

The City of
Dothan, Alabama



Comprehensive Annual Financial Report
Fiscal Year Ended September 30,

2012

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012
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, 2012
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BOARD OF COMMISSIONERS

MIKE SCHMITZ
PRESIDENT/MAYOR
JAMES READING
COMMISSIONER, DISTRICT 1
AMOS NEWSOME
COMMISSIONER, DISTRICT 2
ALBERT KIRKLAND
COMMISSIONER, DISTRICT 3
CRITT SNELGROVE
COMMISSIONER, DISTRICT 4
TAYLOR BARBAREE
COMMISSIONER, DISTRICT 5
HAMP BAXLEY
COMMISSIONER, DISTRICT 6

The City of Dothan

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

February 28, 2013



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

The Comprehensive Annual Financial Report (CAFR) of the City of Dothan, Alabama (the City) for the fiscal year ended September 30, 2012, is hereby transmitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Dothan management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

GASB Reporting Requirements

Each year, management evaluates GASB reporting requirements to determine applicability to the City. There were no new requirements issued by GASB that became applicable to the City during fiscal year 2012.

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, 2012. Information related to this audit, including the schedule of expenditures of federal awards and schedule of findings and questioned costs, is included in the single audit section of the audit. 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, 2012, have been audited by an independent certified public accounting firm whose opinion is a part of the Annual Financial Report.

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

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) (starting on page 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 17 through 19. 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 20) are designed to address the major (or more significant) individual funds by category (governmental and proprietary, as well as the fiduciary fund by category). An explanation of these complementary presentations can be found in the MD&A (starting on page 3).

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

CITY PROFILE

The City of Dothan is located in the southeastern part of the State of Alabama approximately 20 miles west of the State of Georgia and 18 miles north of the State of Florida. The City is a rapidly growing and thriving community built around the landmarks of its past. Although it is the center for recreation, business, industry, agriculture, healthcare and retail trade in the area, Dothan offers the

charm and friendliness of the Deep South. Proclaimed "Peanut Capital of the World," Dothan has become a melting pot for its friendly atmosphere of southern hospitality.

The City is a municipal corporation incorporated on November 10, 1885, under the Constitution and laws of the State of Alabama. In accordance with Sec. 11-44E-1, et seq, Code of Alabama, 1975, as amended, the City is presently governed by a Mayor/Commission/City Manager form of government. The Mayor is elected at-large, and the six (6) Commissioners are elected from six (6) single member districts, for staggered terms of four (4) years (the "Board of Commissioners"). Beginning with fiscal year 2013, the terms will be concurrent. The members of the Board of Commissioners serves part-time and is responsible for adopting all legislative ordinances and setting the policies of the City, including the appropriation of all monies.

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

There are 1,012 authorized positions for regular, full time employees; 53 authorized positions for part time; and 164 authorized positions for seasonal employees which staff these departments, producing high quality and cost-effective public services. These services include general government or administrative services (including the mayor, commission, city manager, city clerk, public relations, business licenses, finance, information technology, personnel, judicial and legal services), public safety services (including police, fire, E911 communications and animal control), public services (environmental services, right-of-way and street maintenance, traffic signaling, building code enforcement, permitting, community development, planning and engineering services), culture and recreation (including performing arts, cemeteries, parks and recreation services), general services (including building

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

The City departments include:

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

Budgeting

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

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

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

ECONOMIC CONDITION AND OUTLOOK

Over the years, Dothan has become a major retail trade area. 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. The influx of people into Dothan for shopping, medical, and other various reasons continues to place an ever-tightening constraint on the ability to aggressively plan for growth. While the City continues to grow, the current economic condition has caused the City, along with other cities, to face the challenge of matching available revenues with expenses. To better enable the City to address major infrastructure programs and capital objectives, a broader flexibility in revenue is essential to maintain Dothan's traditionally strong financial condition and to address challenges of growth. The City's major challenges are to provide the infrastructure and services needed to maintain service levels and match increases associated with the growth. Dothan is constantly looking at revenue sources in an effort to fund the growth and vitality of the City.

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

The increase in Ad Valorem Tax by 100% would generate \$3,800,000 in additional revenue. In addition, business licenses could be collected based on a gross receipts method rather than on the flat rate method which the City is presently using. The gross receipts

method would yield additional revenue of approximately \$1,000,000.

Additional revenue could also be generated if the City required a residential garbage fee. A \$15.00 per month fee for 26,000 households would generate an estimated \$4,680,000. Further, by increasing the existing Retail Liquor Tax and the existing Lodging Tax, additional revenue would be provided.

Financial Planning

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

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

• Landfill Reserve	\$ 6,175,122
• OPEB Reserve	\$ 510,090
• General Fund Debt Reserve	\$ 1,085,683
• Long Term Water Reserve	\$ 2,540,730
• Recreational Projects Reserve	\$ 2,010,504
• Storm Drainage Reserve	\$ 500,360

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

The following capital improvement projects were completed during fiscal year 2012: maintenance of parks and other recreation facilities, sidewalk improvements, city-wide facility maintenance and fleet replacement. These expenditures were funded by sales tax revenues.

The City's capital investment program for fiscal year 2012 identified \$5.8 million in projects for potential funding. Each project is required to be individually approved by the City's commission for funding. The topics for consideration were as follows: education, communications system, downtown revitalization projects, road intersection/sidewalk improvements, facility maintenance/repairs, and fleet replacements. The projects that were completed in fiscal year 2012 accounted for \$5.3 million in expenditures. The remaining \$.5 million was for projects that were not completed at the end of the fiscal year 2012.

In 2012, the City of Dothan issued a general obligation warrant in the principal amount of \$7,170,000 for sanitary sewer enhancements for the Rock Creek Trunk Line rehabilitation and the administrative consent order. In addition, the City issued a general obligation warrant in the principal amount of \$31,750,000 to provide \$2,000,000 for the South Saint Andrews Street resurfacing project and the refinancing of the City's \$29,650,000 General Obligation Warrant dated September 30, 2009. The warrants will be repaid at an interest rate of 2.90% for 20 years and 3.19% for 15 years, respectively.

In October 2003, a water rate increase was implemented and as a result, the rates are adjusted by 2.85% in October of each year. In order to offset cost of the wholesale fuel adjustment charges, the City has increased the electric rate through the years for wholesale increases from the Alabama Municipal Electric Authority (AMEA) and Southeastern Power Administration (SEPA). In September 2009, a sewer rate increase was implemented which resulted in an annual rate increase of \$.75 per thousand gallons of metered water for the first five years and 2.85% thereafter. The additional funds from this sewer rate increase will help offset the cost of the debt service on the sewer improvements.

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 2012 was as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$ 21,407,763	2.30%	\$324

The entire fund balance of \$742 in the Debt Service Fund is reserved or designated for debt retirement or capital projects. It should be understood that having reasonable levels of reserves is essential to the bond market's perception of local government strength and related ability to utilize private sector styled 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 Aa2 from Moody's Investors Service and AA- from Standard & Poor's Rating Service.

SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE

National retail expansion from Academy Sports and Buffalo Wild Wings has brought 250 new jobs to Houston County. In addition, the acquisition and expansion of Perdue Farms by Wayne Farms LLC will make 900 part-time jobs into full-time jobs and bring 25 new jobs and \$10,500,000 in investment. Also, the new Alabama College of Osteopathic Medicine will bring 50 new jobs and \$40,000,000 in investment. Other projects in existing industries will bring 300 new jobs combined and \$42,000,000 in investment and are as follows:

- A. Panhandle Converter and Scrap Company
- B. Dothan Warehouse
- C. Milsco Manufacturing Company
- D. Twitchell Products, LLC
- E. Hornsby Tire Co.
- F. KFH Industries
- G. Vantage Sourcing
- H. Wholesale Wood
- I. United Distributing
- J. Warrior Energy

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, 2011. The City has received this prestigious award for the last 29 consecutive years (fiscal years ended 1983 – 2011).

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

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

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Dothan for its PAFR for the last eight consecutive years (fiscal years ended 2004 – 2011). The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

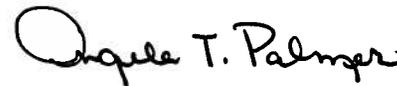
In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual

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

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

Respectfully submitted,



Angela T. Palmer
Finance Director



Michael K. West
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dothan
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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.



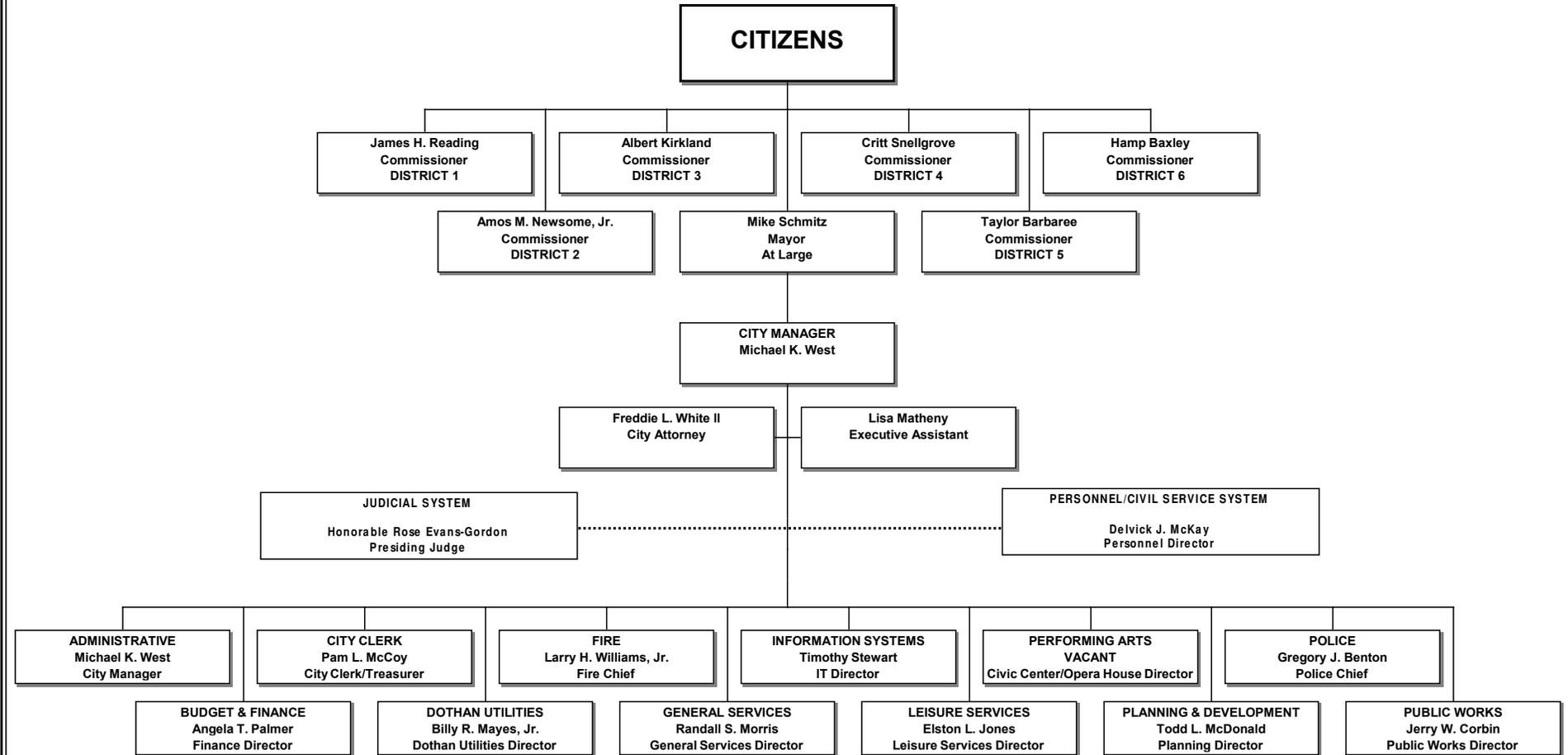
Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

CITY OF DOTHAN, ALABAMA ORGANIZATIONAL CHART



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

CITY COMMISSION

Mike Schmitz	Mayor
James H. Reading	Commissioner, District 1
Amos M. Newsome, Jr.	Commissioner, District 2
Albert Kirkland	Commissioner, District 3
Critt Snellgrove	Commissioner, District 4
Taylor Barbaree	Commissioner, District 5
Hamp Baxley	Commissioner, District 6

APPOINTED OFFICIALS

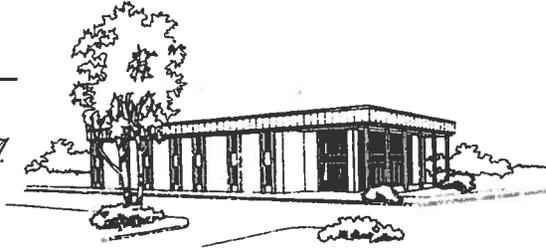
Michael K. West	City Manager	Billy R. Mayes, Jr.	Dothan Utilities Director
Pam L. McCoy	City Clerk/Treasurer	Jerry W. Corbin	Public Works Director
Freddie L. White, II	City Attorney	Larry H. Williams, Jr.	Fire Chief
Rose Evans-Gordon	Municipal Judge	Elston L. Jones	Director of Leisure Services
Derel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

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

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

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



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

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Dothan, Alabama 36305
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dothan, Alabama's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 28, 2013, on our consideration of the City of Dothan, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress of the pension and the healthcare plan on pages 3 through 15 and 63 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

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

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dothan, Alabama's 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dothan, Alabama's financial statements. The introductory section, other supplementary information, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Respectfully Submitted,



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

February 28, 2013

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, 2012. Please consider the information in this MD&A in conjunction with the City's financial statements (beginning on page 17), which follow this section and the additional information furnished in the letter of transmittal, which can be found in the introductory section of this comprehensive annual financial report (CAFR).

Financial Highlights

- The assets of the City of Dothan exceeded its liabilities at the close of the fiscal year ended September 30, 2012 by \$186,872,988. Of this amount, \$46,145,244 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$10,433,889 (5.91%). A detailed explanation of this increase can be viewed on page five of this Management's Discussion and Analysis (MD&A).
- As of the close of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$41,696,860, an increase of \$7,264,838 in comparison with the prior year. Approximately \$14,024,201 of this total is *available for spending* at the government's discretion (*unassigned fund balance*).
- Total net assets for governmental activities increased by \$1,601,145 (1.87%), thus totaling \$87,224,156 for fiscal year 2012.

- The City of Dothan's total debt increased by \$1,988,659 (2.42%) during the current fiscal year, yielding a total outstanding debt of \$84,201,483 compared to last year at \$82,212,824.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *government-wide financial statements* (see pages 17-19) 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* (see page 17) presents information on all of the City of Dothan's assets and liabilities, with the difference between the two reported as net assets. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Dothan is improving or deteriorating.

The *statement of activities* (see pages 18-19) presents information focused on both gross and net costs and shows how the City of Dothan's net assets changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-

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

Both of the government-wide financial statements distinguish functions of the City of Dothan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (*business-type activities*). The governmental activities of the City of Dothan include general government, public safety, public works, health and welfare, community development, insurance, culture and recreation, and equipment maintenance. The business-type activities of the City of Dothan reflect private sector type operations (electric, water and sewer). The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements

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

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

The *Fund Financial Statements* allow the demonstration of sources

and uses and/or budgeting compliance associated therewith (beginning on page 20). 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 20 - 24) 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 four 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.

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 25-29) 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 21 and 24). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources, as well as, capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

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

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

Notes to the financial statements. (see pages 31-62) The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

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

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

Government-Wide Financial Analysis

The City's net assets totaling \$186,872,988 increased by \$10,433,889 or 5.91% from fiscal year 2011 which totaled \$176,439,099. Of this total, the governmental net assets increased by \$1,601,145 and business-type net assets increased by \$8,832,744. The business-type net assets were increased because \$747,061 pollution remediation obligations were recorded in fiscal year 2012 compared to \$5,628,800 in fiscal year 2011 in accordance with GASB 49 and because the City paid \$3.9 million less for electric energy that was sold to the Dothan Utility customers. Management will continue to monitor net assets because the variance is a useful indicator of a City's financial position.

By far the largest portion of the City of Dothan's net assets (74.29%) 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, 2012 was \$138,836,897. 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. Restricted net assets are as follows: \$1,377,477 for street and bridge maintenance and \$513,370 for education. The remaining balance of \$46,145,244 is *unrestricted net assets* which may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the Statement of Net Assets compared to the prior year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current & Other Assets	\$ 50,269	\$ 43,422	\$ 56,712	\$ 42,632	\$ 106,981	\$ 86,054
Capital Assets	86,004	91,847	124,975	126,059	210,979	217,906
Total Assets	136,273	135,269	181,687	168,691	317,960	303,960
Current & Other Liabilities	14,506	15,130	20,814	17,232	35,320	32,362
Long-term Liabilities	34,543	34,516	61,224	60,643	95,767	95,159
Total Liabilities	49,049	49,646	82,038	77,875	131,087	127,521
Net Assets:						
Invested in Capital Assets, Net of Related Debt	65,697	67,879	73,140	75,243	138,837	143,122
Restricted for:						
Street and bridge mtnce.	1,378	1,645			1,378	1,645
Education	513	450			513	450
Unrestricted	19,636	15,649	26,509	15,573	46,145	31,222
Total Net Assets	\$ 87,224	\$ 85,623	\$ 99,649	\$ 90,816	\$186,873	\$176,439

**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.

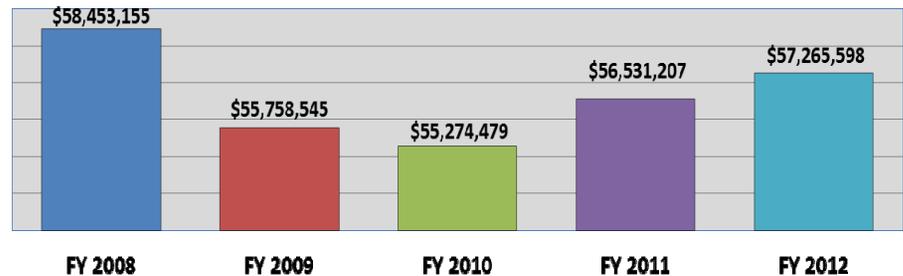
Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

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 \$87,224,156 increased by \$1,601,145 and the business-net assets totaling \$99,648,832 increased by \$8,832,744. A contributing factor of the governmental activities increase (\$1,601,145) in 2012 was largely due to additional transfers totaling \$3,498,681 which were offset by property donated to the Houston Love Memorial Library (\$1,427,363). Also, the public works department experienced a \$1,646,571 reduction in resurfacing projects.

The single largest revenue source is sales and use tax, which generated \$57,265,598 in 2012. This revenue reflected an increase of \$734,391 (1.30%) compared to \$56,531,207 in 2011. The additional one percent sales and use tax effective January 1, 2007, afforded the City the opportunity to expend monies for vehicle and equipment replacement, resurfacing, employee salary increases, bridge restoration, and intersection repair. Without this revenue, expenditures would have been delayed in light of the current recession which began toward the end of 2008.

CITY OF DOTHAN SALES & USE TAX



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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues:						
Charges for Services	\$ 7,967	\$ 7,543	\$112,702	\$111,167	\$120,669	\$118,710
Oper Grants & Contributions	136	172			136	172
Cap Grants & Contributions	1,400	1,775	195		1,595	1,775
General Revenues:						
Property Taxes	4,487	4,453			4,487	4,453
Other Taxes	62,584	62,478			62,584	62,478
Grants & Contributions not restricted to specific programs						
Other	1,836	2,047	196	274	2,032	2,321
	2,678	2,489	1,163	1,053	3,841	3,542
Total Revenues	\$ 81,088	\$ 80,957	\$114,256	\$112,494	\$195,344	\$193,451
EXPENSES						
Program Activities						
Primary Government						
Governmental Activities:						
General Government	\$ 11,037	\$ 11,029	\$	\$	\$ 11,037	\$ 11,029
Public Safety	32,059	31,623			32,059	31,623
Public Works	16,805	19,261			16,805	19,261
Planning and Development	1,814	1,905			1,814	1,905
Health & Welfare	3,001	2,808			3,001	2,808
Culture & Recreation	9,052	9,122			9,052	9,122
General Services	4,110	4,213			4,110	4,213
Insurance	805	193			805	193
Intergovernmental	4,536	4,897			4,536	4,897
Interest on Long Term Debt	943	1,037			943	1,037
Business-type Activities:						
Electric Department			77,474	80,658	77,474	80,658
Water Department			4,745	4,444	4,745	4,444
Sewer Department			5,950	11,241	5,950	11,241
Billing-Collection Department			1,963	1,719	1,963	1,719
Meter Reading Department			769	808	769	808
Depreciation Expense			5,635	5,611	5,635	5,611
Miscellaneous			593	614	593	614
Bond Issue Costs			47	47	47	47
Loss-Disposition of Capital Assets				46		46
Interest and Fiscal Charges			2,145	2,243	2,145	2,243
Total Expenses	\$ 84,162	\$ 86,088	\$ 99,321	\$107,431	\$183,483	\$193,519
Increase in Assets before transfers	(\$ 3,074)	(\$ 5,131)	\$ 14,935	\$ 5,063	\$ 11,861	(\$ 68)
Special Items-Library Property	(1,427)				(1,427)	
Transfers	6,102	2,603	(6,102)	(2,603)	-0-	-0-
Increase in Net Assets	\$ 1,601	(\$ 2,528)	\$ 8,833	\$ 2,460	\$ 10,434	(\$ 68)
Beginning Net Assets	\$ 85,623	\$ 88,151	\$ 90,816	\$ 88,356	\$176,439	\$176,507
Ending Net Assets	\$ 87,224	\$ 85,623	\$ 99,649	\$ 90,816	\$186,873	\$176,439

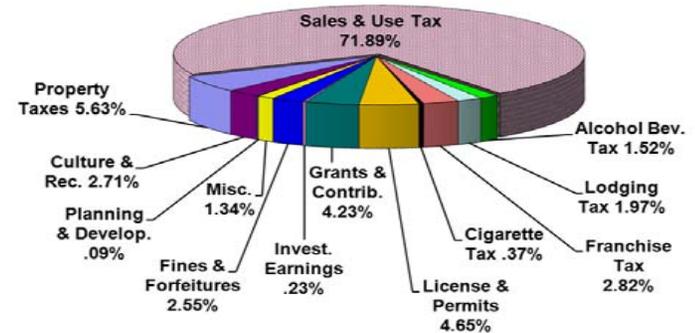
Statement of Activities

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

Governmental activities increased the City of Dothan's net assets by \$1,601,145. Governmental revenues totaling \$81,088,294 increased \$131,019 or .16% over fiscal year 2011 (\$80,957,275). Key elements in the change of net assets are listed below.

