

The City of
Dothan, Alabama



Comprehensive Annual Financial Report
Fiscal Year Ended September 30,

2018

INTRODUCTORY SECTION

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018
PREPARED BY
DEPARTMENT OF FINANCE
LISA H. REEDER, CGFM, DIRECTOR-TREASURER

THE CITY OF DOTHAN
DOTHAN, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018
TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Title Page	I
Table of Contents	II
Letter of Transmittal	V
Certificate of Achievement	XIII
City of Dothan Organizational Chart	XIV
City Officials	XV
 FINANCIAL SECTION	
Independent Auditor's Report	1
 MANAGEMENT'S DISCUSSION AND ANALYSIS	
	5
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	19
Statement of Activities	20
 Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances	25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	27
 Proprietary Fund Financial Statements	
Statement of Net Position - Business-type Activities-Enterprise Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position - Business-type Activities-Enterprise Funds	30
Statement of Cash Flows - Business-type Activities-Enterprise Funds	31

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
BASIC FINANCIAL STATEMENTS (Continued)	
Notes to Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	
General Fund	81
Pension Schedules	
Schedule of Changes in the Net Pension Liability	83
Schedule of Employer Contributions	84
Retiree Healthcare Plan Schedules	85
Schedule of Changes in the Net OPEB Liability and Related Ratios	86
Schedule of Changes in the Net OPEB Contributions	
OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Debt Service Fund	87
Budgetary Comparison Schedule - General Capital Improvement Fund	88
Budgetary Comparison Schedule - School Fund	89
Schedule of Operations - Budget and Actual - Utility Fund	90
Summary of Debt Service Requirements to Maturity	92
Schedules of Bonded Debt and Interest	
General Obligation Warrants - Series 2009 - Refinanced	93
General Obligation Warrants - Series 2009 - CWSRF/ARRA-DL	94
General Obligation Warrants - Series 2009 - DWSRF/ARRA-DL	95
General Obligation Sewer Warrants - Series 2010-CWSRF-BL	96
General Obligation Sewer Warrants - Series 2010B-CWSRF-BL	97
General Obligation Warrants - Series 2011-CWSRF-DL	98
General Obligation Warrants - Series 2011-CWSRF-DL	99
General Obligation Warrants - Series 2013	100
General Obligation Refunding Warrants - Series 2014	101
General Obligation Warrants - Series 2014-CWSRF-DL	102
General Obligation Warrants - Series 2016	103
General Obligation Warrants - Series 2016-CWSRF-DL	104
General Obligation Warrants - Series 2017	105
Capital Assets Used in the Operation of Governmental Funds	
Schedule by Source	106
Schedule by Function and Activity	107
Schedule of Changes by Function and Activity	108

	<u>PAGE</u>
STATISTICAL SECTION	
Net Position by Component	109
Changes in Net Position	110
Program Revenues by Function/Program	112
Fund Balances, Governmental Funds	113
Changes in Fund Balances, Governmental Funds	114
Tax Revenues by Source, Governmental Funds	115
Assessed Value and Estimated Actual Value of Taxable Property	116
Direct and Overlapping Property Tax Rates	117
Principal Property Taxpayers	118
Property Tax Levies and Collections	119
Taxable Sales by Category	120
Revenue Rates for General Sales Tax	121
Principal Sales Tax Remitters	122
Ratios of Outstanding Debt by Type	123
Ratios of General Bonded Debt Outstanding	124
Direct and Overlapping Governmental Activities Debt	125
Legal Debt Margin Information	126
Pledged-Revenue Coverage	127
Demographic and Economic Statistics	128
Principal Employers	129
Full-Time-Equivalent City Government Employees by Function/Program	130
Operating Indicators by Function/Program	131
Capital Asset Statistics by Function/Program	132
 SINGLE AUDIT SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	133
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	135
Schedule of Expenditures of Federal Awards	137
Notes to the Schedule of Expenditures of Federal Awards	139
Schedule of Findings and Questioned Costs	140

BOARD OF COMMISSIONERS

MARK SALIBA
PRESIDENT/MAYOR
KEVIN DORSEY
COMMISSIONER, DISTRICT 1
JANASKY FLEMING
COMMISSIONER, DISTRICT 2
ALBERT KIRKLAND
COMMISSIONER, DISTRICT 3
JOHN FERGUSON
COMMISSIONER, DISTRICT 4
BETH KENWARD
COMMISSIONER, DISTRICT 5
DAVID L. CRUTCHFIELD
COMMISSIONER, DISTRICT 6

The City of Dothan

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

March 11, 2019



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

The Comprehensive Annual Financial Report (CAFR) of the City of Dothan, Alabama (the City) for the fiscal year ended September 30, 2018, is hereby transmitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Dothan management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, the City's organizational chart, and a listing of all City officials. The financial section includes the Management's Discussion and Analysis (MD&A), the basic financial statements, the required supplementary information for budgetary comparisons,

pension liability, debt, and capital assets. The MD&A provides a narrative introduction, overview and analysis of the City's financial statements. It complements this letter of transmittal and should be read in conjunction with it. The statistical section is comprised of schedules that depict selected financial and demographic information that is generally presented on a multi-year basis for purposes of comparison analysis. In contrast to the financial section information, the statistical section information has not been audited. The final section of the CAFR is the required single audit section which includes the auditor's reports on internal controls and compliance with applicable laws and regulations, the Schedules of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs.

GASB Reporting Requirements

Beginning in Fiscal Year 2018, the Government Accounting Standards Board (GASB) required implementation of GASB Statement 75, "Accounting and Financial Reporting for Post-Employment Benefit

Plans Other Than Pension Plans." This statement requires the recognition of a liability for obligations incurred under post-employment benefit plans. These benefits include health, prescription, dental and vision insurance. Retirees that are eligible to participate and are hired prior to January 1, 2009, may choose to continue their benefits until they, or their dependent, is eligible for Medicare. The City recognized a liability of \$36,286,443 for Other Post-Employment Benefits (OPEB) in Fiscal Year 2018.

Beginning in Fiscal Year 2017, the Government Accounting Standards Board (GASB) required implementation of GASB Statement 77, "Tax Abatement Disclosures" requiring the reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues. The requirements of this Statement will improve financial reporting by disclosing information about the nature and magnitude of tax abatements and making these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact those abatements have on a government's financial position and economic condition.

Internal Control

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

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

Independent Audit

The City is obligated to undergo an audit as required by the U.S. Office of Management and Budget (OMB) Uniform Guidance Supplement that is applicable to each of its major federal programs for the year ended September 30, 2018. Information related to this audit, including the schedule of expenditures of federal awards and schedule of findings and questioned costs, is included in the single audit section of the audit report. The audit report is forwarded to the City's oversight agency, Environmental Protection Agency, for review.

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

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

The financial records of the City for the year ended September 30, 2018, have been audited by an independent certified public accounting firm whose opinion is a part of the Annual Financial Report.

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

Management's Discussion and Analysis

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

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

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

CITY PROFILE

The City of Dothan is located in the southeastern part of the State of Alabama approximately 20 miles west of the State of Georgia and 18 miles north of the State of Florida. The City is a rapidly growing and thriving community built around the landmarks of its past. Although it is the center for recreation, business, industry, agriculture, healthcare and retail trade in the area, Dothan offers the charm and friendliness of the *Deep South*. Proclaimed "Peanut Capital of the World," Dothan has become a melting pot due to its friendly atmosphere and southern hospitality.

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

The members of the Board of Commissioners serve part-time and are responsible for adopting all legislative ordinances and setting the policies of the City, including the appropriation of all monies.

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

There are 1,036 authorized positions for regular, full time employees; 59 authorized positions for part-time; and 176 authorized positions for seasonal employees which staff these departments, producing high quality and cost-effective public services. These services include general government or administrative services (including the mayor, commission, city manager, city clerk, public relations, business licenses, finance, information technology, personnel, judicial and legal services), public safety services (including police, fire, E911 communications and animal control), public services (environmental services, right-of-way and street maintenance, traffic signaling, building code enforcement, permitting, community development, planning and engineering services), culture and recreation (including performing arts, cemeteries, parks and recreation services), general services (including building maintenance, landscaping, fleet management, safety and self insurance programs), and utility services (including electric, water, and wastewater/sewer).

The City departments include:

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

Budgeting

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

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

The City maintains a purchase order system for any purchase in the amount of \$2,500 or greater as one technique of accomplishing budgetary control. The City issues such purchase orders in compliance with a City adopted Purchasing Policy and strictly follows the guidelines as set forth by the State of Alabama Bid Law. Encumbered amounts lapse at year-end; however, essential encumbrances are re-appropriated as part of the following year's budget. Field purchase orders are issued for purchases less than \$2,500.

ECONOMIC CONDITION AND OUTLOOK

Over the years, Dothan has become a major retail trade area and major medical hub for the Wiregrass. Local government's need for fire

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

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

Dothan presently levies a 5 mill ad valorem tax. By referendum, the City could levy an additional 7.5 mill which would generate an additional \$5,550,000. In addition, business licenses could be collected based on a gross receipts method rather than on the flat rate method which the City is presently utilizing. The gross receipts method would yield approximately \$1,000,000 more. Further, by increasing the existing Retail Liquor Tax, additional operating funds would be provided.

Financial Planning

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

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

• General Fund Debt Reserve	\$	1,128,845
• Landfill Reserve	\$	6,307,537
• OPEB Reserve	\$	522,022
• Storm Drainage Reserve	\$	1,498,692
• Disaster Debris Removal Reserve	\$	1,276,924
• Future Replacement	\$	3,437,526
• Fire Station Construction	\$	1,139,113
• Road Improvements	\$	511,175
• Technology Improvements	\$	44,626
• Long Term Water Reserves	\$	1,564,271
• Long Term Red Water Reserves	\$	2,013,593
• Infrastructure Disaster Reserve	\$	2,044,701
• Sewer Projects	\$	12,332,399
• Advanced Metering	\$	11,098,293

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

The following capital improvement projects were completed during Fiscal Year 2018: maintenance of parks and city-wide facilities, fleet replacement, and road improvements. These expenditures were funded by sales tax revenues.

The City's capital investment program for Fiscal Year 2018 identified \$12.1 million in projects for potential funding. Each project is required to be individually approved by the City's commission for funding. The topics for consideration were as follows: recreation facility construction, downtown revitalization projects, road intersection/sidewalk improvements, facility maintenance/repairs, and fleet replacements. The projects that were completed in Fiscal Year 2018 accounted for \$9.6 million in expenditures. The remaining \$2.5

million was for projects that were not completed at the end of Fiscal Year 2018.

In October 2003, a water rate increase was implemented and as a result, the rates are adjusted by 2.85% in October of each year. In order to offset the cost of the wholesale fuel adjustment charges, the City has increased the electric rate through the years for wholesale increases from the Alabama Municipal Electric Authority (AMEA) and Southeastern Power Administration (SEPA). Effective January 2016, the City rebased the electric rates to better account for the wholesale power cost parameters that the City receives from its suppliers. In September 2009, a sewer rate increase was implemented which resulted in an annual rate increase of \$.75 per thousand gallons of metered water for the first five years (fiscal years 2010 - 2014) and 2.85% thereafter. In Fiscal Year 2015, the sewer rates were reviewed, and in January 2016, the rates were increased to \$5.33, in October 2016 to \$5.83, in October 2017 to \$6.13 and in October 2018 to \$6.48 per 1,000 gallons of metered water. Beginning with the October 2019 billing cycle, the rates will increase to \$6.78 per 1,000 gallons of metered water. Beginning with the October 2020 billing cycle, the rates will increase by 2.85% each October billing cycle. The additional funds from this sewer rate increase will help offset the cost of the debt service on the sewer improvements. In December 2012, the City of Dothan Commission approved a monthly fee of \$14.75 to every residential customer for the collection, hauling and disposing of refuse.

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the City at the end of 2018 was as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$21,955,897	2.40%	\$321

It should be understood that having reasonable levels of reserves is essential to the bond market's perception of local government's strength and related ability to utilize private sector styled business practices, and provides for the availability to anticipate interest as a significant annual (recurring) revenue source. The City of Dothan currently holds a bond rating of Aa2 from Moody's Investors Service and AA from S&P Global Ratings.

SIGNIFICANT EVENTS AND PROSPECTS FOR THE FUTURE

The Dothan area saw continued increases in investment and expansion in its manufacturing sector during Fiscal Year 2018 with over \$135 million of industrial investment and the addition of 346 new manufacturing jobs. New projects and expansions include Abbeville Fiber, LLC, Next Level Apparel, Dothan Warehouse Investors, IB XLAM, Globe Motor Division, Dittus Machining, J. Hendrix Design, Tri-State Tire and Rubber Company, MRS BPO, LLC, and Wiregrass Block and Precast. The area also saw significant commercial developments with the opening of Home Goods, Burke's Outlet, and Metro Diner at US Highway 84 West and Ross Clark Circle, the start of construction for Dave's Catfish at Westgate Parkway and US Highway 231, the opening of Chick-Fil-A at US Highway 84 East and Ross Clark Circle, and the opening of Rural King on US Highway 431 North. The Bureau of Labor Statistics showed significant employment highlights for the Dothan Metro Area for the year, with employment increasing from 58,909 to 59,857, a net gain in employment of 948. Future prospects and marketing activities continue in promoting the Dothan Regional Airport's existing hangar facilities #4, #5, and #11. There is tighter available industrial building supply and tighter available supply of industrial property in the market area. On-going efforts to attract private investment to construct new speculative industrial facilities are in progress as well as public/private partnership efforts to obtain additional industrial property to support future development. In 2018, the Industrial Development Board of the City of Dothan was able to secure an additional 135 acres of property in the US Highway 52 East area to gain some additional industrial space for future development. As with positive trend of tighter available buildings and land, this leads

to tighter available workforce and through on-going efforts of Southeast AlabamaWorks (Dothan Area Chamber of Commerce), Alabama Industrial Development Training, Wallace Community College, Dothan and Houston County School System, Dothan Area Career Center, and Troy University, constant efforts are in motion to establish short and long-term training programs specific and customized to meet the needs of area industry.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dothan for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017. The City has received this prestigious award for the last 35 consecutive years (fiscal years ended 1983 – 2017).

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

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

The GFOA has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Dothan for its PAFR for the last 14 consecutive years (fiscal years ended 2004 – 2017). The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance

with the highest standards for preparation of state and local government popular reports.

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

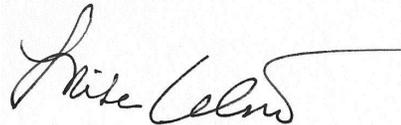
An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we will submit it to the GFOA.

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

Respectfully submitted,



Lisa H. Reeder, CGFM
Finance Director-Treasurer



Michael K. West
Acting City Manager

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Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

City of Dothan
Alabama

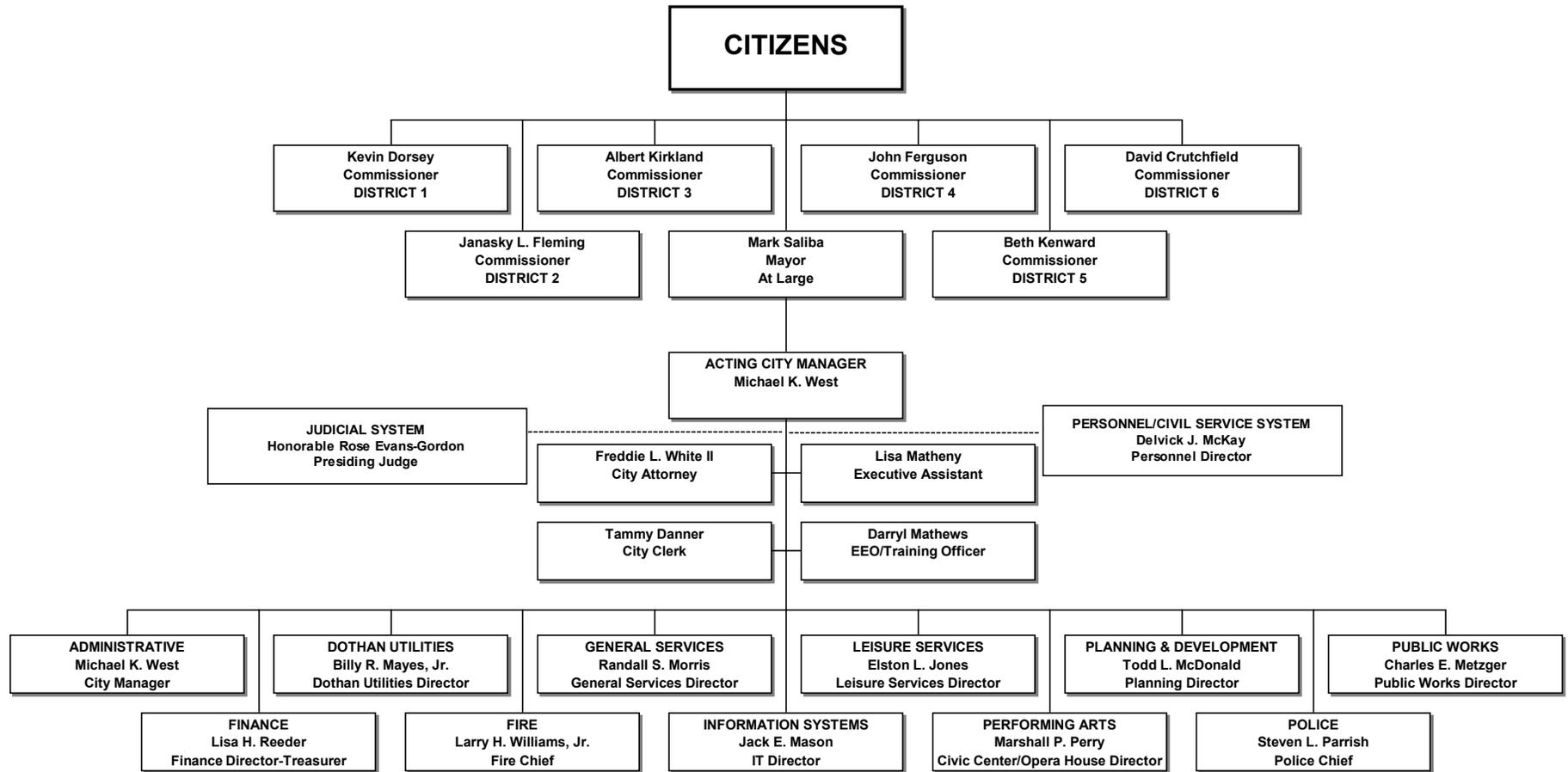
For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF DOTHAN, ALABAMA ORGANIZATIONAL CHART



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

CITY COMMISSION

Mark Saliba	Mayor
Kevin Dorsey	Commissioner, District 1
Janasky L. Fleming	Commissioner, District 2
Albert Kirkland	Commissioner, District 3
John Ferguson	Commissioner, District 4
Beth Kenward	Commissioner, District 5
David L. Crutchfield	Commissioner, District 6

APPOINTED OFFICIALS

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

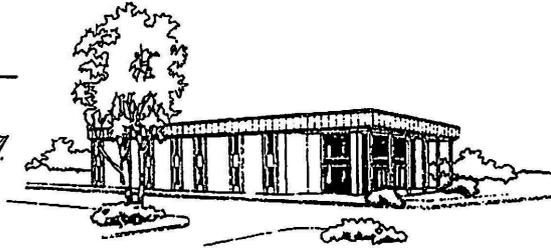
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FINANCIAL SECTION

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

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

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



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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and healthcare plan schedules on pages 5 through 18 and 80 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dothan's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019, on our consideration of the City of Dothan, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dothan, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dothan's internal control over financial reporting and compliance.

Respectfully Submitted,



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

March 11, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The City of Dothan's (the "City") discussion and analysis is a narrative overview designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (revealing the ability to address future challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) focuses on the financial performance of the City of Dothan for the fiscal year ended September 30, 2018. Please consider the information in this MD&A in conjunction with the City's financial statements (beginning on page 19), which follows this section and the additional information furnished in the letter of transmittal, which can be found in the introductory section of this comprehensive annual financial report (CAFR).

Financial Highlights

- The assets and deferred outflows of resources of the City of Dothan exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$119,311,352. Of this amount, the City had a deficit unrestricted net position of \$65,269,431 offset by \$268,218 in restricted net position and \$184,312,565 in net investment in capital assets.
- The City's total net position increased by \$20,613,055 (20.88%) from \$98,698,297 at September 30, 2017 to \$119,311,352 at September 30, 2018. A detailed explanation of this increase can be viewed on page seven of this MD&A.
- Total net position for governmental activities increased by \$6,945,807 (48.86%), thus totaling a deficit \$7,269,659 for fiscal year 2018.
- At the close of fiscal year 2018, the City of Dothan's governmental funds reported combined fund balance of \$56,420,736. This was an increase of \$529,066 (.95%) compared to fiscal year 2017.

- The unassigned fund balance for the General Fund was \$3,652,561 for fiscal year 2018. This total is available for spending at the government's discretion.
- Sales and use tax, the City's single largest revenue source, increased 1.29% (\$855,967) during the 2018 fiscal year, reflecting continued growth in Dothan's economy.
- The City of Dothan's total debt decreased by \$10,309,821 (7.99%) during the current fiscal year, yielding a total outstanding debt of \$118,676,055 compared to last year at \$128,985,876.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

indicator of whether the financial position of the City of Dothan is improving or deteriorating.

The *statement of activities* (see pages 20-21) presents information focused on both gross and net costs and shows how the City of Dothan's net position changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned, but unused, vacation leave).

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

Fund Financial Statements

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

- State law requires gasoline tax funds to be accounted for separately, because the expenditures are restricted for specific uses.
- The City Commission establishes other funds to control the use of monies for particular purposes, such as tobacco taxes assessed at five cents per pack of cigarettes. These taxes are legally dedicated for the support of the City school system.

- The City of Dothan, like other state and local governments, establishes funds to ensure and demonstrate compliance with certain legally debt-financed capital projects and grant proceeds.

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the Business-type Fund Financial Statements (see pages 28-32) is the same as the Business-type column on the Government-wide Financial Statement, the Governmental Major Funds total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement (see pages 24 and 27). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bonds and others) into the Governmental Activities column (in the Government-wide statements).

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

Infrastructure Assets. The City depreciates general fund assets over their useful life. The infrastructure portion related to general governmental activities as stated in GASB Statement 34 requires that these assets (infrastructure-roads, bridges, traffic signals, underground pipes [not associated to the electric, water nor sewer departments], etc.) be valued and reported within the Governmental column of the Government-wide Statement.

Notes to the financial statements. (see pages 33-79) The notes provided in this report convey additional essential information that will

magnify the understanding of data in the government-wide and fund financial statements.

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

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

Government-Wide Financial Analysis

The City's *combined* net position at September 30, 2018 totaled \$119,311,352. Governmental Activities' net position increased by \$6,945,807, while Business-type Activities' net position increased \$13,667,248 during fiscal year 2018. The primary government's total net position increase of \$20,613,055 in fiscal year 2018 includes the following major changes: 1) an increase in net investment in capital assets of \$511,821; 2) an increase in restricted net position of \$40,130; and 3) a decrease in the deficit in unrestricted net position of \$20,061,104. Management will continue to monitor net position since the variance is a useful indicator of financial position.

By far the largest portion of the City of Dothan's net position (154.48%) reflects the total investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets. The investment in capital at September 30, 2018, was \$184,312,565. This net position is not available for future spending. Although the City of Dothan's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. Restricted net position is as follows: \$159,431 for street and bridge maintenance and \$108,787 for education. The remaining balance of \$(65,269,431) is *unrestricted*. The following table reflects the Statement of Net Position compared to the prior year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017
Current & Other Assets	\$ 66,324	\$ 63,294	\$ 93,059	\$ 101,525	\$ 159,383	\$ 164,819
Capital Assets	108,024	104,642	173,329	158,849	281,353	263,491
Total Assets	174,348	167,936	266,388	260,374	440,736	428,310
Deferred Outflows of Resources	16,075	16,926	3,306	3,827	19,381	20,753
Current & Other Liabilities	15,607	13,887	24,710	26,062	40,317	39,949
Long-term Liabilities	176,071	184,853	117,424	125,225	293,495	310,078
Total Liabilities	191,678	198,740	142,134	151,287	333,812	350,027
Deferred Inflows of Resources	6,013	338	980	-	6,993	338
Net Position						
Net Investment in Capital Assets	100,928	99,605	83,385	84,196	184,313	183,801
Restricted for:						
Public safety programs						
Street and bridge maintenance	159	152			159	152
Education	109	76			109	76
Unrestricted	(108,466)	(114,048)	43,196	28,718	(65,270)	(85,330)
Total Net Position	\$ (7,270)	\$ (14,215)	\$ 126,581	\$ 112,914	\$ 119,311	\$ 98,699

*Restated

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

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

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

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

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

Spending of Non-Borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets, and (b)

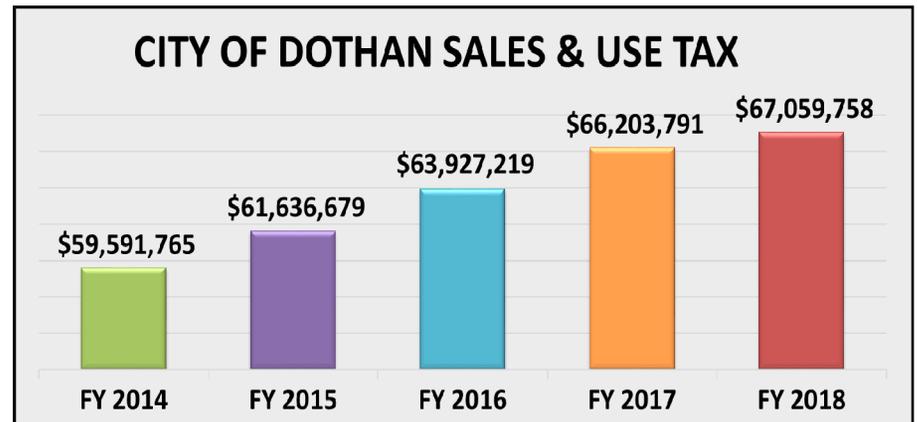
reduce unrestricted net position and increase net investment in capital assets.

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

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

At the end of the current fiscal year, the City of Dothan was able to report positive balances in all categories of net position for the business-type activities. The governmental activities reported positive balances in all categories except for unrestricted net position. This was a result of the implementation of GASB Statement No. 68 and GASB Statement No. 75 which required the recording of the net pension and OPEB liabilities.

The single largest revenue source is sales and use tax, which generated \$67,059,758 in 2018. This revenue reflected an increase of \$855,967 (1.29%) compared to \$66,203,791 in 2017. The sales and use tax has afforded the City the opportunity to expend monies for vehicle and equipment replacement, resurfacing, employee salary increases, bridge restoration, intersection repair and recreational facilities.



