,831	55,627,179	1,694,486 (12)

*Federal Reserve Bank of Atlanta previously had reported deposits for only the banks headquartered in Houston County. Fiscal Year 2000 report provided total deposits for all banks located in Houston County. Adjusted deposit figures for Fiscal Year 1995 through Fiscal Year 1999 are shown. Data is updated annually in June.

Source:

- (1) Houston County Tax Assessor
- (2) Research Department, Federal Reserve Bank of Atlanta
- (3) Federal Reserve Bank of Atlanta, as of 06-30-96.
- (4) Federal Reserve Bank of Atlanta, as of 06-30-97.
- (5) Federal Reserve Bank of Atlanta, as of 06-30-98.
- (6) Federal Reserve Bank of Atlanta, as of 06-30-99.
- (7) Federal Reserve Bank of Atlanta, as of 06-30-00.
- (8) Federal Reserve Bank of Atlanta, as of 06-30-01.
- (9) Federal Reserve Bank of Atlanta, as of 06-30-02.
- (10) Federal Reserve Bank of Atlanta, as of 06-30-03.
- (11) Federal Reserve Bank of Atlanta, as of 06-30-04.
- (12) Federal Reserve Bank of Atlanta, as of 06-30-05.

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2005**

	TOTAL ASSESSED VALUE OF PROPERTY WITHIN CITY LIMITS	PERCENTAGE OF TOTAL ASSESSED VALUE	2003 CITY AD VALOREM TAXES PAID IN 2004
1. CenturyTel of Alabama	\$ 14,331,640	1.98%	\$ 71,658
2. Sony Magnetic Products, Inc.	9,109,680	1.26	45,548
3. Triad of Alabama LLC	8,599,160	1.18	42,996
4. Flowers Hospital	7,056,060	.97	35,280
5. PR Wiregrass Commons LLC	4,397,640	.60	21,988
6. Swedish Match Cigars	3,332,100	.46	16,661
7. Twitchell Corporation	2,786,700	.38	13,934
8. Perdue Farms, Inc.	2,578,020	.35	12,890
9. Verizon Wireless	2,529,260	.34	12,646
10. Walmart Real Estate Bus Trust	<u>2,048,680</u>	<u>.28</u>	<u>10,243</u>
Total	<u>\$ 56,768,940</u>	<u>7.80%</u>	<u>\$ 283,844</u>

The assessed value of the City of Dothan including homestead exemption is \$722,660,340 which includes motor vehicles. The value of homestead exemption in the City of Dothan is \$52,643,900.

Source: Revenue Commissioner Houston County

THE CITY OF DOTHAN
DOTHAN, ALABAMA
MISCELLANEOUS STATISTICAL DATA
SEPTEMBER 30, 2005

Date of Incorporation	November 10, 1885	Enrollment - Public Schools	8,814
Form of Government	Mayor/Commissioners	Number of high school graduates annually	464
Area	87.01 sq. miles	Libraries:	
Miles of Streets:		Central	1
Paved	474.45	Bookmobiles	2
Unpaved	14.77	Recreation:	
Miles of Sewers:		Number of parks	19
Sanitary	469.43	Acres of parks	596
Storm	164.55	Golf Courses (public & private)	5
		Tennis Courts	43
		Community Centers	7

	<u>Full Time</u>	<u>Part Time and Others</u>	<u>Total</u>
City Employees:			
Administrative Department	9	7	16
City Clerk	6	0	6
Budget & Finance Department	39	1	40
Personnel Department	10	5	15
Fire Department	161	0	161
Police Department	214	8	222
Public Works	175	0	175
Leisure Services	58	155	213
Performing Arts	12	175	187
Dothan Utilities	159	0	159
Judicial Department	12	0	12
General Services	56	0	56
Information System/Technology	13	0	13
Total	<u>924</u>	<u>351</u>	<u>1,275</u>

Public Safety:	
Number of Fire Stations	8
Number of Police Stations	1
Fire Insurance Classification	2
Population:	
1900 Federal Census	3,275
1910 Federal Census	7,016
1920 Federal Census	10,034
1930 Federal Census	16,046
1940 Federal Census	17,194
1950 Federal Census	21,584
1960 Federal Census	31,440
1970 Federal Census	36,733
1980 Federal Census	48,750
1990 Federal Census	54,143
2000 Federal Census	57,737

Public Schools:	
Elementary (K-5)	11
Middle School (6-8)	4
High (9-12)	2
Alternative School	1
Vocational Technical	1
	<u>19</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF CONSTRUCTION IN PROGRESS
SEPTEMBER 30, 2005

CONSTRUCTION PROJECTS	GENERAL FIXED ASSETS	UTILITY FUND	TOTAL
Westgate Parkway Widening - 231/Harrison Road	\$ 300	\$ -	\$ 300
Atlantic Coastline Passenger Station	80,350		80,350
System Extensions - Electric/Water/Wastewater Systems		1,456,739	1,456,739
Total	\$ 80,650	\$ 1,456,739	\$ 1,537,389