- Taxes increased \$141,286 primarily from sales taxes increasing \$734,391 (1.30%) and various other taxes collectively decreasing by \$593,105 (5.70%) over the previous year.
- The City of Dothan experienced a \$622,569 (15.59%) decrease in 2012 grant revenues and contributions totaling \$3,371,634 compared to \$3,994,203 in 2011. Dothan strives to maintain an aggressive grant application strategy. Grant resources support three City functions: public safety, public works, and culture and recreation.
- Other revenues reflected an increase of \$188,734 (7.58%) compiled from a decrease in unrestricted investment earnings (\$73,860), offset by an increase in miscellaneous revenues (\$262,594). Charges for services increased \$423,568 in FY 2012. Transfers from the business-type activities to the governmental activities increased by \$3,498,681 (134.40%).
- The City experienced a \$1,926,669 decrease in expenses which was primarily due to a \$1,646,571 reduction in resurfacing projects in the public works department.

FY 2012 Governmental Revenues



Business-type activities increased the City of Dothan's net assets by \$8,832,744. A key element was due to a sewer rate increase (adopted September 2009) which resulted in an additional \$.75 per thousand gallons of metered water for the first five years (2009 - 2013) and 2.85% thereafter. The sewer rate increase was implemented to help offset the cost of the debt service on the sewer improvements. Additionally, there is a programmed water increase of 2.85% October 1st of each year.

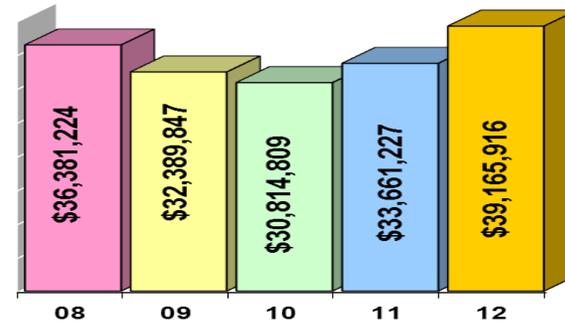
FUND BALANCE			
<u>Non Expendable:</u>		<u>Assigned:</u>	
Inventories	\$ 373,624	Economic Development Projects	\$ 358,980
		Public Safety Programs	186,834
<u>Restricted:</u>		Public Works Projects	1,778,921
Debt Service	\$ 742	Culture & Recreation	835,034
Street & Bridge Maintenance	3,394,309	Facility Maintenance	104,486
Education	513,370	Debt Service	85,683
	\$ 3,908,421	Self-Insurance Claims	6,373,100
<u>Committed:</u>		Landfill Projects	5,175,122
Information Technology Equipment	\$ 18,188	OPEB Obligation	10,090
Public Safety Programs	336,533	Storm Drainage	250,360
Public Works Projects	2,193,235		\$ 15,158,610
Planning & Development	691,645	<u>Unassigned:</u>	\$ 14,024,201
Culture & Recreation	2,235,366		
Facility Maintenance	7,037		
Debt Service	1,000,000		
Landfill Projects	1,000,000	<u>Total Fund Balances:</u>	\$ 41,696,860
OPEB Obligation	500,000		
Storm Drainage	250,000		
	\$ 8,232,004		

Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. As of the end of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$41,696,860, an increase of \$7,264,838 (21.10%) in comparison with the prior year of

\$34,432,022. Of this total fund balance, \$14,024,201 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *nonspendable, restricted, committed or assigned* and is not available for spending due to prior period commitments (see preceding table).

The general fund is the chief operating fund of the City. At the end of FY 2012 the total fund balance was \$39,165,916 (\$373,624 was nonspendable, \$1,377,477 was restricted, \$8,232,004 was committed, \$15,158,610 was assigned and \$14,024,201 was unassigned).

General Fund Balance by Fiscal Year



As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City of Dothan's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance in the amount of \$14,024,201 represents 19.20% of the general fund expenditures which equals \$73,055,754, while the total fund balance of \$39,165,916 represents 53.61% of the general fund expenditures. The fund balance of the City of Dothan's general fund (\$39,165,916) increased by \$5,504,689 (16.35%) from 2011 (\$33,661,227).

The general fund's total assets increased by \$5,469,465 during 2012. Various cash accounts increased during the fiscal year (such as the employee benefit plan or health insurance and self-insurance accounts were increased by \$991,875, the landfill reserve account was increased

by \$541,555, the storm drainage reserve was increased by \$250,360). The before mentioned increases in the cash and cash equivalents are the significant reason behind the growth in the general fund assets. Cash is very sensitive to timing anomalies; the timing of revenue recognition or cash disbursement can shift cash from one reporting period to the next.

Total liabilities (\$12,191,894) in the general fund decreased by \$35,224 (.29%). The most significant components were vouchers/accounts payable for \$2,196,027 (which contained \$805,429 for road resurfacing projects), accrued liabilities payable for \$5,430,152 (majority of which was \$5,246,427 for insurance claims payable), deferred revenue for \$3,835,951 (of which \$3,835,211 was for accrued property taxes), payables to other governments totaling \$292,209, and various customer deposits for \$437,555.

The debt service fund has a total fund balance of \$742 compared to \$1,975 in fiscal year 2011. Of this amount, there are no reserves for encumbrances; thus, the total fund balance is reserved for the payment of debt service. Monies were transferred from the general and utility funds for debt service payments. In addition, street paving assessment payments were also utilized to fund the debt service. With interest rates being at an all-time low the interest earned contributed to the \$1,233 decline in fund balance.

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

Net assets of the utility and E-911 funds at the end of the year amounted to \$96,028,030 and \$3,620,802 respectively, compared to last year's amounts of \$87,932,418 and \$2,883,670. The utility fund experienced an increase in net assets in the amount of \$8,095,612. In order to offset cost of the wholesale fuel adjustment charges, the City has increased the electric rate through the years for wholesale increases from the Alabama Municipal Electric Authority (AMEA) and Southeastern Power Administration (SEPA). The E-911 fund reflected an increase of \$737,132 due to additional E-911 related revenue paid to the City from land lines and cellular telephones. Also, \$146,093 was paid from prepaid disposable phone companies (TracFone and T-Mobile) due to a court settlement for E-911 fees not paid the City.

Budgetary Highlights

The City of Dothan adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. In fiscal year 2011, the City Commission adopted a biennial budget for fiscal years 2012 and 2013. This was the fifth biennial budget adopted for the City of Dothan. During the biennial budget process, the City's overall revenue structure was evaluated and financial projections were prepared proportionately to reflect the decline in the economy.

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

The fiscal year 2012 *final* general fund budget projected \$76,738,836 in revenues, \$84,082,134 in expenditures and \$323,724 in other financing uses, producing a planned reduction of \$7,019,574 in the general fund's balance. Actual amounts for revenues (\$80,748,643), expenditures (\$73,055,754) and other financing sources/uses (\$2,188,200) netted to a \$5,504,689 increase, rather than the expected \$7,019,574 decrease. All individual departments worked with the city manager to keep expenditures under the final budget. Budgeted adjustments resulted from varied growth/decline in many revenues sources which created the \$4,009,807 over budget. Some major contributors to each revenue source being over/under from the final budget are listed as follows:

- \$2,282,251 Increase in Taxes – property (over \$148,540), motor vehicle property taxes (over \$138,910) sales & use tax (over \$655,877), automotive sales taxes (over \$874,696), farm and manufacturing taxes (over \$55,025), alcohol and malt beverage tax (over \$25,012), lodging taxes (over \$85,896) cable/phone franchise fee (over \$18,618) and gas district franchise fee (over \$279,677)

- \$633,543 Increase in License and Permits - privilege license (over \$409,485), building permits (over \$66,254), penalties and citations (over \$60,530), insurance license (over \$94,178) and miscellaneous permits (over \$3,096)
- \$119,517 Increase in Intergovernmental - community development block grant (over \$51,793), solid waste recycle grant (under \$106,022), bureau of justice, homeland security and emergency management grants (over \$148,990), Alabama trust fund (over \$150,967), stimulus grants (over by \$9,512), Alabama Department of Transportation and access road grants (under \$185,016), financial institution funds (under \$17,541) state vehicle registration (over \$37,418) gas tax revenues (over \$5,398) and miscellaneous intergovernmental revenues (over \$24,018)
- \$233,263 Increase in Charges for Services - civic center/opera house ticket sales/facility fees and rental (over \$222,483), demolition of dilapidated buildings (over \$19,924), weed abatement liens (over \$18,951), Waterworld admission fees (under \$16,123), false burglar fees (over \$13,266) recreational programs (under \$46,365) and miscellaneous income (over \$21,127)
- \$363,861 Increase in Fines and Forfeitures - drug seizure (under \$16,844), court costs (over \$143,526), court fines (under \$94,026), alarm application fees (over \$18,999), pre-trial diversion fees (over \$312,649) and miscellaneous fines and forfeitures (under \$443)
- \$191,243 Decrease in Interest - deterioration in the interest rate environment during fiscal year 2012 resulted in a reduced amount of interest income
- \$568,615 Increase in Miscellaneous - landfill use fees (under \$20,393), FEMA disaster relief reimbursements (over \$117,567), reimbursement from a claim by the stop loss re-insurance carrier (over \$225,252), emergency 911 revenue (over \$42,108), property damage recovery (over \$27,138), photocopy printing (over \$30,756), contributions/donations (over \$4,731), Dothan city festival (over \$43,418), animal control and adoption fees (over \$17,184), telephones in the jail (over \$22,897), ATM and credit card fees (over \$11,421), rentals (under \$18,600) and miscellaneous income (over \$65,136)

The actual departmental expenditures in the general fund were well within the budgetary constraints and were under budget by \$5,870,609

in fiscal year 2012. Non-departmental expenditures were under budget by \$1,465,305 which was predominantly due to a reversal of accrued hospital/medical, workers compensation and self-insurance claims verses the actual claims paid. Capital outlay expenditures were under budget \$3,690,466 due to road improvements that will be completed in fiscal year 2013. Other financing sources and uses actual amounts compared unfavorably with the budget by \$2,511,924.

The total operating budget was increased by \$2,785,075 in the *final* budget as follows: departments (\$1,004,581), insurance (\$341,347) and capital outlay (\$1,439,147). Although almost all departments' budgets were increased in the final budget (\$1,004,581), the *largest increases/decreases* were represented as follows: public works (increased - \$25,758 to relocate a gas line and \$26,950 for resurfacing projects), planning (increased - \$493,315 for community development block grants), fire (increased - \$98,814 for roof repairs), and health & welfare (increased - \$100,000 for the library and \$50,000 for Landmark Park).

The actual revenues in the general fund (\$80,748,643) were \$4,009,807 over final revenue projections (\$76,738,836). During the year, revenues exceeded budgetary estimates. The original revenue projections in the general fund were \$1,683,414 under the *final* budget. The additional appropriations totaling \$8,702,988 were funded from: (1) the revenue sources in the following table in the amount of \$1,683,414, (2) encumbrances from fiscal year 2011 which were carried forward to fiscal year 2012 totaling \$5,568,304 (The general fund beginning budget included these encumbrances which were funded from the general fund balance.), and (3) the remaining \$1,451,270 was budgeted from the available unassigned fund balance.

Additional Revenue Sources Increasing Fiscal Year 2012 Budget

\$ 72,040	- police seizure income
1,471,219	- federal, state and local grants
70,597	- summer feeding program funds
18,514	- special event & miscellaneous revenues
10,214	- property damage recovery
3,024	- therapeutic programs & day camps
15,228	- knox box revenue
<u>22,578</u>	- contributions & donations
<u>\$ 1,683,414</u>	

The additional appropriations (\$1,451,270) that were funded by the unassigned fund balance can be briefly summarized by department as follows:

- Health and Welfare - \$150,000 as follows: \$100,000 for operating expenditures of the Houston Love Memorial Library and \$50,000 for operating expenditures at Landmark Park
- Fire - \$113,814 as follows: \$15,000 for the purchase of knox boxes for resale to commercial contractors and \$98,814 for roof repair at several fire stations
- Public Works - \$277,131 as follows: \$26,950 for resurfacing Range Street, \$215,423 for concrete sidewalks at several schools and \$25,758 to relocate a gas line on Rowland Road, \$9,000 to construct a pole barn
- Planning - \$33,354 as follows: \$6,724 for the matching portion of a Scenic Beautification MPO grant, \$14,650 for ETC Institute to conduct a citizens survey and \$11,980, for the matching portion of a grant to perform a regional intelligent transportation architecture study
- Leisure Services - \$149,295 as follows: \$132,060 for roof repair at a recreation center, \$7,235 for a diabetes workshop, and \$10,000 for the city's portion for a grant at Miracle Park
- Self-Funded Insurance - \$727,676 as follows: \$400,000 to fund administrative services provided by Blue Cross and Blue Shield as the third party provider for the City's health and medical insurance and \$327,676 to pay a judgment on Westgate widening project

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, 2012 amounts to \$210,978,535 (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 \$5,843,238. This decrease resulted from \$1,427,363 for contribution of property to Houston-Love Memorial Library and \$569,512 of capital assets which were retired and offset by

recaptured depreciation of \$569,512. In addition, depreciation accounted for \$8,766,414 which was offset by additions totaling \$4,350,539 as follows:

CAPITAL ASSET ADDITIONS (In Millions)	
Drainage Improvements	\$ 0.1
Street Improvements	0.6
HVAC Upgrades	0.1
Vehicles (Includes Fire, Police, Public Works & Leisure Services)	2.5
Equipment (Includes Police Cameras, Fire Rescue & Playground)	0.5
Software Upgrades & Computer Equipment	0.5
	<u>\$ 4.3</u>

The business-type capital investments decreased by \$1,084,344. This decrease resulted from \$509,064 of capital assets which were retired and offset by depreciation of \$509,064. In addition, depreciation accounted for \$5,634,941 which was offset by additions totaling \$4,979,330 (includes construction in progress placed in service of \$428,733) as follows:

CAPITAL ASSET ADDITIONS (In Millions)	
Westside Water Tank and Water Improvements	\$ 0.9
Beaver Creek Trunk Line	0.5
Little Choctawhatchee Expansion	0.8
Equipment (Includes Electric, Water and Sewer)	0.1
Vehicles	0.9
Easements	0.2
Beaver Creek Decommissioning	0.5
Long-term Flow Monitoring System	0.3
Substation Improvements	0.7
	<u>\$ 4.9</u>

- **BEAVER CREEK TRUNK LINE**

The Beaver Creek Trunk Line project consisting of 21,000 feet of 48-inch sewer line to transfer wastewater from the present Beaver Creek Wastewater Treatment Plant to the Little Choctawhatchee Wastewater

Treatment Plant was estimated to cost \$10,000,000. The engineering effort was completed by Barge, Waggoner, Sumner and Cannon, Inc.; fees totaled \$1,002,849. Project design specifications and drawings were completed, and a contract was issued in fiscal year 2010 to Eutaw Construction Company, Inc.; costs to date are \$7,806,289. The project was funded with State Revolving Loan funds which include American Recovery and Reinvestment Act funds. The project was completed December 2012.

- **BEAVER CREEK WASTEWATER TREATMENT PLANT DECOMMISSIONING**

The Beaver Creek Wastewater Treatment Plant Decommissioning project was estimated to cost \$1,000,000. The engineering effort was completed by Barge, Waggoner, Sumner and Cannon, Inc.; fees totaled \$132,489. Project design specifications and drawings were completed, and a contract was awarded to National Salvage and Service in fiscal year 2012 for \$515,400 but the final contract price was \$470,700. The project was completed December 2012.

- **LITTLE CHOCTAWHATCHEE WASTEWATER TREATMENT PLANT UPGRADE**

The Little Choctawhatchee Wastewater Treatment Plant Upgrade project consists of increasing the plant treatment capacity to 12 million gallons per day and hydraulic capacity to 39 million gallons per day to accommodate existing and future flows for both the Little Choctawhatchee basin and the Beaver Creek basin and converting to ultraviolet light disinfection which is estimated to cost \$29,500,000. The engineering efforts were completed by Polyengineering, Inc. with fees costing \$1,904,075. Project design specifications and drawings were completed and the contract was issued to WC Haley and Company for \$26,164,314 in September 2009, plus additional \$198,832 and \$163,864 change orders for a total of \$26,527,010. The project is being funded with proceeds from the 2009 General Obligation Warrant and State Revolving Loan funds. The expected completion date is June 2013.

- **WESTSIDE WATER TANK AND CONNECTING MAIN**

The Westside Water Tank and Connecting Main project began in 2009. The engineering effort was completed by Polyengineering, Inc.; fees were \$445,000. The contract for the construction of a 1.5 million gallon water tank was awarded to Coldwell Tanks in the amount of \$2,179,342 in November 2009; total cost was \$2,179,412. The contract for the connecting main was awarded to Mark Davis Construction in November 2009 in the amount of \$427,529; all funds have been expended. The project was completed in March 2012.

- **PINHOOK CREEK SANITARY SEWER LINE PROJECT**

The Pinhook Creek Sanitary Sewer Line project consisting of approximately 1000 feet of 12 inch ductile iron sewer pipe mounted on piers crossing Beaver Creek began in 2011. The engineering effort is underway by Northstar Engineering Services, Inc.; fees are expected to cost \$91,950 with \$56,520 expended to date. A contract was awarded to L & K Contracting Company, Inc. in fiscal year 2012 for \$402,572. The project is estimated to cost \$691,950 and is being funded with State Revolving Loan funds.

- **BEAVER CREEK BASIN SEWER REHAB PROJECT**

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or cured-in-place lining of various-sized sanitary sewer lines in Sewer Basin 3, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$39,520 expended to date. The project is estimated to cost \$1,242,000 and is being funded with State Revolving Loan funds.

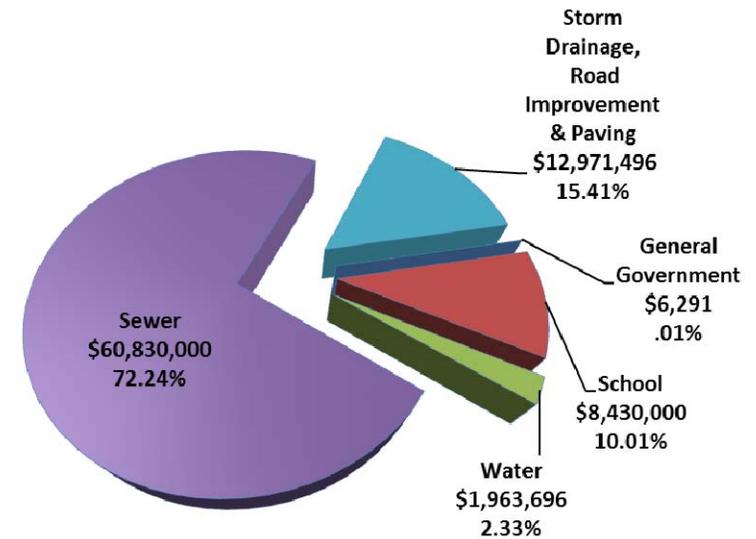
- **DENTON ROAD WIDENING**

The City began widening Denton Road in 2012. A contract was awarded to CDG Engineers and Associates, Inc. in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$92,386 has been expended to date.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land and Easements	\$ 10,088	\$ 11,480	\$ 2,954	\$ 2,757	\$ 13,042	\$ 14,237
Buildings	80,759	80,736	4,602	4,602	85,361	85,338
Improv. other than Bldgs.	39,517	39,363	145,830	144,499	185,347	183,862
Machinery & Equipment	43,192	40,355	10,773	10,144	53,965	50,499
Infrastructure	451,416	450,785			451,416	450,785
Construction in Progress	155	54	47,787	45,902	47,942	45,956
Total Capital Assets	<u>\$625,127</u>	<u>\$622,773</u>	<u>\$211,946</u>	<u>\$207,904</u>	<u>\$837,073</u>	<u>\$830,677</u>

Outstanding Debt as of September 30



Additional information on the City of Dothan's capital assets can be found in note IV. D on pages 45-47 of this report.