Changes in Net Position
For the Fiscal Year Ended September 30, 2018
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017*
REVENUES						
Program Revenues:						
Charges for services	\$ 13,026	\$ 12,742	\$ 125,334	\$ 122,553	\$ 138,360	\$ 135,295
Operating grants & contributions	3,117	1,743			3,117	1,743
Capital grants & contributions	3,270	3,482	354	265	3,624	3,747
General Revenues:						
Property taxes	4,736	4,640			4,736	4,640
Other taxes	73,668	72,106			73,668	72,106
Grants & contributions not restricted to specific programs	1,007	1,052			1,007	1,052
Other	1,718	1,043	1,852	1,547	3,570	2,590
Total Revenues	100,542	96,808	127,540	124,365	228,082	221,173
EXPENSES						
Governmental Activities:						
General government	13,163	16,158			13,163	16,158
Public safety	36,681	35,593			36,681	35,593
Public works	20,260	20,419			20,260	20,419
Planning & development	2,788	2,417			2,788	2,417
Health & welfare	3,600	3,630			3,600	3,630
Culture & recreation	13,809	12,092			13,809	12,092
General services	4,926	4,632			4,926	4,632
Insurance	216	(279)			216	(279)
Education	4,593	4,564			4,593	4,564
Interest on long-term debt	454	180			454	180
Business-type Activities:						
Electric department			77,195	75,616	77,195	75,616
Water department			6,754	5,045	6,754	5,045
Sewer department			8,166	7,859	8,166	7,859
Billing-collection department			1,532	1,779	1,532	1,779
Meter reading department			841	804	841	804
Depreciation			9,290	8,516	9,290	8,516
Miscellaneous			394	139	394	139
Gain (loss) on disposition of capital assets			265	405	265	405
Bond issue costs					-	-
Interest and fiscal charges	-	-	2,542	2,779	2,542	2,779
Total Expenses	100,490	99,406	106,979	102,942	207,469	202,348
Change in net position before transfers	52	(2,598)	20,561	21,423	20,613	18,825
Transfers	6,894	6,742	(6,894)	(6,742)	-	-
Change in net position	6,946	4,144	13,667	14,681	20,613	18,825
Beginning net position, restated	(14,216)	(18,360)	112,914	98,233	98,698	79,873
Net position (deficit) September 30	\$ (7,270)	\$ (14,216)	\$ 126,581	\$ 112,914	\$ 119,311	\$ 98,698

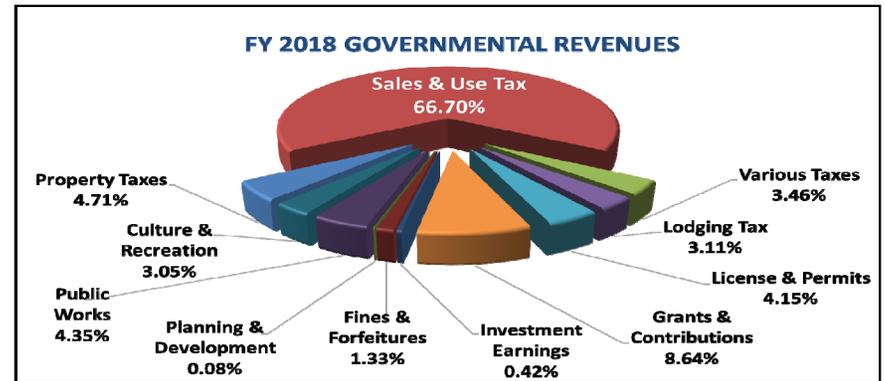
*Restated

Statement of Activities

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

Governmental activities increased the City of Dothan's net position by \$6,945,807. Governmental revenues totaling \$100,542,308 increased \$3,734,013 or 3.86% over fiscal year 2017 (\$96,808,295). Governmental expenditures totaling \$100,490,295 increased \$1,084,030 or 1.09% over fiscal year 2017 (\$99,406,265). Key elements in the change of net position are listed below.

- Taxes increased \$1,658,704 (2.16%) primarily from sales taxes increasing \$855,967. Various other taxes had a net increase of \$859,798 over the previous year. These increases were offset by a decrease in alcoholic beverage and cigarette taxes in the amount of \$57,061.
- Grant revenues increased \$1,116,565 (17.79%) due to revenue contributed by the Wiregrass Foundation for the Public Safety Training Center, which was offset by reduction in revenue from the U.S. Department of Justice.
- Charges for services increased \$283,814 (2.23%). The majority of this was due to an increase in culture and recreation revenue of \$519,987 which was offset by a decrease in public safety revenue of \$157,176 received from court fines and cost and a decrease in general government revenue of \$82,859.
- Expenses increased \$1,084,030, which was primarily due to the funding for culture events and recreation expenses for new facilities and maintenance of facilities and for the purchase of land for two new fire stations.

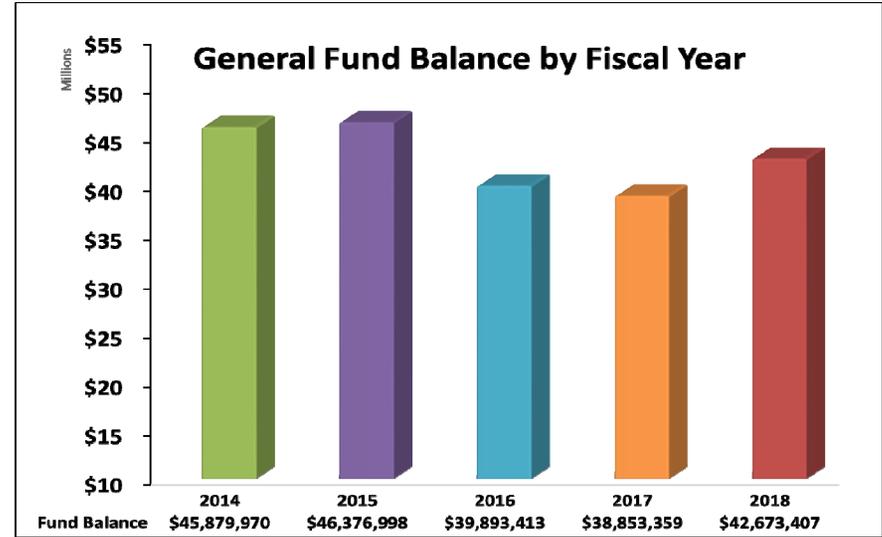


Business-type activities increased the City of Dothan's net position by \$13,667,248. A key element was due to an increase in charges for services for electric, water, and wastewater/sewer.

Fund Balance			
Nonspendable:		Assigned to:	
Inventories	\$ 371,481	Information Technology	\$ 412,560
		Economic Development Projects	865,000
Restricted for:		Public Safety Programs	2,146,286
Public Safety Programs	\$ 13,638,542	Public Works Projects	13,080,504
Street & Bridge Maintenance	159,431	Culture & Recreation	265,058
Education	108,787	Facility Maintenance	1,984,020
	\$ 13,906,760	Debt Service	226,038
Committed for:		Self-Insurance Claims	7,253,335
Administration	\$ 11,688	OPEB Obligations	19,349
Information Technology	159,699		\$ 26,252,150
Economic Development Projects	1,900,000		
Public Safety Programs	495,923	Unassigned	\$ 3,652,561
Public Works Projects	6,802,391		
Planning & Community Develop.	302,067		
Culture & Recreation	780,293		
Facility Maintenance	285,723		
Debt Service	1,000,000		
OPEB Obligations	500,000		
	\$ 12,237,784	Total Fund Balance	\$ 56,420,736

Fund balance reflects the cumulative excess of revenues and other financing sources over expenditures and other financing uses. As of the end of the current fiscal year, the City of Dothan's governmental funds reported combined ending fund balances of \$56,420,736 an increase of \$529,066 (.95%) in comparison with the prior year of \$55,891,670. Of this total fund balance, \$3,652,561 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *nonspendable, restricted, committed or assigned* and is not available for spending due to prior period commitments (see preceding table).

The general fund is the chief operating fund of the City. At the end of FY 2018 the total fund balance was \$42,673,407 (\$371,481 was nonspendable, \$159,431 was restricted, \$12,237,784 was committed, \$26,252,150 was assigned and \$3,652,561 was unassigned).



As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City of Dothan's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance in the amount of \$3,652,561 represents 3.93% of the general fund expenditures which equal \$92,883,109, while the total general fund balance of \$42,673,407 represents 45.94% of the general fund expenditures. The fund balance of the City of Dothan's general fund (\$42,673,407) increased by \$3,820,048 (9.83%) from 2017 (\$38,853,359).

The general fund's total assets increased by \$5,119,362 during 2018. The increase in cash and cash equivalents was largely due to additional revenue received from sales and use tax, lodging tax, gas franchise tax and interest on investments. Cash is very sensitive to timing anomalies. The timing of revenue recognition or cash disbursement can shift cash from one reporting period to the next.

Total liabilities in the general fund (\$8,689,587) increased from the previous year (\$7,363,649) by \$1,325,938 (18.01%). The most significant components were vouchers/accounts payable which

increased \$840,413. In addition, accrued liabilities payable and customer deposits increased by \$273,933 and \$198,940, respectively.

Total deferred inflow of resources (\$4,157,300) decreased by \$26,624 (.64%). This was due to a decrease in deferred property taxes and special assessments.

The debt service fund has a total fund balance of \$0 compared to \$238 in fiscal year 2017. Of this amount, there are no reserves for encumbrances; thus, the total fund balance of \$0 is reserved for the payment of debt service. During the fiscal year, funds were transferred from the general and utility funds for debt service payments.

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

Net position of the utility fund at the end of the year amounted to \$126,581,011 compared to last year's amount of \$112,913,763. The utility fund experienced an increase in net position in the amount of \$13,667,248. A key element was due to an increase in charges for services for water and wastewater/sewer.

Budgetary Highlights

The City of Dothan adopts a biennial budget, consisting of two annual budgets. State law requires adoption of annual budgets. In fiscal year 2017, the City Commission adopted a biennial budget for fiscal years 2018 and 2019. This was the eighth biennial budget adopted for the City of Dothan. During the biennial budget process, the City's overall revenue structure was evaluated and financial projections were prepared proportionately to reflect the economy.

Per the City's Code of Ordinances, a supplemental budget is additionally prepared no later than April 15th of each year. At this time, the city manager is required to submit to the commission this budget, which shall encompass new programs or activities, capital expenditures and new personnel additions. During this budget message, the city manager shall submit his recommendation of new sources of revenue or manner of increasing existing sources of revenue, sufficient to balance the budget, if such additional revenue is

necessary to accomplish that purpose. A five year forecast is also presented, along with ten years of departmental history, a listing of all major maintenance projects, additional equipment and fleet needs, as well as capital projects for the next five years.

The fiscal year 2018 *final* general fund budget projected \$91,695,728 in revenues, \$132,760,147 in expenditures and \$3,713,803 in other financing sources/uses, producing a planned reduction of \$37,350,616 in the general fund's balance. Actual amounts for revenues (\$100,226,343), expenditures (\$98,677,080) and other financing sources/uses (\$1,052,231) netted to a \$497,032 decrease, rather than the expected \$37,350,616 decrease. All individual departments worked with the city manager to keep expenditures under the final budget. Budgeted adjustments resulted from varied growth/decline in many revenue sources which created the \$8,530,615 over budget. Some major contributors to each revenue (actual) source being over/under from the final budget are listed as follows:

- \$5,899,967 Increase in Taxes - property (over \$263,170), motor vehicle property tax (over \$73,148), sales & use tax (over \$4,859,758), alcohol and malt beverage tax (over \$55,457), lodging tax (over \$186,058), cable/phone franchise fee (over \$98,079), and gas district franchise fee (over \$364,297)
- \$62,007 Increase in License and Permits – privilege and insurance license (over \$11,128), building permits (over \$47,442), and miscellaneous (over \$3,437)
- \$1,105,514 Increase in Intergovernmental – Wiregrass Foundation grant (over \$427,702), community development block grants (over \$42,592), bureau of justice, homeland security, emergency management grants, and U.S. Department of Transportation (over \$272,444), Alabama trust fund (over \$57,272), U.S. Environmental Protection Agency (over \$118,559), financial institution funds (over \$28,916), gas tax revenues (over \$96,963), and miscellaneous intergovernmental revenues (over \$61,066)
- \$938,372 Increase in Charges for Services - solid waste fees (over \$167,301), civic center/opera house ticket sales/facility fees and rental (over \$489,053), weed abatement liens (over \$19,022), planning and zoning application fees (over \$39,888), false burglar fees (over \$4,938), recreational programs (over \$216,551), and miscellaneous

income (over \$1,619)

- \$303,489 Decrease in Fines and Forfeitures - drug seizure (over \$95,159), court costs (under \$40,164), court fines (under \$335,657), false alarm fees (under \$1,225), pre-trial diversion fees (under \$20,344), and miscellaneous fines and forfeitures (under \$1,258)
- \$481,964 Increase in Interest – an increase in the interest rate environment during fiscal year 2018 resulted in an increased amount of interest income
- \$346,280 Increase in Miscellaneous - landfill use fees, recycling and garbage cart sales (under \$98,854), purchasing card rebate (over \$27,557), junk sales (over \$8,937), reimbursement from a claim by the stop loss re-insurance carrier (over \$313,171), confiscated items sold (over \$70,872), emergency 911 revenue (under \$50,000), property damage recovery (under \$1,570), photocopy printing (over \$10,648), contributions/donations (over \$67,864), Knox box sales (over \$1,130), animal control and adoption fees (under \$3,263), telephones in the jail (over \$1,402), ATM and credit card fees (over \$5,920), rentals (under \$1,241), disaster relief revenue (under \$1,608), and miscellaneous income (under \$4,685)

The actual departmental expenditures in the general fund were well within the budgetary constraints and were under budget by \$4,837,120 in fiscal year 2018. Non-departmental expenditures were under budget by \$2,576,516 which was predominantly due to a decrease in health insurance claims (\$2,411,368). Capital outlay expenditures were under budget \$26,669,431. This was primarily due to major purchases and projects not completed, but carried over to FY 2019 as follows: \$15,288,002 for new building construction and maintenance, \$5,066,782 for sidewalk and paving projects, \$2,689,535 for bridge replacement, \$136,000 for fire station design, \$930,831 for traffic signal upgrades, \$233,627 for police body worn cameras, \$587,224 for storm drainage, and \$1,577,008 for vehicles and equipment for Police, Fire, Public Works, and General Services. Other financing sources and uses actual amounts compared unfavorably with the budget by \$4,766,034.

The total operating budget was increased by \$29,709,460 in the *final* budget as follows: departments (over \$1,157,807), insurance (over \$514,879) and capital outlay (over \$28,036,774). Although almost all

departments' budgets were increased in the final budget (\$1,157,807), the *largest increases* are denoted as follows: general administration increased \$100,000 for Foster Fest; information technologies increased \$500,000 for telephone services; public safety increased \$60,539 for breathing air system and \$120,805 for school protection officers; planning increased \$330,312 for community development block grants; and health and welfare increased \$241,000 for additional lodging tax for the Convention and Visitor's Bureau.

The actual revenues in the general fund (\$100,226,343) were \$8,530,615 over final revenue projections (\$91,695,728). During the year, revenues exceeded budgetary estimates. The original revenue projections in the general fund were \$4,086,453 under the *final* budget. The additional appropriations totaling \$40,137,068 were funded from: (1) the revenue sources in the following table in the amount of \$2,786,453; (2) encumbrances from fiscal year 2017 which were carried forward to fiscal year 2018 totaling \$11,898,164 (general fund beginning budget included these encumbrances which were funded from the general fund balance); and (3) the remaining \$25,452,451 was budgeted from the available unassigned fund balance.

Additional Revenue Sources Increasing Fiscal Year 2018 Budget

\$ 1,093,565	- federal, state and local grants
450,000	- privilege & insurance license revenue
58,742	- police seizure income
208,903	- solid waste fee
342,703	- summer/at-risk feeding program funds
241,000	- lodging tax
50,000	- stop loss insurance refunds
12,500	- property damage recovery
126,000	- financial institution tax
<u>203,040</u>	- special event & miscellaneous revenues
<u>\$ 2,786,453</u>	

The additional appropriations (\$25,452,451) that were funded by the unassigned fund balance can be briefly summarized by department as follows:

- General Administration - \$110,000 as follows: \$100,000 for Foster Fest Expansion Project; and \$10,000 for Foster Fest Sponsorship

- Information Technology - \$564,008 as follows: \$500,000 for telephone expenses; \$37,008 for citywide security access; \$15,500 for Milsoft Engineering Analysis Software; and \$11,500 for RescueNet Software
- Police - \$19,060,236 as follows: \$18,939,431 for Public Safety Training Center; and \$120,805 for School Protection Officers
- Fire - \$1,333,819 as follows: \$650,000 for land for two fire stations; \$623,280 for pumper engine; and \$60,539 for a breathing air system
- Public Works - \$2,770,418 as follows: \$1,969,593 for Honeysuckle Road Corridor Study; \$558,180 for addition to Girard Avenue Culvert; and \$242,645 for garbage and recycling carts
- Planning & Development - \$29,221 as follows: \$28,790 for a curb and sidewalk plan; and \$431 for computer equipment
- Leisure Services - \$1,398,249 as follows: \$1,321,934 for a multi-purpose facility at Eastgate Park; \$36,933 for construction inspection services at Westgate Wellness Pool; \$25,000 for a fitness court; \$23,837 for staff at Andrew Belle Recreation Center; and (\$9,455) for Summer Food Service Program
- General Services - \$186,500 as follows: \$186,500 for a Civic Center message board

Capital Asset and Debt Administration

The City of Dothan's net investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$281,352,697 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements other than buildings, system improvements (electrical, water, sewer, storm drainage and street), infrastructure, machinery and equipment, park facilities, roads, highways, and bridges.

Capital investments increased in the governmental capital assets by \$3,381,991. This increase resulted from additional capital assets totaling \$15,611,981 (see following table) decreased by accumulated depreciation totaling \$10,634,262. In addition, this total was reduced

by \$2,747,700 (includes construction in progress placed in service of \$1,468,992) of capital assets which were retired and offset by recaptured depreciation of \$1,151,972.

GOVERNMENTAL CAPITAL ASSET ADDITIONS (In Millions)	
Land (Easements and Parcels Acquired)	\$.7
Building Improvements (Pools and Parks)	1.2
Additions & Improvements Including Streets, Sidewalks, and Drainage	.1
Software Upgrades, Computer Equipment & Building Access Codes	.7
Equipment (Police Investigation and Safety Equipment; Fire Safety Equipment; Civic Center Message Board & Leisure Services Kitchen Equipment)	.7
Vehicles (Police, Fire, Public Works, Leisure & General Services)	2.3
Construction Projects (Training Facility; Road Widening and Bridges; Eastgate Park Lodge; Westgate Fitness Court; ACOM Shared Use Trail; Fire Truck Build; Fuel Dispensing and Storage; Opera House ADA Improvements)	9.9
Total Capital Asset Additions	\$15.6

The business-type capital investments increased by \$14,480,188. This increase resulted from additional capital assets totaling \$33,021,065 decreased by accumulated depreciation totaling \$9,290,162. In addition, this total was reduced by \$9,757,581 (includes construction in progress placed in service of \$9,176,096) of capital assets which were retired and offset by recaptured depreciation of \$506,866 as follows:

BUSINESS-TYPE CAPITAL ASSET ADDITIONS (In Millions)	
Land (Easements)	\$.3
Building (Storage Buildings, Substations Control Houses)	.2
Electric System & Substation Improvements	2.8
Water Improvements	.8
Sanitary Sewer Improvements	3.9
Equipment (Electric, Water, Sewer)	.4
Vehicles	1.1
Construction Projects	23.5
Total Capital Asset Additions	<u>\$33.0</u>

- **BEAVER CREEK BASIN SEWER REHAB**

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or a cured-in-place lining of various-sized sanitary sewer lines, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services. The South Saint Andrews Street portion was completed in 2014 by American Infrastructure Technologies Corporation at a cost of \$418,691. In December 2016, a contract in the amount of \$1,281,332 was awarded to Blankenship Contracting, Inc. for the improvements at Woodland Drive, South Appletree Street, Flynn Road, and Plant Street. A change order decrease of \$299,972 was issued and \$981,360 was expended. The completed project cost is \$1,744,962 and was funded with State Revolving Loan funds.

- **SANITARY SEWER IMPROVEMENTS**

In April of 2017, Blankenship Contracting, Inc. was awarded a contract in the amount of \$934,648 for sanitary sewer improvements for Kornegay Street, South Oates Street, Garland Street, Glenwood Street and Southland Drive. In May of 2018, a change order of \$114,949 increased the total contract price to \$1,049,597 and the project was completed in 2018. In May of 2017, L and K Contracting Company, Inc. was awarded the contract for sanitary sewer improvements on Inez Road in the amount of \$1,669,600; \$1,469,539 has been expended to date. In June of 2017, Blankenship Contracting, Inc. was awarded the contract in the amount of \$1,515,391 for sanitary sewer improvements

from Englewood Drive to Rock Creek Road. The work was completed for the awarded amount in 2018. In September of 2017, Gulf Coast Underground, LLC was awarded a contract in the amount of \$2,394,374 for the sanitary sewer improvements in the B1-23 sewer basin area; \$1,437,024 has been expended to date. In April of 2018, Blankenship Contracting, Inc. was awarded a contract in the amount of \$557,117 for sanitary sewer improvements for Cherokee Avenue and Cornell Avenue. In February of 2019, a change order of \$26,266 increased the total contract price to \$583,383; \$400,768 has been expended to date. In June of 2018, Blankenship Contracting, Inc. was awarded a contract in the amount of \$1,668,385 for sanitary sewer improvements from Bell Street to Foster Street.

- **DENTON ROAD WIDENING AND BRIDGE**

The City began efforts to widen Denton Road in 2012. A contract was awarded to CDG Engineers & Associates, Inc. in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$325,486 has been expended, and the project is still under design. In October 2013, a \$175,326 contract was awarded to CDG Engineers & Associates, Inc. for the bridge design and for right-of-way acquisition services for the additional lanes; \$231,238 has been expended, including a change order of \$55,912. Right-of-way acquisition for the widening and bridge projects is estimated to total \$1,500,000; \$650,583 has been expended to date, and while the acquisition for the bridge is complete, the acquisition for the lanes is continuing. In June of 2015, the City entered into a contract with the State of Alabama through the Department of Transportation for the construction of the Denton Road Bridge over Rock Creek. The State awarded the construction contract to Murphree Bridge Corporation for \$3,048,403. Construction engineering and inspection services were provided by CDG Engineers & Associates, Inc. for \$295,000. The bridge portion of the project was completed in June 2017 at a cost of \$3,553,957, with \$1,484,800 being funded with Federal ATRIP funds, and \$548,464 being funded with Alabama Public Road and Bridge funds. As of the audit report date, expenditures for the widening portion of the project are \$1,018,091.

- **FIBER OPTIC SYSTEM**

The Fiber Optic System project consists of upgrading current network infrastructure to increase reliability and sustainability for ever-increasing communication demands. This system will incorporate

public safety facilities, water wells, substations, and other City infrastructures. As of the audit report date, \$1,456,882 has been expended.

- **LANDFILL EXPANSION ON ENNIS ROAD**

In March 2014, the City purchased 182 acres of land at a cost of \$911,850 for the expansion of an existing landfill facility. In April 2014, a contract in the amount of \$484,658 was awarded to CDG Engineers & Associates, Inc. for design and permitting of the expansion; \$474,965 has been expended to date. Alabama Power completed efforts in February 2016 to relocate approximately 3,300 linear feet of transmission line at a cost of \$210,799, and the permit application for the expansion was submitted December 2016 to the Alabama Department of Environmental Management. The landfill construction is dependent on completion of the permit process and construction completion is anticipated in 2020. As of the audit report date, the project cost including land and \$116,460 cost to satisfy mitigation requirements is \$1,995,141.

- **OMUSSEE CREEK WASTEWATER TREATMENT PLANT**

In December 2014, a contract in the amount of \$2,100,000 was awarded to Barge Waggoner Sumner and Cannon, Inc. to furnish engineering services for the design of the Omussee Creek Wastewater Treatment Plant rehabilitation and upgrade. The work was completed for the amount of the contract. In June 2016, Max Foote Construction Company, LLC was awarded a contract in the amount of \$39,225,003 for the construction of the rehabilitation and upgrade; \$37,622,650 has been expended to date. Barge Waggoner Sumner and Cannon, Inc. furnished engineering administration and inspection services for the construction at a cost of \$1,849,300. The project cost as of the audit report date is \$41,643,503.

- **DOTHAN REGIONAL PUBLIC SAFETY TRAINING CENTER**

In January 2018, a contract in the amount of \$18,278,100 was awarded to Saliba Construction Company, Inc. to construct the Dothan Regional Public Safety Training Center located on 23 acres of City-owned land off Ennis Road; \$8,755,705 has been expended to date. The center's mission is to be the model of excellence in public safety

preparation and response through integration of training, development, communication, collaboration and community engagement. It will benefit police, sheriff, and fire personnel, area volunteer fire departments and local citizens with training opportunities. Once constructed, the state-of-the-art center will be maintained and operated by the City in conjunction with the City's police and fire departments. A General Obligation Warrant in the principal amount of \$17,000,000 will fund a portion of the costs of constructing and equipping the center. Wiregrass Foundation will provide grant funds in the amount of \$21,000,000 over a period of 20 years to provide for the principal and interest payments, and the City will provide approximately \$1,500,000 for the payments. Wiregrass Foundation also contributed to the cost of the center's design, which is being furnished by RDG Planning and Design of Omaha, Nebraska. The City is providing in-kind costs to extend sewer, water and electric services to the property at a value of \$370,000. The total cost of the facility is estimated to be \$22,000,000 and is expected to be completed August 2019.

- **WESTGATE RECREATION IMPROVEMENTS**

In November 2017, HVAC upgrades were made to the Westgate indoor pool to include replacement of the swimming pool dehumidification system and the water heating system. Equipment monitoring and direct digital controls were added for a completed project cost of \$541,645. In March 2018, the City of Dothan partnered with National Fitness Campaign and local businesses to open a state-of-the-art outdoor gym facility for all ages at Westgate Park. The total cost of the completed project was \$120,446.

