

**City of Thomasville  
Alabama  
Audited Financial  
Statements for  
September 30, 2016**

**Mayor Sheldon A. Day  
City Clerk - Deborah P. Ballard**

**As Prepared by:  
Gregg A. Hollon, CPA  
Hollon Accounting Services, Inc.  
2410 Cobbs Ford Road  
Millbrook, AL 36054  
334.517.6555**

CITY OF THOMASVILLE  
Thomasville, Alabama  
September 30, 2016

**TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
Independent Auditor's Report	
Management's Discussion and Analysis	
Statement of Net Assets	1
Statement of Activities	2
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and changes in Fund Balances - Governmental	5
Reconciliation of the Statement of Revenues, Expenditures, and changes in Fund Balances - Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenditures, and Changes in Net Assets-Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9
Notes to Financial Statements	10-45

**SUPPLEMENTAL INFORMATION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	47
Comparative Balance Sheet - General Fund	48
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance General Fund	49-53
Combining Balance Sheet - All Special Revenue Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balance All Special Revenue Funds	55
Combining Balance Sheet - Debt Service Fund	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance Debt Service Fund	56
Balance Sheet - Capital Projects Fund	57
Statement of Revenues, Expenditures and Changes in Fund Balance Capital Projects Fund	58

Balance Sheet - Component Unit	59
Statement of Revenues, Expenditures and Changes in Fund Balance	
Component Unit	60
Additional Information Required for The Water and Sewer Board Bond	
Indentures	63
Schedule of Findings and Questioned Costs	71



## Hollon Accounting Services, Inc.

Certified Public Accountants & Consultants

2410 Cobbs Ford Road  
Millbrook, AL 36054  
(334) 517-6555  
www.holloncpa.com

February 3, 2017

### INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
Thomasville, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2016, which collectively comprise Thomasville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Thomasville, 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 presented. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Thomasville, Alabama as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in 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 3, 2017 on our consideration of the City of Thomasville, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in accessing the results of our audit.

To the Mayor and City Council  
Thomasville, Alabama

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and page 42 be presented to supplement the basis financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances 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 Thomasville, Alabama's financial statements as a whole. The Supplemental Information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Supplemental Information as listed in the table of Contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hollon Accounting Services, Inc.*

Hollon Accounting Services, Inc.  
February 3, 2017

The Statement of Net Assets represents the strengthening or weakening of the financial position of the City. The Statement of Net Assets, which is determined by the difference between assets and liabilities, is used as an indicator of the City's financial position.

The Statement of Activities reports all changes in net assets as soon as the underlying event giving rise to the change occurs in the recent fiscal year. Therefore, some revenues and expenses that are reported will not generate cash flows until future time periods.

Both statements separate the functions of the City of Thomasville into two categories of activities: 1) governmental and 2) business-type. Governmental activities are those that are primarily supported through sales taxes, property taxes, and gasoline taxes. Government activities of the City of Thomasville include general government, public safety, public work, and recreation and cultural. Business-type activities, such as the Water Works and Sewer, are those that charge a user fee and charges to recover all or a portion of their costs.

#### **Fund Financial Statements**

The City of Thomasville, like most state and local governments, are required to comply with finance-related legal matters. Fund accounting is used to maintain control over resources by separating them by specific activities and objectives into funds, grouping of related accounts. The City of Thomasville can be divided into two basic categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a conservative short-term spending focus.

**Proprietary Funds** – Like the government-wide financial statements, proprietary funds financials report the same type of information, except in much more detail. Proprietary funds are used to report services that the City provides and then charges the customer a fee. The City of Thomasville operates and maintains one type of proprietary fund. Enterprise funds are used to report services the City provides to the citizens and then charges citizens a user fee in order to generate revenue, such as the City's utility system. The functions presented in the enterprise funds are identical to the functions presented as business-type activities in the entity-wide financial statements.

#### **Notes to the Financial Statements**

The notes provide additional information that helps the user thoroughly understand the financial data provided in the government-wide and fund financial statements. The notes are presented on pages 10 through 32 of this report.

### Other Information

In addition to the basic financial statements and the required accompanying notes, this report also presents mandatory supplementary information regarding the City of Thomasville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 34 of this report. Immediately following on pages 34-54, the non-major governmental funds are presented in the combining statements.

### Government-Wide Financial Analysis

The City's condensed Statement of Net Assets as of September 30, 2016, derived from the government-wide Statement of Net Assets is presented below:

	<b>2016</b>	<b>2015</b>	<b>Difference</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>Amount</b>
	<b>Activities</b>	<b>Activities</b>	
Total Assets	\$ 20,231,026	\$ 19,991,467	\$ 239,559
Total Liabilities	18,689,911	22,053,200	\$ (3,363,289)
Total Net Assets:	1,541,115	(2,061,733)	\$ 3,602,848
Invested in capital assets	1,074,002	\$ 514,743	\$ 559,259
Current Year			
	<b>2016</b>	<b>2015</b>	<b>Difference</b>
	<b>Business Type</b>	<b>Business Type</b>	<b>Amount</b>
	<b>Activities</b>	<b>Activities</b>	
Total Assets	\$ 38,168,288	\$ 42,066,874	\$ (3,898,586)
Total Liabilities	16,289,000	17,738,303	\$ (1,449,303)
Total Net Assets:	21,879,288	24,328,571	\$ (2,449,283)
Invested in capital assets	91,732	\$ 4,526,483	\$ (4,434,751)
Current Year			
Combined Both -	<b>2016</b>	<b>2015</b>	<b>Difference</b>
Gov't and Water portion	<b>Total</b>	<b>Total</b>	<b>Amount</b>
Total Assets	\$ 58,399,314	\$ 62,058,341	\$ (3,659,027)
Total Liabilities	\$ 34,978,911	\$ 39,791,503	\$ (4,812,592)
Total Net Assets:	\$ 23,420,403	\$ 22,266,838	\$ 1,153,565
Invested in capital assets	1,165,734	\$ 5,041,226	\$ (3,875,492)
Current Year			

# CITY OF THOMASVILLE'S CAPITAL ASSETS

	2016 Governmental Activities	2015 Governmental Activities	Difference Amount
Land and Improvements	6,628,377	\$ 2,827,773	\$ 3,800,604
Construction in Progress	-	3,800,604	(3,800,604)
Buildings	16,742,682	15,789,941	952,741
Equipment	4,923,256	4,801,995	121,261
Furniture & Fixtures	367,989	367,989	-
Library Materials	615,590	615,590	-
Accumulated Depreciation	(9,046,868)	(8,212,425)	(834,443)
Totals	\$ 20,231,026	\$ 19,991,467	\$ 239,559

	2016 Business Type Activities	2015 Business Type Activities	Difference Amount
Water & Sewer System	43,710,844	\$ 43,679,655	\$ 31,189
Land and Improvements	1,098,634	1,098,634	-
Construction in Progress	-	-	-
Buildings	1,359,436	1,298,893	60,543
Accumulated Depreciation	(8,000,626)	(7,289,860)	(710,766)
Totals	\$ 38,168,288	\$ 38,787,322	\$ (619,034)

	2016 Total	2015 Total	Difference Amount
Water & Sewer System	43,710,844	\$ 43,679,655	\$ 31,189
Land and Improvements	7,727,011	3,926,407	3,800,604
Construction in Progress	-	3,800,604	(3,800,604)
Buildings	18,102,118	17,088,834	1,013,284
Equipment	4,923,256	4,801,995	121,261
Furniture & Fixtures	367,989	367,989	-
Library Materials	615,590	615,590	-
Accumulated Depreciation	(17,047,494)	(15,502,285)	(1,545,209)
Totals	\$ 58,399,314	\$ 58,778,789	\$ (379,475)



<u>OUTSTANDING DEBT - GOVERNMENTAL FUNDS</u>	<u>As of 9/30/2016</u>	<u>As of 9/30/2015</u>
2009 General Obligation Secured Warrants	\$ 4,630,000	\$ 5,240,000
2011 General Obligation Secured Warrants	4,345,000	4,380,000
2013 General Obligation Secured Warrants	3,760,000	3,895,000
Bank Notes	5,785,207	3,381,414
Capitalized Lease Payments	<u>169,704</u>	<u>171,250</u>
Total	\$ 18,689,911	\$ 17,067,664
<u>OUTSTANDING DEBT - BUSINESS FUNDS</u>		
2010 Water and Sewer Revenue Boards	\$ 2,970,000	\$ 3,120,000
2014 Series Water and Sewer Revenue Bonds	<u>13,319,000</u>	<u>13,599,000</u>
	<u>\$ 16,289,000</u>	<u>\$ 16,719,000</u>
Grand Total	<u>\$ 34,978,911</u>	<u>\$ 33,786,664</u>

The City of Thomasville continues to have an "A" rating from Standard & Poor rating agency for the general obligation debt. This bond rating is a solid indication of the sound financial condition of the City of Thomasville.

The City has the ability to encourage development, which as additional locations of office, retail, residential, and industrial development within the jurisdiction of the City. This is by the ability to place taxes, fees, and service charges to the individual or industry. The City places emphasis on encouraging economic development, and is presently seeking higher levels of development, which in turn produces job creation.

#### **Request for information**

Should additional questions arise, please contact the City Clerk at P. O. Box 127, Thomasville, AL 36784 to request additional information. These financial reports are arranged to provide the citizens, customers, and creditors with an overall view of the City of Thomasville's financial condition and to show the City's accountability.

**CITY OF THOMASVILLE, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2016**

				COMPONENT UNITS			
	Governmental	Business-type		INDUSTRIAL	THOMASVILLE	THOMASVILLE	THOMASVILLE
ASSETS	Activities	Activities	Total	DEVELOPMENT	PUBLIC	HEALTH	CHAMBER
				BOARD	LIBRARY	AUTHORITY	OF COMMERCE
Current Assets:							
Cash							
Unassigned	\$ 116,342	\$ 224,562	\$ 340,904	4,727	16,912	6,279	26,053
Investments	-	-	-				
Accounts Receivable-Net	504,531	399,354	\$ 903,885				
Due from other funds	3,021,298	1,364,764	\$ 4,386,062				
Prepaid Expenses	17,384	11,409	\$ 28,793				
Total Current Assets	3,659,555	2,000,089	5,659,644				
Restricted Assets:							
Cash Customer Deposits	130,014	-	\$ 130,014				
Investments	805,946	737,516	\$ 1,543,462				
Total Restricted Assets	935,960	737,516	\$ 1,673,476				
Capital Assets:							
Land	6,628,377	1,098,634	\$ 7,727,011				
Depreciable Assets-Net	13,602,649	38,110,678	\$ 51,713,327				
Total Capital Assets	20,231,026	39,209,312	\$ 59,440,338				
Total Assets	24,826,541	41,946,917	\$ 66,773,458	4,727	16,912	6,279	26,053
Deferred Outflows:							
Deferred loss on refunding	167,649	72,433	\$ 240,082				
LIABILITIES							
Current Liabilities:							
Accounts Payable	155,964	748,586	904,550				
Accrued Liabilities	33,246	-	33,246				
Accrued Interest	250,235	-	250,235			4,364	
Due to other funds	4,323,973	62,089	4,386,062	2,157,298		570,500	
Bonds and Notes Payable	1,672,428	444,000	2,116,428			1,262,068	
Compensated Absences	120,955	47,603	168,558				
Total Current Liabilities	6,556,801	1,302,278	7,859,079	2,157,298	-	1,836,932	-
Non-Current Liabilities:							
Compensated Absences	245,574	110,740	356,314				
Bonds and Notes Payable	18,279,551	15,845,000	34,124,551				
Net Pension Obligation	1,333,717	576,231	1,909,948				
Total Non-Current Liabilities	19,858,842	16,531,971	36,390,813				
Total Liabilities	26,415,643	17,834,249	44,249,892	2,157,298	-	1,836,932	-
Deferred Inflows:							
Excess Earnings of Pension Plan Investments	157,325	67,425	224,750				
NET POSITION							
Net Investment in Capital Assets	1,541,115	21,449,288	22,990,403				
Restricted for:							
Prepaid Items	17,384	-	17,384				
Capital Projects	20,138	-	20,138				
Debt Service	(2,267,831)	2,668,388	400,557	(2,152,571)		(1,830,653)	
Assign to:							
Unrestricted ( deficit)	(889,584)				16,912		
Total Net Assets (Deficit)	\$ (1,578,778)	\$ 24,117,676	\$ 22,538,898	\$ 4,727	\$ 16,912	\$ 6,279	\$ 26,053

See accompanying notes to the financial statements.