Debt Outstanding

As of the fiscal year end, the City of Dothan had \$84,201,483 in gross debt outstanding compared to \$82,212,824 last fiscal year end; thus, increasing debt by \$1,988,659 (2.42%) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, water and sewer purposes are exempt from the legal debt limit. The current constitutional debt limitation for the City of Dothan is \$179,695,950, which is significantly in excess of the City of Dothan's outstanding general obligation debt.

	2012	2011	2010
General Government	\$ 6,291	\$ 1,115,700	\$ 3,277,405
School	8,430,000	9,250,000	10,025,000
Sewer	60,830,000	57,120,000	59,103,014
Storm Drainage Road Imp & Paving	12,971,496	12,685,000	13,550,000
Water	1,963,696	2,042,124	2,098,465
TOTAL	<u>\$84,201,483</u>	<u>\$82,212,824</u>	<u>\$88,053,884</u>

DOTHAN’S RATINGS FOR GENERAL OBLIGATION DEBT:

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

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

An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2012 is 5.72% (total debt service expenditures were \$4,687,532 and total expenditures were \$81,945,680).

In 2012, the City of Dothan issued general obligation (G/O) warrants as follows:

- November 1, 2011 ~ \$7,170,000
 - Issued a G/O warrant for sanitary sewer enhancements for the Rock Creek Trunk Line rehabilitation and to adhere to requirements as stated in an administrative consent decree order.
 - Monies will be reimbursed in twenty years through the state revolving loan process of the Alabama Department of Environmental Management (ADEM) at an interest rate of 2.90%.
- January 18, 2012 ~ \$31,750,000
 - Refinanced a twenty year G/O, let in 2009 at 4.33%, that originally provided \$24,250,000 to decommission Beaver Creek Wastewater Treatment Plant and expand Little Choctawhatchee Wastewater Treatment Plant and provided \$5,500,000 for intersection, bridge and road repair.
 - The refinancing provided \$2,000,000 in additional proceeds to resurface South Saint Andrews Street and reduced the warrant to fifteen years at 3.19%.

Economic Factors

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

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

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

The City Commission set downtown revitalization as one of its major priorities. The Dothan Downtown Redevelopment Authority (DDRA) is dealing with dilapidated structures for the City on Main Street and cleaning up other areas of downtown, such as Foster Street. The City partnered with Houston County to purchase property in order to make room for the renovation and expansion of the existing library located downtown. As the Master Plan for Downtown unfolds and interest builds in downtown redevelopment, the City will need to provide annual funding to the DDRA for downtown infrastructure improvements to provide the catalyst for these redevelopment efforts.

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

The past few years have been challenging for all levels of government including Dothan. Approximately 71% of Dothan's general fund revenues are generated by sales tax and while the 2012 collections were above 2011 numbers, they were significantly lower (\$1,187,557) than the 2008 collections. The economic downturn has had a significant impact on Dothan and the local economy. However, 2012 provided signs of recovery. Unemployment decreased by one percent and the City's major tax source, sales tax, showed signs of improvement. Over the past three years the City's staff has done an exceptional job of controlling costs. Throughout the recession, the City maintained its financial integrity.

Additionally, the City Commission continues to work diligently with consultant, Lyle Sumek, to set priorities for major programs

undertaken by the City while revisiting the Strategic Plan each year. This Strategic Plan provides a sense of unity, direction, and vision for the City's future. Most of our accomplishments since 2006 were initiated in this process.

Obviously, the City's effort to live within the constraints of available revenue has delayed many critical budgeted items. Staff has developed a plan for addressing the most pressing needs. The departments are required to annually update a listing of all needs including facility repairs and maintenance, rolling fleet, equipment, computer related needs, resurfacing, road and bridge repairs, storm sewer and sanitary sewer needs, infrastructure needs, etc. Contingent on the availability of funding and based on the identified need, priorities are set to insure critical items are addressed. Resurfacing is a major need and annually the City has maintained funding for this program; however, at the current rate it will take seven years to get to the point where the City should be. There are numerous intersections and road improvements that the City anticipates to fund, and our City continues to grow which will produce the need for adequate revenue. Additionally, over the past few years employees have shared in the efforts to control costs and strides have been made in adjusting salaries. Increases were not provided until a performance pay adjustment in August 2011 and May 2012. However long term, the City must maintain a competitive pay structure to attract and sustain quality employees. Dothan must continue to deal with inflationary and market salary issues on a regular basis.

Financial Information Contact

The City of Dothan's financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the public assets under its management. If you have questions about the report or need additional financial information, contact the City's Finance Director, Angela T. Palmer, at 126 North Saint Andrews Street, Room 110 of the Dothan Civic Center, Dothan, Alabama 36303. Updated financial information about the City can also be obtained by accessing the City's web site at www.dothan.org.

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THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 42,658,023	\$ 32,301,048	\$ 74,959,071
Receivables	6,564,976	8,526,477	15,091,453
Due from other governments	370,149	13,052,764	13,422,913
Internal balances	95,565	(95,565)	-
Inventories, at cost	373,624	2,590,286	2,963,910
Deferred charges	206,853	337,215	544,068
Capital assets (See Note IV-D):			
Non-depreciable	10,243,161	50,741,076	60,984,237
Depreciable, net	75,760,696	74,233,602	149,994,298
Total Assets	136,273,047	181,686,903	317,959,950
LIABILITIES:			
Vouchers/accounts payable	2,196,117	7,207,418	9,403,535
Accrued liabilities	5,430,152		5,430,152
Accrued interest payable	76,868	197,043	273,911
Payable to other governments	292,209		292,209
Customer deposits	437,555	4,606,352	5,043,907
Unearned revenue	740	79,006	79,746
Non-Current Liabilities:			
Due within one year	6,072,525	8,724,667	14,797,192
Due in more than one year	34,542,725	61,223,585	95,766,310
Total Liabilities	49,048,891	82,038,071	131,086,962
NET ASSETS:			
Invested in capital assets, net of debt	65,697,028	73,139,869	138,836,897
Restricted for:			
Street and bridge maintenance	1,377,477		1,377,477
Education	513,370		513,370
Unrestricted	19,636,281	26,508,963	46,145,244
Total Net Assets	\$ 87,224,156	\$ 99,648,832	\$ 186,872,988

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, 2012

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	\$ 11,037,383	\$ 3,340,348	\$ 107,320	\$	\$ (7,589,715)	\$	\$ (7,589,715)
Public safety	32,058,857	2,034,082	28,720	180,360	(29,815,695)		(29,815,695)
Public works	16,805,008			1,219,643	(15,585,365)		(15,585,365)
Planning and development	1,813,546	436,958			(1,376,588)		(1,376,588)
Health and welfare	3,001,400				(3,001,400)		(3,001,400)
Culture and recreation	9,051,421	2,155,359			(6,896,062)		(6,896,062)
General services	4,110,320				(4,110,320)		(4,110,320)
Insurance department	805,007				(805,007)		(805,007)
Education	4,536,041				(4,536,041)		(4,536,041)
Interest/fiscal charges on long-term debt	942,630				(942,630)		(942,630)
Total Governmental Activities	84,161,613	7,966,747	136,040	1,400,003	(74,658,823)	-	(74,658,823)
Business-Type Activities:							
Utility	98,623,701	111,423,855		195,213		12,995,367	12,995,367
E-911	697,763	1,278,007				580,244	580,244
Total Business-Type Activities	99,321,464	112,701,862	-	195,213	-	13,575,611	13,575,611
Total Primary Government	\$ 183,483,077	\$ 120,668,609	\$ 136,040	\$ 1,595,216	\$ (74,658,823)	\$ 13,575,611	\$ (61,083,212)

(Continued on page 19)

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, 2012

	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General Revenues:			
Taxes:			
General property tax	\$ 4,487,450	\$	\$ 4,487,450
General sales and use tax	57,265,598		57,265,598
Alcoholic beverage tax	1,210,013		1,210,013
Lodging tax	1,565,896		1,565,896
Franchise tax	2,248,294		2,248,294
Cigarette tax	294,300		294,300
Grants and contributions not restricted to specific programs	1,835,591	196,188	2,031,779
Unrestricted investment earnings	179,658	106,013	285,671
Miscellaneous	2,498,704	1,056,759	3,555,463
Transfers	6,101,827	(6,101,827)	-
Special Items - contribution of property to Houston-Love Memorial Library	<u>(1,427,363)</u>		<u>(1,427,363)</u>
Total General Revenues, Special Items, and Transfers	<u>76,259,968</u>	<u>(4,742,867)</u>	<u>71,517,101</u>
Change in Net Assets	1,601,145	8,832,744	10,433,889
Net Assets - Beginning	<u>85,623,011</u>	<u>90,816,088</u>	<u>176,439,099</u>
Net Assets - Ending	<u>\$ 87,224,156</u>	<u>\$ 99,648,832</u>	<u>\$ 186,872,988</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, 2012

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and cash equivalents	\$ 40,127,708	\$ 23	\$ 2,016,832	\$ 513,460	\$ 42,658,023
Receivables:					
Taxes	8,488,338				8,488,338
Accounts	1,902,369				1,902,369
Special assessments		8,704			8,704
Accrued interest	57	719			776
Due from other funds	95,565				95,565
Due from other governments	370,149				370,149
Inventories, at cost	373,624				373,624
Total Assets	51,357,810	9,446	2,016,832	513,460	53,897,548
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Vouchers/accounts payable	2,196,027			90	2,196,117
Accrued liabilities	5,430,152				5,430,152
Payable to other governments	292,209				292,209
Customer deposits	437,555				437,555
Deferred revenue/income	3,835,951	8,704			3,844,655
Total Liabilities	12,191,894	8,704	-	90	12,200,688
Fund Balances:					
Nonspendable:					
Inventories	373,624				373,624
Restricted for:					
Debt service		742			742
Street and bridge maintenance	1,377,477		2,016,832		3,394,309
Education				513,370	513,370
Committed for:					
Information technology equipment	18,188				18,188
Public safety programs	336,533				336,533
Public works projects	2,193,235				2,193,235
Planning and community development	691,645				691,645
Culture and recreation	2,235,366				2,235,366
Facility maintenance	7,037				7,037
Debt service	1,000,000				1,000,000
Landfill projects	1,000,000				1,000,000
OPEB obligation	500,000				500,000
Storm drainage	250,000				250,000
Assigned to:					
Economic development projects	358,980				358,980
Public safety programs	186,834				186,834
Public works projects	1,778,921				1,778,921
Culture and recreation	835,034				835,034
Facility maintenance	104,486				104,486
Debt service	85,683				85,683
Self insurance claims	6,373,100				6,373,100
Landfill projects	5,175,122				5,175,122
OPEB obligation	10,090				10,090
Storm drainage	250,360				250,360
Unassigned	14,024,201				14,024,201
Total Fund Balance	39,165,916	742	2,016,832	513,370	41,696,860
Total Liabilities and Fund Balances	\$ 51,357,810	\$ 9,446	\$ 2,016,832	\$ 513,460	\$ 53,897,548

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, 2012

Total Fund Balances - Governmental Funds		\$ 41,696,860
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 625,126,837	
Less: Depreciation expense to date	<u>(539,122,980)</u>	86,003,857
Because the focus of governmental funds is on short-term financing, some long-term assets will not be available to pay for current period expenditures. Those assets (cash or receivables, for example) are considered deferred revenues in the governmental funds, and thus are not included in fund balance.		
Adjustment of receivables - property taxes	(3,835,211)	
Adjustment of deferred revenue - property taxes	3,835,211	
Adjustment of deferred revenue - special assessment	<u>8,704</u>	8,704
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
		(40,615,250)
Deferred charges relating to long-term bonds payable		
		206,853
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		<u>(76,868)</u>
Total Net Assets - Governmental Activities		<u>\$ 87,224,156</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, 2012

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 66,777,251	\$	\$	\$ 294,300	\$ 67,071,551
Licenses and permits	3,708,243				3,708,243
Intergovernmental revenues	3,319,333				3,319,333
Charges for services	2,259,787				2,259,787
Fines and forfeitures	1,998,717				1,998,717
Special assessments		53,126			53,126
Interest income	179,257	6,574	5,464	386	191,681
Miscellaneous	2,506,055	198			2,506,253
Total Revenues	<u>80,748,643</u>	<u>59,898</u>	<u>5,464</u>	<u>294,686</u>	<u>81,108,691</u>
EXPENDITURES:					
Current:					
General government	9,155,464				9,155,464
Public safety	29,314,212				29,314,212
Public works	12,489,274		307,617		12,796,891
Planning and development	1,822,479				1,822,479
Health and welfare	2,987,149				2,987,149
Culture and recreation	8,280,689				8,280,689
General services	3,889,251				3,889,251
Insurance department	805,007				805,007
Intergovernmental				3,894,777	3,894,777
Capital outlay	4,312,229				4,312,229
Debt service:					
Principal retirement		3,642,914			3,642,914
Interest and fiscal charges		1,044,618			1,044,618
Total Expenditures	<u>73,055,754</u>	<u>4,687,532</u>	<u>307,617</u>	<u>3,894,777</u>	<u>81,945,680</u>
Excess of Revenues over (under) Expenditures	<u>\$ 7,692,889</u>	<u>\$ (4,627,634)</u>	<u>\$ (302,153)</u>	<u>\$ (3,600,091)</u>	<u>\$ (836,989)</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, 2012

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	\$ (2,188,200)	\$ 4,626,401	\$	\$ 3,663,626	\$ 6,101,827
Issuance of debt			2,000,000		2,000,000
Total Other Financing Sources (Uses)	<u>(2,188,200)</u>	<u>4,626,401</u>	<u>2,000,000</u>	<u>3,663,626</u>	<u>8,101,827</u>
Net Changes in Fund Balance	5,504,689	(1,233)	1,697,847	63,535	7,264,838
Fund Balances, Beginning	<u>33,661,227</u>	<u>1,975</u>	<u>318,985</u>	<u>449,835</u>	<u>34,432,022</u>
Fund Balances, Ending	<u>\$ 39,165,916</u>	<u>\$ 742</u>	<u>\$ 2,016,832</u>	<u>\$ 513,370</u>	<u>\$ 41,696,860</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, 2012

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

Net Change in Fund Balances - Total Governmental Funds	\$ 7,264,838
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(4,454,185)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(1,389,053)
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.	(58,707)
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.	1,726,807
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>(1,488,555)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,601,145</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, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 29,025,149	\$ 3,275,899	\$ 32,301,048
Accounts receivable	8,400,315	126,162	8,526,477
Due from other governments	13,052,764		13,052,764
Inventories, at cost	2,590,286		2,590,286
Total Current Assets	53,068,514	3,402,061	56,470,575
Non-Current Assets:			
Deferred charges	337,215		337,215
Capital Assets:			
Land	2,953,637		2,953,637
Buildings	4,601,490		4,601,490
Improvements other than buildings	145,817,583	12,187	145,829,770
Machinery and equipment	8,512,723	2,261,108	10,773,831
Accumulated depreciation	(84,950,297)	(2,021,192)	(86,971,489)
Construction in progress	47,787,439		47,787,439
Total Capital Assets (net of accumulated depreciation)	124,722,575	252,103	124,974,678
Total Non-Current Assets	125,059,790	252,103	125,311,893
Total Assets	178,128,304	3,654,164	181,782,468
LIABILITIES:			
Current Liabilities:			
Vouchers/accounts payable	7,174,056	33,362	7,207,418
Due to other funds	95,565		95,565
Accrued interest payable	197,043		197,043
Pollution remediation obligation	4,126,351		4,126,351
Compensated absences	539,619		539,619
Customer deposits	4,606,352		4,606,352
Unearned revenue	79,006		79,006
Bonds payable - current	4,055,000		4,055,000
Capital leases payable - current	3,697		3,697
Total Current Liabilities	\$ 20,876,689	\$ 33,362	\$ 20,910,051

(Continued on page 26)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
Non-Current Liabilities:			
Compensated absences	\$ 117,855	\$	\$ 117,855
Pollution remediation obligation	2,249,510		2,249,510
Bonds payable (net of unamortized bond issue costs)	58,856,220		58,856,220
Total Non-Current Liabilities	61,223,585	-	61,223,585
Total Liabilities	82,100,274	33,362	82,133,636
NET ASSETS:			
Invested in capital assets, net of debt	72,887,766	252,103	73,139,869
Unrestricted	23,140,264	3,368,699	26,508,963
Total Net Assets	\$ 96,028,030	\$ 3,620,802	\$ 99,648,832

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, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
OPERATING REVENUES:			
Charges for services	\$ 111,423,855	\$ 1,278,007	\$ 112,701,862
OPERATING EXPENSES:			
Electric department	77,473,768		77,473,768
Water department	4,745,412		4,745,412
Sewer department	5,949,634		5,949,634
Billing - collection department	1,963,121		1,963,121
Meter reading department	768,870		768,870
Depreciation	5,530,113	104,828	5,634,941
Miscellaneous		592,935	592,935
Total Operating Expenses	96,430,918	697,763	97,128,681
Operating Income (Loss)	14,992,937	580,244	15,573,181
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental	195,213		195,213
Interest revenue	95,218	10,795	106,013
Miscellaneous revenue	910,666	146,093	1,056,759
Bond issue costs	(47,485)		(47,485)
Interest and fiscal charges	(2,145,298)		(2,145,298)
Total Nonoperating Revenues (Expenses)	(991,686)	156,888	(834,798)
Income (Loss) Before Contributions and Transfers	14,001,251	737,132	14,738,383
Capital contributions	196,188		196,188
Transfers (out)	(6,101,827)		(6,101,827)
Change in Net Assets	8,095,612	737,132	8,832,744
Total Net Assets - Beginning	87,932,418	2,883,670	90,816,088
Total Net Assets - Ending	\$ 96,028,030	\$ 3,620,802	\$ 99,648,832

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, 2012

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	E-911	TOTAL
CASH FLOWS FROM OPERATIONS:			
Receipts from customers	\$ 110,436,255	\$ 1,249,726	\$ 111,685,981
Payments to suppliers	(82,727,446)	(589,592)	(83,317,038)
Payments to employees	(11,470,769)		(11,470,769)
Other receipts (payments)	894,846	146,093	1,040,939
Net Cash Provided by (Used in) Operating Activities	<u>17,132,886</u>	<u>806,227</u>	<u>17,939,113</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers (out)	<u>(6,101,827)</u>		<u>(6,101,827)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from federal grants	195,213		195,213
Proceeds from capital debt	7,170,000		7,170,000
Acquisition and construction of capital assets	(4,306,394)	(48,015)	(4,354,409)
Principal paid on bond maturities and capital leases	(3,538,427)		(3,538,427)
Interest paid on bonds and notes payable	(2,118,860)		(2,118,860)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,598,468)</u>	<u>(48,015)</u>	<u>(2,646,483)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends on investments	<u>95,218</u>	<u>10,795</u>	<u>106,013</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,527,809	769,007	9,296,816
Cash and Cash Equivalents at Beginning of Year	<u>20,497,340</u>	<u>2,506,892</u>	<u>23,004,232</u>
Cash and Cash Equivalents at End of Year	<u>\$ 29,025,149</u>	<u>\$ 3,275,899</u>	<u>\$ 32,301,048</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, 2012

	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)	\$ 14,992,937	\$ 580,244	\$ 15,573,181
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	5,530,113	104,828	5,634,941
(Increase) decrease in accounts receivable	(1,010,252)	(28,281)	(1,038,533)
(Increase) decrease in due from other governments	(3,181,923)		(3,181,923)
(Increase) decrease in inventory	(421,834)		(421,834)
Increase (decrease) in vouchers and accounts payable	(41,202)	3,343	(37,859)
Increase (decrease) in due to other funds	(222,487)		(222,487)
Increase (decrease) in compensated absences	(29,684)		(29,684)
Increase (decrease) in pollution remediation obligation	747,061		747,061
Increase (decrease) in customer deposits	22,652		22,652
Increase (decrease) in unearned revenue	(147,341)		(147,341)
Other miscellaneous revenues	894,846	146,093	1,040,939
Total Adjustments	2,139,949	225,983	2,365,932
Net Cash Provided by (Used In) Operating Activities	\$ 17,132,886	\$ 806,227	\$ 17,939,113
 NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Contributions of capital assets from local developers	\$ 196,188		

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, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

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

B. Basic Financial Statements – GASB Statement No. 34

While separate government-wide and fund financial statements are presented, they are interrelated. The City's government-wide financial statements provide both short-term and long-term information about the City's overall financial status. Fund financial statements focus on the individual activities of City government, reporting the City's operations in more detail than the government-wide financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 report 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.

C. Basis of Presentation

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

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

The City uses the following fund categories and fund types:

1. Governmental Funds

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

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

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

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

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 City 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 City’s policy to use restricted resources first, and then unrestricted resources as they are needed.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

3. Non-Current Governmental Assets/Liabilities

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

D. Basis of Accounting

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

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

1. Accrual

Revenues are recognized 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 City considers revenues to be available if they are collected within sixty (60) days from the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

3. Revenues Susceptible to Accrual

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

3. Inventories

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

4. Restricted Assets

There were no restricted assets as of September 30, 2012.