Capital Assets As of September 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land and Easements	\$ 12,277	\$ 11,576	\$ 4,311	\$ 3,969	\$ 16,588	\$ 15,545
Buildings	81,330	81,324	5,315	5,153	86,645	86,477
Improv. other than Bldgs.	71,622	70,260	232,882	225,687	304,504	295,947
Machinery & Equipment	57,757	55,355	13,808	12,605	71,565	67,960
Infrastructure	457,736	457,737			457,736	457,737
Construction in Progress	10,739	2,345	45,448	31,086	56,187	33,431
Total Capital Assets	\$691,461	\$678,597	\$301,764	\$278,500	\$993,225	\$957,097

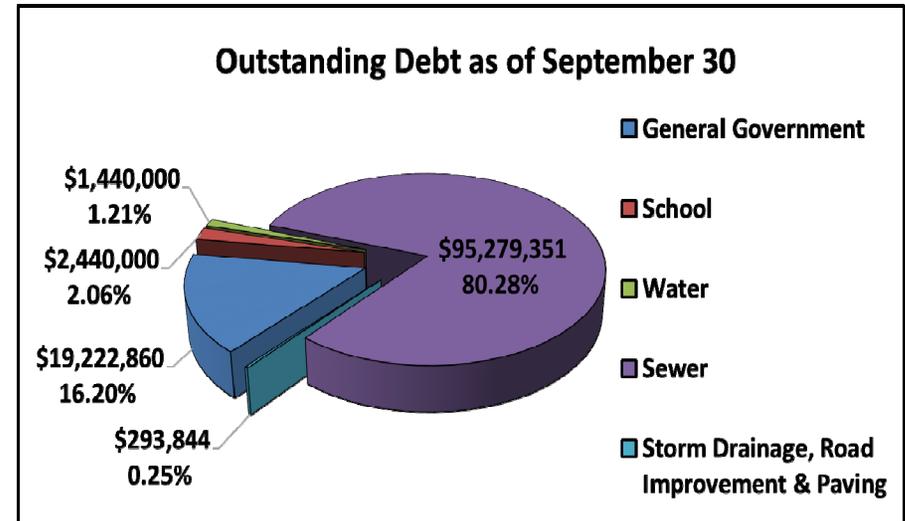
Additional information on the City of Dothan's capital assets can be found in note IV. D on pages 51-53 of this report.

Debt Outstanding

As of the fiscal year end, the City of Dothan had \$118,676,055 in gross debt outstanding compared to \$128,985,876 last fiscal year end; thus, decreasing debt by \$10,309,821 (7.99%) during the current fiscal year. Additional information can be found in note IV. H on pages 57-60.

Debt Type	2015	2016	2017	2018
General Government	\$ 4,642,087	\$ 4,071,884	\$ 20,479,584	\$ 19,222,860
School	5,665,000	4,650,000	3,575,000	2,440,000
Sewer	71,090,000	108,686,621	101,934,135	95,279,351
Storm Drain & Road Imp	5,182,525	2,630,467	1,462,157	293,844
Water	1,715,000	1,625,000	1,535,000	1,440,000
Totals	\$ 88,294,612	\$121,663,972	\$128,985,876	\$118,676,055

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, water and sewer purposes is exempt from the legal debt limit. The current constitutional debt limitation for the City of Dothan is \$183,047,356, which is significantly in excess of the City of Dothan's outstanding general obligation debt.



An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2018 is 3.88% (total debt service expenditures were \$4,139,329 and total expenditures were \$106,810,460).

DOTHAN'S RATINGS FOR GENERAL OBLIGATION DEBT:

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

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

Economic Factors

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

non-recurring (one-time) grants from both state and federal governments.

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

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

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

The past few years have been challenging for all levels of government, including Dothan. Approximately 67% of Dothan's general fund revenues are generated by sales tax. Since 2008, Dothan's 2009-2012 numbers were significantly lower (average of \$2.3 million) than the 2008 collections. The first time the sales taxes reached and/or exceeded 2008 figures was in 2013 by \$638,074. Since that time the City's sales tax revenue has continued to grow with an increase over 2008 by \$8,606,603. The economic downturn has had a significant impact on Dothan and the local economy. However, there continues to be signs of economic recovery. In addition to the City's major tax source, sales tax, continuing to show signs of improvement, unemployment has declined 5.7% since 2009. Over the recent years, the City's staff has done an exceptional job of controlling costs. Throughout the recession, the City maintained its financial integrity. Additionally, the City Commission continues to work diligently with consultant, Lyle Sumek, to set priorities for major programs undertaken by the City while revisiting the Strategic Plan each year. This Strategic Plan provides a sense of unity, direction, and vision for

the City's future. Most of our major accomplishments since 2006 were initiated in this process.

Obviously, the City's effort to live within the constraints of available revenue requires prioritization of most pressing needs. The commission and the staff have developed a plan for addressing these needs. The departments are required to annually update a listing of all needs including facility repairs and maintenance, rolling fleet, equipment, computer related needs, resurfacing, road and bridge repairs, storm sewer and sanitary sewer needs, infrastructure needs, etc. Contingent on the availability of funding and based on the identified need, priorities are set to ensure critical items are addressed. Resurfacing is a major need and annually the City has maintained funding for this program; however, at the current rate, it will take several years to get to the point where the City should be. In addition to the required sanitary system improvements that will be funded, there are numerous intersections and road improvements that the City anticipates to fund. Because the City continues to grow, the need for adequate revenue is essential. Additionally, in previous years employees have shared in the efforts to control costs and strides have been made in adjusting salaries. In October 2017, a 2% general increase was given to all employees. In April 2018, a performance pay adjustment was given to those that were performing at fully competent, exceptional and model levels. It is imperative that long-term, the City maintain a competitive pay structure to attract and sustain quality employees. Dothan must continue to deal with inflationary and market salary issues on a regular basis.

Financial Information Contact

The City of Dothan's financial statements are designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the public assets under its management. If you have questions about the report or need additional financial information, contact the City's Finance Director-Treasurer, Lisa H. Reeder, at 126 North Saint Andrews Street, Room 110 of the Dothan Civic Center, Dothan, Alabama 36303. Updated financial information about the City can also be obtained by accessing the City's website at www.dothan.org.

BASIC FINANCIAL STATEMENTS

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 41,612,160	\$ 36,941,691	\$ 78,553,851
Investments	14,778,438	37,037,778	51,816,216
Receivables	7,828,059	8,280,589	16,108,648
Due from other governments	1,725,338	6,774,809	8,500,147
Internal balances	8,452	(8,452)	-
Inventories, at cost	371,481	4,032,617	4,404,098
Capital assets (See Note IV-D):			
Non-depreciable	23,015,504	49,759,451	72,774,955
Depreciable, net	85,008,126	123,569,616	208,577,742
Total Assets	174,347,558	266,388,099	440,735,657
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	13,224,264	3,306,066	16,530,330
Deferred outflows related to OPEB	2,850,181		2,850,181
Total Deferred Outflows	16,074,445	3,306,066	19,380,511
LIABILITIES:			
Vouchers/accounts payable	4,699,008	8,976,796	13,675,804
Accrued liabilities	4,363,273		4,363,273
Accrued interest payable	49,116	275,697	324,813
Payable to other governments	38,696		38,696
Customer deposits	674,607	6,989,543	7,664,150
Unearned revenue	127,608		127,608
Non-Current Liabilities:			
Due within one year	5,654,831	8,468,026	14,122,857
Due in more than one year	27,270,517	90,937,878	118,208,395
Net pension liability	112,514,223	26,485,613	138,999,836
Net OPEB liability	36,286,443		36,286,443
Total Liabilities	191,678,322	142,133,553	333,811,875
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refunding	222,186		222,186
Deferred inflows related to pensions	3,918,405	979,601	4,898,006
Deferred inflows related to OPEB	1,872,749		1,872,749
Total Deferred Inflows	6,013,340	979,601	6,992,941
NET POSITION:			
Net investment in capital assets	100,928,041	83,384,524	184,312,565
Restricted for:			
Street and bridge maintenance	159,431		159,431
Education	108,787		108,787
Unrestricted (Deficit)	(108,465,918)	43,196,487	(65,269,431)
Total Net Position	\$ (7,269,659)	\$ 126,581,011	\$ 119,311,352

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FUNCTION / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 13,162,945	\$ 3,818,479	\$ 2,027,102	\$ 3,298	\$ (7,314,066)	\$	\$ (7,314,066)
Public safety	36,681,330	1,334,290	228,822	2,143,142	(32,975,076)		(32,975,076)
Public works	20,260,537	4,376,974	861,154	1,123,548	(13,898,861)		(13,898,861)
Planning and development	2,787,596	432,826			(2,354,770)		(2,354,770)
Health and welfare	3,599,731				(3,599,731)		(3,599,731)
Culture and recreation	13,808,637	3,063,641			(10,744,996)		(10,744,996)
General services	4,926,254				(4,926,254)		(4,926,254)
Insurance department	216,427				(216,427)		(216,427)
Education	4,593,084				(4,593,084)		(4,593,084)
Interest/fiscal charges on long-term debt	453,754				(453,754)		(453,754)
Total Governmental Activities	100,490,295	13,026,210	3,117,078	3,269,988	(81,077,019)	-	(81,077,019)
Business-Type Activities:							
Utility							
Electric	80,386,230	95,359,786		218,000		15,191,556	15,191,556
Water	8,718,281	10,077,517		60,000		1,419,236	1,419,236
Wastewater/sewer	15,047,035	18,947,250		76,000		3,976,215	3,976,215
Combined utilities	2,827,773	949,348				(1,878,425)	(1,878,425)
Total Business-Type Activities	106,979,319	125,333,901	-	354,000	-	18,708,582	18,708,582
Total Primary Government	\$ 207,469,614	\$ 138,360,111	\$ 3,117,078	\$ 3,623,988	\$ (81,077,019)	\$ 18,708,582	\$ (62,368,437)

(Continued on page 21)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General Revenues:			
Taxes:			
General property tax	\$ 4,736,318	\$	\$ 4,736,318
General sales and use tax	67,059,758		67,059,758
Alcoholic beverage tax	1,250,457		1,250,457
Lodging tax	3,127,058		3,127,058
Franchise tax	2,012,376		2,012,376
Cigarette tax	218,700		218,700
Grants and contributions not restricted to specific programs	1,006,718		1,006,718
Unrestricted investment earnings	419,681	806,622	1,226,303
Miscellaneous	1,297,966	1,045,838	2,343,804
Transfers	6,893,794	(6,893,794)	-
Total General Revenues, Special Items, and Transfers	<u>88,022,826</u>	<u>(5,041,334)</u>	<u>82,981,492</u>
Change in Net Position	6,945,807	13,667,248	20,613,055
Net Position - Beginning of year, as restated	<u>(14,215,466)</u>	<u>112,913,763</u>	<u>98,698,297</u>
Net Position - Ending	<u>\$ (7,269,659)</u>	<u>\$ 126,581,011</u>	<u>\$ 119,311,352</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:					
Cash and cash equivalents	\$ 27,149,195	\$	\$ 14,354,196	\$ 108,769	\$ 41,612,160
Investments	14,778,438				14,778,438
Receivables:					
Taxes	9,744,659				9,744,659
Accounts	2,222,130				2,222,130
Special assessments					-
Accrued interest	18,570				18,570
Due from other funds	21,678			18	21,696
Due from other governments	1,214,143		511,195		1,725,338
Inventories, at cost	371,481				371,481
Total Assets	<u>55,520,294</u>	<u>-</u>	<u>14,865,391</u>	<u>108,787</u>	<u>70,494,472</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Vouchers/accounts payable	3,485,403		1,213,605		4,699,008
Accrued liabilities	4,363,273				4,363,273
Payable to other governments	38,696				38,696
Due to other funds			13,244		13,244
Customer deposits	674,607				674,607
Unearned revenue	127,608				127,608
Total Liabilities	<u>8,689,587</u>	<u>-</u>	<u>1,226,849</u>	<u>-</u>	<u>9,916,436</u>
Deferred Inflows of Resources:					
Deferred property taxes	4,157,300				4,157,300
Total Deferred Inflows of Resources	<u>\$ 4,157,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,157,300</u>

(Continued on page 23)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
SEPTEMBER 30, 2018

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Fund Balances:					
Nonspendable					
Inventories	\$ 371,481	\$	\$	\$	\$ 371,481
Restricted for:					
Public safety programs			13,638,542		13,638,542
Street and bridge maintenance	159,431				159,431
Education				108,787	108,787
Committed for:					
Administrative	11,688				11,688
Information technology equipment	159,699				159,699
Economic development projects	1,900,000				1,900,000
Public safety programs	495,923				495,923
Public works projects	6,802,391				6,802,391
Planning and community development	302,067				302,067
Culture and recreation	780,293				780,293
Facility maintenance	285,723				285,723
Debt service	1,000,000				1,000,000
OPEB obligation	500,000				500,000
Assigned to:					
Information technology equipment	412,560				412,560
Economic development projects	865,000				865,000
Public safety programs	2,146,286				2,146,286
Public works projects	13,080,504				13,080,504
Culture and recreation	265,058				265,058
Facility maintenance	1,984,020				1,984,020
Debt service	226,038				226,038
Self insurance claims	7,253,335				7,253,335
OPEB obligation	19,349				19,349
Unassigned	3,652,561				3,652,561
Total Fund Balances	<u>42,673,407</u>	<u>-</u>	<u>13,638,542</u>	<u>108,787</u>	<u>56,420,736</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 55,520,294</u>	<u>\$ -</u>	<u>\$ 14,865,391</u>	<u>\$ 108,787</u>	<u>\$ 70,494,472</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds		\$ 56,420,736
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 691,461,284	
Less: Depreciation expense to date	<u>(583,437,654)</u>	108,023,630
Because the focus of governmental funds is on short-term financing, some long-term assets will not be available to pay for current period expenditures. Those assets (cash or receivables, for example) are considered deferred inflows of resources in the governmental funds, and thus are not included in fund balance.		
Adjustment of receivables - property taxes	(4,157,300)	
Adjustment of deferred property taxes	<u>4,157,300</u>	-
For current refundings that result in defeasance of debt, the reacquisition price and the net carrying amount of the old debt is reported as a deferred inflow of resources.		
		(222,186)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
		(32,925,348)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(49,116)
Net pension liability is noncurrent and is excluded from the fund financial statements.		
		(112,514,223)
Deferred outflows from pension activities		
		13,224,264
Deferred inflows from pension activities		
		(3,918,405)
Net liability is noncurrent and is excluded from the fund financial statements.		
		(36,286,443)
Deferred outflows related to other postemployment benefits		
		2,850,181
Deferred inflows related to other postemployment benefits		
		(1,872,749)
Total Net Position - Governmental Activities		<u><u>\$ (7,269,659)</u></u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
Taxes	\$ 78,185,967	\$	\$	\$ 218,700	\$ 78,404,667
Licenses and permits	4,173,707				4,173,707
Intergovernmental revenues	5,268,306		1,811,195		7,079,501
Charges for services	7,543,750				7,543,750
Fines and forfeitures	1,308,753				1,308,753
Special assessments		312			312
Interest income	419,304	3	159,760	374	579,441
Miscellaneous	1,355,601				1,355,601
Total Revenues	<u>98,255,388</u>	<u>315</u>	<u>1,970,955</u>	<u>219,074</u>	<u>100,445,732</u>
EXPENDITURES:					
Current:					
General government	11,795,612	159			11,795,771
Public safety	34,419,271				34,419,271
Public works	15,463,515				15,463,515
Planning and development	2,750,805				2,750,805
Health and welfare	3,583,668				3,583,668
Culture and recreation	11,851,846				11,851,846
General services	4,676,888				4,676,888
Insurance department	216,427				216,427
Intergovernmental				3,994,051	3,994,051
Capital outlay	8,125,077		5,793,971		13,919,048
Debt service:					
Principal retirement		3,406,724			3,406,724
Interest and fiscal charges		732,446			732,446
Total Expenditures	<u>92,883,109</u>	<u>4,139,329</u>	<u>5,793,971</u>	<u>3,994,051</u>	<u>106,810,460</u>
Excess of Revenues over (under) Expenditures	<u>\$ 5,372,279</u>	<u>\$ (4,139,014)</u>	<u>\$ (3,823,016)</u>	<u>\$ (3,774,977)</u>	<u>\$ (6,364,728)</u>

(Continued on page 26)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	\$ (1,552,231)	\$ 4,138,776	\$ 500,000	\$ 3,807,249	\$ 6,893,794
Issuance of debt					-
Total Other Financing Sources (Uses)	<u>(1,552,231)</u>	<u>4,138,776</u>	<u>500,000</u>	<u>3,807,249</u>	<u>6,893,794</u>
Net Changes in Fund Balance	3,820,048	(238)	(3,323,016)	32,272	529,066
Fund Balances, Beginning	<u>38,853,359</u>	<u>238</u>	<u>16,961,558</u>	<u>76,515</u>	<u>55,891,670</u>
Fund Balances, Ending	<u>\$ 42,673,407</u>	<u>\$ -</u>	<u>\$ 13,638,542</u>	<u>\$ 108,787</u>	<u>\$ 56,420,736</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds	\$ 529,066
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,284,787
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	97,204
Governmental funds may not report revenues until they are available. The government-wide statement of activities, however, is not subject to this availability criterion. Therefore, amounts related to prior periods that first became available as revenue in the governmental funds during the current period must be removed and reflected instead as an adjustment to government-wide net position because they had been recognized as revenue in an earlier period.	(628)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,675,922
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(640,544)</u>
Change in Net Position of Governmental Activities	<u>\$ 6,945,807</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 36,941,691
Investments	37,037,778
Accounts receivable	8,280,589
Due from other governments	6,774,809
Inventories, at cost	4,032,617
Total Current Assets	93,067,484
Non-Current Assets:	
Capital Assets:	
Land	4,311,522
Buildings	5,315,204
Improvements other than buildings	232,881,603
Machinery and equipment	13,807,657
Accumulated depreciation	(128,434,848)
Construction in progress	45,447,929
Total Non-Current Assets	173,329,067
Total Assets	266,396,551
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows related to pensions	3,306,066
Total Deferred Outflows	3,306,066
LIABILITIES:	
Current Liabilities:	
Vouchers/accounts payable	8,976,796
Due to other funds	8,452
Accrued interest payable	275,697
Pollution remediation obligation	880,431
Compensated absences	638,509
Customer deposits	6,989,543
Bonds payable - current	6,949,086
Total Current Liabilities	\$ 24,718,514

(Continued on page 29)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND - CONTINUED
SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
Non-Current Liabilities:	
Compensated absences	\$ 155,113
Pollution remediation obligation	1,012,500
Bonds payable (net of unamortized bond issue costs)	89,770,265
Net pension liability	26,485,613
Total Non-Current Liabilities	117,423,491
Total Liabilities	142,142,005
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows related to pensions	979,601
Total Deferred Inflows	979,601
NET POSITION:	
Net investment in capital assets	83,384,524
Unrestricted	43,196,487
Total Net Position	\$ 126,581,011

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
OPERATING REVENUES:	
Charges for services	\$ 125,333,901
OPERATING EXPENSES:	
Electric department	77,195,434
Water department	6,754,148
Sewer department	8,165,508
Billing - collection department	1,532,271
Meter reading department	841,044
Depreciation	9,290,162
Miscellaneous	394,383
Total Operating Expenses	104,172,950
Operating Income (Loss)	21,160,951
NONOPERATING REVENUES (EXPENSES):	
Interest revenue	806,622
Miscellaneous revenue	1,045,838
Gain (loss) on disposition of capital assets	(264,511)
Interest and fiscal charges	(2,541,858)
Total Nonoperating Revenues (Expenses)	(953,909)
Income (Loss) Before Contributions and Transfers	20,207,042
Capital contributions	354,000
Transfers (out)	(6,893,794)
Change in Net Position	13,667,248
Total Net Position - Beginning	112,913,763
Total Net Position - Ending	\$ 126,581,011

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	UTILITY
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 126,340,931
Payments to suppliers	(82,161,654)
Payments to employees	(14,517,840)
Other receipts (payments)	1,045,838
	30,707,275
Net Cash Provided by (Used in) Operating Activities	30,707,275
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers (out)	(6,893,794)
	(6,893,794)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital debt	22,041,710
Acquisition and construction of capital assets	(23,680,861)
Principal paid on bond maturities and capital leases	(6,749,784)
Interest paid on bonds and notes payable	(2,561,145)
	(10,950,080)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(10,950,080)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Investments	(8,336,778)
Interest and dividends on investments	755,328
	(7,581,450)
Net Cash Provided by (Used in) Investing Activities	(7,581,450)
Net Increase (Decrease) in Cash and Cash Equivalents	5,281,951
Cash and Cash Equivalents at Beginning of Year	31,659,740
Cash and Cash Equivalents at End of Year	\$ 36,941,691

(Continued on page 32)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUND

UTILITY

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

Operating Income (Loss)

\$ 21,160,951

**Adjustments to Reconcile Operating Income to Net Cash
Provided by (Used in) Operating Activities:**

Depreciation	9,290,162
(Increase) decrease in accounts receivable	529,132
(Increase) decrease in inventory	(440,574)
(Increase) decrease in deferred outflows	520,723
Increase (decrease) in vouchers and accounts payable	(2,003,443)
Increase (decrease) in due to other funds	5,819
Increase (decrease) in compensated absences	22,551
Increase (decrease) in pollution remediation obligation	265,497
Increase (decrease) in customer deposits	477,898
Increase (decrease) in net pension liability	(1,146,880)
Increase (decrease) in deferred inflows	979,601
Other miscellaneous revenues	1,045,838

Total Adjustments

9,546,324

Net Cash Provided by (Used in) Operating Activities

\$ 30,707,275

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Contributions of capital assets

\$ 354,000

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dothan, Alabama (the City), which was founded in 1885, has a population of 65,496, as of the 2010 U.S. Census, living within an area of 90.07 square miles. The City is in the southeast corner of the State of Alabama.

A. Financial Reporting Entity and Basis of Presentation

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

C. Measurement Focus and Financial Statement Presentation

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

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

The City uses the following fund categories and fund types:

1. Governmental Funds

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Financial Statement Presentation (Continued)

1. Governmental Funds (Continued)

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

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

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

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

2. Proprietary Funds

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

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

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

3. Non-Current Governmental Assets/Liabilities

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

The government-wide financial statements and the proprietary fund financial statements are presented on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

1. Accrual

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

2. Modified Accrual

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

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

3. Revenues Susceptible to Accrual

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

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

1. Deposits and Investments

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

3. Inventories

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

4. Restricted Assets

There were no restricted assets as of September 30, 2018.

5. Capital Assets

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

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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

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

7. Long-Term Obligations

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund Equity

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

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

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Deferred Outflows/Inflows of Resources

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

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

	Governmental Activities	Business-Type Activities Utility Fund
Deferred Outflows of Resources		
Deferred outflows from pension activities	\$ 13,224,264	\$ 3,306,066
Deferred outflows related to OPEB	2,850,181	
	<u>\$ 16,074,445</u>	<u>\$ 3,306,066</u>
Deferred Inflows of Resources		
Deferred inflows from refunded debt	\$ 222,186	\$
Deferred inflows from pension activities	3,918,405	979,601
Deferred inflows related to OPEB	1,872,749	
	<u>\$ 6,013,340</u>	<u>\$ 979,601</u>

F. Interfund Transactions

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

G. Unbilled Utility and Solid Waste Receivables

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

H. Cash Flows Statement

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Closure and Postclosure Care Cost

State and federal laws and regulations require the City of Dothan to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty (30) years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each statement of net position date. The \$7,324,286 reported as landfill closure and postclosure care liability at September 30, 2018, represents the cumulative amount reported to date based on the use of 99 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$80,714 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. The City of Dothan is in the process of expanding the current landfill which will extend the remaining life of the landfill beyond the estimated life of ninety (90) months. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

J. Pensions

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

K. Effect of Implementation of New and Change in Accounting Standard

As a result of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB), net position was restated October 1, 2017. With the adoption of GASB 75, the City is reporting the difference between the Net OPEB Obligation calculation and the Net OPEB Liability calculation as a reduction/addition to the prior year net position. Net OPEB obligations are generally liquidated by the general fund, therefore the implementation of GASB Statement No. 75 only effects governmental activities.

	Governmental Activities
October 1, 2017, as previously reported	\$ 8,135,046
Adjustment for GASB 75	(22,350,512)
September 30, 2018, as restated	\$ (14,215,466)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Deficit Net Position

At the end of fiscal year 2018, the City held a deficit net position of \$7,269,659 in the governmental funds. This deficit is the result of implementing GASB 75 (OPEB liability) and the result of an increase in the City's pension expense.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

1. Budgetary Accounting

All funds are maintained as budgetary funds. The City of Dothan adopts a biennial budget through passage of a resolution by the Board of Commissioners. Budgetary control is exercised at the department level. The City Manager is authorized to amend the budgets during the fiscal year in order to execute the policies and planning encompassed therein provided that the total appropriation for a department and the fund is not changed, and amendments affecting capital outlay do not exceed \$10,000 in any one instance or cause. The City Manager is also authorized to approve any change to correct an error, provided the fund total does not change. Any increase in overall expenditures must be approved by the Board of Commissioners. The Board of Commissioners may amend the budget at any time during the year and significant amendments are made throughout the fiscal year. During the year, several supplemental appropriations were necessary in the amount of \$14,051,209. The original budget of the City consists of operating expenditures and does not include capital projects. This is the reason for the significant amount of supplemental appropriations.

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

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

2. Encumbrances

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

B. Excess of Expenditures Over Appropriations in Individual Funds

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

C. Deficit Fund Equity

As of September 30, 2018, there were no funds that had a deficit fund balance.

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$32,925,348) difference are as follows:

Bonds payable	(\$21,955,897)
Capital leases	(807)
Estimated cost of closure and postclosure of landfill	(7,324,286)
Compensated absences	<u>(3,644,358)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>(\$32,925,348)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,284,787 differences are as follows:

Capital outlay	\$13,919,048
Depreciation expense	<u>(10,634,261)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 3,284,787</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$97,204 difference are as follows:

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 154,523
The statement of activities reports gains or losses arising from the trade-in and/or deletion of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in or deletion of capital assets.	<u>(57,319)</u>
Net adjustment to increase <i>net changes in fund balances total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 97,204</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$3,675,922 difference are as follows:

Principal repayments:	
General obligation debt and capital leases	\$ 3,406,724
Net change in unamortized bond premium and discount costs	<u>269,198</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> .	<u><u>\$ 3,675,922</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$640,544) difference are as follows:

Compensated absences	(\$ 156,140)
Estimated cost of closure and postclosure	(8,886)
Accrued interest	9,494
Net OPEB obligation	928,761
Pensions	<u>(1,413,773)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>(\$ 640,544)</u></u>

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government’s carrying amount of deposits was \$78,553,851 and the total bank balance was \$77,741,748. Of the bank balance, \$750,000 was covered by federal depository insurance. Of the remaining balance, \$76,991,748 was collateralized with securities held by the Alabama State Treasury Security for Alabama Funds Enhancement (SAFE) Program. Each of the banks holding the City’s deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Investments:

The City is restricted to investments in certificates of deposit, U.S. obligations, and other investments authorized by the laws of the State of Alabama. In each case, all funds must be fully insured or collateralized by the pledge of securities and held by a member to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the office of the State Treasurer. As of September 30, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturing (years)</u>
Certificates of Deposit	\$51,816,216	Current to one year

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City’s deposit policy for custodial credit risk is as follows:

Any financial institution holding/accepting public City of Dothan funds on deposit is required to qualify, become a member and pledge securities to the Security for Alabama Funds Enhancement (SAFE) collateral pool established in the Office of the State Treasurer. The pool insures each deposit that is designated on a bank’s books as public funds. In the event of the failure of the bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, then every bank participating in the pool would share the liability for the remaining balance.