THE CITY OF DOTHAN
DOTHAN, ALABAMA
ELECTRIC, WATER & SEWAGE REVENUES
LAST TEN FISCAL YEARS

<u>FISCAL YEAR</u>	<u>ELECTRIC</u>	<u>WATER</u>	<u>SEWAGE</u>	<u>DELINQUENT FEES</u>	<u>TOTAL</u>
1996	\$ 55,548,194	\$ 3,618,064	\$ 3,407,742	\$ 475,227	\$ 63,049,227
1997	53,175,685	3,456,508	3,328,975	459,600	60,420,768
1998	57,499,282	3,968,772	3,541,532	509,198	65,518,784
1999	58,798,618	3,876,443	3,612,358	521,784	66,809,203
2000	61,670,914	4,378,439	3,513,953	615,453	70,178,759
2001	58,857,797	3,792,466	3,251,758	614,830	66,516,851
2002	58,512,299	5,320,571	3,323,930	608,590	67,765,390
2003	60,857,240	6,436,825	3,222,803	704,203	71,221,071
2004	62,641,995	7,209,493	3,367,408	728,822	73,947,718
2005	67,533,782	7,212,446	3,468,794	765,168	78,980,190

THE CITY OF DOTHAN
DOTHAN, ALABAMA
TEN LARGEST USERS OF ELECTRICITY

1.	Sony Magnetic Plant	4275 W. Main Street
2.	Southeast Alabama Medical Center	1108 Ross Clark Circle
3.	Perdue Farms	808 Ross Clark Circle
4.	Michelin	4120 Mance Newton Road
5.	Walmart	3300 S. Oates Street/4310 Montgomery Highway
6.	Flowers Hospital	4370 W. Main Street
7.	E. W. Twitchell, Inc.	4031 Ross Clark Circle
8.	Gulf States Cold Storage	272 Sam Houston Blvd., #1
9.	TRW Globe Motors	3887 Napier Field Road
10.	Swedish Match Cigar	700 Columbia Highway

Source: City of Dothan Finance Department, Billing and Collection Division

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
KILOWATTS SOLD
LAST TEN FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>KILOWATTS</u>
1996	1,051,654,642
1997	954,940,942
1998	1,047,971,036
1999	1,028,617,000
2000	1,033,564,920
2001	1,023,494,154
2002	1,009,045,887
2003	1,055,876,326
2004	1,056,785,123
2005	1,075,170,674

Source: City of Dothan Finance Department, Billing and Collection Division

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF INSURANCE COVERAGES
SEPTEMBER 30, 2005

<u>CARRIER</u>	<u>POLICY NO.</u>	<u>AGENCY</u>	<u>COVERAGE</u>	<u>TERM</u>	<u>NET PREMIUM</u>
Great American Insurance Co.	CPP927-53-40	Garner Insurance Agency	Buildings and Contents	10/01/04 - 09/30/05	\$ 198,377.00
Great American Insurance Co.	IMP 2-44-22-1710	Garner Insurance Agency	Contractors Equipment	10/01/04 - 09/30/05	17,082.00
Hartford Insurance Company	21BPEAGO314	Garner Insurance Agency	Robbery	10/01/04 - 09/30/05	6,986.00
Midwest Employers Casualty	EWC005177	Attenta	Workers Compensation-Excess	10/01/04 - 09/30/05	52,354.00
Hartford Insurance Company	215UU660520	Garner Insurance Agency	Computer Equipment Floater	10/01/04 - 09/30/05	5,662.00
Great American Insurance Co.	IMP244224312	Garner Insurance Agency	Fleet Special Floater	10/01/04 - 09/30/05	8,776.00
Fidelity & Deposit Co. of MD	CCP 001838408	Slingluff Insurance Agency	Fidelity Bonds-Employees	10/01/04 - 09/30/05	4,156.00
Price Forbes	L271240	McGriff, Seibels & Williams	Employee Health-Excess	05/01/05 - 04/30/06	153,317.69
Alabama Municipal Insurance Corp.	AL1001938A4740	Garner Insurance Agency	Excess GL	10/01/04 - 09/30/05	198,179.00

Source: City of Dothan General Services Department, Safety Division; City of Dothan Personnel Department

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SUMMARY OF SURETY BONDS IN FORCE
SEPTEMBER 30, 2005

	<u>COVERAGE AMOUNT</u>
Chester L. Sowell, III, Mayor	\$ 50,000
Don Clements, Commissioner	50,000
Amos M. Newsome, Jr., Commissioner	50,000
Jason B. Rudd, Commissioner	50,000
James H. Reading, Commissioner	50,000
Pat Thomas, Commissioner	50,000
Phillip M. Tidwell, Commissioner	50,000
Michael K. West, City Manager	100,000
Angela T. Palmer, Finance Director	100,000
Pam McCoy, City Clerk	100,000
Lisa Reeder, Assistant Finance Director	100,000
Deanna Kinney, Utility Collections Manager	100,000
Cashier (6)	600,000
All Other Employees Blanket Bond	50,000

Source: City of Dothan, Risk Management Division

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

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

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

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,

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

February 10, 2006

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

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

Compliance

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

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

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

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

Internal Control Over Compliance

The management of the City of Dothan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dothan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Respectfully submitted,

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

February 10, 2006

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

2. ENTITY DEFINITION

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

3. ALLOCATION OF INDIRECT COSTS

The City has no indirect cost allocation plan for grants.

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

SUMMARY OF AUDITOR'S RESULTS

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

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

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

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

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

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

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

U.S. Department of Housing and Urban Development

CFDA # 14.218

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

The City of Dothan, Alabama did not qualify for consideration as a low risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GAGAS:

There are no such findings in the current year.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

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