5. Capital Assets

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

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

6. *Compensated Absences*

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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

8. Fund Equity

Fund Balance Classification: The City implemented the provisions of GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. The City has classified Inventories as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified the State Gasoline Excise Tax funds as being restricted because their use is restricted by State Statute for street, highway, road or bridge enhancement project expenditures. Debt service resources are to be used for future servicing of bonded debt and are restricted through debt covenants. Infrastructure Capital Projects that are restricted through a debt covenant are legally segregated for funding of infrastructure improvements. Finally, the special revenue school fund accounts for a special tax levied and is therefore restricted for the City School System and payments made for the School System from City funds.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. Formal actions include ordinances and resolutions. Ordinances are typically permanent while resolutions are used for one time transactions with designated time frames. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City also committed specified amounts of resources for Debt service, Landfill projects, OPEB obligation and Storm drainage.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. This classification also would include the remaining positive fund balance for all governmental funds except for the General Fund. The City has assigned funds for Other Capital Projects.
- Unassigned: This classification includes the residual fund balance not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 20).

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

F. Interfund Transactions

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

G. Unbilled Utility Receivables

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$6,737,373 reported as landfill closure and postclosure care liability at September 30, 2012, represents the cumulative amount reported to date based on the use of 91 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$667,627 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. The City of Dothan expects to expand the current landfill by the end of fiscal year 2014, and estimates the remaining life of the current landfill to be approximately twenty eight (28) months. 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 are maintained as budgetary funds. The City of Dothan adopts a biennial budget through passage of a resolution by the Board of Commissioners. Budgetary control is exercised at the department level. The City Manager is authorized to amend the budgets during the fiscal year in order to execute the policies and planning encompassed therein provided that the total appropriation for a department and the fund is not changed, and amendments affecting capital outlay do not exceed \$10,000 in any one instance or cause. The City Manager is also authorized to approve any change to correct an error, provided the fund total does not change. Any increase in overall expenditures must be approved by the Board of Commissioners. The Board of Commissioners may amend the budget at any time during the year and significant amendments are made throughout the fiscal year. During the year, several supplemental appropriations were necessary in the amount of \$12,343,946. The original budget of the City consists of operating expenditures and does not include capital projects. This is the reason for the significant amount of supplemental appropriations.

Budgets are prepared or adopted in conformance with generally accepted accounting principles. All unencumbered appropriations lapse at year end. Reported budget amounts are as originally adopted or as amended by the Commission by resolution or by the City Manager through routine budget amendments.

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

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

2. Encumbrances

The City uses encumbrance accounting for budgetary control purposes. Outstanding encumbrances, which are outstanding purchase orders, contracts, and other commitments, are not treated as expenditures in the operating statements but instead reflect as a reservation of fund balance for expenditure or liquidation in the subsequent fiscal year.

B. Excess of Expenditures Over Appropriations in Individual Funds

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

C. Deficit Fund Equity

As of September 30, 2012, 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 (\$40,615,250) are as follows:

Bonds payable	(\$22,317,371)
Estimated cost of closure and postclosure of landfill	(6,737,373)
Compensated absences	(2,942,748)
Capital leases	(6,290)
Net OPEB obligation	<u>(8,611,468)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$40,615,250)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 (\$4,454,185) difference are as follows:

Capital outlay	\$4,312,229
Depreciation expense	<u>(8,766,414)</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>(\$4,454,185)</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 (\$1,389,053) 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.	\$ 38,310
The statement of activities reports capital contribution of existing capital assets to nonprofits or other governmental entities. Conversely, governmental funds do not report any loss on a deletion of capital assets.	<u>(1,427,363)</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>(\$1,389,053)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,726,807 difference are as follows:

Issuance of debt	(\$2,000,000)
Principal repayments:	
General obligation debt and capital leases	3,642,914
Net change in unamortized bond premium, discount, and issue costs	<u>83,893</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>\$1,726,807</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 (\$1,488,555) difference are as follows:

Compensated absences	\$ 30,584
Estimated cost of closure and postclosure	(283,207)
Accrued interest	18,095
Net OPEB obligation	<u>(1,254,027)</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>(\$1,488,555)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the City's carrying amount of deposits was \$74,959,071 and the total bank balance was \$75,604,250. Of the bank balance, \$1,250,000 was covered by federal depository insurance. Of the remaining balance, \$74,354,250 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 City 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 City'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, 2012, \$74,351,250 of the City's bank balance of \$75,604,250 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 City's name.

B. Receivables

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

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>UTILITY FUND</u>	<u>E-911 FUND</u>	<u>TOTAL</u>
Receivables:					
Taxes	\$ 8,488,388	\$	\$	\$	\$ 8,488,388
Accounts	1,902,369		8,400,315	126,162	10,428,846
Special assessments		8,704			8,704
Interest	<u>57</u>	<u>719</u>			<u>776</u>
Total	<u>\$ 10,390,814</u>	<u>\$ 9,423</u>	<u>\$ 8,400,315</u>	<u>\$ 126,162</u>	<u>\$ 18,926,714</u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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:

	UNAVAILABLE	UNEARNED
Property taxes receivable (general fund)	\$ 3,835,211	\$
Special assessments not yet due (debt service fund)	8,704	
Business licenses and certain other resources that have been received, but not yet earned		740
Total deferred/unearned revenue for governmental funds	\$ 3,843,915	\$ 740

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, 2012, there were property taxes receivable and deferred revenue of \$3,835,211 that does not become earned until October 1, 2012 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, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land and easements	\$ 11,479,608	\$ 35,622	\$ (1,427,363)	\$ 10,087,867
Construction in progress	54,671	100,623		155,294
Total capital assets, not being depreciated	<u>11,534,279</u>	<u>136,245</u>	<u>(1,427,363)</u>	<u>10,243,161</u>
Capital assets, being depreciated:				
Buildings	80,735,935	22,908		80,758,843
Improvements other than buildings	39,362,706	154,005		39,516,711
Machinery and equipment	40,355,289	3,453,283	(616,589)	43,191,983
Infrastructure	450,784,964	631,175		451,416,139
Total capital assets, being depreciated	<u>611,238,894</u>	<u>4,261,371</u>	<u>(616,589)</u>	<u>614,883,676</u>
Less accumulated depreciation for:				
Buildings	49,762,261	1,610,017		51,372,278
Improvements other than buildings	20,154,475	1,515,662		21,670,137
Machinery and equipment	30,576,592	3,589,320	(569,512)	33,596,400
Infrastructure	430,432,750	2,051,415		432,484,165
Total accumulated depreciation	<u>530,926,078</u>	<u>8,766,414</u>	<u>(569,512)</u>	<u>539,122,980</u>
Total capital assets, being depreciated, net	<u>80,312,816</u>	<u>(4,505,043)</u>	<u>(47,077)</u>	<u>75,760,696</u>
Governmental activities capital assets, net	<u>\$ 91,847,095</u>	<u>\$ (4,368,798)</u>	<u>\$ (1,474,440)</u>	<u>\$ 86,003,857</u>

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 and easements	\$ 2,757,449	\$ 196,188	\$	\$ 2,953,637
Construction in progress	45,901,579	2,314,593	(428,733)	47,787,439
Total capital assets, not being depreciated	<u>48,659,028</u>	<u>2,510,781</u>	<u>(428,733)</u>	<u>50,741,076</u>
Capital assets, being depreciated:				
Buildings	4,601,490			4,601,490
Improvements other than buildings	144,499,201	1,402,870	(72,301)	145,829,770
Machinery and equipment	10,144,916	1,065,678	(436,763)	10,773,831
Total capital assets, being depreciated	<u>159,245,607</u>	<u>2,468,548</u>	<u>(509,064)</u>	<u>161,205,091</u>
Less accumulated depreciation for:				
Buildings	2,338,870	134,723		2,473,593
Improvements other than buildings	70,795,795	4,837,344	(72,301)	75,560,838
Machinery and equipment	8,710,948	662,874	(436,764)	8,937,058
Total accumulated depreciation	<u>81,845,613</u>	<u>5,634,941</u>	<u>(509,065)</u>	<u>86,971,489</u>
Total capital assets, being depreciated, net	<u>77,399,994</u>	<u>(3,166,393)</u>	<u>1</u>	<u>74,233,602</u>
Business-type activities capital assets, net	<u>\$ 126,059,022</u>	<u>\$ (655,612)</u>	<u>\$ (428,732)</u>	<u>\$ 124,974,678</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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	\$ 607,451
Public safety	2,750,256
Public works, including depreciation of general infrastructure assets	3,748,664
Health and welfare	14,251
Culture and recreation	768,958
General services	235,570
Schools	<u>641,264</u>
Total depreciation expense - governmental activities	<u><u>\$ 8,766,414</u></u>

Business-type activities:

Utility (other than electric)	\$ 4,013,315
Electric	1,516,798
E-911	<u>104,828</u>
Total depreciation expense - business-type activities	<u><u>\$ 5,634,941</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The interfund transfers were as follows:

Transfer out:	Transfer in:			Total
	General Fund	Debt Service Fund	Nonmajor Governmental	
General Fund	\$ 208,200	\$ 1,000,000	\$ 980,000	\$ 2,188,200
Utility Fund	(208,200)	3,626,401	2,683,626	6,101,827
Total Transfer Out	<u>\$ -</u>	<u>\$ 4,626,401</u>	<u>\$ 3,663,626</u>	<u>\$ 8,290,027</u>

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

F. Net Assets

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

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

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

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

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

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

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

ANALYSIS OF INVESTMENT IN CAPITAL ASSETS, NET OF DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
Infrastructure - Governmental				
2005 G/O Series	\$ 6,696,896	\$	\$ 6,696,896	
2009 G/O Series - Refinanced	6,666,496	2,016,832	4,649,664	
Total Infrastructure - Governmental	13,363,392	2,016,832	11,346,560	
Other Capital Assets - Governmental				
Capital Leases	6,290		6,290	
2005 G/O Refunding Series	8,953,979		8,953,979	
Total Other Capital Assets - Governmental	8,960,269	-	8,960,269	
Total Governmental Debt				\$ 20,306,829
Total Capital Assets			625,126,837	
Accumulated Depreciation			(539,122,980)	
Net Capital Assets				86,003,857
Investment in Capital Assets, net of related debt				\$ 65,697,028
Infrastructure - Proprietary				
1996B SRLFB	1,340,000		1,340,000	
2002 G/O Refunding Series	2,086,220		2,086,220	
2009 G/O Series - CWSRF-DL	9,735,000	1,316,572	8,418,428	
2009 G/O Series - Refinanced	24,250,000		24,250,000	
2009 G/O Series - CWSRF-ARRA-DL	2,575,000		2,575,000	
2009 G/O Series - DCWSRF-ARRA-DL	1,960,000		1,960,000	
2010-CWSRF-BL Sewer Warrant	6,560,000		6,560,000	
2010B-CWSRF-BL Sewer Warrant	3,840,000		3,840,000	
2011 G/O Series - CWSRF-DL	3,395,000	2,923,430	471,570	
2011 G/O Series - CWSRF-DL	7,170,000	6,840,106	329,894	
Capital leases	3,697		3,697	
Total Infrastructure - Proprietary	62,914,917	11,080,108	51,834,809	
Total Proprietary Debt				\$ 51,834,809
Total Capital Assets			211,946,167	
Accumulated Depreciation			(86,971,489)	
Net Capital Assets				124,974,678
Investment in Capital Assets, net of related debt				\$ 73,139,869

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases

1. Operating Leases

The City has entered into several lease agreements for operating purposes. These lease agreements qualify as operating leases for accounting purposes.

The future minimum lease payments are as follows:

<u>YEAR ENDING SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2013	\$ 40,071
2014	30,967
2015	20,348
2016	<u>8,230</u>
Total minimum lease payments	<u>\$ 99,616</u>

The rental expense for the above operating leases is \$47,479 for the year ended September 30, 2012.

2. Capital Leases

The City has entered into several lease agreements for financing the acquisition of office equipment with no down payments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

	<u>GOVERNMENTAL ACTIVITIES</u>
Office equipment	\$ 27,850
Less: Accumulated depreciation	<u>(6,442)</u>
Total	<u>\$ 21,408</u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012 were as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
2013	\$ 6,720	\$ 4,022
2014	<u>2,376</u>	<u> </u>
Total minimum lease payments	9,096	4,022
Less: Amount representing interest	<u>(2,806)</u>	<u>(325)</u>
Present value of minimum lease payments	<u>\$ 6,290</u>	<u>\$ 3,697</u>

H. Long-Term Debt

General Obligation Bonds

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

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

<u>PURPOSE</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Governmental activities	3.19%	\$ 6,666,496
Governmental activities – refunding	4.00 – 5.00%	14,735,000
Business-type activities	2.50 – 3.50%	59,485,000
Business-type activities – refunding	3.18 – 4.00%	<u>3,305,000</u>
		<u>\$84,191,496</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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>
2013	\$ 3,472,103	\$ 908,905	\$ 4,055,000	\$ 1,911,468
2014	3,616,994	765,764	2,160,000	1,831,862
2015	3,773,650	616,358	2,245,000	1,767,595
2016	3,433,749	460,130	2,823,379	1,700,833
2017	2,150,000	328,250	4,347,486	1,600,405
2018	2,255,000	220,750	4,199,784	1,466,412
2019	1,320,000	108,000	4,344,086	1,337,289
2020	1,380,000	55,200	4,495,456	1,203,753
2021			4,648,959	1,065,606
2022			4,809,665	922,733
2023			3,697,645	774,983
2024			3,812,972	654,993
2025			3,935,720	531,262
2026			4,065,968	403,536
2027			2,858,880	271,562
2028			1,595,000	199,661
2029			1,640,000	147,046
2030			1,700,000	92,939
2031			665,000	36,843
2032			690,000	16,973
TOTAL	<u>\$ 21,401,496</u>	<u>\$ 3,463,357</u>	<u>\$ 62,790,000</u>	<u>\$ 17,937,754</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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, 2012, 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	\$ 21,935,000	\$ 2,000,000	\$ (2,533,504)	\$ 21,401,496	\$ 3,472,103
Plus: Unamortized bond premium	1,033,305		(115,884)	917,421	
Less: Unamortized bond discount	(3,094)		1,548	(1,546)	
Total Bonds Payable	22,965,211	2,000,000	(2,647,840)	22,317,371	3,472,103
Capital leases	1,115,700		(1,109,410)	6,290	4,740
Estimated cost of closure and postclosure	6,454,166	283,207		6,737,373	
Compensated absences	2,973,332	232,799	(263,383)	2,942,748	2,595,682
Net OPEB obligation	7,357,441	1,796,895	(542,868)	8,611,468	
Governmental Activity Long-Term Liabilities	<u>\$ 40,865,850</u>	<u>\$ 4,312,901</u>	<u>\$ (4,563,501)</u>	<u>\$ 40,615,250</u>	<u>\$ 6,072,525</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 59,155,000	\$ 7,170,000	\$ (3,535,000)	\$ 62,790,000	\$ 4,055,000
Plus: Unamortized bond premium	141,052		(15,820)	125,232	
Less: Unamortized bond discount	(8,024)		4,012	(4,012)	
Total Bonds Payable	59,288,028	7,170,000	(3,546,808)	62,911,220	4,055,000
Capital leases	7,124		(3,427)	3,697	3,697
Compensated absences	687,158	48,444	(78,128)	657,474	539,619
Pollution remediation obligation	5,628,800	1,049,510	(302,449)	6,375,861	4,126,351
Business-Type Activity Long-Term Liabilities	<u>\$ 65,611,110</u>	<u>\$ 8,267,954</u>	<u>\$ (3,930,812)</u>	<u>\$ 69,948,252</u>	<u>\$ 8,724,667</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

On January 17, 2012, the City issued \$7,170,000 of general obligation warrants Series 2011-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer Enhancement Program. 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. As of September 30, 2012, \$329,894 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2012, there were \$6,840,106 remaining state revolving funds available.

On January 17, 2012, the City refinanced the 2009 G/O Series warrants and borrowed an additional \$2,000,000 for improvements to public streets. As of September 30, 2012, there were \$2,016,832 remaining funds available.

V. OTHER INFORMATION

A. Risk Management

The City is self-insured for employee medical insurance through a contract with Blue Cross and Blue Shield, Inc. The contract states that they will administer an employee health benefit plan for the City employees. The City actually pays the medical expenses for the employees through a wire transfer to Blue Cross and Blue Shield, Inc. Monies to pay these medical expenses are collected from the General Fund and Utility Fund by direct expenditures and employee withholdings. Blue Cross and Blue Shield, Inc. bills the City for claims that are due and then the City wires the funds to Blue Cross and Blue Shield, Inc. The risk of insurance coverage is now on the City. Blue Cross and Blue Shield, Inc. only administers the plan. They provide co-pay amounts for employees and they set fee limits for the medical charges, but the City is liable for all of the medical bills. The City pays Blue Cross and Blue Shield, Inc. an administrative fee which is charged to the appropriate fund. Each employee has a set annual maximum benefit for major medical benefits of \$1,830,000. In order to reduce exposure, the City has purchased stop loss reinsurance for any claims in excess of \$175,000 per covered person for the policy year. As of September 30, 2012, the City accrued \$734,427 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

The City became a self insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). An excess coverage insurance policy covers individual claims in excess of \$250,000. Expenditures are recognized in the General Fund for the amount determined to fund future claims. Corresponding revenues are recognized in the General Fund. As of September 30, 2012, the City accrued the actuarially determined undiscounted amount of \$3,685,000, which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City is also self-insured for workers compensation claims. An excess coverage insurance policy covers individual claims in excess of \$400,000, beginning October 1, 2012, in excess of \$750,000. The City has contracted with outside parties for claims administration. Expenditures are recognized in the General Fund for the amount determined to fund future claims. The revenues are recognized in the General Fund. As of September 30, 2012, the City accrued the actuarially determined undiscounted amount of \$827,000, which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The following is a summary of changes in the aggregate claims liability amount during fiscal years 2012 and 2011:

	2012	2011
Liability beginning balance	\$ 5,915,567	\$ 6,250,210
Claims and changes in estimates	9,391,259	8,610,932
Claim payments	(10,060,399)	(8,945,575)
Liability ending balance	\$ 5,246,427	\$ 5,915,567
Due in one year or less	\$ 5,246,427	\$ 5,915,567

B. Related Party Transactions

There were no material related party transactions to disclose.

C. Subsequent Events

On October 16, 2012, the City of Dothan approved Resolution No. 2012-265 entering into a Purchase Agreement for four (4) parcels of land constituting approximately 182 acres for \$5,000 per acre. The City of Dothan made an earnest money deposit of \$10,000 with the balance due at closing, which shall take place during fiscal year 2013. This land will be used for the expansion of the existing landfill.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

D. Contingent Liabilities

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

Pollution Remediation Obligation

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

The City has recorded a liability, which totals \$6,375,861 at September 30, 2012, to address the environmental issues associated with the wastewater treatment and collection system. The estimate of costs used to establish the liability was developed by engineers and City personnel for legal and site analysis necessary to address these issues. The liability was determined using the expected cash flow technique, which measured the liability as the sum of probability-weighted amounts within the range of possible amounts. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation liability does not reflect any recovery of outlays because the City does not anticipate that it will be able to recover any remediation costs from other parties. The City's ultimate liability is undeterminable at this time; however, it is expected to be material.

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

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

E. Postemployment Healthcare Plan

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

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

A retired employee who draws a monthly retirement check may elect to continue coverage through the Self-Funded Benefits' Plan. Eligibility for benefits terminates upon the retiree reaching the age of sixty-five (65) years, or becoming Medicare eligible. This applies to retirees that were hired prior to January 1, 2009.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

Retiree Premium Contributions. Retirees are required to pay the following premiums as of September 30, 2012:

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

The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended September 30, 2012, the City contributed \$542,868 to the plan and plan members receiving benefits contributed \$895,365.

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

Annual required contribution	\$1,774,449
Interest on net OPEB obligation	294,297
Adjustment to annual required contribution	(271,851)
Annual OPEB cost (expense)	1,796,895
Contributions made	(542,868)
Increase in net OPEB obligation	1,254,027
Net OPEB obligation – beginning of year	<u>7,357,441</u>
Net OPEB obligation – end of year	<u><u>\$8,611,468</u></u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

FISCAL YEAR ENDING	ANNUAL OPEB COST	PERCENTAGE ANNUAL OPEB COST CONTRIBUTED	NET OPEB OBLIGATION
09/30/09	\$ 2,696,202	23.49%	\$ 4,292,481
09/30/10	2,141,152	26.36%	5,869,161
09/30/11	2,027,003	26.58%	7,357,441
09/30/12	1,796,895	30.21%	8,611,468

Funded Status and Funding Progress. As of September 30, 2011, the most recent actuarial valuation date, the plan was 2.1 percent funded. The actuarial accrued liability for benefits was \$24,193,126, and the actuarial value of assets was \$508,095, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,685,031. The covered payroll (annual payroll of active employees covered by the plan) was \$38,646,631, and the ratio of the UAAL to the covered payroll was 61.29 percent.

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

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

In the September 30, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expense), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9.50 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2011 was thirty years.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

F. Employee Retirement System and Pension Plans

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

The City contributes to the Employees' Retirement System of Alabama ("System"), a qualified defined benefit plan which acts as a common investment and administrative agent for all State agencies and departments as well as for cities and counties which elect to participate in the System. The Retirement System issues a publicly available report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36104 or by calling (334) 517-7306.