As of September 30, 2018, \$76,991,748 of the government’s bank balance of \$77,741,748 was exposed to custodial credit risk because it was uninsured; however, the balance is collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the government’s name.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

	<u>GENERAL</u>	<u>UTILITY FUND</u>	<u>TOTAL</u>
Receivables:			
Taxes	\$ 9,744,659	\$	\$ 9,744,659
Accounts	2,222,130	8,192,632	10,414,762
Interest	<u>18,570</u>	<u>87,957</u>	<u>106,527</u>
Total	<u>\$ 11,985,359</u>	<u>\$ 8,280,589</u>	<u>\$ 20,265,948</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Property taxes receivable (general fund)	\$ 4,157,300	\$
Business licenses and certain other resources that have been received, but not yet earned	<u> </u>	<u>127,608</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 4,157,300</u>	<u>\$ 127,608</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Tax

Property taxes are levied as of October 1 of each year on property assessed the preceding October 1. The taxes are due on October 1 and become delinquent on the lien date of January 1. Billings are mailed out on October 1 of each year. Property taxes are received monthly from Houston County. The City's tax rate is \$.50 per \$100 of assessed valuation. At September 30, 2018, there were property taxes receivable and deferred revenue of \$4,157,300 that does not become earned until October 1, 2018, and therefore not reflected on the government-wide statement of net position.

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

Tax Abatement Agreements That Reduce The City Of Dothan Tax Revenue

Disclosures made in this CAFR are subject to GASB Statement 77. This statement requires the City to disclose tax abatements granted by other governmental entities that reduce the tax revenue of the City. The entities that are involved with such abatements include but are not limited to the City of Dothan Commission, Dothan Downtown Redevelopment Group, Industrial Development Board of the City of Dothan, and Dothan Area Chamber of Commerce. GASB Statement 77 requires the City to disclose the amount of the taxes abated during the fiscal year. For purposes of this disclosure, the City chooses to disclose all known agreements to better track agreements from year to year. The information below has been compiled after reasonable attempts to obtain the required information. The City makes no representation that the information is correct, complete or the individual circumstances have not changed subsequent to this reporting.

The City offers abatements of certain state, county, and municipal ad-valorem taxes (non-educational portion), sales and use taxes, (non-educational portion), and mortgage and recording taxes with respect to the Project pursuant to the provisions of Act 92-599 enacted during the 1992 Regular Session of the Legislature of Alabama and now codified as Chapter 9B of Title 40 of the Code of Alabama (1975), as amended (herein called the "Tax Abatement Act"). The typical period for a tax abatement is ten years unless the City and County agree to grant a twenty year abatement. The City has no recapture provision for these abatements. The abated portion of the property tax is based on the assessed value of the property less the educational portion of the tax.

From time-to-time the City enters into economic and/or industrial development incentive agreements with entities that propose to locate businesses within the City, or expand current businesses. All of this is in an attempt to develop a solid and diverse local economy, to increase employment opportunities in the City, to broaden the City's tax base, to increase revenues, and to provide necessary and improved services to the citizens of the City, thereby improving the quality of life of its citizens.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Tax (Continued)

Tax Abatement Agreements That Reduce The City Of Dothan Tax Revenue (Continued)

Economic/Industrial Development Tax Abatements									
Company	Date of Agreement	Annual Ad-Valorem FY 2018	Estimated Ad-Valorem	Total Construction Taxes	Capital Investment	Beginning of Abatement Term Fiscal Year	End of Abatement Term Fiscal Year	Amount of Taxes Abated FY 2017	Amount of Taxes Abated FY 2018
Dittus Machining	09/25/18	436.88	13,480.00	4,845.00	320,000.00	2021	2030	-	-
Tri-State Tire & Rubber Co.	09/25/18	211.14	23,680.00	20,335.00	555,000.00	2020	2029	-	-
Dothan Warehouse Investors, LLC (Westgate Industrial Park) (1)	04/03/18	-	1,495,200.00	1,340,000.00	18,000,000.00	2020	2039	-	-
J. Hendrix Design, LLC (2)	02/19/18	-	5,120.00	7,937.00	198,500.00	2019	2028	-	-
Gateway LP/Kyle and Dunlap	12/07/17	-	287,200.00	510,000.00	11,000,000.00	2020	2029	-	-
Biotic Environmental Solutions	12/07/17	-	39,900.00	26,000.00	950,000.00	2019	2028	-	-
Tri-State Graphics II, LLC (TSG Enterprises, LLC)	12/07/17	785.22	36,030.00	24,460.00	850,000.00	2018	2027	-	-
Wayne Farms VRT Project Amendment (3)	06/19/17	-	19,020,820.00	2,114,843.00	27,000,000.00	2020	2029	-	-
IB XLAM USA, LLC	06/19/17	30,473.16	10,483,980.00	191,250.00	20,180,000.00	2018	2037	-	18,990.52
Standard Textile	05/23/17	3,278.88	36,150.00	96,695.00	1,230,000.00	2018	2027	-	2,043.36
IVS, Inc. dba Angeltrax (4)	03/24/17	10,791.59	42,900.00	10,733.00	1,650,000.00	2018	2027	-	-
Matex Hose Company, LLC	03/24/17	648.77	45,270.00	44,300.00	1,600,000.00	2018	2027	-	-
Motobilt, Inc. (5)	12/22/16	3,919.89	29,000.00	29,639.00	722,390.00	2018	2027	-	-
Wayne Farms LLC (6)	03/28/16	192,403.74	5,424,880.00	2,956,500.00	64,500,000.00	2017	2026	165,068.40	119,903.78
Dothan Regional Airport (CAE USA, Inc.)	03/15/16	319,845.99	1,619,000.00	5,085,750.00	80,600,000.00	2017	2036	39,682.00	56,787.25
Glasstream Powerboats LLC	08/13/14	1,406.22	79,000.00	84,625.00	2,000,000.00	2018	2027	-	876.34
Michelin North America, Inc. (BAZ II)	03/24/14	49,326.18	503,080.00	269,280.00	16,750,000.00	2016	2025	24,660.65	24,179.50
Michelin North America, Inc. (CBO)	03/24/14	36,695.01	391,130.00	143,505.00	6,584,000.00	2017	2027	19,173.00	17,987.75
Michelin North America, Inc. (BAZ)	05/21/13	40,419.54	438,330.00	207,225.00	9,695,000.00	2016	2025	21,486.75	19,813.50
Commercial Jet - Alabama	04/05/13	-	188,084.00	544,514.00	7,040,000.00	2019	2028	-	-
Swedish Match Cigar Co.	12/31/12	-	413,000.00	550,000.00	11,000,000.00	2013	2022	-	-
Watwood Investments, LLC (Mingledorf) (7)	04/09/12	5,397.18	44,000.00	120,000.00	1,500,000.00	2013	2022	2,720.61	3,363.46
Tire Distributors, Inc.	01/31/12	8,459.40	72,147.00	28,000.00	1,349,000.00	2013	2022	4,496.08	5,271.80
KFH Industries (8)	01/30/12	10,176.12	73,000.00	100,000.00	2,500,000.00	2013	2022	4,532.20	6,341.64
Twitchell Technical Products (9)	11/18/11	91,846.59	930,000.00	150,000.00	21,000,000.00	2013	2022	57,957.12	57,237.73
VLP, LLC - Pepi Foods (10)	07/12/10	1,711.89	20,000.00	150,000.00	3,574,294.00	2012	2021	1,243.56	1,066.83
Henderson Steel Erectors, Inc.	12/30/09	12,417.24	131,000.00	135,000.00	3,500,000.00	2011	2020	8,114.53	7,738.28
Qualico Steel Company, Inc.	10/30/09	18,122.16	360,000.00	250,000.00	10,000,000.00	2013	2022	12,906.45	11,293.52
Swedish Match Cigar Co. (Project A)	07/09/09	35,457.03	168,000.00	120,000.00	4,000,000.00	2010	2019	25,704.11	22,096.41

- (1) Freezer warehouse for poultry & agricultural products
- (2) Manufacturing facility expansion
- (3) VRT-Retention Freezer System
- (4) AngelTrax - manufacture in-vehicle mobile surveillance
- (5) Motobilt is a metal fabricator

- (6) Expand poultry plant for smaller birds
- (7) Warehouse and distribution facility
- (8) Expand & install loom equipment
- (9) Manufacturing facility for technical fabrics
- (10) New manufacturing facility for food products

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Tax (Continued)

The Brownfields Redevelopment Tax Abatements

The projects in the below chart have taken advantage of the “Alabama Brownfields Development Tax Abatement Act” of 2004 (Chapter 9C, Title 40, Code of Alabama 1975). A brownfield is defined as any real property, the expansion, redevelopment, or reuse of which maybe complicated by the presence or potential presence of hazardous substances, pollutants or contaminants. The property must be in the Alabama Department of Environmental Management’s voluntary cleanup program to qualify for Brownfield abatements. The Alabama State Legislature passed this tax incentive bill that will offset local sales tax (except for educational portion) and ad valorem tax (except for educational portion) for any brownfield redevelopment. Under current law, only City and County governments have the power to abate taxes for this incentive. These projects can abate all business activities from retail, commercial, and industrial under current law. Currently, we have Atlantic and Southern Equipment, LLC, Cottonwood Corners (Publix), Friend Bank (Slocomb National Bank), Kia Dealership, Nutcracker Bands, Inc., Nyride, LLC., Private Holdings, LLC, and the front of the Sony Property (37 acres which have not been activated, but qualify once a project is identified for development).

The Brownfields Redevelopment Tax Abatement Act									
Company	Date of Agreement	Annual Ad-Valorem FY 2018	Estimated Ad-Valorem	Total Construction Taxes	Capital Investment	Beginning of Abatement Term Fiscal Year	End of Abatement Term Fiscal Year	Amount of Taxes Abated FY 2017	Amount of Taxes Abated FY 2018
Private Holdings, LLC (Jabi/Nypro)	01/09/18	-	220,000.00	180,000.00	2,750,000.00	2021	2040	-	-
Private Holdings, LLC (Old Sony)	10/01/17	5,177.76	-	-	2,100,000.00	2018	2037	-	3,226.72
Nyride, LLC	12/01/15	21,775.71	528,238.00	-	4,001,800.00	2016	2036	13,265.93	13,570.37
Nutcracker Brands, Inc. (Treehouse Food, Inc.)	07/07/15	76,950.87	1,580,000.00	339,750.00	15,100,000.00	2016	2035	49,637.91	47,954.89
Atlantic and Southern Eq., LLC	03/04/14	6,654.36	253,700.00	44,150.00	2,000,000.00	2014	2033	-	-
Dothan Kia Project	09/06/11	6,100.98	314,556.00	-	2,487,000.00	2011	2030	3,539.76	3,802.06
Institutional Investments Corp (Cottonwood Corners)	06/30/09	42,702.72	773,242.00	206,314.00	16,037,000.00	2011	2029	24,093.76	26,611.84
Slocomb National Bank (Friend Bank)	05/20/08	13,289.40	295,200.00	53,750.00	3,750,000.00	2010	2028	8,208.27	8,281.80

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land and easements	\$ 11,575,882	\$ 757,879	\$ (57,318)	\$ 12,276,443
Construction in progress	2,345,166	9,862,887	(1,468,992)	10,739,061
Total capital assets, not being depreciated	<u>13,921,048</u>	<u>10,620,766</u>	<u>(1,526,310)</u>	<u>23,015,504</u>
Capital assets, being depreciated:				
Buildings	81,324,262	5,800		81,330,062
Improvements other than buildings	70,260,162	1,362,127		71,622,289
Machinery and equipment	55,355,175	3,623,287	(1,221,390)	57,757,072
Infrastructure	457,736,356	1		457,736,357
Total capital assets, being depreciated	<u>664,675,955</u>	<u>4,991,215</u>	<u>(1,221,390)</u>	<u>668,445,780</u>
Less accumulated depreciation for:				
Buildings	59,148,934	1,518,460		60,667,394
Improvements other than buildings	30,082,101	2,783,330		32,865,431
Machinery and equipment	41,563,121	4,015,604	(1,151,972)	44,426,753
Infrastructure	443,161,208	2,316,868		445,478,076
Total accumulated depreciation	<u>573,955,364</u>	<u>10,634,262</u>	<u>(1,151,972)</u>	<u>583,437,654</u>
Total capital assets, being depreciated, net	<u>90,720,591</u>	<u>(5,643,047)</u>	<u>(69,418)</u>	<u>85,008,126</u>
Governmental activities capital assets, net	<u>\$ 104,641,639</u>	<u>\$ 4,977,719</u>	<u>\$ (1,595,728)</u>	<u>\$ 108,023,630</u>

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	PRIMARY GOVERNMENT			ENDING BALANCE
	BEGINNING BALANCE	INCREASES	DECREASES	
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land and easements	\$ 3,969,522	\$ 342,000	\$	\$ 4,311,522
Construction in progress	31,085,609	23,538,416	(9,176,096)	45,447,929
Total capital assets, not being depreciated	<u>35,055,131</u>	<u>23,880,416</u>	<u>(9,176,096)</u>	<u>49,759,451</u>
Capital assets, being depreciated:				
Buildings	5,153,037	162,167		5,315,204
Improvements other than buildings	225,686,942	7,466,210	(271,549)	232,881,603
Machinery and equipment	12,605,321	1,512,272	(309,936)	13,807,657
Total capital assets, being depreciated	<u>243,445,300</u>	<u>9,140,649</u>	<u>(581,485)</u>	<u>252,004,464</u>
Less accumulated depreciation for:				
Buildings	3,178,957	157,498		3,336,455
Improvements other than buildings	107,857,876	7,918,604	(218,805)	115,557,675
Machinery and equipment	8,614,719	1,214,060	(288,061)	9,540,718
Total accumulated depreciation	<u>119,651,552</u>	<u>9,290,162</u>	<u>(506,866)</u>	<u>128,434,848</u>
Total capital assets, being depreciated, net	<u>123,793,748</u>	<u>(149,513)</u>	<u>(74,619)</u>	<u>123,569,616</u>
Business-type activities capital assets, net	<u>\$ 158,848,879</u>	<u>\$ 23,730,903</u>	<u>\$ (9,250,715)</u>	<u>\$ 173,329,067</u>

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 886,127
Public safety	2,172,260
Public works, including depreciation of general infrastructure assets	4,753,324
Planning and development	35,548
Health and welfare	16,063
Culture and recreation	1,929,413
General services	242,494
Schools	599,033
	<u>599,033</u>
Total depreciation expense - governmental activities	<u><u>\$ 10,634,262</u></u>
Business-type activities:	
Electric	\$ 2,948,160
Water	1,910,826
Wastewater/sewer	4,371,100
Combined utilities	60,076
	<u>60,076</u>
Total depreciation expense - business-type activities	<u><u>\$ 9,290,162</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The interfund transfers were as follows:

Transfer out:	Transfer in:				Total
	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental	
General Fund	\$ (2,279,020)	\$ 1,779,020	\$ 500,000	\$	\$ -
Utility Fund	726,789	2,359,756		3,807,249	6,893,794
Total Transfer out	<u>\$ (1,552,231)</u>	<u>\$ 4,138,776</u>	<u>\$ 500,000</u>	<u>\$ 3,807,249</u>	<u>\$ 6,893,794</u>

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

F. Net Position

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

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

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

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

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

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

CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

ANALYSIS OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
Infrastructure - Governmental				
2014 G/O Series - Refunding	\$	\$	\$ -	
Total Infrastructure - Governmental	-	-	-	
Other Capital Assets - Governmental				
2014 G/O Series - Refunding	2,733,844		2,733,844	
2017 G/O Series	16,338,251	11,976,506	4,361,745	
Total Other Capital Assets - Governmental	19,072,095	11,976,506	7,095,589	
Total Governmental Debt				\$ 7,095,589
Total Capital Assets			691,461,284	
Accumulated Depreciation			(583,437,654)	
Net Capital Assets				108,023,630
Net Investment in Capital Assets				\$ 100,928,041
Infrastructure - Proprietary				
2009 G/O Series - Refinanced	19,814,351		19,814,351	
2009 G/O Series - CWSRF-ARRA-DL	1,895,000		1,895,000	
2009 G/O Series - DCWSRF-ARRA-DL	1,440,000		1,440,000	
2010-CWSRF-BL Sewer Warrant	2,930,000		2,930,000	
2010B-CWSRF-BL Sewer Warrant	1,715,000		1,715,000	
2011 G/O Series - CWSRF-DL	2,585,000		2,585,000	
2011 G/O Series - CWSRF-DL	5,440,000		5,440,000	
2014 G/O Series - CWSRF-DL	16,055,000	3,125,591	12,929,409	
2016 G/O Series - Sewer Warrant	7,105,000		7,105,000	
2016 G/O Series - CWSRF-DL Sewer Warrant	37,740,000	3,649,217	34,090,783	
Total Infrastructure - Proprietary	96,719,351	6,774,808	89,944,543	
Total Proprietary Debt				\$ 89,944,543
Total Capital Assets			301,763,915	
Accumulated Depreciation			(128,434,848)	
Net Capital Assets				173,329,067
Net Investment in Capital Assets				\$ 83,384,524

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases

Operating Leases

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

The future minimum lease payments are as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>GOVERNMENTAL ACTIVITIES</u>
2019	\$ 24,137
2020	12,210
2021	6,381
2022	2,569
2023	-
Total minimum lease payments	<u>\$ 45,297</u>

The rental expense for the above operating leases is \$32,798 for the year ended September 30, 2018.

Capital Leases

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

The following schedule presents future minimum lease payments as of September 30, 2018:

	<u>2019</u>
Total minimum lease payments	\$ 823
Less: Interest	<u>16</u>
Present Value of Minimum Lease Payments	<u>\$ 807</u>

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases (Continued)

Leased equipment under capital leases in capital assets at September 30, 2018, include the following:

Equipment		\$ 50,111
Less: Accumulated depreciation		(45,131)
		\$ 4,980
Total		\$ 4,980

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

H. Long-Term Debt

General Obligation Bonds

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

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

<u>PURPOSE</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Governmental activities	2.54 – 2.80%	\$ 19,222,053
Governmental activities – refunding	5.00%	2,440,000
Business-type activities	2.20 – 3.50%	89,614,351
Business-type activities – refunding	1.74%	7,105,000
		<u>\$118,381,404</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

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

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2019	\$ 2,473,311	\$ 610,242	\$ 6,949,086	\$ 2,383,504
2020	2,577,909	516,393	7,145,456	2,200,525
2021	1,358,803	417,749	7,353,959	2,012,210
2022	1,395,489	381,063	7,569,665	1,818,279
2023	1,089,580	343,383	6,517,645	1,618,492
2024	769,951	319,422	6,687,972	1,445,408
2025	789,632	299,741	6,865,720	1,267,722
2026	809,816	279,557	7,055,968	1,085,096
2027	830,516	258,857	5,908,880	897,306
2028	851,745	237,628	4,710,000	768,565
2029	873,517	215,857	4,815,000	658,032
2030	895,845	193,528	4,940,000	545,035
2031	918,747	170,630	4,020,000	428,968
2032	942,229	147,145	4,120,000	334,185
2033	966,313	123,061	3,505,000	240,637
2034	991,014	98,360	3,585,000	162,345
2035	1,016,345	73,029	2,460,000	82,280
2036	1,042,324	47,050	2,510,000	27,610
2037	1,068,967	20,407	-	-
TOTAL	<u>\$ 21,662,053</u>	<u>\$ 4,753,102</u>	<u>\$ 96,719,351</u>	<u>\$ 17,976,199</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended September 30, 2018, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 25,066,504	\$	\$ (3,404,451)	\$ 21,662,053	\$ 2,473,312
Plus: Unamortized bond premium	<u>447,157</u>		<u>(153,313)</u>	<u>293,844</u>	
Total Bonds Payable	25,513,661	-	(3,557,764)	21,955,897	2,473,312
Capital leases	3,080		(2,273)	807	807
Estimated cost of closure and postclosure	7,315,400	8,886		7,324,286	
Compensated absences	<u>3,488,218</u>	<u>314,595</u>	<u>(158,455)</u>	<u>3,644,358</u>	<u>3,180,712</u>
Governmental Activity Long-Term Liabilities	<u>\$ 36,320,359</u> *	<u>\$ 323,481</u>	<u>\$ (3,718,492)</u>	<u>\$ 32,925,348</u>	<u>\$ 5,654,831</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 103,469,135	\$	\$ (6,749,784)	\$ 96,719,351	\$ 6,949,086
Total Bonds Payable	103,469,135	-	(6,749,784)	96,719,351	6,949,086
Compensated absences	771,071	79,864	(57,313)	793,622	638,509
Pollution remediation obligation	<u>1,627,434</u>	<u>1,613,521</u>	<u>(1,348,024)</u>	<u>1,892,931</u>	<u>880,431</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 105,867,640</u>	<u>\$ 1,693,385</u>	<u>\$ (8,155,121)</u>	<u>\$ 99,405,904</u>	<u>\$ 8,468,026</u>

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

* Restated, See Note I. K.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

On September 15, 2014, the City issued \$19,245,000 of general obligations warrants Series 2014-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Wastewater System Improvement Program. These warrants represented state revolving loan funds for which interest is calculated on the entire warrant issued even though the monies are drawn down over the construction period. As of September 30, 2018, \$16,119,409 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2018, there were \$3,125,591 remaining state revolving funds available.

On July 15, 2016, the City issued \$41,085,000 of general obligations warrants Series 2016-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer System. These warrants represented state revolving loan funds for which interest is calculated on the entire warrant issued even though the monies are drawn down over the construction period. As of September 30, 2018, \$37,435,783 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2018, there were \$3,649,217 remaining state revolving funds available.

On September 01, 2017, the City issued \$17,000,000 of general obligation warrants Series 2017 refunding warrants with interest of 2.54% for the purpose of funding a portion of the costs of constructing, equipping, and providing a regional public safety training facility to be built and operated by the City. As of September 30, 2018, \$11,976,506 of the bond monies remained to be spent.

V. OTHER INFORMATION

A. Risk Management

The City is self-insured for employee medical insurance through a contract with Blue Cross and Blue Shield, Inc. The contract states that they will administer an employee health benefit plan for the City employees. The City actually pays the medical expenses for the employees through a wire transfer to Blue Cross and Blue Shield, Inc. Monies to pay these medical expenses are collected from the General Fund and Utility Fund by direct expenditures and employee withholdings. Blue Cross and Blue Shield, Inc. bills the City for claims that are due and then the City wires the funds to Blue Cross and Blue Shield, Inc. The risk of insurance coverage is now on the City. Blue Cross and Blue Shield, Inc. only administer the plan. They provide co-pay amounts for employees and they set fee limits for the medical charges, but the City is liable for all of the medical bills. The City pays Blue Cross and Blue Shield, Inc. an administrative fee which is charged to the appropriate fund. Due to the Affordable Care Act (ACA), the benefits are unlimited. In order to reduce exposure, the City has purchased stop loss reinsurance for any claims in excess of \$200,000 per covered person plus an aggregating specific deductible of \$105,000 for the policy year. As of September 30, 2018, the City accrued \$841,196 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

The City became a self-insured entity during 1986 and is self-insured for general liability coverages (including vehicle liability). An excess coverage insurance policy covers individual claims in excess of \$250,000. Expenditures are recognized in the General Fund for the amount determined to fund future claims. Corresponding revenues are recognized in the General Fund. As of September 30, 2018, the City accrued the actuarially determined undiscounted amount of \$980,000 which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018**

V. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The City is also self-insured for workers' compensation claims. An excess coverage insurance policy covers individual claims in excess of \$750,000. The City has contracted with outside parties for claims administration. Expenditures are recognized in the General Fund for the amount determined to fund future claims. The revenues are recognized in the General Fund. As of September 30, 2018, the City accrued the actuarially determined undiscounted amount of \$2,332,000 which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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

The following is a summary of changes in the aggregate claims liability amount during fiscal years 2018 and 2017:

	YEAR ENDED SEPTEMBER 30,	
	2018	2017
Liability beginning balance	\$ 3,904,683	\$ 3,669,748
Claims and changes in estimates	12,735,495	11,419,325
Claim payments	(12,486,982)	(11,184,390)
Liability ending balance	\$ 4,153,196	\$ 3,904,683
Due in one year or less	\$ 4,153,196	\$ 3,904,683

B. Related Party Transactions

There were no material related party transactions to disclose.

C. Subsequent Events

The City did not have any other subsequent events requiring disclosures or recording in these financial statements through March 11, 2019, which is the date these financial statements were available to be issued.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

D. Contingent Liabilities

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

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

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

During 2013, the State of Alabama agreed to make available up to \$7,565,000 to reimburse the Dothan-Houston County Airport Authority for capital expenses incurred for remodeling the aircraft maintenance facility. As part of this agreement, the State of Alabama requires recapture of state incentives if the estimated economic impact is not realized. Beginning December 31, 2017 (Jobs Target Date), the company for which the capital expenses were made at the aircraft maintenance facility shall average 500 full-time employees with an average hourly wage of \$23.50. As of September 30, 2018, there are approximately 200 employees. This agreement requires if the jobs target 500 employees is not met, \$15,130 must be repaid to the State of Alabama for each employee less than the jobs target. The City of Dothan has agreed to pay this recapture for the Dothan-Houston County Airport Authority, if required. The potential total liability for the City of Dothan is \$7,565,000.

Pollution Remediation Obligation

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

The City has recorded a liability, which totals \$1,892,931 at September 30, 2018, to address the environmental issues associated with the wastewater treatment and collection system. The estimate of costs used to establish the liability was developed by engineers and City personnel for legal and site analysis necessary to address these issues. The liability was determined using the expected cash flow technique, which measured the liability as the sum of probability-weighted amounts within the range of possible amounts. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation liability does not reflect any recovery of outlays because the City does not anticipate that it will be able to recover any remediation costs from other parties. The City's ultimate liability is undeterminable at this time; however, it is expected to be material.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan

Plan Description. The City of Dothan Healthcare Plan is a single-employer defined benefit healthcare plan without a special funding situation where no assets are accumulated in a trust administered by the City of Dothan. The plan provides medical, drug, dental, vision, and life insurance benefits for Pre-Medicare retirees.