**CITY OF THOMASVILLE ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	PROGRAM REVENUE				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS						
	EXPENSES	FINES, FEES, AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		COMPONENT UNITS				
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	INDUSTRIAL DEVELOPMENT BOARD	THOMASVILLE PUBLIC LIBRARY	THOMASVILLE HEALTH AUTHORITY	THOMASVILLE CHAMBER OF COMMERCE
ACTIVITIES:											
Primary government:											
Governmental activities											
General government	\$ 3,335,353	\$		\$	(3,335,353)		(3,335,353)				
Public safety	2,198,185	305,011			(1,893,174)		(1,893,174)				
Highways and Streets	1,088,588				(1,088,588)		(1,088,588)				
Sanitation	750,822	786,723			35,901		35,901				
Education and Culture	354,058				(354,058)		(354,058)				
Health and Welfare	187,001	83,232			(103,769)		(103,769)				
Economic and Industrial	42,886			610,641	567,755		567,755				
Interest on Long Term Debt	454,955				(454,955)		(454,955)				
Total governmental activities	8,411,848	1,174,966	-	610,641	(6,626,241)		(6,626,241)				
Business-type activities											
Wastewater	3,942,087	2,663,122			-	(1,278,965)	(1,278,965)				
Total business-type activities	3,942,087	2,663,122	-	-	-	(1,278,965)	(1,278,965)				
Total primary government	12,353,935	3,838,088	-	-	-	(1,278,965)	(7,905,206)				
Component units:											
Industrial Development Board	571,907	\$ -		\$ 81,766			\$ (490,141)				
Thomasville Public Library	210,068	-		4,000				\$ (206,068)			
Thomasville Health Authority	48,495	-							\$ (48,495)		
Thomasville Chamber of Commerce	75,647	-								\$ (75,647)	
Total component units	\$ 906,117	\$ -	\$ -	\$ 85,766	-	-	(490,141)	(206,068)	(48,495)	(75,647)	
General Revenue :											
Sales Revenue				8,020,055	-		8,020,055				
License and Permits				723,475	-		723,475				
Personal Property				322,288	-		322,288				
Excise Tax				639,983	-		639,983				
Gain on Disposal of Assets				21,864	-		21,864				
Rental Tax				30,616	-		30,616				
Transfers				53,013	(850,000)		(796,987)	408,000	210,068	121,000	57,919
Total general revenues				9,811,294	(850,000)		8,961,294	408,000	210,068	121,000	57,919
Change in Net Position	\$ 3,185,053	\$ (2,128,965)	\$ 1,056,088	\$ (82,141)	\$ 4,000	\$ 72,505	\$ (17,728)				
Net Position - Beginning	(4,763,831)	26,246,641	21,482,810	(2,070,430)	12,912	(1,903,158)	43,771				
Net Position - Ending	\$ (1,578,778)	\$ 24,117,676	\$ 22,538,898	\$ (2,152,571)	\$ 16,912	\$ (1,830,653)	\$ 26,043				

CITY OF THOMASVILLE, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

ASSETS	General	Capital Projects Funds	Debt Service Funds	Special Revenue Funds	Other Governmental Funds	Total
<b>Current Assets:</b>						
Cash						
Unassigned	\$ 116,342	\$ -	\$ -	\$ -	\$ -	\$ 116,342
Accounts Receivable-Net	504,531					504,531
Due from other funds	2,921,298			100,000		3,021,298
Prepaid Expenses	17,384					17,384
Total Current Assets	3,559,555	-		100,000		3,659,555
<b>Restricted Assets:</b>						
Cash Customer Deposits	130,014					130,014
Investments	533,731	20,138		198,106	53,971	805,946
Total Restricted Assets	663,745	20,138		198,106	53,971	935,960
<b>Capital Assets:</b>						
Depreciable Assets-Net	13,602,649					13,602,649
Land	6,628,377					6,628,377
Total Capital Assets	20,231,026					20,231,026
<b>Total Assets</b>	<b>24,454,326</b>	<b>20,138</b>		<b>298,106</b>	<b>53,971</b>	<b>24,826,541</b>
<b>DEFERRED OUTFLOWS:</b>						
Employer pension contributions	167,649					167,649
	167,649					167,649
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts Payable	155,964					155,964
Accrued Liabilities	33,246					33,246
Accrued Interest	245,871				4,364	250,235
Due to other funds	1,302,675	240,000		53,500	2,727,798	4,323,973
Bonds and Notes Payable	1,672,428					1,672,428
Compensated Absences	120,955					120,955
Total Current Liabilities	3,531,139	240,000	-	53,500	2,732,162	6,556,801
<b>Non-Current Liabilities:</b>						
Compensated Absences	245,574					245,574
Bonds and Notes Payable	17,017,483				1,262,068	18,279,551
RSA Pension Liability	1,333,717					1,333,717
Total Non-Current Liabilities	18,596,774				1,262,068	19,858,842
<b>Total Liabilities</b>	<b>22,127,913</b>	<b>240,000</b>		<b>53,500</b>	<b>3,994,230</b>	<b>26,415,643</b>
<b>DEFERRED INFLOWS:</b>						
Excess earnings of pension plan investments	157,325					157,325
<b>NET ASSETS</b>						
Net Investment in Capital Assets	1,541,115					1,541,115
<b>Restricted for:</b>						
Prepaid Items	17,384					17,384
Capital Projects	20,138					20,138
Debt Service	1,672,428				(3,940,259)	(2,267,831)
<b>Assigned to:</b>						
Unrestricted ( deficit )	(914,328)	(219,862)		244,606		(889,584)
<b>Total Net Assets (Deficit)</b>	<b>\$ 2,336,737</b>	<b>\$ (219,862)</b>	<b>\$ -</b>	<b>\$ 244,606</b>	<b>\$ (3,940,259)</b>	<b>\$ (1,578,778)</b>

See accompanying notes to the financial statements.

**CITY OF THOMASVILLE, ALABAMA**  
**Reconciliation of the Balance Sheet of Governmental**  
**Funds Balance Sheet to Statement of Net Position**  
**September 30, 2016**

Total fund balance - total governmental funds		\$ (889,584)
---	--	--------------

Capital assets not used in governmental activities:

Land	6,628,377
Buildings and Building Improvements, net of accumulated depreciation	12,786,631
Equipment, net of accumulated depreciation	660,568
Furniture and Fixtures, net of accumulated depreciation	70,599
Library Materials, net of accumulated depreciation	84,851

Total Capital Assets	\$ <u>20,231,026</u>
----------------------	----------------------

Internal Service funds are used by Management to charge the costs of employee medical insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

	(828,171)
--	-----------

Deferred Outflows and Inflows applicable to future periods	219,005
Employer pension contribution	167,649
Excess earnings of pension plan investments	157,325
Total deferred Outflows and Inflows of resources	\$ <u>543,979</u>

Long-Term Liabilities not due and payable in current period

Accrued interest on Bonds	245,871
General Obligation Warrants and other notes payable	18,689,911
Compensated Absences	366,529
Net Pension Obligation	1,333,717
Total Long term Liabilities	\$ <u>(20,636,028)</u>

Total net position of Governmental Activities	\$ <u><u>(1,578,778)</u></u>
---	------------------------------

**CITY OF THOMASVILLE, ALABAMA**  
**COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUNDS**  
**Fiscal Year Ended September 30, 2016**

<u>REVENUES</u>	<u>GENERAL</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>DEBT SERVICE FUNDS</u>	<u>SPECIAL REVENUE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
Taxes	\$ 6,889,425	\$ -	\$ -	\$ 72,453	\$ -	\$ 6,961,878
Intergovernmental	85,507	-	-	30,369	-	115,876
Charges for Services	2,109,876	-	-	108,426	23,084	2,241,386
Donations	-	-	-	-	1,000	1,000
Fines and Forfeits	267,418	-	-	-	-	267,418
Other	339,950	-	-	196	63,516	403,662
<b>Total Revenues</b>	<b>9,692,176</b>			<b>211,444</b>	<b>87,600</b>	<b>9,991,220</b>
<u>EXPENDITURES</u>						
General Government	3,335,353	-	-	-	229,575	3,564,928
Public Safety	2,198,185	-	-	68,891	-	2,267,076
Highways and Street	1,088,588	-	-	130,000	-	1,218,588
Sanitation	750,822	-	-	-	-	750,822
Health and Welfare	187,001	-	-	85,062	-	272,063
Capital Outlay	363,381	561,845	-	56,333	92,443	1,074,002
Economic and Industrial Development	42,886	-	-	-	212,218	255,104
Education	809,013	-	-	-	48,194	857,207
Debt Service:						
Principal	-	-	780,000	-	146,826	926,826
Interest	-	-	454,955	-	176,861	631,816
<b>Total Expenditures</b>	<b>8,775,229</b>	<b>561,845</b>	<b>1,234,955</b>	<b>340,286</b>	<b>906,117</b>	<b>11,818,432</b>
Excess Revenues Over (Under) Expenditures	916,947	(561,845)	(1,234,955)	(128,842)	(818,517)	(1,827,212)
Other Sources (Uses):						
Grants and Interest Income	119,118	307,949	-	97,798	85,776	610,641
Proceeds Long Term Borrowing - Net	-	-	-	-	-	-
Sale of City Property	21,863	-	-	30,000	-	51,863
Transfers (Out) In	176,000	205,000	1,234,955	-	796,987	2,412,942
Transfers Proprietary Funds	850,000	-	-	-	-	850,000
<b>Total Other Sources (Uses)</b>	<b>1,166,981</b>	<b>(48,896)</b>	<b>1,234,955</b>	<b>127,798</b>	<b>882,763</b>	<b>3,363,601</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,083,928	(48,896)	-	(1,124)	(73,754)	1,960,154
Fund Balance, October 1	24,000	55,303	-	248,270	(3,866,505)	(3,538,932)
Prior Period Adjustment	-	-	-	-	-	-
<b>Fund Balance, September 30</b>	<b>\$ 2,107,928</b>	<b>\$ 6,407</b>	<b>\$ -</b>	<b>\$ 247,146</b>	<b>\$ (3,940,259)</b>	<b>\$ (1,578,778)</b>