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

Prior to January 1, 2012, covered employees were required by State statute to contribute five percent (5%) of their earnable compensation; fire fighters and law enforcement officers were required to contribute six percent (6%) of their earnable compensation to the System. Effective January 1, 2012, covered employees were required to contribute seven and quarter percent (7.25%) of their earnable compensation; fire fighters and law enforcement officers were required to contribute eight and quarter percent (8.25%) of their earnable compensation to the System. Effective October 1, 2012, covered employees are required to contribute seven and half percent (7.50%) of their earnable compensation; fire fighters and law enforcement officers are required to contribute eight and half percent (8.50%) of their earnable compensation to the System. Covered employees with a hire date on January 1, 2013 or later (Tier 2 employees) are required to contribute six percent (6%) of their earnable compensation; fire fighters and law enforcement officers are required to contribute seven percent (7%) of their earnable compensation to the system. The City is required by the same statute to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by the statute. The City's contribution rate for the year ended September 30, 2012 was 25.35% for the period October 1, 2011 through December 31, 2011 and 23.27% for the period January 1, 2012 through September 30, 2012 of covered payroll.

The City's annual pension cost of \$9,252,745 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2011 actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include: a) a rate of return on the investment of present and future assets of 8.0%, b) projected annual rate of salary increases ranging from 3.75% to 7.25%, based on age, and c) no cost-of-living adjustments. Both a) and b) included an inflation component of 3.00%. The actuarial value of the plan's assets was determined using the 5-year smoothed market value of investments. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2011, was 25 years. These assumptions were also used in the computation of actuarially determined contribution requirements.

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

F. Employee Retirement System and Pension Plans (Continued)

<u>FISCAL YEAR ENDING</u>	<u>ANNUAL PENSION COST (APC)</u>	<u>PERCENTAGE OF APC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION (NPO)</u>
09/30/09	\$ 9,747,034	100%	\$ 0
09/30/10	10,583,204	100%	0
09/30/11	10,397,858	100%	0

Funded Status

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Percentage of Covered Payroll ((b-a)/c)</u>
09/30/11	\$ 80,742,729	\$ 208,236,622	\$ 127,493,893	38.8%	\$ 39,148,926	325.7%

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments

1. Beaver Creek Trunk Line

The Beaver Creek Trunk Line Project consisting of 21,000 feet of 48-inch sewer line to transfer wastewater from the present Beaver Creek Wastewater Treatment Plant to the Little Choctawhatchee Wastewater Treatment Plant was estimated to cost \$10,000,000. The engineering effort was completed by Barge, Waggoner, Sumner and Cannon, Inc.; fees totaled \$1,002,849. Project design specifications and drawings were completed, and a contract was issued in Fiscal Year 2010 to Eutaw Construction Company, Inc.; costs to date are \$7,806,289. The project was being funded with State Revolving Loan funds which include American Recovery and Reinvestment Act funds. The project was completed December 2012.

2. Beaver Creek Wastewater Treatment Plant Decommissioning

The Beaver Creek Wastewater Treatment Plant Decommissioning project was estimated to cost \$1,000,000. The engineering effort was completed by Barge, Waggoner, Sumner and Cannon, Inc.; fees totaled \$132,489. Project design specifications and drawings were completed, and a contract was awarded to National Salvage and Service in Fiscal Year 2012 for \$515,400, but the final contract price was \$470,700. The project was completed December 2012.

3. Little Choctawhatchee Wastewater Treatment Plant Upgrade

The Little Choctawhatchee Wastewater Treatment Plant Upgrade project consists of increasing the plant treatment capacity to 12 million gallons per day and hydraulic capacity to 39 million gallons per day to accommodate existing and future flows for both the Little Choctawhatchee basin and the Beaver Creek basin and converting to ultraviolet light disinfection which is estimated to cost \$29,500,000. The engineering efforts were completed by Polyengineering, Inc. with fees costing \$1,904,075. Project design specifications and drawings were completed and the contract was issued to WC Haley and Company for \$26,164,314 in September 2009, plus additional \$198,832 and \$163,864 change orders for a total of \$26,527,010. The project is being funded with proceeds from the 2009 General Obligation Warrant and State Revolving Loan funds. The expected completion date is June 2013.

4. Westside Water Tank and Connecting Main

The Westside Water Tank and Connecting Main project began in 2009. The engineering effort was completed by Polyengineering, Inc.; fees were \$445,000. The contract for the construction of a 1.5 million gallon water tank was awarded to Coldwell Tanks in the amount of \$2,179,342 in November 2009; total cost was \$2,179,412. The contract for the connecting main was awarded to Mark Davis Construction, Inc. in November 2009 in the amount of \$427,529; all funds have been expended. The project was completed in March 2012.

5. Pinhook Creek Sanitary Sewer Line Project

The Pinhook Creek Sanitary Sewer Line project consisting of approximately 1,000 feet of 12-inch ductile iron sewer pipe mounted on piers crossing Beaver Creek began in 2011. The engineering effort is underway by Northstar Engineering Services, Inc.; fees are expected to cost \$91,950 with \$56,520 expended to date. A contract was awarded to L & K Contracting Company, Inc. in Fiscal Year 2012 for \$402,572. The project is estimated to cost \$691,950 and is being funded with State Revolving Loan funds.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

6. Beaver Creek Basin Sewer Rehab Project

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or cured-in-place lining of various-sized sanitary sewer lines in Sewer Basin 3, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services with \$39,520 expended to date. The project is estimated to cost \$1,242,000 and is being funded with State Revolving Loan funds.

7. Denton Road Widening

The City began widening Denton Road in 2012. A contract was awarded to CDG Engineers and Associates, Inc. in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$92,386 has been expended to date.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 64,495,000	\$ 64,495,000	\$ 66,777,251	\$ 2,282,251
Licenses and permits	3,074,700	3,074,700	3,708,243	633,543
Intergovernmental	1,648,000	3,199,816	3,319,333	119,517
Charges for services	2,020,500	2,026,524	2,259,787	233,263
Fines and forfeitures	1,561,500	1,634,856	1,998,717	363,861
Interest	370,500	370,500	179,257	(191,243)
Miscellaneous	1,885,222	1,937,440	2,506,055	568,615
Total Revenues	75,055,422	76,738,836	80,748,643	4,009,807
EXPENDITURES:				
Current:				
General government:				
General administrative	2,567,620	2,495,289	1,915,578	579,711
City clerk	601,983	590,668	540,780	49,888
Information system/Technology	2,956,997	3,143,479	3,137,920	5,559
Budget and finance	925,761	941,038	940,212	826
Personnel services	2,158,251	2,092,930	1,715,680	377,250
Judicial department	1,008,257	997,002	905,294	91,708
Public safety:				
Fire department	12,589,081	12,900,799	12,852,298	48,501
Police department	17,013,642	17,176,173	16,461,914	714,259
Public works:				
Street department	5,627,295	5,647,659	4,275,170	1,372,489
Engineering department	2,865,051	2,840,576	2,619,784	220,792
Environmental services	6,185,824	5,745,752	5,594,320	151,432
Planning and development	2,281,394	2,737,798	1,822,479	915,319
Health and welfare	2,713,986	3,067,899	2,987,149	80,750
Culture and recreation:				
Recreation	7,345,225	7,675,939	6,784,333	891,606
Culture	1,597,595	1,500,727	1,496,356	4,371
General services:				
Administration	540,576	430,055	345,346	84,709
Facility	1,439,638	1,437,445	1,282,062	155,383
Fleet	2,386,370	2,387,899	2,261,843	126,056
Insurance department	1,928,965	2,270,312	805,007	1,465,305
Capital outlay	6,563,548	8,002,695	4,312,229	3,690,466
Total Expenditures	81,297,059	84,082,134	73,055,754	11,026,380
Excess of Revenues over (under) Expenditures	(6,241,637)	(7,343,298)	7,692,889	15,036,187

(Continued on page 64)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	\$ 673,335	\$ 323,724	\$ (2,188,200)	\$ (2,511,924)
Total Other Financing Sources (Uses)	<u>673,335</u>	<u>323,724</u>	<u>(2,188,200)</u>	<u>(2,511,924)</u>
Net Change in Fund Balances	(5,568,302)	(7,019,574)	5,504,689	12,524,263
Fund Balances - Beginning	<u>5,568,302</u>	<u>7,019,574</u>	<u>33,661,227</u>	<u>26,641,653</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,165,916</u>	<u>\$ 39,165,916</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (B) ¹	UNFUNDED AAL (UAAL) (B - A)	FUNDED RATIO (A / B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (B - A) / C
09/30/06 ²	60,341,415	160,146,031	99,804,616	37.7%	36,362,644	274.5%
09/30/07	67,356,312	182,527,620	115,171,308	36.9%	37,275,515	309.0%
09/30/08	72,559,277	191,613,311	119,054,034	37.9%	40,115,096	296.8%
09/30/09	75,722,433	200,530,979	124,808,546	37.8%	40,418,300	308.8%
09/30/10 ³	79,028,629	205,860,315	126,831,686	38.4%	40,028,219	316.9%
09/30/10 ^{3,4}	79,028,629	206,298,119	127,269,490	38.3%	40,028,219	317.9%
09/30/11 ^{4,5}	80,742,729 [*]	208,236,622	127,493,893	38.8%	39,148,926	325.7%

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

² Reflects changes in actuarial assumptions.

³ Reflects the impact of Act 2011-27, which closes the Drop program to new applicants after March 24, 2011.

⁴ Reflects the impact of Act 2011-676, which increases member contribution rates by 2.25% beginning January 1, 2012 and by an additional 0.25% beginning October 1, 2012.

⁵ Reflects changes in actuarial assumptions.

* Market value of assets as of September 30, 2011: \$70,055,555

NOTES TO TREND INFORMATION

Valuation date	September 30, 2011
Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.75 - 7.25%
Inflation	3.00%
Cost of living adjustments	None

THE CITY OF DOTHAN
DOTHAN, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION - RETIREE HEALTHCARE PLAN SCHEDULES
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2012

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) PROJECTED UNIT CREDIT (B)	UNFUNDED AAL (UAAL) (B - A)	FUNDED RATIO (A / B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (B - A) / C
09/30/08	\$ 500,000	\$ 36,535,115	\$ 36,035,115	1.4%	\$ 38,576,202	93.40%
09/30/09	502,005	29,210,498	28,708,493	1.7%	38,893,910	73.80%
09/30/10	504,917	29,123,855	28,618,938	1.7%	39,477,456	72.49%
09/30/11	508,095	24,193,126	23,685,031	2.1%	38,646,631	61.29%

NOTES TO TREND INFORMATION

Valuation date	September 30, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment Rate of Return	4.00%
Medical cost trend rate	9.50% - 5.00%
Year of Ultimate trend rate	2018

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Special assessments	\$ 33,000	\$ 33,000	\$ 53,126	\$ 20,126
Interest from funds invested and special assessments			6,574	6,574
Miscellaneous			198	198
Total Revenues	<u>33,000</u>	<u>33,000</u>	<u>59,898</u>	<u>26,898</u>
EXPENDITURES:				
General administrative	6,000	6,000		6,000
Principal retirement	1,046,229	1,046,987	3,642,914	(2,595,927)
Interest	3,838,379	3,841,185	1,044,618	2,796,567
Total Expenditures	<u>4,890,608</u>	<u>4,894,172</u>	<u>4,687,532</u>	<u>206,640</u>
Excess of Revenues over (under) Expenditures	<u>(4,857,608)</u>	<u>(4,861,172)</u>	<u>(4,627,634)</u>	<u>233,538</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,884,608	4,888,172	4,687,515	(200,657)
Transfers out	(27,000)	(27,000)	(61,114)	(34,114)
Total Other Financing Sources (Uses)	<u>4,857,608</u>	<u>4,861,172</u>	<u>4,626,401</u>	<u>(234,771)</u>
Net Change in Fund Balance	-	-	(1,233)	(1,233)
Fund Balances - Beginning			1,975	1,975
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742</u>	<u>\$ 742</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Interest from funds invested	\$	\$	\$ 5,464	\$ 5,464
Total Revenues	-	-	5,464	5,464
EXPENDITURES:				
Public works		314,602	307,617	6,985
Capital outlay		2,140		2,140
Total Expenditures	-	316,742	307,617	9,125
Excess of Revenues over (under) Expenditures	-	(316,742)	(302,153)	14,589
OTHER FINANCING SOURCES (USES):				
Issuance of debt			2,000,000	2,000,000
Total Other Financing Sources (Uses)	-	-	2,000,000	2,000,000
Net Change in Fund Balances	-	(316,742)	1,697,847	2,014,589
Fund Balances - Beginning		316,742	318,985	2,243
Fund Balances - Ending	\$ -	\$ -	\$ 2,016,832	\$ 2,016,832

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SCHOOL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 310,000	\$ 310,000	\$ 294,300	\$ (15,700)
Interest earned	500	500	386	(114)
Total Revenues	<u>310,500</u>	<u>310,500</u>	<u>294,686</u>	<u>(15,814)</u>
EXPENDITURES:				
Intergovernmental:				
Subsidies to agencies	3,738,286	3,738,286	3,738,286	-
Obligations/expenses paid for schools	133,596	133,596	97,075	36,521
Other support - schools	99,244	99,244	59,416	39,828
Debt service - interest	3,000	3,000	3,000	3,000
Total Expenditures	<u>3,974,126</u>	<u>3,974,126</u>	<u>3,894,777</u>	<u>79,349</u>
Excess of Revenues over (under) Expenditures	<u>(3,663,626)</u>	<u>(3,663,626)</u>	<u>(3,600,091)</u>	<u>63,535</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,663,626	3,663,626	3,663,626	-
Net Change in Fund Balance	-	-	63,535	63,535
Fund Balance - Beginning	<u> </u>	<u> </u>	<u>449,835</u>	<u>449,835</u>
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,370</u>	<u>\$ 513,370</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Electric department	\$ 90,265,000	\$ 90,648,997	\$ 383,997
Water department	8,532,000	9,300,436	768,436
Sewer department	6,505,000	10,439,126	3,934,126
Delinquent fees - combined utilities	800,000	1,035,296	235,296
Other revenue	770,913	901,231	130,318
Interest from funds invested	75,000	95,218	20,218
Total Utility Revenues	106,947,913	112,420,304	5,472,391
OPERATING EXPENSES:			
Electric department	78,941,594	77,473,768	1,467,826
Water department	5,606,487	4,745,412	861,075
Sewer department	11,704,811	5,949,634	5,755,177
Billing collection department	2,007,869	1,963,121	44,748
Meter reading department	775,948	768,870	7,078
Combined utility expense:			
Capital outlay	6,498,775	3,722,016	2,776,759
Miscellaneous expenses	32,200	(9,435)	41,635
Interest and fiscal charges	2,252,923	2,145,298	107,625
Bond issuance costs	47,488	47,485	3
Principal on bonds and capital leases	3,570,012	3,538,427	31,585
Depreciation	5,531,072	5,530,113	959
Total Expenses	116,969,179	105,874,709	11,094,470
Excess of Revenues Over (Under) Expenses	\$ (10,021,266)	\$ 6,545,595	\$ 16,566,861

(Continued on page 71)

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, 2012

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):			
Intergovernmental revenues	\$ 46,884	\$ 195,213	\$ 148,329
Transfers (out)	(8,848,522)	(6,101,827)	2,746,695
Issuance of debt	7,170,000	7,170,000	-
Total Other Financing Sources (Uses)	(1,631,638)	1,263,386	2,895,024
Excess of Revenues Over Expenses per Budget Ordinances	(11,652,904)	7,808,981	19,461,885
Capital contributions		196,188	196,188
Adjustment for capital outlay, principal payments on bonds and capital leases	90,443	90,443	-
Total Net Assets - Beginning	11,652,904	87,932,418	76,279,514
Total Net Assets - Ending	\$ 90,443	\$ 96,028,030	\$ 95,937,587

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

Capital outlay expense	\$ 3,722,016
Principal payment on bonds	3,538,427
Bond proceeds	(7,170,000)
Total Adjustments	\$ 90,443