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

Eligibility for Allowance	An employee is considered to be a retired employee of the Retirement Systems of Alabama under the following tiers: Tier I (for those hired before 01/01/2013): <ul style="list-style-type: none">• Retiree has 25 years of credible service, regardless of age, or• Retiree has 10 years of service and is 60 years old or is disabled by the Social Security Administration or the Retirement Systems of Alabama’s Medical Board. Tier II (for those hired on or after 01/01/2013): <ul style="list-style-type: none">• Retiree has 10 years of service and is 62 years old (56 years old for a full-time certified firefighter, police officer, or correction officer) or is determined disabled by the Social Security Administration or the Retirement Systems of Alabama’s Medical Board.
Amount of Allowance	Retirees are offered coverage through the City of Dothan’s health insurance plan. Retirees that are eligible to participate and are hired prior to January 1, 2009, may choose to continue their health coverage by contributing 60% of the premium for single coverage until the retiree is eligible for Medicare. Employees hired on or after January 1, 2009, may continue coverage as a retiree, but the full premium for coverage is the responsibility of the retiree.
Other Post-Employment Benefits	Medical and drug benefits are available for Pre-Medicare retirees. Dental and vision insurance is also available to Pre-Medicare eligible retirees, but is paid entirely by the retiree. Additionally, life insurance in the amount of \$5,000 is offered to Pre-Medicare eligible retirees, but the full premium for coverage is the responsibility of the retiree.
Dependent Coverage	Retirees may elect to continue dependent coverage at the time of retirement. Insurance is offered to dependents of retirees until the dependent is eligible for Medicare. The City will contribute approximately 40% of the premium for dependents of employees hired prior to January 1, 2009.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

Retiree Premium Contributions. Retirees are required to pay the following premiums as of September 30, 2018:

	MONTHLY RETIREE PREMIUM
Retiree only	\$258.90
Retiree's Spouse only	258.00
Retiree plus 1 dependent	638.90
Retiree plus 2 or more dependents	782.90
Retiree's Spouse plus 1 dependent	638.00
Retiree's Spouse plus 2 or more dependents	782.00
Retiree Dental single	26.00
Retiree Dental family	60.00

Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan. The City recognized \$36,286,443 as the net OPEB Liability as of September 30, 2018.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions

Valuation Date (VD):	September 30, 2016
Prior Measurement Date:	September 30, 2016
Measurement Date (MD):	September 30, 2017
Reporting Date (RD):	September 30, 2018

Membership Data as of September 30, 2016:

Inactive Members or Beneficiaries Currently Receiving Benefits	243
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Members	<u>978</u>
Total Membership	1,221

Discount Rate:

Municipal Bond Index Rate at Prior Measurement Date	2.93%
Municipal Bond Index Rate at Measurement Date	3.57%

Total OPEB Liability as of Measurement Date: \$ 36,286,443

OPEB Expense: \$ 1,846,258

Deferred Inflows/Outflows Balances as of the Measurement Date*

Deferred Inflows of Resources	\$ (1,872,749)
Deferred Outflows of Resources	\$ 2,850,181

* The total OPEB liability was rolled forward from the September 30, 2016, valuation date, using the following assumptions, applied to all periods included in the measurement.

Inflation	2.875%
Real Wage Growth	0.25%
Wage Inflation	3.125%
Salary increases, including wage inflation	3.375% - 5.125%
Municipal Bond Index Rate	
Prior Measurement Date	2.93%
Measurement Date	3.57%
Health Care Cost Trends	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the TOL was based on the September average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Mortality rates for active employees were based on the sex distinct RP-2000 Employee Mortality Table projected with Scale BB to 2020 with an adjustment factor of 70% for males and 50% for females. Post-retirement mortality rates on the sex distinct RP-2000 Blue Collar Mortality Table projected with Scale BB to 2020. An adjustment of 125% at all ages for males and 120% for females beginning at age 78 was made for service retirements and beneficiaries. An adjustment of 130% for females at all ages was made for disability retirements.

The demographic actuarial assumptions for retirement, disability incident, withdrawal, and salary increases used in the September 30, 2016, valuation were based on the results of an actuarial experience study for the period October 1, 2010 - September 30, 2015.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2016, valuation were based on a review of recent plan experience done concurrently with the September 30, 2016, valuation.

Sensitivity of the Net OPEB Liability as related to the health care cost trend rate

The following presents the Net OPEB Liability of the Plan, calculated using the health care cost trend rates, as well as what the Plan's Net OPEB Liability would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Health Care Cost Trend Rate Sensitivity

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 32,404,832	\$ 36,286,443	\$ 40,814,300

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions (Continued)

Sensitivity of the Net OPEB Liability to changes in the discount rate

The following present the Net OPEB Liability of the Plan, calculated using the discount rate of 3.57%, as well as what the Plan's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (2.57%)	Current (3.57%)	1% Increase (4.57%)
Total OPEB Liability	\$ 39,711,662	\$ 36,286,443	\$ 33,209,809

Actuarially Determined Total OPEB Liability

Changes in the TOL

Total OPEB Liability as of September 30, 2016	\$ 37,856,938
Changes for the year:	
Service Cost at the end of the year*	1,026,908
Interest on TOL and Cash Flows	1,085,659
Change in benefit terms	0
Difference between expected and actual experience	86,297
Changes of assumptions or other inputs	(2,150,193)
Benefit payments	(1,619,166)
Other	0
Net Changes	(1,570,495)
Total OPEB Liability as of September 30, 2017	\$ 36,286,443

*The service cost includes interest for the year.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

OPEB Expense

OPEB Expense
For the year Ending September 30, 2018

Service Cost at end of year	\$	1,026,908
Interest on the Total OPEB Liability		1,085,659
Current-period benefit changes		-
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability		11,135
Expensed portion of current-period changes of assumptions or other inputs		(277,444)
Administrative Costs**		-
Other		-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense		-
Recognition of beginning Deferred Inflows of Resources as OPEB Expense		-
		-
OPEB Expense	\$	1,846,258

* The service cost includes interest for the year.

** Administrative costs to be included in the OPEB expense were not provided by the City.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

E. Postemployment Healthcare Plan (Continued)

Schedule of Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources are differences between actual and expected experience that are not reflected in the current year's expenses. Deferred inflows and outflows of resources related to OPEB reported by the City at September 30, 2018, are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 75,162	\$ -
Changes of assumptions or other inputs	-	(1,872,749)
Contribution paid subsequent to the measurement date	<u>2,775,019</u>	<u>-</u>
Total	<u>\$ 2,850,181</u>	<u>\$ (1,872,749)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

<u>Year Ended September 30</u>	
2018	\$ (266,309)
2019	(266,309)
2020	(266,309)
2021	(266,309)
2022	(266,309)
Thereafter	(466,042)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

F. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

F. Retirement Plan (Continued)

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

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

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active members	55,941
Post-drop participants who are still in active service	<u>168</u>
Total	<u>88,517</u>

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2018, the City's average contribution rate to fund the normal and accrued liability costs was 19.72% of covered employee payroll.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

F. Retirement Plan (Continued)

The City's contractually required contribution rate for the year ended September 30, 2018, was 20.36% of pensionable pay for Tier 1 employees and 19.82% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$9,707,432 for the year ended September 30, 2018.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, rolled forward to September 30, 2017, using standard roll-forward techniques as shown in the following table:

Membership as of the Measurement Date of September 30, 2017

Inactive members or their beneficiaries currently receiving benefits	588
Inactive members entitled to but not yet receiving benefits	16
Nonvested inactive members	66
Active members	1,015
Post-drop retired members still in active service	<u>3</u>
Total	<u>1,688</u>

Roll-Forward of the Total Pension Liability

	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2016	\$ 260,088,448	\$ 258,984,894
(b) Discount Rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	3,943,866	3,943,866
(d) Transfers Among Employers:		553,788
(e) Actual Benefit Payments and Refunds for the period October 1, 2016 - September 30, 2017	<u>(15,153,706)</u>	<u>(15,153,706)</u>
(f) TPL as of September 30, 2017 = [(a) x (1+(b))] + (c) + (d) + [(f) x (1+0.5*(b))]	<u>\$ 268,448,257</u>	<u>\$ 267,812,966</u>
(g) Difference Between Expected and Actual		\$ (635,291)
(h) Less Liability Transferred for Immediate Recognition		553,788
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (1,189,079)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

F. Retirement Plan (Continued)

Actuarial assumptions. The total pension liability as of September 30, 2017, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2016. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.75%

*Net of pension plan investment expense.

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on or after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2016, valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternative	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

F. Retirement Plan (Continued)

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on the assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Schedule of Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	<hr/>	<hr/>	<hr/>
Balances at September 30, 2016	\$ 260,088,448	\$ 115,354,214	\$ 144,734,234
Changes for the year:			
Service cost	3,943,866		3,943,866
Interest	19,569,649		19,569,649
Changes of assumptions			-
Difference between expected and actual experience	(1,189,079)		(1,189,079)
Contributions - employer		9,721,334	(9,721,334)
Contributions - employee		3,646,353	(3,646,353)
Net investment income		14,691,147	(14,691,147)
Benefit payments, including refunds of employee contributions	(15,153,706)	(15,153,706)	-
Administrative expense			-
Transfers among employers	553,788	553,788	-
	<hr/>	<hr/>	<hr/>
Net changes	7,724,518	13,458,916	(5,734,398)
	<hr/>	<hr/>	<hr/>
Balances at September 30, 2017	\$ 267,812,966	\$ 128,813,130	\$ 138,999,836
	<hr/>	<hr/>	<hr/>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

F. Retirement Plan (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Plan's Net Pension Liability (Asset)	\$ 168,943,553	\$ 138,999,836	\$ 113,600,154

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018, 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.

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

For the year ended September 30, 2018, the City recognized pension expense of \$11,474,650. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 398,075	\$ 997,292
Changes of assumptions	6,424,822	
Net difference between projected and actual earnings on plan investments		3,900,714
Employer contributions subsequent to the measurement date	9,707,432	
Total	\$ 16,530,329	\$ 4,898,006

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

F. Retirement Plan (Continued)

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

Schedule of Amortization of Deferred Inflows and Outflows of Resources

<u>Year Ended</u> <u>September 30</u>	
2019	\$ 499,691
2020	1,258,077
2021	(181,593)
2022	257,120
2023	129,953
Thereafter	(38,357)

G. Construction and Other Significant Commitments

1. Beaver Creek Basin Sewer Rehab

The Beaver Creek Basin Sewer Rehab project, consisting of the total replacement of or a cured-in-place lining of various-sized sanitary sewer lines, began in 2011. A contract was awarded to Polyengineering, Inc. for \$342,000 for engineering services. The South Saint Andrews Street portion was completed in 2014 by American Infrastructure Technologies Corporation at a cost of \$418,691. In December 2016, a contract in the amount of \$1,281,332 was awarded to Blankenship Contracting, Inc. for the improvements at Woodland Drive, South Appletree Street, Flynn Road, and Plant Street. A change order decrease of \$299,972 was issued and \$981,360 was expended. The completed project cost is \$1,744,962 and was funded with State Revolving Loan funds.

2. Sanitary Sewer Improvements

In April of 2017, Blankenship Contracting, Inc. was awarded a contract in the amount of \$934,648 for sanitary sewer improvements for Kornegay Street, South Oates Street, Garland Street, Glenwood Street and Southland Drive. In May of 2018, a change order of \$114,949 increased the total contract price to \$1,049,597 and the project was completed in 2018. In May of 2017, L and K Contracting Company, Inc. was awarded the contract for sanitary sewer improvements on Inez Road in the amount of \$1,669,600; \$1,469,539 has been expended to date. In June of 2017, Blankenship Contracting, Inc. was awarded the contract in the amount of \$1,515,391 for sanitary sewer improvements from Englewood Drive to Rock Creek Road. The work was completed for the awarded amount in 2018. In September of 2017, Gulf Coast Underground, LLC was awarded a contract in the amount of \$2,394,374 for the sanitary sewer improvements in the B1-23 sewer basin area; \$1,437,024 has been expended to date. In April of 2018, Blankenship Contracting, Inc. was awarded a contract in the amount of \$557,117 for sanitary sewer improvements for Cherokee Avenue and Cornell Avenue. In February of 2019, a change order of \$26,266 increased the total contract price to \$583,383; \$400,768 has been expended to date. In June of 2018, Blankenship Contracting, Inc. was awarded a contract in the amount of \$1,668,385 for sanitary sewer improvements from Bell Street to Foster Street.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

3. *Denton Road Widening and Denton Road Bridge*

The City began efforts to widen Denton Road in 2012. A contract was awarded to CDG Engineers & Associates, Inc. in the amount of \$357,910 in August 2011 for the design of additional roadway lanes; \$325,486 has been expended, and the project is still under design. In October 2013, a \$175,326 contract was awarded to CDG Engineers & Associates, Inc. for the bridge design and for right-of-way acquisition services for the additional lanes; \$231,238 has been expended, including a change order of \$55,912. Right-of-way acquisition for the widening and bridge projects is estimated to total \$1,500,000; \$650,583 has been expended to date, and while the acquisition for the bridge is complete, the acquisition for the lanes is continuing. In June of 2015, the City entered into a contract with the State of Alabama through the Department of Transportation for the construction of the Denton Road Bridge over Rock Creek. The State awarded the construction contract to Murphree Bridge Corporation for \$3,048,403. Construction engineering and inspection services were provided by CDG Engineers & Associates, Inc. for \$295,000. The bridge portion of the project was completed in June 2017 at a cost of \$3,553,957, with \$1,484,800 being funded with Federal ATRIP funds, and \$548,464 being funded with Alabama Public Road and Bridge funds. As of the audit report date, expenditures for the widening portion of the project are \$1,018,091.

4. *Fiber Optic System*

The Fiber Optic System project consists of upgrading current network infrastructure to increase reliability and sustainability for ever-increasing communication demands. This system will incorporate public safety facilities, water wells, substations, and other City infrastructures. As of the audit report date, \$1,456,882 has been expended.

5. *Landfill Expansion on Ennis Road*

In March 2014, the City purchased 182 acres of land at a cost of \$911,850 for the expansion of an existing landfill facility. In April 2014, a contract in the amount of \$484,658 was awarded to CDG Engineers & Associates, Inc. for design and permitting of the expansion; \$474,965 has been expended to date. Alabama Power completed efforts in February 2016 to relocate approximately 3,300 linear feet of transmission line at a cost of \$210,799, and the permit application for the expansion was submitted December 2016 to the Alabama Department of Environmental Management. The landfill construction is dependent on completion of the permit process and construction completion is anticipated in 2020. As of the audit report date, the project cost including land and \$116,460 cost to satisfy mitigation requirements is \$1,995,141.

6. *Omussee Creek Wastewater Treatment Plant*

In December 2014, a contract in the amount of \$2,100,000 was awarded to Barge Waggoner Sumner and Cannon, Inc. to furnish engineering services for the design of the Omussee Creek Wastewater Treatment Plant rehabilitation and upgrade. The work was completed for the amount of the contract. In June 2016, Max Foote Construction Company, LLC was awarded a contract in the amount of \$39,225,003 for the construction of the rehabilitation and upgrade; \$37,622,650 has been expended to date. Barge Waggoner Sumner and Cannon, Inc. furnished engineering administration and inspection services for the construction at a cost of \$1,849,300. The project cost as of the audit report date is \$41,643,503.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

G. Construction and Other Significant Commitments (Continued)

7. Dothan Regional Public Safety Training Center

In January 2018, a contract in the amount of \$18,278,100 was awarded to Saliba Construction Company, Inc. to construct the Dothan Regional Public Safety Training Center located on 23 acres of City-owned land off Ennis Road; \$8,755,705 has been expended to date. The center's mission is to be the model of excellence in public safety preparation and response through integration of training, development, communication, collaboration and community engagement. It will benefit police, sheriff, and fire personnel, area volunteer fire departments and local citizens with training opportunities. Once constructed, the state-of-the-art center will be maintained and operated by the City in conjunction with the City's police and fire departments. A General Obligation Warrant in the principal amount of \$17,000,000 will fund a portion of the costs of constructing and equipping the center. Wiregrass Foundation will provide grant funds in the amount of \$21,000,000 over a period of 20 years to provide for the principal and interest payments, and the City will provide approximately \$1,500,000 for the payments. Wiregrass Foundation also contributed to the cost of the center's design, which is being furnished by RDG Planning and Design of Omaha, Nebraska. The City is providing in-kind costs to extend sewer, water and electric services to the property at a value of \$370,000. The total cost of the facility is estimated to be \$22,000,000 and is expected to be completed August 2019.

8. Westgate Recreation Improvements

In November 2017, HVAC upgrades were made to the Westgate indoor pool to include replacement of the swimming pool dehumidification system and the water heating system. Equipment monitoring and direct digital controls were added for a completed project cost of \$541,645. In March 2018, the City of Dothan partnered with National Fitness Campaign and local businesses to open a state-of-the-art outdoor gym facility for all ages at Westgate Park. The total cost of the completed project was \$120,446.

New Commitments as Follows:

- On October 10, 2018, the City suffered a catastrophic natural disaster as a result of Hurricane Michael. The total loss is estimated to be around \$4 million. The City has been approved for disaster relief and anticipates being reimbursed 75% federal and 12.5% state approved expenditures.
- On October 16, 2018, the City Commission approved the development agreement between the Dothan Downtown Redevelopment Authority and The Banyan Foundation, Inc. for the Peaks of Dothan L.P. and appropriated \$1,500,000 for said project.
- On December 4, 2018, the City Commission awarded the bid, entered into contract, issued a Notice to Proceed to BLD Services, LLC and appropriated \$4,388,958 for the B0-21 Comprehensive Rehabilitation Sanitary Sewer Project, subject to approval by ADEM.
- On December 4, 2018, the City Commission appropriated an additional \$1,000,000 annually to help fund the "Red Water" Main Replacement Program.
- On December 4, 2018, the City Commission entered into a reimbursable agreement with the Alabama Department of Transportation for relocation of water and sanitary sewer utility facilities; construction of additional lanes on Ross Clark Circle, U.S. Highway 231 and U.S. Highway 84; and engineering services including construction engineering and inspection at an estimated cost of \$2,650,606.
- On February 19, 2019, the City Commission entered into an agreement with Aclara for the full implementation of an Advanced Metering Infrastructure (AMI) system and approved the purchase of related items and professional services. This project is expected to cost \$17 million and will be funded by reserves and AMEA Smart Grid Initiative.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

V. OTHER INFORMATION (Continued)

H. Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the general fund, special revenue funds, and capital projects funds. At September 30, 2018, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund	\$ -	\$ 7,737,783	\$ 8,103,836
Capital Projects Fund	13,638,542	-	-

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REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 72,045,000	\$ 72,286,000	\$ 78,185,967	\$ 5,899,967
Licenses and permits	3,661,700	4,111,700	4,173,707	62,007
Intergovernmental	3,111,719	4,590,494	5,268,306	677,812
Charges for services	6,292,500	6,605,378	7,543,750	938,372
Fines and forfeitures	1,552,500	1,612,242	1,308,753	(303,489)
Interest	97,100	97,100	419,304	322,204
Miscellaneous	848,756	1,009,321	1,355,601	346,280
Total Revenues	87,609,275	90,312,235	98,255,388	7,943,153
EXPENDITURES:				
Current:				
General government:				
General administrative	4,151,489	4,126,695	3,084,163	1,042,532
Information system/Technology	3,787,472	4,427,117	4,072,743	354,374
Budget and finance	1,190,272	1,190,272	1,173,947	16,325
Personnel services	2,411,279	2,333,279	2,313,437	19,842
Judicial department	1,168,160	1,160,702	1,151,322	9,380
Public safety:				
Fire department	15,080,594	15,283,459	15,221,279	62,180
Police department	19,777,127	19,766,848	19,197,992	568,856
Public works:				
Street department	6,963,157	6,608,390	5,264,301	1,344,089
Engineering department	3,684,879	3,163,221	3,141,778	21,443
Environmental services	7,196,067	7,133,120	7,057,436	75,684
Planning and development	3,119,862	3,405,752	2,750,805	654,947
Health and welfare	3,687,412	3,999,389	3,583,668	415,721
Culture and recreation:				
Recreation	9,343,718	9,952,463	9,339,274	613,189
Culture	2,067,191	2,085,724	2,512,572	(426,848)
General services:				
Administration	471,910	472,145	465,107	7,038
Facility	1,610,245	1,600,489	1,569,781	30,708
Fleet	2,510,084	2,669,660	2,642,000	27,660
Insurance department	2,278,064	2,792,943	216,427	2,576,516
Capital outlay	12,551,705	19,926,612	8,125,077	11,801,535
Total Expenditures	103,050,687	112,098,280	92,883,109	19,215,171
Excess of Revenues over (under) Expenditures	(15,441,412)	(21,786,045)	5,372,279	27,158,324

(Continued on page 82)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	\$ 3,543,247	\$ 3,213,803	\$ (1,552,231)	\$ (4,766,034)
Capital leases				-
Total Other Financing Sources (Uses)	<u>3,543,247</u>	<u>3,213,803</u>	<u>(1,552,231)</u>	<u>(4,766,034)</u>
Net Change in Fund Balances	(11,898,165)	(18,572,242)	3,820,048	22,392,290
Fund Balances - Beginning	<u>11,898,165</u>	<u>18,572,242</u>	<u>38,853,359</u>	<u>20,281,117</u>
Fund Balances - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 42,673,407</u></u>	<u><u>\$ 42,673,407</u></u>

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 **</u>
Total pension liability				
Service Cost	\$ 3,943,866	\$ 3,920,097	\$ 3,817,644	\$ 3,688,399
Interest	19,569,649	18,782,327	18,187,261	17,601,231
Changes of benefit terms				
Difference between expected and actual experience	(1,189,079)	489,648	132,752	
Changes of assumptions		9,484,262		
Benefit payments, including refunds of employee contributions	(15,153,706)	(14,951,110)	(14,447,566)	(13,480,931)
Transfers among employers	553,788	108,582		
Net change in total pension liability	<u>7,724,518</u>	<u>17,833,806</u>	<u>7,690,091</u>	<u>7,808,699</u>
Total pension liability - beginning	<u>260,088,448</u>	<u>242,254,642</u>	<u>234,564,551</u>	<u>226,755,852</u>
Total pension liability - ending (a)	<u>\$ 267,812,966</u>	<u>\$ 260,088,448</u>	<u>\$ 242,254,642</u>	<u>\$ 234,564,551</u>
Plan fiduciary net position				
Contributions - employer	\$ 9,721,334	\$ 9,561,337	\$ 10,148,294	\$ 9,879,917
Contributions - member	3,646,353	3,507,389	3,512,701	3,479,758
Net investment income	14,691,147	10,743,967	1,253,364	11,378,472
Benefit payments, including refunds of employee contributions	(15,153,706)	(14,951,110)	(14,447,566)	(13,480,931)
Transfers among employers	553,788	108,582	(245,363)	26,249
Net change in plan fiduciary net position	<u>13,458,916</u>	<u>8,970,165</u>	<u>221,430</u>	<u>11,283,466</u>
Plan net position - beginning	<u>115,354,214</u>	<u>106,384,049</u>	<u>106,162,619</u>	<u>94,879,153</u>
Plan net position - ending (b)	<u>\$ 128,813,130</u>	<u>\$ 115,354,214</u>	<u>\$ 106,384,049</u>	<u>\$ 106,162,619</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 138,999,836</u>	<u>\$ 144,734,234</u>	<u>\$ 135,870,593</u>	<u>\$ 128,401,932</u>
Plan fiduciary net position as a percentage of the total pension liability	48.10%	44.35%	43.91%	45.26%
Covered payroll*	\$ 47,219,580	\$ 45,464,517	\$ 44,671,092	\$ 43,373,860
Net pension liability (asset) as a percentage of covered payroll	294.00%	318.00%	304.00%	296.00%

* Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll).
For FY 2015 the measurement period is October 1, 2014 - September 30, 2015.
For FY 2016 the measurement period is October 1, 2015 - September 30, 2016.
For FY 2017 the measurement period is October 1, 2016 - September 30, 2017.

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

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015 ***</u>
Actuarially determined contribution*	\$ 9,707,432	\$ 9,721,334	\$ 9,554,816	\$ 10,148,530
Contributions in relation to the actuarially determined contribution*	<u>9,707,432</u>	<u>9,721,334</u>	<u>9,554,816</u>	<u>10,148,530</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll**	\$ 48,816,195	\$ 47,219,580	\$ 45,464,517	\$ 44,671,105
Contributions as a percentage of covered payroll	19.89%	20.59%	21.02%	22.72%

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

For FY 2018, the fiscal year is the twelve month period beginning October 1, 2017.

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

For FY 2018, the fiscal year is the twelve month period beginning October 1, 2017.