See accompanying notes to financial statements

**CITY OF THOMASVILLE, ALABAMA****Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balance of Governmental Funds to the Statement of Net Activities  
September 30, 2016**

Differences in amounts reported for Governmental Activities

Net change in fund balance - Total Governmental Funds		\$	1,960,154
Capital Outlay, reported as expenditures in Governmental Funds	\$	1,074,002	
Depreciation expense in Governmental Capital Assets		710,664	
Net effect of transaction involving sale of Capital Assets		<u>21,864</u>	
		\$	1,806,530
General Obligation Warrants Payable	\$	<u>780,000</u>	
		\$	780,000
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:			
Accrued Interest payable	\$	245,871	
Compensation Absences		366,529	
Pension contributions		(64,083)	
Cost of benefits earned net of employee contributions		<u>(1,909,948)</u>	
			<u>(1,361,631)</u>
Changes in net assets of governmental activities		\$	<u><u>3,185,053</u></u>

**CITY OF THOMASVILLE, ALABAMA**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
Fiscal Years Ended September 30

	<u>REVENUES</u>	<u>2016</u>	<u>2015</u>
Taxes			
Real and Personal		\$ 322,288	\$ 354,995
Sales Tax		6,413,856	5,909,448
Local Gas Tax		153,281	145,080
		<u>6,889,425</u>	<u>6,409,523</u>
Licenses and Permits			
Alcohol Vendor		101,076	102,959
Business Licenses		617,824	656,340
Permits		672,998	9,478
Franchises		4,575	4,693
		<u>1,396,473</u>	<u>773,470</u>
Intergovernmental Revenues			
Oil Production Tax		3,429	4,529
T.V.A. Receipts		24,264	24,982
Motor Vehicle Licenses		18,711	14,579
Capital Improvement		39,102	39,142
		<u>85,507</u>	<u>83,232</u>
Garbage Fees		<u>713,403</u>	<u>786,723</u>
Fines and Forfeits		<u>267,693</u>	<u>305,011</u>
Interest Income		<u>1,939</u>	<u>2,127</u>
Miscellaneous and Other			
Arts Council Events		31,335	32,450
Auditorium Events		991	1,423
Grants		119,118	769,271
Refunds and Reimbursements		43,992	201,658
Rental Income		30,616	18,650
Reports, Fees and Permits		96,101	13,954
Donations		21,864	20,149
Parks & Recreation & Other Income		112,839	-
		<u>456,855</u>	<u>1,057,555</u>
<b>TOTAL REVENUES</b>		<u>\$ 9,811,294</u>	<u>\$ 9,417,641</u>



**CITY OF THOMASVILLE, ALABAMA**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balance**  
**GENERAL FUND - CONTINUED**

<u>EXPENDITURES</u>	<u>2016</u>	<u>2015</u>
<b>Administrative</b>		
Salaries Mayor	\$ 49,557	\$ 48,873
Salaries Council	\$ 29,000	30,000
Salaries Clerk and Assistants	\$ 156,295	152,335
Salaries Janitorial	\$ 24,238	24,039
Salaries Public Works Director	\$ 76,147	74,792
Payroll Taxes, Retirement and Medical Insurance	\$ 92,073	96,843
Expense Allowance - Mayor and Council	\$ 34,200	34,800
Operation and Repair of Vehicles	\$ 10,141	34,595
Office Expense	\$ 18,563	15,863
Utilities and Telephone	\$ 65,654	64,947
Dues, Travel and Training	\$ 28,021	14,985
	<u>583,888</u>	<u>592,072</u>
<b>Police Department</b>		
Salaries and Employer Expense	1,531,162	1,493,893
Materials, Supplies and Maintenance	21,018	10,584
Operation and Repair of Vehicles	108,122	114,565
Communications Expense	14,124	18,749
Training, Dues and Uniforms	39,875	23,842
Telephone and Utilities	87,595	79,361
	<u>1,801,897</u>	<u>1,740,994</u>
<b>Court Department</b>		
Salaries and Employer Expense - City Judge	15,000	15,000
Salaries and Employer Expenses - City Prosecutor	10,200	10,200
Salaries and Employer Expenses - Court Clerk	115,297	114,067
Office Expense	4,895	4,895
Travel, Training and Dues	26,030	3,147
Court System and Jail Expense	24,538	16,839
Telephone and Utilities	7,610	7,423
Alabama Police Officer's Annuity Fund	5,412	5,941
Crime Victim's Compensation	4,055	3,469
State Treasurer	104,337	118,965
	<u>317,372</u>	<u>299,946</u>
<b>Ordinance Compliance</b>		
Salaries and Employer Expenses	59,315	53,456
Operation and Repair of Vehicles	2,986	3,784
Ordinance Expense	3,062	5,111
Telephone and Utilities	13,553	8,912
	<u>78,916</u>	<u>71,263</u>

**CITY OF THOMASVILLE, ALABAMA**

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance

**GENERAL FUND - CONTINUED**

	<u>2016</u>	<u>2015</u>
<b>Street Department</b>		
Salaries and Employer Expenses	349,998	410,033
Street and Traffic Lights	3,729	131,500
Street Maintenance and Improvements	569,564	197,268
Professional Fees	108	600
Operation and Repair of Vehicles	69,910	60,138
Equipment Rental and Repair	77,668	122,103
Materials and Supplies	2,923	8,945
Uniforms	10,573	4,562
Telephone and Utilities	4,116	8,947
	<u>1,088,588</u>	<u>944,096</u>
<b>Sanitation</b>		
Salaries and Employer Expenses	18,121	29,323
Operation of Vehicles and Equipment	9,174	10,206
Landfill Expense	770	770
Utilities and Miscellaneous	778	150
Advance Disposal Fees	721,980	724,634
	<u>750,822</u>	<u>765,083</u>
<b>Parks and Recreation</b>		
Salaries and Employer Expenses	242,169	297,552
Operation and Repair of Vehicles	17,277	27,737
Equipment Repair	18,707	8,495
Materials and Supplies	2,848	947
Utilities and Telephone	59,222	3,739
Repairs and Maintenance-Parks	93,058	21,420
	<u>433,281</u>	<u>359,890</u>
<b>Economic Development</b>		
Salaries and Employer Expense	1,033	9,950
Office Expense	1,265	1,747
Professional Fees	27,480	35,015
Dues, Travel and Training	13,109	3,935
	<u>42,886</u>	<u>50,647</u>

**CITY OF THOMASVILLE, ALABAMA**

Comparative Statement of Revenues, Expenditures and Changes in Fund Balance  
GENERAL FUND - CONTINUED

	<u>2016</u>	<u>2015</u>
Nutrition Site		
Salaries and Employer Expenses	26,939	26,430
Materials, Supplies and Maintenance	1,256	3,766
Telephone and Utilities Expense	8,343	7,912
Transportation Expense	27,599	26,091
	<u>64,138</u>	<u>64,199</u>
R.S.V.P. Program		
Salaries and Employer Expenses	98,857	97,645
Office Rent and Expenses	7,683	600
Telephone and Utilities	8,732	14,629
Dues, Travel and Training	4,156	375
R.S.V.P. Recognition	3,434	4,691
	<u>122,862</u>	<u>117,940</u>
Capital Outlay		
Administrative	187,692	6,999
Police Department	88,654	164,793
Street Department	30,185	26,091
Parks and Recreation	48,288	66,247
Nutrition Department		527
Economic Development		231,231
RSVP Department		673
Library	8,562	18,182
	<u>363,381</u>	<u>514,743</u>
Contributions		
Thomasville Schools	809,013	544,877
Water Works Sewer Board	55,000	55,000
Clarke County Contributions	89,619	9,165
Community Development	20,923	18,532
Southwest Alabama Mental Health Authority	7,031	-
Coastal Gateway Regional Alliance	500	25,000
Boys and Girls Club	128,336	160,583
Airport Committee	5,000	5,000
Arts Council	11,000	5,000
HIPPPY Program	5,000	5,000
R & D Urban Forester	5,000	5,000
THA 1/2cent Tax Expense	79,000	-
	<u>1,215,421</u>	<u>833,157</u>

**CITY OF THOMASVILLE, ALABAMA**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balance**  
**GENERAL FUND - CONTINUED**

	<u>2016</u>	<u>2015</u>
Debt Service		
Principal	780,000	691,384
Interest	454,955	247,545
	<u>1,234,955</u>	<u>938,929</u>
Other Expenditures		
Arts Council Events	11,000	1,652
Auditorium Events	4,026	1,589
Sales Tax Collection - RDS	79,579	69,457
Insurance	232,575	232,750
Professional Fees	235,654	145,232
Maintenance	108,619	87,945
Trustee Fees	5,371	6,948
	<u>676,824</u>	<u>545,573</u>
 TOTAL EXPENDITURES	 \$ 8,775,230	 \$ 7,838,532
 Excess Revenues Over Expenditures	 1,036,064	 1,579,109
Other Sources (Uses):		
Proceeds from Sale of City Property	21,864	7,365
Proceeds from Long-Term Borrowing		
Transfers In ( Out )	176,000	(429,000)
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,233,928</u>	<u>1,157,474</u>
 Fund Balance, October 1	 (2,812,706)	 2,736,583
 FUND BALANCE, SEPTEMBER 30	 <u>\$ (1,578,778)</u>	 <u>\$ 3,894,057</u>



# Hollon Accounting Services, Inc.

*Certified Public Accountants & Consultants*

2410 Cobbs Ford Road  
Millbrook, AL 36054  
(334) 517-6555  
[www.holloncpa.com](http://www.holloncpa.com)

February 3, 2017

## INDEPENDENT AUDITOR'S REPORT

The Water Works and Sewer Board  
City of Thomasville  
Thomasville, Alabama

We have audited the accompanying Comparative Balance Sheet of the Water Works and Sewer Board of the City of Thomasville, Alabama as of September 30, 2016; and the related Comparative Statement of Revenues, Expenses and Changes in Retained Earnings and Comparative Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements present only the Water Works and Sewer Board and are not intended to present fairly the financial position or the operations of the City of Thomasville, Alabama, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, The financial position of the Water Works and Sewer Board of the City of Thomasville, Alabama at September 30, 2016 and the results of that fund's operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles.