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
ALL SERIES
2013-2032

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRINCIPAL AND INTEREST
	GENERAL OBLIGATION WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION SEWER WARRANTS	
2013	\$ 1,906,258	\$ 2,474,750	\$ 2,331,212	\$ 3,635,256	\$ 10,347,476
2014	1,906,258	2,476,500	289,821	3,702,041	8,374,620
2015	1,906,258	2,483,750	296,712	3,715,883	8,402,603
2016	1,407,879	2,486,000	298,126	4,226,086	8,418,091
2017		2,478,250	299,222	5,648,668	8,426,140
2018		2,475,750		5,666,196	8,141,946
2019		1,428,000		5,681,375	7,109,375
2020		1,435,200		5,699,209	7,134,409
2021				5,714,565	5,714,565
2022				5,732,398	5,732,398
2023				4,472,628	4,472,628
2024				4,467,964	4,467,964
2025				4,466,982	4,466,982
2026				4,469,504	4,469,504
2027				3,130,442	3,130,442
2028				1,794,661	1,794,661
2029				1,787,046	1,787,046
2030				1,792,939	1,792,939
2031				701,844	701,844
2032				706,974	706,974
	<u>\$ 7,126,653</u>	<u>\$ 17,738,200</u>	<u>\$ 3,515,093</u>	<u>\$ 77,212,661</u>	<u>\$ 105,592,607</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 1996B-SRF
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2013	3.18%	\$ 21,306	\$ 21,306	\$ 245,000	\$ 287,612
2014	3.18%	17,410	17,410	255,000	289,820
2015	3.18%	13,356	13,356	270,000	296,712
2016	3.18%	9,063	9,063	280,000	298,126
2017	3.18%	4,611	4,611	290,000	299,222
		<u>\$ 65,746</u>	<u>\$ 65,746</u>	<u>\$ 1,340,000</u>	<u>\$ 1,471,492</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2002
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u> <u>DUE SEPTEMBER 1</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE MARCH 1</u>	<u>DUE SEPTEMBER 1</u>		
2013	4.00%	<u>\$ 39,300</u>	<u>\$ 39,300</u>	<u>\$ 1,965,000</u>	<u>\$ 2,043,600</u>
		<u>\$ 39,300</u>	<u>\$ 39,300</u>	<u>\$ 1,965,000</u>	<u>\$ 2,043,600</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2005
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE SEPTEMBER 1	TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1		
2013	5.00%	\$ 354,875	\$ 354,875	\$ 1,765,000	\$ 2,474,750
2014	5.00%	310,750	310,750	1,855,000	2,476,500
2015	5.00%	264,375	264,375	1,955,000	2,483,750
2016	5.00%	215,500	215,500	2,055,000	2,486,000
2017	5.00%	164,125	164,125	2,150,000	2,478,250
2018	5.00%	110,375	110,375	2,255,000	2,475,750
2019	4.00%	54,000	54,000	1,320,000	1,428,000
2020	4.00%	27,600	27,600	1,380,000	1,435,200
		<u>\$ 1,501,600</u>	<u>\$ 1,501,600</u>	<u>\$ 14,735,000</u>	<u>\$ 17,738,200</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - REFINANCED
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2013	3.19%	\$ 493,118	\$ 479,611	\$ 846,798	\$ 860,305	\$ 2,679,832
2014	3.19%	465,890	451,949	874,027	887,967	2,679,833
2015	3.19%	437,786	423,397	902,131	916,519	2,679,833
2016	3.19%	408,779	393,927	931,138	945,990	2,679,834
2017	3.19%	378,838	363,509	961,078	976,407	2,679,832
2018	3.19%	347,935	332,113	991,981	1,007,803	2,679,832
2019	3.19%	316,039	299,708	1,023,878	1,040,208	2,679,833
2020	3.19%	283,117	266,261	1,056,800	1,073,656	2,679,834
2021	3.19%	249,136	231,738	1,090,781	1,108,179	2,679,834
2022	3.19%	214,063	196,105	1,125,854	1,143,811	2,679,833
2023	3.19%	177,861	159,327	1,162,055	1,180,590	2,679,833
2024	3.19%	140,496	121,365	1,199,420	1,218,551	2,679,832
2025	3.19%	101,930	82,184	1,237,987	1,257,733	2,679,834
2026	3.19%	62,123	41,742	1,277,794	1,298,175	2,679,834
2027	3.19%	21,036		1,318,880		1,339,916
		<u>\$ 4,098,147</u>	<u>\$ 3,842,936</u>	<u>\$ 16,000,602</u>	<u>\$ 14,915,894</u>	<u>\$ 38,857,579</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2013	3.50%	\$ 170,362	\$ 170,363	\$ 395,000	\$ 735,725
2014	3.50%	163,450	163,450	410,000	736,900
2015	3.50%	156,275	156,275	425,000	737,550
2016	3.50%	148,838	148,837	440,000	737,675
2017	3.50%	141,137	141,138	455,000	737,275
2018	3.50%	133,175	133,175	470,000	736,350
2019	3.50%	124,950	124,950	485,000	734,900
2020	3.50%	116,463	116,462	505,000	737,925
2021	3.50%	107,625	107,625	525,000	740,250
2022	3.50%	98,437	98,438	540,000	736,875
2023	3.50%	88,988	88,987	560,000	737,975
2024	3.50%	79,187	79,188	580,000	738,375
2025	3.50%	69,038	69,037	600,000	738,075
2026	3.50%	58,537	58,538	625,000	742,075
2027	3.50%	47,600	47,600	645,000	740,200
2028	3.50%	36,313	36,312	670,000	742,625
2029	3.50%	24,587	24,588	690,000	739,175
2030	3.50%	12,512	12,513	715,000	740,025
		<u>\$ 1,777,474</u>	<u>\$ 1,777,476</u>	<u>\$ 9,735,000</u>	<u>\$ 13,289,950</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF/ARRA-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2013	3.50%	\$ 45,063	\$ 45,063	\$ 105,000	\$ 195,126
2014	3.50%	43,225	43,225	105,000	191,450
2015	3.50%	41,388	41,388	110,000	192,776
2016	3.50%	39,462	39,462	115,000	193,924
2017	3.50%	37,450	37,450	120,000	194,900
2018	3.50%	35,350	35,350	125,000	195,700
2019	3.50%	33,162	33,162	130,000	196,324
2020	3.50%	30,887	30,887	135,000	196,774
2021	3.50%	28,525	28,525	140,000	197,050
2022	3.50%	26,075	26,075	145,000	197,150
2023	3.50%	23,537	23,537	150,000	197,074
2024	3.50%	20,912	20,912	155,000	196,824
2025	3.50%	18,200	18,200	160,000	196,400
2026	3.50%	15,400	15,400	165,000	195,800
2027	3.50%	12,513	12,513	170,000	195,026
2028	3.50%	9,538	9,538	175,000	194,076
2029	3.50%	6,475	6,475	180,000	192,950
2030	3.50%	3,325	3,325	190,000	196,650
		<u>\$ 470,487</u>	<u>\$ 470,487</u>	<u>\$ 2,575,000</u>	<u>\$ 3,515,974</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - DCWSRF/ARRA-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2013	3.50%	\$ 34,300	\$ 34,300	\$ 80,000	\$ 148,600
2014	3.50%	32,900	32,900	80,000	145,800
2015	3.50%	31,500	31,500	85,000	148,000
2016	3.50%	30,013	30,013	90,000	150,026
2017	3.50%	28,438	28,438	90,000	146,876
2018	3.50%	26,863	26,863	95,000	148,726
2019	3.50%	25,200	25,200	100,000	150,400
2020	3.50%	23,450	23,450	100,000	146,900
2021	3.50%	21,700	21,700	105,000	148,400
2022	3.50%	19,862	19,862	110,000	149,724
2023	3.50%	17,938	17,938	115,000	150,876
2024	3.50%	15,925	15,925	115,000	146,850
2025	3.50%	13,912	13,912	120,000	147,824
2026	3.50%	11,812	11,812	125,000	148,624
2027	3.50%	9,625	9,625	130,000	149,250
2028	3.50%	7,350	7,350	135,000	149,700
2029	3.50%	4,987	4,987	140,000	149,974
2030	3.50%	2,537	2,537	145,000	150,074
		<u>\$ 358,312</u>	<u>\$ 358,312</u>	<u>\$ 1,960,000</u>	<u>\$ 2,676,624</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010-CWSRF-BL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2013	2.61%	\$ 85,608	\$ 85,608	\$ 550,000	\$ 721,216
2014	2.61%	78,431	78,431	570,000	726,862
2015	2.61%	70,992	70,992	590,000	731,984
2016	2.61%	63,293	63,293	615,000	741,586
2017	2.61%	55,267	55,267	640,000	750,534
2018	2.61%	46,915	46,915	665,000	758,830
2019	2.61%	38,237	38,237	690,000	766,474
2020	2.61%	29,232	29,232	720,000	778,464
2021	2.61%	19,836	19,836	745,000	784,672
2022	2.61%	10,114	10,114	775,000	795,228
		<u>\$ 497,925</u>	<u>\$ 497,925</u>	<u>\$ 6,560,000</u>	<u>\$ 7,555,850</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010B-CWSRF-BL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2013	2.50%	\$ 48,000	\$ 48,000	\$ 320,000	\$ 416,000
2014	2.50%	44,000	44,000	335,000	423,000
2015	2.50%	39,813	39,812	345,000	424,625
2016	2.50%	35,500	35,500	360,000	431,000
2017	2.50%	31,000	31,000	375,000	437,000
2018	2.50%	26,313	26,312	390,000	442,625
2019	2.50%	21,438	21,437	405,000	447,875
2020	2.50%	16,375	16,375	420,000	452,750
2021	2.50%	11,125	11,125	435,000	457,250
2022	2.50%	5,688	5,687	455,000	466,375
		<u>\$ 279,252</u>	<u>\$ 279,248</u>	<u>\$ 3,840,000</u>	<u>\$ 4,398,500</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
2013	3.10%	\$ 52,623	\$ 50,685	\$ 125,000	\$ 228,308
2014	3.10%	50,685	48,670	130,000	229,355
2015	3.10%	48,670	46,578	135,000	230,248
2016	3.10%	46,578	44,485	135,000	226,063
2017	3.10%	44,485	42,315	140,000	226,800
2018	3.10%	42,315	40,068	145,000	227,383
2019	3.10%	40,068	37,743	150,000	227,811
2020	3.10%	37,743	35,340	155,000	228,083
2021	3.10%	35,340	32,860	160,000	228,200
2022	3.10%	32,860	30,303	165,000	228,163
2023	3.10%	30,303	27,667	170,000	227,970
2024	3.10%	27,667	24,955	175,000	227,622
2025	3.10%	24,955	22,165	180,000	227,120
2026	3.10%	22,165	19,297	185,000	226,462
2027	3.10%	19,297	16,352	190,000	225,649
2028	3.10%	16,352	13,252	200,000	229,604
2029	3.10%	13,252	10,075	205,000	228,327
2030	3.10%	10,075	6,820	210,000	226,895
2031	3.10%	6,820	3,487	215,000	225,307
2032	3.10%	3,487		225,000	228,487
		<u>\$ 605,740</u>	<u>\$ 553,117</u>	<u>\$ 3,395,000</u>	<u>\$ 4,553,857</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2012

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT
		DUE FEBRUARY 15	DUE AUGUST 15	DUE AUGUST 15	SERVICE
2013	2.90%	\$ 42,741	\$ 103,965	\$ 270,000	\$ 416,706
2014	2.90%	100,050	100,050	275,000	475,100
2015	2.90%	96,063	96,062	285,000	477,125
2016	2.90%	91,930	91,930	290,000	473,860
2017	2.90%	87,725	87,725	300,000	475,450
2018	2.90%	83,375	83,375	310,000	476,750
2019	2.90%	78,880	78,880	320,000	477,760
2020	2.90%	74,240	74,240	330,000	478,480
2021	2.90%	69,455	69,455	340,000	478,910
2022	2.90%	64,525	64,525	350,000	479,050
2023	2.90%	59,450	59,450	360,000	478,900
2024	2.90%	54,230	54,230	370,000	478,460
2025	2.90%	48,865	48,865	380,000	477,730
2026	2.90%	43,355	43,355	390,000	476,710
2027	2.90%	37,700	37,700	405,000	480,400
2028	2.90%	31,828	31,827	415,000	478,655
2029	2.90%	25,810	25,810	425,000	476,620
2030	2.90%	19,648	19,647	440,000	479,295
2031	2.90%	13,268	13,267	450,000	476,535
2032	2.90%	6,743	6,742	465,000	478,485
		<u>\$ 1,129,881</u>	<u>\$ 1,191,100</u>	<u>\$ 7,170,000</u>	<u>\$ 9,490,981</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2012

CAPITAL ASSETS:

Land and easements	\$ 10,087,867
Buildings	80,758,843
Improvements other than buildings	39,516,711
Machinery and equipment	43,191,983
Infrastructure	451,416,139
Construction in progress	155,294
Total Capital Assets	\$ 625,126,837

INVESTMENTS IN CAPITAL ASSETS FROM:

Capital Projects Funds:	
General obligation bonds	\$ 57,942,208
Grants	19,817,303
General fund revenues	543,794,281
Special revenue fund revenues	170,910
Gifts	3,327,297
Utility fund revenues	74,838
Total Investment in Capital Assets	\$ 625,126,837

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2012

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government:							
Control:							
General administrative	\$ 1,638,231	\$ 2,555,267	\$ 2,967,585	\$ 340,538	\$	\$	\$ 7,501,621
Staff Agencies:							
Information system/Technology			84,515	6,237,141			6,321,656
Budget and finance		276,022		44,237			320,259
Personnel services				5,009			5,009
Total Staff Agencies	-	276,022	84,515	6,286,387	-	-	6,646,924
Total General Government	1,638,231	2,831,289	3,052,100	6,626,925	-	-	14,148,545
Public Safety:							
Fire department	438,378	6,363,962	159,035	7,593,018		866	14,555,259
Police department	15,332	6,130,234	7,905,218	13,432,249			27,483,033
Total Public Safety	453,710	12,494,196	8,064,253	21,025,267	-	866	42,038,292
Public Works:							
Street department	132,061	40,110	1,863,285	3,830,895	447,383,434	93,156	453,342,941
Environmental services	1,814,210	1,042,790	4,902,563	7,154,934			14,914,497
Special assessments	25,000		7,308,292				7,333,292
Health and welfare	106,381	599,781	30,782				736,944
Engineering department	563,634	979,632		1,296,579	4,032,705		6,872,550
Culture and recreation	4,369,861	19,259,479	12,156,224	1,942,569		61,272	37,789,405
General services		1,455,946	1,910,515	230,166			3,596,627
Equipment maintenance		1,268,530	228,697	1,084,648			2,581,875
Schools	984,779	40,787,090					41,771,869
Total Other	7,995,926	65,433,358	28,400,358	15,539,791	451,416,139	154,428	568,940,000
Total Capital Assets	\$ 10,087,867	\$ 80,758,843	\$ 39,516,711	\$ 43,191,983	\$ 451,416,139	\$ 155,294	\$ 625,126,837

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, 2012

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2011	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2012
General Government:				
Control:				
General administrative	* \$ 7,478,454	\$ 23,167	\$	\$ 7,501,621
Staff Agencies:				
Information system/Technology	5,848,535	473,121		6,321,656
Budget and finance	320,259			320,259
Personnel services	27,176		22,167	5,009
Total Staff Agencies	6,195,970	473,121	22,167	6,646,924
Total General Government	13,674,424	496,288	22,167	14,148,545
Public Safety:				
Fire department	13,824,647	729,746		14,554,393
Police department	* 27,196,601	459,510	173,078	27,483,033
Total Public Safety	41,021,248	1,189,256	173,078	42,037,426
Public Works:				
Street department	* 452,058,280	1,506,565	315,060	453,249,785
Environmental services	* 14,253,399	661,098		14,914,497
Special assessments	7,333,292			7,333,292
Health and welfare	* 2,164,308		1,427,364	736,944
Engineering department	* 6,781,747	112,970	22,167	6,872,550
Culture and recreation	* 37,527,275	259,945	59,087	37,728,133
General services	* 3,580,223	23,175	6,771	3,596,627
Equipment maintenance	* 2,552,437	47,696	18,258	2,581,875
Schools	41,771,869			41,771,869
Construction in progress	54,671	100,623		155,294
Total Other	568,077,501	2,712,072	1,848,707	568,940,866
Total Capital Assets	\$ 622,773,173	\$ 4,397,616	\$ 2,043,952	\$ 625,126,837

*Reclassified

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009*	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 57,091,212	\$ 49,625,294	\$ 43,451,427	\$ 47,940,499	\$ 51,292,351	\$ 64,629,115	\$ 64,885,874	\$ 72,249,076	\$ 67,878,821	\$ 65,697,028
Restricted									2,095,216	1,890,847
Unrestricted	7,901,910	18,900,566	22,742,199	20,992,153	30,747,617	26,607,659	25,478,733	15,901,796	15,648,974	19,636,281
Total governmental activities net assets	<u>\$ 64,993,122</u>	<u>\$ 68,525,860</u>	<u>\$ 66,193,626</u>	<u>\$ 68,932,652</u>	<u>\$ 82,039,968</u>	<u>\$ 91,236,774</u>	<u>\$ 90,364,607</u>	<u>\$ 88,150,872</u>	<u>\$ 85,623,011</u>	<u>\$ 87,224,156</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 71,639,003	\$ 64,330,356	\$ 61,831,904	\$ 59,920,342	\$ 58,958,119	\$ 65,742,315	\$ 35,228,445	\$ 76,117,766	\$ 75,242,583	\$ 73,139,869
Restricted										
Unrestricted	4,928,406	12,611,485	14,245,481	15,749,787	11,089,188	9,432,608	43,545,399	12,238,772	15,573,505	26,508,963
Total business-type activities net assets	<u>\$ 76,567,409</u>	<u>\$ 76,941,841</u>	<u>\$ 76,077,385</u>	<u>\$ 75,670,129</u>	<u>\$ 70,047,307</u>	<u>\$ 75,174,923</u>	<u>\$ 78,773,844</u>	<u>\$ 88,356,538</u>	<u>\$ 90,816,088</u>	<u>\$ 99,648,832</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 128,730,215	\$ 113,955,650	\$ 105,283,331	\$ 107,860,841	\$ 110,250,470	\$ 130,371,430	\$ 100,114,319	\$ 148,366,842	\$ 143,121,404	\$ 138,836,897
Restricted									2,095,216	1,890,847
Unrestricted	12,830,316	31,512,051	36,987,680	36,741,940	41,836,805	36,040,267	69,024,132	28,140,568	31,222,479	46,145,244
Total primary government net assets	<u>\$ 141,560,531</u>	<u>\$ 145,467,701</u>	<u>\$ 142,271,011</u>	<u>\$ 144,602,781</u>	<u>\$ 152,087,275</u>	<u>\$ 166,411,697</u>	<u>\$ 169,138,451</u>	<u>\$ 176,507,410</u>	<u>\$ 176,439,099</u>	<u>\$ 186,872,988</u>

* Restated

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009*	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 7,713,572	\$ 7,031,190	\$ 11,722,770	\$ 7,633,252	\$ 9,546,479	\$ 12,302,305	\$ 12,600,046	\$ 11,001,741	\$ 11,029,224	\$ 11,037,383
Public safety	22,938,122	23,100,249	24,452,597	26,456,406	27,216,223	30,426,110	31,297,631	31,611,850	31,622,540	32,058,857
General services	3,230,076	3,310,586	3,529,222	3,700,586	4,179,402	4,083,521	4,129,934	4,266,239	4,212,794	4,110,320
Planning and development				907,988	1,716,024	2,127,682	1,842,436	1,831,734	1,905,105	1,813,546
Other public works	13,197,371	13,322,446	15,860,328	14,735,368	16,205,389	17,066,229	17,090,677	19,370,655	19,261,112	16,805,008
Insurance department	3,037,638	2,508,321	752,477	1,298,190	2,280,195	1,372,577	967,449	2,952,101	193,439	805,007
Culture and recreation	6,617,007	7,783,903	8,283,238	9,031,499	8,802,257	9,289,960	8,946,229	8,852,430	9,122,274	9,051,421
Education	4,217,011	4,226,200	4,219,232	4,214,964	4,200,254	4,292,381	5,037,882	4,910,453	4,896,831	4,536,041
Health and welfare	2,666,477	2,259,639	2,478,188	2,691,643	2,748,051	3,177,356	2,802,426	2,829,474	2,808,433	3,001,400
Interest on long-term debt	2,118,530	1,883,900	3,042,564	1,651,219	1,538,742	1,303,157	1,235,362	1,294,921	1,036,530	942,630
Total governmental activities expenses	<u>65,735,804</u>	<u>65,426,434</u>	<u>74,340,616</u>	<u>72,321,115</u>	<u>78,433,016</u>	<u>85,441,278</u>	<u>85,950,072</u>	<u>88,921,598</u>	<u>86,088,282</u>	<u>84,161,613</u>
Business-type activities:										
Electric	48,698,918	50,213,298	55,739,231	66,805,424	68,460,589	81,775,804	75,945,047	74,776,610	80,657,794	77,473,768
Water	2,682,866	3,361,811	3,410,332	4,441,584	4,762,838	5,000,547	4,686,129	4,609,101	4,444,222	4,745,412
Wastewater	3,506,390	3,783,938	4,198,634	4,683,960	4,699,808	5,321,748	5,264,458	5,292,632	11,241,561	5,949,634
Billing - collection department	884,400	918,710	1,081,648	1,154,371	1,167,903	1,644,176	1,685,596	2,192,086	1,719,522	1,963,121
Meter reading department	655,955	538,300	607,164	680,500	707,810	710,807	785,078	773,300	807,608	768,870
Depreciation	4,229,724	4,400,169	4,922,431	4,910,410	5,063,185	5,201,178	5,541,814	5,619,000	5,610,807	5,634,941
Miscellaneous	825,378	841,164	622,207	597,676	731,552	1,232,347	911,395	682,221	613,665	592,935
Bond issue costs	24,678	25,746	52,969	48,020	47,753	47,486	47,485	47,486	47,486	47,485
Gain (loss) on disposition of capital assets	550,073	372,864	280,421	305,653	4,227	1,515	1,094	8,600	45,741	
Interest and fiscal charges	1,506,188	1,356,225	1,155,590	1,223,227	1,409,409	1,322,018	1,128,289	2,323,818	2,242,768	2,145,298
Total business-type activities expenses	<u>63,564,570</u>	<u>65,812,225</u>	<u>72,070,627</u>	<u>84,850,825</u>	<u>87,055,074</u>	<u>102,257,626</u>	<u>95,996,385</u>	<u>96,324,854</u>	<u>107,431,174</u>	<u>99,321,464</u>
Total primary government expenses	<u>\$ 129,300,374</u>	<u>\$ 131,238,659</u>	<u>\$ 146,411,243</u>	<u>\$ 157,171,940</u>	<u>\$ 165,488,090</u>	<u>\$ 187,698,904</u>	<u>\$ 181,946,457</u>	<u>\$ 185,246,452</u>	<u>\$ 193,519,456</u>	<u>\$ 183,483,077</u>
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
Other public works	\$ 418,168	\$ 442,674	\$ 531,684	\$ 61,755	\$ 44,060	\$ 27,400	\$	\$ 395,381	\$	\$
Culture and recreation	1,566,327	2,323,210	2,274,426	2,424,322	2,405,222	2,197,448	2,202,950	1,927,497	2,150,847	2,155,359
General government	1,874,860	2,016,091	2,144,198	2,189,135	2,439,358	2,750,270	2,858,833	2,849,820	3,131,858	3,340,348
Public safety	1,358,561	1,465,203	1,307,930	1,410,632	1,522,868	1,596,361	1,715,074	1,695,962	1,824,009	2,034,082
Planning and development				401,217	420,816	547,406	406,971	408,863	436,465	436,958
Operating grants and contributions	913,091	124,642	95,468	128,275	135,421	999,637	102,143	143,851	171,923	136,040
Capital grants and contributions	3,098,558	2,597,395	1,487,457	1,677,575	2,060,764	8,847,239	4,896,838	3,492,769	1,775,146	1,400,003
Total governmental activities program revenues	<u>9,229,565</u>	<u>8,969,215</u>	<u>7,841,163</u>	<u>8,292,911</u>	<u>9,028,509</u>	<u>16,965,761</u>	<u>12,182,809</u>	<u>10,914,143</u>	<u>9,490,248</u>	<u>9,502,790</u>
Business-type activities:										
Charges for services:										
Electric	61,561,443	63,370,817	68,298,950	79,169,002	77,863,441	93,405,012	88,528,977	90,235,422	92,254,808	91,684,293
Water	6,436,825	7,209,493	7,212,446	8,562,902	8,637,309	8,710,000	8,102,170	8,552,873	9,439,879	9,300,436
Wastewater/sewer	3,222,803	3,367,408	3,468,794	3,556,534	3,738,462	3,853,340	3,663,122	5,941,744	8,372,386	10,439,126
E-911	961,489	1,004,436	1,023,188	1,018,927	1,059,725	1,197,116	1,191,856	1,163,718	1,099,713	1,278,007
Capital grants and contributions								3,379,572		195,213
Total business-type activities program revenues	<u>72,182,560</u>	<u>74,952,154</u>	<u>80,003,378</u>	<u>92,307,365</u>	<u>91,298,937</u>	<u>107,165,468</u>	<u>101,486,125</u>	<u>109,273,329</u>	<u>111,166,786</u>	<u>112,897,075</u>
Total primary government program revenues	<u>\$ 81,412,125</u>	<u>\$ 83,921,369</u>	<u>\$ 87,844,541</u>	<u>\$ 100,600,276</u>	<u>\$ 100,327,446</u>	<u>\$ 124,131,229</u>	<u>\$ 113,668,934</u>	<u>\$ 120,187,472</u>	<u>\$ 120,657,034</u>	<u>\$ 122,399,865</u>

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

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009*	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	\$ (56,506,239)	\$ (56,457,219)	\$ (66,499,453)	\$ (64,028,204)	\$ (69,404,507)	\$ (68,475,517)	\$ (73,767,263)	\$ (78,007,455)	\$ (76,598,034)	\$ (74,658,823)
Business-type activities	8,653,242	9,139,929	7,932,751	7,456,540	4,243,863	4,907,842	5,489,740	12,948,475	3,735,612	13,575,611
Total primary government net expense	<u>\$ (47,852,997)</u>	<u>\$ (47,317,290)</u>	<u>\$ (58,566,702)</u>	<u>\$ (56,571,664)</u>	<u>\$ (65,160,644)</u>	<u>\$ (63,567,675)</u>	<u>\$ (68,277,523)</u>	<u>\$ (65,058,980)</u>	<u>\$ (72,862,422)</u>	<u>\$ (61,083,212)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
General property tax	\$ 2,911,701	\$ 3,165,845	\$ 3,265,010	\$ 3,513,899	\$ 3,856,234	\$ 4,147,863	\$ 4,283,982	\$ 4,309,765	\$ 4,452,709	\$ 4,487,450
General sales and use tax	35,890,047	38,149,976	40,448,484	43,135,036	54,624,378	58,453,155	55,758,545	55,274,479	56,531,207	57,265,598
Alcoholic beverage tax	1,032,344	1,072,016	1,087,469	1,151,766	1,236,413	1,251,414	1,238,156	1,191,763	1,191,295	1,210,013
Lodging tax	764,738	827,775	1,157,201	1,463,558	1,374,262	1,437,757	1,469,729	1,553,786	1,631,247	1,565,896
Franchise tax	1,472,635	1,788,704	1,541,675	1,094,944	932,430	1,797,381	1,605,566	2,623,546	2,820,069	2,248,294
Cigarette tax	327,964	324,734	309,861	327,117	314,706	309,281	306,542	325,389	303,738	294,300
Unrestricted grants and contributions	1,865,615	2,817,390	1,867,593	2,729,560	1,814,424	1,533,542	1,432,043	2,836,375	2,047,134	1,835,591
Unrestricted investment earnings	278,270	278,245	698,250	1,424,588	1,664,266	1,029,183	348,556	312,047	253,518	179,658
Miscellaneous	2,351,840	1,606,846	3,436,794	1,928,507	4,716,892	4,717,356	2,693,774	2,573,773	2,236,110	2,498,704
Transfers	11,720,191	9,958,426	10,354,882	9,998,255	11,977,818	2,995,391	3,118,979	4,792,797	2,603,146	6,101,827
Special items- contribution of property										(1,427,363)
Total governmental activities	<u>58,615,345</u>	<u>59,989,957</u>	<u>64,167,219</u>	<u>66,767,230</u>	<u>82,511,823</u>	<u>77,672,323</u>	<u>72,255,872</u>	<u>75,793,720</u>	<u>74,070,173</u>	<u>76,259,968</u>
Business-type activities:										
Unrestricted grants and contributions	22,800	44,346	6,200					293,194	274,470	196,188
Unrestricted investment earnings	206,587	184,887	525,497	1,069,104	1,125,125	574,015	166,359	239,355	114,809	106,013
Gain on sale of capital assets							104,746			
Miscellaneous	897,415	963,696	1,025,978	1,065,355	986,008	2,641,150	957,055	894,467	937,805	1,056,759
Transfers	(11,720,191)	(9,958,426)	(10,354,882)	(9,998,255)	(11,977,818)	(2,995,391)	(3,118,979)	(4,792,797)	(2,603,146)	(6,101,827)
Total business-type activities	<u>(10,593,389)</u>	<u>(8,765,497)</u>	<u>(8,797,207)</u>	<u>(7,863,796)</u>	<u>(9,866,685)</u>	<u>219,774</u>	<u>(1,890,819)</u>	<u>(3,365,781)</u>	<u>(1,276,062)</u>	<u>(4,742,867)</u>
Total primary government	<u>\$ 48,021,956</u>	<u>\$ 51,224,460</u>	<u>\$ 55,370,012</u>	<u>\$ 58,903,434</u>	<u>\$ 72,645,138</u>	<u>\$ 77,892,097</u>	<u>\$ 70,365,053</u>	<u>\$ 72,427,939</u>	<u>\$ 72,794,111</u>	<u>\$ 71,517,101</u>
Change in Net Assets										
Governmental activities	\$ 2,109,106	\$ 3,532,738	\$ (2,332,234)	\$ 2,739,026	\$ 13,107,316	\$ 9,196,806	\$ (1,511,392)	\$ (2,213,735)	\$ (2,527,861)	\$ 1,601,145
Business-type activities	(1,940,147)	374,432	(864,456)	(407,256)	(5,622,822)	5,127,616	3,598,921	9,582,694	2,459,550	8,832,744
Total primary government	<u>\$ 168,959</u>	<u>\$ 3,907,170</u>	<u>\$ (3,196,690)</u>	<u>\$ 2,331,770</u>	<u>\$ 7,484,494</u>	<u>\$ 14,324,422</u>	<u>\$ 2,087,529</u>	<u>\$ 7,368,959</u>	<u>\$ (68,311)</u>	<u>\$ 10,433,889</u>

Notes: Special items consists of contribution of property to Houston-Love Memorial Library.

* Restated

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program										
Governmental activities:										
General government	\$ 2,420,039	\$ 2,112,964	\$ 2,226,123	\$ 2,268,097	\$ 2,545,692	\$ 2,833,772	\$ 2,937,237	\$ 2,937,809	\$ 3,239,033	\$ 3,447,668
Public safety	2,174,014	2,592,972	1,391,997	1,835,958	1,621,932	2,692,575	1,775,724	2,071,724	2,218,131	2,243,162
Other public works	3,069,185	1,940,069	1,948,617	1,363,317	2,034,847	8,694,560	4,859,927	2,808,250	1,445,772	1,219,643
Planning and development				401,217	420,816	547,406	406,971	408,863	436,465	436,958
Culture and recreation	1,566,327	2,323,210	2,274,426	2,424,322	2,405,222	2,197,448	2,202,950	2,687,497	2,150,847	2,155,359
Health and welfare										
Subtotal governmental activities	<u>9,229,565</u>	<u>8,969,215</u>	<u>7,841,163</u>	<u>8,292,911</u>	<u>9,028,509</u>	<u>16,965,761</u>	<u>12,182,809</u>	<u>10,914,143</u>	<u>9,490,248</u>	<u>9,502,790</u>
Business-type activities:										
Electric	61,561,443	63,370,817	68,298,950	79,169,002	77,863,441	93,405,012	88,528,977	90,296,689	92,254,808	91,879,506
Water	6,436,825	7,209,493	7,212,446	8,562,902	8,637,309	8,710,000	8,102,170	9,573,922	9,439,879	9,300,436
Wastewater/sewer	3,222,803	3,367,408	3,468,794	3,556,534	3,738,462	3,853,340	3,663,122	8,239,000	8,372,386	10,439,126
E-911	961,489	1,004,436	1,023,188	1,018,927	1,059,725	1,197,116	1,191,856	1,163,718	1,099,713	1,278,007
Subtotal business-type activities	<u>72,182,560</u>	<u>74,952,154</u>	<u>80,003,378</u>	<u>92,307,365</u>	<u>91,298,937</u>	<u>107,165,468</u>	<u>101,486,125</u>	<u>109,273,329</u>	<u>111,166,786</u>	<u>112,897,075</u>
Total primary government	<u>\$ 81,412,125</u>	<u>\$ 83,921,369</u>	<u>\$ 87,844,541</u>	<u>\$ 100,600,276</u>	<u>\$ 100,327,446</u>	<u>\$ 124,131,229</u>	<u>\$ 113,668,934</u>	<u>\$ 120,187,472</u>	<u>\$ 120,657,034</u>	<u>\$ 122,399,865</u>

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

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 6,899,923	\$ 6,853,899	\$ 8,591,576	\$ 5,471,838	\$ 15,353,173	\$ 12,805,487	\$ 14,809,388	\$ 10,411,532	\$	\$
Unreserved	15,050,540	17,524,349	21,449,322	23,526,978	23,622,614	23,575,737	17,580,459	20,403,277		
Nonspendable									325,046	373,624
Restricted									1,439,033	1,377,477
Committed									7,876,731	8,232,004
Assigned									12,558,731	15,158,610
Unassigned									11,461,686	14,024,201
Total general fund	\$ 21,950,463	\$ 24,378,248	\$ 30,040,898	\$ 28,998,816	\$ 38,975,787	\$ 36,381,224	\$ 32,389,847	\$ 30,814,809	\$ 33,661,227	\$ 39,165,916
All Other Governmental Funds										
Reserved	\$	\$ 480,043	\$ 837,506	\$ 296,741	\$ 571,053	\$ 21,229	\$ 2,014	\$ 2,356	\$	\$
Unreserved, reported in:										
Special revenue funds	476,693	16,031	59,043	137,752	220,643	296,076	296,379			
Capital projects funds	104		931,510				5,023,109	2,261,950		
Debt service funds	77,555									
Nonspendable										2,530,944
Restricted									770,795	
Committed										
Assigned										
Unassigned										
Total all other governmental funds	\$ 554,352	\$ 496,074	\$ 1,828,059	\$ 434,493	\$ 791,696	\$ 317,305	\$ 5,321,502	\$ 2,264,306	\$ 770,795	\$ 2,530,944

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

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes (see Schedule 6)	\$ 42,399,429	\$ 45,329,050	\$ 47,809,700	\$ 50,686,320	\$ 62,338,423	\$ 67,396,851	\$ 64,662,520	\$ 65,278,728	\$ 66,930,265	\$ 67,071,551
Licenses, fees, and permits	2,208,082	2,345,856	2,492,482	2,573,704	2,805,965	3,213,880	3,208,431	3,185,938	3,528,255	3,708,243
Fines and penalties	1,358,561	1,465,203	1,307,930	1,410,632	1,522,868	1,582,773	1,692,058	1,668,239	1,797,703	1,998,717
Charges for services	1,651,273	2,436,119	2,457,826	2,502,725	2,503,491	2,322,232	2,283,339	2,423,346	2,217,221	2,259,787
Special assessments	1,183,350	245,251	342,982	211,120	221,584	125,195	98,342	78,042	69,042	53,126
Intergovernmental	3,004,186	4,639,681	3,339,330	4,469,074	3,967,350	11,312,545	6,321,151	5,397,295	3,944,976	3,319,333
Investment earnings	278,593	363,182	770,029	1,479,526	1,705,023	1,055,684	367,577	355,165	270,620	191,681
Other revenues	2,452,368	1,680,908	3,481,265	1,974,550	5,064,220	4,940,168	2,718,779	2,668,135	2,622,345	2,506,253
Total revenues	54,535,842	58,505,250	62,001,544	65,307,651	80,128,924	91,949,328	81,352,197	81,054,888	81,380,427	81,108,691
Expenditures										
General government	6,231,177	6,130,581	8,979,751	7,849,147	8,838,212	9,421,878	9,866,202	8,911,914	8,914,645	9,155,464
Public safety	21,428,502	21,723,282	23,206,906	25,336,606	25,981,857	27,956,960	28,559,586	28,744,251	28,854,564	29,314,212
Planning and development				878,832	1,705,966	2,113,365	1,839,863	1,832,173	1,904,129	1,822,479
Refuse collection	3,081,820	3,207,141	3,403,680	3,611,188	4,041,226	3,941,340	3,994,678	4,008,706	4,020,027	3,889,251
Other public works	10,897,299	10,606,723	11,957,416	11,814,132	13,049,606	13,439,168	12,543,550	14,320,117	15,360,928	12,796,891
Health and welfare	2,665,002	2,254,034	2,472,583	2,671,928	2,728,336	3,162,650	2,788,176	2,815,224	2,794,183	2,987,149
Culture and recreation	5,917,990	7,024,085	7,432,301	8,237,035	7,970,348	8,565,417	8,211,182	8,130,904	8,349,165	8,280,689
Insurance	3,037,638	2,508,321	752,477	1,298,190	2,280,195	1,372,577	967,449	2,952,101	193,439	805,007
Capital outlay	4,174,279	3,864,391	2,024,619	5,247,351	19,402,078	17,114,599	10,192,257	7,975,964	3,366,687	4,312,229
Intergovernmental	2,935,169	2,965,310	2,958,342	2,968,183	2,953,473	3,296,304	4,063,613	3,936,184	3,922,562	3,894,777
Debt service										
Interest	2,222,704	1,914,807	1,349,619	1,826,455	1,341,318	1,667,373	1,330,950	1,370,157	1,148,631	1,044,618
Principal	3,608,653	3,895,494	2,139,098	6,002,507	4,310,723	5,970,417	4,607,050	5,482,224	3,810,718	3,642,914
Total expenditures	66,200,233	66,094,169	66,676,792	77,741,554	94,603,338	98,022,048	88,964,556	90,479,919	82,639,678	81,945,680
Excess of revenues over (under) expenditures	(11,664,391)	(7,588,919)	(4,675,248)	(12,433,903)	(14,474,414)	(6,072,720)	(7,612,359)	(9,425,031)	(1,259,251)	(836,989)
Other Financing Sources (Uses)										
Bonds issued	(16,881)		1,757,588				5,500,000			2,000,000
Capital leases					12,830,770	8,375	6,200		9,012	
Refunding bonds issued	3,001,405		32,599,847							
Payments to escrow agent	(2,828,942)		(33,042,434)							
Transfers in	11,720,191	9,958,426	10,354,882	9,998,255	11,977,818	2,995,391	3,118,979	4,792,797	2,603,146	6,101,827
Total other financing sources (uses)	11,875,773	9,958,426	11,669,883	9,998,255	24,808,588	3,003,766	8,625,179	4,792,797	2,612,158	8,101,827
Net change in fund balances	\$ 211,382	\$ 2,369,507	\$ 6,994,635	\$ (2,435,648)	\$ 10,334,174	\$ (3,068,954)	\$ 1,012,820	\$ (4,632,234)	\$ 1,352,907	\$ 7,264,838
Debt service as a percentage of noncapital expenditures	9.4%	9.3%	5.4%	10.8%	7.5%	9.4%	7.5%	8.3%	6.3%	6.0%

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 6
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

FISCAL YEAR	GENERAL PROPERTY TAX	MOTOR VEHICLE PROPERTY TAX	SALES AND USE TAX	LODGING TAX	FRANCHISE TAX	ALCOHOL BEVERAGE TAX	CIGARETTE TAX	TOTAL
2003	\$ 2,412,866	\$ 498,835	\$ 35,890,047	\$ 764,738	\$ 1,472,635	\$ 1,032,344	\$ 327,964	\$ 42,399,429
2004	2,611,284	554,561	38,149,976	827,775	1,788,704	1,072,016	324,734	45,329,050
2005	2,726,765	538,245	40,448,484	1,157,201	1,541,675	1,087,469	309,861	47,809,700
2006	2,752,947	760,952	43,135,036	1,463,558	1,094,944	1,151,766	327,117	50,686,320
2007	3,021,417	834,817	54,624,378	1,374,262	932,430	1,236,413	314,706	62,338,423
2008	3,364,123	783,740	58,453,155	1,437,757	1,797,381	1,251,414	309,281	67,396,851
2009	3,611,410	672,572	55,758,545	1,469,729	1,605,566	1,238,156	306,542	64,662,520
2010	3,678,498	631,267	55,274,479	1,553,786	2,623,546	1,191,763	325,389	65,278,728
2011	3,770,349	682,360	56,531,207	1,631,247	2,820,069	1,191,295	303,738	66,930,265
2012	3,748,540	738,910	57,265,598	1,565,896	2,248,294	1,210,013	294,300	67,071,551
Change								
2003-2012	\$ 1,335,674	\$ 240,075	\$ 21,375,551	\$ 801,158	\$ 775,659	\$ 177,669	\$ (33,664)	\$ 24,672,122

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

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

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

<u>FISCAL YEAR</u>	<u>RESIDENTIAL PROPERTY</u>	<u>COMMERCIAL AND INDUSTRIAL PROPERTY</u>	<u>LESS: TAX-EXEMPT PROPERTY</u>	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TOTAL DIRECT TAX RATE</u>	<u>ESTIMATED ACTUAL TAXABLE VALUE</u>	<u>TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE</u>
2003	157,676	408,986	48,627	518,035	5.00	3,583,462	14.5%
2004	165,624	412,640	49,813	528,451	5.00	3,627,230	14.6%
2005	178,744	432,145	52,644	558,245	5.00	3,914,296	14.3%
2006	202,010	479,682	65,920	615,772	5.00	4,386,207	14.0%
2007	223,361	505,846	68,293	660,914	5.00	4,730,746	14.0%
2008	236,702	543,712	64,921	715,493	5.00	5,050,464	14.2%
2009	246,393	556,086	64,847	737,632	5.00	5,209,313	14.2%
2010	249,511	574,750	69,558	754,703	5.00	5,334,228	14.1%
2011	246,600	577,795	72,937	751,458	5.00	5,348,051	14.1%
2012	245,821	574,686	74,537	745,970	5.00	5,298,026	14.1%

Source: Revenue Commissioner and Probate Judge of Houston, Dale, and Henry Counties

Notes: Represents fiscal year taxes that were assessed. Taxes are due and collected in the next fiscal year.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 8
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per \$1,000 of assessed value)

FISCAL YEAR	CITY DIRECT RATES					OVERLAPPING RATES						
	BASIC RATE	GENERAL OBLIGATION DEBT SERVICE	REDEVELOPMENT DEBT SERVICE	REDEVELOPMENT PROGRAM	TOTAL DIRECT RATE	DOTHAN SCHOOL DISTRICT	HOUSTON COUNTY	HOSPITAL**	COUNTY-WIDE SCHOOL	STATE OF ALABAMA	ADDITIONAL SCHOOL LEVY*	TOTAL
2003	5.00				5.00	3.50	10.50	1.00	4.50	6.50		26.00
2004	5.00				5.00	3.50	10.50	1.00	4.50	6.50		26.00
2005	5.00				5.00	3.50	10.50	1.00	4.50	6.50		26.00
2006	5.00				5.00	3.50	10.50	1.00	4.50	6.50		26.00
2007	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2008	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2009	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2010	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2011	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2012	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50

Source: Houston County Revenue Commissioner

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

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

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

TAXPAYER	2012			2003		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
CenturyTel of Alabama	\$ 10,105,440	1	1.35%	\$ 14,658,940	2	2.20%
Triad of Alabama LLC	9,882,160	2	1.32%			
Wiregrass Telecom, Inc.	5,746,000	3	0.77%			
Watson & Downs Investments LLC	5,139,400	4	0.69%			
Inland American Dothan Pavilion LLC	4,918,640	5	0.66%			
Flowers Hospital	4,283,360	6	0.57%			
PR Wiregrass Commons LLC	3,472,640	7	0.47%			
Perdue Farms, Inc.	3,395,480	8	0.46%	2,130,400	9	0.32%
CSX Transportation, Inc.	2,793,800	9	0.37%			
Flavor House Products, Inc.	2,712,620	10	0.36%			
QHG of Alabama				16,782,040	1	2.52%
Sony Magnetic Products, Inc.				5,472,320	3	0.82%
Metropolitan Life Insurance Co.				4,314,560	4	0.65%
Twitchell Corporation				2,898,120	5	0.43%
Globe Motors				2,768,360	6	0.42%
Kingswood Income Properties				2,339,220	7	0.35%
Northside ACD LLC				2,242,820	8	0.34%
Walmart Real Estate Business Trust				2,108,240	10	0.32%
Total	\$ 52,449,540		7.02%	\$ 55,715,020		8.37%

Source: Revenue Commissioner Houston County

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

FISCAL YEAR ENDED SEPTEMBER 30	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2003*	\$ 2,425,818	\$		\$	\$ 2,346,656	96.74 %
2004*	2,654,953				2,556,163	96.28 %
2005	2,751,066	2,612,518	94.96 %	386	2,612,904	94.98 %
2006	2,905,533	2,748,503	94.60 %	407	2,748,910	94.61 %
2007	3,187,204	3,012,951	94.53 %	386	3,013,337	94.54 %
2008	3,409,443	3,283,574	96.31 %	653	3,284,227	96.33 %
2009	3,670,577	3,607,196	98.27 %	761	3,607,957	98.29 %
2010	3,865,797	3,672,452	95.00 %	953	3,673,405	95.02 %
2011	3,848,606	3,761,967	97.75 %	2,807	3,764,774	97.82 %
2012	3,835,211	3,740,606	97.53 %		3,740,606	97.53 %

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

*FY2003-FY2004 "total collections to date" figures are collections within the fiscal year of the levy and collections for previous years combined.

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

	CALENDAR YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Accommodation & Food Services	\$ 142,541	\$ 152,354	\$ 162,233	\$ 173,163	\$ 189,363	\$ 195,806	\$ 191,417	\$ 192,631	\$ 198,879	\$ 252,250
Administrative & Waste Mgmt.	4,795	5,125	5,458	5,825	5,296	6,657	7,676	6,141	7,197	6,764
Agriculture, Forestry, Fishing, etc.	40	43	46	49	7	15	10	181	641	570
Arts, Entertainment & Recreation	5,814	6,214	6,617	7,063	7,789	7,789	8,218	7,564	7,398	12,116
Construction	12,169	13,007	13,850	14,783	21,121	21,046	14,177	9,923	11,656	20,709
Educational Services	1,558	1,666	1,774	1,893	1,605	2,059	1,981	2,730	2,702	2,157
Finance & Insurance	2,808	3,001	3,195	3,411	4,553	4,128	3,168	3,388	4,196	9,048
Health Care & Social Assistance	13,557	14,490	15,430	16,469	17,085	17,497	19,001	19,441	16,304	17,880
Information	15,990	17,091	18,199	19,425	20,853	20,666	21,755	22,926	26,683	21,483
Management of Companies	57	61	65	69	142	43	30	97	89	62
Manufacturing	62,399	66,695	71,020	75,805	87,006	97,262	80,441	72,888	75,504	93,248
Mining	71	75	80	86	84	155	102	42	52	105
Other Services	21,717	23,212	24,718	26,383	28,149	38,521	24,436	26,512	27,516	53,414
Professional Services	15,255	16,305	17,362	18,532	19,365	20,789	20,185	21,918	22,880	29,991
Public Administration	314	336	357	382	544	384	633	137	598	557
Real Estate & Rental & Leasing	8,523	9,110	9,700	10,354	18,238	12,795	7,849	7,755	6,100	7,796
Retail Trade	812,781	868,739	925,069	987,394	1,176,335	1,097,319	1,046,522	1,073,437	1,097,597	1,292,801
Transportation & Warehousing	7,015	7,498	7,984	8,522	7,780	9,907	10,281	9,763	8,115	7,061
Unidentified*	879	940	1,002	1,068	119	149	99	4,285	8,503	8,570
Utilities	290	310	330	352	426	508	331	310	38	113
Wholesale Trade	99,289	106,125	113,006	120,620	142,611	135,037	121,898	137,284	143,753	159,921
Total	\$ 1,227,862	\$ 1,312,397	\$ 1,397,495	\$ 1,491,648	\$ 1,748,471	\$ 1,688,532	\$ 1,580,210	\$ 1,619,353	\$ 1,666,401	\$ 1,996,616
City direct sales tax rate	3.00%	3.00%	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Sources: Revenue Discovery Systems.

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

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

<u>FISCAL YEAR</u>	<u>CITY SALES TAX RATE</u>	<u>HOUSTON COUNTY SALES TAX RATE</u>	<u>STATE SALES TAX RATE</u>	<u>TOTAL SALES TAX RATE</u>
2003	3.00%	1.00%	4.00%	8.00%
2004	3.00%	1.00%	4.00%	8.00%
2005	3.00%	1.00%	4.00%	8.00%
2006	3.00%	1.00%	4.00%	8.00%
2007	4.00%	1.00%	4.00%	9.00%
2008	4.00%	1.00%	4.00%	9.00%
2009	4.00%	1.00%	4.00%	9.00%
2010	4.00%	1.00%	4.00%	9.00%
2011	4.00%	1.00%	4.00%	9.00%
2012	4.00%	1.00%	4.00%	9.00%

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

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

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

<u>TAX REMITTER</u>	<u>CALENDAR YEAR</u>	
	<u>2012</u>	<u>2003</u>
	<u>RANK</u>	<u>RANK</u>
Wal Mart Stores East LP	1	
Sams East, Inc.	2	3
Lowes Home Centers, Inc.	3	2
Publix Alabama LLC	4	
Winn Dixie Montgomery, Inc.	5	4
Bondys Ford, Inc.	6	
Target Corporation	7	
Toyota of Dothan	8	
Solomon Motor Company	9	
Mike Schmitz Automotive Group	10	
Wal Mart Stores East, Inc.		1
Kmart Corporation		5
CJ Gayfer & Company		6
Brunos Supermarket, Inc.		7
Parisian Stores, Inc.		8
Sears Roebuck & Company		9
J C Penny Corp, Inc.		10

Source: Revenue Discovery Systems.

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

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	SEWER BONDS			
2003	\$ 39,269,663	\$	\$ 12,014,138	\$	\$ 20,630,000	\$ 71,913,801	2.15%	\$ 1,198
2004	35,374,169		12,505,830		19,770,000	67,649,999	2.46%	1,104
2005	34,880,462		12,574,538		18,880,000	66,335,000	2.71%	1,058
2006	28,877,955		11,587,045		17,950,000	58,415,000	3.31%	912
2007	24,567,231	12,830,770	13,212,846		22,613,014	73,223,861	2.81%	1,119
2008	23,897,231	7,538,728	8,241,611		21,613,014	61,290,584	3.47%	922
2009	26,945,000	5,389,630	4,835,404	12,453	55,308,014	92,490,501	2.42%	1,370
2010	23,575,000	3,277,405	2,088,450	10,015	59,103,014	88,053,884	2.47%	1,344
2011	21,935,000	1,115,700	2,035,000	7,124	57,120,000	82,212,824	2.76%	1,245
2012	21,401,496	6,290	1,960,000	3,697	60,830,000	84,201,483	NA	NA

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

FISCAL YEAR	GENERAL BONDED DEBT OUTSTANDING		PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	TOTAL		
2003	\$ 39,269,663	\$ 39,269,663	1.10%	\$ 654
2004	35,374,169	35,374,169	0.98%	577
2005	34,880,462	34,880,462	0.89%	556
2006	28,877,955	28,877,955	0.66%	451
2007	24,567,231	24,567,231	0.52%	375
2008	23,897,231	23,897,231	0.47%	359
2009	26,945,000	26,945,000	0.52%	399
2010	23,575,000	23,575,000	0.44%	360
2011	21,935,000	21,935,000	0.41%	335
2012	21,401,496	21,401,496	0.40%	324

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 16
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2012

	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE*</u>	<u>ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT</u>
City of Dothan Direct Debt			
General Bonded Debt and Warrants	\$ 21,407,786	100.00%	\$ 21,407,786
Overlapping Debt			
Houston County	21,935,000	58.92%	12,924,102
Southeast Alabama Medical Center		58.92%	<u> </u>
Total direct and overlapping debt			<u><u>\$ 34,331,888</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Houston County Board of Equalization and Assessment. Debt outstanding data provided by Houston County Commission and the Southeast Alabama Medical Center. All debt outstanding for the Southeast Alabama Medical Center are revenue warrants and is paid from designated revenues rather than property taxes.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Dothan. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Houston County's capital lease, loan and other debt. The applicable percentage of Houston County Economic Development Bonds, which are backed by county sales taxes, was estimated by dividing the City's retail sales by the County's retail sales.

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 SCHEDULE 17
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS**

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 133,183,772	\$ 135,502,760	\$ 144,532,068	\$ 161,033,940	\$ 166,976,466	\$ 179,922,900	\$ 191,328,028	\$ 192,998,984	\$ 194,656,994	\$ 186,370,584
Total net debt applicable to limit	<u>1,425,000</u>	<u>885,000</u>	<u>4,847,894</u>	<u>3,054,749</u>	<u>14,982,412</u>	<u>9,690,370</u>	<u>11,303,438</u>	<u>8,782,413</u>	<u>6,619,262</u>	<u>6,674,634</u>
Legal debt margin	<u>\$ 131,758,772</u>	<u>\$ 134,617,760</u>	<u>\$ 139,684,174</u>	<u>\$ 157,979,191</u>	<u>\$ 151,994,054</u>	<u>\$ 170,232,530</u>	<u>\$ 180,024,590</u>	<u>\$ 184,216,571</u>	<u>\$ 188,037,732</u>	<u>\$ 179,695,950</u>
Total net debt applicable to the limit as a percentage of debt limit	1.07%	0.65%	3.35%	1.90%	8.97%	5.39%	5.91%	4.55%	3.40%	3.58%

Legal Debt Margin Calculation for Fiscal Year 2012	
Assessed value	\$ 931,852,920
Debt limit (20% of assessed value)	186,370,584
Debt applicable to limit:	
General obligation bonds	84,201,483
Less: Exempt debt	77,526,849
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>6,674,634</u>
Legal debt margin	<u>\$ 179,695,950</u>

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

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

FISCAL YEAR	WATER REVENUE BONDS						SPECIAL ASSESSMENT BONDS				SALES TAX INCREMENT BONDS			
	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	SPECIAL ASSESSMENT COLLECTIONS	DEBT SERVICE		COVERAGE	SALES TAX INCREMENT	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST			PRINCIPAL	INTEREST			PRINCIPAL	INTEREST	
2003	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2004														
2005														
2006														
2007														
2008														
2009														
2010														
2011														
2012														

Notes: The City does not have any pledged revenues.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 19
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>CALENDAR YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME (thousands of dollars)</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>EDUCATION LEVEL IN YEARS OF SCHOOLING</u>	<u>SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
2003	60,036	\$ 1,545,567	\$ 25,744	37.8	12.9	8,838	4.40%
2004	61,287	1,666,271	27,188	38.0	12.9	8,668	4.20%
2005	62,713	1,800,365	28,708	38.2	13.0	8,814	3.40%
2006	64,053	1,931,006	30,147	38.4	13.0	8,906	3.50%
2007	65,447	2,060,599	31,485	38.4	13.0	9,018	3.20%
2008	66,505	2,129,224	32,016	36.7	12.6	9,086	4.60%
2009	67,525	2,234,875	33,097	36.7	12.7	9,177	9.80%
2010	65,496	2,171,127	33,149	38.6	12.9	9,294	9.00%
2011	66,010	2,287,511	34,654	36.7	12.6	9,314	8.30%
2012	NA	NA	NA	36.7	12.5	9,431	7.30%

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

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

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

<u>EMPLOYER</u>	<u>2012</u>			<u>2003</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>
Southeast Alabama Medical Center	2,113	1	4.94%	2,000	1	4.49%
Dothan (City) & Houston County School Systems	1,973	2	4.62%	1,800	2	4.04%
Flowers Hospital	1,100	3	2.57%	1,200	3	2.69%
City of Dothan	936	4	2.19%	981	5	2.20%
Southern Nuclear (Farley)	860	5	2.01%	840	6	1.88%
Perdue Farms, Inc.	800	6	1.87%	1,150	4	2.58%
Michelin Tire	542	7	1.27%	650	8	1.46%
AAA Cooper Transportation	425	8	0.99%			
Houston County Government	392	9	0.92%			
Twitchell Corporation	387	10	0.91%			
Collins Signs				800	7	1.79%
Sony Magnetic Products				650	9	1.46%
Pemco World Air Services				620	10	1.39%
Total	<u>9,528</u>		<u>22.29%</u>	<u>10,691</u>		<u>23.98%</u>

*These figures are for Houston County.

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

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

	FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30									
<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Administrative services	11	10	10	10	11	10	11	11	11	12
Information systems	12	13	13	15	15	15	16	15	16	15
City clerk	7	7	6	6	7	7	7	7	5	6
Finance	40	39	39	41	42	42	42	41	41	41
Personnel	10	10	10	11	11	10	10	10	9	10
Judicial	12	14	12	11	13	14	14	13	12	13
General services	62	59	56	55	56	57	55	53	53	53
Police										
Officers	158	154	148	144	147	156	157	155	151	158
Civilians	70	69	66	72	68	72	73	66	71	70
Fire										
Firefighters and officers	174	168	162	164	166	169	167	168	168	169
Civilians	2	2	2	2	3	3	3	2	2	3
Refuse collection	94	96	90	94	91	85	81	82	77	73
Other public works										
Engineering	15	14	13	12	13	14	14	16	16	14
Street	49	48	44	45	44	44	43	42	43	44
Traffic	11	11	11	11	13	13	14	11	11	12
Other	4	3	5	5	6	6	6	6	5	6
Planning and development	14	14	10	15	17	19	18	17	17	16
Parks and recreation	59	57	57	60	56	59	58	60	60	57
Performing arts	13	13	12	13	12	12	11	10	11	11
Electric	73	71	66	62	64	63	61	61	62	66
Water	36	37	37	33	36	37	37	35	35	33
Wastewater	55	56	55	56	58	57	55	55	51	54
Total	981	965	924	937	949	964	953	936	927	936

Source: City of Dothan Personnel Department.

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

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

Function	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	5,338	5,730	6,068	6,354	5,060	5,075	4,292	4,032	4,961	4,427
Building inspections conducted	9,071	10,676	10,818	11,272	11,317	9,682	8,881	7,614	7,104	6,581
Police										
Physical arrests	5,533	5,411	4,897	4,522	4,435	5,229	5,244	6,552	5,239	5,289
Parking violations	224	285	241	215	764	456	437	173	142	118
Traffic and non misdemeanor violations	23,225	25,890	22,763	21,016	22,032	19,959	15,992	14,827	12,423	13,606
Fire										
Emergency responses	7,928	8,575	8,420	8,670	9,106	9,360	8,824	10,201	10,755	11,017
Fires extinguished	456	474	465	574	563	478	418	508	533	464
Inspections	1,311	1,270	1,131	688	780	986	819	3,508	2,614	2,662
Refuse collection										
Refuse collected (tons per day)	260.11	222.27	260.50	274.84	277.53	268.17	240.00	227.00	231.61	243.42
Recyclables collected (tons per day)	9.67	5.19	4.88	4.66	5.17	5.48	4.66	2.28	2.71	2.92
Other public works										
Street resurfacing (miles)	12		15	14	16	14	16	16	14	13
Parks and recreation										
Athletic field permits issued*	20	20	20	23	23	130	267	126	242	381
Community center admissions**	52,462	55,972	51,972	65,045	80,340	67,983	78,053	82,344	106,696	110,943
Library										
Volumes in collection - books	199,462	207,329	210,325	210,839	206,957	209,394	208,625	208,097	180,642	170,078
Volumes in collection - audio/video	3,958	2,905	4,470	3,900	4,263	4,401	4,736	3,950	4,266	7,567
Volumes borrowed	288,661	269,226	259,450	249,793	246,663	304,953	248,108	286,541	235,517	239,238
Water										
New connections	211	173	198	198	590	127	66	98	315	144
Water main breaks	26	25	28	15	94	133	140	226	209	169
Average daily consumption (thousands of gallons)	11,242	12,432	12,000	13,714	14,000	13,196	10,079	12,664	13,038	11,470
Peak daily consumption (thousands of gallons)	16,834	21,503	19,174	25,123	26,000	22,380	20,611	20,611	24,013	22,744
Wastewater										
Average daily sewage treatment (thousands of gallons)	12,610	11,490	14,456	10,879	11,324	13,193	14,818	12,150	9,611	9,631

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

Notes: *Figures for 2003-2007 represent the number of different organizations that were issued a field permit. Figures for 2008-2012 represent the number of times fields were rented.

**Figures for 2003-2010 include community center admissions plus the number of times the Westgate Tennis Complex was rented by an organization . Figures for 2011-2012 include community center admissions plus the number of admissions to the Westgate Tennis Complex.

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

	FISCAL YEAR									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	16	17	17	17	17	17	17	17	17
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	46	47	47	46	54	55	52	52	52	52
Other public works										
Streets (miles)	426	428	431	438	445	451	452	452	455	455
Highways (miles)*	58	58	58	58	58	58	58	58	58	58
Street lights	13,024	13,386	13,532	13,683	13,763	13,854	13,854	13,979	15,135	15,378
Traffic signals	186	186	187	187	184	190	190	190	190	190
Parks and recreation										
Acreage	586	596	596	596	596	706	706	706	706	708
Playgrounds	10	11	11	11	11	11	10	10	13	15
Baseball/softball diamonds	31	31	31	31	31	31	31	31	31	31
Soccer/football fields	6	6	6	7	7	7	8	8	8	8
Community centers	7	7	7	7	7	7	7	7	7	7
Tennis courts	44	44	44	44	47	47	47	47	47	47
Water										
Water mains (miles)	455	460	461	462	464	469	479	488	497	502
Fire hydrants	2,886	2,906	2,914	2,925	2,927	2,961	2,977	3,021	3,430	3,459
Storage capacity (thousands of gallons)	14,500	14,500	14,500	14,500	14,500	14,500	14,500	14,500	16,000	16,000
Wastewater										
Sanitary sewers (miles)	459	465	469	477	484	491	492	497	504	505
Storm sewers (miles)	161	162	165	169	169	173	174	181	183	185
Treatment capacity (thousands of gallons)	23,120	23,120	23,120	23,120	23,120	23,120	23,120	23,120	23,120	22,120

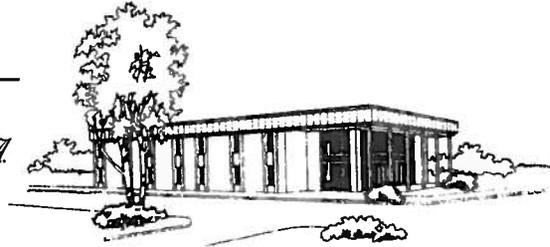
Sources: Police Department, Fire Department, Public Works, Department of Leisure Services, and Dothan Utilities

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

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

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

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



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

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Dothan, Alabama 36305
Phone: (334) 793-1414
Fax: (334) 793-9159

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2012, which collectively comprise the City of Dothan, Alabama's basic financial statements and have issued our report thereon dated February 28, 2013. 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

Management of the City of Dothan, Alabama is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Dothan, Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dothan, Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dothan, Alabama's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Dothan, Alabama, in a separate letter dated February 28, 2013.

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

Respectfully submitted,



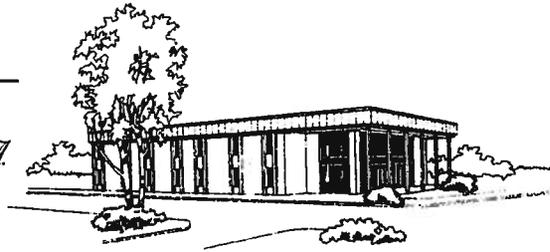
McCLINTOCK, NELSON & ASSOCIATES, P.C.
Certified Public Accountants

February 28, 2013

McClintock, Nelson & Associates, P.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Dothan, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Dothan, Alabama's major federal programs for the year ended September 30, 2012. The City of Dothan, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dothan, Alabama's management. Our responsibility is to express an opinion on the City of Dothan, Alabama's compliance based on our audit.

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

In our opinion, the City of Dothan, Alabama, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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

Internal Control Over Compliance

Management of the City of Dothan, Alabama, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dothan, Alabama's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dothan, Alabama's internal control over compliance.

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

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

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

Respectfully submitted,

A handwritten signature in cursive script, likely representing the firm's name, "McClintock, Nelson & Associates".

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

February 28, 2013

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 10-01-11	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-12
U.S. DEPARTMENT OF ENERGY:							
<u>Direct Programs:</u>							
Efficiency & Conservation Block Grant	81.128	None	\$ 665,400	\$ 13,386	\$ 47,872	\$ 47,872	\$
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-05-MC-01-0010 - B-11-MC-01-0010	2,078,409	92,772	576,344	576,344	31,835
Congressional Appropriations - Streetscape Improvements	14.251	None	500,000		47,460	47,460	47,460
<u>Passed Through Dothan Housing Authority:</u>							
Public Housing Capital Fund	14.872	None	175,000		175,000	175,000	
Total U.S. Department of Housing and Urban Development				<u>92,772</u>	<u>798,804</u>	<u>798,804</u>	<u>79,295</u>
U.S. DEPARTMENT OF JUSTICE:							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	15,219		15,219	15,219	4,689
Community Oriented Policing Services Technology	16.710	None	300,000		44,810	44,810	
U.S. Marshalls Overtime Grant	16.607	None	12,500		12,481	12,481	1,424
U.S. Marshalls Fuel Reimbursement Grant	16.607	None	1,020		1,020	1,020	
Edward Byrne Digital In-Car Video Technology Grant	16.738	None	51,561		41,249	41,249	41,249
Edward Byrne Digital In-Car Video Technology Grant	16.738	None	43,911		35,129	35,129	35,129
Total U.S. Department of Justice				<u>-</u>	<u>149,908</u>	<u>149,908</u>	<u>82,491</u>
U.S. DEPARTMENT OF TRANSPORTATION:							
<u>Passed Through State of Alabama</u>							
<u>Highway Department:</u>							
Enhancement Scenic Beautification Grant	20.205	STPTE-TE09	24,000		24,000	24,000	
MPO Transportation Construction Grant	20.205	None	286,328		73,909	73,909	73,909
MPO Transportation Planning Grant	20.205	FTATE-100057377	99,431		99,431	99,431	31,064
Total U.S. Department of Transportation				<u>-</u>	<u>197,340</u>	<u>197,340</u>	<u>104,973</u>

(Continued on Page 116)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

<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 10-01-11</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-12</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:							
<u>Direct Programs:</u>							
Assistance to Firefighters	97.044	None	\$ 373,200	\$	\$ 121,657	\$ 121,657	\$ 704
Mutual Aid Systems-Hazmat	97.067	None	21,857		21,857	21,857	
Mutual Aid Systems-Rescue & Hazmat	97.067	None	27,615		3,436	3,436	
Mutual Aid Systems-Heavy Rescue Team	97.067	None	15,428		14,383	14,383	
Mutual Aid Systems-Heavy Rescue Team	97.067	None	15,035		15,035	15,035	
Mutual Aid Systems-Heavy Rescue Team	97.067	None	25,145		4,491	4,491	
Total U.S. Department of Homeland Security				-	180,859	180,859	704
U.S. DEPARTMENT OF AGRICULTURE:							
<u>Passed Through State Department of Education:</u>							
Summer Food Service Program	10.559	None	73,054		72,144	72,144	
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY:							
Series 2011 CWSRF-DL	66.458	None	226,347		226,347	226,347	
TOTAL FEDERAL AWARDS				<u>\$ 106,158</u>	<u>\$ 1,673,274</u>	<u>\$ 1,673,274</u>	<u>\$ 267,463</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

2. ENTITY DEFINITION

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

3. ALLOCATION OF INDIRECT COSTS

The City has no indirect cost allocation plan for grants.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

SUMMARY OF AUDITOR'S RESULTS:

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

The audit disclosed no reportable conditions which were considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Dothan, Alabama in a separate letter dated February 28, 2013.

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

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

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

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

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

	<u>CFDA No.</u>
U.S. Department of Environmental Protection Agency	66.458
U.S. Department of Housing and Urban Development	14.218
U.S. Department of Housing and Urban Development	14.872

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.