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

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2018 were based on the September 30, 2015, actuarial valuation.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	24.7 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 REQUIRED SUPPLEMENTARY INFORMATION - RETIREE HEALTHCARE PLAN SCHEDULES
 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
 LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

Total OPEB Liability	<u>2017 *</u>
Service Cost at end of year	\$ 1,026,908
Interest	1,085,659
Changes in benefit terms	-
Difference between expected and actual experience	86,297
Changes of assumptions or other inputs	(2,150,193)
Benefit payments	(1,619,166)
Other	-
Net Change in Total OPEB Liability	<u>(1,570,495)</u>
Total OPEB Liability- beginning	<u>37,856,938</u>
Total OPEB Liability- ending	<u>\$ 36,286,443</u>
Covered payroll	\$ 44,245,310
Net OPEB Liability as a percentage of covered payroll	82.01%

*The Schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

**THE CITY OF DOTHAN
 DOTHAN, ALABAMA
 REQUIRED SUPPLEMENTARY INFORMATION - RETIREE HEALTHCARE PLAN SCHEDULES
 SCHEDULE OF CHANGES IN THE NET OPEB CONTRIBUTIONS
 LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

Total OPEB Liability

	2017 *
Actuarially Determined Contribution	\$ -
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	-
Covered Payroll	\$ 44,245,310
Contribution as a percentage of covered payroll	0.00%

*The Schedule is intended to show information for ten years. The additional years' information will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Special assessments	\$ 600	\$ 600	\$ 312	\$ (288)
Interest from funds invested and special assessments			3	3
Total Revenues	<u>600</u>	<u>600</u>	<u>315</u>	<u>(285)</u>
EXPENDITURES:				
General administrative	600	600	159	441
Principal retirement	3,404,451	3,406,725	3,406,724	1
Interest	732,253	732,448	732,446	2
Total Expenditures	<u>4,137,304</u>	<u>4,139,773</u>	<u>4,139,329</u>	<u>444</u>
Excess of Revenues over (under) Expenditures	<u>(4,136,704)</u>	<u>(4,139,173)</u>	<u>(4,139,014)</u>	<u>159</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,136,704	4,139,173	4,139,167	(6)
Transfers out		(392)	(391)	1
Total Other Financing Sources (Uses)	<u>4,136,704</u>	<u>4,138,781</u>	<u>4,138,776</u>	<u>(5)</u>
Net Change in Fund Balance	-	(392)	(238)	154
Fund Balances - Beginning		<u>392</u>	<u>238</u>	<u>(154)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Intergovernmental	\$	\$ 1,383,493	\$ 1,811,195	\$ 427,702
Interest from funds invested	-	-	159,760	159,760
Total Revenues	-	1,383,493	1,970,955	587,462
EXPENDITURES:				
Public works				-
Capital outlay	-	20,661,867	5,793,971	14,867,896
Total Expenditures	-	20,661,867	5,793,971	14,867,896
Excess of Revenues over (under) Expenditures	-	(19,278,374)	(3,823,016)	15,455,358
OTHER FINANCING SOURCES (USES):				
Transfers in (out)		500,000	500,000	-
Total Other Financing Sources (Uses)	-	500,000	500,000	-
Net Change in Fund Balances	-	(18,778,374)	(3,323,016)	15,455,358
Fund Balances - Beginning		18,778,374	16,961,558	(1,816,816)
Fund Balances - Ending	\$	\$ -	\$ 13,638,542	\$ 13,638,542

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SCHOOL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 225,000	\$ 225,000	\$ 218,700	\$ (6,300)
Interest earned			374	374
Total Revenues	<u>225,000</u>	<u>225,000</u>	<u>219,074</u>	<u>(5,926)</u>
EXPENDITURES:				
Intergovernmental:				
Subsidies to agencies	3,738,286	3,738,286	3,738,286	-
Obligations/expenses paid for schools	196,526	196,526	191,533	4,993
Other support - schools	97,437	97,437	64,232	33,205
Total Expenditures	<u>4,032,249</u>	<u>4,032,249</u>	<u>3,994,051</u>	<u>38,198</u>
Excess of Revenues over (under) Expenditures	<u>(3,807,249)</u>	<u>(3,807,249)</u>	<u>(3,774,977)</u>	<u>32,272</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,807,249	3,807,249	3,807,249	-
Net Change in Fund Balance	-	-	32,272	32,272
Fund Balance - Beginning			76,515	76,515
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,787</u>	<u>\$ 108,787</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>BUDGET</u>	<u>BUDGETARY BASIS ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Electric department	\$ 90,785,000	\$ 95,359,786	\$ 4,574,786
Water department	9,223,500	10,077,517	854,017
Sewer department	16,004,249	18,947,250	2,943,001
Delinquent fees - combined utilities	950,000	949,348	(652)
Other revenue	1,001,395	1,045,838	44,443
Interest from funds invested	100,000	806,622	706,622
Total Utility Revenues	<u>118,064,144</u>	<u>127,186,361</u>	<u>9,122,217</u>
OPERATING EXPENSES:			
Electric department	82,494,942	77,195,434	5,299,508
Water department	9,612,642	6,754,148	2,858,494
Sewer department	8,877,282	8,165,508	711,774
Billing collection department	1,754,795	1,532,271	222,524
Meter reading department	851,248	841,044	10,204
Combined utility expense:			
Capital outlay	29,263,378	19,965,023	9,298,355
Miscellaneous expenses	598,459	394,383	204,076
Interest and fiscal charges	2,836,847	2,541,858	294,989
Bond issuance costs			-
Principal on bonds and capital leases	6,749,785	6,749,784	1
Depreciation	9,316,000	9,290,162	25,838
Total Expenses	<u>152,355,378</u>	<u>133,429,615</u>	<u>18,925,763</u>
Excess of Revenues Over (Under) Expenses	<u>\$ (34,291,234)</u>	<u>\$ (6,243,254)</u>	<u>\$ 28,047,980</u>

(Continued on page 91)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):			
Intergovernmental Revenue	\$ 266,521	\$ -	\$ (266,521)
Transfers (out)	(11,659,833)	(6,893,794)	4,766,039
Gain (loss) on disposition of capital assets	-	(264,511)	(264,511)
Total Other Financing Sources (Uses)	(11,393,312)	(7,158,305)	4,235,007
Excess of Revenues Over Expenses per Budget Resolutions	(45,684,546)	(13,401,559)	32,282,987
Capital contributions	-	354,000	354,000
Adjustment for capital outlay, principal payments on bonds and capital leases	26,714,807	26,714,807	-
Total Net Position - Beginning	45,684,546	112,913,763	67,229,217
Total Net Position - Ending	\$ 26,714,807	\$ 126,581,011	\$ 99,866,204

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

Capital outlay expense	\$ 19,965,023
Principal payment on bonds	6,749,784
Total Adjustments	\$ 26,714,807

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
ALL SERIES
2019-2037

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL PRINCIPAL AND INTEREST
	GENERAL OBLIGATION WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION REFUNDING WARRANTS	GENERAL OBLIGATION SEWER WARRANTS	
2019	\$ 1,776,552	\$ 1,307,000	\$ 638,627	\$ 8,693,964	\$ 12,416,143
2020	1,776,552	1,317,750	644,666	8,701,315	12,440,283
2021	1,776,552		650,444	8,715,725	11,142,721
2022	1,776,552		650,961	8,736,983	11,164,496
2023	1,432,963		656,304	7,479,833	9,569,100
2024	1,089,374		656,386	7,476,993	9,222,753
2025	1,089,374		661,294	7,472,148	9,222,816
2026	1,089,374		670,941	7,470,123	9,230,438
2027	1,089,374		670,240	6,135,946	7,895,560
2028	1,089,374		679,365	4,799,200	6,567,939
2029	1,089,374		678,142	4,794,890	6,562,406
2030	1,089,374		686,745	4,798,290	6,574,409
2031	1,089,374			4,448,968	5,538,342
2032	1,089,374			4,454,185	5,543,559
2033	1,089,374			3,745,637	4,835,011
2034	1,089,374			3,747,345	4,836,719
2035	1,089,374			2,542,280	3,631,654
2036	1,089,374			2,537,610	3,626,984
2037	1,089,374				1,089,374
	<u>\$ 23,790,407</u>	<u>\$ 2,624,750</u>	<u>\$ 7,944,115</u>	<u>\$ 106,751,435</u>	<u>\$ 141,110,707</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - REFINANCED
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2019	3.19%	\$ 316,039	\$ 299,708	\$ 1,023,878	\$ 1,040,208	\$ 2,679,833
2020	3.19%	283,117	266,261	1,056,800	1,073,656	2,679,834
2021	3.19%	249,136	231,738	1,090,781	1,108,179	2,679,834
2022	3.19%	214,063	196,105	1,125,854	1,143,811	2,679,833
2023	3.19%	177,861	159,327	1,162,055	1,180,590	2,679,833
2024	3.19%	140,496	121,365	1,199,420	1,218,551	2,679,832
2025	3.19%	101,930	82,184	1,237,987	1,257,733	2,679,834
2026	3.19%	62,123	41,742	1,277,794	1,298,175	2,679,834
2027	3.19%	21,036		1,318,880		1,339,916
		<u>\$ 1,565,801</u>	<u>\$ 1,398,430</u>	<u>\$ 10,493,449</u>	<u>\$ 9,320,903</u>	<u>\$ 22,778,583</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - CWSRF/ARRA-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING SEPTEMBER 30</u>	<u>INTEREST RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL DUE AUGUST 15</u>	<u>TOTAL DEBT SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>		
2019	3.50%	\$ 33,162	\$ 33,162	\$ 130,000	\$ 196,324
2020	3.50%	30,887	30,887	135,000	196,774
2021	3.50%	28,525	28,525	140,000	197,050
2022	3.50%	26,075	26,075	145,000	197,150
2023	3.50%	23,537	23,537	150,000	197,074
2024	3.50%	20,913	20,913	155,000	196,826
2025	3.50%	18,200	18,200	160,000	196,400
2026	3.50%	15,400	15,400	165,000	195,800
2027	3.50%	12,513	12,513	170,000	195,026
2028	3.50%	9,538	9,538	175,000	194,076
2029	3.50%	6,475	6,475	180,000	192,950
2030	3.50%	3,325	3,325	190,000	196,650
		<u>\$ 228,550</u>	<u>\$ 228,550</u>	<u>\$ 1,895,000</u>	<u>\$ 2,352,100</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2009 - DWSRF/ARRA-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u> <u>DUE AUGUST 15</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>		
2019	3.50%	\$ 25,200	\$ 25,200	\$ 100,000	\$ 150,400
2020	3.50%	23,450	23,450	100,000	146,900
2021	3.50%	21,700	21,700	105,000	148,400
2022	3.50%	19,862	19,862	110,000	149,724
2023	3.50%	17,938	17,938	115,000	150,876
2024	3.50%	15,925	15,925	115,000	146,850
2025	3.50%	13,912	13,912	120,000	147,824
2026	3.50%	11,812	11,812	125,000	148,624
2027	3.50%	9,625	9,625	130,000	149,250
2028	3.50%	7,350	7,350	135,000	149,700
2029	3.50%	4,987	4,987	140,000	149,974
2030	3.50%	2,538	2,538	145,000	150,076
		<u>\$ 174,299</u>	<u>\$ 174,299</u>	<u>\$ 1,440,000</u>	<u>\$ 1,788,598</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2010 - CWSRF - BL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u> <u>DUE AUGUST 15</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>		
2019	2.61%	\$ 38,237	\$ 38,237	\$ 690,000	\$ 766,474
2020	2.61%	29,232	29,232	720,000	778,464
2021	2.61%	19,836	19,836	745,000	784,672
2022	2.61%	10,114	10,114	775,000	795,228
		<u>\$ 97,419</u>	<u>\$ 97,419</u>	<u>\$ 2,930,000</u>	<u>\$ 3,124,838</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010B-CWSRF-BL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING SEPTEMBER 30</u>	<u>INTEREST RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL DUE AUGUST 15</u>	<u>TOTAL DEBT SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>		
2019	2.50%	\$ 21,438	\$ 21,437	\$ 405,000	\$ 447,875
2020	2.50%	16,375	16,375	420,000	452,750
2021	2.50%	11,125	11,125	435,000	457,250
2022	2.50%	5,688	5,687	455,000	466,375
		<u>\$ 54,626</u>	<u>\$ 54,624</u>	<u>\$ 1,715,000</u>	<u>\$ 1,824,250</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15	DUE FEBRUARY 15	
2019	3.10%	\$ 40,068	\$ 37,743	\$ 150,000	\$ 227,811
2020	3.10%	37,743	35,340	155,000	228,083
2021	3.10%	35,340	32,860	160,000	228,200
2022	3.10%	32,860	30,303	165,000	228,163
2023	3.10%	30,303	27,667	170,000	227,970
2024	3.10%	27,667	24,955	175,000	227,622
2025	3.10%	24,955	22,165	180,000	227,120
2026	3.10%	22,165	19,297	185,000	226,462
2027	3.10%	19,297	16,352	190,000	225,649
2028	3.10%	16,352	13,252	200,000	229,604
2029	3.10%	13,252	10,075	205,000	228,327
2030	3.10%	10,075	6,820	210,000	226,895
2031	3.10%	6,820	3,487	215,000	225,307
2032	3.10%	3,487		225,000	228,487
		<u>\$ 320,384</u>	<u>\$ 280,316</u>	<u>\$ 2,585,000</u>	<u>\$ 3,185,700</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>	<u>DUE AUGUST 15</u>	
2019	2.90%	\$ 78,880	\$ 78,880	\$ 320,000	\$ 477,760
2020	2.90%	74,240	74,240	330,000	478,480
2021	2.90%	69,455	69,455	340,000	478,910
2022	2.90%	64,525	64,525	350,000	479,050
2023	2.90%	59,450	59,450	360,000	478,900
2024	2.90%	54,230	54,230	370,000	478,460
2025	2.90%	48,865	48,865	380,000	477,730
2026	2.90%	43,355	43,355	390,000	476,710
2027	2.90%	37,700	37,700	405,000	480,400
2028	2.90%	31,828	31,827	415,000	478,655
2029	2.90%	25,810	25,810	425,000	476,620
2030	2.90%	19,648	19,647	440,000	479,295
2031	2.90%	13,268	13,267	450,000	476,535
2032	2.90%	6,743	6,742	465,000	478,485
		<u>\$ 627,997</u>	<u>\$ 627,993</u>	<u>\$ 5,440,000</u>	<u>\$ 6,695,990</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2013
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>		<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE MARCH 1</u>	<u>DUE SEPTEMBER 1</u>	<u>DUE MARCH 1</u>	<u>DUE SEPTEMBER 1</u>	
2019	2.80%	\$ 40,598	\$ 36,934	\$ 302,992	\$ 306,655	\$ 687,179
2020	2.80%	32,192	28,089	311,397	315,500	687,178
2021	2.80%	23,190	18,989	320,399	324,600	687,178
2022	2.80%	14,110	9,628	329,480	333,961	687,179
2023	2.80%	4,770		338,819		343,589
		<u>\$ 114,860</u>	<u>\$ 93,640</u>	<u>\$ 1,603,087</u>	<u>\$ 1,280,716</u>	<u>\$ 3,092,303</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2014
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE MARCH 1</u>	<u>DUE SEPTEMBER 1</u>	<u>DUE SEPTEMBER 1</u>	
2019	5.00%	\$ 61,000	\$ 61,000	\$ 1,185,000	\$ 1,307,000
2020	5.00%	31,375	31,375	1,255,000	1,317,750
		<u>\$ 92,375</u>	<u>\$ 92,375</u>	<u>\$ 2,440,000</u>	<u>\$ 2,624,750</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2014-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>	<u>DUE AUGUST 15</u>	
2019	2.25%	\$ 180,619	\$ 180,619	\$ 845,000	\$ 1,206,238
2020	2.25%	171,113	171,112	860,000	1,202,225
2021	2.25%	161,437	161,437	880,000	1,202,874
2022	2.25%	151,538	151,538	900,000	1,203,076
2023	2.25%	141,412	141,412	925,000	1,207,824
2024	2.25%	131,006	131,006	945,000	1,207,012
2025	2.25%	120,375	120,375	965,000	1,205,750
2026	2.25%	109,519	109,519	985,000	1,204,038
2027	2.25%	98,438	98,438	1,010,000	1,206,876
2028	2.25%	87,075	87,075	1,035,000	1,209,150
2029	2.25%	75,431	75,431	1,055,000	1,205,862
2030	2.25%	63,563	63,563	1,080,000	1,207,126
2031	2.25%	51,412	51,412	1,105,000	1,207,824
2032	2.25%	38,981	38,981	1,130,000	1,207,962
2033	2.25%	26,269	26,269	1,155,000	1,207,538
2034	2.25%	13,275	13,275	1,180,000	1,206,550
		<u>\$ 1,621,463</u>	<u>\$ 1,621,462</u>	<u>\$ 16,055,000</u>	<u>\$ 19,297,925</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANT - SERIES 2016
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>	<u>DUE AUGUST 15</u>	
2019	1.74%	\$ 61,814	\$ 61,813	\$ 515,000	\$ 638,627
2020	1.74%	57,333	57,333	530,000	644,666
2021	1.74%	52,722	52,722	545,000	650,444
2022	1.74%	47,981	47,980	555,000	650,961
2023	1.74%	43,152	43,152	570,000	656,304
2024	1.74%	38,193	38,193	580,000	656,386
2025	1.74%	33,147	33,147	595,000	661,294
2026	1.74%	27,971	27,970	615,000	670,941
2027	1.74%	22,620	22,620	625,000	670,240
2028	1.74%	17,183	17,182	645,000	679,365
2029	1.74%	11,571	11,571	655,000	678,142
2030	1.74%	5,873	5,872	675,000	686,745
		<u>\$ 419,560</u>	<u>\$ 419,555</u>	<u>\$ 7,105,000</u>	<u>\$ 7,944,115</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2016-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

<u>YEAR ENDING</u> <u>SEPTEMBER 30</u>	<u>INTEREST</u> <u>RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>	<u>TOTAL DEBT</u> <u>SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>	<u>DUE FEBRUARY 15</u>	
2019	2.20%	\$ 415,140	\$ 396,110	\$ 1,730,000	\$ 2,541,250
2020	2.20%	396,110	376,695	1,765,000	2,537,805
2021	2.20%	376,695	356,840	1,805,000	2,538,535
2022	2.20%	356,840	336,545	1,845,000	2,538,385
2023	2.20%	336,545	315,810	1,885,000	2,537,355
2024	2.20%	315,810	294,580	1,930,000	2,540,390
2025	2.20%	294,580	272,910	1,970,000	2,537,490
2026	2.20%	272,910	250,745	2,015,000	2,538,655
2027	2.20%	250,745	228,085	2,060,000	2,538,830
2028	2.20%	228,085	204,930	2,105,000	2,538,015
2029	2.20%	204,930	181,225	2,155,000	2,541,155
2030	2.20%	181,225	157,025	2,200,000	2,538,250
2031	2.20%	157,025	132,275	2,250,000	2,539,300
2032	2.20%	132,275	106,975	2,300,000	2,539,250
2033	2.20%	106,975	81,125	2,350,000	2,538,100
2034	2.20%	81,125	54,670	2,405,000	2,540,795
2035	2.20%	54,670	27,610	2,460,000	2,542,280
2036	2.20%	27,610	-	2,510,000	2,537,610
		<u>\$ 4,189,295</u>	<u>\$ 3,774,155</u>	<u>\$ 37,740,000</u>	<u>\$ 45,703,450</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2017
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2018

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
2019	2.54%	\$ 207,496	\$ 203,213	\$ 337,191	\$ 341,474	\$ 1,089,374
2020	2.54%	198,877	194,485	345,810	350,202	1,089,374
2021	2.54%	190,037	185,533	354,650	359,154	1,089,374
2022	2.54%	180,972	176,353	363,715	368,334	1,089,374
2023	2.54%	171,675	166,938	373,012	377,749	1,089,374
2024	2.54%	162,140	157,282	382,547	387,405	1,089,374
2025	2.54%	152,362	147,379	392,325	397,307	1,089,373
2026	2.54%	142,334	137,224	402,353	407,463	1,089,374
2027	2.54%	132,049	126,809	412,638	417,878	1,089,374
2028	2.54%	121,506	116,127	423,185	428,560	1,089,378
2029	2.54%	110,684	105,172	434,003	439,514	1,089,373
2030	2.54%	99,591	93,938	445,096	450,749	1,089,374
2031	2.54%	88,213	82,416	456,473	462,271	1,089,373
2032	2.54%	76,545	70,600	468,142	474,087	1,089,374
2033	2.54%	64,579	58,482	480,108	486,205	1,089,374
2034	2.54%	52,307	46,054	492,380	498,633	1,089,374
2035	2.54%	39,721	33,308	504,966	511,379	1,089,374
2036	2.54%	26,813	20,236	517,874	524,451	1,089,374
2037	2.54%	13,576	6,831	531,111	537,856	1,089,374
		<u>\$ 2,231,477</u>	<u>\$ 2,128,380</u>	<u>\$ 8,117,579</u>	<u>\$ 8,220,671</u>	<u>\$ 20,698,107</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2018

CAPITAL ASSETS:

Land and easements	\$ 12,276,442
Buildings	81,330,062
Improvements other than buildings	71,622,289
Machinery and equipment	57,757,072
Infrastructure	457,736,357
Construction in progress	10,739,062
	<hr/>
Total Capital Assets	\$ 691,461,284
	<hr/> <hr/>

INVESTMENTS IN CAPITAL ASSETS FROM:

Capital Projects Funds:	
General obligation bonds	\$ 54,553,116
Grants	24,476,593
General fund revenues	606,242,283
Special revenue fund revenues	196,011
Gifts	5,912,913
Utility fund revenues	80,368
	<hr/>
Total Investment in Capital Assets	\$ 691,461,284
	<hr/> <hr/>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2018

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government:							
Control:							
General administrative	\$ 1,580,360	\$ 2,555,266	\$ 3,015,125	\$ 278,730	\$ -	\$ -	\$ 7,429,481
Staff Agencies:							
Information system/Technology		215,658	1,264,806	8,755,408			10,235,872
Budget and finance		276,022		22,167			298,189
Personnel services				5,009			5,009
Total Staff Agencies	-	491,680	1,264,806	8,782,584	-	-	10,539,070
Total General Government	1,580,360	3,046,946	4,279,931	9,061,314	-	-	17,968,551
Public Safety:							
Fire department	1,517,199	6,363,962	992,165	10,377,346		1,119,938	20,370,610
Police department	15,332	6,130,234	11,043,183	15,926,215		6,079,357	39,194,321
Total Public Safety	1,532,531	12,494,196	12,035,348	26,303,561	-	7,199,295	59,564,931
Public Works:							
Street department	372,836	40,110	4,592,250	5,322,490	453,703,652	1,331,919	465,363,257
Environmental services	2,726,060	1,042,790	4,902,563	10,471,180		951,273	20,093,866
Special assessments	25,000		7,308,292				7,333,292
Health and welfare	106,381	599,781	79,110				785,272
Engineering department	578,635	996,500	740,126	2,129,691	4,032,705		8,477,657
Culture and recreation	4,369,861	19,598,171	35,142,383	2,800,891		1,104,230	63,015,536
General services		1,455,946	2,113,076	454,392			4,023,414
Equipment maintenance		1,268,529	429,210	1,213,553		152,345	3,063,637
Schools	984,778	40,787,093					41,771,871
Total Other	9,163,551	65,788,920	55,307,010	22,392,197	457,736,357	3,539,767	613,927,802
Total Capital Assets	\$ 12,276,442	\$ 81,330,062	\$ 71,622,289	\$ 57,757,072	\$ 457,736,357	\$ 10,739,062	\$ 691,461,284

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2017	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2018
General Government:				
Control:				
General administrative	\$ 7,457,544	\$ 29,255	\$ 57,318	\$ 7,429,481
Staff Agencies:				
Information system/Technology	10,351,999	698,992	815,119	10,235,872
Budget and finance	298,189			298,189
Personnel services	5,009			5,009
Total Staff Agencies	10,655,197	698,992	815,119	10,539,070
Total General Government	18,112,741	728,247	872,437	17,968,551
Public Safety:				
Fire department	17,703,940	1,546,732		19,250,672
Police department	32,101,497	1,021,467	8,000	33,114,964
Total Public Safety	49,805,437	2,568,199	8,000	52,365,636
Public Works:				
Street department	463,492,348	538,990		464,031,338
Environmental services	18,925,180	510,280	292,867	19,142,593
Special assessments	7,333,292			7,333,292
Health and welfare	736,944	48,328		785,272
Engineering department	8,452,362	36,803	11,508	8,477,657
Culture and recreation	61,058,744	893,606	41,044	61,911,306
General services	3,816,124	215,127	7,837	4,023,414
Equipment maintenance	2,746,794	209,513	45,015	2,911,292
Schools	41,771,871			41,771,871
Construction in progress	2,345,166	9,862,888	1,468,992	10,739,062
Total Other	610,678,825	12,315,535	1,867,263	621,127,097
Total Capital Assets	\$ 678,597,003	\$ 15,611,981	\$ 2,747,700	\$ 691,461,284

STATISTICAL SECTION

This part of the City of Dothan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

SCHEDULES

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1 through 5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

6 through 13

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

14 through 18

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

19 through 20

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

21 through 23

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

	FISCAL YEAR									
	2009*	2010	2011	2012*	2013	2014	2015*	2016	2017	2018*
Governmental activities:										
Net Investment in capital assets	\$ 64,885,874	\$ 72,249,076	\$ 67,878,821	\$ 65,697,028	\$ 60,178,207	\$ 70,247,455	\$ 78,992,990	\$ 92,093,989	\$ 99,604,482	\$ 100,928,041
Restricted			2,095,216	1,890,847	883,855	210,752	270,862	211,985	17,189,646	268,218
Unrestricted	25,478,733	15,901,796	15,648,974	19,429,428	23,962,712	18,504,590	(79,965,943)	(88,314,592)	(108,659,082)	(108,465,918)
Total governmental activities net position	<u>\$ 90,364,607</u>	<u>\$ 88,150,872</u>	<u>\$ 85,623,011</u>	<u>\$ 87,017,303</u>	<u>\$ 85,024,774</u>	<u>\$ 88,962,797</u>	<u>\$ (702,091)</u>	<u>\$ 3,991,382</u>	<u>\$ 8,135,046</u>	<u>\$ (7,269,659)</u>
Business-type activities:										
Net Investment in capital assets	\$ 35,228,445	\$ 76,117,766	\$ 75,242,583	\$ 76,334,093	\$ 77,161,777	\$ 72,624,231	\$ 71,457,839	\$ 75,918,727	\$ 84,196,262	\$ 83,384,524
Restricted										
Unrestricted	43,545,399	12,238,772	15,573,505	26,197,869	34,637,039	45,345,467	14,975,261	22,314,415	28,717,501	43,196,487
Total business-type activities net position	<u>\$ 78,773,844</u>	<u>\$ 88,356,538</u>	<u>\$ 90,816,088</u>	<u>\$ 102,531,962</u>	<u>\$ 111,798,816</u>	<u>\$ 117,969,698</u>	<u>\$ 86,433,100</u>	<u>\$ 98,233,142</u>	<u>\$ 112,913,763</u>	<u>\$ 126,581,011</u>
Primary government:										
Net Investment in capital assets	\$ 100,114,319	\$ 148,366,842	\$ 143,121,404	\$ 142,031,121	\$ 137,339,984	\$ 142,871,686	\$ 150,450,829	\$ 168,012,716	\$ 183,800,744	\$ 184,312,565
Restricted			2,095,216	1,890,847	883,855	210,752	270,862	211,985	17,189,646	268,218
Unrestricted	69,024,132	28,140,568	31,222,479	45,627,297	58,599,751	63,850,057	(64,990,682)	(66,000,177)	(79,941,581)	(65,269,431)
Total primary government net position	<u>\$ 169,138,451</u>	<u>\$ 176,507,410</u>	<u>\$ 176,439,099</u>	<u>\$ 189,549,265</u>	<u>\$ 196,823,590</u>	<u>\$ 206,932,495</u>	<u>\$ 85,731,009</u>	<u>\$ 102,224,524</u>	<u>\$ 121,048,809</u>	<u>\$ 119,311,352</u>

* Restated
The 2018 beginning net position was restated from the 2017 ending net position on October 1, 2018, due to liability related to unspent proceeds not included in the same component of the net position as the asset relating to the unspent proceeds.
The net OPEB liability and deferred outflows related to OPEB caused a net change of (\$22,350,512) in the governmental activities net position.