*Hollon Accounting Services, Inc.*

Hollon Accounting Services, Inc.  
February 3, 2017

**CITY OF THOMASVILLE, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PRORIETARY FUNDS**  
**SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
	<u>WATER &amp; SEWER</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 224,562
Restricted Investments	\$ 737,516
Accounts Receivables, Net	\$ 399,354
Due from other Funds	\$ 1,364,764
Prepaid Items	\$ 11,409
Total Current Assets	<u>\$ 2,737,605</u>
Noncurrent Assets:	
Capital Assets, Not being Depreciated	\$ 1,098,634
Capital Assets, Net of Accumulated	\$ 38,110,678
Total Non Current Assets	<u>\$ 39,209,312</u>
Total Assets	<u>\$ 41,946,917</u>
<b>DEFERRED OUTFLOWS:</b>	
Employer Pension Contributions	\$ 72,433
Total Deferred Outflows	<u>\$ 72,433</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 748,586
Due to Other Funds	\$ 62,089
Current Portion of Long-Term Debt	\$ 444,000
Compensated Absences	\$ 47,603
Total Current Liabilities	<u>\$ 1,302,278</u>
Non Current Liabilities:	
Long-Term Debt	\$ 15,845,000
Compensated Absences	\$ 110,740
Net Pension Obligation	\$ 576,231
Total Noncurrent Liabilities	<u>\$ 16,531,971</u>
Total Liabilities	<u>\$ 17,834,249</u>
<b>DEFERRED INFLOWS:</b>	
Excess Earnings of Pension Plan Investments	\$ 67,425
Total Deferred Inflows	<u>\$ 67,425</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	\$ 21,449,288
Unrestricted (Deficit)	\$ 2,668,388
Total Net Position	<u>\$ 24,117,676</u>

*The accompanying notes are in integral part of these financial statements.*

**CITY OF THOMASVILLE, ALABAMA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PRORIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</u>
	<u>WATER &amp; SEWER</u>
OPERATING REVENUES:	
Charges for Goods and Services	\$ 2,663,122
Total Operating Reveunes	<u>\$ 2,663,122</u>
OPERATING EXPENSES:	
Cost of Sales and Services	\$ 240,613
Salaries and Benefits	\$ 730,236
Repairs and Maintenance	\$ 347,944
Utilities	\$ 342,109
Insurance	\$ 87,058
Other	\$ 891,803
Depreciation	\$ 710,766
Total Operating Expenses	<u>\$ 3,350,529</u>
OPERATING INCOME (LOSS)	<u>\$ (687,407)</u>
NON OPERATING REVENUES (EXPENSES):	
Gain on Sale of Capital Assets	\$ 1,500
Interest Income	\$ 2,662
Interest Expense	\$ 595,720
Total Nonoperating Revenues (Expenses)	<u>\$ (591,558)</u>
Net Income Before Transfers	\$ (1,278,965)
TRANSFERS IN - Operating	<u>\$ 730,236</u>
CHANGE IN NET POSITION	<u>\$ (548,729)</u>
TOTAL NET POSITION - BEGINNING,	\$ 24,666,405
TOTAL NET POSITION - ENDING	<u>\$ 24,117,676</u>

*The accompanying notes are in integral part of these financial statements.*

**CITY OF THOMASVILLE, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PRORIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
	WATER & SEWER
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>	
Receipts from Customers	\$ 2,663,122
Payment to Suppliers	\$ (690,053)
Payments to Employees	\$ (730,236)
Net Cash from (used for) Operating Activities	<u>\$ 1,242,833</u>
<b>CASH FLOWS FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers from other funds	\$ 730,236
Net cash payments from ( to) other funds	\$ (425,000)
Net Cash from (used for) Noncapital Financing Activities	<u>\$ 305,236</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal Paid on Long-Term Debt	\$ (430,000)
Interest Paid on Long-Term Debt	\$ (595,720)
Net Cash Used for Capital and Related Financing Activities	<u>\$ (1,025,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest Received	\$ 2,662
Net Cash from Investing Activities	<u>\$ 2,662</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>\$ 525,011</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>\$ 798,284</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,323,295</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (548,729)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operations:	
Depreciation Expense	\$ 710,766
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	\$ 1,134,763
Deferred Outflows	\$ 72,433
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable and Accrued Liabilities	\$ (58,975)
Deferred Inflows	<u>\$ (67,425)</u>
Net Cash From (Used For) Operating Activities	<u><u>\$ 1,242,833</u></u>

*The accompanying notes are in integral part of these financial statements.*



City of Thomasville, Alabama  
Notes to Financial Statements-Continued

Long-Term Debt – The Water Works and Sewer Board

The Water Works and Sewer Board of the City of Thomasville, Alabama currently has outstanding Series 2010 Water and Sewer Revenue Bonds in the amount of \$3,545,000. These bonds constitute special limited obligations of the Water Works and Sewer Board, payable, as to both principal and interest, solely out of the revenues derived by the Board from the operations of its water works plant and distribution system and its sanitary sewer system, remaining after payment of the reasonable expenses of operating and maintaining the system. These Bonds do not constitute a charge against the general credit of the City of Thomasville, Alabama and the City of Thomasville, Alabama is not liable in any manner for the payment of the principal of, or the interest on these obligations. The bond indenture agreements contain provisions for early retirement at various premium rates.

The Water Works and Sewer Board of the City of Thomasville, Alabama has defeased certain previous Bond issues by placing funds in irrevocable escrow accounts. These funds were invested in U.S. Treasury obligations that together with interest earned thereon, will provide amounts sufficient for future payments of principal, interest and redemption premiums on the refunded issues. As the Water Works and Sewer Board has satisfied its obligations through consummation of the refunding transactions described herein, these bonds are not included in the accompanying schedule of the City's outstanding long-term debt.

The City of Thomasville, Alabama has borrowed a collective current amount of \$ 13,869,000 of a line of credit available totaling \$ 13,869,000 for the purposes of construction of a Water Treatment Plant. This began on November 7, 2011 for the construction of raw intake lines, potable water transmission and a water tank. This is a Loan sponsored by the U.S. Department of Agriculture, with a fixed rate of 3.25 % for a 30 year period.

**NOTE - LONG TERM DEBT**

Annual debt service requirements to maturity for the notes payable outstanding at September 30, 2016 are as follows:

**THE WATER WORKS AND SEWER BOARD  
CITY OF THOMASVILLE, ALABAMA  
SERIES 2010 WATER AND SEWER REVENUE BONDS  
DATED JULY 1, 2010**

<b>Year Ending September 30:</b>	<b>BUSINESS -TYPE ACTIVITIES</b>		<b>Total</b>	<b>Interest Rate</b>
	<b>Principal</b>	<b>Interest</b>		
2017	\$ 155,000	\$ 119,738	\$ 274,738	3.10%
2018	\$ 160,000	\$ 114,655	\$ 274,655	3.35%
2019	\$ 165,000	\$ 109,005	\$ 274,005	3.60%
2020	\$ 170,000	\$ 102,848	\$ 272,848	3.75%
2021 to 2025	\$ 955,000	\$ 406,870	\$ 1,361,870	3.8% to 4.20%
2026 to 2030	\$ 1,165,000	\$ 178,356	\$ 1,343,356	4.25% to 4.625%
2031	\$ 200,000	\$ 9,250	\$ 209,250	4.63%
<b>Totals</b>	<b>\$ 2,970,000</b>	<b>\$ 1,040,722</b>	<b>\$ 4,010,722</b>	

**THE WATER WORKS AND SEWER BOARD  
CITY OF THOMASVILLE, ALABAMA  
SERIES 2014 WATER AND SEWER REVENUE BONDS  
DATED JANUARY 1, 2014 Series A**

<b>Year Ending September 30:</b>	<b>BUSINESS -TYPE ACTIVITIES</b>		<b>Total</b>	<b>Interest Rate</b>
	<b>Principal</b>	<b>Interest</b>		
2017	\$ 132,000	\$ 218,295	\$ 350,295	3.50%
2018	\$ 137,000	\$ 218,120	\$ 355,120	3.50%
2019	\$ 141,000	\$ 217,980	\$ 358,980	3.50%
2020	\$ 147,000	\$ 217,770	\$ 364,770	3.50%
2021 to 2025	\$ 812,000	\$ 1,086,155	\$ 1,898,155	3.50%
2026 to 2030	\$ 967,000	\$ 1,080,730	\$ 2,047,730	3.50%
2031 to 2035	\$ 1,148,000	\$ 1,074,395	\$ 2,222,395	3.50%
2036 to 2040	\$ 1,363,000	\$ 1,066,870	\$ 2,429,870	3.50%
2041 to 2044	\$ 1,271,000	\$ 847,175	\$ 2,118,175	3.50%
<b>Totals</b>	<b>\$ 6,118,000</b>	<b>\$ 6,027,490</b>	<b>\$ 12,145,490</b>	

THE WATER WORKS AND SEWER BOARD  
CITY OF THOMASVILLE, ALABAMA  
SERIES 2014 WATER AND SEWER REVENUE BONDS  
DATED JANUARY 1, 2014 Series B

Year Ending September 30:	BUSINESS -TYPE ACTIVITIES			Interest Rate
	Principal	Interest	Total	
2017	\$ 83,000	\$ 137,095	\$ 220,095	3.50%
2018	\$ 86,000	\$ 136,990	\$ 222,990	3.50%
2019	\$ 89,000	\$ 136,885	\$ 225,885	3.50%
2020	\$ 92,000	\$ 136,780	\$ 228,780	3.50%
2021 to 2025	\$ 511,000	\$ 682,115	\$ 1,193,115	3.50%
2026 to 2030	\$ 606,000	\$ 678,790	\$ 1,284,790	3.50%
2031 to 2035	\$ 720,000	\$ 674,800	\$ 1,394,800	3.50%
2036 to 2040	\$ 856,000	\$ 670,040	\$ 1,526,040	3.50%
2041 to 2044	\$ 799,000	\$ 532,035	\$ 1,331,035	3.50%
Totals	\$ 3,842,000	\$ 3,785,530	\$ 7,627,530	

THE WATER WORKS AND SEWER BOARD  
CITY OF THOMASVILLE, ALABAMA  
SERIES 2014 WATER AND SEWER REVENUE BONDS  
DATE JANUARY 1, 2014 Series C

Year Ending September 30:	BUSINESS -TYPE ACTIVITIES			Interest Rate
	Principal	Interest	Total	
2017	\$ 74,000	\$ 115,628	\$ 189,628	3.375%
2018	\$ 77,000	\$ 115,526	\$ 192,526	3.375%
2019	\$ 79,000	\$ 115,459	\$ 194,459	3.375%
2020	\$ 82,000	\$ 115,358	\$ 197,358	3.375%
2021 to 2025	\$ 449,000	\$ 575,471	\$ 1,024,471	3.375%
2026 to 2030	\$ 534,000	\$ 572,603	\$ 1,106,603	3.375%
2031 to 2035	\$ 631,000	\$ 569,329	\$ 1,200,329	3.375%
2036 to 2040	\$ 744,000	\$ 565,515	\$ 1,309,515	3.375%
2041 to 2044	\$ 689,000	\$ 449,246	\$ 1,138,246	3.375%
Totals	\$ 3,359,000	\$ 3,194,135	\$ 6,553,135	

The Aggregate Grand Total of All Loans are as follows:

BUSINESS -TYPE ACTIVITIES		
Principal	Interest	Total
\$ 16,289,000	\$ 14,047,877	\$ 30,336,877

**CITY OF THOMASVILLE, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Reporting entity – The City of Thomasville, Alabama (the City) was incorporated under the laws of the State of Alabama in 1888 and operates under a Mayor-Council form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Thomasville, Alabama (the primary government) and its component units. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The component unit's column in the combined financial statements includes the financial data of the Thomasville Public Library (the Library), the Industry Development Board, the Health Authority, and the Chamber of Commerce which are determined to be component units of the City.

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these for these organizations does not extend beyond making the appointments.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(continued)***

Government-wide and fund financial statements – The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net position and the statement of activities. The effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the City's governmental activities are offset by the City's program revenues. Direct expenses are those that are clearly identifiable with a with a specific program or function. Program revenues are classified into three categories: (1) fines, fees, and charges, (2) operating grants and contributions, and (3) capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net position for the fiscal year.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and non-major funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

The City reports the following major governmental funds:

*General Fund* – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Capital Projects Funds* - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

*Debt Service Fund* - The debt service fund is used to account for the resources accumulated and payments made for principal and interest on general long-term debt.