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

	FISCAL YEAR									
	2009*	2010	2011	2012*	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 12,600,046	\$ 11,001,741	\$ 11,029,224	\$ 11,037,383	\$ 11,674,501	\$ 13,421,727	\$ 11,678,627	\$ 14,050,159	\$ 16,157,747	\$ 13,162,945
Public safety	31,297,631	31,611,850	31,622,540	32,058,857	33,322,634	34,017,891	33,872,304	34,233,915	35,592,823	36,681,330
General services	4,129,934	4,266,239	4,212,794	4,110,320	4,160,935	4,189,632	4,752,498	4,581,959	4,631,761	4,926,254
Planning and development	1,842,436	1,831,734	1,905,105	1,813,546	1,898,944	2,155,072	2,354,316	2,141,697	2,416,951	2,787,596
Other public works	17,090,677	19,370,655	19,261,112	16,805,008	17,717,453	19,033,466	19,706,992	19,667,075	20,418,742	20,260,537
Insurance department	967,449	2,952,101	193,439	805,007	1,280,974	452,688	3,696,580	3,681,005	(279,055)	216,427
Culture and recreation	8,946,229	8,852,430	9,122,274	9,051,421	9,742,400	9,997,179	10,360,999	11,384,383	12,091,856	13,808,637
Education	5,037,882	4,910,453	4,896,831	4,536,041	4,517,464	4,490,160	4,508,114	4,554,804	4,564,102	4,593,084
Health and welfare	2,802,426	2,829,474	2,808,433	3,001,400	4,010,247	3,973,388	4,857,758	3,594,608	3,630,737	3,599,731
Interest/fiscal charges on long-term debt	1,235,362	1,294,921	1,036,530	912,187	829,200	1,066,624	329,021	213,947	180,601	453,754
Total governmental activities expenses	<u>85,950,072</u>	<u>88,921,598</u>	<u>86,088,282</u>	<u>84,131,170</u>	<u>89,154,752</u>	<u>92,797,827</u>	<u>96,117,209</u>	<u>98,103,552</u>	<u>99,406,265</u>	<u>100,490,295</u>
Business-type activities:										
Electric	75,945,047	74,776,610	80,657,794	76,568,506	73,712,450	80,159,130	81,718,419	74,358,920	75,616,094	77,195,434
Water	4,686,129	4,609,101	4,444,222	4,475,163	4,616,969	4,529,883	4,569,134	4,598,015	5,044,756	6,754,148
Wastewater	5,264,458	5,292,632	11,241,561	5,949,634	6,474,014	6,062,445	9,750,754	5,654,421	7,859,160	8,165,508
Billing - collection department	1,685,596	2,192,086	1,719,522	1,963,121	1,876,462	1,931,360	1,760,759	1,646,726	1,779,199	1,532,271
Meter reading department	785,078	773,300	807,608	768,870	840,669	827,914	762,080	753,346	803,913	841,044
Depreciation	5,541,814	5,619,000	5,610,807	5,804,205	6,308,984	8,030,174	8,097,997	8,276,738	8,516,129	9,290,162
Miscellaneous	911,395	682,221	613,665	592,935	753,836	758,777		41,378	139,446	394,383
Bond issue costs	47,485	47,486	47,486					55,262		
(Loss) on disposition of capital assets	1,094	8,600	45,741	289,649	268,174	704,513	205,266	459,404	404,560	264,511
Interest /fiscal charges	1,128,289	2,323,818	2,242,768	2,145,298	1,942,975	1,876,246	2,163,020	2,148,332	2,779,107	2,541,858
Total business-type activities expenses	<u>95,996,385</u>	<u>96,324,854</u>	<u>107,431,174</u>	<u>98,557,381</u>	<u>96,794,533</u>	<u>104,880,442</u>	<u>109,027,429</u>	<u>97,992,542</u>	<u>102,942,364</u>	<u>106,979,319</u>
Total primary government expenses	<u>\$ 181,946,457</u>	<u>\$ 185,246,452</u>	<u>\$ 193,519,456</u>	<u>\$ 182,688,551</u>	<u>\$ 185,949,285</u>	<u>\$ 197,678,269</u>	<u>\$ 205,144,638</u>	<u>\$ 196,096,094</u>	<u>\$ 202,348,629</u>	<u>\$ 207,469,614</u>
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
Other public works	\$	\$ 395,381	\$	\$	\$ 2,475,778	\$ 4,255,759	\$ 4,265,779	\$ 4,316,604	\$ 4,356,163	\$ 4,376,974
Culture and recreation	2,202,950	1,927,497	2,150,847	2,155,359	2,035,062	2,256,651	2,761,083	2,731,858	2,543,654	3,063,641
General government	2,858,833	2,849,820	3,131,858	3,340,348	3,481,504	3,589,525	3,680,914	3,724,842	3,901,338	3,818,479
Public safety	1,715,074	1,695,962	1,824,009	2,034,082	1,841,637	1,895,513	1,907,756	1,598,448	1,491,466	1,334,290
Planning and development	406,971	408,863	436,465	436,958	412,672	429,797	468,221	426,098	449,775	432,826
Operating grants and contributions	102,143	143,851	171,923	136,040	117,809	437,237	517,865	564,624	1,743,473	3,117,078
Capital grants and contributions	4,896,838	3,492,769	1,775,146	1,400,003	1,288,965	1,333,995	1,929,129	1,312,347	3,481,519	3,269,988
Total governmental activities program revenues	<u>12,182,809</u>	<u>10,914,143</u>	<u>9,490,248</u>	<u>9,502,790</u>	<u>11,653,427</u>	<u>14,198,477</u>	<u>15,530,747</u>	<u>14,674,821</u>	<u>17,967,388</u>	<u>19,413,276</u>
Business-type activities:										
Charges for services:										
Electric	88,528,977	90,235,422	92,254,808	91,684,293	89,675,760	93,309,401	93,112,812	90,507,271	92,899,960	95,359,786
Water	8,102,170	8,552,873	9,439,879	9,300,436	8,385,523	8,703,685	9,112,941	9,283,669	10,351,096	10,077,517
Wastewater/sewer	3,663,122	5,941,744	8,372,386	10,439,126	11,917,504	13,997,247	14,283,357	15,567,628	18,260,194	18,947,250
Combined utilities								1,040,333	1,041,610	949,348
E-911	1,191,856	1,163,718	1,099,713	1,278,007	1,443,736	1,744,910				
Capital grants and contributions		3,379,572		195,213	385,744		256,000	345,131	265,000	354,000
Total business-type activities program revenues	<u>101,486,125</u>	<u>109,273,329</u>	<u>111,166,786</u>	<u>112,897,075</u>	<u>111,808,267</u>	<u>117,755,243</u>	<u>116,765,110</u>	<u>116,744,032</u>	<u>122,817,860</u>	<u>125,687,901</u>
Total primary government program revenues	<u>\$ 113,668,934</u>	<u>\$ 120,187,472</u>	<u>\$ 120,657,034</u>	<u>\$ 122,399,865</u>	<u>\$ 123,461,694</u>	<u>\$ 131,953,720</u>	<u>\$ 132,295,857</u>	<u>\$ 131,418,853</u>	<u>\$ 140,785,248</u>	<u>\$ 145,101,177</u>

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

*Restated

(Continued on page 111)

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

	FISCAL YEAR									
	2009*	2010	2011	2012*	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (73,767,263)	\$ (78,007,455)	\$ (76,598,034)	\$ (74,628,380)	\$ (77,501,325)	\$ (78,599,350)	\$ (80,586,462)	\$ (83,428,731)	\$ (81,438,877)	\$ (81,077,019)
Business-type activities	5,489,740	12,948,475	3,735,612	14,339,694	15,013,734	12,874,801	7,737,681	18,751,490	19,875,496	18,708,582
Total primary government net expense	<u>\$ (68,277,523)</u>	<u>\$ (65,058,980)</u>	<u>\$ (72,862,422)</u>	<u>\$ (60,288,686)</u>	<u>\$ (62,487,591)</u>	<u>\$ (65,724,549)</u>	<u>\$ (72,848,781)</u>	<u>\$ (64,677,241)</u>	<u>\$ (61,563,381)</u>	<u>\$ (62,368,437)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property tax	\$ 4,283,982	\$ 4,309,765	\$ 4,452,709	\$ 4,487,450	\$ 4,511,219	\$ 4,427,118	\$ 4,453,043	\$ 4,581,242	\$ 4,639,852	\$ 4,736,318
General sales and use tax	55,758,545	55,274,479	56,531,207	57,265,598	59,091,229	59,591,765	61,636,679	63,927,219	66,203,791	67,059,758
Alcoholic beverage tax	1,238,156	1,191,763	1,191,295	1,210,013	1,185,932	1,224,073	1,225,441	1,276,247	1,279,068	1,250,457
Lodging tax	1,469,729	1,553,786	1,631,247	1,565,896	1,599,957	1,683,150	1,861,592	1,953,346	2,816,800	3,127,058
Franchise tax	1,605,566	2,623,546	2,820,069	2,248,294	2,470,533	2,557,965	1,762,817	2,032,003	1,559,302	2,012,376
Cigarette tax	306,542	325,389	303,738	294,300	265,950	257,850	256,500	226,850	247,150	218,700
Unrestricted grants and contributions	1,432,043	2,836,375	2,047,134	1,835,591	2,710,406	2,208,415	2,333,515	3,520,430	1,052,227	1,006,718
Unrestricted investment earnings	348,556	312,047	253,518	179,658	137,581	137,238	110,618	95,636	118,737	419,681
Miscellaneous	2,693,774	2,573,773	2,236,110	2,498,704	2,604,485	2,442,900	3,660,608	2,427,250	923,980	1,297,966
Transfers	3,118,979	4,792,797	2,603,146	6,101,827	6,931,504	8,006,899	12,438,154	8,081,981	6,741,634	6,893,794
Special items				(1,427,363)	(6,000,000)					
Total governmental activities	<u>72,255,872</u>	<u>75,793,720</u>	<u>74,070,173</u>	<u>76,259,968</u>	<u>75,508,796</u>	<u>82,537,373</u>	<u>89,738,967</u>	<u>88,122,204</u>	<u>85,582,541</u>	<u>88,022,826</u>
Business-type activities:										
Unrestricted grants and contributions		293,194	274,470	196,188	74,849	142,625				
Unrestricted investment earnings	166,359	239,355	114,809	106,013	119,370	98,152	68,360	114,181	227,902	806,622
Gain on sale of capital assets	104,746									
Miscellaneous	957,055	894,467	937,805	1,056,759	990,405	1,062,203	1,281,074	1,016,352	1,318,857	1,045,838
Transfers	(3,118,979)	(4,792,797)	(2,603,146)	(6,101,827)	(6,931,504)	(8,006,899)	(12,438,154)	(8,081,981)	(6,741,634)	(6,893,794)
Total business-type activities	<u>(1,890,819)</u>	<u>(3,365,781)</u>	<u>(1,276,062)</u>	<u>(4,742,867)</u>	<u>(5,746,880)</u>	<u>(6,703,919)</u>	<u>(11,088,720)</u>	<u>(6,951,448)</u>	<u>(5,194,875)</u>	<u>(5,041,334)</u>
Total primary government	<u>\$ 70,365,053</u>	<u>\$ 72,427,939</u>	<u>\$ 72,794,111</u>	<u>\$ 71,517,101</u>	<u>\$ 69,761,916</u>	<u>\$ 75,833,454</u>	<u>\$ 78,650,247</u>	<u>\$ 81,170,756</u>	<u>\$ 80,387,666</u>	<u>\$ 82,981,492</u>
Change in Net Position										
Governmental activities	\$ (1,511,392)	\$ (2,213,735)	\$ (2,527,861)	\$ 1,631,588	\$ (1,992,529)	\$ 3,938,023	\$ 9,152,505	\$ 4,693,473	\$ 4,143,664	\$ 6,945,807
Business-type activities	3,598,921	9,582,694	2,459,550	9,596,827	9,266,854	6,170,882	(3,351,039)	11,800,042	14,680,621	13,667,248
Total primary government	<u>\$ 2,087,529</u>	<u>\$ 7,368,959</u>	<u>\$ (68,311)</u>	<u>\$ 11,228,415</u>	<u>\$ 7,274,325</u>	<u>\$ 10,108,905</u>	<u>\$ 5,801,466</u>	<u>\$ 16,493,515</u>	<u>\$ 18,824,285</u>	<u>\$ 20,613,055</u>

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

* Restated

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
Governmental activities:										
General government	\$ 2,937,237	\$ 2,937,809	\$ 3,239,033	\$ 3,447,668	\$ 3,573,230	\$ 3,694,613	\$ 3,817,970	\$ 3,956,986	\$ 4,994,425	\$ 5,848,879
Public safety	1,775,724	2,071,724	2,218,131	2,243,162	1,973,066	1,991,360	2,661,723	1,720,216	1,938,368	3,706,254
General services							7,500		3,800	
Other public works	4,859,927	2,808,250	1,445,772	1,219,643	3,659,397	5,826,056	5,811,915	5,808,157	8,000,366	6,361,676
Planning and development	406,971	408,863	436,465	436,958	412,672	429,797	468,221	426,098	449,775	432,826
Culture and recreation	2,202,950	2,687,497	2,150,847	2,155,359	2,035,062	2,256,651	2,763,418	2,763,364	2,580,654	3,063,641
Subtotal governmental activities	<u>12,182,809</u>	<u>10,914,143</u>	<u>9,490,248</u>	<u>9,502,790</u>	<u>11,653,427</u>	<u>14,198,477</u>	<u>15,530,747</u>	<u>14,674,821</u>	<u>17,967,388</u>	<u>19,413,276</u>
Business-type activities:										
Electric	88,528,977	90,296,689	92,254,808	91,879,506	89,675,760	93,309,401	93,112,812	90,683,271	92,963,960	95,577,786
Water	8,102,170	9,573,922	9,439,879	9,300,436	8,692,261	8,703,685	9,112,941	9,400,169	10,528,096	10,137,517
Wastewater/sewer	3,663,122	8,239,000	8,372,386	10,439,126	11,996,510	13,997,247	14,283,357	15,620,259	18,284,194	19,023,250
Combined utilities								1,040,333	1,041,610	949,348
E-911	<u>1,191,856</u>	<u>1,163,718</u>	<u>1,099,713</u>	<u>1,278,007</u>	<u>1,443,736</u>	<u>1,744,910</u>				
Subtotal business-type activities	<u>101,486,125</u>	<u>109,273,329</u>	<u>111,166,786</u>	<u>112,897,075</u>	<u>111,808,267</u>	<u>117,755,243</u>	<u>116,509,110</u>	<u>116,744,032</u>	<u>122,817,860</u>	<u>125,687,901</u>
Total primary government	<u>\$ 113,668,934</u>	<u>\$ 120,187,472</u>	<u>\$ 120,657,034</u>	<u>\$ 122,399,865</u>	<u>\$ 123,461,694</u>	<u>\$ 131,953,720</u>	<u>\$ 132,039,857</u>	<u>\$ 131,418,853</u>	<u>\$ 140,785,248</u>	<u>\$ 145,101,177</u>

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

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$14,809,388	\$10,411,532	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved	17,580,459	20,403,277								
Nonspendable			325,046	373,624	327,987	363,341	363,755	295,087	328,562	371,481
Restricted			1,439,033	1,377,477	340,115	148,063	188,753	166,769	151,573	159,431
Committed			7,876,731	8,232,004	7,769,260	12,172,432	17,105,954	10,917,679	6,682,264	12,237,784
Assigned			12,558,731	15,158,610	24,438,262	32,326,280	23,736,193	24,051,435	25,972,721	26,252,150
Unassigned			11,461,686	14,024,201	11,423,170	869,854	4,982,343	4,462,443	5,718,239	3,652,561
Total general fund	<u>\$32,389,847</u>	<u>\$30,814,809</u>	<u>\$33,661,227</u>	<u>\$39,165,916</u>	<u>\$44,298,794</u>	<u>\$45,879,970</u>	<u>\$46,376,998</u>	<u>\$39,893,413</u>	<u>\$38,853,359</u>	<u>\$ 42,673,407</u>
All Other Governmental Funds										
Reserved	\$ 2,014	\$ 2,356	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved, reported in:										
Special revenue funds	296,379									
Capital projects funds	5,023,109	2,261,950								
Debt service funds										
Nonspendable										
Restricted			770,795	2,530,944	1,897,016	62,990	82,174	45,556	17,038,311	13,747,329
Committed										
Assigned										
Unassigned										
Total all other governmental funds	<u>\$ 5,321,502</u>	<u>\$ 2,264,306</u>	<u>\$ 770,795</u>	<u>\$ 2,530,944</u>	<u>\$ 1,897,016</u>	<u>\$ 62,990</u>	<u>\$ 82,174</u>	<u>\$ 45,556</u>	<u>\$17,038,311</u>	<u>\$ 13,747,329</u>

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

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes (see Schedule 6)	\$ 64,662,520	\$ 65,278,728	\$ 66,930,265	\$ 67,071,551	\$ 69,124,820	\$ 69,741,921	\$ 71,196,072	\$ 73,996,907	\$ 76,745,963	\$ 78,404,667
Licenses, fees, and permits	3,208,431	3,185,938	3,528,255	3,708,243	3,851,016	3,936,385	4,055,125	4,101,722	4,301,634	4,173,707
Fines and penalties	1,692,058	1,668,239	1,797,703	1,998,717	1,801,446	1,860,204	1,877,466	1,564,055	1,458,198	1,308,753
Charges for services	2,283,339	2,423,346	2,217,221	2,259,787	4,594,191	6,630,656	7,151,162	7,132,073	6,982,564	7,543,750
Special assessments	98,342	78,042	69,042	53,126	5,503	1,338	690	440	310	312
Intergovernmental	6,321,151	5,397,295	3,944,976	3,319,333	4,031,382	3,732,007	4,741,124	5,246,980	4,191,220	7,079,501
Investment earnings	367,577	355,165	270,620	191,681	143,063	138,210	110,618	95,911	118,785	579,441
Other revenues	2,718,779	2,668,135	2,622,345	2,506,253	2,602,416	2,474,277	3,669,904	2,433,642	1,001,941	1,355,601
Total revenues	81,352,197	81,054,888	81,380,427	81,108,691	86,153,837	88,514,998	92,802,161	94,571,730	94,800,615	100,445,732
Expenditures										
General government	9,866,202	8,911,914	8,914,645	9,155,464	9,870,115	11,775,572	10,425,955	10,762,578	12,291,949	11,795,771
Public safety	28,559,586	28,744,251	28,854,564	29,314,212	30,344,582	31,409,731	31,886,858	32,342,515	33,565,061	34,419,271
Planning and development	1,839,863	1,832,173	1,904,129	1,822,479	1,882,260	2,136,277	2,338,467	2,117,536	2,374,656	2,750,805
Refuse collection	3,994,678	4,008,706	4,020,027	3,889,251	3,930,479	3,956,596	4,556,186	4,365,873	4,396,932	4,676,888
Other public works	12,543,550	14,320,117	15,360,928	12,796,891	13,755,233	15,092,562	15,696,716	15,388,942	15,760,076	15,463,515
Health and welfare	2,788,176	2,815,224	2,794,183	2,987,149	3,995,997	3,959,138	4,843,508	3,580,357	3,616,487	3,583,668
Culture and recreation	8,211,182	8,130,904	8,349,165	8,280,689	8,960,502	9,218,891	9,461,508	10,474,336	11,064,461	11,851,846
Insurance	967,449	2,952,101	193,439	805,007	1,280,974	452,688	3,696,580	3,681,005	(279,055)	216,427
Capital outlay	10,192,257	7,975,964	3,366,687	4,312,229	5,928,040	10,031,040	12,990,255	18,040,287	12,741,451	13,919,048
Intergovernmental	4,063,613	3,936,184	3,922,562	3,894,777	3,906,473	3,879,169	3,897,123	3,943,813	3,953,470	3,994,051
Debt service										
Interest	1,330,950	1,370,157	1,148,631	1,044,618	942,089	1,249,993	4,367,483	492,721	421,760	732,446
Principal	4,607,050	5,482,224	3,810,718	3,642,914	3,789,647	15,263,505	607,149	3,990,377	2,682,300	3,406,724
Total expenditures	88,964,556	90,479,919	82,639,678	81,945,680	88,586,391	108,425,162	104,767,788	109,180,340	102,589,548	106,810,460
Excess of revenues over (under) expenditures	(7,612,359)	(9,425,031)	(1,259,251)	(836,989)	(2,432,554)	(19,910,164)	(11,965,627)	(14,608,610)	(7,788,933)	(6,364,728)
Other Financing Sources (Uses)										
Bonds issued	5,500,000			2,000,000	6,000,000	11,650,415	43,685		17,000,000	
Capital leases	6,200		9,012					6,426		
Refunding bonds issued										
Payment to Dothan-Houston County Airport Authority Bond Fund					(6,000,000)					
Transfers in	3,118,979	4,792,797	2,603,146	6,101,827	6,931,504	8,006,899	12,438,154	8,081,981	6,741,634	6,893,794
Total other financing sources (uses)	8,625,179	4,792,797	2,612,158	8,101,827	6,931,504	19,657,314	12,481,839	8,088,407	23,741,634	6,893,794
Net change in fund balances	\$ 1,012,820	\$ (4,632,234)	\$ 1,352,907	\$ 7,264,838	\$ 4,498,950	\$ (252,850)	\$ 516,212	\$ (6,520,203)	\$ 15,952,701	\$ 529,066
Debt service as a percentage of noncapital expenditures	7.5%	8.3%	6.3%	6.0%	5.7%	16.8%	5.4%	4.9%	3.5%	4.5%

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

<u>FISCAL YEAR</u>	<u>GENERAL PROPERTY TAX</u>	<u>MOTOR VEHICLE PROPERTY TAX</u>	<u>SALES AND USE TAX</u>	<u>LODGING TAX</u>	<u>FRANCHISE TAX</u>	<u>ALCOHOL BEVERAGE TAX</u>	<u>CIGARETTE TAX</u>	<u>TOTAL</u>
2009	\$ 3,611,410	\$ 672,572	\$ 55,758,545	\$ 1,469,729	\$ 1,605,566	\$ 1,238,156	\$ 306,542	\$ 64,662,520
2010	3,678,498	631,267	55,274,479	1,553,786	2,623,546	1,191,763	325,389	65,278,728
2011	3,770,349	682,360	56,531,207	1,631,247	2,820,069	1,191,295	303,738	66,930,265
2012	3,748,540	738,910	57,265,598	1,565,896	2,248,294	1,210,013	294,300	67,071,551
2013	3,721,013	790,206	59,091,230	1,599,957	2,470,533	1,185,931	265,950	69,124,820
2014	3,705,189	721,928	59,591,765	1,683,150	2,557,966	1,224,073	257,850	69,741,921
2015	3,746,379	706,664	61,636,679	1,861,592	1,762,817	1,225,441	256,500	71,196,072
2016	3,799,056	782,186	63,927,219	1,953,346	2,032,003	1,276,247	226,850	73,996,907
2017	3,886,902	752,950	66,203,791	2,816,800	1,559,302	1,279,068	247,150	76,745,963
2018	3,963,170	773,148	67,059,758	3,127,058	2,012,376	1,250,457	218,700	78,404,667
Change								
2009-2018	\$ 351,760	\$ 100,576	\$ 11,301,213	\$ 1,657,329	\$ 406,810	\$ 12,301	\$ (87,842)	\$ 13,742,147

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

Notes: Includes General Fund, Special Revenue Funds, and Debt Service Fund.
The lodging tax rate in the City of Dothan for the first quarter of Fiscal Year 2017 was 10%. The State of Alabama received 4% and the City of Dothan received 6%. Of the 6% received by the City, 4% was designated to the Dothan Area Convention and Visitors Bureau for the sole purpose of promoting tourism and conventions in the City. For the remaining three quarters of Fiscal Year 2017, the lodging tax rate increased to 13%. The State of Alabama received 4% and the City of Dothan received 9%. Of the 9% received by the City, 4% was designated to the Dothan Area Convention and Visitors Bureau for the sole purpose of promoting tourism and conventions in the City.

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

<u>FISCAL YEAR</u>	<u>RESIDENTIAL PROPERTY</u>	<u>COMMERCIAL AND INDUSTRIAL PROPERTY</u>	<u>LESS: TAX-EXEMPT PROPERTY</u>	<u>TOTAL TAXABLE ASSESSED VALUE</u>	<u>TOTAL DIRECT TAX RATE</u>	<u>ESTIMATED ACTUAL TAXABLE VALUE</u>	<u>TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE</u>
2009	\$ 246,393	\$ 556,086	\$ 64,847	\$ 737,632	5.00	\$ 5,209,313	14.2%
2010	249,511	574,750	69,558	754,703	5.00	5,334,228	14.1%
2011	246,600	577,795	72,937	751,458	5.00	5,348,051	14.1%
2012	245,821	574,686	74,537	745,970	5.00	5,298,026	14.1%
2013	245,054	588,509	90,058	743,505	5.00	5,358,513	13.9%
2014	249,091	627,083	96,235	779,939	5.00	5,604,864	13.9%
2015	250,323	635,923	94,936	791,310	5.00	5,662,751	14.0%
2016	255,871	655,519	97,679	813,711	5.00	5,813,287	14.0%
2017	259,100	683,993	106,103	836,990	5.00	5,956,459	14.1%
2018	253,088	710,947	132,326	831,709	5.00	5,990,282	13.9%

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

Notes: Represents fiscal year the taxes were assessed. Taxes are due and collected in the next fiscal year.
 *Does not include motor vehicles.