*Gas Tax Special Revenue Fund* – The gas tax special revenue fund is used to account for proceeds from a state gasoline tax. The use of these funds is restricted to expenditures related to construction, improvements, resurfacing, restoration, and rehabilitation for highways, roads, bridges and streets.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

The city reports the following major proprietary funds:

*Sewer* – The fund accounts for the revenues and costs related to the provision of sewer services in the City.

*Water* – The fund accounts for the revenues and costs related to the provision of water and wastewater treatment services in the City.

Additionally, the City reports the following fund type:

*Internal Service Fund* - The fund accounts for the operations of the self-insured medical insurance plan provided to funds of the City on a cost reimbursement basis.

Measurement focus, basis of accounting, and financial statement presentation – *Government-wide financial statement* – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

*Governmental Fund Financial Statements* – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 90 days after year-end. Sales taxes, gasoline taxes, grants, donations, and interest revenue are all considered to be susceptible to accrual. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Under the terms of grant agreements, the City funds certain programs by combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

*Proprietary Fund Financial Statements* – Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and cash equivalents – 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.

Property tax calendar – All ad valorem taxes levied by the state, county, and any municipality in Wilcox County are assessed by the Tax Assessor and collected by the Tax Assessor and collected by the Tax Collector of Clarke County. The Clarke County property tax calendar requires the Tax Assessor to assess and attach taxes as enforceable liens on property as of September 30 and taxes are due October 1 through December 31 of the following year. Property taxes that have not been paid by January 1 are considered delinquent. Tax collections received by the County Tax Collector are remitted to the City on a monthly basis.

Receivables – 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 inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds."

Accounts receivable in governmental funds consist of fees for public services rendered, reimbursable payments paid for the benefit of other governmental entities that are collected on a periodic basis, management expects to collect from balances outstanding at year-end. Based on management's assessments, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Receivables as of year-end are considered fully collectible and are recorded at net realizable value.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(continued)***

Accounts receivable in the proprietary funds consist of monthly billings to customers for services provided. The City extends credit to its customers, who are located primarily in Thomasville, Alabama. Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessments of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial; therefore, no allowance for doubtful accounts has been provided.

Prepaid Items – Certain payments to vendors reflects costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventory – Governmental funds inventories are reported as an expenditure when purchased rather than capitalized as an asset. The City has no significant inventories as of September 30, 2015; therefore, none are reported on the statement of net position.

Restricted Assets – Resources from federal and state grants, appropriations and shared taxes proceeds are classified as restricted assets on the balance sheet.

Certain resources from federal and state grants set aside for improvements are classified as restricted assets on the statement of net position of the Thomasville because of their use is limited by their funding agreement.

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. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.



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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(continued)***

The City has historical assets including statues and fountains that are not capitalized, in accordance with established criteria. Specifically, the historical assets are held for reasons other than financial gain. The assets are protected, kept unencumbered, cared for and preserved, and are subject to a City policy requiring that sales proceeds from any historical assets be used to acquire similar assets.

Deferred Outflows of Resources – Decreases in net assets that relate to future periods are reported as deferred outflows of resources in a separate section of the government-wide statement of net position and/or governmental funds' balance sheet. The City has two items that qualifies for reporting in this category. The deferred loss on refunding is reported in the government-wide statement of net position. A deferred loss on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences – The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours up to a maximum of 360 hours at current wage rates. Upon retirement, an employee can receive payment of 50% of accumulated sick leave hours up to a maximum of 360 hours at current wage rates. All vacation and sick pay is accrued when incurred in the government-wide financial statements up to certain limits for use in subsequent periods. 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.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, 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 are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs other than prepaid insurance are expensed when incurred.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(continued)***

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease Obligations – Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and offsetting amount of the financing source are reflected in the fund balances. Capital lease obligations of governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those statements. Capital lease obligations of business-type activities in the government-wide financial statements and proprietary fund type financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

Fund Balance – In accordance with Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies government fund balance as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form, or for legal or contractual requirements. This would include inventories, deposits and prepaid items.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by formal action of the government's highest level of decision making authority. Commitments may be changed by the government taking the same action that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations. Fund balance is committed by the City Council by ordinance.
- Assigned – includes spendable fund balances amounts that are intended to be used for specific purposes that are neither considered restricted or committed. This indicates that resources in these funds are, at minimum, intended to be used for the purpose of that fund. The City Council, Mayor, Finance Director, or the City Clerk is authorized to assign amounts to a specific purpose. The authorization, which is established by the City Council, is pursuant to the policy of the City Council to delegate such authority.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(continued)***

- **Unassigned** – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeded amounts restricted, committed, or assigned for those specific purposes.

The City considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The City considers committed, then assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts of unrestricted fund balance is available.

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

**Management Estimates and Assumptions** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could vary from estimates used.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgets and Budgetary Accounting** – The budget is adopted annually at the beginning of each fiscal year for the general fund, gas tax special revenue fund, capital projects fund, debt service fund, and judicial special revenue fund. The council must approve transfers within an individual department only. Actual expenditures should not exceed appropriation in departments.

Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbered appropriations are carried forward. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as assigned fund balance and do not constitute expenditures or liabilities of the fund.

Budgets for the above-mentioned funds are adopted on a basis other than accounting principles generally accepted in the United States of America (GAAP) insofar as encumbrances are included with expenditures. Reconciliation of expenditures reported in accordance with GAAP and those presented in accordance with the non GAAP budgetary basis.

**CITY OF THOMASVILLE, ALABAMA**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS:**

Deposits – Custodial credit risk – The City's investment policy requires that bank deposits be Fully insured by the Federal Deposit Insurance Corporation or be covered under the Security For Alabama Funds Enhancement (SAFE) Program. The SAFE program is a multiple Financial collateral pool administered by the State Treasurer according to State of Alabama statute.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the City's governmental activities for the year ended September 30, 2016  
Was as follows:

### Changes in Capital Assets

A summary of changes in governmental-type funds capital assets follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
<b>Governmental activities:</b>			
Capital assets not being depreciated:			
Land and improvements	\$ 6,628,377	\$ -	\$ -
Total capital assets not being depreciated	6,628,377	-	-
Other capital assets:			
Buildings and improvements	15,789,941	952,741	-
Equipment	4,801,995	121,261	-
Furniture and Fixtures	367,989	-	-
Library Materials	615,590	-	-
Total other capital assets at historical cost	21,575,515	1,074,002	-
Less accumulated depreciation for:			
Buildings and improvements	(3,562,558)	(393,493)	-
Equipment	(3,892,210)	(370,478)	-
Furniture and Fixtures	(271,129)	(26,261)	-
Library Materials	(486,528)	(44,211)	-
Total accumulated depreciation	(8,212,425)	(834,443)	-
Other capital assets, net	13,363,090	239,559	-
Governmental activities capital assets, net	\$ 19,991,467	\$ 239,559	\$ -

### Changes in Capital Assets

A summary of changes in governmental-type funds capital assets follows:

<b>Business-type activities:</b>			
Capital assets not being depreciated:			
Land and improvements	\$ 1,098,634	\$ -	\$ -
Total capital assets not being depreciated	1,098,634	-	-
Other capital assets:			
Water and sewer system	43,679,655	31,189	-
Buildings and equipment	1,298,893	60,543	-
Total other capital assets at historical cost	44,978,548	91,732	-
Less accumulated depreciation for:			
Water and sewer system	(6,774,223)	(674,975)	-
Buildings and equipment	(515,637)	(35,791)	-
Total accumulated depreciation	(7,289,860)	(710,766)	-
Other capital assets, net	37,688,688	(619,034)	-
Business-type activities capital assets, net	38,787,322	(619,034)	-

City of Thomasville, Alabama  
Notes to Financial Statements - Continued

The current year's depreciation expense has been charged to the various departments as follows:

Governmental-type funds

Administrative Department	\$ 325,419
Police Department	165,687
Parks Department	36,116
Library Department	19,224
Fire Department	77,682
Street Department	34,072
Sanitation Department	141,055
Nutrition Department	5,451
Court Department	1,363
Ordinance Department	1,351
Economic Development	2,044
R.S.V.P. Department	1,044
Bridge to Success Department	3,407
Industrial Development	17,628
Golf Course	2,900
Totals	<u>\$ 834,443</u>

City of Thomasville, Alabama  
Notes to Financial Statements - Continued

**Summary of General Long-Term Activity Transactions**

**Long-term Liability Activity**

Long-term liability activity for the fiscal year ended September 30, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General Obligation debt	\$ 13,515,000	\$ -	\$ 780,000	\$ 12,735,000	\$ 810,000
Capital leases	169,704	-	-	169,704	169,704
Bank notes	3,381,414	\$ 3,048,517	644,724	5,785,207	692,724
Total bonds and notes payable	<u>\$ 17,066,118</u>	<u>\$ 3,048,517</u>	<u>\$ 1,424,724</u>	<u>\$ 18,689,911</u>	<u>\$ 1,672,428</u>

**Long-term Debt**

The City of Thomasville, Alabama currently has outstanding Series 2009 General Obligation Secured Warrants in the amount of \$6,425,000, Series 2011 General Obligation Refunding Warrants in the amount of \$4,475,000 and Series 2013 General Obligation Refunding and Capital Improvement Warrants in the amount of \$4,200,000. These warrants are general obligations of the City for which it has pledged its full faith and credit. These obligations are further secured as to payment by a pledge of the City's 4% Gross Receipts tax and as much of its general operating revenues as necessary after payment of its normal operating expenses.

All of the bond indenture agreements contain provision for early redemption at various premium rates. The City has defeased certain previous Bond issues by placing funds in irrevocable escrow accounts. These funds were invested in U.S. Treasury obligations that together with interest earned thereon, will provide amounts sufficient for future payments of principal, interest and redemption premiums of the refunded issues. As the City of Thomasville, Alabama has satisfied its obligations through consummation of the refunding transactions described herein, these bonds are not included in the accompanying schedule of the City's outstanding long-term debt.

City of Thomasville, Alabama

Notes to Financial Statements – Continued

**General Obligation of Bonds –**

General Bonds have been issued on September 1, 2009 in the amount remaining of \$ 4,630,000. These Bond Series 2009 require debt service on a Monthly basis in the amount of \$ 66,500.

General Bonds have been issued on June 1, 2011 in the amount remaining of \$ 4,345,000. These Bonds Series 2011 require debt service on a Monthly basis in the amount of \$16,354.

General Bonds have been issued on March 1, 2013 in the amount remaining of \$ 3,760,000. These Bonds Series 2013 require debt service on a Monthly basis in the amount of \$ 20,477.

**The following are Bank Notes from Capstone Bank :**

Loan number 4630004084 originally in the amount of \$ 1,060,670 on August 25, 2014 with a remaining balance of \$ 1,005,314 for September 30, 2016. The interest rate is 3.95 % and the Loan is for the Fire Department of the City.

Loan number 4630003922 originally in the amount of \$ 1,062,537 on February 28, 2014 with a remaining balance of \$ 1,061,798 for September 30, 2016. The interest rate is 4.50% and the Loan is for the Hospital.

Loan number 4630004114 originally in the amount of \$ 250,000 on January 5, 2016 with a remaining balance of \$ 200,270 for September 30, 2016. The interest rate is 3.95 % and the Loan is for the Industrial Development Board Credit Line.

Loan number 4630004186 originally in the amount of \$ 500,000 on June 6, 2016 with a remaining Balance of \$ 500,000 for September 30, 2016. The interest rate is 4.50 % and the Loan is for the Public Parks.

Loan number 3330014915 originally in the amount of \$ 300,000 on July 7, 2016 with a remaining balance of \$ 300,000 for September 30, 2016. The interest is 3.95 % and the loan is for the Industrial Development Board.

**The following are Bank Notes from 1<sup>st</sup> U S Bank :**

Loan number 850001915 originally in the amount of \$ 501,030 on August 31, 2010 with a remaining balance of \$ 329,614 for September 30, 2016. The interest is 4.50 % and the loan is for Lakeside Steel / Dozier Gibson property.



**Continued- Bank Loans from 1<sup>st</sup> U S Bank:**

Loan number 860004590 originally in the amount of \$ 1,334,369 on July 6, 2016 with a remaining balance of \$ 1,325,001 for September 30, 2016. The interest is 3.95 % and the loan is for Industrial Development Board.

Loan number 850000215 originally in the amount of \$ 500,065 on May 31, 2011 with a remaining balance of \$ 329,080 for September 30, 2016. The interest is 4.50 % and the loan is for a Spec Building.

Loan number 850003516 originally in the amount of \$ 370,000 on March 25, 2011 with a remaining balance of \$ 302,981 for September 30, 2016. The interest is 4.50 % and the loan is for a Simplex Building.

The following is a Loan with **Regions Bank** of Loan number 2180123 originally in the amount of \$ 439,214 on February 18, 2011 with a remaining balance of \$ 439,214 for September 30, 2016. The interest is 4.96 % and the loan is for Lakeside Steel on Linden Lumber.

The following is a Loan with Alabama TomBigbee Regional Commission ( **ATRC** ) originally in the amount of \$ 250,000 on December 21, 2011 with a remaining balance of \$ 200,000 for September 30, 2016. The Interest is 4.75 % and the loan is for the Hospital.

The following is a Loan with **US Department of Agriculture** originally in the amount of \$ 900,850 on April 30, 2009 with a remaining balance of \$ 812,017 for September 30, 2016. The Interest is 4.25 % for Construction purposes.

**Capitalized Lease Payments**

General Obligation Lease payments for City use vehicles with various purchase dates in the original amount of \$ 169,704 bearing interest at the various rates of 4.25 % to 5.20 % per annum. Payable in 36 monthly installments of \$ 14,142 including interest accrued.

**Water and Sewer Annual Debt Service includes Obligation Bonds –**

General Bonds have been issued on July 1, 2010 in the amount remaining of \$ 2,970,000. These Bond Series 2010 have an interest rate ranging from 3.10 % to 4.625 %.

General Bonds have been issued on January 1, 2014 Series A - in the amount remaining of \$ 6,118,000. These Bonds Series 2014 have an interest rate at 3.50 %. The original balance on January 1, 2014 was \$ 6,369,000.

General Bonds have been issued on January 1, 2014 Series B - in the amount remaining of \$ 3,842,000. These Bonds Series 2014 have an interest rate at 3.50%. The original balance on January 1, 2014 was \$ 4,000,000.

**( Continued) - Water and Sewer Annual Debt Service includes Obligation Bonds**

General Bonds have been issued on January 1, 2014 Series C - in the amount remaining of \$ 3,359,000. These Bonds Series 2014 have an interest rate at 3.375 %. The original balance on January 1,2014 was \$ 3,500,000.

**CITY OF THOMASVILLE, ALABAMA  
GENERAL OBLIGATION REFUNDING AND CAPITAL IMPROVEMENT WARRANTS**

**SERIES 2009 DATED SEPTEMBER 1, 2009**

<u>DATES</u>	<u>PRINCIPAL MATURITIES</u>	<u>ANNUAL INTEREST</u>	<u>DEBT SERVICE</u>
2/15/2017	635,000	87,805	722,805
8/15/2017		75,105	75,105
2/15/2018	645,000	75,105	720,105
8/15/2018		63,818	63,818
2/15/2019	670,000	63,818	733,818
8/15/2019		51,674	51,674
2/15/2020	670,000	51,674	721,674
8/15/2020		39,111	39,111
2/15/2021	670,000	39,111	709,111
8/15/2021		26,381	26,381
2/15/2022	670,000	26,381	696,381
8/15/2022		13,400	13,400
2/15/2023	670,000	13,400	683,400
	<u>\$ 4,630,000</u>	<u>\$ 626,783</u>	<u>\$ 5,256,783</u>

**CITY OF THOMASVILLE, ALABAMA  
GENERAL OBLIGATION REFUNDING AND CAPITAL IMPROVEMENT WARRANTS**

**SERIES 2011 DATED JUNE 1, 2011**

<u>DATES</u>	<u>PRINCIPAL MATURITIES</u>	<u>ANNUAL INTEREST</u>	<u>DEBT SERVICE</u>
2/15/2017	30,000	83,376	113,376
8/15/2017		82,870	82,870
2/15/2018	35,000	82,870	117,870
8/15/2018		82,279	82,279
2/15/2019	35,000	82,279	117,279
8/15/2019		81,689	81,689
2/15/2020	40,000	81,689	121,689
8/15/2020		81,014	81,014
2/15/2021	40,000	81,014	121,014
8/15/2021		80,339	80,339
2/15/2022	130,000	80,339	210,339
8/15/2022		78,064	78,064
2/15/2023	150,000	78,064	228,064
8/15/2023		75,439	75,439
2/15/2024	855,000	75,439	930,439
8/15/2024		59,835	59,835
2/15/2025	890,000	59,835	949,835
8/15/2025		42,925	42,925
2/15/2026	930,000	42,925	972,925
8/15/2026		24,325	24,325
2/15/2027	960,000	24,325	984,325
8/15/2027		5,125	5,125
2/15/2028	250,000	5,125	255,125
	<u>4,345,000</u>	<u>\$ 1,471,183</u>	<u>\$ 5,816,183</u>

City of Thomasville, Alabama  
Notes to Financial Statements - Continued

CITY OF THOMASVILLE, ALABAMA  
GENERAL OBLIGATION REFUNDING AND CAPITAL IMPROVEMENT WARRANTS  
SERIES 2013 DATED MARCH 1, 2013

DATES	INTEREST RATE	PRINCIPAL MATURITIES	ANNUAL INTEREST	DEBT SERVICE
2/15/2017	2.000%	145,000	50,364	195,364
8/15/2017			50,364	50,364
2/15/2018	1.400%	145,000	49,349	194,349
8/15/2018			49,349	49,349
2/15/2019	1.400%	145,000	48,207	193,207
8/15/2019			48,207	48,207
2/15/2020	1.750%	150,000	46,916	196,916
8/15/2020			46,916	46,916
2/15/2021	1.750%	155,000	45,437	200,437
8/15/2021			45,437	45,437
2/15/2022	2.125%	155,000	43,790	198,790
8/15/2022			43,790	43,790
2/15/2023	2.125%	155,000	42,036	197,036
8/15/2023			42,036	42,036
2/15/2024	2.400%	165,000	40,116	205,116
8/15/2024			40,116	40,116
2/15/2025	2.400%	165,000	38,054	203,054
8/15/2025			38,054	38,054
2/15/2026	2.600%	165,000	35,909	200,909
8/15/2026			35,909	35,909
2/15/2027	2.600%	175,000	33,633	208,633
8/15/2027			33,633	33,633
2/15/2028	2.750%	180,000	31,193	211,193
8/15/2028			31,193	31,193
2/15/2029	2.750%	180,000	28,650	208,650
8/15/2029			28,650	28,650
2/15/2030	2.900%	185,000	26,004	211,004
8/15/2030			26,004	26,004
2/15/2031	2.900%	195,000	23,200	218,200
8/15/2031			23,200	23,200
2/15/2032	3.000%	195,000	20,275	215,275
8/15/2032			20,275	20,275
2/15/2033	3.000%	205,000	17,147	222,147
8/15/2033			17,147	17,147
2/15/2034	3.250%	215,000	13,734	228,734
8/15/2034			13,734	13,734
2/15/2035	3.250%	220,000	10,062	230,062
8/15/2035			10,062	10,062
2/15/2036	3.250%	225,000	6,169	231,169
8/15/2036			6,169	6,169
2/15/2037	3.500%	240,000	2,100	242,100
8/15/2037			2,100	2,100
		\$ 3,760,000	\$ 1,304,688	\$ 5,064,688

City of Thomasville, Alabama  
Notes to Financial Statements - Continued

Debt Obligation Principal and Interest Schedule

	SERIES 2009	SERIES 2011	SERIES 2013	USDA LOAN	FIRST UNITED SECURITY (4)	CAPSTONE LOAN General	CAPSTONE LOAN IDB	CAPSTONE LOAN Health Authority	CAPITILIZED LEASES	TOTAL
9/30/2017	797,910	196,246	245,728	55,108	273,552	180,531	200,270	1,061,798	169,704	3,180,847
9/30/2018	783,923	200,149	243,698	55,173	273,552	180,531				1,737,026
9/30/2019	785,491	198,968	241,414	55,195	273,552	180,531				1,735,151
9/30/2020	760,785	202,702	243,832	55,175	273,552	180,531				1,716,577
9/30/2021	735,493	201,353	245,874	55,113	273,552	180,531				1,691,916
9/30/2022	709,781	288,403	242,580	55,008	273,552	180,531				1,749,855
9/30/2023	683,400	303,503	239,072	54,860	152,976	180,531				1,614,342
9/30/2024		990,274	245,232	55,670	152,976	180,531				1,624,683
9/30/2025		992,760	241,108	55,395	152,976	180,531				1,622,770
9/30/2026		997,250	236,818	55,078	152,976	180,531				1,622,653
9/30/2027		989,450	242,266	54,718	152,976					1,439,410
9/30/2028		255,125	242,386	55,315	118,500					671,326
9/30/2029			237,300	54,828	118,500					410,628
9/30/2030			237,008	55,298	118,500					410,806
9/30/2031			241,400	55,683	118,500					415,583
9/30/2032			235,550	54,983						290,533
9/30/2033			239,294	55,240						294,534
9/30/2034			242,468	55,413						297,881
9/30/2035			240,124	55,500						295,624
9/30/2036			237,336	55,503						292,839
9/30/2037			244,200	55,420						299,620
9/30/2038				55,253						55,253
TOTALS	\$ 5,256,783	\$ 5,816,183	\$ 5,064,688	\$ 1,214,929	\$ 2,880,192	\$ 1,805,310	\$ 200,270	\$ 1,061,798	\$ 169,704	\$ 23,469,857

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

**NOTE 5 – INTERFUND BALANCES:**

Interfund transactions are generally used to meet cash demands necessary to pay operating Expenditures. These amounts should be repaid during the next fiscal year. Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the Entity-wide governmental column of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

The composition of interfund receivables and payables as of September 30, 2016 consists of the following:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General Fund	Industrial Development Board	\$ 408,000
General Fund	Thomasville Health Authority	121,000
General Fund	Capital Projects Fund	205,000
Water & Sewer Board	General Fund	850,000
Capital Improvements - W & S	General Fund	39,000
Tobacco Tax Fund	General Fund	21,000
		<u>\$ 1,644,000</u>

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

**NOTE 6 – PENSION PLAN:**

Benefits Provided – State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after ten years of creditable service. State employees who retire after age 60 (52 for State Police) with ten years or more of creditable service or with 25 years of service (regardless of age) are entitled to annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with ten years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest three of the last ten years) for each year of service. State Police are allowed 2.8750% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with ten years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 member of the ERS (except State Police) are allowed 1.65 % of their average final compensation (highest five of the last ten years) for each year of service. State Police are allowed 2.3750% for each year of state police service in computing the formula method.

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

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

**NOTE 6 – PENSION PLAN: *(continued)***

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2016, membership consists of:

Contributions – Covered members of the ERS contributed 5.00% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2011, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6.00% of earnable compensation as required by statute until September 30, 2011. From October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10.00% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6.00% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7.00% of earnable compensation. Tier 2 State Police members of the ERS contribute 10.00% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5.70% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 8.91% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 9.18% of pensionable pay for Tier 1 employees, and 6.88% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contribution, is expected to finance the costs of benefits earned by members during the year.



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

**NOTE 6 – PENSION PLAN:** *(continued)*

Actuarial Assumptions – The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the September 30, 2013 valuations were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

Discount Rate - The discount rate used to measure the total pension liability was the long-term rate of return, 8.00%. The projection of cash flows used to determine the discount rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following table presents the City's net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated June 3, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

**NOTE 6 – PENSION PLAN: *(continued)***

For the year ended September 30, 2016, the City recognized pension expenses of \$1,909,948. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension of the following sources:

Amounts reported as deferred outflows for employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Amounts reported as deferred in flows of resources to pensions will be recognized in pension expense.

**NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

The City of Thomasville administers a single-employer defined benefit (OPEB) plan for the employees of the City. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The City recognizes the cost of post-employment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. The recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan Description – The City of Thomasville, Alabama's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier 1 members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service. Benefit provisions and contribution requirement of the plan may be established or amended by the Council.

Contribution Rates – Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

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

**NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS: *(continued)***

Funding Policy – Until fiscal year ended September 30, 2008, the City of Thomasville, Alabama recognized the cost of providing post-employment medical benefits (the City of Thomasville's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. The City's funding policy is not to fund the Annual Required Contribution (ARC) of the employer except to the extent of the current year's retiree funding costs.

In fiscal year ended September 30, 2016, the City of Thomasville, Alabama's portion of health care funding cost for retired employees totaled \$ 1,191,171. These amounts were applied toward the net OPEB obligation as shown in the table below.

Annual Required Contribution – The City of Thomasville's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years, (the maximum amortization period allowed by GASB 45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2015 is \$ 240,082 as set forth below:

Funded Status and Funding Progress – As of September 30, 2016, the actuarial accrued liability for benefits was \$ 1,909,948 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$ 8,662,511 and the ratio of the unfunded actuarial liability to the covered payroll was 28.12% as presented in the following table:

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Thomasville, Alabama and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations.

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

**NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS: *(continued)***

The following significant assumptions were made:

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method – The ARC is determined using the projected unit credit actuarial cost method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets – There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 would be used.

Turnover Rate – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 9%. It has further been assumed that 10% of retirees decline coverage because of the substantial retiree contribution required.

Post-Employment Benefit Plan Eligibility Requirements – Based on past experience, it has been assumed that entitlement to benefits will commence immediately upon retiree coverage eligibility, as described under “Plan Description”. In addition, “Tier II” retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate) – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate – The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

# CITY OF THOMASVILLE, ALABAMA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016

	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION LIABILITY
Balance at September 30, 2014	8,235,983	6,849,765	1,386,218
Change for the year:			
Service Cost	223,632		223,632
Interest	641,549		641,549
Difference between expected & actual experience	(5,413)		(5,413)
Contributions - Employer		240,082	(240,082)
Contributions - Employee		136,709	(136,709)
Net investment income		80,211	(80,211)
Benefits payments, including refunds of employee contributions	(433,240)	(433,240)	-
Transfer amount employers		(120,964)	(120,964)
Net Change	498,302	97,202	523,730
Balance at September 30, 2015	8,662,511	6,752,563	1,909,948
	1.00% DECREASE -7.00%	CURRENT RATE 8.00%	1.00% INCREASE 9.00%
City's Net Pension Liability (Asset)	2,927,353	190,948	1,044,740

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

**NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS: *(continued)***

Mortality Rate – The 1994 Group Annuity Reserving (94GAF) table, projected to 2002, based on flex blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining value of Benefits – The value of benefits has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The retiree pays for 100% of the cost of the medical insurance for the retiree and dependents (except for the incentive retirees), but it is based on the active/retiree blended rate. Therefore, there is an implicit employer subsidy since a portion of the active/retired blended rate is attributable to the retiree coverage. Since use of unblended rates is required by GASB 45 for valuation purposes, we have estimated the unblended retiree total rate before age 65 to be 130% of the blended rate. The retiree, if any. Retiree coverage ceases at age 65.

Inflation Rate – Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases – This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-Retirement Benefit Increases – The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

**NOTE 8 – CONTINGENT LIABILITIES:**

The City has received federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could produce requests for reimbursements to the grantor agencies due to the disallowance of expenditures pursuant to the terms of the grant. It is the opinion of the City that such disallowances, if any, would not be material.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's council, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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

**NOTE 8 – CONTINGENT LIABILITIES** *(Continued)*

Employees' Medical Insurance Fund – The City maintains the employees' medical insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors. The estimate of the claims liability includes amounts for incremental claim adjustments related to specific claims and other claim adjustments regardless of whether they are allocated to specific claims. Estimated recoveries are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$100,000.

**NOTE 9 – SUBSEQUENT EVENTS**

There is one event that has occurred subsequent to the September 30, 2016 that has been discovered that could have an effect on the accompanying financial statements. There were additional loans acquired after the date of September 30, 2016. Yet, the current Balance sheet of Debt levels has not changed for the date of September 30, 2016. For more additional information, please contact the City Clerk for details on these loans.

**NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE:**

In fiscal year 2016, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, which improves accounting and financial Reporting by state and local Governments for pensions.

The implementation of Statement No. 68 resulted in the restatement of the beginning net Position of the governmental and business-type activities in the government-wide financial Statements:

## **SUPPLEMENTAL INFORMATION**





**Hollon Accounting Services, Inc.**

*Certified Public Accountants & Consultants*

2410 Cobbs Ford Road  
Millbrook, AL 36054  
(334) 517-6555  
[www.holloncpa.com](http://www.holloncpa.com)

**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**

To the Mayor and Members of the City Council  
City of Thomasville, Alabama

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Thomasville, AL, as of and for the year ended September 30, 2016, which collectively comprise the City of Thomasville's basic financial statements and have issued our report thereon dated February 3, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Thomasville'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 City of Thomasville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Thomasville'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 considered to be a material weaknesses, as defined above.

To the Mayor and Members of the City Council  
City of Thomasville, Alabama

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Thomasville'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*.

This report is intended solely for the information and use of management, 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.

*Hollon Accounting Services, Inc.*

Hollon Accounting Services, Inc.  
February 3, 2017

CITY OF THOMASVILLE, ALABAMA  
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2016

<u>ASSETS</u>	<u>GASOLINE TAX</u>	<u>CIGARETTE TAX</u>	<u>FIRE DEPARTMENT</u>	<u>TOTAL</u>
Cash	\$ 62,098	\$ 6,906	\$ 129,102	\$ 198,106
Interfund Receivable	\$ 100,000	\$ -		\$ 100,000
<b>TOTAL ASSETS</b>	<u>\$ 162,098</u>	<u>\$ 6,906</u>	<u>\$ 129,102</u>	<u>\$ 298,106</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Interfund Payable	-	53,500		\$ 53,500
Compensated Absences				
Due to General Fund		-		-
Due to Proprietary Fund				
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ 53,500</u>	<u>\$ -</u>	<u>\$ 53,500</u>
Fund Balance	162,098	(46,594)	129,102	244,606
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 162,098</u>	<u>\$ 6,906</u>	<u>\$ 129,102</u>	<u>\$ 298,106</u>

CITY OF THOMASVILLE, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 ALL SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2016

<u>REVENUES</u>	<u>GASOLINE TAX</u>	<u>CIGARETTE TAX</u>	<u>FIRE DEPARTMENT</u>	<u>TOTAL</u>
Intergovernmental	\$ -	\$ 30,369	\$ -	\$ 30,369
Taxes	72,453	-	-	72,453
Interest	80	-	116	196
Donations	-	-	-	-
Recreation	-	108,426	-	108,426
<b>Total Revenues</b>	<u>72,533</u>	<u>138,795</u>	<u>116</u>	<u>211,444</u>
 <u>EXPENDITURES</u>				
General Government	-	-	-	-
Public Safety	-	-	68,891	68,891
Highways and Streets	130,000	-	-	130,000
Culture and Recreation	-	85,062	-	85,062
Capital Outlay	-	30,369	25,964	56,333
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<u>130,000</u>	<u>115,431</u>	<u>94,855</u>	<u>340,286</u>
Excess Revenues Over (Under) Expenditures	(57,547)	23,364	(94,739)	(128,922)
Other Sources:				
Donations, Grants and Interest Income	-	-	97,798	97,798
Proceeds from Long-term Borrowing	-	-	-	-
Sale of Property	-	-	30,000	30,000
Transfers Other Funds - Net	-	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(57,547)	23,364	33,059	(1,124)
Fund Balance, October 1	219,645	(69,958)	96,043	245,730
<b>Fund Balance, September 30</b>	<u>\$ 162,098</u>	<u>\$ (46,594)</u>	<u>\$ 129,102</u>	<u>\$ 244,606</u>

CITY OF THOMASVILLE, ALABAMA  
 COMBINING BALANCE SHEET  
 DEBT SERVICE FUND  
 September 30, 2016

	Series 2007 BOND FUND	Series 2009 BOND FUND	Series 2011 BOND FUND	Series 2013 BOND FUND	TOTALS
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
<b>TOTAL ASSETS</b>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 4</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities	-	-	-	-	-
Fund Balance - Reserved For Debt Service	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF THOMASVILLE, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 DEBT SERVICE FUND  
 SEPTEMBER 30, 2016

	Series 2009 BOND FUND	Series 2011 BOND FUND	Series 2013 BOND FUND	TOTALS
<b>REVENUE</b>				
Interest Earned	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Principal Retirement	610,000	35,000	135,000	780,000
Interest	184,760	167,103	103,092	454,955
TOTAL EXPENDITURES	794,760	202,103	238,092	1,234,955
Excess Revenues Over (Under) Expenditures	0	0	0	0
Other Sources and (Uses):				
Series 2013 G.O. Refunding Bond Warrants	-	-	-	-
Original Issue Discount	-	-	-	-
Underwriter's Discount	-	-	-	-
Bond Issue Cost	-	-	-	-
Accrued Interest	-	-	-	-
Transfer from General Fund	808,741	202,802	240,792	1,252,335
Interfund Transfer	-	-	-	-
Excess Revenues and Other Sources (Under) Expenditures and Other Uses	13,981	699	2,700	17,380
Fund Balance, October 1	1	1	1	1
<b>Fund Balance, September 30</b>	<b>\$ 13,982</b>	<b>\$ 700</b>	<b>\$ 2,701</b>	<b>\$ 17,381</b>

CITY OF THOMASVILLE, ALABAMA  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND  
 SEPTEMBER 30, 2016

	<u>LAKESIDE STEEL</u>	<u>INDUSTRIAL PARK PROJECTS</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ -	\$ 20,138	\$ 20,138
TOTAL ASSETS	-	20,138	20,138
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities:</u>			
Interfund Payable	35,000	205,000	240,000
TOTAL LIABILITIES	35,000	205,000	240,000
FUND BALANCE	<u>(35,000)</u>	<u>(184,862)</u>	<u>(219,862)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 20,138</u>	<u>\$ 20,138</u>

CITY OF THOMASVILLE, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 CAPITAL PROJECTS FUND  
 SEPTEMBER 30, 2016

	<u>LAKESIDE STEEL</u>	<u>INDUSTRIAL PARK PROJECT</u>	<u>TOTALS</u>
<b>REVENUES:</b>			
<b>TOTAL REVENUES</b>	\$ -	\$ -	\$ -
<b>Expenditures :</b>			
Capital Outlay	49,978	511,867	561,845
Other Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>49,978</u>	<u>511,867</u>	<u>561,845</u>
Excess Revenues Over Expenditures	(49,978)	(511,867)	(561,845)
<b>Other Financing Sources (Uses):</b>			
CDBG Grants and Contributions	-	307,949	307,949
Transfer from Industrial Development Bd.	-	-	-
Transfer from Governmental Funds	<u>-</u>	<u>205,000</u>	<u>205,000</u>
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<u>-</u>	<u>512,949</u>	<u>512,949</u>
Excess of Revenues and Other Sources Over (Under) Expenditure and Other Uses	(49,978)	1,082	(48,896)
<b>FUND BALANCE - OCTOBER 1</b>	<u>49,978</u>	<u>19,056</u>	<u>69,034</u>
<b>FUND BALANCE - SEPTEMBER 30</b>	<u>\$ -</u>	<u>\$ 20,138</u>	<u>\$ 20,138</u>



CITY OF THOMASVILLE, ALABAMA  
COMBINING BALANCE SHEET  
COMPONENT UNITS  
SEPTEMBER 30, 2016

<u>ASSETS</u>	<u>INDUSTRIAL DEVELOPMENT BOARD</u>	<u>THOMASVILLE PUBLIC LIBRARY</u>	<u>THOMASVILLE HEALTH AUTHORITY</u>	<u>THOMASVILLE CHAMBER OF COMMERCE</u>	<u>TOTALS</u>
Cash	\$ 4,727	\$ 16,912	\$ 6,279	\$ 26,053	\$ 53,971
<b>TOTAL ASSETS</b>					
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities:</u>					
Accrued Interest	-	-	4,364	-	4,364
Loans Payable	-	-	1,262,068	-	1,262,068
Compensated Absences	-	-	-	-	-
Due to Proprietary Fund	230,000	-	-	-	230,000
Due to Primary Government	1,927,298	-	570,500	-	2,497,798
<b>TOTAL LIABILITIES</b>	<b>2,157,298</b>	<b>-</b>	<b>1,836,932</b>	<b>-</b>	<b>3,994,230</b>
 FUND BALANCE	 (2,152,571)	 16,912	 (1,830,653)	 26,053	 (3,940,259)
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,727</b>	<b>\$ 16,912</b>	<b>\$ 6,279</b>	<b>\$ 26,053</b>	<b>\$ 53,971</b>

CITY OF THOMASVILLE, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 COMPONENT UNITS  
 SEPTEMBER 30, 2016

	INDUSTRIAL DEVELOPMENT BOARD	THOMASVILLE PUBLIC LIBRARY	THOMASVILLE HEALTH AUTHORITY	THOMASVILLE CHAMBER OF COMMERCE	TOTALS
REVENUES:					
Fees , Fines and Miscellaneous	\$ 63,516	\$ 1,000	\$ -	\$ 23,084	\$ 87,600
TOTAL REVENUES	<u>63,516</u>	<u>1,000</u>	<u>-</u>	<u>23,084</u>	<u>\$ 87,600</u>
EXPENDITURES:					
Employee Salaries and Expenses	-	151,185	-	57,919	209,104
Programs/Incentives	-	30,466	-	17,728	48,194
Materials, Miscellaneous , Repairs and Utilities	185,079	16,754	-	-	201,833
Professional Services	27,139	3,100	617	-	30,856
Capital Outlay	83,880	8,563	-	-	92,443
Debt Service					-
Principal	146,826	-	-	-	146,826
Interest	128,983	-	47,878	-	176,861
TOTAL EXPENDITURES	<u>571,907</u>	<u>210,068</u>	<u>48,495</u>	<u>75,647</u>	<u>906,117</u>
Revenues Under Expenditures	(508,391)	(209,068)	(48,495)	(52,563)	(818,517)
Other Financing Sources (Uses):					
Donations, Grants and Interest Income	81,766	4,000	-	10	85,776
• Proceeds from Long-Term Borrowing	-	-	-	-	-
Sale of Property	-	-	-	-	-
Transfers (to) from Other Funds	408,000	210,068	121,000	57,919	796,987
Total Other Financing Sources (Uses)	<u>489,766</u>	<u>214,068</u>	<u>121,000</u>	<u>57,929</u>	<u>882,763</u>
Revenues and Other Sources (Under) Expenditures and Other Uses	(18,625)	5,000	(65,495)	5,366	(73,754)
FUND BALANCE (DEFICIT), OCTOBER 1	(2,133,946)	11,912	(1,765,158)	20,687	\$ (3,866,505)
Prior Period Adjustment	-	-	-	-	-
FUND BALANCE (DEFICIT), SEPTEMBER 30	<u>\$ (2,152,571)</u>	<u>\$ 16,912</u>	<u>\$ (1,830,653)</u>	<u>\$ 26,053</u>	<u>\$ (3,940,259)</u>

City of Thomasville, Alabama  
Notes to Financial Statements - Continued

**State Grant Awards for this Year**

A total of four grants were awarded this year to the City of Thomasville, Alabama.

Each grant has a specific cause to address for Improvement for the City.

City of Thomasville, Alabama  
Notes to Financial Statements-Continued

<u>Agency</u>	<u>Received at Audit date for the fiscal Year</u>
State of Alabama, SACP No. STPTE-TE09(982)	\$ 1,074,002

## **SINGLE AUDIT REPORTS AND SCHEDULES**



**Hollon Accounting Services, Inc.**

*Certified Public Accountants & Consultants*

2410 Cobbs Ford Road  
Millbrook, AL 36054  
(334) 517-6555  
[www.holloncpa.com](http://www.holloncpa.com)

**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 Members of the City Council  
City of Thomasville, Alabama

We have audited City of Thomasville, Alabama's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplemental that could have a direct and material effect on each of City of Thomasville, Alabama's major federal programs for the year ended September 30, 2016. City of Thomasville, 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 City of Thomasville, Alabama's management. Our responsibility is to express an opinion on City of Thomasville, 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 City of Thomasville, 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 of City of Thomasville, Alabama's compliance with those requirements.

In our opinion, City of Thomasville, 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, 2016.

Honorable Mayor and Members of the City Council  
City of Thomasville, Alabama

Management of City of Thomasville, 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 City of Thomasville, 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 Q-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 City of Thomasville, 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 considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

*Hollon Accounting Services, Inc.*  
Hollon Accounting Services, Inc.  
February 3, 2017



# Hollon Accounting Services, Inc.

Certified Public Accountants & Consultants

2410 Cobbs Ford Road  
Millbrook, AL 36054  
(334) 517-6555  
www.holloncpa.com

The following is computation of debt service coverage requirement of the Water Works and Sewer Board of the City of Thomasville, Alabama for the fiscal year ended September 30, 2016 under the terms of the 2010 & 2014 Water and Sewer Revenue Bond Agreement.

Net Loss of the Water and Sewer Board  
including operation transfers from the City  
of Thomasville, Alabama General Fund :

\$ (548,729)

Add:

Items included in operating expenses whose deduction  
is not required under the terms of the indenture agreement :

Depreciation Expense	710,766
Bond Interest Payments	595,720
	<u>1,306,486</u>

Income as adjusted 757,757

Income as adjusted in excess of 1.10 times  
the maximum debt service requirement  
Revenue Bonds FYE 09/30/2030

265,522  
x 1.10

(292,074)

Income as adjusted in excess of 1.10 times  
the maximum debt service requirement  
Revenue Bonds FYE 09/30/2044

280,000  
x 1.10

(308,000)

Income as adjusted in excess of 1.10 times the  
maximum debt service requirement

\$ 157,683

## B. CUSTOMERS COUNTS FOR THE WATER AND SEWER BOARD

Water Customers	2301
Sewer Customers	1907
Garbage Customers	1654

In our opinion, the Water Works and Sewer Board of the City of Thomasville, Alabama is in compliance with the terms of the 2010 and 2014 Water Works and Sewer Revenue Bond Indentures.

Sincerely,

*Hollon Accounting Services, Inc.*

Hollon Accounting Services, Inc.

**CITY OF THOMASVILLE, ALABAMA**  
**INSURANCE COVERAGE**  
**Fiscal Year ended September 30, 2016**

**INSURANCE POLICIES**

Enforced by: Alabama Municipal Insurance Corporation

By Agency of :

West Alabama Insurance Agency

P O Box 36784, Thomasville, AL. 36784

All policies Expire November 15, 2017.

The Water Works and Sewer Board of City of Thomasville, Alabama insurance coverage is included in a blanket policy covering the City of Thomasville's Governmental Funds capital assets and liabilities. The City of Thomasville is the name insured on all policies. The following schedule is a breakdown on the amounts insured for the Water Works and Sewer Board.

Item of Coverage	Coverage Amount	
	Buildings / Contents / PIO	Deductible
Flood Coverage	Building and Personal Property Occurrence Limit \$ 1,000,000 Aggregate Limit \$ 1,000,000 Category Limit \$ 1,000,000	\$ 100,000
Earthquake Coverage	Building and Personal Property Occurrence Limit \$ 1,000,000 Aggregate Limit \$ 1,000,000 Category Limit \$ 1,000,000	\$ 100,000
Contractors Equipment	Cumulative Total of \$ 1,000,000 ( Assigned Values )	\$ 1,000 each item
Electronic Data Hardware	Cumulative Total of \$ 350,000 ( Assigned Values )	\$ 1,000 each item
Cameras	Cumulative Total of \$ 50,000 ( Assigned Values )	\$ 1,000 each item
Emergency Equipment of Patrol Vehicles and other Instruments	Cumulative Total of \$ 310,000 ( Assigned Values )	\$ 1,000 each item
Fire Equipment	Cumulative Total of \$ 100,000 ( Assigned Values )	\$ 1,000 each item
Signs	Cumulative Total of \$ 150,000 ( Assigned Values )	\$ 1,000 each item
Physical Buildings, Equipment and Improvements to Property	Buildings / Contents / PIO Coverage up to \$ 18,056,426 for Buildings Coverage up to \$ 5,067,435 for Contents Coverage up to \$ 27,791,620 for PIO ( Assigned Values )	\$ 2,500 each item \$ 2,500 each item \$ 2,500 each item



## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditors Report Issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes

X no

Reportable condition(s) identified that are not  
considered to be material weakness(es)?

\_\_\_\_\_ yes

X none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes

X no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes

X no

Reportable condition(s) identified that are not  
considered to be material weakness(es)?

\_\_\_\_\_ yes

X none reported

Type of Auditor's Report Issued on compliance for  
major programs:

Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ yes

X no

Dollar threshold used to distinguish between Type A and Type B Programs

\$500,000

Auditee qualified as low risk?

\_\_\_\_\_ yes

X no

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None