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

FISCAL YEAR	CITY DIRECT RATES					OVERLAPPING RATES						
	BASIC RATE	GENERAL OBLIGATION DEBT SERVICE	REDEVELOPMENT DEBT SERVICE	REDEVELOPMENT PROGRAM	TOTAL DIRECT RATE	DOTHAN SCHOOL DISTRICT	HOUSTON COUNTY	HOSPITAL**	COUNTY-WIDE SCHOOL	STATE OF ALABAMA	ADDITIONAL SCHOOL LEVY*	TOTAL
2009	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2010	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2011	5.00				5.00	3.50	10.50	1.00	4.50	6.50	2.00	28.00
2012	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2013	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2014	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2015	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2016	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2017	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2018	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50

Source: Houston County Revenue Commissioner

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

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

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

TAXPAYER	2018			2009		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Triad of Alabama, LLC	\$ 9,281,360	1	1.12%	\$ 9,544,300	3	1.29%
Centurytel of Alabama, LLC	8,484,840	2	1.02%	12,766,820	1	1.73%
Nutcracker Brands/Flavor House Products, Inc.	7,092,260	3	0.85%			
Wayne Farms, LLC / Perdue Farms, Inc.	6,887,120	4	0.83%	4,248,860	5	0.58%
Inland American Dothan Pavilion, LLC	5,404,020	5	0.65%			
Watson & Downs Investments, LLC	5,029,060	6	0.60%	4,205,280	6	0.57%
Wiregrass Electric	4,315,160	7	0.52%	2,755,700	9	0.37%
WMJSHR Investments, LLC	4,228,260	8	0.51%			
Wiregrass Mall Associates, LLC /PR Wiregrass Commons, LLC	4,161,020	9	0.50%	4,052,240	7	0.55%
Flowers Hospital	3,964,400	10	0.48%	5,309,520	4	0.72%
Sony Magnetic Products, Inc.				10,438,140	2	1.42%
Fourth Quarter Properties 91, LLC				2,812,040	8	0.38%
Wal-Mart Real Estate Business Trust				2,739,800	10	0.37%
Total	\$ 58,847,500		7.08%	\$ 58,872,700		7.98%

Source: Revenue Commissioner Houston County

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

FISCAL YEAR ENDED SEPTEMBER 30	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2009	\$ 3,670,577	\$ 3,607,196	98.27 %	\$ 761	\$ 3,607,957	98.29 %
2010	3,865,797	3,672,452	95.00 %	953	3,673,405	95.02 %
2011	3,848,606	3,761,967	97.75 %	2,807	3,764,774	97.82 %
2012	3,835,211	3,740,606	97.53 %	3,869	3,744,475	97.63 %
2013	3,811,831	3,708,840	97.30 %	4,532	3,713,372	97.42 %
2014	3,897,992	3,695,296	94.80 %	1,127	3,696,423	94.83 %
2015	3,955,141	3,738,332	94.52 %	1,897	3,740,229	94.57 %
2016	4,066,603	3,791,823	93.24 %	1,174	3,792,997	93.27 %
2017	4,183,924	3,878,555	92.70 %	652	3,879,207	92.72 %
2018	4,160,474	3,976,368	95.57 %	-	3,976,368	95.57 %

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

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Accommodation & Food Services	\$ 191,417	\$ 192,631	\$ 198,879	\$ 252,250	\$ 300,239	\$ 312,830	\$ 482,549	\$ 516,333	\$ 497,075	\$ 383,565
Administrative & Waste Mgmt.	7,676	6,141	7,197	6,764	4,853	1,829	5,733	28,890	17,194	9,505
Agriculture, Forestry, Fishing, etc.	10	181	641	570	587	644	414	464	427	450
Arts, Entertainment & Recreation	8,218	7,564	7,398	12,116	26,255	34,848	19,283	33,982	18,246	34,884
Construction	14,177	9,923	11,656	20,709	25,163	49,213	17,548	41,704	31,930	27,569
Educational Services	1,981	2,730	2,702	2,157	1,505	4,484	1,911	2,041	1,944	1,848
Finance & Insurance	3,168	3,388	4,196	9,048	13,735	14,762	3,710	4,832	13,591	4,630
Health Care & Social Assistance	19,001	19,441	16,304	17,880	40,657	20,759	22,063	43,759	47,494	30,722
Information	21,755	22,926	26,683	21,483	27,238	23,621	48,227	41,624	34,016	31,406
Management of Companies	30	97	89	62	41	67	36	27	26	3,097
Manufacturing	80,441	72,888	75,504	93,248	106,322	122,218	108,290	111,240	67,043	70,037
Mining	102	42	52	105	23	6	90	563	892	957
Other Services	24,436	26,512	27,516	53,414	64,822	85,159	70,830	100,800	48,377	54,819
Professional Services	20,185	21,918	22,880	29,991	38,199	53,510	49,582	51,593	41,691	37,538
Public Administration	633	137	598	557	579	716	703	980	699	1,108
Real Estate & Rental & Leasing	7,849	7,755	6,100	7,796	9,521	13,515	7,912	9,007	48,581	14,247
Retail Trade	1,046,522	1,073,437	1,097,597	1,292,801	1,367,725	1,415,577	1,398,196	1,501,220	1,452,838	1,453,068
Transportation & Warehousing	10,281	9,763	8,115	7,061	8,006	6,436	9,787	5,651	11,170	22,551
Unidentified*	99	4,285	8,503	8,570	19,662	60,543	40,195	1	-	586
Utilities	331	310	38	113	70	42	29	43	81	190
Wholesale Trade	121,898	137,284	143,753	159,921	182,704	185,190	154,872	167,001	152,871	174,091
Total	\$ 1,580,210	\$ 1,619,353	\$ 1,666,401	\$ 1,996,616	\$ 2,237,906	\$ 2,405,969	\$ 2,441,960	\$ 2,661,755	\$ 2,486,186	\$ 2,356,868
City direct sales tax rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Sources: Avenu Insights and Analytics

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

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

<u>FISCAL YEAR</u>	<u>CITY SALES TAX RATE</u>	<u>HOUSTON COUNTY SALES TAX RATE</u>	<u>STATE SALES TAX RATE</u>	<u>TOTAL SALES TAX RATE</u>
2009	4.00%	1.00%	4.00%	9.00%
2010	4.00%	1.00%	4.00%	9.00%
2011	4.00%	1.00%	4.00%	9.00%
2012	4.00%	1.00%	4.00%	9.00%
2013	4.00%	1.00%	4.00%	9.00%
2014	4.00%	1.00%	4.00%	9.00%
2015	4.00%	1.00%	4.00%	9.00%
2016	4.00%	1.00%	4.00%	9.00%
2017	4.00%	1.00%	4.00%	9.00%
2018	4.00%	1.00%	4.00%	9.00%

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

Note: The last City Sales Tax Rate increase became effective on January 1, 2007.

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

<u>TAX REMITTER</u>	<u>FISCAL YEAR</u>	
	<u>2018</u>	<u>2009</u>
	<u>RANK</u>	<u>RANK</u>
Wal Mart Stores East, LP	1	1
Sams East, Inc.	2	2
Lowes Home Centers, Inc.	3	3
Publix Alabama, LLC	4	
Winn Dixie Montgomery, LLC	5	4
Target Corporation	6	5
Home Depot USA, Inc.	7	6
Academy, LTD	8	
Dolgencorp, LLC	9	
Best Buy Stores, LP	10	7
Higbee Company dba Dillard's		8
Kmart Corporation		9
Pemco Worldwide Services		10

Source: Avenu Insights and Analytics

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

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND CAPITAL LEASES	SEWER BONDS			
2009	\$ 26,945,000	\$ 5,389,630	\$ 4,835,404	\$ 12,453	\$ 55,308,014	\$ 92,490,501	2.42%	\$ 1,370
2010	23,575,000	3,277,405	2,088,450	10,015	59,103,014	88,053,884	2.47%	1,344
2011	21,935,000	1,115,700	2,035,000	7,124	57,120,000	82,212,824	2.78%	1,245
2012	22,317,371 *	6,290	1,960,000	3,697	60,951,220 *	85,238,578	2.83%	1,265
2013	24,417,673	2,002	1,880,000		56,964,413	83,264,088	2.93%	1,224
2014	19,966,720		1,800,000		74,020,000	95,786,720	2.58%	1,400
2015	15,460,112	29,500	1,715,000		71,090,000	88,294,612	2.86%	1,288
2016	11,333,197	19,154	1,625,000		108,686,621	121,663,972	2.13%	1,830
2017	25,513,661	3,080	1,535,000		101,934,135	128,985,876	2.09%	1,891
2018	21,955,897	807	1,440,000		95,279,351	118,676,055	N/A	N/A

*Restated

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

FISCAL YEAR	GENERAL BONDED DEBT OUTSTANDING		TOTAL	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>			
	GENERAL OBLIGATION BONDS	GENERAL OBLIGATION BONDS			
2009	\$ 26,945,000	\$ 60,143,418	\$ 87,088,418	1.67%	\$ 1,290
2010	23,575,000	61,191,464	84,766,464	1.59%	1,294
2011	21,935,000	59,155,000	81,090,000	1.52%	1,228
2012	22,317,371 *	62,911,220	85,228,591 *	1.61%	1,265
2013	24,417,673	58,844,413	83,262,086	1.55%	387
2014	19,966,720	75,820,000	95,786,720	1.71%	1,409
2015	15,460,112	72,805,000	88,265,112	1.56%	1,290
2016	11,333,197	110,311,621	121,644,818	2.09%	1,774
2017	25,513,661	103,469,135	128,982,796	2.17%	1,884
2018	21,955,897	96,719,351	118,675,248	1.98%	1,740

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

*Restated

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 16
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2018

	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE*</u>	<u>ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT</u>
City of Dothan Direct Debt			
General Bonded Debt and Warrants	\$ 21,956,704	100.00%	\$ 21,956,704
Overlapping Debt			
Houston County	11,825,000	57.66%	6,818,295
Southeast Alabama Medical Center	-	57.66%	-
Total direct and overlapping debt			<u><u>\$ 28,774,999</u></u>

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

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

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit*	\$ 191,328,028	\$ 192,998,984	\$ 194,656,994	\$ 186,370,584	\$ 190,511,700	\$ 190,557,624	\$ 173,502,148	\$ 179,792,708	\$ 185,456,908	\$ 183,047,356
Total net debt applicable to limit	<u>11,303,438</u>	<u>8,782,413</u>	<u>6,619,262</u>	<u>6,674,634</u>	<u>5,762,931</u>	<u>3,197,398</u>	<u>1,408,249</u>	<u>19,154</u>	<u>17,003,080</u>	<u>16,339,057</u>
Legal debt margin	<u>\$ 180,024,590</u>	<u>\$ 184,216,571</u>	<u>\$ 188,037,732</u>	<u>\$ 179,695,950</u>	<u>\$ 184,748,769</u>	<u>\$ 187,360,226</u>	<u>\$ 172,093,899</u>	<u>\$ 179,773,554</u>	<u>\$ 168,453,828</u>	<u>\$ 166,708,299</u>
Total net debt applicable to the limit as a percentage of debt limit	5.91%	4.55%	3.40%	3.58%	3.02%	1.68%	0.81%	0.01%	9.17%	8.93%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 915,236,780
Debt limit (20% of assessed value)*	183,047,356
Debt applicable to limit:	
General obligation bonds (Includes unamortized bond premium)	118,676,055
Less: Exempt debt	102,336,998
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>16,339,057</u>
Legal debt margin	<u>\$ 166,708,299</u>

Notes: Under state law, the City's outstanding chargeable debt may not exceed 20% of total assessed property value.

*The "debt limit" above refers only to the constitutional debt limit of 20% of the assessed value of all taxable property within the City's corporate limits as per Section 225 of the Constitution of Alabama. For a discussion of the constitutional debt limit imposed by Amendment 772 (shown as Section 94.01 in the Recompiled Constitution of Alabama), see page 16.

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

FISCAL YEAR	WATER REVENUE BONDS						SPECIAL ASSESSMENT BONDS				SALES TAX INCREMENT BONDS			
	UTILITY SERVICE CHARGES	LESS: OPERATING EXPENSES	NET AVAILABLE REVENUE	DEBT SERVICE		COVERAGE	SPECIAL ASSESSMENT COLLECTIONS	DEBT SERVICE		COVERAGE	SALES TAX INCREMENT	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST			PRINCIPAL	INTEREST			PRINCIPAL	INTEREST	
2009	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2010														
2011														
2012														
2013														
2014														
2015														
2016														
2017														
2018														

Notes: The City does not have any pledged revenues.

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

<u>CALENDAR YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u> <i>(thousands of dollars)</i>	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>EDUCATION LEVEL IN YEARS OF SCHOOLING</u>	<u>SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
2009	67,525	\$ 2,234,875	\$ 33,097	36.7	12.7	9,177	9.80%
2010	65,496	2,171,127	33,149	38.6	12.9	9,294	9.00%
2011	66,010	2,287,511	34,654	36.7	12.6	9,314	8.30%
2012	67,382	2,413,354	35,816	36.7	12.5	9,431	7.30%
2013	68,001	2,442,120	35,913	38.0	12.5	9,416	6.40%
2014	68,409	2,467,513	36,070	37.9	12.8	9,480	6.60%
2015	68,567	2,528,682	36,879	38.1	12.8	9,677	6.10%
2016	68,468	2,588,296	37,803	38.1	12.8	9,561	6.20%
2017	68,202	2,692,479	39,478	38.9	12.9	9,535	4.50%
2018	NA	NA	NA	38.9	12.9	9,342	4.10%

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

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

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

<u>EMPLOYER</u>	<u>2018</u>			<u>2009</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL EMPLOYMENT</u>
Southeast Medical/Southeast Alabama Medical Center	2,700	1	5.59%	2,002	2	4.85%
Dothan (City) & Houston County School Systems	1,973	2	4.08%	2,022	1	4.90%
Flowers Hospital	1,350	3	2.79%	1,200	3	2.91%
Wayne Farms (formerly Perdue Farms)	1,300	4	2.69%	800	6	1.94%
City of Dothan	973	5	2.01%	1,015	4	2.46%
Southern Nuclear (Farley)	900	6	1.86%	860	5	2.08%
Michelin Tire	550	7	1.14%	542	8	1.31%
AAA Cooper Transportation	425	8	0.88%	475	9	1.15%
SpectraCare Health Systems	400	9	0.83%			
Houston County Government	399	10	0.83%			
Pemco World Air Services				600	7	1.45%
Wal-Mart Super Center #604				430	10	1.04%
Total	<u>10,970</u>		<u>22.70%</u>	<u>9,946</u>		<u>24.09%</u>

*These figures are for Houston County.

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

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

	FULL-TIME EQUIVALENT EMPLOYEES AS OF SEPTEMBER 30									
Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government										
Administrative services	11	11	11	12	13	13	13	13	13	12
Information systems	16	15	16	15	16	16	14	11	14	14
City clerk	7	7	5	6	4	4	4	4	4	4
Finance	42	41	41	41	40	45	41	43	43	46
Personnel	10	10	9	10	10	10	10	10	10	10
Judicial	14	13	12	13	13	13	12	13	14	13
General services	55	53	53	53	51	51	54	53	53	57
Police										
Officers	157	155	151	158	158	171	167	164	159	157
Civilians	73	66	71	70	72	69	75	69	74	70
Fire										
Firefighters and officers	167	168	168	169	168	171	171	167	171	170
Civilians	3	2	2	3	3	3	3	3	3	3
Refuse collection	81	82	77	73	80	78	74	71	70	70
Other public works										
Engineering	14	16	16	14	15	18	19	16	16	16
Street	43	42	43	44	43	44	42	42	43	45
Traffic	14	11	11	12	13	13	12	12	12	12
Other	6	6	5	6	0	0	6	6	6	7
Planning and development	18	17	17	16	20	21	20	21	23	23
Parks and recreation	58	60	60	57	63	64	61	62	68	70
Performing arts	11	10	11	11	11	12	12	10	12	10
Electric	61	61	62	66	67	65	63	64	66	68
Water	37	35	35	33	34	36	34	37	38	37
Wastewater	55	55	51	54	50	54	52	51	54	59
Total	953	936	927	936	944	971	959	942	966	973

Source: City of Dothan Personnel Department

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

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government										
Building permits issued	4,292	4,032	4,961	4,427	4,215	4,888	5,900	5,577	5,718	5,311
Building inspections conducted	8,881	7,614	7,104	6,581	7,051	6,954	6,995	7,155	7,090	7,023
Police										
Physical arrests	5,244	6,552	5,239	5,289	5,034	7,199	7,874	6,198	6,212	6,009
Parking violations	437	173	142	118	190	137	75	178	49	121
Traffic and non misdemeanor violations	15,992	14,827	12,423	13,606	9,466	12,337	12,607	17,625	19,080	18,768
Fire										
Emergency responses	8,824	10,201	10,755	11,017	11,198	11,180	12,205	12,836	13,402	13,815
Fires extinguished	418	508	533	464	371	536	396	294	364	284
Inspections	819	3,508	2,614	2,662	2,603	2,167	2,565	2,157	2,177	2,185
Refuse collection										
Refuse collected (tons per day)	240.00	227.00	231.61	243.42	253.82	178.20	118.27	126.89	119.92	155.38
Recyclables collected (tons per day)	4.66	2.28	2.71	2.92	4.15	4.35	5.36	5.94	6.32	9.23
Other public works										
Street resurfacing (miles)	16	16	14	13	16	15	10	13	15	11
Parks and recreation										
Athletic field permits issued	267	126	242	381	364	466	345	461	445	301
Community center admissions*	78,053	82,344	106,696	110,943	106,880	121,097	129,346	110,508	91,606	100,635
Library										
Volumes in collection - books	208,625	208,097	180,642	170,078	183,821	152,920	152,681	136,597	139,796	107,957
Volumes in collection - audio/video	4,736	3,950	4,266	7,567	8,178	8,048	8,287	15,645	17,723	18,755
Volumes borrowed	248,108	286,541	235,517	239,238	317,074	228,672	288,661	344,397	394,623	488,046
Water										
New connections	66	98	315	144	435	185	284	396	442	106
Water main breaks	140	226	209	169	180	154	179	154	167	110
Average daily consumption (thousands of gallons)	10,079	12,664	13,038	11,470	9,548	11,252	10,406	12,274	13,028	12,019
Peak daily consumption (thousands of gallons)	20,611	20,611	24,013	22,744	20,942	19,439	18,514	20,239	19,656	19,814
Wastewater										
Average daily sewage treatment (thousands of gallons)	14,818	12,150	9,611	9,631	14,437	13,619	10,551	15,475	12,635	11,509

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

Notes: *Figures for 2009-2010 include community center admissions plus the number of times the Westgate Tennis Complex was rented by an organization. Figures for 2011-2018 include community center admissions plus the number of admissions to the Westgate Tennis Complex.

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

	FISCAL YEAR									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	17	17	17	17
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	52	52	52	52	51	51	51	49	49	49
Other public works										
Streets (miles)	452	452	455	455	455	455	455	455	457	457
Highways (miles)*	58	58	58	58	58	58	59	59	59	59
Street lights	13,854	13,979	15,135	15,378	15,722	15,766	15,847	16,345	17,981	18,021
Traffic signals	190	190	190	190	190	190	190	190	190	190
Parks and recreation										
Acreage	706	706	706	708	708	708	708	1,092	1,102	1,102
Playgrounds	10	10	13	15	15	15	15	15	16	16
Baseball/softball diamonds	31	31	31	31	31	31	31	31	44	44
Soccer/football fields	8	8	8	8	8	8	8	8	9	9
Community centers	7	7	7	7	7	7	7	7	7	7
Tennis courts	47	47	47	47	47	47	47	47	47	47
Dog-friendly park						1	1	1	1	1
Water										
Water mains (miles)	479	488	497	502	505	507	510	512	514	516
Fire hydrants	2,977	3,021	3,430	3,459	3,470	3,482	3,499	3,514	3,634	3,648
Storage capacity (thousands of gallons)	14,500	14,500	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Wastewater										
Sanitary sewers (miles)	492	497	504	505	505	505	506	506	510	511
Storm sewers (miles)	174	181	183	185	186	186	187	187	187	188
Treatment capacity (thousands of gallons)	23,120	23,120	23,120	22,120	22,120	22,120	22,120	22,120	22,120	22,120

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

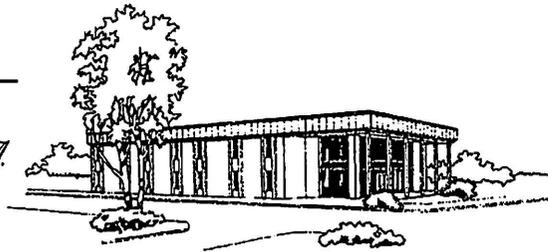
Note: *Highway miles are miles of roadway within the City limits that are maintained by the Alabama Department of Transportation (ALDOT).

SINGLE AUDIT SECTION

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

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

Rebecca C. Solomon, C.P.A.
Richmond C. McClintock, C.P.A.
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Dothan, Alabama's basic financial statements and have issued our report thereon dated March 11, 2019.

Internal Control over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in the internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See finding 2018-001).

Compliance and Other Matters

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

City of Dothan's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



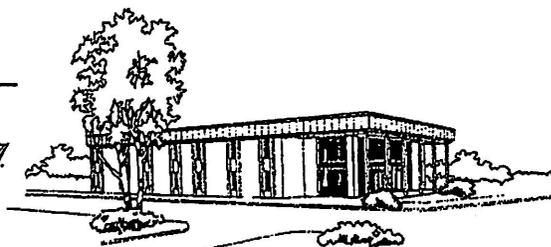
McCLINTOCK, NELSON & ASSOCIATES, P.C.
Certified Public Accountants

March 11, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Dothan, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Dothan, Alabama's major federal programs for the year ended September 30, 2018. The City of Dothan, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dothan, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dothan, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Dothan, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

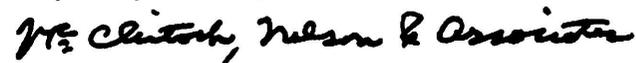
Management of the City of Dothan, Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dothan, Alabama's internal control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

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

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

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

Respectfully submitted,



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

March 11, 2019

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 10-01-17</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-18</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-15-MC-01-0010 - B-17-MC-01-0010	\$ 1,316,133	\$ 11,959	\$ 484,553	\$ 484,553	\$ 57,058
<u>Passed Through Dothan Housing Authority:</u>							
Public Housing Capital Fund	14.872	None	175,000	175,000	175,000	175,000	175,000
Total U.S. Department of Housing and Urban Development				<u>186,959</u>	<u>659,553</u>	<u>659,553</u>	<u>232,058</u>
U.S. DEPARTMENT OF JUSTICE:							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	24,174	4,298	17,840	17,840	12,350
Body Worn Camera Grant	16.835	None	202,500	172,562	29,939	29,939	
Edward Byrne Memorial Justice Assistance Grant	16.738	None	23,437		12,610	12,610	12,610
Total U.S. Department of Justice				<u>176,860</u>	<u>60,389</u>	<u>60,389</u>	<u>24,960</u>
U.S. DEPARTMENT OF TRANSPORTATION:							
Local Impact	20.600	None	46,039		46,372	46,372	333
Local Impact	20.616	None	11,169		11,323	11,323	2,351
Local Impact	20.616	None	5,000		2,995	2,995	2,995
Local Impact	20.600	None	4,305		4,305	4,305	4,305
MPO Grant - Denton Road	20.205	STPOA-9450 (602)	1,200,000	229,794	174,398	174,398	174,398
Resurfacing Streets	20.205	ST-035-999-006	100,000		100,000	100,000	
Relocation Water & Sanitary Sewer Facilities	20.205	RPF-NHF-HPPF	367,210		79,125	79,125	79,125
MPO Transportation Planning Grant	20.205	None	202,582		129,219	129,219	75,632
Safe Routes to School	20.205	TAPOA-TA15(922)	383,074	348,681	400	400	
Alternatives Plan (TAP) -Shared Use Trail	20.205	TAPAA-TA17(932)	400,000		76,419	76,419	76,419
Total U.S. Department of Transportation				<u>578,475</u>	<u>624,556</u>	<u>624,556</u>	<u>415,558</u>

(Continued on Page 138)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 10-01-17</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-18</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:							
<u>Direct Programs:</u>							
Bomb Equipment Grant	97.067	None	\$ 44,095	\$	\$ 44,095	\$ 44,095	\$
Bomb Equipment Grant	97.067	None	30,000		23,931	23,931	23,931
Hazmat and Rescue Teams	97.067	None	21,791		18,548	18,548	
Total U.S. Department of Homeland Security				-	86,574	86,574	23,931
U.S. DEPARTMENT OF AGRICULTURE:							
<u>Passed Through State Department of Education:</u>							
Summer Food Service Program	10.559	AKZ-0000	162,078		162,078	162,078	
Children At Risk Feeding Child and Adult Care Program	10.558	AKZ-0000	178,148		175,827	175,827	32,933
Total U.S. Department of Agriculture				-	337,905	337,905	32,933
ENVIRONMENTAL PROTECTION AGENCY:							
<u>Passed Through State of Alabama:</u>							
2017 Brownfields Community - Wide Assessment	66.818	00D58117	300,000		131,953	131,953	54,637
General Obligation Warrant Series 2014 CWSRF-DL	66.458	2014-CWSRF-DL	19,235,000	1,036,104	2,507,948	2,507,948	875,906
General Obligation Warrant Series 2016 CWSRF-DL	66.458	2016-CWSRF-DL	41,085,000	7,045,258	13,621,685	13,621,685	1,293,553
Total Environmental Protection Agency				8,081,362	16,261,586	16,261,586	2,224,096
TOTAL FEDERAL AWARDS				<u>\$ 9,023,656</u>	<u>\$ 18,030,563</u>	<u>\$ 18,030,563</u>	<u>\$ 2,953,536</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

2. ENTITY DEFINITION

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

3. ALLOCATION OF INDIRECT COSTS

The City has no indirect cost allocation plan for grants.

4. CWSRF LOAN

Environmental Protection Agency Loan program passed through the State of Alabama. On September 15, 2014, the City issued \$19,245,000 of general obligation warrants Series 2014-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Wastewater System Improvement Program. These warrants represented state revolving loan funds for which interest is calculated on the entire warrant issued even though the monies are drawn down over the construction period. As of September 30, 2018, \$16,119,409 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2018, there were \$3,125,591 remaining state revolving funds available.

Environmental Protection Agency Loan program passed through the State of Alabama. On July 15, 2016, the City issued \$41,085,000 of general obligations warrants Series 2016-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer System. These warrants represented state revolving loan funds for which interest is calculated on the entire warrant issued even though the monies are drawn down over the construction period. As of September 30, 2018, \$37,435,783 had been drawn down to pay for financing costs. As of September 30, 2018, there were \$3,649,217 remaining state revolving funds available.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SECTION I

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes No

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Uniform Guidance,
2 CFR part 200, subpart F? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.458	Environmental Protection-Agency-CWSRF-DL
20.205	U.S. Department of Transportation-Variou

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001

Condition:

During the testing of expenditures for construction projects, we noted one expenditure which was paid twice in error.

Criteria:

Internal Control is a process designed to provide reasonable assurance with regard to reliability of:

1. Financial Reporting
2. Effectiveness and efficiency of operations
3. Compliance with laws and regulations.

Cause:

The City does have controls in place for all invoices regarding construction projects to be reviewed and approved prior to disbursement by the responsible department head or authorized employee. However, in this case (isolated incident) the invoice was approved in error.

Effect:

The oversight in the review and approval process caused the City to pay twice for the amount billed on the construction project invoice.

Recommendation:

Although an isolated incident, we recommend that all construction project invoices be reviewed more closely and compared to prior invoices to ensure that the amount is accurate. These invoices are more complex and require more monitoring in the review and approval process.

Management's Response:

The City's management acknowledges the finding and will require personnel charged with reviewing and approving the construction invoices to more closely monitor the amount billed in relation to prior invoices and contract calculations.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported